

# EY Economic Advisory

**Dispute support - Quantification of economic damages**

**Report prepared for Widman & Co Ab in  
Ålands landskapsregering/Finlands  
Färjetrafik dispute**



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## Executive summary

EY has been commissioned by Widman & Co Attorneys at law, who represents Ålands landskapsregering, which is the provincial government of Åland, to evaluate existing damages calculations provided by Finlands Färjetrafik Ab and Ansgar Ab (from now on “the consortium”) and to produce our own independent estimate of economic damages in a contract dispute case between the landskapsregering and the consortium. Our role is to act as economic advisors in the case using the information and data made available to us during our assessment.

The dispute concerns a contract by which the consortium would have operated ferry traffic between Svinö and Mellanholm over the period 2022-2037. The consortium’s obligations would have included transporting passengers, goods and vehicles between Svinö and Mellanholm. A new hybrid ferry was to be commissioned with the purpose of serving this route. The consortium was due to receive monthly compensation of 370 750 euros per month from the landskapsregering. However, in January 2020, over two years before the planned start date, Ålands landskapsregering terminated the contract. The damage calculations concern the economic loss that the consortium suffered due to the termination.

We follow the well-established methodology of estimating economic damage by constructing two scenarios: the counterfactual and the factual scenario. The objective of the exercise is to place the consortium in the position it would have been in, had Ålands landskapsregering not terminated the contract. The counterfactual scenario describes the profit the consortium would have made, had the contract been in place as planned over the fifteen-year period. The factual scenario describes what will most likely happen after the contract was terminated, over the fifteen-year contract period. The economic loss or damage is the difference in the consortium’s profit between these two scenarios. Both scenarios extend to the future and are thus uncertain, which we acknowledge in our estimations. These changes alone result in baseline estimate of 5 213 718 euros for foregone profit, compared to consortium’s own estimate of 10 027 591 euros.

Our economic loss calculation includes loss from wasted expenditure and the loss from foregone profit. In assessing the wasted expenditure, we follow the estimate reported by the consortium. In assessing the foregone profit, we use a discounted cash flow method to calculate the net present value of the profit. We take some assumptions provided by the consortium as given in our calculations, such as certain cost categories or using annual index adjustments. However, we do not accept the consortium’s view that the cash flow would be in essence risk-free but calculate a discount rate that better captures the firm-specific risk. In addition, we use a level of earnings that is based on a peer-group of comparable firms in the industry. These two choices alone affect the estimate of the foregone profit significantly.

Perhaps the largest difference between our approach and the consortium’s approach is what is believed to happen after the contract was terminated. While the consortium loses the profit from the Svinö-Mellanholm-route, termination of the contract frees the resources for other use. Based on our understanding, the consortium can successfully bid for and operate other routes over the fifteen-year contract period, following an adjustment period. If this profit from alternative use of the resources is not included in the damage estimation, the consortium would receive compensation for the lost profit *and* the profit from the routes operated with the saved resources. This would result in

overcompensation. In fact, the damage estimation presented by the consortium takes this view which is, based on our expertise, erroneous.

After estimating the present value of the foregone profit and deducting from it the profit from operating alternative routes, and including the wasted expenditure, we arrive at a recommended estimate of total economic loss of 3 300 802 euros. This estimate is based on assuming a two-year adjustment period to find new routes and assuming that the consortium can replace approximately half of the profit the Svinö-Mellanholm route would have provided. This is, to our understanding, a rather generous estimate from the consortium's perspective. For comparison, if we assume that the consortium could in two-years timeframe replace the Svinö-Mellanholm route fully, the estimate of total economic loss would be 1 397 248 euros.

## 1. Introduction

### 1.1 Overview of the case

Ålands landskapsregering (ÅLR from here onwards) entered into an agreement with Finlands Färjetrafik Ab / Suomen Lauttaliikenne Oy (FF) and Ansgar Ab (Ansgar) on the 2.9.2019, whereby Finlands Färjetrafik and Ansgar (the consortium) were contracted to operate ferry traffic between Svinö and Mellanholm.

The consortium's obligations would have included operating ferry traffic between Svinö and Mellanholm by transporting passengers, goods and vehicles between these two ferry ports. In addition to operating ferry traffic, the consortium would have been in charge of acquiring suitable ferries and necessary in-harbour machinery and equipment, as well as operating and maintaining all on-shore real-estate and machinery during the contract period. A new hybrid ferry was to be commissioned by FF with the purpose of serving this route.

The contract was meant to run for 15 years, starting on 1.4.2022. According to the terms of the contract, the consortium was due to receive monthly compensation of 370 750 euros per month starting on the 1.4.2022. The compensation was to be index adjusted yearly based on a pre-determined formula.

The contract was terminated by ÅLR on the 21.1.2020. The consortium presented their claim for damages due to breach of contract, covering the following:

- ▶ Claims for foregone profit as a result of the breach and the loss of the monthly compensation as defined in the contract.
- ▶ Claims for wasted expenditure, including internal and external costs as a result of the breach and the cost of having to cancel the order for the hybrid ferry.

According to the consortium's calculations, the total damage consisting of foregone profit and wasted expenditure is 10 546 966,49 euro.

### 1.2 EY's role

Widman & Co Attorneys at law, who act as ÅLR's legal representatives in the case, have asked EY Economic Advisory to provide a comprehensive assessment of potential economic damages following the termination of the Svinö-Mellanholm-contract. Our role is to act as economic advisors and to provide an independent expert assessment of the economic damages. In this report, we describe our approach and the findings of our analysis in detail. We have approached the task by firstly, assessing the consortium's damage calculation and secondly, providing our own calculation of the damage. The scope of the work detailed in this report is summarised below.

- ▶ *The consortium's damages calculations*
  - ▶ In the first section of this report, we present a comprehensive evaluation of the consortium's calculations for foregone profit and wasted expenditure. We have evaluated the assumptions and underlying choices that the consortium has made to produce their estimate, as these assumptions are significant in determining the amount and accuracy of the claim.
  - ▶ We have assessed the soundness and theoretical foundation of the consortium's calculations and how sensitive the results are to changes in key assumptions. This phase of the analysis includes evaluating areas such as how the consortium has formulated the counterfactual (and factual), how they have selected the discount rate and how they have accounted for the impact of uncertainty on future flows of foregone profit.
- ▶ *EY's economic damage calculations*

- ▶ After evaluating the consortium's damage calculation, we produce our own estimates of economic damage. Our approach and results are based on our knowledge of economic theory and best practice in terms of quantifying economic damages in disputes.
- ▶ Following the common practice of evaluating economic damages, we build a counterfactual scenario and compare it to the factual scenario. The purpose of the counterfactual scenario is to place the consortium in a position where they would have been had the Svinö-Mellanholm contract not been terminated. The factual scenario describes what is reasonable to expect to happen following the termination of the contract. The difference between the two scenarios is the economic damage that can be attributed to the termination of the contract.
- ▶ To assess the factual state, we have evaluated whether the consortium could, after an adjustment period, find alternative sources of revenue to replace some of the activity lost due to the termination of the Svinö-Mellanholm contract. Termination of the contract means that the consortium does not earn the revenues and profit it would have received over the fifteen-year contract period. However, termination of the contract frees the consortium to put its resources to other use and to find alternative sources of revenue. We estimate the present value of this alternative revenue and deduct it from our estimate of foregone profit.
- ▶ Since the Svinö-Mellanholm contract would have extended to the future, estimation of economic loss requires evaluating uncertain events and uncertain cash flows, both in the counterfactual and in the factual state.
- ▶ The consortium uses a fixed discount rate of one percent to calculate the present value of foregone profit. To reflect the uncertainty of cash flows, we construct a discount rate that is theory-based and better reflects the uncertainty of future cash flows in this particular industry. Our estimate of future earning also differs from that of the consortium in that we base our estimate on the earnings of a comparable peer group.
- ▶ To take the uncertainty further into account, we present sensitivity analysis on how the estimate of loss reacts to changes in the underlying assumptions.
- ▶ Finally, our estimation of total economic damage includes the foregone profit (less the alternative profit) plus the expenditure that is lost due to the termination of the contract (wasted expenditure).

### 1.3 Our credentials and expertise

The EY Economic Advisory team has broad-based experience in supporting clients with dispute cases across commercial, antitrust and regulatory disputes. Our experts provide robust economic evidence of damages incurred and act as expert witness in court. Our team has experience supporting clients across geographies and various industrial sectors, with capacity to produce expert economic analysis across areas such as commercial, antitrust and regulatory disputes. EY Economic Advisory and our dispute support service combines economic expertise with financial analysis, modeling and valuation, with knowledge and understanding of the underlying legal context. The CV's of the team members are available upon request.

## 2. Damages estimates - The consortium's calculations

### 2.1 Overview of the calculations

The consortium evaluates the economic damage by estimating wasted external and internal expenditure and the foregone profit following the termination of the contract. The consortium's calculations are summarised below separately for the wasted expenditure and for the foregone profit.

- ▶ *Wasted expenditure:*
  - ▶ External costs: according to the calculations provided by FinFerries<sup>1</sup>, the termination of the contract has caused a loss of 436 026,41 euros in external costs for the consortium. These costs include wasted expenditure caused by the termination of the contract, costs related to exiting the agreement of operating ferry traffic in the route in question and costs related to terminating the docking agreement.
  - ▶ Internal costs: the wasted internal costs attributable to the termination of the contract are estimated to be 83 348,91 euros. The documentation provided by FinFerries suggests that these costs consist of wasted internal working hours, internal travel costs and other costs, such as premises/location or IT -related expenditure.
- ▶ *Foregone profit:*

The consortium has assumed that the alleged breach entitles them to full compensation of foregone profit, based on the monthly payments defined in the contract. Their calculations suggest that these future cash flows have been index adjusted according to a pre-determined formula and then discounted using a discount rate of 1 percent to obtain the present value. These calculations assume that the only deductions to these payments result from docking and service level risk. Their estimates suggest that the consortium should be compensated for 10 027 591,17 euros in foregone profit.

  - ▶ The consortium's methodological starting point is that there is no uncertainty related to the future cash flows, despite the fact that the foregone profit and Earnings Before Tax (EBT) are forecasted 15-years into the future, starting in 2022.
  - ▶ The consortium's approach suggests implicitly that the consortium should receive full compensation for foregone profit, as well as revenues from all alternative activity that they could have generated to replace the revenues from the contract, placing them in a better position compared to the scenario, where the contract would have stayed in place.

### 2.2 Assumptions behind the consortium's calculations

The consortium's calculations have been produced based on the following assumptions:

**Annual payments and time frame:** the fixed compensation for operating ferry traffic between Svinö and Mellanholm is set at 370 750 euros per month in the contract for the period of 1.4.2022-31.3.2023, after which the reward will be index adjusted annually according to a formula pre-defined in the contract. The consortium has produced their estimates by calculating the present value of these payments on a yearly basis for the duration of the contract.

**Annual index adjustments:** the consortium has calculated annual index adjustments based on the formula as defined in the contract. Hence an annual adjustment of 1 percent has been applied to the annual payments. The analysis provided by FinFerries and the statement from the consortium's accountant (Oy Tuokko Ltd) suggest that this adjustment rate is below the actual average index adjustment level, which has been calculated based on the period of 2015 - 2019 (1,15%).

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<sup>1</sup> We refer to slide 3 on the document provided by FinFerries entitled: "Konsortiet Ansgar - Finlands Färjetrafik - Avtalet Svinö-Mellanholm 2022-2037 - Presentation av kravet på grund av uppsägningen".

**Factors that reduce the annual payments:** The consortium's calculations assume that the only factors that could reduce the annual compensation are the service level risk and docking mentioned in the contract<sup>2</sup>. They have assumed that there is no other source of uncertainty to the monthly payments over the 15-year forecasting period.

**Discount rate:** a discount rate of 1 percent was applied to obtain present value of future cash flows. According to the consortium's accountant's statement, a rate of 1 percent or lower is applicable. The documents shared with us do not elaborate on how this figure was derived, however, according to the consortium's accountant, the annual payments can be considered a certainty over the next 15 years and for that reason the discount rate should be 1 percent or lower<sup>3</sup>.

**Uncertainty:** the consortium's calculations, as well as the statement from the consortium's accountant (Oy Tuokko Ltd) suggest that the consortium assumes that the monthly revenue streams are fully certain over the entire contract period, due to there being a signed contract in place. In effect, the consortium's calculations do not account for any sources of uncertainty on future cash flows. However, this can be regarded as an unrealistic assumption. The 15-year contract period alone (starting two years after the contract was terminated) creates inherent uncertainty in the cash flow. The maritime industry and the travel and tourism sector faces other sources of uncertainty, the COVID-19 pandemic being an extreme example.

**Forecasted Earnings Before Tax (EBT):** the consortium's estimates of foregone profit are based on their forecast for Earnings Before Tax (EBT) as per the first-year offer calculations for the Föglö route<sup>4</sup>. Their approach suggests that for the first year of the contract when the annual total reward is 4 449 000 euros<sup>5</sup> and after deducting various costs not all presented in the documents, the remaining first year Earnings Before Tax (EBT) is 668 000 euros, with an EBT -percentage of 15,1%. This comes after accounting for the cost of the reserve ferry as outlined in the contract. These calculations and the assumptions made have not been shared in detail, but we assume that these are based on returns received from other similar routes operated by FinFerries, as indicated on slide 11 of the consortium's document<sup>6</sup>.

The materials related to this case suggest that the consortium has implicitly assumed that the EBT-rate will remain at 15,1% on average over the entire forecasting period. Furthermore, looking at the forecasted EBT -percentages over the 15-year contract period as per the document provided by FinFerries<sup>7</sup>, we find that these percentages show a significant degree of volatility around the 15,1%. This volatility is not fully explained in the materials shared with us, nor is the volatility entirely caused by the variation in docking expenses and service level risk<sup>8</sup>. The source of the volatility and its implications on the average EBT used remains thus unexplained.

Furthermore, based on the peer group of similar firms that we have constructed for our calculations, we find that the consortium's forecasted EBT-rates are significantly higher compared to the five-year average of the peer group median and the peer group upper quartile<sup>9</sup>. The consortium's

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<sup>2</sup> The documents shared with us do not elaborate on how the exact figures (that were applied in the consortium's calculations) were derived.

<sup>3</sup> As per the statement made by the consortium's accountant, entitled "Utlåtande om utebliven vinst" (Bevis K27).

<sup>4</sup> We refer to slide 8 on the document provided by FinFerries entitled: "Konsortiet Ansgar - Finlands Färjetrafik - Avtalet Svinö-Mellanholm 2022-2037 - Presentation av kravet på grund av uppsägningen".

<sup>5</sup> Figures have been provided in '000s, which will result in rounding errors.

<sup>6</sup> We refer to slide 11 on the provided by FinFerries entitled: "Konsortiet Ansgar - Finlands Färjetrafik - Avtalet Svinö-Mellanholm 2022-2037 - Presentation av kravet på grund av uppsägningen".

<sup>7</sup> We refer to slide 7 on the document provided by FinFerries entitled: "Konsortiet Ansgar - Finlands Färjetrafik - Avtalet Svinö-Mellanholm 2022-2037 - Presentation av kravet på grund av uppsägningen".

<sup>8</sup> "Servicenivårisk" and "Dockning" on slide 7 of the consortium's calculations.

<sup>9</sup> Please refer to Appendix C of this document for further detail.

estimates of foregone profit assume an average EBT of 15,1% for the Svinö-Mellanholm -route during the forecasting period, based on the performance of FinFerries alone. In contrast, FinFerries' subsidiary Ansgar that would have been significantly involved in fulfilling this contract, has made a loss in 2020 and a much lower profit in 2019, as their auditor's report shows that Ansgar's Earnings Before Interest and Taxes (EBIT) was approximately -3,5% in 2020 and 3,0% in 2019. Assuming, on one hand, a very low risk for future cash flows and on the other hand, a very high profitability of operating the route results in a relatively high estimate of foregone profit.

## 2.3 Sensitivity analysis on the consortium's calculation of loss

In this section, we demonstrate the sensitivity of the consortium's original estimates of foregone profit to changes in some of the key assumptions behind the calculations. We do this by changing one underlying assumption at a time, while holding other factors constant. In order to evaluate the sensitivity of the consortium's calculations, we have calculated the present value of foregone profit based on monthly calculations, taking the consortium's assumptions for annual index adjustment and costs of "Servicenivårisk" and "Dockning" as given. This approach has been applied throughout this document. To reproduce the consortium's original estimate of foregone profit for comparison, we have applied the 1 percent discount rate and the annual EBT-percentages as applied by the consortium<sup>10</sup>. Our estimate reflecting the consortium's original assumptions leads to an estimate of 10 026 369,24 euros for foregone profit<sup>11</sup>.

However, in order to assess the sensitivity of the consortium's estimates, we have calculated the present value of foregone profit across different discount rates and levels of EBT. Our results are presented in Table 1. The results demonstrate how even minor changes in the discount rate and the assumed EBT change the estimate for foregone profit significantly. For instance, if we change the discount rate to 3% (from the consortium's 1%) and reduce the consortium's estimated annual EBT-percentages by only -3% per year, we arrive at an estimate of 6 667 699 € for foregone profit, which is a significant fall compared to the original estimate, as highlighted in Table 1 below.

Table 1): Results from EY Sensitivity analysis

EY's Sensitivity Analysis - Damages estimates - Foregone profit ('000 euro)											
		Discount rate (sensitivity for rates between 0,5% and 5,0%)									
		0,5 %	1,0 %	1,5 %	2,0 %	2,5 %	3,0 %	3,5 %	4,0 %	4,5 %	5,0 %
Earnings Before Tax (EBT) (percentages indicate +/- 1% -change in the consortium's EBT estimate across all years of the contract period)	(-5,0%)	7 050 €	6 716 €	6 402 €	6 107 €	5 830 €	5 569 €	5 323 €	5 092 €	4 874 €	4 668 €
	(-4,0%)	7 745 €	7 378 €	7 033 €	6 709 €	6 405 €	6 118 €	5 848 €	5 594 €	5 355 €	5 129 €
	(-3,0%)	8 440 €	8 040 €	7 664 €	7 312 €	6 980 €	<b>6 668 €</b>	6 374 €	6 097 €	5 836 €	5 590 €
	(-2,0%)	9 135 €	8 702 €	8 296 €	7 914 €	7 555 €	7 217 €	6 899 €	6 600 €	6 317 €	6 051 €
	(-1,0%)	9 830 €	9 364 €	8 927 €	8 516 €	8 130 €	7 767 €	7 425 €	7 102 €	6 798 €	6 512 €
	0,0 %	10 525 €	<b>10 026 €</b>	9 558 €	9 119 €	8 705 €	8 316 €	7 950 €	7 605 €	7 279 €	6 973 €
	1,0 %	11 220 €	10 688 €	10 190 €	9 721 €	9 280 €	8 866 €	8 475 €	8 107 €	7 761 €	7 433 €
	2,0 %	11 914 €	11 351 €	10 821 €	10 323 €	9 856 €	9 415 €	9 001 €	8 610 €	8 242 €	7 894 €
	3,0 %	12 609 €	12 013 €	11 452 €	10 926 €	10 431 €	9 965 €	9 526 €	9 113 €	8 723 €	8 355 €
	4,0 %	13 304 €	12 675 €	12 084 €	11 528 €	11 006 €	10 514 €	10 051 €	9 615 €	9 204 €	8 816 €
5,0 %	13 999 €	13 337 €	12 715 €	12 131 €	11 581 €	11 064 €	10 577 €	10 118 €	9 685 €	9 277 €	

<sup>10</sup> We note that we have had to replicate the consortium's original estimate for comparison, as we did not have access to their original workings and needed to create our own monthly calculations (due to potential rounding errors that would occur as a result of using the figures on slide 7 of the PDF provided by FinFerries directly).

<sup>11</sup> The difference between our replicated monthly calculations and the consortium's original estimate is only 0,01% (1 221,93 euros).

### 3. Damages estimates - EY Economic Advisory

#### 3.1 Theory-based factual and counterfactual scenario

The basic principle of economic damages calculations is to place the suffered party in a position where they would have been without the harmful act. Estimating economic damages requires constructing a counterfactual or “but-for” state, which describes the situation that would have occurred without the harmful act. In the case at hand, the counterfactual scenario describes the events that would have taken place and the economic profit that the consortium would have earned, but for the termination of the contract in 2020. Since the contract would have extended to 2037, the counterfactual scenario involves projecting economic profit to the future, over the contract period 2022-2037.

To quantify the economic damage that can be attributed to the termination of the contract, the counterfactual state is compared to the factual state. The factual state describes what happened following the termination of the contract and involves estimating the economic profit from alternative activity the consortium was (is) able to take since the contract was terminated. Profit associated with the alternative activity needs to be deducted from the estimate of foregone profit. Receiving both full compensation for damages as well as profit from alternative activity would otherwise place the consortium in a better position than where it would have been without the harmful act. Like the counterfactual scenario, the factual scenario takes place in the future.<sup>12</sup>

Since both the factual and counterfactual scenarios involve estimating future earnings, costs, and profit, both scenarios involve uncertainty. We have addressed the issue of uncertainty by choosing a theory-based discount rate and earnings rate (EBT) that, to our understanding, best reflects the uncertainty of future cashflows in the maritime industry, and by making assumptions on the types of alternative activity that the consortium could reasonably be expected to engage over the assessed period.

Estimating the foregone profit less the profit from alternative activity forms a major part of our damage calculation. In addition to the foregone profit, termination of the contract can result in other types of economic loss. These losses we will assess separately, following the consortium's own reported estimates.

#### 3.2 Our method in estimating the total economic damage

The building block of our estimation of the economic damage is an estimate of the foregone profit for the contract period, from which an estimate of alternative profit is deducted from. Other potential losses are added to the estimate of foregone profit, to arrive at the total estimate of economic damage. Our method is based on the following steps:

1. Defining the damage period
2. Estimating lost profit for the damage period (present value terms)
3. Deducting profits incurred from alternative action over the relevant period (present value terms)
4. Adding other loss attributed to the termination of contract

We will describe the first three steps in detail in what follows<sup>13</sup>.

##### ***Step 1: Defining the damage period***

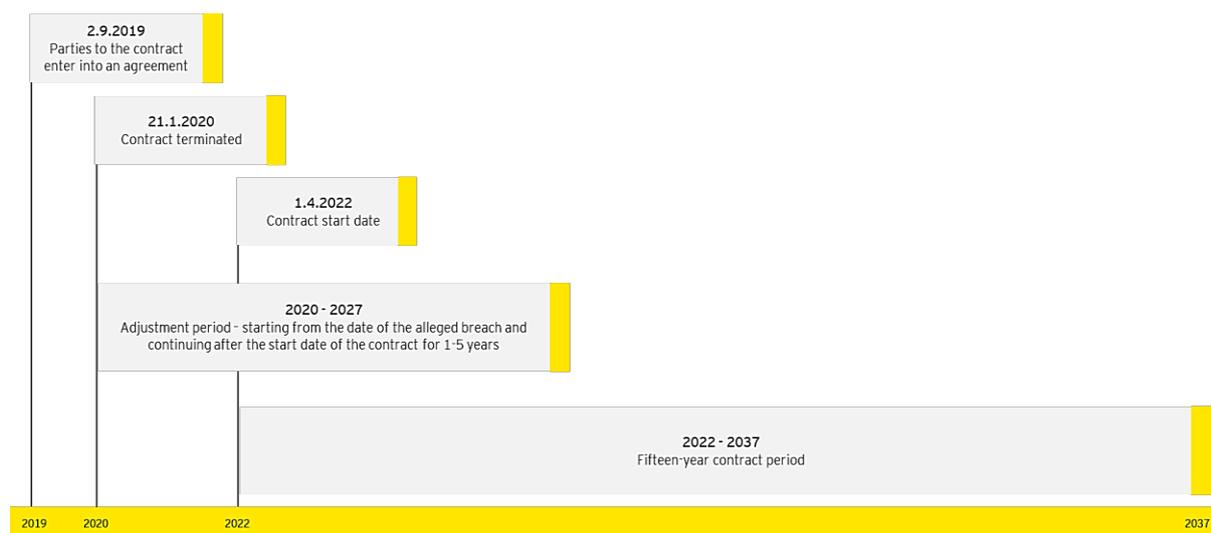
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<sup>12</sup> The factual state has partly already happened, since the contract was terminated January 2020.

<sup>13</sup> The fourth step is not described in detail, as this step simply involves adding up our estimate for foregone profit to the consortium's original estimate for wasted expenditure, in order to obtain total economic loss.

The relevant time period to assess the foregone profit is the fifteen-year contract period, 2022-2037. The period 2022-2037 is the period for which the consortium would have earned the profit had the contract not been terminated. While the damage period is clear in estimating the foregone profit, it is less obvious in assessing the potential profit the consortium could make from alternative activity. In assessing the alternative activity that the consortium could engage in to make up for the lost profit, it is reasonable to assume that an adjustment period is needed. This adjustment period could involve reorganising operations, bidding for tenders for other routes etc. The period for earning alternative profit can thus be different from the contract-based period of the foregone profit. It is noteworthy that the contract was terminated on 21.1.2020, which means that the consortium has had time to start preparing for alternative activity since 2020. The length of the time period needed to adjust for alternative activity should thus start from the termination of the contract in 2020. We have conducted our calculations using alternative assumptions on the length of the adjustment period. Figure 1 below illustrates the relevant time periods and events on the timeline.

Figure 1): Illustration of the case timeline



### Step 2: Estimating lost profit for the damage period (present value terms)

To estimate the foregone profit for the contract period 2022-2037, we followed the methodology chosen by the consortium and employed a discounted cash flow (DCF) methodology to determine the present value of the foregone revenue from the project. We follow the consortium's calculations in that the revenue is based on the contractual amount for the monthly reward and indexed through the project period at a rate of 1 percent. We also follow the consortium in that we deduct "Servicenivårisk" and "Dockning" indexed costs from the revenues.

However, to account for the uncertainty associated with the fifteen-year time period extending to the future, we employed different assumptions regarding the discount rate and profitability (EBT) than the consortium in their calculations. Our chosen discount rate is based on economic and financial theory (Weighted Average Cost of Capital), while our choice of profitability (EBT-rate) is based on a peer-group of comparable firms.

#### Discount rate - Weighted Average Cost of Capital (WACC):

The consortium's calculations assume a discount rate of 1 percent. Instead of a fixed rate, our approach is to use the Weighted Average Cost of Capital (WACC) to determine the proper discount

rate. Several alternative methods could be used to determine a proper discount rate<sup>14</sup>. There is a theoretical and a practical justification in using the WACC in the case at hand. The discount rate used in a discounted cash flow (DCF) model should be a rate that reflects current market assessment of the time value of money and the risks specific to the asset and/or project. When an asset-specific rate is not available from the market, it is common practice to consider the entity's weighted average cost of capital, determined using techniques such as the CAPM (Capital Asset Pricing Model), as an estimate for the appropriate discount rate.

The consortium has applied a fixed discount rate of 1 percent in calculating the discounted cash flows of the project. Their justification for the use of the discount rate is that the revenue from the project is contract-based and as such can be considered secured. The consortium does not provide further view on the market situation or for the justification for the selected rate.

We note that, as the consortium's derivation of the project cash flows does not include the taxes paid, they inherently assume that 1 percent represents the pre-tax discount rate of the project. As we have calculated a post-tax discount rate, we have also included the taxes to the project in our cash flow derivation.

Furthermore, we did not receive any information with regards to the depreciation and amortization, and the interest payments, thus we were not able to consider these items in our derivation of the cash flows. Typically, the depreciation and amortization would be added back to the cash flows as a non-cash item and we would not remove the interest expense, to not take the capital structure of the company or project into account. The capital structure of the company is discretionary and based on management decision, hence reducing the comparability of the asset, whereas our objective is to estimate fair value from a market perspective. In addition, the theoretical tax paid would typically be calculated based on the Earnings Before Interest and Taxes (EBIT) level rather than the Earnings Before Tax (EBT) -level for the same reason. We have highlighted these areas, as investigating the impact of these issues further is not feasible, since we have not had access to the consortium's detailed calculations.

Although the revenues from the project are indeed contractual, which decreases the level of risk from the cash flows expected over the lifetime of the project, the risks inherent to the market and the industry should not be completely overlooked. To reflect the risk related to the cash flow projection as correctly as possible, we have derived an estimate of the discount rate based on the Capital Asset Pricing Model (CAPM) methodology and market data from a group of listed peers in the same industry as the consortium.<sup>15</sup> Our assumptions are as follows:

- ▶ **Valuation date:** We have applied 21 January 2020 as the valuation date, and market data obtained from the public database such as S&P Capital IQ are based on that date.
- ▶ **Risk-free rate:** As the project is denominated in euros, we have applied the German 30-year government bond yield as at the valuation date as a proxy for the risk-free rate. The 30-year German government debt is typically used as a proxy for the risk-free rate as it is equally available for euro denominated companies and can be considered as the least risky long-term European government bond with sufficient liquidity for meaningful analysis.
- ▶ **Beta:** In our comparative calculations, the unlevered beta is based on the median of a peer group of comparable listed companies using two years of weekly data. The beta of the individual peers has not been considered in the median if statistical significance of the observations measured by R-square values was below 0,05. We have then re-levered the beta using Hamada's equation and the peer group's median capital structure.

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<sup>14</sup> *The value of the contract is very dependent on the margins of the business. Whereas the revenue from the contract can be considered rather secured for FinFerries, the cost base is still dependent on business, industry and market specific risk factors such as supplier risk, energy prices and weather conditions. In order to capture these risks and in the absence of asset-specific rate in the market, we find applying market based weighted average cost of capital (WACC) as the most appropriate available alternative for the discount rate.*

<sup>15</sup> *Please see Appendix A for the peer group data and Appendix B for a description of the business of the peers.*

- ▶ **Equity market risk premium:** The market risk premium has been derived by applying the widely accepted assumption that the long-term historical total market return for mature markets is ca. 7,0%. Hence, we have deducted the risk-free rate from 7,0% and added a country-risk premium for Finland to arrive at equity market risk premium. This assumption is supported by Prof. Damodaran<sup>16</sup>.
- ▶ **Debt margin:** The debt margin is based on the Shipbuilding & Marine industry debt margin in Europe sourced from Prof. Damodaran's database.
- ▶ **Tax rate:** The tax rate is based on the statutory corporate income tax rate in Finland.
- ▶ **Debt-to-equity ratio:** For the capital structure, we have assumed that the median of the peer group companies reflects the long-term optimal capital structure of the industry and thus have applied it in our WACC calculation.
- ▶ **Size and asset-specific risk premia:** We note that we have not added a size and/or an asset-specific risk premium to our WACC calculation, primarily due to the fact that the consortium is a government-backed entity, thus reducing their exposure to such risks.

The results from our WACC calculations are presented in Table 2 below.

Table 2): EY's estimates for Weighted Average Cost of Capital (WACC)

Weighted Average Cost of Capital - EY's calculations		
WACC at 21 January 2020		Source
Risk-free rate ("RfR")	0,2 %	German 30-year government bond
Asset beta	0,56	Peer group median, S&P Capital IQ
Relevered beta	0,96	Asset beta*(1 + debt/equity*(1 - tax rate))
Expected market risk premium (excl. country risk premium)	6,8 %	Damodaran's study, (7% - RfR)
Country risk premium	0,4 %	Prof. Damodaran, Finland
Size risk premium	0,0 %	n/a
Company specific risk premium	0,0 %	n/a
<b>Cost of equity</b>	<b>7,1 %</b>	
Debt margin	2,4 %	Prof. Damodaran, Shipbuilding & Marine
Cost of debt (pre-tax)	2,7 %	Debt margin + RfR
Tax rate	20,0 %	Tax rate
<b>Cost of debt (post-tax)</b>	<b>2,1 %</b>	
Leverage (Debt / Equity)	88,7 %	Peer group median, S&P Capital IQ
Leverage (Debt / Debt + Equity)	47,0 %	
<b>EY WACC (post-tax)</b>	<b>4,8 %</b>	

Source: S&P Capital IQ, Damodaran, EY analysis

### Valuation methodology and assumptions

<sup>16</sup> Professor Aswath Damodaran's research is broadly quoted on the subject of valuation and his data and research are broadly used as a benchmark across different types of valuation projects. He has written several well-known books on the subject and his research articles have been published in well-known academic journals across topics such as valuation, corporate finance and investment management.

In the previous section we described how we have arrived at an estimate of a suitable discount rate by applying the WACC method. Next, we describe how we have calculated the present value of the foregone profit. Following the consortium's methodology, we have applied a commonly used discounted cash flow (DCF) methodology to determine the present value of the foregone profit from the project. Under this methodology, we have built a monthly model covering the fifteen-year project period. The revenue is based on the contractual amount and indexed through the project period at a rate of 1 percent, following the consortium's original calculations. "Servicenivårisk" and "Dockning" costs are based on the materials received from the consortium<sup>17</sup>. These costs also follow the indexation of 1 percent as per the consortium's calculations.

In addition to the discount rate, an estimate on a proper EBT margin is needed. We have assumed that the 5-year average of the median and upper quartile of the peer group of similar firms would fairly represent the EBT margin that can be expected from the project. We note that the consortium did not provide a comprehensive justification for their forecasted EBT margin and that the consortium's EBT forecast shows significant variation throughout the fifteen-year forecasting period.

Under the DCF methodology, the appropriate discount rate needs to account for the characteristics of the cash flows being discounted. As the consortium did not calculate the tax paid, they inherently assume that their discount rate of 1 percent is pre-tax.<sup>18</sup> As we have estimated a post-tax WACC, we have also included the taxes paid to the cash flows of the project.

As such details were not provided to us during this investigation, we have assumed that there would not be any capital expenditure (capex) during the lifetime of the project. Our calculations assume that capex and depreciation remain equal throughout the forecasting period, hence giving a zero impact on the cash flow.

Moreover, we have assumed that the net working capital (NWC) would remain the same for the lifetime of the project, which implies that the change in NWC from month-to-month is zero and would not affect the cash flows. We do not have sufficient information to estimate the effect this change in NWC would have on the cash flow. However, a growing company typically has higher cash pressure, which would have a negative impact on the cash flows.

Finally, we would typically start our cash flow derivation at EBIT -level (Earnings Before Interest and Tax). We would then calculate the theoretical tax based on EBIT and the statutory corporate income tax rate, add back the depreciation and amortization, and subtract the capex and change in NWC to estimate the free cash flow to the firm, which we would then discount applying the WACC as the discount rate. Since EY did not have access to the consortium's exact calculation during this investigation<sup>19</sup>, we have had to make the aforementioned assumptions.

The choice of key parameters (discount rate, EBT) affects the conclusions on the final estimate of the foregone profit. Our objective is to assess the present value of foregone profit under different scenarios and assumptions and base our estimate of loss on the assumptions that are, to our understanding, most reasonable and justifiable. We have calculated the present value of foregone profit in the following scenarios:

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<sup>17</sup> In order to arrive at the same annual estimates that correspond the consortium's calculations (which were made on a monthly basis, but to which we have no access), we have assumed that these costs occurred evenly through the year.

<sup>18</sup> If taxes are included in the calculation, the effective discount rate used by the consortium is actually lower since accounting for taxes would have a negative effect on the cash flows of the project. The pre- and post-tax calculation should not have any effect on the inherent value of the foregone profits. As a result, we need to match the derived cash flows and the discount rate used.

<sup>19</sup> We also note that we did not receive the exact Excel calculations from the consortium, thus we could not verify its correctness.

- ▶ **Scenario 1: The consortium's existing assumptions/calculations:** we report the consortium's original estimate for foregone profit for comparison.
- ▶ **Scenario 2: Discount rate - WACC:** applying Weighted Average Cost of Capital as the discount rate, keeping all other factors constant and equal to what has been assumed in the consortium's original calculations<sup>20</sup>.
- ▶ **Scenario 3: EBT - Peer group - Upper quartile:** applying an Earnings Before Tax (EBT) -percentage that is based on the five-year average of the upper quartile of the EBT of the peer group of similar firms, keeping all other factors constant.
- ▶ **Scenario 4: EBT - Peer group - Median:** applying an Earnings Before Tax (EBT) -percentage that is based on the five-year average of the median of the EBT of the peer group of similar firms, keeping all other factors constant.
- ▶ **Scenario 5: Discount rate - WACC & EBT - Peer group - Upper quartile:** applying WACC as the discount rate, as well as EBT -percentage that is based on the five-year average of the upper quartile of the EBT of the peer group of similar firms, keeping all other factors constant.
- ▶ **Scenario 6: Discount rate - WACC & EBT - Peer group - Median:** applying WACC as the discount rate, as well as an EBT -percentage that is based on the five-year average of the median of the EBT of the peer group of similar firms, keeping all other factors constant.

We will present and discuss the results in chapter 3.3 of this report.

***Step 3: Deducting profits incurred from alternative action over the relevant time period (present value terms)***

The third step of our analysis involves estimating the profit associated with the alternative activity that the consortium could have discovered to replace operating the Svinö-Mellanholm -route. It is reasonable to assume that it takes some time to adjust to the termination of the contract and to reorganise the resources for alternative use.

To evaluate alternative profit that the consortium could have obtained, the key factors are:

- ▶ *The adjustment period:* an estimate of how much time the consortium would reasonably need to find activity to replace operating the Svinö-Mellanholm -route and to mobilise their resources accordingly.
- ▶ *The scope and size of the potential alternative activity:* an assessment of likelihood of finding an alternative use for the resources intended for the Svinö-Mellanholm -route. This requires assessing whether the consortium could replace all or some share of the activity planned for the Svinö-Mellanholm -route.

The underlying assumption behind the consortium's damage calculations is that without the termination of the contract, the consortium would have continued to operate ferry traffic between Svinö and Mellanholm throughout the contract period as detailed in the contract. An additional implicit assumption behind the consortium's calculations is that, due to the termination, the consortium could not have found an alternative market or use for any of the resources that would have been used to operate the Svinö-Mellanholm -route. If, as is reasonable to assume, the consortium would use the resources for operating alternative routes, the awarded damage would actually leave the consortium better-off compared to the scenario where the contract would not have been terminated. In this case the consortium would receive both compensation for the wasted expenditure and foregone profit, as well as the profit from operating the routes replacing Svinö-Mellanholm.

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<sup>20</sup> All other assumptions made by the consortium have not been changes from the original calculations, hence the only change between scenario 1 and 2 is caused by the change in the discount rate.

Our approach in evaluating the profit from alternative activity considers the fact that the consortium had more than two years<sup>21</sup> even before the start of the contract period to find alternative use for the resources required for operating the Svinö-Mellanholm route and to mitigate the potential loss. Furthermore, considering that the contract was meant to run for 15 years starting in 2022, the consortium would have been able to discover ongoing opportunities to deploy the resources intended for fulfilling the contract during the contract period. We find for instance, that in June 2021, FinFerries has already announced that they will start operating ferry traffic on two new routes starting in May 2022, surrounding Nauvo<sup>22</sup> and Houtskari-Iniö<sup>23</sup>. This demonstrates at the very least that FinFerries has the potential for discovering alternative ferry routes to operate.

To evaluate the plausibility that the consortium could recover lost profit by operating alternative routes, we first assess the resources required to operate a typical ferry route with a similar ferry that was planned for the Svinö-Mellanholm -route. The purpose is to assess to what extent the resources reserved for operating Svinö-Mellanholm -route are transferrable and can be used in FinFerries' other routes. To determine the extent to which the activity detailed in the contract could be replaced by operating alternative routes, we compare the characteristics of the Svinö-Mellanholm -route to other routes operated by FinFerries.

Assessing the resources and costs required to operate the planned Svinö-Mellanholm -route also serves another purpose: it allows us to assess whether the costs associated with operating the route are avoidable so that after terminating the Svinö-Mellanholm -contract, the consortium would not need to cover the costs. If the costs were not avoidable but fixed over a certain time period, they would need to be compensated for, considering that the consortium would incur costs for a certain time period even after the contract was terminated. To our understanding, the consortium has not suggested that there would be other costs than the wasted expenditure that needed to be compensated for. This is logical also from the perspective that the contract was terminated over two years before the planned start date.

#### *Resources required to operate ferry traffic between Svinö and Mellanholm:*

In this section, we investigate the typical resources required for operating ferry traffic with a similar vessel as the hybrid vessel described in the contract. Furthermore, we evaluate how much of each resource is required to operate a single vessel for one day and whether we could assume that most or some of these resources are transferrable and could be used across other parts of FinFerries' operations.

Table 3 shows the typical resource categories that are required to operate one RoPax vessel<sup>24</sup> per day, based on a reference vessel that is of the same length and draught as the hybrid vessel detailed in the contract. Following the consortium's example<sup>25</sup>, we have used FinFerries' Elektra- vessel as a close alternative to the new hybrid vessel<sup>26</sup>, to approximate the draught of the hybrid ship (approximately 4,0m). We obtained the length of the ship (100,5m) on FinFerries' website<sup>27</sup>. We

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<sup>21</sup> Between the time of the termination of the contract (21.1.2020) and the start date of the contract (1.4.2022).

<sup>22</sup> <https://www.finferries.fi/ajankohtaista/lehdistotiedotteet/yhteysalusreitti-nauvon-etelainen-ja-poikittainen-1.5.2022-lahtien.html>

<sup>23</sup> <https://www.finferries.fi/ajankohtaista/lehdistotiedotteet/yhteysalusreitti-houtskari-inio-1.5.2022-lahtien.html>

<sup>24</sup> A RoPax vessel refers to a vessel that is intended for the transportation of passengers and vehicles, generally focusing on smaller routes compared to larger cruise vessels.

<sup>25</sup> As indicated on slide 11 of the presentation shared by FinFerries ("Konsortiet Ansgar - Finlands Färjetrafik - Avtalet Svinö-Mellanholm 2022-2037 - Presentation av kravet på grund av uppsägningen").

<sup>26</sup> Elektra is said to be 97,9m in length based on FinFerries' website and 3,5m in draught.

<sup>27</sup> <https://www.finferries.fi/ajankohtaista/lehdistotiedotteet/finferries-tilaa-uuden-ymparistoystavallisen-hybridilautan.html>

used these metrics to obtain cost estimates for operating a vessel that is as close as possible to the hybrid ferry detailed in the contract. Table 3 presents the resource categories and costs per category based on calculations published by Väylävirasto in 2020<sup>28</sup>. These estimates are based on costs of running a RoPax -vessel that is 87,1m in length and 4,0m in draught.

Table 3): Typical resource required to operate a RoPax -vessel<sup>29</sup> - by category<sup>30</sup>

Cost category	Cost of operating a single vessel/ day	%-of total costs
Capital costs: calculated based on the purchase price, holding times and residual value of a new vessel, including depreciation, interest and capital payments. This category may also include costs associated with accessing dock and terminal facilities	15 542 €	37,9 %
Maintenance and repairs	8 051 €	19,6 %
Fuel costs / per day at sea	7 067 €	17,2 %
Fuel costs / per day on-shore	707 €	1,7 %
Crew: direct and indirect costs related to manning a ship, including salaries/wages, social security payments and pensions	5 300 €	12,9 %
Insurance: including Protection & Indemnity insurance and Hull & Machinery insurance	2 516 €	6,1 %
General costs	2 513 €	6,1 %
<b>Total per day (at sea)</b>	<b>40 988 €</b>	<b>100,0 %</b>

The most significant cost groups are *capital costs*, costs related to *maintenance and repair*, *fuel costs* and *crew (personnel) costs*. In addition, there are insurance and general costs related to operating a vessel. The consortium has not suggested that the costs related to operating a vessel would not be avoidable in the sense that the consortium would incur these costs after the contract was terminated. Costs that are sunk, and that were used specifically to prepare for the Svinö-Mellanholm-route (wasted expenditure) are assessed separately in the calculation of loss. Judging on the cost categories, we can assume that the costs are largely avoidable and transferrable to other routes following a suitable adjustment period to make up for the activity detailed in the contract. With two years between the termination and the planned start of the contract, we can assume that these resources could be used in FinFerries' other operations. Therefore, based on our judgment, the consortium could have avoided these costs altogether or found an alternative market for their use following an adjustment period. However, it is possible that the consortium could not find an exactly matching (equally profitable) route to operate to make up for the lost profit detailed in the contract. In what follows, we assess to what extent operating the Svinö-Mellanholm route could be

<sup>28</sup> Väylävirasto: Karvonen, Tapio; Jousilahti, Jukka-Pekka (2020): Alusliikenteen yksikkökustannukset 2018. [https://www.utu.fi/sites/default/files/media/MKK/Raportit/Alusliikenteen\\_yksikk%C3%B6kustannukset\\_2018\\_49\\_2020.pdf](https://www.utu.fi/sites/default/files/media/MKK/Raportit/Alusliikenteen_yksikk%C3%B6kustannukset_2018_49_2020.pdf)

<sup>29</sup> A RoPax vessel refers to a vessel that is intended for the transportation of passengers and vehicles, generally focusing on smaller routes compared to larger cruise vessels.

<sup>30</sup> Väylävirasto: Karvonen, Tapio; Jousilahti, Jukka-Pekka (2020): Alusliikenteen yksikkökustannukset 2018. [https://www.utu.fi/sites/default/files/media/MKK/Raportit/Alusliikenteen\\_yksikk%C3%B6kustannukset\\_2018\\_49\\_2020.pdf](https://www.utu.fi/sites/default/files/media/MKK/Raportit/Alusliikenteen_yksikk%C3%B6kustannukset_2018_49_2020.pdf)

replaced by finding new alternative routes instead - either before the start date of the contract or during its fifteen-year duration.

*Comparison of the Svinö-Mellanholm route to other routes operated by FinFerries:*

Based on our judgment, the resources required to operate the Svinö-Mellanholm -route are avoidable, as the consortium would not need to cover these costs should there be no contract. Furthermore, following an adjustment period, we assess that these resources could be used in operating alternative routes. However, we have also considered the fact that operating one ferry route cannot necessarily be directly compared to operating another, based on the amount and type of resources required to operate a particular route.

In this section, our objective is to determine whether one additional route operated by FinFerries could replace the operating ferry traffic between Svinö and Mellanholm. We have evaluated the relative length and need for resources of the Svinö-Mellanholm route against a typical route operated by FinFerries. In Table 4, we show the variation in the length of the journey of all the routes currently operated by FinFerries<sup>31</sup>, which have then been compared to the length of the Svinö-Mellanholm route<sup>32</sup>.

Table 4): Route length and vessel type on routes currently operated by FinFerries<sup>33</sup>

Name of route	Length of journey (m)
Svinö-Mellanholm	6 275
Alassalmi	733
Barösund	285
Bergö	1 166
Hailuoto	6 894
Hämmärönsalmi	305
Högsåra	1 600
Keistiö	1 600
Kokkila	615
Korppoo-Houtskari	9 500
Korppoo-Norrskata	3 900
Nauvo-Korppoo	792
Palva	1 000
Parainen-Nauvo	1 664
Pellinki	277
Puutossalmi	482
Skåldö	459

<sup>31</sup> This data is based on publicly available information on FinFerries' website during the preparation of this report (September 2021). Only those routes have been included where information is available on the length of the vessel used to operate the route and the schedule of journeys per day, in order to consider the comparability of different routes.

<sup>32</sup> As suggested by Appendix 1b of the contract between the consortium and ÅLR ("UF Bilaga 1b Svinö-Mellanholm farled.JPG"), the length of the Svinö - Mellanholm route is 6 275m.

<sup>33</sup> Where detailed information for the schedule, vessel type and journey length is available in detail on FinFerries' website: <https://www.finferries.fi/en/ferry-traffic/ferries-and-schedules.html>

Vartsala	952
Velkuanmaa	940
Våno	277
<b>Average length of other routes</b>	<b>1 760</b>
<b>Average length / length of Svinö-Mellanholm</b>	<b>28,0 %</b>

We have used the length of the journey as a proxy for how much of the consortium's resources would be required to operate one additional route on average. After comparing the average length of journeys operated by FinFerries to the length of the Svinö-Mellanholm route, we find that the planned Svinö-Mellanholm route would have been longer in distance and likely to require more resources compared to the average route operated by FinFerries. Operating one additional route would, on average, replace approximately 28,0% of the activity of operating the Svinö-Mellanholm route, whereas two additional routes would replace approximately 56,1%. Therefore, if the consortium would find one additional route to replace the activity detailed in the contract, the profit associated to this alternative activity would be deducted from the annual estimate for foregone profit after the adjustment period. The consortium would receive 72,0% of the of the payments of foregone profit for the remaining years. Similarly, if the consortium would find two alternative routes, the consortium would receive 43,9% of the payments.

We have evaluated the following scenarios to determine how much of the foregone profit would be offset by finding alternative routes to operate.

- ▶ **Scenario 7:** Estimating how much *the consortium's original damages reward* would change, after accounting for alternative activity that would be equivalent to 100% of the activity suggested by the contract, calculated applying adjustment periods between 1-5 years. The consortium would no longer receive compensation for foregone profit following the adjustment period.
- ▶ **Scenario 8:** Estimating how much *the consortium's original damages reward* would change, after accounting for alternative activity (2 routes) that would be equivalent to 56,1% of the activity suggested by the contract, calculated applying adjustment periods between 1-5 years. Hence the consortium would receive 43,9% of the compensation for foregone profit following the adjustment period.
- ▶ **Scenario 9:** Estimating how much *the consortium's original damages reward* would change, after accounting for alternative activity (1 route) that would be equivalent to 28,0% of the activity suggested by the contract, calculated applying adjustment periods between 1-5 years. Hence the consortium would receive 72,0% of the compensation for foregone profit following the adjustment period.
- ▶ **Scenario 10:** Estimating how much *EY's recommended estimate of damage* would change, after accounting for alternative activity that would be equivalent to 100% of the activity suggested by the contract, calculated applying adjustment periods between 1-5 years. Hence the consortium would no longer receive compensation for foregone profit following the adjustment period.
- ▶ **Scenario 11:** Estimating how much *EY's recommended estimate of damage* would change, after accounting for alternative activity (2 routes) that would be equivalent to 56,1% of the activity suggested by the contract, calculated applying adjustment periods between 1-5 years. Hence the consortium would receive 43,9% of the compensation for foregone profit following the adjustment period.
- ▶ **Scenario 12:** Estimating how much *EY's recommended damages reward* would change, after accounting for alternative activity (1 route) that would be equivalent to 28,0% of the activity suggested by the contract, calculated applying adjustment periods between 1-5 years. Hence the consortium would receive 72,0% of the compensation for foregone profit following the adjustment period.

### 3.3 Results - EY's estimation of economic loss

In this section, we describe the results from EY's own estimation of economic loss. In Step 1, we have evaluated foregone profit under different assumptions, and in Step 2, we have produced estimates of loss accounting for profit from alternative activity.

#### 3.3.1 Step 1: EY estimation of foregone profit under different assumptions

In the following, we have taken the consortium's original calculations and compared them to our own estimates, where we have applied theory-based assumptions for the discount rate and the EBT - percentage, as described in section 3.2. We first present the results where we apply economic and financial theory in estimating the foregone profit and compare this baseline profit to the calculations presented by the consortium. We present our results using different assumptions concerning the discount rate and EBT. The results that account for the profit incurred from alternative activity are presented in section 3.3.2.

In Table 5, we show the variation in the present value of foregone profit across the following scenarios:

- ▶ Scenario 1: Consortium's existing assumptions/calculations (for comparison)
- ▶ Scenario 2: Discount rate - WACC (4,8%)
- ▶ Scenario 3: EBT - Peer group - Upper quartile (13,9%)
- ▶ Scenario 4: EBT - Peer group - Median (3,7%)
- ▶ Scenario 5: Discount rate - WACC (4,8%) & EBT - Peer group - Upper quartile (13,9%)
- ▶ Scenario 6: Discount rate - WACC (4,8%) & EBT - Peer group - Median (3,7%)

Table 5): Results from EY's scenarios for foregone profit

Discount rate and EBT scenarios for evaluating foregone profit (EUR) - Theory-based assumptions						
Scenarios	Estimates for foregone profit (EUR)					
Scenario 1: Consortium's existing calculations	10 026 369 <sup>34</sup>					
Scenario 2: Discount rate - WACC (4,8%)	5 656 429					
Scenario 3: EBT - Peer group - Upper quartile (13,9%)		9 203 375				
Scenario 4: EBT - Peer group - Median (3,7%)				2 449 819		
Scenario 5: Discount rate - WACC (4,8%) & EBT - Peer group - Upper quartile (13,9%)					5 213 718	
Scenario 6: Discount rate - WACC (4,8%) & EBT - Peer group - Median (3,7%)						1 387 824

Our results as on Table 5 show that by applying our theory-based discount rate of 4,8% in scenario 1, the estimate for foregone profit falls to 5 656 429 €. Furthermore, by applying our EBT-

<sup>34</sup> This is our estimate based on our calculations that replicate the consortium's methodology, as we did not receive the exact calculations from the consortium and only had access to the PDF-document showing their calculations. The difference between our figure and the consortium's original estimate of 10 027 591€ is only 0,01%.

percentages based on a peer-group of firms operating in similar sectors as FinFerries in scenario 2, we find that the estimate for foregone profit falls to 9 203 375 euros if we apply the five-year average of the upper quartile, and to 2 449 819 euros if we apply the five-year average of the median. Furthermore, by applying both the WACC-based discount rate and the peer group EBT using the upper quartile or the median, we arrive at 5 213 718 euros and 1 387 824 euros respectively. Our recommended starting point for evaluating total damages incurred accounting for alternative activity is to apply the Weighted Average Cost of Capital as the discount rate and an Earnings Before Tax -percentage based on the peer group upper quartile, yielding 5 213 718 euros as the recommended estimate for foregone profit, as highlighted on Table 5.

### 3.3.2 Step 2: EY estimation of loss accounting for profit from alternative activity

In this section, we take the consortium's original estimate for foregone profit and our recommended estimate for foregone profit based on a discount rate of 4,8% and a peer group-based EBT of 13,9% (upper quartile), and account for the alternative activity that the consortium could have discovered before the start of the contract and during its duration. Specifically, we evaluate foregone profit in the scenarios detailed in section 3.2. We calculate the foregone profit based on scenarios whereby the consortium would be able to replace all the activity of running the Svinö-Mellanholm route, as well as scenarios where they find 1 and 2 routes that replace some of the activity (and receive 72,0% and 43,9% respectively of the annual estimate for foregone profit following the adjustment period). Furthermore, we have calculated foregone profit for a range of adjustment periods, namely for years between 1-5 from the start of the contract<sup>35</sup>. The results of our analysis can be found in Appendix D. The Appendix presents our estimates of total foregone profit after accounting for activity that could have replaced operating the Svinö-Mellanholm -route. In Appendix D, we report results based on the consortium's original estimate (10 026 369 euros<sup>36</sup>), as well as our recommended estimate for foregone profit (5 213 718 euros) for comparison and transparency.

Our recommended approach would be to apply the Weighted Average Cost of Capital as the discount rate and an Earnings Before Tax -percentage based on the peer-group upper quartile. Furthermore, due to FinFerries' strong market position<sup>37</sup>, we have no reason to doubt that the company would be able to find new alternative routes following a sufficient adjustment period. This is supported by the fact that there was a two-year period between the termination of the contract and the planned start of the activity. In addition, we have evaluated FinFerries' historical performance in terms of the frequency of discovering new ferry routes. We find that FinFerries have, on average, found approximately two significant new routes every 3-4 years<sup>38</sup>. Accounting for the two years between contract termination and the start date of the contract, it is reasonable to assume that the consortium could find at least two alternative routes by the end of an adjustment period of two

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<sup>35</sup> Which would give the consortium between 1-5 years to find alternative activity to the Svinö-Mellanholm route, in addition to the two years between the termination of the contract and the start of the contract.

<sup>36</sup> The 0,01% difference between our calculations that replicate the consortium's methodology and the consortium's estimates is likely to be due to rounding error (as we only have access to calculations that are given in '000s) and the fact that we did not have access to the consortium's exact calculations and had to recreate their calculations solely based on the PDF-document showing their estimates.

<sup>37</sup> For instance, as per the statement made in the following article in Turun Sanomat:  
<https://www.ts.fi/puheenvuorot/269743/Kilpailuttaminen+vaikea+laji>

<sup>38</sup> In addition to the contract in question (one new route discovered in 2019), the following articles show that FinFerries has also discovered new routes in 2011, 2013 and 2021:  
Four new routes discovered in 2011: <https://yle.fi/uutiset/3-5313233>  
One new route discovered in 2013: <https://www.finferries.fi/ajankohtaista/lehdistotiedotteet/yhteysalusreitti-kotka-pyhtaa-1.1.2014-lahtien.html?p359=7>  
Two new routes discovered in 2021:  
<https://www.finferries.fi/ajankohtaista/lehdistotiedotteet/yhteysalusreitti-nauvon-etelainen-ja-poikittainen-1.5.2022-lahtien.html>  
<https://www.finferries.fi/ajankohtaista/lehdistotiedotteet/yhteysalusreitti-houtskari-inio-1.5.2022-lahtien.html>

years. Therefore, EY's recommended estimate for the present value of total foregone profit is based on two-year adjustment period is 2 781 427 euros.

Table 6 below shows our recommended total estimate for damages, based on the sum of our recommended estimate for foregone profit and the estimated wasted internal and external expenditure as per the consortium's calculations. The total reward including the present value of foregone profit and wasted expenditure equals 3 300 802 euros. For comparison, taking the two-year adjustment period as given, the range of total estimated damage is between 1 397 248 euros and 4 516 948 euros, depending on the share of profit the consortium is expected to replace with operating alternative routes.

Table 6): Total damages based on EY's calculations

	<b>Foregone profit</b>	<b>Wasted expenditure</b> (based on consortium's calculations)	<b>Estimate of total damage</b>
Foregone profit from EY's calculations - 2-year adjustment period	2 781 427 €	519 375 €	3 300 802 €

## 4. Conclusions and recommendations

In this report, we have evaluated the consortium's original damages calculations and followed the well-established methodology of estimating economic damage, in order to produce our own estimates for economic loss. In the first step of our analysis, we have estimated the present value of foregone profit under different assumptions and arrived at our recommended set of assumptions that are theoretically sound. In the second step, we proceeded to produce an estimate for foregone profit that accounts for profit from alternative activity. This estimate captures the fact that the termination of the contract frees the consortium's resources for other use and that they would be able to successfully bid and operate other routes over the fifteen-year contract period, following a suitable adjustment period. To this estimate for foregone profit, we have added the consortium's original estimate of wasted expenditure, which brings us to our recommended estimate of total economic loss of 3 300 802 euros.

Our recommended estimate is based on the assumption that the consortium would have a two-year adjustment period to find new routes and that the consortium can replace approximately half of the profit that the Svinö-Mellanholm -route would have provided. This is, to our understanding, a rather generous estimate from the consortium's perspective. For comparison, if we were to assume that the consortium could fully replace the Svinö-Mellanholm route with revenues from alternative routes following the two-year adjustment period, the estimate of total economic loss would be 1 397 248 euros.

## Appendix

### Appendix A - Peer group data

In our selection of the peer group, we have considered mainly the business operations of the peers and their geographical location. We note that the operations of the companies presented might differ slightly from the operations of the consortium. However, these companies should be subject to the same market drivers as the consortium and the number of peers has been increased in order to mitigate the effect of potential outliers.

<i>Currency: EURm</i>	Peer group data						
Guideline companies	Equity beta	Market equity	Net debt	Net debt/mkt equity	Tax rate	Asset beta	R-squared
Losinjska Plovidba Holding d.d.	0,25	12	(0)	(3,0%)	18,0 %	-	0,00
Anonimi Naftiliaki Etaria Kritis S.A.	0,80	23	258	1123,6 %	24,0 %	0,08	0,06
DFDS A/S	0,85	2 510	1 605	64,0 %	22,0 %	0,57	0,15
Irish Continental Group plc	0,38	908	129	14,2 %	12,5 %	-	0,02
AS Tallink Grupp	1,70	654	539	82,4 %	20,0 %	1,02	0,46
Attica Holdings S.A.	0,32	282	305	108,5 %	24,0 %	0,17	0,05
Salamis Tours (Holdings) Public Limited	0,40	30	(20)	(67,5%)	12,5 %	-	0,03
Viking Line Abp	0,17	205	66	32,2 %	20,0 %	-	0,02
Hapag-Lloyd Aktiengesellschaft	0,93	13 460	5 886	43,7 %	30,0 %	0,71	0,08
Star Bulk Carriers Corp.	1,51	953	1 251	131,2 %	24,0 %	0,75	0,22
Safe Bulkers, Inc.	1,50	167	422	253,7 %	33,0 %	0,56	0,17
Diana Shipping Inc.	0,70	232	314	135,2 %	24,0 %	0,35	0,09
Belships ASA	0,08	156	148	94,9 %	22,0 %	-	0,00
Eneti Inc.	1,19	374	619	165,6 %	33,0 %	0,57	0,13
Euroseas Ltd.	0,40	26	76	291,0 %	24,0 %	-	0,01
Capital Product Partners L.P.	0,82	216	172	79,5 %	24,0 %	0,51	0,12
<b>Median</b>	<b>0,75</b>	<b>257</b>	<b>310</b>	<b>88,7 %</b>	<b>24,0 %</b>	<b>0,56</b>	<b>0,07</b>

Source: S&P Capital IQ, EY Analysis

### Appendix B - Peer group descriptions

In our selection of the peer group, we have considered mainly the business operations of the peers and their geographical location. We note that the operations of the companies presented might differ slightly from the operations of the consortium. However, these companies should be subject to the same market drivers as the consortium and the number of peers has been increased in order to mitigate the effect of potential outliers.

Peer group - Detailed descriptions

Company name	Business description
Losinjska Plovidba Holding d.d.	Losinjska Plovidba Holding d.d. engages in maritime transport, shipbuilding, and tourism activities. It offers transport of freight and passengers, and marina yachting services; and repairs ships. The company is also involved in the operation of shipyard, camps, restaurants, and agencies. Losinjska Plovidba Holding d.d. was founded in 1958 and is based in Mali Lošinj, Croatia.
Anonimi Naftiliaki Etareia Kritis S.A.	Anonimi Naftiliaki Etareia Kritis S.A. operates in the passenger shipping sector. It also transports cargo. The company owns and charters vessels in routes of Adriatic Sea, Crete, Dodecanese, and Cyclades. It provides transportation services to approximately 497 thousand passengers. The company also offers tourism and consulting services. Anonimi Naftiliaki Etareia Kritis S.A. was incorporated in 1967 and is based in Chania, Greece.
DFDS A/S	DFDS A/S provides logistics solutions in Denmark and internationally. The company operates through Ferry and Logistics divisions. The Ferry division operates ferry routes in and around Europe transporting freight units, primarily trailers and passengers, as well as offers port terminal services. This division provides ferry services primarily to forwarders and hauliers, as well as manufacturers of heavy industrial goods, such as automotive, forest and paper products, metals, and chemicals; and operates passenger ships for passengers with own cars, mini cruises, business conferences, and tour operators. The Logistics division provides transport solutions for full- and part loads; contract logistics solutions, including warehousing; and side port and container ships. This division serves manufacturers of industrial goods and consumables, as well as retailers. The company operates 36 freight ferries, 16 freight and passenger ferries, 4 cruise ferries, and 14 container and side port ships. DFDS A/S was founded in 1866 and is headquartered in Copenhagen, Denmark.
Irish Continental Group plc	Irish Continental Group plc operates as a shipping, transport, and leisure company. It operates in two segments, Ferries, and Container and Terminal. The Ferries segment engages in the provision of passenger and roll on roll off freight shipping, and container lift on lift off freight services on routes between Ireland, the United Kingdom, and Continental Europe. The Container and Terminal segment provides door-to-door and feeder lift on lift off freight services, stevedoring, and other related terminal services in the ports of Dublin and Belfast. The company also provides ship chartering, shipping and forwarding agency, ship leasing, and administration services. Irish Continental Group plc was founded in 1972 and is based in Dublin, Ireland.
AS Tallink Grupp	AS Tallink Grupp, together with its subsidiaries, provides marine passenger and cargo transportation services in the Baltic Sea. The company operates through Estonia-Finland Routes, Estonia-Sweden Routes, Latvia-Sweden Route, Finland-Sweden Routes, and Other segments. It offers mini-cruise and passenger transportation, and ro-ro cargo services, as well as travel packages. The company provides its services on various routes under the Tallink and Silja Line brands. AS Tallink Grupp operates a fleet of 15 vessels that include cruise ferries, high-speed ro-pax ferries, and ro-ro cargo vessels. The company also operates three hotels in Tallinn and one hotel in Riga. In addition, the company sells beauty products; and offers stevedoring, vehicles leasing, catering, technical ship management and crewing, and process agent services, as well as provides entertainment on ships. AS Tallink Grupp was founded in 1989 and is based in Tallinn, the Republic of Estonia.
Attica Holdings S.A.	Attica Holdings S.A., through its subsidiaries, provides passenger shipping and travel agency services in Greece and internationally. The company's vessels offer transportation services to passengers, private vehicles, and freight. It owns and operates 30 vessels, 20 Ro-Pax ferries, 9 high-speed vessels, and 1 Ro-Ro vessel under the Superfast Ferries, Blue Star Ferries, and Hellenic Seaways brands. The company was founded in 1918 and is headquartered in Kallithea, Greece. Attica Holdings S.A. is a subsidiary of MIG Shipping S.A.
Salamis Tours (Holdings) Public Limited	Salamis Tours (Holdings) Public Limited operates in the travel, tourism, cruise, shipping, and transport sectors. It offers cruises and related services; travelling services; logistics; and shipping and transport services in Greece and Cyprus, and ship management services. The company was founded in 1959 and is based in Limassol, Cyprus. Salamis Tours (Holdings) Public Limited is a subsidiary of E.V.H. Investments Limited.
Viking Line Abp	Viking Line Abp, together with its subsidiaries, provides passenger and cargo carrier services. The company offers its services using seven vessels in the northern Baltic Sea and in the Gulf of Finland. Viking Line Abp was founded in 1959 and is headquartered in Mariehamn, Finland.

<p>Hapag-Lloyd Aktiengesellschaft</p>	<p>Hapag-Lloyd Aktiengesellschaft, together with its subsidiaries, operates as a liner shipping company worldwide. Its vessel and container fleets are used for the transportation of general and special cargo, various dangerous goods, and coffee, as well as reefer cargo covering pharmaceuticals. The company also offers bilateral EDI, a directly connected electronic data interchange; operates an e-commerce portal that provides real-time access to transport data, as well as services to manage customer's supply chain data and connect to their carriers through one interface, and mobile app that allows to manage shipping process; and provides e-mail, security information and verified gross mass services. In addition, it provides container transportation services. As of June 10, 2021, the company fleet comprised 241 container ships with a total capacity of 1.7 million twenty-foot equivalent unit (TEU); and a container capacity of approximately 2.8 million TEU. Hapag-Lloyd Aktiengesellschaft was founded in 1847 and is headquartered in Hamburg, Germany.</p>
<p>Star Bulk Carriers Corp.</p>	<p>Star Bulk Carriers Corp., a shipping company, engages in the ocean transportation of dry bulk cargoes worldwide. The company's vessels transport a range of major bulks, including iron ores, coal, and grains, as well as minor bulks, such as bauxite, fertilizers, and steel products. As of March 16, 2021, it had a fleet of 128 vessels with an aggregate capacity of approximately 14.1 million deadweight tons, including 17 Newcastlemax, 22 Capesize, 2 Mini Capesize, 7 Post Panamax, 41 Kamsarmax, 2 Panamax, 20 Ultramax, and 17 Supramax vessels. The company also provides vessel management services. Star Bulk Carriers Corp. was incorporated in 2006 and is based in Maroussi, Greece.</p>
<p>Costamare Inc.</p>	<p>Costamare Inc. owns and charters containerships to liner companies worldwide. As of June 14, 2021, it had a fleet of 81 containerships with a total capacity of approximately 581,000 twenty foot equivalent units and 16 dry bulk vessels with a total capacity of approximately 932,000 DWT. The company was founded in 1974 and is based in Monaco.</p>
<p>Wilh. Wilhelmsen Holding ASA</p>	<p>Wilh. Wilhelmsen Holding ASA provides maritime products and services in Europe, the Americas, Asia, Africa, and Oceania. It operates in Maritime Services and Supply Services segments. The Maritime Services segment offers marine products, ship agency services, and logistics to the merchant fleet, as well as ship management services, including manning for various vessel types. The Supply Services segment engages in the operation of supply bases for the offshore industry; development and operation of real estate properties on and off the supply bases; and maintenance of rigs and handling of logistics related to international pipeline projects and windmill parks. The company's marine products include Unitor chemicals and equipment to clean vessels; Unitor fuel treatment chemicals; Unitor oil spill kits and other damage control solutions; Unitor cylinders; Timm ropes; Unitor equipment for the maintenance and performance vessels; and Nalfleet water treatment products to treat and protect on board systems, as well as Unicool refrigerants. It also provides marine and non-marine insurance services; and maritime training solutions. The company was founded in 1861 and is headquartered in Lysaker, Norway. Wilh. Wilhelmsen Holding ASA is a subsidiary of Tallyman AS.</p>
<p>Safe Bulkers, Inc.</p>	<p>Safe Bulkers, Inc. provides marine drybulk transportation services. It owns and operates drybulk vessels for transporting bulk cargoes primarily coal, grain, and iron ore. As of March 15, 2021, the company had a fleet of 43 drybulk vessels having an average age of 10.3 years; and an aggregate carrying capacity of 3,937,000 deadweight tons. Its fleet consisted of 15 Panamax class vessels, 10 Kamsarmax class vessels, 14 post- Panamax class vessels, and four Capesize class vessels. The company was incorporated in 2007 and is based in Monaco.</p>
<p>Diana Shipping Inc.</p>	<p>Diana Shipping Inc. provides shipping transportation services. The company transports a range of dry bulk cargoes, including commodities, such as iron ore, coal, grain, and other materials in shipping routes worldwide. As of March 11, 2021, it operated a fleet of 37 dry bulk vessels, including 4 Newcastlemax, 12 Capesize, 5 Post-Panamax, 5 Kamsarmax, and 11 Panamax), as well as one Panamax dry bulk vessel. The company was formerly known as Diana Shipping Investments Corp. and changed its name to Diana Shipping Inc. in February 2005. Diana Shipping Inc. was incorporated in 1999 and is based in Athens, Greece.</p>
<p>Belships ASA</p>	<p>Belships ASA owns and operates dry bulk ships worldwide. It operates through Dry Bulk and Technical Management segments. The company operates a fleet of 23 ships. It also provides commercial management and ship management services. The company was founded in 1918 and is headquartered in Oslo, Norway.</p>
<p>Eneti Inc.</p>	<p>Eneti Inc. engages in the marine-based renewable energy business. It owns and operates five wind turbine installation vessels serving the offshore wind industry. The company was formerly known as Scorpio Bulkers Inc. and changed its name to Eneti Inc. in February 2021. Eneti Inc. was incorporated in 2013 and is based in Monaco.</p>

Euroseas Ltd.	Euroseas Ltd. provides ocean-going transportation services worldwide. The company owns and operates containerhips that transport dry and refrigerated containerized cargoes, including manufactured products and perishables. As of May 6, 2021, it had a fleet of 14 vessels, including 9 feeder containerhips and 5 intermediate container carriers with a cargo capacity of 42,281 teu. The company was incorporated in 2005 and is based in Maroussi, Greece.
Capital Product Partners L.P.	Capital Product Partners L.P., a shipping company, provides marine transportation services in Greece. Its vessels transports a range of dry cargoes and containerized goods under short-term voyage charters, and medium to long-term time and bareboat charters. As of April 26, 2021, the company owned 17 vessels, including thirteen Neo-Panamax container vessels, three Panamax container vessels, and one Capesize bulk carrier. Capital GP L.L.C. serves as the general partner of the company. The company was incorporated in 2007 and is headquartered in Piraeus, Greece.

Source: S&P Capital IQ

### Appendix C - Peer group EBT margin

Peer group EBT- margin							
Company	Country	2015	2016	2017	2018	2019	5y Average
Losinjska Plovidba Holding d.d.	Croatia	(182,8%)	(0,9%)	3,9 %	(7,4%)	(6,6%)	(38,8%)
Anonimi Naftiliaki Etaria Kritis S.A.	Greece	0,6 %	1,2 %	5,3 %	(7,5%)	2,6 %	0,4 %
DFDS A/S	Denmark	7,7 %	11,5 %	11,8 %	10,8 %	8,3 %	10,0 %
Irish Continental Group plc	Ireland	16,9 %	18,6 %	26,2 %	17,9 %	17,2 %	19,3 %
AS Tallink Grupp	Estonia	7,3 %	4,8 %	5,2 %	4,7 %	6,0 %	5,6 %
Attica Holdings S.A.	Greece	12,0 %	7,8 %	0,6 %	4,8 %	5,2 %	6,1 %
Salamis Tours (Holdings) Public Limited	Cyprus	15,9 %	18,0 %	12,8 %	15,1 %	11,7 %	14,7 %
Viking Line Abp	Finland	4,4 %	1,8 %	1,3 %	1,3 %	2,7 %	2,3 %
Hapag-Lloyd Aktiengesellschaft	Germany	1,6 %	(0,9%)	0,6 %	0,7 %	3,3 %	1,0 %
Star Bulk Carriers Corp.	Greece	(195,6%)	(69,3%)	(2,9%)	9,0 %	(2,0%)	(52,1%)
Costamare Inc.	Monaco	29,3 %	17,5 %	17,7 %	17,7 %	20,7 %	20,6 %
Wilh. Wilhelmsen Holding ASA	Norway	2,9 %	17,5 %	40,0 %	(10,0%)	17,3 %	13,6 %
Safe Bulkers, Inc.	Monaco	(37,7%)	(51,0%)	(57,2%)	14,3 %	8,1 %	(24,7%)
Diana Shipping Inc.	Greece	(41,0%)	(143,7%)	(316,1%)	7,3 %	(4,8%)	(99,7%)
Belships ASA	Norway	(136,3%)	(56,7%)	13,4 %	19,8 %	5,1 %	(31,0%)
Eneti Inc.	Monaco	(817,0%)	(159,2%)	(36,8%)	(5,2%)	19,9 %	(199,7%)
Euroseas Ltd.	Greece	(37,3%)	(165,9%)	(29,2%)	(1,9%)	(4,2%)	(47,7%)
Capital Product Partners L.P.	Greece	25,1 %	21,7 %	13,5 %	(6,5%)	22,5 %	15,3 %
<b>Upper quartile</b>		<b>11,0 %</b>	<b>16,0 %</b>	<b>13,2 %</b>	<b>13,4 %</b>	<b>15,8 %</b>	<b>13,9 %</b>
<b>Median</b>		<b>2,2 %</b>	<b>1,5 %</b>	<b>4,6 %</b>	<b>4,8 %</b>	<b>5,6 %</b>	<b>3,7 %</b>
<b>Average</b>		<b>(73,6%)</b>	<b>(29,3%)</b>	<b>(16,1%)</b>	<b>4,7 %</b>	<b>7,4 %</b>	<b>(21,4%)</b>
<b>Lower quartile</b>		<b>(40,2%)</b>	<b>(55,3%)</b>	<b>(2,0%)</b>	<b>(4,4%)</b>	<b>2,7 %</b>	<b>(19,9%)</b>

Source: S&P Capital IQ

Appendix D: Results from EY's calculations accounting for alternative activity

	Foregone profit total	Alternative activity	Adjustment period (in addition to the time between the termination and the start of the contract)					Total damage
			1 year	2 year	3 year	4 year	5 year	
Scenario 7: Based on the consortium's estimate for foregone profit	10 026 369 €	Consortium receives 0% after the adjustment period	X					768 182 €
				X				1 434 233 €
					X			2 071 839 €
						X		2 893 283 €
							X	3 058 563 €
Scenario 8: Based on the consortium's estimate for foregone profit	10 026 369 €	Consortium receives 43,9% after the adjustment period / 2 routes	X					4 832 776 €
				X				5 206 413 €
					X			5 564 093 €
						X		6 024 901 €
							X	6 117 619 €
Scenario 9: Based on the consortium's estimate for foregone profit	10 026 369 €	Consortium receives 72,0% after the adjustment period / 1 route	X					7 429 573 €
				X				7 616 391 €
					X			7 795 231 €
						X		8 025 635 €
							X	8 071 994 €
Scenario 10: Based on EY's calculations for foregone profit	5 213 718 €	Consortium receives 0% after the adjustment period	X					447 045 €
				X				877 873 €
					X			1 289 018 €
						X		1 689 124 €
							X	2 066 842 €
Scenario 11: Based on EY's calculations for foregone profit	5 213 718 €	Consortium receives 43,9% after the adjustment period / 2 routes	X					2 539 774 €
				X				<b>2 781 427 €</b>
					X			3 012 068 €
						X		3 236 517 €
							X	3 448 406 €
Scenario 12: Based on EY's calculations for foregone profit	5 213 718 €	Consortium receives 72,0% after the adjustment period / 1 route	X					3 876 731 €
				X				3 997 573 €
					X			4 112 893 €
						X		4 225 117 €
							X	4 331 062 €

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**Till Ålands lagting**

## **Nytt miljösmart privat tonnage i skärgårdstrafiken**

Landskapets fartygsflotta är föråldrad och investeringsbehovet stort. Trots ett kontinuerligt underhåll är trafikstörningar på grund av tekniska problem allt vanligare. Nya säkerhetskrav, tyngre och bredare fordon samt passage-rarnas berättigade krav (tex funktionshindrades möjlighet att kunna nå pas-sagerarsalongen ) gör det allt svårare att upprätthålla en trygg, säker och för-utsägbar trafik. Skärgårdstrafiken är livsnerven för både privatpersoner och företagare oberoende i vilken av våra sex skärgårdskommuner man bor. Varje trafikstörning, stor som liten, försvårar vardagspusslet på individnivå och påverkar näringslivet negativt.

Vetskapen om de alltmer tilltagande tekniska problemen och de allt mer ri-gida säkerhetskraven är ingen ny information. Därför påbörjade den förra landskapsregeringen, under lantrådet Gunells ledning, ett intensivt arbete med framtagande av ritningar för ett nytt fartyg. Av okänd anledning har lantrådet Sjögren valt att begrava det arbetet.

Nu, då en tredje del av regeringsperioden är avverkad, lyser satsningar i skär-gården med sin frånvaro. Oberoende var när och hur de framtida korttrutts-satsningarna förverkligas behövs nytt tonnage beställas omgående.

Åland har ett gediget sjöfartskunnande och en stark företagaranda.

Med anledning av det ovanstående föreslår vi

att lagtinget uppmanar landskapsregeringen att omgående ge det privata näringslivet möjlighet till en totalentreprenad för nybygg-nation av ett modernt miljösmart fartyg samt driften av det samma under en tidsperiod om minst 10 år.

Mariehamn den 28 mars 2017

Veronica Thörnroos

Mikael Lindholm

Harry Jansson

Jörgen Pettersson

## Protokoll fört vid pleniföredragning

Regeringskansliet  
Allmänna byrån, Rk1

Närvarande

VT-HJ-TE-AH-J-AH-FK-AR-CW

Frånvarande

Justerat

Omedelbart

Ordförande

L a n t r å d  
Veronica Thörnroos

Föredragande

Vicelanråd  
Harry Jansson

Protokollförelse

Förvaltnings- och  
utvecklingschef  
Dan E Eriksson

Ärende/Dnr/Exp.

Beslut

### Nr 21

Försäkran enligt 9 § LL om Ålands landskapsregering.

**ÅLR 2019/9507**

Antecknades att det av lagtinget den 10 december 2019 valda lantrådet och de övriga av talmannen utnämnda medlemmarna i landskapsregeringen i närvaro av lagtingets talman Roger Nordlund och landshövding Peter Lindbäck före sammanträdes början avlagt försäkran enligt 9 § landskapslagen om Ålands landskapsregering.

Landskapsregeringen antecknade lagtingets beslut om val av lantråd och talmannens utnämning av övriga ministrar i landskapsregeringen till kännedom.

Antecknades slutligen att lantrådet i ett anförande hälsade medlemmarna välkomna till landskapsregeringens arbete, varefter medlemmarna intog sina platser vid sammanträdesbordet

### Nr 22

Meddelande om regeringsprogrammet.

**ÅLR 2019/9509**

Enligt 25 § 1 mom. lagtingsordning för Åland ska landskapsregeringen utan dröjsmål överlämna sitt program till lagtinget i form av ett meddelande.

Landskapsregeringen beslöt överlämna bilaga meddelande, bilaga 1, till lagtinget.

Avtalsperioden var 15 år med planerad trafikstart 1.4.2022. Förutom elhybrid-färjan omfattade upphandlingen en reservfärja (minst 50 % kapacitet av primära färjan och inte krav på eldrift). Efter 15 år skulle beställaren ha rätt att för 5 MEUR köpa elhybrid-färjan samt all teknisk utrustning i hamnarna ämnad för denna. Köpesumman skulle indexjusteras från avtalets första månad till sista månad enligt i avtalet angivet index.

Det beräknade värdet på upphandlingen angavs till 47 MEUR för hela avtalsperioden. Beställaren skulle ha rätt att avbryta upphandlingen ifall anbudet väsentligt överstiger det beräknade. Anbudet utvärderades enligt den fasta ersättningen samt angiven energiförbrukning det första året. Den fasta ersättningen skulle indexjusteras årligen enligt angiven formel i avtalet.

På transportbyrån gjordes en tämligen grov beräkning av upphandlingens värde. I upphandlingsföreskriften angavs 47 MEUR av taktiska orsaker även om de grova beräkningarna visade på högre belopp.

Anbud antogs den 16.8.2019 till en totalkostnad av 66,7 MEUR under avtalsperioden. Överskridningen gentemot upphandlingens angivna värde utgjorde ca 42 %. Den fasta kostnaden för avtalets första år angavs till 4.449.000 euro. Till detta ska läggas energikostnaden vilken enligt avtalets förutsättningar skulle bli ca 257.000 euro. I jämförelse har driften på Föglölinjen med m/s Skarven på senare år kostat ca 3,1 MEUR årligen.

Avtal tecknades 2.9.2019 med förbehåll att vägplanen som omfattar projektet vinner laga kraft. I denna upphandling saknades förbehåll att miljötillstånd för projekt Västra Föglö måste erhållas.

Eventuella besvär mot erhållet miljötillstånd eller upphandlingen av infrastruktur har inte beaktats i avtalet. Från infrastrukturavdelningen har man försäkrat att det inte skulle ha varit problem med att komma överens med vinnande anbudsgivare om att skjuta fram trafikstarten med ett år. Ännu längre försening skulle kunna inträffa, t.ex. om besvär mot ett avgörande i Marknadsdomstolen inlämnas till Högsta förvaltningsdomstolen.

I avtalet finns bestämmelser om förtida uppsägning och ångerrätt. Beställaren hade under veckorna 32-44 år 2019 en ångerrätt och kunde inom den tiden säga upp avtalet med omedelbar verkan ifall inte vägplanen för västra Föglö vunnit laga kraft. Entreprenören kunde under tiden utföra förberedande arbeten rörande entreprenaden och ifall beställaren häver avtalet ersätts entreprenören för verifierat nedlagt arbete med högst 450.000 euro.

Beställaren har också rätt att säga upp avtalet med omedelbar verkan om medel ej beviljas av lagtinget för verksamheten på färjelinjen.

Säkerställandet av tillräcklig elkraft i hamnarna hörde till totalentreprenad-projektet. En grov kostnadsuppskattning 2-3 MEUR gällande detta har angivits. Noggrannare kalkyler har inte framtagits. Ombyggnader i Svinö hamn som krävs för el-hybrid-färjan uppskattas grovt till 1-2 MEUR.

Biträdande avdelningschef med byråchefsansvar för transportbyrån har varit projektansvarig och en teknisk inspektör har haft rollen som teknisk projektledare. Projektmöten har hållits med projektören, flera av dem hösten 2017 innan godkännande