

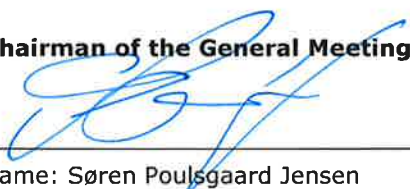
## **Scandlines Danmark ApS**

Havneholmen 25, 8th floor  
1561 Copenhagen V, Denmark  
Central Business Registration No  
18605600

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 24.04.2017

**Chairman of the General Meeting**



Name: Søren Poulsen Jensen

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## Entity details

### Entity

Scandlines Danmark ApS  
Havneholmen 25, 8th floor  
1561 Copenhagen V, Denmark

Central Business Registration No: 18605600  
Registered in: City of Copenhagen, Denmark  
Financial year: 01.01.2016 - 31.12.2016

Phone: +4533151515  
Fax: +4535290201  
Website: [www.scandlines.dk](http://www.scandlines.dk)  
E-mail: [scandlines@scandlines.dk](mailto:scandlines@scandlines.dk)

### Supervisory Board

Frans Blach Rossen, Formand  
Stig Dambmann  
Gerlinde Waltraud Helene Krieger  
Claus Peter Vitting Nikolajsen  
Jan Raymond Saksaa  
Joan Brith Villumsen  
Claus Jensen

### Executive Board

Søren Poulsgaard Jensen, CEO  
Per Johannesen Madsen, CFO  
Morten Steen Haure-Petersen, COO

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
0900 København C

## Statement by Management on the annual report

The Executive Board and the Supervisory Board have today considered and approved the annual report of Scandlines Danmark ApS for the financial year 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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, 24.04.2017

### Executive Board



Søren Poulsen  
CEO



Per Johannesen Madsen  
CFO



Morten Steen Haure-Petersen  
COO

### Supervisory Board



Frans Blach Rossen



Stig Dambmann



Gerlinde Waltraud Helene  
Krieger

### Formand



Claus Peter Vitting Nikolajsen



Jan Raymond Saksaa



Joan Brith Villumsen



Claus Jensen

## Independent auditor's report

### To the shareholders of Scandlines Danmark ApS

#### Opinion

We have audited the financial statements of Scandlines Danmark ApS for the financial year 01.01.2016 - 31.12.2016, 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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 scepticism throughout the audit. We also:

## Independent auditor's report

- 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.

## Independent auditor's report

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, 24.04.2017

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No: 33963556



Kirsten Aaskov Mikkelsen

State Authorised Public Accountant



Bjarne Iver Jørgensen

State Authorised Public Accountant

## Management commentary

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	674	667	612	606	617
Gross profit/loss	611	1.941	543	534	672
Operating profit/loss	359	1.686	320	299	354
Net financials	(11)	6	155	183	349
Profit/loss for the year	315	1.689	474	479	704
Total assets	1.755	2.033	1.718	2.810	2.310
Equity	864	737	779	2.614	2.132
Employees in average	302	301	313	303	316
<b>Ratios</b>					
Gross margin (%)	90,7	291,0	88,7	88,1	108,9
Net margin (%)	46,7	253,2	77,5	79,0	114,1
Return on equity (%)	39,4	222,8	27,9	20,2	33,0
Equity ratio (%)	49,2	36,3	45,3	93,0	92,3
Revenue per employee	2,2	2,2	2,0	2,0	2,0

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

<b>Ratios</b>	<b>Calculation formula</b>	<b>Ratios</b>
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	$\frac{\text{Revenue}}{\text{Revenue per employee}}$	The entity's productivity



## Management commentary

### Primary activities

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

### Development in activities and finances

The financial year 2016 shows a profit for the year of MDKK 315, which is MDKK 1.374 lower than in 2015.

The reason for the decrease in the result is that, 2015 was affected by the sale of the ferry route Helsingør-Helsingborg.

For more detailed description, we refer to the Group financial statements of Scandferries ApS.

### Outlook

The result for 2017 is expected to be in the same level as 2016.

### Particular risks

The most material financial risks are currency, oil, interest 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.

## Employees

The company employed an average of 302 people in the financial year 2016, which is an increase of 1 compared to 2015.

We continuously work to optimize the physical and mental work environment. All work related to security is coordinated by the security group. Additionally, we have a constructive dialogue on the development and future goals and priorities in the Company's work council.

## Gender diversity in management bodies

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.

### 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.

## Management commentary

All the vessels are inspected several times during a year, and we are satisfied to hold a high quality in 2016. For more detailed description, please see the "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 in which our companies operate.

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 for 2016

	<u>Notes</u>	<u>2016 DKK'm</u>	<u>2015 DKK'm</u>
Revenue	1	674	667
Other operating income		123	1.529
Costs of raw materials and consumables		(72)	(77)
Other external expenses		<u>(114)</u>	<u>(178)</u>
<b>Gross profit/loss</b>		<b>611</b>	<b>1.941</b>
Staff costs	2	(151)	(188)
Depreciation, amortisation and impairment losses		<u>(101)</u>	<u>(67)</u>
<b>Operating profit/loss</b>		<b>359</b>	<b>1.686</b>
Income from investments in group enterprises		60	41
Income from investments in associates		(54)	(9)
Other financial income	3	125	109
Other financial expenses	4	<u>(142)</u>	<u>(135)</u>
<b>Profit/loss before tax</b>		<b>348</b>	<b>1.692</b>
Tax on profit/loss for the year	5	<u>(33)</u>	<u>(3)</u>
<b>Profit/loss for the year</b>	6	<u><b>315</b></u>	<u><b>1.689</b></u>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'm</u>	<u>2015 DKK'm</u>
Acquired intangible assets		44	74
<b>Intangible assets</b>	7	<b>44</b>	<b>74</b>
Land and buildings		62	65
Plant and machinery		145	153
Vessels		53	289
Other fixtures and fittings, tools and equipment		6	16
Property, plant and equipment in progress		95	56
<b>Property, plant and equipment</b>	8	<b>561</b>	<b>579</b>
Investments in group enterprises		315	294
Investments in associates		98	153
<b>Fixed asset investments</b>	9	<b>413</b>	<b>447</b>
<b>Fixed assets</b>		<b>1.018</b>	<b>1.100</b>
Manufactured goods and goods for resale		20	16
<b>Inventories</b>		<b>20</b>	<b>16</b>
Trade receivables		44	38
Receivables from group enterprises		106	219
Receivables from associates		529	518
Other receivables	10	24	52
Prepayments	11	11	8
<b>Receivables</b>		<b>714</b>	<b>835</b>
<b>Cash</b>		<b>3</b>	<b>82</b>
<b>Current assets</b>		<b>737</b>	<b>933</b>
<b>Assets</b>		<b>1.755</b>	<b>2.033</b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'm</u>	<u>2015 DKK'm</u>
Contributed capital		500	500
Other reserves		11	(2)
Retained earnings		353	39
Proposed dividend		<u>0</u>	<u>200</u>
<b>Equity</b>		<b><u>864</u></b>	<b><u>737</u></b>
Trade payables		69	128
Payables to group enterprises		740	1.085
Income tax payable		3	1
Other payables	12	69	70
Deferred income	13	<u>10</u>	<u>12</u>
<b>Current liabilities other than provisions</b>		<b><u>891</u></b>	<b><u>1.296</u></b>
<b>Liabilities other than provisions</b>		<b><u>891</u></b>	<b><u>1.296</u></b>
<b>Equity and liabilities</b>		<b><u>1.755</u></b>	<b><u>2.033</u></b>
Contingent liabilities	14		
Mortgages and securities	15		
Group relations	16		

## Statement of changes in equity for 2016

	<b>Contributed capital DKK'm</b>	<b>Other reserves DKK'm</b>	<b>Retained earnings DKK'm</b>	<b>Proposed dividend DKK'm</b>
Equity beginning of year	500	(2)	38	200
Ordinary dividend paid	0	0	0	(200)
Value adjustments	0	13	0	0
Profit/loss for the year	0	0	315	0
<b>Equity end of year</b>	<b>500</b>	<b>11</b>	<b>353</b>	<b>0</b>
				<b>Total DKK'm</b>
Equity beginning of year				736
Ordinary dividend paid				(200)
Value adjustments				13
Profit/loss for the year				315
<b>Equity end of year</b>				<b>864</b>

The share capital consists of 1 share at DKK 500 million nominal. There have not been any changes in the share capital in the past five years.

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK'm</b>	<b>DKK'm</b>
<b>1. Revenue</b>		
Ferry transport	674	667
	<b>674</b>	<b>667</b>

	<b>2016</b>	<b>2015</b>
	<b>DKK'm</b>	<b>DKK'm</b>
<b>2. Staff costs</b>		
Wages and salaries	115	150
Pension costs	34	35
Other social security costs	2	3
	<b>151</b>	<b>188</b>
 Average number of employees	 <b>302</b>	 <b>301</b>

	<b>Remunera- tion of manage- ment 2016 DKK'm</b>	<b>Remunera- tion of manage- ment 2015 DKK'm</b>
Executive Board	19	18
	<b>19</b>	<b>18</b>

The Executive Board receives remuneration for handling the whole Scandferries Group. Therefore, only a part of the total remuneration is directly related to the work performed in Scandlines Danmark ApS.

	<b>2016</b>	<b>2015</b>
	<b>DKK'm</b>	<b>DKK'm</b>
<b>3. Other financial income</b>		
Interest income	124	104
Exchange rate adjustments	1	5
	<b>125</b>	<b>109</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK'm</b>	<b>DKK'm</b>
<b>4. Other financial expenses</b>		
Financial expenses from group enterprises	134	128
Exchange rate adjustments	8	7
	<b>142</b>	<b>135</b>

	<b>2016</b>	<b>2015</b>
	<b>DKK'm</b>	<b>DKK'm</b>
<b>5. Tax on profit/loss for the year</b>		
Tax on current year taxable income	0	3
Adjustment concerning previous years	33	0
	<b>33</b>	<b>3</b>

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 recognised.

	<b>2016</b>	<b>2015</b>
	<b>DKK'm</b>	<b>DKK'm</b>
<b>6. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	0	200
Extraordinary dividend distributed in the financial year	0	1.471
Retained earnings	315	18
	<b>315</b>	<b>1.689</b>

	<b>Acquired intangible assets</b>
	<b>DKK'm</b>
<b>7. Intangible assets</b>	
Cost beginning of year	164
<b>Cost end of year</b>	<b>164</b>
Amortisation and impairment losses beginning of year	(90)
Amortisation for the year	(30)
<b>Amortisation and impairment losses end of year</b>	<b>(120)</b>
<b>Carrying amount end of year</b>	<b>44</b>



## Notes

	<b>Land and buildings DKK'm</b>	<b>Plant and machinery DKK'm</b>	<b>Vessels DKK'm</b>	<b>Other fixtures and fittings, tools and equipment DKK'm</b>
<b>8. Property, plant and equipment</b>				
Cost beginning of year	145	485	989	126
Additions	0	0	1	0
Disposals	0	0	0	0
<b>Cost end of year</b>	<b>145</b>	<b>485</b>	<b>990</b>	<b>126</b>
Depreciation and impairment losses beginning of the year	(80)	(332)	(700)	(97)
Depreciation for the year	(3)	(8)	(37)	(23)
<b>Depreciation and impairment losses end of the year</b>	<b>(83)</b>	<b>(340)</b>	<b>(737)</b>	<b>(120)</b>
<b>Carrying amount end of year</b>	<b>62</b>	<b>145</b>	<b>253</b>	<b>6</b>
<b>8. Property, plant and equipment</b>				
Cost beginning of year				56
Additions				71
Disposals				(32)
<b>Cost end of year</b>				<b>95</b>
Depreciation and impairment losses beginning of the year				0
Depreciation for the year				0
<b>Depreciation and impairment losses end of the year</b>				<b>0</b>
<b>Carrying amount end of year</b>				<b>95</b>

## Notes

	<b>Investments in group enterprises DKK'm</b>	<b>Investments in associates DKK'm</b>
<b>9. Fixed asset investments</b>		
Cost beginning of year	238	342
<b>Cost end of year</b>	<b>238</b>	<b>342</b>
Revaluations beginning of year	58	(189)
Exchange rate adjustments	0	(1)
Share of profit/loss for the year	60	(54)
Dividend	(41)	0
<b>Revaluations end of year</b>	<b>77</b>	<b>(244)</b>
<b>Carrying amount end of year</b>	<b>315</b>	<b>98</b>

	<b>Registered in</b>	<b>Corpo- rate form</b>	<b>Equity inte- rest %</b>	<b>Equity DKK'm</b>	<b>Profit/loss DKK'm</b>
Investments in group enterprises comprise:					
Scandlines Catering ApS	Copenhagen	ApS	100,0	26	(2)
Scandlines Gedser- Rostock ApS	Copenhagen	ApS	100,0	285	59

	<b>Registered in</b>	<b>Corpo- rate form</b>	<b>Equity inte- rest %</b>	<b>Equity DKK'm</b>	<b>Profit/loss DKK'm</b>
Investments in associates comprise:					
Scandferries Chartering A/S	Copenhagen	A/S	30,0	152	(54)

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK'm</b>	<b>DKK'm</b>
<b>10. Other receivables</b>		
Derivative financial instruments	10	2
Other receivables	14	50
	<b>24</b>	<b>52</b>

Derivative financial instruments measured at fair value. Scandlines Gedser-Rostock 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.

	<b>2016</b>	<b>2015</b>
	<b>DKK'm</b>	<b>DKK'm</b>
<b>12. Other payables</b>		
VAT and duties	1	(3)
Wages and salaries, personal income taxes, social security costs, etc payable	48	63
Other costs payable	20	10
	<b>69</b>	<b>70</b>

Included in Other payables is insurance payables of 18 mDKK (2015: 47 mDKK receiveables).

### 13. Deferred income

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

### 14. Contingent 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 (Scandferries Holding ApS). Scandferries Holding ApS, being the administration company, is then 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.

## Notes

The Company participates in a Danish joint taxation arrangement in which Scandferries Holding 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 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

The company has entered into a rental agreement of office premises with a rental obligation of DKK 13 million at 31 December 2016 (2015: DKK 12 million).

### 15. Mortgages and securities

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.

**At 31 December, the carrying amounts of assets provided as security are as follows:**

	<b>2016</b>	<b>2015</b>
	<b>MDKK</b>	<b>MDKK</b>
Vessels	253	289
Land and buildings as well as harbor facilities and harbor installations	308	290
Shares in subsidiaries	315	294
Shares in associates	98	153
Inventories	20	16
Receivables	714	835
Bank deposits	3	82

### 16. 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:

Scandferries Holding UK Ltd, London

## 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 (large).

According to the Danish Financial Statements Act § 112, paragraph 1, Scandlines Danmark ApS has omitted to prepare consolidated financial statements.

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.

## Accounting policies

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**

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories.

#### **Other external expenses**

Other external expenses include expenses relating to the Entity's ordinary activities.

#### **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.

#### **Income from investments in associates**

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after 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**

## Accounting policies

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	11-30 years
Rebuilt of vessels	Estimated residual life
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

## Accounting policies

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 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.

### Investments in associates

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

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

Net revaluation of investments in associates 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.



## Accounting policies

### 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.

### Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

### 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

In accordance to the Danish Financial Statements Act §86, paragraph 4, a cash flow statement is not included in this annual report. Reference is made to the cash flow statement in the annual report for Scandferries ApS.