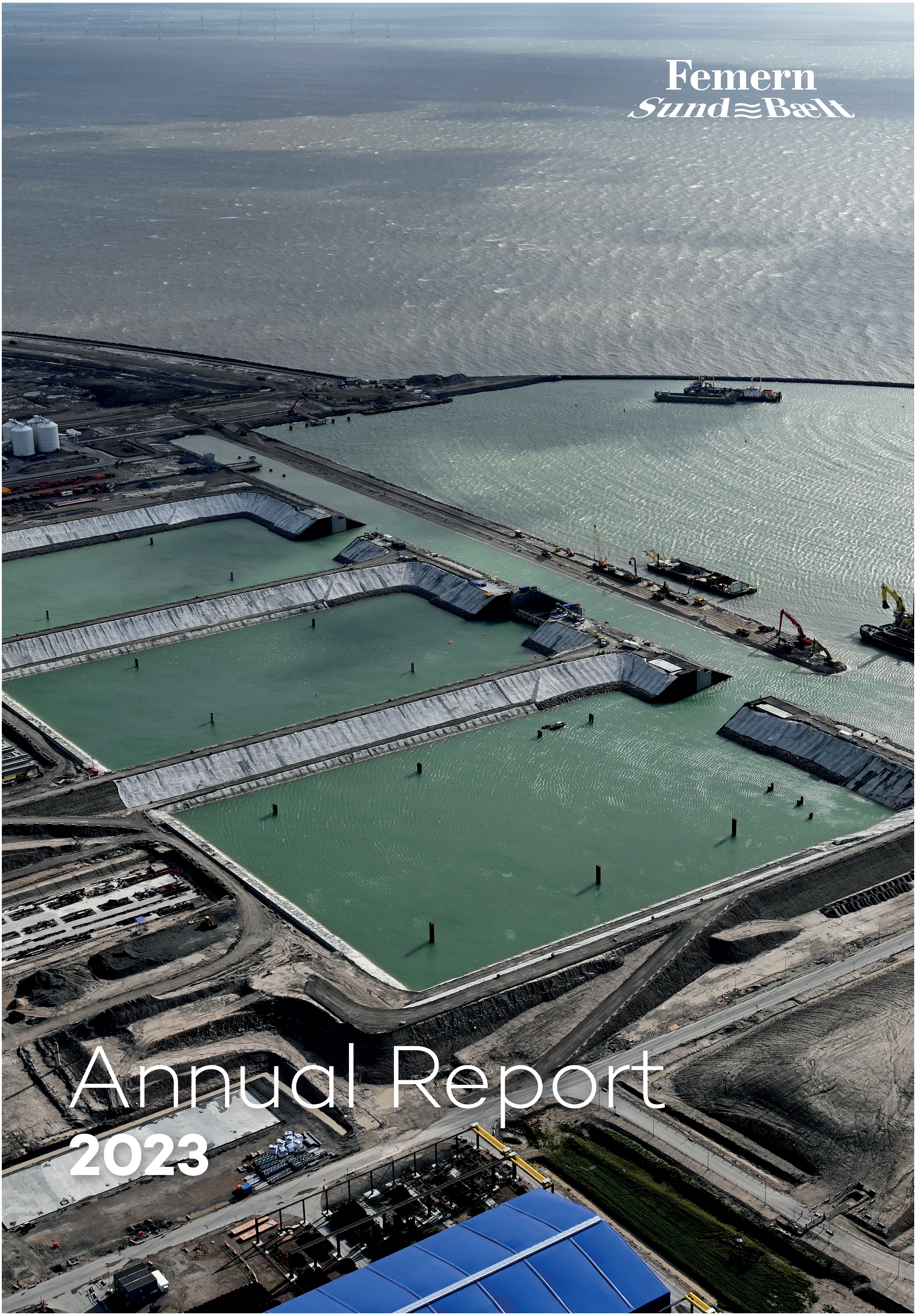


Annual Report
2023

Femern A/S

Annual Report 2023

This is a translation of the Danish annual report. In the event of discrepancies, the Danish version of the annual report shall prevail.

Chair of the Annual General Meeting: Charlotte Yun Linde
Approved at the Annual General Meeting 22 April 2024

Femern A/S, Vester Søgade 10, 1601 Copenhagen V, CVR 28986564

Preface

In 2023, the Fehmarnbelt project made its most impressive progress so far on the construction of the fixed link between Denmark and Germany. Large scale work across the project's tunnel construction contracts for the establishment of a coast-to-coast fixed link across the Fehmarnbelt is ongoing in both Denmark and Germany, as well as in the Fehmarnbelt itself.

In July 2023, the German work harbour opened to traffic. The two work harbours at Rødbyhavn and Puttgarden now constitute the central hubs for receiving construction materials shipped in by sea for the Fehmarnbelt tunnel project.

In Rødbyhavn, the construction of the large tunnel element factory is so advanced that production of the tunnel elements is being undertaken on all six production lines. Outside the three production halls, the basin areas are now filled with water and are being prepared for launching the tunnel elements. In December 2023, a large majority in the Folketing (the Danish parliament) decided that the tunnel element factory will be preserved when casting of the tunnel elements for the coast-to-coast section of the Fehmarnbelt project is complete. This will enable the factory to contribute to the green transition as regards the construction of other major infrastructure projects in future.

In 2023, the first permanent concrete castings of the tunnel portals were undertaken on both the Danish and German sides. Trains and road traffic will, in future, pass through the tunnel portals on their way down into the tunnel. Under the Fehmarnbelt itself, excavation of the 18 km long tunnel trench is near completion and is being prepared for the immersion of the tunnel elements.

January 2023 also saw the commencement of the contracts for the tunnel's electrical and mechanical installations as well as for a new transformer station at Rødbyhavn. Both contracts are now well under way and in the years ahead, will be instrumental in the Fehmarnbelt Tunnel operating safely, efficiently and in climate-friendly manner.

The first tunnel element will be lowered to its ultimate position at the bottom of the Fehmarnbelt in 2024. The immersion process will be performed when the portal and connecting structures on first the Danish and then the German sides are ready for the elements to be immersed and connected.

Mikkel Haugård Hemmingsen Chair Femern A/S	Henrik Vincentsen CEO Femern A/S

Co-financed by the Connecting Europe Facility of the European Union

Main figures and key indicators (DKK million)

	2023	2022	2021	2020	2019
Operating expenses	-2	-2	-2	-2	-1
Loss from operations	-2	-2	-2	-2	-1
Financial items	-1,542	11,917	299	-415	-408
Profit/loss for the year	**-1,077**	**9,166**	**231**	**-325**	**-319**
Net capital investments during the year	8,977	5,359	3,404	1,734	579
Equity	8,100	9,177	11	-220	105
Balance sheet total	29,685	20,602	13,576	13,582	13,323
Financial ratios, per cent:					
Profit ratio (primary operations)	0.0	0.0	0.0	0.0	0.0
Rate of return (primary operations)	0.0	0.0	0.0	0.0	0.0

The key figures are calculated as stated in Note 1, Accounting policies

Management report

Femern A/S is responsible for the design, construction and operation of the fixed link across the Fehmarnbelt on behalf of the Danish state. This includes providing the basis for plan approval of the coast-to-coast link.

The overall framework for the company's work is laid down in the treaty signed in September 2008 between Denmark and Germany on the planning, regulatory approval, financing, construction and operation of a fixed link across the Fehmarnbelt between Rødbyhavn and Puttgarden.

In Germany, the treaty was approved by an act adopted by the Bundestag and Forbundsråd (Federal Council) in 2009. In Denmark, the Folketing (Danish Parliament) passed the "Act on the design of a fixed link across the Fehmarnbelt with associated landworks" in April 2009.

On 28 April 2015, the Folketing passed the "Act on the construction and operation of a fixed link across the Fehmarnbelt with associated landworks in Denmark". The Construction Act also includes the Danish environmental approval for the project. On 14 December 2023, the Folketing adopted an amendment to the Construction Act. This amendment means that the tunnel element factory will be preserved after the production of tunnel elements for the Fehmarnbelt link is complete.

On 31 January 2019, German plan approval of the Fehmarnbelt project was issued by the authorities in Schleswig-Holstein. On 3 November 2020, the Federal Administrative Court in Leipzig passed judgement in a case concerning appeals against plan approval. All appeals were dismissed by the court. The project is therefore finally approved in Germany.

The total financial framework for the coast-to-coast project in the Construction Act is DKK 55.1 billion (2015 price level).

Status of the construction project
Work on the establishment of a fixed link across the Fehmarnbelt (coast-to-coast) is onging in Denmark, Germany and at sea in the Fehmarnbelt across the project's contracts for the tunnel construction.

The first permanent structures of the 18 km long immersed tunnel were initiated at the tunnel element factory at Rødbyhavn in 2023. The contractor consortium, Femern Link Contractors (FLC), undertook the first reinforcement works in January 2023 and, in the summer of that year, the casting of the first tunnel element was initiated. By the end of the year, production was underway on all six production lines at the tunnel element factory with the first tunnel elements being visible outside the large factory halls. Every link in the technically demanding production process is closely monitored and controlled to ensure compliance with the high-quality requirements for the immersed tunnel's safety and service life of a minimum of 120 years. Outside the factory halls, the outer basins have been filled with 1.6 million m^3 of seawater. Also, the large floating gate that will open and close the work harbour access to basin B has been installed.

The immersion of the first tunnel element at the portal on Lolland in 2024 will mark the start of the major immersion programme. To this end, discussions are taking place with the German authorities and the contractor on how the immersion programme can be undertaken most effectively, with due regard for the German plan approval, which differs in certain respects from the construction contracts.

In February 2023, the first casting works for the tunnel portal on the Danish side were started. On the German side in November 2023, FLC cast the first part of the portal structures, and work on the other reinforcement and casting works on the structures is ongoing. Work on the construction of the tunnel portals has been challenged by, among other things, design work, regulatory matters and the weather. A plan has been agreed with the contractor that addresses the most significant timing risk to the project's critical path towards the immersion of the first tunnel elements in 2024.

The Fehmarnbelt Contractors (FBC) consortium's work on the construction of the two work harbours at Rødbyhavn and Puttgarden was completed in 2023. Ships loaded with materials travel directly to the construction sites on a weekly basis and thereby relieve the local road network of heavy transport. In 2023 alone, 850,000 tonnes of materials — equivalent to over 20,000 lorry loads — were shipped to the two work harbours.

In 2023, FBC moved a step closer to the completion of the dredging of the 18 km long trench in which the future Fehmarnbelt tunnel will be located. By the end of the year, some 96 per cent of channel had been dredged. This allowed the large dredgers, Vox Amalia and Magnor, to leave the Fehmarnbelt project area in autumn 2023 as planned. The remaining finer dredging will be carried out by smaller dredging vessels into 2024. After this, the tunnel channel will be ready for FLC to start the preparatory activities for the immersion of the large tunnel elements.

Contracted work for the tunnel's electrical and mechanical installations started in January 2023. The contractor consortium, Femern Systems Contractors (FSC), set out the schedule for the installation works after the start of the contract, and prepared the first designs of the technical installations. The contracted work will contribute to the safe, efficient and climate-friendly operation of the Fehmarnbelt tunnel.

Similarly, in January 2023, the contract for the establishment of the large transformer station on Lolland (TPS) was initiated. The contractor, Elecnor, is to build the transformer station that will supply the tunnel facility with electricity and power for the trains operating in the Fehmarnbelt tunnel and on the first adjacent section on Lolland.

The construction of the Fehmarnbelt tunnel's railway, divided into contracts for rail track, catenary and signalling systems, constitutes the last major installation contracts to be signed for the coast-to-coast project.

On 24 February 2023, the contract for signalling roll-out on the Fehmarnbelt link was signed. Femern A/S has exercised a 2011 option to use Banedanmark's Signalling programme, which means that the contract is to be undertaken by Alstom. The relationship between Banedanmark and Femern A/S will be handled via a separate agreement that sets out the framework for signalling roll-out on the Fehmarnbelt link.

Femern A/S' work on the establishment of the fixed link across the Fehmarnbelt is based on five general management objectives:

- Finance
- Time
- Quality and safety
- Sustainability
- Organisation

Overall, the aim is to open the tunnel in 2029, but the timetable is currently challenged.

Corporate Social Responsibility

Statutory statement of Corporate Social Responsibility c.f. Sections 99a and 107b 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 2023 under Diversity.

Femern A/S also publishes an annual report on sustainability, which can be found at: *https://sundogbaelt.dk/en/news-press/publications/.*

Statutory statement regarding the underrepresented gender, c.f. Section 99b of the Danish Financial Statements Act
As regards senior management, there is equal gender representation, which is why the company has not drawn up and accounted for a target figure.

As a result of the Group structure, the company has only a few employees apart from the registered Board of Directors and Management Board. The company has therefore chosen to adopt the Danish Financial Statements Act's exception provisions for companies with fewer than 50 employees. Consequently, the company has not established a policy to increase the proportion of the underrepresented gender at other management levels. For the same reason, the company has not set target figures for other management levels.

As a subsidiary of the Sund & Bælt Group, the company is covered by the Group's diversity and sustainability policies. The parent company's annual report contains a group management report which explains in more detail the content and target achievements at Group level.

Statutory statement for the company's policy on data ethics c.f. Section 99d of the Danish Financial Statements Act
The company's formal compliance with Section 99d of the Danish Financial Statements Act on data ethics policy is published in the parent company's group management report 2023 under Data Ethics.

The Annual Report for Sund & Bælt Holding A/S is available at: *https://sundogbaelt.dk/en/news-press/publications/.*

Finance

The company's result before tax is a loss of DKK 1,544 million and after tax a loss of DKK 1,077 million of which fair value adjustments of loans entered into constitutes a loss of DKK 1,542 million.

Value adjustments of financial liabilities and assets are recognised in the comprehensive income statement and therefore not capitalised as part of the project under road and railway facilities under construction.

In 2023, the company incurred costs of DKK 8,800 million. Estimated EU funding amounts to DKK 1,909 million, which is offset against total costs. The net increase is thus DKK 6,891 million.

Of the total project costs, DKK 8,287 million can be attributed to design work and construction activities. This includes DKK 140 million for establishing the tunnel element factory as a permanent structure with a view to its reuse in other projects. The remaining DKK 513 million was used for salaries and administration, including rent and IT as well as financing costs.

Financing

Apart from the company's invested capital, activities are financed by borrowing and EU funding via the EU Commission's TEN-T/CEF programme. The EU Commission selected the Fehmarnbelt project as a priority project in 2003 within the trans-European transport network (TEN-T/CEF programme).

The EU funding programme for the development of an improved European transport network for the period 2014-2020 is termed TEN-T/CEF. In 2015, the EU Commission allocated EUR 589 million (DKK 4.4 billion) to support the project for the years 2015-2019. In 2016, the EU Commission extended the support period to the year 2020 and in 2020, the EU Commission further extended the support period to include the years 2021-2023.

A total amount of DKK 4.1 billion was recognised as income for the period 2017-2023, which means that the majority of the allocated support amount is expected to be fully utilised. The funding amount awarded is based on the CEF 1-programme awarding a maximum of 40 per cent in support of cross-border railway-related activities, which are calculated to amount to 51 per cent of the Fehmarnbelt project's total activities.

Femern A/S has also been awarded funds under the CEF II programme in the form of a maximum support commitment of EUR 540.5 million for the period 2022-2025.

Payment of the EU funding is in part made as advance payments of the budgeted support amount and in part as final payment once the company has documented that the eligible expenses have been incurred.

From 2015 onwards, the company's finances are fixed in the Construction Act passed on 28 April 2015.

The company has two different means of borrowing:

- State loans provided through Denmark's National Bank (on-lending) via the parent company A/S Femern Landanlæg
- Loans on the money and capital markets based on a state guarantee.

In 2023, the company financed its activities via EU funding and on-lending through the National Bank via A/S Femern Landanlæg. Financing was provided for the construction of the fixed link in the coming years, and at the start of 2024, a total on-lending principal amount of DKK 24,290 million was raised and drawn on. The fair value constitutes DKK 10,297 million. Loans for DKK 24,157 million with future payment dates were also taken out.

The excess loan proceeds are invested in securities with a nominal value of DKK 4,206 million to be used together with new borrowing for financing in the coming period.

The net debt is nominally DKK 19,971 million and the fair value has been assessed at DKK 11,948 million.

At the end of 2023, the liquid assets were placed in German government bonds. The credit quality of the liquidity investments is in the international credit rating agencies' rating AAA and is thus a minimal credit risk.

In 2023 financial items including fair value adjustments amounted to an expense of DKK 1,927 million compared to an income of DKK 11,587 million in 2022. The financial value adjustments in 2023 represented a loss of DKK 1,542 million against a gain of DKK 11,917 million in 2022. The financial markets in 2023 were not characterised by the same significant fluctuations in market interest rates, and the loss in value reflects a smaller decrease in interest rates, especially for longer maturities.

It should be noted that the Danish State provides a separate guarantee for interest and repayments as well as other ongoing obligations in connection with the company's borrowing against a guarantee commission. The guarantee commission constitutes 2.0 per cent in accordance with the financing model approved by the EU Commission on 20 March 2020.

At the end of 2023, equity was positive at DKK 8,100 million.

The fair value adjustment of long-term loans raised amounts to a loss of DKK 1,542 million in 2023 and constitutes an accumulated loss of DKK 10,303 million. The fair value adjustment is solely an accounting item and thus does not affect the company's liquidity. The fair value adjustment may vary considerably annually. The long-term loans are raised with a view to increasing the budget security in the company's long-term financing. The company has entered into financing with fixed interest rates with maturities of up to 30-35 years.

The financial analysis from 2020 shows a repayment period of 28 years from the opening of the Fehmarnbelt Fixed Link. Interest rate hedging has conducted since November 2020 which helps to reduce the project's repayment period. Several factors such as prices, including raw materials and interest rate levels, could impact the overall repayment time in both a positive and negative direction.

Cash flow

Cash flow from operations amounts to DKK 243 million and derives primarily from shifts in the working capital which comprises current assets and current liabilities. Investments in fixed assets amount to DKK 8,940 net.

In addition to EU funding of DKK 627 million, financing activities include borrowing of DKK 9,096 million.

At the end of 2023, the company's liquid assets totalled DKK 106 million compared to DKK 405 million at the end of 2022.

Outlook for 2024

For the coming year, the budget covers activities in the order of approx. DKK 11.6 billion (corresponding to approx. DKK 8.9 billion in 2015 price levels).

The FLC contracts were launched in their entirety from the beginning of January 2021 and will continue into 2024 and FBC is expected to complete the contract's activities in 2024. In 2022, a contract for electrical and mechanical installations was signed with FSC Consortium and a contract with Elecnor regarding the Fehmarnbelt link's transformer station (TPS) was initiated and the activities financed within the total construction budget of DKK 52.6 billion (2015 prices level).

The greatest uncertainty continues to be related to inflation. Inflation and price pressure will affect the level of investment this year as a result of changing prices for raw materials in general and steel and energy in particular. A temporary increase in the level of inflation will not currently affect the costs of the planned investments. A more permanent rise in price levels will probably be reflected in both construction costs and in user payments for the infrastructure.

A result before tax and fair value adjustments in the order of minus DKK 1-2 million is expected for 2024. Other costs are expected to be capitalised.

Income in the form of EU subsidies for construction-related costs in 2024 will be offset against capitalised costs.

Risk management and control environment

As an integral part of Femern A/S' management concept, risk management is common to all processes and phases, not least in the construction phase itself. Risk management is a continuation of the work carried out in the completed phases, including the Danish plan approval process, the tender processes, the contract processes for the major contracts and the German plan approval process. Risk management is based on the principles and guidelines of international standards, which are also well known to the project's contractors and consultants.

Risk management aims to identify, quantify, assess, address and manage threats and opportunities in a way that ensures that project objectives are supported. It is a key element in the risk management process that the entire Femern A/S organisation is able to establish and maintain awareness of "risk" throughout the course of the project.

A number of significant risks have been identified based on the company's and contractors' risk registers as well as the strategic risk profile of the project. Effective and timely handling of these risks is important for the overall achievement of goals, particularly regarding activities in the construction phase and compliance with the construction budget. The nature and significance of the risks change continually depending on the evolution of the project and the contractors' work. An evaluation of the development of risk, including contractors' claims, is therefore ongoing so that mitigating actions can be initiated either by the company or by the contractors.

The risk management process is monitored and evaluated through Femern A/S' risk committee. The committee meets regularly to assess and document the development of the project's overall risk profile (including the contractors' core risks), the most significant risks in the current and future quarters, as well as mitigation strategies for the individual risks.

The Company's risk management and internal accounting and financial reporting reviews aim to minimise the risk of errors in connection with the implementation of the construction work. The internal control system distinguishes clearly between roles and responsibilities, reporting requirements and procedures for certification and approval. Internal controls are examined by the auditors and reported to the Board of Directors. A fixed procedure has been established and documented for the preparation of a quarterly risk report for the shareholder and the Board of Directors.

Collaboration with contractors
The contracts with the contractors are so-called turnkey contracts (Design & Build), where the contractors take responsibility for the final design of the solution that they subsequently build. The same applies to the handling of risks in the project, which is based on risks being placed where they are best managed. This means that risks – and thereby risk management – are placed with the party that can best influence/mitigate a given risk at the least cost.

The contractors have full ownership of Design & Build risks and are contractually obliged to work actively with risk management in relation to the contracts. The obligations are embodied in the contractors' plans and daily processes for risk management, where reports are continually submitted to Femern A/S covering both the design and implementation risks. Risk management covers the risks related to construction in close cooperation with the contractors, where Femern A/S monitors the process through fixed monthly reports and evaluations, ongoing risk workshops at the design, implementation and management level and through ad hoc communication when the risk profile changes. All aspects of risk management are documented on an ongoing basis, so that there is full transparency in the handling of individual risks.

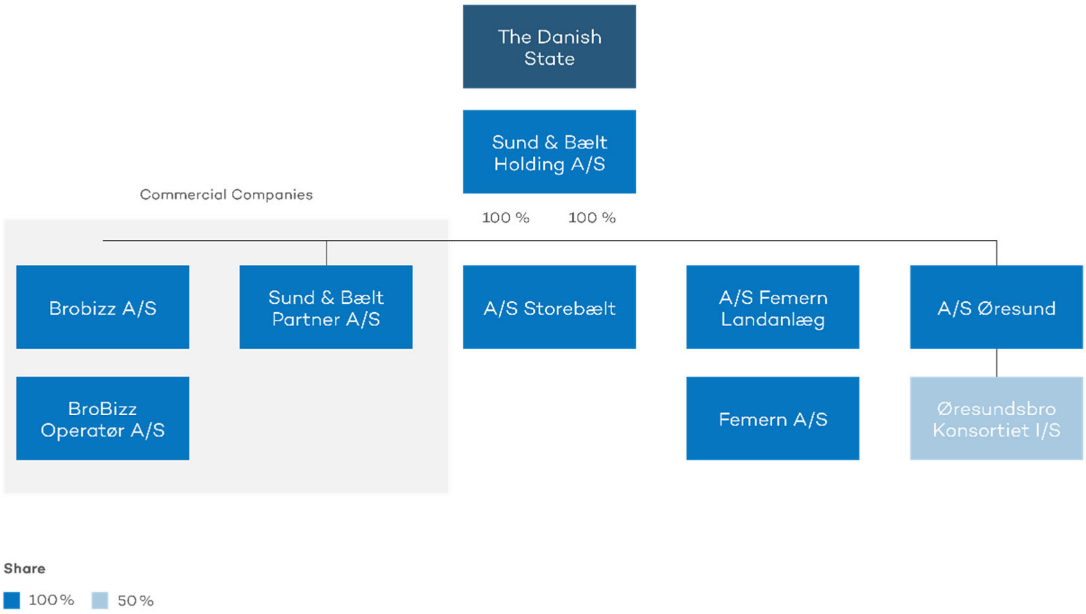
Work is ongoing to control and evaluate risk together with the contractors, so that the risk management meets the contractual requirements and thereby follows the international standard ISO 31000 Risk Management Principles and Guidelines.

About Femern A/S

Shareholder information
Femern A/S is a limited liability company established in Denmark. Femern A/S 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.

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

Group overview



Main activity
Femern A/S is responsible for designing, constructing and operating the fixed link across the Fehmarnbelt on behalf of the Danish State, including securing the basis for plan approval of the coast-to-coast link.

Board of Directors and Management Board

Board of Directors

Mikkel Hemmingsen
Chair

CEO of:
Sund & Bælt Holding A/S
Election period expires in 2024

Other offices held:
Chair of:
A/S Storebælt
A/S Øresund
A/S Femern Landanlæg
Brobizz A/S
BroBizz Operatør A/S
Sund & Bælt Partner A/S
CEI HoldCo ApS

Board member of:
Øresundsbro Konsortiet I/S

Areas of expertise
Management with experience in strategy, finance, societal analysis and change management

Signe Thustrup Kreiner
Vice-Chair

CFO of:
Sund & Bælt Holding A/S
Election period expires in 2025

Other offices held
Board member of:
A/S Storebælt
A/S Øresund
A/S Femern Landanlæg (Vice-Chair)
Brobizz A/S (Vice-Chair)
BroBizz Operatør A/S (Vice-Chair)
Sund & Bælt Partner A/S (Vice-Chair)
Nordsøenheden

Areas of expertise
Management with experience in strategy, analysis, finance and accounting. Experience in risk management and compliance.

Louise Friis

Chief Legal Officer, Sund & Bælt Holding A/S
Election period expires in 2024

Other offices held:
Board member of:
A/S Storebælt (Vice-Chair)
A/S Øresund (Vice-Chair)
A/S Femern Landanlæg
Brobizz A/S
BroBizz Operatør A/S
Sund & Bælt Partner A/S

Areas of expertise
Substantial expertise in corporate law, drafting legislation and extensive experience with the legal aspects of transport and infrastructure

Management Board

Henrik Vincentsen
CEO

Financial Statements

Comprehensive income statement 1 January – 31 December

DKK million

	Note	2023	2022
Costs			
Other external costs	3	-2	-2
Total costs		**-2**	**-2**
Loss from operations (EBIT)		**-2**	**-2**
Financials			
Net fair value adjustment		-1,542	11,917
Total financial items		**-1,542**	**11,917**
Profit/loss before tax		**-1,544**	**11,915**
Tax	5	467	-2,748
Profit/loss and comprehensive income for the year		**-1,077**	**9,167**
Other comprehensive income		0	0
Tax on other comprehensive income		0	0
Comprehensive income		**-1,077**	**9,167**

Balance sheet 31 December – Assets

DKK million

Assets	Note	2023	2022
Non-current assets			
Intangible fixed assets			
Software	6	1	2
Total intangible assets		**1**	**2**
Property, plant and equipment			
Tunnel element factory	7	171	30
Road and railway facilities under construction	8	21,536	14,645
Land and buildings	9	25	26
Operating plant	10	2	2
Leasing assets	11	36	8
Total property, plant and equipment		**21,770**	**14,711**
Total non-current assets		**21,771**	**14,713**
Current assets			
Receivables			
Loans to contractors	12	0	83
Receivables	13	499	118
Securities	17	4,153	2,787
Derivatives, receivables	17,19	6	0
Prepayments and accrued income	14	3,166	2,496
Total receivables		**7,808**	**5,484**
Cash at bank and in hand		**106**	**405**
Total current assets		**7,914**	**5,889**
Total assets		**29,685**	**20,602**

Balance sheet 31 December – Equity and liabilities

DKK million

Liabilities	Note	2023	2022
Equity			
Share capital	15	500	500
Free reserves		7,600	8,677
Total equity		**8,100**	**9,177**
Liabilities			
Non-current liabilities			
Deferred tax	16	2,532	3,026
On-lending from the Danish State	17	4,091	3,863
Loan from company member	17	12,070	1,730
Leasing obligation	11	27	0
Total non-current liabilities		**18,720**	**8,619**
Current liabilities			
Leasing obligations	11	9	8
Trade creditors and other liabilities	18	2,736	2,776
Derivatives, liability	17,19	0	2
Prepayments and accrued income	20	56	20
Provisions		64	0
Total current liabilities		**2,865**	**2,806**
Total liabilities		**21,585**	**11,425**
Total equity and liabilities		**29,685**	**20,602**

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Staff costs	4
Financial risk management	17
Contractual liabilities, contingent liabilities and securities	21
Related parties	22
Events after the balance sheet date	23

Statement of changes in equity 1 January – 31 December

DKK million

	Share capital	Free reserves	Total
Balance at 1 January 2022	**500**	**-489**	**11**
Profit and comprehensive income for the year	0	9,166	9,166
Balance at 31 December 2022	**500**	**8,677**	**9,177**
Balance at 1 January 2023	**500**	**8,677**	**9,177**
Profit/loss and comprehensive income for the year	0	-1,077	-1,077
Balance at 13 December 2023	**500**	**7,600**	**8,100**

Cash flow statement 1 January – 31 December

DKK million

	Note	2023	2022
Cash flow from operating activities			
Loss before net financials		-2	-2
Adjustments			
Tax		467	-2,748
Cash flows from primary operations prior to a change in working capital		**465**	**-2,750**
Change in working capital			
Receivables, prepayments and accrued income		-861	-1,089
Trade creditors and other liabilities		639	2,975
Total cash flow from operating activities		**243**	**-864**
Cash flow from investing activities			
Purchase of intangible fixed assets		0	-4
Acquisition of tangible fixed assets		-8,940	-6,409
Repayment of long-term loans		83	91
Purchase of securities		-1,331	-4,565
Sale of securities		0	3,559
Total cash flow from investing activities		**-10,188**	**-7,328**
Free cash flow		**-9,945**	**-8,192**
Cash flow from financing activities			
EU subsidy received		627	2,552
Borrowing		9,096	5,665
Reduction of liabilities		16	0
Financial income		-93	45
Total cash flow from financing activities		**9,646**	**8,262**
Change for the period in cash at bank and in hand		**-299**	**70**
Cash at bank and in hand at 1 January		405	335
Total cash at bank and in hand at 31 December		**106**	**405**

Notes

Note 1 Accounting policies

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

The annual accounts of Femern A/S for 2023 are presented in accordance with the IFRS Accounting Standards, as issued by IASB and approved by the EU, as well as additional Danish disclosure requirements for annual reports laid down in the IFRS Executive Order pursuant to the Danish Financial Statements Act (class B reporting with optional individual disclosure requirements from Class C).

The annual accounts are presented in DKK, which is also the company's functional currency. All amounts are stated in DKK million unless otherwise stated. The financial statements were previously presented in DKK thousand. Comparative figures have been adjusted.

The accounting policies applied, as described below, are used consistently for the financial year and for the comparative figures. However, the comparative figures have not been corrected for standards implemented early.

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

Implementation of new and amended accounting standards
The company implemented the standards and interpretations that come into force for 2023. None of these has affected recognition and measurement in 2023 or is expected to affect 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 expected to affect the company's measurement and recognition.

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, debt 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 debt arose, or the rate recognised on the previous balance sheet date are recognised in the comprehensive income statement under financial items.

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

Segment information
According to IFRS, information must be provided on revenue, expenditure, assets and liabilities per segment. It is the company's assessment that the company comprises one segment. The internal reporting and senior management's financial management is effected on the basis of one segment.

Public funding
Public funding includes EU subsidies and guarantees provided by the Danish State. Public funding is included when it is reasonably likely that the funding conditions are fulfilled and the funding will be received.

Funding to cover costs is recognised in the comprehensive income statements over the periods in which related costs are recognised. Funding is offset against costs incurred. Public funding linked to the construction of the road and railway facilities is deducted from the asset's cost price.

Income statement and comprehensive income statement
The company's purpose is to undertake project design engineering and the owner's management of the fixed link across the Fehmarnbelt. The company's expenses are capitalised and included in the cost price for "roads and railways under construction" under property, plant and equipment. Only a part of the company's general administration costs is recognised in the income statement and the comprehensive income statement.

Financial items
Financial items comprise interest income and expenses, amortisation of discounts/premiums, inflation indexation, gains and losses on loans and derivatives and foreign exchange translation for transactions in foreign currencies. The difference in fair value at the balance sheet dates represents the total financial items, which, in the comprehensive income statement, are split into financial income, financial expenses and value adjustment.

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

Tax on the year's results
The company is subject to the Danish rules on mandatory joint taxation of the Sund & Bælt group's companies. Subsidiaries are jointly taxed from the date on which they are included in the consolidated accounts, and until the date on which they are omitted from the consolidated accounts.

Sund & Bælt Holding A/S is the administering company for the joint taxation and, as a result, settles all payments of corporation tax with the tax authorities.

According to the joint taxation agreement, balances under the Danish Corporation Tax Act's interest deduction limitation rules are distributed among the jointly taxed companies. Deferred tax liabilities concerning such balances are recognised in the balance sheet, but deferred tax assets are only recognised if the criteria for doing so are fulfilled.

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

The tax for the year, comprising the current corporation tax for the year, the joint taxation contribution for the year and a change in deferred tax - including as a result of a change in the tax rate - is recognised in the comprehensive income statement with the part attributable to the year's results and directly in the equity with the part attributable to entries directly in equity.

Financial assets
Cash at bank and in hand, securities and other financial receivables are recognised at amortised cost.

Bond loans, on-lending and debt to credit institutions
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 through the comprehensive income statement. Regardless of the extent of interest rate hedging, all loans are measured at fair value with continuous recognition of fair value adjustments that are stated as the difference in fair value between balance sheet dates.

The fair value of bond issues of bilateral loans is determined as their market value in the event of discounting of known future and expected cash flows with the relevant discount rates, as there are typically no quotations available for unlisted bond issuers and bilateral loans. Discount rates are determined based on current market rates deemed to be available to the company as borrower.

Calculation of the fair value on on-lending from the state is based on observable market data. On-lending is a standing loan with a fixed interest rate and the payment sequence is known in advance. The fair value is determined on the basis of a discounting factor based on risk-free interest and determined on the basis of the zero-coupon yield curve for Danish government bonds. The company's credit worthiness is comparable to the Danish State's creditworthiness by virtue of the explicit state guarantee on loans and other financial obligations as stated in the Act on the Construction and Operation of a fixed link across the Fehmarnbelt with associated landworks in Denmark and state ownership. No adjustment is therefore made to the fair value of on-lending to the State as a result of a change in the company's credit risk. In addition, a guarantee commission is paid which, in addition to administration costs, covers any minor differences in liquidity and credit premiums and the implementation of the EU Commission's State aid decision from 2020.

Inflation-indexed loans consist of a real interest rate plus an add-on for inflation indexation. The expected inflation is included in the calculation of the fair value of the inflation-indexed loans and is based on break even inflation from the so-called break-even inflation swaps where a fixed inflation payment is exchanged with realised inflation that is unknown at the time. Danish breakeven inflation is determined within a spread to European break-even inflation-linked swaps with HICPxT as the reference index. Discounting follows the general principles referred to above.

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 included in the comprehensive income statement. Loans are measured at fair value on initial recognition in the balance sheet whereas derivative financial instruments are always recognised 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. This means that in the management of 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.

As loans and derivatives are measured at fair value, measurement in the accounts will achieve the same result for loans and associated cover with derivatives when the covering of the financial risk is effective and the company thus achieves symmetry in its accounting methods. Measurement of loans at fair value naturally leads to fluctuations in the result for the year due to value adjustment contrary to the main rule in IRFS 9 which recognises loans at amortised cost.

Loans with contractual maturity exceeding 1 year are classified as long-term debt.

Holdings and returns on treasury shares are offset against equivalent issued bond loans and are therefore not recognised in the consolidated accounts' comprehensive income statement and balance sheet.

Derivative financial instruments
Derivative financial instruments are recognised and measured at fair value in the balance sheet, with initial recognition in the balance sheet measured at fair value. Positive and negative fair values are included under financial assets and liabilities respectively, and offsetting (netting) of positive and negative fair values on derivatives is only made when there is the right and intention to settle several financial instruments net. The Group does not apply hedge accounting.

Intangible fixed assets
Intangible fixed assets are measured at cost at the time of recognition. Assets are subsequently measured at cost less depreciation and write-downs applied.

Intangible fixed assets comprise IT software and are depreciated linearly over the expected useful lifetime, albeit a maximum of 5 years.

Tangible fixed assets

Property, plant and equipment are measured at cost price at the time of first recognition. The cost price includes the price of acquisition plus costs directly related to acquisition up to the date when the asset is ready for use. Assets are subsequently measured at cost price, less depreciation and write-downs applied.

Leasing assets relate primarily to the rental of premises. The leasing asset is valued based on the assessed leasing obligation, and the leasing asset's usage time is defined to be the irrevocable leasing period.

The value of road and rail facilities during the construction period is assessed according to the following principles:

- Costs of the facilities based on agreements and contracts signed are capitalised directly
- Other direct or indirect costs are capitalised as the value of the company's own work
- Net financing costs are capitalised as interim interest during construction.
- EU funding received is set off against the cost price

Areas include investments in land and buildings planned for use for the project during the construction and operation phases.

Other assets are stated at cost price and depreciated according to the straight-line method over the useful lives of the assets, which constitute:

Administrative IT systems and programmes (software)	3-5 years
Improvements of leased premises, lease term, but max.	5 years
Other plant, machinery and equipment	5-10 years
Buildings for permanent use	25 years

Depreciation is recognised in road and rail facilities under construction.

The depreciation method and useful lives are reassessed annually and revised if any major change in conditions or expectations has occurred. In the event of a change in the depreciation period, the effect is recognised going forward as a change in accounting estimate.

The basis of depreciation is stated in consideration of the asset's scrap value and is reduced by any write-downs. The scrap value is determined on the date of acquisition and is revised annually. If the scrap value exceeds the book value of the asset, depreciation will cease.

Gains and losses from disposal of plant, property and equipment are calculated as the difference between sales price less cost of sales and book value on the date of sale. Profit or loss is calculated for the road and railway infrastructure during construction.

Leasing contracts

A leasing asset and a leasing obligation are included in the balance sheet when a specific identifiable asset is available to the company during the leasing period in accordance with a concluded leasing agreement and when the company has the right of access to virtually all the economic benefits from the use of the identified asset and the right to determine the use of the identified asset.

Leasing obligations are measured at the first inclusion to the present value of the future leasing services discounted with an alternative rate of interest. The leasing obligation is measured at the amortised cost price using the effective compound method. The leasing liability is reassessed if the underlying contractual cash flows change as a result of the company's assessment of whether it is reasonably certain to exercise an option to extend or to terminate.

The leasing asset is measured initially at cost, corresponding to the value of the leasing obligation. The asset is subsequently measured at cost less any accumulated depreciation and write-downs. The leasing asset is depreciated over the shorter of the leasing term and the leasing asset's useful life.

The leasing asset is adjusted for changes in the leasing commitment as a result of changes in the conditions in the leasing agreement or changes in the contract's cash flows in accordance with changes in an index or an interest rate.

The leasing asset is depreciated according to the straight-line method over the expected leasing period that constitutes:

Leasehold premises	5 years

Depreciation is calculated for road and railways construction.

The company has chosen not to include leasing assets with a low value and short-term leasing agreements in the balance sheet. Instead, leasing payments relating to such leases are recognised in the comprehensive income statement on a straight-line basis.

Impairment of assets
Intangible, tangible and financial fixed assets are tested for loss in the event of depreciation (other assets are covered by IFRS 9) when there is an indication that it is possible that the accounting value cannot be recovered. A loss due to impairment is recognised at the amount by which the asset's book value exceeds the recoverable amount, i.e. the asset's net sales price or value in use, whichever the higher. The utility value is calculated at the present value of the expected future cash flow using a discount 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. and for any obligations to withhold tax at source on interest, royalties, and dividends for the jointly taxed companies.

Current tax liabilities and current tax receivables are recognised in the balance sheet as tax calculated on taxable income for the year, adjusted for tax on taxable income for previous years and for tax paid on account.

Joint tax contributions owed and receivable are included in the balance sheet under corporation tax.

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

Deferred tax assets, including the value for taxation of tax losses that can be carried forward, are recognised under other non-current assets at the value at which they are expected to be used, either by elimination of the tax on future earnings or by set-off against 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 according to their joint taxation agreement. Deferred tax liabilities concerning such balances are recognised in the balance sheet, but tax assets are only recognised if the criteria for deferred tax assets are met.

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

Cash flow statement
The cash flow statement for the company is compiled according to the indirect method based on the items in the comprehensive income statement for the year. The company's cash flow shows cash flow for the year, changes in cash and cash equivalents for the year and the company's cash and cash equivalents at the start and end of the year.

Cash flow from operating activitiies is stated as the result before financial items adjusted for non-cash result items, calculated corporation tax and changes in the working capital. The working capital includes the operations-related balance sheet items under current assets and current liabilities.

Cash flow from investing activities comprises the buying and selling of intangible, tangible and financial assets.

Cash flow from financing activities comprises borrowing, repayment of debt, repayment of leasing obligations, financing items as well as 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 residual maturity of three months or less and which, without impediment, can be converted into cash at bank and in hand and with only negligible risks to changes in value.

Financial ratios
The financial ratios presented in the key figures and financial ratios summary are calculated as follows:

Profit ratio: The result of primary activities less other earnings as a percentage of turnover.

Rate of return: The result of main activities less other earnings as a percentage of all assets.

Note 2 Significant accounting estimates and judgements

Determining the carrying amounts of some assets and liabilities requires an estimate as to what extent future events will impact the value of those assets and liabilities on the balance sheet date. Estimates that are material to the financial reporting are made, inter alia, by calculating the fair value of certain financial assets and liabilities.

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

The calculation of the fair value of financial instruments is associated with estimates of the relevant discount factor for the company, volatility on reference rate of interest, and currency for financial instruments with optionality in the cash flows and estimates of future development of inflation for real interest rate loans and swaps. The estimates made for the calculation of fair values and depreciation requirements are, as far as possible, based on observable market data, and are regularly assessed with current price indications, cf. note 1.

In connection with the calculation of deferred tax, an estimate is made for the future exploitation of tax losses that can be carried forward, which is based on the expected future earnings of the Group and the expected useful life of the fixed assets. In addition, an estimate is made of capital gains on financial items that can be used to recover interest-rate ceiling limitations within a 3-year period. As far as possible, the estimate is based on observable market data and is continuously assessed with developments of inflation and current interest rate indications, cf. note 19.

Note 3 Other external costs

Other external costs are costs that are incurred during the year relating to operations and include administrative expenditure, etc. and project workers. A significant part of other external costs is capitalised and included in the cost price for “roads and railways under construction” under tangible fixed assets.

Fees to auditors appointed by Annual General Meeting: (DKK 1,000)	**Deloitte 2023**	**Deloitte 2022**
Statutory audit	85	84
Other assurance statements	0	0
Tax advice	1,110	831
Other services	11	546
Audit fees, total	**1,206**	**1,461**
Recognised under property, plant and equipment	-1,121	-1,377
Audit fees in respect of the comprehensive income statement	**96**	**94**

Note 4 Staff costs

Staff costs include all costs for employees, the Board of Management and the Board of Directors. Staff costs include direct payroll costs, pension payments, the cost of courses, and other direct staff costs. The same applies to costs for pay-related taxes, earned holiday allowance and similar expenses. The staff costs are capitalised and included in the cost price for "roads and railways under construction" under tangible fixed assets. However, a share of the costs is included for the remuneration of the management as a cost.

	2023	**2022**
Wages and salaries, remuneration and emoluments	11	9
Social security	3	3
Other staff costs	7	6
Total staff costs	**21**	**18**
Recognised in road and rail facilities under construction	-21	-18
Staff costs in the comprehensive income statement	**0**	**0**
Average number of employees	15	11

The company’s Management Board and Board of Directors are not included in the company’s staff costs. Management Board receives remuneration in respect of Sund & Bælt Holding A/S, to which Femern A/S contributes through group fees.

Note 5 Tax

	2023	2022
Tax paid (joint taxation contribution)	31	244
Use of loss in joint taxation	2	0
Change in deferred tax	-373	2.504
Adjustment of tax paid, previous year	-6	8
Adjustment of deferred tax, previous year	-121	-8
Total tax	**-467**	**2.748**

Tax on the year's results is specified as follows:		
Calculated 22.0 per cent tax on year's results	-340	2.621
Uncertain tax position	0	127
Other adjustments	-127	0
Total	**-467**	**2.748**
Effective tax rate	**30**	**23**

Note 6 Software

	2023	2022
Cost opening balance	28	25
Additions for the year	0	3
Cost closing balance	**28**	**28**
Depreciation, amortisation and writedowns, opening balance	26	21
Depreciation, amortisation and writedowns for the year	1	5
Depreciation, amortisation and writedowns, closing balance	**27**	**26**
Net book value	**1**	**2**
Depreciation recognised in projects under construction	1	5

Administrative IT systems and programmes are depreciated on a straight line basis over the expected useful life, which is a maximum of 5 years.

Note 7 Tunnel element factory

	2023	2022
Cost, opening balance	30	0
Additions for the year	141	30
Cost, closing balance	**171**	**30**
Net book value	**171**	**30**
Depreciation recognised in road and railway facilities under construction	0	0

Note 8 Road and railway facilities under construction

	2023	2022
Cost, opening balance	14,645	9,334
Additions for the year ½	8,800	6,382
EU subsidy received	-1,909	-1,071
Cost, closing balance	**21,536**	**14,645**
Net book value	**21,536**	**14,645**
Of which areas	195	195

In road and railway facilities under construction, financing expenses before value adjustments (net) are capitalised at DKK 385 million, and the capitalisation rate is 100 per cent. Value adjustments are recognised in the comprehensive income statement.

Note 9 Land and buildings

	2023	2022
Cost, opening balance	32	20
Additions for the year	0	12
Cost, closing balance	**32**	**32**
Depreciation, amortisation and writedowns, opening balance	6	5
Depreciation, amortisation and writedowns for the year	1	1
Depreciation, amortisation and writedowns, closing balance	**7**	**6**
Book value	**25**	**26**
Depreciation recognised in road and railway facilities under construction	1	1

Buildings are depreciated on a straight-line basis over the expected useful life of 25 years.

Note 10 Operating equipment

	2023	2022
Cost, opening balance	17	25
Additions for the year	0	1
Disposals for the year	0	-9
Cost, closing balance	**17**	**17**
Depreciation, amortisation and writedowns, opening balance	15	15
Depreciation, amortisation and writedowns, closing balance	**15**	**15**
Book value	**2**	**2**
Depreciation recognised in road and railway facilities under construction	0	0

Operating equipment is depreciated on a straight-line basis over the expected useful life of 5 years.

Note 11 Lease assets

	2023	2022
Cost, opening balance	40	38
Additions for the year	36	2
Cost, closing balance	**76**	**40**
Depreciation, amortisation and writedowns, opening balance	32	22
Depreciation, amortisation for the year	8	8
Writedowns for the year *	0	2
Depreciation, amortisation and writedowns, closing balance	**40**	**32**
Book value	**36**	**8**
Depreciation recognised in road and railway facilities under construction	40	32
Leasing obligation		
Maturity of leasing obligations		
Less than 1 year	9	8
From 1 to 3 years	27	0
From 3 to 5 years	0	0
Leasing obligation included in the balance sheet		
Short-term	9	8
Long-term	27	0
Total	**36**	**8**

* Write-down represents a change to the lease

Note 12 Loans to contractors

	2023	2022
Long-term	0	0
Short-term	0	83
Total	**0**	**83**

In accordance with the construction contract and supplementary agreements with the contractors, lending facilities have been made available. The first tranche of the loan facility was disbursed in 2019. The loan is repayable continuously over 36 months, starting one year after borrowing. The loan is repaid by the contractor by contractual agreement and was fully repaid in 2023.

Note 13 Receivables

	2023	2022
Joint taxation contributions	0	34
Members	0	2
EU subsidy receivable	173	0
VAT receivable	250	82
Other receivables	60	0
Total receivables	**483**	**118**

Receivables comprise EU subsidies receivable, VAT receivable and other receivables. The book value of receivables represents the expected realisable value.

Note 14 Prepayments and accrued income

The ‘Advance payments’ item includes advance payments for the contracts for the construction of the Fehmarnbelt Fixed Link.

	2023	2022
Advance payments	3,166	2,496
Total prepayments and accrued income	**3,166**	**2,496**

Note 15 Share capital

The entire share capital is owned by A/S Femern Landanlæg, which is wholly owned by Sund & Bælt Holding A/S, wholly owned by the Danish State. The company is included in the consolidated financial statements of Sund & Bælt Holding A/S.

The share capital comprises 5,000,000 shares at a nominal value of DKK 100.

The share capital has been unchanged for more than 5 years.

The Board of Directors regularly evaluates the need to adjust the capital structure, including the need for cash funds, credit facilities and equity.

Without special notification in each individual case, the Danish State guarantees the company’s financial liabilities.

Note 16 Deferred tax liability

	2023	2022
Balance, opening	-3,026	-530
Deferred tax for the year	373	-2,504
Adjustment deferred tax, previous year	121	8
Balance, closing	**-2,532**	**-3,026**

Deferred tax relates to:		
Intang. fixed assets & tangible fixed assets	-232	-278
Value adjustment of bond loans and debt to credit institutions	-2,300	-2,624
Uncertain tax position	0	-127
Tax loss	0	3
Total	**-2,532**	**-3,026**

Note 17 Financial risk management

Financing

Femern A/S' financial management is conducted within the framework determined by the company's Board of Directors and guidelines from the Danish Ministry of Finance, which administers the Danish State's unlimited guarantee for the company's activities. The Board of Directors determines the framework for currency and interest rate exposure, the composition of the company's borrowing and thus the overall financing.

The overall objective of financial management is to achieve the lowest possible financing costs for the project throughout its useful life with regard to an acceptable level of risk acknowledged by the Board of Directors. The company is subject to the same types of financial risks as other companies, but as a result of the nature of the project, has a very long time horizon. A long-term perspective in weighing results and risks related to financial management is applied.

The company has access to on-lending, a form of borrowing from the Danish State, based on a specific government bond and with the same terms as government bonds sold on the market.

Financing was provided for the borrowing requirements for the construction of the fixed link in the coming years. At the beginning of 2024, a total on-lending principal amount of DKK 24,290 million was raised and drawn on. The company also took out loans for DKK 24,157 million with future payment dates. The weighted interest rate on borrowing is approximately 0.6 per cent.

Currency risk

The company's currency risks are related to the currency composition of its net debt, including derivatives, cash at bank and in hand and trade payables. Currency risks are managed through parameters for the combination of currencies.

The company can freely use DKK and EUR. Other currencies are always hedged when the counter value of exposure exceeds EUR 5 million.

Femern A/S' currency exposure at fair value in DKK million

Currency	Fair value 2023	Currency	Fair value 2022
DKK	-17,516	DKK	-10,419
EUR	5,566	EUR	7,993
Other currencies	1	Other currencies	2
Total 2023	**-11,949**	**Total 2022**	**-2,424**

Currency exposure is split into EUR 5,556 million and 1 million in SEK and GBP, that can be attributed to investment in securities and forward transactions and cash funds respectively.

The exchange rate sensitivity expressed as Value-at-Risk amounts to DKK 24 million in 2023 (DKK 32 million in 2022), and expresses the maximum loss resulting from unfavouable exchange rate developments within a 1-year horizon with 95 per cent probability. Value-at-Risk is calculated based on a 1-year history of volatility and correlations in the currencies to which the company is exposed.

Interest rate risks

Floating rate debt or debt with a short remaining term to maturity necessitates interest rate adjustment in the short term, at market interest rates for the debt. This usually involves a higher risk than fixed-rate long-term debt when fluctuations in current interest costs are used as risk objectives. On the other hand, interest expenses are often higher for longer times to maturity, as the rate curve normally has a positive slope and the choice of debt spread is, therefore, a weighting of interest expenses and risk profile.

The fixed interest on the net debt shown below includes the nominal value (principal) broken down by expiry date or the date of the next interest adjustment, whichever comes first. The variable interest debt is then attributed to the next accounting period in the fixed-interest term and shows the exposure of the cash flows to interest rate risk.

For 2023

Yield buckets	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Nom. value	Fair value*
Securities	4,206	0	0	0	0	0	4,206	4,163
Bond loans and debt	5,750	6,750	5,000	6,891	0	-48,681	-24,290	-16,223
Currency forwards	7	0	0	0	0	0	7	6
Cash at bank and in hand	106	0	0	0	0	0	106	106
Net debt	**10,069**	**6,750**	**5,000**	**6,891**	**0**	**-48,681**	**-19,971**	**-11,948**
Of this, inflation-indexed instruments								
Inflation-indexed debt	0	0	0	3,234	0	-3,234	0	-192
Inflation-indexed instruments, total	**0**	**0**	**0**	**3,234**	**0**	**-3,234**	**0**	**-192**

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	-20,540	-1,500	-8,750	-17,891
Of this, inflation-indexed instruments	0	0	0	-3,234

For 2022

Yield buckets	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Nom. value	Fair value*
Securities	2,063	744	0	0	0	0	2,807	2,765
Bond loans and debt	6,360	5,750	6,750	750	6,881	-42,921	-16,430	-5,618
Currency forwards	0	0	0	0	0	0	0	-2
Cash at bank and in hand	405	0	0	0	0	0	405	405
Net debt	**8,828**	**6,494**	**6,750**	**750**	**6,881**	**-42,921**	**-13,218**	**-2,450**
Of this, inflation-indexed instruments								
Inflation-indexed debt	0	0	0	0	3,231	-3,231	0	-91
Inflation-indexed instruments, total	**0**	**0**	**0**	**0**	**3,231**	**-3,231**	**0**	**-91**

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	-3,180	0	-1,500	-11,981
Of this, inflation-indexed instruments	0	0	0	-3,231

* Fair value includes accrued interest, cf. notes 15 and 22.

Interest rate allocation

2023	Interest rate allocation in per cent	2022
-50.4	Floating rate	25.0
150.4	Fixed rate	31.6
0.0	Real rate	43.4
100.0	**Total**	**100.0**

The company's financing is primarily exposed to the long-term (30-year) interest-rate segment for the gross debt, while the excess liquidity is placed in short-term securities. The sensitivity to an interest rate change of 1 percentage point relative to the cash flows during the coming financial year will have an impact of around DKK 10 million, which is attributable solely to the placement of surplus liquidity in securities and bank balances.

When market interest rates are changed, this affects the market value (fair value) of the net debt, and here the effect and risk are greatest for long-term fixed-interest debt.

The duration indicates the average fixed interest period of the net debt. Long-term debt involves a low interest-rate adjustment risk since a relatively small proportion of the net debt needs to be reset to current interest rates.

The duration also expresses the exchange rate sensitivity of the net debt measured at market value.

Exchange sensitivity of the net debt

2023			2022	
	Fair			Fair
BPV	value		BPV	Value
45	-11,755	Nominal debt	40	-2,333
8	-192	Real rate debt	7	-91
53	-11,948	Net debt	46	-2,424

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

The duration of the company's net debt was 44.3 years at year end 2023. The interest rate sensitivity is calculated at DKK 52.9 million when the interest rate curve is parallel offset by 1bp and gives a positive fair value adjustment in the financial result and balance sheet if interest rates increase by 1bp, and vice versa.

The sensitivity to an interest rate change of 1 percentage point compared to the fair value adjustment can be measured at a fair value loss of DKK 5,908 million at an interest rate fall and a fair value gain of DKK 4,773 million with an interest rate rise.

The assessed sensitivity to changes in interest rates changes for the fair value adjustment takes account of the convexity in the debt portfolio.

The sensitivity calculations are based on the net debt at the balance sheet date. The effect is the same in the financial result and the balance sheet due to accounting policies where financial assets and liabilities are recognised at fair value.

Credit risks
Credit risks are defined as the risk of a loss arising as a result of a counterpart failing to fulfil its payment obligations. The company's exposure to credit risks can be attributed to placing surplus liquidity, receivables from derivative contracts and customer receivables, etc. The credit risk from financial counterparties is controlled and monitored continuously using a special line and limit system that defines the principles for calculating such risks and a maximum for the degree of risk that is acceptable for a single counterparty. The latter is measured in relation to the counterparty's rating with international rating agencies (Moody's, Standard & Poor and Fitch/IBCA).

Financial counterparties must meet the requirements for high credit quality, and agreements are basically only entered into with counterparties with a long-term rating higher than A1/A+, unless stricter requirements for the provision of securities can be fulfilled. The financial counterparts must also sign a CSA agreement providing security in the form of a deposit of government or mortgage credit bonds with high credit quality to cover a receivable from derivative contracts.

Credit exposure is effectively limited by the threshold value of the CSA agreement, which depends on the counterparty's rating. The threshold value is the maximum unhedged receivable that can be accepted for a single counterparty.

On the balance sheet date, the company had credit exposures in connection with the placement of excess liquidity in Danish mortgage credit bonds and German state bonds for DKK 4,163 million with a credit quality of AAA/Aaa. The credit exposures are calculated at their fair value. The company's maximum credit exposure is an expression of the receivables recognised in the accounts.

The fair value of the company's receivables and trade payables measured at amortised cost price is deemed to correspond approximately to the book value.

Liquidity risk
The company has a limited liquidity risk due to its access to on-lending and the Danish government's guarantee, and the flexibility to maintain a liquidity reserve of up to 1 month's liquidity requirement. With

the raising of loans in 2023, including advance loan agreements, the company has covered its financing need for the coming years.

Maturity on receivables, debt and trade creditors (DKK million)

For 2023

Maturity	**0-1 years**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Cash at bank and in hand	106	0	0	0	0	0	106
Securities	4,206	0	0	0	0	0	4,206
Receivables	499	0	0	0	0	0	499
Derivative receivables	1,640	0	0	0	0	0	1,640
Debt	5,750	6,750	5,000	6,890	0	-48,680	-24,290
Derivative liabilities	-1,633	0	0	0	0	0	-1,633
Trade accounts payable and other liabilities	-2,814	0	0	0	0	0	-2,814
Principal amount total	**7,754**	**6,750**	**5,000**	**6,890**	**0**	**-48,680**	**-22,283**
Interest payments							
Debt	926	840	-600	-812	-637	-7,641	-7,924
Assets	24	0	0	0	0	0	24
Total	**950**	**840**	**-600**	**-812**	**-637**	**-7,641**	**-7,900**

Maturity on receivables, debt and trade creditors (DKK million)

For 2022

Maturity	**0-1 years**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Cash at bank and in hand	405	0	0	0	0	0	405
Securities	2,063	744	0	0	0	0	2,807
Loans to supplier	83	0	0	0	0	0	83
Receivables	83	0	0	0	0	0	83
Derivative receivables	5,206	0	0	0	0	0	5,206
Debt	6,360	5,750	6,750	750	6,881	-42,921	-16,430
Derivative liabilities	-5,201	0	0	0	0	0	-5,201
Trade accounts payable and other liabilities	-2,747	0	0	0	0	0	-2,747
Principal amount total	**6,252**	**6,494**	**6,750**	**750**	**6,881**	**-42,921**	**-15,794**
Interest payments							
Debt	1,206	960	874	-398	-548	-7,659	-5,565
Assets	7	0	0	0	0	0	7
Total	**1,213**	**960**	**874**	**-398**	**-548**	**-7,659**	**-5,558**

Division of shift in net debt, cf. IFRS 7 (DKK million)

2023	Debt	Deriva-tives	Total
Opening 2023	-5,592	-2	-5,594
Cash flow	-8,987	-16	-9,003
Paid interest, reversed	-109	0	-109
Amortisation	61	0	61
Currency adjustment	0	24	24
Fair value adjustment	-1,533	0	-1,533
Closing 2023	**-16,160**	**6**	**-16,154**

2022	Debt	Deriva-tives	Total
Opening 2022	-11,827	0	-11,827
Cash flow	-5,665	-1	-5,666
Paid interest, reversed	-29	0	-29
Amortisation	5	0	5
Currency adjustment	0	-1	-1
Fair value adjustment	11,924	0	11,924
Closing 2022	**-5,592**	**-2**	**-5,594**

The net debt is DKK 19,978 million stated as the nominal principal, so there is a cumulative difference of DKK 8,026 million from the net debt measured at fair value, where the fair value expresses the value on the balance sheet date while the nominal value is the contractual obligation on maturity.

The recognition of financial liabilities at fair value has not been affected during the year (or cumulatively) by changes in the company's creditworthiness, which has remained at a high level thanks to the guarantee from the Danish State.

Fair value hierarchy 2023	Level 1	Level 2	Level 3	Total
Securities	3,409	743	0	4,152
Derivatives, assets	0	6	0	6
Financial assets	**3,409**	**749**	**0**	**4,158**
On-lending	0	-4,091	0	-4,091
Bond loans and debt	0	-12,070	0	-12,070
Derivatives	0	0	0	0
Financial liabilities	**0**	**-16,161**	**0**	**-16,161**

Fair value hierarchy 2022	Level 1	Level 2	Level 3	Total
Securities	2,787	0	0	2,787
Derivatives, assets	0	0	0	0
Financial assets	**2,787**	**0**	**0**	**2,787**
On-lending	0	-3,863	0	-3,863
Bond loans and debt	0	-1,730	0	-1,730
Derivatives, liabilities	0	-2	0	-2
Financial liabilities	**0**	**-5,595**	**0**	**-5,595**

* The fair value hierarchy constitutes a classification of assets and liabilities measured according to their fair value and indicates the efficiency and liquidity of a market in which the asset or liability is valued.

Note 18 Trade creditors and other liabilities

	2023	2022
Creditors	2,251	1,244
Members	474	408
Prepayments received (EU subsidy)	0	1,109
Other payables	11	15
Total	**2,736**	**2,776**

Note 19 Derivatives

	2023 Assets	2023 Liabilities	2022 Assets	2022 Liabilities
Forward exchange contracts	6	0	0	2
Total derivatives	**6**	**0**	**0**	**2**

Note 20 Prepayments and accrued income

	2023	2022
Accrued interest	56	20
Total	**56**	**20**

Note 21 Contractual obligations, contingent liabilities and securities

Femern A/S has entered into agreements related to land acquisition and compensation for the future decommissioning of wind turbines in the work area on Fehmarn. The contractual liability amounts to DKK 43 million.

As a natural part of the contractual relationship between the company and its contractors, the company received a number of claims for additional payments, etc. over and above what was agreed in the contracts concluded between the parties. The requirements are handled on an ongoing basis in relation to the contractors and are recognised in the financial statements when the individual requirement was clarified. The amount of such requirements is subject to uncertainty but it is estimated that they can be handled within the project's budget framework.

The company is part of Danish joint taxation with Sund & Bælt Holding A/S as the administering company. The company is, therefore, jointly and severally liable with the other jointly taxed companies for total corporation tax of DKK 445 million and for any obligations to withhold tax on interest, royalties and dividends for the jointly taxed companies.

The company has taken out loans with a forward start as part of the interest rate hedging of the construction project. At the balance sheet date, the company has outstanding forward loans of DKK 24.2 billion, which will become effective from 2024 to 2027.

Otherwise, the company has no other obligations.

Note 22 Related parties

Related parties comprise the Danish State, companies and institutions owned by it within the purview of the Ministry of Transport.

Related party	Registered Office	Affiliation	Transactions	Pricing
The Danish State	Copenhagen	100 per cent ownership via Sund & Bælt Holding A/S	Guarantee for the company's debt Guarantee commission	Determined by legislation. Accounts for 0.15 per cent of the nominal debt
Ministry of Transport	Copenhagen	100 per cent ownership via Sund & Bælt Holding A/S	Purchase of consultancy	Market price
Banedanmark	Copenhagen	Owned by the Ministry of Transport	Construction work	Market price
Danish Civil Aviation and Railway Authority	Copenhagen	Owned by the Ministry of Transport	Case processing	Market price
The State Commissioners for State Expropriations – the Islands	Copenhagen	Owned by the Ministry of Transport	Expropriation business	Market price
Sund & Bælt Holding A/S	Copenhagen	100 percent ownership of A/S Femern Landanlæg	Common functions and operational tasks Joint taxation contribution	Market price
A/S Femern Landanlæg	Copenhagen	100 percent ownership of Femern A/S	Common payment VAT Consultancy Guarantee commission	Market price Market price Accounts for 0.85 per cent of the nominal debt
A/S Storebælt	Copenhagen	Subsidiary of Sund & Bælt Holding A/S	Consultancy	Market price
A/S Øresund	København	Subsidiary of Sund & Bælt Holding A/S	Consultancy	Market price
Øresundsbro Konsortiet I/S	Copenhagen/ Malmø	50 per cent ownership of partnership via A/S Øresund	Purchase of consultancy	Market price
BroBizz A/S	Copenhagen	Subsidiary of Sund & Bælt Holding A/S	Common functions	Market price

(DKK 1,000) Related party	 Description	Trans-actions * 2023	Trans-actions * 2022	Balance at* 31 December 2023	Balance at* 31 December 2022
The Danish state	Guarantee commission	-10,770	-10,770	-10,770	-10,770
Ministry of Transport	Consultancy	-4	-130	0	-1
Banedanmark	Reinvoicing	88,566	3,276	56,644	0
Danish Civil Aviation and Railway Authority	Case processing	-304	-296	-36	0
The State Commissioners for State Expropriations	Expropriation business	-587	-106	-301	0
Sund & Bælt Holding A/S	Common operational tasks	-227,311	-184,734	-35,021	-25,126
	Common functions				
	Joint taxation contribution	-28,730	-244,556	-6,358	33,444
A/S Femern Landanlæg	Common payment VAT	0	0	-40,457	-116,003
	Guarantee commission	-392,120	-266,961	-392,120	-266,961
A/S Storebælt	Purchase of operating assets	3	-167	0	0
A/S Øresund	Consultancy	0	1,470	0	1,790
Øresundsbro Konsortiet I/S	Common costs and consultancy	-19	0	0	0
BroBizz A/S	Common costs	-157	-104	-31	-11

* Operations - a positive amount is an expression of revenue, and a negative amount is an expression of expense.

** Balance - a positive amount is an expression of a receivable, and a negative number is an expression of debt owed to the related party

Note 23 Events after the balance sheet date

The EU Court ruled in February 2024 on the financing of Femern A/S and the Commission's approval of State aid. The Court acquitted the Commission which means that the judgement is not expected to impact the company's financial position in that the current financing model can continue unchanged.

Statements

Management Statement

The Board of Directors and Management Board have today considered and approved the annual report for the financial year 1 January - 31 December 2023 for Femern A/S.

The annual report has been prepared in accordance with IFRS Accounting Standards 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 as at 31 December 2023, as well as the results of the company's activities and cash flow for the financial year 1 January - 31 December 2023.

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, 2 April 2024

Management Board

Henrik Vincentsen
CEO

Board of Directors

Mikkel Hemmingsen
Chair

Signe Thustrup Kreiner
Vice-Chair

Louise Friis

Independent auditor's report

To the shareholder of Femern Bælt A/S

Our opinion
We have audited the financial statements for Femern A/S for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, the comprehensive income statement, the balance sheet, statement of changes in equity, cash flow and notes, including the accounting policies. The financial statements have been prepared in accordance with IFRS Accounting Standards 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 at 31.12.2023 and the results of the Company's operations and cash flows for the financial year 01.01.2023 - 31.12.2023 in accordance with International Financial Reporting Standards as adopted by the EU and additional 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 (IESBA code) and the ethical requirements that are relevant in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these rules and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on 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 the 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 the Management Report includes the disclosures required by relevant legislation.

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 relevant legislation. We did not identify any material misstatement in the 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 IFRS Accounting 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, 2 April 2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Anders Oldau Gjelstrup	**Anders Houmann**
State-authorised public accountant	State-Authorised Public Accountant
MNE no. mne10777	MNE no. mne46265