Annual report 2020

We keep on sailing!

Scandlines maintained operations to keep vital supply lines open during COVID-19, while simultaneously investing in green initiatives.

Scandlines

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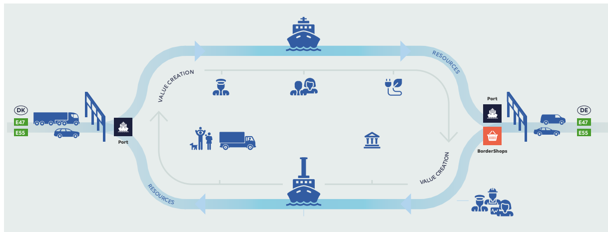


Outlook for 2021
We are confident that we will see a rebound in 2021 despite continued effects of COVID-19 on society and our business. **page 14**

Overview

CEO letter

We kept supply lines open in a dramatic 2020

After a strong start to 2020, our business was severely impacted by the extreme market conditions caused by COVID-19. During a historic year marked by rigorous travel restrictions, we sustained operations and maintained a high frequency to continue to serve our freight customers and keep the vital supply of medicine, food and other critical goods flowing. In the face of COVID-19, we continued to build a greener and more sustainable business poised for progress.

The dramatic developments during the outbreak of COVID-19 underlined the status of our sustainable traffic machine as critical infrastructure. While private passenger traffic and visits to our BorderShops declined sharply due to travel restrictions, border closures and other initiatives to curb the spread of COVID-19, we maintained operations to serve our freight customers ensuring crucial cross-border deliveries in challenging times. We collaborated with German and Danish authorities and took all necessary precautions to protect our employees, customers and partners, while continuing to connect Continental Europe and Scandinavia safely and efficiently.

We continued sailing throughout the year even though we saw car traffic decline by more than 96 percent in April and transported fewer than 200 cars per day on our two routes during the strictest lockdown period in the spring. Our BorderShops, onboard shops and restaurants were closed from March to June as well. Based on the severe impact on our business and the extremely limited visibility, we made use of the German Kurzarbeit scheme and qualified for compensation from the Danish state, enabling us to retain employees and cover fixed costs in a highly uncertain situation. Leisure traffic recovered to some extent during a temporary easing of restrictions in the summer and early autumn, but new regional and national travel restrictions during the autumn entailed a new drop in leisure traffic.

Despite the turbulence, we generated a positive result, and as a consequence we decided to return the Danish compensation of EUR 9 million allocated to cover fixed costs.

Due to the effects of COVID-19, we only transported 3.1 million passengers and 800,000 cars in 2020 corresponding to a decline of more than 50% for both categories. Even though we maintained operations all year and delivered relatively stable freight performance during unprecedented times, group revenue dropped by more than 40 percent to EUR 273 million. We took steps to alleviate the impact through strict cost control measures and continued efficiency enhancements, and the efforts enabled us to generate profit from ordinary activities (recurring EBITDA) of EUR 84 million corresponding to a recurring EBITDA margin of 31 percent. While this reflects an exceptional decline in earnings and profitability, we are extremely thankful for the extraordinary performance delivered by all employees to safeguard Scandlines in 2020.

Our employees were also instrumental in the efforts made to firmly embed sustainability in our daily business as we reconfirmed Scandlines' green course in choppy waters. We continued to invest in our fleet – with the installation of a rotor sail on M/V Copenhagen and new thrusters on M/V Deutschland – to maintain and expand our position as a front runner in green ferry operations, reduce Scandlines' footprint and contribute positively to our surroundings. Our continued commitment to the green agenda and our zero emission vision is reflected in our recently introduced sustainability report.

Based on the global community's joint efforts to mitigate the impact of COVID-19, the unique dedication of our employees, and the long-term investments made in our sustainable traffic machine, we are confident that we will see a gradual rebound in 2021. In the longer term, we will continue to make headway as we drive competitiveness and prepare for the competition that will arise a decade from now following the construction of the Fehmarn Belt fixed link, which was approved in 2020 after completion of public hearings in Leipzig.

We will keep on sailing!

Based on the global community's joint efforts to mitigate the impact of COVID-19, the unique dedication of our employees, and the long-term investments made in our sustainable traffic machine, we are confident that we will see a gradual rebound in 2021.

Søren Poulsgaard Jensen, CEO

Snapshot of 2020

Revenue
273 MEUR

Our business was severely impacted by travel restrictions and border closures resulting in a 43 percent decline in revenue.

Freight
-6%

We continued to serve freight customers throughout the year and maintained relatively stable cargo volumes.

Earnings
84 MEUR

The effects of COVID-19 entailed a significant decline in earnings as recurring EBITDA fell 55 percent.

Cars and passengers
-56%

Travel restrictions and border closures reduced car and passenger volumes on both routes by more than half.

Profitability
31%

We safeguarded profitability as we sustained operations and kept freight traffic moving during lockdown.

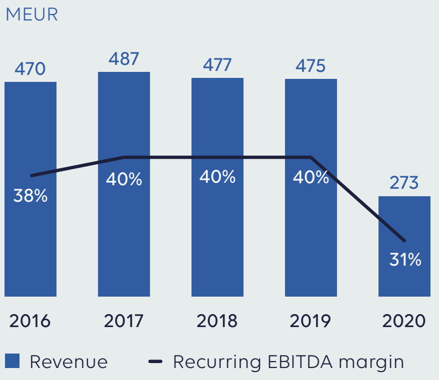
Shopping
-52%

Shopping traffic volumes were highly volatile during the year but declined significantly on a full-year basis.

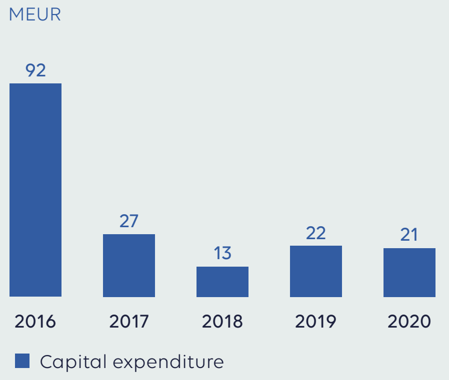
Investment
21 MEUR

The overall investment level was stable, and we continued to invest in green initiatives supporting our zero emission vision.

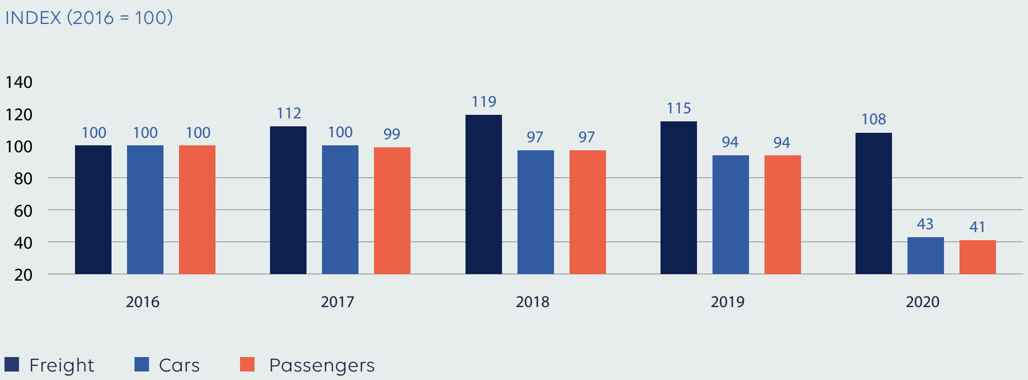
Results



Investment



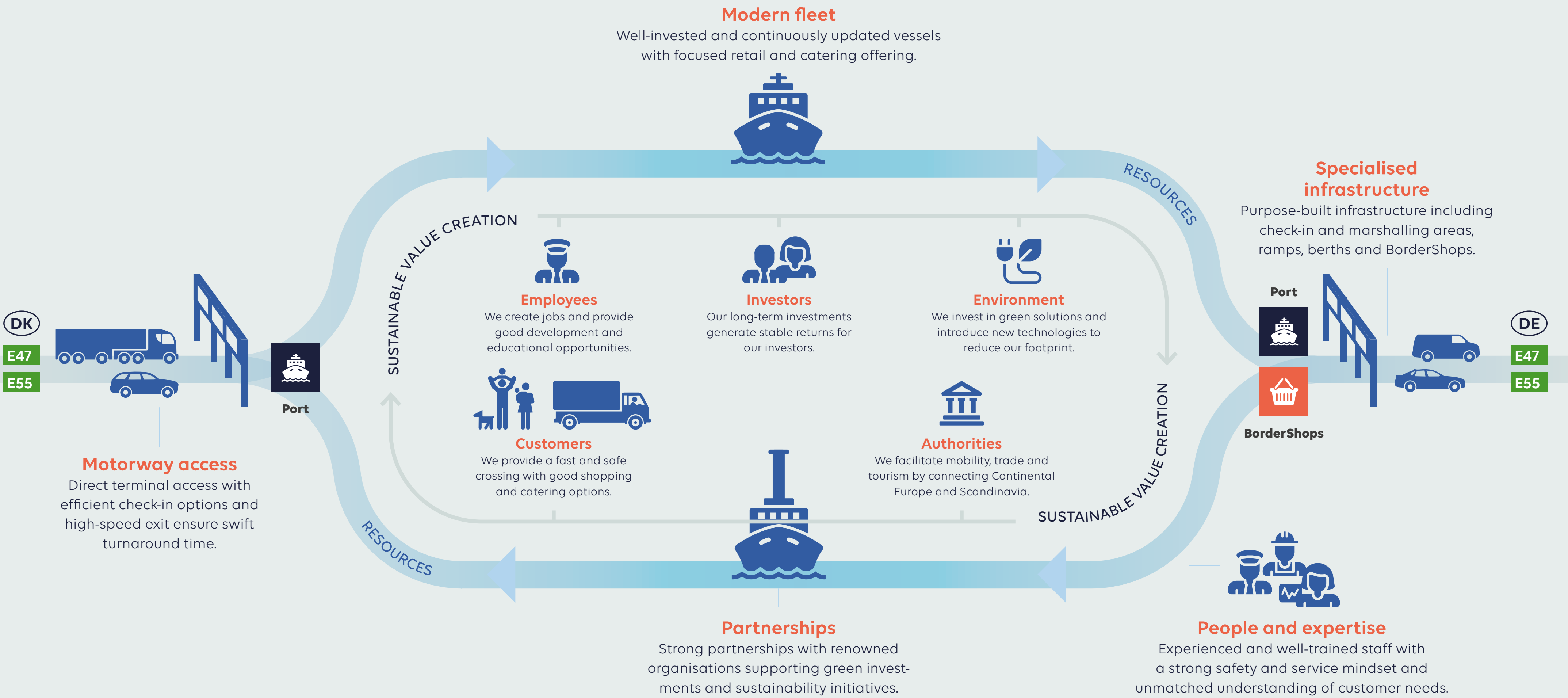
Traffic volumes



2016-2018 reflect Scandferries ApS group financial statements whereas 2019 and 2020 reflect Scandlines Infrastructure ApS group financial statements (due to a new holding structure).

Our sustainable traffic machine

We create value for our stakeholders and surroundings by deploying our specialised infrastructure and unique expertise to connect Continental Europe and Scandinavia safely and efficiently.



Scandlines at a glance

Scandlines operates two short-distance ferry routes between Germany and Denmark with high frequency and large capacity. Even during the outbreak of COVID-19, our ferries provided efficient and reliable transport with over 35,000 departures in 2020. With frequent departures and reliability around 97 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. Our terminals are directly connected to the European motorway network, providing seamless and swift access, loading and exit for business 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

35 thousand

Our infrastructure and ferries provide a direct connection between Continental Europe and Scandinavia with regular departures at all times of the day.

Lorries

>640 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

800 thousand

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

3.1 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

>840 thousand

Great benefits and individualised promotions relevant to our valued leisure customers are now offered to more than 840,000 members of our SMILE loyalty programme.

Shopping transactions

>350 thousand

Despite COVID-19, we completed more than 350,000 transactions at our shopping outlets, offering low prices on a wide range of beer, soft drinks, confectionery, wine and fine spirits.

Key figures and financial ratios

MEUR	2020	2019	2018	2017	2016
Income statement					
Revenue	273	475	477	487	470
Result from ordinary activities, excl. special items (recurring EBITDA)	84	188	191	194	180
Result from ordinary activities (EBITDA)	74	181	185	182	172
Amortisation and depreciation	-41	-40	-38	-42	-33
Result from ordinary activities (EBIT)	33	141	148	140	139
Net financial items	-24	-22	-20	-49	-51
Result before tax	9	120	128	91	88
Result for the year	18	122	125	88	81
Balance sheet					
Total assets	2,537	2,538	1,277	1,307	1,444
Investments (capital expenditure)	21	22	13	27	92
Equity	1,520	1,501	445	413	463
Interest bearing liabilities	968	978	768	821	864
Cash flow statement					
Cash flow from operating activities	63	151	154	131	102
Cash flow from investing activities	-21	-22	-13	-27	-92
Cash flow from financing activities	-13	-135	-145	-159	34
Recurring EBITDA margin	31%	40%	40%	40%	38%
Average number of employees (FTE)	1,357	1,533	1,534	1,524	1,506

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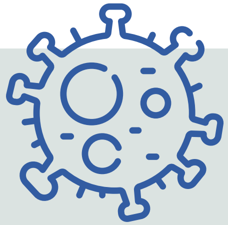


COVID-19

COVID-19 impacted all aspects of our business in 2020 as car and passenger traffic was immediately and dramatically affected by travel restrictions, quarantine measures and border closures imposed by political decision makers in Germany and Denmark from March to limit the spread of COVID-19.

Dramatic impact on traffic volumes

Traffic figures were most severely affected by the restrictions in the second quarter of 2020, and shopping traffic quickly rebounded during the summer on the back of temporary easing of restrictions, whereas leisure traffic increased slowly over the summer and early autumn. When new regional and national travel restrictions were introduced in Sweden, Denmark and Germany in the autumn, shopping and leisure traffic volumes dropped again.

Freight traffic was relatively stable during the outbreak of COVID-19 as we implemented precautionary measures to protect our employees, customers and partners while continuing to serve our customers.

Protecting our employees

To protect our employees and other stakeholders, we swiftly established teams focused on assessing risks, preparing contingency planning and ensuring compliance with recommendations and regulatory demands through training sessions and other proactive initiatives.

We were able to avoid collective redundancies as we imposed strict cost control and made use of state salary compensation schemes in Germany and Denmark during 2020. During spring, we had more than 850 employees working under the German Kurzarbeit short-term work scheme and on furlough in Denmark under the Danish salary compensation scheme. All employees received 100 percent of their ordinary salary while being employed under these schemes.

Safeguarding profitability

In March 2020, we drew EUR 32 million on our existing revolving credit facilities to ensure liquidity in a period of unprecedented uncertainty. Despite the severe impact of COVID-19 effects on revenue and earnings during the year, we were able to safeguard profitability and generate recurring EBITDA of EUR 84 million.

We were also able to make payments under our existing bank agreements, and in December, we therefore decided to return compensation of EUR 9 million from the Danish state granted to cover fixed costs.

Performance

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 up to 96 departures per day. The route enables cars to travel from Hamburg to Copenhagen in 4 hours and 15 minutes at competitive prices.

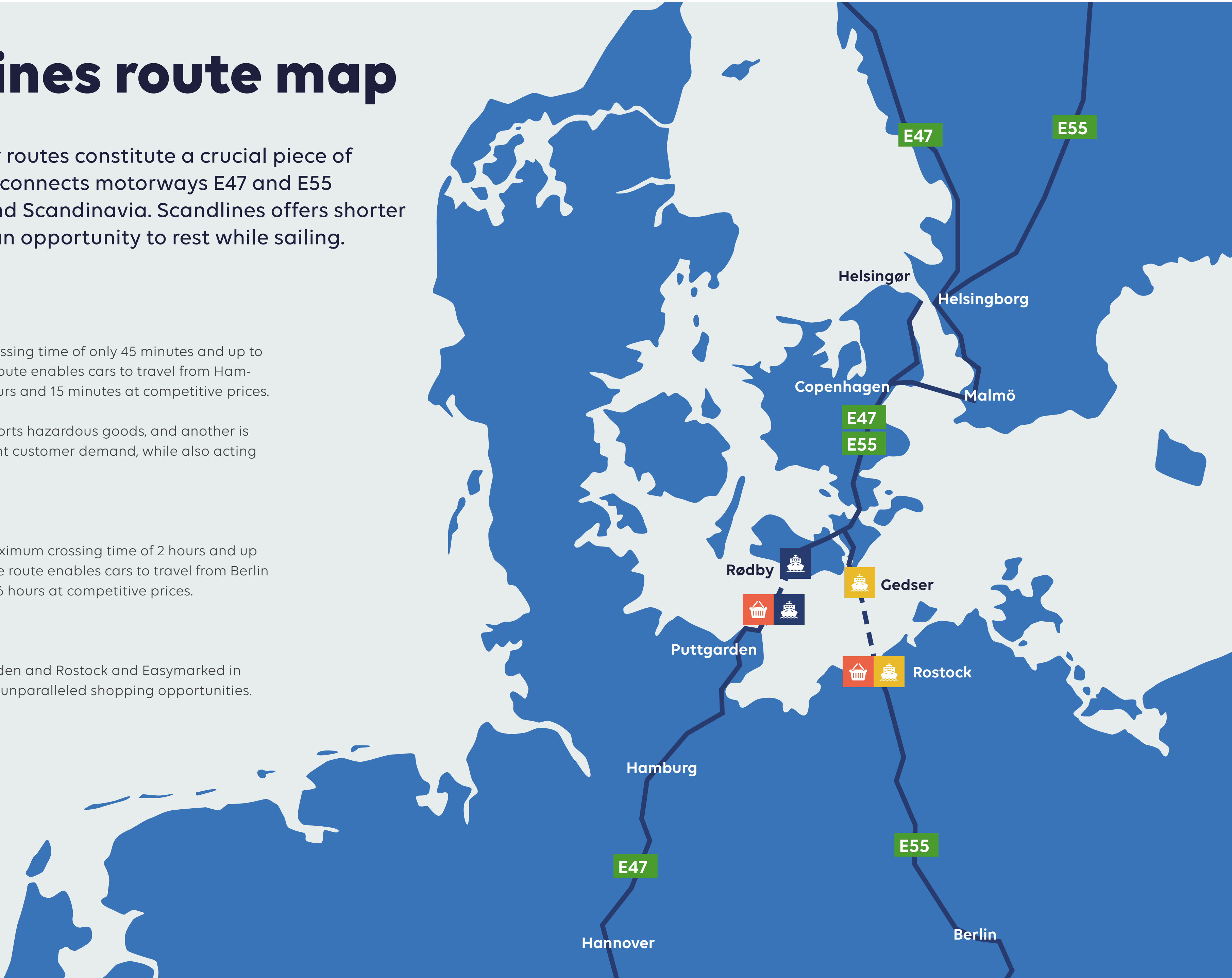
One specialised ferry transports hazardous goods, and another is commissioned to meet freight customer demand, while also acting as a replacement ferry.

Rostock-Gedser

Two hybrid ferries with a maximum crossing time of 2 hours and up to 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.



Developments in 2020

Scandlines maintained operations during the outbreak of COVID-19 and delivered satisfactory profitability despite a dramatic decline in traffic volumes and revenue following travel restrictions and border closures. We underlined our traffic machine's status as critical infrastructure and continued to build a more competitive business and invest in green initiatives in 2020.

Revenue
The severe negative impact of COVID-19 on our traffic machine and BorderShops entailed a significant decline in revenue to EUR 273 million in 2020 from EUR 475 million the prior year.

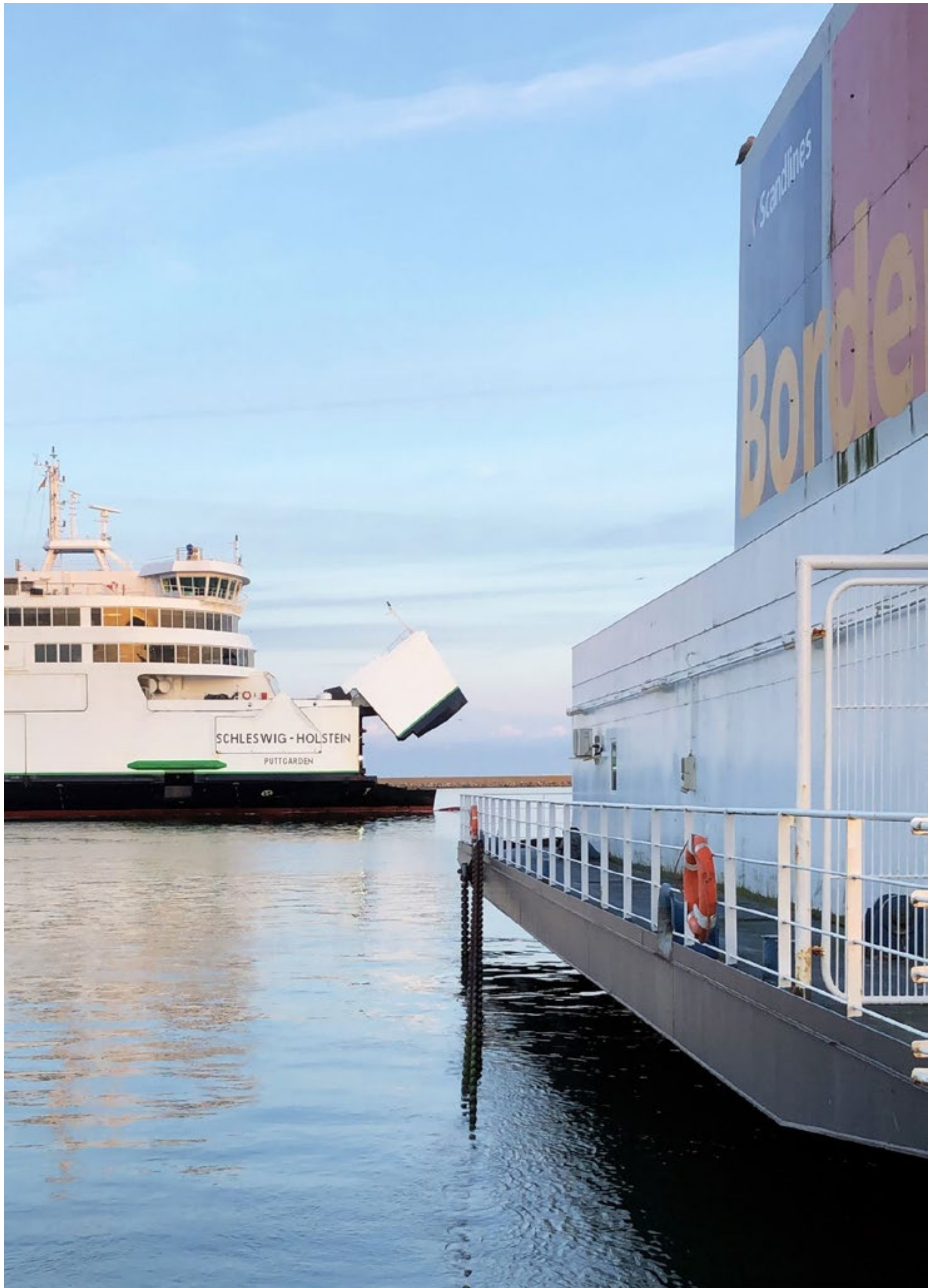
Traffic machine
Our two Germany-Denmark routes generated revenue of EUR 216 million compared to EUR 352 million in 2019 as travel restrictions and border closures had a major detrimental impact on car and passenger traffic volumes following the outbreak of COVID-19. We collaborated closely with German and Danish authorities and took all necessary precautions to maintain operations safely and responsibly during the crisis.

Car traffic declined by 54 percent in total with a slightly higher decrease on the Puttgarden-Rødby route. Following a good activity level early in the year, the drop in car traffic volume was caused by the political initiatives to curb the spread of COVID-19 from March 2020.

Our freight business delivered relatively stable traffic figures with a decline of 6 percent as we maintained operations and continued to provide frequent departures, a high reliability level and flexibility to meet customer demand and keep the vital supply of medicine, food and other necessities flowing.

In total, the number of passengers declined by 56 percent in 2020 as volumes dropped on both routes during the outbreak of COVID-19.

Despite the impact of COVID-19, we continued to improve and invest in our SMILE loyalty programme in 2020 to further improve cus-



tomer experience, and we grew the number of SMILE members to more than 840,000 persons eligible for various benefits and individualised promotions based on online activity and transactional data analysis.

BorderShops
The activity level at our BorderShops declined sharply in 2020, and revenue came to EUR 57 million against EUR 124 million in 2019. The development was a result of various travel restrictions and border closures imposed since March 2020.

Earnings
We alleviated the effect of lower revenue on profitability through strict cost control measures and continued efficiency enhancements in 2020, and the profit from ordinary activities (recurring EBITDA) came to EUR 84 million compared to EUR 188 million in 2019. The efforts to safeguard profitability enabled us to ensure a recurring EBITDA margin of 31 percent against 40 percent in 2019.

Our traffic machine activities contributed EUR 100 million to recurring EBITDA compared to EUR 174 million in 2019. The BorderShops posted recurring EBITDA of EUR -16 million against EUR 19 million in 2019.

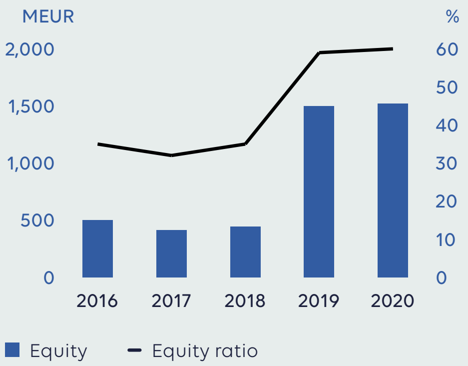
Non-recurring items amounted to EUR -10 million and primarily comprise impairment of non-currents assets, restructuring costs and legal costs related to the Fehmarn project. In 2019, non-recurring items came to EUR -7 million.

Profit from ordinary activities (EBITDA) was EUR 74 million in 2020 against EUR 181 million in 2019.

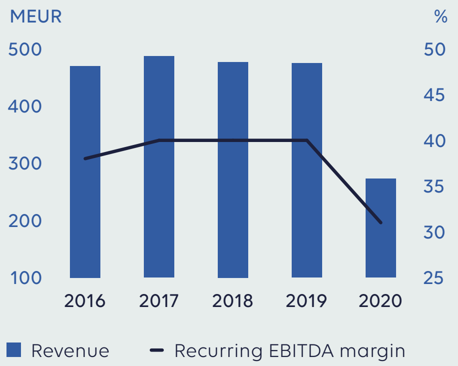
Financial income and expenses
Net financials were relatively stable and amounted to an expense of EUR 24 million against an expense of EUR 22 million in 2019.

Profit for the year
The result before tax declined to EUR 9 million against EUR 120 million in 2019, and profit for the year came to EUR 18 million in 2020 against EUR 122 million the prior year.

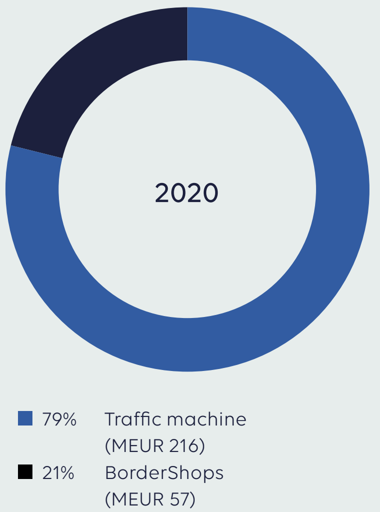
Equity and equity ratio



Revenue and profitability



Revenue split



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Investments and cash flow

At year-end, the group's intangible assets and property, plant and equipment were largely unchanged at EUR 2,437 million against EUR 2,457 million the previous year.

Cash flow from operating activities declined to an inflow of EUR 63 million compared to an inflow of EUR 151 million in 2019.

We continued to invest in improving competitiveness and strengthening our green agenda, and the cash outflow to investing activities was relatively stable at EUR 21 million against an outflow of EUR 22 million in 2019. Investments included development costs for a new ERP system to be implemented in 2021, ordinary maintenance as well as the installation of new thrusters on hybrid ferry M/V Deutschland on the Puttgarden-Rødby route and fitting of a custom-made 30-metre-high rotor sail on M/V Copenhagen operating on the Rostock-Gedser route.

In 2020, the cash flow to financing activities was an outflow of EUR 13 million against an outflow of EUR 135 million in 2019 where the group completed a refinancing and repaid debt in accordance with its loan agreement.

The group's interest-bearing debt was stable and stood at EUR 968 million in 2020 compared to EUR 978 million at the end of 2019. In March 2020, we decided to draw EUR 32 million on our existing revolving credit facilities to ensure liquidity in a period of unprecedented uncertainty. In June and December, we completed senior debt repayment of EUR 18 million and EUR 27 million, respectively.

At year-end, cash and cash equivalents amounted to EUR 61 million, and the net interest-bearing debt was EUR 907 million compared to cash and cash equivalents of EUR 31 million and a net interest-bearing debt of EUR 948 million in 2019.

Assets and equity

The group's assets were largely unchanged at EUR 2,537 million at 31 December 2020 compared to EUR 2,538 million the previous year.

Total equity at 31 December 2020 was EUR 1,520 million against EUR 1,501 million in 2019, corresponding to an equity ratio of 60 percent against 59 percent in 2019.

Events after the balance sheet date

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.

Reducing our footprint for a greener future

We continue to invest in maintaining and expanding Scandlines' position as a front runner in green ferry operations to reduce our footprint and contribute positively to our surroundings.

In May 2020, hybrid ferry M/V Copenhagen was retrofitted with a custom-made 30 metre-high rotor sail that harnesses wind power to provide supplementary propulsion. The initiative is expected to reduce CO_2 emissions by 4-5 percent on average and more than 20 percent in optimal wind conditions without compromising pre-retrofit speed and voyage times.

The rotor sail is the first data verified and commercially operational auxiliary wind propulsion technology for the global maritime industry. The solution is fully automated and detects whenever the wind is strong enough to deliver emission savings, at which point the rotor sail starts automatically.

Outlook

Financial guidance 2021
Traffic volumes and our business will continue to be impacted by the outbreak of COVID-19 and related travel restrictions, which are expected to be eased during the spring and summer period.

In 2021, we expect car and passenger traffic as well as shopping and bus travel to be significantly impaired by the effects of COVID-19 until such time as the joint efforts to mitigate the impact of COVID 19 allow for the demand for travel to return. Freight traffic is expected to remain at a relatively stable and high level throughout the year.

We will maintain a strict focus on efficiency and cost control to alleviate the impact of these negative external effects in a period of continued uncertainty.

Due to the high degree of uncertainty and very low visibility, management is currently not in a position to provide precise financial guidance for 2021.

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.

As the impact of COVID-19 recedes, we are confident that leisure traffic will recover.

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.

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 maintain our industry leadership 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 2020, M/V Deutschland was fitted with new thrusters and re-painted with silicone antifouling paint to improve energy efficiency and further reduce emissions. In 2021, M/V Prins Richard will be fitted with new thrusters as well.

M/V Copenhagen was fitted with a custom-made 30 metre-high rotor sail in 2020 to harness wind power and provide supplementary propulsion while reducing CO_2 emissions. We will continue to optimise operations and analyse fuel consumption data and the effects of the installation of the rotor sail on M/V Copenhagen to assess whether M/V Berlin should also be retro-fitted with a rotor sail over the next two years.

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 installed a new seven-kilometre power line in Rødby to enable battery-charging from land-based electricity.

The Fehmarn Belt fixed link
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 for no more than 16 years.

In the autumn of 2020, the German authorities approved the construction of the Fehmarn Belt fixed link after completion of public hearings at the Federal Administrative Court in Leipzig, Germany.

We will continue our efforts to ensure fair competition after the planned opening of the Fehmarn Belt fixed link.

Governance

Our responsibility

We continued to build a greener and more sustainable business in 2020 despite facing extreme market conditions caused by COVID-19. We introduced a separate sustainability report reflecting our commitment to contribute positively to our surroundings by embedding sustainability in our daily business and continuously improving our processes, technology and fleet. The efforts made in recent years and the pursuit of our zero emission vision will continue.

Reporting on sustainability
Our newly launched sustainability report is focused on identifying and reporting on relevant stakeholder concerns and the context and materiality of our efforts as well as presenting a comprehensive overview of Scandlines' sustainability work. The sustainability report has been prepared in accordance with the GRI Standards: Core option.

The sustainability report represents our statutory statement on social responsibility and gender equality in accordance with sections 99a and 99b of the Danish Financial Statements Act. The report can be found here: https://www.scandlines.com/about-scandlines/about-scandlines-frontpage/finance

We look forward to continuously evolving and improving our approach, welcoming any feedback from our stakeholders.

Scandlines sustainability report 2020

Sustainability highlights

~6 MEUR

Green investments include installation of new thrusters, fitting of a 30-metre-high rotor sail and use of silicone antifouling paint to reduce emissions.

+58 NPS

Scandlines' Net Promoter Score, which measures customer satisfaction, increased to +58 from +53 in 2019 despite the challenges faced in 2020.

10-15%

Reduction of CO_2 emissions on M/V Deutschland after installation of new thrusters.

99%

Scandlines' Vendor Code of Conduct or an equivalent agreement was signed by 99 percent of the group's retail and catering vendors by 2020.

8.8 LTIF

The lost time injury frequency (LTIF) was stable in 2020.

0

No whistleblower reports about misconduct or concerns were filed in 2020 by internal or external parties.

344,000 face masks

Distributed to employees and customers free of charge to ensure safety onboard during the outbreak of COVID-19.

5 SDGs

We focus in particular on ensuring safety, good health and well-being for our customers and employees (3), ensuring responsible consumption (12), taking action against climate change (13), protecting life below water (14) and life on land (15).

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 German and Danish regulation and is owned by a consortium of long-term infrastructure investors.

Scandlines is subject to German and Danish law, and our corporate governance is based on German and Danish 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, which is appointed by the general meeting.

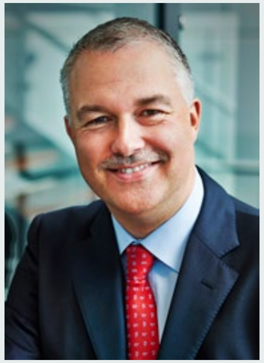
None of the major shareholders are directly represented in Executive Management, but are represented through the Supervisory Board and on the Investor Committee.

In addition, the Supervisory Board has established an Audit and Risk Committee, which oversees the group's risk management, preparation of financial statements and internal controls. In addition, the Audit and Risk Committee monitors and communicates with the auditor appointed by the shareholders. The Audit and Risk Committee reports regularly to the Supervisory Board.

Ownership
Scandlines Infrastructure ApS is indirectly owned by a consortium of infrastructure investors including First Sentier Investors (50.1 percent), Federated Hermes (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.

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, handling and reporting of relevant risks.

We have 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.

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.

Unforeseen events, such as a pandemic, and government responses may materially affect the general economic, political and social climate. Such events may thus impact our business on multiple levels, entailing a reduction in travel between Continental Europe and Scandinavia, increased demands on safety measures, impacts on the workforce for us and our business partners, etc.

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.

Market 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 - including a new service opened by FRS on the Sassnitz-Ystad route in 2020 - and several alternatives for regional air travel. The current competitive landscape is relatively 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. The uncertainty pertaining to the overall time schedule and financing of the project indicates that the earliest possible opening of the fixed link would be around 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

We continuously improve Scandlines' 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. Both the Danish state and Scandlines subsequently appealed the European Commission's approval.

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.

Rules and regulations

Our 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, Scandlines 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

We continuously monitor the regulatory environment and take 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.

Market risks

Financial markets

Scandlines is exposed to a range of financial market risks related mainly to interest rates and foreign exchange rates. See notes 14 and 21 for details on exposures and sensitivities.

Interest rate exposure is limited to a minor part 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.

Climate change

Our operations are subject to physical and transition climate risks. Increased extreme weather conditions would negatively impact our operations and potentially lead to disturbances in our large global vendor base. Our 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 IMO. In addition, climate change might lead to changed customer behaviors and impact bunker availability and price.

Mitigation

We continuously invest significantly in reducing the environmental footprint of our ferry operation by implementing hybrid solutions and installing state-of-the-art thrusters, ensuring an industry-leading position and full compliance with applicable environmental regulations in the region. The stable traffic machine concept is highly resistant to adverse weather, exceeding the comparable performance by competition from The Great Belt Bridge as well as regional air travel options and direct ferry routes between Sweden and Germany/Poland.

Commercial risks

Operations, environment and security

Scandlines' 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 we have 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.

Our operations are 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 our operations and financial results.

Work accidents or incidents, but also pandemic events such as COVID-19, might endanger the health of employees, customers or other related parties.

Mitigation

We have 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.

We adhere 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. We continuously monitor and implement initiatives to reduce the risk and potential impact of cyber and terrorist attacks.

We take any new situation, which might endanger the health and safety of employees, customers or business partners, seriously. As required, relevant committees will be established to continuously evaluate the situation and manage initiatives based on upcoming regulation and ad-hoc risk assessments.

Commercial risks

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

Scandlines 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.

We have 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

We own and operate modern and purpose-built infrastructure assets including check-in areas, marshalling areas, ramps, berths and ferries. Lack of appropriate maintenance and investments might have a detrimental effect on the infrastructure.

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

Our business 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 Scandlines' 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.

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Income statement

MEUR	Notes	2020	2019
Revenue	3	272.6	475.0
Other operating income		7.7	2.6
Total income		**280.3**	**477.6**
Operating costs for vessels		-37.5	-49.9
Cost of goods sold		-55.1	-119.1
Staff costs	4	-73.2	-82.9
Other external expenses		-40.9	-44.6
Total costs		**-206.7**	**-296.5**
Result before amortisation and depreciation (EBITDA)		**73.6**	**181.1**
Amortisation and depreciation	5	-40.5	-39.8
Result from operations		**33.1**	**141.3**
Financial income	6	0.1	0.0
Financial expenses	7	-23.8	-21.6
Result before tax		**9.4**	**119.7**
Tax for the year	8	8.2	2.5
Result for the year		**17.6**	**122.2**

Comprehensive income

MEUR	Notes	2020	2019
Result for the year		**17.6**	**122.2**
Other comprehensive income/loss			
Items that may be reclassified subsequently to profit and loss			
Value adjustments of hedging instruments: Value adjustments for the year		0.4	1.0
Foreign exchange adjustments, foreign enterprises		0.6	-1.6
Other comprehensive income/loss after tax		**1.0**	**-0.6**
Total comprehensive income/loss		**18.6**	**121.6**

Balance sheet

MEUR	Notes	31.12.20	31.12.19
Assets			
Goodwill		1,903.6	1,903.8
Software		10.4	5.2
Other intangible assets		4.2	4.9
Non-current intangible assets	**9**	**1,918.2**	**1,913.9**
Land and buildings		131.8	134.7
Vessels		318.9	328.0
Other fixtures and fittings, tools and equipment		42.9	46.2
Right-of-use assets		5.0	4.6
Assets under construction		19.9	30.0
Non-current tangible assets	**10**	**518.5**	**543.5**
Total non-current assets		**2,436.7**	**2,457.4**
Inventories	11	17.0	20.5
Receivables	12	20.9	28.3
Prepayments		0.9	1.7
Cash		61.0	30.5
Current assets		**99.8**	**81.0**
Total current assets		**99.8**	**81.0**
Assets		**2,536.5**	**2,538.4**

MEUR	Notes	31.12.20	31.12.19
Equity and liabilities			
Share capital		0.0	0.0
Reserves		-1.6	-2.6
Retained earnings		1,521.6	1,504.0
Total equity		**1,520.0**	**1,501.4**
Interest-bearing liabilities	14	901.3	960.9
Deferred tax	13	1.9	1.9
Pension and anniversary liabilities	15	0.7	0.6
Total non-current liabilities		**903.9**	**963.4**
Interest-bearing liabilities	14	66.5	17.5
Pension and anniversary liabilities	15	0.7	0.7
Income tax	17	0.0	0.0
Trade payables		23.4	29.7
Other provisions	16	10.0	9.6
Other liabilities	18	10.5	14.4
Deferred income	19	1.5	1.7
Total current liabilities		**112.6**	**73.6**
Total liabilities		**1,016.5**	**1,037.0**
Equity and liabilities		**2,536.5**	**2,538.4**

Cash flow statement

MEUR	Notes	31.12.20	31.12.19
Result before amortisation and depreciation (EBITDA)		73.6	181.1
Adjustments for non-cash operating items, etc.	22	1.1	1.3
Working capital changes	23	2.1	-3.2
Cash flows from operating activities, gross		**76.8**	**179.2**
Interest paid		-23.7	-21.2
Taxes paid		9.5	-7.4
Cash flows from operating activities, net		**62.7**	**150.6**
Investments in intangible assets	9	-2.2	-0.1
Investments in land and buildings	10	-0.1	0.0
Investments in vessels	10	-9.9	-2.8
Investments in other fixtures and fittings, tools and equipment	10	-0.2	-1.1
Investments in assets under construction	10	-8.3	-17.7
Cash flows to/from investing activities		**-20.7**	**-21.7**
Payment of dividends		0.0	-340.6
Repayment, bank loan		-44.1	-100.4
New bank loans		31.5	305.6
Cash flows to/from financing activities		**-12.6**	**-135.4**
Cash flows for the year		29.4	-6.5
Cash at 1 January		30.5	35.9
Currency exchange adjustment		1.1	1.1
Cash at 31 December		**61.0**	**30.5**

Statement of changes in equity

MEUR	Share capital	Exchange rate adjustments	Fair value adjustment of hedging instruments	Retained earnings	Total
Equity at 1 January 2020	0.0	-1.9	-0.7	1,504.0	1,501.4
Comprehensive income/loss for the year					
Result for the year	0.0	0.0	0.0	17.6	17.6
Fair value changes in financial instruments	0.0	0.0	0.4	0.0	0.4
Foreign exchange adjustments, foreign enterprises	0.0	0.6	0.0	0.0	0.6
Total comprehensive income/loss	**0.0**	**0.6**	**0.4**	**17.6**	**18.6**
Transactions with the owners					
Proposed dividend	0.0	0.0	0.0	0.0	0.0
	0.0	**0.0**	**0.0**	**0.0**	**0.0**
Equity at 31 December 2020	**0.0**	**-1.3**	**-0.3**	**1,521.6**	**1,520.0**

Share capital
Share capital is nominal EUR 40 thousand at EUR 0,01 each split into EUR 39.8 thousand of A Ordinary Shares and EUR 0.2 thousand of B Ordinary Shares.
All shares are fully paid.

Reserves
Hedging reserve:
The hedging reserve includes the accumulated net change in the fair value of hedging the interest rate, which qualifies for hedging of future cash flows.

Dividend
In 2020, no dividend was paid to the shareholders.

MEUR	Share capital	Exchange rate adjustments	Fair value adjustment of hedging instruments	Retained earnings	Proposed Dividend	Total
Equity at 1 January 2019	0.0	-0.3	-1.7	1,625.8	96.5	1,720.3
Comprehensive income/loss for the year						
Result for the year	0.0	0.0	0.0	122.2	0.0	122.2
Fair value changes in financial instruments	0.0	0.0	1.0	0.0	0.0	1.0
Foreign exhange adjustments, foreign enterprises	0.0	-1.6	0.0	0.0	0.0	-1.6
Income/loss	0.0	0.0	0.0	0.1	0.0	0.1
Total comprehensive income/loss	**0.0**	**-1.6**	**1.0**	**122.3**	**0.0**	**121.7**
Transactions with the owners						
Payment of extraordinary dividend	0.0	0.0	0.0	-244.1	-96.5	-340.6
	0.0	**0.0**	**0.0**	**-244,1**	**0.0**	**-340.5**
Equity at 31 December 2019	**0.0**	**-1.9**	**-0.7**	**1,504.0**	**0.0**	**1,501.4**

Share capital
Share capital is nominal EUR 40 thousand at EUR 0,01 each split into EUR 39.8 thousand of A Ordinary Shares and EUR 0.2 thousand of B Ordinary Shares.
All shares are fully paid.

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 2019, ordinary dividend of MEUR 96.5 and extraordinary dividend of MEUR 244.1 were paid to the shareholders, compared to a paid dividend of MEUR 90.5 in 2018.

Table of contents to the notes to the Consolidated financial statements

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 28 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 of vessels include a breakdown of the vessel's cost into components based on their expected useful lives, the vessel's expected maximum useful life for the enterprise, scrap value and impairment testing. The vessels' expected useful lives for the group 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 9 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 28 to the consolidated financial statements.

Write-downs for expected credit losses

Write-down for bad and doubtful debts receivable are measured at amortised cost less write-down for expected credit losses. 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, actual bad debt loss history, 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 24 to the consolidated financial statements.

Particular risks of the group are discussed in the Management commentary and note 21 to the consolidated financial statements.

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

Accounting policies

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

Applied materiality in preparation of the financial statements

In preparing the consolidated financial statements, Management seeks to improve the information value of the consolidated financial statements, the notes to the statements by presenting the information in a way that supports the understanding of the group's performance in the reporting period.

This objective is achieved by presenting fair transactional aggregation levels on line items and other financial information, emphasising information that is considered of material importance to the user and making relevant rather than generic descriptions throughout the consolidated financial statements.

All disclosures are made in compliance with the International Financial Reporting Standards, the Danish Financial Statements Act and other relevant regulations, ensuring a true and fair view throughout the annual report.

Notes to the Consolidated financial statements

2. Adoption of new and amended standards

The new and amended Standards and Interpretations that have been issued, but are not yet effective, up to the date of issuance of the group's financial statements are disclosed below. The group intends to adopt these new and amended Standards and Interpretations, if applicable, when they become effective.

- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020
- Interest Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Classification of Liabilities as Current or Non-current

The group does not expect any material impact from the issued but not yet effective IFRS standards that have not been implemented.

3. Revenue

MEUR	2020	2019
Traffic machine	216.2	351.8
Bordershops	56.4	123.2
	272.6	**475.0**

4. Staff costs

MEUR	2020	2019
Salaries and wages	-61.3	-69.3
Pension contributions	-10.1	-11.5
Other social security costs	-1.7	-2.1
	-73.2	**-82.9**
Average number of employees	1,357	1,533
Remuneration to key management personnel (Executive Management):		
Salaries and fees	1.5	1.4
Bonus	1.9	3.8
Pension	0.2	0.2
	3.6	**5.5**

The Management is entitled to bonus dependent on specific performance measures.

Notes to the Consolidated financial statements

5. Amortisation and depreciation

MEUR	2020	2019
Amortisation, intangible assets	-4.2	-4.2
Depreciation, vessels	-24.8	-23.3
Depreciation, buildings	-4.8	-6.1
Depreciation, right-of-use assets	-1.4	-1.3
Depreciation, other property, plant and equipment	-5.3	-4.9
	-40.5	**-39.8**

6. Financial income

MEUR	2020	2019
Interest on cash etc.	0.1	0.0
	0.1	**0.0**

7. Financial expenses

MEUR	2020	2019
Interest to credit institutions etc.	-23.6	-21.3
Other financial expenses	-0.2	-0.3
	-23.8	**-21.6**

8. Tax for the year

MEUR	2020	2019
Current tax	-1.6	2.7
Tax settlement previous years	9.8	-0.2
	8.2	**2.5**
Tax for year can be specified as follows:		
Result before tax	9.4	119.7
Of this, subject to tonnage taxation	-52.5	-152.0
	-43.1	**-32.3**
Tax calculated as 22% of result before tax	-9.5	-7.1
Calculated tax in foreign companies adjusted to 22%	-5.3	0.2
Non-deductable interest	13.0	4.4
Taxable losses not recognized	3.3	0.0
Tax settlement previous years	-9.8	-0.2
	-8.2	**-2.7**
Effective tax rate	-87.2%	-2.1%

The effective tax rate was negative in 2020 due to a reversal of prior year provisions.

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 in Denmark until 2030 and in Germany until 2029. 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
Tax related to interest rate swaps is EUR 0.0 due to limitations on deductible interest expenses.

Notes to the Consolidated financial statements

9. Non-current intangible assets

MEUR	Goodwill	Software	Other intangible assets
2020			
Cost at 1 January	1,903.8	11.5	5.7
Exchange rate adjustments	-0.2	0.0	-0.1
Transfer	0.0	6.6	0.0
Additions	0.0	2.2	0.0
Disposals	0.0	0.0	0.0
Cost at 31 December	**1,903.6**	**20.3**	**5.6**
Amortisation at 1 January	0.0	6.3	0.8
Amortisation	0.0	3.6	0.6
Disposals	0.0	0.0	0.0
Amortisation at 31 December	**0.0**	**9.9**	**1.4**
Carrying amount at 31 December	**1,903.6**	**10.4**	**4.2**
2019			
Cost at 1 January	1,904.8	10.2	5.7
Exchange rate adjustments	-1.0	0.0	0.0
Reclassification	0.0	1.2	0.0
Additions	0.0	0.1	0.0
Cost at 31 December	**1,903.8**	**11.5**	**5.7**
Amortisation at 1 January	0.0	2.7	0.2
Amortisation	0.0	3.6	0.6
Amortisation at 31 December	**0.0**	**6.3**	**0.8**
Carrying amount at 31 December	**1,903.8**	**5.2**	**4.9**

9. Non-current intangible assets (continued)

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

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

MEUR	31.12.20	31.12.19
Ferry services		
Puttgarden – Rødby	1,159.1	1,159.7
Rostock – Gedser	625.5	626.1
	1,784.6	**1,785.8**
BorderShops	119.0	119.0
	119.0	119.0
Total goodwill	**1,903.6**	**1,904.8**

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

No impairment of goodwill was recognised in 2020 and 2019.

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

9. Non-current intangible assets (continued)

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 all have been approved by Management. The discount rate applied is 7.5 percent after tax.

The construction of the fixed link is estimated to have a material impact on our business. An average revenue growth rate of 3-5 percent is applied up to the time of completion of the Fehmarn Belt fixed link. By opening of the fixed link, we estimate a material one-off negative impact on revenue, both on our traffic routes and in the BorderShops, and from then on, 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 COVID-19 outbreak did not have a material impact on the calculation of the value in use for the cash generating units.

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

Cash generating unit	Overall growth rate in terminal period	Average revenue growth before fixed link 2019-2031	Average revenue growth before fixed link 2020-2031	Average revenue growth after fixed link	Discount rate
Puttgarden-Rødby	1.5%	4.2%	9.4%	2.7%	7.5%
Rostock-Gedser	1.5%	4.8%	9.7%	4.1%	7.5%
BorderShops	1.5%	3.4%	11.3%	2.7%	7.5%

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 and maintenance investments.

9. Non-current intangible assets (continued)

Sensitivity Puttgarden-Rødby

- An increase in the revenue projections of 10 percent p.a. throughout the forecast period (with unchanged cost base) would result in an increase in the value in use of EUR 371 million(up by 20 percent) and a decrease in the revenue projections of 10 percent p.a. throughout the forecast period would result in a decrease in the value in use of EUR 367 million (down by 19 percent).

- An increase in WACC of 1.0 percentage point would result in a decrease in the value in use of EUR 213 million (down by 11 percent) and a decrease in WACC of 1.0 percentage point would result in an increase in the value in use of EUR 288 million (up by 15 percent).

Sensitivity Rostock-Gedser

- An increase in the revenue projections of 10 percent p.a. throughout the forecast period (with unchanged cost base) would result in an increase in the value in use of EUR 196 million (up by 20 percent) and a decrease in the revenue projections of 10 percent p.a. throughout the forecast period would result in a decrease in the value in use of EUR 193 million (down by 19 percent).

- An increase in WACC of 1.0 percentage point would result in a decrease in the value in use of EUR 153 million (down by 15 percent) and a decrease in WACC of 1.0 percentage point would result in an increase in the value in use of EUR 216 million (up by 21 percent).

Sensitivity Bordershops

- An increase in the revenue projections of 10 percent p.a. throughout the forecast period (with unchanged cost base) would result in an increase in the value in use of EUR 130 million (up by 58 percent) and a decrease in the revenue projections of 10 percent p.a. throughout the forecast period would result in a decrease in the value in use of EUR 100 million (down by 45 percent).

- An increase in WACC of 1.0 percentage point would result in a decrease in the value in use of EUR 33 million (down by 15 percent) and a decrease in WACC of 1.0 percentage point would result in an increase in the value in use of EUR 46 million (up by 21 percent).

Notes to the Consolidated financial statements

9. Non-current intangible assets (continued)

If WACC increased by 1.0 percentage point as outlined above and applied to the impairment test as of 31 December 2020, the impairment calculation would show that an impairment of EUR 85 million was needed on Rostock-Gedser.

If revenue decreased by 10 percent p.a. (while the cost base was unchanged) as outlined above and applied to the impairment test as of 31 December 2020, the impairment calculation would show that an impairment of EUR 159 million was needed on Rostock-Gedser and an impairment of EUR 54 million was needed on the BorderShops.

As outlined above, the impairment test has been prepared on the basis that the group will continue to operate its routes both before and after the commissioning of the Fehmarn Belt fixed link.

Notes to the Consolidated financial statements

10. 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
2020					
Cost at 1 January	143.1	361.3	53.3	5.9	30.0
Reclassification	2.8	7.0	2.0	0.0	-18.4
Additions	0.1	9.9	0.2	2.5	8.3
Disposals	-2.0	-10.1	-0.3	-0.6	0.0
Cost at 31 December	**144.1**	**368.0**	**55.3**	**7.8**	**19.9**
Depreciation at 1 January	8.4	33.3	7.1	1.3	0.0
Exchange rate adjustments	0.0	0.1	0.0	0.1	0.0
Depreciation	4.8	24.8	5.3	1.4	0.0
Disposals	-0.9	-9.1	0.0	0.0	0.0
Depreciation at 31 December	**12.3**	**49.1**	**12.4**	**2.8**	**0.0**
Carrying amount at 31 December	**131.8**	**318.9**	**42.9**	**5.0**	**19.9**
Carrying amount reduced by: Government grants	6.6	9.1	0.0	0.0	0.0

10. Non-current tangible assets (continued)

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	142.8	356.1	51.6	0.0	19.0
Implementation of IFRS 16	0.0	0.0	0.0	5.1	0.0
Correction previous years	0.0	-0.3	0.0	0.0	0.0
Transfer	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	**143.1**	**361.3**	**53.3**	**5.9**	**30.0**
Depreciation at 1 January	2.3	11.1	2.3	0.0	0.0
Correction previous years	0.0	0.7	0.0	0.0	0.0
Depreciation	6.1	23.3	4.9	1.3	0.0
Disposals	0.0	-1.8	-0.1	0.0	0.0
Depreciation at 31 December	**8.4**	**33.3**	**7.1**	**1.3**	**0.0**
Carrying amount at 31 December	**134.7**	**328.0**	**46.2**	**4.6**	**30.0**
Carrying amount reduced by: Government grants	6.8	10.1	0.0	0.0	0.0

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

Notes to the Consolidated financial statements

11. Inventories

MEUR	31.12.20	31.12.19
Bunker	0.4	0.7
Goods for sale	12.9	16.1
Other inventories	3.7	3.7
	17.0	**20.5**

12. Receivables

MEUR	31.12.20	31.12.19
Trade receivables	19.3	24.5
Other receivables	1.6	3.8
	20.9	**28.3**
Short-term receivables	20.9	28.3
	20.9	**28.3**

The allowance for expected credit losses for trade receivables and contract assets are calculated at individual level when there is an indication of impairment. For receivables and contract assets 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 effecting the credit risk. In 2020 credit losses recognized in the income statements count for 0.09 percent of total revenue. The expected loss rates are updated at every reporting date.

12. Receivables (continued)

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	31.12.20	31.12.19
Provision account at 1 January	0.9	0.2
Adjustment previous year	0.0	0.6
Losses recorded for the year	-0.2	-0.1
Reversed provisions	-0.7	0.0
Bad debt provisions for the year	0.3	0.2
Provision account at 31 December	**0.3**	**0.9**

MEUR	31.12.20	31.12.19
Due Trade receivables not written down:		
Overdue by up to one month	1.7	4.2
Overdue by 1-3 months	0.1	0.0
Overdue by 3-6 months	0.0	0.1
Overdue by more than 6 months	0.1	0.3
	1.8	**4.6**

Notes to the Consolidated financial statements

13. Deferred tax

MEUR	31.12.20	31.12.19
Deferred tax at 1 January	1.9	1.9
Deferred tax for the year recognised in the income statement	0.0	0.0
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**

14. Interest-bearing liabilities

MEUR	31.12.20	31.12.19
Finance lease commitments	5.1	4.6
Bank debt	896.2	956.3
Total non-current interest-bearing liabilities	**901.3**	**960.9**
Bank debt	66.5	17.5
Total current interest-bearing liabilities	**66.5**	**17.5**
Total current and non-current interest-bearing liabilities	**967.8**	**978.4**

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

Distribution of currency, nominal principal	31.12.20	31.12.19
DKK	2.5	3.0
EUR	965.3	975.4
Total interest-bearing liabilities	**967.8**	**978.4**

Notes to the Consolidated financial statements

14. Interest-bearing liabilities (continued)

MEUR	Currency	Fixed/float	Nominal value	Fair value
Borrowings 2020				
Tranche 1 (expiry 2023)	EUR	Floating	146.1	146.1
Tranche 2 (expiry 2028)	EUR	Fixed	486.5	486.5
Tranche 3 (expiry 2028)	EUR	Fixed	31.5	31.5
Tranche 5 (expiry 2031)	EUR	Floating	305.6	305.6
Leasing debt	EUR	Fixed	5.1	5.1
			974.9	**974.9**
Borrowings 2019				
Tranche 1 (expiry 2023)	EUR	Floating	190.2	190.2
Tranche 2 (expiry 2028)	EUR	Fixed	486.5	486.5
Tranche 5 (expiry 2031)	EUR	Floating	305.7	305.7
Leasing debt	EUR	Fixed	4.6	4.6
			987.0	**987.0**

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

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

14. Interest-bearing liabilities (continued)

MEUR	Facility	Utilisation	Remaining facilities	Limitations
Facilities 2020				
Tranche 1 (expiry 2023)	146.1	146.1	0.0	
Tranche 2 (expiry 2028)	486.5	486.5	0.0	
Tranche 3 (expiry 2028)	35.0	31.5	3.5	
Tranche 4 (expiry 2028)	117.5	0.0	117.5	Liquidity Facility reserved for debt service
Tranche 5 (expiry 2031)	305.6	305.6	0.0	
	1,090.8	**969.8**	**121.0**	
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**	

Notes to the Consolidated financial statements

15. Pension and anniversary liabilities

The group has entered into both defined contribution plans and defined benefit plans. The majority of the pension plans are funded by annual premium payments to independent pension providers 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. Pension contributions as part of such plans are expensed as incurred. Defined pension plans are only used to a very limited extent and exist in Germany, only.

Development in present value of funded and unfunded defined commitments

MEUR	31.12.20	31.12.19
Balance at 1 January	1.3	1.3
Anniversary cost	0.2	0.0
Calculated interests related to obligations	0.0	0.1
Pensions paid	-0.1	-0.1
Liabilities at 31 December	**1.4**	**1.3**
Long-term liability	0.7	0.6
Short-term liability	0.7	0.7
Total	**1.4**	**1.3**
Cost in profit/loss statement		
Personnel costs current year	0.1	-0.1
Calculated interests related to obligations	0.0	0.1
Total	**0.1**	**0.0**
Defined benefit plans, assumptions		
Discount rate	0.8%	0.7%
Future increases in pensions	1.0%	1.0%

16. Other provisions

MEUR	31.12.20	31.12.19
Balance at 1 January	9.6	8.3
Reduction arising from payment	-9.6	-8.3
Additions	10.0	9.6
	10.0	**9.6**
Other provisions are expected to fall due as follows:		
0-1 year	10.0	9.6
1-5 years	0.0	0.0
	10.0	**9.6**

Provisions are mainly related to personnel expenses and taxes.

17. Income tax payable

MEUR	31.12.20	31.12.19
Income tax payable at 1 January	0.0	8.8
Current tax for the year	1.6	-2.7
Income tax paid in the year	8.2	-7.4
Adjustment previous year	-9.8	1.3
Income tax payable at 31 December	**0.0**	**0.0**

Notes to the Consolidated financial statements

18. Other liabilities

MEUR	31.12.20	31.12.19
Public authorities (VAT, excise duties, taxes, etc.)	1.4	1.6
Pension liabilities (short-term)	2.1	0.0
Holiday pay obligation, payroll accruals, bonus, etc.	5.1	9.9
Other expenses payable	1.9	2.9
	10.5	**14.4**

19. Deferred income

MEUR	31.12.20	31.12.19
Prepayments from customers	1.5	1.7
	1.5	**1.7**

20. Fees to auditors appointed by the annual general meeting

MEUR	31.12.20	31.12.19
Statutory audit	0.2	0.2
Non-audit services	0.1	0.0
	0.3	**0.2**

Notes to the Consolidated financial statements

21. Financial risks and use of derivatives

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

Risk related to commodity prices
The primary risk associated with commodity prices relates to the purchase of bunker fuel. The risk is partially covered through the incorporation of variable bunker price element in the contracts with freight customers. The residual exposure for a rolling 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% of total expected consumption. As of 31 December 2020, the Group has not entered into any bunker hedge contracts.

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 million in 2019) and a negative cost impact in 2020 of EUR 0 million (0 million in 2019). 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 risks derives mainly from financing agreements. Future interest payments are partly hedged in the form of fixed-rate debt and interest rate derivatives. At 31 December 2020, 93% of the group's debt was fixed-rate or via derivatives swapped from variable to fixed interest (2019: 96%). We refer to Note 13 for more details on the loan portfolio.

21. Financial risks and use of derivatives (continued)

An increase in interest rates by 1 percentage point at the 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 1.0 million (EUR 1.4 million in 2019) and a negative cost impact in 2020 of EUR 0.5 million (EUR 0.4 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.

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 Scandlines Infrastructure 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 Scandlines Infrastructure group has during 2020 not entered into any currency hedges and has no open currency hedge contracts as at 31 December 2020. A 10% change in the EUR/SEK exchange rate would have an immaterial effect on income and cost elements in 2020.

Credit risks
The Scandlines Infrastructure group is exposed to credit risk from our trading partners and customers. The exposure is limited to the group's total outstanding receivables, with limited customer dependency and concentration risk and very low or none historical losses recorded in recent years. Accordingly, credit risks have not been hedged during 2020 and the company has no open credit risk hedge contracts.

Liquitity risks
The Scandlines Infrastructure 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, where EUR 31.5 million have been utilized in 2020. The liquidity risk is considered to be very low.

Notes to the Consolidated financial statements

21. 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
2020				
Non-derivatives				
Credit institutions and banks*	66.5	336.5	566.8	969.8
Trade payables*	23.4	0.0	0.0	23.4
Leasing debt	0.0	5.1	0.0	5.1
Derivatives				
Interest rates*	0.4	0.0	0.0	0.4
	90.3	**341.6**	**566.8**	**998.7**
2019				
Non-derivatives				
Credit institutions and banks*	17.5	304.7	660.2	982.4
Trade payables*	29.7	0.0	0.0	29.7
Leasing debt	0.0	4.6	0.0	4.6
Derivatives				
Interest rates*	0.8	0.0	0.0	0.8
	48.0	**309.3**	**660.2**	**1,015.9**

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

21. Financial risks and use of derivatives (continued)

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

The group's dividend policy is closely related to the existing loan agreement. This means that dividend may be allotted only if the assumptions determined in the agreement have been met. This ensures that dividend is allotted only if specific financial ratios have been observed.

Fair value hierarchy
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 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)

Notes to the Consolidated financial statements

21. Financial risks and use of derivatives (continued)

Carrying amount by category of derivative financial instruments:

MEUR	31.12.20	31.12.19
Interest rate contract	0.4	0.8
	0.4	**0.8**

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

MEUR	31.12.20	31.12.19
Categories of financial instruments		
Trade receivables	19.3	24.5
Other receivables	1.6	3.8
Cash and cash equivalents	61.0	30.5
Loans and receivables	**81.9**	**58.8**
Derivative financial instruments entered into to hedge future cash flows	0.4	0.8
Financial liabilities used for hedging	**0.4**	**0.8**
Bank debt	969.8	982.4
Trade payables	23.4	29.7
Other liabilities	10.5	14.4
Financial liabilities measured at amortised cost	**1,003.7**	**1,026.5**

22. Non-cash transactions

MEUR	31.12.20	31.12.19
Change in provision	-0.4	0.5
Change in other assets	1.5	0.8
	1.1	**1.3**

23. Working capital changes

MEUR	31.12.20	31.12.19
Increase (-)/decrease (+) in inventories	3.5	-0.1
Increase (-)/decrease (+) in receivables etc.	9.0	3.7
Increase (+)/decrease (-) in current liabilities	-10.4	-6.8
	2.1	**-3.2**

Notes to the Consolidated financial statements

24. Guarantees, contingent liabilities and collateral

MEUR	31.12.20	31.12.19
Guarantees	**1.6**	**1.9**

Contingent liabilities
The group is party to no material lawsuits.

For employees engaged as public servants, the group has a contingent liability of EUR 7 million (2019: EUR 13.9 million) in case of any dismissal thereof. The amount is related to salary in the termination period.

Collateral
The group's bank debts, as disclosed in note 14, are obtained by the subsidiary in the group, Scandlines ApS. All assets at any time belonging to the group including recognised as well as not recognised assets are pledged as collateral for the bank debts.

25. Government grants

The Scandlines Infrastructure group has during the financial year received Covid-19 compensations for fixed costs and salary.

In total, the group received compensations of EUR 15.4 million. However, EUR 9.3 million in relation to the fixed cost compensation was repaid to the Danish Authorities in December 2020.

The government grants have been recognised under Other operating income in the Profit and loss statement.

26. Related parties

Scandlines Infrastructure ApS, primary shareholders are Fulmar Holding ApS (managed by Fulmar Investments ApS) and 3i Abaco ApS (managed by 3i). The activities of the Scandlines group are managed by Scandlines Danmark ApS and Scandlines Deutchland GmbH and their subsidiaries.

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

Related parties also include all companies owned by Fulmar Holding ApS

During the year, there have been no transactions with related parties aside from intragroup transactions (primarily charter hire, management fees, etc.) which have been eliminated in the consolidated financial statements, ordinary remuneration of Executive Management (see note 4).

Notes to the Consolidated financial statements

26. Related parties (continued)

The companies included in the consolidated financial statements are:

Company	Ownership	Country	City
Holding companies			
Scandferries Infrastructure ApS	100%	Denmark	Copenhagen
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)

27. Events after the balance sheet date

No significant events have occurred after 31 December 2020.

Notes to the Consolidated financial statements

28. Accounting policies

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

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

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

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 Scandlines Infrastructure ApS (the parent) and subsidiaries, in which Scandlines Infrastructure 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% of the voting rights or in any other way controlling the relevant enterprise (affiliated company). Scandlines Infrastructure 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.

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

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

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

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

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

On acquisition, goodwill is allocated to cash-generating units, which then form the basis of impairment testing. The allocation of goodwill by cash-generating unit is disclosed in note 9 to the consolidated financial statements.

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

Notes to the Consolidated financial statements

28. Accounting policies (continued)

tive 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.

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 group companies

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

The foreign currency translation adjustments are divided between the parent's share and the minority interests' share of equity. When wholly-owned foreign enterprises are disposed of, such foreign currency translation adjustments accumulated in equity through other comprehensive income as are attributable to the enterprise are reclassified from "Reserve for foreign currency translation adjustments" to profit or loss together with any profit or loss from the disposal.

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

When part of an associate or a joint venture is disposed of, the proportionate share of the accumulated reserve for foreign cur-

Notes to the Consolidated financial statements

28. Accounting policies (continued)

rency 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 affect profit or loss. At that time, gains or losses from such hedging transaction are transferred through other comprehensive income from equity and recognised in the same financial statement item as the transaction hedged.

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.

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 capitalizable leases and short term leases where all leasing contracts with a term over 12 months are recognised as leasing assets on the balance sheet. Leases with a term less than 12 months are classified as short term leases. For leasing assets, 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 lease commitment. The interest portion of the lease payment or the year is recognized in the income statement as a financial expense. Lease payments on short-term leases are recognized 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 recognized 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

Notes to the Consolidated financial statements

28. Accounting policies (continued)

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 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 1 hour and 45 minutes. 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 costs 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.

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

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

Income tax and tonnage tax computed for the year are recognised in the balance sheet as current tax payable or receivable.

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.

Notes to the Consolidated financial statements

28. Accounting policies (continued)

Assets
Current assets are defined as:

- Assets expected to be realised or are held for sale or consumption during the Scandlines 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.

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 estimate 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 Scandlines group
- Expected useful lives to the Scandlines 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 Scandlines 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 9 to the consolidated financial statements.

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.

Gains 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. Gains 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

Notes to the Consolidated financial statements

28. Accounting policies (continued)

Gains 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. Gains and losses from the sale of these assets are taken to profit or loss under "Other operating income".

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

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

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

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

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

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

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

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

Liabilities
Current liabilities are defined as:

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

All other liabilities are classified as non-current.

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

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

Notes to the Consolidated financial statements

28. Accounting policies (continued)

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

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

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

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.

Other payables
Other payables include payables to staff, including wages, salaries and holiday pay payable, and to public authorities such as unsettled withholding tax, VAT, excise duties and similar levies as well as payables regarding the purchase 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, 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), 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	2020	2019
Other income		9.1	7.6
Administrative expenses	2	-9.8	-8.1
Result before amortisation and depreciation (EBITDA)		**-0.7**	**-0.5**
Amortisation, depreciation and impairment		0.0	0.0
Result before tax		**-0.7**	**-0.5**
Dividend from affiliated company		0.0	340.5
Result from operations		**-0.7**	**340.0**
Tax for the year		0.2	7.9
Result for the year		**-0.5**	**347.9**
Other comprehensive income after tax		0.0	0.0
Total comprehensive income/loss		**-0.5**	**347.9**

Balance sheet

MEUR	Notes	31.12.20	31.12.19
Assets			
Investments in affiliated companies	3	1,740.8	1,740.8
Total non-current assets		**1,740.8**	**1,740.8**
Other receivables		0.2	0.4
Cash		2.1	1.0
Total current assets		**2.3**	**1.4**
Assets		**1,743.1**	**1,742.2**
Equity and liabilities			
Share capital		0.0	0.0
Retained earnings		1,733.4	1,733.9
Total equity		**1,733.4**	**1,733.9**
Liabilities to affiliated companies		9.1	7.8
Provision		0.0	0.5
Trade payables		0.6	0.0
Total liabilities		**9.7**	**8.3**
Equity and liabilities		**1,743.1**	**1,742.2**

Statement of changes in equity

MEUR	Share capital	Proposed dividend	Reserve	Retained earnings	Total
2020					
Equity at 1 January 2020	0.0	0.0	1,492.6	241.3	1,733.9
Comprehensive loss for the year					
Result for the year	0.0	0.0	0.0	-0.5	-0.5
Equity at 31 December 2020	**0.0**	**0.0**	**1,492.6**	**240.8**	**1,733.4**

Dividend
In 2020, no dividend has been paid to owners.

MEUR	Share capital	Proposed dividend	Reserve	Retained earnings	Total
2019					
Equity at 1 January 2019	0.0	96.5	1,736.7	-106.6	1,726.6
Comprehensive loss for the year					
Result for the year	0.0	0.0	0.0	347.9	347.9
Payment of ordinary dividend and extraordinary dividend	0.0	-96.5	-244.1	0.0	-340.6
Equity at 31 December 2019	**0.0**	**0.0**	**1,492.6**	**241.3**	**1,733.9**

Dividend
In 2019, the company paid ordinary dividend of EUR 96.5 million and extraordinary dividend of EUR 244.1 million.

Table of contents to the notes to the Parent Company financial statements

Note

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 21 to the consolidated financial statements.

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

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

2. Staff costs

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

3. Investments in affiliated companies

MEUR	31.12.20	31.12.19
Cost at 1 January	1,740.8	1,740.8
Cost at 31 December	**1,740.8**	**1,740.8**
Carrying amount at 31 December	**1,740.8**	**1,740.8**

Investments in affiliated companies comprise:

Scandferries 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.

Notes to the Parent Company financial statements

4. Related parties

For specification of related parties refer to note 26 of the consolidated financial statements.

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

5. Guarantees, contingent liabilities and collateral

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.

6. Events after the balance sheet date

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.

7. Accounting policies

The separate parent financial statements have been incorporated in the annual report as required under the Danish Financial Statements Act 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 28 to the consolidated financial statements), the accounting policies applied by the parent are different in the following respects:

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

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

Dividend income
Distribution of dividends from subsidiaries is taken to income in the parent's income statement in the financial year in which the dividend is declared. If an amount is distributed exceeding the subsidiary's comprehensive income for the period, 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 Scandlines Infrastructure ApS for the financial year 1 January – 31 December 2020.

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 2020 and of the results of their operations and cash flows for the financial year 1 January – 31 December 2020.

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, 26 April 2021

Executive Management

Søren Poulsgaard Jensen, CEO

Per Johannesen Madsen, CFO

Independent auditor's report

To the shareholders of Scandlines Infrastructure ApS

Opinion
We have audited the consolidated financial statements and the parent financial statements of Scandlines Infrastructure ApS for the financial year 1 January – 31 December 2020, 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 2020, and of the results of their operations and cash flows for the financial year 1 January – 31 December 2020 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, 26 April 2021

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