

Scandlines Danmark ApS

Havneholmen 25, 8.
1561 Copenhagen
Business Registration No
18605600

Annual report 2018

The Annual General Meeting adopted the annual report on 29.04.2019

Chairman of the General Meeting

Name: Søren Poulsgaard Jensen

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Entity detail

Entity

Scandlines Danmark ApS

Havneholmen 25, 8.

1561 Copenhagen

Central Business Registration No (CVR): 18605600

Registered in: Copenhagen

Financial year: 01.01.2018 - 31.12.2018

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Website: www.scandlines.dk

E-Mail: scandlines@scandlines.dk

Supervisory Board

Frans Blach Rossen, Chairman of the Board

Gerlinde Waltraud Helene Krieger

Stig Dambmann

Claus Peter Vitting Nikolajsen

Michael Skeller Andersen

Renée Ulla Mamsen-Svarter

Henrik Sten Hansen

Executive Board

Søren Poulsgaard Jensen, CEO

Per Johannesen Madsen, CFO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P.O. Box 1600

0900 Copenhagen C

Statement by Management on the annual report

The Supervisory Board and the Executive Board have today considered and approved the annual report of Scandlines Danmark ApS for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 29.04.2019

Executive Board

Søren Poulsgaard Jensen
CEO

Per Johannesen Madsen
CFO

Supervisory Board

Frans Blanch Rossen
Chairman of the Board

Gerlinde Waltraud Helene
Krieger

Stig Dambmann

Claus Peter Vitting
Nikolajsen

Michael Skeller Andersen

Renée Ulla Mamsen-Svarter

Henrik Sten Hansen

Independent auditor's report

To the shareholder of Scandlines Danmark ApS

Opinion

We have audited the financial statements of Scandlines Danmark ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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 ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, 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 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 Entity'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 in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 29.04.2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Kirsten Aaskov Mikkelsen
State Authorised Public Accountant
Identification No (MNE) mne21358

Bjarne Iver Jørgensen
State Authorised Public Accountant
Identification No (MNE) mne35659

Management Commentary

	2018	2017	2016	2015	2014
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Financial highlights					
Key figures					
Revenue	701.273	699.662	674.682	666.845	612.285
Gross profit/loss	693.092	590.758	611.645	1.941.429	543.225
Operating profit/loss	434.801	314.766	359.195	1.685.454	319.519
Net financials	111.044	30.619	-10.058	5.617	154.667
Profit/loss for the year	551.491	334.342	315.569	1.688.981	473.507
Total assets	1.139.864	1.203.480	1.756.508	2.032.842	1.718.111
Investments in property, plant and equipment	76.185	80.809	72.417	55.125	0
Equity	991.248	894.135	864.095	737.362	779.221
Average numbers of employees	326	325	302	301	313
Ratios					
Gross margin (%)	98,8	84,4	90,7	291,1	88,7
Net margin (%)	78,6	47,8	46,8	253,3	77,3
Return on equity (%)	58,5	38,0	39,4	222,7	27,9
Equity ratio (%)	87,0	74,3	49,2	36,3	45,4
Revenue per employee	2.151,1	2.152,8	2.234,0	2.215,4	1.956,2

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Revenue per employee	$\frac{\text{Revenue}}{\text{Average number of employees}}$	The entity's productivity

Management Commentary

Primary activities

The Company's primary activities are to operate ferries on the route Puttgarden-Rødby.

Development in activities and finances

The financial year 2018 shows a profit for the year of DKK 551.492 thousands, which is DKK 217.150 thousands higher than 2017.

For a detailed description of finances and activities, we refer to the Group financial statements of Scandferries ApS.

Outlook

The result for 2019 is expected to be in the same level as 2018.

Particular risks

The most material financial risks are currency, oil, interests and credit risks, which only occur in relation to the operating activities. The risk factors are hedged at Group level and we refer to the "Management commentary" in the Group financial statements of Scandferries ApS for a detailed description.

Intellectual capital resources

For a detailed description of intellectual capital resources, we refer to the Group Financial statements of Scandferries ApS.

Staff

The company employed an average of 326 people in the financial year 2018, which is an increase of 1 person compared to 2017.

We continuously work to optimize the psychological and mental work environment. All work related to security is coordinated by the security group. Additionally, we have a constructive dialogue on the development

Environmental performance

Safety for our passengers, crew and vessels is paramount to any other parameter in our business. Weekly and monthly exercises for our crewmembers and testing of our equipment follow mandatory education.

All the vessels are inspected several times during a year, and we are satisfied to hold a high quality in 2018. For more detailed description please see "Management commentary" in the Group financial statements of Scandferries ApS.

Statutory report on corporate social responsibility

Scandlines Danmark ApS considers such matters as human rights, social aspects, environment and anticorruption as important elements of the Group's business strategy and activities.

Corporate Social Responsibility is about living the values and principles that govern our behavior as a responsible business in respect of customers, staff, suppliers and investors. It is our clear policy to comply with the words and spirit of the laws, rules and regulations that apply in the countries within our companies operate.

Statutory report on the underrepresented gender

The Supervisory Board of Scandlines Danmark ApS currently has two female members.

For further detailed description, please see the "Management commentary" in the Group financial statements of Scandferries ApS.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement

	<u>Notes</u>	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Revenue	1	701.273	699.663
Other operating income		228.644	126.697
Revenue total		929.917	826.360
Costs of raw materials and consumables		-60.515	-57.671
Other external expenses		-176.310	-177.931
Gross profit / loss		693.092	590.758
Staff costs	2	-173.031	-178.983
Depreciation and amortisation		-85.260	-97.008
Resultat af ordinær drift		434.801	314.767
Income from investments in group enterprises		134.048	31.246
Other financial income	3	98.888	158.201
Other financial expenses	4	-121.892	-158.829
Profit / loss before tax		545.845	345.385
Tax on profit for the year	5	5.646	-11.043
Profit / loss for the year	6	551.491	334.342

Balance sheet

	<u>Notes</u>	<u>31-12-2018</u> <u>DKK'000</u>	<u>31-12-2017</u> <u>DKK'000</u>
Acquired intangible assets		55.203	43.446
Intangible assets	7	<u>55.203</u>	<u>43.446</u>
Vessels		204.211	227.885
Land and buildings		58.487	60.593
Plant and machinery		137.516	146.198
Other fixtures and fittings, tools and equipment		2.224	3.447
Property, plant and equipment in progress		126.581	111.582
Tangible assets	8	<u>529.019</u>	<u>549.705</u>
Investments in group enterprises		228.346	447.142
Deposits		2.807	2.748
Fixed assets investments	9	<u>231.153</u>	<u>449.890</u>
Fixed Assets		<u>815.375</u>	<u>1.043.041</u>
Manufactured goods and goods for resale		31.736	24.388
Inventories		<u>31.736</u>	<u>24.388</u>
Trade receivables		91.367	68.042
Receivable from affiliated companies		191.619	52.491
Other receivables	10	2	5.015
Prepayments	11	9.156	9.759
Receivables		<u>292.144</u>	<u>135.307</u>
Cash		<u>608</u>	<u>741</u>
Current assets		<u>324.488</u>	<u>160.436</u>
Assets		<u>1.139.863</u>	<u>1.203.477</u>

Balance sheet

	<u>Note</u>	<u>31-12-2018</u> <u>DKK'000</u>	<u>31-12-2017</u> <u>DKK'000</u>
Contributed capital		500.000	500.000
Reserve hedging instruments		-1.719	1.018
Retained earnings		142.966	393.117
Dividend		350.000	0
Equity		<u>991.248</u>	<u>894.135</u>
Trade payables		51.274	50.999
Payable to affiliated companies		11.643	150.860
Other payables	12	73.773	83.932
Income tax payable		823	13.729
Deferred income	13	11.103	9.822
Current liabilities other than provisions		<u>148.616</u>	<u>309.342</u>
Liabilities other than provisions		<u>148.616</u>	<u>309.342</u>
Equity and liabilities		<u>1.139.863</u>	<u>1.203.477</u>
Unrecognised rental and lease commitments	14		
Contingent Liabilities	15		
Assets charged and collateral	16		
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Statement of changes in equity

	Contributed capital DKK'000	Other reserves DKK'000	Retained earnings DKK'000	Dividend DKK'000	Total DKK'000
Equity at 1 January 2018	500.000	1.018	393.117		894.135
Profit / loss for the year			551.491		551.491
Ordinary dividend			-350.000	350.000	
Extra ordinary dividend			-447.150		-447.150
Value adjustment		-2.737	-4.492		-7.229
Equity at 31 December 2018	500.000	-1.719	142.966	350.000	991.248

The share capital consists of 500.000 share at DKK 1.000 nominal. There have not been any changes in the share capital in the past five years.

Notes

	31-12-2018	31-12-2017
	DKK'000	DKK'000
1 Revenue		
Ferry transport	701.273	699.663
Total	701.273	699.663
2 Staff costs		
Salaries and wages	-144.822	-142.070
Pension costs	-26.466	-33.204
Other social security expenses	-1.743	-3.709
Total staff costs	-173.031	-178.983
Average number of employess	326	325
	Rumuneration of	Remuneration of
	management 2018	management 2017
Executive Board	-27.587	-21.605
Supervisory Board	-893	-270
	-28.480	-21.875
<p>The Executive Board receives remuneration for handling the whole Scandferries Group. Therefore, only part of the total remuneration is directly related to the work performed in Scandlines Danmark ApS.</p>		
	31-12-2018	31-12-2017
	DKK'000	DKK'000
3 Other financial income		
Interest from affiliated companies	90.482	157.384
Foreign exchange rate adjustment	8.406	817
Total financial income	98.888	158.201
4 Other financial expenses		
Interest to affiliated companies	-99.777	-146.906
Foreign exchange losses	-22.171	-9.361
Other interest expenses	56	-2.562
Total financial expenses	-121.892	-158.829

	31-12-2018	31-12-2017
	DKK'000	DKK'000
5 Tax on profit/loss for the year		
Current tax	-824	-7.407
Current tax previous year	6.470	-3.636
Total tax on profit for the year	5.646	-11.043

The company is committed to tonnage tax until 2021. The company does not expect to withdraw from the scheme and therefore no deferred tax of tonnage tax assets and liabilities has been recognized.

6 Proposed distribution of profit / loss		
Ordinary dividend for the financial year	350.000	0
Extraordinary dividend distributed in the financial year	447.150	297.616
Retained earnings	-245.659	36.726
Total retained earnings	551.491	334.342

7 Intangible assets	Software
Cost at 1 January	206.621
Additions	145
Transfer	47.358
Disposals	0
Cost at 31 December	254.124
Depreciation and amortisation at 1 January	-163.175
Amortisation for the year	-35.747
Disposals	0
Depreciation and amortization at 31 December	-198.922
Carrying amount at 31 December	55.203

8 Tangible assets	Land and Buildings	Plant and machinery	Vessels
Cost at 1 January	145.503	496.011	1.000.920
Additions	0	0	0
Transfer	403	2.478	8.744
Disposals	0	0	0
Cost at 31 December	145.906	498.489	1.009.664
Depreciation and amortisation at 1 January	-84.910	-349.813	-773.035
Amortisation for the year	-2.509	-11.160	-32.418
Disposals	0	0	0
Depreciation and amortization at 31 December	-87.419	-360.973	-805.453
Carrying amount at 31 December	58.487	137.516	204.211
		Other Fixtures and fittings, tools and equipment	Asset under construction
Cost at 1 January		127.915	111.582
Additions		0	76.185
Transfer		2.203	-61.186
Disposals		0	0
Cost at 31 December		130.118	126.581
Depreciation and amortisation at 1 January		-124.468	0
Amortisation for the year		-3.426	0
Disposals		0	0
Depreciation and amortization at 31 December		-127.894	0
Carrying amount at 31 December		2.224	126.581

9 Fixed assets investments	Investments in group enterprises
Cost at 1 January	579.780
Correction last year	-243.499
Additions	0
Disposals	0
Cost at 31 December	336.281
Revaluations 1 January	-132.638
Correction last year	243.499
Other Equity adjustments	-4.441
Share of profit/loss for the year	134.048
Dividend	-348.404
Revaluations 31 December	-107.936
Carrying amount at 31 December	228.345

	Registered in	Corporate form	Equity interst %
<u>Investments in group enterprises:</u>			
Scandlines Catering ApS	Copenhagen	ApS	100
Scandlines Gedser-Rostock Aps	Copenhagen	ApS	100
		Equity	Profit/Loss
<u>Investments in group enterprises - continued:</u>			
		DKK'000	DKK'000
Scandlines Catering ApS		8.994	4.468
Scandlines Gedser-Rostock Aps		219.351	129.580

	31-12-2018	31-12-2017
	DKK'000	DKK'000
10 Other receivables		
Derivative financial instruments	0	1.018
Other receivables	2	3.997
	<u>2</u>	<u>5.015</u>

Derivative financial instruments measured at fair value. Scandlines Danmark ApS is exposed to fluctuations in bunker prices and hedges part of its bunker with oil derivatives.

11 Prepayments

Prepayments consist of prepaid leasing and IT services.

	31-12-2018	31-12-2017
	DKK'000	DKK'000
12 Other payables		
VAT and duties	184	10.725
Wages and salaries,	39.807	46.379
Derivative financial instruments	1.719	0
Other costs payable	32.063	26.829
	<u>73.773</u>	<u>83.932</u>

Included in Other payable is insurance payables of 18 mDKK (2017: 17 mDKK payables)

Derivative financial instruments measured at fair value. Scandlines Danmark ApS is exposed to fluctuations in bunker prices and hedges part of its bunker with oil derivatives.

13 Deferred income

Short-term deferred income consist of prepaid tickets and deferred income relating to customer loyalty program

	31-12-2018	31-12-2017
	DKK'000	DKK'000
14 Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	23.862	10.734

15 Contigent liabilities

Scandlines Danmark ApS is jointly taxed with all other Danish Scandlines companies. Under the joint taxation scheme, each company is liable only for its own tax on the taxable income until the tax has been paid to the administration company (Scandlines Infrastructure ApS). Scandlines Infrastructure ApS, being the administration company, is the solely obliged to pay the tax on the joint taxation income.

The company is jointly and severally liable for the subsidiaries intra-group accounts in the Scandlines ApS Group's cash pool arrangement

The Company participates in a Danish joint taxation arrangement in which Scandlines Infrastructure ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

16 Assets charged and collateral

Debt of the ultimate parent company is secured by way of a charge on the ultimate parent company's "trademarks", such as Scandlines Danmark ApS' Vessels, Land and Buildings, Shares in subsidiaries and associates, Inventories, Receivables and Bank deposits.

	31-12-2018	31-12-2017
	DKK'000	DKK'000
Vessels	204.211	227.885
Land and buildings as well as harbor facilities and harbor	324.808	321.819
Investments in group enterprises	228.346	447.142
Inventories	31.736	24.388
Receivables	292.144	135.307
Cash and deposits	3.416	3.489

17 Transactions with related parties

There have not been transactions between the company and its related parties which are not carried out under normal market conditions.

18 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Scandferries ApS, Copenhagen

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Scandlines Infrastructure ApS, Copenhagen

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable because of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation because of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Fixed assets purchased in foreign currencies are translated using historical rates.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement**Revenue**

Revenue relating to passenger and cargo ferrying is recognised in the income statement at the departure time of the vessel.

Other operating income

Other operating income and other operating expenses comprises income and cost of a secondary nature to the Entity's primary activities.

Costs of raw materials and consumables

The operating expenses for vessels comprise consumables applied for current operations of vessels, expenses of unplanned shipyard and expenses of current maintenance of safety level on the vessels. Furthermore expenses for changes to the hulls of the vessels or for accommodation construction which did not increase the value in use are included.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing cost, etc. This item also includes writedowns of receivables recognized in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Intangible assets and property, plant and equipment are amortized or depreciated straight-line on the basis of the individual estimate of their useful lives.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income

Other financial income comprises interest income, realised and unrealised capital gains on securities, liabilities other than provisions and foreign currency transactions etc. as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, realised and unrealised capital losses on securities, other than provisions and foreign currency transactions etc. as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish in the Scandlines Group. Current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

The Company joined the tonnage tax scheme with effect from 1 January 2002. Accordingly, the taxable income related to passenger and cargo ferrying has been calculated based on the tonnage for the year. Income related to other activities is taxed under the ordinary rules of tax law.

Balance sheet**Intellectual property rights etc.**

Intellectual Assets include software and other intangible assets.

The basis of amortization is cost less estimated residual value after the end of useful life. The remaining intangible assets are amortized on a straight-line basis using the estimated useful life of three to five years.

Property, plant and equipment

Leasehold improvements, vessels, land and buildings, harbour plant and harbour installations as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Vessels	30-40 years
Docking assets	2 years
Land and buildings	40 years
Harbor facilities and harbor installations	40 years
Other fixtures and fittings, tools and equipment	3-5 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount. Recoverable amount is the higher of value in use (present value of the future net payments) and selling price (broker assessment) less expected selling costs. Value in use is calculated by ferry line.

Profits and losses from the sales of property, plants and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits and losses are recognised in the income statement under other operating income/other operating expenses.

Costs related to planned periodical repairs and maintenance work (docking costs) are capitalized and depreciated straight-line over the period until the next anticipated docking, typically two-five years.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost of goods for resale, raw materials and consumables consist of acquisition price plus delivery costs.

Receivables

Receivables are measured at amortised cost, usually equaling nominal value less write-downs for bad debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at amortized cost, which usually corresponds to the nominal amount.

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The company has according to the Danish Financial Statements Act §86, paragraph 4 omitted to produce a cash flow statement.