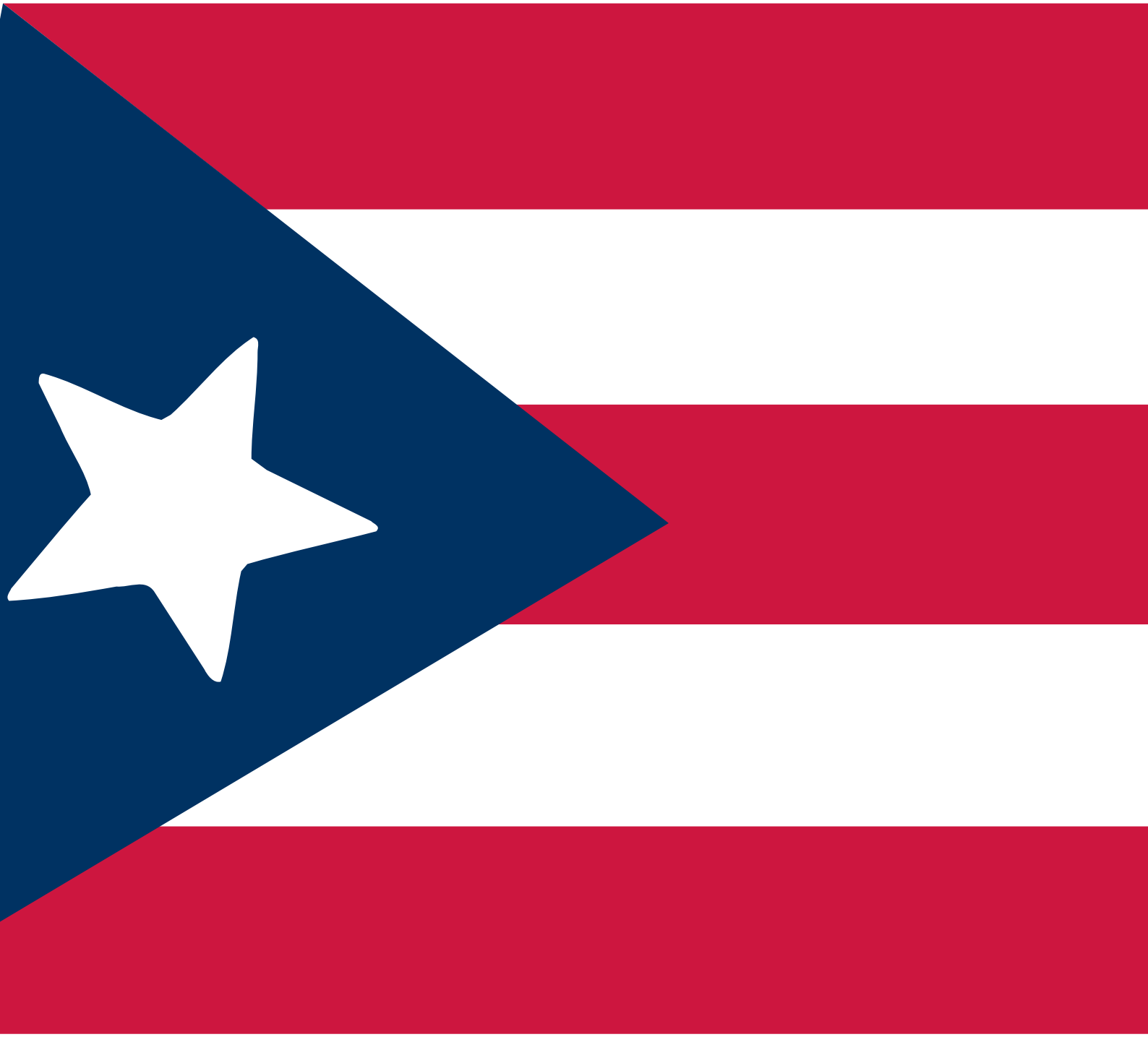
ANNUAL REPORT AND ACCOUNTS 2015



DSD

Det Stavangerske Dampskibsselskab AS

CONTENT

ORGANIZATION CHART

MAIN FIGURES THE LAST 5 YEARS

AMOUNTS IN NOK MILLION	2010	2011	2012	2013	2014	2015
Operating income	3 932	4 965	4 884	2 856	3 006	3 542
EBITDA	772	635	531	274	230	561
Operating result	319	-75	-176	59	113	273
Pre-tax result	209	-274	-280	-99	-133	-24
Fixed assets	5 954	6 183	4 593	4 549	4 737	4 687
Current assets	1 224	1 145	564	805	636	648
Equity	2 303	1 911	1 553	1 675	1 566	1 475
Interest bearing debt	3 742	4 203	2 871	2 939	2 994	3 051
Cash	676	484	188	470	287	246
Total balance	7 179	7 328	5 158	5 354	5 372	5 335
Equity ratio	32 %	26 %	30 %	31 %	29 %	28 %

Tide ASA konsolideres ikke inn i DSD konsernet etter 2012.

SEGMENT INFORMATION

	Ferry and Express boat NORLED AS		Logistics and Conveyance of goods Nor Lines AS		International Shipping DSD Shipping AS + Ship ownership		Bus transport TIDE ASA	
	2015	2014	2015	2014	2015	2014	2015	2014
Turnover	2069	1691	1 059	1052	394	254	2 444	2 292
EBITDA	367	121	-21	-7	250	134	221	237
Operating result	180	-44	-40	-17	168	221	41	51
Pre-tax result	101	-129	-51	14	-46	-11	14	18
Write-downs	-	9					-	-
Reversal of write-downs	-	-			-	163	-	-
Unrealized agio	-	-			-153	-182	-	-

ACTIVITY AREAS

NORLED

FERRY AND EXPRESS BOAT OPERATION

Norled currently has around 1 100 permanent employees and operates 80 vessels. The shipping company is engaged in nationwide activities, and operates ferry and express boat services along the Norwegian coast, from the Oslofjord to Troms county, which in 2015 transported 9.4 million private vehicles and 17.2 million passengers.

Norled is working actively to obtain environmentally friendly solutions for car and passenger transport. The company operates five natural gas operated vessels, of which three passenger ferries service the Oslofjord, and two are car ferries operating the Stavanger – Tau service. In the Lavik – Oppedal service Norled operates the world's first battery operated ferry which only runs on electricity, and is 100 % free of emissions.

In 2015 the company started up operation of the Lavik – Oppedal service on E39 in the county of Sogn og Fjordane. In the county of Trøndelag Norled started the Brekstad - Valset contract, while in Møre og Romsdal a new contract was started up which includesfour ferry series. Both latter contracts are a continuation of existing operations, but they are continued under renewed contracts and at new terms. Further, a service was incorporated in the ongoing Møre og Romsdal contract. On 1 January 2016 Norled started operation of new contracts in Ryfylke, which comprise two services that were earlier part of other contracts, but the contract terms are new. The Sand - Ropeid service was discontinued in 2015 after opening of a bridge.

The majority of ferry services are now subject to competitive tendering. Norled's focus ahead will mainly be to secure profitable operations, through refining the existing contract portfolio, participating in new tender competitions, and defending our position where company's contract portfolio is subject to renewed tendering. The company has a contract reserve of around 14 billion NOK including options.

NOR LINES

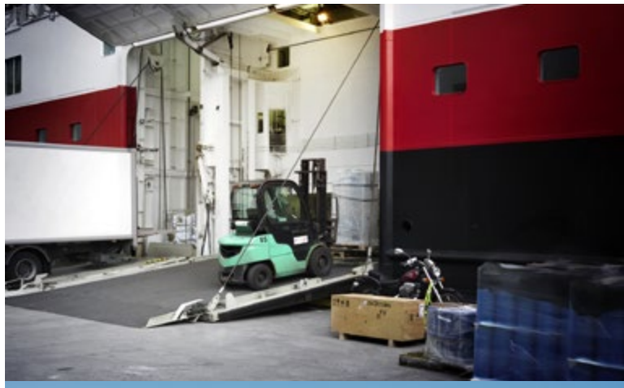
LOGISTICS AND CONVEYANCE OF GOODS

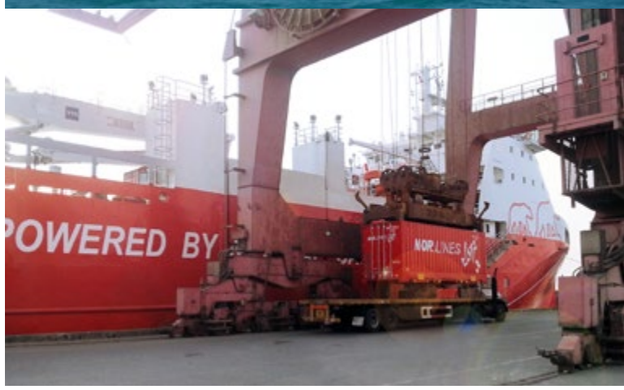
Nor Lines Nor Lines, with its approx. 200 employees, operates an extensive logistic system, which includes liner trades along the Norwegian coast, in the North Sea and the Baltic Sea.

The company conducts central storage operations including 3PL and cross docking in addition to distribution activities through its terminals. Thanks to an extensive inland transport system based on the company's 13 terminals in Norway, Nor Lines can also offer services such as customs clearance, forwarding of goods, and oversea transport. Further, the company is represented through its collaborating partners in 30 Norwegian and 10 north European ports, in addition to a network of partners for distribution and forwarding. Nor Lines also disposes of cargo capacity on Hurtigruten's vessels.

Nor Lines operates a fleet consisting of seven cargo vessels that operate three different trades. Three of the seven vessels are owned by the company and have an average age of four years, while the rest are external vessels chartered when required. Two of the self-owned ships were handed over from the shipyard last year, and operate on natural gas. These are up-to-date and environmentally friendly ships that have been awarded a number of prizes.

Nor Lines is currently a market leader in Norway when it comes to carriage of general cargo by sea, and has a significant market share in the Baltic Sea and North Sea markets within regular services to/from Norway. Over the last years Nor Lines has built up an extensive onshore transport system, where also rail transport is an important element in a number of routes. Our goal is to offer the market competitive and environmentally attractive logistic solutions.





DSD Shipping

INTERNATIONAL SHIPPING

DSD Shipping was founded in 1989 with the view of handling the group's new activities within international shipping. Today the company operates a fleet of modern crude oil tankers and product tankers which have an average age of eight years. The ships are operated by solid charterers and well-reputed pools. The company employs a staff of 13 in addition to maritime crews sailing from Europe and Asia.

The company has outsourced the technical operation of the fleet to Wallem and OSM, both certified according to the ISM code, ISO 9 001 and ISO 14 001 standards, and which also satisfy the strict requirements of major international oil companies when it comes to quality operations.

DSD Shipping continues to have the commercial responsibility for the group's venture within international shipping and closely monitor the operation of technical managers.

tide

BUS TRANSPORT

Tide's vision is to create good travelling experiences every day. With sales in 2015 totaling 2.4 billion NOK, Tide ASA is one of Norway's and Denmark's largest companies within land-based public transport. End 2015 Tide employed a staff of 2 759 employees and operated 1 396 buses.

The main office of the group and the Norwegian activity is located in Bergen, while the Danish operations are managed from Odense. The company is listed on the Oslo Stock exchange. DSD is the largest shareholder, holding 49 % of the shares. DSD's parent company owns a further 28 % of the shares, which means that the group controls 77 % of the shares.

Core activity of the group is bus transport for the public and private sectors. Additionally, the Norwegian part of the company also operates an express and airport bus service, as well as tour buses. Further, the company operates activities within the tourist segment, offering adventure tours in Norway and Europe.

All of the group's contracts are exposed to competition, and the company has succeeded in regaining the main bulk of the routes after these were exposed to competition. Tide has also won new, important contracts in Norway and Denmark. End 2015 the group held an order reserve of 10.4 billion NOK, plus a conditional order related to options at NOK 3.1 billion. This represents the highest order reserve in company history after Tide demerged its maritime activities. Experience shows that the majority of options are exercised, unless new technologies of material or other, major changes are expected.

DIRECTOR'S REPORT

DIRECTOR'S REPORT

NATURE AND LOCATION OF THE ACTIVITIES

The DSD Group, of which Det Stavangerske Dampskibsselskab AS (DSD) is the parent company, is a company residing in Norway with main office in Stavanger. Since its foundation in 1855 the company has primarily been engaged in transportation activities. Today activities are concentrated around four areas of operation: International shipping (DSD Shipping AS), Conveyance of goods (Nor Lines AS), Ferry and express boat service, (Norled AS), and Bus transportation (Tide ASA). Maritime operations are essentially 100 % owned by DSD, while the bus service operation is listed on the stock exchange with DSD as the principal owner (48.8%). DSD's parent company, Folke Hermansen AS, owns a further 27.7%, and the group thus controls 76.5% of Tide ASA.

TRENDS AND DIRECTION IN 2015

The DSD group posted earnings of NOK 3,542 million in 2015 (compared to NOK 3,006 million in 2014), i.e. a sales growth of 18 %. Earnings are distributed between the group's three areas of operation, where ferry and express boat operation (Norled AS) carries 59 %, logistics and conveyance of goods (Nor Lines AS) 30 %, and international shipping 11 %. Earnings from international shipping only reflect tc and bareboat charters. Bus transport (Tide ASA) is not consolidated into the 2015 accounts, but posted earnings of 2.423 million for the year, a 6% growth from 2014 (2.281 million).

The 2015 result was affected by major items that are not related to ordinary operations. Moreover, the strengthening of USD compared to NOK that took place in 2015 entailed an unrealized disagio of NOK -152 million (-182 million).

The shipping division was charged a total of 56 million NOK in costs and allocations as a consequence of an ongoing legal dispute. The dispute is related to allegations about emissions from one of our tankers.

Norled posted NOK 63 million as income following a decision made by Gulating Appeal Court relating to compensation for a modification of discount structures for ferry fares. In 2014 we made allocations of NOK 43 million in the same case, following a ruling by Stavanger City Court which was in our disfavour. The decision by the Appeal Court has not been appealed by any of the parties and is therefore legally binding.

Adjusted for the effects above we are seeing a significant improvement in the operation of Norled and within International Shipping, whereas Tide's operating result ended up at the same level as the previous year. Nor Lines experienced a demanding year 2015 involving major changes in the composition of fleet, extensive restructuring of the route structure, as well as offhire resulting from technical challenges with our new ships. This resulted in a weaker result for the year.

NORLED

FERRY AND EXPRESS BOATOPERATION: **NORLED AS**

Norled is one of Norway's largest companies within passenger and automobile transportation. The company operates 80 vessels, 53 ferries and 27 express boats, in a number of ferry and express boat services along the Norwegian coast, from the Oslofjord to the county of Nord-Troms. In 2015 Norled transported 9.4 million private car units and 17.2 million passengers through various contracts with national and local governments. These contracts constitute a contractual reserve of NOK 10 billion. With main office in Stavanger and regional offices in Bergen, Ålesund and Oslo, Norled employs approx. 1 100 co-workers. In addition to that the group has taken in 35 apprentices and 15 cadets in its fleet.

2015 was a year that saw significant changes in Norled's production. Earnings for the year rose by NOK 377 million (22 %). The accounting effect of the discount trial largely explains this growth. Adjusted for this effect the company's increase in earnings was 16 %. This is a result of the start-up of the Lavik – Oppedal tender, which is a new contract for Norled. Furthermore, we benefited from an all year effect of the Fornebu tender, as well as additional production and a renewed contract for Ytre Sunnmøre.

The company took delivery of two vessels during the year, including the world's first battery operated car ferry, the Ampere, which operates the Lavik - Oppedal service. In addition to that, the company took delivery of a new car ferry which has been put into operation in Hardanger.

EBITDA for the year ended at NOK 367 million, which is up from 121 million in 2014. The company posted a pre-tax result of NOK 101 million in 2015, compared with a loss of 129 million in 2014. Accounting effects resulting from the decisions in the discount case explain parts of the result improvement. In 2014 we made allocations of NOK 43 million from contractual earnings as a consequence of the decision made by the Appeal Court. In 2015 these allocations were reversed, and a total of NOK 63 million was posted as income with basis in the City Court decision.

What is more, the company was awarded legal costs of approximately NOK 2 million. The decision has not been appealed and is now legally binding. Adjusted for this effect 2015 gave a profit of 36 million compared to a loss of 86 million in 2014, i.e. a 122 million profit improvement.

The improved result was mainly achieved through changes to the contract portfolio, where one of our unprofitable contracts were terminated in 2014 and replaced by a profitable contract. Moreover, we started up a new and profitable contract on the Lavik – Oppedal services. Further, the company faced a number of operational and technical challenges in 2014, combined with an unsatisfactory utilization of the fleet. A number of vessels were unoccupied or under construction in order to serve our new contracts starting up in 2015. In 2015 the fleet has been almost 100 % occupied. We have further benefited from substantially lower bunker expenses resulting from falling oil prices.

LOGISTICS AND CONVEYANCE OF GOODS: **NOR LINES AS**

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

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

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 three ships are self-owned. Moreover, Nor Lines leases and operates the entire freight capacity of Hurtigruten's 11 ships.

Nor Lines' earnings for 2015 were NOK 1 059 million compared to NOK 1 052 million in 2014. EBITDA saw a deterioration of NOK 14 million, compared with 2014. EBITDA for 2015 ended at approx. NOK -21 million.

The company posted a pre-tax loss of approx. NOK 51 million in 2015, compared to a NOK 14 million profit before tax in 2014. 2015 saw major challenges relating to delayed delivery of newbuildings and introduction of a new route structure. Included in the result for 2014 is a profit generated by the sale of shares in the SeaCargo group.

2015 is characterized by tougher competition and a squeeze on margins, which have affected the company negatively. It is imperative to increase volumes and obtain a higher utilization of capacity in order for the company to become profitable.

Nor Lines is undergoing a necessary restructuring process in order to improve profitability. The company has in the last year reorganized the liner trade system and taken delivery of two newbuildings (Kvitbjørn and Kvitnos), in addition to implementing a number of improvement programs in the terminal operation and administrative support systems. Following a period of weak growth in 2015 the company has early 2016 implemented a number of measures in order to further reduce costs. The logistics business is characterized by tough competition and low profitability. We believe further consolidation will be necessary.

DSD Shipping

INTERNATIONAL SHIPPING: **DSD SHIPPING AS**

DSD Shipping is responsible for the commercial operation of DSD's international shipping fleet. The fleet in 2015 consisted of four crude oil tankers and four product tankers of various sizes. In addition one product tanker was sold during the year. In 2015 the technical operation of our tankers was outsourced to Wallem and OSM. DSD Shipping in 2015 continued handling the technical operational responsibility for Nor Lines' three self-owned ships.

The shipping segment posted a loss before tax at NOK 58 million in 2015 compared to a loss of NOK 11 million in 2014. The negative result reflects an unrealized disagio on our foreign exchange loan (total NOK 153 million) in addition to costs related to allegations and a trial in the USA about emissions from one of our ships, totaling NOK 56 million, of which USD 2 million represents allocations to pay potential fines. Adjusted for these two circumstances, the accounts show a profit of NOK 151 million. Earnings and ship values in this segment were significantly improved compared to the previous year.

BUS: **TIDE ASA**

Tide ASA is not consolidated into the accounts, but is an associated company whose accounts are carried out according to the equity method.

Tide ASA, with main office in Bergen, is one of the major bus companies in Norway and Denmark. Tide is listed on Oslo Stock Exchange. DSD owns 48.8% of the shares, and DSD's parent company, Folke HermansenAS, owns 27.7% of the shares. The group thereby controls 76.5 % of the shares.

The company's core activity is bus transport with the public sector as commissioner. In Norway Tide operates bus routes in the counties of Hordaland, Rogaland, Møre og Romsdal, Vestfold and Sør-Trøndelag. The Danish activities are located on Funen and Southern Jutland. Tide also operates an extensive express and airport bus service, and is also engaged in organizing package tours and other tourism activities. Tide in 2015 employed a staff of around 2 759 while the fleet of buses counted 1500 buses.

Tide posted earnings of NOK 2 423 million in 2015, which represents a growth of NOK 142 million from 2014. The increase in earnings is mainly due to a whole year's effect of the contact won in the county of Vestfold which was initiated in July 2014. Other earnings are largely regulated by contract and have during the last 12 months been subject to index adjustment in line with the stipulation in the individual contract.

Tide ASA posted a pre-tax profit of NOK 14 million in 2015 compared to a pre-tax profit of NOK 18 million the year before. The decline in the result for 2015 is largely affected by the Danish part of the operation, and a disappointing result for the Norwegian repair yard operation. The company's sale of the trolley bus network in Bergen resulted in a positive gain.

Tide's equity is NOK 372 million (30 %). The company's cash on hand constituted NOK 98 million as of 31.12, and the group further had unused draw rights at NOK 169 million

Tide won three large tenders in 2015 and the 1st quarter of 2016, and now has an order reserve including options of NOK 13.5 million.

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

2015 was the 160th operating year of the DSD group. The group posted earnings of 3 542 MNOK compared to 3 006 MNOK in 2014. EBITDA constituted 561 MNOK compared to 230 MNOK in 2014, which represents a 331 MNOK improvement.

After-tax result is a loss of NOK 31 million compared to a loss of NOK 115 million in 2014. The 2015 result was negatively affected by an unrealized disagio on foreign currency loan (NOK 153 million). It is principally the shipping segment and Norled that show considerable improvement compared to the previous year. Nor Lines saw a challenging year, including major changes of production, line structure and tonnage composition. Tide delivers a result which is on a par with the level of 2014.

EQUITY

Aggregate capital at year's end was NOK 5 335 million, compared with 5 372 million NOK the year before. Equity was as of 31.12 2015 NOK 1 475 million, which represents an equity ratio of 28 %, compared to 39 % the year before.

CASH FLOW, LIQUIDITY AND DEBT

Net cash flow for the year was negative, at NOK 41.8 million (Negative at NOK 182.6 million in 2014). Payment of debt constituted NOK 538.7 million and raising of new debt constituted 426 million. However, interest bearing debt nevertheless rose by 57 million as a result of realized and unrealized agio on currency loans. Liquid assets as or 31.12 were 245.6 million. The income statement, balance-sheet, and cash-flow give a true picture of the company's operations, position, and liquidity.

FINANCIAL RISK

OVERALL OBJECTIVES AND STRATEGIES

The group is exposed to financial risk relating to its areas of operation. Risk is mainly linked to foreign currency, interest rates, the price of oil, and credit risk. The objective is to alleviate financial risk as far as possible. It is being monitored on a continuous basis and financial derivatives are being employed to reduce such exposure.

Market risk

The group is exposed to exchange rate fluctuations, in particular 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 rate 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 transport, regulation of contracts has lately been significantly improved, and risk has become significantly reduced.

Credit risk is considered moderate. Within International shipping counterparty risk has been reduced as a result of improved market balance. Within ferry and express boat operation the counterparty is national and local government, so counterparty risk is low.

Liquidity risk in the group is considered satisfactory. After having carried out a substantial building program in Norled and Nor Lines, the group currently has no ships under construction. The group was early 2015 granted a waiver from loan agreement requirements as a consequence of having breached these requirements in 2014. The group fulfilled all requirements according to its agreement with the banks, at and after expiry of the waiver period.

Working environment and personnel

The DSD Group at year's end had a staff of 1300 employees. (In addition to that Tide has 2 759 employees.) The 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 was 5.6 % in 2015, compared to 5.1 % in 2014.

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 206 are women, a proportion of 16.6 %. 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 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 of a nature impacting on the 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 operations, bus transport, 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, focusing on energy efficiency and environment. Reductions in fuel consumption are gradually obtained through improvements, awareness-raising 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 is an initiator and innovator within eco-friendly transport. Norled currently has five ferries operating on natural gas. Two of these are the first ferries in the world exclusively using LNG as a source of energy. These ferries cut NOX emissions by 80% and CO2 emissions by 20%. In 2015 Norled took delivery of the world's first battery operated car ferry. The ship was in 2014 named «Ship of the Year 2014» by Skipsrevyen. Norled also won the 2013 Research and Innovation Award, awarded by Rogaland Research Council, NHO Rogaland, and Rogaland County Administration. Moreover, Norled was one of four finalists in the prestigious Thor Heyerdahl Award 2014, which is awarded by the Norwegian Shipsowners' Association.

Nor Lines took delivery of two LNG-operated cargo ships, which represents a renewal of the coastal fleet and gives environment gains by replacing older tonnage. Newbuildings feature the Environship concept developed by Rolls Royce Marine, which won the Thor Heyerdahl prize in 2014.

TIDE is the Norwegian company operating the largest number of gas buses, i.e. 200. As the only operator Tide also operates 6 trolley articulated buses which are climate neutral and operate on clean power. Tide has also committed itself to adopting biogas 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). Passenger boats and ferries over 400 GRT have valid IAPP certificate and IOPP certificate, in compliance with the Maritime Directorate's requirements. Within International shipping ships as well as companies are NS ISO9001:2008 certified. Preventive measures have been taken to assure documentation of the company's established procedures and routines. In TIDE and Norled all departments are certified according to environmental standard NS ISO14001.

The group did not post any costs relating to research and development in 2015.

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

Yuhong Jin Hermansen worked as Executive Chairman from March 2014 until March 2015, when Ingvald Løying took up his position as Chief Executive Officer. During the year three new directors joined the board of directors; i.e. Svein Gjedrem, Marit Salte Hovstad and Jan Erik Horgen.

Future prospects

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

Profitability in recent years has not been satisfactory. We are therefore very pleased to note that the trend appears to have turned in a positive direction, as the group's significant improvement of results in 2015 goes to show. The group as of year's end was able to show to 5 quarters in a row showing an improvement in 12-month rolling EBITDA. Several of the group's subsidiaries enjoy strong market positions within their segments.

Within transport Norled and Tide ASA strengthened their positions as leading players, and are now seeing the results of focus on better operations and boosted earnings, as a result of a more correct pricing of contracts and risk.

Within international shipping we have seen an improvement of the market balance and a boost in both earnings and values. The DSD Group is capitalizing on this through operating three ships in the spot market, but also through raising the charter rates for ships where we have secured occupation through time charter parties.

Nor Lines is undergoing an extensive restructuring process. The company underwent significant changes during the year, reducing the number of liner trades from four to three, and with the fleet going from nine to seven ships. Moreover, Nor Lines during the year took delivery of two new LNG operated ships, which represent a substantial renewal and environmental improvement of the coastal fleet. Further, Nor Lines during the year reduced the average age of own vessels and chartered vessels from 30 to 11 year. Even though the situation relating to delivery and phase-in vessels has been demanding as a result of technical failures and offhire, it is expected that the changes implemented will entail an improvement of Nor Lines' product, which is also expected to generate increased earnings.

Further, a steady focus on competence training, cost control, risk management, and returns is expected to enhance the group's profitability going forward. Overall, the board of directors is expecting to see result improvement and positive results in 2016. The board of directors would like to thank all employees for their contribution in 2015.

Annual result and allocations

The board of directors proposes that the loss of Det Stavangerske Dampskibsselskab AS be covered as follows:

(NOK 1 000)

Allocation for group contribution	50.000
Other equity	-80.584
Total allocations	-30.584

The Board of Directors for Det Stavangerske Dampskibsselskab AS:

Stavanger, 6 April 2016

Yuhong Jin Hermansen
Chairperson of the Board

Svein Gjedrem
Deputy Chairperson

Marit Salte Hovstad
Director

Steinar Olsen
Director

Jan Erik Horgen
Director

Bjørn Anders Dahle
Director

Ingvald Løyning
Managing Director

2015 ANNUAL AND CONSOLIDATED ACCOUNTS

INCOME STATEMENT
(Amounts in NOK 1 000)

PARENT 01.01 - 31.12 2015	2014		NOTE	GROUP 01.01 - 31.12 2015	2014
4 864	176	**Operating income**	16,18,22	3 542 457	3 006 214
11 238	11 805	Wage cost	3,11	1 107 717	1 030 506
10 486	7 655	Other operating costs	3,12,20,22	1 873 290	1 745 715
-16 860	-19 284	**EBITDA**		561 450	229 993
570	393	Depreciations on fixed assets	12	288 470	271 182
0	0	Write-downs	12	0	-154 648
-17 430	-19 677	**Operating profit**		272 980	113 459
-21 665	-115 061	Result of investments in subsidiaries	2,22	0	0
-7 521	18 238	Result of investments in associated companies	2,22	-7 359	73 073
-29 186	-96 823	**Result of investments**		-7 359	73 073
17 564	18 233	Financial income	9	51 089	71 917
-13 279	-20 815	Financial costs	9	-188 008	-208 768
0	0	Unrealized agio/disagio	9	-152 288	-182 419
4 285	-2 582	**Net financial items**		-289 207	-319 270
-42 331	-119 082	**Ordinary result before taxes**		-23 586	-132 738
11 747	5 698	Tax on ordinary result	14	-10 473	18 206
-30 584	-113 384	**Annual result before minority interests**		-34 059	-114 532
0	0	Minority interests	15	-3 286	364
-30 584	-113 384	**Annual result after minority interests**		-30 773	-114 896
		Allocation of annual result			
50 000	0	Allocated group contribution			
0	-226 677	Revaluation reserve			
-80 584	113 293	Other equity			
-30 584	-113 384	**Total allocated**			

BALANCE SHEET
(Amounts in NOK 1 000)

PARENT 31.12.2015	31.12.2014		NOTE	GROUP 31.12.2015	31.12.2014
		Assets			
		Fixed assets			
		Intangible assets			
0	0	Other intangible assets	12	4 000	4 000
25 461	13 878	Deferred tax advantage	14	0	0
25 461	13 878	**Total intangible assets**		4 000	4 000
		Tangible fixed assets			
0	4 360	Sites and buildings	6,12	1 596	5 956
1 302	126	Means of transport and other movable property	6,12	19 750	14 584
0	0	Ships, rigs, aircraft and similar	6,12	4 347 331	3 794 058
0	0	Periodic maintenance	6,12	25 123	43 307
0	0	Newbuilding contracts for ships	6,12	55 673	625 259
1 302	4 486	**Total tangible fixed assets**		4 449 473	4 483 164
		Fixed financial assets			
1 292 765	1 349 596	Investments in subsidiaries	2	0	0
221 543	235 126	Investments in affiliated companies	2,6,21	221 543	236 930
3 610	62 004	Loans to enterprises in the group	4,7,17	0	0
813	816	Other receivables	4,7,11	7 773	6 409
2 264	4 146	Investments in stock and shares	8	4 342	6 224
1 520 995	1 651 688	**Total financial fixed assets**		233 658	249 563
1 547 758	1 670 052	**Total fixed assets**		4 687 131	4 736 727
		Current assets			
0	0	**Commodities**	13	26 820	23 854
		Receivables			
143	64	Account receivables	6	237 504	209 430
58 269	192 651	Group/parent company receivables	7,17	33 389	32 786
444	553	Other receivables		104 590	81 998
58 856	193 268	**Total receivables**		375 483	324 214
		Investments			
43	43	Market based financial instruments	8	43	43
43	43	**Total investments**		43	43
37 048	1 814	Bank deposits, cash and similar	5,6	245 644	287 441
95 947	195 125	**Total current assets**		647 990	635 552
1 643 705	1 865 177	**TOTAL ASSETS**		5 335 121	5 372 279

BALANCE SHEET

(Amounts in NOK 1 000)

PARENT 31.12.2015	31.12.2014		NOTE	GROUP 31.12.2015	31.12.2014
		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**
579 480	**669 146**	Other equity		**0**	**0**
0	**0**	Groups funds		**594 096**	**682 089**
0	**0**	Minority interests		**1 272**	**4 557**
579 480	**669 146**	**Total retained earnings**	15	**595 368**	**686 646**
1 458 621	**1 548 288**	**Total equity**		**1 474 510**	**1 565 788**
		Liabilities			
		Provisions for liabilities			
1 324	**6 222**	Pension commitment	11	**33 197**	**54 190**
0	**0**	Other liabilities		**5 000**	**0**
0	**0**	Deferred tax	14	**84 347**	**83 775**
1 324	**6 222**	**Total provisions for liabilities**		**122 544**	**137 965**
		Long-term liabilities			
100 000	**125 000**	Financial institutions	6, 10	**3 051 226**	**2 994 442**
100 000	**125 000**	**Total other long-term liabilities**		**3 051 226**	**2 994 442**
		Short-term liabilities			
0	**19 764**	Financial institutions	5,6	**31 020**	**32 820**
515	**1 287**	Accounts payable		**194 300**	**215 660**
0	**0**	Tax payable	14	**4 756**	**1 637**
443	**358**	Duties payable		**78 700**	**74 581**
50 000	**0**	Group contribution		**50 000**	**0**
22 782	**157 291**	Debt to companies in the same group	7	**0**	**0**
10 020	**6 968**	Other short-term liabilities		**328 066**	**349 386**
83 760	**185 668**	**Total short-term debt**		**686 842**	**674 084**
185 084	**316 890**	**Total liabilities**		**3 860 612**	**3 806 491**
1 643 705	**1 865 177**	**TOTAL EQUITY AND LIABILITIES**		**5 335 121**	**5 372 279**

Stavanger, 6 April 2016

Yuhong Jin Hermansen
Chairperson of the Board

Svein Gjedrem
Deputy Chairperson

Marit Salte Hovstad
Director

Steinar Olsen
Director

Jan Erik Horgen
Director

Bjørn Anders Dahle
Director

Ingvald Løyning
Managing Director

CASH-FLOW STATEMENT

(Amounts in NOK 1 000)

PARENT 01.01 - 31.12 2015	2014		NOTE	GROUP 01.01 - 31.12 2015	2014
		Cash flow from operational activities			
-42 331	-119 082	Profit before tax		-23 586	-132 738
570	393	Ordinary depreciation	12	288 470	271 182
0	0	Write-downs	12	0	-154 648
-1 008	0	Loss/(profit) from sale of fixed assets	12,21	-40 407	-5 565
21 665	115 061	Result of investments in subsidiaries		0	0
7 521	-18 238	Result of investments in associated companies	2	7 359	-73 073
-4 285	2 582	Net financial items		289 207	319 270
0	0	Changes in inventories	13	-2 966	-8 490
-79	-58	Changes in accounts receivable		-28 074	-27 138
-772	505	Changes in accounts payable		-21 360	26 801
-4 898	-908	Changes in pension liabilities	11	-20 993	2 976
0	0	Tax	14	-1 705	-2 916
3 067	1 660	Changes in other accrual items		-52 579	175 860
-20 550	-18 085	**Net cash flow from operational activities**		393 366	391 521
		Cash flow from investment activities			
5 147	0	Payments received from sale of fixed assets/shares	2,12	223 487	151 217
-1 522	-64	Payments made for purchases of fixed assets	12	-437 487	-374 777
16 374	17 397	Interest/other financial income received	9	5 664	9 093
0	-2 774	Increased equity in subsidiaries/associated companies		0	-2 774
9 500	61 083	Payments received from sale of shares		12 583	0
128 150	0	Dividend received		2 200	102
179	1 054	Group contribution received		0	0
340	724	Payments received from other investments		340	724
158 168	77 420	**Net cash flow from investment activities**		-193 213	-216 415

Cont. cash-flow statement

PARENT 01.01 - 31.12 2015	2014		NOTE	GROUP 01.01 - 31.12 2015	2014
		Cash flow from financing activities			
-11 737	-18 163	Paid interest	9	-137 965	-139 431
1 191	-1 550	Realized profit/loss on exchange	9	10 372	-4 207
0	0	Payments received from long-term borrowing	6,10	426 750	389 486
-25 000	-62 000	Repayment of long-term liabilities	6,10	-538 704	-471 743
0	0	Repayment of other long-term liabilities		0	-441
58 394	-59 199	Payments relating to intra-group liabilities		0	0
0	-7 247	Receipts/payments relating to long-term intra-group liabilities		0	0
-105 468	-39 375	Net changes to short-term receivables/intra-group liabilities	7	-603	-112 786
-19 764	19 764	Receipts/payments relating to overdraft facilities raised/repaid		-1 800	-18 569
0	0	Payment of equity		0	0
0	0	Payment of dividend		0	0
-102 384	-167 770	**Net cash flow from financing activities**		-241 950	-357 691
35 234	-108 435	**Net change to liquid capital throughout the year**		-41 797	-182 585
1 814	110 249	**Liquid assets 01.01.**		287 441	470 026
37 048	1 814	**Liquid assets 31.12.**		245 644	287 441
591	332	**Undistributable reserves (deduction of tax)**		1 231	1 104

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 31 December 2015. 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 COMPANY	GROUP
Opening balance 01.01	235 126	236 930
Additions / disposals for the year	0	-3 083
Share of result for the year/ profit from sales of stock	-7 521	-7 359
Receipts/payments/changes in equity	-6 062	-4 945
Closing balance 31.12	221 543	221 543

Investments in subsidiaries	Parent company
Opening balance 01.01	1 349 596
Additions / disposals for the year	0
Share of loss for the year	-21 665
Dividend/group contributions/transfers	-20 445
Corrections of previous years	-14 720
Closing balance 31.12	1 292 765

OWNERSHIP INTERESTS IN ASSOCIATED COMPANIES	BUSINESS OFFICE	PARENT COMPANY	GROUP
O. H. Meling Tankers KS	Stavanger	30,0 %	30,0 %
KS Olympic Octopus	Fosnavåg	20,0 %	20,0 %
Tide ASA	Bergen	48,8 %	48,8 %
Tide Buss AS	Bergen	48,8 %	48,8 %
Tide Bane AS	Bergen	48,8 %	48,8 %
Kystbussen AS	Bergen	48,8 %	48,8 %
Neste Blåne AS	Bergen	48,8 %	48,8 %
Tide Verksted AS	Bergen	48,8 %	48,8 %
Tide Buss Danmark A/S	Odense, Denmark	48,8 %	48,8 %
R H Transport Leasing Gmbh	Denmark	48,8 %	48,8 %
Rutebilselskapet Haderslev	Denmark	48,8 %	48,8 %
Tide Reiser AS	Bergen	48,8 %	48,8 %
Tide Eiendom Hordaland AS	Bergen	48,8 %	48,8 %
Tide Eiendom Voss AS	Bergen	48,8 %	48,8 %
Baltic Betina Aps	Nyborg, Denmark		30,0 %
Nordvåg Carrier AS	Nørresundby, Denmark		50,0 %

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

SUBSIDIARIES	BUSINESS OFFICE	OWNERSHIP AND VOTING INTEREST
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 %
DSD Ships 2 AS	Stavanger	100,0 %
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 %
Nor Lines AS	Stavanger	100,0 %
Nor Lines Rederi AS	Stavanger	100,0 %
Nor Lines Kirkenes AS	Kirkenes	66,5 %
Skipafelagi Nor Lines	Torshavn Faroe Islands	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.

NOTE 3 –WAGE COSTS / NUMBER OF EMPLOYEES / ALLOWANCES

(Amounts in NOK 1 000)

WAGE COSTS ETC.	PARENT 2015	2104	GROUP 2015	2104
Wages and salaries, etc.	**12 156**	9 460	**860 701**	824 605
National Insurance contribution	**1 409**	1 428	**119 000**	107 802
Pension costs	**-2 570**	717	**39 088**	44 058
Other benefits	**243**	200	**88 928**	54 041
Wage costs	**11 238**	11 805	**1 107 717**	1 030 506
Average number of employees:	**6**	4	**1 367**	1 386

Parent company		
Allowances (Amounts in NOK 1 000)	Adm dir	Styret
Wages and fees	1 253	583
Pension premiums	145	
Other allowances	194	
Total	1 592	583

In addition to the above Managing Director has a bonus agreement where first payment is in 2016. The 2015 account has been charged 1.9 million NOK relating to this agreement. Managing Director and the company have signed a mutual 6-month termination agreement. Managing Director is under certain conditions entitled to one year's severance payment.

AUDITOR	PARENT COMPANY	GROUP
Auditor's remuneration for 2015 consists of the following (in TNOK):		
Statutory audit (including technical Pereparation of accounts)	260	1 638
Other attestation services	0	74
Tax consultancy (including technical preparation of tax return)	0	0
Other services besides auditing	116	329

NOTE 4 – ACCOUNTS RECEIVABLE

VALUE OF ACCOUNTS RECEIVABLE WITH MATURITY LATER THAN ONE YEAR RECOGNIZED IN BALANCE SHEET:

(Amounts in NOK 1 000)	PARENT 31.12.2015	31.12.2014	GROUP 31.12.2015	31.12.2014
Loans to companies in same group	**3 610**	62 004	**0**	0
Pension funds	**-**	-	**4 488**	4 819
Other accounts receivable	**813**	816	**3 285**	1 590
Total	**4 423**	62 820	**7 773**	6 409

NOTE 5 –DRAWING RIGHTS AND NON-DISTRIBUTABLE RESERVES

NON-DISTRIBUTABLE RESERVES

Of parent company's total bank deposits 591 TNOK are tied to tax withholding.

Of the group's total bank deposits 1 231 TNOK are tied to tax withholding.

GROUP ACCOUNT AGREEMENT

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

The group has unused drawings rights of 44 MNOK as of 31.12.15 (73 MNOK as of 31.12.14).

NOTE 6 – ASSETS PLEDGED AS SECURITY AND GUARANTEEE LIABILITIES

(Amounts in NOK 1000)

	PARENT 31.12.2015	31.12.2014	GROUP 31.12.2015	31.12.2014
Carrying debt secured by mortgage or similar.				
Mortgage loan	**100 000**	125 000	**3 051 226**	2 994 442
Bank overdraft	**0**	19 764	**31 020**	32 820
Total	**100 000**	144 764	**3 082 246**	3 027 262

Of long-term mortgage debt 978 MNOK was raised in USD (111 MUSD). 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 these operations is regarded as security for future cash flows in USD. The USD debt is posted at balance-sheet date per 31.12.15, as earnings to a limited extent are secured through long-term contracts.

Interest and currency derivatives with an unrealized negative value of 32 MNOK (for the group) have not been recognized as a result of hedge accounting.

Cont. note 6 - Assets pledged as security and guaranteee liabilities

CARRYING AMOUNT OF ASSETS PLACED AS COLLATERAL FOR SECURED DEBT:	PARENT 31.12.2015	31.12.2014	GROUP 31.12.2015	31.12.2014
Ships	**0**	0	**4 347 331**	3 570 944
Ships under construction	**0**	0	**0**	625 259
Vehicles and other operating equipment	**0**	0	**9 656**	4 495
Short-term accounts receivable	**0**	0	**234 845**	299 708
Shares	**183 911**	175 423	**183 911**	175 423
Total	**183 911**	175 423	**4 775 743**	4 675 829

UNRECOGNIZED GUARANTEES	PARENT 31.12.2015	31.12.2014	GROUP 31.12.2015	31.12.2014
Loan guarantees	**1 355 166**	1 119 222	**0**	0
Not called in capital in limited partnerships	**40 711**	40 711	**58 405**	58 405
Other guarantees	**75 000**	95 000	**131 300**	141 300
Total unrecognized guarantees	**1 470 877**	1 254 933	**189 705**	199 705

Loan guarantees are guarantees for outstanding mortgage loans in underlying companies.

Other guarantees include guarantees for the group's tax deduction funds at a total of 46.3 MNOK.

NOTE 7 – INTERCOMPANY BALANCES, ETC.

(Amounts in NOK 1 000)

Per 31.12.2015	PARENT Companies in the same group	Associated company	GROUP 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
Total	**39 097**	**0**	**33 389**	**0**

Per 31.12.2014	Companies in the same group	Associated company	Parent company	Associated company
Short-term accounts receivable	192 651	0	32 786	4 247
Long-term accounts receivable and loans	62 004	0	0	8 263
Short-term liabilities	-157 291	0	0	0
Long-term liabilities / loans	0	0	0	0
Total	**97 364**	**0**	**32 786**	**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	2 264
Total		**9 206**	**2 264**
Current assets:			
Shares in trading portfolio		43	43
Total		**43**	**43**

Realized net gain and dividend from securities constitute 0.0 MNOK in 2015.

	OWNERSHIP INTEREST	PURCHASE COST	CARRYING AMOUNT
Group			
Fixed assets:			
Shares in trading portfolio	**< 10 %**	11 284	4 342
Total		**11 284**	**4 342**
Current assets:			
Shares in trading portfolio		43	43
Total		**43**	**43**

Realized net gain and dividend from securities constitute 0.0 MNOK in 2015.

NOTE 9 – COMBINED ITEMS IN INCOME STATEMENT

FINANCIAL INCOME AND COSTS

(Amounts in NOK 1 000)

	PARENT COMPANY 2015	2014	GROUP 2015	2014
Interest income from companies in same group/parent company	**2 723**	4 193	**1 389**	986
Other interest income	**279**	758	**2 865**	7 719
Income from shares and units (dividends and sales proceeds)	**0**	0	**0**	0
Other financial income	**13 372**	12 446	**1 410**	388
Interest cost on companies in same group/parent company	**-1 610**	-3 456	**0**	-42
Other interest cost	**-10 125**	-14 233	**-133 319**	-139 567
Loss on shares and ownership interests	**-1 542**	-267	**-1 542**	-267
Other financial cost	**-2**	-474	**-4 646**	-1 861
Realized profit on exchange	**1 191**	-1 550	**-3 075**	-4 207
Unrealized profit on exchange	**0**	0	**-152 288**	-182 419
Net financial items	**4 285**	-2 582	**-289 207**	-319 270

NOTE 10 – LIABILITIES

LIABILITIES FALLING DUE TO 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 the end of fiscal year:

(Amounts in NOK 1 000)	PARENT 31.12.2015	31.12.2014	GROUP 31.12.2015	31.12.2014
Mortgage loan	**0**	0	**317 810**	46 542
First year's installment on long-term debt	**0**	0	**392 274**	423 499

NOTE 11 PENSIONS

(Amounts in NOK 1 000)

PARENT

DSD AS decided in 2015 to discontintue the defined-benefit pension assurance scheme with effect from 30 November 2015. Until discontinuation of the defined-benit scheme the company had the following pension scheme in place: Full old age pension from the age of 67, which constituted approx. 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 deposits for old age pension for each member constitute 7 % of the wage interval between 0 G and 7.1 G, and 25.1 % of wages in the interval from 7.1 G to 12 G. The scheme includes disability pension and child's pension. Disabled personnel are exempt from contributing. Employees' individual share is 2 %.

The pension scheme comprises 16 persons as of 31.12.15, of whom 6 are active and 10 received a pension in 2015.

The company also has an early retirement scheme for managerial personnel and pays 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 including employer's contribution and pension funds, the excess amount is amortized over the average remaining earning period.

NET PENSION COST	2015	2014
Present value of the year's pension accruals	987	443
Interest cost on pension commitments	309	683
Return on pension funds	-319	-582
Accrued employer's national insurance contribution	139	62
Recognized actuarial variance, commitment at cessation, etc.	-3 686	111
Net pension cost	-2 570	717

Cont. note 11 - Pensions

ESTIMATED PENSION COMMITMENT SECURED SCHEMES	2015	2014
Estimated pension commitments (DBO)	1 219	13 130
Pension funds (market value)	-1 009	-11 557
Employer's national insurance contribution	30	222
Unrecognized estimate variances from planned costs / (curtailment)	0	0
Unrecognized actuarial variance	0	2 146
Net pension commitment (Net pension funds)	240	9431

ESTIMATED PENSION COMMITMENT UNSECURED SCHEMES	2015	2014
Estimated pension commitments (DBO)	1 540	1 665
Pension funds (market value)	0	0
Employer's national insurance contribution	217	235
Unrecognized estimate variances from planned costs / (curtailment)	0	0
Unrecognized actuarial variation	-674	381
Net pension commitment	1 084	2 281

FINANCIAL ASSUMPTIONS:	31/12/2015	31/12/2014
Discount rate	2,70 %	2,30 %
Annual wage growth	2,50 %	2,75 %
Annual regulation of pensions being drawn	0,00 %	2,50 %
Annual G increase	2,25 %	2,50 %
Anticipated return on pension unds	3,30 %	3,20 %

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 inthe Act on mandatory occupational pension.

PENSION SCHEME FOR MARITIME PERSONNEL IN NORLED AS

Maritime personnel have a separate, contractual additional pension scheme. Old age pension from 60 - 67 years constitutes 60% of pensionable income at full accrual (360 months of service), including estimated pension from the pension insurance for seamen. This scheme is secured. The scheme comprises 679 persons, of whom 66 are pensioners.

For maritime personnel a defined-contribution pension 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. The pensionable income consists of fixed salary, excluding overtime, bonus and other variable and temporary benefits. The scheme comprised 679 persons.

Exemption from premium/contribution is granted for disabled personnel for both the contractual additional pension scheme and the defined-contribution scheme.

Cont. note 11 - Pensions

	2015	2014
Present value of commitments	94 318	112 410
Fair value of pension funds	-74 572	-62 596
Actuarial variance	-1 537	-444
Estimated adjustment for maritime personnel	10 500	0
Total, net defined-benefit pension commitment 31.12	**28 709**	**49 371**
Changes in present value of defined-benefit pension commitments		
PBO per 01.01	112 430	107 470
Pension accruals for the year	6 315	6 720
Employer's contribution	1 157	916
Interest cost on pension commitments	2 278	4 049
Estimate deviation	-7 006	-6 029
Pension payment incl. employer's contribution	-4 968	-3 072
Settlement	-15 887	0
PBO 31.12	94 318	110 052
Estimated adjustment for maritime personnel	0	0
PBO 31.12	**94 318**	**110 052**
Changes in pension funds		
Pension funds (market value) per 01.01	64 101	68 151
Return on pension funds deducted adm.costs	1 993	3 030
Estimate deviation	-5 662	-8 564
Paid premium / for premium fund	29 069	4 515
Pension payments	-2 345	-3 033
Settlement	-12 585	0
Funds at transfer of undertaking	0	0
Pension funds (market value) per 31.12	**74 573**	**64 101**
Costs included in the result		
Pension accruals for the year	6 811	8 051
Interest cost on pension commitments	2 234	4 140
Pension cost (gross)	9 045	12 191
Anticipated return on pension funds deducted adm.costs	-1 993	-3 030
Pension cost (Net) before payment of employment's contribution	7 052	9 161
Recognized funds/commitment/curtailment	-1 264	-1 110
Recognized estimate deviation curtailment	-7 096	-104
Recognized discrepancies	901	87
Employer's contribution	951	1 193
Recognized pension cost after employer's contribution	**544**	**9 227**

Cont. note 11 - Pensions

Cost of defined-contribution pension schemes		
Defined-contribution pension scheme	18 061	16 321
Pension contribution scheme maritime personnel	20 482	18 510
Recognized defined-contribution pension schemes	**38 544**	**34 831**

The following economic assumptions have been applied as basis:	**2015**	**2014**
Discount rate	2,50 %	2,30 %
Anticipated return on pension funds	3,30 %	3,20 %
Annual wage growth	2,50 %	2,75 %
Annual regulation of National Insurance basic pension	2,25 %	2,50 %
Annual regulation of pensions	0,00 %	0,00 %
Employer's contribution	14,10 %	14,10 %

NOTE 12 – TANGIBLE FIXED ASSETS – PARENT

(Amounts in NOK 1 000)

	BUILDINGS	EQUIPMENT MM	31.12.2015 TOTAL	31.12.2014 TOTAL
Original cost 01.01	6 042	541	**6 583**	6 519
Additions	0	1 522	**1 522**	64
Disposal	-6 042	0	**-6 042**	0
Acquisition cost 31.12	**0**	**2 063**	**2 063**	6 583
Accumulated depreciation 01.01	1 682	415	**2 098**	1 704
Depreciation for the year	223	347	**570**	393
Depreciation on fixed assets sold	-1 906	0	**-1 906**	0
Accumulated depreciation 31.12	0	762	**762**	2 097
Capitalized amount per 31.12	**0**	**1 302**	**1 302**	4 486

TANGIBLE FIXED ASSETS - GROUP (Amounts in NOK 1 000)	FERRY AND LINER TRADE SHIPS	INTERNATIONAL TRAFFIC	PERIODIC MAINTENANCE	31.12.2015 TOTAL SHIPS	31.12.2014 TOTAL SHIPS
Acquisition cost 01.01	4 570 335	2 097 904	74 634	**6 742 873**	6 629 882
Additions	422 915	63	0	**422 978**	363 643
Disposal	-99 545	-335 592	-22 894	**-458 031**	-250 651
Acquisition cost 31.12	**4 893 705**	**1 762 375**	**51 740**	**6 707 820**	6 742 874
Accumulated depreciation 01.01	1 655 159	593 763	31 327	**2 280 249**	2 434 661
Depreciation for the year	199 056	69 166	11 744	**279 966**	264 981
Write-downs for the year	0	0		**0**	-154 648
Translation difference	0			**0**	-377
Depreciation on fixed assets sold	-48 728	-215 340	-16 454	**-280 522**	-264 367
Accumulated depreciation 31.12	1 805 487	447 589	26 617	**2 279 693**	2 280 250
Carrying amount per 31.12	**3 088 218**	**1 314 786**	**25 123**	**4 428 127**	4 462 623
Economic life	20-30 years	20-25 years	5 years		

Carrying amount of ferries and local ships in regular service includes newbuilding contracts with a book value of 55.7 MNOK.

Periodic maintenance relates to capitalized costs related to special survey and intermediate survey for ships in international trade.

cont. note 12 - Tangible fixed assets - Group

(Amounts in NOK 1 000)	OTHER INTANGIBLE ASSETS	SITES AND BUILDINGS	MACHINES, EQUIPMENT, ETC.	31.12.2015 TOTAL	31.12.2014 TOTAL
Acquisition cost 01.01	49 297	7 638	103 380	**160 315**	149 181
Additions fixed assets	0	0	14 509	**14 509**	11 134
Translation difference	0	0	0	**0**	0
Disposal	0	-6 042	-3 884	**-9 926**	0
Acquisition cost 31.12	**49 297**	**1 596**	**114 005**	**164 898**	160 315
Accumulated depreciation 01.01	45 297	1 682	88 796	**135 775**	128 389
Depreciation for the year		223	8 281	**8 504**	6 201
Translation difference			1 062	**1 062**	1 185
Depreciation on fixed assets sold	0	-1 905	-3 884	**-5 789**	0
Accumulated depreciation 31.12	45 297	0	94 255	**139 552**	135 775
Carrying amount pr. 31.12	**4 000**	**1 596**	**19 750**	**25 346**	24 540
Economic life		20-33 år	3-10 år		

INVESTMENT COMMITMENTS PER 31.12.2015

Parent company	0 MNOK
Group	0 MNOK

OPERATIONAL LEASE AGREEMENTS (GROUP)

Costs for the year	Term of agreement	Expiry date	2015	2014
Terminals	5/10 år	2016- 2021	4 541	4 371
Other lease agreements	8 år	2016 - 2019	140 530	140 345
Costs for the year			145 071	144 716

VALUATION (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.

cont. note 12 - Tangible fixed assets - Group

TRANSPORT

A major part of earnings from passenger transport is related to long-term contracts (tenders) with significant investments in fixed assets. Per 31.12.15 an estimation 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 6 % required rate of return (WACC)

Based on the estimation no write-downs were made for 2015.

NOTE 13 INVENTORIES

GROUP

INVENTORIES	2015	2014
Bunkers	19 942	17 209
Lube oil	5 413	5 440
Kiosk inventories	1 465	1 205
Total	**26 820**	**23 854**

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 2015	2014	GROUP 01.01 - 31.12 2015	2014
Tax payable appears as follows:				
Loss on ordinary activities before tax	**-42 331**			
Permanent differences	**1 325**	-119 082		
Shared profit in companies under the equity method of accounting (private limited companies)	**21 298**	-1 568		
Change in temporary differences	**-4 477**	75 469		
Group contribution	**609**	509		
Basis tax payable	**-23 576**	179		
Tax 27%	**0**	-44 493		
Tax payable on result for the year	**0**	0		
Tax cost for the year appears as follows:				
Tax payable on result for the year	**0**	0	**4 080**	893
Change in deferred tax	**-13 620**	-5 650	**12 545**	-19 843
Change in deferred tax resulting from amended tax rate	**2 037**	0	**-6 896**	0
Change in previous years	**0**	0	**68**	0
Tax on group contribution	**-164**	-48	**0**	0
Tonnage tax	**0**	0	**676**	744
Total tax cost for the year	**-11 747**	-5 698	**10 473**	-18 206

Cont. note 14 - Tax

Tax payable in balance-sheet appears as follows:	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014
Tax payable on year's result	**0**	0	**4 080**	893
Tonnage tax	**0**	0	**676**	744
Total short-term tax payable	**0**	0	**4 756**	1 637

SPECIFICATION OF BASIS OF DEFERRED TAX:

Differences being equalized:	MOR **31.12.2015**	31.12.2014	KONSERN **31.12.2015**	31.12.2014
Long-term	**3 919**	-558	**992 799**	883 157
Short-term	**0**	0	**-1 923**	-818
Total temporary differences	**3 919**	-558	**990 876**	882 339
Loss carried forward	**-179 413**	-155 836	**-977 529**	-852 835
Different acquisition cost in transactions between partnerships	**73 649**	104 994	**73 649**	104 994
Total	**-101 845**	-51 400	**86 996**	134 498
Deferred tax/ deferred tax advantage (25%/27%)	**-25 461**	-13 878	**21 749**	36 314
Recognized deferred tax/ deferred tax advantage	**-25 461**	-13 878	**84 347**	83 775
Deferred tax relating to acquisition/sale of subsidiaries				
Deferred tax	**0**	0	**-1 119**	-1 608

Deferred tax advantage 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 AS AVERAGE PRE-TAX NOMINAL TAX RATE ON RESULT:

	PARENT NOK	%	GROUP NOK	%
Tax estimated as average nominal tax rate on pre-tax result	**-11 429**	27,0 %	**-6 368**	27,0 %
Effects of equity method	**-2 360**	5,6 %	**-8 606**	36,5 %
Effects of permanent differences	**5**	-0,0 %	**11 452**	-48,6 %
Change in recognized deferred tax advantage	**0**	0,0 %	**21 437**	-90,9 %
Change in previous years	**0**	0,0 %	**-68**	0,3 %
Change in deferred tax advantage rate	**2 037**	-4,8 %	**-7 374**	31,3 %
Tax cost according to Income Statement	**-11 747**	27,8 %	**10 473**	-44,4 %

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 31.12.14	**573 736**	**305 406**	**0**	**669 146**	**1 548 288**
Correction of equity				-9 083	**-9 083**
Dividend / group contribution				-50 000	**-50 000**
Annual result			0	-30 584	**-30 584**
Equity 31.12.2015	**573 736**	**305 406**	**0**	**579 480**	**1 458 621**

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

Share capital per 31.12.15 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, and these may be obtained by contacting the company.

GROUP EQUITY

CHANGE IN EQUITY FOR THE YEAR:	SHARE CAPITAL	PREMIUM	GROUP FUNDS	MINORITY INTERESTS	TOTAL
Equity 31.12.14	**573 736**	**305 406**	**682 089**	**4 557**	**1 565 788**
Correction of equity			-7 221	1	**-7 220**
Dividend / group contribution			-50 000		**-50 000**
Annual result			-30 773	-3 286	**-34 059**
Equity 31.12.2015	**573 736**	**305 406**	**594 096**	**1 272**	**1 474 510**

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 2015	2014
Shipping	**413 407**	**273 998**
Conveyance of goods	**1 035 277**	**1 052 567**
Passenger transport	**2 069 148**	**1 691 831**
Other/elimination	**24 625**	**-12 182**
Group	**3 542 457**	**3 006 214**

Earnings derive from international shipping and it is not possible to acribe these earnings to a geographical area. Other earnings are largely generated in Norway while around 25 % of earnings within conveyance of goods may be ascribed to Europe at large (MNOK 312).

Other includes sales proceeds at TNOK 40.407 for the group and TNOK 1.008 for the parent company.

Corresponding figures for 2014 were TNOK 5.565

NOTE 17 CLOSELY RELATED PARTIES FOR PARENT AND GROUP

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

Per 31.12.15 the company had a 33 MNOK loan from parent company (per 31.12.14 MNOK 33)

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 :

	2015	2014
Contractual income in Norway	1 481 263	1 050 784
Contractual income in Denmark	0	0
Total contractual income	1 481 263	1 050 784

NOTE 19 FINANCIAL MARKET RISK

Parent company's and 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 activities 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

(Beløp i NOK 1 000)

Other operating costs	PARENT 2015	2014	GROUP 2015	2014
Scheduled transport costs	**0**	0	**820 262**	810 090
Fuel	**0**	0	**405 365**	452 573
Repair and maintenance	**0**	0	**227 154**	201 664
Other operating costs	**10 486**	7 655	**420 509**	281 388
Total	**10 486**	7 655	**1 873 290**	1 745 715

NOTE 21 SIGNIFICANT ESTIMATES AND UNCERTAINTIES RELATED TO COMPANIES

The preparation of the annual accounts for Tide has applied financial assumptions considered as being realistic, and accounting estimates based on our best judgment. Estimates have been made by the management taking into consideration the uncertainty relating to underlying circumstances. 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 uncertainty relating to the following items:

TANGIBLE FIXED ASSETS AND FAIR VALUE

The operating income of Tide is largely linked to long-term contracts (tenders) which involve substantial investments in tangible fixed assets. As of 31.12.2015 an evaluation of the value of the company's tangible fixed assets has been made, where there might exist an indication of impairment. To re-examine capitalized value of tangible fixed assets an estimation of utility value has been made. Utility value has been estimated for each cash flow generating unit. Based on the company's internal reporting areas and the identification of independent ingoing cash flows, each tender in Norway represents a cash flow generating unit. A calculation of utility value was made for the tenders where there may be a risk of permanent impairment of the value of the tangible fixed assets.

In general there will always be some uncertainty relating to future cash-flows 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 cash-flows 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 uncertainties relating to scheduled public transport through a dialogue with clients on price changes. The majority of contracts with governmental entities contain regulation clauses to settle parts of the variations, such as e.g. diesel prices.

Utility values are calculated as present value of net future cash-flows for each tender. In future cash-flows 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 action 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 cash-flows are projected for several years in advance, there is uncertainty as to whether these cash-flows will be attained. The company's best judgments supported by risk assessments and sensitivities have been applied as basis. When contracts expire, a re-purchase value of used buses based on experience and suppliers' residual value guarantees is applied. In the contracts for Bergen Sør and Bergen Nord the client has exercised options for a further two-year operation. In Haugesund the client has the opportunity to exercise options. Tide considers it is overwhelmingly likely that these options will be exercised, and has thus applied this assumption as basis in future cash-flows. Future cash-flows have applied an annual growth rate of 2.5 % as basis.

The discount rate has been set at 6.5% before tax. Historically, write-downs of capital equipment totaling NOK 38.5 million have been made for contracts that give a negative calculation of present value.

The effect of a lower depreciation basis for 2015 would have constituted NOK 10 million in reduced depreciation. This has not been reversed, as an equivalent write-down of the same contracts would have resulted for the 2015 account.

To illustrate the uncertainty of such calculations, sensitivity analyses of selected calculation factors have been conducted. The overview below indicates the effects the various factors have when calculated individually in the form of changes to the total net present value of the tenders that have been considered to constitute a risk of permanent impairment of the fixed assets.

	2015			2014	
FIGURES IN MNOK	PRESENT VALUE	IB WRITE DOWNS	ACCUMULATED	PRESENT VALUE	ACCUMULATED
Interest + 1 %	-5,9	38,5	38,5	-17,9	42,6
Interest - 1 %	6,2	38,5	38,5	18,7	38,5
EBITDA + 1 % of sales	24,4	38,5	38,5	41,5	38,5
EBITDA - 1 % of sales	-24,4	38,5	41,3	-41,5	50,6
EBITDA + 5 MNOK per annum per contract	58,1	38,5	38,5	95,8	38,5
EBITDA - 5 MNOK per annum per contract	-58,1	38,5	66,7	-95,8	90,2

NOTE 22 OTHER ISSUES

One of the company's subsidiaries, the KS Stavanger Blossom, has been prosecuted in the USA for alleged violation of the MARPOL Convention. A trial was conducted in Mobile, Alabama, in the autumn of 2015. Judgment will be pronounced in the spring of 2016 and any punishment will be meted out then.

As at 31.12.15 the company has made a provision for USD 3 million to cover any fines, which is an increase of USD 2 million compared to the previous year.

A total of NOK 56 million has been charged as an expense to the 2015 accounts in relation to this case. DSD's company accounts have been charged NOK 52 million and the consolidated accounts NOK 56 million.

Concerning the subsidiary Norled AS, a decision was made by Gulating Court of Appeal in connection with compensation for changes to the discount regime on existing ferry contracts. The court's decision has had a positive impact on Norled's 2015 profit, and on DSD's company accounts and consolidated accounts, representing NOK 47 million after tax. The group's earnings were increased by NOK 63 million and costs were reduced by NOK 2 million.

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Det Stavangerske Dampskibsselskab AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Det Stavangerske Dampskibsselskab AS, which comprise the financial statements of the parent company, showing a loss of NOK 30 584 000, and the financial statements of the group, showing a loss of NOK 34 059 000. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2015, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of 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 these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 evaluating the overall presentation of the financial statements.

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

Deloitte.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Det Stavangerske Dampskibsselskab AS and of the group as at 31 December 2015, and of 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.

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 coverage of the loss 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's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 6 April 2016

Deloitte AS

Ommund Skailand
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

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