Scandlines Danmark ApS

Havneholmen 25, 8.
1561 Copenhagen
Business Registration No
18605600

Annual report 2019

The Annual General Meeting adopted the annual report on 22.04.2020

Chairman of the General Meeting

Name: Søren Poulsgaard Jensen

Contents

Entity detail

Entity

Scandlines Danmark ApS

Havneholmen 25, 8.

1561 Copenhagen

Central Business Registration No (CVR): 18605600

Registered in: Copenhagen

Financial year: 01.01.2019 - 31.12.2019

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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

Gitte Kamper

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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 22.04.2020

Executive Board

Søren Poulsgaard Jensen CEO	Per Johannesen Madsen CFO

Supervisory Board

Frans Blanch Rossen Chariman of the Board	Gerlinde Waltraud Helene Krieger	Stig Dambmann
Claus Peter Vitting Nikolajsen	Michael Skeller Andersen	Renée Ulla Mamsen-Svarter
Gitte Kamper		

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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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, 22.04.2020

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

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Revenue	769.457	701.273	699.662	674.682	666.845
Gross profit/loss	770.237	693.092	590.758	611.645	1.941.429
Operating profit/loss	466.498	434.801	314.766	359.195	1.685.454
Net financials	92.269	111.044	30.619	-10.058	5.617
Profit/loss for the year	556.044	551.491	334.342	315.569	1.688.981
Total assets	1.712.430	1.139.863	1.203.480	1.756.508	2.032.842
Investements in property, plant and equipment	85.538	76.185	80.809	72.417	55.125
Equity	1.201.933	991.247	894.135	864.095	737.362
Average numbers of employees	336	326	325	302	301

Ratios					
Gross margin (%)	100,1	98,8	84,4	90,7	291,1
Net margin (%)	72,3	78,6	47,8	46,8	253,3
Return on equity (%)	50,7	58,5	38,0	39,4	2,2
Equity ratio (%)	70,2	87,0	74,3	49,2	36,3
Revenue per employee	2.290,1	2.151,1	2.152,8	2.234,0	2.215,4

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 (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	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 2019 shows a profit for the year of DKK 556.044 thousands, which is DKK 4.553 thousands higher than 2018.

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

Outlook

We saw relatively stable business developments in the first months of 2020, but the outbreak of COVID-19 across Europe and subsequent travel restrictions entail a high degree of uncertainty and very limited visibility for the remainder of the year. While private passenger traffic are expected to be impacted by the situation, we have continued operations to serve our freight segment ensuring critical deliveries of goods, medicine and other necessities. We are taking all necessary precautions to protect our employees and customers, while continuing to accomplish our purpose as a vital piece of infrastructure connecting Continental Europe and Scandinavia during a difficult period.

In the longer term, we will also continue to invest in green initiatives and operational excellence to drive competitiveness and prepare for the competition arising from the planned construction of the Fehmarn Belt fixed link. The connection was approved by German authorities in 2019 even though the EU Commission's approval of state guarantees issued by the Danish state was cancelled by the EU Court in December 2018. The German authorities' approval and the project now face complex complaint cases filed with the Federal Administrative Court of Leipzig beginning with court hearings in late 2020 which are expected to take at least two years. Regardless of the outcome of the fixed link, we will continue to strengthen our competitiveness and provide vital infrastructure to allow customers to sail between Continental Europe and Scandinavia.

The outbreak of COVID-19 across Europe in early 2020 and subsequent travel restrictions are expected to have a negative impact on traffic figures and financial performance for the year. In addition, the ongoing Brexit preparations and the US-China trade conflict are expected to have a continued negative impact on freight volumes.

Passenger volumes on the Puttgarden-Rødby route will be negatively impacted as Deutsche Bahn and DSB have rerouted all train traffic between Germany and Denmark as of late 2019 due to trackwork related to the preparation for the Fehmarn Belt fixed link.

Efforts will be made to alleviate the impact of these negative external effects through cost control measures and efficiency enhancements, but due to the high degree of uncertainty and very low visibility, management is currently not in a position to provide precise financial guidance for 2020.

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 336 people in the financial year 2019, which is an increase of 10 person compared to 2018.

We continuously work to optimize the psychical 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 2019. For a 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 out 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

Apart from the negative impact of the outbreak of COVID-19 across Europe in early 2020 and subsequent travel restrictions, no events have occurred in the period from the balance sheet date until the date of release of this annual report that would materially affect the evaluation of the annual report. Any potential negative implications on our asset values or from liabilities arising as a result of the COVID-19 virus are considered 2020-events and will as such be reflected in our 2020 result.

Income statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Revenue	1	769.457	701.273
Other operating income		227.719	228.644
Revenue total		**997.176**	**929.917**
Costs of raw materials and consumables		-70.699	-60.515
Other external expenses		-156.240	-176.310
Gross profit / loss		**770.237**	**693.092**
Staff costs	2	-216.249	-173.031
Depreciation and amortisation		-87.490	-85.260
Resultat af ordinær drift		**466.498**	**434.801**
Income from investments in group enterprises		93.959	134.048
Other financial income	3	91.690	98.888
Other financial expenses	4	-93.380	-121.892
Profit / loss before tax		**558.767**	**545.845**
Tax on profit for the year	5	-2.723	5.646
Profit / loss for the year	6	**556.044**	**551.491**

Balance sheet at 31.12.2019

	Notes	31-12-2019 DKK'000	31-12-2018 DKK'000
Acquired intangible assets		38.561	55.203
Intangible assets	7	**38.561**	**55.203**
Vessels		194.162	204.211
Land and buildings		56.216	58.487
Plant and machinery		127.896	137.516
Other fixtures and fittings, tools and equipment		3.354	2.224
Leasing of property, plant and equipment		21.669	0
Property, plant and equipment in progress		145.391	126.581
Tangible assets	8	**548.688**	**529.019**
Investments in group enterprises		175.226	228.346
Deposits		2.606	2.807
Fixed assets investments	9	**177.832**	**231.153**
Fixed Assets		**765.081**	**815.375**
Manufactured goods and goods for resale		28.447	31.736
Inventories		**28.447**	**31.736**
Trade receivables		59.232	91.367
Receivable from affiliated companies		838.448	191.619
Other receivables	10	8.558	2
Prepayments	11	12.062	9.156
Receivables		**918.300**	**292.144**
Cash		**602**	**608**
Current assets		**947.349**	**324.488**
Assets		**1.712.430**	**1.139.863**

Balance sheet at 31.12.2019

	Note	31-12-2019 DKK'000	31-12-2018 DKK'000
Contributed capital		500.000	500.000
Reserve hedging instruments		0	-1.719
Retained earnings		701.933	142.966
Dividend		0	350.000
Equity		**1.201.933**	**991.247**
Other payables	12	4.725	0
Leasing Debt		21.963	0
Non-current liabilities		**26.688**	**0**
Trade payables		43.533	51.274
Payable to affiliated companies		348.120	11.643
Other payables	12	79.619	73.773
Income tax payable		2.711	823
Deferred income	13	9.826	11.103
Current liabilities other than provisions		**483.809**	**148.616**
Liabilities other than provisions		**510.497**	**148.616**
Equity and liabilities		**1.712.430**	**1.139.863**
Contingent Liabilities	14		
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Statement of changes in equity for 2019

	Contributed capital	Other reserves	Retained earnings	Dividend	Total
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January 2019	500.000	-1.719	142.966	350.000	991.247
Profit / loss for the year			556.044	0	556.044
Paid dividend				-350.000	-350.000
Value adjustment		1.719	2.923		4.642
Equity at 31 december 2019	**500.000**	**0**	**701.933**	**0**	**1.201.933**

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

		31-12-2019 DKK'000	31-12-2018 DKK'000
1	**Revenue**		
	Ferry transport	769.457	701.273
	Total	**769.457**	**701.273**

2	**Staff costs**		
	Salaries and wages	-195.381	-144.822
	Pension costs	-19.178	-26.466
	Other social security expenses	-1.690	-1.743
	Total staff costs	**-216.249**	**-173.031**
	Average number of employess	336	326

	Rumuneration of management 2019	Remuneration of management 2018
Executive Board	-39.169	-27.587
Supervisory Board	-974	-893
	-40.143	**-28.480**

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.

3	**Other financial income**		
	Interest from affiliated companies	79.170	90.482
	Foreign exchange rate adjustment	12.519	8.406
	Total financial income	**91.690**	**98.888**

4	**Other financial expenses**		
	Interest to affiliated companies	-74.663	-99.777
	Foreign exchange losses	-17.635	-22.171
	Other interest expenses	-1.082	56
	Total financial expenses	**-93.380**	**-121.892**

Notes

		31-12-2019 DKK'000	31-12-2018 DKK'000
5	**Tax on profit/loss for the year**		
	Current tax	-2.711	-824
	Current tax previous year	-12	6.470
	Total tax on profit for the year	**-2.723**	**5.646**

The company is committed to tonnage tax until 2030. The company does not expect to withdraw from the scheme and therefore no deferred tax of tonnage tax assets and liabilities has been recognied.

6	**Proposed distribution of profit / loss**		
	Ordinary dividend for the financial year	0	350.000
	Extraordinary dividend distributed in the fianancial year	0	447.150
	Retained earnings	556.044	-245.659
	Total retained earnings	**556.044**	**551.491**

		Software
7	**Intangible assets**	
	Cost at 1 January	254.124
	Additions	968
	Transfer	9.033
	Disposals	0
	Cost at 31 December	**264.125**
	Depreciation and amortisation at 1 January	-198.921
	Amortisation for the year	-26.643
	Disposals	0
	Depreciation and amortization at 31 December	**-225.564**
	Carrying amount at 31 December	**38.561**

Notes

8 Tangible assets

	Land and Buildings	Plant and machinery	Vessels
Cost at 1 January	145.905	498.489	1.009.664
Additions	22	0	484
Transfer	640	1.273	28.449
Disposals	0	0	0
Cost at 31 December	**146.567**	**499.762**	**1.038.597**
Depreciation and amortisation at 1 January	-87.419	-360.972	-805.453
Amortisation for the year	-2.932	-10.894	-38.982
Disposals	0	0	0
Depreciation and amortization at 31 December	**-90.351**	**-371.866**	**-844.435**
Carrying amount at 31 December	**56.216**	**127.896**	**194.162**
Leasing			
Cost at 31 December	19.310		
Depreciation and amortization at 31 December	-3.639		
Carrying amount at 31 December	**15.671**		

	Other Fixtures and fittings, tools and equipment	Leasing of property and equipment	Asset under construction
Cost at 1 January	130.119	0	126.581
Additions by change in accounting policy		4.009	
Additions	421	23.905	60.706
Transfer	2.501	0	-41.896
Disposals	0	0	0
Cost at 31 December	**133.041**	**27.914**	**145.391**
Depreciation and amortisation at 1 January	-127.894	0	0
Amortisation for the year	-1.793	-6.245	0
Disposals	0	0	0
Depreciation and amortization at 31 December	**-129.687**	**-6.245**	**0**
Carrying amount at 31 December	**3.354**	**21.669**	**145.391**
Leasing			
Cost at 31 December	8.604	27.914	
Depreciation and amortization at 31 December	-2.606	-6.245	
Carrying amount at 31 December	**5.998**	**21.669**	

Notes

9 Fixed assets investments

	Investments in group enterprises
Cost at 1 January	336.281
Correction last year	0
Additions	0
Disposals	0
Cost at 31 December	336.281
Revaluations 1 January	-107.936
Correction last year	0
Other Equity adjustments	2.922
Share of profit/loss for the year	93.959
Dividend	-150.000
Revaluations 31 December	-161.055
Carrying amount at 31 December	175.226

Investments in group entreprises:	Registered in	Corporate form	Equity interst %
Scandlines Catering ApS	Copenhagen	ApS	100
Scandlines Gedser-Rostock Aps	Copenhagen	ApS	100

Investments in group entreprises - continued:	Equity DKK'000	Profit/Loss DKK'000
Scandlines Catering ApS	15.990	6.996
Scandlines Gedser-Rostock Aps	159.237	86.963

10 Other receivables

	31-12-2019 DKK'000	31-12-2018 DKK'000
Other receivables	8.558	2
	8.558	2

Included in Other receivables is insurance receivables of 2 mDKK (2018: 18 mDKK payables)

11 Prepayments

Prepayments consist of prepaid leasing and IT services.

Notes

		31-12-2019 DKK'000	31-12-2018 DKK'000
12	**Other payables**		
	VAT and duties	0	184
	Wages and salaries, personal income taxes, social security costs, etc. payable	74.192	39.807
	Derivative financial instruments	0	1.719
	Other costs payable	10.152	32.063
		84.344	73.773

Derivative financial instruments measued 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

14 Contigent liabilities

Scandlines Danmark Aps is jointly taxed with all other Danish Scandlines companies. Under the joint taxation scheme, each company in 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 arragement in which Scandlines Infrastructure ApS serves as the administration company. According to the joint taxation procisions 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 ti the withholding af tax on interest, royalties and dividend for the jointly taxed companies.

Notes

15 Assets charged and collateral

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

	31-12-2019 DKK'000	31-12-2018 DKK'000
Vessels	194.162	204.211
Land and buildings as well as harbor facilities and harbor installations	332.857	324.808
Investmens in group enterprises	175.226	228.346
Inventories	28.447	31.736
Receivables	918.300	292.144
Cash and depostis	3.208	3.415

16 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.

17 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) and the International Financial Reporting Standards IFRS 15 and 16.

Changes in accounting policies

The entity has decided to change its accounting policy on recognition of leases.

To better archive a fair presentation of the Entity's financial position and results, leases are recognised in accordance with the accounting principles of the International Financial Reporting Standard IFRS 16 Leases, effective 1 January 2019. IFRS 16 does not distinguish between operating leases and finance leases but requires the recognition of a lease asset (right-of-use asset) and a lease liability when entering into leases, except for leases with the lease term ending within 12 months (short-term leases) and contracts to lease assets of low value.

Application of transition requirements

According to the transaction requirements of the Danish Financial Statements Act, the comparative figures are not restated, and the cumulative effect of the transition is recognised in equity at the beginning of the financial year. The change only includes leases stretching into the current financial year.

For leases previously classified as an operating lease, the following is applicable:

- Leases liabilities are measured at the present value of the remaining lease payments, discounted using the Entity's incremental borrowing rate at the date of initial application 1 January 2019.
- Leases assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.
- Lease assets are written down to the lower of recoverable amount carrying amount.
- Leases for which the lease term ends within 12 months on 1 January 2019 are accounted for in the same way as short-term leases, despite the original lease term, thus not regonised as a lease asset or a lease liability.
- Direct costs paid at the inception of a lease are excluded from the measurement of the lease assets.

Monetary effect of changes in accounting policies.

The change in accounting policies leads to a reduction in administrative expenses by tDKK 7.069, an increase in depreciation by tDKK 6.230 and an increase in interest expenses by tDKK 667. The total effect of the change in accounting policies amounts to an increase in the result for the year of tDKK 172. The balance sheet total is increased by tDKK 21.669, while equity is increased by tDKK 172 at 31 December 2019.

The change in accounting policies leads in 2018 to a reduction in administrative expenses by tDKK 6.769, an increase in depreciation by tDKK 5.928 and an increase in interest expenses by tDKK 626. The total effect of the change in accounting policies amounts to an increase in the result for the year of tDKK 215. It have been considered, that the change not have a significant impact on 2018, why no changes have been made.

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 write-downs 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 jointed 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 coast 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.

Leases

We have used the same terms as in IFRS 16 to classified leasing between leasing and short-term leases.

It is classified as a leases when it is over 12 month. Leases under 12 month, are classified as short-term leases.

For assets held under leases, cost is the lower of the asset’s fair value and present value of future minimum lease payments. The internal rate of return of the lease or group’s alternative borrowing rate is applied as a discount factor for determining the present value. Assets held under leases are depreciated and written down for impairment in accordance with the accounting policies applied by the group to similar proprietary non-current assets or over the lease period depending on the terms and conditions of the lease. The related lease commitment for assets under leases is recognised in the balance sheet by an amount equivalent to the capitalised residual lease commitment measured at cost. The interest portion of the lease payment or the year is recognized in the income statement as a financial expense.

Lease payments on short-term leases are recognized in profit and loss on a straight-line basis over the lease period unless other systematic better reflect the benefit from the use of the asset. The remaining rental and lease commitments of such leases are disclosed in the notes to the consolidated financial statements.

Long term liabilities

Other payables comprise long term holiday allowance

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.