

ANNUAL REPORT

2018



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Cover photo: Hybrid ferry M/V Berlin on the Rostock-Gedser route, which contributed with high freight traffic growth and set several records in 2018 following the commissioning of M/V Berlin and M/V Copenhagen in 2016. The hybrid ferries carry 1,300 passengers and 460 cars or 96 lorries each and contribute to our goal of significantly reducing fuel consumption and becoming a truly green ferry operator.

Photo: Siemens/Ulrich Wirrwa.



# HIGHLIGHTS

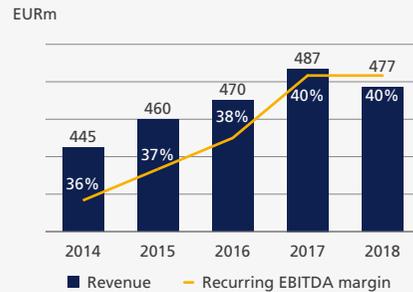
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# SNAPSHOTS FROM 2018

## PROFITABILITY MAINTAINED

- Revenue declined by 2 percent to EUR 477 million, and profit from ordinary activities (recurring EBITDA<sup>1</sup>) came to EUR 191 million.
- Profitability remained satisfactory with a stable recurring EBITDA margin of 40 percent.
- The Rostock-Gedser route experienced continued growth in traffic volumes, revenue and earnings in 2018.
- The investment level was moderate in 2018 following large investments in our efficient traffic machine over the last four years.

### Profitability maintained



### Normalised investment level



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

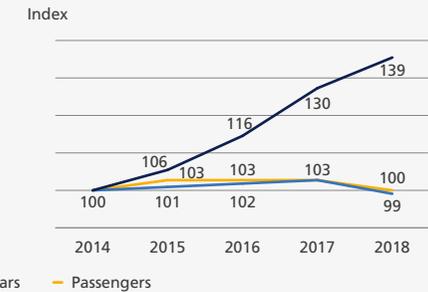
## SOLID TRAFFIC MACHINE PERFORMANCE

- Our routes generated strong freight volume growth of 7 percent with freight traffic surpassing 700,000 lorries.
- Car volumes declined 3 percent and Border-Shop activity was slower driven by unfavourable weather and a weak Swedish currency.
- Progress continued on the Rostock-Gedser route with double-digit freight volume growth and moderate car volume growth.
- We completed more than 43,000 departures in total, improving reliability on the Rostock-Gedser route and maintaining the 95 percent level on the Puttgarden-Rødby route.

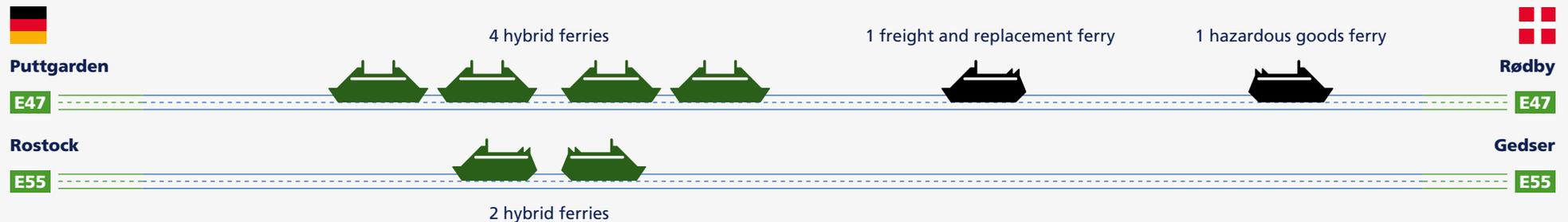
### Traffic volumes on Rostock-Gedser



### Total traffic volumes



## OUR SUSTAINABLE TRAFFIC MACHINE



## SOLID PERFORMANCE AND STABLE OPERATIONS IN 2018

2018 was another good year for Scandlines as we maintained profitability on the back of stable operations and high reliability levels on both our routes. We maintained our profit margin driven by a strong performance in the freight segment and continued progress from the addition of capacity on the Rostock-Gedser route. The solid results were achieved despite lower BorderShop sales and a small decline in car traffic on the Puttgarden-Rødby route.

We underlined our position as an invaluable part of European infrastructure as we completed more than 43,000 departures and transported around 7.4 million passengers between Germany and Denmark, connecting Continental Europe and Scandinavia with our highly reliable traffic machines.

Revenue was down by roughly 2 percent to EUR 477 million as we saw a slight decline in car traffic and BorderShop visits due to the unseasonably warm weather in the period from May to September, which provided less of an incentive for Scandinavians to travel South on vacation.

Despite this, we managed to maintain profitability with profit from ordinary activities (recurring EBITDA) coming to EUR 191 million, corresponding to a recurring EBITDA margin of 40 percent, which is satisfactory but leaves room for improvement in comparison to fixed connections and other infrastructure companies in the region.

The Puttgarden-Rødby route maintained a reliability level of around 95 percent in 2018, and our ferries on the Rostock-Gedser route improved their reliability during the year. This level of reliability, combined with our frequent departures and the ability to comply with resting time regulation while sailing, is very valuable for our professional customers. Against that background, we saw freight traffic on our routes increase by 7 percent to surpass 700,000 lorries in 2018. Our new and green hybrid ferries on Rostock-Gedser continued to contribute with double-digit growth in freight traffic and a moderate increase in transported cars despite external headwinds – such as the extraordinarily warm weather during our peak season and a weakening of the Swedish currency – which subdued leisure travel and had a negative impact on BorderShop sales as our valued Swedish customers' financial incentive to visit our outlets was reduced. These external effects played a role in the decline in car traffic on the Puttgarden-Rødby route as well.

We are focused on building long-term relationships with our customers, and our efforts resulted in the addition of around 150,000 new members of our SMILE loyalty programme, which had more than 700,000 members at year-end. We also invested in a new webshop and pre-ordering system for the BorderShops as well as targeted training for all customer-facing employees to provide customers with the best possible service from online booking to boarding, sailing and border shopping.

Significant investments have been made in our business in recent years, and the long-term potential of our company was underlined when we welcomed infrastructure funds First State Investments and Hermes Investment Management as investors alongside our existing shareholder, 3i. Our new shareholders are long-term infrastructure investors acknowledging Scandlines' proven ability to outperform fixed connections in terms of fewer cancellations and higher reliability.

While we welcome the planned competition on Fehmarn Belt, we insist on a level playing field. For that reason, we commended the December 2018 ruling by the EU Court, which cancelled the EU Commission's approval of the fixed connection's financing model based on unlimited and undefined state guarantees and de facto state aid. We will continue to defend our right to exist, partly for our 1,500 employees and hundreds of suppliers in our local communities every year.

We will continue sailing and serving our customers, while investing in green initiatives such as new thrusters on our ferries on the Puttgarden-Rødby route to build a stronger business and ensure a sustainable future for Scandlines and our surroundings.

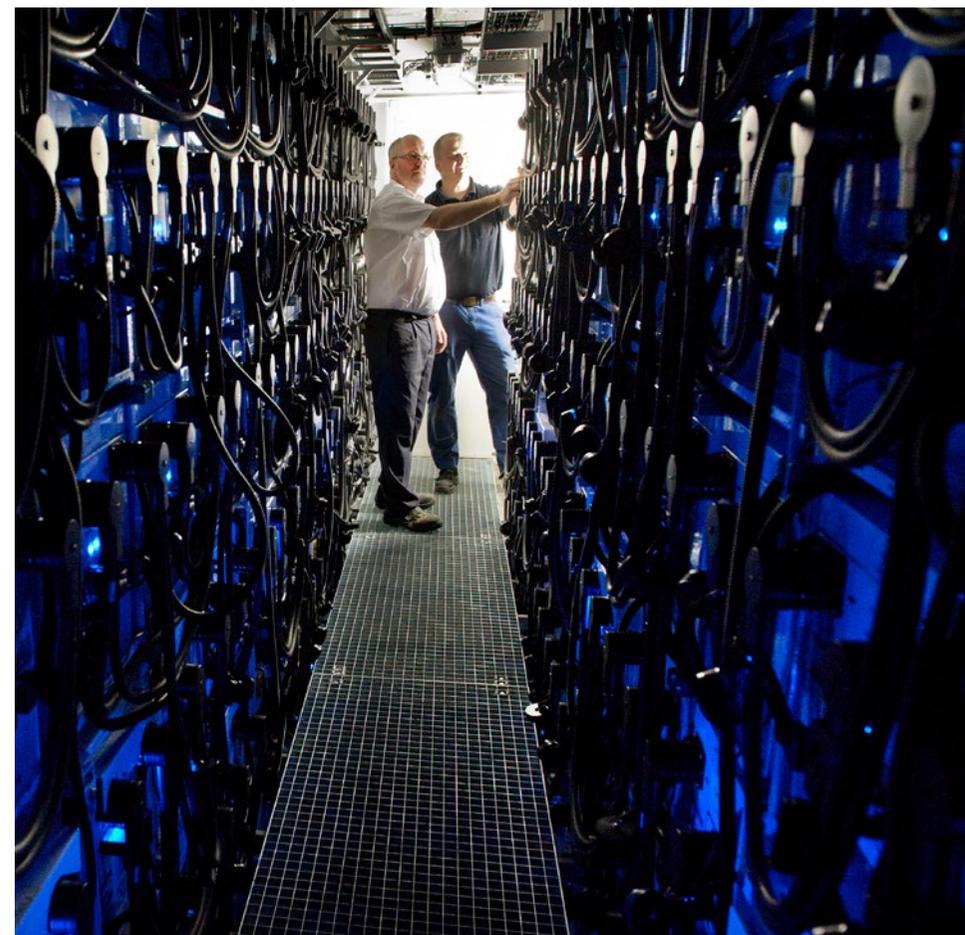
“ We underlined our position as an invaluable part of European infrastructure as we completed more than 43,000 departures and transported around 7.4 million passengers.

Søren Poulsgaard Jensen, CEO



## KEY FIGURES AND FINANCIAL RATIOS

MEUR	2018	2017	2016	2015	2014
<b>INCOME STATEMENT</b>					
Revenue	477	487	470	460	445
Result from ordinary activities, excl. special items (recurring EBITDA)	191	194	180	170	160
Result from ordinary activities (EBITDA)	185	182	172	184	141
Amortisation and depreciation	-38	-42	-33	-28	-26
Result from ordinary activities (EBIT)	148	140	139	156	115
Net financials	-20	-49	-51	-46	-51
Result before tax	128	91	88	109	64
Result for the year from continuing operations	124	88	81	107	60
<b>BALANCE SHEET</b>					
Total assets	1,277	1,307	1,444	1,348	1,446
Investments (capital expenditure)	13	27	92	136	122
Equity attributable to owners	445	413	463	367	429
Interest bearing liabilities	768	821	864	830	838
<b>CASH FLOW STATEMENT</b>					
Cash flow from operating activities	154	131	102	153	113
Cash flow from investing activities	-13	-27	-92	40	-122
Cash flow from financing activities	-145	-159	34	-209	-10
Recurring EBITDA margin	40%	40%	38%	37%	36%
Average number of employees (FTE)	1,534	1,524	1,506	1,488	1,533



### A PIONEER IN GREEN FERRY OPERATIONS

As the first ferry operator in the world to make large-scale use of an on-board hybrid propulsion system, which stores excess energy in batteries, Scandlines is a pioneer in green ferry operations. We continue to pursue our zero emission ambition.



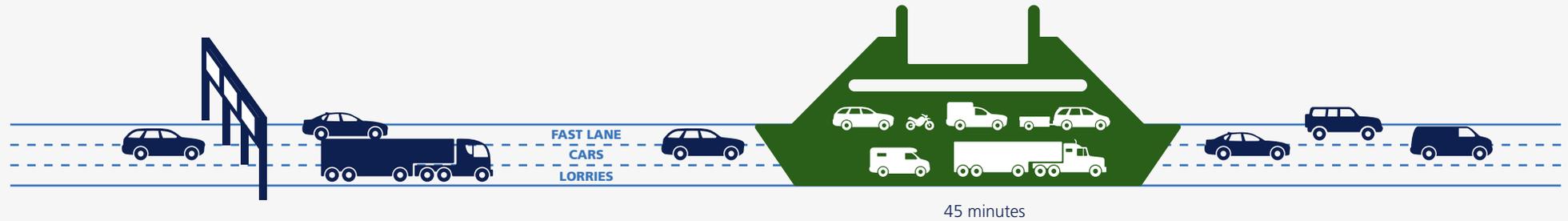
# BUSINESS

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# SCANDLINES AT A GLANCE



**SPECIALISED INFRASTRUCTURE PROVIDES A SEAMLESS JOURNEY**



**Direct and automated access**

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

**Efficient marshalling and loading**

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

**Fast crossing**

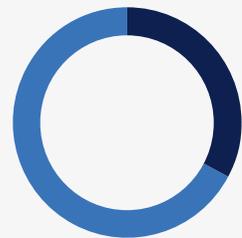
- 45 minute crossing with departures every 30 minutes on the Puttgarden-Rødby route
- 1 hour and 45 minute crossing with departures every 2 hours on the Rostock-Gedser route
- Focused retail and catering offering as well as mandatory resting time for freight passengers

**High-speed exit**

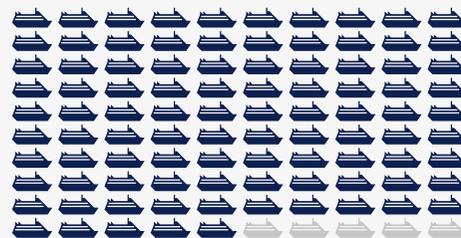
- Passengers called to vehicles during port entry
- Crew prepares commercial areas
- Vehicles exit directly onto E47/E55
- Ferry departs after 15 minutes



**TRAFFIC MACHINE FACTS (PUTTGARDEN-RØDBY)**



**FARES**  
**~1/3**  
pre-booked



**DEPARTURES**  
**~95%**  
on time



**CROSSING**  
**~95%**  
of cars board first ferry

## SCANDLINES AT A GLANCE

Scandlines operates two short-distance ferry routes between Germany and Denmark with high frequency and large capacity. Our eight ferries provide efficient and reliable transportation services to the professional freight and private passenger markets with more than 43,000 departures annually. With departures on the Puttgarden-Rødby route every 30 minutes and reliability around 95 percent, **Scandlines is always open.**

### DIRECT LINK

**1** stop

Our terminals are directly connected to the European motorway network, providing seamless and swift access, loading and exit for professional and private passengers.



### LANDINGS

**4** ports

We own the three ports in Puttgarden, Rødby and Gedser and hold a lease in the port in Rostock until 2028.

### 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.



### LORRIES

**>700** thousand

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



### CARS

**1.8** million

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

### SHOPPING

**3** outlets

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



### PASSENGERS

**7.4** 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

**>700** thousand

Relevant benefits and individualised promotions based on online activity and transactional data analyses are now offered to more than 700,000 members of our SMILE loyalty programme.



### SHOPPING TRANSACTIONS

**>700** thousand

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



## SCANDLINES ROUTE MAP

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

### Puttgarden-Rødby

Four hybrid ferries operate the route with a crossing time of only 45 minutes and departures every 30 minutes day and night. The route allows for car travel from Hamburg to Copenhagen in 4 hours and 15 minutes at competitive prices.

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

### Rostock-Gedser

Two hybrid ferries operate the route with a crossing time of 1 hour and 45 minutes and departures every 2 hours. The route allows for car travel from Berlin to Copenhagen in less than 6 hours at competitive prices.

### BorderShops

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



## DEVELOPMENTS IN 2018

Scandlines maintained profitability in 2018 due to stable traffic machine operations, while lower sales in the group's BorderShops led to a slight decline in revenue for the year. The group's cash flows were historically strong, and Scandlines continued to reduce interest-bearing debt.

### Revenue

Group revenue declined by 2 percent to EUR 477 million from EUR 487 million in 2017 based on stable traffic machine performance and lower revenue from the group's BorderShops.

### Traffic machine

Revenue from the traffic machine on the two Germany-Denmark routes was unchanged and came to EUR 352 million in 2018 despite a negative effect of the warm weather on leisure travel. The Rostock-Gedser route continued on the growth trajectory set out in 2017, while performance on the Puttgarden-Rødby route was subdued. The positive trend in the freight segment continued during the year, and performance was supported by the the full-year effect of the addition of capacity from the relatively new hybrid ferries on the Rostock-Gedser route.

Overall, we saw a 3 percent decline in car traffic, with a positive contribution from the Rostock-Gedser route, but lower volumes on the Puttgarden-Rødby route. Our freight business generated 7 percent growth in transported freight units against 2017. The Rostock-Gedser route boosted freight volumes by 11 percent, and the Puttgarden-Rødby route saw a significant increase of more than 5 percent. The number of passengers increased by 2 percent on the

Rostock-Gedser route and declined by 3 percent on the Puttgarden-Rødby route.

We generated more than 27 percent growth in our SMILE loyalty programme, which grew the number of members to more than 700,000 persons eligible for various benefits and individualised promotions based on online activity and transactional data analyses. The programme is integrated with our point of sales system and tailored to improve the customer experience, offering options to spend saved points on online ticket sales, aboard the ferries and in the BorderShops.

### BorderShops

In 2018, we saw lower activity at our BorderShops due to lower leisure travel and the weakening of the Swedish currency, which had a negative effect on our Swedish customers' financial incentive to travel South and visit the group's BorderShops.

Revenue came to EUR 125 million against EUR 135 million in 2017, corresponding to a decline of 7 percent. We invested in a new webshop and pre-ordering system for the BorderShops in 2018 following a period of modernisation of our outlets, ensuring a strong position for our bordershop business going forward.

### Result from ordinary activities

Group profitability was stable as we posted profit from ordinary activities (recurring EBITDA) of EUR 191 million in 2018 against EUR 194 million in 2017.

The recurring EBITDA margin was stable at 40 percent, with our traffic machine contributing EUR 180 million to recurring EBITDA and the BorderShops contributing EUR 10 million compared to EUR 177 million and EUR 17 million, respectively, in 2017.

The satisfactory performance was driven mainly by higher freight volumes and cost control.

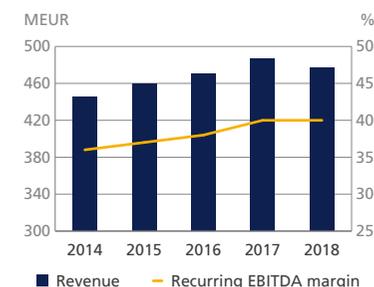
### Financial income and expenses

Net financials were significantly lower and came to an expense of EUR 20 million against EUR 49 million in 2017 mainly due to the infrastructure debt established in 2017, supported by our Investment Grade Rating.

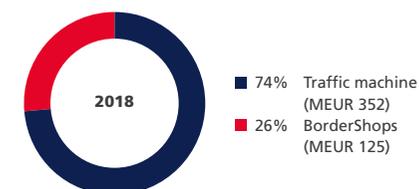
### Profit for the year

Scandlines' result before tax increased to EUR 128 million against EUR 91 million in 2017. Profit for the year increased to EUR 124 million in 2018 against EUR 88 million the prior year.

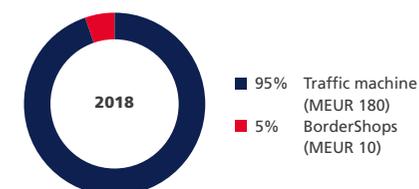
### Stable profitability



### Revenue split



### EBITDA split



## STRONG PERFORMANCE BY NEW HYBRID FERRIES

Our new hybrid ferries *M/V Berlin* and *M/V Copenhagen* on the Rostock-Gedser route were commissioned in 2016 and contributed to the route's strong performance in 2018 following record volumes and financial results in 2017.

In July 2018, we set new records as we transported more than 16,000 passengers in one day - and during the same month, we transported over 4,000 cars in one day.

The ferries are operated by Scandlines' hybrid propulsion system and fitted with closed-loop scrubbers that clean the engine exhaust streams of pollutants such as sulphur and particulates and reduce sulphur emissions by at least 90 percent.

### Investments and cash flow

The group's intangible assets and property, plant and equipment stood at EUR 1,182 million at year-end against EUR 1,207 million the previous year.

We generated a historically strong cash flow from operating activities amounting to an inflow of EUR 154 million compared to an inflow of EUR 131 million in 2017. Progress was driven by higher earnings combined with significantly lower interest expenses.

Cash flow to investing activities were an outflow of EUR 13 million against an outflow of EUR 27 million in 2017. Investments included preparation for the introduction of a new ERP system in 2019 as well as ordinary maintenance following completion of 20 year Special Surveys by Class for the four main vessels on the Puttgarden-Rødby route in 2017.

Cash flow to financing activities remained at a relatively high level and came to an outflow of EUR 148 million against an outflow of EUR 159 million in 2017.

Scandlines reduced interest-bearing debt to EUR 768 million from EUR 821 million in 2017 due to the repayment of a bank loan during the year.

At year-end, cash and cash equivalents amounted to EUR 35 million, and the net interest-bearing debt was thus EUR 733 million compared to cash and cash equivalents of EUR 39 million and a net interest-bearing debt of EUR 782 million in 2017.

### Assets and equity

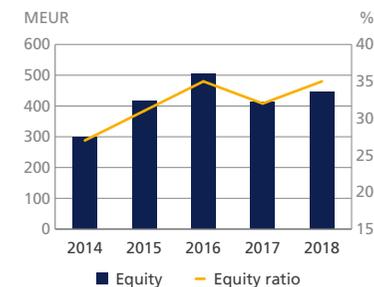
The group's assets amounted to EUR 1,277 million at 31 December 2018 against EUR 1,307 million the previous year.

The group's total equity at 31 December 2018 was EUR 445 million against EUR 413 million, corresponding to an equity ratio of 35 percent against 32 percent in 2017.

### Events after the balance sheet date

No events have 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.

### Equity and equity ratio



## OUTLOOK

### Financial guidance 2019

We expect sustained growth and further improvement of capacity utilisation on the Rostock-Gedser route combined with slightly higher volumes and stable operations on the Puttgarden-Rødby route. Against that background, we expect revenue and profitability (recurring EBITDA margin) to increase moderately in 2019 compared to 2018 levels.

### Mid-term perspectives

In the coming years, Scandlines will focus on maintaining and strengthening the competitiveness of its traffic machine comprising the group's two ferry routes between Germany and Denmark as well as port facilities and the land-based BorderShops in Puttgarden and Rostock.

### Enhancing efficiency

Efforts to boost efficiency and competitiveness continue as we work to increase the capacity utilisation of the new ferries on the Rostock-Gedser route. In addition, we will further develop the Puttgarden-Rødby route to meet customer demand and maintain our market position.

To support and promote the progress of our traffic machine, we will introduce a new ERP system in 2019. The group will benefit from this and optimisation efforts, ensuring an efficient, reliable, green and highly competitive piece of infrastructure connecting Europe and Scandinavia.

### Pursuing our zero emission vision

We will continue to pursue the vision of converting the group's fleet to zero emission ferries. We want to be perceived as an industry leader with a clear vision for the sector's green future, and we are basing our efforts on our own hands-on

experience from pioneering hybrid ferries and establishing the largest hybrid ferry fleet in operation as well as general technological progress allowing us to reduce our footprint further. In the mid-term, it is our ambition to introduce the first zero emission ferry on the Puttgarden-Rødby route if the investment offers a sufficient return.

We remain focused on reducing power consumption per trip by improving efficiency, establishing a technical partnership and securing sufficient electrical infrastructure to the ports.

We have improved the onboard generation and reuse of energy and are currently focused on enabling battery-charging from land-based electricity. During 2019, we aim to install a new seven-kilometre power line in Rødby and a battery bank in Puttgarden to support our zero emission vision. Due to the surcharge of the German Renewable Energies Act, however, it is currently financially unfeasible to replace onboard diesel-driven power generation with land-based electricity.

### The Fehmarn Belt fixed link

At end-2018, the German authorities completed the formal plan approval process for signing by the Danish state-owned entity responsible for the construction of the fixed link. The German authority approval is expected to entail complaint cases at the Federal Administrative Court in Leipzig, Germany, anticipated to take at least two years before the construction work may commence in Germany. In addition, the EU Court has cancelled the EU Commission's approval of the financing model on which the Fehmarn Belt project is based.

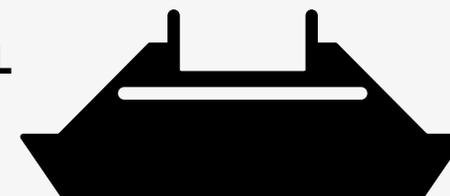
## OUR ZERO EMISSION VISION

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

### Yesterday

## CONVENTIONAL

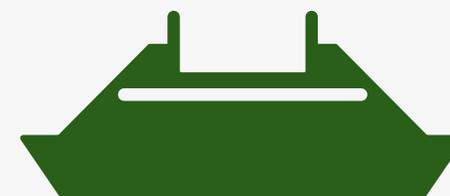
Diesel and electric propulsion



### Today

## HYBRID

Diesel, battery and electric propulsion



### Tomorrow

## ZERO EMISSION

Further energy reduction and hull optimisation





# GOVERNANCE

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## OUR RESPONSIBILITY

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

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

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

Scandlines diligently identifies, evaluates and manages risks in the areas covered by the Code of Conduct as part of the overall risk management process described on pages 18-19. Reference is made to pages 8-10 for a description of Scandlines' business model.

### Safety

The safety and well-being of our passengers and employees are of paramount importance to Scandlines' business, and our Code of Conduct emphasises our commitment to protecting health and safety in the workplace. We comply with internationally recognised standards, record and analyse incidents as well as train our employees to maintain a high safety level.

### Results and outlook

Scandlines remained fully compliant with the demands of the International Safety Manage-

ment Code (ISM) in 2018 and passed the annual company audits performed by the maritime authorities. In addition to the maritime authorities, our classification society, Lloyd's Register, maintains oversight of the ferries to ensure that all statutory rules and regulations are observed and that ferry maintenance procedures are performed and documented accurately.

The General Notice System (GNS) records any incidents, dangerous situations and deviations from the International Safety Management System and allows us to analyse the data as part of Scandlines' annual management review to ensure that procedures are updated and improved whenever relevant.

In 2018, Scandlines entered into an agreement to apply the SERTICA HSEQ Management programme, enabling further improvement of the group's monitoring, reporting and verification of safety data through more detailed analysis of incidents and near-misses.

We draw on external experts as well as analysis of incidents and near-misses recorded by safety committees on board every ferry and in every terminal when we invest in the continued improvement of the working environment. We conduct weekly and monthly exercises for crew members as well as testing of equipment in accordance with mandatory demands, and our voluntary Maritime Crew Resource Management (MCRM) training in cooperation with CAE add

awareness of safety issues and culture to the officers of Scandlines. In 2018, the first course was conducted on our own premises in the simulator in Puttgarden with participation by officers from other ferry operators in Denmark. The contract from 2017 granting MOLSLINJEN access to our simulator for a series of scheduled training sessions was maintained in 2018 with very good results.

To maintain a high level of awareness of HSEQ, Scandlines held its fourth internal occupational health seminar in 2018 with the participation of almost 100 employees. The seminar covered conflict coaching, the responsibility of managers and crew representatives in relation to occupational health as well as employees' responsibility for their own safety, among other things.

### Human rights

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

### Results and outlook

Scandlines achieved a 90 percent completion rate of dedicated E-learning about the group's Code of Conduct for administrative employees and employees with management responsibility. In addition, 65 percent of all suppliers within retail and catering have signed the Supplier Code of Conduct. Suppliers based in higher risk countries have undergone particular review, including e.g. obtaining audit reports validating compliance with adequate working conditions (e.g. working hours, compensation, etc.).

These initiatives will continue in 2019.

### Social and employee matters

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

### Results and outlook

Scandlines places great emphasis on development and education of the group's employees. In 2018, all full-time employees completed an annual appraisal discussion, Personal Performance Development (PPD), as a key step in our work to ensure high performance and employee satisfaction levels. During the year, two trainees successfully completed Scandlines' professional education in Germany, and six trainees are enrolled in the programme.

Scandlines continued to collaborate with local job centres on the Danish islands of Lolland and

Falster to find up to 130 temporary staff for the high season. In 2018, more than 20 percent of these staff members were later employed on a permanent basis. In Germany, Scandlines predominantly collaborates with schools on and around Fehmarn in order to recruit temporary staff. Scandlines employed an average of 1,534 full-time employees (FTEs) in 2018 against 1,524 in 2017. The group employed 670 FTEs on shore and 864 FTEs at sea in 2018.

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

Scandlines maintained the group's onboarding programme for all new employees in Germany and Denmark with a view to provide all employees with a thorough introduction to Scandlines. We aim to maintain the programme in 2019.

### Environment and climate

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

### Results and outlook

We continued to pursue our zero emission vision as described in the outlook section and maintained a number of partnerships in 2018, including:

- Membership of The Trident Alliance and continued commitment to support robust and

transparent enforcement of sulphur regulations as well as comply with said regulations

- Membership of Green Ship of The Future, a Public Private Partnership for innovation and demonstration of technologies and methods that make shipping more environmentally friendly
- Long-term cooperation with German environmental non-profit organisation "NABU" (Naturschutzbund) with a view to further strengthening Scandlines' green profile by developing more environmentally-friendly and sustainability initiatives

In 2018, the cooperation with NABU included a project on underwater noise reduction, covering both scientific advice and consultancy concerning the implementation of specific technical measures. In 2019-2020, the project will lead to the installation of new thrusters on Scandlines' four hybrid ferries on the Puttgarden-Rødby route, aiming to allow a more homogenous water flow, which gives less noise and vibration and ultimately reduces emissions significantly.

Rostock Port and Scandlines initiated a research project about the digitalisation and optimisation of pre-storage and loading processes in the Port of Rostock in 2018 with research partner Fraunhofer, which is Europe's largest application-oriented research organisation. The project is co-financed by the Federal Ministry of Transport and Digital Infrastructure in Germany under the funding programme "IHATEC" and is expected to run until 2021.

Other energy-saving initiatives include the planned installation of a new generator on M/V Schleswig-Holstein as well as the consideration of fitting of Flettner rotors on M/V Berlin and M/V Copenhagen.

During the year, Scandlines' engineers developed energy and cost reducing evaporators in a pilot project aiming to separate scrubber water and clean water for reuse to avoid the use of shore treatment facilities.

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

In 2019, Scandlines will continue to build the group's green profile through relevant measures such as emission management, reduction of energy consumption, cooperations, etc.

### Anti-corruption and business ethics

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

### Results and outlook

Scandlines implemented a comprehensive compliance programme in 2014, and we maintained the programme in 2018 as potential non-compliance with relevant rules and regulations may have a significant detrimental impact on Scandlines' business, financial statements and reputation. It is thus crucial that any violation is immediately reported and acted on.

Scandlines achieved a 90 percent completion rate of dedicated E-learning about the group's Code of Conduct for administrative employees and employees with management responsibility. In addition, 65 percent of all suppliers within retail and catering have signed the Supplier Code of Conduct.

The anti-corruption and anti-bribery initiatives will continue in 2019.



TRIDENT  
ALLIANCE

## MANAGEMENT AND OWNERSHIP

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

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

### Management

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

### Gender diversity in management bodies

No females were elected to the group's supervisory board by the shareholders in 2018, and there were thus no females among the shareholder-elected members. We maintain our target of increasing the share of the underrepresented gender to a minimum of 20 percent of the shareholder-elected members by 2021.

In 2018, the proportion of female managers at other managerial levels reporting directly to the CEO was unchanged at 28 percent. We intend to sustain this gender diversity and to further

nourish the environment to increase the number of female managers. Our policy on gender equality in other management serves to increase the share of the underrepresented gender and may be found on [our website](#)<sup>1)</sup>. In addition, we are actively collaborating with the Danish Ship-owners' Association on improving conditions for female candidates for leadership positions and invest in our employees to prepare them for a management career. Scandlines is dedicated to promoting gender diversity. We always hire the best candidate for the job and maintained our practice of considering our commitment to gender diversity during the year in cases where a female and a male candidate for a management position were equally qualified.

### Ownership

Scandferries ApS is the parent of Scandlines ApS, whilst Scandlines Infrastructure ApS has the function of the ultimate parent. Scandlines Infrastructure ApS is since June 2018 owned by a consortium of infrastructure investors First State Investments (50.1 percent), Hermes Investment Management (14.9 percent) and 3i Group plc (35 percent).

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

## MANAGEMENT



### Søren Poulsen 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.



### Per 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.

<sup>1)</sup> [https://www.scandlines.com/about-scandlines/about-scandlines-frontpage/policy\\_on\\_gender\\_equality.aspx](https://www.scandlines.com/about-scandlines/about-scandlines-frontpage/policy_on_gender_equality.aspx)

## 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 the 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 identify and review risk areas and determine how to manage these risks with a strong focus on the risk-return balance. We have applied an Enterprise Risk Management framework to ensure a structured and focused process for the identification, assessment, reporting and handling of relevant risks.

### Market risks

#### Economic and political climate

The Scandlines group's 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 economic variables. Decreasing demand can lead to overcapacity, which may be remedied by reducing frequency of departures or by de-commissioning a ferry from a route.

Potential material changes in the wider geographical and geopolitical area, 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.

#### Rules and regulations

The Scandlines group's operations are subject to complex national and international rules and

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

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

Scandlines also complies with relevant safety and manning requirements and specific regulations concerning working conditions for seafarers.

#### Competitive environment

Our ferries on the Puttgarden-Rødby and Rostock-Gedser routes compete with The Great Belt Bridge, a Danish state-owned infrastructure business, direct ferry routes between Germany/Poland and Sweden, and several alternatives for regional air travel. The current competitive land-

scape is stable and offers varying travel options across the professional and private segments. Our competitive position is strong as Scandlines offers the fastest routes between the European continent and Scandinavia by completing 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 a Fehmarn Belt fixed link, which was agreed in principle when the German and Danish governments submitted a declaration of intent in 2008. The most recent public statements made by the Danish government and German decision-makers as well as uncertainty related to expected complaint cases in Germany and the project's overall time schedule indicate that the earliest possible opening of the fixed link would be at least a decade from now. Potential construction work on the Fehmarn Belt fixed link entails risk of material negative impact on our operations, reliability and, ultimately, competitiveness during the construction period. The potential opening of the Fehmarn Belt fixed link will have a significant negative impact on our operations, which will nonetheless continue in direct competition with the fixed link to provide an alternative and highly competitive transportation option for the professional and private segments.

Prior to, during and after the potential construction of the Fehmarn Belt fixed link, Scandlines will participate in public discussions and take legal steps where necessary to ensure a fair competitive landscape by preventing the granting of unlimited state aid to the company operating the fixed link and the deterioration of motorway access to our port in Puttgarden, among other things. In December 2018, the EU Court passed a ruling cancelling the EU Commission's approval of state guarantees issued by the Danish state to the state-owned company responsible for the construction of the Fehmarn Belt fixed link. In 2019, Scandlines has followed up on this ruling by filing an application for injunction against the Danish Ministry of Finance to ensure cancellation of loans taken out on the basis of invalid state guarantees.

#### Financial markets

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

Scandlines' interest rate risk is limited as interest is fixed or hedged on the majority of the group's debt. Interest rates on the group's remaining interest-bearing debt fluctuate 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 Scandlines' financial condition and operational results. The group's functional currency is EUR as the majority of transactions are denominated in either EUR or DKK. As a consequence of Denmark's fixed-rate policy vis-à-vis the EUR, the group's foreign exchange exposure is considered to be limited and mainly relates to cash flow denominated in SEK.

### Commercial risks

#### Operations, environment and security

The group's main operational risks concern our owned ferries and ports in Puttgarden, Rødby and Gedser. Disruption of service may occur from technical problems, accidents, failure by suppliers - of which Scandlines has approximately 2,500 - to meet their contractual obligations, 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 as such. *M/V Kronprins Frederik* acts as a freight ferry on the Puttgarden-Rødby route and as a replacement ferry to counter potential disruption of service arising from technical problems or accidents. In addition, Scandlines adheres to a systematic and comprehensive maintenance programme for all ferries, including regular dockings. Finally, the stable traffic machine concept is highly resistant to adverse weather, and the Puttgarden-Rødby route was open all days of 2018 with reliability of around 95 percent during the year, 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. The Rostock-Gedser route improved reliability in 2018 despite a brief disruption of service due to harsh weather conditions in March and a docking of *M/V Berlin* in July 2018.

Scandlines is subject to comprehensive environmental protection laws, and incidents could impose strict liability, including fines, penalties, criminal liability and remediation costs for natural resource damages in case of spills and release of oil and hazardous substances, regardless of whether Scandlines might have acted negligently. In addition, any environmental incident may entail additional regulatory initiatives or statutes that may affect Scandlines' operations and financial results. Scandlines has taken appropriate measures to reduce the risk of environmental incidents arising from the group's operations, including the transportation of hazardous goods on the Puttgarden-Rødby route.

Work accidents or incidents might endanger the health of employees, customers or other related parties. Scandlines has taken appropriate measures to reduce the risk of such accidents and incidents, including regular evaluations, trainings, and information manuals.

As Scandlines is a crucial piece of infrastructure connecting the European continent and Scandinavia, we continuously monitor the potential risk of cyber or terrorist attacks.

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

#### Customers and credit

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

The group's customer portfolio is well-diversified with the top ten customers accounting for less

than 15 percent of total revenue. The customer portfolio consists of several large professional customers, smaller customers in the professional segment and private passengers.

Scandlines' credit risks are limited and primarily related to trade receivables from professional customers. Scandlines has implemented a credit policy and structured dunning procedures as well as various early warning systems to systematically reduce bad debts, which have historically been very limited.

#### Maintenance and investments

The group owns and operates modern and purpose-built infrastructure assets including check-in areas, marshalling areas, ramps, berths and ferries. We utilise our assets with a strong focus on cost optimisation measures to remain competitive, while ensuring compliance with mandatory and safety maintenance requirements. A constant schedule of maintenance and improvement of all assets may thus be necessary, imposing varying costs on the group in the longer term. Limited investments in the current asset base are required in the coming years following the recent upgrading of existing ports and ferries, including completion of 20 year Special Surveys by Class for the four main vessels on the Puttgarden-Rødby route in 2017, as well as the commissioning of new hybrid ferries on the Rostock-Gedser route in 2016.

#### Fuel price

The group is 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.

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

financial hedging contracts, entailing an overall hedging of 80 percent of Scandlines' bunker consumption for a period of 12 months.

#### IT

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

We continuously work to reduce risks of IT system disruption, information security breaches and cyber attacks by means of constant monitoring of systems, 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.

#### 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.

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	2018	2017
<b>Continuing operations</b>			
Revenue	2	477.0	487.0
Other operating income		8.9	6.6
<b>Total income</b>		<b>485.9</b>	<b>493.6</b>
<b>Operating costs</b>			
Operating costs for vessels		-49.0	-47.4
Cost of goods sold		-122.1	-134.5
Staff costs	3	-77.5	-76.1
Other external expenses	19	-51.9	-54.0
<b>Total costs</b>		<b>-300.5</b>	<b>-312.0</b>
<b>Result before amortisation and depreciation (EBITDA)</b>		<b>185.4</b>	<b>181.6</b>
<b>Amortisation and depreciation</b>			
Amortisation and depreciation	4	-37.7	-41.6
<b>Result from operations</b>		<b>147.7</b>	<b>140.0</b>
<b>Financial income and expenses</b>			
Financial income	5	0.0	0.6
Financial expenses	6	-19.7	-49.7
<b>Result before tax</b>		<b>128.0</b>	<b>90.9</b>
<b>Tax</b>			
Tax for the year	7	-3.5	-3.3
<b>Result for the year</b>		<b>124.5</b>	<b>87.6</b>

## COMPREHENSIVE INCOME

MEUR	Notes	2018	2017
<b>Result for the year</b>		<b>124.5</b>	<b>87.6</b>
<b>Other comprehensive income/loss</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Value adjustments of hedging instruments:			
Value adjustments for the year		-1.7	-5.6
Reclassified to income statement:			
Regulations non-controlling interests - last year		0.0	11.2
Foreign exchange adjustments, foreign enterprises		-0.3	8.1
<b>Other comprehensive income/loss after tax</b>		<b>-2.0</b>	<b>13.7</b>
<b>Total comprehensive income/loss</b>		<b>122.5</b>	<b>101.3</b>

## BALANCE SHEET

MEUR	Notes	31.12.18	31.12.17
<b>ASSETS</b>			
Goodwill		631.3	631.3
Software		7.4	6.0
Other intangible assets		1.3	1.6
<b>Non-current intangible assets</b>	<b>8</b>	<b>640.0</b>	<b>638.9</b>
Land and buildings		123.3	127.5
Vessels		350.0	371.3
Other fixtures and fittings, tools and equipment		49.4	52.0
Assets under construction		18.9	17.1
<b>Non-current tangible assets</b>	<b>9</b>	<b>541.6</b>	<b>567.9</b>
<b>Total non-current assets</b>		<b>1,181.6</b>	<b>1,206.8</b>
Inventories	10	20.4	19.9
Receivables	11	38.9	39.7
Prepayments		1.3	1.5
Cash		34.5	38.9
<b>Current assets</b>		<b>95.1</b>	<b>100.0</b>
<b>Total current assets</b>		<b>95.1</b>	<b>100.0</b>
<b>Assets</b>		<b>1,276.7</b>	<b>1,306.8</b>

MEUR	Notes	31.12.18	31.12.17
<b>EQUITY AND LIABILITIES</b>			
Share capital reserves		0.0	0.0
Reserves		5.0	7.1
Retained earnings		439.6	405.6
<b>Total equity</b>		<b>444.6</b>	<b>412.7</b>
Interest-bearing liabilities	13	709.0	767.1
Deferred tax	12	1.9	3.6
Pension and anniversary liabilities	14	0.5	0.9
<b>Total non-current liabilities</b>		<b>711.4</b>	<b>771.6</b>
Interest-bearing liabilities	13	59.2	54.0
Pension and anniversary liabilities	14	0.7	0.0
Income tax	16	0.8	1.1
Trade payables		36.2	37.6
Other provisions	15	7.7	6.9
Other liabilities	17	15.0	21.3
Deferred income	18	1.1	1.6
<b>Total current liabilities</b>		<b>120.7</b>	<b>122.5</b>
<b>Total liabilities</b>		<b>832.1</b>	<b>894.1</b>
<b>Equity and liabilities</b>		<b>1,276.7</b>	<b>1,306.8</b>

## CASH FLOW STATEMENT

MEUR	Notes	31.12.18	31.12.17
Result before amortisation and depreciation (EBITDA), continuing		185.4	181.6
Adjustments for non-cash operating items, etc.	21	0.4	5.2
Working capital changes	22	-7.5	-4.3
<b>Cash flow from operating activities, gross</b>		<b>178.3</b>	<b>182.5</b>
Interest received (income)		0.0	3.1
Interest paid (expenses)		-18.1	-48.3
Taxes paid		-6.0	-6.0
<b>Cash flow from operating activities, net</b>		<b>154.2</b>	<b>131.3</b>
Investments in land and buildings, net	9	0.0	-0.9
Investments in vessels, net	9	-0.6	-9.9
Investments in other fixtures and fittings, tools and equipment, net	9	-1.0	-2.2
Investments in assets under construction, net	9	-11.5	-14.1
<b>Cash flow to/from investing activities</b>		<b>-13.1</b>	<b>-27.1</b>
Payment of dividends		-90.5	-151.1
Repayment, bank loan		-54.7	-868.8
New bank loan 2017		0.0	861.0
<b>Cash flow to/from financing activities</b>		<b>-145.2</b>	<b>-158.9</b>
Cash flow for the year		-4.1	-54.7
Cash at 1 January		39.0	94.1
Currency exchange adjustment		-0.4	-0.5
<b>Cash at 31 December</b>		<b>34.5</b>	<b>38.9</b>

## STATEMENT OF CHANGES IN EQUITY

MEUR	Share capital	Ex-change rate adjust-ments	Fair value adjust-ment of hedging instru-ments	Retain-ed ear-nings	Total
Equity at 1 January 2018	0.0	7.3	-0.2	405.6	412.7
<b>Comprehensive income/loss for the year</b>					
Result for the year	0.0	0.0	0.0	124.5	124.5
Other comprehensive income/loss	0.0	-0.4	-1.7	0.0	-2.1
<b>Total comprehensive income/loss</b>	<b>0.0</b>	<b>-0.4</b>	<b>-1.7</b>	<b>124.5</b>	<b>122.4</b>
<b>Transactions with shareholders</b>					
Payment of dividend	0.0	0.0	0.0	-90.5	-90.5
	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-90.5</b>	<b>-90.5</b>
<b>Equity at 31 December 2018</b>	<b>0.0</b>	<b>6.9</b>	<b>-1.9</b>	<b>439.6</b>	<b>444.6</b>

Due to immaterial effects from implementing IFRS 9 and IFRS 15, the 1 January 2018 equity has not been restated.

### 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 flow.

MEUR	Share capital	Ex-change rate adjust-ments	Fair value adjust-ment of hedging instru-ments	Retain-ed ear-nings	Attri-butable to owners of the parent	Non-controlling interests	Total
Equity at 1 January 2017	0.0	-0.8	5.4	457.9	462.5	40.5	503.0
<b>Comprehensive income/loss for the year</b>							
Result for the year	0.0	0.0	0.0	87.6	87.6	0.0	87.6
Other comprehensive income/loss	0.0	8.1	-5.6	11.2	13.7	0.0	13.7
<b>Total comprehensive income/loss</b>	<b>0.0</b>	<b>8.1</b>	<b>-5.6</b>	<b>98.8</b>	<b>101.3</b>	<b>0.0</b>	<b>101.3</b>
<b>Transactions with shareholders</b>							
Payment of dividend	0.0	0.0	0.0	-151.1	-151.1	0.0	-151.1
Other	0.0	0.0	0.0	0.0	0.0	-40.5	-40.5
	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-151.1</b>	<b>-151.1</b>	<b>-40.5</b>	<b>-191.6</b>
<b>Equity at 31 December 2017</b>	<b>0.0</b>	<b>7.3</b>	<b>-0.2</b>	<b>405.6</b>	<b>412.7</b>	<b>0.0</b>	<b>412.7</b>

### 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 flow.

#### Non-controlling interests

Non-controlling interests consist of 70% ownership of Scandferries Chartering A/S. In 2017, Scandferries Chartering A/S was merged with Scandlines Catering ApS. Therefore the non-controlling interest in Scandferries Chartering A/S has been disposed.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### **Impairment test of goodwill and other non-current intangible assets**

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

### **Impairment test of vessels, including assessments of expected useful lives and scrap values**

Significant accounting estimates and judgements of vessels include a breakdown of the vessels' cost into components based on their expected useful lives, the vessels' expected maximum useful life for the enterprise, scrap value and impairment testing. The vessels' expected useful lives for the enterprise and their scrap values are revalued and estimated at least once a year. In addition, impairment tests are performed in the event of any indication of impairment.

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

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

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

### **Leases**

The group has entered into lease agreements on buildings and other equipment. These lease agreements have been entered into on ordinary terms and conditions. Based on separate assessments of the individual lease agreements when closed, Management considers whether the individual agreements are to be regarded as a finance lease or an operating lease.

### **Provisions and contingencies**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. REVENUE

MEUR	2018	2017
Traffic machine	351.7	352.0
BorderShops	125.3	135.0
	<b>477.0</b>	<b>487.0</b>

### 3. STAFF COSTS

MEUR	2018	2017
Salaries and wages	-63.4	-61.3
Pension contributions	-11.2	-10.9
Other social security costs	-2.9	-3.9
	<b>-77.5</b>	<b>-76.1</b>
Average number of employees	1,534	1,524
Remuneration to key management personnel (Executive Management)		
Salaries and fees	3.7	2.9
	<b>3.7</b>	<b>2.9</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. AMORTISATION AND DEPRECIATION

MEUR	2018	2017
Amortisation, intangible assets	-5.2	-7.3
Depreciation, vessels	-22.6	-23.6
Depreciation, land and buildings	-4.6	-4.4
Depreciation, other property, plant and equipment	-5.3	-6.3
	<b>-37.7</b>	<b>-41.6</b>

### 5. FINANCIAL INCOME

MEUR	2018	2017
Interest on cash etc.	0.0	0.1
Interest from affiliated companies	0.0	0.5
	<b>0.0</b>	<b>0.6</b>

### 6. FINANCIAL EXPENSES

MEUR	2018	2017
Interest to credit institutions etc.	-20.0	-49.3
Other financial expenses	0.3	-0.4
	<b>-19.7</b>	<b>-49.7</b>

### 7. TAX FOR THE YEAR

MEUR	2018	2017
Current tax	-5.0	-3.4
Changes in deferred tax	1.7	0.1
Adjustment previous year	-0.2	0.0
	<b>-3.5</b>	<b>-3.3</b>
Tax for year can be specified as follows:		
Result before tax	128.0	90.9
Of this, subject to tonnage taxation	-130.7	-143.3
	<b>-2.7</b>	<b>-52.4</b>
Tax calculated as 22% of result before tax	-0.6	-11.5
Calculated tax in foreign companies adjusted to 22%	1.1	1.3
Non-deductible interest	3.3	13.5
Adjustment previous year	-0.2	0.0
	<b>3.6</b>	<b>3.3</b>
Effective tax rate	2.7%	3.6%

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

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

#### Tax on other comprehensive income

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. NON-CURRENT INTANGIBLE ASSETS

MEUR	Goodwill	Software	Other intangible assets
<b>2018</b>			
Cost at 1 January	631.3	30.5	14.4
Reclassification	0.0	6.3	0.0
Additions	0.0	0.0	0.0
Disposals	0.0	-3.9	0.0
<b>Cost at 31 December</b>	<b>631.3</b>	<b>32.9</b>	<b>14.4</b>
Amortisation at 1 January	0.0	24.5	12.8
Amortisation	0.0	4.9	0.3
Disposals	0.0	-3.9	0.0
<b>Amortisation at 31 December</b>	<b>0.0</b>	<b>25.5</b>	<b>13.1</b>
<b>Carrying amount at 31 December</b>	<b>631.3</b>	<b>7.4</b>	<b>1.3</b>
<b>2017</b>			
Cost at 1 January	631.3	9.3	3.0
Reclassification	0.0	15.5	11.4
Additions	0.0	5.7	0.0
Disposals	0.0	0.0	0.0
<b>Cost at 31 December</b>	<b>631.3</b>	<b>30.5</b>	<b>14.4</b>
Amortisation at 1 January	0.0	2.8	1.1
Correction previous years	0.0	14.7	11.4
Amortisation	0.0	7.0	0.3
Disposals	0.0	0.0	0.0
<b>Amortisation at 31 December</b>	<b>0.0</b>	<b>24.5</b>	<b>12.8</b>
<b>Carrying amount at 31 December</b>	<b>631.3</b>	<b>6.0</b>	<b>1.6</b>

### 8. NON-CURRENT INTANGIBLE ASSETS (CONTINUED)

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

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

MEUR	31.12.18	31.12.17
<b>Ferry services</b>		
Puttgarden – Rødby	488.9	488.9
Rostock – Gedser	66.3	66.3
	<b>555.2</b>	<b>555.2</b>
BorderShops	76.1	76.1
	<b>76.1</b>	<b>76.1</b>
<b>Total goodwill</b>	<b>631.3</b>	<b>631.3</b>

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

No impairment of goodwill was made for the financial year.

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

Using forecasts extending to the year 2040 as base for our calculation of value in use of the cash generating units is justified by the expectations of the future construction of the Fehmarn Belt fixed link.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. NON-CURRENT INTANGIBLE ASSETS (CONTINUED)

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

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

The cash flow appearing from budgets and forecasts up to 2040 last adopted by Management was used in calculating the value in use of the cash generating units. For financial years following the budget periods, cash flow from the most recent budget period was extrapolated and adjusted for the estimated growth rate of 2 percent. The discount rate applied is 7,6 percent before tax.

An estimated revenue growth rate of 3-4 percent is applied up to the time of completion of the Fehmarn Belt fixed link. By completion of the fixed link, we estimate a material negative impact on revenue, both on our traffic routes and BorderShops, but we estimate 3-4 percent growth afterwards until 2040.

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

### 8. NON-CURRENT INTANGIBLE ASSETS (CONTINUED)

Cash generating unit	Overall growth rate in terminal period	Revenue growth before fixed link	Revenue growth after fixed link until 2040	Discount rate
Puttgarden-Rødby	2.0%	3.3%	2.5%	7.6%
Rostock-Gedser	2.0%	4.6%	3.7%	7.6%
BorderShops	2.0%	3.6%	2.6%	7.6%

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9. NON-CURRENT TANGIBLE ASSETS

MEUR	Land and buildings	Vessels	Other fixtures and fittings, tools and equipments	Assets under construction
<b>2018</b>				
Cost at 1 January	161.8	481.6	113.5	17.1
Correction previous years				
Reclassification	0.4	1.2	1.7	-9.6
Additions	0.0	0.6	1.0	11.4
Disposals	0.0	-0.1	-0.5	0.0
Reclassified as held for sale				
<b>Cost at 31 December</b>	<b>162.2</b>	<b>483.3</b>	<b>115.7</b>	<b>18.9</b>
Depreciation at 1 January	34.3	110.3	61.5	0.0
Correction previous years		0.4		
Depreciation	4.6	22.6	5.3	0.0
Disposals	0.0	0.0	-0.5	0.0
Reclassified as held for sale				
<b>Depreciation at 31 December</b>	<b>38.9</b>	<b>133.3</b>	<b>66.3</b>	<b>0.0</b>
<b>Carrying amount at 31 December</b>	<b>123.3</b>	<b>350.0</b>	<b>49.4</b>	<b>18.9</b>
Carrying amount includes:				
Government grants	7.3	12.5	0.0	0.0

### 9. NON-CURRENT TANGIBLE ASSETS (CONTINUED)

MEUR	Land and buildings	Vessels	Other fixtures and fittings, tools and equipments	Assets under construction
<b>2017</b>				
Cost at 1 January	104.0	421.9	104.3	20.6
Correction previous years	52.3	49.4	3.9	0.0
Reclassification	4.6	3.6	3.7	-17.6
Additions	0.9	9.9	2.2	14.1
Disposals	0.0	-3.2	-0.6	0.0
Reclassified as held for sale	0.0	0.0	0.0	0.0
<b>Cost at 31 December</b>	<b>161.8</b>	<b>481.6</b>	<b>113.5</b>	<b>17.1</b>
Depreciation at 1 January	7.3	41.4	22.4	0.0
Correction previous years	22.6	48.5	33.4	0.0
Depreciation	4.4	23.6	6.3	0.0
Disposals	0.0	-3.2	-0.6	0.0
Reclassified as held for sale	0.0	0.0	0.0	0.0
<b>Depreciation at 31 December</b>	<b>34.3</b>	<b>110.3</b>	<b>61.5</b>	<b>0.0</b>
<b>Carrying amount at 31 December</b>	<b>127.5</b>	<b>371.3</b>	<b>52.0</b>	<b>17.1</b>
Carrying amount includes:				
Government grants	7.3	12.5	0.0	0.0

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

### 10 INVENTORIES

MEUR	31.12.18	31.12.17
Bunker	1.7	1.5
Goods for sale	15.2	15.8
Other inventories	3.5	2.6
	<b>20.4</b>	<b>19.9</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. RECEIVABLES

MEUR	31.12.18	31.12.17
Trade receivables	31.9	31.4
Receivables from affiliated companies	6.5	2.4
Other receivables	0.5	5.9
	<b>38.9</b>	<b>39.7</b>
Short-term receivables	38.9	39.7
	<b>38.9</b>	<b>39.7</b>

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 about macroeconomic factors effecting the credit risk. In 2018, credit losses recognised in the income statements account for 0,04% of total revenue. The expected loss rates are updated at every reporting date.

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

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

MEUR	31.12.18	31.12.17
Provision account at 1 January	0.2	0.2
Losses recorded for the year	-0.2	-0.1
Reversed provisions	0.0	0.0
Bad debt provisions for the year	0.2	0.1
<b>Provision account at 31 December</b>	<b>0.2</b>	<b>0.2</b>
Due trade receivables written down (impaired value)	0.0	0.0
	<b>0.0</b>	<b>0.0</b>

### 11. RECEIVABLES (CONTINUED)

MEUR	31.12.18	31.12.17
Due trade receivables not written down:		
Overdue by up to one month	4.3	3.3
Overdue by 1-3 months	0.6	0.1
Overdue by 3-6 months	0.4	0.2
Overdue by more than 6 months	0.1	0.1
	<b>5.4</b>	<b>3.7</b>

### 12. DEFERRED TAX

MEUR	31.12.18	31.12.17
Deferred tax at 1 January	3.6	3.7
Deferred tax for the year recognised in the income statement	-1.7	-0.1
<b>Deferred tax at 31 December</b>	<b>1.9</b>	<b>3.6</b>
<b>Deferred tax is recognised in the balance sheet as follows:</b>		
Deferred tax (liability)	1.9	3.6
	<b>1.9</b>	<b>3.6</b>
<b>Deferred tax concerns:</b>		
Property, plant and equipment	1.9	3.6
	<b>1.9</b>	<b>3.6</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. INTEREST-BEARING LIABILITIES

MEUR	31.12.18	31.12.17
Bank debt	709.0	767.1
<b>Total non-current interest-bearing liabilities</b>	<b>709.0</b>	<b>767.1</b>
Bank debt	59.2	54.0
<b>Total current interest-bearing liabilities</b>	<b>59.2</b>	<b>54.0</b>
<b>Total current and non-current interest-bearing liabilities</b>	<b>768.2</b>	<b>821.1</b>
Please refer to note 20 with respect to financial risk etc.		
<b>Distribution of currency, nominal principal</b>		
DKK	0.0	0.00
EUR	768.2	821.1
<b>Total interest-bearing liabilities</b>	<b>768.2</b>	<b>821.1</b>

### 13. INTEREST-BEARING LIABILITIES (CONTINUED)

MEUR	Fixed/float currency	Amortised interest	Nominal value	Fair value
<b>Bank debt 2018</b>				
Tranche 1 (expiry 2023)	EUR	Floating	290.6	290.6
Tranche 2 (expiry 2028)	EUR	Fixed	486.5	486.5
Tranche 3 (expiry 2028)	EUR	Floating	0.0	0.0
Tranche 4 (expiry 2028)	EUR	Floating	0.0	0.0
			<b>777.1</b>	<b>777.1</b>
<b>Bank debt 2017</b>				
Tranche 1 (expiry 2023)	EUR	Floating	344.6	342.1
Tranche 2 (expiry 2028)	EUR	Fixed	486.5	480.9
Tranche 3 (expiry 2028)	EUR	Floating	0.0	0.0
Tranche 4 (expiry 2028)	EUR	Floating	0.0	0.0
			<b>831.1</b>	<b>823.0</b>

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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. INTEREST-BEARING LIABILITIES (CONTINUED)

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

MEUR	Facility	Utilization	Remaining facilities	Limitations
<b>Facilities 2018</b>				
Tranche 1 (expiry 2023)	290.6	290.6	0.0	
Tranche 2 (expiry 2028)	486.5	486.5	0.0	
Tranche 3 (expiry 2028)	35.0	0.0	35.0	
Tranche 4 (expiry 2028)	117.5	0.0	117.5	Liquidity Facility reserved for debt service
	<b>929.6</b>	<b>777.1</b>	<b>152.5</b>	
<b>Facilities 2017</b>				
Tranche 1 (expiry 2023)	374.5	344.6	0.0	
Tranche 2 (expiry 2028)	486.5	486.5	0.0	
Tranche 3 (expiry 2028)	35.0	0.0	35.0	
Tranche 4 (expiry 2028)	117.5	0.0	117.5	Liquidity Facility reserved for debt service
	<b>1,013.5</b>	<b>831.1</b>	<b>152.5</b>	

### 14. PENSION AND ANNIVERSARY LIABILITIES

The group has entered into both defined contribution plans and defined benefit plans. The majority of the pension plans are funded by annual premium payments to independent insurance companies that assume responsibility for the pension commitments towards the employees (defined contribution plans). For these plans, the group has no legal or actual obligation to pay additional contributions, regardless of the funding of these insurance companies. Pension contributions as part of such plans are regularly recognised as expenses. Defined pension 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	31.12.18	31.12.17
Balance at 1 January	1.1	1.3
Additions relating to acquisition of enterprises	0.0	0.0
Anniversary cost	0.0	0.0
Calculated interests related to obligations	0.1	0.0
Pensions paid	0.0	-0.2
<b>Liabilities at 31 December</b>	<b>1.2</b>	<b>1.1</b>
Long-term liability	0.5	0.9
Short-term liability	0.7	0.2
<b>Cost in profit/loss statement</b>		
Personnel costs current year	0.0	0.1
Calculated interests related to obligations	0.1	0.0
<b>Total</b>	<b>0.1</b>	<b>0.1</b>
<b>Defined benefit plans, assumptions</b>		
Discount rate	1.75%	1.54%
Future increases in pensions	1.00%	1.00%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. OTHER PROVISIONS

MEUR	31.12.18	31.12.17
Balance at 1 January	6.9	6.3
Reduction arising from payment	-6.9	-6.3
Additions	7.7	6.9
	<b>7.7</b>	<b>6.9</b>
Other provisions are expected to fall due as follows:		
Within 1 year	7.2	6.9
1-5 years	0.5	0.0
	<b>7.7</b>	<b>6.9</b>

Provisions are mainly related to personnel expenses and taxes.

### 16. INCOME TAX

MEUR	31.12.18	31.12.17
Income tax payable at 1 January	1.1	3.3
Current tax for the year	5.0	3.4
Income tax paid in the year	-6.0	-6.0
Adjustment previous year	0.7	0.4
<b>Income tax payable at 31 December</b>	<b>0.8</b>	<b>1.1</b>

### 17. OTHER LIABILITIES

MEUR	31.12.18	31.12.17
Public authorities (VAT, excise duties, taxes, etc.)	2.0	9.0
Pension liabilities (short-term)	0.0	0.3
Holiday pay obligation, payroll, bonus, etc.	9.5	10.4
Other expenses payable	3.5	1.6
	<b>15.0</b>	<b>21.3</b>

### 18. DEFERRED INCOME

MEUR	31.12.18	31.12.17
Prepayments from customers	1.1	1.6
	<b>1.1</b>	<b>1.6</b>

### 19. FEES TO AUDITORS APPOINTED BY THE ANNUAL GENERAL MEETING

MEUR	31.12.18	31.12.17
Statutory audit	0.3	0.2
Non-audit services	0.0	0.1
	<b>0.3</b>	<b>0.3</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. FINANCIAL RISKS AND USE OF DERIVATIVES

#### The group's risk management policy

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

#### Risk related to commodity prices

The primary risk associated with commodity prices relates to the purchase of bunker fuel. The risk is partially covered through the incorporation of 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. The net bunker fuel price exposure for the coming 4-quarter period equals approximately 20 percent of total expected consumption.

An increase in bunker fuel prices by 10 percentage points 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 0.3m (EUR 0.3m in 2017) and a negative cost impact in 2019 of EUR 0.3m (0.3m in 2018). A similar reduction in bunker fuel prices would have an equivalent negative impact on hedge values and a similar positive impact on the bunker fuel cost in 2019.

#### Risks related to interest rates

Interest rate risks derives mainly from financing agreements. Future interest payments are mostly hedged in the form of fixed-rate debt and interest rate derivatives. At 31 December 2018, 85% of the group's debt was fixed-rate or hedged. We refer to note 13 for more details on the loan portfolio.

An increase in interest rates by 1 percentage 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 1.7m (2.2m in 2017) and a negative cost impact in 2019 of EUR 2.9m (3.4m in 2018). 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 2019.

### 20. FINANCIAL RISKS AND USE OF DERIVATIVES (CONTINUED)

#### Risks related to foreign exchange rates

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

The Scandferries group has during 2018 not entered any currency hedges and has no opening currency hedge contracts as at 31 December 2018. A 10% change in the EUR/SEK exchange rate would have an immaterial effect on income and cost elements in 2018.

#### Credit risks

The Scandferries group is exposed to credit risk from our trading partners and customers. The exposure is limited to the group's total outstanding receivables, with limited customer dependency and concentration risk and very low or no historical losses recorded in recent years. Accordingly, credit risks have not been hedged during 2018, and we have no open credit risk hedge contracts.

#### Liquidity risks

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. FINANCIAL RISKS AND USE OF DERIVATIVES (CONTINUED)

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

	Within 1 year	1-5 years	After 5 years	Nominal value
<b>2018</b>				
<b>Non-derivatives</b>				
Credit institutions and banks*	59.2	501.1	216.8	777.1
Trade payables*	36.2	0.0	0.0	36.0
<b>Derivatives</b>				
Interest rates/bunker*	-1.8	0.0	0.0	
	<b>93.6</b>	<b>501.1</b>	<b>216.8</b>	<b>813.1</b>
<b>2017</b>				
<b>Non-derivatives</b>				
Credit institutions and banks*	54.0	255.2	521.9	831.1
Trade payables*	37.6	0.0	0.0	37.6
Financial leasing*	0.0	0.0	0.0	0.0
<b>Derivatives</b>				
Interest rates/bunker*	-0.2	0.0	0.0	
	<b>91.4</b>	<b>255.2</b>	<b>521.9</b>	<b>868.7</b>

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

### 20. FINANCIAL RISKS AND USE OF DERIVATIVES (CONTINUED)

#### Capital management

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

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

Fair value hierarchy of financial instruments measured at fair value in the balance sheet forward exchange transactions and interest rate swaps are valued using an income approach (discounted cash flow). Expected future cash flow 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)

Carrying amount by category of derivative financial instruments:

MEUR	31.12.18	31.12.17
Interest rate contract	-0.9	-0.6
Hedge of commercial goods (bunker)	-0.9	0.4
	<b>-1.8</b>	<b>-0.2</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. FINANCIAL RISKS AND USE OF DERIVATIVES (CONTINUED)

MEUR	31.12.18	31.12.17
<b>Categories of financial instruments</b>		
Trade receivables	31.9	31.4
Receivables from affiliated companies	6.5	2.4
Other receivables	0.5	5.9
<b>Loans and receivables</b>	<b>38.9</b>	<b>39.7</b>
Derivative financial instruments entered into to hedge future cash flows		
	-1.8	-0.2
<b>Financial liabilities used for hedging</b>	<b>-1.8</b>	<b>-0.2</b>
Bank debt		
	777.1	831.1
Other liabilities		
	15.0	21.7
<b>Financial liabilities measured at amortised cost</b>	<b>792.1</b>	<b>852.8</b>

### 21. NON-CASH TRANSACTIONS

MEUR	31.12.18	31.12.17
Change in provision	-1.3	1.0
Change in other liabilities	0.0	9.8
Change in other assets	1.7	-5.6
	<b>0.4</b>	<b>5.2</b>

### 22. WORKING CAPITAL CHANGES

MEUR	31.12.18	31.12.17
Increase (-)/decrease (+) in inventories	-0.4	1.0
Increase (-)/decrease (+) in receivables etc.	1.1	-1.9
Increase (+)/decrease (-) in current liabilities	-8.2	-3.4
	<b>-7.5</b>	<b>-4.3</b>

### 23. GUARANTEES, CONTINGENT LIABILITIES AND COLLATERAL

MEUR	31.12.18	31.12.17
<b>Guarantees</b>	<b>1.6</b>	<b>3.2</b>

#### Contingent liabilities

The group is party to a few pending lawsuits. Management believes that the outcome of these lawsuits will not materially affect the group's financial position aside from the receivables and liabilities recognised in the balance sheet at 31 December 2018.

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

For employees engaged as public servants, the group has a contingent liability of EUR 15.6 million (2017: EUR 16.9 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 13, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24. CONTRACTUAL OBLIGATIONS

For the years 2013 to 2018, operating leases have been entered into for office premises rented and cars leased. The leases have been entered into for a minimum of 3 years subject to fixed lease payments. The agreements are interminable for the period in question, after which they may be renewed.

MEUR	31.12.18	31.12.17
<b>Operating leasing commitments</b>		
The aggregate future, minimum lease payments according to interminable leases are composed as follows:		
Within 1 year	1.2	1.0
1-5 years	3.9	1.1
More than 5 years	0.0	0.1
	<b>5.1</b>	<b>2.2</b>
Minimum lease payments recognised in the income statement for the year	3.9	1.2

### 25. RELATED PARTIES

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

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

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

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

During the period, there 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 3).

Receivables from affiliated companies are evident from note 11.

### 25. RELATED PARTIES (CONTINUED)

The companies included in the consolidated financial statements are:

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

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

### 26. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after 31 December 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. ACCOUNTING POLICIES

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

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

#### Basis of accounting

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

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

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

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

#### Standards and interpretations effective in the current period

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

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'

The impact of the implementation of IFRS 9 and IFRS 15 has been immaterial in relation to recognition and measurement. However, the new standards have led to additional disclosures.

IFRS 9 - Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities was published in July 2014 and contains requirements for the classification and measurement of financial assets and financial liabilities, impairment methodology and general hedge accounting.

IFRS 9 introduces a new impairment loss model for financial assets by replacing IAS 39's "incurred loss model" approach with a more forward-looking "expected loss model". Under the new model, it is no longer necessary that a credit event has occurred before a credit loss is recognised.

We have completed an analysis to assess the impact of implementing IFRS 9, and the simplified 'expected loss model' will not significantly affect the allowance for doubtful trade receivables.

Based on the current Treasury Policy for hedging of risks, the implementation of IFRS 9 will not have a significant impact on the consolidated financial statements in relation to hedge accounting.

IFRS 15 - Revenue from Contracts with Customers was published in May 2014 and establishes a single comprehensive framework for revenue recognition. IFRS 15 replaces the current standards on revenue (IAS 11 'Construction Contracts' and IAS 18 'Revenue').

The group has implemented IFRS 15 'Revenue from Contracts with Customers' using the modified retrospective approach.

Based on an analysis the IFRS 15 it is assessed that it will not have a significant impact on the consolidated financial statements.

#### Standards and interpretations in issue not yet adopted

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

We have completed an analysis to assess the impact of implementing IFRS 16. The changes require capitalization of the majority of the group's operating leases. This will increase non-current assets by 0.9% and EBITDA will increase by 0.5%.

Cash flow from operating activities will increase as the substantial portion of lease payments will be classified as financing cash outflows.

Furthermore, the implementation of IFRS 16 will lead to additional disclosures.

#### Critical accounting policies

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

#### Description of accounting policies applied

##### Consolidated financial statements

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. ACCOUNTING POLICIES (CONTINUED)

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

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

#### Business combinations

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

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

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

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 8 to the consolidated financial statements.

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

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

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

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

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

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

the calculation of profits. Any equity interests maintained are measured at fair value at the date that control ceases.

#### Foreign currency translation

##### Functional currency and presentation currency

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

##### Translation of transactions and amounts

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

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

Non-current assets purchased in foreign currencies are translated applying the foreign exchange rate at the acquisition date. Gains and losses from accounting hedges related to the acqui-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. ACCOUNTING POLICIES (CONTINUED)

sition of non-current assets are included in the value of the asset on initial recognition thereof.

#### Translation of affiliated companies

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

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

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

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

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

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

#### Derivatives

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

#### Fair value hedging

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

#### Hedging of future cash flow

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

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

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

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

#### Hedging of net investments

Changes in the fair value of derivatives which are applied to hedge net investments in foreign

affiliated companies or associates and which effectively hedge changes in foreign exchange rates at such enterprises are recognised in other comprehensive income in the consolidated financial statements and transferred to a separate reserve in equity.

#### Other derivatives

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

#### Government grants

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

#### Rentals and leases

For financial reporting purposes, leases are divided into finance leases and operating leases.

A lease is classified as a finance lease when it transfers substantially all of the risks and rewards incidental to ownership of the leased asset. Other leases are classified as operating leases.

For assets held under finance leases, cost is the lower of the asset's fair value and present value of future minimum lease payments. The internal rate of return of the lease or the group's alternative borrowing rate is applied as a discount factor for determining the present value. Assets held under finance leases are depreciated and written down for impairment in accordance with the accounting policies applied by the group to similar proprietary non-current assets or over the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. ACCOUNTING POLICIES (CONTINUED)

lease period depending on the terms and conditions of the lease. The related lease commitment for assets held under finance leases is recognised in the balance sheet by an amount equivalent to the capitalised residual lease commitment measured at cost. The interest portion of the lease payment for the year is recognised in the income statement as a financial expense.

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

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

Rental income from operating leases under which assets are leased out are recognised on a straight-line basis in profit or loss over the lease term.

#### Income statement

##### Revenue

Revenue from transport of passengers and freight etc. is recognised in the income statement at the time of delivery of the service to the customer, which is the time where the control is transferred and when each separate performance obligation in the customer contract is fulfilled

following the "over-time principle". Some of the ferry and freight transports have a series of performance obligations but as the duration 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.

The change in accounting policy compared to last year, did not have material effect, and the accounting policy for 2017 for revenue has therefore not been disclosed. Reference is made to the annual report from 2017.

##### Other operating income

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

##### Operating costs for vessels

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

##### Cost of goods sold

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

##### Staff costs

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

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

##### Other external expenses

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

##### Share of profit or loss of associates

The proportionate share of associates' profit or loss after tax and after elimination of the

proportionate share of intercompany profits or losses is recognised in the consolidated income statement.

##### Financial income and expenses

Financial income and expenses comprise interest income and expenses, realised and unrealised exchange gains and losses on debt and foreign currency transactions, realised capital gains and losses on 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, is recognised in the income statement by the portion attributable to profit or loss for the year and taken directly to equity by the portion attributable to entries directly in equity. Corrections concerning previous years are included in this item as well.

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

Income tax and tonnage tax computed for the year are recognised in the balance sheet as

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

#### Assets

Current assets are defined as:

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

All other assets are classified as non-current.

#### Non-current intangible assets and property, plant and equipment

Unless otherwise specifically stated, the following applies:

- Non-current intangible assets and property, plant and equipment are measured at cost less accumulated amortisation, depreciation and impairment losses
- The cost of non-current intangible assets and property, plant and equipment consists of expenses for sub-suppliers, materials and components (only non-current items of property, plant and equipment) as well as direct labour costs
- Interest incurred from the time of payment until an asset is put into service is included in cost. The cost also includes gains and losses from hedging transactions entered into to

secure the value of a non-current item of property, plant and equipment

- The basis of amortisation or depreciation is calculated as cost reduced by estimated scrap value
- Non-current intangible assets and property, plant and equipment are amortised and depreciated on a straight-line basis to estimated scrap values over their expected useful life to the Scandferries group
- Expected useful lives to the Scandferries group and scrap values are estimated at least once a year. When estimating the useful lives of vessels, it is taken into consideration that the Scandferries group continuously uses considerable funds for current maintenance
- If the depreciation period or the scrap value is changed, the future effect for depreciation is recognised as a change in the accounting estimate

#### Goodwill

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

Goodwill is tested at least once a year for impairment.

The carrying amount of goodwill is allocated to the group's cash generating units at the time of

acquisition. The allocation of goodwill by cash generating unit is disclosed in note 8 to the consolidated financial statements.

#### Contractual rights

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

#### Software

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

#### Other intangible assets

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

#### Vessels

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

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

Vessel maintenance costs are charged to the income statement when incurred, including ordinary maintenance insofar as such work is

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. ACCOUNTING POLICIES (CONTINUED)

attributable to ordinary maintenance (day-to-day work).

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

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

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

#### Other property, plant and equipment

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

The expected useful lives are:

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

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

#### Investments in associates

Investments in associates are measured according to the equity method. This means that, in the balance sheet investments are measured at the proportionate share of the enterprises' equity value, calculated applying the group's accounting policies, plus the carrying amount of goodwill and plus or less the proportionate share of unrealised intercompany profits and losses.

Associates with a negative equity value are measured at EUR 0. If the group has a legal or constructive obligation to cover the negative balance of the associate, this amount is recognised in liabilities.

Any receivables from associates are written down if the receivable is considered irrecoverable.

#### 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 Scandferries group will perform an impairment review.

#### Inventories

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

#### Receivables

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

#### Prepayments

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

#### Equity

##### Dividend

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

##### Foreign currency translation adjustments reserve

The reserve for foreign currency translation adjustments includes currency translation differences arising from the translation of financial statements of enterprises using a functional currency other than EUR as well as currency translation adjustments relating to assets and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. ACCOUNTING POLICIES (CONTINUED)

liabilities which represent part of the group's net investments in such enterprises.

#### Fair value adjustment of hedging instruments

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

#### Liabilities

Current liabilities are defined as:

- Liabilities expected to be settled during the Scandferries group's normal operating cycle, or
- Liabilities to be settled within 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.

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

#### Other provisions

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

#### Interest-bearing liabilities other than provisions

On initial recognition, debts to mortgage credit institutions and similar institutions are measured at fair value (equivalent to the proceeds received) less transaction costs incurred.

Subsequently, interest-bearing liabilities are measured at amortised cost equal to the capital-

ised value using the effective interest method; the difference between the proceeds and the nominal amount is recognised in the income statement in "Financial expenses" over the term of the loan.

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

#### Other payables

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

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

#### Deferred income

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

#### Cash flow statement

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

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

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

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

Cash 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	2018	2017
Administrative expenses		-0.1	0.0
<b>Result before amortisation and depreciation (EBITDA)</b>		<b>-0.1</b>	<b>0.0</b>
Dividend from affiliated company		90.5	151.1
Financial income		0.0	0.0
Financial expenses		0.0	0.0
<b>Result before tax</b>		<b>90.4</b>	<b>151.1</b>
Tax for the year		0.0	0.0
<b>Result for the year</b>		<b>90.4</b>	<b>151.1</b>
Other comprehensive income after tax		0.0	0.0
<b>Total comprehensive income/loss</b>		<b>0.0</b>	<b>0.0</b>

## BALANCE SHEET

MEUR	Notes	2018	2017
<b>ASSETS</b>			
Investments in affiliated companies	3	423.6	400.0
<b>Total non-current assets</b>		<b>423.6</b>	<b>400.0</b>
Cash		0.0	0.0
<b>Total current assets</b>		<b>0.0</b>	<b>0.0</b>
<b>Assets</b>		<b>423.6</b>	<b>400.0</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		0.0	0.0
Retained earnings		399.5	382.6
Proposed dividend		0.0	0.0
<b>Total equity</b>		<b>399.5</b>	<b>382.6</b>
Liabilities to affiliated companies		24.1	17.4
<b>Total liabilities</b>		<b>24.1</b>	<b>17.4</b>
<b>Equity and liabilities</b>		<b>423.6</b>	<b>400.0</b>

## CASH FLOW STATEMENT

MEUR	Notes	2018	2017
<b>Result before amortisation and depreciation (EBITDA)</b>		<b>-0.1</b>	<b>0.0</b>
Adjustments for non-cash operating items, etc.		-16.8	-17.0
Working capital changes		16.9	17.0
<b>Cash flow from operating activities</b>		<b>0.1</b>	<b>0.0</b>
Received dividend from affiliated company		90.5	151.1
<b>Cash flow from investing activities</b>		<b>90.5</b>	<b>151.1</b>
Paid dividend to affiliated company		-90.5	-151.1
<b>Cash flow from financing activities</b>		<b>-90.5</b>	<b>-151.1</b>
<b>Cash flow for the year</b>		<b>0.0</b>	<b>0.0</b>
Cash at 1 January		0.0	0.0
Currency translation adjustment of cash		0.0	0.0
<b>Cash at 31 December</b>		<b>0.0</b>	<b>0.0</b>

## STATEMENT OF CHANGES IN EQUITY

MEUR	Share capital	Proposed dividend	Fair value adjustment of hedging instruments	Retained earnings	Total
<b>2018</b>					
Equity at 1 January 2018	0.0	0.0	0.0	382.6	382.6
<b>Comprehensive loss for the year</b>					
Result for the year	0.0	0.0	0.0	90.4	90.4
Dividend	0.0	0.0	0.0	-90.5	-90.5
Loss absorption	0.0	0.0	0.0	17.0	17.0
<b>Equity at 31 December 2018</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>399.5</b>	<b>399.5</b>
<b>2017</b>					
Equity at 1 January 2017	0.0	0.0	0.0	399.6	399.6
<b>Comprehensive loss for the year</b>					
Result for the year	0.0	0.0	0.0	151.1	151.1
Dividend	0.0	0.0	0.0	-151.1	-151.1
Loss absorption	0.0	0.0	0.0	-17.0	-17.0
<b>Equity at 31 December 2017</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>382.6</b>	<b>382.6</b>

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# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### Estimation uncertainty

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

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

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

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

### Accounting policies

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

## 2. STAFF COSTS

Executive Management has not received remuneration in the financial period.

## 3. INVESTMENTS IN AFFILIATED COMPANIES

MEUR	31.12.18	31.12.17
Total cost statement:		
Cost at 1 January	400.0	400.0
Additions for the year	23.6	0.0
<b>Cost at 31 December</b>	<b>423.6</b>	<b>400.0</b>
<b>Carrying amount at 31 December</b>	<b>423.6</b>	<b>400.0</b>

Investments in affiliated companies comprise:

Scandlines ApS, Copenhagen, Denmark, 100 percent.

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

## 4. GUARANTEES, CONTINGENT LIABILITIES AND COLLATERAL

MEUR	31.12.18	31.12.17
The following assets are provided as collateral in favour of credit institutions in Scandlines ApS:		
Investments in affiliated companies	423.6	400.0

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

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 5. RELATED PARTIES

For specification of related parties refer to note 24 of the consolidated financial statements.

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

### 6. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after 31 December 2018.

### 7. ACCOUNTING POLICIES

The separate parent financial statements have been incorporated in the annual report because a separate set of financial statements is required for the Parent under the Danish Financial Statements Act.

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

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

#### Description of accounting policies applied

Compared to the accounting policies described for the consolidated financial statements (see note 26 to the consolidated financial statements), the accounting policies applied by the Parent are different in the following respects:

#### Business combinations

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

#### Foreign currency translation

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

### 7. ACCOUNTING POLICIES (CONTINUED)

#### Dividend income

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

#### Tax on profit for the year

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

#### Investments in affiliated companies

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

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

#### Taxation

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

## STATEMENT BY THE EXECUTIVE MANAGEMENT ON THE ANNUAL REPORT

Executive Management has today considered and approved the annual report of Scandferries ApS for the financial year 1 January – 31 December 2018.

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 2018 and of

the results of their operations and cash flows for the financial year 1 January – 31 December 2018.

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, 30 April 2019

### Executive Management

Søren Poulsgaard Jensen, CEO

Per Johannesen Madsen, CFO

## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Scandferries ApS

### Opinion

We have audited the consolidated financial statements and the parent financial statements of Scandferries ApS for the financial year 1 January – 31 December 2018, 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 2018, and of the results of their operations and cash flows for the financial year 1 January – 31 December 2018 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, 30 April 2019

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen  
State-Authorised  
Public Accountant  
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State-Authorised  
Public Accountant  
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## COMPANY DETAILS

### Company

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### Executive Management

Søren Poulsgaard Jensen, CEO  
Per Johannesen Madsen, CFO

### Company auditors

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