Scandferries ApS

Central Business Registration No: 35 48 70 77

Annual report for 2015

3rd financial year
(1 January – 31 December 2015)

The Annual General Meeting adopted the annual report on 26. april 2016

Chairman of the Annual General Meeting

Søren Poulsgaard Jensen

Contents

Company details

Company

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Letter from the CEO

2015 was an operationally challenging year for Scandlines, however I am pleased that the results we achieved in 2015 in terms of financial performance were satisfactory.

Both revenue and profit from ordinary activities (recurring EBITDA) grew during the year, with the latter reaching EUR 170m in 2015.

The main factors contributing to this growth were increased traffic, particularly on the Rostock-Gedser route which saw a 6.3% increase in the number of passengers transported, reduced costs; strong growth in the freight segment, a solid performance by catering and general operational improvements across Scandlines.

Early in the year, we signed an agreement, together with Stena, for the sale of the ferry route Helsingør-Helsingborg to a European infrastructure fund managed by First State Investments. Going forward, this gives us the opportunity to focus on our two main ferry routes between Germany and Denmark and on our land-based retail shops. The sale strengthened our cash position allowing us to both pay out a dividend and repay EUR 68 million of debt.

Unexpectedly, we faced a number of operational challenges during the year. The main challenge was having to operate without M/V Prinsesse Benedikte for four months, due to damage sustained to the ferry during a planned yard stay, which corresponded to a 25 percent capacity reduction on the Puttgarden-Rødby route at the beginning of the high season in spring/summer 2015.

As the high season came to an end, we had to manage another challenge when the refugee and migrant flow reached the German-Danish border. For a few days our ferry operation was impacted heavily until the Danish authorities decided how to deal with the situation and called in more resources.

During the year, we also changed our administrative structure significantly. In the first half of the year, we moved our German head office, which consists mainly of our senior management and finance department, from Warnemünde to Hamburg. In addition, we consolidated our German operational functions in the ports of Rostock and Puttgarden. As a consequence of these changes, around 60 jobs were outsourced or centralised.

Throughout the year, we have continued our effective communication about our competitive position and our plans to continue operating after the opening of the Fehmarn Belt tunnel. We have made it clear that, although we are not opposed to the building of major infrastructure, we do expect that the applicable laws in Germany, Denmark and the EU are respected. In November, Scandlines, therefore, petitioned the European Court of Justice for the annulment of the European Commission’s approval of the financing model for the Fehmarn Belt tunnel project.

Letter from the CEO

We continue developing our green agenda towards realising our vision of zero emission ferries on the Puttgarden-Rødby route. During 2015, we made very good progress with our hybrid propulsion system. Combining this system with scrubbers, enabled us to fulfil the new ambitious sulphur limits that became effective from 1 January 2015.

Together with the Danish yard FAYARD and a number of subcontractors, we are working hard on finalising our two new ferries for the Rostock-Gedser route, with investment in these ferries totalling approx. EUR 115m in 2015. Unfortunately, we did not manage to get these two ferries into operation during 2015 as the conversion of the vessels, which involves reducing their weight by more than 1,100 tons, proved to be a very time-consuming process and was followed by a comprehensive test programme.

However, tests in December 2015 confirmed that draught, load capacity and stability all meet the levels indicated in the original specifications. We are therefore confident we will get these two ferries into operation during 2016. In addition, the two ferries have been fitted with our innovative hybrid propulsion system combined with scrubbers. The European Commission supported this environmental work with EUR 6.3 million via the CEF programme, which aims to promote more effective cross-border transport corridors, thereby clearly showing the pan-European interest for this initiative.

The increased number of transported passengers, cars, buses and freight units on the Rostock-Gedser route assures us that our decision to further strengthen this route as an efficient, reliable and competitive corridor through Central and Eastern Europe is right.

Scandlines is a focussed business, which is strongly positioned for the future. With an economic climate that is finally recovering after the financial crisis, Scandlines is ready to take advantage of opportunities as they arise. We have a clear strategy for further developing the Rostock-Gedser route and to continue our services on the Puttgarden-Rødby route with or without the competition of a fixed link. We will continue to combine our efficient and reliable ferry services with our attractive catering and retail offerings on board and in our land-based retail shops, to create a compelling proposition for both passenger and freight users.

Søren Poulsgaard Jensen, CEO Scandlines

Key figures

In MEUR	2015	2014	2013*
Revenue	460	445	23
Result from ordinary activities (EBITDA)	184	141	-1
Amortisation and depreciation	-28	-26	-2
Result from ordinary activities (EBIT)	156	115	-3
Net financials	-46	-51	-2
Result before tax	109	64	-5
Tax on result for the year	-2	-4	-9
Result for the year	108	60	-14
Total assets	1348	1446	1381
Investments (capital expenditure)	136	122	26
Equity attributable to owners	367	429	387
Interest bearing liabilities	830	838	874
Cash flow from operating activities	153	113	1
Cash flow from investing activities	40	-122	26
Cash flow from financing activities	-209	-10	61
EBITDA-margin, %	40	32	-4
Average number of employees (FTE)	1488	1533	1442

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

*) The Company was established on 4 October 2013 consequently, the consolidated financial statements and the parent financial statements include the activities of the Scandferries Group from the closing date 3 December 2013.

Applied exchange rate for DKK as of 31 December 2015: 0,1340.

Management commentary

The Scandlines Group at one glance

Scandlines was founded in 1998. Today, Scandlines operates two short distance ferry routes between Germany and Denmark with high frequency and large capacity. Here, Scandlines operates seven ferries, providing efficient and reliable transportation services to both passengers and customers.

In addition to providing retail and catering services on board its ferries, Scandlines also operates three land-based retail shops. At 8,000 m², the Puttgarden BorderShop is one of the largest border shops in the world, serving more than 700,000 customers per year.

In 2015, Scandlines transported 7.6 million passengers, 1.8 million cars and 0.5 million freight units. Scandlines had 1,489 full time employees (FTE) and revenues of EUR 460 million.

Business model and structure

The Scandlines business is defined by the transport of passengers, cars, buses and freight units on the routes Puttgarden-Rødby and Rostock-Gedser. We also offer our customers a variety of on board catering and retail services as well as land-based retail shops (BorderShops and Easymarked) in Puttgarden and Rostock. Scandlines' business areas of catering and retail activities are an integrated part of the logistic division and provide added value across all customer segments.

The main focus of all operations is to create value for the customers on board our ferries as well as in our land-based retail shops. This requires a diversified business model with both logistic services, catering and retail offerings.

Management commentary

Ferry routes

Four identical double-ended ferries, together with a dangerous goods ferry, serve the Puttgarden-Rødby route at 30-minute intervals with a crossing time of 45 minutes.

The Rostock-Gedser route is operated with two identical vessels at a two-hour frequency and a crossing time of up to two hours.

On both routes, each ferry is loaded and unloaded in less than 15 minutes thanks to highly automated port infrastructure and services.

The vessels operating on the two routes offer a large selection of on board catering and retail services tailored to the passenger profiles and short crossing times. The aim is to create customer value through competitive and attractive on board experiences.

Land-based retail (BorderShops and Easymarked)

In addition to the catering and retail offerings on board the ferries, Scandlines operates land-based retail shops under the BorderShop and Easymarked brand. Scandlines owns and runs BorderShops in the harbours of Puttgarden and Rostock and the Easymarked in the harbour of Rostock.

With its 8,000 m², the BorderShop in Puttgarden is one of the largest border shops in the world, offering more than 4,000 items and a wide range of international and local quality products. BorderShop Puttgarden serves more than 700,000 customers per year and our 1-day ticket accounts for about one third of the car volume on Puttgarden-Rødby.

The BorderShop in Rostock, which opened in May 2011 and offers a retail space of 1,200 m², has become the preferred stop on the journey home for both buses and cars. The transit concept is fully adapted to travellers who need a short break before boarding the ferry and the assortment is continuously tailored to provide added value and suit the needs of the customers. The BorderShop in Rostock remains a significant component in the strategy of strengthening the Rostock-Gedser route.

In 2015, Scandlines took over the retail shop Easymarked in the harbour of Rostock to supplement the existing portefolio and contribute to the variety of services in the port. The assortment of the Easymarked will still be targeted at mainly Finnish and Swedish customers as well as European truck drivers. The cusomers will find products from the Scandinavian countries within the product offerings.

Management commentary

Ownership and structure

Since 3 December 2013, 3i Group has been the majority shareholder of Scandlines.

Scandlines is subject to Danish law. Corporate Governance in Scandlines 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.

Scandlines' Corporate Social Responsibility work is designed to help create value for our stakeholders and to make Scandlines their preferred partner.

Scandlines operates its business based on the guidelines laid down by DVCA (Danish Venture Capital and Private Equity Association). Reference is made to www.dvca.dk for more information about the guidelines.

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

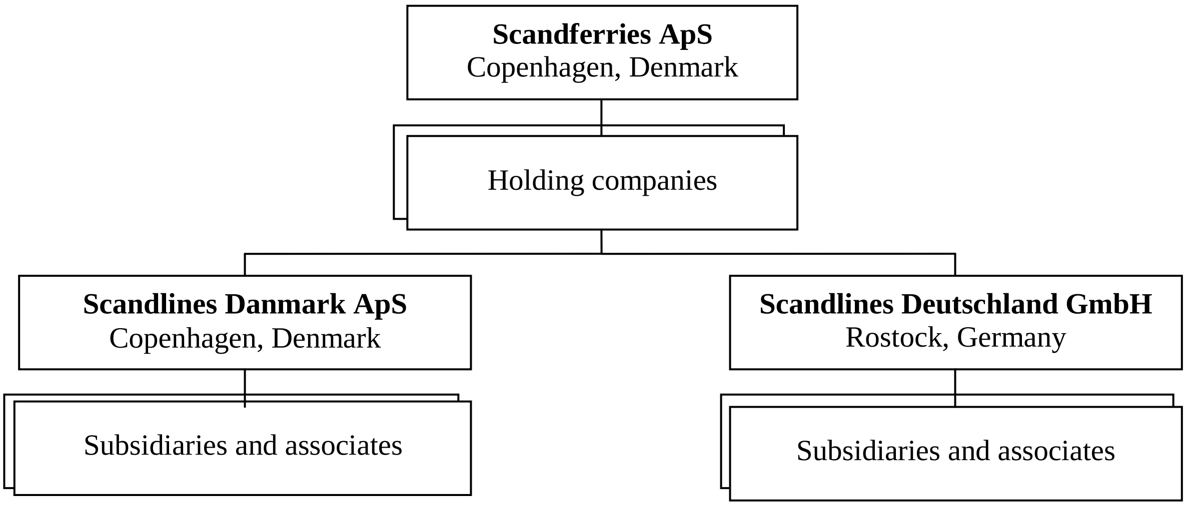
Executive Management

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

Management is not authorised to distribute dividend etc.

Management commentary

Main companies of Scandlines as of 31 December 2015



Company	Ownership	Country	City
Holding companies			
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

Management commentary

Development of the business areas

Ferry routes

Scandlines managed to strengthen its position on the Germany-Denmark routes and increased the number of transported cars by 1.3 percent. Especially the route Rostock-Gedser has experienced growth with an increase of transported cars of 9.6 percent. Compared with the previous year, Scandlines transported 6.2 percent more freight units on both routes, while the number of passengers increased by 6.3 percent for Rostock-Gedser and 2.2 percent for Puttgarden-Rødby. The number of transported passengers is the highest in five years.

In the spring of 2015, one of the ferries operating the route Puttgarden-Rødby was damaged during a planned yard stay. The ferry was finishing a planned three week yard stay after successful installation of among other things a diesel engine, radar system, ventilation system, scrubber and underwater coating when the floating dock started to keel over during outdocking. As a consequence of this, the vessel slipped down from the keel block resulting in damages and flooding of the engine room. During four months, the route offered departures every 40 minutes from both Puttgarden and Rødby, as opposed to 30 minutes normally. Even though our dangerous goods ferry increased the number of departures from five to nine and we also chartered an extra ferry from HH-Ferries, we could not avoid tailback when the ferry was not back in service on the first weekend of the peak season.

In 2014, Scandlines launched the new loyalty program, SMILE, which is a customer-centered loyalty program, offering relevant benefits as well as individualised offers for all customers. The number of members has since the launch reached more than 200,000. SMILE offers a complete integration to the new Point of Sales system, and is strategically built to improve customer experience with the capability to “earn & burn” points on our vessels and in the BorderShops. Based upon the member intervention, Scandlines will continuously develop products delivering on customer needs.

Catering and retail

Activities in the catering and retail segments are performed by the subsidiaries Scandlines Catering ApS and Scandlines Deutschland GmbH. Both business areas are an important component of the Scandlines Group.

During the last couple of years, we have invested heavily in modernising and improving the look-and-feel experience of the catering and retail offerings on board our vessels as well as in the land-based retail shops. In 2015, we continued the modernisation project. It included among other things more shop-in-shops, thereby also extending our selection of exclusive products. These investments have paid off and resulted in a strong performance from catering and retail.

Management commentary

In 2015, the BorderShop in Rostock showed a reasonable development with an increase in the number of transactions of 2.4 percent, whereas the BorderShop in Puttgarden realised a minor decline (-2.1 percent).

Business development

General business development

In 2015, Scandlines realised revenue of EUR 460 million which is an increase of 3.5 percent compared to the EUR 445 million in 2014. This can mainly be attributed to the strong development on the route Rostock-Gedser, considerable cost reductions combined with operation optimisations.

The profit from ordinary activities (recurring EBITDA) increased by 6 percent from EUR 160 million in 2014 to EUR 170 million in 2015, especially due to improved performance. The recurring EBITDA margin increased to 37 percent compared to 36 percent in 2014.

Non-recurring items comprise of income and expenses of an exceptional nature, such as costs incurred for structuring processes and structural adjustments as well as gains and losses on divestments related thereto. In 2015, the sale of the ferry route affected the results positively.

In MEUR	2015	2014
EBITDA including special items	**184**	**141**
Other operating income	-24	-2
Staff costs	1	6
Other external expenses	9	15
EBITDA excluding special items	**170**	**160**

Management commentary

Investment, financial and net asset situation

Investments (capital expenditure)

Scandlines made investments totalling EUR 136 million in 2015. Nearly EUR 115 million is in relation to the newbuilding of vessels. Nearly EUR 9 million were invested in IT operation, allowing Scandlines to provide customers and colleagues with a stable environment with focus on the good customer experience. All customer touchpoints in terminals, onboard and in the BorderShops have been changed with the implementation of new ACI’s (Automated Check-in) and new Point of Sales. Also an IT environment supporting SMILE was introduced together with a marketing atomisation platform supporting the Scandlines sales and marketing strategy.

Financial situation

In MEUR	2015	2014
Cash flow from operating activities	153	113
Cash flow from investing activities	40	-122
Cash flow from financing activities	-209	-10
Cash end of the year	48	65

Throughout 2015, Scandlines has had a positive cash flow from its operating activities.

In December 2013, Scandlines refinanced the loan facilities by repaying old facilities and establishing new aggregated loan facilities of EUR 875 million. The new loan facilities expire in December 2019 (Term Loan A, Capex Facility and Revolving Facility) and December 2020 (Term Loan B).

In MEUR	Balance, 31-12-2015	Facility	Term
Term Loan A	235	235	03-12-2019
Term Loan B	525	525	03-12-2020
Capex Facility	50	50	03-12-2019
Revolving Facility	0	35	03-12-2019
Short term facility	60	60	

Management commentary

Scandlines enters into financial derivatives to hedge interest rate risk. For the period 2013-2016, approximately 67 percent of the underlying interest rate risk is hedged with float to fixed rate swaps and an option. As of 31 December 2015, the market value of the interest rate hedges was EUR –9.9 million.

In MEUR	2015	2014
Cash and cash equivalents	48	65
Interest bearing debt	830	838
Net debt	782	773

Safety and security

In 2015, Scandlines again fully complied with the demands of the International Safety Management Code (ISM). This means that we passed our annual review and audits performed by the maritime authorities at the usual and expected high level.

Not only the maritime authorities, but also our classification society, Lloyd’s Register, maintain tight control with the vessels to ensure that all statutory rules and regulations are observed and that the ferry maintenance procedures are performed accurately and well documented.

The General Notice System (GNS), where recordings of incidents, dangerous situations and deviations from the International Safety Management System are recorded, is increasing in numbers of incidents. However, through the sale of the Scandlines part of the Helsingør-Helsingborg crossing, the number of employees, vessels and terminals were reduced, decreasing the number of recorded incidents accordingly.

The GNS-system is intended to eliminate omissions and weak spots in our operations, for the purpose of introducing countermeasures and for documentation. The incidents recorded are analysed in the annual Management Review.

The well-being and good health of Scandlines’ employees is a focus area for Scandlines, which is why we continuously invest in improving our working environment. This work is carried out by following guidelines issued by experts, but also by analysing and learning from in-house incidents and accidents. Our officers, managers and crew are instructed to report all kinds of near-misses, and a safety committee on board every ferry and in every terminal evaluates all incidents.

The safety of our passengers, crews and ferries is of paramount importance in our business. Weekly and monthly exercises for our crew members and testing of our equipment follow mandatory demands. For quality assurance purposes, we have contracted with CAE Flight Academy in Arlanda Airport, Stockholm, to train all officers in crew resource management, which is also complemented by ship simulator training. For this purpose, Scandlines will continue to use its own simulator located in Puttgarden.

Management commentary

Human resources

In 2015, Scandlines employed an average of 1,488 FTEs, which is a decrease of 45 FTEs compared to 2014.

Headcount statistic	Denmark	Germany
Number of employees at the beginning of 2015	881	880
Number of recruitments during 2015	314	290
Number of retirements during 2015	278	314
Number of employees at the end of 2015	917	893

The most important reason behind the strategic changes is the need to improve the efficiency of the organisation in order to prepare Scandlines for a market with increased competition and continuous cost increases on fixed costs.
On average, Scandlines employed 644 FTEs on shore and 844 FTE at sea in 2015.

Gender diversity in management bodies

Today, the proportion of female managers, reporting directly to the Chief Executive Officer in the Scandferries Group accounts for 17 percent.

The Boards of the Scandlines Group currently have one female member elected by the general assembly, corresponding 25 percent. We have in 2015 achieved our target for one female representative in the Board, and we will in the coming year set a new target and develop a policy for how to improve gender balance in the management.

The Company has no wish to part with skilled and loyal employees in leadership positions, who perform extremely well, in order to reach a more equal gender distribution in leadership. The Company will always hire the best candidate for the job. Should two candidates for a management position be equally qualified and one of them is a woman, the Company would like to give the woman a priority if this is not contrary to the discrimination and equality legislation of the country. It is illegal to target job adverts only at one gender.

As the number of women with higher education is rising relative to men, the number of women with a management career is likely to increase over time as they will get into the positions that naturally lead to a management career. It is, therefore, expected that the number of female candidates for leadership positions will increase in the coming years.

Management commentary

Corporate Social Responsibility

Scandlines considers such matters as anti-corruption and business ethics, social aspects and environment and climate important elements of the business strategy and activities.

We do not have a separate policy for Human Rights, but we intend to integrate the principals in our supplier code of conduct.

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

Anti-corruption and business ethics

According to Scandlines Code of Conduct for employees which was launched already in 2014 Scandlines is committed to honest and ethical behaviour. Every employee has confirmed having read the Code of Conduct and is expected to make the same commitment. This includes:

- Acting in accordance with company procedures and guidelines, and in accordance with the applicable law at any time
- Operating our business in a fair and transparent way
- Avoiding fraud or deception
- Being polite and cooperative at work in order to create an appropriate working atmosphere
- Upholding professionalism when acting on behalf of Scandlines

In 2015, Scandlines implemented its comprehensive compliance program. We want to work with the highest standards of integrity, honesty and good behavior. If the laws, rules and internal guidelines are violated, the consequences for our company and the people involved might be serious. It is, therefore, crucial that any violation is reported.

Any form of bribery is strictly prohibited. The prohibition of bribery is a very broad and global standard. Scandlines wants to be consistent with all relevant antibribery laws in all jurisdictions in which we are doing business.

Management commentary

- Scandlines and its employees must not bribe any domestic or foreign government official or employee of a private enterprise at home or in a foreign country for any reason. A payment or another item of value given or offered to a third party individual or association or entity related to a government official, or related to an employee of a private enterprise, can also be treated as a bribe if it is given or offered with corrupt intent
- Scandlines employees must not accept anything of value from suppliers or other third parties that provide, or aspire to provide, goods or services to Scandlines, unless this Code of Conduct specifically allows for such gifts and donations
- Third parties involved in transactions, for example consultants or advisors acting for or on behalf of Scandlines, must never be engaged or used to make bribes.

In 2015, Scandlines launches a so-called whistleblower scheme. The scheme sends an important signal that we as a major player in the international market take internal and external rules and regulations seriously. The whistleblower scheme is also a great tool for both employees and external partners. It is a user-friendly offer of anonymity, where transparency is not a possibility.

In addition to the Code of Conduct for employees, now also a Supplier Code of Conduct was introduced in 2015 in order to ensure that Scandlines' business partners adhere to the same set of rules and ethical standards Scandlines honors.

Social aspects
Through sporting and cultural events, Scandlines supports the local catchment area on the Danish islands Lolland and Falster. As a company, Scandlines can learn from the fighting spirit and team work of the local sports clubs while supporting the local youth.

Environment and climate
Scandlines has defined a strategic goal to lead the environmental change in the Baltic Sea. Any steps that can be taken to reduce ship emissions are considered good for both the Company and society as a whole. Thanks to the Company's ambitious green strategy, Scandlines today possesses the world's largest hybrid fleet, combining traditional diesel power with electric battery power. During 2012-2015, Scandlines successfully implemented its innovative hybrid propulsion system together with exhaust gas cleaning solutions (closed-looped scrubbers) in the four ferries operating the route Puttgarden-Rødby. Through our hybrid propulsion system, we have reduced CO_2 emissions from the four ferries operating the route Puttgarden-Rødby up to 15 percent. Besides fulfilling the new sulphur limit which came into effect on 1 January 2015, the hybrid operation also leads to optimised engine efficiency.

Management commentary

Based on the good experience from the Puttgarden-Rødby service, the hybrid/scrubber solution has also been implemented in the newbuildings for the Rostock-Gedser route, ensuring compliance with the new sulphur regulation. Scandlines has been awarded 6.3 MEUR from the EU for the installation of scrubbers and hybrid system on the two new vessels and for environmentally friendly infrastructure in both port facilities.

The ambition of the green strategy is ultimately *zero emission*; that is, a propulsion system for the ferries without any emissions. We have earmarked investment funds of 50 to 60 million EUR, in order to be able to run the entire fleet on the Puttgarden-Rødby route completely emission-free and electricity-based. In proximity of the coastal line, the ferries on the Rostock-Gedser route will then also run emission-free.

Early in 2015, Scandlines became a member of The Trident Alliance. The members of The Trident Alliance commit to supporting robust and transparent enforcement of sulphur regulations as well as to comply with said regulations.

In 2015, Scandlines also became a member of Ship of the Future which is a Public Private Partnership for innovation and demonstration of technologies and methods that makes shipping more environmentally friendly.

General and special risks

The most material risks may be summarised into the following main areas:

- Strategic risks
- Operational risks
- Financial risks (currency, interest rate, oil prices, commercial receivables)
- Compliance risks

Control and risk management systems

Management has the overall responsibility for Scandlines' risk management and internal controls in connection with the financial reporting process.

Control environment

The organisational structure and internal guidelines define the control environment together with laws and other rules. Management regularly evaluates Scandlines' organisational structure and staffing and lays down and approves overall policies, procedures and controls.

Risk assessment

Management evaluates the business risks on a regular basis. As part of the risk assessment, Management considers, as necessary, the finance, hedging and insurance policies for Scandlines.

Management commentary

Control activities
Scandlines has established a formal Group reporting process based on monthly reporting which includes budget follow-up, performance evaluation and fulfilment of goals.

Information and communication
Management puts emphasis on open communication in Scandlines and that each staff member is aware of his/her role and responsibility in internal control.

Scandlines' Group accounting manual and other reporting instructions are updated regularly and are available from Scandlines' intranet, where all relevant staff members may access them.

Monitoring actions
Management conducts monitoring based on regular evaluations and controls at all levels of Scandlines. The scope and frequency of the periodic evaluations primarily depend on the risk assessment in this respect and on the effectiveness of the regular controls.

The auditors appointed at the Annual General Meeting rely on the audit book comments to report to Management on any significant weaknesses in Scandlines' internal control systems as part of the financial reporting process. Less significant matters are reported in management letters.

General and particular risks

Strategic risks
Scandlines' largest business area is the ferry traffic between Germany and Denmark. A fixed link across the Fehmarn Belt, as planned by the German and Danish governments, would significantly influence the current business model in this area.

On 3 September 2008, the German and Danish governments submitted a declaration of intent for the construction of a fixed link across the Fehmarn Belt. When completed, the 18-kilometre fixed link will offer four traffic lanes and two railway tracks. According to initial planning, the link should be ready in 2018; however, the opening date has been officially postponed until 2026.

The construction act outlining the final design of the fixed link was adopted by the Danish parliament in the spring of 2015. In Germany, the plan approval is not expected until at the earliest 2017. The present application material includes a serious downgrading of the access road to the terminal of Puttgarden. As Scandlines will continue sailing after the opening of a fixed link, it is crucial that our customers have easy access to the terminal. The request for better access to the terminal was accommodated in Rødby.

Management commentary

Currently, competition is limited to the bridge across the Great Belt and low cost airlines offering cheap flight tickets to European capitals.

The harmonisation of excise duties and VAT applicable in Germany, Denmark and Sweden and amended regulations for sales, e.g. rules for returnable bottles in Germany, could have a negative impact on the scope and profitability of our catering and retail activities.

Operational risks

A delayed delivery of the two new vessels for the route Rostock-Gedser would imply high extra cost as it is expensive to operate the existing ferries due to the new sulphur regulation that became effective 1 January 2015. The maintenance costs for the existing vessels are also high.

An increasing northbound flow of refugees/migrants represents a significant risk to our ferry operation in case the Danish government imposes carrier liability on Scandlines, obliging us to check and ensure that all travellers who are going to Denmark carry a valid ID with photo.

Financial risks

The most significant financial exposures are currency, oil, interest rate and credit risks, which only exist for the operating activities.

Currency exposure

The majority of Scandlines' business activities are EUR based or in currencies with a very high correlation to EUR as is Scandlines' funding arrangement. Exposures in other currencies are hedged to the extent the potential impact of fluctuations in exchange rates are considered material.

Interest rate risks

Interest rate risks mainly relate to the loan portfolio. The major part of Scandlines' interest rate risks is hedged through interest rate derivatives.

Oil risks

The bunker price has, after a relatively low stable level during the first half of 2015, decreased further during the second half of 2015 to a 12-year low level. We have had a natural hedge via the Bunker Adjustment Factor (BAF) and in addition approximately 20 percent has been covered via bunker hedge contracts.

Management commentary

Credit risks

Scandlines' credit risks primarily relate to trade receivables. In recent years, Scandlines' credit policy and dunning procedures have been significantly adjusted. Furthermore, the implementation of various Early Warning systems has resulted in a reduction of Scandlines' bad debts to a low level for the credit-bearing revenue. Revenue from Scandlines' largest customer accounts for less than 5 percent of total revenue.

Scandlines has a high focus on the loan portfolio covenants and has procedures in place for both forecasting and reporting on the financial covenants. Scandlines is well within the limits of the financial covenants and has no expectations that these will be breached. Should material changes in Scandlines' financial situation occur and the financial covenants be breached, we remain confident that through the existing close dialogue with our lenders we will be able to resolve the situation without material impact on Scandlines' funding or interest rate costs.

Compliance risks

It is our clear policy to comply with the words and spirit of the laws, rules and regulations that apply in the countries in which our companies operate; therefore we regularly evaluate any potential risks related to these. For examples, please refer to the paragraphs "Safety and security", "Environment and climate" and "CSR".

Events after the reporting year

4 January 2016, on the same day that Sweden introduced carrier liability, Denmark introduced temporary border control at the German-Danish border. The border control was not combined with carrier liability. Currently, it is the Danish police who spot check our customers' ID when they walk or drive from the ferry in Rødby and Gedser. So far, the control has not impacted our traffic significantly and we do not expect that it will, as long as they stick to the solution they have started out with.

Future development and opportunities

In 2016, Scandlines will focus on the two ferry routes between Germany and Denmark together with the land-based retail shops in Puttgarden and Rostock.

The ambition for the future is to strengthen the axis of the German and Danish capitals and establish Rostock-Gedser as an efficient, reliable and competitive corridor through Central and Eastern Europe. The investment in two new ferries for the route is an important part of the strategy for future growth.

Management commentary

The increase in the number of transported cars on the route Rostock-Gedser 2015 promises well for the forthcoming introduction of the two new ferries. The two new ferries will replace M/V Kronprins Frederik and M/V Prins Joachim, currently sailing on the route Rostock-Gedser. The two new vessels are tailor-made for the route and will offer ample space as each ferry will have a capacity of 1,300 passengers and 460 cars or 96 trucks. Despite a doubling of capacity, the new ferries will only stay in the harbour for 15 minutes just as the existing ferries, thanks to two car decks with no less than five lanes for entrance and exit. The ferries will be operated by Scandlines' ground-breaking and award-winning hybrid propulsion system and will be combined with scrubbers that clean the engine exhaust streams of pollutants such as sulphur and particulates and reduce sulphur emissions by at least 90 percent. The two new ferries will be put into operation on the route Rostock-Gedser in 2016.

In order to ensure a stable transition and to continue to comply with the traffic development, Scandlines has decided to retain M/V Kronprins Frederik and use it as a replacement ferry on both the Rostock-Gedser and Puttgarden-Rødby routes. With an extra ferry, which can be inserted on both routes, both capacity and reliability will be ensured.

Our green agenda will continue in 2016 with emphasis on investments in technologies to reduce environmentally unfriendly emissions and fuel consumptions, while continuously focusing on providing an increasingly comfortable and reliable journey in a modern setting. Having an excellent track record of pioneering hybrid ferries, the zero emission initiative is the next step for Scandlines to be perceived as an industry leader with a clear vision for the sector's green future. During the next couple of years, we will introduce plug-in hybrid ferries that will be charged in the port. However, there are three potential roadblocks: 1) Scandlines needs to build competence in large-scale shore side charging, 2) Sufficient electrical infrastructure to the ports needs to be secured, and 3) Investment payback (50 to 60 million EUR) needs to be secured.

Compared to 2015, we expect a minor overall decline in our financial performance due to considerable charter costs for the two new vessels for the route Rostock-Gedser. Unlike 2015, we do not expect proceeds from divestments.

In order to further increase the volume on the respective routes, Scandlines will continue to focus on the attractive Swedish market to promote both self-drive holidays and shopping tickets. We will continue our work to attract more SMILE members, both in Germany and Denmark in order to be more focused and intelligent in our communication with the customers.

Management commentary

In 2016, German authorities will continue the formal plan approval process of establishing a fixed link on the Fehmarn Belt right next to Scandlines' Puttgarden-Rødby ferry crossing. Scandlines will continuously work towards securing that the foundation for a decision regarding establishment of a fixed link is as correct as possible. This implies a continued positive and factual dialogue with decision makers in Germany, Denmark and the EU.

Consolidated financial statements

Income statement

	Notes	2015 MEUR	2014 MEUR
Continuing operations			
Revenue	2	460.2	444.7
Other operating income	24	41.1	11.0
Total income		**501.3**	**455.7**
Operating costs for vessels		-53.1	-41.7
Cost of goods sold	3	-135.6	-134.9
Staff costs	4	-76.1	-80.4
Other external expenses	20	-52.4	-57.9
Total costs		**-317.2**	**-314.9**
Result before amortisation and depreciation (EBITDA)		**184.1**	**140.8**
Amortisation and depreciation	5,9,10	-28.4	-25.8
Result from operations		**155.7**	**115.0**
Financial income	6	1.8	1.4
Financial expenses	7	-48.2	-52.1
Result before tax		**109.3**	**64.3**
Tax for the year	8	-2.4	-4.1
Result for the year from continuing operations		**106.9**	**60.2**
Discontinued operations			
Result for the year from discontinued operations	25	1.1	14.2
Result for the year		**108.0**	**74.4**
Attributable to:			
Owners of the parent company		111.2	78.1
Non-controlling interests		-3.2	-3.7
		108.0	**74.4**

Consolidated financial statements

Statement of comprehensive income

	Notes	2015 MEUR	2014 MEUR
Result for the year		**108.0**	**74.4**
Other comprehensive income/loss			
Items that may be reclassified subsequently to profit and loss			
Value adjustments of hedging instruments:			
Value adjustments for the year		2.8	-11.1
Reclassified to income statement:			
Operating costs for vessels		4.8	0.8
Foreign exchange adjustments, foreign enterprises		0.2	-0.1
Other comprehensive income/loss after tax		**7.8**	**-10.4**
Total comprehensive income/loss		**115.8**	**64.0**
Attributable to:			
Owners of the parent company		119.0	67.7
Non-controlling interests		-3.2	-3.7
		115.8	**64.0**

Consolidated financial statements

Balance sheet

	Notes	31.12.15 MEUR	31.12.14 MEUR
ASSETS			
Goodwill		631.3	630.1
Software		12.4	5.3
Other intangible assets		2.2	2.6
Non-current intangible assets	9	**645.9**	**638.0**
Land and buildings		99.3	100.3
Vessels		106.2	106.6
Other fixtures and fittings, tools and equipment		88.2	85.7
Assets under construction		221.0	122.8
Non-current tangible assets	10	**514.7**	**415.4**
Receivables	12	37.8	43.6
Deferred tax	13	0.3	0.5
Other non-current assets		**38.1**	**44.1**
Total non-current assets		**1,198.7**	**1,097.5**
Inventories	11	16.9	16.7
Receivables	12	76.8	66.7
Prepayments		3.9	2.5
Cash		48.4	64.9
Current assets		**146.0**	**150.8**
Assets classified as held for sale	25	**3.0**	**197.8**
Total current assets		**149.0**	**348.6**
Assets		**1,347.7**	**1,446.1**

Consolidated financial statements

Balance sheet

	Notes	31.12.15 MEUR	31.12.14 MEUR
EQUITY AND LIABILITIES			
Share capital		0.0	0.0
Reserves		-2.2	-10.0
Retained earnings		369.6	438.5
Equity attributable to owners of the parent company		367.4	428.5
Non-controlling interests		47.7	50.9
Total equity		**415.1**	**479.4**
Interest-bearing liabilities	14	719.1	749.2
Deferred tax	13	4.3	4.1
Pension and anniversary liabilities	15	0.4	0.5
Total non-current liabilities		**723.8**	**753.8**
Interest-bearing liabilities	14	110.5	88.5
Income tax	17	8.2	6.1
Trade payables		42.8	47.2
Other provisions	16	7.8	12.1
Other liabilities	18	36.6	36.5
Deferred income	19	2.8	2.7
Total current liabilities		**208.7**	**193.1**
Liabilities directly associated with assets classified as held for sale	25	**0.0**	**19.8**
Total liabilities		**932.6**	**966.7**
Equity and liabilities		**1,347.7**	**1,446.1**

Consolidated financial statements

Cash flow statement

	Notes	2015 MEUR	31.12.14 MEUR
Result before amortisation and depreciation (EBITDA), continuing		184.1	140.8
Result before amortisation and depreciation (EBITDA), discont.	25	1.6	18.8
Adjustments for non-cash operating items, etc.	22	-4.3	5.7
Working capital changes	23	19.5	-8.4
Cash flows from operating activities, gross		**200.9**	**156.9**
Interest received (income)		1.8	0.8
Interest paid (expenses)		-48.2	-44.1
Taxes paid		-1.4	-0.7
Cash flows from operating activities, net		**153.1**	**112.9**
Additions relating to divestment of enterprise (SHH)	24	175.6	0.0
Investments in intangible assets, net	9	-12.6	-3.4
Investments in land and buildings, net	10	-0.9	-0.8
Investments in vessels, net	10	-14.9	-5.9
Investments in other fixtures and fittings, tools and equipment, net	10	-9.3	-2.5
Investments in assets under construction, net	10	-98.2	-109.7
Cash flows to/from investing activities		**39.7**	**-122.3**
Payment of dividends		-181.5	0.0
Repayment, bank loan		-67.9	-29.9
New bank loan		40.3	19.8
Cash flows to/from financing activities		**-209.1**	**-10.1**
Cash flows for the year		**-16.3**	**-19.5**
Cash at 1 January		64.9	87.0
Cash from discontinued operations		0.0	-2.5
Currency exchange adjustment		-0.2	-0.1
Cash at 31 December		**48.4**	**64.9**

Of the total cash of 48.4 million, an amount of 10.8 million are deposited on an escrow account.

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

Consolidated financial statements

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 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.

Consolidated financial statements

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 2014	0.0	0.3	0.1	386.7	387.1	28.3	415.4
Comprehensive income/loss for the year							
Result for the year	0.0	0.0	0.0	78.1	78.1	-3.7	74.4
Other comprehensive income/loss	0.0	-0.1	-10.3	0.0	-10.4	0.0	-10.4
Total comprehensive income/loss	0.0	-0.1	-10.3	78.1	67.7	-3.7	64.0
Transactions with the owners							
Distribution and capital injection in affiliate	0.0	0.0	0.0	-26.3	-26.3	26.3	0.0
Equity at 31 December 2014	**0.0**	**0.2**	**-10.2**	**438.5**	**428.5**	**50.9**	**479.4**

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.

Consolidated financial statements

Overview of notes

Consolidated financial statements

Notes, MEUR

1. 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 31 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 9 to the consolidated financial statements.

Consolidated financial statements

Notes, MEUR

1. Significant accounting estimates and judgements (continued)

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 31 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 12 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 16 and 27 to the consolidated financial statements.

Consolidated financial statements

Notes, MEUR

	2015	2014
2. Revenue		
Ferry transport	253.5	277.1
BorderShops, retail and catering on board	215.9	232.2
	469.4	509.3
Revenue related to discontinued operations	-9.2	-64.6
	460.2	444.7
3. Cost of goods sold		
Retail and catering on board	-32.7	-41.5
BorderShops	-104.5	-102.1
	-137.2	-143.6
Cost of goods sold related to discontinued operations	1.6	8.7
	-135.6	-134.9

There has not been any material impairment on inventories.

	2015	2014
4. Staff costs		
Salaries and wages	-66.0	-76.8
Pension contributions	-10.8	-13.2
Other social security costs	-1.3	-1.3
	-78.1	-91.3
Staff cost related to discontinued operations	2.0	10.9
	-76.1	-80.4
Average number of employees	1,785	1,742
Remuneration to key management personnel (Executive Management)		
Salaries and fees	2.4	1.3
	2.4	1.3

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

Consolidated financial statements

Notes, MEUR

	2015	2014
5. Amortisation and depreciation		
Amortisation, intangible assets	-4.7	-4.1
Depreciation, vessels	-14.3	-14.3
Depreciation, land and buildings	-2.5	-4.3
Depreciation, other property, plant and equipment	-7.4	-7.8
	-28.9	-30.5
Amortisation and depreciation related to discontinued operations	0.5	4.7
	-28.4	-25.8
6. Financial income		
Interest on cash etc.	0.0	0.1
Interest from affiliated companies	1.8	1.7
Total investment income from financial assets not classified as at FVTPL	1.8	1.8
Financial income related to discontinued operations	0.0	-0.4
	1.8	1.4
7. Financial expenses		
Interest to credit institutions etc.	-42.1	-41.1
Other financial expenses	-6.1	-11.0
Total investment income from financial liabilities not classified as at FVTPL	-48.2	52.1
Financial expenses related to discontinued operations	0.0	0.0
	-48.2	-52.1

Consolidated financial statements

Notes, MEUR

	2015	**2014**
8. Tax for the year		
Current tax	-2.6	-1.4
Changes in deferred tax	-0.3	-0.6
Adjustment previous year	0.5	-2.4
	-2.4	-4.4
Tax related to discontinued operations	0.0	0.3
	-2.4	-4.1
Tax for year can be specified as follows:		
Result before tax	109.3	64.3
Of this, subject to tonnage taxation	-142.9	-112.1
	-33.6	-47.8
Tax calculated as 23.5% and 24.5% of result before tax	-7.9	-11.7
Calculated tax in foreign companies adjusted to 23.5%	0.1	-0.2
Non-deductable interest	10.7	13.6
Adjustment previous year	-0.5	2.4
	2.4	4.1
Effective tax rate	2.2%	6.4%

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.

Consolidated financial statements

Notes, MEUR

9. Non-current intangible assets

2015	**Goodwill**	**Software**	**Other intangible assets**
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
Reclassified as held for sale	0.0	0.0	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
Reclassified as held for sale	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**

2014	**Goodwill**	**Software**	**Other intangible assets**
Cost at 1 January	730.3	5.3	16.6
Additions	0.0	3.4	0.0
Disposals	0.0	0.0	0.0
Reclassified as held for sale	-100.2	-0.4	-13.6
Cost at 31 December	630.1	8.3	3.0
Amortisation at 1 January	0.0	0.2	0.1
Amortisation	0.0	2.9	1.2
Disposals	0.0	0.0	0.0
Reclassified as held for sale	0.0	-0.1	-0.9
Amortisation at 31 December	0.0	3.0	0.4
Carrying amount at 31 December	**630.1**	**5.3**	**2.6**

Consolidated financial statements

Notes, MEUR

9. 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:

	31.12.15	31.12.14
Ferry services		
Puttgarden - Rødby	488.4	488.4
Rostock - Gedser	66.2	66.2
Helsingør - Helsingborg	0.0	100.2
	554.6	654.8
BorderShops		
Puttgarden	74.8	74.8
Rostock	1.9	0.7
	76.7	75.5
Total goodwill	**631.3**	**730.3**

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.

Consolidated financial statements

Notes, MEUR

9. 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.

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.

Consolidated financial statements

Notes, MEUR

10. Non-current tangible assets

2015	**Land and buildings**	**Vessels**	**Other fix-tures and fittings, tools and equip.**	**Assets under construc-tion**
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.

Consolidated financial statements

Notes, MEUR

10. Non-current tangible assets (continued)

2014	**Land and buildings**	**Vessels**	**Other fixtures and fittings, tools and equip.**	**Assets under construction**
Cost at 1 January	147.6	139.1	97.2	19.9
Reclassification	0.7	4.9	1.2	-6.8
Additions	0.8	5.9	2.5	109.7
Disposals	0.0	0.0	-0.3	0.0
Reclassified as held for sale	-46.1	-30.2	-6.6	0.0
Cost at 31 December	103.0	119.7	94.0	122.8
Depreciation at 1 January	0.4	1.2	0.7	0.0
Depreciation	4.3	14.3	7.8	0.0
Disposals	0.0	0.0	0.0	0.0
Reclassified as held for sale	-2.0	-2.4	-0.2	0.0
Depreciation at 31 December	2.7	13.1	8.3	0.0
Carrying amount at 31 December	**100.3**	**106.6**	**85.7**	**122.8**
Carrying amount includes:				
Government grants	7.5	4.2		

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

	31.12.15	**31.12.14**
11. Inventories		
Bunker	1.0	1.2
Goods for sale	13.8	13.4
Other inventories	2.1	2.4
	16.9	17.0
Inventories related to discontinued operations	0.0	-0.3
	16.9	**16.7**

Consolidated financial statements

Notes, MEUR

	31.12.15	**31.12.14**
12. Receivables		
Financial leasing assets	43.6	47.2
Trade receivables	21.1	24.1
Receivables from affiliated companies	36.0	35.1
Income tax receivable	0.6	0.4
Other receivables	13.3	6.1
	114.6	112.9
Receivables related to discontinued operations	0.0	-2.6
	114.6	110.3
Long-term receivables	37.8	43.6
Short-term receivables	76.8	66.7
	114.6	110.3

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.

	31.12.15	**31.12.14**
Provision account at 1 January	0.3	0.3
Losses recorded for the year	-0.1	-0.1
Reversed provisions	0.0	0.0
Bad debt provisions for the year	0.5	0.1
Provision account at 31 December	0.7	0.3
Due trade receivables written down (impaired value)	0.0	0.0
	0.0	0.0

Consolidated financial statements

Notes, MEUR

	31.12.15	**31.12.14**
12. Receivables (continued)		
Due trade receivables not written down:		
Overdue by up to one month	2.1	2.5
Overdue by 1-3 months	0.2	0.1
Overdue by 3-6 months	0.3	0.0
Overdue by more than 6 months	0.0	0.0
	2.6	2.6
13. Deferred tax		
Deferred tax at 1 January	-3.6	-3.0
Deferred tax for the year recognised in the income statement	-0.3	-0.7
Reduction of Danish income tax rate from 25% to 22% up to 2016	-0.1	0.1
Deferred tax at 31 December	**-4.0**	**-3.6**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (asset)	0.3	0.5
Deferred tax (liability)	-4.3	-4.1
	-4.0	-3.6
Deferred tax concerns:		
Intangible assets	0.0	0.0
Property, plant and equipment	-4.0	-3.6
	-4.0	-3.6

Consolidated financial statements

Notes, MEUR

	31.12.15	**31.12.14**
14. Interest-bearing liabilities		
Finance lease commitments	39.8	57.7
Bank debt	679.3	705.6
Other long-term debt	0.0	0.0
Total non-current interest-bearing liabilities	719.1	763.3
Non-current interest-bearing liabilities related to discontinued operations	0.0	-14.1
	719.1	749.2
Finance lease commitments	3.8	4.3
Bank debt	106.7	84.9
Total current interest-bearing liabilities	110.5	89.2
Current interest-bearing liabilities related to discontinued operations	0.0	-0.7
	110.5	88.5
Total current and non-current interest-bearing liabilities	**829.6**	**837.7**

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.

None of the Group's interest-bearing liabilities fall due after five years (2014: EUR 525.0 million).

Please refer to note 21 with respect to financial risk etc.

Distribution of currency, nominal principal		
DKK	60.3	14.9
EUR	769.3	822.8
Total interest-bearing liabilities	**829.6**	**837.7**

Consolidated financial statements

Notes, MEUR

14. Interest-bearing liabilities (continued)

Bank debt 2015

	Currency	Fixed/float interest	Amortised cost	Nominal value	Fair value
Loan A (expiry 2019)	EUR	Floating	208.1	212.0	208.1
Loan B (expiry 2020)	EUR	Floating	468.4	480.2	468.4
Loan C (expiry 2019)	EUR	Floating	49.2	50.0	49.2
Loan E (short term facility)	DKK	Floating	60.3	60.3	60.3
			786.0	802.5	786.0

Bank debt 2014

	Currency	Fixed/float interest	Amortised cost	Nominal value	Fair value
Loan A (expiry 2019)	EUR	Floating	230.0	235.1	230.0
Loan B (expiry 2020)	EUR	Floating	511.3	525.0	511.3
Loan C (expiry 2019)	EUR	Floating	49.2	50.0	49.2
			790.5	810.1	790.5

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).

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

Facilities 2015	Facility	Utilised	Remaining facilities	Limitations
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	

Consolidated financial statements

Notes, MEUR

14. Interest-bearing liabilities (continued)

Facilities 2014	**Facility**	**Utilised**	**Remaining facilities**	**Limitations**
Loan A (expiry 2019)	235.1	235.1	0.0	
Loan B (expiry 2020)	525.0	525.0	0.0	
Loan C (expiry 2019)	50.0	50.0	0.0	Capex investments
Loan D (expiry 2019)	35.0	0.0	35.0	
	845.1	810.1	35.0	

Consolidated financial statements

Notes, MEUR

15. 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

	31.12.15	31.12.14
Balance at 1 January	2.1	3.0
Additions relating to acquisition of enterprises	0.0	0.0
Anniversary cost	0.1	0.2
Calculated interests related to obligations	0.0	0.0
Pensions paid	-0.6	-1.1
Liabilities at 31 December	**1.6**	**2.1**
Long-term liability	0.4	0.5
Short-term liability	1.2	1.6
Cost in profit/loss statement		
Personnel costs current year	0.3	0.2
Calculated interests related to obligations	0.0	0.0
Total	**0.3**	**0.2**
Defined benefit plans, assumptions		
Discount rate	1.7%	1.6%
Future increases in pensions	0.3%	2.7%

Consolidated financial statements

Notes, MEUR

	31.12.15	**31.12.14**
16. Other provisions		
Balance at 1 January	12.1	5.3
Reduction arising from payment	-12.1	-5.3
Additions relating to acquisition of enterprises	0.0	0.0
Additions	7.8	12.1
	7.8	12.1
Other provisions are expected to fall due as follows:		
0-1 year	7.8	12.1
1-5 years	0.0	0.0
	7.8	12.1

Provisions are mainly related to personnel expenses and taxes.

Consolidated financial statements

Notes, MEUR

	31.12.15	31.12.14
17. Income tax		
Income tax payable at 1 January	6.1	4.6
Current tax for the year	2.6	1.4
Income tax paid in the year	-1.4	-0.7
Adjustment previous year	0.9	0.8
Income tax payable at 31 December	**8.2**	**6.1**
18. Other liabilities		
Accrued interest	10.2	10.5
Public authorities (VAT, excise duties, taxes, etc.)	5.9	5.3
Pension liabilities (short-term)	1.2	1.6
Holiday pay obligation, payroll, bonus, etc.	13.1	11.9
Other expenses payable	6.2	9.4
	36.6	**38.7**
Other liabilities related to discontinued operations	0.0	-2.2
	36.6	**36.5**
19. Deferred income		
Prepayments from customers	2.8	3.9
	2.8	**3.9**
Deferred income related to discontinued operations	0.0	-1.2
	2.8	**2.7**
20. Fees to auditors appointed by the Annual General Meeting		
Statutory audit	0.2	0.3
Other assurance engagements	0.0	0.0
Tax and VAT advisory services	0.1	0.1
Non-audit services	0.1	0.5
	0.4	**0.9**

Consolidated financial statements

Notes, MEUR

21. Financial risks and use of derivatives

The Group's risk management policy

The most significant risks of the Scandlines Group relate to operating, financing and investing activities. Risk management and framework conditions for these activities are drawn up in close cooperation with the Executive Management. Partly through policies approved on an annual basis by the Executive Management, and partly through more specific initiatives, projects or proposals. Risk management is performed centrally for the Group and includes the responsibility for identifying, measuring and possibly responding to risks based on the risk management policies. The Group does not actively speculate in financial risks, but only performs risk management in relation to the direct operating and financing activities.

Commodity risk

The primary risk associated with commodities relates to the purchase of fuel for the vessels due to the oil market's high volatility. This risk is incorporated in the contracts with customers, and about 37 percent (53 percent in 2014) of the total bunker cost is hedged by these means. In accordance with the policies adopted, moreover, up to 50 percent of bunker consumption, and up to 100 percent where the hedge price is lower than the budget price over a rolling twelve months, may be hedged via hedge contracts.

An increase in the bunker price by 10 percentage points on the level at the balance sheet date would have a hypothetical positive effect – EUR 0.1 million for 2014 and 2015 – on the carrying amount in the equity's hedging reserve and comprehensive income for the Group. This is a result of the hedge contracts entered into to hedge future bunker purchases. A drop in the bunker prices would have an equivalent negative effect.

Consolidated financial statements

Notes, MEUR

21. Financial risks and use of derivatives (continued)

Interest rate risks

Interest rate risks are evaluated regularly based on financing contracts entered into and regular assessment of exposure. The Group is primarily exposed to bank debt:

2015	**Expiry**	**Carrying amount**
Floating-rate loans	2019	208.1
Floating-rate loans	2020	468.4
Floating-rate loans	2019	49.2
Floating-rate loans	2016	60.3

In the event of an interest rate increase of 1 percentage point, the Group would have additional costs of EUR 2.1 million which would affect the equity correspondingly.

2014	**Expiry**	**Carrying amount**
Floating-rate loans	2019	230.0
Floating-rate loans	2020	511.3
Floating-rate loans	2019	49.2

In the event of an interest rate increase of 1 percentage point, the Group would have additional costs of EUR 3.3 million which would affect the equity correspondingly.

Consolidated financial statements

Notes, MEUR

21. Financial risks and use of derivatives (continued)

The existing loan agreement is subject to covenants every quarter or half year which may impact on the future interest rate level.

Additionally, interest swaps are used to hedge the fair value of the interest-bearing liability.

No interest risk is considered regarding the Mecklenburg-Vorpommern back-to-back leasing arrangement since adjustments in interest are invoiced through to external lessee.

Currency risks

The Group uses EUR and DKK as its basic currencies. No risk hedging is performed in relation thereto as the exchange rate between these two currencies is assessed as being subject to limited fluctuations.

The Group also uses SEK as a major currency. The exposure to SEK is regularly measured and evaluated.

Currency risks related to assets and liabilities (non-derivatives) recognised in the balance sheet:

2015

	Cash	**Receivables**	**Liabilities**	**Net position**	**Hereof hedged**
DKK	17.4	40.6	47.3	10.7	0.0
SEK	1.8	0.2	1.3	0.7	0.0
Other	0.0	0.0	0.0	0.0	0.0
	19.2	40.8	48.6	11.4	0.0

The table below displays the net effect on equity and profit/loss if the exchange rate had been 10 percent lower for DKK and SEK, respectively:

	Profit/loss	**Equity**
Net effect if DKK exchange rate was 10 percent lower	-6.0	-6.0
Net effect if SEK exchange rate was 10 percent lower	-0.4	-0.4
	-6.4	-6.4

Consolidated financial statements

Notes, MEUR

21. Financial risks and use of derivatives (continued)

2014

	Cash	Receivables	Liabilities	Net position	Hereof hedged
DKK	24.0	14.9	58.8	-19.9	0.0
SEK	9.5	2.1	0.4	11.2	0.0
Other	0.0	0.0	0.0	0.0	0.0
	33.5	17.0	59.2	-8.7	0.0

The table below displays the net effect on equity and profit/loss if the exchange rate had been 10 percent lower for DKK and SEK, respectively:

	Profit/loss	Equity
Net effect if DKK exchange rate was 10 percent lower	-4.5	-4.5
Net effect if SEK exchange rate was 10 percent lower	-1.6	-1.6
	-6.1	-6.1

In 2014 and 2015, the Group has not used derivatives to hedge currency risks.

Credit risks

The Group's credit risks are considered limited and maximized to the Group's total outstanding receivables and cash. This is because the customer dependency is limited and the Group's losses recorded in recent years have been very modest compared to the overall revenue. Accordingly, credit risks have not been hedged.

To prevent losses from cash in banks, all deposits are placed in solid and respectable banks.

Cash flow risk

Historically, the Group has regularly had positive EBITDA, entailing that, in most months, the Group has generated positive liquidity. In 2013, the Group signed a Senior Facilities Agreement, in which the majority of the Group's bank debt is combined. This agreement is effective until 2020. This agreement also offers the option of using an overdraft facility if, contrary to expectations, the Company falls short of funding.

Consolidated financial statements

Notes, MEUR

21. Financial risks and use of derivatives (continued)

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

2015

	Within 1 year	1-5 years	After 5 years	Nominal value
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	

2014

	Within 1 year	1-5 years	After 5 years	Nominal value
Non-derivatives				
Credit institutions and banks	88.4	196.7	525.0	810.1
Trade payables	47.2	0.0	0.0	47.2
Financial leasing	3.6	43.6	0.0	47.2
Derivatives				
Forward contracts as hedging instrument	4.9	5.9	0.0	
	144.1	246.2	525.0	

For unused credit facilities, see note 14.

Consolidated financial statements

Notes, MEUR

21. 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:

	31.12.15	**31.12.14**
Interest rate contract	-1.6	-5.9
Hedge of commercial goods (bunker)	-1.0	-4.9
	-2.6	-10.8

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

Consolidated financial statements

Notes, MEUR

21. Financial risks and use of derivatives (continued)

	31.12.15	31.12.14
Categories of financial instruments		
Financial leasing assets	43.6	47.2
Trade receivables	21.1	21.5
Receivables from affiliated companies	36.0	35.1
Other receivables	14.0	6.9
Loans and receivables	**114.7**	**110.7**
Derivative financial instruments entered into to hedge future cash flows	-2.6	-10.8
Financial liabilities used for hedging	**-2.6**	**-10.8**
Finance lease liabilities	43.6	47.2
Bank debt	679.3	705.6
Other long-term debt	0.0	0.0
Trade payables	42.8	46.0
Other liabilities	36.6	36.5
Financial liabilities measured at amortised cost	**802.3**	**835.3**

Consolidated financial statements

Notes, MEUR

	31.12.15	31.12.14
22. Non-cash transactions		
Change in provision	-2.6	5.9
Change in other liabilities	3.3	-1.6
Change in other assets	-4.9	1.4
	-4.3	**5.7**
23. Working capital changes		
Increase (-)/decrease (+) in inventories	-0.2	-2.1
Increase (-)/decrease (+) in receivables etc.	25.5	2.8
Increase (+)/decrease (-) in current liabilities	-0.2	-9.1
	19.5	**-8.4**

24. Acquisition and divestment of enterprises and activities

On 9 January 2015, Scandlines and Stena signed an agreement of the sale of the ferry route Helsingør-Helsingborg. The final closing of the sale was at 28 January 2015.

Net assets sold were in 2014 classified in the balance sheet as net assets held for sale, representing a booked value of 178.0 million. The proceeds from the divestment have been used to repay debt and pay out dividends in accordance with agreement reached with the banking group.

25. 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.

It is Management's expectations that a vessel in our fleet will be sold in the coming financial year. The booked value hereof is, therefore, classified as assets held for sale.

Consolidated financial statements

25. Discontinued operations and assets held for sale (continued)

Income statement

	2015 MEUR	2014 MEUR
Revenue	9.2	64.6
Other operating income	1.0	1.2
Total income	**10.2**	**65.8**
Operating costs for vessels	-4.1	-22.5
Cost of goods sold	-1.6	-8.7
Staff costs	-2.0	-10.9
Other external expenses	-0.9	-4.9
Total costs	**-8.6**	**-47.0**
Profit before amortisation and depreciation (EBITDA)	**1.6**	**18.8**
Amortisation and depreciation	-0.5	-4.7
Result from operations	**1.1**	**14.1**
Result from associated companies	0.0	0.0
Net financial income	0.0	0.4
Result before tax	**1.1**	**14.5**
Tax for the year	0.0	-0.3
Result for the year from discontinued operations	**1.1**	**14.2**
Cash flows from discontinued operations:		
Net cash flows to/from operating activities	1.7	19.0
Net cash flows to/from investment activities	0.0	-1.0
Net cash flows to/from financing activities	-1.7	0.0
Result for the year from discontinued operations	**0.0**	**18.0**

Consolidated financial statements

25. Discontinued operations and assets held for sale (continued)

Balance sheet

	2015 MEUR	2014 MEUR
ASSETS		
Goodwill	0.0	100.2
Software	0.0	0.4
Other intangible assets	0.0	12.7
Land and buildings	0.0	44.1
Vessels	3.0	27.8
Other fixtures and fittings, tools and equipment	0.0	6.4
Inventories	0.0	0.3
Receivables	0.0	2.6
Prepayments	0.0	0.8
Cash	0.0	2.5
Assets classified as held for sale	**3.0**	**197.8**
LIABILITIES		
Interest-bearing liabilities	0.0	14.8
Trade payables	0.0	1.6
Other liabilities	0.0	2.2
Deferred income	0.0	1.2
Liabilities directly associated with assets classified as held for sale	**0.0**	**19.8**
Net assets classified as held for sale	**3.0**	**178.0**

Consolidated financial statements

Notes, MEUR

26. 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

2015	**Scandferries Chartering A/S 70%**
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

Consolidated financial statements

Notes, MEUR

26. Affiliated companies (continued)

Minority interest in affiliated company

2014	**Scandferries Chartering A/S 70%**
Statement of comprehensive income	
Revenue	0.0
Result for the year	-3.0
Statement of comprehensive income, total	-3.0
The Group's share of the result of the year	**-0.9**
The minority interest's share of the result of the year	**-2.1**
Balance sheet	
Total non-current assets	0.0
Total current assets	96.9
Total non-current liabilities	0.0
Total current liabilities	-25.0
The Group's share of the equity	**22.5**
The minority interest's share of the equity	**50.9**
Transactions with minority interests	
Payment of dividend	0.0
Sale of investments in affiliated companies	0.0
Capital increase	35.6

Consolidated financial statements

Notes, MEUR

27. Guarantees, contingent liabilities and collateral

Guarantees

	31.12.15	31.12.14
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 2015.

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 24.3 million (2014: EUR 25.7 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 14, 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.

Consolidated financial statements

Notes, MEUR

28. 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. The Group has entered into a shipbuilding contract and in this regard has a future liability of EUR 40 million (2014: EUR 120 million).

	31.12.15	**31.12.14**
Operating leasing commitments		
The aggregate future, minimum lease payments according to interminable leases are composed as follows:		
0-1 year	1.9	1.8
1-5 years	2.1	2.3
More than 5 years	0.2	0.2
	4.2	4.3
Minimum lease payments recognised in the income statement for the year	1.9	1.8
Finance lease commitments		
0-1 year	6.2	7.6
1-5 years	42.0	60.0
More than 5 years	0.0	7.6
	48.2	75.2
of this, financing element	-4.6	-13.2
	43.6	62.0
Recognised in the balance sheet:		
Current	3.8	4.3
Non-current	39.8	57.7
	43.6	62.0

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 interminable in the lease term agreed.

Consolidated financial statements

Notes, MEUR

29. 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 owner is 3i Group. 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 4).

Receivables from affiliated companies are evident from note 12. There are no payables to affiliated companies as of 31 December 2015. Interest is evident from note 6 and 7.

Consolidated financial statements

Notes, MEUR

29. 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).

30. Events after the balance sheet date

No significant events have occured after 31 December 2015.

Consolidated financial statements

Notes, MEUR

31. 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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)

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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)

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 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).

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)
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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)
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 9 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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)

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.

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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)

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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)

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.

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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)

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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)

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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)

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 directly 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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)

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

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)

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 9 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

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).

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)
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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)
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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)

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

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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)

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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)
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 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.

Consolidated financial statements

Notes, MEUR

31. Accounting policies (continued)

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 financial statements

Statement of comprehensive income

	Notes	2015 MEUR	2014 MEUR
Administrative expenses	2	0.0	-0.1
Result before amortisation and depreciation (EBITDA)		**0.0**	**-0.1**
Dividend from affiliated company		181.5	0.0
Financial income		0.0	0.0
Financial expenses		0.0	0.0
Result before tax		**181.5**	**-0.1**
Tax on loss for the year		0.0	0.0
Result for the year		**181.5**	**-0.1**
Other comprehensive income after tax		0.0	0.0
Total comprehensive income/loss		**181.5**	**-0.1**

Parent financial statements

Balance sheet

Assets

	Notes	2015 MEUR	2014 MEUR
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

		2015 MEUR	2014 MEUR
Share capital		0.0	0.0
Retained earnings		399.9	399.9
Proposed dividend		0.0	0.0
Total equity		**399.9**	**399.9**
Liabilities to affiliated		0.1	0.1
Total liabilities		**0.1**	**0.1**
Equity and liabilities		**400.0**	**400.0**

Parent financial statements

Balance sheet

Cash flow statement

	Notes	2015 MEUR	2014 MEUR
Result before amortisation and depreciation (EBITDA)		**0.0**	**-0.1**
Working capital changes		0.0	0.1
Cash flows from operating activities		**0.0**	**0.0**
Received dividend from affiliated company		181.5	0.0
Cash flows from investing activities		**181.5**	**0.0**
Paid dividend to affiliated company		-181.5	0.0
Cash flows from financing activities		**-181.5**	**0.0**
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.

Parent financial statements

Statement of changes in equity, MEUR

	Share capital	Proposed dividend	Fair value adjustment of hedging instruments	Retained earnings	Total
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**

	Share capital	Proposed dividend	Fair value adjustment of hedging instruments	Retained earnings	Total
Equity at 1 January 2014	**0.0**	**0.0**	**0.0**	**400.0**	**400.0**
Comprehensive loss for the year					
Loss for the year	0.0	0.0	0.0	-0.1	-0.1
Equity at 31 December 2014	**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.

Parent financial statements

Overview of notes

Parent financial statements

Notes, MEUR

1. 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 21 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.

Parent financial statements

Notes, MEUR

2. Staff costs

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

	31.12.15	**31.12.14**
3. Investments in affiliated companies		
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.

4. Guarantees, contingent liabilities and collateral

	31.12.15	**31.12.14**
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.

Parent financial statements

Notes, MEUR

5. Related parties

For specification of related parties refer to note 29 of the consolidated financial statements.

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

6. Events after the balance sheet date

No significant events have occurred after 31 December 2015.

7. 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 31 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.

Parent financial statements

Notes, MEUR

7. 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 2015.

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 2015 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2015.

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, April 26th 2016

Executive Management

Søren Poulsgaard Jensen, CEO

Per Johannesen Madsen, CFO

Morten Haure-Petersen, CCO

Independent auditor's reports

To the shareholder of Scandferries ApS
Report on the consolidated financial statements and parent financial statements

We have audited the consolidated financial statements and parent financial statements of Scandferries ApS for the financial year 1 January - 31 December 2015, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as the Parent. The consolidated financial statements and parent financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and disclosure requirements of the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and 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 disclosure 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.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Independent auditor's reports

Opinion

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2015, and of the results of their operations and cash flows for the financial year 1 January - 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and disclosure requirements of the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, April 26th 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33 96 35 56

Kirsten Aaskov Mikkelsen	Bjarne Iver Jørgensen
State Authorised Public Accountant	State Authorised Public Accountant