ANNUAL REPORT 2016

DSD

DET STAVANGERSKE DAMPSKIBSSELSKAB AS

CONTENT

THE BOARD'S ANNUAL REPORT

ANNUAL REPORT AND ACCOUNTS 2016

NATURE AND LOCATION OF THE ACTIVITIES

The DSD Group, of which Stavangerske Dampskibsselskab AS (DSD) is the parent company, is a Norwegian company with main office in Stavanger. Since its foundation in 1855 the company has primarily been engaged in transportation activities.

DSD's vision is to be owner of the leading and most innovative transportation companies in the Nordic region, also holding considerable, active positions in other strategic growth industries.

Activities are concentrated around four areas of operation: Ferry and express boat service (Norled Group), Bus transportation (Tide Group), International shipping (DSD Shipping AS), and Logistics and conveyance of goods (Nor Lines Group)

TRENDS AND DIRECTION IN 2016

For the DSD Group 2016 was characterized by structural processes.

As a result of the interest in Tide ASA, a process was initiated where the DSD Group received a number of bids for the company. Owing to Tide's attractive position, DSD chose to bid for the remaining shares, included the 27.7 % owned by parent company Folke Hermansen AS. This resulted in DSD making a mandatory bid for all Tide shares. In the 1st quarter 2017 DSD carried out a compulsory redemption of the few, remaining minority shareholders, and now controls 100 % of Tide ASA. The company has been delisted.

The DSD Group wished to obtain a structural solution for company Nor Lines, which had seen a number of demanding years and stagnation in organic growth. In 2016 a sales process was initiated, which ended in a sales agreement being signed with company Eimskip Ehf. The agreement was entered subject to the approval of the Norwegian Competition Authority. The authority notified an intervention 21 February 2017 and ultimately issued a final ban against the transaction on 3 April 2017.

Following the authority's decision, DSD has made a directed process toward a number of players and is expecting to conclude a new agreement. Owing to Nor Lines' magnitude an agreement has to be reported to the Norwegian Competition Authority.

DSD Group posted earnings of NOK 3,477 million in 2016 (versus NOK 3,542 million in 2015). Earnings are distributed between the group's areas of operation, where ferry and express boat operation (Norled Group) carries 61 %, logistics and conveyance of goods (Nor Lines Group) 30 %, and international shipping 9 %.

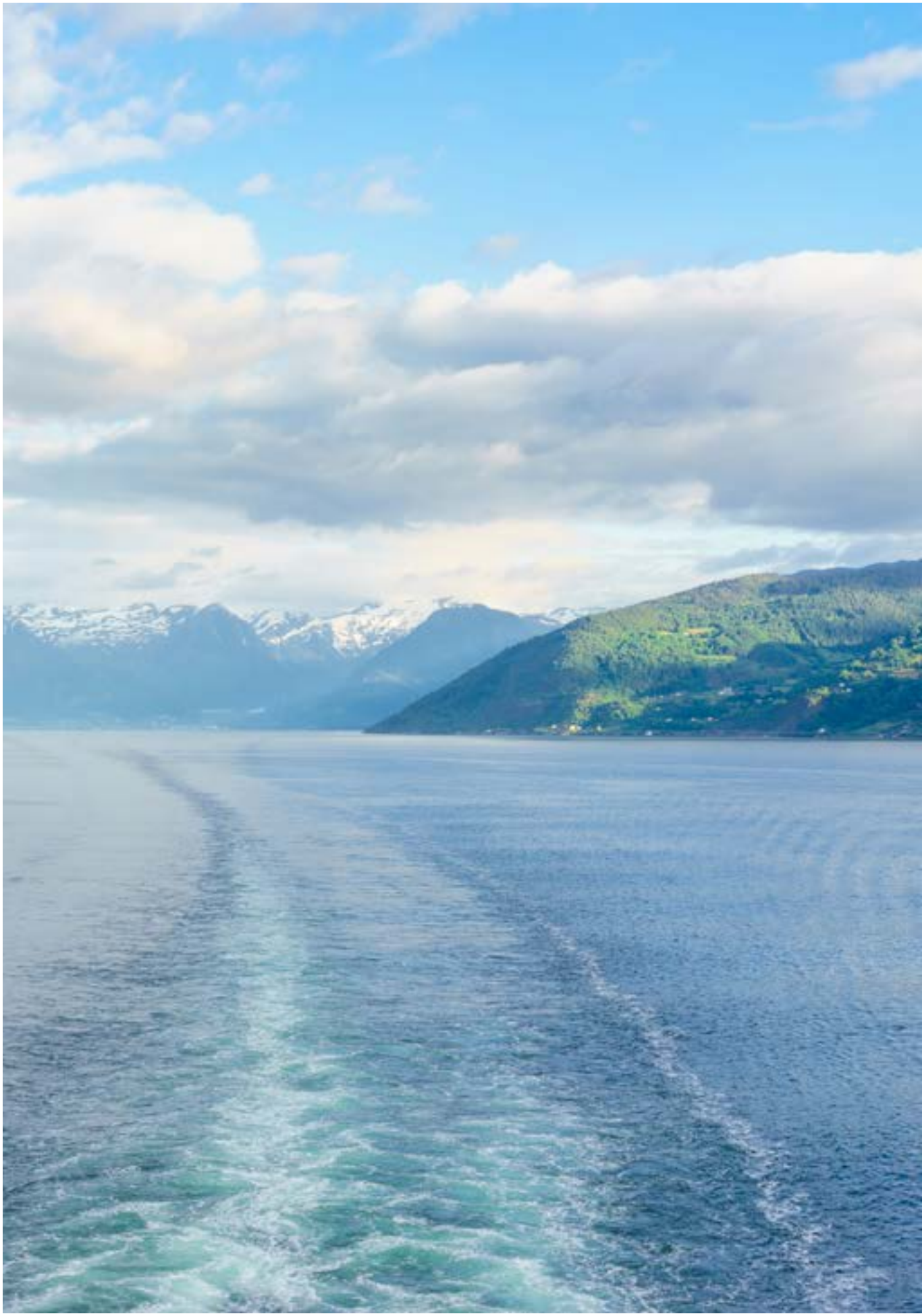
Bus transportation (Tide Group) posted earnings for the year at NOK 2,405 million. Tide is consolidated into the balance sheet per 31.12.16, but since DSD did not assume the control until December 2016, Tide is recognized as an affiliated company in the income statement for all of 2016.

2016 has seen a significant improvement in Norled, with the company delivering its best result to date. The improvement is mainly explained by changes to the contract portfolio.

In terms of operation Tide is delivering somewhat better results in 2016 compared to 2015. The Norwegian activities have seen a positive development, while results of the Danish activities, plus workshop operations, have not been satisfactory.

The market within international shipping has been in decline, which has impacted negatively on rates. Parts of the fleet are operating on long-term TC-contracts, which have lessened the negative effect of market developments. A weakening of the USD against NOK in 2016 gave a NOK 73 million unrealized profit on exchange for DSD Shipping, compared to an unrealized loss at NOK 152 million in 2015.

Equal to 2015, Nor Lines experienced a demanding year involving considerable off-hire resulting from technical challenges with our new ships and a new route structure. The results for 2016 are not satisfactory, but nevertheless show a significant operational improvement compared with 2015.



AREAS OF OPERATION

FERRY AND EXPRESS BOAT OPERATION: NORLED GROUP

Norled is one of the country's largest companies within maritime passenger and automobile transport. The company operates 80 vessels, 53 ferries, and 27 express boats operating a number of ferries and express boat services from the Oslofjord to Troms.

In 2016, Norled transported approx. 9 million private car units and 18 million passengers through various contracts with national and local government. These contracts constitute a contractual reserve of approx. NOK 13.5 billion including options.

With main office in Stavanger, and regional offices in Bergen, Ålesund and Oslo, Norled employs 1005 co-workers. The number of man-years is 961. The group has taken in 42 apprentices and 15 cadets in its fleet.

EBITDA for the year ended at NOK 387 million, up from 367 in 2015. The company posted in 2016 a pre-tax profit of NOK 122 million, compared with NOK 101 million in 2015. In 2015 NOK 63 million was posted as earnings, in consequence of the ruling in a trial relating to contractual income and discounts. Adjusted for this effect the profit increase in 2016 was NOK 84 million.

The increase is mainly due to improvements in the contract portfolio, orders to existing contracts, and lower bunker expenses.

Norled's equity is NOK 819 million (28 %). The company's cash on hand totaled NOK 208 million end 2016.


NORLED

NOR LINES

LOGISTICS AND GODSTRANSPORT

Nor Lines, with main office in Stavanger, is a transportation and logistics company which operates in regular trade along the Norwegian coast, the North Sea, and Baltic Sea.

The company operates an extensive, national transportation system, forwarding activities, and operation of terminals with associated activities.

The company has 14 branch offices located along the coast and operated at year's end a fleet of 7 general cargo ships, refrigerator cargo ships, RoRo, and side port ships in its regular lines, of which 3 ships are self-owned. Nor Lines leases and operates the entire freight capacity of Hurtigruten's 11 ships.

Nor Lines end 2016 had a staff of 187 working 185 man-years. Additionally Nor Lines employed 72 seamen working onboard its ships.

As a result of weak results and challenges relating to obtaining organic growth, DSD has through the year been seeking to obtain a structural solution for the company. In November 2016 an agreement was entered to sell the company to Eimskip. The transaction was halted by the Norwegian Competition Authority. DSD is working to find a new solution for the company, and is expecting to enter a new agreement. Owing to Nor Lines' magnitude, an agreement has to be reported to the Norwegian Competition Authority.

Nor Lines' earnings for 2016 were NOK 1,060 million, which is on a par with 2015. EBITDA showed a NOK 6 million reduction compared to 2015. EBITDA for 2016 ended at approx. NOK -27 million.

The company posted a pre-tax loss of approx. NOK -94 million for 2016 compared with NOK -51 million in 2015. The 2016 result is marked by write-downs reflecting the agreement on sale of Silver Sea/Samskip. The underlying operation shows an improved EBITDA of NOK 21 million, from NOK -74 million in 2015 to NOK -54 million in 2016.

2016 also saw technical challenges relating to newbuildings and the introduction of a new route structure. Tougher competition and margin pressure also affected the company negatively. The company implemented a number of cost reducing measures in 2016, including major organizational changes in the first six months of 2016.


KVITBJØRN
NOR LINES

DSD SHIPPING

INTERNATIONAL SHIPPING

DSD Shipping is responsible for the commercial operation of DSD's international fleet of ships. The fleet in 2016 consisted of 4 crude oil tankers and 3 product tankers of various sizes. The company chose to reduce exposure in the spot market, selling product tanker M/T Stavanger Eagle in 2016. DSD Shipping was in 2016 responsible for the technical operation of Nor Lines' three self-owned ships.

DSD Shipping employed a staff of 14 employees working 13 man-years in 2016.

In spite of a negative market development, the shipping segment posted a pre-tax profit of NOK 89 million in 2016, compared to NOK -58 million in 2015. As a consequence of a decrease in the value of ships, write-downs of NOK 40 million were made.

The change in result from 2015 to 2016 is primarily a result of an unrealized gain on foreign exchange loans, write-downs reflecting a fall in the value of the fleet in 2016, plus extraordinary costs in 2015 relating to the Blossom case.

Adjusted for agio and write-downs, the segment shows a profit of NOK 52 million, which is a NOK 30 million reduction to 2015.


DSD Shipping

TIDE

BUS TRANSPORT

Tide, with main office in Bergen, is one of the major bus companies in Norway and Denmark. Starting in 2016, DSD has by early 2017 taken over all shares in Tide, and now owns 100 % of company shares.

Core activity of the group is bus transport for public and private customers. In terms of turnover, the largest activity was operation on contract for the county administration. The Norwegian part of the company also operates an express and airport bus service, as well as tour buses. Additionally, the company is engaged in the tourist segment, organizing and delivering discovery tours in Norway and Europe.

End 2016, Tide employed a staff of 2,946, with a man-labour year of 2,751. The fleet of buses counted 1,568 buses.

End 2015, Tide completed a major Danish contract, and started on two new major contracts in Denmark in the second part of 2016. The increase in turnover in Norway is due to a growth in existing contracts and increased activity within commercial services.

Tide posted in 2016 a pre-tax profit of NOK 2 million, compared to NOK 14 million in 2015. Adjusted for gains on disposal of assets, profits improved by NOK 8 million in 2016, which is explained by a positive trend in Norwegian activities. Results of the Danish activities and workshop operations in Norway were not satisfactory.

Tide won two major contracts in 2016, and end 2016 had an order reserve of approx. NOK 12.4 billion including options.

Tide's equity is NOK 368 million (24 %). The company's cash on hand constituted NOK 181 million end 2016.


tide

REPORT ON THE ANNUAL ACCOUNTS

CONTINUED OPERATIONS

In compliance with the Accounting Act, § 3-3a, it is confirmed that an assumption of continued operations is present.

INCOME STATEMENT

2016 was the 161st operating year of the DSD Group. The group posted in 2016 earnings of NOK 3,477 million compared to NOK 3,542 million in 2015. EBITDA constituted NOK 543 million compared to NOK 561 million in 2015, which represents a NOK 18 million reduction.

Pre-tax profit ended at NOK 72 million, compared to a pre-tax loss at NOK -24 million in 2015. The result was positively affected by a gain on foreign currency loan (NOK 73 million). Norled and DSD Shipping show considerable improvement compared to 2015. Tide delivers on a par with the result of 2015, while Nor Lines delivers poorer results in 2016 compared with 2015.

EQUITY

Aggregate capital at year's end was NOK 6,591 million, compared with NOK 5,335 million the year before. Equity end 2016 was NOK 1,727 million, which represents an equity ratio of 26 %, compared to 28 % the year before.

The change is primarily due to a balance-sheet increase resulting from Tide being consolidated into the accounts per 31.12.16.

CASH FLOW, LIQUIDITY AND DEBT

Net cash flow for the year war positive, at NOK 283 million (negative at NOK -42 million in 2015).

Payment of debt constituted NOK 426 million and raising of new debt NOK 128 million.

Liquid assets as of 31.12.16 were NOK 529 million.

The income statement, balance sheet and cash flow provide a true picture of the company's operations, position, and liquidity.

FINANCIAL RISK

OVERALL OBJECTIVES AND STRATEGY

The group is exposed to financial risk through its areas of operation. The risk is primarily connected to foreign currency, interest rates, oil price, and credit risk. The objective is to reduce financial risk as far as possible. It is monitored on a continuous basis and financial derivates are employed to reduce such exposure.

Currency risk: The group is exposed to exchange rate fluctuations, particularly USD, since parts of the company's earnings are paid in foreign currency. Currency risk is sought neutralized by using activities with earnings and debt servicing in foreign currency as collateral in the same currency.

A major part of interest exposure has been secured through compensation clauses in communication contracts. The group is exposed to the price of oil and bunker consumption. Within ferry and express boat operation, plus bus transportation, regulation of contracts has lately been significantly improved, and risk significantly reduced.

Credit risk is considered moderate. Large parts of the group's turnover derive from contracts with national and local government. Credit risk is therefore considered as low. Within international shipping, counterparty risk is somewhat higher. Overall, the group has a moderate credit risk.

Liquidity risk in the group is considered satisfactory. Cash flow is servicing debt with a comfortable margin

WORKING ENVIRONMENT AND PERSONNEL

DSD Group at year's end had a staff of approx. 4,200 employees (including Tide). DSD Group wishes to be an attractive workplace with a healthy working environment. We therefore attach a great importance to health, environment and safety, and working relations are good between employees, employee representatives, and management. The sickness absence rate for the group in 2016 (excluding Tide) was 6.6 %, compared to 5.6 % in 2015.

EQUAL OPPORTUNITIES

The group has as its goal to be a workplace where there is full equality between women and men. The group has incorporated provisions that aim at preventing differential treatment with basis in gender in matters such as salary, advancement, and recruitment.

Transportation and maritime activities are traditionally male dominated lines of industry. Of the group's employees 576 are women (including Tide), a proportion of 14 %. In the parent company's board of directors, the female proportion is 1/3

DISCRIMINATION

The various subsidiaries have established procedures on how to notify unacceptable conditions, such as bullying and harassment, and how to handle conflicts. The guidelines have been adopted by the working environment committees of the respective companies and disseminated in the organization. The guidelines are also available in the companies' personnel manuals. All group co-workers have equal working conditions, regardless of gender, nationality and ethnic origin.

ENVIRONMENTAL REPORTING

The group's activities are by nature impacting on the exterior environment. The company attaches importance to being in the forefront when it comes to meeting regulatory requirements aimed at reducing pollution of the environment. In newbuildings, eco-friendly technology is installed to cut emissions as far as possible. The group is taking active efforts to cut the use of diesel within ferry and express boat operation, bus transportation, and conveyance of goods, and an increasing share of the group's vessels is now using natural gas.

The group has in recent years introduced innovative measures in several areas of operation, focusing on energy efficiency and the environment. Work is continuously ongoing to reduce the environmental impact of existing material. Fuel consumption is gradually being reduced through awareness-raising, technological innovation, and thorough planning of routes. The group is an active partner in the development of new vessel concepts, energy efficient engines and propeller systems, and the use of alternative fuels such as biofuel, natural gas, and battery technology.

The DSD Group wishes to be in the forefront of development and an initiator and innovator within eco-friendly transport. Norled currently has five ferries operating on natural gas, and the world's first battery operated car ferry, the Ampere.

Nor Lines operates two LNG-operated cargo ships. This represents a renewal of the coast fleet and gives environmental gains by replacing older tonnage. Tide is the Norwegian company operating the highest number of gas-operated buses, around 200. As the only operator, Tide operates 6 trolley articulated buses which are climate neutral and operate on clean power. Tide has committed itself to using biofuel as fuel on its buses in Trondheim and Bergen as soon as this becomes available.

The group's ships, those operating internationally as well as nationally, are certified according to the "International Management Code for Safe Operation of Ships and Pollution Prevention", (ISM-code). Tankers operating internationally are certified according to NS-ISO 9001:2008 and NS-ISO 14001:2004 through their respective operational organizations. Preventive measures have been adopted to assure documentation of the company's established procedures.

In Tide and Norled all departments are certified according to environmental standard NS-ISO 14001:2004.

The group did not post any costs relating to research and development in 2016.

OWNERSHIP, ETC.

DSD is a wholly owned subsidiary of Folke Hermansen AS. Yuhong Jin Hermansen, through her wholly owned companies, is the major shareholder of Folke Hermansen AS.

BOARD OF DIRECTORS AND MANAGEMENT

There were no changes to the board of directors or management in 2016.

FUTURE PROSPECTS

The company's goal is to create long-term return on invested capital through healthy corporate governance.

Group profitability in recent years has not been satisfactory. It is therefore gratifying to note that trends have turned in a positive direction, with the group delivering a profit in 2016. The largest subsidiaries of the group enjoy a strong technical position and market positions within their segments.

Within transportation, Norled and Tide both strengthened their positions as leading players, and are now reaping the results of a focus on improved operations and boosted earnings as a result of more correct pricing of contracts and risk. The buyout of the minority shareholders in Tide goes to prove that the DSD Group firmly believes in this segment.

Within international shipping we have seen an impaired market, leading to lower profits and ship values. This has negatively affected the two ships operating in the spot market. Other vessels operate on longer TC-contracts, which helps to lessen the impact of the market development. At the same time, the weak market represents an opportunity for obtaining growth at attractive levels. The board of directors takes a positive view of obtaining growth in the segment, and expects a process of fleet expansion and renewal to start in during 2017.

Nor Lines has in recent years undergone an extensive restructuring process, with changes being made to the organization, route structure, and fleet. The expected transaction will give the company economies of scale and is a good solution for the company.

A focus on competence training, cost control and risk management is expected to enhance the group's profitability going forward.

The board of directors expects a slightly weaker result for Norled in 2017 as a result of contract portfolio changes, but expects to see an improvement of results in 2018 and 2019 for the same reason.

We expect weaker results in 2017 for the shipping activity. However, it is assumed that the market balance will be restored toward the end of 2018.

For Tide we expect to see improved results as a result of changes to the contract portfolio, including start-up of new contracts at acceptable rates of return.

The board of directors would like to thank all employees, customers, and partners for their contribution and cooperation in 2016.

Annual profit and allocations

The board of directors proposes that the profit of Det Stavangerske Dampskibsselskab AS be allocated as follows:

(NOK 1,000)	
Other equity	51,229
Total allocations	51,229

Stavanger, June 22, 2017
The board of directors of Det Stavangerske Dampskibsselskab AS:

Yuhong Hermansen
Chairman of the board

Svein Gjedrem
Vice Chairman

Steinar Olsen
Member of the board

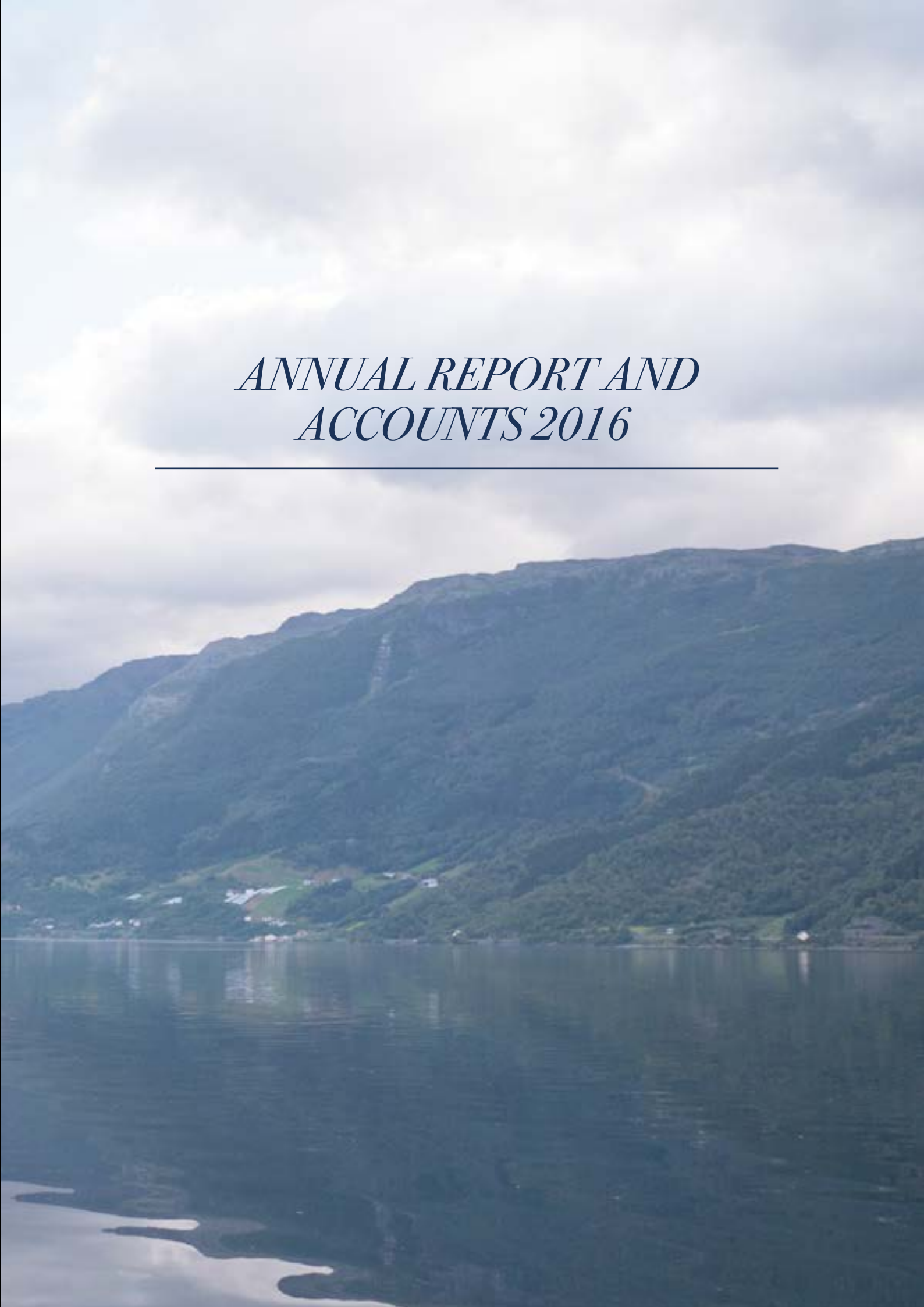
Jan Erik Horgen
Member of the board

Bjørn Anders Dahle
Member of the board

Marit Salte
Member of the board

Ingvald Løyning
CEO

ANNUAL REPORT AND ACCOUNTS 2016



INCOME STATEMENT

(Amounts in NOK 1,000)

PARENT 01.01 - 31.12 2016	2015		NOTE	GROUP 01.01 - 31.12 2016	2015
7,943	4,864	**Operating income**	16,18,22	**3,477,085**	3,542,457
16,278	11,238	Wage cost	3,11	**1,135,777**	1,107,717
817	570	Depreciations on fixed assets	12	**294,703**	288,470
0	0	Write-downs	12	**59,982**	0
16,339	10,486	Other operating costs	3,12,20,22	**1,798,042**	1,873,290
-25,491	-17,430	**Operating profit**		**188,581**	272,980
84,185	-21,665	Result of investments in subsidiaries	2,22	**0**	0
-23,217	-7,521	Result of investments in associated companies	2,21	**-22,731**	-7,359
60,968	-29,186	**Result of investments**		**-22,731**	-7,359
15,781	17,564	Financial income	9	**6,020**	5,664
-4,529	13,279	Financial costs	9	**-172,900**	-142,582
0	0	Unrealized gain/loss on exchange	9	**72,849**	-152,288
11,252	4,285	**Net financial items**		**-94,031**	-289,207
46,729	-42,331	**Ordinary result before taxes**		**71,819**	-23,586
4,500	11,747	Tax on ordinary result	14	**-20,492**	-10,473
51,229	-30,584	**Annual result before minority interests**		**51,327**	-34,059
0	0	Minority interests	15	**730**	-3,286
51,229	-30,584	**Annual result after minority interests**		**50,597**	-30,773
		Allocation of annual result			
0	50,000	Allocated group contribution			
0	0	Revaluation reserve			
51,229	-80,584	Other equity			
51,229	-30,584	**Total allocated**			

BALANCE SHEET

(Amounts in NOK 1,000)

PARENT 31.12.2016	31.12.2015		NOTE	GROUP 31.12.2016	31.12.2015
		ASSETS			
		Fixed assets			
		Intangible assets			
0	0	Other intangible assets	12	**4,000**	4,000
29,946	25,461	Deferred tax advantage	14	**0**	0
0	0	Goodwill	12	**259,218**	0
29,946	25,461	**Total intangible assets**		**263,218**	4,000
		Tangible fixed assets			
0	0	Sites and buildings	6,12	**64,379**	1,596
2,505	1,302	Means of transport and other movable property	6,12	**1,002,933**	19,750
0	0	Ships, rigs, aircraft and similar	6,12	**3,969,082**	4,347,331
0	0	Periodic maintenance	6,12	**16,385**	25,123
0	0	Newbuilding contracts for ships	12	**38,187**	55,673
2,505	1,302	**Total tangible fixed assets**		**5,090,966**	4,559,473
		Financial fixed assets			
1,775,675	1,292,765	Investments in subsidiaries	2	**0**	0
18,649	221,543	Investments in associated companies	2,6,21	**18,649**	221,543
4,147	3,610	Loans to companies in the group	4,7,17	**0**	0
785	813	Other receivables	4,11	**10,206**	7,773
2,312	2,264	Investments in stock and shares	8	**4,390**	4,342
1,801,568	1,520,995	**Total financial fixed assets**		**33,245**	233,658
1,834,019	1,547,758	**Total fixed assets**		**5,387,429**	4,687,131
		Current assets			
0	0	**Commodities**	13	**47,025**	26,820
		Receivables			
116	143	Account receivables	6	**416,949**	237,504
52,163	58,269	Group/parent company receivables	7,17	**0**	33,389
4,666	444	Other receivables		**210,818**	104,590
56,945	58,856	**Total receivables**		**627,767**	375,483
		Investments			
43	43	Market based financial instruments	8	**43**	43
43	43	**Total investments**		**43**	43
654	37,048	Bank deposits, cash and similar	5,6	**529,115**	245,644
57,642	95,947	**Total current assets**		**1,203,950**	647,990
1,891,661	1,643,705	**TOTAL ASSETS**		**6,591,379**	5,335,121

BALANCE SHEET

(Amounts in NOK 1 000)

PARENT 31.12.2016	31.12.2015		NOTE	GROUP 31.12.2016	31.12.2015
		EQUITY AND LIABILITIES			
		Equity			
		Paid-up equity			
573,736	573,736	Share capital	15	**573,736**	573,736
305,406	305,406	Share premium	15	**305,406**	305,406
879,142	879,142	Total paid-up equity		**879,142**	879,142
		Retained earnings			
0	0	Revaluation fund		**0**	0
631,085	579,480	Other equity		**0**	0
0	0	Group funds		**778,062**	594,096
0	0	Minority interests		**69,703**	1,272
631,085	579,480	**Total retained earnings**	15	**847,765**	595,368
1,510,227	1,458,621	**Total equity**		**1,726,907**	1,474,510
		Liabilities			
		Provisions for liabilities			
690	1,324	Pension commitments	11	**25,953**	33,197
0	0	Other liabilities		**6,000**	0
0	0	Deferred tax	14	**104,122**	84,347
690	1,324	**Total provisions for liabilities**		**136,075**	122,544
		Long-term liabilities			
128,175	100,000	Financial institutions	6, 10	**3,434,297**	3,051,226
128,175	100,000	**Total long-term liabilities**		**3,434,297**	3,051,226
		Short-term liabilities			
0	0	Financial institutions	5,6	**68,532**	31,020
3,270	515	Accounts payable		**301,270**	194,300
0	0	Tax payable	14	**680**	4,756
1,659	443	Duties payable		**152,480**	78,700
0	50,000	Group contribution		**0**	50,000
239,007	22,728	Debt to companies in the same group	7,17	**178,125**	0
8,633	10,020	Other short-term liabilities		**593,013**	328,066
252,569	83,760	**Total short-term liabilities**		**1,294,100**	686,842
381,434	185,084	**Total liabilities**		**4,864,472**	3,860,612
1,891,661	1,643,705	**TOTAL EQUITY AND LIABILITIES**		**6,591,379**	5,335,121

Stavanger, June 22, 2017
The board of directors of Det Stavangerske Dampskibsselskab AS:

Yuhong Hermansen
Chairman of the board

Svein Gjedrem
Vice Chairman

Steinar Olsen
Member of the board

Jan Erik Horgen
Member of the board

Bjørn Anders Dahle
Member of the board

Marit Salte
Member of the board

Ingvald Løyning
CEO

CASH FLOW STATEMENT

(Amounts in NOK 1,000)

PARENT 01.01 - 31.12 2016	2015		NOTE	GROUP 01.01 - 31.12 2016	2015
		Cash flow from operational activities			
46,729	-42,331	Profit before tax		**71,819**	-23,586
817	570	Ordinary depreciation	12	**294,703**	288,470
0	0	Write-downs	12	**59,982**	0
0	-1,008	Loss/(profit) from sale of fixed assets	12,21	**-12,140**	-40,407
-84,185	21,665	Result of investments in subsidiaries		**0**	0
23,217	7,521	Result of investments in associated companies	2	**22,731**	7,359
-11,252	-4,285	Net financial items		**94,031**	289,207
0	0	Changes in inventories	13	**7,589**	-2,966
27	-79	Changes in accounts receivable		**-9,924**	-28,074
2,755	-722	Changes in accounts payable		**-123**	-21,360
-634	-4,898	Changes in pension liabilities	11	**-26,835**	-20,993
0	0	Tax	14	**-4,756**	-1,705
-4,351	3,067	Changes in other accrual items		**28,575**	-52,579
-26,877	-20,550	**Net cash flow from operational activities**		**525,652**	393,366
		Cash flow from investment activities			
0	5,147	Payments received from sale of fixed assets/shares	2,12	**148,126**	223,487
-7,068	-1,522	Payments made for purchases of fixed assets/shares	12	**-75,277**	-437,487
0	0	Net cash effect from group changes	2	**180,573**	0
-265,917	0	Payments received from sale of shares		**-265,917**	0
13,005	16,374	Interest/other financial income received	9	**5,942**	5,664
0	9,500	Payments received from sale of shares		**0**	12,583
54,841	128,150	Dividend received		**4,840**	2,200
46	179	Group contribution received		**0**	0
0	340	Payments received from other investments		**0**	340
-205,093	158,168	**Net cash flow from investment activities**		**-1,713**	-193,213

cont. cash flow statement

PARENT 01.01 - 31.12 2016	2015		NOTE	GROUP 01.01 - 31.12 2016	2015
		Cash flow from financing activities			
-4,385	-11,737	Paid interest	9	**-126,455**	-137,965
-8	1,191	Realized profit/loss on exchange	9	**-14,915**	10,372
128,175	0	Payments received from long-term borrowing	6,10	**128,175**	426,750
-100,000	-25,000	Repayment of long-term liabilities	6,10	**-426,299**	-538,704
0	58,394	Receipts/payments relating to intra-group loans/borrowing		**0**	0
221,794	-105,468	Net changes to short-term receivables/intra-group liabilities	7	**211,514**	-603
0	-19,764	Receipts/payments relating to overdraft facilities raised/repaid		**37,512**	-1,800
0	0	Payment of equity		**0**	0
-50,000	0	Payment of dividend/group contribution		**-50,000**	0
195,576	-102,384	**Net cash flow from financing activities**		**-240,468**	-241,950
-36,394	35,234	**Net change to liquid capital throughout the year**		**283,471**	-41,797
37,048	1,814	**Liquid assets 01.01.**		**245,644**	287,441
654	37,048	**Liquid assets 31.12.**		**529,115**	245,644
654	591	**Undistributable reserves (deduction of tax)**		**1,320**	1,231

Liquid assets consist of cash in hand and bank deposits.

NOTE 1 - ACCOUNTING PRINCIPLES

The annual and consolidated accounts consist of income statement, balance sheet, cash-flow statement, and notes, and are prepared in accordance with the Accounting Act (Norw. Accounting Act) and sound accounting practices applicable in Norway as of December 31. 2016. In order to make the annual and consolidated accounts easier to read, they have been edited in a summarized form. The necessary breakdown is given in the notes. The notes are thus an integral part of the annual account.

The annual and consolidated accounts are based on the fundamental principles of historical cost, comparability, continued operations, congruence, and caution. Transactions are posted in the account at the value of compensation on the date of transaction. Revenues are allocated to the operating result when they are acquired, and costs are compared with revenues. Hedging has been taken into account. The accounting principles are described in more detail below. When actual numbers are unavailable at the time when the accounts are prepared, sound accounting principles require that management provide the best possible estimate to be used in the income statement and balance sheet. Some discrepancy may occur between estimated and actual numbers.

CONSOLIDATION PRINCIPLES

Consolidated companies

The consolidated accounts comprise the companies where the parent company and the subsidiaries have controlling interest directly or indirectly. The consolidated accounts show the companies' financial position, the result generated by operations of the year and cash-flows as an overall financial unit. Controlling interest is basically considered to be present when one party, directly or indirectly, owns more than 50% of voting share capital. Companies owned on a temporary basis are not consolidated. Uniform accounting principles have been applied for all companies that are part of the group. Newly acquired subsidiaries are included from the point when controlling interest is achieved, and disposed subsidiaries are included until date of disposal.

Elimination of internal transactions

All substantial transactions and inter-company balance have been eliminated.

Elimination of ownership interests in subsidiaries

Ownership interests in subsidiaries have been eliminated from the consolidated accounts according to the purchase accounting method. The difference between cost of ownership interests and book value of net assets at the time of acquisition is analyzed and attributed to the separate balance items according to estimated fair value. Any further excess price owing to expectations about future earnings is activated as goodwill and depreciated in the income statement in line with the underlying factors and anticipated economic lifetime.

Minority interests

Minority interests' share of after-tax result and equity is shown as separate items in the income statement and balance sheet.

Treatment of associated companies

With associated companies are meant companies where the group has 20-50% ownership interest, where the investment is of long-term and strategic character, and where the group may exercise a considerable influence. Associated companies are incorporated according to the equity method. The group's share of the result in an associated company is based on after-tax profit in the associated company, deducted any depreciations of excess values owing to the cost of ownership interests being higher than the acquired share of book equity. The income statement shows the share of the associated company's result under result on investments. The balance sheet shows ownership interests in associated companies under capital assets.

For associated companies that are part of transactions between partnerships, the group's share of the result is based on pre-tax result of the associated company. Tax cost on the share of result is shown together with the group's other tax costs.

General principles

Assets/debt relating to the operating cycle and items becoming due for payment within one year after balance day are classified as current assets/short-term debt. Current assets /short-term debt are valued at the lowest/ highest value of acquisition cost and fair value. Fair value is defined as assumed, future sales price reduced by anticipated sales costs. Other assets are classified as capital assets. Capital assets are valued at acquisition cost. Deteriorated capital assets are depreciated. If there is a non-temporary change in value, a write-down of the fixed asset is made.

Sound accounting practices have some exceptions from general valuation rules. These exceptions are commented on in the respective notes. The application of accounting principles and the presentation of transactions and other factors, emphasizes periodic realities, not only the legal form. Probable and quantifiable contingent losses are charged as expenses. The division into segments is based on the company's internal control and reporting objectives, and on risk and earnings. Numbers for areas of operation are presented. Numbers are reconciled against the company's income statement and balance sheet.

INTANGIBLE ASSETS AND TANGIBLE FIXED ASSETS

Intangible assets

Intangible assets expected to generate future earnings, such as goodwill of subsidiaries and patents, are activated. Depreciations are calculated linearly across the assets' economic lifetime. Expenses relating to research and development are carried on a continuous basis.

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at acquisition cost, deducted accumulated depreciations and write-downs. If fair value of an operating equipment is lower than book value, and this is due to causes assumed to be transient, the operating equipment is written down to fair value. Expenses relating to periodic maintenance and repairs on production equipment are accounted for on an accruals basis. Expenses relating to normal maintenance and repairs are charged to income on a continuous basis. Expenses involved in major replacement and renewals boosting the lifetime of operating equipment substantially, are activated. Interest relating to facilities under construction is activated as part of the cost. Operating equipment leased at terms that in essential transfer the periodic rights and obligations to Det Stavangerske Dampskibsselskab (financial leasing), is activated as operating equipment, and is included as a liability under interest-bearing debt at present value of the minimum lease. Operational leasing costs are charged as ordinary lease cost, and classified as ordinary operating costs.

Depreciations

Ordinary depreciations are calculated linearly across the economic lifetime of the operating equipment, with basis in historical cost. Corresponding principles are applied as basis for intangible assets. Depreciations are classified as ordinary operating costs. Leasing recognized in the balance sheet is depreciated according to plans, and the liability is reduced by paid lease after deduction of calculated interest costs.

FINANCIAL ASSETS

Treatment of subsidiaries/associated companies

Subsidiaries and associated companies are incorporated according to the equity method.

The company's share of the result of subsidiaries is based on the subsidiary's after-tax result deducted any depreciations of excess value owing to the cost of ownership interests being higher than the acquired share of book equity. The income statement shows the share of the subsidiary's result on a separate line under investment result. The balance sheet shows ownership interests in subsidiaries as a financial asset. Corresponding principles are applied as basis for associated companies.

For subsidiaries and associated companies that are part of transactions between partnerships, the company's share of the result is based on pre-tax result. Tax cost on the share of result is shown together with the group's

other tax costs. The company accounts use the equity method with basis on owner/unit view.

FINANCIAL INVESTMENTS

Market based stock, bonds and other financial instruments are classified as current assets are valued at fair value in line with the Accounting Act, Section5-8. Other short-term investments are valued at the lowest value of fair value and acquisition cost.

Investments in stock and units classified as capital assets are valued at the lowest value of average acquisition cost and market value.

Financial instruments used to secure assets or obligations are valued together with the underlying object. Other financial instruments are stated at fair value in line with the Accounting Act, Section 5-8.

Inventory

Inventories of goods are valued at lowest value of cost with basis in the "first in - first out "principle and assumed sales price. Cost of purchased goods is acquisition cost.

Accounts receivable

Accounts receivable are stated at nominal value deducted anticipated losses.

Foreign currency

Monetary items in foreign currency are valued at the exchange rates applicable at the end of the year.

Pension obligations and pension cost

The company has established pension schemes which give employees entitlement to agreed, future pension benefits, called defined benefit schemes. Pension obligations are calculated with basis in linear contributions with basis in assumptions on the number of years of service, discount interest, future return on pension funds, future regulation of wages, National Insurance pensions and benefits, and actuarial assumptions on mortality, voluntary retirement, etc. Pension funds are valued at fair value. Net pension obligation consists of gross pension obligation with deduction of fair value of pension funds. Net pension obligations are recognized in the balance sheet as long-term interest-free liabilities, while net pension funds are recognized as long-term, interest-free account-receivable if use of the overfunding is likely.

Changes to the obligation owing to changes in pension plans, are distributed over the estimated average, remaining period of contribution. Changes to the obligation and pensions funds due to changes and deviations from estimate assumptions (estimate changes), are distributed over the estimated average, remaining period of contribution.

Net pension cost, which is gross pension cost deducted estimated return on pension funds, is corrected for the distributed effect of changes to estimates and pension plans, classified as ordinary operating costs, and is presented together with wages and other payments.

The group and parent company apply NRS 6A for pension accounting.

DEFERRED TAX AND TAX COST

Deferred tax is calculated with basis on temporary differences between account values and tax values at the end of the accounting year. The calculation applies a normal, nominal tax rate. Positive and negative differences are assessed against each other within the same time interval. Deferred tax advantage arises if there are temporary differences giving rise to tax deductions in the future. Tax cost of the year consists of changes to deferred tax and deferred tax advantage, together with payable tax for the income year corrected for mistakes in the calculations of previous years.

Revenue recognition

The group's revenues principally comprise the following elements:

Ticket sales

Ticket sales comprise revenues generated by transportation of passengers and cars. The bulk is cash sales. Individual travel is recognized when the travel is completed. Sale of ticket punches are recorded as the ticket punches are being used. Unused ticket punches are classified in the balance sheet under short-term liabilities as deferred income.

Contract revenues

Contract revenues are governmental grants to operate services subject to license and compensation for public transportation services in public sector contracts. Revenue recognition takes place in compliance with the government award for each period. The award is not necessary linear, and may for some individual contracts and routes represent a higher amount the lower the level of traffic revenues. Contract revenue claims are recognized in the balance sheet as accounts-receivable.

Grants compensating for costs or lack of revenues are posted the same year for which cost or lack of revenue is meant to compensate, and classified as cost reduction or operating revenue.

Charter party earnings

The group's activities within international shipping mainly comprise ships and/or crews leasing. Revenues are posted to income in line with the delivery of the service being provided. Pre-payments from customers are classified under short-term debt, and earned, non-invoiced revenues as accounts receivable. In all essentials, revenues from international shipping are paid in foreign currency (USD).

Other revenues

Other revenue categories comprise revenues from newsstands sales on ferries and ships, as well as earnings from tourism. Revenues are mainly cash sales which are recorded in the same period that the sale is completed. Tourism revenues are generated through distribution links within the travel unit and mainly consist of credit sale through travel agencies. Revenues are recorded in the same period in which they are earned, i.e. when the trip is completed and/or the service provided. Parts of the revenue relate to credit sale to foreign operators.

Cash-flow statement

The cash-flow statement is prepared with basis in the indirect method. Cash and cash equivalents comprise cash, bank deposits and other short-term, liquid investments, which immediately and with insignificant exchange risk may be converted into known amounts of cash with due date shorter than three months from acquisition date.

Hedging

The group applies various financial derivatives as an instrument to secure future cash-flows. Accounting of hedging appears by keeping derivatives outside the balance sheet until the secured cash-flows are posted in the income statement. Information on the fair value of derivatives is provided in note 6.

NOTE 2 - OWNERSHIP INTERESTS IN ASSOCIATED COMPANIES AND SUBSIDIARIES

(Amounts in NOK 1,000)

INVESTMENTS IN ASSOCIATED COMPANIES	PARENT	GROUP
Opening balance 01.01	221,543	221,543
Additions / disposals for the year	-177,326	-177,326
Share of result for the year/ profit from sale of stock	-23,217	-22,731
Receipts/payment/ changes in equity	-2,351	-2,837
Closing balance 31.12	18,649	18,649

Investments in subsidiaries	Morselskap
Opening balance 01.01	1,292,765
Additions / disposals for the year	447,632
Share of result for the year	84,185
Dividend/group contribution/transfers	-50,046
Corrections of previous years	1,138
Closing balance 31.12	1,775,675

OWERNSHIP INTERESTS IN ASSOCIATED COMPANIES	BUSINESS OFFICE	PARENT	GROUP
O. H. Meling Tankers KS	Stavanger	30.0 %	30.0 %
KS Olympic Octopus	Fosnavåg	20.0 %	20.0 %
Nordvåg Carrier AhS	Nørresundby, Danmark		50.0 %

SUBSIDIARIES	BUSINESS OFFICE	OWNER AND VOTING SHARE
Tide A	Bergen	89.4 %
Tide Buss AS	Bergen	89.4 %
Turbuss Vest AS	Bergen	89.4 %
Turbuss Vest Reiser AS	Bergen	89.4 %
Turbuss Vest Skolen AS	Bergen	89.4 %
Tide Bane AS	Bergen	89.4 %
Kystbussen	Bergen	89.4 %
Neste Blåne AS	Bergen	89.4 %
Tide Verksted AS	Bergen	89.4 %
Bergen Bilberging AS	Bergen	89.4 %
Tide Verksted Møre AS	Bergen	45.6 %
Tide Verksted Rogaland AS	Bergen	89.4 %
Tide Buss Denmark A/S	Odense, Danmark	89.4 %
Tide Reiser AS	Bergen	89.4 %
Tide Eiendom Hordaland AS	Bergen	89.4 %
Tide Eien	Bergen	89.4 %
WDV 44	Bergen	89.5 %

cont. note 2 - Ownership interests in associated companies and subsidiaries

SUBSIDIARIES	BUSINESS OFFICE	OWNER AND VOTING SHARE
DSD Shipping AS	Stavanger	100.0 %
Stavanger Blossom AS	Stavanger	100.0 %
Stavangerske AS	Stavanger	100.0 %
AS Eagle Stavanger	Stavanger	100.0 %
AS Eagle Sydney	Stavanger	100.0 %
Sandnæs Dampskibs-Aktieselskab	Stavanger	100.0 %
AS Veritas-Ruten	Stavanger	100.0 %
Stavangerske International AS	Stavanger	100.0 %
DSD Ships 1 AS	Stavanger	100.0 %
KS Stavanger Blossom	Stavanger	92.6 %
Herfo AS	Stavanger	100.0 %
Stavangerske International Rederi AS	Stavanger	100.0 %
KS Eagle Stavanger	Stavanger	100.0 %
KS Eagle Sydney	Stavanger	100.0 %
Kullkaien AS	Stavanger	100.0 %
Klasaskjæret AS	Stavanger	100.0 %
Norled Holding AS	Stavanger	100.0 %
Norled AS	Stavanger	100.0 %
Flekkefjord Dampskipsselskap AS	Stavanger	100.0 %
Lysefjord KS	Stavanger	66.0 %
Lysefjorden Rutelag AS	Stavanger	100.0 %
Norled Drift AS	Stavanger	100.0 %
Stanor Management AS	Stavanger	100.0 %
Nor Lines AS	Stavanger	100.0 %
Nor Lines Rederi AS	Stavanger	100.0 %
Nor Lines Kirkenes AS	Kirkenes	66.5 %
Skipafelagi Nor Lines	Torshavn Færøyene	100.0 %
Baltic Line AS	Stavanger	100.0 %

A valuation of the value of investments in subsidiaries has been conducted. The valuation is based on budgets approved by the board and anticipations of future earnings. The estimation has not led to any requirement for depreciations, but is sensitive to changes in assumptions. DSD in December 2016 acquired approx. 41% of the shares in TIDE ASA, thereby holding 89.5% of shares per 31.12.2016. Further shares have been acquired in 2017, and after having reached a 90 % ownership interest, a notification of compulsory redemption of the remaining shares was given. The DSD accounts were rendered subject to TIDE being an associated company during all of 2016, and DSD's accounts and the consolidated accounts were rendered subject to this assumption. TIDE in 2016 posted earnings of NOK 2.4 billion and a profit of NOK 1.8 million (corresponding figures for 2015 were earnings of NOK 2.4 billion and a profit of NOK 10.3 million). In the consolidated balance sheet per 31.12.16, TIDE is consolidated into DSD's consolidated accounts.The acquisition led to goodwill and added value totalling NOK 278 million. The allocation of added value is provisional, final allocation will take place in 2017.

NOTE 3 - WAGE COSTS / NUMBER OF EMPLOYEES / ALLOWANCES

(Amounts in NOK 1,000)

WAGE COST, ETC.	PARENT 2016	2015	GROUP 2016	2015
Wage costs	**12,452**	12,156	**865,667**	860,701
National insurance contribution	**2,104**	1,409	**123,980**	119,000
Pension costs	**1,481**	-2,570	**53,246**	39,088
Other benefits	**241**	243	**92,885**	88,928
Wage costs	**16,278**	11,238	**1,135,777**	1,107,717
Average number of employees:	**6**	6	**1 398**	1 367

Parent company		
Allowances (Amounts in NOK 1 000)	CEO	Board
Wages and fees	3,081,188	1,100,000
Bonus	2,493,752	
Pension premiums	150,000	
Other allowances	32,752	
Total	5,757,692	1,100,000

CEO has a result based bonus agreement. CEO and the company have signed a mutual 6-month termination agreement. CEO is under certain conditions entitled to one year's severance payment.

AUDITOR	PARENT	GROUP
Auditor's remuneration for 2016 consists of the following (in NOK 1,000):		
Statutory audit (including technical preparation of accounts)	185	1,726
Other attestation services	0	87
Tax consultancy (including technical preparation of tax return)	0	0
Other services besides auditing	564	662

NOTE 4 - ACCOUNTS RECEIVABLE

VALUE OF ACCOUNTS RECEIVABLE WITH MATURITY LATER THAN ONE YEAR:

(Amounts in NOK 1,000)	PARENT 31.12.2016	31.12.2015	GROUP 31.12.2016	31.12.2015
Loans to companies in the same group	**4,147**	3,610	**0**	0
Pension funds	**0**	0	**9,259**	4,488
Other accounts receivable	**785**	813	**947**	3,285
Sum	**4,932**	4,423	**10,206**	7,773

NOTE 5 - DRAWING RIGHTS AND NON-DISTRIBUTABLE RESERVES

NON-DISTRIBUTABLE RESERVES

Of parent company's total bank depositsm, NOK 654,000 are tied to tax withholding.

Of the group's total deposits, NOK 1.32 million are tied to tax withholding.

GROUP ACCOUNT AGREEMENT

DSD AS and a number of subsidiaries have entered a group account agreement without credit facility.

The group has unused drawing rights of NOK 6 million per 31.12.16 (NOK 44 million per 31.12.15).

NOTE 6 - ASSETS PLEDGED AS SECURITY AND GUARANTEE LIABILITIES

(Amounts in NOK 1,000)

	PARENT 31.12.2016	31.12.2015	GROUP 31.12.2016	31.12.2015
Carrying debt secured by mortgage or similar				
Mortgage loan	**128,175**	100,000	**3,434,297**	3,051,226
Bank overdraft	**0**	19,764	**31,020**	31,020
Total	**128,175**	100,000	**3,502,829**	3,082,246

Of long-term mortgage debt NOK 781 million was raised in USD (USD 90.6 million). This debt is related to the group's tankers operating in international shipping. Underlying currency within international shipping is USD, and the USD debt connected to justering these operations is regarded as security for future cash flows in USD. The USD debt is posted at balance sheet's exchange rates per 31.12.16 as earnings to a limited extent are secured through long-term contracts. Interest and currency derivatives with an unrealized value of NOK 26 million (for the group) have not been recognized as a result of hedge accounting.

cont. note 6 - Assets pledged as security and guarantee liabilities

CARRYING AMOUNT OF ASSETS PLACED AS COLLATERAL FOR SECURED DEBT:	PARENT 31.12.2016	31.12.2015	GROUP 31.12.2016	31.12.2015
Ships	**0**	0	**3,969,082**	4,347,331
Vehicles and other operating equipment	**0**	0	**580,790**	9,656
Short-term accounts receivable	**0**	0	**456,045**	234,845
Shares	**446,632**	183,911	**0**	183,911
Total	**446,632**	183,911	**5,005,917**	4,775,743

UNRECOGNIZED GUARANTEES	PARENT 31.12.2016	31.12.2015	GROUP 31.12.2016	31.12.2015
Loan guarantees	**1,137,348**	1,355,166	**0**	0
Not called in capital in limited partnerships	**40,711**	40,711	**58,405**	58,405
Other guarantees	**75,000**	75,000	**181,900**	131,300
Total unrecognized guarantees	**1,253,059**	1,470,877	**240,305**	189,705

Loan guarantees are guarantees for outstanding mortgage loan in underlying companies.
Other guarantees include guarantees for the group's tax deduction funds at a total of NOK 97 million.

NOTE 7 - INTERCOMPANY BALANCES, ETC.

(Amounts in NOK 1,000)

PER 31.12.2016	PARENT Company in same group	Associated company	GROUP Parent company	Associated company
Short-term accounts receivable	52,163	0	0	0
Long-term accounts receivable and loans	4,147	0	0	0
Short-term liabilities	-239,007	0	-178,125	0
Long-term liabilities / loans	0	0	0	0
Sum	**-182,697**	**0**	**-178,125**	0

PER 31.12.2015	Company in same group	Associated company	Parent company	Associated company
Short-term accounts receivable	58,269	0	33,389	0
Long-term accounts receivable and loans	3,610	0	0	0
Short-term liabilities	-22,782	0	0	0
Long-term liabilities / loans	0	0	0	0
Sum	**39,097**	**0**	**33,389**	**0**

NOTE 8 - SHARES AND OTHER FINANCIAL INSTRUMENTS

(Amounts in NOK 1,000)

	OWNERSHIP INTEREST	PURCHASE COST	CARRYING AMOUNT
Parent company			
Fixed assets:			
Minor investments	**< 10 %**	9,206	2,312
Sum		**9,206**	**2,312**
Current assets:			
Shares in trading portfolio		43	43
Sum		**43**	**43**

Realized net gain and dividend from securities constitute NOK 2.6 million in 2016.

	OWNERSHIP INTEREST	PURCHASE COST	CARRYING AMOUNT
Group			
Fixed assets:			
Other companies	**< 10 %**	11,284	4,390
Sum		**11,284**	**4,390**
Current assets:			
Shares in trading portfolio		43	43
Sum		**43**	**43**

Realized net gain and dividend from securities constitute NOK 2.6 million in 2016.

NOTE 9 - COMBINED ITEMS IN INCOME STATEMENT

FINANCIAL INCOME AND COSTS
(Amounts in NOK 1,000)

	PARENT COMPANY 2016	2015	GROUP 2016	2015
Interest income from companies in the same group/ parent company	**631**	2,723	**470**	1,389
Other interest income	**0**	279	**2,790**	2,865
Income from shares and units (dividends and sales proceedsd)	**2,640**	0	**2,640**	0
Other financial income	**12,374**	13,372	**120**	1,410
Interest cost on companies in the same group/par-ent company	**-1,253**	-1,610	**-392**	0
Other interest cost	**-3,121**	-10,125	**-120,808**	-133,319
Loss on shares and ownership interests	**0**	-1,542	**0**	-1,542
Other financial cost	**-11**	-2	**-5,333**	-4,646
Realized profit on exchange	**-8**	1,191	**-46,367**	-3,075
Unrealized profit on exchange	**0**	0	**72,849**	-152,288
Net financial items	**11,252**	4,285	**-94,031**	-289,207

NOTE 10 - LIABILITIES

LIABILITIES FALLING DUE MORE THAN FIVE YEARS AFTER END OF FISCAL YEAR:

Provided the current payment plan is observed the following liabilities will fall due for payment more than five years after end of the fiscal year:

(Amounts in NOK 1,000)	PARENT 31.12.2016	31.12.2015	GROUP 31.12.2016	31.12.2015
Mortgage loan	**0**	0	**266,658**	317,810
First year's installment on long-term debt	**0**	0	**519,259**	392,274

NOTE 11 - PENSIONS

(Amounts in NOK 1,000)

MOR

DSD AS decided in 2015 to discontinue the defined-benefit pension assurance scheme with effect from 30 November 2015. Until discontinuation of the defined-benefit scheme the company had the following pension scheme in place: Full old age pension from the age of 67, which constituted roughly 66 % of pensionable income (limited to 12G) including old age pension from the National Insurance. The scheme is secured. Employees' individual share was 2 %. As of 01.12.15 employees earn entitlements in a defined-contribution pension scheme. Annual contributions for old age pension for each member constitute 7 % of the wage interval between 0 G and 7.1 G, and 25.1 % of the wage interval between 7.1 G and 12 G. The scheme includes disability pension and child's pension. Disabled personnel are exempted from contributing. Employees' individual share is 2 %. The pension scheme comprises 8 persons per 31.12.16, of whom 7 are active and 1 received a pension in 2016. The company also has an early retirement schme for managerial personnel, paying 2/3 of salary from the age of 63 to 67. This scheme is unfunded and is paid direct from the company's operations. All pension schemes are treated according to the Norwegian standard for pension costs. When unamortized actuarial variance exceeds 10 percent of the highest amount of estimated pension commitment inckluding employer's national insurance contribution and pension funds, the excess amount is amortized over the average remaining earning period.

NET PENSION COST	2016	2015
Present value of the year's pension accruals	0	987
Interest cost on pension commitments	68	309
Return on pension funds	-35	-319
Accrued employer's national insurance contribution	0	139
Recognized actuarial variance, commitment at cessation, etc.	601	-3,686
Net pension cost	634	-2,570

cont. note 11 - pensions

ESTIMATED PENSION COMMITMENTS SECURED SCHEMES	2016	2015
Estimated pension commitments (DBO)	1,240	1,219
Pension funds (market value)	-1,081	-1,009
Employer's national insurance contribution	17	30
Unrecognized estimated variances from planned costs / (curtailment)	0	0
Unrecognized actuarial variation	-38	0
Net pension commitment (Net pension funds)	138	240

ESTIMATED PENSION COMMITMENT UNSECURED SCHEMES	2016	2015
Estimated pension commitments (DBO)	513	1,540
Pension funds (market value)	0	0
Employer's national insurance contribution	73	217
Unrecognized estimated variances from planned costs / (curtailment)	0	0
Unrecognized actuarial variation	-35	-674
Net pension commitment	551	1,084

FINANCIAL ASSUMPTIONS:	31/12/2016	31/12/2015
Discount rate+	2.60 %	2.70 %
Annual wage growth	2.50 %	2.50 %
Annual regulation of pensions being drawn	0.00 %	0.00 %
Annual G increase	2.25 %	2.25 %
Anticipated return on pension funds	360 %	3.30 %

GROUP

OCCUPATIONAL PENSION SCHEMES IN DSD GROUP

DSD Group has established a company pension scheme for all personnel through a life insurance company. The company pension scheme fulfills requirements of the Act on mandatory occupational pension.

PENSION SCHEME FOR MARITIME PERSONELL IN NORLED AS

Maritime personnel have a separate, contractual additional pension scheme. Old age pension from 60 - 67 years constitutes 60% av pensionable income at full accrucal (360 months of service), incl. estimated pension from the pension insurance for seamen. This scheme is secured. The scheme comprises 648 persons, of whom 58 are pensioners. For maritime personnel a defined-contribution scheme has been established in addition to the occupational pension under the Act on mandatory occupational pension. The scheme grants old age pension from the age of 67 based on annual contributions that for each member constitute 2% of wages in the interval 1G to 12G. Pensionable income consists of fixed salary, bonus and other variable and temporary benefits. The scheme comprises 648 persons. Exemption from premium/ contribution is granted for disabled personnel for both the contractual additional pension scheme and the defined-contribution pension scheme.

OCCUPATIONAL PENSION SCHEMES IN TIDE GROUP

Tide group has established a defined-contribution company pension scheme in a life assurance company for all employees. The company pension fulfills requirements under the Act on mandatory occupational pension.

DEFINED-BENEFIT PENSION ASSURANCE TO EMPLOYEEES TAKEN OVER IN CONNECTION WITH TRANSFER OF UNDERTAKING (NETTBUSS TRONDHEIM AS)

The transfer of undertaking entails a continuation of two closed benefit schemes for employees who were transferred from NettBuss Trondheim AS. A compensation arrangement was established which ensures Tide Buss AS coverage of costs beyond a premium if employees were members of a collective contribution scheme with terms and risk coverage as agreed in the "Bussbransjeavtalen." In terms of accounts the pension commitment is recorded as a defined benefit scheme, but the financing through compensation is recorded as a receivable against the client, AtB AS. In the Income Statement the scheme appears with a cost equal to the mentioned contribution plan. The scheme comprises 20 persons, of whom 12 are active.

DEFINED-CONTRIBUTION PENSION SCHEME TIDE

Employees in Tide's Norwegian companies earn rights in a defined-contribution pension scheme. Annual contributions for old age pension constitute for each member 5% of salary in the interval 1G to 6G, and 8% in the interval 6G to 12G. The scheme includes disability pension (62% of pensionable income) and child's pension. Exemption from contribution is granted for disabled persons. Employees pay an individual share of 2 %.

CONTRACTUAL PENSION

Tide group includes companies that have adopted the scheme of contractual early retirement (AFP). A new Act on AFP was introduced 19 February 2010 and became immediately effective. The previous AFP applying to the private sector was closed and replaced by the new scheme end 2010. The new AFP scheme is a defined-benefit multi-enterprise scheme, where enterprises recognize their proportional share of scheme commitments, funds and cost. Sufficient information is not available for measuring the scheme, nor a consistent and reliable basis for making allocations between the enterprises taking part in the scheme.
The scheme is therefore recognized as a contribution scheme. Whether there is a basis for capitalizing the commitments of this scheme, depends on whether there is a consistent and reliable allocation key and whether the necessary data basis can be provided.

OPERATING PENSIONS TIDE GROUP

Tide has commitments connected to salaries exceeding 12G, which apply to parts of group management. Additonally some commitments on early age pension relate to previous financed and paid through the operations. This scheme comprises 8 persons for the parent company and 17 persons for the Tide group. Average age of these perrsons in the parent company is 72.5 yeras. The scheme is financed direct through operations.

CEO'S PENSION

The CEO does not have a separate pension scheme.

EMPLOYER'S NATIONAL INSURANCE CONTRIBUTION

Pension costs and pension commitments include employer's national insurance contribution.
In the accounts, figures for TIDE are included in the balance-sheet figures per 31.12.16, but not in the income statement for 2016.

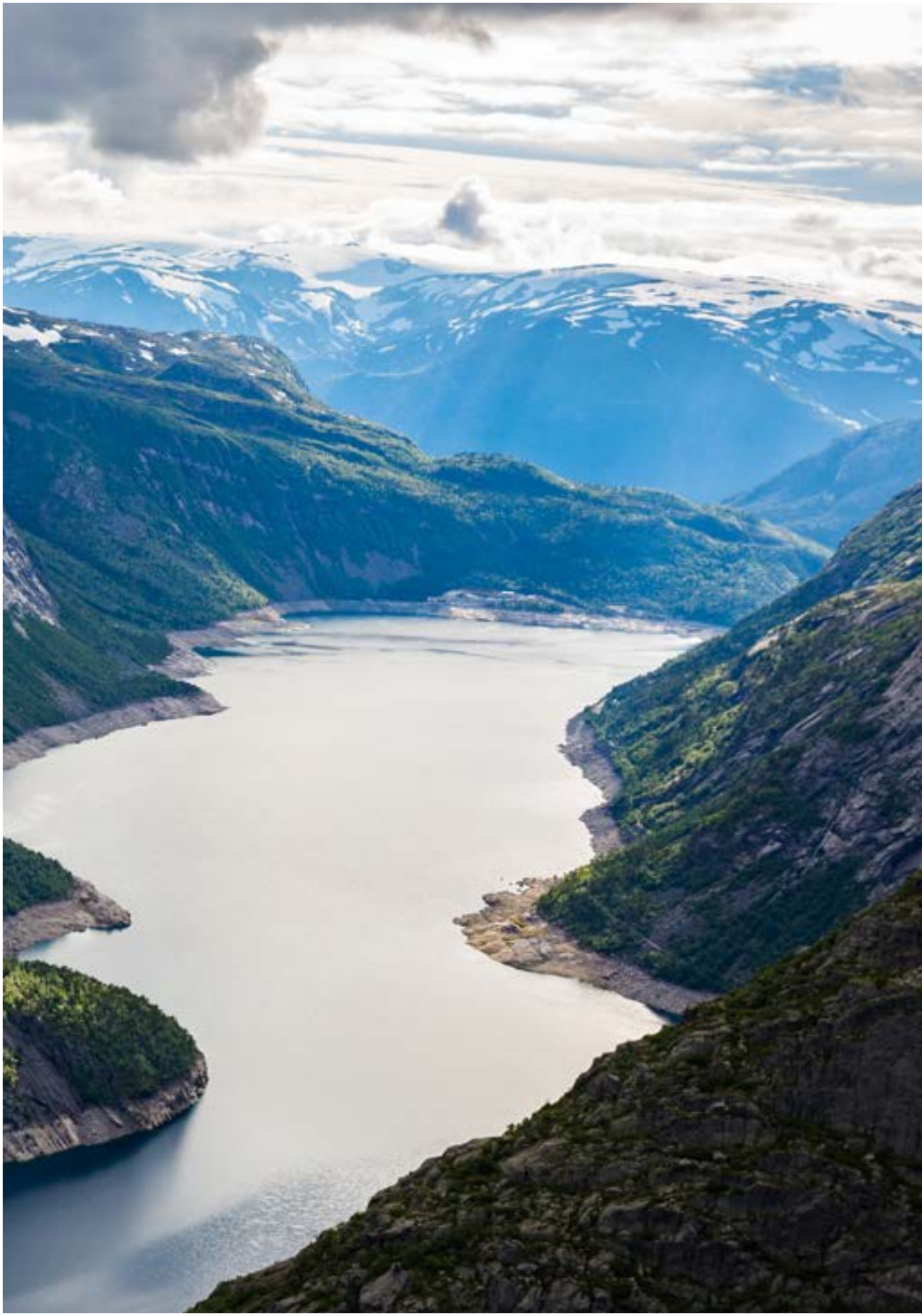
forts. note 11 Pensjoner

	2016	2015
Present value av commitments	144,906	94,318
Fair value of pension funds	-109,632	-74,572
Estimate deviation	-19,255	-1,537
Estimated adjustment for maritime personnel	674	10,500
Total, net defined-benefit pension commitment 31.12	**16,694**	**28,709**
Changes in present value of defined-benefit pension commitments		
PBO per 01.01	121,440	112,430
Pensions accruals for the year	5,130	6,315
Employer's national insurance contribution	2,904	1,157
Interest cost on pension commitments	2,827	2,278
Estimate deviation	16,128	-7,006
Pension payments including employer's contribution	-5,356	-4,968
Settlement	-144	-15,887
PBO 31.12	142,930	94,318
Estimated adjustment for maritime personnel	0	0
PBO 31.12	**142,930**	**94,318**
Changes in pension funds		
Pension funds (market value) per 01.01	87,913	64,101
Return on pension funds deducted adm. costs	2,783	1,993
Estimate deviation	-2,885	-5,662
Paid premium / for premium fund	26,153	29,069
Pension payments	-2,856	-2,345
Settlement	-144	-12,585
Funds at transfer of undertaking	0	0
Pension funds (market value) pr 31.12	**110,966**	**74,573**
Cost included in the result		
Pension accruals for the year	5,601	6,811
Interest cost on pension commitments	2,091	2,234
Pension cost (gross)	7,692	9,045
Anticipated return on pension funds deducted adm. costs	-1,986	-1,993
Pension cost (net) before payment of employer's contribution	5,706	7,052
Recognized funds/commitment/curtailment	-1,264	-1,264
Recognized estimate deviaton / curtailment	5,283	-7,096
Recognized discrepancies	594	901
Employer's contribution	2,965	951
Recognized pension cost after employer's contribution	**13,284**	**544**

forts. note 11 Pensjoner

Cost defined-contribution pension schemes		
Defined-contribution pension scheme	21,034	18,061
Pension contribution scheme maritime personnel	18,927	20,482
Recognized defined-contribution pension schemes	**39,962**	**38,544**

The following economic assumptions have been applied as basis:	**2016**	**2015**
Discount rate	2.60 %	2.50 %
Anticipated return on pension funds	3.60 %	3.30 %
Annual wage growth	2.50 %	2.50 %
Annual regulation of National Insurance basic pension	2.25 %	2.25 %
Annual regulation of pensions	0.00 %	0.00 %
Employer's national insurance contribution	14.10 %	14.10 %



NOTE 12 - TANGIBLE FIXED ASSETS - PARENT

(Amounts in NOK 1,000)

	EQUIPMENT, ETC.	31.12.2016 TOTAL	31.12.2015 TOTAL
Acquisition cost 01.01	2,063	**2,063**	6,583
Additions	2,020	**2,020**	1,522
Disposal	0	**0**	-6,042
Acquisition cost 31.12	**4,083**	**4,083**	2,063
Accumulated depreciation 01.01	762	**762**	2,098
Depreciation for the year	817	**817**	570
Depreciation on fixed assets solds	0	**0**	-1,906
Accumulated depreciation 31.12	1,579	**1,579**	762
Carrying amount pr. 31.12	**2,505**	**2,505**	1,302

TANGIBLE FIXED ASSETS - GROUP
(Amounts in NOK 1,000)

	FERRY AND LINER TRADE SHIPS	SHIPS IN INTERNA-TIONAL TRAFFIC	PERIODIC MAINTENANCE	31.12.2016 TOTAL SHIPS	31.12.2015 TOTAL SHIPS
Acquisition cost 01.01	4,893,705	1,762,375	51,740	**6,707,820**	6,742,873
Additions	34,749	932	7,553	**43,234**	422,978
Disposal	-113,231	-140,265	-17,285	**-270,781**	-458,031
Acquisition cost 31.12	**4,815,223**	**1,623,042**	**42,008**	**6,480,273**	6,707,820
Accumulated depreciation 01.01	1,805,486	447,588	26,617	**2,279,691**	2,280,249
Depreciation for the year	210,003	62,015	8,472	**280,488**	279,966
Write-downs for the year	0	40,000	0	**40,000**	0
Translation difference	-93	0	0	**-93**	0
Depreciation on fixed assets sold	-103,841	-30,162	-9,465	**-143,468**	-280,522
Accumulated depreciation 31.12	1,911,555	519,441	25,623	**2,456,619**	2,279,693
Carrying amount per 31.12	**2,903,668**	**1,103,601**	**16,385**	**4,023,654**	4,428,127
Economic life	20-30 years	20-25 years	5 years		

Carrying amount of ferry and local ships in regular service includes newbuilding contracts with a book value of NOK 38.2 million. Periodic maintenance relates to capitalized costs relating to special survey and intermediate survey of ships in international trade.

cont. note 12 - Tangible fixed assets - Group

(Amounts in NOK 1,000)	GOODWILL	OTHER INTANGIBLE ASSETS	SITES AND BUILDINGS	BUSES, MACHINES, EQUIPMENT, ETC.	31.12.2016 TOTAL	31.12.2015 TOTAL
Acquisition cost 01.01	0	49,297	1,596	114,005	**164,898**	160,315
Additions fixed assets	0	0	0	32,043	**32,043**	14,509
Translation difference	0	0	0	-3 103	**-3 103**	0
Additions /disposal re. subsidiaries	259,218	0	110,968	2,708,283	**3,078,469**	0
Disposal	0	0	0	0	**0**	-9,926
Acquisition cost 31.12	**259,218**	**49,297**	**112,564**	**2,851,228**	**3,272,307**	164,898
Accumulated depreciation 01.01	0	45,297	0	94,255	**139,552**	135,775
Depreciation for the year	0	0	0	14,215	**14,215**	8,504
Write-downs for the year	0	0	0	19,982	**19,982**	0
Translation difference	0	0	0	204	**204**	1,062
Depreciation of subsidiary additions/disposal	0	0	48,185	1,719,639	**1,767,824**	0
Depreciation on fixed assets sold	0	0	0	0	**0**	-5,789
Accumulated depreciation 31.12	0	45,297	48,185	1,848,295	**1,941,777**	139,552
Carrying amount per 31.12	**259,218**	**4,000**	**64,379**	**1,002,933**	**1,330,530**	25,346
Economic life	5		20-33 years	3-10 years		

INVESTMENT COMMITMENTS PER 31.12.2016

Parent company	0 MNOK
Group	0 MNOK

OPERATIONAL LEASE AGREEMENTS (GROUP)

Costs for the year	Term of agreement	Expiry date	**2016**	2015
Office premises/bus facilities	10 years/ongoing	2015-2025	**72,588**	0
Buses	Ongoing		**62,611**	0
Terminals	5/10 years	2016- 2021	**4,380**	4,541
Other lease agreements	8 years	2016 - 2019	**144,226**	140,530
Costs for the year			**283,805**	145,071

FINANCIAL LEASE AGREEMENTS (GROUP)

INTERNATIONAL SHIPPING

An estimation of the value of ships operating in international shipping has been made. Broker rates based on ships including the value of cashflow from contracts were employed. For ships without contracts analyses were conducted compared to broker rates and values at future use of group vessels.

TRANSPORT, NORLED

A major part of earnings from passenger transport is related to long-term contracts (tenders) with significant investments in fixed assets. Per 31.12.16 an estimate of the value of fixed assets incorporated in contracts was made. The estimation is based on future cashflows, the value of fixed assets, and a required rate of return (WACC) of 6 %. Based on the estimation, no further write-downs were made in 2016; unchanged compared NOK 18 million in 2015.

NOTE 13 - INVENTORIES

GROUP

INVENTORIES	2016	2015
Bunkers	**24,249**	19,942
Lube oil	**5,116**	5,413
Kiosk inventories	**1,650**	1,465
Deck, spare parts and equipment	**16,010**	0
Total	**47,025**	26,820

Kiosk inventories consist of kiosk merchandise for resale, while other inventories are purchased finished goods.

NOTE 14 - TAX

(Amounts in NOK 1,000)

	PARENT 01.01 - 31.12 2016	2015	GROUP 01.01 - 31.12 2016	2015
Tax payable appears as follows:				
Ordinary result before tax	**46,729**	-42,331		
Permanent differences	**34**	1,325		
Shared profit inn companies under the equity method of accounting (private limited companies)	**-90,692**	21,298		
Change in temporary differences	**224**	-4,477		
Group contribution	**61**	609		
Basis tax payable	**-43,643**	-23,576		
Tax 25%	**0**	0		
Tax payable on result for the year	**0**	0		
Tas for the year appears as follows:				
Tax payable on result for the year	**0**	0	**92**	4,080
Change in deferred tax	**-9,043**	-13,620	**21,007**	12,545
Change in deferred tax resulting from amended tax rate	**1,248**	2,037	**-4,506**	-6,896
Change in previous years	**3,311**	0	**3,311**	68
Tax on group contribution	**-15**	-164	**0**	0
Tonnage tax	**0**	0	**588**	676
Total tax cost for the year	**-4,500**	-11,747	**20,492**	10,473

cont. note 14 - Tax

Tax payable in balance-sheet appears as follows:	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Tax payable on result for the year	**0**	0	**92**	4,080
Tonnage tax	**0**	0	**588**	676
Total short-term tax payable	**0**	0	**680**	4,756

SPECIFICATION OF BASIS OF DEFERRED TAX:

Differences being equalized:	MOR 31.12.2016	31.12.2015	KONSERN 31.12.2016	31.12.2015
Long-term	**3,694**	3,919	**1,291,935**	992,799
Short-term	**0**	0	**0**	-1,923
Total temporary differences	**3,694**	3,919	**1,291,935**	990,876
Loss carried forward	**-187,762**	-179,413	**-1,273,284**	-977,529
Different acquisition cost in transactions between partnerships	**59,294**	73,649	**59,294**	73,649
Total	**-124,774**	-101,845	**77,945**	86,996
Deferred tax/ deferred tax advantage (24%/25%)	**-29,946**	-25,461	**18,707**	21,749
Recognized deferred tax/ deferred tax advantage	**-29,946**	-25,461	**104,122**	84,347
Deferred tax relating to acquisition/sale of subsidiaries				
Deferred tax	**0**	0	**-7 977**	-1 119

Deferred tax advantages is recognized in parent company's balance sheet as it is expected that this may be utilized by future group contribution.

CONNECTION BETWEEN TAX COST AND TAX ESTIMATED AT AVERAGE NOMINAL TAX RATE ON PRE-TAX RESULT:

	PARENT NOK	%	GROUP NOK	%
Tax estimated as average nominal tax rate on	**11,682**	25.0 %	**17,955**	25.0 %
Effects of equity method	**-20,564**	-44.0 %	**1,105**	1.5 %
Effects of permanent differences	**186**	-0.4 %	**-23,220**	-32.3 %
Change in recognized deferred tax advantage	**0**	0.0 %	**23,571**	32.8 %
Change in previous years	**3,311**	7.1 %	**3,311**	4.6 %
Change in deferred tax advantage rate	**886**	1.9 %	**-2,230**	-3.1 %
Tax cost according to Income Statement	**-4,500**	-9.6 %	**20,492**	28.5 %

Effects of permanent differences are mainly related to securities within the exemption method, and for the group also the effects of tonnage tax, where the result is tax-exempt.

NOTE 15 - EQUITY AND SHAREHOLDER INFORMATION

(Amounts in NOK 1,000)

PARENT EQUITY

CHANGE IN EQUITY FOR THE YEAR:	SHARE CAPITAL	PREMIUM	REVALUATION FUND	OTHER EQ	TOTAL
Equity 31.12.15	**573,736**	**305,406**	**0**	**579,480**	**1,458,621**
Correction of equity				377	**377**
Dividend / group contribution				0	**0**
Annual result			0	51,229	**51,229**
Equity 31.12.2016	**573,736**	**305,406**	**0**	**631,085**	**1,510,227**

Correction of equity mainly relates to translation differences in subsidiaries and corrections of previous years' mistakes. Share capital per 31.12.16 consists of 4 281 613 shares at NOK 134 each. All shares are owned by Folke Hermansen AS, controlled by Yuhong Jin Hermansen. Consolidated accounts are prepared by Folke Hermansen AS, which may be obtained by contacting the company.

GROUP EQUITY

CHANGE IN EQUITY FOR THE YEAR:	SHARE CAPITAL	PREMIUM	GROUP FUNDS	MINORITY INTERESTS	TOTAL
Equity 31.12.15	**573,736**	**305,406**	**594,096**	**1,272**	**1,474,510**
Correction of equity			-7	391	**384**
Equity adjustment in acquisitions, see note 2			133,376	67,310	**200,686**
Annual result			50,597	730	**51,327**
Equity 31.12.2016	**573,736**	**305,406**	**778,062**	**69,703**	**1,726,907**

Correction of equity mainly relates to translation differences in subsidiaries and corrections of previous years' mistakes.

NOTE 16 - SEGMENT INFORMATION

(Amounts in NOK 1,000)

	OPERATING INCOME 2016	2015
Shipping	**295,100**	413,407
Conveyance of goods	**1,059,566**	1,035,277
Passenger transport	**2,107,688**	2,069,148
Other/elimination	**14,731**	24,625
Group	**3,477,085**	3,542,457

Earnings derive from international shipping and it is not possible to ascribe these earnings to a geographical area. Other earnings are largely generated in Norway, while around 25 % of earnings within conveyance of goods may be acribed to Europe at large (NOK 265 million). Other includes sales proceeds at NOK 12.140 million. Corresponding figures for 2015 were NOK 40.407 million.

NOTE 17 - CLOSELY RELATED PARTIES FOR PARENT AND GROUP

Folke Hermansen AS owns 100% of share in Det Stavangerske Dampskibsselskab AS. Other related parties appear in note 2 - associated companies and subsidiaries.

Per 31.12.16 the company had a NOK 178 million loan from the parent company.

NOTE 18 - GOVERNMENT GRANTS FOR PARENT AND GROUP

Group passenger transport is operated by Norled AS, where operations are mainly financed through the following assignments:

	2016	2015
Contractual income in Norway	**1,551,293**	1,481,263
Total contractual income	**1,551,293**	1,481,263
Total	**1,943,827**	1,951,682

	2016	2015
Contractual income in Norway	**1,473,642**	1,402,347
Contractual income in Denmark	**470,185**	549,335
Total contractual income	**1,943,827**	1,951,682

NOTE 19 - FINANCIAL MARKET RISK

Parent company's and the group's financial market risk is mainly related to changes in currency rates, interest rates and stock exchange developments.

CURRENCY RISK

USD is main currency within international shipping. Group finances the main part of shipping activity in USD, thereby guarding against significant economic changes resulting from currency rate fluctuations.

INTEREST RISK

Group loans mainly have a floating interest rate. Group interest costs therefore vary according to market rate developments. Group manages interest risk by means of interest derivatives. Interest derivatives qualifying for hedge accounting are kept outside the balance-sheet.

NOTE 20 - OTHER OPERATING COSTS

(Amounts in NOK 1,000)

	Parent		Group	
Other operating costs	**2016**	2015	**2016**	2015
Scheduled transport costs	**0**	0	**861,662**	820,262
fuel	**0**	0	**346,574**	405,365
Repair and maintenance	**0**	0	**258,708**	227,154
Other operating costs	**16,339**	10,486	**331,098**	420,509
SUM	**16,339**	10,486	**1,798,042**	1,873,290

NOTE 21 - SIGNIFICANT ESTIMATES AND UNCERTAINTIES RELATING TO TIDE

The preparation of the annual accounts for Tide has applied financial assumptions considered as realistic, and accounting estimates based on our best judgment. Estimates were made by management taking into consideration the uncertainty relating to underlying cirumstances. This applies in particular to the estimation of write-downs and depreciations. Situations may arise in market conditions that may entail a change of estimates, thereby affecting Tide's assets, debt, equity, and result. Changes in accounting estimates are recorded in the period in which the changes occur. If the change is going to have an impact on future periods, the effect is distributed across present and future periods. Tide has considered there is uncertainty relating to the following items:

TANGIBLE FIXED ASSETS AND FAIR VALUE

Operating income in Tide is largely linked to long-term contracts (tenders), which involve substantial investments in tangible fixed assets. Per 31.12.2016 an evaluation of the value of the company's tangible fixed assets was made where there might exist an indication of impairment. To re-examine capitalized values of tangible fixed assets an estimation of utility value was made. Utility value was estimated for each cashflow generating unit (KGE). Based on the company's internal reporting areas and the identification of independent ingoing cashflows, each tender in Norway represents a cashflow generating unit. A calculation of utility value was made for tenders where there may be a risk of permanent impairment of the value of tangible fixed assets.

In general there will always be some uncertainty relating to future cashflows in contracts won after competitive tendering owing to changes in scheduled public transport and uncertainty relating to future cost trends. The following significant assumptions have been applied as basis in the preparation of future cashflows in the write-down assessments:

-Internal efficiency projects will achieve the budgeted effect

-Discount rate before tax is 6.5 %

Values recognized in the balance sheet are sensitive to changes in the mentioned assumptions both individually and collectively. Tide is trying to control uncertainty relating to scheduled public transport through a dialogue with the client on price changes. The majority of contracs with government contains regulation clauses to settle parts of the variations, such as diesel prices. Utility values are calculated as present value of net future cashflows for each tender. In future cashflows, the agreed contractual income and budgeted operating costs during the contractual period have been used as basis. In addition, annual action plans for cost savings and enhanced efficiency over the duration of contracts are recognized. Further an increase of income relating to anticipated change orders has been recognized. Whether these actions plans will be attained depends on the implementation of specific actions that lie within the company's control, as well as actions requiring the acceptance of contracting parties.The extent of budget compliance and attainment of effects in action plans are of major importance to the calculation of utility values. In models where cashflows are projected for several years in advance, there is uncertainty as to whether these cashflows wil be attained.

The company's best judgment supported by risk assessment and sensitivities have been applied as basis. When contracts expirea re-purchase value of used buses based on experience and suppliers' residual value is applied. In the contracts for Bergen Sør and Bergen Nord, the client has exercised options for a further 2-year operation. In Haugesund the client has the opportunity to exercise options. Tide considers it is overhwlemingly likely that these options will be exercised and has thus applied this assumption as basis in future cashflows. Future cashflows have applied an annual growth rate of 2.5 % as basis. The discount rate has been set at 6.0% before tax. Historically, write-downs of capital equipment totalling NOK 38.5 million have been made for contracts giving a negative present value. To illlustrate the uncertainty of such calculations, sensitivity analyses of selected calculation factors have been conducted. The overview below indicates the effects of the various factors when calculated individualy in the form of changes to the total present value of tenders that have been considered to constitute a risk of permanent impairment of fixed assets:

	2016			2015	
TALL I MNOK	PRESENT VALUE	IB NEDSKR	ACCUMULATED	PRESENT VALUE	ACCUMULATED
Interest + 1 %	3.5	38.5	38.5	-5.9	38.5
Interest - 1 %	-3.4	38.5	40.6	6.2	38.5
EBITDA + 1 % of turnover	19.5	38.5	38.5	24.4	38.5
EBITDA - 1 % of turnover	-19.5	38.5	53.4	-24.4	41.3
EBITDA + 5 MNOK pa per contract	44.1	38.5	38.5	58.1	38.5
EBITDA - 5 MNOK pa per contract	-44.1	38.5	78.0	-58.1	66.7

NOTE 22 - COMPANY UNDER DISPOSAL

Company subsidiary, Nor Lines AS, is under disposal. The company is consolidated into the DSD group and in 2016 posted operating income of NOK 1,060 million and operating costs of NOK 1,132 million. The company posted financial income of NOK 7 million and financial costs of NOK 29 million. The company posted a loss of NOK 94 million for 2016. It is the company's operations that is being disposed. Nor Lines' subsidiary - Skipafelagid Nor Lines - is not part of the transaction and will remain as company within the DSD group.

No significant gains or losses for DSD are expected owing to the disposal, beyond the allocations made in the 2016 accounts.

INCOME STATEMENT

(Amounts in NOK 1,000)

PARENT 01.01-31.12				Group 01.01-31.12	
2016	2015		NOTE	2016	2015
7,943	**4,864**	**Operating income**	16,18,22	**3,477,085**	3,542,457
16,278	**11,238**	Wage cost	3,11	**1,135,777**	1,107,717
16,339	**10,486**	Other operating costs	3,12,20,22	**1,798,042**	1,873,290
-24,674	**-16,860**	**EBITDA**		**543,266**	561,450
817	**570**	Depreciations on fixed assets	12	**294,703**	288,470
0	**0**	Write-downs	12	**59,982**	0
-25,491	**-17,430**	**Operating profit**		**188,581**	272,980
84,185	**-21,665**	Result of investments in subsidiaries	2,22	**0**	0
-23,217	**-7,521**	Result of investments in associated wcompanies	2,22	**-22,731**	-7,359
60,968	**-29,186**	**Result of investments**		**-22,731**	-7,359
15,781	**17,564**	Financial income	9	**6,020**	51,089
-4,529	**-13,279**	Financial costs	9	**-172,900**	-188,008
0	**0**	Unrealized gain/loss on exchange	9	**72,849**	-152,288
11,252	**4,285**	**Net financial items**		**-94,031**	-289,207
46,729	**-42,331**	**Ordinary result before taxes**		**71,819**	-23,586
4,500	**11,747**	Tax on ordinary result	14	**-20,492**	-10,473
51,229	**-30,584**	**Annual result before minority interests**		**51,327**	-34,059
0	**0**	Minority interests	15	**730**	-3,286
51,229	**-30,584**	**Annual result after minority interests**		**50,597**	-30,773
		Allocation of annual result			
0	**50,000**	Allocated group contribution			
0	**0**	Revaluation reserve			
51,229	**-80,584**	Other equity			
51,229	**-30,584**	**Total allocations**			

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To the General Meeting of Det Stavangerske Dampskibsselskab AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Det Stavangerske Dampskibsselskab AS showing a profit of NOK 51 229 000 in the financial statements of the parent company and profit of NOK 31 327 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the

financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 23 June 2017
Deloitte AS

Ommund Skailand
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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