



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer:	919 368 098
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	COASTAL HOLDING AS
Forretningsadresse:	Fredrik Langes gate 14 9008 TROMSØ

### Regnskapsår

Årsregnskapets periode:	10.07.2017 - 31.12.2017
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### Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

### Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Torleif Ernsten
Dato for fastsettelse av årsregnskapet:	29.06.2018

### Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert  
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 07.10.2019



## Resultatregnskap

Beløp i: NOK	Note	2017	2016
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Annen driftsinntekt		2 437 500	
<b>Sum inntekter</b>		<b>2 437 500</b>	<b>0</b>
<b>Kostnader</b>			
Annen driftskostnad		2 437 500	
<b>Sum kostnader</b>		<b>2 437 500</b>	<b>0</b>
<b>Driftsresultat</b>		<b>0</b>	<b>0</b>
<b>Finansinntekter og finanskostnader</b>			
Renteinntekt fra foretak i samme konsern		954 666	
Annen renteinntekt		43 570	
<b>Sum finansinntekter</b>		<b>998 236</b>	
Annen rentekostnad		2 748 680	
<b>Sum finanskostnader</b>		<b>2 748 680</b>	
<b>Netto finans</b>		<b>-1 750 445</b>	
<b>Ordinært resultat før skattekostnad</b>		<b>-1 750 445</b>	<b>0</b>
<b>Ordinært resultat etter skattekostnad</b>		<b>-1 750 445</b>	<b>0</b>
<b>Årsresultat</b>		<b>-1 750 445</b>	<b>0</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>-1 750 445</b>	
<b>Totalresultat</b>		<b>-1 750 445</b>	
<b>Overføringer og disponeringer</b>			
Udekket tap		-1 750 445	
<b>Sum overføringer og disponeringer</b>		<b>-1 750 445</b>	



## Balanse

Beløp i: NOK	Note	2017	2016
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap		69 104 000	
Lån til foretak i samme konsern		101 954 666	
Andre langsiktige fordringer			
<b>Sum finansielle anleggsmidler</b>		<b>171 058 666</b>	
<b>Sum anleggsmidler</b>		<b>171 058 666</b>	<b>0</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
Andre kortsiktige fordringer			
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter o.l.		221 673 570	
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>221 673 570</b>	
<b>Sum omløpsmidler</b>		<b>221 673 570</b>	<b>0</b>
<b>SUM EIENDELER</b>		<b>392 732 236</b>	<b>0</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Aksjekapital		30 000	
<b>Sum innskutt egenkapital</b>		<b>30 000</b>	
<b>Opptjent egenkapital</b>			
Udekket tap		1 750 445	
<b>Sum opptjent egenkapital</b>		<b>-1 750 445</b>	



## Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>Sum egenkapital</b>		<b>-1 720 445</b>	<b>0</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
<b>Annen langsiktig gjeld</b>			
Obligasjonslån		391 881 192	
<b>Sum annen langsiktig gjeld</b>		<b>391 881 192</b>	
<b>Sum langsiktig gjeld</b>		<b>391 881 192</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Kortsiktig konserngjeld		104 000	
Annen kortsiktig gjeld		2 467 489	
<b>Sum kortsiktig gjeld</b>		<b>2 571 489</b>	
<b>Sum gjeld</b>		<b>394 452 681</b>	<b>0</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>392 732 236</b>	<b>0</b>



## Konsernets resultatregnskap

Beløp i: NOK	Note	2017	2016
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Driftsinntekter	14,16	2 438 000	
<b>Sum inntekter</b>		<b>2 438 000</b>	<b>0</b>
<b>Kostnader</b>			
Avskrivinger	7	767 000	
Driftskostnader		65 000	
<b>Sum kostnader</b>		<b>832 000</b>	<b>0</b>
<b>Driftsresultat</b>		<b>1 606 000</b>	<b>0</b>
<b>Finansinntekter og finanskostnader</b>			
Annen renteinntekt		44 000	
<b>Sum finansinntekter</b>	10	<b>44 000</b>	
Annen rentekostnad		2 367 000	
Finanskostnader		382 000	
<b>Sum finanskostnader</b>	10	<b>2 749 000</b>	
<b>Netto finans</b>	10	<b>-2 705 000</b>	
<b>Ordinært resultat før skattekostnad</b>		<b>-1 099 000</b>	<b>0</b>
Skattekostnad på ordinært resultat	15		
<b>Ordinært resultat etter skattekostnad</b>		<b>-1 099 000</b>	<b>0</b>
<b>Årsresultat</b>		<b>-1 099 000</b>	<b>0</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>-1 099 000</b>	
<b>Totalresultat</b>		<b>-1 099 000</b>	
<b>Overføringer og disponeringer</b>			
Overføringer annen egenkapital		-1 099 000	
<b>Sum overføringer og disponeringer</b>		<b>-1 099 000</b>	



## Konsernets balanse

Beløp i: NOK	Note	2017	2016
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Varige driftsmidler</b>			
Skip, rigger, fly og lignende	7	169 233 000	
<b>Sum varige driftsmidler</b>		<b>169 233 000</b>	
<b>Sum anleggsmidler</b>		<b>169 233 000</b>	<b>0</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Andre kortsiktige fordringer		60 000	
Konsernfordringer	16	2 438 000	
<b>Sum fordringer</b>		<b>2 498 000</b>	
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd	9	221 674 000	
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>221 674 000</b>	
<b>Sum omløpsmidler</b>		<b>224 171 000</b>	<b>0</b>
<b>SUM EIENDELER</b>		<b>393 404 000</b>	<b>0</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital	12	30 000	
<b>Sum innskutt egenkapital</b>		<b>30 000</b>	
<b>Opptjent egenkapital</b>			
Udekket tap		1 099 000	



## Konsernets balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>Sum opptjent egenkapital</b>		<b>-1 099 000</b>	
<b>Sum egenkapital</b>		<b>-1 069 000</b>	<b>0</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
<b>Annen langsiktig gjeld</b>			
Obligasjonslån	13	391 881 000	
<b>Sum annen langsiktig gjeld</b>		<b>391 881 000</b>	
<b>Sum langsiktig gjeld</b>		<b>391 881 000</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld	16	104 000	
Annen kortsiktig gjeld		2 489 000	
<b>Sum kortsiktig gjeld</b>		<b>2 593 000</b>	
<b>Sum gjeld</b>		<b>394 474 000</b>	<b>0</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>393 404 000</b>	<b>0</b>



Coastal Holding AS

# Annual Report

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## Directors' Report 2017

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### Operations

The Coastal Holding Group (the Group) is a ship owning Group within the Silk Topco Group. Its purpose is to invest in, and lease out under bareboat charter agreements, specialised cruise vessels for the operation in other Silk Topco Group companies. At 31 December 2017, the Group owned one vessel, MS Richard With, purchased in November 2017. In January 2018, the Group purchased MS Nordlys. Both vessels are operated by Hurtigruten AS, a sister company within the Silk Topco Group, in its operations along the Norwegian coast.

The Silk Topco Group, through its brand Hurtigruten, is the world leader in exploration travel. With a fleet of 14 custom-built expedition cruise vessels – and the world's two first hybrid-powered expedition cruise ships under construction – Hurtigruten is the world's largest expedition cruise company. It offers a unique gateway to experiences in the Arctic, Antarctica, along the Norwegian coast and to other unique destinations to travelers from all over the world. Hurtigruten's operation builds on a rich and proud Norwegian explorer heritage, having connected the many coastal communities in Norway for 125 years, offering the first voyages to Svalbard as early as 1896. Today, Hurtigruten combines a deeply-rooted desire to offer genuine experiences while leaving a smaller footprint as it shapes the future of the growing adventure travel and expedition cruise market. Along the Norwegian coast, Hurtigruten offers the classic Hurtigruten round trip between Bergen and Kirkenes, often referred to as "The world's most beautiful voyage". During the 11-day voyage, guests enjoy the spectacular scenery and highlights such as the Northern Lights or the Midnight Sun. Including Bergen and Kirkenes, the ships call at 34 ports, allowing guests to experience local sights, culture and a rapidly growing number of active excursions. Hurtigruten is the only operator offering year-round, daily departures from each of these 34 ports and holds a unique competitive position on the Norwegian Coast.

Travel industry trends continue to show growth in demand for unique destinations and an increasing interest in adventure travel and expedition cruising. With its strong history and clear positioning, Hurtigruten is becoming known as the world leader in this segment. With its strong focus on sustainability and the environment, Hurtigruten is introducing the world's first hybrid expedition cruise ship, MS Roald Amundsen, powered by hybrid battery technology. Her sister ship, MS Fridtjof Nansen, is due to be launched in 2019. These vessels are under construction at the Kleven Group's yard in Norway and will greatly enhance Hurtigruten's capabilities in the expedition cruise segment.

### Key risk and uncertainty factors

The Group's activities expose it to a variety of financial risks: market risk (including currency and variable interest rate risk), credit risk and liquidity risk. The Group's overarching risk management goal is to increase predictability for the Group's operations and to minimise the impact of fluctuations in macro conditions on the Group's results and financial position.

The Group has defined overarching principles for risk management which encompass guidelines for specific areas such as currency, interest rate, credit risk and the use of financial derivatives. The Board of Directors approves the Group's risk management strategy and reviews it annually.

### Currency risk

The Group is only marginally exposed to foreign currency risk as both the revenue stream from the bareboat charter lease agreements and the group's expenses and financing arrangements are denominated in NOK, the Group's functional currency.

### Interest-rate risk

The Group's interest rate risk is associated with non-current borrowings. Loans subject to a variable interest rate present a risk to the Group's overall cash flow. In 2017, the Group's loans at variable interest rates were in NOK.



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### Credit risk

The Group is exposed to credit risk, as it has only one lessee for the owned vessels. However, the counterparty to the bareboat charter lease agreements is Hurtigruten AS, a sister company within the Silk Topco Group, which in turn is not significantly exposed to credit risk. .

The counterparties to the derivative contracts and cash transactions are limited to financial institutions with high credit ratings. The Group has routines that limit exposure to credit risk relating to individual financial institutions.

### Liquidity risk

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Silk Topco Group's finance function has overall responsibility for managing the Group's liquidity risk. Rolling liquidity forecasts are prepared to ensure that the Group has sufficient liquidity reserves to satisfy the Group's obligations and financial loan covenants.

In November 2017, the Group issued a bond loan of NOK 400 million, with the purpose to invest in the vessels MS Richard With and MS Nordlys. MS Richard With was purchased in 2017, while MS Nordlys was purchased in January 2018. In addition, the Group is going to refurbish the vessels, and part of the external financing has been committed to this purpose. The Silk Topco Group has committed to invest the remaining capital for the planned refurbishing, and release of financing funds from escrow account is contingent on this equity financing.

### Developments in the cruise industry and macro-economic conditions

A large part of Hurtigruten Group's business derive from international guests seeking unique nature-based and active experiences along the Norwegian coast and on the expedition ships. Generally speaking, the global cruise industry has substantial exposure to fluctuations in the world economy, which also applies to Hurtigruten as a niche provider in the world market. A number of Hurtigruten's markets have experienced economic uncertainty in recent years. This has had consequences for Hurtigruten because of key markets like Germany, the UK and the USA suffering from reduced purchasing power, including for holidays and travel. At the same time, visits by foreign cruise ships to Scandinavia in general and Norway and its west coast in particular, are showing a marked increase. Adventure tourism is one of – if not *the* – fastest-growing global tourist trend, and a market in which there is great potential for the unique Hurtigruten product. The adventure traveller segment does not appear to be age, gender or geography specific. People of all kinds, all over the world, want to explore while traveling.

### Financial performance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC), as endorsed by the European Union.

### Consolidated results

The Group commenced operations in November 2017, at the time of purchase of MS Richard With. AS such, the Statement of profit and loss encompass two months of operations.

Total operating revenues for Coastal Holding Group came to NOK 2.4 million in 2017 related to bareboat charter of MS Richard With.

Net financial expenses amounted to NOK 2.7 and was related to interest expenses related to the bond issued in November 2017.

The consolidated net loss for the year was NOK 1.1 million.

### Cash flow and financial position

Cash and cash equivalents in the cash flow statement totaled NOK 0 million at 31 December 2017, not including restricted cash.

Net cash flow from operating activities amounted to NOK 0,1 million.



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Net cash flow used in investment activities was NOK 392 million and includes the purchase of MS Richard With and restricted bank deposits. Restricted funds relate to bond funds in escrow account with DnB, awaiting purchase of MS Nordlys and refurbishment of MS Richard With and MS Nordlys.

Net cash flow from financing activities was NOK 392 million and is related to the bond issued on 16 November 2017.

Consolidated equity at 31 December was negative NOK 1.1 million.

Taking into consideration the future prospects of expected growth in operations and revenues, it is the Board's opinion that the financial position of the Group is sound. The Bareboat lease agreements for MS Richard With and MS Nordlys (commencing in January 2018) are for a period of 5 years, and profitability in the lease agreements are deemed satisfactory to ensure a sound financial position going forward.

In the opinion of the Board of Directors, the consolidated financial statements provide a true and fair view of the Group's financial performance during 2017, and financial position at 31 December 2017. The Board confirms that the consolidated financial statements and the financial statements of the parent company have been prepared based on the going concern assumption, and that it is appropriate to make that assumption.

The net loss for the parent company Coastal Holding AS in 2017 was NOK 1.8 million, which is proposed to be covered by other equity.

The company had no employees in 2017.

### Responsible operations

Being a world leader in exploration travel comes with a responsibility. Sustainability lies at the core of every part of the Hurtigruten Group operation and experience.

The Group's environmental policy sets a clear goal of minimising the impact on the natural environment. Like all other transport and tourist activities, the vessels in the Groups operations have a direct influence on the natural environment through its fuel consumption. Hurtigruten is conscious of its responsibility for safe operation and environmental protection and works continuously to enhance its environmental performance through improvements to both technical and operational solutions.

Hurtigruten continuously pursues improvement processes to reduce its environmental impact and seeks to apply measures which yield genuine environmental gains. Throughout 2017, Hurtigruten has been working on new methods in its maritime activities to further reduce emissions of the greenhouse gases SO<sub>2</sub>, CO<sub>2</sub> and NO<sub>x</sub>. Hurtigruten is also affiliated to the Industrial Fund for Nitrogen Oxides, where the overall goal is a general reduction in NO<sub>x</sub> emissions by Norwegian industry and commerce.

A modernised version of the fuel type resulted in a substantial reduction of SO<sub>2</sub> emissions. The upgrade of propellers has resulted in reduced fuel consumption which, in turn, has reduced emissions.

### Share capital and shareholders

As of 31 December 2017, Coastal Holding AS had one (1) shareholder and a total paid in equity of NOK 30 thousand. Issued shares was 300 with a nominal value of NOK 100 each. Total equity was negative NOK 1,720 thousand.

Oslo, 29. June 2018

Board of Directors of Coastal Holding AS

Daniel Andreas Skjeldam  
Chair

Torleif Ernstsen  
Director



Coastal Holding AS

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# Consolidated Financial Statements



Coastal Holding AS

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## Consolidated statement of profit and loss

<i>(in NOK 1,000)</i>	<i>Note</i>	<b>2017</b>
<b>Operating revenues</b>	14,16	<b>2,438</b>
Operating costs		-65
Depreciation	7	-767
<b>Operating profit/(loss)</b>		<b>1,606</b>
Finance income		44
Finance expenses		-2,749
<b>Finance expenses - net</b>	10	<b>-2,705</b>
<b>Profit/(loss) before income tax</b>		<b>-1,099</b>
Income tax expense	15	0
<b>Profit/(loss) for the year</b>		<b>-1,099</b>

## Consolidated statement of comprehensive income

<i>(in NOK 1,000)</i>	<i>Note</i>	<b>2017</b>
<b>Profit/(loss) for the year</b>		<b>-1,099</b>
<b>Other comprehensive income:</b>		<b>0</b>
<b>Total comprehensive income for the year</b>		<b>-1,099</b>
<b>Total comprehensive income for the year attributable to Owners of the parent</b>		<b>-1,099</b>
<b>Total comprehensive income for the year</b>		<b>-1,099</b>



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## Statement of Financial Position

<i>(in NOK 1,000)</i>	<i>Note</i>	<b>2017</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible assets	7	169,233
<b>Total non-current assets</b>		<b>169,233</b>
<b>CURRENT ASSETS</b>		
Other current receivables		60
Trade and other receivables Silk Topco Group	16	2,438
Restricted cash	9	221,644
Cash and cash equivalents	9	30
<b>Total current assets</b>		<b>224,171</b>
<b>Total assets</b>		<b>393,404</b>
<b>EQUITY</b>		
<b>Equity attribute to owners of the parent</b>		
Ordinary shares	12	30
Retained earnings		-1,099
<b>Total equity</b>		<b>-1,069</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	13	391,881
<b>Total non-current liabilities</b>		<b>391,881</b>
<b>Current liabilities</b>		
Trade and other liabilities Silk Topco Group	16	104
Other current liabilities		2,489
<b>Total current liabilities</b>		<b>2,593</b>
<b>Total liabilities</b>		<b>394,474</b>
<b>Total equity and liabilities</b>		<b>393,404</b>

Oslo, 29 June 2018

  
Daniel Andreas Skjeldam  
Chairman

  
Torleif Ernstsen  
Director



Coastal Holding AS

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Statement of changes in equity

<i>(in NOK 1,000)</i>	Note	Share capital	Retained earnings	Total Equity
<b>Balance at incorporation</b>		30	-	-
Profit/(loss) for the year		-	(1,099)	<b>(1,099)</b>
<b>Other comprehensive income</b>		-	-	-
<b>Total comprehensive income</b>		-	(1,099)	<b>(1,099)</b>
<b>Transactions with owners</b>				
Distribution to owners		-	-	-
<b>Total transactions with owners</b>		-	-	-
<b>Balance at 31 December 2017</b>		30	(1,099)	<b>-1,069</b>



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Cash Flow statement

<i>(in NOK 1,000)</i>	<i>Note</i>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax		(1,099)
Adjustments for:		
Depreciation, amortization and impairment losses	7	767
Amortised borrowing costs		381
Change in working capital		52
<b>Net cash flows from (used in) operating activities</b>		<b>100</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	7	(170,000)
Interest received		44
Change in restricted funds	9	(221,644)
<b>Net cash flows from (used in) investing activities</b>		<b>(391,600)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	13	391,500
Proceeds from share issues	12	30
<b>Net cash flows from (used in) financing activities</b>		<b>391,530</b>
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		30
<b>Cash and cash equivalents at 31 December</b>	9	<b>30</b>



## Notes to the annual financial statements

### Note 1 General information

Coastal Holding AS is a holding company, owning two Special Purpose Vehicles (SPV) (the three companies combined: "The Group") with the purpose of owning and leasing out ships to companies in the Silk Topco Group. The company is 100% owned by Silk Topco AS, the parent company of The Coastal Group. The companies in the Coastal Group were established in 2017.

The Group is registered and domiciled in Norway and headquartered at Fredrik Langes gate 14 in Tromsø.

The Group's presentation currency is Norwegian Kroner.

The consolidated financial statements were approved by the company's Board of Directors on 30 April 2018.

### The following companies are included in the consolidated financial statements

(NOK 1,000)	Registered office	Ownership/voting share
Coastal I As	Oslo, Norway	100.0 %
Coastal II AS	Oslo, Norway	100.0 %

### Note 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are described below.

#### 2.1 Basic policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC), as endorsed by the European Union. The consolidated financial statements have been prepared on a historical cost basis.

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Areas that involve a high degree of such judgments, or are highly complex, and areas in which assumptions and estimates are of material importance for the consolidated financial statements are described in more detail in Note 3.

The Group's consolidated financial statements have been prepared according to uniform accounting policies for similar transactions and events under similar conditions.

#### 2.2 Consolidation policies

The consolidated financial statements include the financial statements of the parent company and its subsidiaries from 10 July 2017 (date of inception) to 31 December 2017.

##### a) Subsidiaries and consolidation

Subsidiaries constitute all companies over which the Group exercises control. Control over an entity arises when the Group is exposed to variability in the return from the entity and has the ability to impact this return by virtue of its influence over the entity. Subsidiaries are consolidated from the time a controlling influence is established and until the controlling influence ceases to exist.



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All intra-Group balances, transactions and unrealised gains and losses on transactions between Group companies are eliminated.

### 2.3 Summary of significant accounting policies

#### A) Revenue recognition

The Group's revenue is primarily from rental income. Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Based on the contracts for the two ships relevant for the 2017 financial statements, both leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Revenue from the sale of goods and services is recognised at fair value, net of VAT, returns, discounts, and rejects.

Sales are recognised when revenue can be reliably measured, and it is probable that the economic benefits associated with the transaction will flow to the Group.

#### B) Translation of foreign currencies

##### (i) Functional and presentation currency

The financial statements of the individual entities in the Group are measured in the currency used in the economic area in which the entity primarily operates (the functional currency). The consolidated financial statements are presented in Norwegian kroner (NOK), which is both the parent company's functional currency and the Group's presentation currency.

##### (ii) Transactions and statement of financial position items

Foreign currency transactions are translated into the functional currency using the transaction rate. Realised and unrealised foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of exchange rates of monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are recognised in the statement of profit and loss. If the currency position is considered a cash flow hedge, gains and losses are recognised as other comprehensive income until the hedged transaction is completed, after which the currency position is transferred to the result on ordinary activities. Foreign exchange gains and losses on loans, cash and cash equivalents are presented (net) in the statement of profit and loss as finance income or expenses.

##### (iii) Group companies

The functional currencies in all the Group companies is NOK.

#### C) Property, plant and equipment

Property, plant and equipment comprise ships. Property, plant and equipment are recognised at cost less depreciation and any impairments. Cost includes costs directly associated with the acquisition of the asset.

According to the bareboat charter agreement, the Group has no responsibility for periodic maintenance of the ships.

The ships are depreciated over the assets expected useful life. Expected useful life is determined based on historical data, as well as the standard useful economic lifetimes in the industry. Residual value is calculated based on estimated sales values for operating assets at the end of their expected useful life. Expected useful life is 12–30 years.



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The useful life and residual value of operating assets are assessed on every statement of financial position date and amended as necessary. When material components of operating assets have different useful lives, these operating assets are recognised as their various components. These components are depreciated separately over each component's useful life. At the end of each accounting period operating assets are assessed for indications of lasting impairment and, in the event of such impairment, the asset's recoverable amount is estimated. When the book value of an operating asset is higher than the estimated recoverable amount, it is written down to the recoverable amount.

Gains and losses on disposals are recognised in the statement of profit and loss under "Other (losses)/gains – net", as the difference between the sales price and the book value.

### D) Financial assets

#### (i) Classification

The Group classifies financial assets in the following categories: at fair value through profit or loss, derivatives used for hedging as well as loans and receivables. The classification depends on the object of the asset. Management determines the classification of financial assets on initial recognition. At 31 December 2017, the Group's entire financial assets are classified as *Loans and receivables*.

Loans and receivables are non-derivative financial assets with fixed payments that are not traded in an active market.

Loans and receivables with maturities less than 12 months are classified as current assets or current liabilities. Balances with more than 12 months maturity are classified as non-current assets or liabilities.

#### (ii) Recognition and measurement

Regular purchases and sales of investments are recognised on the transaction date, which is the date the Group commits to purchase or sell the asset. All financial assets that are not recognised at fair value through profit or loss are initially recognised at fair value plus transaction costs. Loans and receivables are carried in successive periods at amortised cost, using the effective interest method.

### E) Offsetting of financial assets and liabilities

Financial assets and liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### F) Impairment of financial assets

#### *Assets recognised at amortised cost*

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a "loss event") and the impact of that loss event (or events) on estimated future cash flows can be reliably estimated.

The amount of the loss is measured as the difference between the asset's book value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's book value is reduced, and the amount of the loss recognised in the consolidated statement of profit and loss. If the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the fall in value was recognised (such as an improvement in the debtor's credit rating), the previous loss is reversed in the consolidated statement of profit and loss.

Impairment testing of trade receivables is described in section G) below.



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### G) Trade receivables

Trade receivables are amounts due from customers for services sold in the ordinary course of business. If settlement is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets.

Trade receivables are recognised and presented at the original invoice amount and written down following "loss events" that have an impact on the payment of the receivable that can be reliably estimated. Thus, trade receivables are recognised at amortised cost using the effective interest method. The interest element is disregarded if it is insignificant.

### H) Restricted cash

Restricted cash comprise bank deposits the Group cannot freely have available. The restricted cash is held in escrow account with the purpose to purchase and refurbish vessels at a later date. Cash and cash equivalents comprise bank deposits and other short-term liquid investments with original maturities of three months or less.

### I) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Trade payables are valued at fair value on first-time recognition in the statement of financial position. Subsequently, trade payables are measured at amortised cost using the effective interest method. The interest element is disregarded if it is immaterial.

### J) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are recognised at amortised cost using the effective interest method. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit and loss over the period of the borrowings as part of the effective interest.

Borrowings are classified as current liabilities unless there is an unconditional right to defer payment of the liability for at least 12 months after the reporting date. Repayments due within one year are therefore classified as current liabilities.

### K) Borrowing costs

Borrowing costs directly attributable to the acquisition of operating assets are recognised in the statement of financial position until the asset is ready for its intended use. Other borrowing costs are expensed on an ongoing basis.

### L) Current and deferred income taxes

Income tax expense comprises income taxes payable and deferred income tax. Tax is recognised in the statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

In such case, the tax is also recognised in other comprehensive income or directly in equity.

Current tax is calculated in accordance with the tax laws and regulations enacted or substantively enacted at the statement of financial position date in the countries in which the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax laws are subject to interpretation. Based on management's assessment, a provision is made for expected tax payments when necessary.



Deferred tax is calculated on all temporary differences between the tax written down and consolidated financial values of assets and liabilities. Deferred income tax is determined using tax rates and tax laws which have been enacted or substantially enacted by the statement of financial position date and which are expected to apply when the deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the tax-reducing temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and deferred income tax liabilities are recognised net to the extent that there is a desire and ability to settle the taxes within the same tax regime.

#### M) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination benefits. Provisions are not recognised for future operating losses; however, provisions for unprofitable contracts are recognised.

#### 2.4 Changes in accounting policies and disclosures

Standards, amendments and interpretations to existing standards that have not entered into force and which the Group has not early adopted:

- *IFRS 9 Financial Instruments* replaces *IAS 39 Financial Instruments: Recognition and Measurements*. The standard introduces new requirements for the classification, measurement and accounting treatment of financial assets and liabilities, as well as hedge accounting. In accordance with IFRS 9 financial assets are divided into three categories: fair value through other comprehensive income, fair value through profit or loss and amortised cost. The measurement category is established based on the method used for the first-time recognition of the asset. Classification is contingent on the entity's business model for management of its financial instruments and the nature of the cash flows for the individual instrument. Equity instruments are essentially measured at fair value through profit or loss. The enterprise can elect to recognise changes in value through other comprehensive income; however the choice is binding, and on subsequent disposals gains/losses cannot be reclassified through profit or loss. Impairments attributable to credit risk are now recognised based on expected losses rather than the current model where losses must already have been incurred. The standard essentially continues the requirements of IAS 39 for financial liabilities. The greatest change applies to cases where the fair value option has been utilised for a financial liability. In such cases, changes in fair value that are attributable to changes in inherent credit risk are now recognised in other comprehensive income.. IFRS 9 simplifies the requirements for hedge accounting by tying hedging efficiency more closely to management's risk management and providing greater scope for assessment. It also continues the requirement for hedging documentation.

The Group has reviewed the impact of the adoption of IFRS 9 and it is not expected to affect the classification and measurement of financial assets or financial liabilities significantly. The standard entered into force from 1 January 2018.

- *IFRS 15, Revenues from Contracts with Customers* establishes a new five-step model that will apply to revenue arising from contracts with customers. The standard establishes that the customer contract be split into individual performance obligations. A performance obligation can be a product or a service. Revenue is recognised when a customer achieves control over a



product or service, and thus has the opportunity to determine the use of, and can receive the benefits deriving from, the product or the service. The standard replaces *IAS 18 Revenue* and *IAS 11 Construction Contracts* and associated interpretations. The standard entered into force for the financial year beginning 1 January 2018.

IFRS 15 requires adoption either on a retrospective basis or on the modified retrospective basis. The Group has reviewed the impact of IFRS 15 and it is not expected to materially affect the Consolidated statement of income, statement of financial position or statement of cash flows. The Group will adopt IFRS 15 on 1 January 2018. The Group does not expect any significant accounting impact with regards to the implementation of IFRS 15.

- *IFRS 16 Leases*, establishes significant new accounting policies for lessees. IFRS 16 eliminates the current distinction between operating and finance leases as is required by *IAS 17 Leases*, and instead introduces a single lessee accounting model. When applying the new model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and recognise depreciation of lease assets separately from interest on lease liabilities in the statement of profit and loss.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements of *IAS 17*, and continues to require a lessor to classify a lease either as an operating lease or a financial lease.

The Group is in process to evaluate the complete effects of IFRS 16, but does not expect the implementation to materially affect the Consolidated statement of income, financial position or statement of cash flows. The Group will adopt IFRS 16 on 1 January 2019.

- There are no other IFRS standards or interpretations that have not yet entered into force that are expected to have a material impact on the consolidated financial statements.

Note 3 Critical accounting judgments and key sources of estimation uncertainty  
Estimates and judgments are reviewed on an ongoing basis and are based on experience, consultation with experts, trend analyses and several other factors, including forecast future events that are deemed probable under current circumstances.

### 3.1 Critical judgements in applying the Group's accounting policies

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected within the next financial year.

### 3.2 Key accounting estimates and assumptions

The Group makes estimates and assumptions about the future. Thus, by their very nature, the accounting estimates that are made because of the above processes will rarely fully correspond with the outcome.

Estimates and assumptions that have a significant risk of causing a material adjustment to the book values of assets and liabilities within the next financial year are outlined below.

#### (A) Ships

*Useful economic lifetime*



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The level of depreciation depends on the estimated economic lifetime of the ships. These estimates are based on history and experience relating to the Group's vessels. The estimates are reviewed at regular intervals. A change in the estimate will affect depreciation in future periods.

### *Estimated impairment of ships*

Where there are indications of such, the Group tests whether ships have suffered any impairment, see Note 2.3 point F. The book value of the ships is included in the annual impairment test of assets.

## Note 4 Financial risk management

The following discussion concerning financial risk management relates to the policies adopted and applicable to the financial year 2017. The Group uses financial instruments such as bond loans. In addition, the Group utilises financial instruments such as trade receivables, trade payables, etc., that are directly related to day-to-day operations. The Group has also utilised certain financial derivatives for hedging purposes.

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency, fair-value interest rate and variable interest rate risk), credit risk and liquidity risk. The Group's overarching risk management goal is to increase predictability for the Group's operations and to minimise the impact of fluctuations in macro conditions on the Group's results and financial position.

The Group has defined overarching principles for risk management which encompass guidelines for specific areas such as currency, interest rate, credit risk and the use of financial derivatives. The Board of Directors approves the Group's risk management strategy and reviews it annually.

#### (a) Market risk

##### (i) Currency risk

The Group is only marginally exposed to foreign currency risk as both the revenue stream from the bareboat charter lease agreements and the group's expenses and financing arrangements are denominated in NOK, the Group's functional currency.

##### (ii) Cash flow and fair-value interest rate risk

The Group's interest rate risk is associated with non-current borrowings. Loans subject to a variable interest rate present a risk to the Group's overall cash flow. In 2017, the Group's loans at variable interest rates were in NOK.

The Group has no specific hedging strategy to reduce variable interest rate risk. An increase in the interest rate with 0.5 %-points will increase the Group's annual interest expenses with MNOK 2.0.

#### (b) Credit risk

The Group is not materially concerned with credit risk. The counterparty to the bareboat charter lease agreements is Hurtigruten AS, a sister company within the Silk Topco Group.

#### (c) Liquidity risk

Liquidity risk management includes maintaining a sufficient level of liquid assets geared to operational and investment plans and ensuring the availability of sufficient funding from committed credit facilities. The Silk Topco Group's (parent Group) finance function has overall responsibility for managing The Coastal Group's liquidity risk. Rolling liquidity forecasts are prepared to ensure that The Coastal Group has sufficient liquidity reserves to satisfy The Coastal Group's obligations and financial loan covenants.

In November 2017, the Group issued a bond loan of NOK 400 million, with the purpose to invest in the vessels MS Richard With and MS Nordlys. MS Richard With was purchased in 2017, while MS Nordlys was



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purchased in January 2018. In addition, the Group has the intention of refurbishing the vessels, and part of the external financing has been committed to this purpose. The Hurtigruten Group has committed to invest the remaining capital for the planned refurbishing, and release of financing funds from escrow account is contingent on this equity financing.

### 4.2 The company's asset management

The Group's objective for asset management is to secure the fair values of the owned vessels to ensure the ability to continue as a going concern and to provide returns for shareholders. The Group's asset management includes monitoring the market conditions and vessel condition, to ensure that the future remaining fair value is maintained.

### Note 5 Contingencies

As of 31 December 2017, the Group had no contingent liabilities relating to bank guarantees and other guarantees. No significant liabilities are expected to arise with respect to contingencies.

### Note 6 Segment information

The Group has one operating segment, the lease of vessels, and as such, the segment results and assets are equal to the Group's total results and assets.

### Note 7 Property, plant and equipment

<i>(in NOK 1,000)</i>	Ships	Total
<b>Acquisition cost</b>		
As at 1 January 2017	-	-
Additions	170,000	170,000
Disposals	-	-
<b>As at 31 December 2017</b>	<b>170,000</b>	<b>170,000</b>
<b>Accumulated depreciation and impairment</b>		
As at 1 January 2017	-	-
Depreciation	-767	-767
Depreciation disposals	-	-
Impairment losses	-	-
<b>As at 31 December 2017</b>	<b>-767</b>	<b>-767</b>
<b>Book value 31 December 2017</b>	<b>169,233</b>	<b>169,233</b>

Useful economic lifetime 12 - 30 years  
Property, plant and equipment comprise the ship MS Richard With, purchased from Kystruten KS in November 2017.



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### Note 8A Financial instruments by category

The following categories have been used for subsequent measurement of financial assets and liabilities:

As at 31 December 2017

<i>(in NOK 1,000)</i>	Loans and receivables	Total
<b>Assets as per balance sheet</b>		
Other receivables, non-current	90	90
Trade and other receivables	2,438	2,438
Restricted cash	221,644	221,644
<b>Total</b>	<b>224,171</b>	<b>224,171</b>

<i>(in NOK 1,000)</i>	Other financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>		
Total borrowings	391 881	391 881
Trade and other liabilities	2 593	2 593
<b>Total</b>	<b>394 474</b>	<b>394 474</b>

The fair value of the financial assets and liabilities has been assessed and does not differ materially from the carrying amount.

### Note 8B Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

<i>(in NOK 1,000)</i>	2017
Counterparties without external credit ratings:	2 528
<b>Total trade receivables and other receivables</b>	<b>2 528</b>

<b>Cash bank and short-term bank deposits</b>	
A (S&P)	221 644
<b>Total bank deposits</b>	<b>221 644</b>
Cash on hand	-
<b>Total cash and short-term bank deposits</b>	<b>221 644</b>

### Note 9 Cash and cash equivalents

<i>(in NOK 1,000)</i>	2017
Bank deposits	30
<b>Total cash and cash equivalents</b>	<b>30</b>
Restricted bank deposits <sup>1</sup>	221,644
<b>Total restricted cash</b>	<b>221,644</b>



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### Note 10 Finance income and expenses

<i>(in NOK 1,000)</i>	2017
Interest income bank deposits	44
<b>Finance income</b>	<b>44</b>
Interest expenses borrowings	-2,367
Borrowing fees	-382
	<b>-2,749</b>
<b>Finance expenses – net</b>	<b>-2,705</b>

### Note 11 Investments in subsidiaries

<i>(NOK 1,000)</i>	Registered office	Ownership/voting share
Coastal I AS	Oslo, Norway	100.0 %
Coastal II AS	Oslo, Norway	100.0 %

### Note 12 Share capital and shareholder information

<i>(in NOK 1,000 unless otherwise indicated)</i>	Number of ordinary shares	Nominal value	Nominal value of ordinary shares	Total
Share issue 10 July 2017	300	100	30 000	30 000
<b>As of 31 December 2017</b>	<b>300</b>	<b>100</b>	<b>30 000</b>	<b>30 000</b>

All ordinary shares have equal rights.

Shareholder information as at 31 December 2017

Shareholders	Shares	Shareholding
Silk TopCo AS	300	100 %
Total no. of shares	300	100 %

### Note 13 Borrowings

Nominal value at 31 December 2017

<i>(in NOK 1,000)</i>	Nominal value	Unamortized transaction costs	Book value
Bond	400,000	-8,119	391,881
<b>Total</b>	<b>400,000</b>	<b>-8,119</b>	<b>391,881</b>



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### Classification of borrowings

<i>(in NOK 1,000)</i>	2017
<b>Non-current Borrowings</b>	
Bond	391,881
<b>Total borrowings</b>	<b>391,881</b>

The bond is secured with the Group's assets.

<i>(in NOK 1,000)</i>	2017
Book value of collateralised assets	390,877

### Reconciliation of borrowings

<i>(in NOK 1,000)</i>	2017
<b>Total borrowings 1 January</b>	-
<b>Cash flows</b>	
New financing	400,000
Repayments	-
Borrowing costs	-8,500
<b>Non-cash flow</b>	
Amortisation	382
Other	
<b>Total borrowings 31 December</b>	<b>391,881</b>

### Maturity Profile of nominal borrowings

<i>(in NOK 1,000)</i>	2017
Less than one year <sup>1)</sup>	-
Between 1 and 2 years	-
Between 3 and 5 years	400,000
More than 5 years	-
<b>Total</b>	<b>400,000</b>

The carrying amounts of the Group's borrowings are denominated in NOK.

### Fair value calculations

The fair value of the bond approximates the nominal value NOK 400 million at 31 December 2017.

The Group's main source of financing is a bond issued on 16 November through Nordic Trustee AS. The bond has a 3 year tenor with 4% margin over NIBOR. The bond matures at 16 November 2020, with the first call date at 16 November 2018. The bond is secured by the Group's assets MS Richard With and funds in escrow account. The restricted funds will be released for the Group's purchase of MS Nordlys and the following refurbishment of the ships in 2018 and 2019.

### Covenants

There are no covenants attached to the bond financing.

### Note 14 Leases

The Group is lessor in a non-cancellable, 5 year operating lease agreement with Hurtigruten AS for the bareboat charter of MS Richard With. The rent is recognised as operating revenue in the Group.



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Amount of minimum lease payments at 31 December 2017

<i>(in NOK 1,000)</i>	<b>2017</b>
Less than one year <sup>1)</sup>	<b>22,813</b>
Between 1 and 5 years	<b>88,500</b>
More than 5 years	-
<b>Total</b>	<b>111,313</b>

The above table is based on the agreed daily lease rates for the vessel in its current condition. The lease agreements specifies a step-up of daily lease rate of 77%, contingent on the Group upgrading the vessels to a specified level.

## Note 15 Income tax

<i>Income tax expense</i>	
<i>(in NOK 1,000)</i>	<b>2017</b>
Income tax payable	-
Change in deferred income tax asset	-
<b>Total income tax expense</b>	<b>-</b>

The tax on the Group's profit or loss before tax deviates from the amount that would have applied if the Group's weighted average tax rate had been used. The difference can be explained as follows:

<i>(in NOK 1,000)</i>	<b>2017</b>
<b>Profit/(loss) before tax from operations</b>	<b>-1 099</b>
Tax rate	24 %
Calculated tax expense at nominal tax rate	264
Change in the income tax expense as a result of:	
– unrecognised deferred income tax assets	-264
<b>Income tax expense</b>	<b>0</b>
Weighted average tax rate	0 %

The deferred income tax assets relating to tax loss carry forwards are recognised in the statement of financial position to the extent that the Group can utilise the tax loss carry forward against future taxable income. Due to prudence, the Group has elected not to recognise the deferred income tax asset relating to the tax loss for the year. Total tax loss carry forward at 31 December 2017 was NOK 264 thousand. Tax losses may be carried forward for an indefinite period in Norway.

## Note 16 Transactions with related parties

<i>(in NOK 1,000)</i>	<b>2017</b>
<b>Revenues from Silk Topco Group companies</b>	
Hurtigruten AS	2,438
<b>Total revenues from Silk Topco Group companies</b>	<b>2,438</b>



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### Balances with Silk Topco Group companies

*(in NOK 1,000)*

	<b>2017</b>
<b>Receivables from Silk Topco Group companies</b>	
Hurtigruten AS	2,438
<b>Total receivables from Silk Topco Group companies</b>	<b>2,438</b>

### Trade payables and other current payables to Silk Topco Group companies

Silk Topco AS	104
<b>Total trade payables and other current payables to Silk Topco Group companies</b>	<b>104</b>

## Note 17 remuneration

The Group does not have management, and no remuneration to the Board of Directors was paid in 2017.

The auditors received no remuneration for the year 2017.

## Note 18 Events after the statement of financial position date

### Purchase of MS Nordlys

On 11 January 2018 the Group purchased MS Nordlys through the acquisition of 100% of the shares in Kirberg KS and Kirberg AS.



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# Financial statement Parent Company



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Statement of profit and loss

<i>(in NOK 1,000)</i>	<i>Note</i>	<b>2017</b>
<b>Operating revenues</b>	9	<b>2,438</b>
Operating costs	3	-2,438
<b>Operating profit/(loss)</b>		<b>0</b>
Finance income		998
Finance expenses		-2,749
<b>Finance expenses - net</b>	4	<b>-1,750</b>
<b>Profit/(loss) before income tax</b>		<b>-1,750</b>
Income tax expense	5	0
<b>Profit/(loss) for the year</b>		<b>-1,750</b>

Statement of comprehensive income

<i>(in NOK 1,000)</i>	<i>Note</i>	<b>2017</b>
<b>Profit/(loss) for the year</b>		<b>-1,750</b>
<b>Other comprehensive income:</b>		<b>0</b>
<b>Total comprehensive income for the year</b>		<b>-1,750</b>
<b>Total comprehensive income for the year attributable to Owners of the parent</b>		<b>-1,750</b>
<b>Total comprehensive income for the year</b>		<b>-1,750</b>



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## Statement of Financial Position

<i>(in NOK 1,000)</i>	<i>Note</i>	<b>2017</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	6	69,104
Loans to group companies	9	101,955
<b>Total non-current assets</b>		<b>171,059</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		30
Restricted cash	10	221,644
<b>Total current assets</b>		<b>221,674</b>
<b>Total assets</b>		<b>392,732</b>
<b>EQUITY</b>		
<b>Equity attribute to owners of the parent</b>		
Ordinary shares	7	30
Retained earnings		-1,750
<b>Total equity</b>		<b>-1,720</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	8	391,881
<b>Total non-current liabilities</b>		<b>391,881</b>
<b>Current liabilities</b>		
Trade and other liabilities intercompany	9	104
Other current liabilities		2,467
<b>Total current liabilities</b>		<b>2,571</b>
<b>Total liabilities</b>		<b>394,453</b>
<b>Total equity and liabilities</b>		<b>392,732</b>

Daniel Andreas Skjeldam  
Chairman

Oslo, 29 June 2018

Torleif Ernstsen  
Director



Coastal Holding AS

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Statement of changes in equity

<i>(in NOK 1,000)</i>	<i>Note</i>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total Equity</b>
<b>Balance at incorporation</b>		30	-	-
Profit/(loss) for the year		-	(1,750)	<b>(1,750)</b>
<b>Other comprehensive income</b>		-	-	-
<b>Total comprehensive income</b>		-	(1,750)	<b>(1,750)</b>
<b>Transactions with owners</b>				
Distribution to owners		-	-	-
<b>Total transactions with owners</b>		-	-	-
<b>Balance at 31 December 2017</b>		30	(1,750)	<b>-1,720</b>



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## Cash Flow statement

<i>(in NOK 1,000)</i>	<i>Note</i>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax		<b>(1,750)</b>
Adjustments for:		
Other provisions		<b>1,001</b>
<b>Net cash flows from (used in) operating activities</b>		<b>(749)</b>
<b>Cash flows from investing activities</b>		
Purchase of shares and investments in other companies	6	<b>(69,104)</b>
Loans to subsidiaries		<b>(101,000)</b>
Interest received		<b>998</b>
Change in restricted funds		<b>(221,644)</b>
<b>Net cash flows from (used in) investing activities</b>		<b>(390,750)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	8	<b>391,500</b>
Proceeds from share issues		<b>30</b>
<b>Net cash flows from (used in) financing activities</b>		<b>391,530</b>
Net (decrease)/increase in cash and cash equivalents		<b>30</b>
<b>Cash and cash equivalents at 31 December</b>		<b>30</b>



## Notes to the annual financial statements

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### Note 1 General information

Date of incorporation for Coastal Holding AS was 10 July 2017 and the Company is owned by Silk Topco AS which is the ultimate parent company in Silk Topco Group. Coastal Holding AS is the parent in the Coastal Holding Group. The purpose of Coastal Holding AS is owning, through direct ownership of Coastal I AS and Coastal II AS, two cruise vessels for the purpose of bareboat charter lease to Hurtigruten AS.

The information provided in the consolidated financial statements covers the company to a significant degree. Please refer to the consolidated financial statement of the Group for a description of the operative activities within the Group. The financial statements of Coastal Holding AS for the year ended 31 December 2017 were authorized for issue by the Board of Directors on 27 April 2018. The financial statement of the company has been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9, and regulations regarding simplified application of IFRS issued by the Ministry of Finance on 21 January 2008. The company's significant accounting principles are consistent with the accounting principles of the Group, as described in Note 1 of the consolidated financial statement. Where the notes for the parent company are substantially different from the notes for the Group, these are shown below. Otherwise, refer to the notes to the Group's Consolidated Financial Statements (hereinafter referred to as the Consolidated Financial Statements). The option in the regulation for simplified IFRS which the company has utilized in recognition, and measurement and which differ from the consolidated financial statements are:

- Dividends and group contribution  
Dividend and group contributions are recognized in accordance with the Accounting Act and recognized in the reporting period to which they relate.
- Investments in subsidiaries and associates  
Shares in subsidiaries are valued at cost and tested for impairment. Any impairment losses and reversal of impairment losses are classified as net gains (loss and impairment) on investments in subsidiaries in the income statement. Loans provided to subsidiaries are measured at cost according to IAS 39.

### Note 2 Financial Risk

As a result of ordinary operations, the Company is exposed to risk related to fluctuations in exchange and interest rates. The Company is covered by the Silk Topco Groups hedging strategy. Further information can be found in the consolidated group accounts.

#### *Market risk*

##### a) Currency risk

The Company has a bond loan denominated in NOK and is thus to a limited degree exposed to currency risk.

##### b) Price risk

The Company has because of its limited business no significant price risk.

##### c) Cash flow risk



## Coastal Holding AS

Annual Report 2017

The Company has limited cash flow risk. The bareboat charter agreements, secured with the underlying asset, cover the cash flow necessary to meet the company's financial obligations.

### d) Interest risk

The Company has a floating interest rate on the bond loan and is exposed to interest risk. No hedges are made to reduce interest risk.

### *Credit and liquidity risk*

The Company is exposed to credit and liquidity risk. The Company's strategy is to have sufficient cash or credit facilities to finance ongoing operations.

## Note 3 Operating Costs

Operating cost amounting to NOK 2,438 thousand is exclusively bareboat expenses related to MS Richard With charged from Coastal I AS.

## Note 4 Finance income and expenses

<i>(in NOK 1,000)</i>	<b>2017</b>
Intragroup interest income	955
Interest income bank deposits	44
<b>Finance income</b>	<b>998</b>
Interest expenses borrowings	-2,367
Borrowing fees	-382
	<b>-2,749</b>
<b>Finance expenses – net</b>	<b>-1,750</b>

## Note 5 Income tax

*The income tax expense for the year can be broken down as follows*

<i>(in NOK 1,000)</i>	<b>2017</b>
<b>Profit/(loss) before tax from operations</b>	<b>-1,750</b>
Tax rate	24 %
Calculated tax expense at nominal tax rate	420
Change in the income tax expense as a result of: – unrecognised deferred income tax assets	-420
<b>Income tax expense</b>	<b>0</b>
Weighted average tax rate	0 %

The deferred income tax assets relating to tax loss carry forwards are recognised in the statement of financial position to the extent that the Company can utilise the tax loss carry forward against future taxable income. Total tax loss carry forward at 31 December 2017 was NOK 420 thousand. Due to



## Coastal Holding AS

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prudence, the Company has elected not to recognise the deferred income tax asset relating to the tax loss for the year.

### Note 6 Investments in subsidiaries

(NOK 1,000)	Registered office	Ownership/voting share	Book value
Coastal I AS	Oslo, Norway	100.0 %	69,052
Coastal II AS	Oslo, Norway	100.0 %	52
<b>Total</b>			<b>69,104</b>

### Note 7 Share capital and shareholders

(NOK 1,000)	Number of shares	Nominal value	Book value
Share capital	300	0.1	30

All shares carry the same rights in the company.

Shareholders	Shares	Shareholding
Silk TopCo AS	300	100 %
Total no. of shares	300	100 %

### Note 8 Borrowings

#### NOMINAL VALUE AT 31 DECEMBER 2017

(in NOK 1,000)	Nominal value	Unamortized transaction costs	Book value
Bond	400,000	-8,119	391,881
<b>Total</b>	<b>400,000</b>	<b>-8,119</b>	<b>391,881</b>

(in NOK 1,000)	2017
<b>Non-current Borrowings</b>	
Bond	391,881
<b>Total borrowings</b>	<b>391,881</b>

#### MOVEMENT IN BORROWINGS

(in NOK 1,000)	2017
<b>Total borrowings 1 January</b>	-
<b>Cash flows</b>	
New financing	400,000
Repayments	-
Borrowing costs	-8,500
<b>Non-cash flow</b>	
Amortisation	382
Other	
<b>Total borrowings 31 December</b>	<b>391,881</b>



## Coastal Holding AS

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### MATURITY PROFILE

<i>(in NOK 1,000)</i>	<b>2017</b>
Less than one year	-
Between 1 and 2 years	-
Between 3 and 5 years	400,000
More than 5 years	-
<b>Total</b>	<b>400,000</b>

On 16 November 2017, the Company issued a bond in the amount of NOK 400 million, with the purpose of purchase and refurbishment of the leased vessels MS Nordlys and MS Richard With. The bond has a 3 year tenor and matures on 16 November 2020. MS Richard With was purchased in November 2017. On 11 January 2018 the Company purchased MS Nordlys through the acquisition of 100% of the shares in Kirberg KS and Kirberg AS.

### Note 9 Related parties

*(in NOK 1,000)* **2017**

<b>Sale of services to Group companies</b>	
Hurtigruten AS	2,438
<b>Sale of services to Group companies</b>	<b>2,438</b>

<b>Purchase of services from Group companies</b>	
Coastal I	(2,438)
<b>Purchase of services from Group companies</b>	<b>(2,438)</b>

<b>Interest income from Group companies</b>	
Coastal I	955
<b>Total interest income from Group companies</b>	<b>955</b>

### Intragroup balances

*(in NOK 1,000)* **2017**

<b>Loans to Group companies</b>	
Coastal I	101,955
<b>Loans to Group companies</b>	<b>101,955</b>

<b>Trade payables and other current payables to Group companies</b>	
Silk Topco AS	104
<b>Total trade payables and other current payables to Group companies</b>	<b>104</b>



Coastal Holding AS

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Note 10 Cash and cash equivalents

<i>(in NOK 1,000)</i>	<b>2017</b>
Bank deposits	30
<b>Cash and cash equivalents</b>	<b>30</b>
Restricted bank deposits <sup>1</sup>	221,644
<b>Total restricted cash</b>	<b>221,644</b>

*1) Restricted funds relate to bond funds in escrow account with DnB, awaiting purchase of MS Nordlys and refurbishment of MS Richard With and MS Nordlys*

Note 11 Events after balance sheet date

There are no material events after balance sheet date related to Coastal Holding AS. For events after balance sheet date related to the Group, please see the Consolidated Annual Financial Statements.



To the General Meeting of Coastal Holding AS

## *Independent Auditor's Report*

### *Report on the Audit of the Financial Statements*

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#### *Opinion*

We have audited the financial statements of Coastal Holding AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2017, and statements of profits and loss, comprehensive income, changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2017, and consolidated statements of profits and loss, comprehensive income, changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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#### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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PricewaterhouseCoopers AS, Muségata 1, Postboks 6128, NO-9291 Tromsø

T: 02316, org. no.: 987 009 713 MVA, www.pwc.no

Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Independent Auditor's Report - Coastal Holding AS

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*Other information*

Management is responsible for the other information. The other information comprises the Board of Directors' report 2017, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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*Responsibilities of the Board of Directors for the Financial Statements*

The Board of Directors are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The

(2)



Independent Auditor's Report - Coastal Holding AS

risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(3)



Independent Auditor's Report - Coastal Holding AS

### *Report on Other Legal and Regulatory Requirements*

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#### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

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#### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Tromsø, 29 June 2018

**PricewaterhouseCoopers AS**

Rune Kenneth S. Lædre  
State Authorised Public Accountant



**Skatteetaten**

Saksbehandler	Deres dato	Vår dato
Jeanette Munkvold Skovholt	28.05.2018	11.06.2018
Telefon	Deres referanse	Vår referanse
90076012		2018/708994

HURTIGRUTEN AS  
Postboks 6144 Langnes  
9291 TROMSØ

**Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Coastal Holding AS, org.nr. 919 368 098**

Vi viser til deres brev av 28. mai 2018 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Coastal Holding AS.

Skattedirektoratet gir på bakgrunn av en konkret vurdering Coastal Holding AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

**Bakgrunn**

Fra søknaden gjengis:

*Selskapet ble etablert i 2017 og eies av Silk Topco AS («Topco»). Topco er det samme selskapet som kontrollerer 100% av aksjene i Hurtigruten AS («Hurtigruten»). Topco eies igjen med mer enn 80 prosent gjennom et mellomliggende holdingselskap av det engelske private equity selskapet TDR Capital LLP. De øvrige aksjonærene i Topco er to norske, profesjonelle investorer med en samlet eierandel på ca. 16 %, samt ansatte i Hurtigrutens konsernledelse. Både Topco og Hurtigruten avlegger sine årsberetninger og årsregnskap på engelsk.*

*Selskapets hovedfinansiering er et obligasjonslån på NOK 400 millioner («Obligasjonslånet»). Under Obligasjonslånet har Selskapet krav om periodisk rapportering på engelsk og det vil innebære betydelig merarbeid og kostnader å utarbeide regnskaper på norsk i tillegg til engelsk. Investorene i Obligasjonslånet er også profesjonelle og vant til at rapportering skjer på engelsk. I tillegg er altså eierne i konsernet profesjonelle investorer som selv rapporterer på engelsk.*

En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

**Skattedirektoratets vurdering**

Etter regnskapsloven § 3-4 tredje ledd skal ”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a>	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
<a href="mailto:skatteetaten.no/sendepost">skatteetaten.no/sendepost</a>		22 17 08 60



I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

*”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “*informative regnskaper for ulike grupper av regnskapsbrukere*”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet er et konsernselskap hvor majoritetsaksjonærens (80%) ultimate morselskap er et utenlandsk selskap. De øvrige norske aksjonærene er profesjonelle aktører. Eierkretsen er begrenset. Forretningsspråket i konsernet er engelsk. Videre er det vektlagt at andre norske selskap i samme konsern har fått innvilget dispensasjon til å avgi sine årsregnskap og årsberetninger på engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Torstein Kinden Helleland  
*seniorrådgiver*  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Jeanette Munkvold Skovholt

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer*