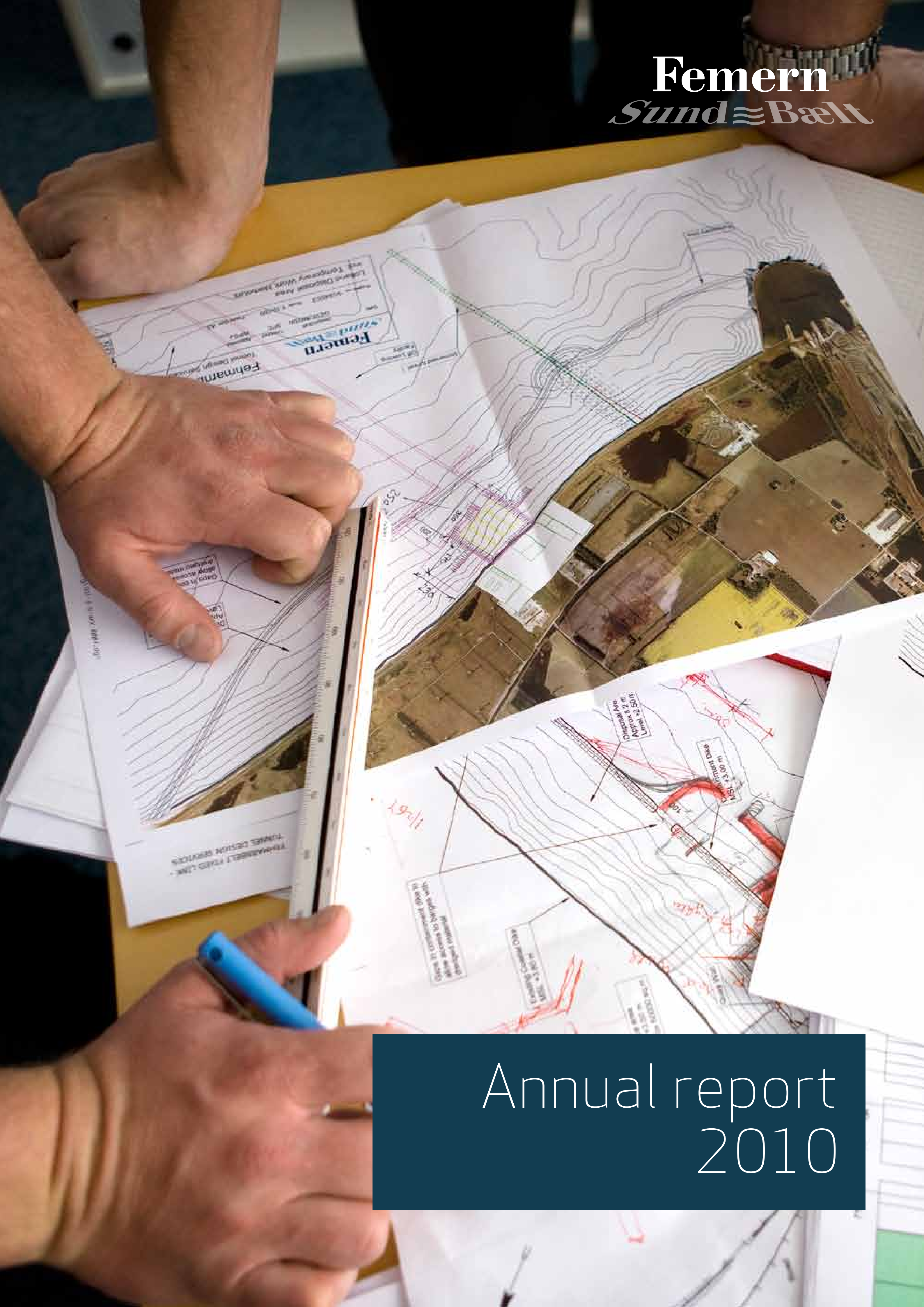

# Annual report 2010

# Content

## Preface

2010 was the year when Femern A/S announced its recommendation for the company's preferred technical solution in relation to the impending process for the authorities' deliberations on the future Fehmarnbelt link.

Femern A/S's recommendation is based on extensive groundwork. The technical solutions for both a bridge solution and an immersed tunnel solution have been investigated to such an advanced technical level that a choice between them was made possible. In addition, highly comprehensive work has been undertaken to define the relevant environmental conditions, thoroughly investigate the geotechnical conditions in Fehmarnbelt and evaluate the impact on shipping from the construction of the fixed link. Moreover, the economic aspects of the project have been thoroughly analysed with a view to preparing an updated estimate of the cost of building the fixed link.

Based on this, Femern A/S believes that overall, an immersed tunnel solution will entail fewer risks both during the construction phase and in the operational phase compared to a cable-stayed solution. Within this context, special emphasis has been placed on the two projects' technical and design-related risks, the consequences for the safety of shipping and the higher risk of a bridge solution running into environmental legislation issues.

In connection with the publication of the company's recommendation, Femern A/S presented a revised timetable for the project. This shows that the fixed link can now be expected to open in 2020 i.e. two years later than the current political objective for commissioning in 2018. There are several reasons for the later opening, among them the requirement that the environmental investigations should last two years rather than one, that the approval of the German authorities can be expected to take 21 months rather than 12, and the fact that the ratification of the treaty between Denmark and German was delayed.

At a meeting on 1 February, 2011, the Minister of Transport and the political parties behind the fixed link decided, on the basis of the company's recommendation, that the immersed tunnel solution is the preferred solution in connection with the authority approval process. The final choice between the technical solutions will be made in connection with the adoption of a Construction Act in Denmark and the German authorities' deliberations during 2013.

2010 also saw a strengthening of Femern A/S' management through the appointment of Leo Larsen as CEO. Leo Larsen, CEO of Sund & Bælt Holding, took over from Peter Lundhus who can now focus on his work as Technical

Director. The company's Board of Directors also received fresh impetus when Rainer Feuerhake was elected to the Board at the AGM in April, and when Zoran Markou joined the Board in August as the new employee representative.

The Fehmarnbelt project is a priority project within the Trans-European Transport Network and, as a result, receives an EU subsidy. The EU subsidy represents a considerable contribution to the financing of the planning works and the feasibility studies.

Read more about the company's activities, timetable, contracts etc. on the company's website www.femern.com. Interested parties can also sign up for the company's newsletter here.

Henning Kruse Petersen
Chairman
Femern A/S

Leo Larsen
CEO
Femern A/S

Co-financed by the European Union
Trans-European Transport Network (TEN-T)

## Management's report

Femern A/S is responsible for planning and designing a fixed link across Fehmarnbelt.

The general framework for the company's tasks is set out in a treaty between Denmark and Germany for the financing, construction and operation of a fixed link across Fehmarnbelt between Rødbyhavn and Puttgarden. The treaty was signed by the Ministers of Transport of Denmark and Germany in September 2008 and finally ratified in December 2009 through the official exchange of the ratification documents.

Prior to this, the treaty had been approved by the two countries' parliaments. In Denmark, this took the form of the adoption of the "Act on the Planning of a Fixed Link across Fehmarnbelt with Associated Landworks" of 15 April, 2009 (hereafter referred to as the Planning Act). In Germany, this was in the form of the adoption of the Act in the German Bundestag on 18 June, 2009 and subsequently in the Bundesrat on 10 July, 2009.

On the basis of the Planning Act, the Danish Minister of Transport has appointed Femern A/S as responsible for e.g. planning, feasibility studies and preparations for the construction of the coast-to-coast link.

The construction of the fixed link across Fehmarnbelt must, under the treaty, be approved by the Danish and German authorities. In Denmark, the project will be approved by the adoption of a Planning Act while in Germany the project will be approved by the appropriate authorities in Schleswig-Holstein on the basis of a project application.

In order to obtain approval of the project in Denmark and Germany, the company is preparing a project proposal based feasibility studies and planning work.

Since the link's technical design, a bridge or a tunnel, and the link's alignment, have not been determined by the treaty, the project proposal will be based on extensive planning work for the different technical solutions.

The treaty stipulates that the fixed link across Fehmarnbelt should be built as a combined rail and road link comprising an electrified, double-track rail line and a four-lane road link. It follows from the Planning Act that a cable-stayed bridge is the preferred solution with an immersed tunnel as the preferred alternative. On the backdrop of the treaty, the Planning Act's provisos and other requirements from the authorities, the planning work and the feasibility studies have required significantly more investigations than originally assumed. The planning work comprises the detailed planning and design of different technical solution options, which, besides a cable-stayed bridge and an immersed tunnel, include a suspension bridge and a bored tunnel as well as a number of different alignments. The feasibility studies regarding navigational safety, environmental aspects and geotechnology include all projected technical solutions and alignments.

Due to the need to implement several and more prolonged investigations than anticipated, the Danish parliament's, Folketinget's, Finance Committee approved a document on 3 June, 2010, which empowers Femern A/S to defray costs for the planning of the fixed link of up to DKK 1,881 million (2008 prices) which extends the project's financial framework by DKK 671 million compared to the Planning Act.

The planning work must result in the project proposal setting out a preferred solution together with relevant alternative solutions and an optimal alignment on the basis of an examination of potential alignment options. The feasibility studies contribute to qualifying the planning work, and the results from the investigations will be part of the project application as documentation for the chosen technical solutions. The environmental investigations are also being carried out as a result of the treaty's provisions that require the preparation of an Environmental Impact Assessment etc.

The final decision on the establishment of the link will be taken by the Danish parliament through the adoption of a Construction Act.

**Planning and feasibility studies**

In 2009, Femern A/S initiated an equivalence study of a bridge and tunnel as technical solution proposals. The purpose is to provide the best possible basis for the choice of engineering solution.

The company has signed contracts with Cowi A/S and Obermeyer Planen + Beraten GmbH as engineering consultants for the planning of a bridge solution and with Rambøll Danmark A/S, Ove Arup & Partners International Ltd and Tunnel Engineering Consultant as consulting engineers for the planning of the tunnel solution.

The company's two consulting groups delivered their proposals for the conceptual design for a bridge and a tunnel in early April 2010. Prior to delivery, the material was evaluated by a number of international experts.

On the backdrop of an internal evaluation of the two projects, the two consulting groups were asked to adjust the projects in a number of respects and to ensure that the same assumptions for prices etc. for the two projects were applied. As a result, the company's two consulting groups delivered revised drafts for conceptual designs for a bridge and a tunnel towards the end of October 2010 in which a range of options and facilities on land were incorporated. The two conceptual design projects, therefore, have reached a stage that has allowed for technical and financial comparisons and thus to choose the company's preferred technical solution for the upcoming official process.

Based on the requirements from the Danish and German authorities, work involving the design of the facilities for border and customs control commenced in 2010.

*The railway*
The company is currently working on the planning of the railway engineering solution for both a bridge and a tunnel to be included in the project proposal. This commenced in early 2010.

By agreement with Banedanmark (Rail Net Denmark) and DB Projektbau, which are responsible for the planning of the Danish and Germany landworks for the railway, Femern A/S has undertaken to prepare the traffic investigations for the railway between Ringsted-Hamburg with a view to providing comparative studies in Denmark and Germany. The traffic data will be used for evaluations of e.g. noise (EIA) and capacity planning. At a meeting in the Joint Committee on 31 May, 2010 the forecast for the number of passenger and freight trains in 2025 was estimated to be 40 passenger and 78 freight trains per day.

*Navigational safety*
In 2010, Femern A/S completed the navigational studies that were initiated to ensure the continuing safety of shipping in Fehmarnbelt following the possible construction of a bridge.

These navigational studies have comprised several elements. First, existing traffic in Fehmarnbelt was defined and a forecast for shipping traffic after 2030 was drawn up. Secondly, based on the guidelines from the International Maritime Organisation, IMO, a risk analysis was prepared on navigational safety conditions following the establishment of a bridge link across Fehmarnbelt on the basis of the current situation. Thirdly, navigational conditions in connection with the different designs for a bridge solution were carried out.

In the company's view, the results of the navigational investigations show that it is possible to improve navigational safety conditions in the Fehmarnbelt if a bridge solution with two navigational spans of 724 m is coupled with the implementation of a VTS-System for the area compared to a situation with continued ferry services without a VTS-System.

*Environmental investigations*
Comprehensive investigations into the environment are crucial for obtaining project approval and have aroused significant attention from both the population in general, the environmental organisations and the authorities.

As a consequence, Femern A/S is undertaking extensive environmental investigations into the following areas: hydrography, marine biology, birds, fish and fishing, marine mammals and the Danish and German approach facilities. The two-year environmental investigation programme was finally completed around 1 March, 2011. Many of the investigations into the specific areas were finalised during 2010 and the results of these programmes are currently being reported.

The investigations will contribute to ensuring that an-depth insight into landscape, nature and the environment in the area will provide a sound basis for evaluating the impact of the design of the coast-to-coast link on the surrounding areas.

The environmental investigations programme is based on Danish and German legislation and recommendations for structures at sea and are described in the Scoping Report prepared by Femern A/S in conjunction with LBV-Lübeck, the German project applicant for the coast-to-coast link's road section.

The Scoping Report was submitted for consultation in Denmark, Germany and the countries surrounding the Baltic Sea from 21 June, 2010 to 6 September, 2010. On 18 August, 2010 a briefing meeting was organised in Maribo in Denmark where the environmental investigation programme was presented. Subsequently, on 25 August, 2010 a consultation took place in Eutin (Schleswig-Holstein) during which all authorities and organisations with a right to be heard had an opportunity to submit their comments to the environmental investigation programme.

Femern A/S has also carried out a screening process to establish whether any ammunition is present on the Fehmarnbelt seabed near the alignment since this could affect the construction of the fixed link, especially if an immersed tunnel is chosen. No ammunition, however, was found during the screening.

During the construction of the fixed link, there will be a need for substantial amounts of raw materials in the form of sand and gravel. To the greatest possible extent, Femern A/S intends to procure these materials from the works in the alignment itself, including reuse of the soil excavated for the construction of the fixed link. There is, however, some uncertainty as to whether it will be possible to meet the entire raw material requirements of the necessary quality in this way. As a result, other localities in the area around Fehmarnbelt were surveyed in 2010 to establish the feasibility of reclaiming the remaining raw materials – especially sand and gravel – to use for the construction of the fixed link.

The surveying process showed that one suitable location is Kriegers Flak, which offers raw material of the required quality. Kriegers Flak was also used as a reclamation area in connection with the construction of the Øresund link.

*Geotechnical investigations*
Thorough insight into the Fehmarnbelt's geology is of great importance for the technical design and construction of the link. The better the knowledge of the geology, the more accurately the construction and execution can be calculated and priced.

Femern A/S's geotechnical investigations aim to provide adequate insight into the subsoil in order to minimise financial and timing uncertainties concerning the construction of the coast-to-coast link.

The investigation programme comprises geotechnical test drillings in the Fehmarnbelt and on land, laboratory analyses of samples from the drilling, the establishment of a project-specific positioning system and large-scale experiments to establish foundation methods, etc.

The project-specific positioning system in both countries was commissioned in August 2010. The positioning system makes it possible to determine positions in the area with an accuracy of 1 cm in all three dimensions.

The geotechnical drillings in water were concluded in September 2010, and the laboratory examinations of samples from the drillings and the associated reporting are expected to be concluded in April 2011.

The geotechnical large-scale tests, which are also designed to investigate how the special clay layer in the southern part of the Fehmarnbelt reacts to dredging and impacts, commenced in July 2010. The test field is located in 10 meters of water north east of Puttgarden. The task is performed by a joint venture comprising P. Aarsleff A/S and GEO. The large-scale test is expected to be completed in 2012.

*Alignment*
On the backdrop of a thorough analysis, Femern A/S announced in December 2010 its proposal for the alignment corridor. The proposal means that the fixed link across Fehmarnbelt between Germany and Denmark will be located in a corridor that runs east of the ferry ports in Puttgarden and Rødbyhavn.

It is estimated that the alignment corridor east of the ferry ports will cause the least impact on people, cultural heritage and the environment. As a result, alignments in this corridor will constitute the basis for the further planning work. The corridor for the coast-to-coast link is approximately 1,200 m wide. At the same time, Femern A/S presented its proposal for alignments in the corridor for both a bridge and a tunnel and proposals for local roads. In total, 20 different alignments for a tunnel and 16 different alignments for a bridge have been examined. The exact alignment for the project will be finally determined when the German authorities have given the project their approval and the Danish parliament has adopted a Construction Act.

**The company's recommendation**

In November 2010, Femern A/S's Board of Directors decided to make an immersed tunnel the company's preferred solution for a fixed link across Fehmarnbelt. The recommendation is based on the extensive preparatory work in relation to the technical design of the two projects, their economic basis and not least, the environmental, geotechnical and navigational safety-related investigations. The company believes that an immersed tunnel will involve fewer risks than a cable-stayed bridge – both in the construction and during the operational stages. Special emphasis has been placed on the two projects' technical execution risks, environmental conditions, the consequences for navigational safety and the economics of the project. The recommendation has been submitted on a temporary basis and with reservations for the outcome of the EIA investigations.

On the basis of the company's recommendation, the Minister of Transport and the political parties behind the fixed link decided at a meeting on 1 February, 2011 that the immersed tunnel solution should be the preferred solution in connection with the authorities' deliberations.

The immersed tunnel solution, therefore, will be considered the preferred solution during the further work, including the upcoming EIA investigations, and will form the basis of the project application to the German authorities.

The final choice between the solutions will be made in connection with the adoption of a Construction Act in Denmark and the authorities' approval in Germany.

**Preparation of the authorities' deliberations in Denmark and Germany**

The Fehmarnbelt crosses national borders and the authorities' deliberations, therefore, involve two countries' legislations, administrative traditions, language and cultures.

A full overview and clear demarcation of roles and responsibilities are crucial for obtaining project approval in 2013 as assumed. Femern A/S, therefore, continued to focus on the authorities' deliberations in 2010.

Pursuant to the treaty's provisions, the company must obtain all necessary approvals and permissions to build, operate and maintain the coast-to-coast link. In Denmark, the project will be approved through the adoption of a Construction Act. In Germany, the project will be approved by the German authorities on the basis of a project application prepared under Schleswig-Holstein's road and railway legislation. The project application must contain detailed design and planning descriptions of the preferred technical solution, the preferred alternative solution and the alternative alignments.

Under German legislation, Femern A/S can only apply for project approval for the rail section on German territory. For the road section, the application must be formally submitted by the relevant authority in Schleswig-Holstein, LBV-Lübeck. As a result, in November 2009, Femern A/S signed an agreement with the authorities in Schleswig-Holstein concerning “Administrative Aid”. The agreement means that, as assumed in the treaty, Femern A/S compares all relative investigations, planning work etc. which, under Schleswig-Holstein’s legislation and administrative regulations, are required for obtaining project approval for the road section.

As part of the preparations of the approval process, a number of co-ordination groups involving the Danish and German authorities as well as Femern A/S have been established. The disposition to the EIA report is under discussion and the determination of the German authorities’ requirements for the overall application material is continually reviewed.

The two conceptual designs and proposals for safety and contingency concepts have been submitted to the authorities.

**Information activities**

Demand for information about the Fehmarnbelt project has been considerable and increased throughout 2010.  The company, therefore, organised many activities throughout the year under review.

Press coverage of the coast-to-coast project also intensified throughout 2010. In particular, the German public took an interest in the project, resulting in increased media attention in Germany.

One of the year’s events in Germany took place on 25 November, 2010 when, in conjunction with the Danish Embassy, Femern A/S organised a Fehmarnbelt evening attended by representatives from the German parliament’s transport and environment committee and a number of high-ranking German stakeholders with an interest in the project. A total of 120 people participated in the event.

Discussions on the German landworks for the Fehmarnbelt link have increased significantly and local opposition against, in particular, future rail freight traffic occupies much of the media coverage. The German landworks for Fehmarnbelt have, therefore, ranked highly on regional and state politicians’ agenda, and a number of public meetings have been held during which German politicians defended the project. By invitation from Schleswig-Holstein’s Minister-President, Femern A/S participated in a roundtable meeting in Grossenbrode in September 2010 to report on the progress of the coast-to-coast project.

Press trips have been organised for Danish and German media within the field of e.g. geotechnology, navigational simulations and environmental work. Femern A/S also organised a number of study tours to Copenhagen and, especially, the Øresund project for German stakeholders. One example was when politicians from Fehmarn and Kreis Ostholstein, stakeholder organisations and representatives from the Transport Ministry in Kiel visited the Øresund project and the artificial beaches at Amager Strandpark and Køge Bugt to see how surplus material from the construction work can be utilised for land reclamation. Femern A/S kept in close contact with the project's sceptics throughout 2010 and, for instance, organised discussion evenings on the project's environmental impact in conjunction with NABU (Der Naturschutzbund Deutschland e.V.) on Fehmarn.

In March 2010, Femern A/S published a report on the requirements for potential production sites for the coast-to-coast project. The report was followed up by meetings with cities, towns and ports that are interested in hosting production sites for the construction work.

In November 2010, the conceptual design for an immersed tunnel and a cable-stayed bridge was published with the publication of a status report for the project containing a detailed description of the two conceptual design projects.

Growing public interest in the project is also reflected in the number of visits to the company's website, which is available in Danish, English and German. During 2010, the monthly visitor figures doubled from 6,000 to 12,000.

The company has extended its participation in a number of national, regional and local forums for regional collaboration and growth with a view to contributing information on the fixed link to all stakeholders. By doing so, the company contributes to promoting the development potential in the region around Fehmarnbelt and thus providing inspiration for greater interaction and, consequently, more traffic between Rødby and Puttgarden even ahead of the opening of the fixed link.

**Corporate matters**

Femern A/S is a limited company incorporated on the basis of Danish civil law.

Through A/S Femern Landanlæg, Femern A/S is part of Sund & Bælt Holding A/S, which is 100 per cent owned by the Danish Ministry of Transport. In accordance with the Planning Act, the Minister of Transport may give the company general or specific instructions on the execution of the company's operations in matters of importance.

The company is governed by a Board of Directors elected at the General Meeting following a recommendation from the Minister of Transport. Three members of the Board of Directors are elected by, and among, the company's employees.

The company's head office is in Copenhagen. In addition, it has offices in Burg on Fehmarn and at Rødbyhavn.

At the Annual General Meeting on 28 April, 2010, Rainer Feuerhake joined the Board of Directors. Henning Kruse Petersen (Chairman) Carsten Koch (Vice Chairman), Pernille Sams and Jørgen Elikofer were re-elected.

On 16 August, 2010, Zoran Markou joined the Board of Directors as an employee-elected member. The other members elected by the employees are Jeanne Christensen and Leif Sjøgren.

CEO Leo Larsen, Technical Director Peter Lundhus, Project Director Claus Dynesen and CFO Gregers Jensen are responsible for the daily management until the 31 December 2010. With effect from 1 February, 2011, Allan Christensen was appointed new CFO.

Femern A/S has entered into an agreement with Øresundsbro Konsortiet regarding its financial management.

**Employees**

Femern A/S is a project organisation under continuing development. At year end 2010, the company had 64 employees equating to 58 full-time employees.

| Femern A/S | 2010 | 2009 |
|---|---|---|
| Number of employees | 64 | 61 |
| Of whom | | |
| - Female | 36 pct. | 34 pct. |
| - Male | 64 pct. | 66 pct. |
| Educational background | | |
| - Higher | 61 pct. | 54 pct. |
| - Intermediate | 25 pct. | 31 pct. |
| - Short | 14 pct. | 15 pct. |
| Staff turnover | 12 pct. | 7,5 pct. |
| Average age | 47 | 46 |
| Training per employee | 11.553 DKK | 13.450 DKK |
| Absenteeism (incl. long-term absence due to illness) | 1,6 pct. | 1,6 pct. |

The organisation comprises Danish, Swedish, German and British employees.

**Finance**

The company's results before tax amount to a loss of DKK 0.6 million and a loss of DKK 0.4 million after tax.

Total expenses for 2010 amount to DKK 635 million. Of this, DKK 293 million is offset by EU subsidies. Of the total net expenses of DKK

342 million, DKK 341 million was capitalised under fixed assets.

Total expenses comprise DKK 546 million for feasibility studies within the areas of geotechnology, the environment, navigational safety, design, information activities and the authorities' approval of such feasibility studies. The remaining DKK 89 million is accounted for by rent, office refurbishment, IT, office expenses, general administration and salaries.

*Financing*
In addition to the company's share capital, operations are financed by raising loans and through EU subsidies under the EU Commission's TEN-T programme.

In December 2003, the EU Commission designated the Fehmarn project as a priority project within the Trans-European Transport Network (TEN-T) and in 2007, pledged up to EUR 338.9 million (equating to approx. DKK 2.5 billion) for the period 2007-2013.

The EU subsidy is intended to cover the company's expenses for feasibility studies and accounted for 46 per cent of the total expenses in 2010.

EU subsidy payments are executed in part as prepayments of the prescribed annual subsidies and partly as final payments when the company shows that the eligible expenses were incurred.

Of the grant of DKK 2.5 billion, The European Commission paid out DKK 374 million for the period 2008-2010 of which DKK 189 million was paid out in 2009 and 2010. Overall, the company has a balance due from the EU of DKK 172 million relating to 2010 and previous years.

Pursuant to the Planning Act, the company can raise loans and use other financial instruments guaranteed by the State to finance its operations.

The company has two different borrowing options: direct government loans facilitated through Danmarks Nationalbank and loans in money and capital markets based on a government guarantee.

In 2010, the company financed its activities through the EU subsidy and through direct loans through Nationalbanken. In 2010, net financing expenses amounted to DKK 3.8 million while financial value adjustments amounted to an expense of DKK 3.3 million, which relate to fair value adjustments of financial assets and liabilities. It should be noted that the Danish State extends separate guarantees for interest and repayments and other ongoing commitments in connection with the company's loans against a guarantee commission of 0.15 per cent.
At the end of 2010, the interest bearing net debt totalled DKK 257 million.

Equity stood at DKK 503 million at year end.

## Cash flow

Cash flow from operations amounts to DKK -84 million and primarily related to changes in working capital, which comprises current assets and current liabilities.

Net investments in fixed assets total DKK 330 million.

Debt and interest expenses are recognised under financing activities and amount to DKK 500 million.

The company’s cash at bank and in hand amount to DKK 242 million.

## Events after the balance sheet date

On 1 February, 2011, the political parties behind the fixed Fehmarnbelt link decided to recommend an immersed tunnel as the preferred technical solution for the authorities’ approval process.

No events occurred after the balance sheet date that could affect the Annual Report for 2010.

## Expectations for 2011

For the coming year, project costs have been budgeted in the region of DKK 488 million. Revenue in the form of EU subsidies is expected to total DKK 210 million. Of the total net expenses of DKK 278 million, DKK 277 million will be capitalised.

The results after tax are expected to be a loss of approx. DKK 1 million for 2011

From 2011 and onwards, net expenses (after deduction of EU subsidy) will be covered by loans. Femern A/S expects its borrowing requirements for 2011 to be in the region of DKK 300 million (net). This will primarily be funded through direct government loans.

## Corporate Governance

Femern A/S has a two-tier management structure consisting of a Board of Directors and a Management Board. The two boards are independent of the other and no individual is a member of both bodies.

Femern A/S strives to ensure that the company is managed in accordance with the principles of sound corporate governance at all times.

Femern A/S complies with NASDAQ OMX’s recommendations for corporate governance with the following exceptions:

- In connection with elections to the Board of Directors, the shareholder undertakes an assessment of the board's general competences. A nomination committee, therefore, has not been established
- There are no formal rules concerning retirement age and the number of board positions any member of the Board of Directors may undertake. This, however, is considered by the shareholder in connection with elections to the Board of Directors.
- The shareholder determines the Board of Directors' remuneration while the Board of Directors determines the salaries of the Management Board. There are no performance-related pay or bonus schemes for the Management Board or the Board of Directors. No remuneration committee has, therefore, been established.
- Members of the Board of Directors elected at the Annual General Meeting stand for election every second year.

## Corporate Social Responsibility

Sund & Bælt Holding A/S has established a CSR policy and has signed up to the United Nations Global Compact. Femern A/S complies with Sund & Bælt Holding A/S's CSR policy.

For further information about the policies, objectives and activities, please refer to our CSR Report-UN Global Compact Communications on progress for Sund & Bælt Holding. The report was published for the first time in 2009.

The CSR Report is available at:

http://www.sundogbaelt.dk/dk/Menu/udgivelser.

The report is also available from Sund & Bælt Holding's Communications Department

In 2011, Femern A/S will continue to develop its CSR policy as the company identifies the areas of greatest significance for social responsibility, sustainability and the economics of the construction project.

## Risk management and controlled environment

The company's risk management and internal control in relation to the accounts and financial reporting are designed to minimise the risk of material errors. The internal control system comprises clearly defined roles and areas of responsibility, reporting requirements and routines for attestation and approval. The internal controls are inspected by the auditors.

# Key figures and financial ratios

| Key figures, DKK 1,000 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Revenue | 5.525 | 4.526 | 0 | 0 | 0 |
| Operating expenses | -9.724 | -8.977 | -614 | -764 | -569 |
| Operating loss | -4.199 | -4.451 | -614 | -764 | -569 |
| Net financials | 900 | 1.798 | 0 | 0 | 0 |
| Tax | 918 | 638 | 148 | 208 | 130 |
| Loss for the year | -2.381 | -2.015 | -466 | -556 | -439 |
| Equity | 46.897 | 44.882 | 44.416 | 503.860 | 503.421 |
| Balance sheet total | 48.235 | 46.519 | 168.294 | 612.475 | 1.121.790 |
| | | | | | |
| Financial ratios, per cent: | | | | | |
| Proft ratio (primary operations) | -76,0 | -98,4 | 0,0 | 0,0 | 0,0 |
| Rate of return (primary operations) | -8,7 | -9,6 | -0,4 | -0,1 | 0,0 |

N.B.: The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' "Recommendations and Financial Ratios 2010". Please refer to definitions and concepts in Note 1, Accounting Policies.

N.B.: From 2008, most of the company’s costs are capitalised to the balance sheet.

## Income statement 1 January – 31 December, 2010 ( DKK 1,000)

| Note | | 2010 | 2009 |
|---|---|---|---|
| | **Expenses** | | |
| 2 | Other operating expenses | -234 | -217 |
| 3 | Staff expenses | -335 | -547 |
| | **Total expenses** | **-569** | **-764** |
| | **Operating loss** | **-569** | **-764** |
| | **Loss before tax** | **-569** | **-764** |
| 4 | Tax | 130 | 208 |
| | **Loss for the year** | **-439** | **-556** |

Result appropriation: It is proposed that the year's loss of DKK 439 thousand be carried forward to next year.

## Total comprehensive income statement 1 January – 31 December 2010 (DKK 1,000)

The financial result is equivalent to total income.

# Balance sheet, 31 December 2010 (DKK 1,000)

| Note | Assets | 2010 | 2009 |
|---|---|---|---|
| | **Non-current asets** | | |
| | **Intangible assets** | | |
| 5 | Software | 2.497 | 4.740 |
| | **Total intangible assets** | **2.497** | **4.740** |
| | **Property, plant and equipment** | | |
| 6 | Road and rail construction project in progress | 639.463 | 301.812 |
| 7 | Land and buildings | 8.406 | 8.131 |
| 8 | Leasehold improvements | 14.306 | 18.335 |
| 9 | Operating plant | 4.575 | 2.809 |
| | **Total current assets** | **666.750** | **331.087** |
| | **Other non-current assets** | | |
| 10 | Deferred tax asset | 0 | 363 |
| 17 | Debt certificate | 5.775 | 6.411 |
| | **Total other non-current assets** | **5.775** | **6.774** |
| | **Total non-current assets** | **675.022** | **342.601** |
| | **Current assets** | | |
| | **Receivables** | | |
| 11 | Receivables | 174.073 | 109.671 |
| 12+18 | Derivatives, assets | 27.082 | 0 |
| 13 | Prepayments and accrued income | 3.772 | 4.595 |
| | **Total receivables** | **204.927** | **114.266** |
| 14 | **Cash at bank and in hand** | **241.841** | **155.608** |
| | **Total current assets** | **446.768** | **269.874** |
| | **Total assets** | **1.121.790** | **612.475** |

# Balance sheet, 31 December 2010 (DKK 1,000)

| Note | Equity and liabilities | 2010 | 2009 |
|---|---|---|---|
| | **Equity** | | |
| 15 | Share capital | 500.000 | 500.000 |
| 16 | Free reserves | 3.421 | 3.860 |
| | **Total equity** | **503.421** | **503.860** |
| | **Liabilities** | | |
| | **Non-current liabilities** | | |
| 18 | Bond loans and amounts owed to credit institutions | 530.749 | 0 |
| 10 | Deferred tax liabilities | 106 | 0 |
| | **Total non-current liabilities** | **530.855** | **0** |
| | **Current liabilities** | | |
| 17 | Trade and other payables | 87.514 | 108.615 |
| | **Total current liabilities** | **87.514** | **108.615** |
| | **Total liabilities** | **618.369** | **108.615** |
| | **Total equity and liabilities** | **1.121.790** | **612.475** |

| | |
|---|---|
| 1 | Accounting policies |
| 19 | Guarantees |
| 20 | Related parties |
| 21 | Events after the balance sheet date |

# Statement of changes in equity (DKK 1,000)

| | Share capital | Free reserves | Total |
|---|---|---|---|
| **Balance at 1 January 2009** | **10.000** | **34.416** | **44.416** |
| Capital increase through cash payment | 460.000 | 0 | 460.000 |
| Capital issue through bonus issue | 30.000 | -30.000 | 0 |
| Loss for the year | 0 | -556 | -556 |
| **Balance at 31 December, 2009** | **500.000** | **3.860** | **503.860** |
| | | | |
| **Balance at 1 January, 2010** | **500.000** | **3.860** | **503.860** |
| Loss for the year | 0 | -439 | -439 |
| **Balance at 31 December 2010** | **500.000** | **3.421** | **503.421** |

# Cash flow statement (DKK 1,000)

| Note | | 2010 | 2009 |
|---|---|---|---|
| | **Cash flow from operating activities** | | |
| | Loss before net financials | -569 | -764 |
| | | | |
| | **Adjustments** | | |
| | Tax | 130 | 208 |
| | **Cash flow generated from operations (operating activities) before changes in working capital** | **-439** | **-556** |
| | | | |
| | **Change in working capital** | | |
| | Receivables, prepayments and accrued income | -62.580 | -91.700 |
| | Creditors and other liabilities | -20.995 | -15.263 |
| | **Total cash flow from operating activities** | **-84.014** | **-107.519** |
| | | | |
| | **Cash flow from investing activities** | | |
| | Acquisition of property, plant and equipment | -622.752 | -504.390 |
| | EU subsidy received | 293.094 | 218.844 |
| | **Total cash flow from investing activities** | **-329.658** | **-285.546** |
| | | | |
| | **Free cash flow** | **-413.672** | **-393.065** |
| | | | |
| | **Cash flow from financing activities** | | |
| | Borrowing | 503.667 | 0 |
| | Cash capital increase | 0 | 460.000 |
| | Interest paid | -3.762 | -114 |
| | **Total cash flow from financing activities** | **499.905** | **459.886** |
| | | | |
| | **Change for the period in cash at bank and in hand** | **86.233** | **66.821** |
| | | | |
| | Cash at bank and in hand at 1 January | 155.608 | 88.787 |
| | **Cash at bank and in hand at 31 December** | **241.841** | **155.608** |
| | | | |
| | **Cash at bank and in hand is composed as follows:** | | |
| | Cash at bank and in hand and deposit accounts | 241.841 | 155.608 |
| 14 | **Cash at bank and in hand at 31 December** | **241.841** | **155.608** |

The cash flow statement cannot be derived solely from the annual accounts.

## Note 1 Accounting Policies

**General**
The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU. Additional Danish disclosure requirements for annual reports are those laid down by the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act.

The accounting policies are in accordance with those applied in the Annual Report 2009.

The annual report is presented in DKK, which is the company’s functional currency. Unless otherwise stated, all amounts are presented in DKK millions.

In order to assist users of the Annual Report, some of the disclosures required by IFRS are also included in the Management’s review.

**New accounts adjustment**
IASB has issued the following new or revised accounting standards and interpretations that have not yet become effective: IAS 24, IAS 32, IFRS 7, IFRS 9 and IFRIC 14 and IFRIC 19. These accounting standards and interpretations will be implemented once they come into force and IFRS 9 will change, among other things, the classification and measurement of financial assets and liabilities. The implementation of this standard is expected to have an impact, but the overall effect of the three implementation stages has not yet been calculated. The implementation of the other standards and interpretations are not expected to affect the Consortium’s financial reporting.

Overview of the implementation of new or amended standards and interpretations:

- IAS 27
- IAS 39
- IFRS 3
- IFRS 5
- IFRIC 17
- IFRIC 18

The implementation of these new standards and interpretations have not led to any changes in the accounting policies.

**Recognition and measurement in general**
Assets are recognised in the balance sheet when, as a result of a previous event, it is probable that future economic benefits will flow to the company and the value of the asset can be reliably measured. Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Financial assets and liabilities, including cash at bank and in hand, loans and derivatives are recognised at fair value through profit and loss. Derivatives follow the general rule requiring fair value measurement, and cash at bank and in hand and loans are reclassified at the fair value measurement as per the ”Fair Value Option” in IAS 39. The rationale for reclassifying cash at bank and in hand and loans at fair value measurement is accounting symmetry and uniformity whether primary financial transactions are hedged using derivates or are recognised without hedging.

Measuring follows IFRS / with a three-layer hierarchy for valuation methodology. At the top of the hierarchy is cash at bank and in hand and available quoted prices (level 1), followed by quoted market prices as input to generally accepted valuation methods and formulas (level 2) and lowest in the valuation hierarchy is input to valuation methods and formulas based on unobservable market data (level 3). The measurement of financial assets and liabilities are included in levels 1 and 2 in the valuation hierarchy and quoted prices are used for listed securities while unlisted securities, deposits, loans and derivatives are recognised at quoted market prices as input to generally accepted valuation methods and formulas.

Financial assets and liabilities are initially recognised on the trading day and recognition is discontinued at the trading day when the right to receive/settle payment from the financial asset or liability has expired or when sold or transferred, and all risks and yields tied to the instrument have been transferred.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as and when it is probable that this will add economic benefit to the company. Equally, expenses incurred to generate the year's earnings are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions.

Value adjustments of financial assets and liabilities measured at fair value are recognised in the income statement.

Reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement are also recognised in the income statement.

**Accruals**
Closing provisions have been made of all significant income and expenses.

**Operating income**
Operating income is recognised when services are delivered, if income can be reliably measured, and when it is expected to be received.

Income is measured excluding VAT, taxes and discounts related to the sale.

Other income comprises accounting items of a secondary nature in relation to the company’s activities, including income from the use of the fibre optic and telephone cables.

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

Subsidies to cover expenses are recognised in the income statement proportionally over the periods in which the related expenses are recognised in the income statement.

Public subsidies related to the settlement of the road and rail facilities are deducted from the asset's cost price.

**Impairment of assets**
Property, plant and equipment and intangible fixed assets are subject to an impairment test when there is an indication that the carrying amount may not be recoverable. (Other assets are covered under IAS 39). Impairment losses are determined at the excess of the carrying amount of the asset over the recoverable amount, i.e. the higher of an asset's net selling price or its value in use. The value in use is the expected future cash flows from the asset using a pre-tax discount rate that reflects the current market return. In determining impairment, assets are grouped in the smallest group of assets that generate cash flow that are independent of the cash inflows from other assets (cash generating units).

Impairment losses are recognised in the income statement.

**Tax on the year's result**
The company is covered by the Danish regulations concerning compulsory joint taxation of the Sund & Bælt Group's companies. The subsidiaries are included in the joint taxation from the time they are included in the consolidated accounts and until such time when they may be omitted from the consolidation.

The company is an administration company for joint taxation and, as a result, settles all corporation tax payments with the tax authorities.

Current Danish corporation tax is duly apportioned through payment of the joint taxation contribution between the jointly taxed companies in relation to their taxable incomes. In conjunction with this, companies with tax losses receive tax contribution from companies that used such losses against their own taxable profits.

Tax for the year, which comprises the year's current tax, the year's joint taxation contribution and changes to deferred tax – including the change in the tax rate – is included in the Income Statement with the proportion that is attributable to the year's results and directly in the equity with the proportion that is attributable to the items directly in the equity.

**Current tax and deferred tax**
According to the joint taxation regulations, Sund & Bælt Holding A/S, as the administrating company, assumes liability for the subsidiaries' corporation tax vis a vis the authorities in line with the subsidiaries' payment of the joint tax contribution.

Current tax liabilities and tax receivable are included in the balance sheet as computed tax on the year's taxable income, adjusted for tax on previous year's taxable income as well as for paid taxation on account.

Tax owed and joint taxation receivable are included in the balance sheet under outstandings with affiliated companies.

Deferred tax is measured in accordance with the balance sheet-oriented liability method of all interim differences between the carrying value and the tax value of assets and liabilities. In cases where the computation of the tax value can be carried out on the basis of the different taxation rules, the deferred tax is measured on the basis of the management's planned use of the asset or the disposal of the liability.

Deferred tax assets, including the tax value of tax losses entitled to be carried forward, are recognised under other non-current assets at the value at which they are expected to be used, either through the setting-off of tax on future earnings or by the offsetting of deferred tax liabilities within the same legal tax entity and jurisdiction.

Adjustment of deferred tax is carried out relating to eliminations made of unrealised intragroup profits and losses.

**Financial assets and liabilities**
Cash at bank and in hand includes bank deposits as well as listed and unlisted securities and are initially recognised at cost and subsequently recognised and measured in the balance sheet at fair value. Differences in fair value are included in the income statement under financial income or expenses.

The fair value of listed securities is recognised at quoted prices and unlisted securities and deposits are determined by discounting the future expected cash flows with a relevant discounting rate deemed to be appropriate for the company.

On initial recognition, reclassification of all cash at bank and in hand is carried out at fair value measurement, if it has not already been classified as a trading portfolio.

Holdings of treasury shares are set off against equivalent issued bond loans.

**Loans**
Loans are recognised at the date of borrowing at cost (net proceeds received) and are subsequently measured at fair value in the balance sheet. Adjustments in the fair value are recognised in the income statement under net financials.

On initial recognition, reclassification of loans is carried out at fair value measurement.

The fair value of loans is determined with discounting back of the future expected cash flows with a relevant discounting rate. The discounting rate is based on market rates assessed to be available and relevant for the company.

Loans falling due in more than one year, according to the contract, are recognised as non-current liabilities.

**Derivatives**
Derivatives are recognised and measured at fair value in the balance sheet and initial recognition in the balance sheet is measured at cost. Positive and negative balances on derivatives are included as gross in the balance sheet under financial assets and liabilities.

Derivatives are actively used to manage the debt portfolio and are therefore included in the balance sheet under current assets and liabilities.

Derivatives include financial instruments and the fair value depends on the value of the underlying reference rates and currencies. The derivatives are OTC derivatives that are recognised bilaterally with a number of financial counterparts and thus there are no listed quotations. The fair value for derivatives is determined by discounting the future expected cash flows with a relevant discounting rate. The discounting rate is determined on the basis of actual market rates deemed to be available and relevant for the company.

Derivatives primarily comprise interest and currency swaps.

**Financial income and expenses**
Financial income and expenses comprise accrued interest income and expenses, foreign exchange gains and losses from cash at bank and in hand, payables and derivatives and currency translation of financial transactions in foreign currencies.

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

**Foreign exchange translation**
On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement under financial income and expenses.

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

Non-monetary assets and liabilities in foreign currencies that are not translated to fair value are translated on the transaction day at the exchange rate at the transaction date.

Translation of financial assets and liabilities is recognised in the value adjustment and translation of receivables, payables etc. is included in financial income and expenses.

**Intangible fixed assets**
On initial recognition, intangible fixed assets are measured at cost. Subsequently, the assets are measured at cost less depreciation and impairment losses.

Intangible assets are amortised on a straight-line basis over the expected useful life, albeit a maximum of 5 years.

**Property, plant and equipment**
On initial recognition, property, plant and equipment are measured at cost. Cost comprises the purchase price and any costs 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 impairment losses.

During the construction period, the value of the road and rail link is determined using the following principles:

- The costs of the constructions based on concluded contracts and contracts are capitalised directly.
- Other direct or indirect costs are capitalised as the value of own work.
- Net financing expenses are capitalised as construction loan interest.
- EU subsidies are set off against the cost price.

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

**Depreciation**
Other assets are recognised at cost and depreciated on a straight-line basis over the assets' expected useful life:

| | |
|---|---|
| Administrative IT systems and programmes | 0–5 years |
| Leasehold improvements, the lease period, but max. | 5 years |
| Machinery, fixtures and fittings | 5-10 years |
| Buildings for operational use | 25 years |

Amortisation and depreciation are recognised as a separate item in the income statement.

The amortisation and depreciation methods and the useful lives are reassessed annually and are changed if there has been a major change in the conditions or expectations. If changes are made to the amortisation and depreciation methods, the future effect on amortisation and depreciation will be recognised as a change of accounting estimates and judgements.

The basis of amortisation and depreciation is calculated on the basis of the asset's residual value less impairment losses. The residual value is determined at the time of acquisition and is reassessed annually. If the residual value exceeds the carrying amount, amortisation and depreciation are discontinued.

Profits and losses from the disposal of property, plant and equipment are calculated as the selling price less selling costs and the carrying amount at the time of sale. Profits and losses are recognised in the income statement as other operating expenses.

**Public subsidies**
Public subsidies for partial covering of costs incurred are recognised at fair value in other operating income as the subsidy-related costs are incurred and it is probable that they will be of financial benefit to the company.

EU subsidies to partly cover costs of assets in progress are recognised in the cost price of the assets.

**Other operating expenses**
Other operating expenses comprise expenses related to the technical, traffic and commercial operations of the links. This includes expenses for the operation and maintenance of technical plants, marketing, insurance, IT, external services, office.

**Staff costs**
Staff costs comprise costs for employees, the Management Board and the Board of Directors. Staff costs include direct payroll costs, pension payments, training expenses and other direct staff-related costs.

Staff costs as well as payroll taxes, holiday allowance and similar costs are expensed in the period in which the services are performed by the employee.

**Operating lease**
Operating lease is recognised in the income statement on a straight-line basis over the lease term if no other systematic method would provide a better view of the lease in the term. Leasing contracts have been entered into with a lease period of 1 year. Current leases refer to the leasing of premises and vehicles.

**Trade receivables**
Trade receivables are recognised at amortised cost. Trade receivables comprise amounts owed by customers and balances with payment card companies. Write-down is made for expected bad debt. Receivables also comprise accrued interest in respect of assets and costs paid concerning subsequent financial years.

**Other receivables**
Receivables are recognised at the current value of the amounts expected to be received.

**Prepayments and accrued income**
Prepayments and accrued income include expenses paid in respect of subsequent financial years.

**Cash at bank and in hand**
Cash at bank and in hand comprises cash and short-term deposits and listed and unlisted securities with a term of three months or less at the acquisition date and which are readily convertible into cash and where there is only an insignificant risk of changes in value.

**Securities**
Securities include deposits and listed and unlisted securities with a maturity greater than 3 months.

**Other payables**
Other payables include accrued interest expenses from debt and derivatives.

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

**Cash flow statement**
The cash flow statement for the company has been prepared in accordance with the indirect method based on items in the income statement. The company's cash flow statement shows the cash flow for the year, the year's changes in cash at bank and in hand as well as the Group's cash at bank and in hand at the beginning and end of the year.

Cash flow from operating activities is calculated as the profit/loss for the year before net financials adjusted for non-cash operating items, computed corporation taxes and changes in working capital. The working capital comprises the operating balance sheet items under current assets and current liabilities.

Cash flow from investing activities comprises payments in connection with acquisitions and disposals of intangible assets, property, plant and equipment and investments.

Cash flow from financing activities comprises the raising of loans, repayment of debt and financial income and expenses, including non-cash adjustments of the company's financial assets and liabilities, which are recognised as a separate item in the cash flow statement.

Unused credit facilities are not included in the cash flow statement.

**Financial ratios**

The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' "Recommendations and Financial Ratios 2010".

The financial ratios given in the main figures and financial ratios summary have been calculated as follows:

| | |
|---|---|
| Profit ratio: | Operating profit less other income in percentage of turnover. |
| Rate of return: | Operating profit less other income in percentage of the total assets. |

# Note 2 Other operating expenses

Other operating expenses include expenses for administration, premises and project work.

| **Fees to the company's auditors elected at the General Meeting:** | **2010** | **2009** |
|---|---|---|
| Statutory audit | 200 | 163 |
| Other assurance statements | 26 | 0 |
| Tax consultancy | 601 | 456 |
| Other services | 22 | 27 |
| **Total fees to the company's auditors elected at the General Meeting** | **849** | **646** |
| Recognised in road and rail construction project in progress | -649 | -483 |
| **Fee to the company's auditors elected at the General Meeting in the income statement** | **200** | **163** |

| **Operating leases** | **2010** | **2009** |
|---|---|---|
| Rented premises and vehicle hire, regarded as operating leases, are recognised in road and rail construction project in progress: | 9.633 | 7.697 |
| The notice period for operating lease periods are: | | |
| 0-1 years | 9.639 | 9.350 |
| 1-5 years | 38.159 | 37.155 |
| After five years | 33.356 | 41.696 |
| **Operating leases, total** | **81.154** | **88.201** |

# Note 3 Staff expenses

Staff expenses include all expenses for staff and management. Staff expenses include direct payroll expenses, pension payments, training expenses and other direct staff-related expenses.

| | 2010 | 2009 |
|---|---|---|
| Wages and salaries, remuneration and emoluments | 47.832 | 33.655 |
| Pension contributions | 123 | 389 |
| Social security | 250 | 231 |
| Other staff expenses | 3.782 | 3.817 |
| **Total staff expenses** | **51.987** | **38.092** |
| Recognised in road and rail construction project in progress | -51.652 | -37.545 |
| **Staff expenses in income statement** | **335** | **547** |
| | | |
| Average number of employees | 57 | 40 |
| Number employees at 31 December | 64 | 61 |

**Remuneration for Management Board:**

| **For 2010** | **Fixed salary** | **Pensions** | **Non-monetary benefits** | **Total** |
|---|---|---|---|---|
| Leo Larsen** | 320 | 0 | 0 | 320 |
| Peter Lundhus* | 733 | 0 | 44 | 777 |
| Total | 1.053 | 0 | 44 | 1.097 |

*CEO 1/1-30/4 2010

**CEO 1/5-31/12 2010

| **For 2009** | **Fixed salary** | **Pensions** | **Non-monetary benefits** | **Total** |
|---|---|---|---|---|
| Peter Lundhus | 1.942 | 161 | 123 | 2.226 |
| Total | 1.942 | 161 | 123 | 2.226 |

| **Fees to the Board of Directors** | **2010** | **2009** |
|---|---|---|
| Henning Kruse Petersen (Chairman) | 83 | 169 |
| Carsten Koch (Vice-Chairman) | 63 | 127 |
| Pernille Sams | 42 | 84 |
| Jørgen Elikofer | 42 | 84 |
| Rainer Feuerhake* | 75 | 0 |
| Jeanne Christensen | 125 | 46 |
| Leif Sjøgren | 125 | 46 |
| Zoran Markou** | 47 | 0 |
| **Total fees to the Board of Directors** | **602** | **556** |

* Elected at the ordinary general meeting on 26 April, 2010

** Elected by employees on 16 August 2010

## Note 4 Tax

| | 2010 | 2009 |
|---|---|---|
| Tax paid (joint tax contribution) | 599 | 208 |
| Change in deferred tax | -469 | 0 |
| **Total** | **130** | **208** |
| | | |
| **Tax on the year's result is specified as follows:** | | |
| Computed 25 per cent tax on year's results | 142 | 191 |
| Other adjustments | -12 | 17 |
| **Total** | **130** | **208** |
| **Effective tax rate** | **22,8%** | **27,2%** |

## Note 5 Software

Administrative IT systems and programmes are depreciated on a straight-line basis over their expected lives, albeit a maximum of 5 years.

| | 2010 | 2009 |
|---|---|---|
| Original cost at 1 January | 5.710 | 1.414 |
| Additions for the year | 59 | 4.296 |
| Disposals for the year | -586 | 0 |
| **Original cost at 31 December** | **5.183** | **5.710** |
| Depreciation at 1 January | 970 | 46 |
| Additions for the year | 1.997 | 924 |
| Disposals for the year | -281 | 0 |
| **Depreciation at 31 December** | **2.686** | **970** |
| | | |
| **Balance at 31 December** | **2.497** | **4.740** |
| Depreciation recognised in road and rail construction project in progress | 1.996 | 924 |

## Note 6 Road and rail links in progress

| | 2010 | 2009 |
|---|---|---|
| **Project in progess** | | |
| Original cost at 1 January | 301.812 | 32.485 |
| Additions for the year | 630.745 | 488.171 |
| EU subsidy received | -293.094 | -218.844 |
| **Original cost at 31 December** | **639.463** | **301.812** |
| **Balance at 31 December** | **639.463** | **301.812** |

In road and rail links in progress, financing expenses (net) are recognised at DKK 3,762 thousand and the capitalisation rate is 100 per cent.

## Note 7 Land and buildings

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

| | 2010 | 2009 |
|---|---|---|
| Original cost at 1 January | 8.409 | 5.058 |
| Additions for the year | 627 | 3.351 |
| **Original cost at 31 December** | **9.036** | **8.409** |
| Depreciation at 1 January | 278 | 47 |
| Additions for the year | 352 | 231 |
| **Depreciation at 31 December** | **630** | **278** |
| **Balance at 31 December** | **8.406** | **8.131** |
| Depreciation recognised in road and rail construction project in progress | 352 | 231 |

## Note 8 Leasehold improvements

Leasehold improvements are depreciated on a straight-line basis over the term of the lease albeit a maximum of 5 years.

| | 2010 | 2009 |
|---|---|---|
| Original cost at 1 January | 21.538 | 10.586 |
| Additions for the year | 337 | 10.952 |
| Disposals for the year | -197 | 0 |
| **Original cost at 31 December** | **21.678** | **21.538** |
| Depreciation at 1 January | 3.203 | 109 |
| Additions for the year | 4.353 | 3.094 |
| Disposals for the year | -184 | 0 |
| **Depreciation at 31 December** | **7.372** | **3.203** |
| **Balance at 31 December** | **14.306** | **18.335** |
| Depreciation recognised in road and rail construction project in progress | 4.353 | 3.094 |

## Note 9 Operating plant

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

| | 2010 | 2009 |
|---|---|---|
| Original cost at 1 January | 3.534 | 1.126 |
| Additions for the year | 3.017 | 2.408 |
| Disposals for the year | -525 | 0 |
| **Original cost at 31 December** | **6.026** | **3.534** |
| Depreciation at 1 January | 725 | 300 |
| Additions for the year | 1.067 | 425 |
| Disposals for the year | -341 | 0 |
| **Depreciation at 31 December** | **1.451** | **725** |
| **Balance at 31 December** | **4.575** | **2.809** |
| Depreciation recognised in road and rail construction project in progress | 1.067 | 425 |

## Note 10 Deferred tax

| | 2010 | 2009 |
|---|---|---|
| Balance at 1 January | 363 | 363 |
| Deferred tax for the year | -469 | 0 |
| **Balance at 31 December** | **-106** | **363** |
| **Deferred tax relates to:** | | |
| Property, plant and equipment | -898 | -172 |
| Tax loss | 792 | 535 |
| **Total** | **-106** | **363** |

## Note 11 Receivables

Receivables include receivables from sales and services, EU subsidies receivable, balances with members and recharged expenditure. The book value of receivables represents the estimated realisable value.

| | 2010 | 2009 |
|---|---|---|
| Receivable expenses | 0 | 0 |
| Trade receivables and services | 18 | 2 |
| Members | 7 | 389 |
| EU subsidy receivable | 171.926 | 83.777 |
| VAT receivable | 0 | 25.471 |
| Accrued interest financial instruments | 2.070 | 0 |
| Other receivables | 52 | 32 |
| **Total** | **174.073** | **109.671** |

## Note 12 Derivatives

| | 2010 Assets | 2010 Liabilities | 2009 Assets | 2009 Liabilities |
|---|---|---|---|---|
| Currency swaps | 27.082 | 0 | 0 | 0 |
| **Total derivatives** | **27082** | **0** | **0** | **0** |

Financial assets and liabilities at fair value are recognised under projects in progress

## Note 13 Prepayments and accrued income

Prepayments and accrued income include expenses paid in respect of subsequent financial years.

| | 2010 | 2009 |
|---|---|---|
| Prepaid rent | 0 | 1.214 |
| Other prepayments | 3.772 | 3.381 |
| **Total prepayments and accrued income** | **3.772** | **4.595** |

## Note 14 Cash at bank and in hand

| | 2010 | 2009 |
|---|---|---|
| Cash at bank and in hand | 47.960 | 155.608 |
| Fixed term deposit accounts | 193.881 | 0 |
| **Total cash at bank and in hand** | **241.841** | **155.608** |

## Note 15 Share capital

| | 2010 | 2009 |
|---|---|---|
| Number of shares with a nominal value of DKK 100 at 1 January | 5.000.000 | 100.000 |
| Capital increase through cash payment | 0 | 4.600.000 |
| Capital increase through bonus issue | 0 | 300.000 |
| **Number of shares with a nominal value of DKK 100 at 31 December** | **5.000.000** | **5.000.000** |

As at 31 December 2010, the share capital comprises 5,000,000 shares at a nominal value of DKK 100.

The entire share capital is owned by A/S Femern Landanlæg which is 100% owned by Sund & Bælt Holding A/S, which is 100% owned by the Danish state. The company is included in the consolidated accounts for Sund & Bælt Holding A/S.

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

## Note 16 Free reserves

| | 2010 | 2009 |
|---|---|---|
| At 1 January | 3.860 | 34.416 |
| Capital increase through bonus issue | 0 | -30.000 |
| Loss for the year | -439 | -556 |
| **At 31 December** | **3.421** | **3.860** |

## Note 17 Trade and other payables

| | 2010 | 2009 |
|---|---|---|
| Creditors | 32.792 | 72.091 |
| Members | 883 | 9 |
| Affiliated companies | 1.098 | 920 |
| VAT payable | 6.214 | 0 |
| Accrued interest financial instruments | 2.575 | 0 |
| Other payables | 44.551 | 35.595 |
| **Total** | **88.113** | **108.615** |

## Note 18 Financial risk management

*Financing*
The company's financial management is conducted within the framework determined by the company's Board of Directors and current guidelines from the Ministry of Finance, which administers the Danish government's unlimited guarantee of the company's operations. The Board of Directors sets the framework for the company's foreign exchange and interest rate exposure and the composition of the company's borrowing, and thereby its general financing.

The overall objective is to achieve the lowest possible financial expenses for the projects over their useful lives with due regard for an acceptable risk level approved by the Board of Directors. The company is subject to similar financial risks as other companies, but due to the nature of the projects they operate within a particularly long-term time frame. A long-term perspective has been built into balancing performance and risks relating to the financial management. The company has access to direct loans from Danmarks Nationalbank on behalf of the state to the company, based on a specific government bond and on similar terms as the government bond is sold in the market.

2010's borrowing requirements are covered by such loans of a total principal amount of DKK 500 million with expiry in 2012. These loans are converted into floating rate in EUR using currency swaps. In 2011, the borrowing requirement is DKK 500 million.

*Currency risks*
The company's currency risks are limited and relate to the currency composition of net debt including derivatives and cash at bank and in hand as well as trade payables.

The company may dispose freely between DKK and EUR and the current proportion is determined by currency and interest rate relationships between the two currencies.

Other currencies area always hedged when the counter value of the exposure is greater than DKK 5 million.

Net debt is exposed exclusively to EUR. In the light of the Danish fixed exchange rate policy with a maximum volatility band of + / - 2.25 per cent in the ERM2 (the European Monetary System), agreement against EUR, the EUR exposure does not pose any significant financial risk. Exchange rate sensitivity is calculated to be DKK 14 million at a change of + / - 5.0 per cent.

*Interest rate risks*
Floating rate debt or debt with short maturity means that the loan must have the interest reset at market rates within a shorter time frame, which typically involve higher risks than fixed rate debts with long maturity when the variability in the current interest expenses is used as a risk target.

By contrast, interest expenses often rise in line with longer maturity on the net debt as the interest rate curve normally involves increasing market rates for longer maturity, and the choice of debt composition is, therefore, a question of balancing interest expenses and the risk profile.

The company has converted the net debt to floating interest rate with fixed interest rates in EUR. The impact of an interest rate change of 1 percentage point per year would affect the cash flow by DKK 2.6 million.

Duration indicates the average maturity of net debt. High duration means a low interest rate adjustment risk and vice versa.

Net debt duration is 0.7 years and also expresses an approximation to the price sensitivity of a change in interest rate of 1 percentage point, which with the current interest rate exposure affects the fair value by approx. DKK 2.0 million as at 31 December 2010.
Sensitivity calculations were made on the basis on the closing net debt.

*Credit risks*
Credit risks are defined as the risk of losses arising as a result of a counterpart not meeting its payment commitments. The company's exposure in relation to credit risks arises in connection with the placement of excess liquidity and trade receivables etc. The credit risk on financial counterparts is managed and monitored on an ongoing basis through a particular line and limit system that determines the principles for calculating these risks and a ceiling for the size of the risk acceptable for an individual counterpart. The latter is measured in relation to the counterpart's rating with the international credit rating agencies: Standard & Poors (S&P), Moody's Investor Service (Moody's) or Fitch Ratings.

Financial counterparts shall have high credit quality and agreements are only made with counterparties that have a long term rating higher than A1/A+ The financial counterparties shall also enter into a so-called collateral agreement (CSA-agreement), which offer security in the form of pledging government or mortgage bonds with a high credit quality to cover receivables on derivative contracts. The credit exposure will effectively be limited by a threshold value that depends on the counterparty's rating and offers the maximum unhedged receivable that can be accepted.

The company has a gross exposure of DKK 29 million with a single counterparty with AA credit quality.
The company also has deposits of DKK 194 million with a single counterparty with AA credit quality.

The company's total credit exposure comprises recognised receivables.

The fair value of the company's receivables and payables measured at the amortised cost price more or less equate to the carrying value.

*Liquidity risks*
The company's liquidity risk is very limited due to the loans and guarantee from the Danish Government as well as the flexibility offered by the financial policy to maintain a liquidity reserve of up to 6 months cash outflow, which reduces the risk of having to raise loans on unfavourable conditions caused by temporary circumstances.

Date of maturity of receivables, derivatives, debt and trade payables:

| **Due date** | **0-1 years** | **1-2 years** | **2-3 years** | **3-4 years** | **4-5 years** | **>5 years** | **Total** |
|---|---|---|---|---|---|---|---|
| **Principal amount** | | | | | | | |
| Cash at bank and in hand | 241841 | 0 | 0 | 0 | 0 | 0 | 241.841 |
| Receivables and debt certificate | 174.888 | 620 | 620 | 620 | 620 | 2.480 | 179.848 |
| Derivatives, assets | 0 | 500.000 | 0 | 0 | 0 | 0 | 500.000 |
| Liabilities | 0 | 500.000 | 0 | 0 | 0 | 0 | 500.000 |
| Derivatives, liabilities | 0 | 500.000 | 0 | 0 | 0 | 0 | 500.000 |
| Trade creditors | 32.792 | 0 | 0 | 0 | 0 | 0 | 32.792 |
| **Total principal amount** | 383.937 | -499.380 | 620 | 620 | 620 | 2.480 | -111.103 |

## Note 19 Securities

The company has not provided any securities.

## Note 20 Related parties

Related parties comprise the Danish state, its companies and institutions.

| Related parties | Registered office | Affiliation | Transactions | Pricing |
|---|---|---|---|---|
| The Danish State | Copenhagen | 100% ownership of Sund & Bælt Holding A/S | Garantee for the company's liabilities. Guarantee commission | Fixed by legislation. Constitutes 0.15 per cent of the nominal |
| A/S Femern Landanlæg | Copenhagen | 100% ownership of Femern Bælt A/S | | |
| Sund & Bælt Holding A/S | Copenhagen | 100% ownership of A/S Femern Landanlæg | Handling of operational tasks | Market price |
| | | | Joint tax contribution | |
| Ministry of Transport | Copenhagen | 100% ownership via Sund & Bælt Holding A/S | Sale of consultancy | Market price |
| Sund & Bælt Partner A/S | Copenhagen | Affiliated company | Handling of joint functions | Market price |
| | | | Joint tax contribution | |
| A/S Storebælt | Copenhagen | Affiliated company | Sale of consultancy | |
| Øresundsbro Konsortiet | Copenhagen / Malmø | Affiliated company | Purchase of consultancy | Market price |

| Related parties | Description | Amount 2010 | Amount 2009 | Balance as at 31 December 2010 | Balance as at 31 December 2009 |
|---|---|---|---|---|---|
| The Danish State | Guarantee commission | -286 | 0 | -286 | 0 |
| Sund & Bælt Holding A/S | Handling of operational tasks | -922 | -230 | -877 | -9 |
| | Joint tax contribution | 599 | 208 | 599 | 208 |
| Sund & Bælt Partner A/S | Joint expenses | 387 | 904 | 7 | 181 |
| A/S Storebælt | Consultancy | -71 | -54 | -6 | -1 |
| Øresundsbro Konsortiet | Consultancy | -4.998 | -2.837 | -1.098 | -920 |

## Note 21 Events after the balance sheet date

On 1 February, 2011, the political parties behind the fixed Fehmarnbelt link decided that the immersed tunnel solution is the preferred technical solution for the approval process by the authorities.

In addition, there are no events of importance to the Annual Report for 2010 that occurred after the balance sheet date.

## Statement by the Board of Directors and Management Board

The Board of Directors and the Management Board have today discussed and approved the annual report for 2010 for Femern A/S.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2010 and the results of the company's activities and cash flow for the financial year 1 January – 31 December, 2010.

Moreover, it is our view that the Management's Report gives a true and fair view of developments in the company's activities and financial circumstances, the year's results and the company's financial position as a whole and a description of the most important risks and uncertainties to which the company is subject.

We recommend that the annual report be approved the Annual General Meeting.

Copenhagen, 21 March 2011

Management Board

Leo Larsen
CEO

Board of Directors

| | | |
|---|---|---|
| Henning Kruse Petersen<br>Chairman | | Carsten Koch<br>Vice-Chairman |
| Pernille Sams | Jørgen Elikofer | Rainer Feuerhake |
| Jeanne Christensen | Leif Sjøgren | Zoran Markou |

## The independent auditor's report

**To the owner of Femern Bælt A/S**
We have audited the annual accounts for Femern A/S for the financial year 1 January – 31 December 2010 comprising the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies and the management's report. The annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies. The Management's report has been prepared in accordance with the Financial Statement's Act.

**The Board of Directors' and Management Board's responsibility for the annual report**
The Board of Directors and the Management Board are responsible for preparing and presenting annual accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies and a management's report that contains a true and fair review in accordance with the Financial Statements Act. Such responsibility comprises the design, implementation and maintenance of internal controls relevant to preparing and presenting annual accounts and a management's report free of material misstatement, whether due to fraud or error, as well as selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility and basis of opinion**
Our responsibility is to express an opinion on the annual accounts and the management's report on the basis of our audit. We have conducted our audit in accordance with Danish and international auditing standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts and management report are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the annual accounts and management's report. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement in the annual accounts and management's report whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the company's preparation and fair presentation of annual accounts and the preparation of a management report that contains a true and fair view 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and Management Board as well as evaluating the overall presentation of the annual accounts and the management's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

**Opinion**
In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2010 and of the results of the company's activities and cash flow for the financial year 1 January - 31 December 2010 in accordance with International Financial Reporting Standards as approved by the EU and other Danish disclosure requirements for listed companies and that the management's report contains a true and fair view in the accordance with the Financial Statements Act.

**Supplementary information regarding the financial statements**
Without it affecting our opinion, we refer to the management's report (page 14), which states that the company's continuing operations are guaranteed by the Danish government's guarantee for the company's commitments.

Copenhagen, 21 March 2011

Deloitte
Statsautoristeret Revisionsaktieselskab

Anders O. Gjelstrup
State-authorised public accountant

Lynge Skovgaard
State-authorised public accountant

## Board of Directors and Management Board

**Board of Directors**

**Henning Kruse Petersen (Chairman)**

Board Member of
- Roskilde Bank A/S (Chairman)
- Finansiel Stabilitet A/S (Chairman)
- Den Danske Forskningsfond (Chairman)
- Socle du Monde ApS (Chairman)
- Erhvervsinvest Management A/S (Chairman)
- Scandinavian Private Equity Partner A/S (Chairman)
- A/S Det Østasiatiske Kompagni (Chairman)
- C. W. Obel A/S (Chairman)
- Sund & Bælt Holding A/S (Chairman)
- A/S Storebælt (Chairman)
- A/S Femern Landanlæg (Chairman)
- A/S Øresund (Chairman)
- Øresundsbro-Konsortium (Chairman)
- Asgard Ltd. (Vice-Chairman)
- Scandinavian Tobacco Group A/S (Vice-Chairman)
- Skandinavisk Holding A/S (Vice-Chairman)
- Fritz Hansen A/S (Vice-Chairman)
- Scandinavian Private Equity A/S
- Hospitalsejendomsselskabet A/S
- William Michaelsens Legat
- ØK´s Almennyttige Fond.

**Carsten Koch (Vice-Chairman)**
Managing Director, LD (Lønmodtagernes Dyrtidsfond)

Board member of
- Udviklingsselskabet By & Havn I/S (Chairman)
- Københavns Havns Pensionskasse (Chairman)
- Sund & Bælt Holding A/S (Vice-Chairman)
- A/S Storebælt (Vice-Chairman)
- A/S Femern Landanlæg (Vice-Chairman)
- A/S Øresund (Vice-Chairman)
- Øresundsbro-Konsortium
- CMP Copenhagen Malmö Port AB

**Pernille Sams**
Managing Director, Pernille Sams Ejendomsmæglerfirma ApS

Board member of
- Pernille Sams Ejendomsmæglerfirma ApS
- Sund & Bælt Holding A/S
- A/S Storebælt
- A/S Femern Landanlæg
- A/S Øresund
- Øresundsbro-Konsortium.

**Jørgen Elikofer**
Managing Director, ElikoferCo

Board member of
- Sund & Bælt Holding A/S
- A/S Storebælt
- A/S Femern Landanlæg
- A/S Øresund
- Øresundsbro-Konsortium
- Dansk Teknologisk Institut
- Symbion Science Park

**Rainer Feuerhake (26 April 2010)**

Board member of
- TUI Travel Plc
- TUIFly GmbH
- Hapag-Lloyd AG
- TUI Deutschland GmbH
- TUI InfoTec GmbH
- Amalgamated Metal Corporation PLC
- GP Günter Papenburg AG

**Jeanne Christensen**
Accountant Assistant (Elected by the employees)

**Leif Sjøgren**
Contract Manager (Elected by the employees)

**Zoran Markou (16 August 2010)**
IT Systems administrator (Elected by the employees)

**Management Board**

**Leo Larsen**
CEO

Board member of
- Københavns Energi A/S (Chairman)
- Sund & Bælt Partner A/S (Chairman)
- Brobizz A/S (Chairman)
- RenHold A/S (Vice-Chairman)
- Renoflex A/S

Chairman of the National Food Forum under the Ministry of Science, Technology and Development.

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