Annual report 2021

We keep on sailing!

Scandlines improved performance in a challenging market and invested in long-term growth and the pursuit of our zero emission vision.

Scandlines Infrastructure ApS
Havneholmen 25, 8 – 1561 Copenhagen V / Registration no. 38103245

Scandlines

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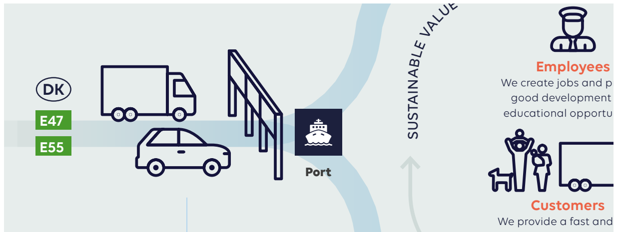

Outlook for 2022

Efforts to ensure efficiency and strict cost control will be maintained to alleviate the continued impact of COVID-19.

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Overview

CEO letter

Improved performance in a challenging market

2021 was another year of uncertainty and extreme volatility as travel restrictions continued to impact our business. We navigated the impact of COVID-19 and maintained margins thanks to a dedicated team effort and strict cost control. The foundation of our business is strong, and we solidified our position as a green front-runner with the long-term investment in a new emission-free freight ferry for the Puttgarden-Rødby route. We now aim to realise our zero emission vision by 2040 and make the Puttgarden-Rødby route emission free by 2030.

Our teams worked hard in 2021 and responded swiftly to the substantial fluctuations in traffic following political decisions to impose and lift travel restrictions in our markets in response to developments in COVID-19.

We saw a gradual rebound in traffic volume compared to 2020 as expected and grew revenue by 20 percent to EUR 328 million and maintained our EBITDA margin at 41 percent following tight cost control measures and efficiency enhancements.

As a critical infrastructure provider connecting Continental Europe and Scandinavia, we maintained operations with a reliability of around 95 percent and continued to serve our freight customers while restrictions impaired leisure travel and shopping activity on board and in our BorderShops from March to July in particular.

We were pleased to see rebounding traffic and activity levels when restrictions were lifted during the summer – and we actually saw five weeks outperforming the comparison weeks in 2019 in terms of cars transported.

While full-year traffic figures increased across all categories compared to 2020, volumes remained significantly lower compared to 2019 with the exception of our freight business, which continued to deliver consistent growth throughout the year, ensuring the strongest performance ever. Demand for our freight operations remains strong, and we expect to continue growing this part of our business.

Following years of strong performance and increasing demand, we ordered an emission-free freight ferry for commissioning in 2024 on the Puttgarden-Rødby route to increase capacity by up to 23 percent and take an important step towards realising our zero emission vision.

Our green ambitions were also reflected in additional investments made to upgrade our existing fleet and reduce our environmental footprint.

Following great initial results with the rotor sail fitted onto M/V Copenhagen in 2020 - achieving the planned CO_2 reduction of 4 percent - we prepared the installation of a similar rotor sail on its sister vessel M/V Berlin in May. In September, M/V Prins Richard was fitted with new pull thrusters and re-painted with silicone antifouling paint to improve energy efficiency. In 2022, M/V Prinsesse Benedikte will follow as the last of the four double-ended ferries operating the Puttgarden-Rødby route. The CO_2 reduction from this total investment of EUR 13 million amounts to 15 percent.

We will continue to invest in green initiatives and strengthen our competitiveness by developing our business to cater to the needs of all customers. We have therefore set out to realise our zero emission vision by 2040, and we aim to reach scope 1 and 2 zero direct emission-operations on the Puttgarden-Rødby route by 2030 as an important first step on this journey.

The combination of our unparalleled reliability, continued investment in our unique green profile and bespoke traffic machine and retail offerings forms a solid competitive foundation for our business ahead of the planned opening of the Fehmarn Belt fixed link.

In the short term, we expect to continue on the path to normality and generate higher revenue in 2022 despite some continued negative impact of COVID-19 repercussions on traffic volumes.

On a personal note, I have been immensely impressed by our employees' dedication and adaptability after joining as CEO in September. Our teams have proven their ability to navigate difficult waters, and the resilience demonstrated in recent years spells a bright future for Scandlines.

Carsten Nørland, CEO

Snapshot of 2021

Revenue
328 MEUR

Revenue increased by 20 percent even though travel restrictions continued to have a severe detrimental impact on our activities.

Earnings
133 MEUR

Strict cost control and continued efficiency enhancements entailed 59 percent growth in recurring EBITDA.

Profitability
41%

We responded swiftly to fluctuations in traffic volumes and maintained profitability under difficult market conditions.

Investment
22 MEUR

The investment level increased slightly as we ordered a new emission-free freight ferry and completed additional green investments in the fleet.

Cars
+19%

Despite a negative impact from travel restrictions, car traffic increased from a historically low level.

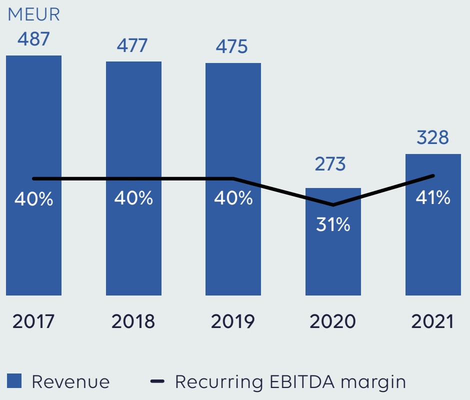
Freight
+12%

Freight traffic grew strongly through the year to the highest level ever.

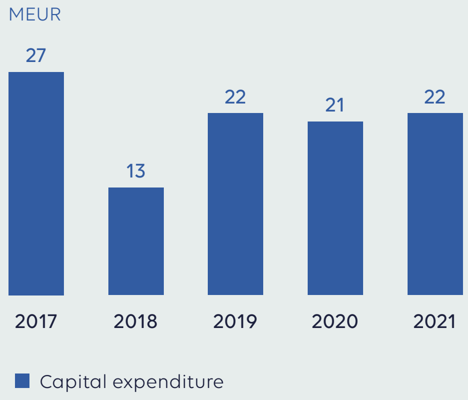
Passengers
+17%

Leisure and shopping traffic volumes increased despite significant fluctuated in correlation with travel restrictions during the year.

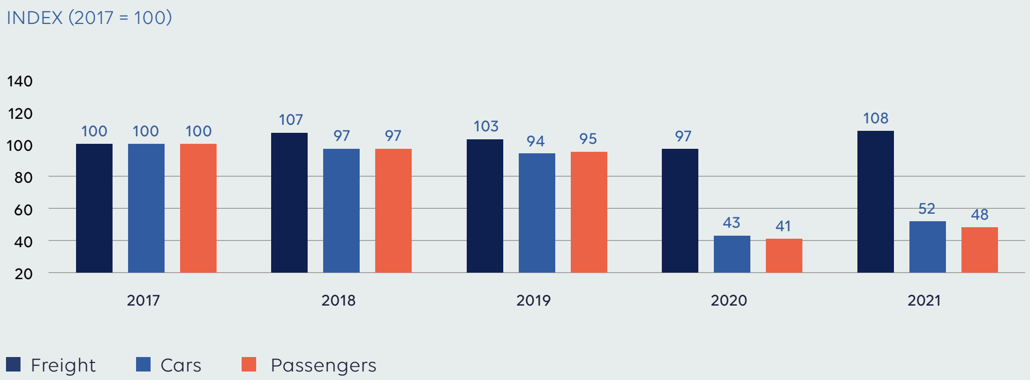
Results



Investment



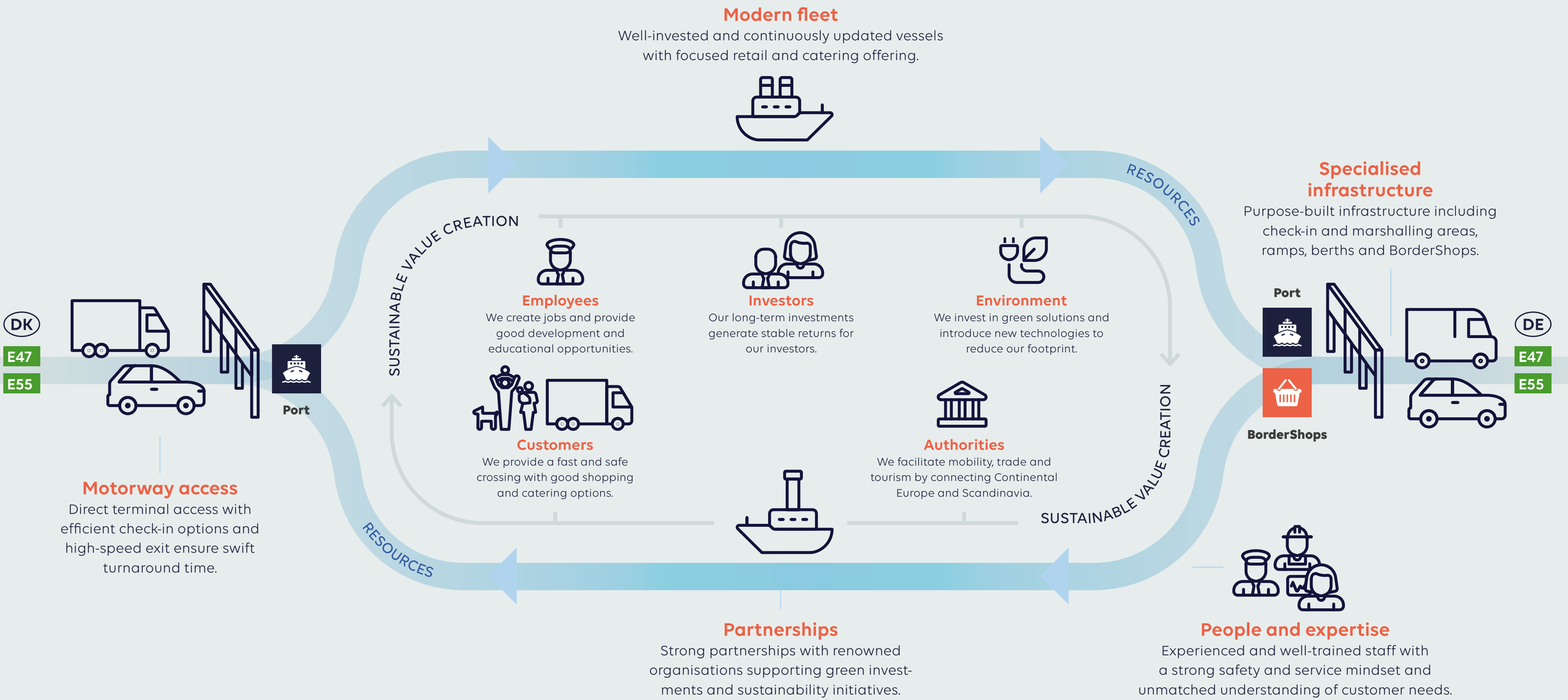
Traffic volumes



2017-2018 reflect Scandferries ApS group financial statements whereas 2019-2021 reflect Scandlines Infrastructure ApS group financial statements (due to a new holding structure).

Our sustainable traffic machine

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



Scandlines at a glance

Scandlines operates two short-distance ferry routes between Germany and Denmark with high frequency and large capacity. Despite travel restrictions imposed during 2021, our ferries provided efficient and reliable transport with over 38,000 departures. With frequent departures and reliability around 95 percent, Scandlines is always open.

Landings

4 ports

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

Fleet

7 ferries

Our six hybrid ferries are supplemented by a conventional freight ferry, which also acts as a replacement ferry. A new emission-free freight ferry will be commissioned in 2024.

Departures

38 thousand

Our infrastructure and ferries provide a direct connection between Continental Europe and Scandinavia with regular departures throughout the day.

Lorries

717 thousand

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

Cars

950 thousand

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

Shopping

3 outlets

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

Passengers

3.6 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

900 thousand

Great benefits and individualised promotions relevant to our valued leisure customers are offered to the members of our SMILE loyalty programme.

Shopping transactions

430 thousand

Our shopping outlets offer great customer experience and low prices on a wide range of beer, soft drinks, confectionery, wine and fine spirits.

Scandlines route map

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

Puttgarden-Rødby

Four hybrid ferries with a crossing time of only 45 minutes and up to 96 departures per day. The route enables cars to travel from Hamburg to Copenhagen in 4 hours and 15 minutes at competitive prices.

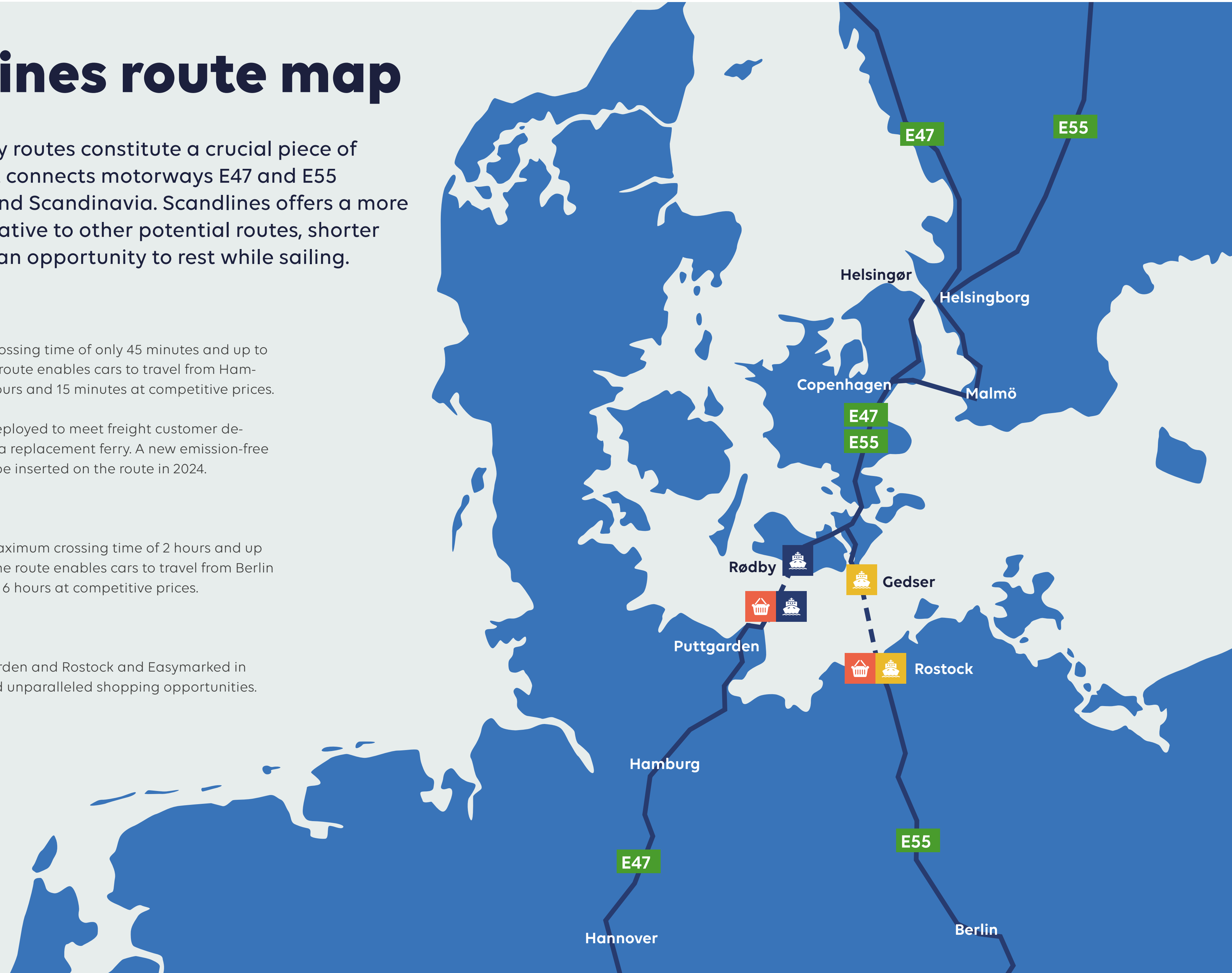
One conventional ferry is deployed to meet freight customer demand, while also acting as a replacement ferry. A new emission-free freight ferry is expected to be inserted on the route in 2024.

Rostock-Gedser

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

BorderShops

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



Key figures and financial ratios

MEUR	2021	2020	2019	2018	2017
Income statement					
Revenue	328	273	475	477	487
Result from ordinary activities, excl. special items (recurring EBITDA)	133	84	188	191	194
Result from ordinary activities (EBITDA)	128	74	181	185	182
Amortisation and depreciation	-42	-41	-40	-38	-42
Result from ordinary activities (EBIT)	85	33	141	148	140
Net financial items	-23	-24	-22	-20	-49
Result before tax	62	9	120	128	91
Result for the year	61	18	122	125	88
Balance sheet					
Total assets	2,549	2,537	2,538	1,277	1,307
Investments (capital expenditure)	22	21	22	13	27
Equity	1,539	1,520	1,501	445	413
Interest bearing liabilities	934	968	978	768	821
Cash flow statement					
Cash flow from operating activities	107	63	151	154	131
Cash flow from investing activities	-22	-21	-22	-13	-27
Cash flow from financing activities	-80	-13	-135	-145	-159
Recurring EBITDA margin	41%	31%	40%	40%	40%
Average number of employees (FTE)	1,237	1,357	1,533	1,534	1,524

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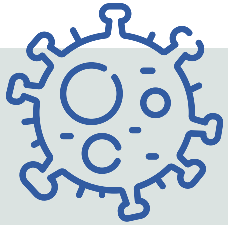


COVID-19

COVID-19 continued to impact our business during large parts of 2021 as car and passenger traffic was significantly affected by travel restrictions and quarantine measures imposed by political decision makers in Germany and Denmark to limit the spread of COVID-19.

Impact on traffic volumes

Traffic figures were most severely affected by the restrictions in the first half of 2021, with traffic rebounding swiftly during the summer on the back of the introduction of COVID-19 certificates until restrictions were reinstated in the autumn.

Freight traffic grew despite the continued impact from COVID-19 and counter-measures.

Protecting employees and customers

We continued to take precautionary measures to protect our employees, customers and partners during the outbreak of COVID-19. We maintained contingency planning and ensured compliance with recommendations and regulatory requirements through training sessions and other proactive initiatives.

We did not make use of the state furlough compensation scheme in Denmark during 2021, however we continued to have employees working under the German Kurzarbeit short-term work scheme for part of the year. All employees received 100 percent of their ordinary salary while being employed under these schemes.

Maintained margins

Despite the continued uncertainty and impact of COVID-19, revenue recovered well from a historically low level in 2020, and margins were maintained at a pre-COVID-19 level.

Performance

Developments in 2021

Scandlines improved operational performance and maintained financial margins in 2021 despite the continued negative effects of COVID-19. Traffic volumes and revenue grew as travel restrictions eased compared to the historically difficult market conditions in 2020. We continued to invest in our long-term competitiveness and a greener fleet.

Revenue
Despite the continued negative effects of COVID-19, our traffic machine and Border-Shops grew revenue to EUR 328 million in 2021 from EUR 273 million the prior year, which was impacted by longer periods of travel restrictions.

Traffic machine
Revenue generated by our two Germany-Denmark routes increased to EUR 260 million compared to EUR 216 million in 2020 as COVID-19 certificates were introduced and government-imposed travel restrictions impacted fewer months of the year. We continued to collaborate closely with the German and Danish authorities and took all necessary precautions to maintain safe and responsible operations during the crisis.

Car traffic rebounded and grew by 19 percent from a low level in 2020 and with a significantly higher increase on the Rostock-Gedser route. Traffic increased in the wake of eased COVID-19 restrictions and declined as restrictions were reinstated during the year.

Our freight business accelerated its progress in 2021 as traffic grew by 12 percent with double-digit growth on both routes, resulting in the strongest performance ever. We continued to provide frequent departures, a high reliability level and flexibility to meet customer demand during periods of travel restrictions.

We saw a 17 percent increase in the total number of passengers in 2021 with particularly strong growth on the Rostock-Gedser route.

We continued to invest in marketing initiatives and our SMILE loyalty programme in 2021 to strenghten our digital offering and gain improved market insights. These efforts contributed to greater differentiation of our marketing initiatives and improved customer experience, and we grew the number of SMILE members to 900,000 people eligible for various benefits and individualised promotions.

BorderShops
Our BorderShops saw higher activity in 2021 and grew revenue to EUR 68 million against EUR 57 million in 2020. Progress was realised on the back of fewer restrictions, but activity remained significantly lower than before the outbreak of COVID-19.

Earnings

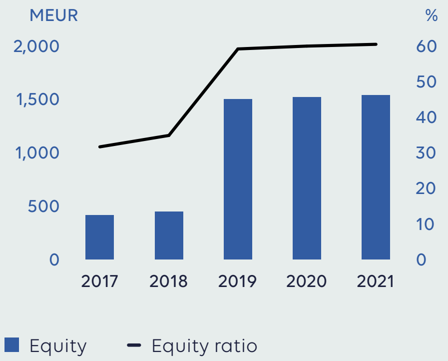
The increase in revenue contributed positively to profitability, which was maintained due to strict cost control measures and swift adjustment of staffing in response to fluctuations in activity levels. Profit from ordinary activities (recurring EBITDA) grew by 59 percent to EUR 133 million compared to EUR 84 million in 2020. The recurring EBITDA margin returned to a pre-COVID-19 level of 41 percent from 31 percent in 2020, whereas earnings remained significantly lower than before the outbreak of COVID-19.

The traffic machine activities contributed EUR 126 million to recurring EBITDA compared to EUR 100 million in 2020. The BorderShops contributed recurring EBITDA of EUR 7 million against EUR -16 million in 2020.

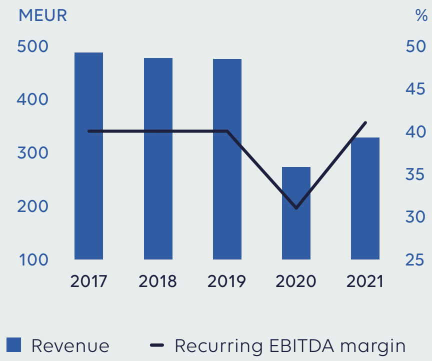
Special items amounted to EUR -5 million in 2021 compared to EUR -10 million in 2020.

Profit from ordinary activities (EBITDA) increased to EUR 128 million in 2021 from EUR 74 million in 2020.

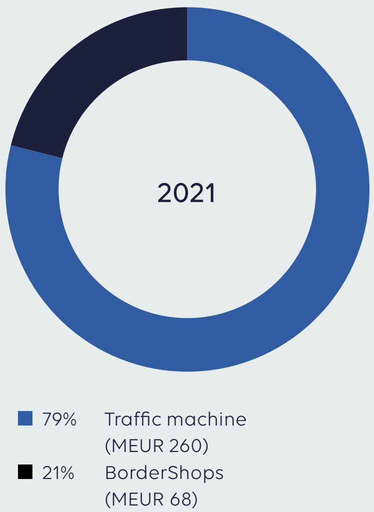
Equity and equity ratio



Revenue and profitability



Revenue split



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Financial income and expenses

In 2021, net financials were stable at an expense of EUR 23 million against an expense of EUR 24 million in 2020.

Profit for the year

The result before tax increased to EUR 62 million against EUR 9 million in 2020, and profit for the year came to EUR 61 million in 2021 against EUR 18 million the prior year.

Investments and cash flow

The group's intangible assets and property, plant and equipment was EUR 2,420 million at year-end against EUR 2,437 million the previous year.

On the back of higher earnings, the cash flow from operating activities improved to an inflow of EUR 107 million compared to an inflow of EUR 63 million in 2020.

The continued investments in our fleet and facilities entailed a slight increase in the cash outflow to investing activities to EUR 22 million against an outflow of EUR 21 million in 2020. Investments included ordinary maintenance, the initial payments related to the order of a new zero-emission freight ferry and installation of new thrusters on hybrid ferry M/V Prins Richard on the Puttgarden-Rødby route as well as installation of a steel foundation on M/V Berlin for the fitting of a custom-made 30-metre-high rotor sail in 2022.

The cash flow to financing activities increased to an outflow of EUR 80 million against an outflow of EUR 13 million in 2020 as the group paid a dividend of EUR 45 million and repaid debt of EUR 35 million in 2021 in accordance with its loan agreement.

At year-end, the group's interest-bearing debt had declined to EUR 934 million from EUR 968 million in 2020 following the repayment of debt.

Cash and cash equivalents increased to EUR 66 million at year-end from EUR 61 million. The net interest-bearing debt declined to EUR 868 million compared to a net interest-bearing debt of EUR 907 million in 2020.

Assets and equity

At 31 December 2021, the group's assets had increased to EUR 2,549 million compared to EUR 2,537 million the previous year.

Total equity increased to EUR 1,539 million against EUR 1,520 million in 2020, corresponding to an unchanged equity ratio of 60 percent.

Events after the balance sheet date

Reference is made to note 27 in the financial statements.

Reducing our footprint for a greener future

In 2021, we installed new pull thrusters on M/V Prins Richard after the successful installation of the same propulsion system on M/V Schleswig-Holstein in 2019 and M/V Deutschland in 2020.

The thrusters reduce CO_2 emissions by 10-15 percent by allowing a more homogenous water flow, which also entails less noise and vibration.

We installed the thrusters following a multi-year project on underwater noise reduction conducted in cooperation with German environmental organisation NABU.

During the yard stay, M/V Prins Richard was also re-painted with silicone antifouling paint to reduce friction, improve energy efficiency and further reduce emissions by approximately 4 percent.

Scandlines entered into a new three-year cooperation contract with NABU in 2021.

Our responsibility

We continued to step up our sustainability work in 2021 as we increased our green investments and ordered a new zero emission freight ferry to be commissioned in 2024.

Simultaneously, we upgraded our sustainability reporting further as we became a signatory to the UN Global Compact and implemented the TCFD framework. We continue to back our zero emission vision and expect our green investments to reach approximately EUR 400 million in the period from 2013 to 2024.

Reporting on sustainability
We have published our second independent sustainability report, which presents our materiality assessment of our key focus areas, our initiatives and ESG risk management, among other things.

During 2021, Scandlines became a signatory to the UN Global Compact, and the sustainability report constitutes our Communication on Progress. Further, Scandlines assessed its climate-related risks and opportunities in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The sustainability report has been prepared in accordance with the GRI Standards: Core option.

The sustainability report furthermore represents our statutory statement on social responsibility and gender equality in accordance with sections 99a and 99b of the Danish Financial Statements Act. The report can be found here: https://www.scandlines.com/about-us/management-and-investors/annual-report-and-sustainability-report/ where our account on Scandlines' data ethics policy is also available in accordance with section 99d of the Danish Financial Statements Act.

Scandlines sustainability report 2021

Sustainability highlights

0

We have committed to transform our business to zero direct emissions by 2040 - with our route on Puttgarden-Rødby to be free of direct emissions by 2030.

~7.4 MEUR

We increased our green investments significantly with the initial payments related to the order of a new zero emission freight ferry and investment in installation of new thrusters and preparation for fitting another rotor sail.

+55 NPS

Scandlines maintained a strong Net Promoter Score, which measures customer satisfaction, despite the challenges posed by COVID-19 in 2021.

9

We installed 9 additional charging stations for electric company cars in our ports in Puttgarden, Rostock and Rødby.

3/4

3 of 4 ferries on the Puttgarden-Rødby route have been fitted with new pull thrusters, which reduce CO_2 emissions by up to 15 percent.

100% renewable energy

All land-based electricity contracts were switched to renewable sources in 2021, reducing our CO_2 footprint by more than 1,800 tonnes.

36

Mental health first aiders were educated in 2021 after participating in training tailored for supervisors and team leaders.

99%

Scandlines' Vendor Code of Conduct or an equivalent agreement was signed by 99 percent of the group's main vendors by 2021.

Zero emisssion ferry for Puttgarden-Rødby

In 2021, Scandlines entered into a contract for an emission-free freight ferry with the world's largest battery installation to be inserted on the Puttgarden-Rødby route.

The investment marks a quantum leap towards our zero emission vision and introduces the next generation of ferries that will strengthen our competitiveness further.

The new ferry will be constructed at Cemre Shipyard in Turkey and is expected to be commissioned on the Puttgarden-Rødby route in 2024, increasing freight capacity by up to 23 percent depending on deployment to accommodate the steadily growing demand.

The ferry will be 147 metres long with the capacity to carry 140 passengers and 66 freight units, which can be transported on both the upper and lower decks.

Significant investment will be made in the terminals, and the ramps will be improved and modified to be able to accommodate the ferry and the increasing volumes.

Initially, the ferry will exclusively charge in Rødby where we will invest in extending the 50kV / 25 MW power cable which was installed in 2019.

A transformer and a charging station will be installed at the ferry berths in Rødby as well.

In the longer term, we aim to be able to charge the new ferry in Puttgarden as well when a viable solution has been found for the purchase of green energy from the German grid.

The ferry will be emission-free with a crossing time of one hour, and it can furthermore be operated as a hybrid ferry with a crossing time of 45 minutes to serve as backup for the current passenger ferries.

Outlook

Financial guidance 2022

COVID-19 and related restrictions are seen to impact traffic volumes in early 2022 but expected to be eased during the spring and summer period.

Car, passenger and shopping traffic is expected to rebound strongly in the wake of COVID-19 with bus travel gradually returning to previous levels. The strong freight traffic performance is expected to continue throughout the year.

Our efforts to ensure efficiency and strict cost control will be maintained to alleviate the continued impact of COVID-19.

The geopolitical tension in the wake of Russia's invasion of Ukraine has entailed significant volatility in energy prices. Scandlines' fuel supply is sourced from Western countries that are not subject to international sanctions, and price increases are mitigated by a bunker adjustment factor and hedging, ensuring full coverage for 2022.

Due to the high degree of uncertainty and very low visibility, management is currently not in a position to provide precise financial guidance for 2022.

Mid-term perspectives

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

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

Enhancing efficiency

Efficiency enhancements will remain a key component of ensuring competitiveness, and we will continue our efforts to increase capacity utilisation on both traffic machines.

In addition, we will leverage our new ERP system, which was implemented at the beginning of 2022, and additional optimisation efforts to maintain and further develop Scandlines' position as an efficient, reliable, green and highly competitive piece of infrastructure connecting Continental Europe and Scandinavia.

Making progress towards zero emission

In the pursuit of our zero emission vision, we have entered into a contract for a zero emission freight ferry to be commissioned on the Puttgarden-Rødby route in 2024. We want to maintain our industry leadership with a clear vision for the sector's green future, and we are basing our efforts on our own hands-on experience from pioneering hybrid ferries and establishing the largest hybrid ferry fleet in operation as well as general technological progress allowing us to reduce our CO_2 footprint further.

In 2022, M/V Prinsesse Benedikte will be fitted with new thrusters and re-painted with silicone antifouling paint to improve energy efficiency and further reduce emissions.

In May 2021, hybrid ferry M/F Berlin was prepared for a rotor sail by installing a steel foundation on the ferry on which the rotor sail will be standing. The work took place when the M/F Berlin was on a planned yard stay at Remontowa in Poland. The installation of the rotor sail itself is scheduled for the spring of 2022.

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

The Fehmarn Belt fixed link

The European Commission decided in March 2020 that state guarantees issued by the Danish state constitute state aid, which should be limited to a maximum of EUR 9.3 billion for no more than 16 years. The Danish state and Scandlines have filed complaints, and decisions are expected in 2022.

We will maintain our focus on ensuring fair competition after the planned opening of the Fehmarn Belt fixed link.

Governance

Management and ownership

Scandlines is led by a management team with extensive international experience and expertise in infrastructure, shipping and fast moving consumer goods.

The group bases its corporate governance on German and Danish regulation and is owned by a consortium of long-term infrastructure investors.

Scandlines is subject to German and Danish law, and our corporate governance is based on German and Danish legislation, regulations and recommendations as well as the company's articles of association.

Management

Scandlines' daily operations are managed by Executive Management, which is appointed by the general meeting.

In September 2021, Carsten Nørland succeeded Søren Poulsgaard Jensen as CEO.

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

In addition, the Supervisory Board has established an Audit and Risk Committee, which oversees the group's risk management, preparation of financial statements and internal controls. Furthermore, the Audit and Risk Committee monitors and communicates with the auditor appointed by the shareholders. The Audit and Risk Committee reports regularly to the Supervisory Board. In 2021, Scandlines also established a Safety and Sustainability Committee, which oversees the group's strategy, governance, risk management and processes with regards to Health & Safety and Sustainability. Further, the Safety and Sustainability Committee monitors appropriate reporting of these matters, including the preparation of the Sustainability report.

Ownership

Scandlines Infrastructure ApS is indirectly owned by a consortium of infrastructure investors including First Sentier Investors (50.1 percent), Federated Hermes (14.9 percent) and 3i Group plc (35 percent).

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

Executive Management

Carsten Nørland
CEO

Joined Scandlines as CEO in 2021.

Extensive management and commercial experience from international infrastructure companies as well as comprehensive sales and marketing knowledge – particularly within retail and fast moving consumer goods.

Previously held senior management positions at Royal Unibrew, Copenhagen Airports, Flügger and Masterfoods/MARS.

Per Johannesen Madsen
CFO

Joined Scandlines as CFO in 2012.

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

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

Michael Guldmann Petersen
COO

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

Significant management experience and solid international maritime experience.

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

Risk management

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

Executive Management has overall responsibility for the group's risk management and internal control procedures.

Executive Management reviews the risks that may affect Scandlines' operational and financial targets and takes an active approach to risk management with a view to identifying and reviewing risk areas and determining how to manage these risks.

We have applied an Enterprise Risk Management framework to ensure a structured and focused process for the identification, assessment, handling and reporting of relevant risks. Specific ESG risks and climate-related risks are addressed in Scandlines' Sustainability report 2021 in line with the recommendations of the TCFD.

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

Market risks

Economic and political climate

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

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

Potential material changes in the wider geographical and geopolitical arena, including increasing tension among EU member states and weakening cohesion in the EU or military conflict impacting the EU, could have a material impact on our business through reduced trade and travel between Continental Europe and Scandinavia or increased cost of doing business (e.g. sanction checks, price increases, lack of availablility of goods). Other political risks include material changes in tonnage taxation schemes in Germany and Denmark and material changes to the VAT differentials or product and country-specific taxation in the region, among other things.

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

Mitigation

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

Efforts to mitigate such effects are balanced against our commitment to act as a good corporate citizen and sustain operations to keep vital supply lines open.

Market risks

Competitive environment

Our ferries on the Puttgarden-Rødby and Rostock-Gedser routes compete with The Great Belt Bridge, a Danish state-owned infrastructure business, direct ferry routes between Germany/Poland and Sweden - including a new service opened by FRS on the Sassnitz-Ystad route in 2020 - and several alternatives for regional air travel. The current competitive landscape is dynamic given high volatility in air freight and fuel prices impacting the professional and private segments. Our competitive position is strong as Scandlines offers the fastest routes between the European continent and Scandinavia by connecting the motorway infrastructure with two highly efficient traffic machines. Changes to the current competitive environment, including the move to a low carbon economy and shits in expectations and demands of business customers and leisure travellers, may have a negative impact on our business.

Such potential changes most significantly include the planned construction of the Fehmarn Belt fixed link, which has been approved by German and Danish authorities. The uncertainty pertaining to the overall time schedule and financing of the project indicates that the earliest possible opening of the fixed link would be around a decade from now. Potential construction work on the Fehmarn Belt fixed link entails risk of material negative impact on our operations, reliability and, ultimately, competitiveness during the construction period.

Mitigation

We continuously improve Scandlines' offering and operational efficiency to maintain a strong competitive position against established competitors and the planned fixed link, and we are pursuing our zero emission vision and transforming our fleet to accelerate these efforts.

During and after the construction of the Fehmarn Belt fixed link, Scandlines will continue to participate in public discussions and take legal steps where necessary to ensure a fair competitive landscape by preventing the granting of state aid on unfair terms to the company operating the fixed link and the deterioration of motorway access to our port in Puttgarden, among other things.

In March 2020, the European Commission decided that state guarantees issued by the Danish state to the state-owned company responsible for the construction and operations of the Fehmarn Belt fixed link constitute state aid, which should be limited to a maximum of EUR 9.3 billion and 16 years of operations. Both the Danish state and Scandlines subsequently appealed the European Commission's approval.

Rules and regulations

Our operations are subject to complex national and international rules and regulations governing the transport and shipping sector in the Baltic Sea region including international conventions adopted by the International Maritime Organization (IMO). Applicable rules and regulations concern, among other things, environmental and safety issues.

In addition, Scandlines is subject to regulations governing food and product safety, data protection, anti-bribery and anti-money laundering, among other things. Changes to applicable rules and regulations, including the introduction of temporary restrictions on travel and the freedom to assemble, and failure to comply with these may have a detrimental effect on Scandlines' business.

Mitigation

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

Financial markets

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

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

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

Mitigation

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

The group's functional currency is EUR as the majority of transactions is 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.

Market risks

Climate change

Our operations are subject to physical and transition climate risks (see TCFD overview in Scandlines' Sustainability report). Increased extreme weather conditions would negatively impact our operations and potentially lead to disturbances in our large global vendor base.

In addition, climate change might lead to changed customer behaviors, reduced bunker availability and higher prices as well as increasing taxation and costs.

Mitigation

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

Commercial risks

Operations, environment and safety

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

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

Work accidents or incidents, but also pandemic events such as COVID-19, might endanger the health of employees, customers or other related parties. The construction of the Fehmarn Belt Fixed Link entails increased traffic on the Puttgarden-Rødby route and elevated risk of damages to our port infrastructure during the construction process.

Mitigation

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

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

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

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

A new Fehmarn Belt vessel traffic service has been installed with participation of the Danish navy. We provide input to the ongoing operational procedures and participate in the operational and maritime committees with all involved parties to ensure a continued high level of safety for our customers, employees and other relevant stakeholders.

Commercial risks

Customers and credit

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

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

Mitigation

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

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

Maintenance and investments

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

The significant investment in a new zero emission freight ferry for commissioning on the Puttgarden-Rødby route in 2024 and related infrastructure could be subject to delay in delivery entailing a material negative impact on Scandlines' operations and financial performance.

Mitigation

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

We ensure proper project management and close monitoring of the new building of the zero emission freight ferry.

Fuel price and availability

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

Mitigation

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

IT

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

Mitigation

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

Qualified employees and management

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

Mitigation

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

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Income statement

MEUR	Notes	2021	2020
Revenue	3	327.6	272.6
Other operating income		9.0	7.7
Total income		**336.6**	**280.3**
Operating costs for vessels		-41.5	-37.5
Cost of goods sold		-64.8	-55.1
Staff costs	4	-74.0	-73.2
Other external expenses		-28.6	-40.9
Total costs		**-208.9**	**-206.7**
Result before amortisation and depreciation (EBITDA)		**127.7**	**73.6**
Amortisation and depreciation	5	-42.2	-40.5
Result from operations		**85.5**	**33.1**
Financial income	6	0.0	0.1
Financial expenses	7	-23.1	-23.8
Result before tax		**62.4**	**9.4**
Tax for the year	8	-1.1	8.2
Result for the year		**61.3**	**17.6**

Comprehensive income

MEUR	Notes	2021	2020
Result for the year		**61.3**	**17.6**
Other comprehensive income/loss			
Items that may be reclassified subsequently to profit and loss			
Value adjustments of hedging instruments		0.7	0.4
Foreign exchange adjustments, foreign enterprises		2.4	0.6
Other comprehensive income/loss after tax		**3.1**	**1.0**
Total comprehensive income/loss		**64.4**	**18.6**

Balance sheet

MEUR	Notes	31.12.21	31.12.20
Assets			
Goodwill		1,905.0	1,903.6
Software		8.0	10.4
Other intangible assets		3.4	4.2
Non-current intangible assets	**9**	**1,916.4**	**1,918.2**
Land and buildings		165.3	131.8
Vessels		303.4	318.9
Other fixtures and fittings, tools and equipment		1.8	42.9
Right-of-use assets		4.7	5.0
Assets under construction		28.6	19.9
Non-current tangible assets	**10**	**503.8**	**518.5**
Inventories	11	19.7	17.0
Receivables	12	23.6	20.9
Corporate tax	17	17.4	0.0
Prepayments		1.6	0.9
Cash		66.1	61.0
Current assets		**128.4**	**99,8**
Assets		**2,548.6**	**2,536.5**

MEUR	Notes	31.12.21	31.12.20
Equity and liabilities			
Share capital		0.0	0.0
Reserves		1.5	-1.6
Retained earnings		1.537.9	1,521.6
Total equity		**1,539.4**	**1,520.0**
Interest-bearing liabilities	14	828.3	901.3
Deferred tax	13	1.9	1.9
Pension and anniversary liabilities	15	0.6	0,7
Other liabilities	18	2.0	2.0
Total non-current liabilities		**832.8**	**905.9**
Interest-bearing liabilities	14	105.7	66.5
Pension and anniversary liabilities	15	0.7	0.7
Corporate tax	17	17.5	0.0
Trade payables		31.1	23.4
Other provisions	16	10.1	10.0
Other liabilities	18	10.5	8.5
Deferred income	19	0.8	1.5
Total current liabilities		**176.4**	**110.6**
Total liabilities		**1,009.2**	**1,016.5**
Equity and liabilities		**2,548.6**	**2,536.5**

Cash flow statement

MEUR	Notes	31.12.21	31.12.20
Result before amortisation and depreciation (EBITDA), continuing		127.7	73.6
Adjustments for non-cash operating items, etc.	22	0.3	1.1
Working capital changes	23	1.5	2.1
Income from sale of assets		0.3	0.0
Cash flows from operating activities, gross		**129.8**	**76.8**
Interest paid		-22.2	-23.7
Taxes paid		-1.0	9.5
Cash flows from operating activities, net		**106.6**	**62.7**
Investments in intangible assets	9	-2.2	-2.2
Investments in land and buildings	10	-0.1	-0.1
Investments in vessels	10	-6.1	-9.9
Investments in other fixtures and fittings, tools and equipment	10	0.0	-0.2
Investments in assets under construction	10	-13.5	-8.3
Cash flows to/from investing activities		**-22.0**	**-20.7**
Payment of dividends		-45.0	0.0
Repayment, bank loan	14	-35.0	-44.1
New bank loans	14	0.0	31.5
Cash flows to/from financing activities		**-80.0**	**-12.6**
Cash flows for the year		4.6	29.4
Cash at 1 January		61.0	30.5
Currency exchange adjustment		0.5	1.1
Cash at 31 December*		**66.1**	**61.0**

* Includes EUR 12.6 million in restricted cash (31 December 2020: EUR 12.7 million).

Statement of changes in equity

MEUR	Share capital	Exchange rate adjustments	Fair value adjustment of hedging instruments	Retained earnings	Total
Equity at 1 January 2021	0.0	-1.3	-0.3	1,521.6	1,520.0
Comprehensive income/loss for the year					
Result for the year	0.0	0.0	0.0	61.3	61.3
Fair value changes in financial instruments	0.0	0.0	0.7	0.0	0.7
Foreign exchange adjustments, foreign enterprises	0.0	2.4	0.0	0.0	2.4
Total comprehensive income/loss	**0.0**	**2.4**	**0.7**	**61.3**	**64.4**
Transactions with the owners					
Payment of extraordinary dividend	0.0	0.0	0.0	-45.0	-45.0
	0.0	**0.0**	**0.0**	**-45.0**	**-45.0**
Equity at 31 December 2021	**0.0**	**1.1**	**0.4**	**1,537.9**	**1,539.4**

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

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

Dividend
In 2021, extraordinary dividend of MEUR 45 was paid to the shareholders which equals a dividend per share of EUR 11.25. No dividend was paid in 2020.

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

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

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

Dividend
In 2020, no dividend was paid to the shareholders which equals a dividend per share of EUR 0.

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Notes to the Consolidated financial statements

1. Significant accounting estimates

As part of the preparation of the consolidated financial statements, Management makes a number of accounting estimates and judgements as well as assumptions as a basis for recognising and measuring the group's assets, liabilities, income and expenses. The estimates, judgements and assumptions made are based on experience gained and other factors that are considered prudent by Management in the circumstances, but which are inherently subject to uncertainty and volatility. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur for which reason the actual results may differ from the estimates and judgements made. The group's accounting policies are described in detail in note 28 to the consolidated financial statements to which we refer. Management considers the following accounting estimates and judgements to be significant in the preparation of the annual report.

Impairment test of goodwill

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 9 to the consolidated financial statements.

Notes to the Consolidated financial statements

2. Adoption of new and amended standards

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018–2020, and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12. 7

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Revenue

MEUR	2021	2020
Traffic machine	260.1	216.2
Bordershops	67.5	56.4
	327.6	**272.6**

4. Staff costs

MEUR	2021	2020
Salaries and wages	-58.2	-61.3
Pension contributions	-10.0	-10.1
Other social security costs	-5.7	-1.7
	-74.0	**-73.2**
Average number of employees	1,237.0	1,357
Remuneration to key management personnel (Executive Management):		
Salaries and fees	2.3	1.5
Bonus	4.0	1.9
Pension	0.3	0.2
	6.5	**3.6**

The Management is entitled to bonus dependent on specific performance measures

Remuneration to Supervisory Board amounts to EUR 0,1 million (2020: EUR 0,1 million) relating to salaries and fees.

Notes to the Consolidated financial statements

5. Amortisation and depreciation

MEUR	2021	2020
Amortisation, intangible assets	-5.4	-4.2
Depreciation, vessels	-25.6	-24.8
Depreciation, buildings	-8.3	-4.8
Depreciation, right-of-use assets	-1.7	-1.4
Depreciation, other property, plant and equipment	-1.2	-5.3
	-42.2	**-40.5**

6. Financial income

MEUR	2021	2020
Interest on cash etc.	0.0	0.1
	0.0	**0.1**

7. Financial expenses

MEUR	2021	2020
Interest to credit institutions etc. measured at amortised cost	-22.7	-23.6
Other financial expenses	-0.4	-0.2
	-23.1	**-23.8**

Interest to credit institutions etc. includes interests on finance lease commitments of EUR 0.2 million (2020: EUR 0.1 million).

8. Tax for the year

MEUR	2021	2020
Current tax	-0.2	-1.6
Changes in deferred tax	0.0	0.0
Adjustment previous year	-0.9	9.8
	-1.1	**8.2**
Tax for year can be specified as follows:		
Result before tax	62.4	9.4
Of this, subject to tonnage taxation	-92.1	-52.5
	-29.7	**-43.1**
Tax calculated as 22% of result before tax	-6.5	-9.5
Calculated tax in foreign companies adjusted to 22%	-0.6	-5.3
Non-deductable interest	5.4	13.0
Taxable losses not recognized	0.0	3.3
Non-deductable expenses	1.9	0.0
Adjustment previous year	0.9	-9.8
	1.1	**-8.2**
Effective tax rate	1.80%	-87.2%

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

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

The group has committed itself to the tonnage tax schemes in Denmark until 2030 and in Germany until 2029. The group does not expect to resign from the schemes, 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.

Notes to the Consolidated financial statements

9. Non-current intangible assets

MEUR	Goodwill	Software	Other intangible assets
2021			
Cost at 1 January	1,903.6	20.3	5.6
Exchange rate adjustments	1.4	0.0	-0.1
Transfer	0.0	0.1	0.0
Additions	0.0	2.2	0.0
Cost at 31 December	**1,905.0**	**22.6**	**5.5**
Amortisation at 1 January	0.0	9.9	1.4
Amortisation	0.0	4.7	0.7
Amortisation at 31 December	**0.0**	**14.6**	**2.1**
Carrying amount at 31 December	**1,905.0**	**8.0**	**3.4**
2020			
Cost at 1 January	1,903.8	11.5	5.7
Exchange rate adjustments	-0.2	0.0	-0.1
Transfer	0.0	6.6	0.0
Additions	0.0	2.2	0.0
Cost at 31 December	**1,903.6**	**20.3**	**5.6**
Amortisation at 1 January	0.0	6.3	0.8
Amortisation	0.0	3.6	0.6
Amortisation at 31 December	**0.0**	**9.9**	**1.4**
Carrying amount at 31 December	**1,903.6**	**10.4**	**4.2**

9. Non-current intangible assets (continued)

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

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

MEUR	31.12.21	31.12.20
Ferry services		
Puttgarden – Rødby	1,159.8	1,159.1
Rostock – Gedser	626.2	625.5
	1,786.0	**1,784.6**
BorderShops	119.0	119.0
	119.0	119.0
Total goodwill	**1,905.0**	**1,903.6**

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

No impairment of goodwill was recognised in 2021 and 2020.

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

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

Notes to the Consolidated financial statements

9. Non-current intangible assets (continued)

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

Cash flows used for calculating the value in use of the cash generating units stem from budgets and forecasts up to 2040, which all have been approved by Management. The WACC applied is 8.23 percent after tax vs. a WACC of 7.48 percent last year.

The impairment test has been prepared on the basis that the group will continue to operate its routes both before and after the commissioning of the Fehmarn Belt fixed link. The construction of the fixed link is estimated to have a material impact on our business. An average revenue growth rate of 3.1-6 percent is applied from 2022 up to the time of completion of the Fehmarn Belt fixed link. By opening of the fixed link, we estimate a material negative impact on revenue in the years 2032 to 2035, both on our traffic routes and in the BorderShops. From then on, we estimate an average revenue growth of 2.9-4.1 percent from 2036 until 2040. This is after revenue has been adjusted to market conditions post fixed link completion. The COVID-19 outbreak did not have a material impact on the calculation of the value in use for the cash generating units.

9. Non-current intangible assets (continued)

Cash generating unit	Average revenue growth pre-FBFL 2022-2031	Average revenue growth post FBFL 2032-2040	WACC	Growth rate, terminal period
2021				
Puttgarden-Rødby	5.6%	-1.6%	8.23%	1.5%
Rostock-Gedser	6.0%	3.4%	8.23%	1.5%
BorderShops	3.1%	1.7%	8.23%	1.5%

Cash generating unit	Average revenue growth pre-FBFL 2022-2031	Average revenue growth post FBFL 2032-2040	WACC	Growth rate, terminal period
2020				
Puttgarden-Rødby	5.5%	-1.6%	7.48%	1.5%
Rostock-Gedser	6.1%	3.5%	7.48%	1.5%
BorderShops	3.4%	1.8%	7.48%	1.5%

The calculated WACC reflects 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 WACC is generally calculated after tax.

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

Notes to the Consolidated financial statements

9. Non-current intangible assets (continued)

Sensitivity Puttgarden-Rødby

- An increase in the nominal revenue projections of 10 percent in each year throughout the forecast period (with unchanged cost base) would result in an increase in the value in use of EUR 312 million (up by 17 percent), and a decrease in the nominal revenue projections of 10 percent in each year throughout the forecast period would result in a decrease in the value in use of EUR 344 million (down by 19 percent).

- An increase in WACC of 1.0 percentage point would result in a decrease in the value in use of EUR 181 million (down by 10 percent), and a decrease in WACC of 1.0 percentage point would result in an increase in the value in use of EUR 237 million (up by 13 percent).

Sensitivity Rostock-Gedser

- An increase in the nominal revenue projections of 10 percent in each year throughout the forecast period (with unchanged cost base) would result in an increase in the value in use of EUR 178 million (up by 16 percent), and a decrease in the nominal revenue projections of 10 percent in each year throughout the forecast period would result in a decrease in the value in use of EUR 202 million (down by 18 percent), and an impairment of EUR 25 million would be needed. The nominal revenue projection above could decrease with up to 8.7 percent without need for impairment.

- An increase in WACC of 1.0 percentage point would result in a decrease in the value in use of EUR 144 million (down by 13 percent), and a decrease in WACC of 1.0 percentage point would result in an increase in the value in use of EUR 195 million (up by 18 percent).

9. Non-current intangible assets (continued)

Sensitivity BorderShops

- An increase in the nominal revenue projections of 10 percent in each year throughout the forecast period (with unchanged cost base) would result in an increase in the value in use of EUR 100 million (up by 56 percent), and a decrease in the nominal revenue projections of 10 percent in each year throughout the forecast period would result in a decrease in the value in use of EUR 116 million (down by 65 percent), and an impairment of EUR 69 million would be needed. The nominal revenue projection above could decrease with up to 4 percent without need for impairment.

- An increase in WACC of 1.0 percentage point would result in a decrease in the value in use of EUR 23 million (down by 13 percent), and a decrease in WACC of 1.0 percentage oint would result in an increase in the value in use of EUR 32 million (up by 18 percent).

Notes to the Consolidated financial statements

10. Non-current tangible assets

MEUR	Land and buildings	Vessels	Other fixtures and fittings, tools and equipments	Leasing of property, plant and equipment	Assets under construction***
2021					
Cost at 1 January	144.1	368.0	55.3	7.8	19.9
Adjustment 1 January*	86.6	0.0	-86.6	0.0	0.0
Exchange rate adjustments	-0.5	1.7	-0.1	0.0	0.0
Transfer	2.3	2.4	0.1	0.0	-4.8
Additions	0.1	6.1	0.0	1.5	13.5
Disposals	0.0	-1.3	0.0	-1.5	0.0
Cost at 31 December	**232.6**	**376.9**	**-31.3**	**7.8**	**28.6**
Depreciation at 1 January	12.3	49.1	12.4	2.8	0.0
Adjustment 1 January*	46.7	0.0	-46.7	0.0	0.0
Depreciation	8.3	25.6	1.2	1.7	0.0
Disposals	0.0	-1.2	0.0	-1.4	0.0
Depreciation at 31 December	**67.3**	**73.5**	**-33.1**	**3.1**	**0.0**
Carrying amount at 31 December	**165.3**	**303.4**	**1.8**	**4.7**	**28.6**
Carrying amount reduced by: Government grants**	6.4	8.0	0.0	0.0	0.0

Scandlines has in 2021 entered into a contract with Cemre Shipyard, Turkey, to build an emission-free ferry for the Puttgarden-Rødby route. As of 31 December 2021, Scandlines has a commitment of EUR 46 million, subject to delivery of a vessel fulfilling the specifications.

10. Non-current tangible assets (continued)

MEUR	Land and buildings	Vessels	Other fixtures and fittings, tools and equipments	Leasing of property, plant and equipment	Assets under construction***
2020					
Cost at 1 January	143.1	361.3	53.3	5.9	30.0
Reclassification	2.8	7.0	2.0	0.0	-18.4
Additions	0.1	9.9	0.2	2.5	8.3
Disposals	-2.0	-10.1	-0.3	-0.6	0.0
Cost at 31 December	**144.1**	**368.0**	**55.3**	**7.8**	**19.9**
Depreciation at 1 January	8.4	33.3	7.1	1.3	0.0
Exchange rate adjustments	0.0	0.1	0.0	0.1	0.0
Depreciation	4.8	24.8	5.3	1.4	0.0
Disposals	-0.9	-9.1	0.0	0.0	0.0
Depreciation at 31 December	**12.3**	**49.1**	**12.4**	**2.8**	**0.0**
Carrying amount at 31 December	**131.8**	**318.9**	**42.9**	**5.0**	**19.9**
Carrying amount reduced by: Government grants**	6.6	9.1	0.0	0.0	0.0

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

* Adjustments 1 January includes a reclassification within the non-current tangible assets note relating to the re-assessment of the presentation of certain underlying asset types.

** Government grants relates to EU-grants for Scandlines' green investments.

*** Assets under construction contain both intangible and tangible projects, which at the point of capitalisation are properly classified. The pratice is unchanged from previous years.

Notes to the Consolidated financial statements

11. Inventories

MEUR	31.12.21	31.12.20
Bunker	0.5	0.4
Goods for sale	15.2	12.9
Other inventories	4.0	3.7
	19.7	**17.0**

12. Receivables

MEUR	31.12.21	31.12.20
Trade receivables	23.3	19.3
Other receivables	0.3	1.6
	23.6	**20.9**
Short-term receivables	23.6	20.9
	23.6	**20.9**

The allowance for expected credit losses for trade receivables is calculated at individual level when there is an indication of impairment. For receivables without any indication of impairment the expected credit losses are based on the historical credit loss experience combined with forward-looking information in the macroeconomic factors effecting the credit risk. In 2021 credit losses recognized in the income statements count for 0,03% of total revenue. The expected loss rates are updated at every reporting date.

12. Receivables (continued)

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

MEUR	31.12.21	31.12.20
Provision account at 1 January	0.3	0.9
Adjustment previous year	0.0	0.0
Losses recorded for the year	-0.1	-0.2
Reversed provisions	-0.1	-0.7
Bad debt provisions for the year	0.1	0.3
Provision account at 31 December	**0.2**	**0.3**

MEUR	31.12.21	31.12.20
Due Trade receivables not written down:		
Overdue by up to one month	1.5	1.7
Overdue by 1-3 months	0.2	0.1
Overdue by 3-6 months	0.0	0.0
Overdue by more than 6 months	0.0	0.1
	1.7	**1.8**

Notes to the Consolidated financial statements

13. Deferred tax

MEUR	31.12.21	31.12.20
Deferred tax at 1 January	1.9	1.9
Deferred tax for the year recognised in the income statement	0.0	0.0
Deferred tax at 31 December	**1.9**	**1.9**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (liability)	1.9	1.9
	1.9	**1.9**
Deferred tax concerns:		
Property, plant and equipment	1.9	1.9
	1.9	**1.9**

14. Interest-bearing liabilities

MEUR	31.12.21	31.12.20
Finance lease commitments	4.8	5.1
Bank debt	822.0	896.2
Total non-current interest-bearing liabilities	**826.8**	**901.3**
Bank debt	107.2	66.5
Total current interest-bearing liabilities	**107.2**	**66.5**
Total current and non-current interest-bearing liabilities	**934.0**	**967.8**

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

Distribution of currency, nominal principal		
DKK	2.3	2.5
EUR	931.7	965.3
Total interest-bearing liabilities	**934.0**	**967.8**

Notes to the Consolidated financial statements

14. Interest-bearing liabilities (continued)

MEUR	31.12.21	31.12.20
Current portion of non-current debt within 1 year	105.7	66.5
Non-current liabilities between 1 and 5 years	361.7	335.6
Non-current liabilities over 5 years	466.6	565.7
Total	**934.0**	**967.8**

Movement in interest-bearing liabilities

MEUR	31.12.21	31.12.20
Interest-bearing liabilities at 1 January	967.8	978.4
New loans	0.0	31.5
Accrued interests	23.1	23.7
Installments	-35.0	-44.1
Paid interests	-23.1	-23.7
Other adjustments	1.2	2.0
Total	**934.0**	**967.8**

14. Interest-bearing liabilities (continued)

MEUR	Currency	Fixed/float	Nominal value*
Borrowings 2021			
Tranche 1 (expiry 2023)	EUR	Floating	111.1
Tranche 2 (expiry 2028)	EUR	Fixed	486.5
Tranche 3 (expiry 2028)	EUR	Fixed	31.5
Tranche 5 (expiry 2031)	EUR	Fixed	305.6
Leasing debt	EUR	Fixed	4.8
			939.6
Borrowings 2020			
Tranche 1 (expiry 2023)	EUR	Floating	146.1
Tranche 2 (expiry 2028)	EUR	Fixed	486.5
Tranche 3 (expiry 2028)	EUR	Fixed	31.5
Tranche 5 (expiry 2031)	EUR	Fixed	305.6
Leasing debt	EUR	Fixed	5.1
			974.9

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

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

The existing loan agreement is subject to covenants which may impact on the future interest rate level. The Groups bank debt is subject to covenants related to a ratio between free cash flow and consolidated debt service. The Group prepares semi-annual compliance certificates to the banks and the Group has in 2021 been significant above the minimum ratio.

Notes to the Consolidated financial statements

14. Interest-bearing liabilities (continued)

MEUR	Facility	Utilisation	Remaining facilities	Limitations
Facilities 2021				
Tranche 1 (expiry 2023)	111.1	111.1	0.0	
Tranche 2 (expiry 2028)	486.5	486.5	0.0	
Tranche 3 (expiry 2028)	35.0	31.5	3.5	
Tranche 4 (expiry 2028)	117.5	0.0	117.5	Liquidity Facility reserved for debt service
Tranche 5 (expiry 2031)	305.6	305.6	0.0	
	1,055.8	**934.8**	**121.0**	
Facilities 2020				
Tranche 1 (expiry 2023)	146.1	146.1	0.0	
Tranche 2 (expiry 2028)	486.5	486.5	0.0	
Tranche 3 (expiry 2028)	35.0	31.5	3.5	
Tranche 4 (expiry 2028)	117.5	0.0	117.5	Liquidity Facility reserved for debt service
Tranche 5 (expiry 2031)	305.6	305.6	0.0	
	1,090.8	**969.8**	**121.0**	

15. Pension and anniversary liabilities

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

Development in present value of funded and unfunded defined commitments.

MEUR	31.12.21	31.12.20
Balance at 1 January	1.4	1.3
Additions through business combinations	0.0	0.0
Anniversary cost	0.1	0.2
Calculated interests related to obligations	0.0	0.0
Pensions paid	-0.2	-0.1
Liabilities at 31 December	**1.3**	**1.4**
Long-term liability	0.6	0.7
Short-term liability	0.7	0.7
Total	**1.3**	**1.4**
Cost in profit/loss statement		
Personnel costs current year	-0.1	0.1
Calculated interests related to obligations	0.0	0.0
Total	**-0.1**	**0.1**
Defined benefit plans, assumptions		
Discount rate	1.0%	0.8%
Future increases in pensions	1.0%	1.0%

Notes to the Consolidated financial statements

16. Other provisions

MEUR	31.12.21	31.12.20
Balance at 1 January	10.0	9.6
Reduction arising from payment	-10.0	-9.6
Additions	10.1	10.0
	10.1	**10.0**
Other provisions are expected to fall due as follows:		
0-1 year	10.1	10.0
1-5 years	0.0	0.0
	10.1	**10.0**

Provisions includes restructurings, likely repayments of support grants and other minor provisions.

17. Corporate tax

MEUR	31.12.21	31.12.20
Corporate tax payable at 1 January	0.0	0.0
Current tax for the year	-0.2	1.6
Corporate tax paid in the year	1.0	8.2
Adjustment previous year	-0.9	-9.8
Corporate tax at 31 December	**-0.1**	**0.0**
Corporate tax receivable/payable (net) - in the balance sheet:		
Corporate tax receivables	17.4	0.0
Corporate tax payables	-17.5	0.0
Total (net)	**-0.1**	**0.0**

18. Other liabilities

MEUR	31.12.21	31.12.20
Public authorities (VAT, excise duties, taxes, etc.)	2.6	1.4
Pension liabilities (short-term)	0.6	2.1
Holiday pay obligation, payroll accruals, bonus, etc.	5.4	5.1
Other expenses payable	3.9	1.9
	12.5	**10.5**

Other liabilities falls due as following:

MEUR	31.12.21	31.12.20
Current portion of non-current debt within 1 year	10.5	8.5
Non-current liabilities between 1 and 5 years	0.2	0.1
Non-current liabilities over 5 years	1.8	1.9
Total non-current interest-bearing liabilities	**12.5**	**10.5**

19. Deferred income

MEUR	31.12.21	31.12.20
Prepayments from customers	0.8	1.5
	0.8	**1.5**

Notes to the Consolidated financial statements

20. Fees to auditors appointed by the annual general meeting

MEUR	31.12.21	31.12.20
Statutory audit	0.2	0.2
Tax and VAT advisory services	0.6	0.0
Non-audit services	0.0	0.1
	0.8	**0.3**

The auditor appointed by the general meeting changed from Deloitte to Pricewater-houseCoopers in 2021. Hence the fees disclosed in 2020 are for Deloitte.

21. 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 Scandlines Infrastructure group does not actively speculate in financial risks. Financial risk management is performed centrally for the group and includes the responsibility for identifying, measuring, managing and reporting of financial risks in accordance with the group Treasury Policy.

Risk related to commodity prices

The primary risk associated with commodity prices relates to the purchase of bunker fuel. The risk is partially covered through the incorporation of a variable bunker price element in the contracts with freight customers. The residual exposure for a rolling four-quarter period is hedged by using fixed price physical contracts.

Risks related to interest rates

Interest rate risks derives mainly from financing agreements. Future interest payments are partly hedged in the form of fixed-rate debt and interest rate derivatives. At 31 December 2021, 90 percent of the group's debt was fixed-rate or hedged (2020: 93 percent). We refer to Note 14 for more details on the loan portfolio.

An increase in interest rates by 1 percentage points at the time of balance sheet date would have a positive impact on the value of existing financial hedges and carrying amount in the equity's hedging reserve of EUR 0.3 million (EUR 1.0 million in 2020) and a negative cost impact in 2021 of EUR 0.9 million (EUR 0.5 million in 2020). 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 2021.

Notes to the Consolidated financial statements

21. 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 Scandlines Infrastructure group believes that Denmark will maintain the long- lasting fixed exchange rate policy versus the EUR and hence indirectly regards DKK also as a base currency together with EUR. A minor net exposure in SEK is continuously monitored and managed in accordance with the group Treasury Policy.

The Scandlines Infrastructure group has during 2021 not entered into any currency hedges and has no open currency hedge contracts as at 31 December 2021. A 10% change in the EUR/SEK exchange rate would have an immaterial effect on income and cost elements in 2021.

Credit risks
The Scandlines Infrastructure group is exposed to credit risk from our trading partners and customers. The exposure is limited to the group's total outstanding receivables, with limited customer dependency and concentration risk and very low or none historical losses recorded in recent years. Accordingly, credit risks have not been hedged during 2021 and the Company has no open credit risk hedge contracts.

Liquitity risks
The Scandlines Infrastructure group has a strong and stable seasonality in the cash flow with a positive net cash flow in most calendar months. The group has a committed revolving credit facility of EUR 35m at hand, where EUR 31.5 million have been utilized in 2021. The liquidity risk is considered to be very low.

21. Financial risks and use of derivatives (continued)

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

	Within 1 year	1-5 years	After 5 years	Nominal value	Book value
2021					
Non-derivatives					
Credit institutions and banks*	124.7	412.0	485.2	1,021.9	929.2
Trade payables*	31.1	0.0	0.0	31.1	31.1
Leasing debt	0.0	4.8	0.0	4.8	4.8
Derivatives					
Interest rates*	0.2	0.0	0.0	0.2	0.2
	156.0	**416.8**	**485.2**	**1,058.0**	**965.3**
2020					
Non-derivatives					
Credit institutions and banks*	85.7	394.8	595.6	1,076.1	969.8
Trade payables*	23.4	0.0	0.0	23.4	23.4
Leasing debt	0.0	5.1	0.0	5.1	5.1
Derivatives					
Interest rates*	0.4	0.0	0.0	0.4	0.4
	109.5	**399.9**	**595.6**	**1,105.0**	**998.7**

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

Notes to the Consolidated financial statements

21. Financial risks and use of derivatives (continued)

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

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

Fair value hierachy
Fair value hierarchy of financial instruments measured at fair value in the balance sheet relating to interest rate swaps are valued using an income approach (discounted cash flow). Expected future cash flows are based on relevant observable swap 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)

21. Financial risks and use of derivatives (continued)

Carrying amount by category of derivative financial instruments:

MEUR	31.12.21	31.12.20
Interest rate contract	0.2	0.4
	0.2	**0.4**

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

MEUR	31.12.21	31.12.20
Categories of financial instruments		
Trade receivables	23.2	19.3
Other receivables	0.4	1.6
Cash and cash equivalents	66.1	61.0
Financial assets measured at amortised costs	**89.7**	**81.9**
Derivative financial instruments entered into to hedge future cash flows	0.2	0.4
Financial liabilities used for hedging	**0.2**	**0.4**
Bank debt	934.8	969.8
Trade payables	31.1	23.4
Financial liabilities measured at amortised cost	**965.9**	**993.2**

Notes to the Consolidated financial statements

22. Non-cash transactions

MEUR	31.12.21	31.12.20
Change in provision	0.3	-0.4
Change in assets	0.0	1.5
	0.3	**1.1**

23. Working capital changes

MEUR	31.12.21	31.12.20
Increase (-)/decrease (+) in inventories	-2.7	3.5
Increase (-)/decrease (+) in receivables etc.	-4.7	9.0
Increase (+)/decrease (-) in current liabilities	8.9	-10.4
	1.5	**2.1**

24. Guarantees, contingent liabilities and collateral

MEUR	31.12.21	31.12.20
Guarantees	**1.6**	**1.6**

Contingent liabilities
The group is party to a few pending lawsuits.

For employees engaged as public servants, the group has a contingent liability of EUR 5.2 million (2020: EUR 7 million) in case of any dismissal thereof. The amount is related to salary in the termination period.

Collateral
The Group's bank debt, as disclosed in note 14, is obtained by the subsidiary in the Group, Scandlines ApS. The shares in subsidiaries, receivables from subsidiaries, vessels and other assets as well as cash have been pledged as security for the bank debt in the Group.

The debt is subject to covenants calculated based on the Group Financial Statements of Scandlines Infrastructure ApS.

Notes to the Consolidated financial statements

25. Government grants

The Scandlines Infrastructure group has during the financial year received COVID-19 compensations from government schemes. The compensation was received during the first half of 2021 when travel restrictions remained in force.

In total, the group received compensations of EUR 7.0 million.

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

26. Related parties

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

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

Related parties also include all companies owned by Fulmar Holding ApS.

During the 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 4).

26. Related parties (continued)

The companies included in the consolidated financial statements are:

Company	Ownership	Country	City
Holding companies			
Scandferries Infrastructure ApS	100%	Denmark	Copenhagen
Scandferries ApS	100%	Denmark	Copenhagen
Scandlines ApS	100%	Denmark	Copenhagen
Scandferries Holding GmbH*	100%	Germany	Hamburg
Subsidiaries			
Scandlines Deutchland GmbH*	100%	Germany	Hamburg
Scandlines Danmark ApS	100%	Denmark	Copenhagen
Scandlines Gedser-Rostock ApS	100%	Denmark	Copenhagen
Scandlines Schiff GmbH & Co. KG*	100%	Germany	Hamburg
Scandlines Schiff Verwaltungs GmbH*	100%	Germany	Hamburg
Scandlines Catering ApS	100%	Denmark	Copenhagen
Scandlines Bordershop Puttgarden GmbH*	100%	Germany	Hamburg
Scandlines Bordershop Rostock GmbH*	100%	Germany	Hamburg

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

27. Events after the balance sheet date

In March 2022, the Group entered into a refinancing agreement for a partial amount of the Groups bank debt. The agreement prolonged the repayment period and ensured fixed interest rates. The event is a non-adjusting event.

No other significant events have occurred after 31 December 2021.

Notes to the Consolidated financial statements

28. Significant accounting policies

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

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

Basis of accounting
The consolidated financial statements are presented in EUR, the functional currency of Scandlines Infrastructure ApS. The consolidated financial statements are prepared under the historical cost convention, with the exception of derivatives, which are measured at fair value. Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount before the change in classification and fair value net of selling costs. The accounting policies described below have been applied consistently throughout the financial year.

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

Description of accounting policies applied
Consolidated financial statements
The consolidated financial statements include Scandlines Infrastructure ApS (the parent) and subsidiaries, in which Scandlines Infrastructure ApS exercises control over their financial and operating policies. Control is achieved by the parent either directly or indirectly owning or holding more than 50% of the voting rights or in any other way controlling the relevant enterprise (affiliated company). Scandlines Infrastructure ApS and its affiliated companies are together referred to as the group.

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

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

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

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

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

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 using the exchange rate prevailing at the date of transaction. Currency gains and losses resulting from the settlement of these transactions as well as from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement as Financial income or cost except when deferred in equity as qualifying for cash flow hedges.

Non-current assets acquired in foreign currency are translated at the exchange rate prevailing at the date of acquisition.

Translation of group companies
On recognition in the consolidated financial statements of enterprises using functional currencies other than EUR, the income statement items are translated using the average exchange rate, whereas the balance sheet items are translated at the balance sheet date exchange rate. Exchange differences arising from the

Notes to the Consolidated financial statements

28. Significant accounting policies (continued)

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.

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 generally accepted valuation methods.

Cash flow hedge
Changes in the fair value of financial instruments designated as and qualifying for cash flow hedging and which effectively hedge changes in future cash flows, are recognised in Other comprehensive income.

The change in fair value that relates to the effective portion of the cash flow hedge is recognised as a separate equity reserve until the hedged cash flow impacts the Income statement. At this point in time, the related gains or losses previously recognised in Other comprehensive income are transferred to the Income statement into the same line item as the hedged item is recognised.

For derivative financial instruments that no longer qualify for hedge accounting, the hedge is dissolved prospectively. The accumulated fair value in equity is immediately transferred to the Income statement into the same line item as the hedged item is recognised.

Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all applicable conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants for investments are offset against the purchase price of the relevant asset, thereby reducing depreciation of the assets for which the grant was received.

Rentals and leases
For financial reporting purposes, leases are divided into capitalizable leases and short term leases where all leasing contracts with a term over 12 months are recognised as leasing assets on the balance sheet. Leases with a term less than 12 months are classified as short term leases. For leasing assets, cost is present value of future minimum lease payments. The internal rate of return of the lease or group's alternative borrowing rate is applied as a discount factor for determining the present value. Assets held under leases are depreciated and written down for impairment in accordance with the accounting policies applied by the group to similar proprietary non-current assets or over the lease period depending on the terms and conditions of the lease

The related lease commitment for assets under leases is recognised in the balance sheet by an amount equivalent to the capitalised lease commitment. The interest portion of the lease payment or the year is recognised in the income statement as a financial expense. Lease payments on short-term leases are recognised in profit and loss on a straight-line basis over the lease period unless other systematic better reflect the benefit from the use of the asset. The remaining rental and lease commitments of such leases are disclosed in the notes to the consolidated financial statements. In the event of leases under which assets are leased out, an amount equal to the net investment in the lease is recognised as a receivable in the balance sheet. The asset is derecognised, and any gains or losses in the respect are taken to profit or loss.

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

Notes to the Consolidated financial statements

28. Significant accounting policies (continued)

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.

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

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

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

Staff costs
Salaries and wages, social security contributions, paid absence and absence due to sickness, bonuses and non-monetary payments are recognised in the financial year in which the group's employees have performed the related work. Costs relating to the group's long-term employee benefits are accrued in proportion to the work performed by the individual employees.

Other external expenses
These expenses comprise expenses incurred for administration and marketing of the group.

Financial income and expenses
Financial income and expenses comprise interest income and expenses, realised and unrealised exchange gains and losses on debt and foreign currency transactions, realised capital gains and losses on securities and amortisation of financial assets and liabilities, including finance lease commitments, as well as surcharges and reliefs under the Danish Tax Prepayment Scheme, etc.

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

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

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

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

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

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

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

All other assets are classified as non-current.

Non-current intangible assets and property, plant and equipment
Unless otherwise specifically stated, the following applies:
- Non-current intangible assets and property, plant and equipment are measured at cost less accumulated am-

Notes to the Consolidated financial statements

28. Significant accounting policies (continued)

ortisation, depreciation and impairment losses

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

Goodwill
On initial recognition, goodwill is recognised at cost in the balance sheet. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

Goodwill is tested at least once a year for impairment.

The carrying amount of goodwill is allocated to the group's cash-generating units at the time of acquisition. The allocation of goodwill by cash-generating unit is disclosed in note 9 to the consolidated financial statements.

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

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

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

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

Vessel maintenance costs are expensed in the income statement when incurred.

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.

Management have in 2021 reassessed the useful life and residual values of vessels. The reassessment has no material impact on 2021 and the depreciation in 2022 will decrease with MEUR 9.

Vessels are depreciated over a period of 35 to 45 years reckoned from the year in which a vessel is built. Improvements of engines and other mechanical installations are depreciated over the same useful life as the underlying asset. Catering and retailing equipment is depreciated over 5 to 15 years.

Gains and losses from the sale of vessels are calculated as the difference between selling price less selling costs and the carrying amount at the time of sale. Gains and losses from the sale of vessels are recognised when material risks and rewards incident to ownership have passed to the buyer, and they are presented in the income statement under "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

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

Loans and receivables
Assets are measured at amortised cost, and value adjustments are recognised through profit or loss.

Notes to the Consolidated financial statements

28. Significant accounting policies (continued)

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

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

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

Receivables
Receivables are recognised at amortised cost less expected credit losses.

Scandlines' risks regarding trade receivables are not considered unusual and no material risk is attributable to a single customer or group of customers. Write-downs on trade receivables are based on the simplified expected credit loss model. Credit loss allowances on individual receivables are provided for when objective indications of credit losses occurs such as customer bankruptcy and uncertainty about the customers' ability and/or willingness to pay, etc. In addition to this, allowances for expected credit losses are made on the remaining trade receivables based on a simplified approach.

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

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

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

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

Liabilities
Current liabilities are defined as:

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

All other liabilities are classified as non-current.

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

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

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.

Notes to the Consolidated financial statements

28. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

Cash flow from investing activities comprises payments in connection with the acquisition and divestment of enterprises and activities as well as the acquisition and sale of non-current intangible assets, property, plant and equipment as well as financial assets.

Cash flow from financing activities comprises payments arising from changes in the size or composition of the group's share capital, dividend paid as well as the incurrence of mortgage debt and raising of and repayment of mortgage loans, other long-term debt and short-term bank debt.

Cash and cash equivalents comprise cash at bank and in hand.

Parent company financial statements

Income statement

MEUR	Notes	2021	2020
Other income		4.5	9.1
Administrative expenses	2	-5.0	-9.8
Result before tax		**-0.5**	**-0.7**
Dividend from affiliated company		45.0	0.0
Financial expenses		-0.1	0.0
Result before tax		**44.4**	**-0.7**
Tax for the year		0.0	0.2
Result for the year		**44.4**	**-0.5**

Balance sheet

MEUR	Notes	31.12.21	31.12.20
Assets			
Investments in affiliated companies	3	1,740.8	1,740.8
Total non-current assets		**1,740.8**	**1,740.8**
Other receivables		0.5	0.2
Cash		0.5	2.1
Total current assets		**1.0**	**2.3**
Assets		**1,741.8**	**1,743.1**
Equity and liabilities			
Share capital		0.0	0.0
Share premium		1,492.6	1,492.6
Retained earnings		240.2	240.8
Total equity		**1,732.8**	**1,733.4**
Liabilities to affiliated companies		7.4	9.1
Trade payables		1.6	0.6
Total liabilities		**9.0**	**9.7**
Equity and liabilities		**1,741.8**	**1,743.1**

Statement of changes in equity

MEUR	Share capital	Proposed dividend	Share premium	Retained earnings	Total
2021					
Equity at 1 January 2021	0.0	0.0	1,492.6	240.8	1,733.4
Result for the year	0.0	0.0	0.0	44.4	44.4
Extraordinary dividend	0.0	0.0	0.0	-45.0	-45.0
Equity at 31 December 2021	**0.0**	**0.0**	**1,492.6**	**240.2**	**1,732.8**

Dividend
In 2021, the company paid ordinary dividend of EUR 0.0 million and extraordinary dividend of EUR 45.0 million.

MEUR	Share capital	Proposed dividend	Share premium	Retained earnings	Total
2020					
Equity at 1 January 2020	0.0	0.0	1492.6	241.3	1,733.9
Result for the year	0.0	0.0	0.0	-0.5	-0.5
Equity at 31 December 2020	**0.0**	**0.0**	**1,492.6**	**240.8**	**1,733.4**

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

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

Note

Notes to the Parent Company financial statements

1. Significant accounting estimates

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

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

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

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

2. Staff costs

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

3. Investments in affiliated companies

MEUR	31.12.21	31.12.20
Cost at 1 January	1,740.8	1,740.8
Cost at 31 December	**1,740.8**	**1,740.8**
Carrying amount at 31 December	**1,740.8**	**1,740.8**

Investments in affiliated companies comprise:

Scandferries ApS, Copenhagen, Denmark, 100 percent.

The carrying amount of the Parent's investments in affiliated companies is tested for impairment if an indication of impairment exists. No indications of impairment exists and therefore no impairment testing has been carried out.

Notes to the Parent Company financial statements

4. Related parties

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

No transactions with the Executive Management, Supervisory Board, major shareholders or other related parties have been made during the year besides ordinary fees to the Executive Management and Supervisory Board as disclosed in note 4 in the Consolidated financial statements.

5. Guarantees, contingent liabilities and collateral

The Group's Danish companies are jointly and severally liable for tax on the Group's jointly taxed income, etc. The total amount of corporation tax due is stated in the financial statements of Scandlines Infrastructure ApS, which is the management company in relation to joint taxation. The Group's Danish companies are also jointly and severally liable for Danish withholding taxes in the form of dividend tax, royalty tax and interest tax. Any subsequent corrections to corporation taxes and withholding taxes may result in the Company's liability constituting a larger amount.

Scandlines Infrastructure ApS has made a loss absorption agreement for 2021 for one of its wholy-owned subsidiaries.

6. Events after the balance sheet date

Reference is made to note 27 in the Consolidated financial statements.

7. Significant accounting policies

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

Dividend income
Distribution of dividends from subsidiaries is taken to income in the parent's income statement in the financial year in which the dividend is declared. If an amount is distributed exceeding the subsidiary's result for the period, then an impairment test is performed.

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

Investments in affiliated companies
Investments in affiliated companies are measured at cost in the parent financial statements. If an indication of impairment exists, then an impairment test is performed. 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 Management on the annual report

The Supervisory Board and Executive Management have today considered and approved the annual report of Scandlines Infrastructure ApS for the financial year 1 January – 31 December 2021.

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 2021 and of the results of their operations and cash flows for the financial year 1 January – 31 December 2021.

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, 21 April 2022

Supervisory Board

Vagn Ove Sørensen, Chairman

William Charles Peskett Shuckburgh

Ellen Marina Richardson

Desmond Luis Wilkins

James Graham Hatchley

Timothy David Short

Nicolas Grant

Helle Skov

Michael Skeller Andersen

Gitte Pia Kamper

Jan Raymond Saksaa

Executive Management

Carsten Ramsø Nørland, CEO

Per Johannesen Madsen, CFO

Michael Guldmann Petersen, COO

Independent auditor's report

To the Shareholders of Scandlines Infrastructure ApS

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2021 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Scandlines Infrastructure ApS for the financial year 1 January 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

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 Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion..

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the 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.

Hellerup, 21 April 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Bo Schou-Jacobsen State Authorised Public Accountant Mne28703	Jacob Brinch State Authorised Public Accountant Mne35447

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Executive Management
Carsten Ramsø Nørland, CEO
Per Johannesen Madsen, CFO
Michael Guldmann Petersen, COO

Company auditors
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
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Scandlines