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Scandlines Rødby-Puttgarden

Review of KPMG Report dated 24 January 2016

24 June 2016

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Kirsten Aaskov Mikkelsen
Partner
Mobile: +45 22 20 22 19
E-mail: kmikkelsen@deloitte.dk

Bjarne Iver Jørgensen
Senior Manager
Mobile: +45 22 20 23 56
E-mail: bjoergensen@deloitte.dk

This is an external version of an internal report, which has been customised to be made available for public use. The only difference between the internal report and this version is that some Scandlines confidential information in Appendix I and II have been excluded and it has clearly been marked with a text “Confidential information has been excluded”. All exclusions are made based on the request of Scandlines Management.

Deloitte Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 96 35 56
Weidekampsgade 6
Postbox1600
0900 Copenhagen C

Telefon: +45 36 10 20 30
Fax: +45 36 10 20 40
www.deloitte.dk

Scandlines Danmark ApS
Attn: Per Johannesen Madsen, CFO
Havneholmen 25, 8. sal
1561 Copenhagen V

Background and purpose of our review

Background and conditions

- The Danish Ministry of Transport and Building has asked KPMG to prepare the report "Forretningsanalyse af færgefarten Rødby-Puttgarden" dated 24 January 2016 (the "KPMG Report") regarding Scandlines' financial performance on the Rødby-Puttgarden ferry service subsequent to the opening of the Fehmarn tunnel. The KPMG Report concludes that Scandlines' operations on the Rødby-Puttgarden ferry service will be loss-making from the time of the opening of the Fehmarn tunnel in 2026. We understand that this conclusion is in conflict with the prevalent opinion of Scandlines and, therefore, you have asked us to perform a review of the KPMG Report with focus on the assumptions and the facts that the conclusion is based on.
- Our work is subject to specific preconditions as set out in a separate section.
- In case this report is used for other purposes than as Management's confidential information or by persons other than you, we take no responsibility.

Scope of our review

- The purpose of this report is to review the KPMG Report with the purpose of describing and pointing out misstatements, inconsistencies with other official documents and challenge the key assumptions applied in the KPMG Report.
- We note that the scope of our review specifically excludes a technical review of the calculations in the KPMG Report and that we have not had access to the underlying financial model.
- As agreed upon with Scandlines Management, we have specifically excluded the following analysis from our report:
  - Financial modelling on the total Rødby-Puttgarden ferry service financial performance
  - Assessment of the relevance of the hypothesis tested in the KPMG Report
  - 2015 effects from other areas than included in this report, i.e. staff costs for the Bordershop
  - Review of cash flow and NPV assumptions and calculations
  - Assess alternative assumptions
  - Impact on Femern A/S' business case
  - Postponement of the official opening year of the Fehmarn tunnel to 2028

Conditions and distribution of responsibilities

- Our work is not a complete review of the KPMG Report nor does it provide any guarantees with respect to the accuracy of facts or assumptions specifically addressed or facts and assumptions not addressed.
- Our work does not include a review or discussion of the methodologies or hypothesis in the KPMG Report.
- We have taken on this engagement under the following preconditions:
    - Scandlines will deliver all the relevant documentation needed for the review
    - Relevant Scandlines personnel will be available as needed
    - We will be objective in our review and any subjective arguments in this report will be with reference to a source

Sources of information

- Our review has been conducted based on publicly available sources including reports and data made available by Scandlines Management. Additionally, we have made use of expert opinions and information provided by Scandlines Management.
- A full list of our sources is included in Appendix III.

Important information

- We have not involved persons outside Scandlines and Deloitte.
- Deloitte disclaims any and all responsibility and liability for the contents of, any errors, misstatements in or omissions from, this report.
- Deloitte disclaims any and all responsibility and liability for any decisions made on basis of this report.

Verification

- Our review will not include a separate verification of the received data and information and will not include an audit or review in accordance with International Standards on Auditing and review and additional requirements under Danish audit legislation.

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Statsautoriseret Revisionspartnerselskab

Kirsten Aaskov Mikkelsen Partner	Bjarne Iver Jørgensen Senior Manager

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Executive summary

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Executive summary – KPMG base case scenario overview

In the KPMG Report, the base case scenario including price competition has been used as basis for the conclusion that Scandlines' operations on the Rødby-Puttgarden ferry service will be loss-making from the time of the opening of the Fehmarn tunnel in 2026.

Key assumptions

The KPMG Report is based on the following key assumptions:

- **The report assumes opening of the Fehmarn tunnel in 2026**
- **Scandlines will achieve a market share of 8.3% for cars and 30.0% for cargo**
- **Scandlines will offer its services to cars and cargo at a 25% discount compared to Fehmarn tunnel prices**
- **The Holger Danske ferry will be out of service as of 2026**
- **From 2025 to 2026, the total Bordershop revenue will increase relative to the increase in the number of cars crossing the Fehmarn belt, which is expected to increase from 2.1 million to 3.2 million units**
- **From 2025 to 2026, the number of annual scheduled ferry departures is expected to decrease from 32,120 to 26,900**
- **Staff costs related to Traffic as well as Retail and Catering on board are assumed to be fixed and dependent on the number of ferries**

Forecast on Rødby-Puttgarden base case scenario including price competition

- The conclusion in the KPMG Report (KPMG Report, page 32) has been based on specific forecasts for the operations after the opening of the Fehmarn tunnel in 2026. The table below shows the forecast in the KPMG base case scenario including price competition.
- This report provides a review of specific revenue and cost assumptions underlying the forecast.

EURm	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue																
Cars	103	108	113	118	124	129	135	141	147	154	161	10	11	11	12	12
Cargo	67	70	74	78	82	85	89	94	98	103	108	25	27	28	29	30
Catering	26	27	28	29	30	31	32	33	35	36	38	3	3	3	4	4
Onboard retail	31	32	33	34	36	37	39	40	42	43	45	4	4	4	4	4
Bordershop	123	127	132	138	143	149	154	160	166	173	180	260	278	296	315	327
Total revenue	**350**	**364**	**380**	**397**	**414**	**431**	**450**	**469**	**488**	**509**	**531**	**303**	**323**	**343**	**364**	**377**
Variable cost	(144)	(151)	(156)	(163)	(170)	(177)	(185)	(192)	(199)	(207)	(216)	(206)	(218)	(231)	(246)	(255)
Gross profit	**205**	**213**	**223**	**233**	**244**	**254**	**265**	**277**	**289**	**301**	**315**	**97**	**104**	**111**	**118**	**123**
Staff cost																
Traffic related	(11)	(11)	(11)	(11)	(12)	(12)	(12)	(12)	(13)	(13)	(13)	(12)	(12)	(12)	(12)	(12)
Catering	(11)	(11)	(11)	(11)	(12)	(12)	(12)	(12)	(13)	(13)	(13)	(12)	(12)	(12)	(12)	(12)
Onboard retail	(11)	(11)	(11)	(11)	(12)	(12)	(12)	(12)	(13)	(13)	(13)	(12)	(12)	(12)	(12)	(12)
Bordershop	(20)	(20)	(21)	(21)	(21)	(22)	(22)	(23)	(23)	(24)	(24)	(25)	(25)	(26)	(26)	(27)
Other admin	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Other operating	(31)	(32)	(33)	(33)	(34)	(35)	(35)	(36)	(37)	(37)	(38)	(39)	(40)	(40)	(41)	(42)
EBITDA	**117**	**125**	**133**	**141**	**149**	**158**	**167**	**177**	**187**	**197**	**208**	**(6)**	**(1)**	**4**	**9**	**11**

Executive Summary - Report conclusion

The KPMG Report concludes that the Rødby-Puttgarden ferry service will be loss-making from 2026. In our opinion, it is highly dependent on the assumptions applied, and we consider it more likely that it will continue to be profitable in 2026.

	Observations commented in this report	Consequence
Revenues	• The applied price discounts for Scandlines on cars and cargo are uncertain and appear to be inconsistent with other official documents. • Traffic and financial information applied for 2015 are inaccurate compared to actual 2015 figures and may impact the 2026 result. • The conclusion is not based on the scenario with the highest EBIT-margin for cars, which is inconsistent with the notion of Scandlines being a rational market participant. • It is uncertain to which extent other sources of revenue e.g. busses, dangerous goods and gangway have been included. • Estimated market shares for Scandlines for cars and cargo appear to be in the lower end of the range. • Bordershop revenue has been forecasted using uncertain assumptions, which appear too optimistic.	• The conclusion in the KPMG Report is based on assumptions that appear to be inconsistent with other official documents and financial information for 2015 has been based on misjudgment, which may contribute to uncertainty in the forecast applied in the KPMG Report. • Furthermore, the conclusion in the KPMG Report is not based on the most profitable scenario for cars, which is inconsistent with the notion of Scandlines being a rational market participant.
Costs	• Costs used for 2015 including variable and fixed costs are inaccurate and may impact the 2026 result. • Costs for Traffic as well as Catering and Retail on board are assumed to be fixed, which is inconsistent with the experience of Scandlines Management. • Scandlines will have another business model in 2026 than present, which implies a more lean cost structure.	• Financial information for 2015 has been misestimated which may contribute to uncertainty in the forecast applied in the KPMG Report. • The conclusion in the KPMG Report is dependent on specific cost assumptions with significant uncertainty. Overstatement of costs contribute to a misrepresentation of the profitability of the Rødby-Puttgarden ferry service.
Conclusion	• **In our opinion, there are significant uncertainties related to the conclusion in the KPMG Report that the Rødby-Puttgarden ferry service will be loss-making from 2026. We consider it more likely that the Rødby-Puttgarden ferry service will continue to be profitable in 2026.**	

↑ Expected directional impact on Scandlines EBITDA

Executive summary - Car revenue

Car revenue in the KPMG Report is based on assumptions that are different from the Femern A/S Report. KPMG has not used the most profitable ferry scenario as basis for their conclusion.

Key findings	Observation	EBITDA effect	Page
A comparison of the price forecast from Fehmarn with Scandlines prices shows that the implied discount for cars is 30% rather than the stated 25%	• We find an implied price difference of 30% in 2026 on cars between Scandlines prices in the KPMG Report and Fehmarn tunnel prices in the Femern A/S Report, which is different from the base case scenario in the KPMG Report, page 27, stating a price difference of 25% resulting in a market share for cars of 8.3%. • Everything else equal, a relative difference of 30% on prices for cars may lead to a market share above 8.3%. • **Based on the traffic and financial forecasts in the KPMG Report, we assess that a 1% increase in the Scandlines market share for cars will result in an increase in revenue of approximately EUR 1.2 million assuming constant prices.**	↑	13
The KPMG Report assumes that Scandlines will not have a share of the traffic jump	• Based on the average price on cars and the total revenue on cars in the KPMG Report, it seems that KPMG does not estimate that Scandlines will have a part of the traffic jump in 2026 and onwards. • **If Scandlines has a share of the traffic jump in the future, it will have a positive impact on the car revenue compared to the figures in the KPMG Report, page 32**.	↑	14
Differences in the number of cars for 2015 have an impact on the 2026 revenue	• We have estimated the effect on the 2026 number of cars in the base case scenario by adjusting the number of cars in the KPMG Report by 7.1% resulting in a reduction of the number of cars to 245 thousand from 264 thousand. **The adjustment will have a negative impact on the car revenue compared to the figures in the KPMG Report, page 32**.	↓	15
There is a price difference of 60% on shopping tickets, but Scandlines will only capture 12% of the shopping tickets market	• In the 2015-prices, there is an indicative 60% difference between the shopping ticket prices for the Fehmarn tunnel and for Scandlines in the base case scenario with price differentiation. • According to Scandlines Management, the shopping segment is very price sensitive and with a price difference of 60%, Scandlines Management will expect a higher market share than the 12% derived from the KPMG Report.	↑	16
A 50% price discount scenario will lead to a higher EBIT-margin for 2026 and onwards	• The KPMG Report concludes that a price discount of 50% will lead to a higher market share and a higher EBIT-margin in 2026 relative to the base case scenario with a 25% discount scenario. • **In the KPMG Report, the conclusion is based on the 25% price discount scenario even though the 50% price discount scenario is shown to result in a higher EBIT-margin for 2026 and onwards, which is inconsistent with the notion of Scandlines being a rational market participant.**	↑	17

Executive summary - Cargo revenue

Cargo revenue in the KPMG Report is based on assumptions that are different from the Femern A/S Report and it is not obvious to what extent revenue on dangerous goods and busses has been taken into account.

Key findings	Observation	EBITDA effect	Page
A comparison of the price forecast from Femern A/S Report with Scandlines prices shows that the implied discount for cargo is 49% rather than the stated 25%	• We find an implied price difference of 49% in 2026 on cargo between Scandlines prices in the KPMG Report and Fehmarn tunnel prices in the Femern A/S Report, which is different from the base case scenario in the KPMG Report, page 27, stating a price difference of 25% resulting in a market share for cargo of 30%. • Based on the information that the cargo segment is highly price sensitive, we conclude that a relative difference of 49% on prices for cargo will lead to a market share which may be significantly above 30%. • **Based on the revenue forecast and market share forecast from the KPMG Report, we assess that a 1% increase in market share on cargo will have an impact on revenue of approximately EUR 0.8 million assuming constant prices.**	⬆	19
Differences in Traffic numbers for 2015 have an impact on the 2026 revenue	• We have estimated the effect on the 2026 number of cargo units in the base case scenario by adjusting the number of cargo units in the KPMG Report by 4.7% resulting in an increase in the number of cargo units to 194 thousand from 185 thousand. **The adjustment is expected to have a positive impact on the cargo revenue compared to the figures in the KPMG Report, page 32**.	⬆	20
It is not obvious to what extent transport of dangerous goods transportable on passenger ferries and resting time have been reflected in the KPMG Report	• An assumption of no dangerous goods transported by ferry from 2026 may lead to an underestimation of cargo revenue. • If mandatory resting time not has been taken into account when estimating Scandlines' market share, it may lead to an underestimation of cargo revenue.	⬆	21

⇧ Expected directional impact on Scandlines EBITDA

Executive summary - Other revenue

The increase in Bordershop revenue in the KPMG Report from 2025 to 2026 assumes close to full impact of increase in number of cars and it is not obvious to what extent revenue on busses and gangway has been taken into account.

Key findings	Observation	EBITDA effect	Page
The KPMG Report assumes a close to full impact from Traffic jump on Bordershop revenue	• The KPMG Report assumes an increase in Bordershop revenue for Scandlines from EUR 180 million in 2025 to EUR 260 million in 2026 corresponding to an increase of 44.4%. • In the same period, the number of cars is expected to increase by 49.2%. • The increase in Bordershop revenue is expected as a result of the increased traffic. We understand that Scandlines Management expects the growth in Bordershop revenue at a lower level due to factors including increased competition. • **A 1% decrease in the number of cars in the Bordershop corresponds to a decrease in revenue by approximately EUR 2.6 million.**	↓	**23**
It is not obvious to what extent busses and gangway passengers have been reflected in the KPMG Report	• An assumption of no busses and gangway passengers transported in 2026 may lead to an underestimation of revenue.	↑	**24**

↑ Expected directional impact on Scandlines EBITDA

Executive summary - Costs

It is possible to adapt the level of expenses for Traffic and Retail on board and retail to the smaller market shares.

Key findings	Observation	EBITDA effect	Page
Staff costs related to Traffic are flexible and related to the timetable of departures	• The decrease in departures in the KPMG Report from 34,000 to 26,900 departures corresponds to a decrease of 21%. According to Scandlines Management, the number of departures is expected to decrease by 29% to 24,000. • Scandlines Management estimates that the flexibility will be very close to the decrease in departures. Management base this on experience from current operations. • **Based on the financial forecasts in the KPMG Report and taking the effect of the 2015 difference into account, the reduction in staff costs by 21% can be estimated to reduce Traffic related staff costs by approximately EUR 5.0 million.**		**27**
Staff costs related to Retail and Catering are flexible and related to the number of passengers and timetable of departures	• Scandlines Management expects the staff costs for Retail and Catering on board to be lower relative to the KPMG Report. • **Based on the financial forecasts in the KPMG Report and taking the effect of the 2015 difference into account, the reduction in passengers by approximately 90% can be estimated to reduce Retail and Catering related staff costs by approximately EUR 14.1 million.**		**28**
Differences in 2015 staff costs have an impact on the 2026 figures	• Our comparison of the cost figures for 2015 in the KPMG Report to the actual figures reported by Scandlines shows some differences. These differences may have an impact on the costs forecasted for 2026 in the KPMG Report.		**28**
Several strategic initiatives have not been considered	• Other operating expenses of EUR 39 million have a direct impact on EBITDA and the KPMG Report has not considered the fact that Scandlines will adjust its business model before 2026 to adapt to the new market situation.		**29**

Expected directional impact on Scandlines EBITDA

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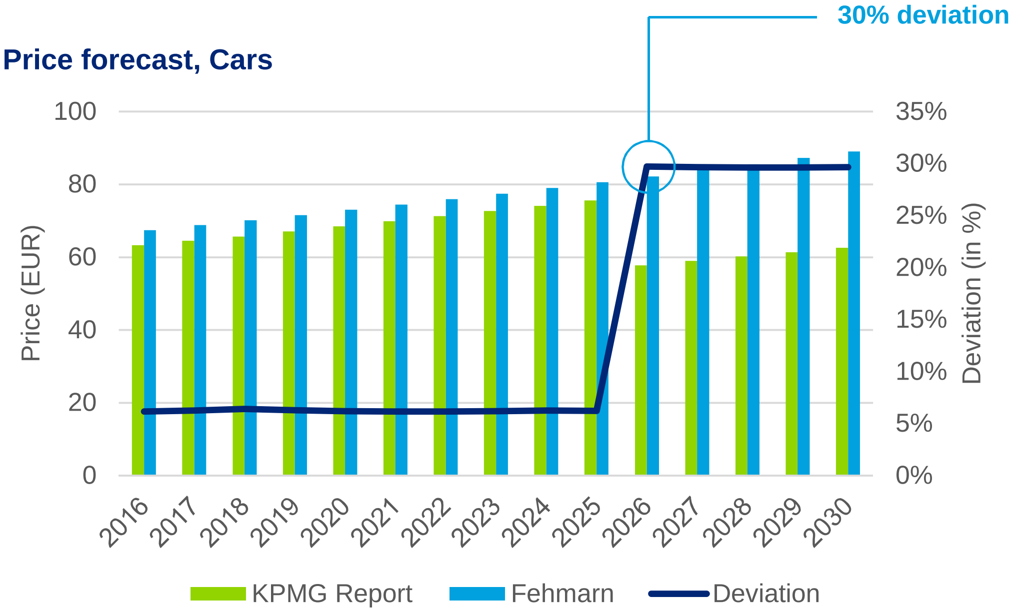
Car revenue - Price deviation on cars

The KPMG Report states that the prices imply a discount of 25% relative to the Fehmarn tunnel prices. When comparing the Fehmarn tunnel prices to the Scandlines' prices, we identify a 30% difference.

A comparison of the price forecast from Fehmarn and the Scandlines prices shows that the implied discount on cars is 30% rather than the stated 25%

- We have compared the prices for cars between the Scandlines prices stated in the KPMG Report and the Fehmarn tunnel prices stated in the Femern A/S Report. As there are no Fehmarn tunnel prices stated in the KPMG Report, we have not been able to compare internally from the KPMG Report.
- The Scandlines prices for cars are stated in the KPMG Report, page 59, at EUR 63.3 in 2016 increasing to EUR 75.6 in 2025. In 2026, the price decreases to EUR 57.8. From 2026, the price increases to EUR 62.6 in 2030.
- The price for the Fehmarn tunnel has been based on the 2015 price estimate of EUR 66.4 from the Femern A/S Report, page 30, extrapolated using the inflation rate as stated in the KPMG Report, page 56, which results in an estimated price for the Fehmarn tunnel of EUR 82.2 in 2026.



Note: Total price overview in Appendix II.

Effect and impact

- Based on this comparison, we find an implied price difference of 30% in 2026 on cars between Scandlines prices in the KPMG Report and Fehmarn tunnel prices in the Femern A/S Report. This is different from the base case scenario in the KPMG Report, page 27, which states that a price difference of 25% results in a market share on cars of 8.3%.
- Everything being equal, a relative difference of 30% on prices for cars will lead to a market share above 8.3%.
- **Based on the traffic and financial forecasts in the KPMG Report, we assess that a 1% increase in the Scandlines market share for cars will result in an increase in revenue of approximately EUR 1.2 million assuming constant prices.**

Car revenue – Scandlines share of traffic jump

KPMG assumes that Scandlines will not have a share of the traffic jump.

The KPMG Report assumes that Scandlines will not have a share of the traffic jump	• The market share of 8.3% is estimated excluding a share of the traffic jump, as mentioned on page 46 in the KPMG Report (section without price differentiation). • The revenue on cars of EUR 10 million corresponds to approximately 173 thousand cars, which, however, only equals 5.4% of the total number of cars of 3,177 thousand as mentioned on page 59 in the KPMG Report.
Effect and impact	• Based on the average price on cars and the total revenue on cars in the KPMG Report, it appears that KPMG assumes that Scandlines will not have a share of the traffic jump in 2026 and onwards. • **If Scandlines has a share of the traffic jump in the future, it will have a positive impact on the car revenue compared to the figures in the KPMG Report, page 32**.

Car revenue – Difference in traffic numbers for 2015

We have compared the traffic estimate for 2015 used in the KPMG Report with the actual number of cars for Scandlines for the year and find a deviation of (7.1)% for cars.

2015 traffic numbers used in the KPMG Report deviate from actual numbers

- A total car traffic in 2015 of 1,659 thousand cars is estimated, which is based on traffic forecasts from Intraplan Consult GmbH according to the KPMG Report, page 59.
- Scandlines has informed us that the actual car traffic number for 2015 was 1,541 thousand cars, which deviates with 118 thousand cars from the estimate in the KPMG Report corresponding to (7.1)%.

Effect and impact

- We have estimated the effect on the 2026 number of cars for Scandlines in the base case scenario by adjusting the number of cars in the KPMG Report, page 59, by 7.1% resulting in a reduction of the number of cars to 245 thousand from 264 thousand. **The adjustment will have a negative impact on the car revenue compared to the figures in the KPMG Report, page 32**.
- The table below sums up the information.

	2015				2026 KPMG estimate			Adjusted
	Scandlines (Actual) ('000)	KPMG (Estimate) ('000)	Variance ('000)	Variance In % of estimate	Total traffic ('000)	Scandlines mkt. share (%)	Scandlines mkt. share ('000)	Scandlines mkt. share ('000)
Cars	1.540,9	1.659,0	-118	-7,1%	3.177	8,3%	264	245

Note: The market share calculated above does not take into consideration that the 3,177 thousand cars are including traffic jump and that the Scandlines market share of 8.3% is excluding traffic jump. We have not been able to determine the size of the traffic jump and, therefore, we have not been able to calculate the adjusted market share in number of cars for Scandlines.

Car revenue – Low market share on shopping with price difference

In the base case scenario with price differentiation in the KPMG Report, there is a price difference on shopping tickets of 60% to Scandlines prices and KPMG estimates a Scandlines market share of 12%.

There is a price difference of 60% on shopping tickets, but Scandlines will only capture 12% of the shopping tickets market

- In the base case scenario, there is a discount of 25% on shopping tickets both for the Fehmarn tunnel and the ferries according to the KPMG Report, page 70.
- In the Femern A/S Report, page 30, a one-way car ticket price is DKK 494 (2015-prices), a shopping ticket is a two-way ticket and, therefore, the prices on the shopping ticket for the Fehmarn tunnel can be estimated to be DKK 741 (2015-prices) with a 25% discount.
- According to Scandlines Management, the average price on a shopping ticket is below DKK 299, which corresponds to a 60% price difference to the Fehmarn tunnel shopping ticket prices.
- From page 28 in the KPMG Report, it can be derived that Scandlines will have 12% of the total shopping segment in 2026.
- According to Scandlines Management, the shopping segment is very price sensitive.

Effect and impact

- In the 2015-prices, there is an indicative 60% difference between the shopping ticket prices for the Fehmarn tunnel and for Scandlines in the base case scenario with price differentiation.
- According to Scandlines Management, the shopping segment is very price sensitive and with a price difference of 60%, Scandlines Management will expect a significantly higher market share than the 12% derived from the KPMG Report.
- With a price difference of 60% we estimate a market share of 12% to be in the lower end of the range.

Car revenue - Choice of price discount scenario

The business case with 50% price discount on cars results in a higher EBIT-margin than the business case with 25% price discount on cars. The KPMG Report uses a 25% discount in the base case scenario.

The level of price reduction impacts the estimated market share

- In the KPMG Report, pages 34-35, two separate scenarios are outlined in which prices are reduced by 25% and 50%, respectively.
- We understand from the KPMG Report, page 34, that prices on cars have a direct impact on the expected market share after the opening of the Fehmarn tunnel. In the base case (25% price reduction) scenario, the expected market share in 2026 has been estimated at 8.3%. In the 50% price reduction scenario, the ticket price is estimated at EUR 38.6 and the related market share for cars is estimated at 19.9%.

	Scenario	
	25%	50%
Assumed ticket price	EUR 57.8	EUR 38.6
Expected market share for cars from 2026	8.3%	19.9%

A 50% price discount relative to the Fehmarn tunnel is expected to lead to a higher EBIT-margin according to the KPMG Report

- In the base case scenario in the KPMG Report with a 25% price reduction, the EBIT-margin in 2026 is expected to be negative with 7.8%, according to page 34 in the KPMG Report.
- In the 50% price reduction scenario in the KPMG Report, the EBIT-margin in 2026 is expected to be negative with 4.5%, according to page 35 in the KPMG Report.
- The analysis indicates that the EBIT-margin in the KPMG Report is sensitive to assumptions on market share as well as ticket price.
- We have no knowledge of the methodology used in arriving at the assumed market share. However, we note that the expected market share is less than what is expected by Scandlines Management and their external consultant.

	Scenario	
	25%	50%
Expected EBIT margin 2026	-7.8%	-4.5%
Required market share for 0% EBIT-margin [1]	24.3%	33.0%
Required ticket price for 0% EBIT-margin [1]	EUR 197.3	EUR 73.7

Notes

[1] Indicates the break-even market share and ticket price (at which the EBIT-margin in 2026 will be 0%) given the specific market shares (8.3% and 19.9% respectively).

Effect and impact

- The KPMG Report concludes that a price discount of 50% will lead to a higher market share and a higher EBIT-margin in 2026 relative to the base case scenario with a 25% discount.
- **In the KPMG Report, the conclusion is based on the 25% price discount scenario even though the 50% price discount scenario is shown to result in a higher EBIT-margin for 2026 and onwards, which is inconsistent with the notion of Scandlines being a rational market participant.**

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Cargo revenue

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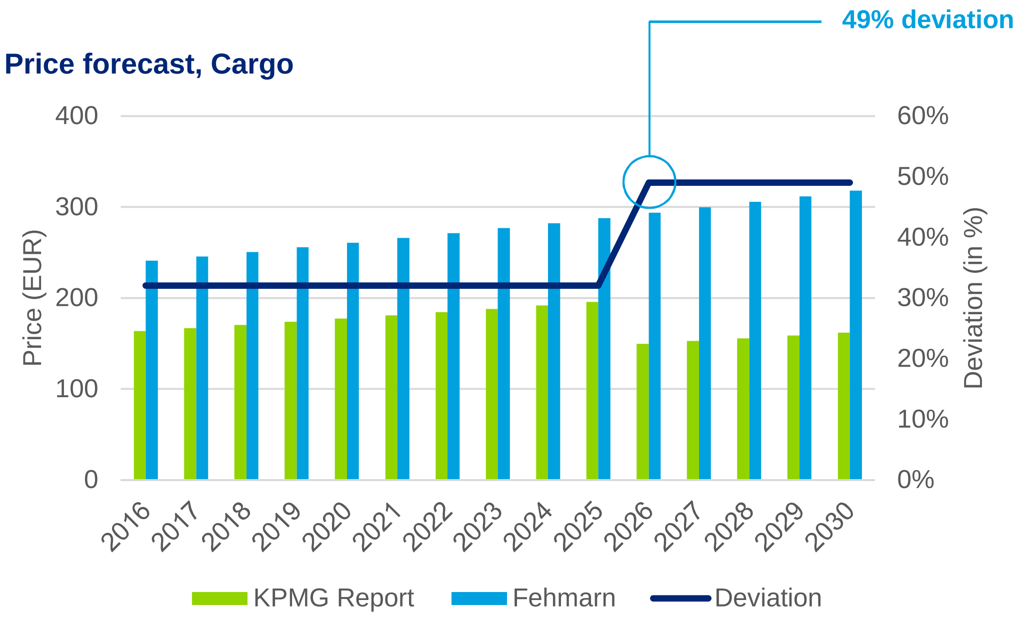
Cargo revenue - Price deviation on cargo

The KPMG Report states that the prices imply a discount of 25% relative to the Fehmarn tunnel prices. When comparing the Fehmarn tunnel prices to the Scandlines' prices, we identify a 49% difference.

A comparison of the price forecast from Femern A/S with Scandlines prices shows that the implied discount on cargo is 49% rather than the stated 25%

- We have compared the prices for cargo between the Scandlines prices stated in the KPMG Report and the Fehmarn tunnel prices stated in the Femern A/S Report. As there are no Fehmarn tunnel prices stated in the KPMG Report, we have not been able to compare internally from the KPMG Report.
- The Scandlines prices for cargo are stated in the KPMG Report, page 59, at EUR 163.8 in 2016 increasing to EUR 195.7 in 2025. In 2026, the price decreases to EUR 149.7 and increases to EUR 162.1 in 2030.
- The price for the Fehmarn tunnel has been based on the 2015 price estimate of EUR 236.3 from the Femern A/S Report, page 30, extrapolated using the inflation rate as stated in the KPMG Report, page 56, which results in an estimated price for the Fehmarn tunnel of EUR 293.7 in 2026.
- Scandlines has informed us that the cargo segment is highly price sensitive. This is supported by an article from the Danish business daily "Børsen" from 10 June 2014, in which Ole Holm, Executive Officer of HCS, is quoted for expressing that "international road traffic is price sensitive and will always go for the cheapest solution" in the article with the headline "Price battle entices truckers away from expensive Fehmarn tunnel".



Note: Total price overview in Appendix II.

Effect and impact

- Based on this comparison, we find an implied price difference of 49% in 2026 on cargo between Scandlines prices in the KPMG Report and Fehmarn tunnel prices in the Femern A/S Report. This is different from the base case scenario in the KPMG Report, page 27, which states that a price difference of 25% results in a market share on cargo of 30%.
- Based on the information that the cargo segment is highly price sensitive, we conclude that a relative difference of 49% on prices for cargo may lead to a market share significantly above 30%.
- **Based on the revenue forecast and market share forecast from the KPMG Report, we assess that a 1% increase in the Scandlines market share on cargo will have an impact on revenue of approximately EUR 0.8 million assuming constant prices.**

Cargo revenue - Difference in traffic numbers for 2015

We have compared the traffic estimates for 2015 used in the KPMG Report with the actual number of cargo units by Scandlines in the period and find a deviation of 4.7% for cargo.

2015 traffic numbers used in the KPMG Report deviate from actual numbers

- Total cargo traffic in 2015 has been estimated at 418 thousand cargo units, based on traffic forecasts from Intraplan Consult GmbH in the KPMG Report, page 59.
- Scandlines has informed us that the actual cargo traffic number for 2015 was 438 thousand units, which deviates with 20 thousand cargo units from the estimate in the KPMG Report corresponding to 4.7%.

Effect and impact

- We have estimated the effect on the 2026 number of cargo units in the base case scenario by adjusting the number of cargo units in the KPMG Report, page 59, by 4.7%, after which Scandlines will have 194 thousand cargo units instead of 185 thousand cargo units. **The adjustment is expected to have a positive impact on the cargo revenue compared to the figures in the KPMG Report, page 32**.
- The table below sums up the information.

	2015				2026 KPMG estimate			Adjusted
	Scandlines (Actual) ('000)	KPMG (Estimate) ('000)	Variance ('000)	Variance In % of estimate	Total traffic ('000)	Scandlines mkt. share (%)	Scandlines mkt. share ('000)	Scandlines mkt. share ('000)
Cargo	437,7	418,0	20	4,7%	617	30,0%	185	194

Note: The market share calculated above does not take into consideration that the 617 thousand cargo units are including traffic jump and that the Scandlines market share of 30% is excluding traffic jump. We have not been able to determine the size of the traffic jump and, therefore, we have not been able to calculate the exact market share for Scandlines.

Cargo revenue – Other items

It is not obvious whether any revenue from dangerous goods has been accounted for after the opening of the Fehmarn tunnel and it is not obvious if KPMG has taken the resting time into account when calculating market share on cargo.

It is not obvious to what extent transport of dangerous goods transportable on passenger ferries has been included in the KPMG Report

- Scandlines Management has informed us that 4-5% of the total cargo volume is related to dangerous goods corresponding to 6% of the total cargo revenue for 2015.
- In the KPMG Report, dangerous goods are only mentioned on page 4, where it is stated that the ferry Holger Danske will be out of service from 2026 and, therefore, it is expected that transport of dangerous goods will not be part of the Scandlines business. However, it is not obvious if KPMG uses this assumption in the revenue forecast on page 32 in the KPMG Report.
- According to Scandlines Management, dangerous goods are classified with and without requirement of open deck transportation and Scandlines Management has informed us that under 1% of the dangerous goods transported in 2015 was required to be transported on an open deck ferry like Holger Danske. The rest of the dangerous goods can be transported on passenger ferries as has, to a large extent, been the case so far.
- Scandlines Management also points out that according to the EU tunnel Directive, it is only possible to transport dangerous goods through the Fehmarn tunnel in the time period 11pm – 6am. Therefore, Scandlines Management considers transport of dangerous goods on ferries to be more flexible.

It is not obvious to what extent transport of dangerous goods transportable on passenger ferries has been included in the KPMG Report.

An assumption of no dangerous goods transported by ferry from 2026 may lead to an underestimation of cargo revenue.

It is not obvious to what extent resting time has been taken into account when calculating market share on cargo in the KPMG Report

- According to Scandlines Management, it is an important factor in estimating the market share on cargo how much cargo customers will and are able to use the time on the ferry as mandatory resting time.
- In addition, Scandlines offers safe parking for cargo customers in the harbors during night time.

It is not obvious to what extent resting time has been taken into account when calculating market share on cargo in the KPMG Report.

If mandatory resting time has not been taken into account when estimating Scandlines' market share, it may lead to an underestimation of cargo revenue.

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Other revenue - Bordershop assumptions

The increase in Bordershop revenue in the KPMG Report from 2025 to 2026 assumes close to full impact of increase in number of cars.

Bordershop revenue in 2026 assumes close to full impact of increase in number of cars by 49.2%	• According to page 32 in the KPMG Report, the Bordershop revenue is expected to increase by EUR 80 million from 2025 to 2026 corresponding to an increase of 44.4%.
	• According to page 59 in the KPMG Report, the number of cars is expected to increase by 49.2%.
	• According to Scandlines Management, it is not expected that the Bordershop revenue is impacted to that extent based on the following arguments:
	  • Only a small share of the traffic increase of cars will be in the shopping segment on which Scandlines will have a high capture rate.
	  • The majority share of the traffic increase is expected to be in the vacation segment where Bordershop has a lower capture rate.
	• From page 28 in the KPMG Report, it can be derived that the shopping part of the cars in 2026 is 15.6% corresponding to 495.6 thousand cars.

Effect and impact	• The KPMG Report assumes an increase in Bordershop revenue for Scandlines from EUR 180 million in 2025 to EUR 260 million in 2026 corresponding to an increase of 44.4%. • In the same period, the number of cars is expected to increase by 49.2%. • **A 1% decrease in the number of cars in the Bordershop corresponds to a decrease in revenue by approximately EUR 2.6 million.**

Other revenue – Busses and gangway

It is not obvious whether any revenue from busses and gangway has been accounted for after the opening of the Fehmarn tunnel.

It is not obvious to what extent transport of busses and gangway passengers has been included in the KPMG Report.

- In 2015, Scandlines had revenue of more than EUR 30 million related to busses and gangway (Source: Scandlines Management).
- We cannot identify if revenue related to busses and gangway is mentioned somewhere in the KPMG Report and, therefore, we cannot conclude whether it is comprised as part of the revenue.

It is not obvious to what extent transport of busses and gangway passengers has been included in the KPMG Report.

An assumption of no busses and gangway passengers transported by ferry from 2026 may lead to an underestimation of revenue.

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Costs

Costs – Difference in variable costs for 2015

There are differences between 2015 figures for Scandlines and the KPMG Report, which have an impact on the 2026 figures.

Differences in 2015 variable costs have an impact on 2026 figures

- Pursuant to Appendix I, variable costs for 2015 amount to EUR 145 million according to page 32 in the KPMG Report.
- Pursuant to Appendix I, variable costs for 2015 for Scandlines are slightly higher, according to Scandlines Management.

Effect and impact

- We have calculated that the percentage deviation of the variable costs is 3-5% in 2015.
- We have estimated the effect on the 2026 variable costs in the base case scenario by adjusting 2015 variable costs in the KPMG Report by 1-5%, after which Scandlines will have variable costs of EUR 208.1-216.3 million instead of EUR 206.0 million.
- The table to the right shows the effect on the 2026 variable costs in the base case scenario in the KPMG Report of different percentage deviations.

Increase in variable costs (%)	Increase in 2026 base case variable costs (EURm)	Variable costs after adjustment (EURm)
1%	2.1	208.1
2%	4.1	210.1
3%	6.2	212.2
4%	8.2	214.2
5%	10.3	216.3

Costs - Staff costs and other operating expenses - Traffic

It is possible to adapt the level of expenses for traffic to the smaller market share for ferry services because of flexibility, and there are differences between 2015 figures for Scandlines and the KPMG Report.

Staff costs related to Traffic are flexible and related to the timetable of departures

- The KPMG Report states on page 31 that according to Ship Experts, the staff costs related to Traffic are characterized to be very fixed as they are related to the number of ferries.
- However, according to Scandlines Management, the staff costs related to Traffic are flexible and related to the timetable of departures instead of ferries only. Management focused on the following arguments:
  - There is no legal or operational need for staff on a ferry that is in a lay-up overnight or in off-season. There is no staff on Holger Danske overnight in the present conditions.
  - With ferries only operating in the daytimes then Scandlines has the possibility to employ the staff under more cost favorable conditions than signing on 24h staff.
  - With the number of passengers estimated in the KPMG Report, there is no need for safety staff beyond base operational manning.
  - With more ferries operating the same routes with similar vessels, Scandlines has the possibility to plan the duty roster.
- According to Scandlines Management, Scandlines has 34,000 scheduled departures per year.
- In the KPMG Report, page 30, it is estimated that Scandlines will have 26,900 departures in 2026.
- According to Scandlines Management, Scandlines expects to have 24,000 departures in 2026 based on Scandlines' market expectations.

Differences in 2015 staff costs for Traffic have an impact on the 2026 figures

- In the KPMG Report, page 32, it is stated that the staff costs for Traffic for 2015 equal EUR 11 million.
- Staff costs for 2015 for Scandlines for Traffic equal EUR 20 million, which correspond to a difference of 82%.

Effect and impact

- The decrease in departures in the KPMG Report from 34,000 to 26,900 departures corresponds to a decrease of 21%. As a result, a decrease in departures expected by Scandlines from 34,000 to 24,000 departures corresponds to a decrease of 29%.
- Management estimates that the flexibility will be very close to the decrease in departures.
- **Based on the financial forecasts in the KPMG Report and taking the effect of the 2015 difference into account, the reduction in staff costs by 21% can be estimated to reduce Traffic related staff costs by approximately EUR 5.0 million.**
- The table to the right presents the effects on the staff costs for Traffic in 2026 depending on how flexible the staff costs are, also taking the 2015 difference in staff costs into account.

Reduction in staff costs for Traffic (%)	Decrease in 2026 staff costs for Traffic (EURm)	Staff costs for Traffic after adjustment (EURm)
10%	2.5	22.3
15%	3.7	21.1
20%	5.0	19.8
25%	6.2	18.6
30%	7.4	17.3

Costs - Staff costs and other operating expenses – Retail and Catering on board

It is possible to adapt the level of expenses for Retail and Catering on board to the smaller market share for ferry services because of flexibility, and in addition there are differences between the 2015 figures for Scandlines and the KPMG Report.

Staff costs related to Retail and Catering on board are flexible and related to the number of passengers and timetable of departures

- The KPMG Report states on page 31 that according to Ship Experts, the staff costs related to Retail and Catering on board are characterized to be very fixed as they are related to the number of ferries.
- According to Scandlines Management, the staff costs related to Retail and Catering on board are flexible and related to the number of passengers and timetable of departures instead of ferries only. Scandlines Management focused on the following arguments:
  - There is no legal or operational need for Retail and Catering staff on a ferry that is in lay-up overnight or in off-season.
  - Scandlines has the ability to adjust how many outlets on board the vessel that are open on each departure and will adjust to the expected number of passengers.
  - Scandlines has the ability to adjust the number of persons in the open outlets to the expected number of passengers, i.e. by adjusting the number of tills open.
- According to Scandlines Management, Scandlines has 34,000 scheduled departures per year.
- In the KPMG Report, page 30, it is estimated that Scandlines will have 26,900 departures in 2026.
- Scandlines expects to have 24,000 departures in 2026.
- According to Scandlines Management, Scandlines had 6.133 thousand passengers in 2015.
- In the KPMG Report, page 59, the estimated number of passengers in 2026 is 10,475 thousand and with an estimated Scandlines market share on cars of 8.3%, the estimated number of passengers for Scandlines will decrease by approximately 90% compared to 2015.

Differences in 2015 staff costs for Retail and Catering on board have an impact on the 2026 figures

- In the KPMG Report, page 32, it is stated that the staff costs for Retail and Catering on board for 2015 equals EUR 22 million.
- Staff costs for Retail and Catering on board for 2015 for Scandlines equal EUR 13 million, which corresponds to a difference of 41%.

Effect and impact

- Scandlines Management expects the staff costs for Retail and Catering on board to decrease by 70 - 90% in a scenario with 8.3% market share.
- **Based on the financial forecasts in the KPMG Report and taking the effect of the 2015 difference into account, the reduction in passengers by approximately 90% can be estimated to reduce Retail and Catering related staff costs by approximately EUR 14.1 million.**
- The table to the right presents the effects on the staff costs for Retail and Catering on board in 2026 depending on how flexible the staff costs are also taking the 2015 difference in staff costs into account.

Reduction in staff on Retail and Catering on board (%)	Decrease in 2026 staff costs for Retail and Catering on board (EURm)	Staff costs for Retail and Catering on board after adjustment (EURm)
50%	**7.8**	**7.8**
60%	**9.4**	**6.3**
70%	**11.0**	**4.7**
80%	**12.5**	**3.1**
90%	**14.1**	**1.6**

Costs – Staff costs and other operating expenses - Other operating expenses

We understand that several strategic initiatives within Scandlines will contribute to a more lean and focused business set-up

A reduction of the administrative staff in 2015 has not been reflected

- According to Scandlines Management, Scandlines reduced the administrative staff during 2015, which will result in a decrease in staff costs from 2016 and onwards compared to the 2015 cost level.
- The reduction of the administrative staff has not been reflected in the KPMG Report.

Strategic response has not been considered

- As a rational market participant, Scandlines will adjust its business model before 2026 to adapt to the new market situation. We understand that Scandlines Management is considering several options including a cost reduction program to obtain a more lean cost structure.

Effect and impact

- Other operating expenses of EUR 39 million have a direct impact on EBITDA. The table to the right quantifies the effect of a reduction in other operating expenses in 2026 relative to the base case scenario in the KPMG Report.
- Scandlines Management expects to implement a business model which implies a cost reduction in other operating expenses of at least 30%.

Reduction in other operating expenses (%)	Decrease in 2026 other operating expenses (EURm)	Other operating expenses after adjustment (EURm)
10%	3.8	34.6
20%	7.7	30.7
30%	11.5	26.9
40%	15.4	23.0
50%	19.2	19.2

Appendix

Appendix I

Our review of the financial results for 2015 realized by Scandlines and the historical figures used as basis for KPMG's forecast show a variance of more than 20% in EBITDA for 2015.

Confidential information has been excluded.

Appendix II

The comparison of prices shows a difference between prices assumed by Femern A/S and prices used in the KPMG Report for both cars and cargo.

Cars

- The base case scenario in the KPMG Report is based on a price difference of 25% between the Scandlines price for cars and the corresponding price for the Fehmarn tunnel. Our recalculation shows that the actual price difference utilised is 30%.
- Actual Scandlines prices in 2015 forecasted using identical inflation forecast a Scandlines price in 2025 of EUR 78.4 compared to EUR 75.6 assumed in the KPMG Report.

	Before opening										After opening				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Assumed Scandlines prices [1]	63,3	64,5	65,8	67,1	68,5	69,9	71,3	72,7	74,1	75,6	57,8	59,0	60,2	61,4	62,6
Femern A/S planned prices [2]	67,5	68,8	70,2	71,6	73,0	74,5	76,0	77,5	79,0	80,6	82,2	83,9	85,6	87,3	89,0
Deviation (in %)	**-6%**	**-6%**	**-6%**	**-6%**	**-6%**	**-6%**	**-6%**	**-6%**	**-6%**	**-6%**	**-30%**	**-30%**	**-30%**	**-30%**	**-30%**

Notes

[1] The price forecast for Scandlines has been based on the KPMG Report page 59.

[2] The price forecast for the tunnel has been based on the 2015 price of EUR 66.4 added with a 1.6% inflation rate for 2016 and 2.0% for years thereafter as stated in the KPMG Report page 56 and 59.

Confidential information has been excluded.

Cargo

- The base case scenario in the KPMG Report is based on a price difference of 25% between the Scandlines price for cargo and the corresponding price for the Fehmarn tunnel. Our recalculation shows that the actual price difference utilised is 49%.
- Actual Scandlines prices in 2015 forecasted using identical inflation forecast a Scandlines price in 2025 of EUR 221.1 compared to EUR 195.7 assumed in the KPMG Report.

	Before opening										After opening				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Assumed Scandlines prices [1]	163,8	167,0	170,4	173,8	177,3	180,8	184,4	188,1	191,9	195,7	149,7	152,7	155,8	158,9	162,1
Femern A/S planned prices [2]	240,1	244,9	249,8	254,8	259,9	265,1	270,4	275,8	281,3	286,9	292,7	298,5	304,5	310,6	316,8
Deviation (in %)	**-32%**	**-32%**	**-32%**	**-32%**	**-32%**	**-32%**	**-32%**	**-32%**	**-32%**	**-32%**	**-49%**	**-49%**	**-49%**	**-49%**	**-49%**

Notes

[1] The price forecast for Scandlines has been based on the KPMG Report page 59.

[2] The price forecast for the tunnel has been based on the 2015 price of EUR 237.2 added with a 1.6% inflation rate for 2016 and 2.0% for years thereafter as stated in the KPMG Report page 56 and 59.

Confidential information has been excluded.

Appendix III

Sources

Abbreviation	Type	Source
Femern A/S Report	Public document	Sund og Bælt: Finansiel analyse af Femern Bælt-forbindelsen inkl. danske landanlæg (February 2016)
KPMG Report	Public document	KPMG: Forretningsanalyse af færgefarten Rødby-Puttgarden (24 January 2016)
TP 2014	Public document	Trafikprognose for en fast forbindelse over Femern Bælt (November 2014)
Børsen article	Newspaper article	Børsen: Priskrig lokker lastbiler ud af dyr tunnel (10 June 2014)
AU memo	Memo, Aalborg Uni	Per Homann Jespersen, Road freight transport across a fixed Fehmarn Belt link (2007)
SL presentation	Presentation	Søren Poulsgaard Jensen, Scandlines sejler videre: Præsentation af konkurrencescenarier (14 January 2015)

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