ANNUAL REPORT 2016

Scandferries ApS
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Scandlines

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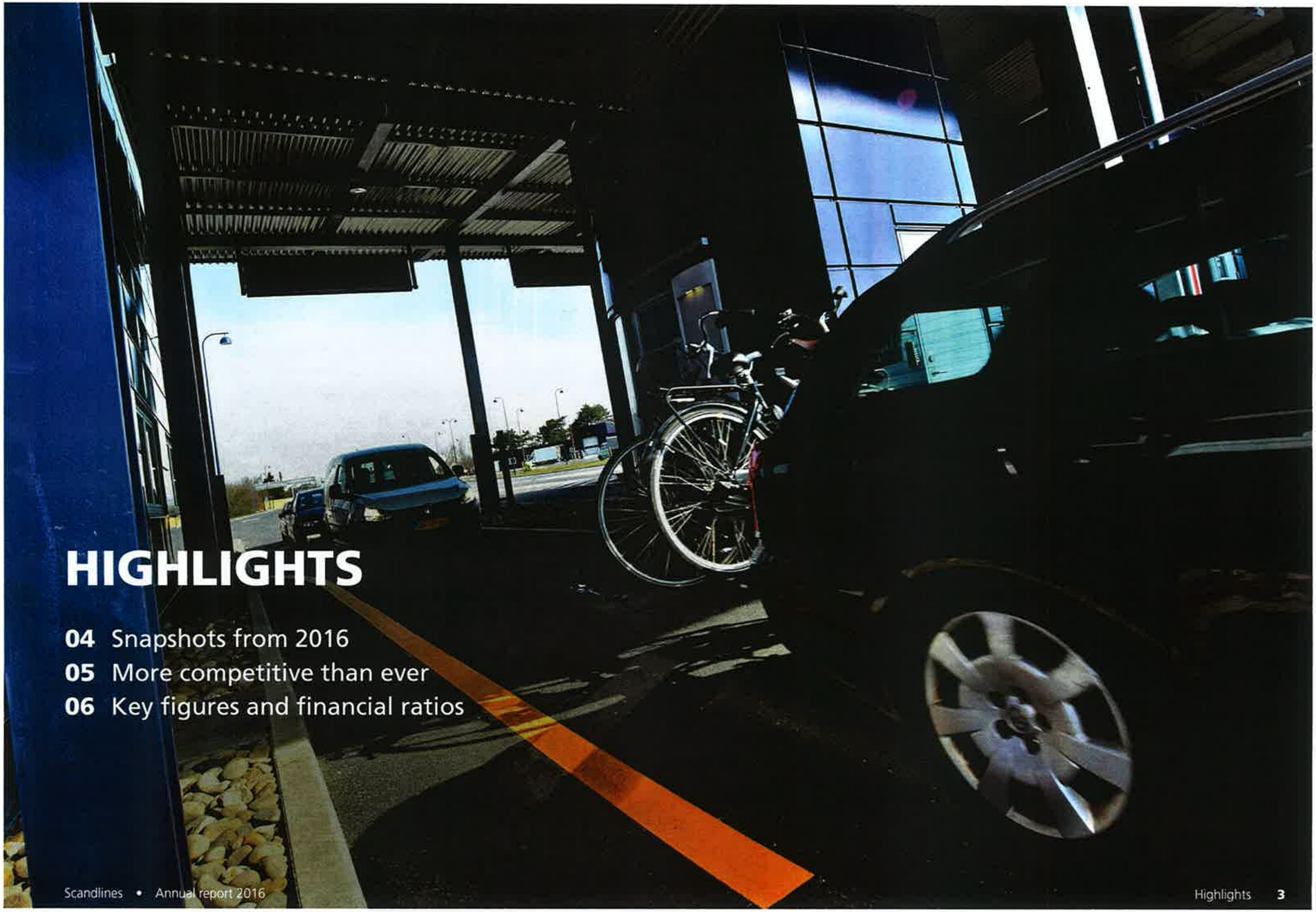
Cover photo: Scandlines' two new hybrid ferries M/V Berlin and M/C Copenhagen (left) were commissioned on the Rostock-Gedser route in 2016, effectively doubling capacity and highlighting our industry leadership within green ferry operations. M/V Kronprins Frederik (right) has subsequently been commissioned as a freight ferry on the Puttgarden-Rødby route to meet freight customer demand, while also acting as a replacement ferry on both routes.



HIGHLIGHTS

04 Snapshots from 2016
05 More competitive than ever
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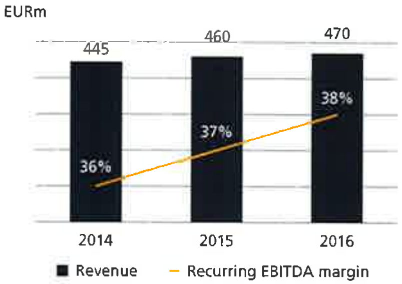
SNAPSHOTS FROM 2016

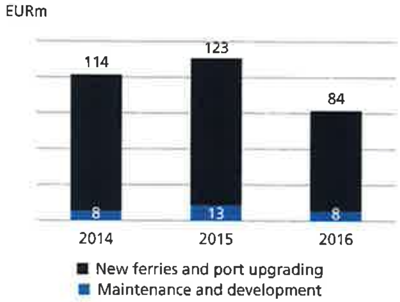
PROFITABLE GROWTH AND COMPLETED INVESTMENTS

- We grew revenue by 2 percent to EUR 470 million and increased profit from ordinary activities (recurring EBITDA[1]) by 6 percent to EUR 180 million.
- Our profitability remained high with the recurring EBITDA margin increasing slightly to 38 percent from 37 percent in 2015.
- We completed our investment in the capacity expansion of the Rostock-Gedser route with two new ferries commissioned in 2016.
- Our highly efficient traffic machine is in place following sizeable investments of around EUR 320 million over three years.

Profitable growth



Completed investments

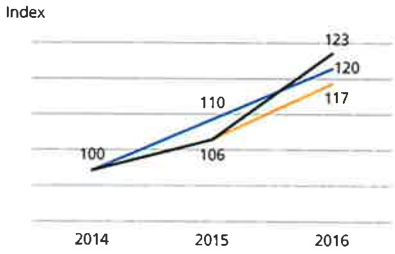


[1] Recurring EBITDA excludes non-recurring items (special items) comprising income and expenses of an exceptional nature such as costs incurred for restructuring processes and structural adjustments as well as gains and losses on divestments related thereto.

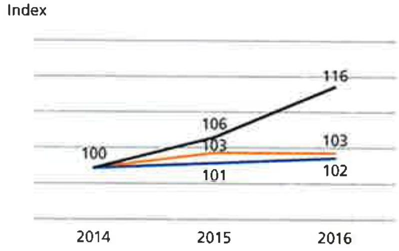
SUSTAINABLE EXPANSION AND OPERATIONAL EXCELLENCE

- We doubled capacity on the Rostock-Gedser route with the commissioning of two new hybrid ferries.
- The capacity expansion and targeted marketing efforts drove double-digit growth on the route for cars, freight units and passengers during 2016.
- Scandlines transported 10 percent more freight units and 1 percent more cars and maintained passenger volumes compared to 2015.
- We maintained reliability of 95 percent on the Puttgarden-Rødby traffic machine and completed 42,000 departures in total.

Traffic volumes on Rostock-Gedser

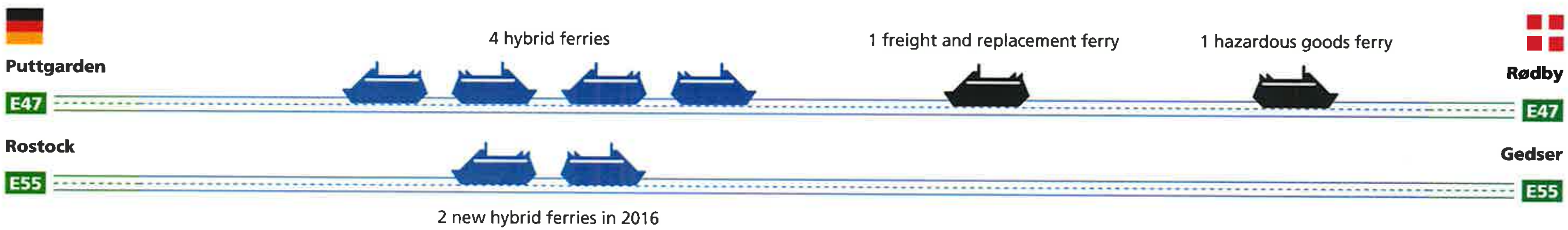


Total traffic volumes



– Freight – Cars – Passengers

OUR SUSTAINABLE TRAFFIC MACHINE



MORE COMPETITIVE THAN EVER

2016 was an extraordinary year for Scandlines with strong operational performance by our traffic machine, further improved financial performance and the important inauguration of our two new hybrid ferries for the Rostock-Gedser route. Following sizeable investments and the continued improvement of our business and competitiveness, Scandlines has become a piece of crucial infrastructure in northern Europe.

After a decade of hard work and significant investment, we have successfully transformed Scandlines from a state-owned ferry operator with multiple routes to a highly specialised and efficient traffic machine operating two high-frequency routes between Germany and Denmark. Today, Scandlines is a crucial piece of infrastructure securing the central transport corridors between Germany and Denmark as well as Scandinavia and Continental Europe.

The commissioning of M/V Berlin and M/V Copenhagen as well as upgrading of relevant port facilities marks an important milestone for Scandlines. We are confident that this capacity expansion strengthens our competitiveness and the offering to our customers – as demonstrated by the double-digit growth we have seen on the Rostock-Gedser route for freight units, cars and passengers since the commissioning of M/V Berlin in May 2016. Our customers appreciate the expansion and continue to emphasise our reliable service and the fact that our routes offer the fastest connection between Continental Europe and Scandinavia.

With more than 42,000 departures and group revenue of EUR 470 million in 2016, we grew our business in both operational and financial terms driven by the underlying traffic growth. Revenue growth was accompanied by operational improvements and an increase in our profit from ordinary activities (recurring EBITDA), and we thus maintained profitability at a high level despite major changes and the commissioning of two new ferries during the year.

Our efforts and investment of around EUR 320 million over the last three years have cemented our competitiveness for years to come, and our long-term strategy is sustainable after the planned opening of the Fehmarn Belt tunnel more than a decade from now. We welcome the additional competition, although we continue to communicate our legitimate expectations that applicable German, Danish and EU legislation is respected. In the coming years, we will focus on further enhancing our competitiveness by utilising and optimising our expanded capacity on the Rostock-Gedser route – and we have already commissioned M/V Kronprins Frederik as a freight ferry on the Puttgarden-Rødby route to meet increasing freight customer demand, while also acting as a replacement ferry on both routes from early 2017.

We want to be a green and lean traffic machine, and we realised this ambition in 2016 with the addition of two new ferries to the world's largest hybrid fleet and upgrading of port facilities as well as strengthened financials, operations and marketing activities. Although the most significant investments have been made, we continue on our journey towards becoming a zero-emission piece of infrastructure.

With our ferries and facilities in place, we are more competitive now than ever. We keep on sailing, and we are looking forward to welcoming even more passengers aboard.

Søren Poulsgaard Jensen
CEO Scandlines

With our ferries and facilities in place, we are more competitive now than ever. We keep on sailing, and we are looking forward to welcoming even more passengers aboard.

Søren Poulsgaard Jensen, CEO

KEY FIGURES AND FINANCIAL RATIOS

MEUR	2016	2015	2014
INCOME STATEMENT			
Revenue	470	460	445
Result from ordinary activities, excl. special items (recurring EBITDA)	180	170	160
Result from ordinary activities (EBITDA)	172	184	141
Amortisation and depreciation	-33	-28	-26
Result from ordinary activities (EBIT)	139	156	115
Net financials	-51	-46	-51
Result before tax	88	109	64
Tax on result for the year	-7	-2	-4
Result for the year from continuing operations	81	107	60
BALANCE SHEET			
Total assets	1,444	1,348	1,446
Investments (capital expenditure)	92	136	122
Equity attributable to owners	463	367	429
Interest bearing liabilities	864	830	838
CASH FLOW STATEMENT			
Cash flow from operating activities	102	153	113
Cash flow from investing activities	-92	40	-122
Cash flow from financing activities	34	-209	-10
Recurring EBITDA margin, %	38	37	36
Average number of employees (FTE)	1,506	1,488	1,533

Full year figures for 2014 and 2015 exclude discontinued operations related to the sale of the ferry route Helsingborg-Helsingør.

INVESTING IN TODAY AND TOMORROW

In 2014-2016, we have invested around EUR 320 million in green technology, new ferries and upgrading of port facilities to establish Scandlines as a truly sustainable and reliable traffic machine and a key piece of infrastructure in northern Europe.

BUSINESS

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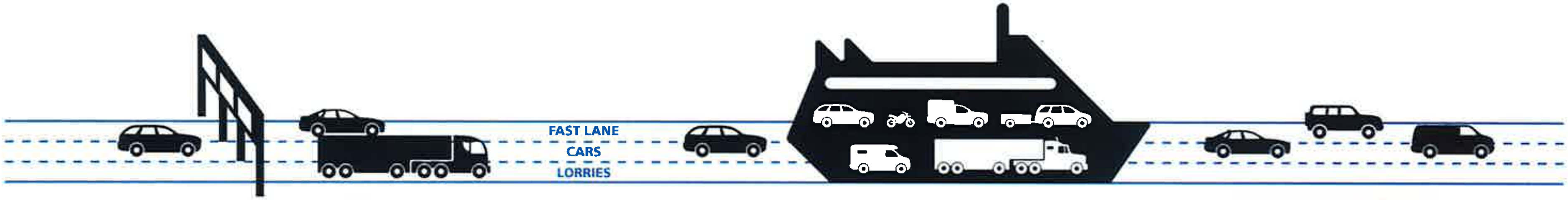
SCANDLINES AT A GLANCE

SPECIALISED INFRASTRUCTURE PROVIDES SEAMLESS JOURNEY



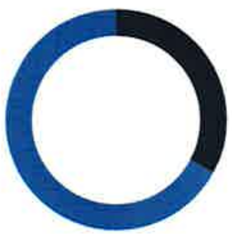
Direct and automated access
- Motorway access to terminal
- Check-in options include drive-through electronic pass, automated and manned ticket booths

Efficient marshalling and loading
- Designated lanes ensure efficiency
- Simultaneous loading of upper and lower decks
- Departure information and retail promotions on-screen and from support teams

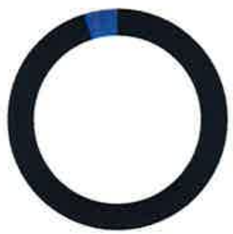
Fast crossing
- 45 minute crossing with departures every 30 minutes on the Puttgarden-Rødby route
- 1 hour and 45 minute crossing with departures every 2 hours on the Rostock-Gedser route
- Focused retail and catering offering as well as mandatory resting time for freight passengers

High-speed exit
- Passengers called to vehicles during port entry
- Crew prepares commercial areas
- Vehicles exit directly onto E47/E55
- Ferry departs after 15 minutes

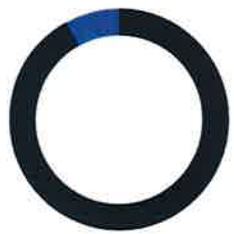
TRAFFIC MACHINE FACTS (PUTTGARDEN-RØDBY)



FARES
<1/3
pre-booked



DEPARTURES
95%
on time



CROSSING
92%
of cars board first ferry

SCANDLINES AT A GLANCE

Scandlines operates two short-distance ferry routes between Germany and Denmark with high frequency and large capacity. Our eight ferries provide efficient and reliable transportation services to the professional freight and private passenger markets with more than 42,000 departures annually. With departures on the Puttgarden-Rødby route every 30 minutes, an average waiting time of 10 minutes and reliability of 95 percent, **Scandlines is always open.**

TRAFFIC MACHINE

DIRECT LINK

1 stop

Our terminals are directly connected to the European motorway network, providing seamless and swift access, loading and exit for professional and private passengers.

LANDINGS

4 ports

We own the 3 ports in Puttgarden, Rødby and Gedser and hold 1 lease in the port in Rostock until 2028.

FLEET

8 ferries

Scandlines operates 6 hybrid ferries as well as 1 hazardous goods ferry and 1 freight ferry, which also acts as a replacement ferry.

LORRIES

600 thousand

Our freight passengers value the efficiency and reliability of our traffic machine and the opportunity to comply with resting time regulation while travelling.

CARS

1.8 million

Scandlines connects the European motorway network with frequent departures around the clock and an average waiting time of 10 minutes on the Puttgarden-Rødby route.

PASSENGERS

7.6 million

We create value for professionals, leisure travellers and shoppers looking for efficiency, convenience or a good deal on board.

BORDERSHOPS

SHOPPING

3 outlets

2 BorderShops and 1 Easymarked located in the ports of Puttgarden and Rostock offer customers unparalleled shopping opportunities and online pre-ordering.

SHOPPERS

>1.5 million

More than 1.5 million customers visit our outlets annually to benefit from low prices on a huge range of beer, soft drinks, confectionary, wine and fine spirits.

MEMBERS

~400 thousand

Our SMILE loyalty programme has almost 400,000 members, enjoying relevant benefits and individualised promotions based on online activity and transactional data analyses.

SCANDLINES ROUTE MAP

Our ports and ferry routes constitute a crucial piece of infrastructure that extends motorways E47 and E55 to connect Scandinavia and Europe. Scandlines offers shorter driving times and an opportunity to rest while moving.

Puttgarden-Rødby

Four hybrid ferries operate the route with a crossing time of only 45 minutes and departures every 30 minutes day and night. The route allows for car travel from Hamburg to Copenhagen in 4 hours and 15 minutes at competitive prices.

One specialised ferry transports hazardous goods on the route, and another is commissioned to meet freight customer demand, while also acting as a replacement ferry on both routes.

Rostock-Gedser

Two hybrid ferries commissioned in 2016 operate the route with a crossing time of 1 hour and 45 minutes and departures every 2 hours. The route allows for car travel from Berlin to Copenhagen in less than 6 hours at competitive prices.

Bordershops

Two BorderShops in Puttgarden and Rostock, respectively, and the recently added Easymarked in Rostock offer low prices and unparalleled shopping opportunities.

DEVELOPMENTS IN 2016

Financial performance exceeded expectations in 2016 as group revenue and profits from ordinary activities increased in a year characterised by significant investment as well as the commissioning of new ferries and the upgrading of port facilities.

Revenue
Group revenue grew by 2 percent in 2016, totalling EUR 470 million compared to EUR 460 million in 2015. Progress was driven mainly by traffic growth on the Rostock-Gedser route.

Traffic machine
We strengthened our competitive position and grew revenue from continuing operations by 3 percent to EUR 333 million on the Germany-Denmark ferry routes with the capacity expansion on the Rostock-Gedser route and continued efficient operations on the Puttgarden-Rødby route. Total car traffic grew by 1 percent driven by strong growth on the Rostock-Gedser route following the commissioning of the two new hybrid ferries and largely unchanged volumes on the Puttgarden-Rødby route. Our freight business was boosted by a 16 percent increase in transported freight units on the Rostock-Gedser route and 8 percent growth on the Puttgarden-Rødby route. The number of passengers grew by 10 percent on the Rostock-Gedser route and declined by 2 percent on the Puttgarden-Rødby route.

Bordershops
We continued the modernisation of our bordershops. The efforts to build a stronger and more appealing offering for our customers showed good results during the year, and we grew the number of transactions, although revenue from this segment was unchanged at EUR 137 million in 2016. The modernisation initiatives were supported by the continued growth of our comprehensive SMILE loyalty programme, which has almost 400,000 members and offers relevant benefits and individualised promotions for all members based on online activity and transactional data analyses. The programme is integrated with our point of sales system and tailored to improve the customer experience, offering options to spend saved points on online ticket sales, aboard the ferries and in the bordershops.

Result from ordinary activities
We improved the group's profit from ordinary activities (recurring EBITDA) by 6 percent to EUR 180 million in 2016 as against EUR 170 million the prior year, corresponding to a slightly increased recurring EBITDA margin of 38 percent against 37 percent in 2015. Our traffic machine contributed EUR 164 million to recurring EBITDA, with the bordershops contributing EUR 16 million.

The positive development was attributable to the group's revenue growth from continuing operations as operating costs were largely unchanged compared to 2015 following operational optimisation efforts.

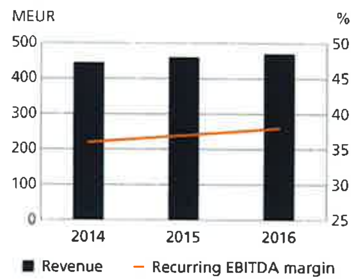
Special items
Special items amounted to an expense of EUR 8 million from other external expenses in 2016. In 2015, special items amounted to income of EUR 14 million comprised of EUR 24 million from other operating income – which included the positive impact of the sale of the Helsingborg-Helsingør ferry route – and other external expenses and staff costs of EUR 10 million.

Financial income and expenses
Net financials came to an expense of EUR 51 million in 2016 compared to an expense of EUR 46 million the prior year. Financial expenses grew moderately as a consequence of an increase in the group's net interest-bearing debt due to major investments in new ferries for the Rostock-Gedser route.

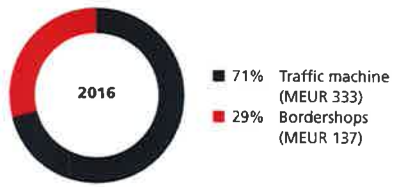
Profit for the year
In 2016, Scandlines' result before tax came to EUR 88 million against EUR 109 million in 2015, which was positively affected by the divestment of the Helsingborg-Helsingør route. In addition, an expected increase in depreciation and financial expenses following the commissioning of new ferries affected profitability in 2016.

Tax for the year came to an expense of EUR 7 million compared to EUR 2 million in 2015. The Scandlines group thus realised a profit for the

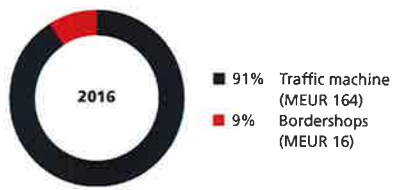
Profitable growth



Revenue split



EBITDA split



NEW FERRIES ON ROSTOCK-GEDSER

Scandlines commissioned M/V Berlin and M/V Copenhagen on the Rostock-Gedser route in May and December, respectively. The ferries have exceeded expectations in terms of speed, maneuverability and on-board noise as well as vibration levels, and during the summer peak season M/V Berlin broke all former volume records.

The ferries are tailored for the route and offer ample space as each ferry has a capacity of 1,300 passengers and 460 cars or 96 lorries. The ferries offer double capacity but still spend only 15 minutes in harbour as two car decks provide five lanes for entrance and exit.

The ferries are operated by Scandlines' hybrid propulsion system, reducing expected fuel consumption by up to 65 percent per trip per car compared to the former ferries operating the route. The new ferries are also fitted with scrubbers that clean the engine exhaust streams of pollutants such as sulphur and particulates and reduce sulphur emissions by at least 90 percent.

year of EUR 81 million in 2016 against EUR 107 million the prior year.

Investments and cash flows
The group's intangible assets and property, plant and equipment totalled EUR 1,219 million at end-2016 against EUR 1,161 million the previous year. The increase was due to investments of EUR 92 million in 2016, predominantly in the two new ferries for the Rostock-Gedser route, M/V Berlin and M/V Copenhagen.

Total cash flows from operating activities came to an inflow of EUR 102 million in 2016 compared to EUR 153 million in 2015.

Cash flows to investing activities were an outflow of EUR 92 million in 2016 against an inflow of EUR 40 million in 2015, which saw a positive effect of EUR 175 million from the divestment of the Helsingborg-Helsingør activities.

Cash flows from financing activities came to an inflow of EUR 34 million in 2016 as a new bank loan was taken out, against an outflow of EUR 209 million in 2015, which was affected by payment of dividends and repayment of a bank loan.

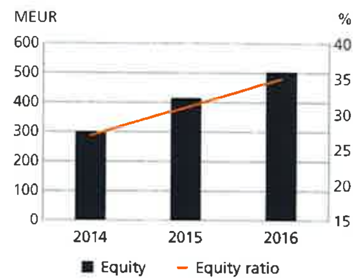
The group's interest-bearing debt increased to EUR 864 million in 2016 against EUR 830 million in 2015 following a continued high investment level. At the end of 2016, cash and cash equivalents were EUR 94 million bringing the net interest-bearing debt to EUR 770 million compared to cash and cash equivalents of EUR 48 million and a net interest-bearing debt of EUR 782 million in 2015.

Assets and equity
The group's assets totalled EUR 1,444 million at end-2016 against EUR 1,348 million the previous year.

Total equity at 31 December 2016 was EUR 503 million against EUR 415 million, and the equity ratio increased to 35 percent from 31 percent in 2015.

Events after the balance sheet date
On 10 February 2017, the temporary border control at the German-Danish border was prolonged until 12 May 2017. The Danish police remains responsible for conducting border control, however local defence volunteers are handling the task of spot checking our passengers' ID when they walk or drive from the ferry in Rødby and Gedser. Management does not expect the border control to impact our traffic or financial performance significantly as long as the current solution does not change.

Equity and equity ratio



OUTLOOK

Financial guidance 2017
Based on the completed capacity expansion on the Rostock-Gedser route and stable operations on the Puttgarden-Rødby route and in the bordershops, we expect group revenue to increase moderately and profitability (recurring EBITDA margin) to improve further in 2017 compared to the 2016 levels of EUR 470 million and 38 percent, respectively.

Perspectives for 2017 and beyond
In the coming years, Scandlines will focus on maintaining and continuously strengthening the competitiveness of its traffic machine comprising the group's two ferry routes between Germany and Denmark as well as its port facilities and the land-based bordershops in Puttgarden and Rostock.

Enhancing efficiency
Efforts to further enhance efficiency and competitiveness have already been initiated and continue as we work to increase the capacity utilisation of the new ferries on the Rostock-Gedser route. In early 2017, we re-commissioned M/V Kronprins Frederik as a freight ferry on the Puttgarden-Rødby route to meet freight customer demand, while also acting as a replacement ferry on both routes. In addition, we will continue to develop the Puttgarden-Rødby route to maintain our strong market position.

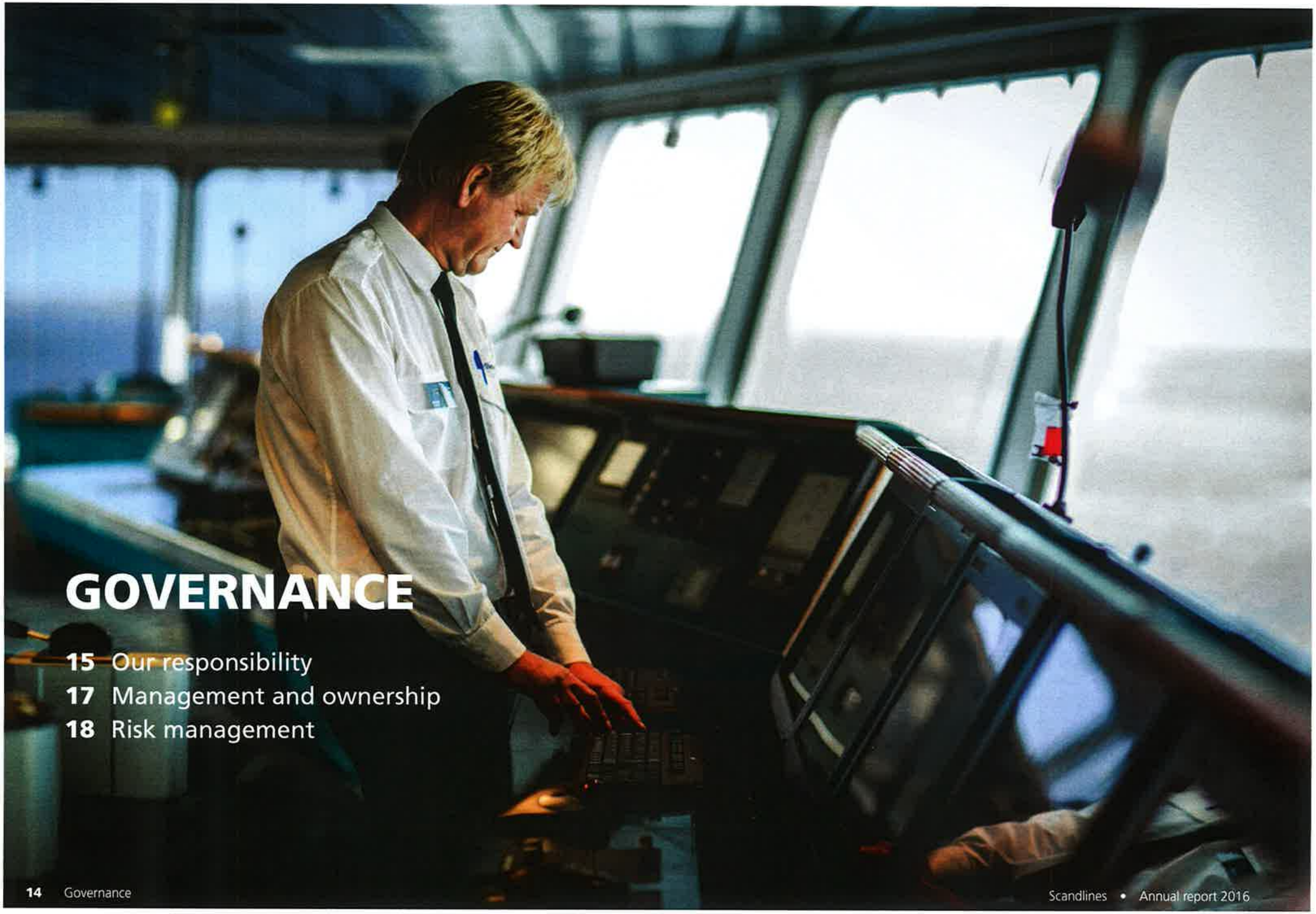
To support and promote the progress of our traffic machine, Scandlines will update its current system platform in 2017 by introducing a new booking system in spring and a new ERP system at the end of the year. Both routes will benefit from this and the other optimisation efforts, ensuring that Scandlines offers efficient, reliable, green and highly competitive infrastructure connecting Scandinavia with Europe.

Pursuing our zero emission vision
In the mid-term, Scandlines pursues a vision of converting the group's ferries to zero emission ferries. We want to be perceived as an industry leader with a clear vision for the sector's green future, and we are basing our efforts on our own hands-on experience from pioneering hybrid ferries and etstablishing the largest hybrid ferry fleet in operation as well as general technological progress allowing us to reduce our footprint further. To further detail our vision for zero emission ferries, we have engaged DNV GL / Det Norske Veritas, which has concluded that the vision is feasible on certain conditions:

- Scandlines establishes competencies in large-scale shore-side charging
- Sufficient electrical infrastructure to the ports is secured
- The ferries' overall power consumption is reduced by an additional 15-20 percent
- The investment offers a sufficient return

Dialogue about the Fehmarn Belt fixed link
The German authorities continue the formal plan approval process for the establishment of a fixed link on Fehmarn Belt parallel to the Puttgarden-Rødby route. We will continue our work to ensure that the foundation for a decision regarding the establishment of a fixed link is as accurate as possible. This implies a continued positive and factual dialogue with decision makers in Germany, Denmark and the EU.

Scandlines was the first ferry operator in the world to make large-scale use of an on-board hybrid propulsion system, which stores excess energy in batteries.



GOVERNANCE

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OUR RESPONSIBILITY

We operate a responsible business and respect our stakeholders and the environment. We take responsibility for maintaining a high and satisfactory safety level at all times as well as complying with the Scandlines group's Code of Conduct covering human rights, social and employee matters, environment and climate as well as anti-corruption and business ethics.

The Code of Conduct is provided to all employees, and an E-learning programme has been implemented to convey in detail the principles of the Code. In addition, a Supplier Code of Conduct is in place to ensure that our values are extended throughout Scandlines' sphere of influence. A whistleblower scheme has been implemented to allow for anonymous reporting of non-compliance with Scandlines' Code of Conduct.

The group's Code of Conduct is supplemented by relevant policies and procedures, guiding employees' behaviour in specific situations.

Safety

The safety and well-being of our passengers and employees are of paramount importance to Scandlines' business, and our Code of Conduct emphasises our commitment to protecting the workplace health and safety of our employees and passengers. We comply with internationally recognised standards, record and analyse incidents as well as train our employees to maintain a high safety level.

In 2016, Scandlines was fully compliant with the demands of the International Safety Management Code (ISM) and passed our annual company audits performed by the maritime authorities as expected. In addition to the maritime authorities, our classification society, Lloyd's Register, maintains tight control with the ferries to ensure that all statutory rules and regulations are observed and that ferry maintenance procedures are performed and documented accurately.

The General Notice System (GNS) records any incidents, dangerous situations and deviations from the International Safety Management System and allows us to analyse the data as part of Scandlines' annual management review to ensure that procedures are updated and improved whenever relevant.

We draw on external experts as well as analysis of incidents and near-misses recorded by safety committees on board every ferry and in every terminal when we invest in the continued improvement of the working environment. We conduct weekly and monthly exercises for crew members as well as testing of equipment in accordance with mandatory demands, and our voluntary crew resource management training at CAE Flight Academy and the voluntary use of our own simulator in Puttgarden are valuable tools for improving the safety level.

Human rights

Our Code of Conduct highlights Scandlines' commitment to ensuring ethical and honest behavior, show mutual respect and adhere to principles of diversity and anti-discrimination as well as properly managing potential conflicts of interest. Our commitment has been integrated in our Supplier Code of Conduct, which also includes the principles set out in the UN Global Compact; including for example our expectation that business partners refrain from using child or forced labour and respect national laws and regulations.

Results and outlook

Scandlines achieved a 90 percent completion rate of dedicated E-learning about the group's Code of Conduct for administrative employees and employees with management responsibility. In addition, more than 60 percent of all suppliers within retail and catering have signed the Supplier Code of Conduct. Suppliers based in higher risk countries have undergone particular review, including e.g. obtaining audit reports validating compliance with adequate working conditions (e.g. working hours, compensation, etc.).

These initiatives will be continued in 2017, and a pilot trial will be launched in which the Code of Conduct is included as a personal objective for Category Managers in Denmark.

Social and employee matters

Scandlines' Code of Conduct includes social and employee matters and is part of the Scandlines onboarding programme. Further an employee handbook details the relevant policies and processes for employees (e.g. annual evaluations, advantages, expected behavior).

Results and outlook

Scandlines places great emphasis on development and education of the group's employees. In 2016, all full-time employees completed an annual appraisal discussion, Personal Performance Development (PPD), as a key step in our work to ensure high performance and employee satisfaction levels. During the year, a trainee completed Scandlines' professional education in Germany, and 6 new trainees joined the programme, increasing the total number of trainees in Germany to 16. Furthermore, safety training is conducted on a regular basis as described in the section "Safety".

Scandlines collaborates with local job centres on the Danish islands Lolland and Falster to find up to 150 holiday reliefs for the high season. In 2016, around 25 percent of these holiday reliefs were later employed on a permanent basis. In Germany, Scandlines predominantly collaborates with schools on and around Fehmarn in order to recruit holiday reliefs. Scandlines employed an average of 1,506 full-time employees (FTEs) in 2016 against 1,488 in 2015. The group employed 639 FTEs on shore and 867 FTEs at sea in 2016.

Scandlines furthermore supports the local area on Danish islands Lolland and Falster by means of sponsorship agreements with local sports clubs.

Scandlines launched an onboarding programme for new employees in both Germany and Denmark during the year with a view to provide all employees with a thorough introduction to Scandlines. We aim to further develop the programme in 2017.

Environment and climate

Our Code of Conduct states Scandlines' commitment to protecting the environment under the highest applicable standards, particularly those that relate to preserving our marine environment. As a consequence, we have defined a vision of converting the group's ferries to zero emission ferries, thus being perceived as an industry leader with a clear vision for the sector's green future.

Results and outlook

Based on the group's experience from pioneering an innovative hybrid propulsion system and closed-loop scrubbers for exhaust gas cleaning on the Puttgarden-Rødby route, we implemented the solutions in the newbuildings commissioned on the Rostock-Gedser route in 2016. Scandlines has been awarded EUR 6.3 million from the EU for the installation of scrubbers and hybrid propulsion system on the two new ferries and for environmentally friendly infrastructure in both port facilities. During 2012-2016, Scandlines has successfully established the world's largest hybrid fleet, combining traditional diesel power with electric battery power, entailing significantly reduced CO_2 emissions and increasing engine efficiency.

We pursue a vision of operating zero emission ferries, and according to DNV / Det Norske Veritas, the vision is feasible on certain conditions:

- Scandlines establishes competencies in large-scale shore-side charging
- Sufficient electrical infrastructure to the ports is secured
- The ferries' overall energy consumption is reduced by an additional 15-20 percent
- The investment offers a sufficient return

Scandlines maintained a number of partnerships in 2016, including:

- Membership of The Trident Alliance and continued commitment to support robust and transparent enforcement of sulphur regulations as well as comply with said regulations
- Membership of Green Ship of The Future, a Public Private Partnership for innovation and demonstration of technologies and methods that make shipping more environmentally friendly
- Long-term cooperation with German environmental non-profit organisation "NABU" with a view to further strengthen Scandlines' green profile by developing more environmentally-friendly and sustainability initiatives

Scandlines continued to reduce power consumption on the ferries in 2016 with energy-saving initiatives including investments in state-of-the-art electrical equipment, hull coating, thrusters and optimisation of ventilation and pumps. The aim is to realise a 15-20 percent energy reduction to pave the ground for future green milestones and rendering the zero emission vision feasible. Further, we modified the ventilation system of the Puttgarden-Rødby ferries to reduce annual consumption by 2 million kilowatt hours.

Scandlines will continue the efforts to reduce energy consumption in 2017, and the group furthermore aims to install charging stations for electric cars in front of the BorderShop in Puttgarden.

Anti-corruption and business ethics

Scandlines' Code of Conduct specifies our commitment to honest and ethical behaviour as well as compliance with all relevant anti-bribery laws in all jurisdictions in which we do business. All employees receive the Code of Conduct and are expected to make the same commitment.

Results and outlook

Scandlines implemented a comprehensive compliance programme in 2014, and we maintained the programme in 2016 as potential non-compliance with relevant rules and regulations may have a significant detrimental impact on Scandlines' business, financial statements and reputation. It is thus crucial that any violation is immediately reported and acted on.

Scandlines achieved a 90 percent completion rate of dedicated E-learning about the group's Code of Conduct for administrative employees and employees with management responsibility. In addition, more than 60 percent of all suppliers within retail and catering have signed the Supplier Code of Conduct.

The anti-corruption and anti-bribery initiatives will be continued in 2017.

Scandlines is a member of these organisations

GREEN SHIP OF THE FUTURE

TRIDENT ALLIANCE

MANAGEMENT AND OWNERSHIP

The Scandlines group is led by an experienced management team with extensive international management experience and competencies within infrastructure, shipping, catering and fast moving consumer goods. The group bases its corporate governance on Danish regulation and is majority owned by 3i Group plc and funds managed by 3i.

Scandlines is subject to Danish law, and our corporate governance is based on Danish legislation and regulations, including the Danish Companies Act, the Danish recommendations for good corporate governance and the company's articles of association, as well as other relevant rules. In addition, Scandlines operates its business based on the guidelines laid down by the Danish Venture Capital and Private Equity Association (DVCA). Reference is made to www.dvca.dk for more information about the guidelines.

Executive Management
Management is appointed by the Supervisory Board of Scandferries Holding ApS. None of the private equity fund partners are directly represented in Executive Management, but are represented through the Supervisory Board.

Gender diversity in management bodies
There were no females among the shareholder-elected members of the group's supervisory board in 2016 as there were no changes to the board's composition during the year. We aim to increase the share of the underrepresented gender to a minimum of 20 percent of the shareholder-elected members by 2021.

The proportion of female managers at other managerial levels reporting directly to the CEO in the group was 17 percent in 2016. We intend to sustain this gender diversity and to further nourish the environment to increase the number of female managers. We have therefore adopted a policy on gender equality in other management, which serves to increase the share of the underrepresented gender and may be found at our website[1]. In addition, we are actively collaborating with the Danish Shipowners' Association on improving conditions for female candidates for leadership positions and invest in our employees to prepare them for a management career.

Scandlines is dedicated to promoting gender diversity, whereas we do not intend to part with well-performing, skilled and loyal employees in leadership positions to reach a more equal gender distribution. We always hire the best candidate for the job, and in cases where a female and a male candidate for a management position are equally qualified, we consider our commitment to gender diversity if this is not contrary to applicable legislation.

Ownership
Scandferries Holding ApS is the parent of Scandferries ApS, and the ultimate parent is Scandferries Holding UK Ltd., whose primary shareholders are 3i Group plc and funds managed by 3i. The operational and administrative activities of the group are managed by Scandlines Danmark ApS and Scandlines Deutschland GmbH and their subsidiaries.

[1] https://www.scandlines.com/about-scandlines/about-scandlines-frontpage/policy_on_gender_equality.aspx

EXECUTIVE MANAGEMENT

Søren Poulsgaard Jensen
CEO

Joined Scandlines as member of Executive Management in 2009 and CEO in 2012.

Extensive management and commercial experience from the international shipping industry.

Previously held various management positions at A.P. Moller Maersk in Hong Kong, Indonesia, Russia, Thailand and Copenhagen.

Per Madsen
CFO

Joined Scandlines as member of Executive Management and CFO in 2012.

International expertise from the infrastructure and fast moving consumer goods industries.

Previously worked as CFO of Copenhagen Airports and held senior positions at The Coca-Cola Company.

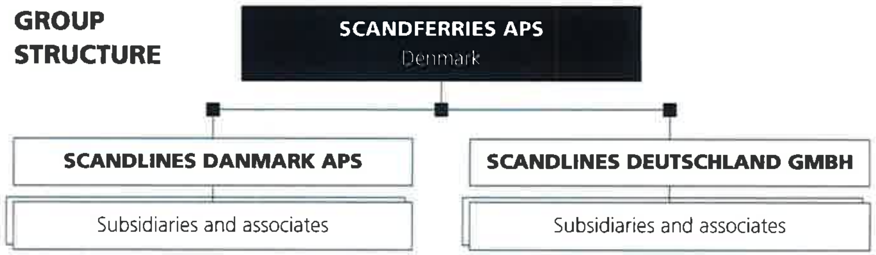
Morten Haure-Petersen
CCO

Joined Scandlines as member of Executive Management and CCO in 2011.

Significant management experience and strong competencies within international catering and retail.

Previously worked as Co-CEO of Apetito Catering and held senior management positions at Gate Gourmet, YUM! Brands and Choice Hotels Europe.

GROUP STRUCTURE



RISK MANAGEMENT

Scandlines is exposed to risks related to the environment in which the group operates ('Market risks') as well as specific risks related to the conduct of the group's business ('Commercial risks'). Executive Management has the overall responsibility for the group's risk management and internal control procedures. Executive Management reviews the risks that may affect Scandlines' operational and financial targets and applies an active approach to risk management with a view to identify and review risk areas and determine how to manage these risks with a strong focus on the risk-return balance. We have applied a COSO-based Enterprise Risk Management framework to ensure a structured and focused process for the identification, assessment, reporting and handling of relevant risks.

Market risks

Economic and political climate

The Scandlines group's business might be affected by events impacting the historically stable and predictable economic and political environment in which we operate.

Overall demand for motorway-based transport of freight and passengers is impacted by the general state of the economy and changes in a range of economic variables. Decreasing demand can lead to overcapacity, which may be remedied by reducing frequency of departures or by de-commissioning a ferry from a route. Overcapacity may increase downward pressure on prices and entail lower profitability.

Potential material changes in the wider geographical and geopolitical area, including increasing tension among EU member states and weakening cohesion in the EU, could have a material impact on our business through reduced trade and travel between Scandinavia and Continental Europe. Other political risks include material changes in tonnage taxation schemes in Germany and Denmark and material changes to the VAT differentials or product and country-specific taxation of alcohol in the region, among other things.

Rules and regulations

The Scandlines group's operations are subject to complex national and international rules and regulations governing the transport and shipping sector in the Baltic Sea region including international conventions adopted by the International Maritime Organization (IMO). Applicable rules and regulations concern, among other things, environmental and safety issues. Changes to applicable rules and regulations may have a detrimental effect on Scandlines' business.

The group has invested significantly in reducing its ferry operations' environmental footprint by implementing hybrid and scrubber solutions, ensuring an industry-leading position and full compliance with applicable environmental regulations in the region. We participate in several industry organisations with a view to contribute to continued improvement of the environmental profile of the regional infrastructure.

Scandlines also complies with relevant safety and manning requirements and specific regulations concerning working conditions for seafarers.

Competitive environment

Our ferry routes on the Puttgarden-Rødby and Rostock-Gedser routes compete with The Great Belt Bridge, a Danish state-owned infrastructure business, direct ferry routes between Sweden and Germany/Poland, and several alternatives for regional air travel. The current competitive landscape is stable and offers varying travel options across the professional and private segments. Our competitive position is strong as Scandlines offers the fastest routes between Scandinavia and the European continent by extending the motorway infrastructure with two highly efficient traffic machines. Changes to the current competitive environment may have a negative impact on our business.

Such potential changes most significantly include the planned construction of a Fehmarn Belt fixed link, which was agreed in principle when the German and Danish governments submitted a declaration of intent in 2008. The most recent public statements made by the Danish government indicate that the earliest possible opening of the fixed link would be 2028. Potential construction work on the Fehmarn Belt fixed link entails risk of material negative impact on our operations, reliability and, ultimately, competitiveness during the construction period. The potential opening of the Fehmarn Belt fixed link will have a significant negative impact on our operations, which will nonetheless continue in direct competition with the fixed link to provide an alternative and highly competitive transportation option for the professional and private segments.

Prior to, during and after the potential construction of the Fehmarn Belt fixed link, Scandlines will participate in public discussions and processes to ensure a fair competitive landscape by preventing the granting of unlimited state aid to the company operating the fixed link and the deterioration of motorway access to our port in Puttgarden, among other things.

Financial markets

Scandlines is exposed to a range of financial market risks related mainly to interest rates and foreign exchange rates. See notes 13 and 20 for details on exposures and sensitivities.

The interest rates on the group's interest-bearing debt fluctuate with EURIBOR, and a potential increase in EURIBOR would thus entail an increase in the absolute amount of interest payable by the group. A significant share of Scandlines' interest rate risk is hedged.

Significant movements in foreign exchange rates may have a material negative effect on Scandlines' financial condition and operational results. The group's functional currency is EUR as the majority of transactions are denominated in either EUR or DKK. As a consequence of Denmark's fixed-rate policy vis-à-vis the EUR, the group's foreign exchange exposure is considered to be limited and mainly relates to cash flows denominated in SEK.

Commercial risks

Operations, environment and security
The group's main operational risks concern our owned ferries and ports in Puttgarden, Rødby and Gedser. Disruption of service may occur from technical problems, accidents or adverse weather conditions, potentially entailing a material negative impact on our operations, the reputation of our traffic machine concept and the group's financial results and business as such. In Q1 2017, we commissioned M/V Kronprins Frederik as a freight ferry on the Puttgarden-Rødby route and a replacement ferry for both routes to counter potential disruption of service arising from technical problems or accidents. In addition, Scandlines adheres to a systematic and comprehensive maintenance program for all ferries, including regular dockings. Finally, the stable traffic machine concept is highly resistant to adverse weather, and the Puttgarden-Rødby route was open all 366 days of 2016 with reliability of 95 percent during the year, exceeding the comparable performance by competition from the existing fixed link on The Great Belt Bridge as well as regional air travel options and direct ferry routes between Sweden and Germany/Poland.

Scandlines is subject to comprehensive environmental protection laws, and incidents could impose strict liability, including fines, penalties, criminal liability and remediation costs for natural resource damages in case of spills and release of oil and hazardous substances, regardless of whether Scandlines might have acted negligently. In addition, any environmental incident may entail additional regulatory initiatives or statutes that may affect Scandlines' operations and financial results. Scandlines has taken appropriate measures to reduce the risk of environmental incidents arising from the group's operations, including the transportation of hazardous goods on the Puttgarden-Rødby route.

As Scandlines is a crucial piece of infrastructure connecting Scandinavia and the European continent, we continuously monitor the potential risk of cyber or terrorist attacks.

The group has taken out insurance to cover relevant operational, environmental and security risks, but there is no guarantee that such insurance policies will be sufficient to cover all potential risks or claims.

Customers and credit
Our business may be impacted by the loss of significant professional customers as well as any substantial decline in demand from these or their inability to honour financial obligations towards Scandlines.

The group's customer portfolio is well-diversified with the top ten customers accounting for less than 15 percent of total revenue. The customer portfolio consists of several large professional customers, smaller customers in the professional segment and private passengers.

Scandlines' credit risks are limited and primarily related to trade receivables from professional customers. Scandlines has implemented a credit policy and structured dunning procedures as well as various early warning systems to systematically reduce bad debts, which have historically been very limited.

Maintenance and investments
The group owns and operates modern and purpose-built infrastructure assets including check-in areas, marshalling areas, ramps, berths and ferries. We utilise our assets with a strong focus on cost optimisation measures to remain competitive. A constant schedule of maintenance and improvement of all assets may thus be necessary, imposing varying costs on the group in the longer term. Limited investments are required in the coming years following the recent upgrading of existing ports and ferries as well as the commissioning of new ferries on the Rostock-Gedser route in 2016.

Fuel price
The group is exposed to fuel price fluctuations arising from events beyond our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, among other things.

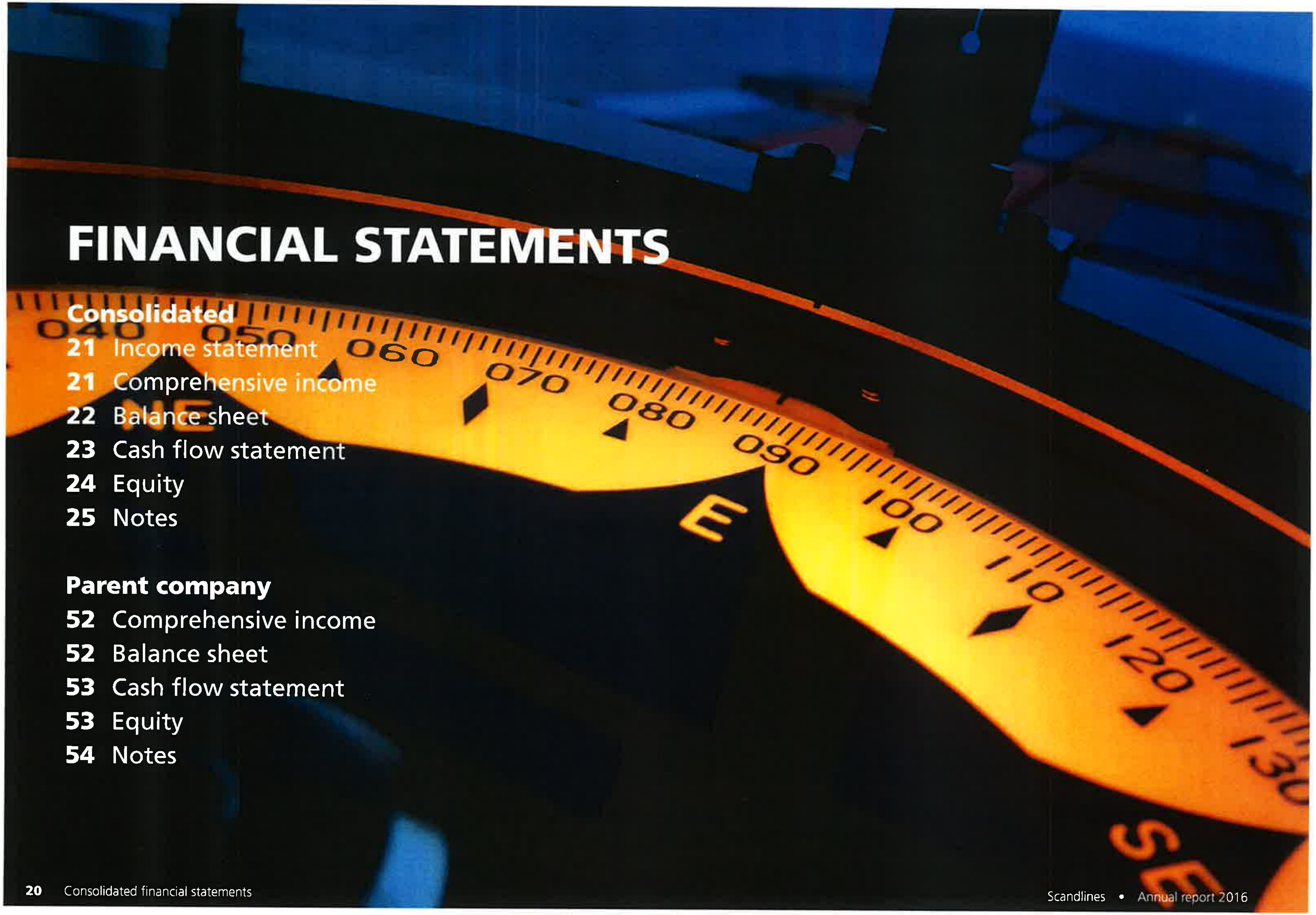
Our fuel price exposure is commercially hedged through bunker adjustment factor ('BAF') clauses in freight customer contracts and additional financial hedging contracts, entailing an overall hedging of 80 percent of Scandlines' total bunker consumption for a period of 12 months.

IT
Our commercial operations are exposed to disruption of the group's IT systems, including operating, booking and ticketing systems, agreements with customers and third parties, the planned maintenance system and the ERP system. Furthermore, any potential information security breach resulting in loss or exposure of freight customer or passenger data may result in severe reputational, legal and financial consequences.

We continuously work to reduce risks of IT system disruption and information security breaches by means of constant monitoring of systems, installation of back-up systems and adoption of procedures to restore system functionality as well as internal controls and adherence to rules and regulations governing information security.

Qualified employees and management
The Scandlines group's ability to recruit and retain qualified employees and management is critical to our success in the long term and may be affected by circumstances beyond our control, including German, Danish and international employment law, which is subject to change on a continuous basis.

We monitor developments in regulation and make targeted efforts to attract and retain qualified personnel by offering competitive compensation packages and ensuring continued development and education of employees, thus securing a high employee satisfaction level.



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INCOME STATEMENT

MEUR	Notes	2016	2015
Continuing operations			
Revenue	2	470.0	460.2
Other operating income		8.5	41.1
Total income		**478.5**	**501.3**
Operating costs for vessels		-46.7	-53.1
Cost of goods sold		-135.8	-135.6
Staff costs	3	-73.2	-76.1
Other external expenses	19	-51.0	-52.4
Total costs		**-306.7**	**-317.2**
Result before amortisation and depreciation (EBITDA)		**171.8**	**184.1**
Amortisation and depreciation	4,8,9	-32.9	-28.4
Result from operations		**138.9**	**155.7**
Financial income	5	2.0	1.8
Financial expenses	6	-53.4	-48.2
Result before tax		**87.5**	**109.3**
Tax for the year	7	-6.6	-2.4
Result for the year from continuing operations		**80.9**	**106.9**
Discontinued operations			
Result for the year from discontinued operations	23	0.2	1.1
Result for the year		**81.1**	**108.0**
Attributable to:			
Owners of the parent company		86.1	111.2
Non-controlling interests	24	-5.0	-3.2
		81.1	**108.0**

COMPREHENSIVE INCOME

MEUR	Notes	2016	2015
Result for the year		**81.1**	**108.0**
Other comprehensive income/loss			
Items that may be reclassified subsequently to profit and loss			
Value adjustments of hedging instruments:			
Value adjustments for the year		8.0	2.8
Reclassified to income statement:			
Operating costs for vessels		0.0	4.8
Foreign exchange adjustments, foreign enterprises		-1.2	0.2
Other comprehensive income/loss after tax		**6.8**	**7.8**
Total comprehensive income/loss		**87.9**	**115.8**
Attributable to:			
Owners of the parent company		92.9	119.0
Non-controlling interests	25	-5.0	-3.2
		87.9	**115.8**

BALANCE SHEET

MEUR	Notes	31.12.16	31.12.15
ASSETS			
Goodwill		631.3	631.3
Software		6.5	12.4
Other intangible assets		1.9	2.2
Non-current intangible assets	8	**639.7**	**645.9**
Land and buildings		96.7	99.3
Vessels		380.5	106.2
Other fixtures and fittings, tools and equipment		81.9	88.2
Assets under construction		20.6	221.0
Non-current tangible assets	9	**579.7**	**514.7**
Receivables	11	0.0	37.8
Deferred tax	12	0.0	0.3
Other non-current assets		**0.0**	**38.1**
Total non-current assets		**1,219.4**	**1,198.7**
Inventories	10	20.9	16.9
Receivables	11	107.3	76.8
Prepayments		2.5	3.9
Cash		94.1	48.4
Current assets		**224.8**	**146.0**
Assets classified as held for sale	23	**0.0**	**3.0**
Total current assets		**224.8**	**149.0**
Assets		**1,444.2**	**1,347.7**

MEUR	Notes	31.12.16	31.12.15
EQUITY AND LIABILITIES			
Share capital		0.0	0.0
Reserves		4.6	-2.2
Retained earnings		457.9	369.6
Equity attributable to owners of the parent company		462.5	367.4
Non-controlling interests		40.5	47.7
Total equity		**503.0**	**415.1**
Interest-bearing liabilities	13	742.2	719.1
Deferred tax	12	3.7	4.3
Pension and anniversary liabilities	14	0.5	0.4
Total non-current liabilities		**746.4**	**723.8**
Interest-bearing liabilities	13	121.3	110.5
Income tax	16	3.3	8.2
Trade payables		39.1	42.8
Other provisions	15	6.3	7.8
Other liabilities	17	22.4	36.6
Deferred income	18	2.4	2.8
Total current liabilities		**194.8**	**208.7**
Total liabilities		**941.2**	**932.6**
Equity and liabilities		**1,444.2**	**1,347.7**

CASH FLOW STATEMENT

MEUR	Notes	31.12.16	31.12.15
Result before amortisation and depreciation (EBITDA), continuing		171.8	184.1
Result before amortisation and depreciation (EBITDA), discont.	23	0.2	1.6
Adjustments for non-cash operating items, etc.	21	4.6	-4.3
Working capital changes	22	-13.2	19.5
Cash flows from operating activities, gross		**163.4**	**200.9**
Interest received (income)		2.0	1.8
Interest paid (expenses)		-53.4	-48.2
Taxes paid		-10.2	-1.4
Cash flows from operating activities, net		**101.8**	**153.1**
Additions relating to divestment of enterprise (SHH)		0.0	175.6
Investments in intangible assets, net	8	0.3	-12.6
Investments in land and buildings, net	9	0.0	-0.9
Investments in vessels, net	9	-1.1	-14.9
Investments in other fixtures and fittings, tools and equipment, net	9	-1.2	-9.3
Investments in assets under construction, net	9	-89.7	-98.2
Cash flows to/from investing activities		**-91.7**	**39.7**
Payment of dividends		0.0	-181.5
Repayment, bank loan		0.0	-67.9
New bank loan		33.9	40.3
Cash flows to/from financing activities		**33.9**	**-209.1**
Cash flows for the year		44.0	-16.3
Cash at 1 January		48.4	64.9
Cash from discontinued operations		3.0	0.0
Currency exchange adjustment		-1.3	-0.2
Cash at 31 December		**94.1**	**48.4**

STATEMENT OF CHANGES IN EQUITY

MEUR	Share capital	Exchange rate adjustments	Fair value adjustment of hedging instruments	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
Equity at 1 January 2016	0.0	0.4	-2.6	369.6	367.4	47.7	415.1
Comprehensive income/ loss for the year							
Result for the year	0.0	0.0	0.0	86.1	86.1	-5.0	81.1
Other comprehensive income/loss	0.0	-1.2	8.0	0.0	6.8	0.0	6.8
Total comprehensive income/loss	**0.0**	**-1.2**	**8.0**	**86.1**	**92.9**	**-5.0**	**87.9**
Transactions with the owners							
Payment of dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Equity at 31 December 2016	**0.0**	**0.8**	**5.4**	**457.7**	**460.3**	**42.7**	**503.0**

Reserves

Hedging reserve:

The hedging reserve includes the accumulated net change in the fair value of hedging interest rate and bunker fuel hedging instruments, which qualify for hedging of future cash flows.

Non-controlling interests

Non-controlling interests consist of 70% ownership of Scandferries Chartering A/S.

Dividend

No dividend was paid in 2016.

MEUR	Share capital	Exchange rate adjustments	Fair value adjustment of hedging instruments	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total
Equity at 1 January 2015	0.0	0.2	-10.2	438.5	428.5	50.9	479.4
Comprehensive income/ loss for the year							
Result for the year	0.0	0.0	0.0	111.2	111.2	-3.2	108.0
Other comprehensive income/loss	0.0	0.2	7.6	0.0	7.8	0.0	7.8
Total comprehensive income/loss	**0.0**	**0.2**	**7.6**	**111.2**	**119.0**	**-3.2**	**115.8**
Transactions with the owners							
Payment of dividend	0.0	0.0	0.0	-181.5	-181.5	0.0	-181.5
Other	0.0	0.0	0.0	1.4	1.4	0.0	1.4
	0.0	**0.0**	**0.0**	**-180.1**	**-180.1**	**0.0**	**-180.1**
Equity at 31 December 2015	**0.0**	**0.4**	**-2.6**	**369.6**	**367.4**	**47.7**	**415.1**

Reserves

Hedging reserve:

The hedging reserve includes the accumulated net change in the fair value of hedging interest rate and bunker fuel hedging instruments, which qualify for hedging of future cash flows.

Non-controlling interests

Non-controlling interests consist of 70% ownership of Scandferries Chartering A/S.

Dividend

As of 28 January 2015, Scandferries ApS paid out 181.5 MEUR which is 2,268.8 EUR per share.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

01. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

As part of the preparation of the consolidated financial statements, Management makes a number of accounting estimates and judgements as well as assumptions as a basis for recognising and measuring the group's assets, liabilities, income and expenses. The estimates, judgements and assumptions made are based on experience gained and other factors that are considered prudent by Management in the circumstances, but which are inherently subject to uncertainty and volatility. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur for which reason the actual results may differ from the estimates and judgements made. The group's accounting policies are described in detail in note 29 to the consolidated financial statements to which we refer.

Management considers the following accounting estimates and judgements to be significant in the preparation of the annual report.

Business combinations

At 3 December 2013, the group has acquired 100 percent of Scandferries Holding GmbH, which, via subsidiaries, operates ferry services on the routes Puttgarden-Rødby, Rostock-Gedser and Helsingør-Helsingborg and retail business in the form of BorderShops in Puttgarden and Rostock, respectively. When businesses are acquired, the assets, liabilities and contingent liabilities of the business acquired are to be recognised applying the acquisition method under IFRS 3. When determining the fair value of the assets, liabilities and contingent liabilities acquired and the consideration, Management makes a number of estimations and judgements.

The non-allocated consideration is recognised in the balance sheet as goodwill which is allocated to the group's cash generating units, and this too is based on Management's estimates.

Impairment test of goodwill and other non-current intangible assets

Goodwill is tested for impairment at least once a year and in the event of any indication of impairment. Impairment tests are based on the expected future free cash flow from the relevant cash generating unit. For a more detailed description of the impairment testing of goodwill, please refer to note 8 to the consolidated financial statements.

Impairment test of vessels, including assessments of expected useful lives and scrap values

Significant accounting estimates and judgements of vessels include a breakdown of the vessels' cost into components based on their expected useful lives, the vessels' expected maximum useful life for the enterprise, scrap value and impairment testing. The vessels' expected useful lives for the enterprise and their scrap values are revalued and estimated at least once a year. In addition, impairment tests are performed in the event of any indication of impairment.

For a more detailed description of estimates and judgements concerning vessels, please refer to the accounting policies described in note 29 to the consolidated financial statements.

Write-down for bad and doubtful debts

Receivables are measured at amortised cost less write-down for bad and doubtful debts. Such write-down is made based on customers' inability and/or unwillingness to pay. If a customer's ability to pay deteriorates looking forward, then further write-down may be necessary.

The need to write-down of receivables for impairment and the adequacy of such write-down are assessed by Management based on historical data on customer payment patterns, age analyses, bad and doubtful debts, customer concentrations, customers' credit rating, any collateral received, etc. Please refer to note 11 to the consolidated financial statements.

Leases

The group has entered into leases/charter agreements on vessels, buildings and other equipment. These leases/charter agreements have been entered into on ordinary terms and conditions. Based on separate assessments of the individual leases/agreements when closed, Management considers whether the individual agreements are to be regarded as a finance lease or an operating lease.

Provisions and contingencies

Management regularly assesses provisions and contingencies as well as the probable outcome of pending or possible lawsuits and similar matters. The outcome depends on future events which are inherently uncertain. When assessing the probable outcome of major lawsuits, tax matters etc, Management involves external legal advisers and existing legal practice. Please refer to note 15 and 25 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

02. REVENUE

MEUR	2016	2015
Traffic machine	332.7	332.3
Bordershops	137.3	137.1
	470.0	**469.4**
Revenue related to discontinued operations	0.0	-9.2
	470.0	**460.2**

03. STAFF COSTS

MEUR	2016	2015
Salaries and wages	-59.2	-66.0
Pension contributions	-10.7	-10.8
Other social security costs	-3.3	-1.3
	-73.2	**-78.1**
Staff cost related to discontinued operations	0.0	2.0
	-73.2	**-76.1**
Average number of employees	1,506	1,488
Remuneration to key management personnel (Executive Management)		
Salaries and fees	2.7	2.4
	2.7	**2.4**

The Management is entitled to bonus dependent on specific performance measures.
In 2015, the Executive Management was joined by additional personnel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

04. AMORTISATION AND DEPRECIATION

MEUR	2016	2015
Amortisation, intangible assets	-5.9	-4.7
Depreciation, vessels	-16.8	-14.3
Depreciation, land and buildings	-2.7	-2.5
Depreciation, other property, plant and equipment	-7.5	-7.4
	-32.9	**-28.9**
Amortisation and depreciation related to discontinued operations	0.0	0.5
	-32.9	**-28.4**

05. FINANCIAL INCOME

MEUR	2016	2015
Interest on cash etc.	0.3	0.0
Interest from affiliated companies	1.7	1.8
Total investment income from financial assets not classified as at FVTPL	**2.0**	**1.8**

06. FINANCIAL EXPENSES

MEUR	2016	2015
Interest to credit institutions etc.	-53.9	-42.1
Other financial expenses	0.5	-6.1
Total investment income from financial liabilities not classified as at FVTPL	**-53.4**	**-48.2**

07. TAX FOR THE YEAR

MEUR	2016	2015
Current tax	-2.8	-2.6
Changes in deferred tax	0.3	-0.3
Adjustment previous year	-4.1	0.5
	-6.6	**-2.4**
Tax related to discontinued operations	0.0	0.0
	-6.6	**-2.4**
Tax for year can be specified as follows:		
Result before tax	87.5	109.3
Of this, subject to tonnage taxation	-120.7	-142.9
	-33.2	**-33.6**
Tax calculated as 22.0% and 23.5% of result before tax	-7.3	-7.9
Calculated tax in foreign companies adjusted to 22.0% / 23.5%	0.9	0.1
Non-deductable interest	8.9	10.7
Adjustment previous year	4.1	-0.5
	6.6	**2.4**
Effective tax rate	7.5%	2.2%

The shipping activities of Danish and German group enterprises are subject to tonnage tax schemes, with taxable income from the transport of passengers and goods being calculated based on tonnage for the year.

The group has committed itself to the tonnage tax scheme. The group does not expect to resign from the scheme, for which reason no provision has been made for deferred tax on the tonnage-taxed assets and liabilities. Income from other activities is taxed under ordinary tax rules.

Tax on other comprehensive income
Value adjustments on bunker hedging instruments are related to tonnage tax and there are no separate taxes related hereto. Tax related to interest rate swaps is EUR 0.0 due to limitations on deductible interest expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

08. NON-CURRENT INTANGIBLE ASSETS

MEUR	Goodwill	Software	Other intangible assets
2016			
Cost at 1 January	631.3	19.7	3.0
Reclassification	0.0	0.0	0.0
Additions	0.0	0.5	0.0
Disposals	0.0	-10.9	0.0
Cost at 31 December	**631.3**	**9.3**	**3.0**
Amortisation at 1 January	0.0	7.3	0.8
Amortisation	0.0	5.6	0.3
Disposals	0.0	-10.1	0.0
Amortisation at 31 December	**0.0**	**2.8**	**1.1**
Carrying amount at 31 December	**631.3**	**6.5**	**1.9**
2015			
Cost at 1 January	630.1	8.3	3.0
Reclassification	0.0	4.0	0.0
Additions	1.2	7.6	0.0
Disposals	0.0	-0.2	0.0
Cost at 31 December	**631.3**	**19.7**	**3.0**
Amortisation at 1 January	0.0	3.0	0.4
Amortisation	0.0	4.3	0.4
Disposals	0.0	0.0	0.0
Amortisation at 31 December	**0.0**	**7.3**	**0.8**
Carrying amount at 31 December	**631.3**	**12.4**	**2.2**

08. NON-CURRENT INTANGIBLE ASSETS (CONTINUED)

Goodwill arising from an acquisition is allocated at the time of acquisition to cash generating units expected to gain economic benefits from the business combination.

The carrying amount of goodwill can be specified as follows by cash generating unit:

MEUR	31.12.16	31.12.15
Ferry services		
Puttgarden – Rødby	488.4	488.4
Rostock – Gedser	66.2	66.2
	554.6	**554.6**
BorderShops		
Puttgarden	74.8	74.8
Rostock	1.9	1.9
	76.7	**76.7**
Total goodwill	**631.3**	**631.3**

Goodwill is tested for impairment once a year as a minimum, and more often when indication of impairment exists.

No impairment of goodwill was made for the financial year.

The most significant uncertainties and assumptions relate to the determination of discount and rates and estimated changes in selling prices, volume and costs (particularly bunker costs) for the budget and terminal periods. Also, the date of commissioning of the Fehmarn Belt fixed link is crucial.

Using forecasts extending to the year 2035 as base for our calculation of value in use of the cash generating units are justified by the expectations of the future build of the Fehmarn Belt fixed link.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

08. NON-CURRENT INTANGIBLE ASSETS (CONTINUED)

The building of the fixed link is estimated to have a material impact on our business and the different routes.

Calculating cash flows based on budgets or forecasts of a shorter time span will not correctly consider this impact and the consequences following and, therefore, distort the values of the cash flows.

The cash flows appearing from budgets and forecasts up to 2035 last adopted by Management were used in calculating the value in use of the cash generating units. For financial years following the budget periods, cash flows from the most recent budget period were extrapolated, adjusted for the estimated growth rate of 2 percent. The discount rate applied is 9 percent for traffic routes and 12 percent for BorderShops, both before tax.

Revenue growth rate estimation is 3-4 percent up to the time of completion of the Fehmarn Belt fixed link. By completion of the fixed link, we estimate a material negative impact on revenue, both on our traffic routes and BorderShops, but a continued estimate 3-4 percent growth afterwards until 2035.

08. NON-CURRENT INTANGIBLE ASSETS (CONTINUED)

The Rostock-Gedser route will not directly be impacted by the Fehmarn Belt fixed link, but we consider the secondary effects to be positive, as more traffic is expected diverted to this route as a consequence of lower frequency on Puttgarden-Rødby.

Cash generating unit	Overall growth rate in terminal period	Revenue growth before fixed link	Revenue growth after fixed link until 2035	Discount rate
Puttgarden-Rødby	2%	3%	4%	9%
Rostock-Gedser	2%	4%	4%	9%
BorderShops	2%	3%	3%	12%

The calculated discount rates reflect market assessments of the time value of money, expressed through a risk-free interest rate and specific risk involved in the individual cash generating unit. The discount rate is generally calculated after tax based on estimated Weighted Average Cost of Capital (WACC).

Estimated changes in selling prices, volume and costs for the budget and terminal periods are based on historic experience and prudent estimated future market developments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

09. NON-CURRENT TANGIBLE ASSETS

MEUR	Land and buildings	Vessels	Other fixtures and fittings, tools and equip.	Assets under construction
2016				
Cost at 1 January	103.9	131.6	103.3	221.0
Reclassification	0.1	290.0	0.0	-290.1
Additions	0.0	7.1	1.3	89.7
Disposals	0.0	-6.8	-0.3	0.0
Reclassified as held for sale	0.0	0.0	0.0	0.0
Cost at 31 December	**104.0**	**421.9**	**104.3**	**20.6**
Depreciation at 1 January	4.6	25.4	15.1	0.0
Depreciation	2.7	16.8	7.5	0.0
Disposals	0.0	-0.8	-0.2	0.0
Reclassified as held for sale	0.0	0.0	0.0	0.0
Depreciation at 31 December	**7.3**	**41.4**	**22.4**	**0.0**
Carrying amount at 31 December	**96.7**	**380.5**	**81.9**	**20.6**
Carrying amount includes:				
Government grants	7.3	8.7		0.0

Tangible assets are tested for impairment when indication of impairment exists.

09. NON-CURRENT TANGIBLE ASSETS (CONTINUED)

MEUR	Land and buildings	Vessels	Other fixtures and fittings, tools and equip.	Assets under construction
2015				
Cost at 1 January	103.0	119.7	94.0	122.8
Reclassification	0.1	10.0	7.8	-21.9
Additions	1.4	6.8	2.2	120.1
Disposals	-0.6	-1.9	-0.7	0.0
Reclassified as held for sale	0.0	-3.0	0.0	0.0
Cost at 31 December	**103.9**	**131.6**	**103.3**	**221.0**
Depreciation at 1 January	2.7	13.1	8.3	0.0
Depreciation	2.5	13.8	7.4	0.0
Disposals	-0.6	-1.5	-0.6	0.0
Reclassified as held for sale	0.0	0.0	0.0	0.0
Depreciation at 31 December	**4.6**	**25.4**	**15.1**	**0.0**
Carrying amount at 31 December	**99.3**	**106.2**	**88.2**	**221.0**
Carrying amount includes:				
Government grants	7.4	4.1		2.2

Tangible assets are tested for impairment when indication of impairment exists.

10 INVENTORIES

	31.12.16	31.12.15
Bunker	1.6	1.0
Goods for sale	16.8	13.8
Other inventories	2.5	2.1
	20.9	**16.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. RECEIVABLES

MEUR	31.12.16	31.12.15
Financial leasing assets	39.8	43.6
Trade receivables	23.8	21.1
Receivables from affiliated companies	37.4	36.0
Income tax receivable	0.5	0.6
Other receivables	5.8	13.3
	107.3	**114.6**
Long-term receivables	0.0	37.8
Short-term receivables	107.3	76.8
	107.3	**114.6**

Receivables from affiliated companies comprise of loan (floating interest rate) to Scandferries Chartering UK Ltd. and Scandferries Holding UK Ltd. There have been no write-downs and losses on receivables from affiliated companies.

Write-downs and losses realised are recognised in the income statement in other external expenses. The group uses a provision account to reduce the carrying amount of trade receivables if the value is impaired due to risk of loss.

Financial leasing assets are related to the vessel Mecklenburg-Vorpommern and the back-to-back leasing agreement where Scandlines is both lessor and lessee. The receivable is off-set by a corresponding amount under lease liabilities, causing a net balance of zero. Financial leasing assets and liabilities are interest bearing by a fixed rate.

MEUR	31.12.16	31.12.15
Provision account at 1 January	0.7	0.3
Losses recorded for the year	-0.5	-0.1
Reversed provisions	-0.1	0.0
Bad debt provisions for the year	0.1	0.5
Provision account at 31 December	**0.2**	**0.7**
Due trade receivables written down (impaired value)	0.0	0.0
	0.0	**0.0**

11. RECEIVABLES (CONTINUED)

MEUR	31.12.16	31.12.15
Due trade receivables not written down:		
Overdue by up to one month	3.8	2.1
Overdue by 1-3 months	0.6	0.2
Overdue by 3-6 months	0.0	0.3
Overdue by more than 6 months	0.3	0.0
	4.7	**2.6**

12. DEFERRED TAX

MEUR	31.12.16	31.12.15
Deferred tax at 1 January	-4.0	-3.6
Deferred tax for the year recognised in the income statement	0.3	-0.3
Reduction of Danish income tax rate	0.0	-0.1
Deferred tax at 31 December	**-3.7**	**-4.0**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (asset)	0.0	0.3
Deferred tax (liability)	-3.7	-4.3
	-3.7	**-4.0**
Deferred tax concerns:		
Intangible assets	0.0	0.0
Property, plant and equipment	-3.7	-4.0
	-3.7	**-4.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INTEREST-BEARING LIABILITIES

MEUR	31.12.16	31.12.15
Finance lease commitments	0.0	39.8
Bank debt	742.2	679.3
Other long-term debt	0.0	0.0
Total non-current interest-bearing liabilities	**742.2**	**719.1**
Finance lease commitments	39.8	3.8
Bank debt	81.5	106.7
Total current interest-bearing liabilities	**121.3**	**110.5**
Total current and non-current interest-bearing liabilities	**863.5**	**829.6**

The fair value of the finance lease liabilities is equal to the carrying amount and calculated as the present value of expected future payments of instalments and interest.

The financial lease commitment is linked to an identical financial lease receivable, and there are hence no net amount payable due under this commitment.

Please refer to note 20 with respect to financial risk etc.

Distribution of currency, nominal principal		
DKK	140.2	60.3
EUR	723.3	769.3
Total interest-bearing liabilities	**863.5**	**829.6**

13. INTEREST-BEARING LIABILITIES (CONTINUED)

MEUR	Fixed/float Currency	Amortised interest	Nominal value	Fair value
Bank debt 2016				
Loan A (expiry 2019)	EUR	Floating	165.6	163.3
Loan B (expiry 2020)	EUR	Floating	480.2	470.8
Loan C (expiry 2019)	EUR	Floating	50.0	49.4
Loan F (expiry 2025)	DKK	Fixed	143.1	140.2
			838.9	**823.7**
Bank debt 2015				
Loan A (expiry 2019)	EUR	Floating	212.0	208.1
Loan B (expiry 2020)	EUR	Floating	480.2	468.4
Loan C (expiry 2019)	EUR	Floating	50.0	49.2
Loan E (short term facility)	DKK	Floating	60.3	60.3
			802.5	**786.0**

The fair value of the bank debt is calculated at present value of future payment and payment of interest applying the actual yield curve which derives from the actual market interest (level 2 in the fair value hierarchy).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INTEREST-BEARING LIABILITIES (CONTINUED)

The existing loan agreement is subject to covenants which may impact on the future interest rate level.

MEUR	Facility	Utilised	Remaining facilities	Limitations
Facilities 2016				
Loan A (expiry 2019)	165.6	165.6	0.0	
Loan B (expiry 2020)	480.2	480.2	0.0	
Loan C (expiry 2019)	50.0	50.0	0.0	Capex investments
Loan D (expiry 2019)	35.0	0.0	35.0	
Loan F (expiry 2025)	143.1	143.1	0.0	
	873.9	**838.9**	**35.0**	
Facilities 2015				
Loan A (expiry 2019)	212.0	212.0	0.0	
Loan B (expiry 2020)	480.2	480.2	0.0	
Loan C (expiry 2019)	50.0	50.0	0.0	Capex investments
Loan D (expiry 2019)	35.0	0.0	35.0	
Loan E (short term facility)	60.3	60.3	0.0	Capex investments
	837.5	**802.5**	**35.0**	

14. PENSION AND ANNIVERSARY LIABILITIES

The group has entered into both defined contribution plans and defined benefit plans. The majority of the pension plans are funded by annual premium payments to independent insurance companies that assume responsibility for the pension commitments towards the employees (defined contribution plans). For these plans, the group has no legal or actual obligation to pay additional contributions, regardless of the funding of these insurance companies. Pension contributions as part of such plans are regularly recognised as expenses. Defined pension plans are only used to a very limited extent and exist in Germany, only.

Development in present value of funded and unfunded defined commitments

MEUR	31.12.16	31.12.15
Balance at 1 January	1.6	2.1
Additions relating to acquisition of enterprises	0.0	0.0
Anniversary cost	0.1	0.1
Calculated interests related to obligations	0.0	0.0
Pensions paid	-0.4	-0.6
Liabilities at 31 December	**1.3**	**1.6**
Long-term liability	0.5	0.4
Short-term liability	0.8	1.2
Cost in profit/loss statement		
Personnel costs current year	0.1	0.3
Calculated interests related to obligations	0.0	0.0
Total	**0.1**	**0.2**
Defined benefit plans, assumptions		
Discount rate	1.2%	1.7%
Future increases in pensions	1.0%	0.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. OTHER PROVISIONS

MEUR	31.12.16	31.12.15
Balance at 1 January	7.8	12.1
Reduction arising from payment	-7.8	-12.1
Additions	6.3	7.8
	6.3	**7.8**

Other provisions are expected to fall due as follows:		
0-1 year	6.3	12.1
1-5 years	0.0	0.0
	6.3	**12.1**

Provisions are mainly related to personnel expenses and taxes.

16. INCOME TAX

MEUR	31.12.16	31.12.15
Income tax payable at 1 January	8.2	6.1
Current tax for the year	2.8	2.6
Income tax paid in the year	-10.2	-1.4
Adjustment previous year	2.5	0.9
Income tax payable at 31 December	**3.3**	**8.2**

17. OTHER LIABILITIES

MEUR	31.12.16	31.12.15
Accrued interest	9.7	10.2
Public authorities (VAT, excise duties, taxes, etc.)	1.0	5.9
Pension liabilities (short-term)	0.3	1.2
Holiday pay obligation, payroll, bonus, etc.	10.9	13.1
Other expenses payable	0.5	6.2
	22.4	**36.6**

18. DEFERRED INCOME

MEUR	31.12.16	31.12.15
Prepayments from customers	2.4	2.8
	2.4	**2.8**

19. FEES TO AUDITORS APPOINTED BY THE ANNUAL GENERAL MEETING

MEUR	31.12.16	31.12.15
Statutory audit	0.2	0.2
Other assurance engagements	0.0	0.0
Tax and VAT advisory services	0.1	0.1
Non-audit services	0.1	0.1
	0.4	**0.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL RISKS AND USE OF DERIVATIVES

The group's risk management policy
Financial market risks derive from operating, financing and investment activities. The group Treasury Policy approved annually by the Executive Management defines responsibilities, procedures and risk limits per risk type. The Scandferries group does not actively speculate in financial risks. Financial risk management is performed centrally for the group and includes the responsibility for identifying, measuring, managing and reporting of financial risks in accordance with the group Treasury Policy.

Risk related to commodity prices
The primary risk associated with commodity prices relates to the purchase of bunker fuel. The risk is partially covered through the incorporation of variable bunker price element in the contracts with freight customers. The residual exposure for a rolling 12-month period is partly hedged by using financial swaps. The net bunker fuel price exposure for the coming 12-month period equals c. 20% of total expected consumption.

An increase in bunker fuel prices by 10 percentage points at the time of balance sheet date would have a positive impact on the value of existing financial hedges and carrying amount in the equity's hedging reserve of EUR 0.3m (EUR 0.1m in 2015) and a negative cost impact in 2017 of EUR 0.3m (0.3m in 2015). A similar reduction in bunker fuel prices would have an equivalent negative impact on hedge values and a similar positive impact on the bunker fuel cost in 2017.

Risks related to interest rates
Interest rate risks derives mainly from financing agreements. Future interest payments are partly hedged in the form of fixed-rate debt and interest rate derivatives. At 31 December 2016, 40% of the group's debt was fixed-rate or hedged. We refer to Note 13 for more details on the loan portfolio.

An increase in interest rates by 1 percentage points at the time of balance sheet date would have a positive impact on the value of existing financial hedges and carrying amount in the equity's hedging reserve of EUR 3.6m (3.3m in 2015) and a negative cost impact in 2017 of EUR 4.3m (3.1m). A similar reduction in interest rates would have an equivalent negative impact on hedge values and a similar positive impact on the interest rate cost in 2017.

20. FINANCIAL RISKS AND USE OF DERIVATIVES (CONTINUED)

Risks related to foreign exchange rates
Foreign exchange rate risk derives primarily from operating cash flows and financing arrangement in other currencies than EUR. The Scandferries group believe that Denmark will maintain the long-lasting fixed exchange rate policy versus the EUR and hence indirectly regards DKK also as a base currency together with EUR. A minor net exposure in SEK is continuously monitored and managed in accordance with the group Treasury Policy.

The Scandferries group has during 2016 not entered any currency hedges and has no opening currency hedge contracts as at 31 December 2016. A 10% change in the EUR/SEK exchange rate would have an immaterial effect on income and cost elements in 2017.

Credit risks
The Scandferries group is exposed to credit risk from our trading partners and customers. The exposure is limited to the group's total outstanding receivables, with limited customer dependency and concentration risk and very low or none historical losses recorded in recent years. Accordingly, credit risks have not been hedged during 2016 and we have no open credit risk hedge contracts.

Liquitity risks
The Scandferries group has a strong and stable seasonality in the cash flow with a positive net cash flow in most calendar months. The group has a committed revolving credit facility of EUR 35m at hand, which has not been utilized since being established in 2013. The liquidity risk is considered to be very low.

20. FINANCIAL RISKS AND USE OF DERIVATIVES (CONTINUED)

The group's debt falls due as follows (excl. interest):

	Within 1 year	1-5 years	After 5 years	Nominal value
2016				
Non-derivatives				
Credit institutions and banks	80.5	672.1	70.1	838.9
Trade payables	39.1	0.0	0.0	39.1
Financial leasing	39.8	0.0	0.0	39.8
Derivatives				
Forward contracts as hedging instrument	1.4	4.0	0.0	
	159.0	**668.1**	**70.1**	
2015				
Non-derivatives				
Credit institutions and banks	106.7	679.3	0.0	802.5
Trade payables	42.9	0.0	0.0	42.9
Financial leasing	3.8	39.8	0.0	43.6
Derivatives				
Forward contracts as hedging instrument	1.0	1.6	0.0	
	154.4	**720.7**	**0.0**	

20. FINANCIAL RISKS AND USE OF DERIVATIVES (CONTINUED)

Capital management

The group regularly evaluates the need for adjusting the capital structure in order to match the requirement for increased returns on capital invested and flexibility to realise the strategic objectives.

The group's dividend policy is closely related to the existing loan agreement. This means that dividend may be allotted only if the assumptions determined in the agreement have been met. This ensures that dividend is allotted only if specific financial ratios have been observed, and that instalments in respect of the debt are made depending on the size of the dividend.

Fair value hierarchy of financial instruments measured at fair value in the balance sheet forward exchange transactions and interest rate swaps are valued using an income approach (discounted cash flow). Expected future cash flows are based on relevant observable swap rates and forward exchange rates and discounted using a discount rate that reflects the credit risk of the relevant counterparties (level 2).

Unless otherwise stated, the recognised amount equals the fair value.

The classification of financial instruments measured at fair value is disaggregated in accordance with fair value hierarchy:

- Quoted prices in an active market for identical instruments (level 1)
- Quoted prices in an active market for similar assets or liabilities or other valuation methods where all significant inputs are based on observable market data (level 2)
- Valuation methods in which any significant input is not based on observable market data (level 3)

Carrying amount by category of derivative financial instruments:

MEUR	31.12.16	31.12.15
Interest rate contract	4.4	-1.6
Hedge of commercial goods (bunker)	1.0	-1.0
	5.4	**-2.6**

During the financial year, we had no financial instruments in level 1 or 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL RISKS AND USE OF DERIVATIVES (CONTINUED)

MEUR	31.12.16	31.12.15
Categories of financial instruments		
Financial leasing assets	39.8	43.6
Trade receivables	24.1	21.1
Receivables from affiliated companies	37.4	36.0
Other receivables	5.3	14.0
Loans and receivables	**106.6**	**114.7**
Derivative financial instruments entered into to hedge future cash flows	5.5	-2.6
Financial liabilities used for hedging	**5.5**	**-2.6**
Finance lease liabilities	39.8	43.6
Bank debt	823.7	679.3
Other long-term debt	0.0	0.0
Trade payables	38.6	42.8
Other liabilities	27.2	36.6
Financial liabilities measured at amortised cost	**929.3**	**802.3**

21. NON-CASH TRANSACTIONS

MEUR	31.12.16	31.12.15
Change in provision	-1.4	-2.6
Change in other liabilities	-2.0	3.3
Change in other assets	8.0	-4.9
	4.6	**-4.3**

22. WORKING CAPITAL CHANGES

MEUR	31.12.16	31.12.15
Increase (-)/decrease (+) in inventories	-4.0	-0.2
Increase (-)/decrease (+) in receivables etc.	14.5	25.5
Increase (+)/decrease (-) in current liabilities	-23.7	-0.2
	-13.2	**19.5**

23. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

On 9 January 2015, Scandlines and Stena signed an agreement of the sale of the ferry route Helsingør-Helsingborg. As a consequence hereof, items related to the sale (entities Scandlines Helsingør-Helsingborg ApS and Scandlines Øresund I/S) have been classified as discontinued operations and assets (and related liabilities) held for sale respectively for 2014.

The final closing of the sale was at 28 January 2015. As a consequence hereof the operation result for the period from 1 January until 28 January 2015 has been classified as discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (CONTINUED)

Income statement

MEUR	2016	2015
Revenue	0.0	9.2
Other operating income	0.2	1.0
Total income	**0.2**	**10.2**
Operating costs for vessels	0.0	-4.1
Cost of goods sold	0.0	-1.6
Staff costs	0.0	-2.0
Other external expenses	0.0	-0.9
Total costs	**0.0**	**-8.6**
Profit before amortisation and depreciation (EBITDA)	**0.2**	**1.6**
Amortisation and depreciation	0.0	-0.5
Result from operations	**0.2**	**1.1**
Tax for the year	0.0	0.0
Result for the year from discontinued operations	**0.2**	**1.1**
Cash flows from discontinued operations:		
Net cash flows to/from operating activities	0.2	1.7
Net cash flows to/from investment activities	3.0	0.0
Net cash flows to/from financing activities	-3.2	-1.7
Result for the year from discontinued operations	**0.0**	**0.0**

23. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (CONTINUED)

Balance sheet

MEUR	2016	2015
ASSETS		
Vessels	0.0	3.0
Assets classified as held for sale	**0.0**	**3.0**
LIABILITIES		
Liabilities directly associated with assets classified as held for sale	**0.0**	**0.0**
Net assets classified as held for sale	**0.0**	**3.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. AFFILIATED COMPANIES

The ownership of Scandferries Chartering A/S is devided between Scandlines Danmark ApS with 30% and Scandferries Chartering UK Ltd. with 70%, the latter is not a consolidated company. Scandferries Chartering UK Ltd. and Scandlines Denmark ApS, however, is both 100% owned by Scandferries Holding ApS. Due to group transparency, it is Management's opinion that the control of activities in Scandferries Chartering A/S, therefore, falls within the consolidated companies.

Minority interest in affiliated company

MEUR	Scandferries Chartering A/S 70%
2016	
Statement of comprehensive income	
Revenue	5.3
Result for the year	-7.2
Statement of comprehensive income, total	-7.2
The group's share of the result of the year	**-2.2**
The minority interest's share of the result of the year	**-5.0**
Balance sheet	
Total non-current assets	74.5
Total current assets	57.3
Total non-current liabilities	0.0
Total current liabilities	-70.9
The group's share of the equity	**18.2**
The minority interest's share of the equity	**42.7**
Transactions with minority interests	
Payment of dividend	0.0
Sale of investments in affiliated companies	0.0
Capital increase	0.0

24. AFFILIATED COMPANIES (CONTINUED)

Minority interest in affiliated company

MEUR	Scandferries Chartering A/S 70%
2015	
Statement of comprehensive income	
Revenue	0.0
Result for the year	-3.2
Statement of comprehensive income, total	-3.2
The group's share of the result of the year	**-1.0**
The minority interest's share of the result of the year	**-2.2**
Balance sheet	
Total non-current assets	81.2
Total current assets	56.2
Total non-current liabilities	0.0
Total current liabilities	-69.4
The group's share of the equity	**20.4**
The minority interest's share of the equity	**47.7**
Transactions with minority interests	
Payment of dividend	0.0
Sale of investments in affiliated companies	0.0
Capital increase	0.0

25. GUARANTEES, CONTINGENT LIABILITIES AND COLLATERAL

Guarantees

MEUR	31.12.16	31.12.15
Guarantees	**2.7**	**2.7**

Contingent liabilities

The group is party to a few pending lawsuits. Management believes that the outcome of these lawsuits will not materially affect the group's financial position aside from the receivables and liabilities recognised in the balance sheet at 31 December 2016.

The Danish companies in the group are part of a Danish joint taxation. Consequently, referring to the Danish Corporation Tax Act regulations, the group is liable for any income taxes, etc. for the jointly taxed companies and the group is liable for any obligations to withhold tax at source on interest, royalties and returns for the jointly taxed companies.

For employees engaged as public servants, the group has a contingent liability of EUR 22.8 million (2015: EUR 24.3 million) in case of any dismissal thereof. The amount is related to salary in the termination period.

Collateral

The group's bank debts, as disclosed in note 13, are obtained by the subsidiary in the group, Scandlines ApS. All assets at any time belonging to the group including recognised as well as not recognised assets are pledged as collateral for the bank debts.

26. CONTRACTUAL OBLIGATIONS

For the years 2013 to 2018, operating leases have been entered into for office premises rented and cars leased. The leases have been entered into for a minimum of 3 years subject to fixed lease payments. The agreements are interminable for the period in question, after which they may be renewed.

MEUR	31.12.16	31.12.15
Operating leasing commitments		
The aggregate future, minimum lease payments according to interminable leases are composed as follows:		
0-1 year	1.0	1.9
1-5 years	1.9	2.1
More than 5 years	0.0	0.2
	2.9	**4.2**
Minimum lease payments recognised in the income statement for the year	1.9	1.9
Finance lease commitments		
0-1 year	42.0	6.2
1-5 years	0.0	42.0
More than 5 years	0.0	0.0
	42.0	**48.2**
of this, financing element	-2.2	-4.6
	39.8	**43.6**
Recognised in the balance sheet:		
Current	39.8	3.8
Non-current	0.0	39.8
	39.8	**43.6**

The finance leases are related to the vessel Mecklenburg-Vorpommern. The lease follows a fixed instalment profile, and do not contain provisions on contingent lease payments. The lease is terminated in 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. RELATED PARTIES

The group's related parties exercising control are Scandferries Holding ApS, Copenhagen.

Scandferries Holding ApS is the parent of Scandferries ApS. The ultimate parent is Scandferries Holding UK Ltd., whose primary shareholders are 3i Group plc and funds managed by 3i. The activities of the Scandferries group are managed by Scandlines Danmark ApS and Scandlines Deutchland GmbH and their subsidiaries.

The members of the Scandferries Holding ApS' Supervisory Board and Executive Management and these persons' close family members are also related parties.

Related parties also include all companies owned by Scandferries Holding ApS, Scandferries ApS' associated companies.

During the period, there have been no transactions with related parties aside from intragroup transactions (primarily charter hire, management fees, etc.) which have been eliminated in the consolidated financial statements, ordinary remuneration of Executive Management (see note 3).

Receivables from affiliated companies are evident from note 11. There are no payables to affiliated companies as of 31 December 2016. Interest is evident from note 5 and 6.

27. RELATED PARTIES (CONTINUED)

The companies included in the consolidated financial statements are:

Company	Ownership	Country	City
Holding companies			
Scandferries ApS	100%	Denmark	Copenhagen
Scandlines ApS	100%	Denmark	Copenhagen
Scandferries Holding GmbH*	100%	Germany	Hamburg
Subsidiaries			
Scandlines Deutchland GmbH*	100%	Germany	Hamburg
Scandlines Danmark ApS	100%	Denmark	Copenhagen
Scandlines Gedser-Rostock ApS	100%	Denmark	Copenhagen
Scandlines Gedser Havn ApS	100%	Denmark	Copenhagen
Scandlines Catering ApS	100%	Denmark	Copenhagen
Scandferries Chartering A/S	30%	Denmark	Copenhagen
Scandferries Chartering Hull no. 502 ApS	30%	Denmark	Copenhagen
Scandferries Chartering Hull no. 503 ApS	30%	Denmark	Copenhagen
Scandlines Bordershop Puttgarden GmbH*	100%	Germany	Hamburg
Scandlines Bordershop Rostock GmbH*	100%	Germany	Hamburg

* The companies use the simplified procedure pursuant to §264, section 3 HGB (German commercial code).

28. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. ACCOUNTING POLICIES

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of reporting class C enterprises (large).

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

Basis of accounting
The consolidated financial statements are presented in EUR, the functional currency of Scandferries ApS.

The consolidated financial statements are prepared under the historical cost convention, with the exception of derivatives which are measured at fair value.

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount before the change in classification and fair value net of selling costs.

The accounting policies described below have been applied consistently throughout the financial year.

Standards and interpretations effective in the current period
The following new and revised standards and interpretations are relevant for the group and have been adopted as applicable in the current period:

- IFRIC 21 "Levies"
- Annual improvements to IFRSs 2011-2013 Cycle

The standard has not affected the amounts or the presentation and disclosures in the consolidated financial statements.

Standards and interpretations in issue not yet adopted
At the date of authorisation of these financial statements, the following standards and interpretations were published but not yet effective, and have not been incorporated into the consolidated financial statements.

Standards and interpretations in issue not yet adopted
At the date of authorisation of these financial statements, the following standards and interpretations were published but not yet effective, and have not been incorporated into the consolidated financial statements.

- IFRS 9 "Financial Instruments": Classification and measurement" (effective for accounting periods beginning on or after 1 January 2018)
- Amendments to IFRS 10 "Consolidated Financial Statements" (effective for accounting periods beginning on or after 1 January 2016).
- Amendments to IFRS 11 "Joint Arrangements" (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IFRS 12 "Disclosure of Interests in Other Entities" (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IFRS 14 "Regulatory Deferral Accounts" (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 15 "Revenue from Contracts with Customers" (effective for accounting periods beginning on or after 1 January 2018)
- Amendments to IAS 1 "Presentation of Financial Statements" (effective for accounting periods beginning on or after 1 January 2016).
- Amendments to IAS 16 "Property, Plant and Equipment" (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IAS 19 "Employee Benefits" (effective for accounting periods beginning on or after 1 February 2015)
- Amendments to IAS 27 "Separate Financial Statements" (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" (effective for accounting periods beginning on or after 1 January 2016).
- Amendments to IAS 38 "Intangible Assets" (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IAS 41 "Agriculture" (effective for accounting periods beginning on or after 1 January 2016)
- Annual improvements to IFRSs 2010-2012 Cycle (effective for accounting periods beginning on or after 1 February 2015)
- Annual improvements to IFRSs 2012-2014 Cycle (effective for accounting periods beginning on or after 1 January 2016).

In Management's opinion, any future implementation of the above-mentioned standards and interpretations will not materially impact the financial statements of the group, except for IFRS 9 and IFRS 15.

Standards and interpretations in issue not yet adopted

IFRS 9 – "Financial Instruments": Classification and measurement"
The impact cannot be quantified, as it will depend on the nature and structure of the future activity of financial instruments, combined with the fact that these standards will mainly be applied on a prospective basis.

IFRS 15 – "Revenue from Contracts with Customers"
The standard may have an impact on the amounts reported and disclosures made in the group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the group performs a detailed review.

Critical accounting policies
Management believes that the accounting policies applied to the consolidated financial statements, business combinations, non-current intangible assets, vessels, operating leases versus

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. ACCOUNTING POLICIES (CONTINUED)

finance leases and derivatives to be those most important to the group. Below, each of those fields is described together with other accounting policies applied. Significant accounting estimates and judgements made when applying the group's accounting policies are described in note 1 to the consolidated financial statements.

Description of accounting policies applied

Consolidated financial statements
The consolidated financial statements include Scandferries ApS (the Parent) and subsidiaries, in which Scandferries ApS exercises control over their financial and operating policies. Control is achieved by the Parent either directly or indirectly owning or holding more than 50 percent of the voting rights or in any other way controlling the relevant enterprise (affiliated company). Scandferries ApS and its affiliated companies are together referred to as the group.

Non-affiliated companies in which the group exercises significant but not controlling influence are regarded as associates. Significant influence is typically achieved by the Parent, directly or indirectly, owning or holding more than 20 percent, but less than 50 percent, of the voting rights or by arrangement jointly controlling the enterprise with one or more other enterprises (jointly controlled enterprises).

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and the affiliated companies by aggregating uniform financial statement items and subsequently eliminating intercompany transactions, intercompany shareholdings and balances as well as unrealised intercompany gains and losses. The consolidated financial statements are based on financial statements prepared in compliance with the group's accounting policies.

Investments in affiliated companies are offset by the proportionate share of such enterprises' equity value at the time of acquisition.

The group's investments in associates are recognised at the proportionate share of the associate's equity value. Unrealised intercompany profits or losses from transactions with associates or jointly controlled enterprises are eliminated by the group's equity interest therein.

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Enterprises divested or wound up are recognised until the time of divestment or winding-up. Comparative figures are adjusted neither for enterprises added by way of acquisition or merger nor for enterprises divested.

Acquisitions of enterprises over which the Parent obtains control are accounted for under the acquisition method. The identifiable assets, liabilities and contingent liabilities of the enterprises acquired are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they can be separated or arise out of a contractual right. Deferred tax is recognised for the reassessments made.

The acquisition date is the date on which Scandferries ApS effectively obtains control over the acquiree.

Positive balances (goodwill) between, on the one hand, the consideration paid, the value of minority interests in the enterprise acquired and the fair value of any equity interests previously acquired, and, on the other hand, the identifiable assets, liabilities and contingent liabilities acquired are recognised as goodwill in intangible assets. Goodwill is not amortised, but tested at least once a year for impairment. Impairment tests are first made before the end of the year of acquisition.

On acquisition, goodwill is allocated to cash generating units, which then form the basis of impairment testing. The allocation of goodwill by cash generating unit is disclosed in note 8 to the consolidated financial statements.

Goodwill and fair value adjustments made as part of the acquisition of a foreign enterprise using a functional currency other than the presentation currency used by the group are accounted for as assets and liabilities belonging to the foreign enterprise and translated, on initial recognition, into the functional currency applied by the foreign enterprise at the transaction date exchange rate. Negative balances (negative goodwill) are recognised in the income statement at the date of acquisition.

The consideration for an enterprise consists of the fair value of the consideration agreed in the form of assets acquired, liabilities assumed and equity instruments issued. Where parts of the consideration are conditional upon future events or fulfilment of agreed conditions, these parts of the consideration are recognised at fair value at the acquisition date. Costs attributable to business combinations are recognised directly in the income statement when incurred.

Positive and negative balances from enterprises acquired may be adjusted for a period of up to 12 months after the date of acquisition if the original recognition was preliminary or subject to error. Any other adjustments are recognised in the income statement under special items, including changes in estimates of contingent consideration.

If an enterprise is acquired by way of more than one transaction, such equity interests as are held directly prior to the last transaction leading to control are considered sold and directly repurchased at the acquisition date fair value. Any difference between the "selling price" and the carrying amount of those equity interests results in a net profit or loss from the interests already held. Profits or losses are recognised in the income statement as financial income or financial expenses.

Step acquisitions after the achievement of control, that is acquisitions of minority interests, are taken directly to equity. Divestments of minority interests over which control is maintained are recognised directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. ACCOUNTING POLICIES (CONTINUED)

Profits or losses from divestment or winding-up of affiliated companies and associates are calculated as the difference between selling price or settlement price and the carrying amount of net assets at the time of sale, including any remaining goodwill, accumulated foreign exchange gains and losses previously taken to equity and estimated divestment or winding-up expenses. Any foreign currency translation adjustments attributable to the group's equity interest which are recognised directly in equity are included in the calculation of profits. Any equity interests maintained are measured at fair value at the date that control ceases.

Foreign currency translation

Functional currency and presentation currency
Financial statement items for each of the group's enterprises are measured applying the functional currency that is used in the primary economic environment in which the enterprise operates. The consolidated financial statements are presented in EUR, the Parent's functional currency and presentation currency.

Translation of transactions and amounts
On initial recognition, foreign currency transactions are translated into the functional currency applying the transaction date foreign exchange rates. Foreign exchange gains and losses from the settlement of these transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in profit or loss under financial income or financial expenses, except when they are deferred through equity because they qualify for cash flow hedging.

Foreign exchange gains and losses from non-monetary items recognised at fair value, such as "available-for-sale" securities, are taken to the same caption as fair value gains or losses.

Non-current assets purchased in foreign currencies are translated applying the foreign exchange rate at the acquisition date. Gains and losses from accounting hedges related to the acquisition of non-current assets are included in the value of the asset on initial recognition thereof.

Translation of affiliated companies
On recognition in the consolidated financial statements of enterprises using functional currencies other than DKK, the income statement items are translated using the average exchange rate, whereas the balance sheet items are translated at the balance sheet date exchange rate. Exchange differences arising from the translation of those enterprises' equity at the beginning of the year, at the balance sheet date exchange rate as well as out of the translation of income statements from the transaction date exchange rate to the balance sheet date exchange rate are recognised in other comprehensive income and transferred to equity under a separate reserve for foreign currency translation adjustments. The foreign currency translation adjustments are divided between the Parent's share and the minority interests' share of equity.

When wholly-owned foreign enterprises are disposed of, such foreign currency translation adjustments accumulated in equity through other comprehensive income as are attributable to the enterprise are reclassified from "Reserve for foreign currency translation adjustments" to profit or loss together with any profit or loss from the disposal.

When partially owned foreign affiliated companies are disposed of, the portion of the reserve for foreign currency translation adjustments relating to minority interests is not taken to profit or loss.

When part of an associate or a joint venture is disposed of, the proportionate share of the accumulated reserve for foreign currency translation adjustments recognised in other comprehensive income is reclassified to profit or loss for the year.

Repayment of any balances deemed part of the net investment is not in itself regarded as constituting partial disposal of the subsidiary.

Derivatives
Derivatives are recognised from the trade date and are measured in the balance sheet at fair value. Positive and negative fair values of derivatives are included in other receivables or other payables, respectively, and set-off of positive and negative values is only made when the enterprise is entitled to and intends to settle several financial instruments on a net basis. The fair values of financial instruments are determined based on current market information and approved valuation methods.

Fair value hedging
Changes in the fair value of derivatives which are classified as and qualify for hedging of the fair value of a recognised asset or a recognised liability are recognised in the income statement along with changes in the value of the hedged asset or the hedged liability based on the hedged portion. Hedges of future cash flows pursuant to definite agreements, with the exception of foreign currency hedges, are accounted for as a hedge of the fair value of a recognised asset or a recognised liability.

Hedging of future cash flows
Changes in the portion of the fair value of derivatives which are classified as and comply with the requirements for hedging future cash flows and which effectively hedge changes in future cash flows are recognised in other comprehensive income. The effective portion of the fair value change is presented as a separate reserve in equity until the cash flows hedged affect profit or loss. At that time, gains or losses from such hedging transaction are transferred through other comprehensive income from equity and recognised in the same financial statement item as the transaction hedged.

If the hedging instrument no longer qualifies for hedge accounting, the hedging relationship will cease going forward. Accumulated changes in value recognised in equity are transferred to profit or loss through other comprehensive income when the cash flows hedged affect profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. ACCOUNTING POLICIES (CONTINUED)

If the cash flows hedged are no longer expected to be realised, the accumulated changes in value are immediately taken to the income statement.

Hedging of net investments
Changes in the fair value of derivatives which are applied to hedge net investments in foreign affiliated companies or associates and which effectively hedge changes in foreign exchange rates at such enterprises are recognised in other comprehensive income in the consolidated financial statements and transferred to a separate reserve in equity.

Other derivatives
For derivatives that do not qualify as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Government grants
Government grants for investments are offset against the purchase price of the relevant asset, thereby reducing depreciation of the assets for which the grant was received.

Rentals and leases
For financial reporting purposes, leases are divided into finance leases and operating leases.

A lease is classified as a finance lease when it transfers substantially all of the risks and rewards incidental to ownership of the leased asset. Other leases are classified as operating leases.

For assets held under finance 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 the group's alternative borrowing rate is applied as a discount factor for determining the present value. Assets held under finance 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 held under finance 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 for the year is recognised in the income statement as a financial expense.

Lease payments on operating leases are recognised in profit or loss on a straight-line basis over the lease period unless other systematics 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.

In the event of finance leases under which assets are leased out, an amount equal to the net investment in the lease is recognised as a receivable in the balance sheet. The asset is derecognised, and any gains or losses in this respect are taken to profit or loss.

Rental income from operating leases under which assets are leased out are recognised on a straight-line basis in profit or loss over the lease term.

Income statement

Revenue
Revenue from passenger and freight ferrying and sales at BorderShops etc. is recognised when the service is provided to the customer, which is the time of the passing of the risk.

Revenue is recognised at fair value net of VAT, duties and sales discounts.

Other operating income
Other operating income comprises income and expenses of a secondary nature as viewed in relation to the Company's primary activities.

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

Cost of goods sold
Cost of goods sold relates to sales at BorderShops and the sale of on board goods and services.

Staff costs
Salaries and wages, social security contributions, paid absence and absence due to sickness, bonuses and non-monetary payments are recognised in the financial year in which the group's employees have performed the related work.

Costs relating to the group's long-term employee benefits are accrued in proportion to the work performed by the individual employees.

Other external expenses
These expenses comprise expenses incurred for administration and marketing of the group, including stationery and office supplies.

Share of profit or loss of associates
The proportionate share of associates' profit or loss after tax and after elimination of the proportionate share of intercompany profits or losses is recognised in the consolidated income statement.

Financial income and expenses
Financial income and expenses comprise interest income and expenses, realised and unrealised exchange gains and losses on debt and foreign currency transactions, realised capital gains and losses on securities and amortisation of financial assets and liabilities, including finance lease commitments, as well as surcharges and reliefs under the Danish Tax Prepayment Scheme, etc. The item also includes realised and unrealised gains and losses from derivatives not classified as hedging transactions.

Taxation
Tax for the year, which consists of income tax, tonnage tax, and the annual joint taxation contribution for Danish affiliated companies and changes in deferred tax, are recognised in the income statement by the portion attributable to profit or loss for the year and taken directly to equity by the portion attributable to entries di-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. ACCOUNTING POLICIES (CONTINUED)

rectly in equity. Corrections concerning previous years are included in this item as well.

When settling joint taxation contributions, the current Danish income tax is allocated among the jointly taxed enterprises proportionally to their taxable income. Enterprises with tax losses receive joint taxation contributions from enterprises that could have used such losses to reduce their own taxable profit.

Income tax and tonnage tax computed for the year are recognised in the balance sheet as current tax payable or receivable or as a joint taxation contribution for Danish enterprises, allowing for prepayments made. Pursuant to the Danish rules governing joint taxation, affiliated companies' liability for own income taxes is settled as and when the joint taxation contributions are paid to the administration company.

Deferred tax is computed on all temporary differences between the carrying amount and tax-based value of assets and liabilities. However, no recognition is made of deferred tax on temporary differences regarding goodwill not eligible for tax amortisation which arose at the time of acquisition without affecting profit or loss or taxable income.

For tonnage-taxed assets and liabilities, deferred tax is recognised insofar as it is expected to arise.

Deferred tax assets are recognised at their estimated realisable value. Adjustments are made for deferred tax on eliminations of unrealised intercompany profits and losses.

Deferred tax is computed based on the expected use and settlement of the individual assets and liabilities and on the tax regulations and tax rates that will be in effect, using the laws at the balance sheet date, when the deferred tax is estimated to crystallise as current tax. Changes in deferred tax resulting from changed tax rates are recognised in the income statement.

Assets

Current assets are defined as:

- Assets expected to be realised or are held for sale or consumption during Scandferries' normal operating cycle, or
- Assets primarily held for trading or expected to be realised within one year of the balance sheet date, or
- Cash with no restrictions on use

All other assets are classified as non-current.

Non-current intangible assets and property, plant and equipment
Unless otherwise specifically stated, the following applies:

- Non-current intangible assets and property, plant and equipment are measured at cost less accumulated amortisation, depreciation and impairment losses
- The cost of non-current intangible assets and property, plant and equipment consists of expenses for sub-suppliers, materials and components (only non-current items of property, plant and equipment) as well as direct labour costs
- Interest incurred from the time of payment until an asset is put into service is included in cost. The cost also includes gains and losses from hedging transactions entered into to secure the value of a non-current item of property, plant and equipment
- The basis of amortisation or depreciation is calculated as cost reduced by estimated scrap value
- Non-current intangible assets and property, plant and equipment are amortised and depreciated on a straight-line basis to estimated scrap values over their expected useful life to Scandferries
- Expected useful lives to Scandferries and scrap values are estimated at least once a year. When estimating the useful lives of vessels, it is taken into consideration that Scandferries continuously uses considerable funds for current maintenance
- If the depreciation period or the scrap value is changed, the future effect for depreciation is recognised as a change in the accounting estimate

Goodwill
On initial recognition, goodwill is recognised at cost in the balance sheet as described under "Business combinations". Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

Goodwill is tested at least once a year for impairment.

The carrying amount of goodwill is allocated to the group's cash generating units at the time of acquisition. The allocation of goodwill by cash generating unit is disclosed in note 8 to the consolidated financial statements.

Contractual rights
Contractual rights acquired or developed for internal use are measured at cost less accumulated amortisation and impairment losses. Contractual rights are amortised on a straight-line basis over the expected useful lives of 20 years.

Software
Software acquired or developed for internal use is measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over the expected useful lives of three to five years.

Other intangible assets
Other non-current intangible assets are measured at cost less accumulated amortisation and impairment losses. They are amortised on a straight-line basis over their expected useful lives of three to five years.

Vessels
Rebuilding of vessels is capitalised if such rebuilding is attributable to either:

- Safety measures
- Measures extending the vessel's life
- Earnings-improving measures
- Docking

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. ACCOUNTING POLICIES (CONTINUED)

Vessel maintenance costs are charged to the income statement when incurred, including ordinary maintenance insofar as such work is attributable to ordinary maintenance (day-to-day work).

Docking costs are capitalised and depreciated on a straight-line basis over the period between two dockings. In most cases, the docking interval is two to three years.

Vessels are depreciated over a period of 30 to 40 years reckoned from the year in which a vessel is built. Improvements of engines and other mechanical installations are depreciated over the same useful life as the underlying asset. Catering and retailing equipment is depreciated over 5 to 15 years.

Profits and losses from the sale of vessels are calculated as the difference between selling price less selling costs and the carrying amount at the time of sale. Profits and losses from the sale of vessels are recognised when material risks and rewards incident to ownership have passed to the buyer, and they are presented in the income statement under the caption "Profit from the sale of vessels, properties and terminals" unless the amount is significant which will cause them to be recognised in the caption "Other operating income".

Other property, plant and equipment
Other property, plant and equipment consist of properties, terminals and operating equipment, furniture and leasehold improvements.

The expected useful lives are:

Properties	40 years
Harbour facilities and harbour installations	40 years
Operating equipment etc.	3-5 years

Profits and losses from the sale of properties, terminals, operating equipment, furniture and leasehold improvements are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits and losses from the sale of these assets are taken to profit or loss under "Other operating income" or "Special items" if a profit is considerable.

Investments in associates
Investments in associates are measured according to the equity method. This means that, in the balance sheet investments are measured at the proportionate share of the enterprises' equity value, calculated applying the group's accounting policies, plus the carrying amount of goodwill and plus or less the proportionate share of unrealised intercompany profits and losses.

Associates with a negative equity value are measured at EUR 0. If the group has a legal or constructive obligation to cover the negative balance of the associate, this amount is recognised in liabilities.

Any receivables from associates are written down if the receivable is considered irrecoverable.

Interests in joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activites require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly

The group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Gorup's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the group does not recognise its share of the gains and losses until it resells those assets to a third party.

Other assets
On initial recognition, other non-current assets and current assets are measured at cost. Subsequently, these assets are measured in one of the following categories:

- Held for trading: The asset is measured at fair value, and value adjustments are recognised through profit or loss
- Available for sale: The asset is measured at fair value, and value adjustments are recognised through other comprehensive income and transferred to a separate reserve in equity
- Loans and receivables: The asset is measured at amortised cost, and value adjustments are recognised through profit or loss

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. ACCOUNTING POLICIES (CONTINUED)

Impairment
The carrying amounts of non-current intangible assets, property, plant and equipment and financial assets are reviewed regularly, at least once a year, to determine any indication of impairment. If such indication exists, the recoverable amount of the asset is determined. The recoverable amount is the higher of the asset's net selling price and value in use. The value in use is calculated by discounting to net present value the expected future net cash flows from the asset – either from the asset itself or from the lowest cash generating unit that the asset belongs to.

Goodwill is tested for impairment (value in use) at least once a year. The group's assets are tested for impairment regularly once a year, typically in December. If any indication of impairment occurs between the annual tests, Scandferries will perform an impairment review.

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

Receivables
Receivables are recognised at amortised cost net of write-downs for bad and doubtful debts if an objective indication of impairment is estimated to exist. Such estimate is made on an individual basis.

Prepayments
The item concerns expenses incurred at the balance sheet date at the latest, but which concern subsequent years.

Equity

Dividend
Proposed dividend is recognised as a liability at the time of adoption at the general meeting (time of declaration). Dividend expected to be paid for the year is disclosed as a separate equity item.

Foreign currency translation adjustments reserve
The reserve for foreign currency translation adjustments includes currency translation differences arising from the translation of financial statements of enterprises using a functional currency other than EUR as well as currency translation adjustments relating to assets and liabilities which represent part of the group's net investments in such enterprises.

Fair value adjustment of hedging instruments
The hedging reserve includes the accumulated net change in the fair value of hedging instruments which meet the criteria for hedging future cash flows with the transaction hedged not having been carried out yet.

Liabilities

Current liabilities are defined as:

- Liabilities expected to be settled during Scandferries' normal operating cycle, or
- Liabilities to be settled within twelve months after the balance sheet date

All other liabilities are classified as non-current.

Pension and anniversary commitments
Contributions to defined contribution plans are recognised in the income statement in the period which they concern, and any due payments are recognised in the balance sheet under other payables.

For defined benefit plans, an actuarial calculation is made of the net present value of future benefits to be paid pursuant to the plan. The value in use is calculated on the basis of assumptions about future developments in, for example, pay level, interest, inflation and mortality. The value in use is calculated only for the benefits that vest to the employees by way of their existing employment with the group. The actuarial value in use net of the market value of any assets attaching to the plan is recognised in the balance sheet under pension commitments.

If a change occurs in benefits relating to the employees' existing employment with the group and results in a change in the actuarial value in use, this is defined as a historical cost. Historical costs are recognised directly in profit or loss if the employees have already become eligible for the changed benefit. If not, the historical costs are recognised in the income statement over the period of time during which the employees earn the right to the changed benefit.

Other provisions
Provisions are recognised when, as a result of previous events, the group has a legal or constructive obligation that will lead to a probable outflow of the group's economic resources, if the amount thereof can be estimated reliably. Allowance is made for the time value of money if this has a major bearing on the measurement of the obligation.

Interest-bearing liabilities other than provisions
On initial recognition, debts to mortgage credit institutions and similar institutions are measured at fair value (equivalent to the proceeds received) less transaction costs incurred.

Subsequently, interest-bearing liabilities are measured at amortised cost equal to the capitalised value using the effective interest method; the difference between the proceeds and the nominal amount is recognised in the income statement in "Financial expenses" over the term of the loan.

The capitalised remaining lease commitments from finance leases are also recognised in interest-bearing liabilities. Other liabilities are measured at amortised cost.

Other payables
Other payables include payables to staff, including wages, salaries and holiday pay payable, and to public authorities such as unsettled withholding tax, VAT, excise duties and similar levies as well as payables regarding the purchase and sale

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. ACCOUNTING POLICIES (CONTINUED)

of vessels, buildings and terminals, calculated interest expenses payable, fair value of hedging transactions as well as breakdown costs etc. Other payables also include any amounts due concerning defined contribution plans.

Deferred income
The item concerns payments received at the balance sheet date at the latest, but which concern income in subsequent years.

Cash flow statement
The group's cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities for the year as well as the group's cash and cash equivalents at the beginning and end of the financial year.

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investing activities.

Cash flows from enterprises acquired are recognised in the cash flow statement from the time of their acquisition, and cash flows from enterprises divested are recognised up to the time of sale.

Cash flows from operating activities are calculated based on profit before amortisation and depreciation (EBITDA) and special items, adjusted for the cash flow effect of special items, non-cash operating items, working capital changes, financial expenses paid and income tax paid. Cash flows from investing activities comprise payments in connection with the acquisition and divestment of enterprises and activities as well as the acquisition and sale of non-current intangible assets, property, plant and equipment as well as financial assets. Cash flows from financing activities comprise payments arising from changes in the size or composition of the group's share capital, dividend paid as well as the incurrence of mortgage debt and raising of and repayment of mortgage loans, other long-term debt and short-term bank debt. Cash and cash equivalents comprise cash at bank and in hand.

PARENT COMPANY FINANCIAL STATEMENTS

COMPREHENSIVE INCOME

MEUR	Notes	2016	2015
Administrative expenses	2	-0.3	0.0
Result before amortisation and depreciation (EBITDA)		**-0.3**	**0.0**
Dividend from affiliated company		0.0	181.5
Financial income		0.0	0.0
Financial expenses		0.0	0.0
Result before tax		**-0.3**	**181.5**
Tax on loss for the year		0.0	0.0
Result for the year		**-0.3**	**181.5**
Other comprehensive income after tax		0.0	0.0
Total comprehensive income/loss		**-0.3**	**181.5**

BALANCE SHEET

MEUR	Notes	31.12.16	31.12.15
ASSETS			
Investments in affiliated companies	3	400.0	400.0
Total non-current assets		**400.0**	**400.0**
Cash		0.0	0.0
Total current assets		**0.0**	**0.0**
Assets		**400.0**	**400.0**
EQUITY AND LIABILITIES			
Share capital		0.0	0.0
Retained earnings		399.6	399.9
Proposed dividend		0.0	0.0
Total equity		**399.6**	**399.9**
Liabilities to affiliated		0.4	0.1
Total liabilities		**0.4**	**0.1**
Equity and liabilities		**400.0**	**400.0**

CASH FLOW STATEMENT

MEUR	Notes	31.12.16	31.12.15
Result before amortisation and depreciation (EBITDA)		**-0.3**	**0.0**
Working capital changes		0.3	0.0
Cash flows from operating activities		**0.3**	**0.0**
Received dividend from affiliated company		0.0	181.5
Cash flows from investing activities		**0.0**	**181.5**
Paid dividend to affiliated company		0.0	-181.5
Cash flows from financing activities		**0.0**	**-181.5**
Cash flows for the year		**0.0**	**0.0**
Cash at 1 January		0.0	0.0
Currency translation adjustment of cash		0.0	0.0
Cash at 31 December		**0.0**	**0.0**

The above cannot be derived directly from the income statement and balance sheet.

STATEMENT OF CHANGES IN EQUITY

MEUR	Share capital	Proposed dividend	Fair value adjustment of hedging instruments	Retained earnings	Total
2016					
Equity at 1 January 2016	0.0	0.0	0.0	399.9	399.9
Comprehensive loss for the year					
Result for the year	0.0	0.0	0.0	-0.3	-0.3
Equity at 31 December 2016	**0.0**	**0.0**	**0.0**	**399.6**	**399.6**
2015					
Equity at 1 January 2015	0.0	0.0	0.0	399.9	399.9
Comprehensive loss for the year					
Result for the year	0.0	0.0	0.0	181.5	181.5
Dividend	0.0	0.0	0.0	-181.5	-181.5
Equity at 31 December 2015	**0.0**	**0.0**	**0.0**	**399.9**	**399.9**

Dividend

As of 28 January 2015, Scandferries ApS paid out 181.5 MEUR which is 2,268.8 EUR per share.

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NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

01. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimation uncertainty
Determining the carrying amount of certain assets and liabilities requires an estimate of how future events will affect the value of those assets and liabilities at the balance sheet date. Estimates that are significant to the Parent's financial reporting are made, for instance, by reviewing investments in subsidiaries for impairment. They constitute a major portion of the Parent's total assets.

Subsidiaries are tested for impairment if events or other circumstances indicate that the carrying amount is not recoverable. Measuring subsidiaries requires significant estimates to be made when making different assumptions, including expected future cash flows, discount rate and terminal value growth rates. The sensitivity to changes in the assumptions applied – collectively and individually – may be significant.

Particular risks of the group are discussed in the Management commentary and note 20 to the consolidated financial statements.

Assumptions about the future and other estimation uncertainties at the balance sheet date are disclosed in the notes if they involve a material risk of changes that may lead to considerable adjustment of the carrying amounts of assets or liabilities within the next financial year.

Accounting policies
Management assesses that, when applying the Parent's accounting policies, no judgements are made other than those involving estimations that can significantly affect the amounts recognised in the parent financial statements.

02. STAFF COSTS

The Executive Management has not received remuneration in the financial period.

03. INVESTMENTS IN AFFILIATED COMPANIES

MEUR	31.12.16	31.12.15
Total cost statement:		
Cost at 1 January	400.0	400.0
Additions for the year	0.0	0.0
Cost at 31 December	**400.0**	**400.0**
Carrying amount at 31 December	**400.0**	**400.0**

Investments in affiliated companies comprise:

Scandlines ApS, Copenhagen, Denmark, 100 percent.

The carrying amount of the Parent's investments in affiliated companies is tested for impairment if an indication of impairment exists. Impairment tests conducted have not resulted in a need for write-downs.

04. GUARANTEES, CONTINGENT LIABILITIES AND COLLATERAL

MEUR	31.12.16	31.12.15
The following assets are provided as collateral in favour of credit institutions in Scandlines ApS:		
Investments in affiliated companies	400.0	400.0

The Company is part of a Danish joint taxation. Consequently, referring to the Danish Corporation Tax Act regulations, the Company is, with effect from the financial year 2013, liable for any income taxes, etc. for the jointly taxed companies, and with effect from 1 July 2012, the Company is liable for any obligations to withhold tax at source on interest, royalties and returns for the jointly taxed companies.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

05. RELATED PARTIES

For specification of related parties refer to note 27 of the consolidated financial statements.

No transactions with the Executive Management or major shareholders or other related parties have been made during the year.

06. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after 31 December 2016.

07. ACCOUNTING POLICIES

The separate parent financial statements have been incorporated in the annual report because a separate set of financial statements is required for the Parent under the Danish Financial Statements Act.

The parent financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class C enterprises (large).

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

Description of accounting policies applied
Compared to the accounting policies described for the consolidated financial statements (see note 29 to the consolidated financial statements), the accounting policies applied by the Parent are different in the following respects:

Business combinations
In the parent financial statements, intercompany acquisitions (and divestments) of enterprises and activities are recognised and measured applying the book value method, under which any differences between the consideration and the carrying amounts of the tradable enterprises or activities are recognised directly in equity.

Foreign currency translation
Translation adjustments of balances considered part of the total net investment in enterprises using a functional currency other than EUR are recognised as financial income or financial expenses in the income statement of the parent financial statements.

07. ACCOUNTING POLICIES (CONTINUED)

Dividend income
Distribution of profits accumulated by subsidiaries is taken to income in the Parent's income statement in the financial year in which the dividend is declared. If an amount distributed is exceeding the subsidiary's comprehensive income for the year, then an impairment test is performed.

Tax on profit for the year
Enterprises using the tax losses of other enterprises pay a joint taxation contribution to the Parent that is equivalent to the tax base of the losses used whereas enterprises whose tax losses are used by other enterprises receive a joint taxation contribution from the Parent that is equivalent to the tax base of the losses used (full allocation).

Investments in affiliated companies
Investments in affiliated companies are measured at cost in the parent financial statements. If an indication of impairment exists, then an impairment test is performed as described in the accounting policies for the consolidated financial statements. If the carrying amount exceeds the recoverable amount, investments are written down to such lower amount.

If distributions are made from reserves other than accumulated profits of affiliated companies, such distribution will reduce the cost of the investments if the distribution is in the nature of a repayment of the Parent's investment.

Taxation
The Company is subject to the Danish rules requiring joint taxation of the group's Danish subsidiaries. Joint taxation contribution to or from subsidiaries is recognised in tax on profit or loss for the year. Tax payable and receivable are taken to current assets and current liabilities. Joint tax contributions payable or receivable are recognised in the balance sheet under receivables from or payables to affiliated companies.

STATEMENT BY THE EXECUTIVE MANAGEMENT ON THE ANNUAL REPORT

The Executive Management has today considered and approved the annual report of Scandferries ApS for the financial year 1 January – 31 December 2016.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the group's and the parent's financial position at 31 December 2016 and of the results of their operations and cash flows for the financial year 1 January – 31 December 2016.

In our opinion, the management commentary contains a fair review of the development of the group's and the parent's business and financial matters, the results for the year and of the parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements.

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

Copenhagen, 25 April 2017

Executive Management

Søren Poulsgaard Jensen, CEO

Per Johannesen Madsen, CFO

Morten Haure-Petersen, CCO

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Scandferries ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Scandferries ApS for the financial year 1 January – 31 December 2016, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the group as well as the parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the group's and the Parent's financial position at 31 December 2016, and of the results of their operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the group 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the group's and the parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the group or the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 group's and the parent'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 consolidated financial statements and the parent 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 group's and the parent'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 consolidated financial statements and the parent 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 group and the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

Copenhagen, 25 April 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Askov Mikkelsen
State-Authorised
Public Accountant

Bjarne Iver Jørgensen
State-Authorised
Public Accountant

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