ANNUAL REPORT
2019

Scandlines

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HIGHLIGHTS

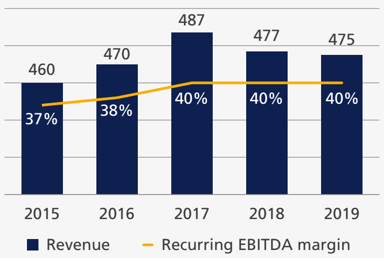
SNAPSHOT OF 2019

STABLE FINANCIAL PERFORMANCE

- Results were stable with revenue of EUR 475 million and profit from ordinary activities (recurring EBITDA[1]) of EUR 188 million.
- The recurring EBITDA margin remained at 40 percent in 2019.
- Cost control and efficiency enhancements mitigated the impact of lower overall traffic volumes.
- Investment remained moderate in 2019 and included maintenance and green initiatives supporting our zero emission vision.

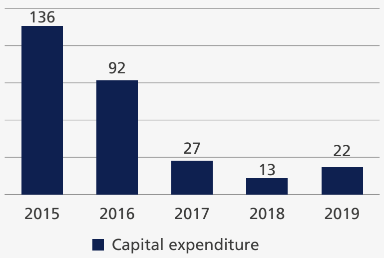
Solid profitability

MEUR



Moderate investment

MEUR

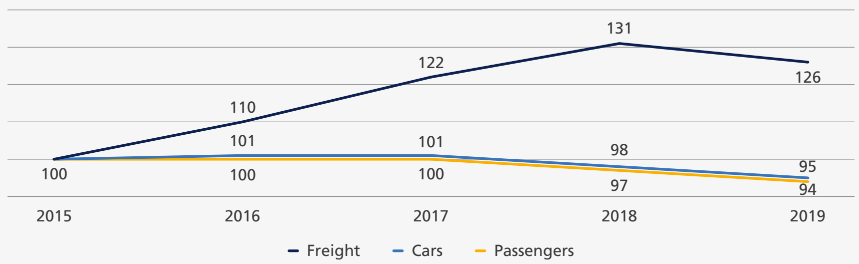


SLIGHTLY LOWER TRAFFIC VOLUMES

- Freight volumes declined 4 percent amid increasing consumer uncertainty driven by trade disruptions and political tensions.
- Car and passenger volumes were down 3 percent driven mainly by a decline in shopping traffic on the Puttgarden-Rødby route.
- Shopping traffic was lower due to slow economic growth in Sweden, a continued weak Swedish currency and a new pricing strategy.
- We completed more than 41,500 departures and improved the reliability level on the Puttgarden-Rødby route to 96 percent.

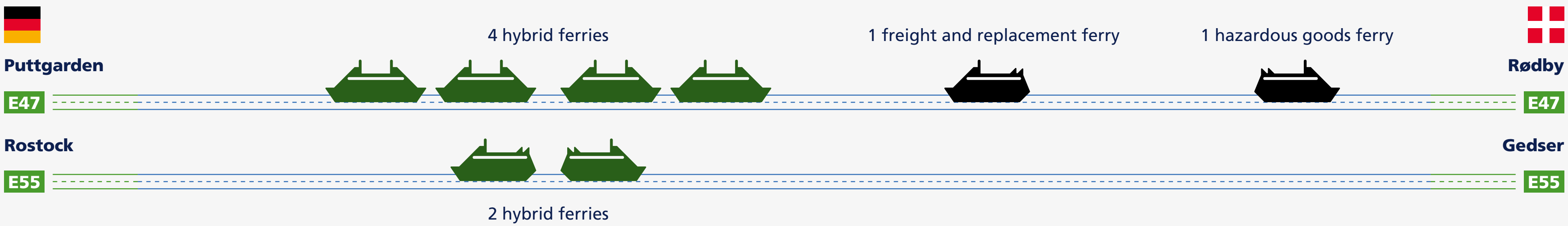
Total traffic volumes

Index



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

OUR SUSTAINABLE TRAFFIC MACHINE



SOLID 2019 RESULTS DESPITE TRAFFIC DECLINE

Scandlines generated strong operational and stable financial results in 2019 despite a slight slowdown in traffic volume. The performance was achieved against a backdrop of unexpected soft economic growth in Germany and Sweden as well as increasing uncertainty arising from political tensions in the European Union and international trade conflicts. We continued to exercise cost discipline and enhanced Scandlines' operational efficiency to maintain profitability and enable additional investment in green initiatives in pursuit of our zero emission vision.

"Our 7.2 million customers benefited from a high reliability level and frequent daily departures connecting Continental Europe and Scandinavia with ferries and onshore facilities that are continuously being upgraded with pioneering green technology.

Søren Poulsgaard Jensen, CEO

Performance

We continued to strengthen and develop our business, enabling us to deliver stable earnings in 2019 and further underpinning a sustainable future for Scandlines as a highly competitive, reliable and increasingly green part of European infrastructure. We completed a number of initiatives to expand and deepen our long-term relationships with customers as we welcomed around 120,000 new members of our SMILE loyalty programme, which now has more than 820,000 members. At the same time, all our 7.2 million customers benefited from a highly reliable service and frequent daily departures connecting Continental Europe and Scandinavia with ferries and onshore facilities that are continuously being upgraded with pioneering green technology.

Due to soft economic indicators, 2019 saw a slight drop in traffic volume, and revenue stalled at EUR 475 million. Traffic volume contracted as sentiment changed among both consumers and professionals, reducing cross-border trade after years of strong growth, particularly in freight traffic. Germany's economy grew by a moderate 0.6 percent in 2019 against 1.5 percent the preceding year, and the slowdown was exacerbated by ongoing Brexit discussions and global trade tensions taking their toll on the country's key manufacturing industry and exports. In addition, economic growth in Sweden remained soft and continued to have a negative effect on the number of Swedish visitors on our ferries and in our BorderShops.

The slowdown in traffic and revenue was countered by our focus on operational efficiency and effectiveness across the group. These efforts enabled us to record profit from ordinary activities (recurring EBITDA) of EUR 188 million in 2019 and a recurring EBITDA margin of 40 percent. This level of profitability is slightly below expectations reflecting the prevailing market conditions. We see potential for improvement in the coming years as we continue to optimise and develop our business.

Sustainability

We have considered green investments and initiatives an integral part of our strategy for many years and a clear precondition for ensuring long-term competitiveness in our market. The commissioning and success of our green hybrid ferries on the Rostock-Gedser route has underlined this point, and we continued on this path in 2019 as we installed new thrusters on M/V Schleswig-Holstein operating the Puttgarden-Rødby route and prepared the fitting of a custom-made 30 meter-high rotor sail on M/V Copenhagen to harness wind power and provide supplementary propulsion while reducing CO_2 emissions. We are confident that these green investments will benefit both our surroundings and our business, and we will increase our efforts in 2020 with the aim of making the Puttgarden-Rødby route a zero emission crossing in the foreseeable future.

Outlook

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

In the longer term, we will also continue to invest in green initiatives and operational excellence to drive competitiveness and prepare for the competition arising from the planned construction of the Fehmarn Belt fixed link. The connection was approved by German authorities in 2019, and the approval as well as the project itself now face complex complaint cases filed with the Federal Administrative Court of Leipzig beginning with court hearings in late 2020 which are expected to take at least two years. In addition, the European Commission decided in March 2020 that the financing of the fixed link constitutes state aid, which should be limited to a maximum of EUR 9.3 billion and 16 years of operations. Regardless of the outcome of the fixed link, we will continue to strengthen our competitiveness and provide vital infrastructure to allow customers to sail between Continental Europe and Scandinavia.

KEY FIGURES AND FINANCIAL RATIOS

MEUR	2019	2018	2017	2016	2015
INCOME STATEMENT					
Revenue	475	477	487	470	460
Result from ordinary activities, excl. special items (recurring EBITDA)	188	191	194	180	170
Result from ordinary activities (EBITDA)	182	185	182	172	184
Amortisation and depreciation	-39	-38	-42	-33	-28
Result from ordinary activities (EBIT)	142	148	140	139	156
Net financials	-22	-20	-49	-51	-46
Result before tax	121	128	91	88	109
Result for the year	115	125	88	81	107
BALANCE SHEET					
Total assets	1,256	1,277	1,307	1,444	1,348
Investments (capital expenditure)	22	13	27	92	136
Equity	219	445	413	463	367
Interest bearing liabilities	978	768	821	864	830
CASH FLOW STATEMENT					
Cash flow from operating activities	151	154	131	102	153
Cash flow from investing activities	-22	-13	-27	-92	40
Cash flow from financing activities	-135	-145	-159	34	-209
Recurring EBITDA margin	40%	40%	40%	38%	37%
Average number of employees (FTE)	1,533	1,534	1,524	1,506	1,488

STEADY PERFORMANCE FOR A SUSTAINABLE FUTURE

Over recent years, Scandlines has consistently delivered a stable operational performance and generated solid financial results, enabling investment in enhanced efficiency, improved customer experience and green initiatives.

We continue to pursue the vision of converting our fleet to zero emission ferries, aiming to make the Puttgarden-Rødby route a zero emission crossing in the foreseeable future.

BUSINESS

SCANDLINES ROUTE MAP

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

Puttgarden-Rødby

Four hybrid ferries with a crossing time of only 45 minutes and 100 departures per day. The route enables cars to travel from Hamburg to Copenhagen in 4 hours and 15 minutes at competitive prices.

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

Rostock-Gedser

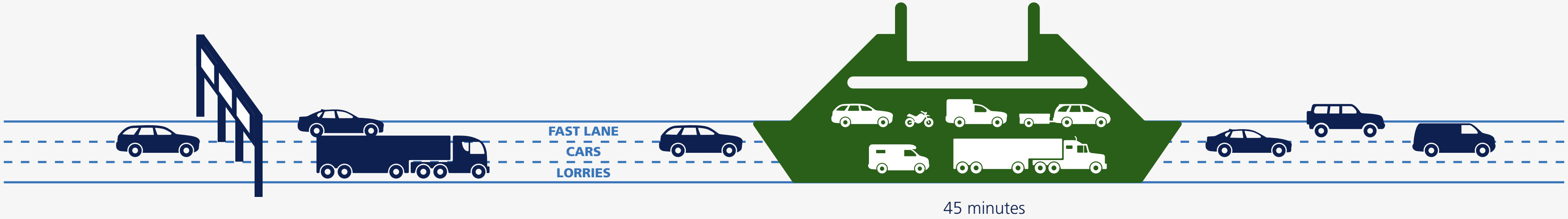
Two hybrid ferries with a maximum crossing time of 2 hours and 20 departures per day. The route enables cars to travel from Berlin to Copenhagen in less than 6 hours at competitive prices.

BorderShops

Two BorderShops in Puttgarden and Rostock and Easymarked in Rostock offer low prices and unparalleled shopping opportunities.

SCANDLINES AT A GLANCE

SPECIALISED INFRASTRUCTURE PROVIDES A SEAMLESS JOURNEY



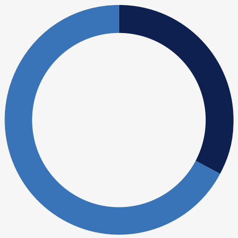
Direct and automated access
- Motorway access to terminal
- Check-in options include drive-through electronic pass, automated and manned ticket booths

Efficient marshalling and loading
- Designated lanes ensure efficiency and virtually no waiting time
- Simultaneous loading of upper and lower decks
- Departure information and retail promotions on-screen

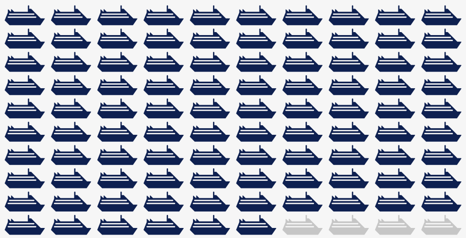
Fast crossing
- 45 minute crossing with 100 departures per day on the Puttgarden-Rødby route
- Maximum 2 hour crossing with 20 departures per day on the Rostock-Gedser route
- Focused retail and catering offering as well as mandatory resting time for freight passengers

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

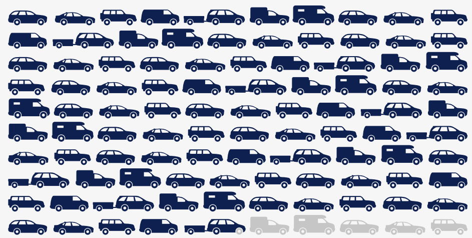
TRAFFIC MACHINE FACTS (PUTTGARDEN-RØDBY)



FARES
~40%
pre-booked



DEPARTURES
~96%
on time



CROSSING
~95%
of cars board first ferry

SCANDLINES AT A GLANCE

Scandlines operates two short-distance ferry routes between Germany and Denmark with high frequency and large capacity. Our eight ferries provide efficient and reliable transportation services to the professional freight and private passenger markets with more than 41,500 departures annually. With departures on the Puttgarden-Rødby route every 30 minutes and reliability around 96 percent, **Scandlines is always open**.

LANDINGS
4 ports

We own the three ports in Puttgarden, Rødby and Gedser and hold a lease in the port in Rostock until 2028. Our terminals are directly connected to the European motorway network, providing seamless and swift access, loading and exit for professional and private passengers.

FLEET
8 ferries

Our six hybrid ferries are supplemented by one hazardous goods ferry and one freight ferry, which also acts as a replacement ferry.

DEPARTURES
>41.5 thousand

Our infrastructure and ferries provide a direct connection between Continental Europe and Scandinavia with more than 41,500 departures annually.

LORRIES
>650 thousand

The efficiency and reliability of our traffic machine is valued by freight passengers who simultaneously take the opportunity to comply with resting time regulation while sailing.

CARS
1.7 million

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

SHOPPING
3 outlets

Customers enjoy unparalleled shopping opportunities and online pre-ordering at two BorderShops and one Easymarked located in the ports of Puttgarden and Rostock, respectively.

PASSENGERS
7.2 million

Our ferries, infrastructure and staff create value for professionals, leisure travellers and shoppers looking for efficiency, convenience or a good deal on board.

MEMBERS
>800 thousand

Great benefits and individualised promotions relevant to our valued leisure customers are now offered to 820,000 members of our SMILE loyalty programme.

SHOPPING TRANSACTIONS
>700 thousand

We completed more than 700,000 transactions at our shopping outlets, offering low prices on a wide range of beer, soft drinks, confectionery, wine and fine spirits.

DEVELOPMENTS IN 2019

Scandlines generated stable and solid financial results in 2019 despite challenging market conditions affecting traffic volumes on the group's two Germany-Denmark routes. Operational efficiency was strong and Scandlines continued to build a more competitive business through investing in green initiatives and further strengthening the group's financing.

Revenue

Group revenue totalled EUR 475 million compared to EUR 477 million in 2018 based on a stable traffic machine performance and a slight decline in revenue from the group's BorderShops.

Traffic machine

Revenue from the group's two Germany-Denmark routes was unchanged at EUR 352 million in a market impacted by increasing uncertainty among both freight customers and consumers in the face of political tensions in the European Union and international trade conflicts. The overall activity level was lower on both routes during the year as economic growth was subdued in Germany and Sweden.

Car traffic declined by 3 percent, with a small positive contribution from the Rostock-Gedser route, but lower volumes on the Puttgarden-Rødby route. The development was driven by a decline in shopping traffic while leisure traffic remained stable. Following years of growth, Scandlines' freight business saw a 4 percent decline in transported freight units in 2019 based on lower volumes on both routes. The number of passengers declined by 3 percent in total as volumes decreased on both routes.

We revised and strengthened the SMILE loyalty programme in 2019 to further improve customer experience and sales. We grew the number of SMILE members by 17 percent to more than 820,000 persons eligible for various benefits and individualised promotions based on online activity and transactional data analysis. The programme is integrated with our point of sales system and tailored to offer customers relevant options to spend saved points on online ticket sales, aboard the ferries and in the BorderShops. We will continue to improve and invest in our SMILE loyalty programme in 2020.

BorderShops

Activity at our BorderShops was relatively stable in 2019 despite soft economic growth in Sweden and the weak Swedish currency, which continued to have a negative effect on our Swedish customers' financial incentive to travel south and visit the group's BorderShops. Simultaneously, Scandlines implemented a new pricing strategy focusing on everyday fixed price shopping tickets.

Revenue from the group's BorderShops saw a minor decline to EUR 124 million against EUR 125 million in 2018.

Result from ordinary activities

Group profitability remained steady as Scandlines reported profit from ordinary activities (recurring EBITDA) of EUR 188 million in 2019 against EUR 191 million in 2018 corresponding to an unchanged recurring EBITDA margin of 40 percent.

The group's traffic machine contributed EUR 178 million to recurring EBITDA and the BorderShops contributed EUR 11 million compared to EUR 180 million and EUR 10 million, respectively, in 2018.

This solid profitability level was secured mainly by means of cost control measures compensating for the lower traffic volumes during the year.

Financial income and expenses

Net financials came to an expense of EUR 22 million against EUR 20 million in 2018.

Profit for the year

Scandlines' result before tax declined to EUR 121 million against EUR 128 million in 2018. Profit for the year was EUR 115 million in 2019 against EUR 124 million the prior year.

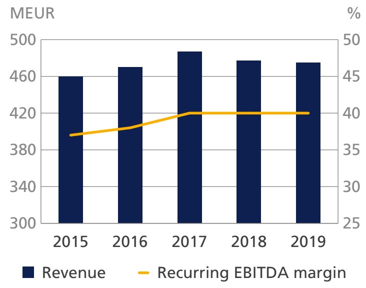
Investments and cash flow

The group's intangible assets and property, plant and equipment were largely unchanged at EUR 1,168 million at year-end against EUR 1,182 million the previous year.

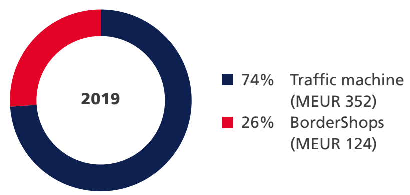
Cash flow from operating activities remained strong and amounted to an inflow of EUR 153 million compared to an inflow of EUR 154 million in 2018.

Cash flow to investing activities was an outflow of EUR 22 million against an outflow of EUR 13 million in 2018. Investments included prepara-

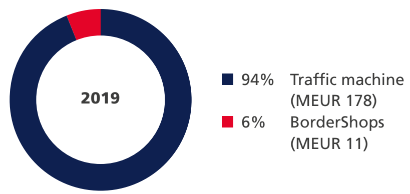
Solid profitability



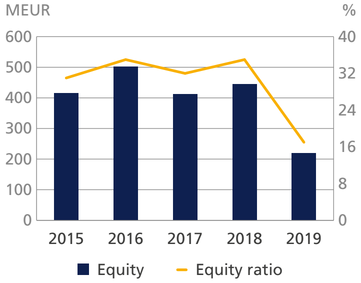
Revenue split



Recurring EBITDA split



Equity and equity ratio



tion for the introduction of a new ERP system and ordinary maintenance as well as the installation of new thrusters and a new generator on hybrid ferry M/V Schleswig-Holstein on the Puttgarden-Rødby route and preparations for M/V Copenhagen to be fitted with a custom-made 30 meter-high rotor sail in the first half of 2020.

Cash flow to financing activities was an outflow of EUR 135 million against an outflow of EUR 145 million in 2018.

The group's interest-bearing debt increased to EUR 982 million in 2019 from EUR 768 million. Scandlines completed a refinancing in 2019 and raised EUR 306 million to complement the group's existing long-term financing structure. The group furthermore repaid debt in accordance with its existing loan agreement.

At year-end, cash and cash equivalents amounted to EUR 30 million, and the net interest-bearing debt was EUR 952 million compared to cash and cash equivalents of EUR 35 million and a net interest-bearing debt of EUR 733 million in 2018.

Assets and equity

The group's assets were EUR 1,256 million at 31 December 2019 compared to EUR 1,277 million the previous year.

The group's total equity at 31 December 2019 was EUR 219 million against EUR 445 million, corresponding to an equity ratio of 17 percent against 35 percent in 2018.

Events after the balance sheet date

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

GREEN PROFILE ON ROSTOCK-GEDSER

Our hybrid ferries M/V Berlin and M/V Copenhagen were commissioned on the Rostock-Gedser route in 2016 and underwent Lloyd's Register Class Survey dockings during 2019. Since their commissioning in 2016, the ferries have contributed to the route's positive development and performance.

The ferries are operated by Scandlines' hybrid propulsion system and fitted with closed-loop scrubbers that clean the engine exhaust streams of pollutants and reduce sulphur emissions by at least 90 percent, ensuring compliance with IMO's sulphur oxide limit of 0.1 percent m/m.

In 2019, we prepared M/V Copenhagen for the installation of a custom-made 30 meter-high rotor sail that harnesses wind power to provide supplementary propulsion while reducing CO_2 emissions. The rotor sail will be installed in the first half of 2020.

OUTLOOK

Financial guidance 2020
The outbreak of COVID-19 across Europe in early 2020 and subsequent travel restrictions are expected to have a negative impact on traffic figures and financial performance for the year. In addition, the ongoing Brexit preparations and the US-China trade conflict are expected to have a continued negative impact on freight volumes. Passenger volumes on the Puttgarden-Rødby route will be negatively impacted as Deutsche Bahn and DSB have rerouted all train traffic between Germany and Denmark as of late 2019 due to trackwork related to the preparation for the Fehmarn Belt fixed link. Efforts will be made to alleviate the impact of these negative external effects through cost control measures and efficiency enhancements, but due to the high degree of uncertainty and very low visibility, management is currently not in a position to provide precise financial guidance for 2020.

Mid-term perspectives
Scandlines will continue to focus on maintaining and strengthening the competitiveness of the traffic machine operations on the group's two Germany-Denmark routes as well as the port facilities and land-based BorderShops in Puttgarden and Rostock.

Enhancing efficiency
Efficiency enhancements will remain a key component of ensuring competitiveness, and we will continue our efforts to increase capacity utilisation on both traffic machines and re-allocate capacity on the Puttgarden-Rødby route from train traffic to bus and freight traffic, among other things.

In addition, we will continue the roll-out of a new ERP system and additional optimisation efforts to maintain and further develop Scandlines' position as an efficient, reliable, green and highly competitive piece of infrastructure connecting Continental Europe and Scandinavia.

Making progress towards zero emission
We continue to pursue the vision of converting our fleet to zero emission ferries, and it is our ambition to introduce the first zero emission ferry on the Puttgarden-Rødby route in the mid-term. We want to be perceived as an industry leader with a clear vision for the sector's green future, and we are basing our efforts on our own hands-on experience from pioneering hybrid ferries and establishing the largest hybrid ferry fleet in operation as well as general technological progress allowing us to reduce our footprint further.

In 2019, new thrusters were installed on M/V Schleswig-Holstein, and the remaining three passenger ferries operating the Puttgarden-Rødby route will be fitted with new thrusters in 2020 and re-painted with silicone antifouling paint to improve energy efficiency and further reduce emissions. In addition, M/V Copenhagen will be fitted with a custom-made 30 meter-high rotor sail in the first half of 2020 to harness wind power and provide supplementary propulsion while reducing CO_2 emissions.

In the mid-term, we aim to reduce power consumption per trip by improving efficiency and securing sufficient electrical infrastructure to the ports. We have improved the onboard generation and reuse of energy and initiated the work to install a new seven-kilometre power line in Rødby to enable battery-charging from land-based electricity.

The Fehmarn Belt fixed link
The German authorities approved the construction of the Fehmarn Belt fixed link in early 2019, and eight complaint cases were subsequently filed at the Federal Administrative Court in Leipzig, Germany. Scandlines has filed one of these complaint cases and will participate in court hearings in the autumn of 2020. In addition, the European Commission decided in March 2020 that state guarantees issued by the Danish state constitute state aid, which should be limited to a maximum of EUR 9.3 billion and 16 years of operations.

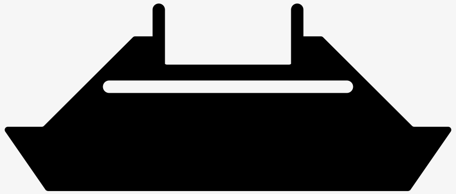
OUR ZERO EMISSION VISION

Our ambition is zero emission. Our approach is "one nautical mile at a time". We invest responsibly in tomorrow's environmental technology leading towards a greener future. Conventional ferry operation was yesterday, hybrid operations today and emission free ferries the future.

Yesterday

CONVENTIONAL

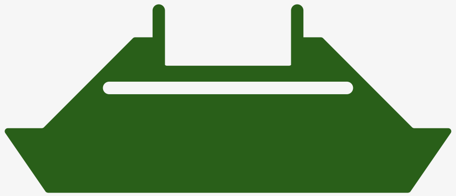
Diesel and electric propulsion



Today

HYBRID

Diesel, battery and electric propulsion



Tomorrow

ZERO EMISSION

Further energy reduction and hull optimisation

GOVERNANCE

OUR RESPONSIBILITY

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

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

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

Scandlines diligently identifies, evaluates and manages risks in the areas covered by the Code of Conduct as part of the overall risk management process described on pages 18-20. Reference is made to pages 8-10 for a description of Scandlines' business model.

Safety

The safety and well-being of our passengers and employees are of paramount importance to Scandlines' business, and our Code of Conduct emphasises our commitment to protecting health and safety in the workplace. We comply with internationally recognised standards, record and analyse incidents and train our employees to maintain a high safety level. The General Notice System (GNS) records any incidents, dangerous situations and deviations from the International Safety Management System (ISM) and allows us to analyse the data as part of Scandlines' annual management reviews to ensure that procedures are updated and improved whenever relevant.

Results and outlook

Scandlines remained fully compliant with the demands of national and international maritime regulations, including the International Safety Management Code, in 2019. The annual company audits by the maritime authorities were all satisfactorily passed. In addition to the maritime authorities, our classification society, Lloyd's Register, maintained and continuously maintains oversight of the group's ferries to ensure that all statutory rules and regulations are observed and that maintenance procedures are performed and documented accurately.

Implementation of the SERTICA HSEQ Management programme continued in 2019. The programme ensures full control of documents under the mandatory Safety Management System and enables further improvement of the group's monitoring, reporting and verification of safety data through more detailed analysis of incidents and near-misses.

We continued to draw on external experts and analyse incidents and near-misses recorded by safety committees on board every ferry and in every terminal as a foundation for our continued investment in the improvement of the working environment. We conducted weekly and monthly safety drills for crew members as well as testing of equipment in accordance with mandatory demands, and our voluntary Maritime Crew Resource Management (MCRM) training in cooperation with CAE continued to add awareness of safety issues and culture to the officers of Scandlines. We furthermore continued to conduct courses on our own premises in the simulator in Puttgarden with participation by officers from other ferry operators in Denmark.

We held our fifth internal occupational health seminar in Denmark in 2019 with the participation of more than 100 employees. The seminar was completed to maintain a high level of awareness of HSEQ and focused on good working environment and safety, security every day, the future workplace and conflict management.

Human rights

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

Results and outlook

Towards the end of 2019, Scandlines relaunched an updated version of the group's dedicated E-learning programme about the Code of Conduct for administrative employees and employees with management responsibility, entailing a 70 percent completion rate at the end of the year. In addition, the share of our suppliers within retail and catering that have signed the Supplier Code of Conduct increased significantly from 65 percent to 94 percent. Suppliers based in higher risk countries have undergone particular review, including e.g. obtaining audit reports validating compliance with adequate working conditions (e.g. working hours, compensation, etc.).

These initiatives will continue in 2020.

Social and employee matters

Scandlines' Code of Conduct includes social and employee matters and is part of the Scandlines onboarding programme.

Results and outlook

Scandlines continued to invest in the development and education of the group's employees in 2019 as all full-time employees completed an annual appraisal discussion, Personal Performance Development (PPD), as a key step in our work to ensure high performance and employee satisfaction levels. During 2020, the process will be digitalised and conducted in Scandlines' newly implemented HR system. During 2019, three trainees successfully completed Scandlines' professional education in Germany.

Scandlines maintained its collaboration with local job centres on the Danish islands of Lolland and Falster to find up to 170 temporary staff for the high season. In 2019, more than 15 percent of these staff members were later employed on a permanent basis. During the year, Scandlines was granted the integration award by the Integration Council of Lolland Municipality for our ongoing efforts to integrate employees from a range of different countries. In Germany, Scandlines predominantly works with schools on and around Fehmarn in order to recruit temporary staff. Scandlines employed an average of 1,533 full-time employees (FTEs) in 2019 against 1,534 in 2018. The group employed 668 FTEs on shore and 865 FTEs at sea in 2019.

Scandlines furthermore supports the local area on the Danish islands of Lolland and Falster as well as the German island of Fehmarn by means of sponsorship agreements with local sports clubs, shows and school projects, among other things.

Scandlines maintained the group's onboarding programme for all new employees in Germany and Denmark with a view providing all employees with a thorough introduction to Scandlines. We aim to maintain the programme in 2020.

Environment and climate

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

Results and outlook

We continued to pursue our zero emission vision as described in the outlook section and maintained a number of partnerships in 2019, including:

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

The cooperation with NABU includes a multi-year project on underwater noise reduction, covering both scientific advice and consultancy concerning the implementation of specific technical measures, leading to the installation in 2019 of new thrusters on Scandlines' hybrid ferry M/V Schleswig-Holstein on the Puttgarden-Rødby route. The new thrusters allow a more homogenous water flow, which gives less noise and vibration and ultimately reduces emissions significantly. The thrusters on the remaining three hybrid ferries on the Puttgarden-Rødby route will be replaced in 2020.

Towards the end of 2019, M/V Schleswig-Holstein was fitted with a new generator, which has become operational in early 2020. In addition, preparations were made for M/V Copenhagen to be fitted with a custom-made 30 meter-high rotor sail in the first half of 2020 aiming to harnesses wind power and provide supplementary propulsion while reducing CO_2 emissions.

During 2019, Rostock Port and Scandlines contributed to a research project about the digitalisation and optimisation of pre-storage and loading processes in the Port of Rostock with research partner Fraunhofer, which is Europe's largest application-oriented research organisation. The project is co-financed by the Federal Ministry of Transport and Digital Infrastructure in Germany under the funding programme "IHATEC" and is expected to run until 2021.

Furthermore, Scandlines continued to offset business flight trips carried out by our entire staff via atmosfair.

In 2020, Scandlines will continue to build the group's green profile through relevant measures such as emission management, reduction of energy consumption and kitchen waste, cooperation, etc.

Anti-corruption and business ethics

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

Results and outlook

Scandlines maintained the group's comprehensive compliance programme in 2019 as potential non-compliance with relevant rules and regulations may have a significant detrimental impact on Scandlines' business, financial statements and reputation. It is thus crucial that any violation is immediately reported and acted on.

Following the relaunch of Scandlines' updated Code of Conduct E-learning programme towards the end of 2019, 70 percent of administrative employees and employees with management responsibility had completed the programme at the end of the year. The group's Supplier Code of Conduct was signet by 94 percent of suppliers within retail and catering in 2019.

The anti-corruption and anti-bribery initiatives will continue in 2020.

GREEN SHIP OF THE FUTURE

TRIDENT ALLIANCE

NABU

MANAGEMENT AND OWNERSHIP

Scandlines is led by a management team with extensive international experience and expertise in infrastructure, shipping and fast moving consumer goods. The group bases its corporate governance on Danish and German regulation and is owned by a consortium of long-term infrastructure investors.

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

Management

Scandlines' daily operations are managed by Executive Management. None of the major shareholders are directly represented in Executive Management, but are represented through the supervisory board.

Gender diversity in management bodies

There were no women among the shareholder-elected members of the supervisory board in 2019 as no changes were made to the composition of the board and no new members were elected. We maintain our target of increasing the share of women to a minimum of 20 percent of the shareholder-elected members by 2021.

Scandlines is dedicated to promoting gender diversity. We always hire the best candidate for the job and maintained our practice of considering our commitment to gender diversity during the year in cases where a female and a male candidate for a management position were equally qualified.

In 2019, the proportion of women at other managerial levels reporting directly to the CEO was unchanged at 28 percent. We intend to improve this gender diversity over time and to further nurture the environment to increase the number of women in management. Our policy on gender equality in other management aims to increase the share of women and may be found on our website[1]. In addition, we are actively collaborating with the Danish Shipowners' Association on improving conditions for female candidates for leadership positions and invest in our female employees to prepare them for a management career.

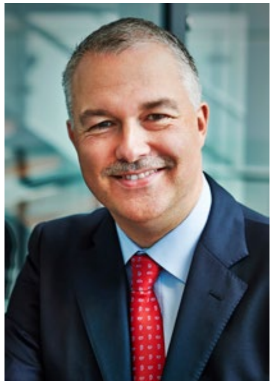
Ownership

Scandferries ApS is the parent of Scandlines ApS, whilst Scandlines Infrastructure ApS has the function of the ultimate parent. Scandlines Infrastructure ApS is owned by a consortium of infrastructure investors including First State Investments (50.1 percent), Hermes Investment Management (14.9 percent) and 3i Group plc (35 percent).

The operational and administrative activities of the group are managed by Scandlines Danmark ApS and Scandlines Deutschland GmbH.

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

MANAGEMENT



Søren Poulsgaard Jensen
CEO and member of Executive Management

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

Extensive management and commercial experience from the international shipping industry.

Previously held various management positions at A.P. Møller-Mærsk in Hong Kong, Indonesia, Russia, Thailand and Copenhagen.

Chairman of the Danish Ferry Association since 2019.

Per Johannesen Madsen
CFO and member of Executive Management

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

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

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

Michael Guldmann Petersen
COO

Joined Scandlines as SVP Route Management & Operations in 2017 and was appointed COO in 2018.

Significant management experience and solid international maritime experience.

Previously worked as Port, Rail & Marine Manager for an iron mine in Sierra Leone and has held various positions in the maritime business such as Operations Manager and General Manager in the Netherlands, Nigeria and Italy.

RISK MANAGEMENT

Scandlines is exposed to risks related to the environment in which the group operates ('Market risks') as well as specific risks related to the conduct of the group's business ('Commercial risks').

Executive Management has overall responsibility for the group's risk management and internal control procedures. Executive Management reviews the risks that may affect Scandlines' operational and financial targets and applies an active approach to risk management with a view to identifying and reviewing risk areas and determining how to manage these risks with a strong focus on the risk-return balance.

We have applied an Enterprise Risk Management framework to ensure a structured and focused process for the identification, assessment, reporting and handling of relevant risks.

MARKET RISKS

Economic and political climate

Business might be affected by events impacting the historically stable and predictable economic and political environment in which we operate.

Overall demand for motorway-based transport of freight and passengers is impacted by the general state of the economy, which is affected by a range of variables, including growth and employment rates, inflation, trade conflicts and the right to move freely across borders. Decreasing demand can lead to overcapacity in general and lower operational efficiency on completed departures.

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

Mitigation

Scandlines monitors economic and political developments closely and may remedy unfavourable changes in demand and potential overcapacity by reducing frequency of departures, reallocating capacity between traffic categories, reducing staffing or by temporarily de-commissioning a ferry from a route.

Rules and regulations

The Scandlines group's operations are subject to complex national and international rules and regulations governing the transport and shipping sector in the Baltic Sea region including international conventions adopted by the International Maritime Organization (IMO). Applicable rules and regulations concern, among other things, environmental and safety issues. In addition, the group is subject to regulations governing food and product safety, data protection, anti-bribery and anti-money laundering, among other things. Changes to applicable rules and regulations, including the introduction of temporary restrictions on travel and the freedom to assemble, and failure to comply with these may have a detrimental effect on Scandlines' business.

Mitigation

The group continuously invests significantly in reducing its ferry operations' environmental footprint by implementing hybrid and scrubber solutions as well as installing state-of-the-art thrusters, ensuring an industry-leading position and full compliance with applicable environmental regulations in the region.

Scandlines continuously monitors the regulatory environment and takes any required mitigating actions to ensure compliance with, among other things, relevant safety and manning requirements, specific regulations concerning working conditions for seafarers and temporary restrictions on travel and the freedom to assemble.

Financial markets

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

Interest rate exposure is limited to a minority of the group's interest-bearing debt. The interest rate fluctuates with EURIBOR, and a potential increase in EURIBOR would thus entail an increase in the absolute amount of interest payable by the group.

Significant movements in foreign exchange rates may have a negative effect on the group's financial condition and operational results.

Mitigation

To mitigate the potential impact of interest rate fluctuations, the majority of Scandlines' debt is based on fixed interest rates or subject to hedging.

The group's functional currency is EUR as the majority of transactions are denominated in either EUR or DKK. As a consequence of Denmark's fixed-rate policy vis-à-vis the EUR, the group's foreign exchange exposure is considered to be limited and mainly relates to cash flow denominated in SEK.

COMMERCIAL RISKS

Competitive environment

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

Such potential changes most significantly include the planned construction of the Fehmarn Belt fixed link, which has been approved by German and Danish authorities. In early 2019, eight complaint cases against the project were filed at the Federal Administrative Court in Leipzig, Germany. Court hearings will be held in the autumn of 2020, and the uncertainty pertaining to these complaint cases in Germany as well as the project's overall time schedule and financing indicate that the earliest possible opening of the fixed link would be at least a decade from now. Potential construction work on the Fehmarn Belt fixed link entails risk of material negative impact on our operations, reliability and, ultimately, competitiveness during the construction period.

Mitigation

Scandlines continuously improves the group's offering and operational efficiency to maintain a strong competitive position against established competitors and the planned fixed link.

Prior to, during and after the potential construction of the Fehmarn Belt fixed link, Scandlines will continue to participate in public discussions and take legal steps where necessary to ensure a fair competitive landscape by preventing the granting of state aid on unfair terms to the company operating the fixed link and the deterioration of motorway access to our port in Puttgarden, among other things. In March 2020, the European Commission decided that state guarantees issued by the Danish state to the state-owned company responsible for the construction and operations of the Fehmarn Belt fixed link constitute state aid, which should be limited to a maximum of EUR 9.3 billion and 16 years of operations. In 2019, Scandlines filed an application for injunction against the Danish Ministry of Finance to ensure cancellation of loans taken out on the basis of invalid state guarantees. In addition, Scandlines has filed a complaint against the German authorities' approval of the Fehmarn Belt fixed link in 2019 and will participate in court hearings in the autumn of 2020.

Operations, environment and security

The group's main operational risks concern our owned ferries and ports in Puttgarden, Rødby and Gedser. Disruption of service may occur from technical problems, accidents, failure by suppliers – of which Scandlines has approximately 2,000 – to meet their contractual obligations, cyber or terrorist attacks, or adverse weather conditions, potentially entailing a material negative impact on our operations, the reputation of our traffic machine concept and the group's financial results and business.

Scandlines is subject to comprehensive environmental protection laws, and incidents could impose strict liability, including fines, penalties, criminal liability and remediation costs for natural resource damages in case of spills and release of oil and hazardous substances, regardless of whether Scandlines might have acted negligently. In addition, any environmental incident may entail additional regulatory initiatives or statutes that may affect Scandlines' operations and financial results.

Work accidents or incidents might endanger the health of employees, customers or other related parties.

Mitigation

Scandlines has taken measures to ensure redundancy in the operational setup to avoid disruption of service arising from technical problems or accidents. M/V Kronprins Frederik acts as a freight ferry on the Puttgarden-Rødby route and as a replacement ferry.

Scandlines adheres to a systematic and comprehensive maintenance programme for all ferries, including regular dockings. The stable traffic machine concept is highly resistant to adverse weather, exceeding the comparable performance by competition from the existing fixed link on The Great Belt Bridge as well as regional air travel options and direct ferry routes between Sweden and Germany/Poland.

Scandlines continuously takes measures, including regular evaluation and training, to reduce the risk of work accidents and environmental incidents arising from its operations, including the transportation of hazardous goods on the Puttgarden-Rødby route. The group continuously monitors and implements initiatives to reduce the risk and potential impact of cyber and terrorist attacks.

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

Customers and credit

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

Scandlines' credit risks are limited and primarily related to trade receivables from professional customers.

Mitigation

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

Scandlines has implemented a credit policy and structured dunning procedures as well as various early warning systems to systematically reduce bad debts, which have historically been very limited.

Maintenance and investments

The group owns and operates well-invested, modern and purpose-built infrastructure assets including check-in areas, marshalling areas, ramps, berths and ferries.

Mitigation

We utilise our assets with a strong focus on cost optimisation measures to remain competitive and follow a constant schedule of maintenance and improvement of all assets to ensure compliance with mandatory and safety maintenance requirements.

Fuel price and availability

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

Mitigation

Our fuel price exposure is commercially hedged through bunker adjustment factor ('BAF') clauses in freight customer contracts or fixed price and additional financial hedging contracts.

IT

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

Mitigation

We continuously work to reduce risks of IT system disruption, information security breaches and cyber attacks by means of constant monitoring and penetration testing of systems, implementation and continuous enhancements of various defense tools, installation of back-up systems and adoption of procedures to restore system functionality as well as internal controls and adherence to rules and regulations governing information security.

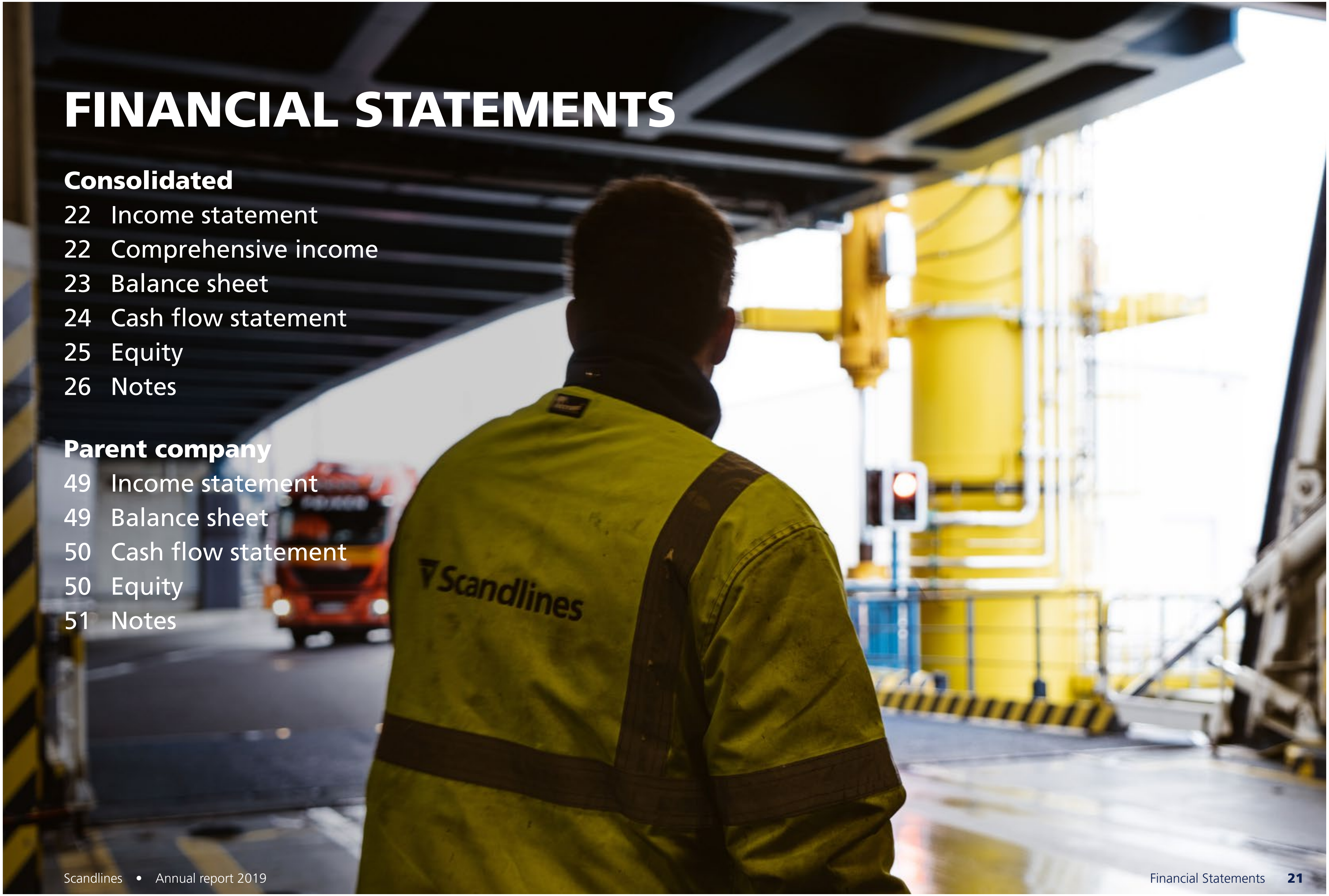
Furthermore, we are continuously running awareness campaigns to increase employees' security awareness.

Qualified employees and management

The ability to recruit and retain qualified employees and management is critical to our success in the long term and may be affected by circumstances beyond our control, including German, Danish and international employment law, which is subject to change on a continuous basis, changes in the demand for skilled labour as well as demographic developments entailing a reduction of the available workforce.

Mitigation

We monitor relevant regulatory, workforce and demographic developments and make targeted efforts to attract and retain qualified personnel by offering competitive compensation and ensuring continued development and education of employees, thus securing a high employee satisfaction level and reducing the risk of strikes.



FINANCIAL STATEMENTS

Consolidated

Parent company

INCOME STATEMENT

MEUR	Notes	2019	2018
Revenue	2	475.0	477.0
Other operating income		8.4	8.9
Total income		**483.4**	**485.9**
Operating costs for vessels		-49.9	-49.0
Cost of goods sold		-119.1	-122.1
Staff costs	3	-82.9	-77.5
Other external expenses	19	-49.9	-51.9
Total costs		**-301.8**	**-300.5**
Result before amortisation and depreciation (EBITDA)		**181.6**	**185.4**
Amortisation and depreciation	4	-39.2	-37.7
Result from operations		**142.4**	**147.7**
Financial income	5	0.0	0.0
Financial expenses	6	-21.6	-19.7
Result before tax		**120.8**	**128.0**
Tax for the year	7	-5.5	-3.5
Result for the year		**115.4**	**124.5**

COMPREHENSIVE INCOME

MEUR	Notes	2019	2018
Result for the year		**115.4**	**124.4**
Other comprehensive income/loss			
Items that may be reclassified subsequently to profit and loss			
Value adjustments of hedging instruments:			
Value adjustments for the year		1.0	-1.7
Foreign exchange adjustments, foreign enterprises		-1.6	-0.3
Other comprehensive income/loss after tax		**-0.6**	**-2.0**
Total comprehensive income/loss		**114.8**	**122.4**

BALANCE SHEET

MEUR	Notes	31.12.19	31.12.18
ASSETS			
Goodwill		630.3	631.3
Software		5.3	7.4
Other intangible assets		0.9	1.3
Non-current intangible assets	8	**636.5**	**640.0**
Land and buildings		118.4	123.3
Vessels		332.6	350.0
Other fixtures and fittings, tools and equipment		46.2	49.4
Leasing of property, plant and equipment		4.6	0.0
Assets under construction		29.9	18.9
Non-current tangible assets	9	**531.7**	**541.6**
Total non-current assets		**1,168.2**	**1,181.6**
Inventories	10	20.5	20.4
Receivables	11	35.7	38.9
Prepayments		1.7	1.3
Cash		29.5	34.5
Current assets		**87.4**	**95.1**
Total current assets		**87.4**	**95.1**
Assets		**1,255.6**	**1,276.7**

MEUR	Notes	31.12.19	31.12.18
EQUITY AND LIABILITIES			
Share capital reserves		0.0	0.0
Reserves		4.4	5.0
Retained earnings		214.6	439.6
Total equity		**219.0**	**444.6**
Interest-bearing liabilities	13	960.9	709.0
Deferred tax	12	1.9	1.9
Pension and anniversary liabilities	14	0.6	0.5
Total non-current liabilities		**963.4**	**711.4**
Interest-bearing liabilities	13	17.5	59.2
Pension and anniversary liabilities	14	0.7	0.7
Income tax	16	-	0.8
Trade payables		29.4	36.2
Other provisions	15	9.6	7.7
Other liabilities	17	14.3	15.0
Deferred income	18	1.7	1.1
Total current liabilities		**73.2**	**120.7**
Total liabilities		**1,036.6**	**832.1**
Equity and liabilities		**1,255.6**	**1,276.7**

CASH FLOW STATEMENT

MEUR	Notes	31.12.19	31.12.18
Result before amortisation and depreciation (EBITDA)		181.6	185.4
Adjustments for non-cash operating items, etc.	21	2.0	0.4
Working capital changes	22	-4.2	-7.5
Cash flows from operating activities, gross		**179.4**	**178.3**
Interest paid (expenses)		-21.3	-18.1
Taxes paid		-6.8	-6.0
Cash flows from operating activities, net		**151.3**	**154.2**
Investments in intangible assets, net	8	-0.1	0.0
Investments in land and buildings, net	9	0.0	0.0
Investments in vessels, net	9	-2.8	-0.6
Investments in other fixtures and fittings, tools and equipment, net	9	-1.1	-1.0
Investments in assets under construction, net	9	-17.7	-11.5
Cash flows to/from investing activities		**-21.7**	**-13.1**
Payment of dividends		-340.5	-90.5
Repayment, bank loan		-100.4	-54.7
New bank loan		305.6	0.0
Cash flows to/from financing activities		**-135.3**	**-145.2**
Cash flows for the year		-5.7	-4.1
Cash at 1 January		34.5	39.0
Currency exchange adjustment		0.7	-0.4
Cash at 31 December		**29.5**	**34.5**

STATEMENT OF CHANGES IN EQUITY

MEUR	Share capital	Exchange rate adjustments	Fair value adjustment of hedging instruments	Retained earnings	Proposed Dividend	Total
Equity at 1 January 2019	0.0	6.9	-1.9	439.6	0.0	444.6
Comprehensive income/loss for the year						
Result for the year	0.0	0.0	0.0	115.4	0.0	115.4
Income/loss	0.0	-1.6	1.0	0.1	0.0	-0.5
Total comprehensive income/loss	**0.0**	**-1.6**	**1.0**	**115.5**	**0.0**	**114.9**
Transactions with the owners						
Payment of extraordinary dividend	0.0	0.0	0.0	-340.5		-340.5
	0.0	**0.0**	**0.0**	**-465.5**	**0.0**	**-340.5**
Equity at 31 December 2019	**0.0**	**5.3**	**-0.9**	**89.6**	**0.0**	**219.0**

Reserves

Hedging reserve:

The hedging reserve is comprised of the accumulated net change in the fair value of hedging interest rate instruments, which qualify for hedging of future cash flows.

Dividend

In 2019, an extraordinary dividend of EUR 340.5 million was paid to owners.

MEUR	Share capital	Exchange rate adjustments	Fair value adjustment of hedging instruments	Retained earnings	Total
Equity at 1 January 2018	0.0	7.3	-0.2	405.6	412.7
Comprehensive income/loss for the year					
Result for the year	0.0	0.0	0.0	124.5	124.5
income/loss	0.0	-0.4	-1.7	0.0	-2.1
Total comprehensive income/loss	**0.0**	**-0.4**	**-1.7**	**124.5**	**122.4**
Transactions with the owners					
Payment of dividend	0.0	0.0	0.0	-90.5	-90.5
	0.0	**0.0**	**0.0**	**-90.5**	**-90.5**
Equity at 31 December 2018	**0.0**	**6.9**	**-1.9**	**439.6**	**444.6**

Reserves

Hedging reserve:

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

Dividend

In 2018, an extraordinary dividend of EUR 90.5 million was paid to owners.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

As part of the preparation of the consolidated financial statements, Management makes a number of accounting estimates and judgements as well as assumptions as a basis for recognising and measuring the group's assets, liabilities, income and expenses. The estimates, judgements and assumptions made are based on experience gained and other factors that are considered prudent by Management in the circumstances, but which are inherently subject to uncertainty and volatility. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur for which reason the actual results may differ from the estimates and judgements made. The group's accounting policies are described in detail in note 27 to the consolidated financial statements to which we refer.

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

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

Impairment test of vessels, including assessments of expected useful lives and scrap values
Significant accounting estimates and judgements concerning vessels include a breakdown of the vessels' cost into components based on their expected useful lives, the vessels' expected maximum useful life for the enterprise, scrap value and impairment testing. The vessels' expected useful lives for the enterprise and their scrap values are revalued and estimated at least once a year. In addition, impairment tests are performed in the event of any indication of impairment, please refer to note 8 to the consolidated financial statements.

For a more detailed description of estimates and judgements concerning vessels, please refer to the accounting policies described in note 27 to the consolidated financial statements.

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

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

Provisions and contingencies
Management regularly assesses provisions and contingencies as well as the probable outcome of pending or possible lawsuits and similar matters. The outcome depends on future events which are inherently uncertain. When assessing the probable outcome of major lawsuits, tax matters etc., Management involves external legal advisers and existing legal practice. Please refer to note 15 and 23 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. REVENUE

MEUR	2019	2018
Traffic machine	351.8	351.7
BorderShops	123.2	125.3
	475.0	**477.0**

3. STAFF COSTS

MEUR	2019	2018
Salaries and wages	-65.5	-63.4
Pension contributions	-11.5	-11.2
Other social security costs	-5.9	-2.9
	-82.9	**-77.5**
Average number of employees	1,533	1,534
Remuneration to key management personnel (Executive Management) Salaries and fees	5.3	3.7
	5.3	**3.7**

Bonus payments to Management are dependent on specific performance measures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. AMORTISATION AND DEPRECIATION

MEUR	2019	2018
Amortisation, intangible assets	-3.9	-5.2
Depreciation, vessels	-24.0	-22.6
Depreciation, land and buildings	-5.1	-4.6
Depreciation, leasing of property, plant and equipment	-1.3	0.0
Depreciation, other property, plant and equipment	-4.9	-5.3
	-39.2	**-37.7**

5. FINANCIAL INCOME

MEUR	2019	2018
Interest on cash etc.	0.0	0.0
Interest from affiliated companies	0.0	0.0
Total financial income	**0.0**	**0.0**

6. FINANCIAL EXPENSES

MEUR	2019	2018
Interest to credit institutions etc.	-21.3	-20.0
Other financial expenses	-0.3	0.3
Total financial expenses	**-21.6**	**-19.7**

7. TAX FOR THE YEAR

MEUR	2019	2018
Current tax	-5.3	-5.1
Changes in deferred tax	0.0	1.7
Adjustment previous year	-0.2	-0.2
	-5.5	**-3.6**
Tax related to discontinued operations	0.0	0.0
	-5.5	**-3.5**
Tax for the year can be specified as follows:		
Result before tax	120.8	128.0
Of this, subject to tonnage taxation	-152.0	-130.7
	-31.2	**-2.7**
Tax calculated as 22% of result before tax	-6.9	-0.5
Calculated tax in foreign companies adjusted to 22%	0.2	1.1
Non-deductible interest	12.1	3.3
Adjustment previous year	-0.2	-0.2
	5.2	**3.6**
Effective tax rate	4.4%	2.7%

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. NON-CURRENT INTANGIBLE ASSETS

MEUR	Goodwill	Software	Other intangible assets
2019			
Cost at 1 January	631.3	33.0	14.4
Correction previous years	-1.0	0.0	0.0
Reclassification	0.0	1.2	0.0
Additions	0.0	0.1	0.0
Disposals	0.0	0.0	0.0
Cost at 31 December	**630.3**	**34.3**	**14.4**
Amortisation at 1 January	0.0	25.4	13.2
Amortisation	0.0	3.6	0.3
Disposals	0.0	0.0	0.0
Amortisation at 31 December	**0.0**	**29.0**	**13.5**
Carrying amount at 31 December	**630.3**	**5.3**	**0.9**
2018			
Cost at 1 January	631.3	30.5	14.4
Reclassification	0.0	6.3	0.0
Additions	0.0	0.0	0.0
Disposals	0.0	-3.9	0.0
Cost at 31 December	**631.3**	**32.9**	**14.4**
Amortisation at 1 January	0.0	24.5	12.8
Amortisation	0.0	4.9	0.3
Disposals	0.0	-3.9	0.0
Amortisation at 31 December	**0.0**	**25.5**	**13.1**
Carrying amount at 31 December	**631.3**	**7.4**	**1.3**

8. NON-CURRENT INTANGIBLE ASSETS (CONTINUED)

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

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

MEUR	31.12.19	31.12.18
Ferry services		
Puttgarden-Rødby	488.9	488.9
Rostock-Gedser	66.3	66.3
	555.2	**555.2**
BorderShops	76.1	76.1
	76.1	**76.1**
Total goodwill	**631.3**	**631.3**

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

No impairment of goodwill was made for the financial year.

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

A forecast period extended to the year 2040 is used as base for our calculation of value in use of the cash generating units. This is justified by the expectations of the future construction of the Fehmarn Belt fixed link.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. NON-CURRENT INTANGIBLE ASSETS (CONTINUED)

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

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

Cash flows used for calculating the value in use of the cash generating units stems from budgets and forecasts up to 2040, which have been approved by Management. The discount rate applied is 7.2 percent before tax.

An average revenue growth rate of 3-5 percent is applied up to the time of completion of the Fehmarn Belt fixed link. By completion of the fixed link, we estimate a material negative impact on revenue, both on our traffic routes and in the BorderShops. We estimate an average revenue growth of 2-4 percent until 2040; this after revenue has been adjusted to market conditions post fixed link completion.

The Rostock-Gedser route will not be directly impacted by the Fehmarn Belt fixed link.

8. NON-CURRENT INTANGIBLE ASSETS (CONTINUED)

Cash generating unit	Overall growth rate in terminal period	Average revenue growth before fixed link	Average revenue growth after fixed link until 2040	Discount rate
Puttgarden-Rødby	2.0%	4.2%	2.8%	7.2%
Rostock-Gedser	2.0%	4.7%	4.0%	7.2%
BorderShops	2.0%	3.2%	2.8%	7.2%

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. NON-CURRENT TANGIBLE ASSETS

MEUR	Land and buildings	Vessels	Other fixtures and fittings, tools and equipments	Leasing of property, plant and equipment	Assets under construction
2019					
Cost at 1 January	162.1	483.4	115.7	0.0	18.9
Additions by change in accounting policy	0.0	0.0	0.0	5.1	0.0
Reclassification	0.3	4.5	0.7	0.0	-6.7
Additions	0.0	2.8	1.1	0.8	17.7
Disposals	0.0	-1.8	-0.1	0.0	0.0
Cost at 31 December	**162.4**	**488.9**	**117.4**	**5.9**	**29.9**
Depreciation at 1 January	38.9	133.4	66.4	0.0	0.0
Correction previous years	0.0	0.7	0.0	0.0	0.0
Depreciation	5.1	24.0	4.9	1.3	0.0
Disposals	0.0	-1.8	-0.1	0.0	0.0
Depreciation at 31 December	**44.0**	**156.3**	**71.2**	**1.3**	**0.0**
Carrying amount at 31 December	**118.4**	**332.6**	**46.2**	**4.6**	**29.9**
Carrying amount reduced by: Government grants	7.3	13.6	0.0	0.0	0.0
Leasing					
Cost at 31 December	3.9	0.0	2.0	5.9	0.0
Depreciation and amortization at 31 December	0.7	0.0	0.6	1.3	0.0
Carrying amount at 31 December	**3.2**	**0.0**	**1.4**	**4.6**	**0.0**

9. NON-CURRENT TANGIBLE ASSETS (CONTINUED)

MEUR	Land and buildings	Vessels	Other fixtures and fittings, tools and equipments	Assets under construction
2018				
Cost at 1 January	161.8	481.6	113.5	17.0
Correction previous years				
Reclassification	0.4	1.2	1.7	-9.6
Additions	0.0	0.7	1.0	11.5
Disposals	0.0	-0.1	-0.5	0.0
Cost at 31 December	**162.1**	**483.4**	**115.7**	**18.9**
Depreciation at 1 January	34.3	110.3	61.5	0.0
Correction previous years	0.0	0.5	0.0	0.0
Depreciation	4.6	22.6	5.3	0.0
Disposals	0.0	0.0	-0.5	0.0
Depreciation at 31 December	**38.9**	**133.4**	**66.4**	**0.0**
Carrying amount at 31 December	**123.2**	**350.1**	**49.3**	**18.9**
Carrying amount includes: Government grants	7.3	12.5	0.0	0.0

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

10. INVENTORIES

MEUR	31.12.19	31.12.18
Bunker	0.7	1.7
Goods for sale	16.1	15.2
Other inventories	3.7	3.5
	20.5	**20.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. RECEIVABLES

MEUR	31.12.19	31.12.18
Trade receivables	24.5	31.9
Receivables from affiliated companies	7.8	6.5
Other receivables	3.4	0.5
	35.7	**38.9**
Short-term receivables	35.7	38.9
	35.7	**38.9**

The allowance for expected credit losses for trade receivables is calculated at individual level when there is an indication of impairment. For receivables without any indication of impairment the expected credit losses are based on the historical credit loss experience combined with forward-looking information in the macroeconomic factors affecting the credit risk. In 2019, credit losses recognised in the income statement account for 0.04 percent of total revenue. The expected loss rates are updated at every reporting date.

Receivables from affiliated companies are comprised of loans (floating interest rate) to Scandlines Infrastructure ApS. There have been no write-downs and losses on receivables from affiliated companies.

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

MEUR	31.12.19	31.12.18
Provision account at 1 January	0.2	0.2
Adjustment previous year	0.6	0.0
Losses recorded for the year	-0.1	-0.2
Reversed provisions	0.0	0.0
Bad debt provisions for the year	0.2	0.2
Provision account at 31 December	**0.9**	**0.2**
Due trade receivables written down (impaired value)	0.0	0.0
	0.0	**0.0**

11. RECEIVABLES (CONTINUED)

MEUR	31.12.19	31.12.18
Due trade receivables not written down:		
Overdue by up to one month	4.2	4.3
Overdue by 1-3 months	0.0	0.6
Overdue by 3-6 months	0.1	0.4
Overdue by more than 6 months	0.3	0.1
	4.6	**5.4**

12. DEFERRED TAX

MEUR	31.12.19	31.12.18
Deferred tax at 1 January	1.9	3.6
Deferred tax for the year recognised in the income statement	0.0	-1.7
Deferred tax at 31 December	**1.9**	**1.9**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (liability)	1.9	1.9
	1.9	**1.9**
Deferred tax concerns:		
Property, plant and equipment	1.9	1.9
	1.9	**1.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INTEREST-BEARING LIABILITIES

MEUR	31.12.19	31.12.18
Finance lease commitments	4.6	0.0
Bank debt	956.3	709.0
Total non-current interest-bearing liabilities	**960.9**	**709.0**
Bank debt	17.5	59.2
Total current interest-bearing liabilities	**17.5**	**59.2**
Total current and non-current interest-bearing liabilities	**978.4**	**768.2**

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

Distribution of currency, nominal principal		
DKK	3.0	0.00
EUR	975.4	768.2
Total interest-bearing liabilities	**978.4**	**768.2**

13. INTEREST-BEARING LIABILITIES (CONTINUED)

MEUR	Currency	Fixed/float	Nominal value	Fair value
Bank debt 2019				
Tranche 1 (expiry 2023)	EUR	Floating	190.2	190.2
Tranche 2 (expiry 2028)	EUR	Fixed	486.5	486.5
Tranche 3 (expiry 2028)	EUR	Floating	0.0	0.0
Tranche 4 (expiry 2028)	EUR	Floating	0.0	0.0
Tranche 5 (expiry 2031)	EUR	Floating	305.7	305.7
Leasing debt	EUR	Fixed	4.6	4.6
			987.0	**987.0**

Borrowing cost is the difference between the booked value and the nominal value.

Bank debt 2018				
Tranche 1 (expiry 2023)	EUR	Floating	290.6	290.6
Tranche 2 (expiry 2028)	EUR	Fixed	486.5	486.5
Tranche 3 (expiry 2028)	EUR	Floating	0.0	0.0
Tranche 4 (expiry 2028)	EUR	Floating	0.0	0.0
			777.1	**777.1**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INTEREST-BEARING LIABILITIES (CONTINUED)

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

MEUR	Facility	Utilisation	Remaining facilities	Limitations
Facilities 2019				
Tranche 1 (expiry 2023)	190.2	190.2	0.0	
Tranche 2 (expiry 2028)	486.5	486.5	0.0	
Tranche 3 (expiry 2028)	35.0	0.0	35.0	
Tranche 4 (expiry 2028)	117.5	0.0	117.5	Liquidity Facility reserved for debt service
Tranche 5 (expiry 2031)	305.7	305.7	0.0	
	1,134.9	**982.4**	**152.5**	
Facilities 2018				
Tranche 1 (expiry 2023)	290.6	290.6	0.0	
Tranche 2 (expiry 2028)	486.5	486.5	0.0	
Tranche 3 (expiry 2028)	35.0	0.0	35.0	
Tranche 4 (expiry 2028)	117.5	0.0	117.5	Liquidity Facility reserved for debt service
	929.6	**777.1**	**152.5**	

14. PENSION AND ANNIVERSARY LIABILITIES

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

Development in the present value of funded and unfunded defined commitments:

MEUR	31.12.19	31.12.18
Balance at 1 January	1.2	1.1
Additions relating to acquisition of enterprises	0.0	0.0
Anniversary cost		0.0
Calculated interests related to obligations	0.1	0.1
Pensions paid	-0.1	0.0
Liabilities at 31 December	**1.2**	**1.2**
Long-term liability	0.6	0.5
Short-term liability	0.7	0.7
Cost in profit/loss statement		
Personnel costs current year	-0.1	0.0
Calculated interests related to obligations	0.1	0.1
Total	**0.0**	**0.1**
Defined benefit plans, assumptions		
Discount rate	0.68%	1.75%
Future increases in pensions	1.00%	1.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. OTHER PROVISIONS

MEUR	31.12.19	31.12.18
Balance at 1 January	7.7	6.9
Reduction arising from payment	-7.7	-6.9
Additions	9.6	7.7
	9.6	**7.7**
Other provisions are expected to fall due as follows:		
0-1 year	9.6	7.2
1-5 years	0.0	0.5
	9.6	**7.7**

Provisions are mainly related to contingent losses and restructuring cost.

16. INCOME TAX

MEUR	31.12.19	31.12.18
Income tax payable at 1 January	0.8	1.1
Current tax for the year	5.3	5.0
Income tax paid in the year	-6.8	-6.0
Adjustment previous year	0.7	0.7
Income tax payable at 31 December	**0.0**	**0.8**

17. OTHER LIABILITIES

MEUR	31.12.19	31.12.18
Public authorities (VAT, excise duties, taxes, etc.)	1.5	2.0
Pension liabilities (short-term)	0.0	0.0
Holiday pay obligation, payroll, bonus, etc.	9.9	9.5
Other expenses payable	2.9	3.5
	14.3	**15.0**

18. DEFERRED INCOME

MEUR	31.12.19	31.12.18
Prepayments from customers	1.7	1.1
	1.7	**1.1**

19. FEES TO AUDITORS APPOINTED BY THE ANNUAL GENERAL MEETING

MEUR	31.12.19	31.12.18
Statutory audit	0.2	0.3
Non-audit services	0.0	0.0
	0.2	**0.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL RISKS AND USE OF DERIVATIVES

The group's risk management policy

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

Risk related to commodity prices

The primary risk associated with commodity prices relates to the purchase of bunker fuel. The risk is partially covered through the incorporation of a variable bunker price element in the contracts with freight customers. The residual exposure for a rolling 4-quarter period is partly hedged by using financial swaps or through the entry of fixed price physical contracts. The net bunker fuel price exposure for the coming 4-quarter period equals c. 10 percent of total expected consumption.

An increase in bunker fuel prices by 10 percentage points at the time of balance sheet date would have a positive impact on the value of existing financial hedges and carrying amount in the equity's hedging reserve of EUR 0 million (EUR 0.3 million in 2018) and a negative cost impact in 2019 of EUR 0 million (EUR 0.3 million in 2018). A similar reduction in bunker fuel prices would have an equivalent negative impact on hedge values and a similar positive impact on the bunker fuel cost in 2020.

Risks related to interest rates

Interest rate risk derives mainly from financing agreements. Future interest payments are partly hedged in the form of fixed-rate debt and interest rate derivatives. At 31 December 2019, 96 percent of the group's debt was fixed-rate or hedged. We refer to note 13 for more details on the loan portfolio.

An increase in interest rates by 1 percentage points at the time of balance sheet date would have a positive impact on the value of existing financial hedges and carrying amount in the equity's hedging reserve of EUR 1.4 million (EUR 1.7 million in 2018) and a negative cost impact in 2020 of EUR 0.4 million (EUR 2.9 million in 2019). A similar reduction in interest rates would have an equivalent negative impact on hedge values and a similar positive impact on the interest rate cost in 2020.

20. FINANCIAL RISKS AND USE OF DERIVATIVES (CONTINUED)

Risks related to foreign exchange rates

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

The Scandferries group did not enter any currency hedges in 2019 and has no opening currency hedge contracts as at 31 December 2019. A 10 percent change in the EUR/SEK exchange rate would have an immaterial effect on income and cost elements in 2020.

Credit risks

The Scandferries group is exposed to credit risk from our trading partners and customers. The exposure is limited to the group's total outstanding receivables, with limited customer dependency and concentration risk and very low or no historical losses recorded in recent years. Accordingly, credit risks were not hedged during 2019 and we have no open credit risk hedge contracts.

Liquidity risks

The Scandferries group has a strong and stable seasonality in the cash flow with a positive net cash flow in most calendar months. The group has a committed revolving credit facility of EUR 35m at hand, which has not been utilised since being established in 2017. The liquidity risk is considered to be very low.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL RISKS AND USE OF DERIVATIVES (CONTINUED)

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

	Within 1 year	1-5 years	After 5 years	Nominal value
2019				
Non-derivatives				
Credit institutions and banks*	17.5	304.7	660.2	982.4
Trade payables*	29.4	0.0	0.0	29.4
Leasing debt	0.0	4.6	0.0	4.6
Derivatives				
Interest rates/bunker*	0.8	0.0	0.0	
	47.7	**309.3**	**660.2**	**1,016.4**
2018				
Non-derivatives				
Credit institutions and banks*	59.2	501.1	216.8	777.1
Trade payables*	36.2	0.0	0.0	36.0
Derivatives				
Interest rates/bunker*	-1.8	0.0	0.0	
	93.6	**501.1**	**216.8**	**813.1**

*Due to immaterial effects between fair value and nominal value, the difference is not shown.

20. FINANCIAL RISKS AND USE OF DERIVATIVES (CONTINUED)

Capital management

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

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

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

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

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

Carrying amount by category of derivative financial instrument:

MEUR	31.12.19	31.12.18
Interest rate contract	0.8	-0.9
Hedge of commercial goods (bunker)	0.0	-0.9
	0.8	**-1.8**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL RISKS AND USE OF DERIVATIVES (CONTINUED)

MEUR	31.12.19	31.12.18
Categories of financial instruments		
Trade receivables	24.5	31.9
Receivables from affiliated companies	7.8	6.5
Other receivables	3.4	0.5
Loans and receivables	**35.7**	**38.9**
Derivative financial instruments entered into to hedge future cash flows	0.8	-1.8
Financial liabilities used for hedging	**0.8**	**-1.8**
Bank debt	982.4	777.1
Other liabilities	14.3	15.0
Financial liabilities measured at amortised cost	**996.7**	**792.1**

21. NON-CASH TRANSACTIONS

MEUR	31.12.19	31.12.18
Change in provision	1.2	-1.3
Change in other liabilities	0.0	0.0
Change in other assets	0.8	1.7
	2.0	**0.4**

22. WORKING CAPITAL CHANGES

MEUR	31.12.19	31.12.18
Increase (-)/decrease (+) in inventories	-0.1	-0.4
Increase (-)/decrease (+) in receivables etc.	2.8	1.1
Increase (+)/decrease (-) in current liabilities	-6.9	-8.2
	-4.2	**-7.5**

23. GUARANTEES, CONTINGENT LIABILITIES AND COLLATERAL

MEUR	31.12.19	31.12.18
Guarantees	**1.9**	**1.6**

Contingent liabilities

The group is party to a few pending lawsuits. Management believes that the outcome of these lawsuits will not materially affect the group's financial position aside from the receivables and liabilities recognised in the balance sheet at 31 December 2019.

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

For employees engaged as public servants, the group has a contingent liability of EUR 13.9 million (2018: EUR 15.6 million) in case of any dismissals. The amount is related to salary in the termination period.

Collateral

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. CONTRACTUAL OBLIGATIONS

For the years 2013 to 2018, operating leases have been entered into for office premises rented and cars leased. The leases have been entered into for a minimum of 3 years subject to fixed lease payments. The agreements cannot be terminated for the period in question, after which they may be renewed.

MEUR	31.12.19	31.12.18
Operating leasing commitments		
The aggregate future, minimum lease payments according to interminable leases are composed as follows:		
0-1 year	0.0	1.2
1-5 years	0.0	3.9
More than 5 years	0.0	0.0
	0.0	**5.1**
Minimum lease payments recognised in the income statement for the year	0.0	3.9

The difference between operating lease commitments as at 31.12.2018 and lease liability according to IFRS 16 is below EUR 0.1 million and only affected by the discounting factor.

25. RELATED PARTIES

The group's related party exercising control is Scandlines Infrastructure ApS, Copenhagen.

Scandlines Infrastructure ApS is the parent of Scandferries ApS. The ultimate parent is Scandlines Infrastructure ApS, whose shareholders are Fulmar Holding ApS and 3i Abaco ApS. The activities of the Scandferries group are managed by Scandlines Danmark ApS and Scandlines Deutchland GmbH and their subsidiaries.

The members of Scandlines Infrastructure ApS' Supervisory Board and Executive Management and these persons' close family members are also related parties.

Related parties also include all companies owned by Scandlines Infrastructure ApS.

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

Receivables from affiliated companies are disclosed in note 11.

25. RELATED PARTIES (CONTINUED)

The companies included in the consolidated financial statements are:

Company	Ownership	Country	City
Holding companies			
Scandferries ApS	100%	Denmark	Copenhagen
Scandlines ApS	100%	Denmark	Copenhagen
Scandferries Holding GmbH*	100%	Germany	Hamburg
Subsidiaries			
Scandlines Deutchland GmbH*	100%	Germany	Hamburg
Scandlines Danmark ApS	100%	Denmark	Copenhagen
Scandlines Gedser-Rostock ApS	100%	Denmark	Copenhagen
Scandlines Catering ApS	100%	Denmark	Copenhagen
Scandlines Bordershop Puttgarden GmbH*	100%	Germany	Hamburg
Scandlines Bordershop Rostock GmbH*	100%	Germany	Hamburg

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

26. EVENTS AFTER THE BALANCE SHEET DATE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. ACCOUNTING POLICIES

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

The accounting policies applied for these consolidated financial statements are consistent with those applied last year except for the implementation of IFRS 9 and IFRS 15 as described below.

Basis of accounting

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

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

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

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

Standards and interpretations effective in the current period

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

- IFRS 16 ´Leases´
- IFRIC 23 – Uncertainty over Income tax treatments

IFRS 16 – Leases was published in January 2016 and introduces a single lessee accounting model, requiring lessees to recognise leases in the balance sheet as a right-of-use asset and a lease liability, unless the lease term is 12 months or less or the underlying asset has a low value. In the income statement, the lease cost is replaced by depreciation of the leased asset and an interest expense for the financial liability. The group has adopted the standard effective 1 January 2019.

We have completed the implementation of IFRS 16. The changes required capitalization of the majority of the group's operating leases. This has increased non-current assets by 0.9 percent and EBITDA has increased by 0.5 percent.

Cash flow from operation activities has increased as the substantial portion of lease payments had been classified as financing cash outflows.

Futhermore, the implementation of IFRS 16, had led to additional disclosures.

The implementation of IFRIC 23 has not had any impact on the financial statements.

Critical accounting policies

Management believes that the accounting policies applied to the consolidated financial statements, business combinations, non-current intangible assets, vessels, operating leases versus finance leases and derivatives to be those most important to the group. Below, each of those fields are described together with other accounting policies applied. Significant accounting estimates and judgements made when applying the group's accounting policies are described in note 1 to the consolidated financial statements.

Description of accounting policies applied

Consolidated financial statements

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

Scandferries ApS and its affiliated companies are together referred to as the group.

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

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

Business combinations

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

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

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

Positive balances (goodwill) between, on the one hand, the consideration paid, the value of minority interests in the enterprise acquired and the fair value of any equity interests previously acquired, and, on the other hand, the identifi-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. ACCOUNTING POLICIES (CONTINUED)

able assets, liabilities and contingent liabilities acquired are recognised as goodwill in intangible assets. Goodwill is not amortised, but tested at least once a year for impairment. Impairment tests are first made before the end of the year of acquisition.

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

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

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

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

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

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

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

Foreign currency translation

Functional currency and presentation currency

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

Translation of transactions and amounts

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

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

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

Translation of affiliated companies

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

The foreign currency translation adjustments are divided between the parent's share and the minority interests' share of equity.

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

When partially owned foreign affiliated companies are disposed of, the portion of the reserve

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. ACCOUNTING POLICIES (CONTINUED)

for foreign currency translation adjustments relating to minority interests is not taken to profit or loss.

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

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

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

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

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

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains or losses previously recognised in other comprehensive income are transferred from equity and included in the initial measurement of the cost of the non-financial asset.

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

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

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

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

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

Rentals and leases
For financial reporting purposes, leases are divided into leases and short-term leases.

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

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

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

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

Income statement

Revenue
Revenue from transport of passengers and freight etc. is recognised in the income statement at the time of delivery of the service to the customer, which is the time where the control is transferred and when each separate performance obligation in the customer contract is fulfilled following the "over-time principle". Some of the ferry and freight transports have a series of performance obligations but as the duration

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. ACCOUNTING POLICIES (CONTINUED)

of these transports are short term the impact from splitting these contracts into "distinct services" will not have material impact.

Our transports carried out by the Traffic machine are characterised by short delivery time between 45 minutes and a maximum of 2 hours.

On board sales and sales in the BorderShops is recognised at a "point in time".

Revenue is measured at fair value, excluding value added tax and after deduction of trade discounts.

Trade receivables are not adjusted for any financing component when recognised. The general credit terms are overall short and are following market terms.

Accounting estimates and judgements are made in order to determine time of delivery and accrue for relevant income along with evaluation of pricing. These accounting estimates and judgements are based on experience and historical sales figures, along with a continuous follow-up on service delivered.

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

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

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

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

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

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

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

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

Taxation
Tax for the year, which consists of income tax, tonnage tax, and the annual joint taxation contribution for Danish affiliated companies and changes in deferred tax, is recognised in the income statement by the portion attributable to profit or loss for the year and taken directly to equity by the portion attributable to entries directly in equity. Corrections concerning previous years are included in this item as well.

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

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

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

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

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

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

Assets

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

All other assets are classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. ACCOUNTING POLICIES (CONTINUED)

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

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

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

Goodwill is tested at least once a year for impairment.

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

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

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

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

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

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

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

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

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

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

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

The expected useful lives are:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. ACCOUNTING POLICIES (CONTINUED)

- Loans and receivables: The asset is measured at amortised cost, and value adjustments are recognised through profit or loss

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

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

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

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

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

Equity

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

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

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

Liabilities

Current liabilities are defined as:
- Liabilities expected to be settled during the Scandferries group's normal operating cycle, or
- Liabilities to be settled within 12 months after the balance sheet date

All other liabilities are classified as non-current.

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. ACCOUNTING POLICIES (CONTINUED)

Other payables

Other payables include payables to staff, including wages, salaries and holiday pay payable, and to public authorities such as unsettled payroll tax, VAT, excise duties and similar levies as well as payables regarding the purchase and sale of vessels, buildings and terminals, calculated interest expenses payable, fair value of hedging transactions as well as breakdown costs etc.

Other payables also include any amounts due concerning defined contribution plans.

Deferred income

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

Cash flow statement

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

Cash flow from acquisition and divestment of enterprises is shown separately under cash flow from investing activities.

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

Cash flow from operating activities is calculated based on profit before amortisation and depreciation (EBITDA) and adjusted for the cash flow effect of non-cash operating items, working capital changes, financial expenses paid and income tax paid.

Cash flow from investing activities comprises payments in connection with the acquisition and divestment of enterprises and activities as well as the acquisition and sale of non-current intangible assets, property, plant and equipment as well as financial assets. Cash flow from financing activities comprises payments arising from changes in the size or composition of the group's share capital, dividend paid as well as the incurrence of mortgage debt and raising of and repayment of mortgage loans, other long-term debt and short-term bank debt. Cash and cash equivalents comprise cash at bank and in hand.

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT

MEUR	Notes	2019	2018
Administrative expenses		-0.1	-0.1
Result before amortisation and depreciation (EBITDA)		**-0.1**	**-0.1**
Dividend from affiliated company		341.5	90.5
Financial income		0.0	0.0
Financial expenses		0.0	0.0
Result before tax		**341.4**	**90.4**
Tax for the year		0.0	0.0
Result for the year		**341.4**	**90.4**
Other comprehensive income after tax		0.0	0.0
Total comprehensive income/loss		**0.0**	**0.0**

BALANCE SHEET

BALANCE SHEET	Note	2019	2018
ASSETS			
Investments in affiliated companies	3	423.6	423.6
Total non-current assets		**423.6**	**423.6**
Cash		0.0	0.0
Total current assets		**0.0**	**0.0**
Assets		**423.6**	**423.6**
EQUITY AND LIABILITIES			
Share capital		0.0	0.0
Retained earnings		400.4	399.5
Proposed dividend		0.0	0.0
Total equity		**400.4**	**399.5**
Liabilities to affiliated companies		23.2	24.1
Total liabilities		**23.2**	**24.1**
Equity and liabilities		**423.6**	**423.6**

CASH FLOW STATEMENT

MEUR	2019	2018
Result before amortisation and depreciation (EBITDA)	**-0.1**	**-0.1**
Adjustments for non-cash operating items, etc.	-0.9	-16.8
Working capital changes	0.0	16.9
Cash flows from operating activities	**-0.9**	**0.1**
Received dividend from affiliated company	341.5	90.5
Cash flows from investing activities	**341.5**	**90.5**
Paid dividend to affiliated company	-340.5	-90.5
Cash flows from financing activities	**-340.5**	**-90.5**
Cash flows for the year	**0.0**	**0.0**
Cash at 1 January	0.0	0.0
Currency translation adjustment of cash	0.0	0.0
Cash at 31 December	**0.0**	**0.0**

STATEMENT OF CHANGES IN EQUITY

MEUR	Share capital	Proposed dividend	Retained earnings	Total
2019				
Equity at 1 January 2019	0.0	0.0	399.5	399.5
Comprehensive loss for the year				
Result for the year	0.0	0.0	341.4	341.4
Dividend	0.0	0.0	-340.5	-340.5
Loss absorption	0.0	0.0	0.0	0.0
Equity at 31 December 2019	**0.0**	**0.0**	**400.4**	**400.4**

Dividend

In 2019, dividend of EUR 340.5 million was paid to owners.

MEUR	Share capital	Proposed dividend	Retained earnings	Total
2018				
Equity at 1 January 2018	0.0	0.0	382.6	382.6
Comprehensive loss for the year				
Result for the year	0.0	0.0	90.4	90.4
Dividend	0.0	0.0	-90.5	-90.5
Loss absorption	0.0	0.0	17.0	17.0
Equity at 31 December 2018	**0.0**	**0.0**	**399.5**	**399.5**

Dividend

In 2018, a dividend of EUR 90.5 million was paid to owners.

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NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

2. STAFF COSTS

The Executive Management did not receive remuneration from this company in the financial period.

3. INVESTMENTS IN AFFILIATED COMPANIES

MEUR	31.12.19	31.12.18
Total cost statement:		
Cost at 1 January	423.6	400.0
Additions for the year	0.0	23.6
Cost at 31 December	**423.6**	**423.6**
Carrying amount at 31 December	**423.6**	**423.6**

Investments in affiliated companies comprise:

Scandlines ApS, Copenhagen, Denmark, 100 percent.

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

4. GUARANTEES, CONTINGENT LIABILITIES AND COLLATERAL

MEUR	31.12.19	31.12.18
The following assets are provided as collateral in favour of credit institutions in Scandlines ApS:		
Investments in affiliated companies	423.6	423.6

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

5. RELATED PARTIES

For specification of related parties, refer to note 25 of the consolidated financial statements.

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

6. EVENTS AFTER THE BALANCE SHEET DATE

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

7. ACCOUNTING POLICIES

The separate parent financial statements have been incorporated in the annual report as required under the Danish Financial Statements Act.

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

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

Description of accounting policies applied

Compared to the accounting policies described for the consolidated financial statements (see note 27 to the consolidated financial statements), the accounting policies applied by the parent are different in the following respects:

Business combinations

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

7. ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

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

Dividend income

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

Tax on profit for the year

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

Investments in affiliated companies

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

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

Taxation

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

STATEMENT BY THE EXECUTIVE MANAGEMENT ON THE ANNUAL REPORT

Executive Management has today considered and approved the annual report of Scandferries ApS for the financial year 1 January – 31 December 2019.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the group's and the parent's financial position at 31 December 2019 and of the results of their operations and cash flows for the financial year 1 January – 31 December 2019.

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

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

Copenhagen, 24 April 2020

Executive Management

Søren Poulsgaard Jensen, CEO

Per Johannesen Madsen, CFO

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Scandferries ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Scandferries ApS for the financial year 1 January – 31 December 2019, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the group as well as the parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the group's and the parent's financial position at 31 December 2019, and of the results of their operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

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

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the group's and the parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the group or the entity or to cease operations, or has no realistic alternative but to do so.

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

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the entity to cease to continue as a going concern.

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

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

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

Copenhagen, 24 April 2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

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