Femern Landanlæg
Sund≈Bælt

ANNUAL REPORT 2020

Contents

Highlights of the year

A/S Femern Landanlæg was established in order to administer the ownership and financing of the Danish landworks in connection with the fixed link across the Fehmarnbelt. With the adoption of the *Act on the construction and operation of a fixed link across the Fehmarnbelt with associated landworks in Denmark* in April 2015, A/S Femern Landanlæg was authorised to build and operate the Danish landworks in connection with a fixed link across the Fehmarnbelt. By issuing the executive order on the delegation of certain tasks and powers for the construction and operation of a fixed link across the Fehmarnbelt with associated landworks in Denmark, the role of client for the extension and upgrading of the rail system was assigned to Banedanmark on 17 September 2015. The Danish Road Directorate is the client responsible for the upgrading and extension of the Danish road system. A/S Femern Landanlæg remains responsible for the ownership and financing of the Danish landworks.

The overall timetable for the Danish landworks means that Phase 1, which comprises the expansion and upgrading of the rail system from Ringsted to Nykøbing F, will be completed in 2021 – apart from electrification which will be completed in 2024. All major construction contracts relating to the work between Ringsted and Nykøbing F have been concluded and implemented and some have been completed. In 2020, the second of a total of three major track closures on the section was carried out so that all bridges are now ready for service. Of this, the completion of the new Masnedsund Bridge was the biggest task. In addition, four out of the six stations are finished, 90 per cent of the construction work carried out and 80 per cent of the track work executed.

In 2020, permission was granted at the political level to commence the structural design and preparatory construction works relating to Phase 2, which comprises the remaining section of the railway system from Nykøbing F to the coast-to-coast link, with an interface at the new station, Holeby.

An independent quality control of Femern Landanlæg's construction budget was carried out at the end of 2019. An Estimate-at-Completion (EAC) was undertaken as part of the report. This is based on costs already incurred plus planned future costs and a risk premium. It remains that the EAC, with 80 per cent probability, will not exceed the budget framework of DKK 9.5 billion. On the basis of the report's recommendations, Banedanmark and A/S Femern Landanlæg have implemented a number of initiatives to support the future financial management of the project.

In the autumn of 2020, A/S Femern Landanlæg secured support from the EU for the Fehmarnbelt project of up to DKK 29 million for Phase 2 of the upgrading of the Danish rail system between Nykøbing F and Holeby. The support is specifically allocated to the Design and Project Planning of Phase 2 and amounts to up to 50 per cent of the estimated design and planning costs.

By the end of 2020, the company's capitalised construction expenses amount to DKK 4,024 million. This comprises project expenses of DKK 4,966 million offset by the EU subsidy of DKK 942 million.

The result for the year before financial value adjustments is a profit of DKK 408 million against a loss of DKK 3 million in 2019. The change covers the guarantee commission of DKK 411 million received from Femern A/S for the period 1 January 2019 - 31 December 2020 and is a consequence of the EU Commission's decision on the State aid matter.

Key figures and financial ratios

DKK 1,000	2020	2019	2018	2017	2016
Other external expenses	-4.572	-3.252	-3.073	-3.067	-1.588
Operating profit/loss (EBIT)	-3.137	-3.252	-3.081	-3.067	-1.588
Financial items excl. value adjustment	410.605	0	0	0	0
Profit/loss before value adjstmts.	407.468	-3.252	-3.081	-3.067	-1.588
Value adjustments, net	-1.143.775	-1.034.243	-101.661	309.369	0
Profit	**-574.341**	**-809.246**	**-78.343**	**239.172**	**7.188**
Capital investment for the year, road and railw	792.916	887.459	734.950	471.328	425.677
Capital investment, road and railw ay, closing l	4.024.475	3.231.559	2.344.100	1.609.150	1.137.822
Net debt (fair value)	**6.345.665**	**4.091.117**	**2.181.274**	**1.151.238**	**1.033.879**
Interest-bearing net debt	4.449.000	3.293.000	2.335.000	1.409.000	955.000
Equity	-704.041	-129.700	679.546	757.889	518.718
Balance sheet total *)	8.320.235	6.139.053	4.182.355	3.192.015	2.735.749
Cash flow from operating activities	-320.508	11.233	-191.142	453.886	-362.193
Cash flow from investing activities	-1.279.451	-2.715.301	-924.950	-471.328	-425.677
Cash flow from financing activities	1.581.619	2.451.097	1.367.433	76.799	656.013
Total cash flow	**-18.341**	**-252.971**	**251.341**	**59.357**	**-131.857**
Financial ratios, per cent					
Profit ratio (EBIT)	0,0	0,0	0,0	0,0	0,0
Rate of return (EBIT)	0,0	0,0	0,0	0,0	0,0

N.B. The financial ratios are calculated as stated in Note 1, Accounting Policies

*) The accounting policy re. the presentation of the joint taxation contribution in the balance sheet changed for 2020 and 2019. The comparative figures for 2018 have not been restated, see Note 1, Accounting Policies.

Management report

Economy

The result for the year before financial value adjustments and tax is a profit of DKK 407 million.

Expenses total DKK 3 million, which is on a par with 2019.

Financial income totalled DKK 411 million in 2020 and comprises income relating to the guarantee commission from Femern A/S for the period 1 January 2019 – 31 December 2020, which is a consequence of the EU Commission's decision in the matter of State Aid.

In 2020, fair value adjustments amounted to an expense of DKK 1,144 million against an expense of DKK 1,034 million in 2019.

Net financing expenses, excluding income from the guarantee commission and fair value adjustment, amount to an expense of DKK 22 million which has been capitalised in the road and railway in progress.

The result before tax is a loss of DKK 736 million against a loss of DKK 1,037 million in 2019, which is primarily due to the income from the guarantee commission.

Tax on the result for the year amounts to an income of DKK 162 million.

The result after tax is a loss of DKK 574 million.

In the Annual Report for 2019, the outlook for the result for the year before financial value adjustments and tax was in the order of DKK 4 million. The realised result before fair value adjustments and tax is an improvement on the outlook of approximately DKK 400 million, which is primarily due to the aforementioned income from the guarantee commission of DKK 411 million.

At the end of 2020, equity was negative at DKK 704 million. On a cumulative basis, the fair value adjustment of existing non-current loans amounts to minus DKK 1,970 million. The fair value adjustment is an accounting item that has no impact on the company's liquidity. The fair value adjustment may fluctuate considerably on an annual basis, but the risk of this lessens as the term of the loan is reduced. Non-current loans have been raised in order to increase budget security in the company's long-term finances. The latest financial analysis for the company shows a robust economy with a repayment period on the debt of 8 years.

Cash flow from operating activities is negative and totals DKK 321 million in 2020.

Cash flow from investing activities is negative and totals DKK 1,279 million, primarily as a result of acquisitions with regard to the road and rail link and the acquisition of other tangible assets.

The free cash flow, which arises on the basis of operations less capital expenditure, is negative and totals DKK 1,600 million. The free cash flow expresses the company's ability to generate liquidity to finance interest and repayments on the company's liabilities.

Financing activities include borrowings, repayments and interest expenses as well as EU subsidies, which amount to DKK 1,582 million net.

Overall, the company's cash and cash equivalents decreased by DKK 18 million so that at the end of 2020, cash and cash equivalents amounted to DKK 0.

It should be noted that under the terms of the Act on Sund & Bælt Holding for A/S Femern Landanlæg and against a guarantee commission of 0.15 per cent, the Danish State has extended separate guarantees for interest and repayments and other ongoing liabilities relating to the company's borrowings. Moreover, and without further notification of each individual case, the Danish State guarantees the company's other financial liabilities assumed by the company in connection with the construction of the infrastructure project.

Events after the balance sheet date

No events of significance to the Annual Report 2020 have occurred after the balance sheet date.

Outlook for 2021

Forventningerne til resultatet for 2021 – baseret på budgettet vedtaget i november 2020 – udgør et overskud før dagsværdireguleringer og skat i størrelsesordenen 250 mio. kr. Den igangværende covid-19 pandemi vurderes ikke at have betydning for forventningerne til årets resultat.

I forhold til anlægsarbejderne i forbindelse med det samlede Femern-projekt er selskabet i fortsat dialog med entreprenørerne og selskabets andre samarbejdspartnere om eventuelle konsekvenser for de fysiske aktiviteter. I forhold til finansieringsomkostningerne, der belaster anlægsprojektet, vurderes effekten at være begrænset, da det forventes, at renten og inflationen vil forblive på et lavt niveau igennem en længere periode.

Corporate Social Responsibility

Statutory statement of Corporate Social Responsibility c.f. Section 99a of the Danish Financial Statements Act

With regard to the company's formal compliance with Section 99a of the Danish Financial Statements Act on reporting on corporate social responsibility, please refer to the parent company's Management Report 2020 under CSR – Corporate Social Responsibility, Corporate Governance, Environment and Climate, Employees and Targets for CSR work in 2021.

Statutory statement regarding the under-represented gender, c.f. Section 99b of the Danish Financial Statements Act.

The company meets the diversity requirements at top management level, which is why the company has not drawn up and accounted for a target figure. As the company has no employees, no policy has been put in place for increasing the underrepresented gender at other management levels.

The Annual Report for Sund & Bælt Holding A/S is available at: https://sundogbaelt.dk/publikationer/

Read more about Sund & Bælt's Corporate Social Responsibility at www.sundogbaelt.dk/samfundsansvar

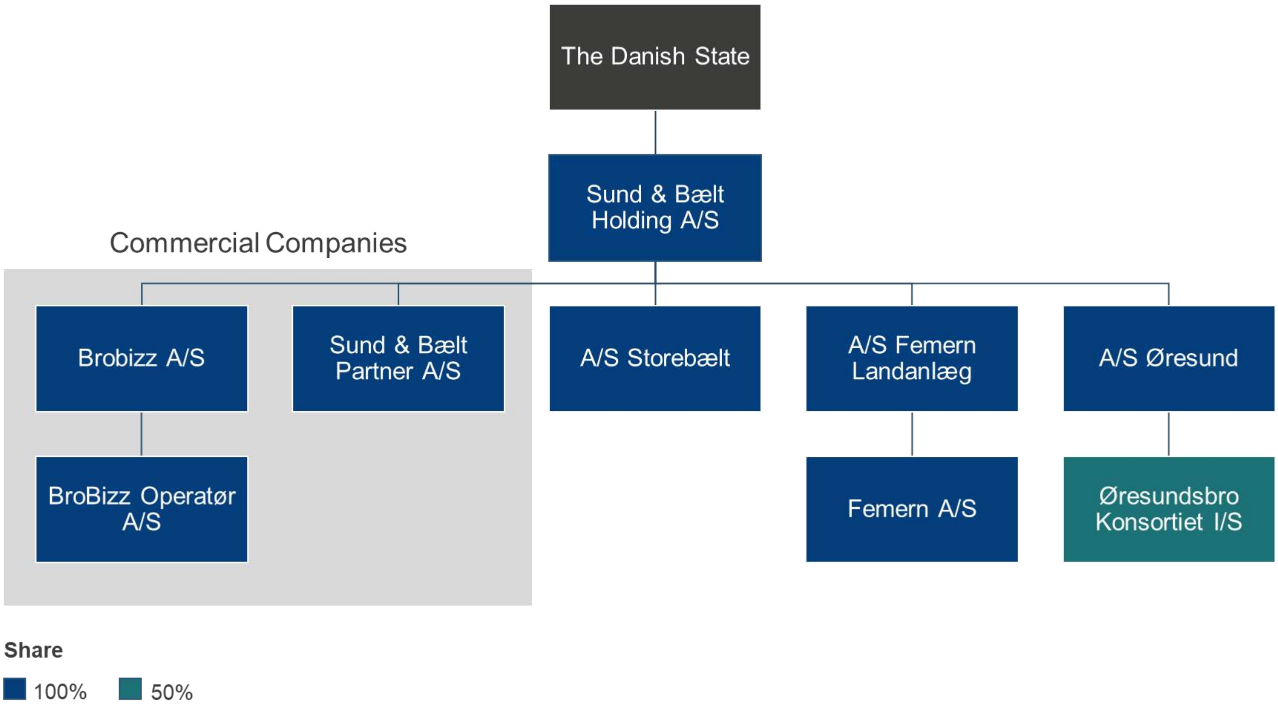
About A/S Femern Landanlæg

Shareholder information

A/S Femern Landanlæg is a limited company based in Denmark. A/S Femern Landanlæg is a subsidiary company of Sund & Bælt Holding A/S and is included in the consolidated accounts for Sund & Bælt Holding A/S, which is the ultimate parent company.

Sund & Bælt Holding A/S' entire share capital is owned by the Danish State.

Group overview



Main activity

A/S Femern Landanlæg's main objective is to organise and undertake the preparations, investigations, planning and other necessary actions relating to the expansion and upgrading of the associated landworks for the fixed link across the Fehmarnbelt. In addition, the company's objective is also to own all shares in Femern A/S.

Board of Directors and Management Board

Board of Directors

Mikkel Hemmingsen
Chairman
CEO of
Sund & Bælt Holding A/S
Election period expires in 2022

Other positions held
Chairman of:
A/S Øresund
A/S Femern Landanlæg
Femern A/S
Brobizz A/S
BroBizz Operatør A/S
Sund & Bælt Partner A/S

Member of the Board of Directors of:
Øresundsbro Konsortiet I/S

Areas of expertise
Management experience particularly in strategy, economy, socio-economic analysis and change management

Louise Friis
Vice-Chair
Chief Legal Officer at:
Sund & Bælt Holding A/S
Election period expires in 2022

Other positions held
Vice-Chair of:
A/S Øresund
A/S Femern Landanlæg
Femern A/S
Brobizz A/S
BroBizz Operatør A/S
Sund & Bælt Partner A/S

Areas of expertise
Transport policy, particularly relating to mega projects. Legal expertise in company law and rail and road legislation.

Mogens Hansen
CFO of:
Sund & Bælt Holding A/S
CEO of
A/S Storebælt
A/S Øresund
A/S Femern Landanlæg
Election period expires in 2022

Other positions held
Member of the Board of Directors of:
A/S Øresund
A/S Femern Landanlæg
Femern A/S
Brobizz A/S
BroBizz Operatør A/S
Sund & Bælt Partner A/S

Areas of expertise
Management experience in strategy, economy, IT, company law and contractual matters. Experience in the construction and operation of major infrastructure projects.

Management Board

Mogens Hansen
CEO

Financial Statements

Comprehensive income statement 1 January – 31 December

DKK 1,000

	Note	2020	2019
Expenses			
Other external expenses	3	-3.137	-3.252
Total expenses		**-3.137**	**-3.252**
Operating profit/loss (EBIT)		**-3.137**	**-3.252**
Financial items	5		
Financial income		410.605	0
Value adjustments, net		-1.143.775	-1.034.243
Total financial items		**-733.170**	**-1.034.243**
Profit before tax		**-736.307**	**-1.037.495**
Tax	6	161.966	228.249
Profit		**-574.341**	**-809.246**
Other comprehensive income		0	0
Tax on other comprehensive income		0	0
Comprehensive income		**-574.341**	**-809.246**

Balance sheet 31 December – Assets

DKK 1,000

	Note	2020	2019
Non-current assets			
Property, plant and equipment			
Road and rail links	7	4.024.475	3.231.559
Total property, plant and equipment		**4.024.475**	**3.231.559**
Other non-current assets			
Participating interest in subsidiaries	8	510.000	510.000
Deferred tax	9	324.602	248.456
Total other non-current assets		**834.602**	**758.456**
Total non-current assets		**4.859.076**	**3.990.015**
Current assets			
Receivables			
Receivables	10	777.535	185.176
Securities	13	1.944.165	1.548.909
Derivatives	13	381.929	230.333
Corporation tax	6	90.261	0
Prepayments and accrued income	11	267.268	166.279
Total receivables		**3.461.158**	**2.130.697**
Cash at bank and in hand		**0**	**18.341**
Total current assets		**3.461.158**	**2.149.038**
Total assets		**8.320.235**	**6.139.053**

Balance sheet 31 December – Equity and liabilities

DKK 1,000

	Note	2020	2019
Equity			
Share capital	12	500.000	500.000
Retained earnings		-1.204.041	-629.700
Total equity		**-704.041**	**-129.700**
Liabilities			
Non-current liabilities			
Bond loans and amounts owed to credit institutions	13	6.373.007	3.484.486
Total non-current liabilities		**6.373.007**	**3.484.486**
Current liabilities			
Current portion of non-current liabilities	13	257.874	1.513.170
Credit institutions	13	9.999	0
Corporation tax	6	0	25.495
Trade and other payables	15	163.332	209.462
Derivatives	13	2.110.213	925.249
Accruals and deferred income	16	109.852	110.891
Total current liabilities		**2.651.269**	**2.784.267**
Total liabilities		**9.024.276**	**6.268.753**
Total equity and liabilities		**8.320.235**	**6.139.053**

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Statement of changes in equity 1 January – 31 December

DKK 1,000

	Share capital	Retained earnings	Total
Balance at 1 January 2019	500.000	179.546	679.546
Profit/loss for the year and comprehensive income	0	-809.246	-809.246
Balance at 31 December 2019	**500.000**	**-629.700**	**-129.700**
Balance at 1 January 2020	500.000	-629.700	-129.700
Profit/loss for the year and comprehensive income	0	-574.341	-574.341
Balance at 31 December 2020	**500.000**	**-1.204.041**	**-704.041**

At the end of 2020, equity was negative at DKK 704 million. On a cumulative basis, the fair value adjustment of existing non-current loans amounts to minus DKK 1,970 million. The fair value adjustment is an accounting item that has no impact on the company's liquidity. The fair value adjustment may fluctuate considerably on an annual basis, but the risk of this lessens as the term of the loan is reduced. Non-current loans have been raised in order to increase budget security in the company's long-term finances. The latest financial analysis for the company shows a robust economy with a repayment period on the debt of 8 years.

Cash flow statement 1 January – 31 December

DKK 1,000

	Note	2020	2019
Cash flow from operating activities			
Operating profit/loss (EBIT)		-3.137	-3.252
Adjustments			
Joint taxation contribution	6	90.261	-25.495
Cash flow from operations (operating activities) before change in working capital		**87.124**	**-28.747**
Change in working capital			
Receivables and prepayments		-329.339	59.840
Trade and other payables		-78.293	-19.859
Total cash flow from operating activities		**-320.508**	**11.233**
Cash flow from investing activities			
Acquisition of tangible fixed assets		-861.752	-1.161.960
Purchase of securities		-417.699	-1.553.341
Total cash flow from investing activities		**-1.279.451**	**-2.715.301**
Free cash flow		**-1.599.960**	**-2.704.068**
Cash flow from financing activities			
Other non-current liabilities incurred		3.031.313	3.013.717
Redemption and repayment of non-current liabilities		-1.483.875	-787.283
Raising of loans at credit institutions		9.999	0
Interest income, received		-100	0
Interest expenses, paid		-66.845	-48.253
Received EU subsidy		91.128	272.916
Total cash flow from financing activities	13	**1.581.619**	**2.451.097**
Change for the period in cash and cash equivalents		**-18.341**	**-252.971**
Opening cash and cash equivalents		18.341	271.312
Closing cash and cash equivalents		**0**	**18.341**

Notes

Note 1 Accounting policies

A/S Femern Landanlæg is a limited company based in Denmark. A/S Femern Landanlæg is a subsidiary of Sund & Bælt Holding A/S and is included in the consolidated accounts for Sund & Bælt Holding A/S, which is the ultimate parent company.

A/S Femern Landanlæg's financial statements for 2020 are presented in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and approved by the EU, as well as additional Danish disclosure requirements for annual reports laid down in the IFRS Executive Order issued in accordance with the Danish Financial Statements Act (Accounting Class B with optional individual disclosure requirements in line with Class C).

The financial statements are presented in Danish kroner, which is also the company's functional currency. Unless otherwise stated, all amounts are stated in DKK thousand.

The accounting policies, as described below, have been applied consistently in the financial statements and for the comparative figures. However, for standards implemented going forwards, the comparative figures have not been restated.

The balance sheet presents joint taxation contribution due and receivable under assets and liabilities, respectively. This is in contrast to previously when joint taxation contribution due and receivable was included in balances with affiliated companies and presented in the Note: Trade and Other payables.

The balance sheet presents accrued interest in respect of financial instruments under prepayments and accrued income and accruals and deferred income. This is in contrast to previously when accrued interest in respect of financial instruments was included in receivables as well as trade and other payables.

The accounting policies for other external expenses, staff expenses, receivables, prepayments and accrued income and accruals and deferred income are described in the respective notes.

The company has opted to use the so-called Fair Value Option under IFRS 9. This means that all loans and derivatives are measured at fair value and that changes in the fair value are recognised in the comprehensive income statement. Loans are measured at fair value on initial recognition in the balance sheet whereas derivative financial instruments are always measured at fair value, c.f. IFRS 9.

The rationale for using the Fair Value Option is that the company consistently applies a portfolio approach to financial management, which implies that the intended exposure to financial risks is managed through different financial instruments, both primary and derivative financial instruments. Accordingly, in the management of the financial market risk, the company does not distinguish between, for example, loans and derivatives, but solely focuses on overall exposure. Using financial instruments to manage financial risks could, therefore, result in accounting inconsistencies were the Fair Value Option not used.

It is the company's opinion that the Fair Value Option is the only principle under IFRS that reflects this approach as the other principles lead to inappropriate accounting inconsistencies between otherwise identical exposures depending on whether the exposure relates to loans or derivative financial instruments or necessitates extensive requirements for documentation of hedging as is the case with the rules on hedge accounting. As both loans and derivatives are measured at fair value, recognition in the financial statements will produce the same results for loans and related derivatives when hedging is effective. Thus, the company will achieve accounting consistency. Loans without associated derivative financial instruments are also measured at fair value in contrast to the main rule laid down in IFRS 9 pursuant to which loans are measured at amortised cost. This naturally leads to volatility in the profit/loss for the year as a result of value adjustments.

Implementation of new and amended accounting standards
In 2020, no new or amended accounting standards and interpretations came into force that are of relevance to the company.

Adopted accounting standards and interpretations that have not come into effect
There are currently no revised accounting standards and interpretations adopted by the IASB and approved by the EU which will subsequently come into effect and which are relevant to the company.

Foreign currency translation
On initial recognition, foreign currency transactions are translated into the exchange rates on the transaction date. Foreign exchange differences arising between the exchange rates on the transaction date and the rates at the date of payment are recognised in the comprehensive income statement as a financial item.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates on the balance sheet date. The difference between the exchange rate on the balance sheet date and the rate on the date at which the receivable or payable arose, or the rate recognised on the previous balance sheet date are recognised in the comprehensive income statement under financial items.

Non-monetary assets and liabilities in foreign currencies, which have not been revalued at fair value, are translated at the time of transaction at the rate of exchange on the transaction date.

Translation of financial assets and liabilities are recognised in the value adjustment and translation of receivables, payables etc. are assigned to financial income and expenses.

Segment information
According to IFRS, revenues, expenses, assets and liabilities per segment must be disclosed. A/S Femern Landanlæg's assessment is that the company consists of one segment. Internal reporting and senior management's financial control take place on the basis of one overall segment.

Public subsidies
Public subsidies are recognised when it is reasonably probable that the subsidy conditions have been fulfilled and that the subsidy will be received.

Subsidies to cover expenses are recognised in the comprehensive income statement proportionally over the periods in which the associated expenses are recognised in the comprehensive income statement. The subsidies are offset in the costs incurred.

Public subsidies relating to the statement of the road and rail facilities are deducted from the asset's cost.

Other operating income and expenses
Other operating income and expenses contain items of a secondary nature in relation to the company's activities, including profits and losses on current sales and replacement of intangible and tangible fixed assets. Profits and losses on the sale of intangible and tangible fixed assets are calculated as the sales price less sales costs and the net book value at the time of sale.

Financial items
Financial items comprise interest income and expenses, realised inflation indexation, gains and losses for cash at bank and in hand, securities, payables, derivatives and foreign exchange translation for transactions in foreign currencies as well as realised gains and losses relating to derivative financial instruments.

The difference in fair value at the balance sheet dates amounts to the total financial items, which, in the comprehensive income statement, are split into financial income, financial expenses and value adjustment. Financial income and expenses comprise interest income, interest expenses and realised inflation indexation from payables and derivatives. The value adjustment includes exchange gains and losses as well as foreign exchange translation for financial assets and liabilities.

Financial expenses for financing assets in progress are recognised in the cost of the assets.

Tax on the year's results
The company is covered by the Danish rules on mandatory joint taxation of the Sund & Bælt Group companies. The subsidiaries are jointly taxed from the date they are included in the consolidated accounts and until such time when they may be omitted from the consolidation.

Sund & Bælt Holding A/S is the administration company for joint taxation and therefore settles all tax payments with the tax authorities.

Balances below the interest deduction limitation rules of the Danish Corporation Tax Act are distributed among the jointly taxed companies in accordance with the joint taxation agreement. Deferred tax liabilities relating to such balances are recognised in the balance sheet while deferred tax assets are recognised only if the criteria for doing so are met.

Current Danish corporation tax is distributed by settlement of joint taxation contributions among the jointly taxed companies in proportion to their taxable earnings. Moreover, the companies with tax losses receive a joint taxation contribution from companies that are able to use these losses to reduce their own tax profits.

Tax for the year, which comprises the year's current corporation tax, the year's joint taxation contribution and changes in deferred tax – including the change in the tax rate - is recognised in the comprehensive income statement with the proportion attributable to the year's results and directly in the equity with the proportion attributable to the entries made directly in the equity.

Financial assets and liabilities
Initial recognition of financial assets and liabilities takes place on the trading date.

Initial recognition of cash at bank and in hand is at fair value as well as on subsequent measurement in the balance sheet. The difference in the fair value between the balance sheet dates is recognised in the comprehensive income statement under financial items. On initial recognition, all cash at bank and in hand is classified as assets valued at fair value.

Listed securities are recognised on the trading date at fair value under current assets and subsequently measured at fair value. Changes in the fair value are recognised in the comprehensive income statement under financial items on an ongoing basis.

Holdings and returns on treasury shares are set off against equivalent bond loans issued and are therefore not recognised in the comprehensive income statement and balance sheet.

Loans are initially and subsequently measured at fair value in the balance sheet. On recognition, all loans are classified as financial liabilities at fair value via the comprehensive income statement. Irrespective of the scope of interest rate hedging, all loans are measured at fair value with value adjustments being recognised continually in the income statement, stated as the difference in fair value between the balance sheet dates.

The fair value of bond issues of bilateral loans is calculated as the market value by discounting back future known and expected cash flows with the relevant discounting rates, as no quotations are available for unlisted bond issues and bilateral loans. Discounting rates are based on current market rates considered to apply to the company as borrower.

Real interest rate loans consist of a real interest rate plus an allowance for inflation indexation. The expected inflation is recognised in the determination of the fair value on the real interest rate loans and is determined from the equilibrium inflation from the so-called "break-even" inflation swaps where a fixed inflation rate payment is exchanged against realised inflation, which is unknown at that time. Danish equilibrium inflation is calculated by a spread to Europe's "break-even" inflation swaps with HICPxT as reference index. Discounting follows from the general principles referred to above.

The fair value of loans with related structured financial instruments is determined collectively and the market value of any options for payment of interest or instalments on the loans are measured using generally accepted standard valuation methods (locked formulas) with the volatility of reference rates and foreign currencies being included.

Loans that contractually fall due after more than one year are recognised as non-current liabilities.

Derivative financial instruments are recognised and measured in the balance sheet at fair value and initial recognition in the balance sheet is stated at fair value. Positive and negative fair values are included in Financial Assets and Liabilities respectively, and positive and negative fair values on derivatives are only set off when the company has the right and intention to settle several financial instruments collectively.

Derivative financial instruments are actively used to manage the debt portfolio and are therefore included in the balance sheet as current assets and current liabilities, respectively.

Derivative financial instruments include instruments where the value depends on the underlying value of the financial parameters, primarily reference rates and currencies. All derivative financial instruments are recognised with financial counterparties and are OTC derivatives. There are no listed quotations for such transactions. Derivative financial instruments typically comprise interest rate swaps and currency swaps, forward exchange contracts, currency options, FRAs and interest rate guarantees and swaptions. The market value is determined by discounting known and expected future cash flows using relevant discounting rates. The discounting rate is determined in the same way as loans and cash at bank and in hand, i.e. based on current market interest rates that are expected to be available to the company as borrower.

As with real interest rate loans, inflation swaps contain an allowance for inflation indexation. The expected inflation is recognised in the determination of the fair value on the inflation swaps and is determined from the equilibrium inflation from the so-called "break-even" inflation swaps, where a fixed inflation rate payment is exchanged against realised inflation, which is unknown at that time. Danish equilibrium inflation is calculated by a spread to Europe's "break even" inflation swaps with HICPxT as reference index. Discounting follows from the general principles referred to above.

The fair value of derivatives with optionality in the payment flows, such as currency options, interest rate guarantees and swaptions, is determined by recognised and standardised valuation methods (closed formulas) wherein the volatility of the underlying reference rates and foreign currencies is included. Derivatives comprising a combination of several underlying financial instruments are recognised together with the sum of the fair value of the individual financial instruments.

According to IFRS 13, financial assets and liabilities, which are recognised at fair value, shall be classified in a 3-layer hierarchy for valuation methodology. Level 1 of the fair value hierarchy includes assets and liabilities recognised at quoted prices in active markets. At level 2, assets and liabilities are valued using active quoted market data as input to generally accepted valuation methods and formulas. Finally, level 3 includes assets and liabilities in the balance sheet that are not based on observable market data, and therefore require separate comment.

Property, plant and equipment
On initial recognition, property, plant and equipment are measured at cost. Cost comprises the purchase price and any expenses directly attributable to the acquisition until the date when the asset is available for use. Subsequently, the assets are measured at cost less depreciation and writedowns performed.

During the construction period, the value of the road and rail link was stated using the following principles:

- Expenses relating to the links are based on concluded contracts and contracts are capitalised directly
- Other direct expenses are capitalised as the value of own work
- Net financing expenses are capitalised as construction loan interest
- EU subsidies received are set off against the cost price

Significant future one-off replacements/maintenance work are regarded as separate elements and depreciated over the expected useful life. Ongoing maintenance work is recognised in the comprehensive income statement as the costs are incurred.

Depreciation on the road and rail link commences when the construction work is finalised, and the facilities are ready for use. The facilities are depreciated on a straight-line basis over the expected useful lives.

- The main part of the links comprises structures designed with minimum useful lives of 100 years. The depreciation period for these is 100 years.
- Mechanical installations, crash barriers and road surfaces are depreciated over useful lives of 20-50 years.
- Software and electrical installations are depreciated over useful lives of 10-20 years.
- Technical rail installations are depreciated over 25 years.

Depreciation is recognised in the comprehensive income statement as a separate item.

The depreciation method and the expected useful life are reassessed annually and are changed if there has been a major change in the conditions or expectations. If there is a change to the depreciation method, the effect is recognised moving forward as a change in accounting estimates and judgements.

The basis of depreciation is stated on the basis of residual value less any writedowns. The residual value is determined at the time of acquisition and is reassessed annually. If the residual value exceeds the net book value, depreciation will be discontinued.

Profits and losses in respect of disposal of property, plant and equipment are stated as the difference between the sales price less sales costs and the net book value at the time of sale. Profits and losses are recognised in the comprehensive income statement under other operating income or other operating expenses.

Writedown of assets
Property, plant and equipment, intangible assets and financial fixed assets are subject to valuation testing when there is an indication that the net book value may not be recovered (other assets are covered under IFRS 9). Provision for losses is recognised at the amount by which the asset’s net book value exceeds the recoverable amount, i.e. the asset's net sales price or its value in use, whichever is higher. Value in use is calculated at the present value of expected future cash flows using a discounting factor that reflects the market’s current required rate of return. In determining provision for losses, assets are grouped in the smallest group of assets that generate separate identifiable cash flows (cash-generating units).

Provision for losses is recognised in the comprehensive income statement.

Current tax and deferred tax
Sund & Bælt Holding A/S and the jointly taxed companies are liable for tax on earnings, etc. for the jointly taxed companies and for any liabilities to include tax at source on interest, royalties and dividends for the jointly taxed companies.

Current tax due and receivable is recognised in the balance sheet as tax calculated on the year's taxable income, adjusted for tax on taxable income for previous years and for prepaid tax.

Joint tax contribution due and receivable is recognised in the balance sheet under corporation tax.

Deferred tax is measured using the balance-sheet liability method providing for all temporary differences between the net book value and the tax value of assets and liabilities. When the statement definition of value for tax can be performed according to different taxation rules, deferred tax is measured on the basis of the management's planned utilisation of the asset or settlement of the liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised as other non-current assets at the value at which they are expected to be utilised, either by elimination in tax on future earnings or by offsetting deferred tax liabilities within the same legal tax entity and jurisdiction.

Balances below the interest deduction limitation rules of the Danish Corporation Tax Act are distributed among the jointly taxed companies in accordance with the joint taxation agreement. Deferred tax liabilities relating to such balances are recognised in the balance sheet while tax assets are recognised only if the criteria for deferred tax assets are met.

Deferred tax is adjusted for elimination of unrealised intra-group gains and losses.

Other liabilities
Other financial liabilities are measured at amortised cost which usually corresponds to the nominal value.

Cash flow statement
The company's cash flow statement is prepared in accordance with the indirect method based on the items in the comprehensive income statement. The company's cash flow statement shows the cash flows for the year, the year's changes in cash and cash equivalents as well as the company's cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities is determined as the profit/loss for the year before financial items adjusted for non-cash operating items, corporation tax and changes in working capital. The working capital comprises the operations-related balance sheet items recognised in current assets and current liabilities.

Cash flow from investing activities comprises the acquisition and disposal of intangible assets, property, plant and equipment and financial assets as well as dividend from jointly managed company.

Cash flow from financing activities comprises borrowing, repayment of debt, financial items and dividend to the shareholder.

Cash and cash equivalents comprise cash at bank and in hand and securities that, at the time of acquisition, have a maturity of three months or less and which can be converted into cash at bank and in hand and where there are only insignificant risks of changes in value.

Financial ratios
The following financial ratios presented under financial highlights are calculated as follows:

Profit ratio:	Operating profit (EBIT) in percentage of revenue.
Rate of return:	Operating profit (EBIT) in percentage of total assets

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Note 2 Significant accounting estimates and judgements

Determining the net book value of certain assets and liabilities requires an estimate of to what extent future events will affect the value of such assets and liabilities on the balance sheet date. Estimates deemed significant to the preparation of the financial statements are made, for instance, by calculating the fair value of certain financial assets and liabilities.

For certain financial assets and liabilities, an estimate is made of the expected future rate of inflation when calculating the fair value.

The calculation of fair value of financial instruments is based on estimates of the relevant discounting rate for the company, the volatility of reference rates and currencies of financial instruments with optionality in the payment flows and estimates of future inflation for real interest rate loans and swaps. Estimates for determining fair values and the need for provision for losses are, as far as possible, based on observable market data and continuously adjusted to actual price indications, see note 1 Accounting policies.

With regard to the calculation of deferred tax, an estimate is made of the future utilisation of tax losses carryforwards and the interest deduction limitation rules, c.f. Note 9, Deferred tax.

Note 3 Other external expenses

Other external expenses comprise expenses relating to insurance, IT, external services, rent of premises and office expenses. In addition are expenses for the company's administration and fees to the parent company of DKK 3,700 thousand (DKK 3,700 thousand in 2019).

	Deloitte	Price waterhouse Coopers	Price waterhouse Coopers
Fees to auditors appointed by Annual General Meeting:	**2020**	**2020**	**2019**
Statutory audit	50	-30	73
Tax advice	5	40	0
Other services	0	101	4.061
Audit fees, total	**55**	**111**	**4.135**
Recognised under property, plant and equipment	-5	-141	-4.061
Audit fees in respect of the comprehensive income statement	**50**	**-30**	**73**

Other services comprise statements on the company's financial management and the EMTN programme as well as XBRL reports of annual reports.

Note 4 Staff expenses

The Management Board and the Board of Directors receive remuneration in Sund & Bælt Holding A/S, which is paid via the administration contribution. The Management Board's share totals DKK 300 thousand (DKK 300 thousand in 2019).

Note 5 Financial items

	2020	2019
Financial income		
Income from guarantee commission	410.605	0
Total financial income	**410.605**	**0**
Net financing expenses	**410.605**	**0**
Value adjustments, net		
- Securities	0	2.432
- Loans	-39.258	19.207
- Currency and interest rate swaps	-1.104.517	-1.056.348
- Other value adjustments	0	466
Value adjustments, net	**-1.143.775**	**-1.034.243**
Total financial items	**-733.170**	**-1.034.243**
Of which financial instruments	-1.104.517	-1.056.348
Recognised in projects in progress	22.292	-1.585

Note 6 Tax

	2020	2019
Current tax	90.261	-25.495
Change in deferred tax	71.705	253.744
Adjustment current tax, previous years	-4.441	-874
Adjustment deferred tax, previous years	4.441	874
Total tax	**161.966**	**228.249**
Tax on the year's results is specified as follows:		
Computed 22 per cent tax on annual results	161.988	228.249
Other adjustments	-21	0
Total	**161.966**	**228.249**
Effective tax rate	22,0	22,0

Note 7 Road and rail links in progress

	Projects in progress	Financing expenses (net)	Cost brutto	Recognised EU subsidy	Total 2020	Total 2019
Cost opening balance	3.884.547	5.202	3.889.749	-658.190	3.231.559	2.344.100
Adjustment to opening balance	-18.366	18.366	0	0	0	0
Additions for the year	1.054.016	22.292	1.076.309	-283.392	792.916	887.459
Cost closing balance	**4.920.197**	**45.861**	**4.966.057**	**-941.582**	**4.024.475**	**3.231.559**
Net book value	**4.920.197**	**45.861**	**4.966.057**	**-941.582**	**4.024.475**	**3.231.559**

In road and rail links in progress, financing expenses (net) during the year are recognised at an expense of DKK 22,292k (DKK 1,585k) and the capitalisation rate is 100 per cent.

As regards the project, A/S Femern Landanlæg receives EU subsidies. In the costs incurred by A/S Femern Landanlæg of DKK 4,966,057k, EU subsidies of DKK 941,582k were offset of which DKK 283,392k was off-set in 2020.

Note 8 Participating interest in subsidiaries

Participating interests in subsidiaries are measured at cost or any lower recoverable amount.

	2020	2019
Cost opening balance	510.000	510.000
Cost closing balance	**510.000**	**510.000**
Net book value	**510.000**	**510.000**

	Registered office	Ownership share	Share capital	Equity 1 Jan	Profit/loss	Equity 31 Dec
Femern A/S	København	100 pct	500.000	105.064	-324.980	280.084
Total			**500.000**	**105.064**	**-324.980**	**280.084**

Subsidiary's activity

Femern A/S is responsible for planning, constructing and operating the fixed link across the Fehmarnbelt on behalf of the Danish State, including establishing the basis for regulatory approval of the coast-to-coast link.

Note 9 Deferred tax

Due to the accounting capitalisation of financing expenses during the construction period, the net book value of the road and rail links is higher than the tax value.

Deferred tax is offset as the underlying assets and liabilities are realised, including that the companies in the joint taxation under Sund & Bælt Holding A/S realise positive taxable incomes

	2020	2019
Balance, opening	248.456	-5.738
Deferred tax for the year	71.705	253.744
Adjustment deferred tax, previous years	4.441	874
Other adjustments	0	-424
Balance, closing	**324.602**	**248.456**
Deferred tax relates to:		
Intang. fixed assets & tangible fixed assets	35.435	25.328
Reduced net financing expenses	287.916	223.128
Tax loss	1.251	0
Total	**324.602**	**248.456**

Difference during the year:

	Opening 2019	Adjstmts. for the year 2019	Closing 2019	Adjstmts. for the year 2020	Closing 2020
Intang. fixed assets & tangible fixed assets	-32.082	57.410	25.328	10.107	35.435
Reduced net financing expenses	18.096	205.032	223.128	64.788	287.916
Tax loss	8.248	-8.248	0	1.251	1.251
Total	**-5.738**	**254.194**	**248.456**	**76.146**	**324.602**

Note 10 Receivables

Trade receivables are valued at cost. Trade receivables comprise amounts owed by customers. Provision is made for losses where an individual receivable or a portfolio of receivables are considered to be impaired. Historically, there have been no losses on receivables. As no losses are expected, no provisions have been made for bad debt.

	2020	2019
Trade receivables and services	14.423	10.441
Members	451.356	46.735
EU subsidy receivable	311.756	128.000
Total receivables	**777.535**	**185.176**

Note 11 Prepayments and accrued income

Prepayments and accrued income comprise paid expenses relating to subsequent financial years.

	2020	2019
Prepaid insurance premiums	1.552	0
Prepaid expenses - other	76.531	21.182
Accrued interest, financial instruments	189.185	145.097
Total prepayments and accrued income	**267.268**	**166.279**

Accrued interest is specified in Note 13, Net debt.

Note 12 Equity

The share capital comprises 500,000 shares at a nominal value of DKK 1,000.

The entire share capital is owned by Sund & Bælt Holding A/S, which is 100 per cent owned by the Danish State. The company is included in the consolidated accounts for Sund & Bælt Holding A/S, which is the smallest and largest group.

The company was established in 2009 with share capital of DKK 500 million and a premium of DKK 10 million. The share capital has remained unchanged since incorporation in 2009.

Financial management
The Board of Directors regularly evaluates the need to adjust the capital structure, including the need for cash at bank and in hand, credit facilities and equity. Without special notification of each individual case, the Danish State guarantees A/S Femern Landanlæg's and Femern A/S's other financial liabilities

At the end of 2020, equity was negative at DKK 704 million. On a cumulative basis, the fair value adjustment of existing non-current loans amounts to minus DKK 1,970 million. The fair value adjustment is an accounting item that has no impact on the company's liquidity. The fair value adjustment may fluctuate considerably on an annual basis, but the risk of this lessens as the term of the loan is reduced.

Note 13 Net debt

Fair value hierarchy	Level 1	Level 2	Level 3	Total 2020	Level 1	Level 2	Level 3	Total 2019
Bonds	1.944.165	0	0	1.944.165	1.548.909	0	0	1.548.909
Cash at bank and in hand	0	0	0	0	0	0	0	0
Derivatives, assets	0	381.929	0	381.929	0	230.333	0	230.333
Financial assets	**1.944.165**	**381.929**	**0**	**2.326.094**	**1.548.909**	**230.333**	**0**	**1.779.242**
Bond loans and debt	-5.735.537	-895.343	0	-6.630.881	-4.096.200	-901.456	0	-4.997.656
Derivatives, liabilities	0	-2.110.213	0	-2.110.213	0	-925.249	0	-925.249
Financial liabilities	**-5.735.537**	**-3.005.556**	**0**	**-8.741.093**	**-4.096.200**	**-1.826.705**	**0**	**-5.922.906**

Net debt spread across currencies	EUR	DKK	Other cur-rencies	Total 2020	EUR	DKK	Other cur-rencies	Total 2019
Cash at bank and in hand	-58.979	48.980	0	-9.999	58.187	-39.846	0	18.341
Investments	1.944.165	0	0	1.944.165	1.548.909	0	0	1.548.909
Financial assets	**1.885.186**	**48.980**	**0**	**1.934.166**	**1.607.096**	**-39.846**	**0**	**1.567.250**
Bond loans and debt	-895.343	-5.735.537	0	-6.630.881	-901.456	-4.096.200	0	-4.997.656
Currency and interest rate swaps	-995.446	-732.838	0	-1.728.283	-356.299	-338.618	0	-694.917
Accrued interest	-4.414	83.747	0	79.332	-2.769	36.975	0	34.206
Financial liabilities	**-1.895.203**	**-6.384.628**	**0**	**-8.279.832**	**-1.260.524**	**-4.397.843**	**0**	**-5.658.367**
Total net debt (fair value)	**-10.017**	**-6.335.648**	**0**	**-6.345.665**	**346.572**	**-4.437.689**	**0**	**-4.091.117**

The above is included in the following items

	Deriva-tives assets	Deriva-tives liabilities	Total 2020	Deriva-tives assets	Deriva-tives liabilities	Total 2019
Interest rate swaps	381.930	-2.110.213	-1.728.283	230.333	-925.250	-694.917
Gross value derivatives	**381.930**	**-2.110.213**	**-1.728.283**	**230.333**	**-925.250**	**-694.917**
Accrued interest, financial instruments	188.175	-105.539	82.637	144.307	-107.504	36.803
Offsetting cf. IAS32	0	0	0	0	0	0
Gross value	**570.105**	**-2.215.752**	**-1.645.647**	**374.640**	**-1.032.753**	**-658.113**
Offsetting options by default [1])	-251.606	251.606	0	-173.139	173.139	0
Collateral	-142.979	1.769.304	1.626.325	-74.097	789.369	715.273
Net value, total	**175.521**	**-194.842**	**-19.321**	**127.404**	**-70.245**	**57.159**

[1]) Note: Offsetting options comprise netting of derivative contracts that allow for the offsetting of positive and negative market values into one overall net settlement amount.

Prepayments and accrued income

Accrued interest	Assets	Equity and liabilities	Total 2020	Assets	Equity and liabilities	Total 2019
Payables	1.009	-4.314	-3.304	790	-3.387	-2.597
Interest rate swaps	188.175	-105.539	82.637	144.307	-107.504	36.803
Total	**189.185**	**-109.852**	**79.332**	**145.097**	**-110.891**	**34.206**

Net debt is DKK 4,413 million (DKK 3,269 million in 2019) based on notional principal amounts and there is thus an accumulated difference of DKK 1,933 million (DKK 822 million in 2019) compared to the net debt at fair value, where the fair value expresses the value on the balance sheet date while the notional value is the contractual amount at maturity.

Recognition of financial liabilities at fair value (or in the aggregate) was not affected by changes in the company's credit rating during the year which, because of the guarantee from the Danish State, has maintained a high credit rating.

Interest-bearing net debt	2020	2019
Repayment period - number of years	33	33
Interest-bearing net debt - DKK billion	4,4	3,3
Repayment of debt	*)	*)
Financing expenses excl. value adjustment - per cent per annum	0,29	-0,07
Financing expenses incl. value adjustment - per cent per annum	30,15	37,47

*) The repayment period has been calculated at 33 years from the time of opening.

Reconciliation of differences in financial liabilities	Current debt	Long term debt	Derivatives assets	Derivatives liabilities	Total
Opening 2020	-1.513.170	-3.484.486	230.333	-925.249	-5.692.573
Cash flow	1.506.500	-3.124.938	104.156	27.538	-1.486.744
Paid interest - reversed	-2.496	-26.690	-69	-27.538	-56.793
Amortisation	6.374	43.635	-27.035	0	22.974
Inflation indexation	0	0	3563,41	-9.475	-5.911
Currency adjustment	0	3.646	-4.140	4.007	3.513
Fair value adjustment	2.792	-42.050	61.642	-1.166.159	-1.143.775
Transfer opening/closing	-257.874	257.874	13.479	-13.479	0
Closing 2020	**-257.874**	**-6.373.009**	**381.929**	**-2.110.356**	**-8.359.309**

Reconciliation of cash flow	2020
Cash flow	-1.486.744
Raising of loans at credit institutions	-9.999
Received EU subsidy	-91.128
Guarantee commission	5.718
Other financial items, net	534
Cash flow from financing activities	**-1.581.619**

Reconciliation of differences in financial liabilities	Current debt	Long term debt	Derivatives assets	Derivatives liabilities	Total
Opening 2019	-208.162	-2.500.327	664.895	-411.560	-2.455.154
Cash flow	208.893	-2.528.903	143.029	0	-2.176.981
Paid interest - reversed	-3.047	-20.689	-19.872	0	-43.607
Amortisation	2.268	33.201	-11.363	0	24.106
Inflation indexation	0	0	13.480	-17.036	-3.556
Currency adjustment	0	-642	-2.494	-1	-3.137
Fair value adjustment	47	19.703	-1.396.168	342.174	-1.034.243
Transfer opening/closing	-1.513.170	1.513.170	838.827	-838.827	0
Closing 2019	**-1.513.170**	**-3.484.486**	**230.333**	**-925.249**	**-5.692.573**

Reconciliation of cash flow	2019
Cash flow	-2.176.981
Received EU subsidy	-272.916
Guarantee commission	-1.200
Other financial items, net	-1
Cash flow from financing activities	**-2.451.097**

Note 14 Financial risk management

Financing
A/S Femern Landanlæg's financial management is conducted within the framework determined by the company's Boards of Directors and guidelines from the guarantor, the Danish Ministry of Finance/Danmarks Nationalbank.

The Board of Directors in part determines an overall financial policy and in part an annual financing strategy, which regulates borrowing and liquidity reserves for specific years and sets the framework for the company's credit, foreign exchange, inflation and interest rate exposure. Financial risk management is also supported by operational procedures.

The overall objective is to achieve the lowest possible financing expenses for the infrastructure facilities over their useful lives with due regard for an acceptable risk level as acknowledged by the Board of Directors. A long-term perspective has been applied in the balancing of economic performance and the risks associated with financial management.

The following describes A/S Femern Landanlæg's funding in 2020 as well as the key financial risks.

Funding
All loans and other financial instruments employed by the company are guaranteed by the Danish State. This means that the company can achieve capital market terms equivalent to those available to the State, even if the company does not have an explicit rating from the international credit rating agencies.

The adopted financial strategy seeks to maximise funding flexibility in order to take advantage of developments in the capital markets. However, all loan types must adhere to certain criteria partly because of the demands from the guarantor and partly because of internal guidelines set out in the company's financial policy. In general, the company's loan transactions should consist of common and standardised loan structures that, as far as possible, limit the credit risk. The loan transactions do not contain any special terms that require disclosure with reference to IFRS 7.

In certain cases, lending itself can profitably occur in currencies in which the company cannot expose itself to currency risks (see below). In such cases, the loans are translated through currency swaps into acceptable currencies. Thus, there is no direct link between the original loan currencies and the company's currency risk.

Since 2002, A/S Femern Landanlæg has had access to on-lending, which is a direct loan from Danmarks Nationalbank on behalf of the State to the company based on a specific government bond, and subject to the same conditions under which the bond is traded in the market.

In 2020, funding requirements were mainly covered by on-lending from Danmarks Nationalbank, which was a particularly attractive source of funding.

A/S Femern Landanlæg raised on-lending to a nominal value of DKK 3.0 billion.

The extent of A/S Femern Landanlæg's funding in any individual year is largely decided by the size of the repayments on the existing debt (refinancing) and the impact from operations. In 2021, such refinancing will amount to approx. DKK 0.3 billion and the expected net borrowing requirements will be around DKK 1.5 billion. This is beyond what is needed for the financing of any extraordinary repurchase of existing loans and the debt issued to cover collateral demands.

A/S Femern Landanlæg has a requirement to maintain a liquidity reserve of at least 6 months' liquidity consumption with the objective of reducing the risk of borrowing at times when the loan terms in the capital markets are temporarily unattractive.

Financial risk exposure
A/S Femern Landanlæg is exposed to financial risks inherent in the funding of the infrastructures and linked

to financial management as well as operational decisions, including bond issuance and loans from credit institutions, the use of derivatives and deposit of liquid funds for liquidity reserves, receivables from customers and trade payables.

Risks relating to these financial risk exposures primarily comprise:

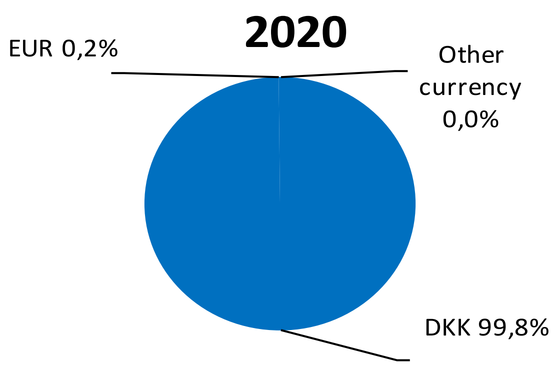
- Currency risks
- Interest rate risks
- Inflation risks
- Credit risks
- Liquidity risks

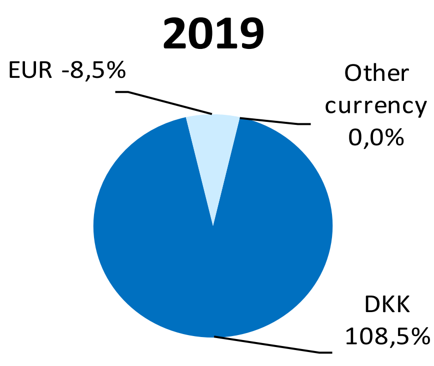
Financial risks are identified, monitored and controlled within the framework approved by the Board of Directors as determined in A/S Femern Landanlæg's financial policy and strategy, operational procedures and in accordance with the guidelines from the Danish Ministry of Finance/Danmarks Nationalbank, which has issued guarantees for the company's liabilities.

Currency risks
A/S Femern Landanlæg's exposure to currency risks primarily relates to the part of the net debt denominated in currencies other than the base currency (DKK). Financial derivatives and liquid funds are included in the disclosure of the currency risk measured at fair value.

A/S Femern Landanlæg's currency exposure at fair value in 2020 and 2019 (DKK million)

Currency	Fair value 2020	Currency	Fair value 2019
DKK	-6.336	DKK	-4.438
EUR	-10	EUR	347
Other currency	0	Other currency	0
Total 2020	**-6.346**	**Total 2019**	**-4.091**





The Danish Ministry of Finance has stipulated that A/S Femern Landanlæg may have currency exposures to DKK and EUR. The company's currency risks are managed within the limits of the composition of the currency allocation and can be distributed with no constraint between DKK and EUR.

Based on the stable Danish fixed exchange rate policy and the relatively narrow fluctuation band vis-a-vis EUR +/- 2.25 per cent in the ERM2 agreement, exposure to EUR is not considered to represent any substantial risk. The currency distribution between DKK and EUR will, over the coming years, depend on the exchange rate and interest rate relationship between the two currencies.

Foreign exchange sensitivity for A/S Femern Landanlæg amounted to DKK 0 million in 2020 (DKK 1 million in 2019) calculated as Value-at-Risk.

Value-at-Risk for foreign exchange risk sensitivity expresses the maximum loss as a result of an unfavourable development in the exchange rate within a one-year horizon, with a 95 per cent probability. Value-at-Risk has been calculated based on 1-year's historical volatility and correlations in the currencies with exposure.

Interest rate and inflation risks

A/S Femern Landanlæg's financing expenses are exposed to interest rate risks because of the ongoing funding for the refinancing of debts maturing, refixing of interest rates on floating rate debt and deposit of liquidity from operations and investments. The uncertainty arises as a consequence of fluctuations in market interest rates.

A/S Femern Landanlæg's interest rate risk is managed within several lines and limits, and the combination of these limits the interest rate risk on the net debt.

A/S Femern Landanlæg's interest rate risk is actively managed through the use of interest rate and currency swaps and other derivative instruments.

Floating rate debt or debt with a short remaining maturity imply that the loan must have the interest rate reset at market interest rates within a given time frame, which typically involves higher risks than fixed rate debts with long maturity when fluctuations in the current interest expenses form the basis of the risk management.

By contrast, financing expenses are usually a rising function of the maturity, and the choice of debt allocation is thus a question of balancing financing expenses and risk tolerance.

The debt allocation between fixed and floating rate nominal debt and real rate debt in conjunction with the maturity profile (maturity on the fixed rate debt) and the currency distribution comprise the uncertainty on the financing expenses.

Besides representing an isolated balancing of financing expenses and interest refixing risk on the net debt, A/S Femern Landanlæg's risk profile is also affected by linkages to the operations. This means that a balancing of risk is targeted across assets and liabilities with the aim of achieving a lower risk by combining the debt mix so that there is a positive correlation between operating revenue and financing expenses to the extent that this is possible.

Typically, floating rate debt and real rate debt have a positive correlation with general economic growth because monetary policy will often seek to balance the economic cycle by hiking interest rates when economic growth and inflation are high – and vice versa.

The economic relationship between operating revenue and financing expenses justifies some proportion of floating rate debt. Developments in road traffic revenue, which is the primary income source, are particularly dependent on economic conditions and low economic growth typically entails low traffic growth, and thus a less favourable development in revenue. This revenue risk can, to a certain extent, be offset by floating rate debt in that adverse economic trends normally lead to lower interest rates, notably at the short end of the maturity spectrum.

Furthermore, there is an isolated balancing of financing expenses and interest rate refixing risk on the nominal debt.

A/S Femern Landanlæg has a strategic interest in real rate debt where the financing expenses comprise a fixed real rate plus indexation dependent upon general inflation. The reason is that operating income, by and large, can be expected to follow inflation developments as both road tolls and rail revenue are normally indexed. Real rate debt, therefore, represents a very low risk and functions as a hedge of operating revenue and the company's long-term project risk.

Based on the overall financial management objective – to attain the lowest possible financing expenses within a risk level approved by the Board of Directors – the company has established a strategic benchmark for the debt portfolio's interest rate allocation and the nominal duration.

Maximum variation limits for the interest rate allocation and duration target have been established.

The basis for determining the strategic benchmark in the debt management is economic model simulations that estimate the outcome and expected earnings development of the company's assets and liabilities on a large number of relevant portfolio combinations with different interest rate allocations and maturity profiles and consists of a balancing of financing expenses with revenue risk.

Besides the above-mentioned strategic elements, the interest rate risk is also managed on the basis of the expectations for short-term interest rate developments and an isolated balancing of financing expenses and interest rate refixing risk on the nominal debt.

A/S Femern Landanlæg is exposed to interest rates in DKK and EUR, and here interest rates on the long-term maturities fell by 0.3-0.6 percentage points over the year. Interest rate developments in 2020 produced an unrealised fair value loss of DKK 1,143 million from fair value adjustments.

The management of the interest rate risk aims at attaining the lowest possible longer-term financing expenses with no specific regard for the annual fluctuations in the fair value adjustment. The fair value adjustment has, however, no impact on the company's economy, including the repayment period.

The yield exposure on the net debt is based on the nominal value (the notional) split in time buckets at the earliest of the time to maturity or the time to the next interest rate refixing. Thus, the floating rate debt is included in the next financial year and shows the cash flow exposure to the interest refixing risk.

A/S Femern Landanlæg uses derivatives to adjust the allocation between floating and fixed rate nominal debt and real rate debt, including, primarily, interest rate and currency swaps.

Yield exposure disclosed in nominal notional amounts 2020, A/S Femern Landanlæg (DKK million)

Yield buckets	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Nominal value	Fair value
Securities	1.785	149	0	0	0	0	1.934	1.944
Bond loans and debt	-1.143	-1.650	0	0	-350	-3.150	-6.293	-6.634
Interest rate and currency swaps	-350	1.000	999	0	350	-2.043	-44	-1.646
Currency futures	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0
Cash at bank and in hand	-10	0	0	0	0	0	-10	-10
Net debt	**282**	**-501**	**999**	**0**	**0**	**-5.193**	**-4.413**	**-6.346**
Of this, real rate instruments								
Real rate debt	0	0	0	0	0	0	0	0
Real rate swaps	0	546	540	0	0	-2.470	-1.384	-3.103
Real rate instruments total	**0**	**546**	**540**	**0**	**0**	**-2.470**	**-1.384**	**-3.103**

Yield exposure > 5 years is allocated as follows (DKK million)

Yield buckets	5-10 years	10-15 years	15-20 years	> 20 years
Net debt	798	0	0	-5.991
Of this, real rate instruments	468	0	0	-2.938

Yield exposure disclosed in nominal notional amounts 2019, A/S Femern Landanlæg (DKK million)

Yield buckets	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Nominal value	Fair value
Securities	0	1.531	0	0	0	0	1.531	1.549
Bond loans and debt	-2.396	-250	0	0	0	-2.150	-4.796	-5.000
Interest rate and currency swaps	1.018	0	1.000	998	0	-3.038	-22	-658
Currency futures	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0
Cash at bank and in hand	18	0	0	0	0	0	18	18
Net debt	**-1.360**	**1.281**	**1.000**	**998**	**0**	**-5.188**	**-3.269**	**-4.091**
Of this, real rate instruments								
Real rate debt	0	0	0	0	0	0	0	0
Real rate swaps	0	0	543	536	0	-2.455	-1.376	-2.430
Real rate instruments total	**0**	**0**	**543**	**536**	**0**	**-2.455**	**-1.376**	**-2.430**

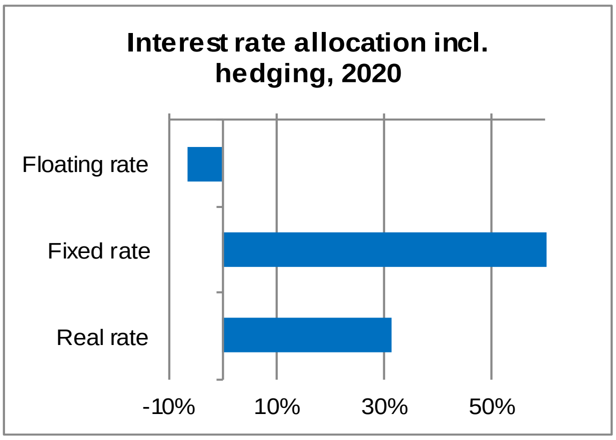
Yield exposure > 5 years is allocated as follows (DKK million)

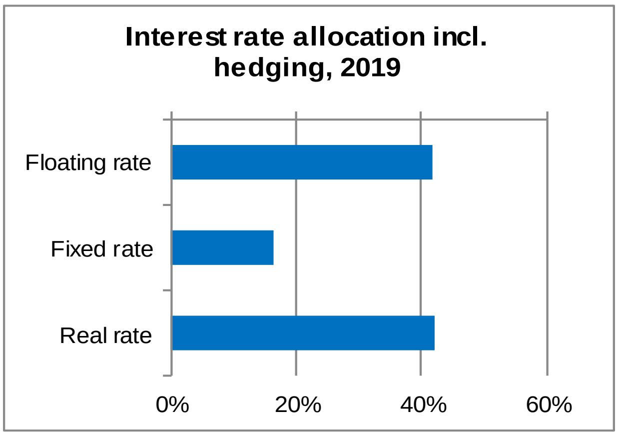
Yield buckets	5-10 years	10-15 years	15-20 years	> 20 years
Net debt	798	0	0	-5.986
Of this, real rate instruments	465	0	0	-2.920

The yield exposure is primarily exposed to long-term maturities of 25-35 years and interest rate hedging has been established with a view to hedging the projected debt accumulation during the construction period and repayment during the operating period.

Interest rate allocation

2020	Interest rate allocation in per cent	2019
-6,4	Floating rate	41,6
75,0	Fixed rate	16,3
31,4	Real rate	42,1
100,0	**Total**	**100,0**





A/S Femern Landanlæg has established interest rate hedging for a notional amount of DKK 6 billion with maturities of 25-35 years with a forward start adapted to the expected debt projection, including debt accumulation during the construction period and repayment during the operation period. Half of the yield exposure is exposed to the real rate and is inflation-indexed while the other half is nominal yield exposure.

The yield exposure is distributed with an exposure of 121.2 per cent to interest rates in DKK and -21.2 per cent in EUR. As regards the real rate debt, this is exposed to the Danish Consumer Price Index (CPI). The real interest rate on the inflation indexed exposure is around zero per cent while the nominal yield exposure is around 1 per cent.

The financing expenses' sensitivity to an interest or inflation rate change of 1 percentage points can be estimated at DKK 16 million and DKK 11 million respectively and the impact will be symmetrical with a rise or fall.

When market interest rates change, this affects the market value (fair value) of the net debt, and here the impact and risk are greatest on fixed rate debt with longer-term maturities. This is primarily owing to the discounting effect and reflects the alternative cost or gain relating to the fixed rate debt obligations compared to financing at current market interest rates.

The duration indicates the average time to maturity of the net debt. A high duration entails a low interest rate fixing risk as a relatively small proportion of the net debt needs to be reset to the current interest rate.

The duration also expresses the interest rate sensitivity on the net debt stated at market value.

Duration (DKK million)

2020 Duration (years)	BPV	Fair value		2019 Duration (years)	BPV	Fair value
22,0	7,1	-3.243	Nominal debt	34,7	5,8	-1.661
47,6	14,8	-3.103	Real rate debt	53,8	13,1	-2.430
34,5	21,9	-6.346	Net debt	46,0	18,9	-4.091

Basis point value (BPV) expresses the rate sensitivity to a parallel shift in the yield curve of 1 bp.

A/S Femern Landanlæg's duration totalled 34.5 years at the end of 2020 of which 22.0 years relate to the nominal debt and 47.6 years to the real rate debt. Interest rate sensitivity can be calculated at DKK 21.9 million, when the yield curve is shifted in parallel by 1 bp. This will imply a positive fair value adjustment in the income statement and balance sheet when interest rates rise by 1 bp, and vice versa. The stated durations are affected by a gearing effect in that the net debt is low compared to the established interest rate hedging, which is adapted to the projected debt accumulation.

As regards A/S Femern Landanlæg, the fair value adjustment's sensitivity to an interest rate change of 1 percentage point can be calculated as a fair value loss of DKK 2,601 million with an interest rate fall and a fair value gain of DKK 1,875 million with an interest rate rise.

The calculated sensitivity to interest rate changes on the fair value adjustment takes account of the convexity of the debt portfolio.

The sensitivity calculations have been made on the basis of the net debt on the balance sheet date and the impact is similar in result and balance sheet as a result of the accounting policies where financial assets and liabilities are recognised at fair value.

Credit risks

Credit risks are defined as the risk of losses arising as a result of a counterparty not meeting its payment obligations. Credit risks arise in connection with the investment of excess liquidity, receivables from derivative transactions and trade receivables.

The credit policy for the investment of excess liquidity has continuously been tightened with increased requirements for rating, credit limits and maximum duration.

A/S Femern Landanlæg has, to the greatest possible extent, limited excess liquidity and has only had deposits in banks with high credit ratings or invested liquidity in German government bonds for pledging collateral. There have been no incidents of overdue payments as a result of credit events.

A/S Femern Landanlæg's derivative transactions are generally regulated by an ISDA master agreement with each counterparty, and it is explicitly set out that netting of positive and negative balances will apply.

The credit risk on financial counterparties is managed and monitored on a daily basis through a specific line and limit system which has been approved by the Board of Directors in respect of the company's financial policy and determines the principles for calculating these risks and limits for acceptable credit exposures. The allocation of limits for acceptable credit exposures is determined on the basis of the counterparty's long-term rating by either Standard and Poor's (S&P), Moody's Investor Service (Moody's) or Fitch Ratings.

The credit risk is limited to the greatest possible extent by diversifying the counterparty exposure and reducing the risk exposure to individual counterparties. The financial counterparties must adhere to high standards for credit quality and agreements are only entered into with counterparties that have a long-term rating above A3/A-. The rating requirement can be eased to BBB/Baa2, provided that the counterparty is resident in a country with an AA/Aa2 rating and that a number of strict collateral requirements are met.

A/S Femern Landanlæg has entered into collateral agreements (CSA agreements) with the majority of the financial counterparties and since 2005 has only entered into derivative contracts that are regulated by such agreements. The CSA agreements are two-way and imply that both the company and the counterparty must pledge collateral in the form of government bonds or mortgage bonds with high credit quality when the balance is in favour of one of the parties. The parties have title of right to the collateral with mandatory return of income and securities in the absence of bankruptcy.

The credit exposure is effectively limited by low threshold values for unhedged receivables and greater collateral is required for counterparties with lower credit quality, i.e. with a requirement for supplementary collateral for lower ratings.

The bonds, provided as collateral, must have a minimum rating of Aa3/AA-.

A/S Femern Landanlæg is not covered by EMIR's central clearing obligation for derivative transactions.

The IFRS accounting standard stipulates that the credit risk is calculated gross excluding netting (the offsetting of positive and negative balances for each counterparty), even though such agreements exist. Net exposure is given as additional information and constitutes a better measure of the company's actual credit risk.

Credit risks on financial assets recognised at fair value distributed on credit quality 2020 (DKK million)

Total counterparty exposure (market value) Rating	Deposits	Derivatives without netting	Derivatives with netting	Collateral	Number of counter-parties
AAA	1.944	0	0	0	1
AA	0	117	0	0	1
A	0	344	132	143	2
BBB	0	0	0	0	0
Total	**1.944**	**461**	**132**	**143**	**4**

Credit risks on financial assets recognised at fair value distributed on credit quality 2019 (DKK million)

Total counterparty exposure (market value) Rating	Deposits	Derivatives without netting	Derivatives with netting	Collateral	Number of counter-parties
AAA	1.549	0	0	0	0
AA	0	42	0	0	1
A	0	130	0	0	1
BBB	0	58	58	74	1
Total	**1.549**	**230**	**58**	**74**	**3**

A/S Femern Landanlæg has 4 financial counterparties, including Germany as bond issuer, while the business volume with the remaining 3 counterparties is related to derivative transactions of which all counterparties are covered by collateral agreements.

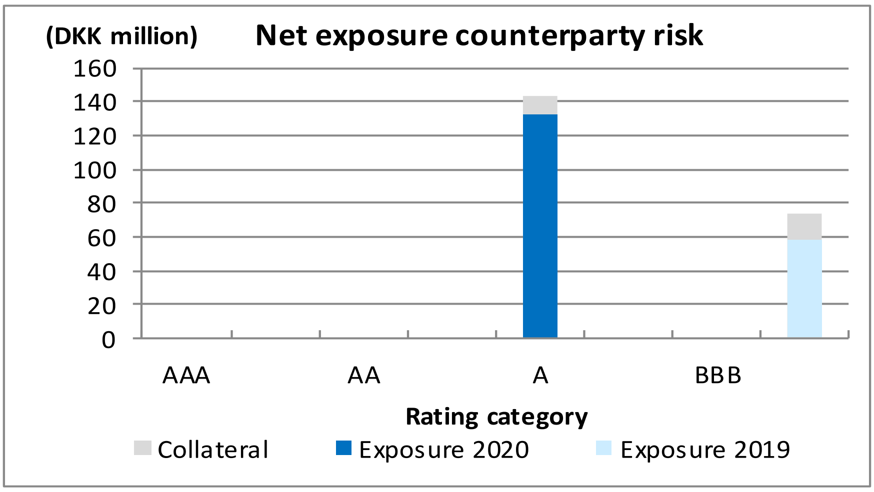
The credit exposure is primarily concentrated in the A-rating category and covered by collateral agreements.

Counterparty exposure to counterparties with collateral agreements totals DKK 132 million and collateral amounts to DKK 143 million. There is no exposure to counterparties without collateral.

A/S Femern Landanlæg has pledged collateral for DKK 1,769 million to hedge outstanding exposure from derivative transactions in favour of two counterparties.

The amounts related to credit risks and collateral are stated at market value at the balance sheet date.

Distribution of counterparty exposure on rating categories 2020 and 2019



Liquidity risk
Liquidity risk is the risk of losses arising if the company has difficulties meeting its financial liabilities, both in terms of debt and derivatives.

The guarantee provided by the Danish State, and the flexibility to maintain a liquidity reserve of up to 6 months' liquidity consumption imply a limited liquidity risk for A/S Femern Landanlæg. In order to avoid substantial fluctuations in the refinancing for individual years, the objective is for the principal payments to be evenly dispersed. Unexpected cash outflow can arise from demands for collateral as a result of market value changes on derivative transactions.

Maturity on debt as well as liabilities and receivables on financial derivatives, 2020 (DKK million)

Maturity	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Principal amount							
Debt	-250	-1.650	0	0	-1.243	-3.150	-6.293
Derivatives liabilities	-5	0	0	0	0	-96	-101
Derivatives receivables	6	18	17	0	0	16	57
Assets	1.785	149	0	0	0	0	1.934
Total	**1.536**	**-1.483**	**17**	**0**	**-1.243**	**-3.230**	**-4.403**
Interest payments							
Debt	-31	-22	-18	-18	-20	-53	-162
Derivatives liabilities	-1	-46	-58	-31	-29	-1.654	-1.819
Derivatives receivables	0	0	0	0	0	245	245
Assets	0	0	0	0	0	0	0
Total	**-32**	**-68**	**-76**	**-49**	**-49**	**-1.462**	**-1.736**

Maturity on debt as well as liabilities and receivables on financial derivatives (DKK million), 2019 (DKK million)

Maturity	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Principal amount							
Debt	-1.500	-250	0	0	0	-3.046	-4.796
Derivatives liabilities	-9	0	0	0	0	-84	-93
Derivatives receivables	26	0	16	15	0	14	71
Assets	0	1.531	0	0	0	0	1.531
Total	**-1.483**	**1.281**	**16**	**15**	**0**	**-3.116**	**-3.287**
Interest payments							
Debt	-25	-20	-14	-15	-16	-49	-139
Derivatives liabilities	-28	-13	-48	-58	-30	-669	-846
Derivatives receivables	0	0	0	0	0	160	160
Assets	0	0	0	0	0	0	0
Total	**-53**	**-33**	**-62**	**-73**	**-46**	**-558**	**-825**

Debt, derivative liabilities and receivables, as well as financial assets, are recognised in the liquidity projection and repayments and principal amounts are entered at the earliest due date. Interest payments are recognised at agreed terms and implicit forward interest rates and inflation form the basis for the variable interest payments and inflation indexation. Repayments, principal amounts and interest payments are disclosed for the net debt and neither refinancing nor cash flows from operating activities is included, c.f. IFRS 7.

Note 15 Trade and other payables

	2020	2019
Trade payables	155.311	204.690
Debt group enterprises - group companies	971	0
Guarantee commision payable	7.000	4.743
Other payables	50	29
Total	**163.332**	**209.462**

Note 16 Accruals and deferred income

Accruals and deferred income comprise payments received relating to income in subsequent years.

	2020	2019
Accrued interest, financial instruments	109.852	110.891
Accruals and deferred income, total	**109.852**	**110.891**

A specification of accrued interest is shown in Note 13, Net debt.

Note 17 Contractual obligations, contingent liabilities and collateral

A/S Femern Landanlæg has entered into two-way collateral agreements (CSA agreements) with a number of financial counterparties and is required to pledge collateral in the form of government bonds for outstanding exposure from derivative contracts in the counterparties' favour. A/S Femern Landanlæg has pledged collateral for DKK 1,769 million to hedge outstanding exposure from derivative transactions in favour of two financial counterparties.

The company is part of Danish joint taxation with Sund & Bælt Holding A/S as the administration company. In accordance with the rules of the Danish Companies Act, the company has therefore joint and several liability with the other jointly taxed companies from the financial year 2013.

Apart from that, the company has not lodged any collateral.

Note 18 Related parties

Related parties comprise the Danish State, companies and institutions owned by it.

Related party	Registered	Affiliation	Transactions	Pricing
The Danish State	Copenhagen	100 per cent ownership via Sund & Bælt Holding A/S	Guarantee for the company's debt	Determined by legislation. Accounts for 0.15 per cent of nominal debt.
			Guarantee commission	
Sund & Bælt Holding A/S	Copenhagen	100 per cent ownership of Sund & Bælt Partner	Administration	Market price
			Consultancy Joint taxation contribution	
Banedanmark	Copenhagen	Owned by the Ministry of Transport	Consultancy	Market price
			Construction work	
Vejdirektoratet	Copenhagen	Owned by the Ministry of Transport	Consultancy	Market price
Øresundsbro Konsortiet I/S	Copenhagen/ Malmø	50 per cent ownership of partnership via A/S	Consultancy	Market price
A/S Storebælt	Copenhagen	Subsidiary of Sund & Bælt Holding A/S	-	Market price
A/S Øresund	Copenhagen	Subsidiary of Sund & Bælt Holding A/S	-	Market price
Sund & Bælt Partner A/S	Copenhagen	Subsidiary of Sund & Bælt Holding A/S	-	Market price
Femern A/S	Copenhagen	Subsidiary of A/S Femern Landanlæg	Joint setlement of VAT Guarantee commission	 Accounts for 1.85 per cent of nominal debt.
Brobizz A/S	Copenhagen	Subsidiary of Sund & Bælt Holding A/S	-	Market price
BroBizz Operatør A/S	Copenhagen	Subsidiary of Brobizz A/S	-	Market price

Related party	Description	Amount 2020	Amount 2019	Balance at 31 December 2020	Balance at 31 December 2019
The Danish State	Guarantee commission	-7.034	-2.664	-7.000	-4.743
Sund & Bælt Holding A/S	Administration contribution	-7.338	-8.436	-971	0
	Joint taxation contribution	90.261	-25.945	90.261	-25.071
Banedanmark	Consultancy	12.121	-964.789	3.788	-94.673
	Construction	-1.080.232	18.428	-53.020	10.441
Øresundsbro Konsortiet I/S	Consultancy	-1.116	-947	0	0
Danish Road Directorate	Consultancy	1.985	0	0	0
Femern A/S	Joint setlement of VAT	0	0	40.751	46.311
	Guarantee commission	410.605	0	410.605	0

Note 19 Events after the balance sheet date

No events of significance to the Annual Report 2020 have occurred after the balance sheet date.

Note 20 Approval of the annual report for publication

At the Board meeting on 24 March 2021, the Board of Directors approved this Annual Report for publication.

The Annual Report will be presented to the shareholder of A/S Femern Landanlæg for approval at the Annual General Meeting on 19 April 2021

Endorsements

Statement by the Board of Directors and Management Board

The Board of Directors and Management Board have today considered and approved the annual report for the financial year 1 January-31 December 2020 for A/S Fermern Landanlæg.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act.

It is our view that the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2020, as well as the results of the company's activities and cash flow for the financial year 1 January-31 December 2020.

It is also our view that the Management Report gives a true and fair view of developments in the company's activities and financial conditions, the annual results and the company's overall financial position and a description of the significant risks and uncertainty factors to which the company is exposed.

It is recommended that the annual report be approved at the Annual General Meeting.

Copenhagen, 24 March 2021.

Management Board

Mogens Hansen
CEO

Board of Directors

Mikkel Hemmingsen
Chairman

Louise Friis
Vice-Chair

Mogens Hansen

The independent auditor's report

To the shareholder of A/S Femern Landanlæg

Our opinion
We have audited the financial statements for A/S Femern Landanlæg for the financial year 1 January 2020-31 December 2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow and notes, including the accounting policies. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position as at 31 December 2020 and the results of the Company's operations and cash flows for the financial year 1 January 2020-31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the ethical requirements that are relevant to our audit of the financial statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management Report
The Management is responsible for the Management Report.

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

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

Moreover, we considered whether Management Report includes the disclosures required by the Danish Financial Statements Act.

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

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

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

Auditor’s responsibility for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 24 March 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Anders Oldau Gjelstrup
State-Authorised Public Accountant
MNE no. 10777

Jakob Lindberg
State-Authorised Public Accountant
MNE no. 40824

Financial glossary

Swaps
The exchange of a series of payments between two counterparties, e.g. interest or currency swaps, typically between a company and a bank. A company can, for example, take out a fixed rate loan and subsequently enter into an interest rate swap with the bank by which the company receives a corresponding fixed interest rate and pays variable interest +/- a premium. The company will thus have a liability to pay the variable interest +/- the premium. In a currency swap, payments are exchanged in two different currencies.

Interest-bearing net debt
Interest-bearing net debt consists of financial assets and liabilities stated at amortised cost, excluding interest due and receivable.

Fair value
Fair value is the accounting term for market value and expresses current purchase and selling rates on financial assets and liabilities. Changes in the fair value can be primarily attributed to developments in interest rates, exchange rates and inflation.

Fair value adjustment
An accounting principle in financial reporting according to which the value of assets/liabilities is determined at their market value (fair value) - i.e. the value they have in the market at a given time if they were to be bought or sold. During the period between receipt and redemption of the asset/liability, the fair value will fluctuate according to, for example, the interest rate level and the exchange rate.

Credit rating
International credit rating agencies assign companies a grade which expresses their credit rating. Typically, companies can be assigned a short and long rating that expresses the company’s ability to settle its liabilities in the short and long-term. The rating follows a scale, with AAA being the best rating, AA the second best etc. The Danish State, which guarantees the liabilities of Storebælt and the Øresund fixed link, has the highest credit rating: AAA. The largest credit rating agencies are Moody's and Standard & Poor's.

Real rate
The nominal interest rate adjusted for inflation.