Femern Sund≈Bælt

Annual report 2011

Content

Preface

2011 was an eventful year for Femern A/S and the Fehmarnbelt project.

The first important event of the year came in February, when the Minister of Transport and the political parties behind the fixed Fehmarnbelt link decided that an immersed tunnel solution should be the preferred solution based on a recommendation from the company and the authorities' considerations.

The final decision regarding the technical solution will be made in connection with the passing of a Construction Act in Denmark and the German regulatory framework. In the meantime the choice of an immersed tunnel as a preferred solution means that Femern A/S can focus on this during the detailed planning of the link and the preparation of the tender process.

The next key event in 2011 was the decision on the location of the production site for the large tunnel elements. Against the backdrop of an analysis of approximately 20 localities in the Baltic area, Rødbyhavn was chosen as the most suitable location. The production site will occupy an area of around two km^2 with some 2000 people being employed at the site during peak activity.

Another important event occurred on 23 June when the Danish parliament's Finance Committee approved a new legal document for the project. The document extends the budget for the project for the fixed link across Fehmarnbelt and associated landworks and authorises Femern A/S to bring forward a number of time critical activities from the construction phase to the planning phase and to commence the preparations for the tenders. The ability to initiate these preparations is crucial to the goal of opening the fixed link by 2020 in that the tenders for the project require substantial and extensive work.

On the management front, the most important event during the year was Steen Lykke's appointment as the new Technical Director with effect from 1 October 2011. Steen Lykke has been Project Director of Femern A/S' Tunnel Department since October 2008 and has considerable experience with immersed tunnel projects both at the Øresund link where he was Project Director for the Drogden Tunnel as well as on the Marmaray tunnel in Istanbul. The company's board of directors also gained new skills when, in 2011, Mette Boye and Walter Christophersen were elected by the Annual General Meeting.

The Fehmarnbelt project is a priority scheme under the Trans European Transport Network (TEN-T) and, therefore, receives EU subsidies. The subsidies represent a significant contribution to financing the planning work and pre-investigations.

Read more about the company's activities, timetable, contracts signed etc. on our website www.femern.com where you can also subscribe to the company newsletter.

Henning Kruse Petersen
Chairman of the Board
Femern A/S

Leo Larsen
Managing Director
Femern A/S

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

Management report

Femern A/S is responsible for planning and providing the basis for the regulatory approval of the coast-to-coast link across Fehmarnbelt on behalf of the Danish government.

The general framework for the company's work is laid down in a treaty between Denmark and Germany regarding finance, establishment and operation of a fixed link across Fehmarnbelt between Rødbyhavn and Puttgarden. The treaty was signed in September 2008 by the Ministers of Transport from Denmark and Germany and finally ratified in December 2009 through the official exchange of the ratification documents.

In Germany the treaty was approved with the passing of an act in the German Bundestag on 18 June 2009 and subsequently in the Bundesrat on 10 July 2010. In Denmark the treaty was approved by the Danish parliament, Folketinget, in the form of the "Act on the planning of a fixed link across Fehmarnbelt with associated landworks" of 15 April 2009 (The Planning Act).

On the basis of the Planning Act the Danish Minister of Transport has appointed Femern A/S to be responsible for, among other things, planning, pre-investigations and preparations in relation to the establishment of the coast-to-coast link.

Since 2009 Femern A/S has been carrying out in-depth studies on both sides of Fehmarnbelt as well as in the Belt itself. These have included investigations of the land and marine environment, soil conditions and navigational safety. The work continued in 2011 when the final pre-investigations, with a few exceptions, were completed and reported.

The results of the pre-investigations are a crucial prerequisite for the preparation of the documents to be made available for the regulatory approval process. Moreover, the results feed into the preparation of the tender documents.

The choice of an immersed tunnel as the preferred solution

Since 2009 the company has also examined various bridge and tunnel solutions on an equitable basis in order to assess the most appropriate technical solution for the Fehmarnbelt fixed link. Based on the results of these examinations the company in November 2010 recommended to the Minister of Transport that an immersed tunnel is the company's preferred solution.

The Femern A/S recommendation is based on comprehensive preparatory work. The technical solutions for both a cable stayed bridge solution and an immersed tunnel solution therefore, have been worked to such an advanced technical level that it is possible to choose between them. In addition a suspension bridge and a bored tunnel solution were investigated. Furthermore comprehensive work has been carried out to identify all relevant environmental conditions, investigate the geotechnical conditions in Fehmarnbelt and to assess the impact on shipping in connection with the construction of a fixed link. The project's financial aspects have also been thoroughly analysed in order to be able to update the estimates for the costs of establishing the fixed link.

On the basis of this work Femern A/S believes that an immersed tunnel solution will pose fewer risks compared to a cable stayed bridge, both during construction and in the operating phase. In this context particular attention was paid to the two projects' technical and execution risks, the consequences for navigational safety and the higher risk that the bridge solution would encounter environmental problems.

Accordingly, it was an important milestone for the company when, at a meeting on 1 February 2011, the Minister of Transport and the political parties behind the fixed link decided that the immersed tunnel solution should be preferred in relation to the authorities' considerations and the company's recommendation.

The final decision as to the technical solution will not be made until the passing of a Construction Act in Denmark and the related regulatory approval in Germany. The choice of an immersed tunnel as a preferred solution, however, means that Femern A/S can focus its resources on the immersed tunnel solution with regard to the detailed planning of the link and the preparations for the tender process.

The decision on the production site at Rødby

Another important milestone in 2011 was the decision on the location of the production site for the large tunnel elements. The reason why the production site had to be settled in 2011 was a set of new guidelines from the EU Commission concerning the environmental approval of major construction projects. The new guidelines mean that the environmental approval of the Fehmarnbelt fixed link and the necessary production facilities for the establishment of the link must be seen as a whole and therefore be part an overall process.

In consequence, in the spring of 2011 Femern A/S initiated an analysis of the approximately 20 localities in the Baltic region that had indicated an interest in making areas available for a production facility. Among the potential sites the clear assessment of Femern A/S was that Rødbyhavn is the most suitable location for the production facilities.

The choice is largely due to the fact that Rødbyhavn meets all technical requirements for a production site and the area is large enough that the entire production of the tunnel elements can take place in one location. Moreover, Femern A/S is in possession of all necessary environmental data in order to integrate the production site into the application for environmental approval because the company has implemented a two year environmental study programme in the area around Rødbyhavn. As a result the company can maintain its target of opening the Fehmarnbelt link in 2020.

In addition Rødbyhavn offers the fewest risks and the best control opportunities for the company. The transport risk, for instance, is minimised and the risk of complaints reduced because there will only be a limited expansion of the group of authorities, individuals and companies that would be affected by the project. During the construction phase itself a site near the alignment will provide Femern A/S with the best conditions for ongoing supervision and control of production.

Against this background, on 26 May 2011 the company proposed Rødbyhavn as the production site to the Minister of Transport. The parties behind the Fehmarnbelt fixed link accepted the Femern A/S proposal for siting the production of the standard tunnel elements in Rødbyhavn on 1 June 2011.

In order to include the production site at Rødbyhavn in the application material it was necessary to extend the planning phase by six months so that the necessary design work and pre-investigations can be implemented. The detailed design of the production site must be drawn up to allow the assessment of the project's impact on the environment. The necessary revision of the schedule did not, however, affect the objective of opening the fixed link in 2020 because the extension of the project phase can take place without significant changes to the timetable for the preparation of the tender.

New legal document – capital investment and tender preparations moved forward

The third major event for the company in 2011 took place on 23 June when the Folketinget's Finance Committee approved document 149 regarding the planning of the Fehmarnbelt fixed link. The document expands the budget for the planning of the fixed link with associated landworks. For the coast-to-coast link the document means that the budget for the planning phase will be expanded from DKK 1,881 million to DKK 2,812 million (2008 prices).

Document 149 secures the necessary funds to include the production site at Rødbyhavn in the authorities' approvals. In addition, the document authorises Femern A/S to move forward a series of time critical activities from the construction phase to the design phase. These include acquisition of areas that are necessary for establishing the fixed link and establishing a Vessel Traffic Service System (VTS system) that will ensure navigation safety in Fehmarnbelt during the construction of the fixed link, as far as maritime authorities deem this necessary.

Another important aspect of document 149 is that it authorises Femern A/S to initiate the preparation of the tender process for the major construction contracts. This authority is a crucial prerequisite for achieving the objective of opening the fixed link in 2020 because tenders for large and complicated contracts, such as those for the construction of the Fehmarnbelt link, require substantial and comprehensive preparation. On the basis of document 149 Femern A/S was, therefore, able to initiate the tender preparations during the second half of 2011.

Tender preparations

In order to create invitations to tender for the major construction contracts for the Fehmarnbelt link there is a need for comprehensive and in-depth preparation. During the second half of 2011 Femern A/S focused on creating the framework for the complex invitation for tender that must be carried out in accordance with the EU's tender directives. It is expected that many of the world's leading contractors will show interest in bidding for the contracts.

One of the key elements in the tender preparation is to determine the contract division in that this will determine the basis of further development of the tender material.

Femern A/S believes that the optimum division of the construction works will be a split into four main contracts for the construction of the immersed tunnel and associated landworks along with a limited number of contracts for electrical, mechanical and the railway installations. Initially, the four contracts concerning the construction of the immersed tunnel itself will be invited to tender while the tendering of the installation contracts will take place at a later stage.

In determining the division of the four contracts a number of factors have been considered. Firstly, the contract division must contribute to ensuring appropriate competition. This means that the contract must not be so large that it limits competition. Secondly, the contracts must be designed with a clear division of, and responsibility for, risk management and reduction. Thirdly, the contracts must be structured so that the framework for the work maximises efficiency in relation to cost and timetable. This will allow contractors to specialise in and focus on the type of work that lies within their area of expertise.

The contract division was published in the form of advance notices to the market in February 2012. The announcement of the contract division will contribute to the construction industry's ongoing process of putting together joint ventures with the appropriate skills in order to enhance the competition for the contracts. The company has also organised a so-called "Industry Day" to take place in March 2012. Here the industry at large will be briefed in more detail about the project, the content of the contracts and the tender process in general.

The authorities' approval

In tandem with the preparation for the tender process Femern A/S has maintained focus on the preparations for the authorities' approval of the project during 2011.

According to the treaty, the company must obtain all necessary approvals and permits to build, operate and maintain the coast-to-coast link. In Denmark the project's approval will be in the form of a Construction Act whereas in Germany the project has to be approved by the German authorities on the basis of a project application based on Schleswig Holstein's Road and Rail Legislation.

The project application must include detailed design and planning descriptions for the preferred technical solution, the preferred alternative bridge solution as well as for alternative alignments. The project application must also contain an in-depth description of the project's impact on people and the environment in the shape of an Environmental Impact Assessment (EIA) report, prepared on the basis of extensive pre-investigations undertaken by the company.

Since the Fehmarnbelt link crosses national borders and the regulatory treatment involves legislation in two countries as well as administrative traditions, language and cultures, the approval process represents a challenging task. Thus it is not sufficient to meet the respective national requirements under Danish and German practice and legislation. In a number of areas there must also be consensus between the Danish and German authorities with on requirements which the project must meet.

Approval of the project in accordance with the announced timetable therefore requires a close and constructive partnership between Femern A/S and the relevant German and Danish authorities. A number of coordination groups with the participation of the Danish and German authorities together with Femern A/S have been established as part of the preparation for the approval process. Moreover, Femern A/S has maintained ongoing dialogue with a number of authorities on both the Danish and German sides of Fehmarnbelt.

Information activities

Demand for information about the Fehmarnbelt project continued to be significant in 2011 with the company organising a broad range of activities throughout the year.

Prior to determining the preferred technical solution Femern A/S held a public information meeting in Rødbyhavn on 20 January 2011. The Minister of Transport and members of the Folketing's Traffic Committee participated in the meeting, which attracted around 400 attendees.

A similar information meeting was held in Burg on Fehmarn on 14 January 2011. This event attracted some 450 people.

During 2011 Femern A/S also organised a series of information briefings targeted at residents and companies whose properties are affected by the fixed link's route. At these meetings the company explained the rules and procedures regarding expropriations and advance acquisition of land etc.

The company continued to participate in a number of national, regional and local forums involved in regional cooperation and growth during 2011. This helped the company to identify development opportunities for the region surrounding Fehmarnbelt and inspire increased relations and traffic between Rødby and Puttgarden even before the opening of the fixed link.

As a result of the significant German interest and concerns regarding the consequences of the project, Femern A/S in 2011 maintained special focus on activities between stakeholders on the German side of Fehmarnbelt.

As a result Femern A/S has taken the initiative to hold regular roundtable discussions with the most important environmental organisations on the German side, including B.U.N.D, NABU and Aktionsbündnis.

During the year Schleswig-Holstein's government established a new Regional Dialogue Forum which gathers NGOs, municipalities and other parties that will be affected by the fixed link and its landworks, as well as the three project leaders on the German side (LBV, Lübeck (landworks road), Deutsche Bahn (landworks railway) and Femern A/S (the coast-to-coast link.).

The first meeting of the Regional Dialogue Forum was held on 5 September 2011 and attracted considerable publicity in the German media. The second meeting took place on 30 November 2011.

During 2011 Femern A/S released a number of publications including, in January, a book about the regional effects of the fixed link across

Fehmarnbelt. Professor Christian Wichmann Matthiessen from the University of Copenhagen led the multinational team of researchers that wrote the book, which was initiated and funded by Femern A/S.

In November 2011 Femern A/S published the brochure “The Project and the Region” which provides a general presentation of the Fehmarnbelt project with focus on the immersed tunnel as the preferred technical solution. It also describes the Fehmarnbelt region in facts and figures.

Femern A/S issued six newsletters during 2011 with information about its activities as well as other activities relevant to the Fehmarnbelt project and regional development. The newsletter has approximately 3,300 recipients and its articles usually generate discussion in the media, especially locally and regionally.

Citizens’ interest is also reflected in the company’s website which operates in Danish, English and German. In 2011 monthly visitor numbers were approximately 6,500 which is on a par with the previous year. In 2011 the company carried out a comprehensive update of the website content and design. This was publicised in mid December.

Corporate issues

Femern A/S is a private limited company established on the basis of civil law.

Femern A/S – via A/S Femern Landanlæg – is part of Sund & Bælt Holding A/S which is 100 per cent owned by the Danish Ministry of Transport. Under the Planning Act the Minister of Transport is authorised to issue general or specific instructions to the company concerning issues of major importance to its activities.

The company is led by a Board of Directors elected by the General Meeting following recommendation by the Minister of Transport. In addition three members are elected by and among the employees.

The company is domiciled in Copenhagen. The company also has offices in Burg on Fehmarn and Rødbyhavn and is represented in Berlin.

At the Annual General Meeting on 6 April 2011, Henning Kruse Petersen (Chairman), Carsten Koch (Vice-Chairman), Pernille Sams, Jørgen Elikofer and Rainer Feuerhake were all reelected. An Extraordinary General Meeting was held on 29 July 2011 for the purpose of increasing the Board by two members. The Extraordinary General Meeting elected Mette Boye and Walter Christophersen to the Board.

With effect from 6 April 2011 Karsten Holmegaard was elected to the Board by the employees. Zoran Markou and Jeanne Christensen continued as board members having been reelected by the employees.

On 1 October 2011 Peter Lundhus retired as Technical Director for Femern A/S. Until the passing of the Construction Act he will continue to work for the company as a consultant reporting to the CEO. The new Technical Director is Steen Lykke who has been Project Director for Femern A/S since October 2008. Steen Lykke has extensive experience of immersed tunnel projects from both the Øresund Link where he was Project Director on the Drogden Tunnel, and from the Marmaray project in Istanbul.

At year-end the company's day-to-day management consists of CEO Leo Larsen, Technical Director Steen Lykke, Project Director Claus Dynesen, Finance Director Allan Christensen and HR Director Gregers Jensen.

Femern A/S has entered into an agreement with Øresundbro Konsortiet on financial management.

Employees

Femern A/S is a project organisation under continuing construction. At the end of 2011 the company employed 74 people, or 68 full-time employees.

Femern A/S	2011	2010
Number of employees	74	64
Of whom		
- Female	38 pct.	36 pct.
- Male	62 pct.	64 pct.
Gender breakdown, managers		
- Women	6 pct.	8 pct.
- Men	94 pct.	92 pct.
Educational background		
- Higher	64 pct.	61 pct.
- Intermediate	24 pct.	25 pct.
- Short	12 pct.	14 pct.
Staff turnover	13 pct.	12 pct.
Average age	47	47
Training per employee	7.851 kr.	11.553 kr.
Absensteeism (incl. long-term absence due to illness)	1,9 pct.	1,6 pct.

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

Results

The company's result before tax amounted to a loss of DKK 0.5 million with an after tax loss of DKK 0.4 million.

The company's expenses in 2011 totalled DKK 448 million. An estimated EU subsidy of DKK 182 million was set off against this. Of the total net expenses of DKK 266 million, DKK 265 million is capitalised under assets.

Total expenses comprise DKK 349 million for pre-investigations within geotechnology, environment, navigational safety, design and related information costs and regulatory treatment of the pre-investigations. The remaining DKK 99 million was used for salaries and general administration including rent, IT and office expenses.

Financing

In addition to the company's share capital, the activities are financed by loans and EU subsidies through the EU Commission's Trans European Transport Net (TEN-T) programme.

In December 2003 the EU Commission selected the Fehmarnbelt project as a priority within TEN-T and in 2007 committed up to EUR 338.9 million (approximately DKK 2.5 billion) for the period 2007-2013.

Following the EU Commission's interim evaluation of the project the original subsidy has been reduced to EUR 267.5 million (approximately DKK 2.0 billion). At the same time the support period for the grant has been extended to include costs incurred in 2014-15. The change in the subsidy, which amounts to DKK

500 million reflects the reduced construction costs for the project for the current funding period. This is due to the start of the construction phase being later than originally envisaged. It is expected that the reduced construction costs will be eligible for support under the upcoming funding programme for the period 2014-20.

The framework for the funding period 2014-20 was announced by the EU Commission in June 2011. Against the background of the Commission's proposal negotiations will take place on a budget that can be approved by the EU parliament during 2012. The Fehmarnbelt project is believed to be a strong candidate to receive TEN-T support in the period 2014-20.

The EU subsidy is awarded to cover the company's costs during the project phase and in 2011 amounted to 42 per cent of the costs incurred.

The payment of the EU subsidy is made partly as prepayments of the scheduled annual subsidy and also as final payments when the company can document the eligible costs incurred.

Of the grant of DKK 2.0 billion the EU Commission paid a total of DKK 677 million for the period 2008-2011. The company has a receivable from the EU of DKK 51 million for 2011. In addition, the EU Commission has prepaid DKK 112 million relating for 2012.

Under the Planning Act the company may raise loans and use other financial instruments covered by state guarantees to finance the company's activities.

The company has two different borrowing options: direct state loans provided through Denmark's national bank and loans raised in the money and capital markets backed by a government guarantee. In 2011 the company financed its activities through EU subsidies and cash. The company's borrowing requirement, which continues to total DKK 500 million at the end of 2011, must be refinanced in 2012.

In 2011 the financing costs (net) totalled DKK 4.4 million while the financial adjustments accounted for an expense of DKK 0.1 million which related to fair value adjustments of financial assets and liabilities. It should be noted that the Danish state provides a separate guarantee for interest and capital repayments and other current liabilities in relation to the company's borrowings against an underwriting commission of 0.15 per cent. At the end of 2011 the gross interest bearing net debt totalled DKK 300 million.

At the end of 2011 equity was DKK 503 million.

Taxation

In connection with the computation of the Group's tax bill for 2008 SKAT (Tax, Customs and Duties in Denmark) has proposed advancing the tax date for the allocated EU subsidy (approximately DKK 2 billion) to the Fehmarn project. The change is not expected to incur tax payments for the Group but, due to the joint taxation regulations, will result in payments between the Group's companies in connection with the use of tax losses.

The company disagrees with the proposed change and is discussing the matter with SKAT.

Cash flow

Cash flow from operations totals DKK 215 million and derives mainly from changes in working capital, which consists of current assets and current liabilities.

Net investments in fixed assets total DKK 254 million.

Interest costs of DKK 4 million are included under financing activities.

As at the end of 2011 the company's cash equivalents total DKK 199 million.

Events after the balance sheet date

At the start of 2012, Femern A/S initiated an analysis of the project's overall timetable. The work, which will be completed before summer 2012, is expected to result in a readjustment of the timetable.

Apart from that, no events of importance to the annual report for 2011 have occurred after the balance sheet date

Expectations for 2012

For the coming year expenses in the region of DKK 663 million have been budgeted. Expectations of revenue in the form of EU subsidies amount to DKK 255 million. Of the total net expenses of DKK 408 million, DKK 407 million is expected to be capitalised.

The result after tax in 2012 is expected to be a loss of approximately DKK 1 million.
In 2012 and beyond the net expenses (after deduction of EU subsidies) will be covered by debt financing. In 2012 the borrowing requirement for new loans is expected to be approximately DKK 500 million so that the total debt financing at year end 2012 is estimated to be approximately DKK 1.1 billion. The debt financing is expected mainly to be in the form of direct government loans.

Corporate Governance

In 2005 the Committee for Corporate Governance issued revised recommendations for corporate governance which was most recently updated in August 2011. The recommendations are available to the general public on the Committee for Corporate Governance website www.corporategovernance.dk.

Femern A/S' management structure is two-tiered and consists of a Board of Directors and a Management Board, which are independent of each other. No individual is a member of both boards.

Femern A/S endeavours 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 corporate governance recommendations with the following exceptions:

- In connection with elections to the Board of Directors, the shareholder assesses the necessary expertise that the Board should possess. There is no nomination committee.

- No formal rules exist with regard to board members' age and number of board positions a member of the board may hold. This, however, is considered by the shareholder in connection with the elections of new members.
- The shareholder determines the remuneration of the Board of Directors while the Board of Directors decides the salaries of the Management Board. Performance-related remuneration or bonuses for the Management Board and Board of Directors are not employed. No remuneration committee has, therefore, been established.
- Members of the Board of Directors elected by the Annual General Meeting stand for election every second year.

Corporate social responsibility

Sund & Bælt has joined the UN Global Compact and through its membership is required to comply and work with the ten principles of Global Compact. A CSR policy has also been drawn up, which is divided into a triple bottom line – social, environmental and economic – and expresses Sund & Bælt's commitment to respect international human rights in all its operations in order to prevent and minimise the environmental impact from its operations through a proactive effort and to use a zero-tolerance policy towards corruption. In addition to a CSR policy, Sund & Bælt has several other policies, all of which support the work with CSR, including an HR policy, an occupational health policy, environmental policy etc.

Femern A/S is covered by this CSR Group policy.

For further information about policies, targets and operations please refer to the progress report in the Annual Report for Sund & Bælt Holding A/S.

The Annual Report for Sund & Bælt Holding A/S is available at www.sundogbaelt.dk/årsrapport.

The green accounts are available at www.sundogbaelt.dk/grøntregnskab.

The reports are also available from Sund & Bælt Holding A/S' Communications Department.

Risk management and control environment

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

Key figures and financial ratios

Key figures, DKK 1,000	2007	2008	2009	2010	2011
Revenue	4.526	0	0	0	0
Operating expenses	-8.977	-614	-764	-569	-542
Operating loss	-4.451	-614	-764	-569	-542
Net financials	1.798	0	0	0	0
Tax	638	148	208	130	163
Loss for the year	-2.015	-466	-556	-439	-379
Equity	44.882	44.416	503.860	503.421	503.042
Balance sheet total	46.519	168.294	612.475	1.121.790	1.211.490
Financial ratios, per cent:					
Proft ratio (primary operations)	-98,4	0,0	0,0	0,0	0,0
Rate of return (primary operations)	-9,6	-0,4	-0,1	0,0	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 terms in Note 1, Accounting Policies.

N.B.: From 2008, the majority of the company’s expenses have been capitalized in the balance sheet.

Income statement 1 January – 31 December 2011 (DKK 1,000)

Note		2011	2010
	Expenses		
2	Other operating expenses	-254	-234
3	Staff expenses	-288	-335
	Total expenses	**-542**	**-569**
	Operating loss	**-542**	**-569**
	Loss before tax	**-542**	**-569**
4	Tax	163	130
	Loss for the year	**-379**	**-439**

Profit appropriation: It is proposed that the year's loss of DKK 379 thousand be carried forward to next year.

Comprehensive income statement 1 January – 31 December 2011 (DKK 1,000)

Note		2011	2010
	Loss for the year	**-379**	**-439**
	Other comprehensive income	**0**	**0**
	Tax on other comprehensive income	0	0
	Total comprehensive income	**-379**	**-439**

Balance sheet 31 December 2011 (DKK 1,000)

Note	Assets	2011	2010
	Non-current asets		
	Intangible assets		
5	Software	732	2.497
	Total intangible assets	**732**	**2.497**
	Property, plant and equipment		
6	Road and rail construction project in progress	899.993	639.463
7	Land and buildings	8.069	8.406
8	Leasehold improvements	13.757	14.306
9	Operating plant	4.472	4.575
	Total current assets	**926.291**	**666.750**
	Other non-current assets		
18	Debt certificate	0	5.775
	Total other non-current assets	**0**	**5.775**
	Total non-current assets	**927.023**	**675.022**
	Current assets		
	Receivables		
11	Receivables	59.933	174.073
18	Debt certificate	5.134	0
12+18	Derivatives, assets	15.676	27.082
13	Prepayments and accrued income	4.820	3.772
	Total receivables	**85.563**	**204.927**
14	**Cash at bank and in hand**	**198.904**	**241.841**
	Total current assets	**284.467**	**446.768**
	Total assets	**1.211.490**	**1.121.790**

Balance sheet 31 December 2011 (DKK 1,000)

Note	Equity and liabilities	2011	2010
	Equity		
15	Share capital	500.000	500.000
16	Free reserves	3.042	3.421
	Total equity	**503.042**	**503.421**
	Liabilities		
	Non-current liabilities		
10	Deferred tax liabilities	1.153	106
18	Bond loans and amounts owed to credit institutions	0	530.749
	Total non-current liabilities	**1.153**	**530.855**
	Current liabilities		
18	Bond loans and amounts owed to credit institutions	518.771	0
12+18	Derivatives, liabilities	148	0
17	Trade and other payables	188.376	87.514
	Total current liabilities	**707.295**	**87.514**
	Total liabilities	**708.448**	**618.369**
	Total equity and liabilities	**1.211.490**	**1.121.790**

1	Accounting policies
19	Guarantees
20	Contingent liabilities
21	Related parties
22	Events after the balance sheet date

Statement of changes in equity (DKK 1,000)

	Share capital	Free reserves	Total
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**
Balance at 1 January, 2011	**500.000**	**3.421**	**503.421**
Loss for the year	0	-379	-379
Other comprehensive income	0	0	0
Total comprehensive income	**0**	**-379**	**-379**
Balance at 31 December 2011	**500.000**	**3.042**	**503.042**

Cash flow statement (DKK 1,000)

Note		2011	2010
	Cash flow from operating activities		
	Loss before net financials	-542	-569
	Adjustments		
	Tax	163	130
	Cash flow generated from operations (operating activities) before changes in working capital	**-379**	**-439**
	Change in working capital		
	Receivables, prepayments and accrued income	113.733	-62.580
	Creditors and other liabilities	101.909	-20.995
	Total cash flow from operating activities	**215.263**	**-84.014**
	Cash flow from investing activities		
	Acquisition of property, plant and equipment	-435.570	-622.752
	EU subsidy received	181.733	293.094
	Total cash flow from investing activities	**-253.837**	**-329.658**
	Free cash flow	**-38.574**	**-413.672**
	Cash flow from financing activities		
	Borrowing	0	503.667
	Interest paid	-4.363	-3.762
	Total cash flow from financing activities	**-4.363**	**499.905**
	Change for the period in cash at bank and in hand	**-42.937**	**86.233**
	Cash at bank and in hand at 1 January	241.841	155.608
	Cash at bank and in hand at 31 December	**198.904**	**241.841**
	Cash at bank and in hand is composed as follows:		
	Cash at bank and in hand and deposit accounts	198.904	241.841
14	**Cash at bank and in hand at 31 December**	**198.904**	**241.841**

The cash flow statement cannot be derived solely from the 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 laid down in the IFRS order issued pursuant to the Danish Financial Statements Act.

The accounting policies are in accordance with those applied in the Annual Report for 2010.

The company has elected to use the so-called Fair Value Option under IAS 39. Consequently, all financial transactions - loans, deposits and derivatives - are measured at fair value and changes in fair value are recognised in the income statement. Loans and cash at bank and in hand are measured at fair value at first recognition in the balance sheet while derivative financial instruments are always measured at fair value, c.f. IAS 39.

The rationale for using the Fair Value Option is that the company consistently applies a portfolio approach to financial management, which means that the intended exposure to financial risks is managed through different financial instruments, both primary instruments and derivatives. Accordingly, in the management of financial market risks, the company does not distinguish between, for example, loans and derivatives, but solely focuses on the total exposure. The choice of financial instruments for managing the financial risks could, therefore, result in accounting asymmetries if the fair value option was not used: hence the reason for using it.

It is the company's opinion that the Fair Value Option is the only principle under IFRS that reflects this approach as the other principles lead to inappropriate asymmetries between otherwise identical exposures depending on whether the exposure is established in the form of loans or the use of derivative financial instruments or requires comprehensive documentation as in the case with "hedge accounting". As derivatives, financial assets and loans are measured at fair value, the measurement in the financial statements will produce the same result for loans with connected derivatives when the hedging is effective. Thus the company will achieve accounting symmetry. Loans without connected derivatives are also measured at fair value in contrast to the main rule in IAS 39 pursuant to which loans are measured at amortised cost. This will naturally lead to volatility in the profit/loss for the year as a result of value adjustments.

The annual accounts are presented in DKK, which is also the company's functional currency. Unless otherwise stated, all amounts are disclosed in DKK thousands.

In order to assist users of the annual report, some of the disclosures required by IFRS are also included in the Management Report.

New accounts adjustment

With effect from 1 January 2011, the company has implemented IAS 24 and 32. In addition, the company has implemented IFRC 14 and 19.

The following changes to existing and new standards as well as interpretations have not yet become effective and are not applicable in connection with the preparation of the Annual Report for 2011: IAS 1, 12, 19, 24, 27 and 28, IFRS 9, 10, 11, 12 and 13 and IFRIC 20. The new standards and interpretations will be implemented.

The implementation of 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 has not yet been calculated.

The implementation of the other standards and interpretations are not expected to have any financial effect on the presentation of the company's results, assets and liabilities and equity in connection with financial reporting for 2012, 2013 and 2015 when they become effective.

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 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, 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 accounts 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. 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
Income from sales of services is included as the services are supplied and if the income can be reliably calculated and is expected to be received.

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

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

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

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

Impairment of non-current assets
Property, plant and equipment, investments 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 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 flows 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 group taxation of the Sund & Bælt Group's companies. The subsidiaries are included in the Group taxation from the time they are included in the consolidated accounts and until such time when they may be omitted from the consolidation.

Sund & Bælt Holding A/S is the administrating company for joint taxation and therefore settles all 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 attributable to the year’s results and directly in the equity with the proportion 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 recognised 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 tax contribution receivables 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 various taxation rules, the deferred tax is measured on the basis of the management's planned utilisation 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 intra-group profits and losses.

Net financials
Net financials comprise interest income and expenses, realised inflation indexation, foreign exchange gains and losses on cash at bank and in hand, securities, payables, derivatives *and* transactions in foreign currencies. In addition, realised gains and losses relating to derivative financial instruments are included.

The difference in the fair value at the balance sheet date represents the net financials which, in the income statement, are split into financial income, financial expenses and value adjustment. Financial income and expenses comprise interest income, interest expenses and realised inflation indexation from payables and derivatives. Foreign exchange gains and losses and exchange rate translation for financial assets are included in the value adjustment.

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

Financial assets and liabilities
Cash at bank and in hand, which includes bank deposits and unlisted and listed securities, are initially recognised at cost and at fair value in the subsequent measuring in the balance sheet. Differences in the fair value between balance sheet dates are included in the income statement under net financials. On initial recognition, all cash at bank and in hand items are classified as assets measured at fair value.

The fair value is stated in accordance with the hierarchy in IAS 39, i.e. present stock exchange quotations for listed securities or quotations for bank deposits or unlisted securities, based on future and known and expected cash flows discounted at the rate assessed to be available at the balance sheet date to the Group.

Holdings of treasury shares are set off against equivalent issued bond loans and are therefore not recognised in the annual accounts' income statement and balance sheet.

Loans are recognised at the date of borrowing at cost less transaction costs incurred (net proceeds received) and are subsequently measured at fair value in the balance sheet via the Fair Value Option, c.f. previous description. All loans are classified as financial liabilities measured at fair value through profit and loss. Irrespective of interest rate guarantees all loans are measured at fair value with ongoing value adjustments recognised in the income statement, stated as the difference in fair value between the balance sheet dates.

The fair value of loans is stated as the present value of future and known and expected cash flows discounted at relevant rates, as there are typically no current and traded quotations listed for the companies' issued bonds and no quotations are available for unlisted bond issuers and bilateral loans. The discounting rates used are based on market rates on the balance sheet date assessed to be available for the Group as a borrower.

The fair value of loans with structural financial instruments attached are determined together and recognised and standardised valuation methods are used to determine the fair value of the option element in the interest and instalment payments where volatility on reference rates and foreign exchange are included.

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

Derivative financial instruments 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 fair values are included in Financial Assets and Liabilities respectively, and netting of positive and negative fair values on derivatives is only made when the Group has the right and the intention to settle several financial instruments net.

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

Derivative financial instruments include instruments where the value depends on the underlying value of the financial parameters, primarily reference rates and currencies. All derivative financial instruments are OTC derivatives with financial counterparts and thus there are no listed quotations on such financial instruments. Derivative financial instruments typically comprise interest rate swaps and foreign currency swaps, forward exchange contracts, foreign currency options, FRAs and interest rate guarantees and swaptions. The market value is determined by discounting the known and anticipated cash flow. The discount rate is determined in the same way as loans and cash at bank and in hand, i.e. based on current market interest rates that are expected to be available to the Group as borrower.

For derivatives with an option for the cash flows, i.e. foreign currency options, interest rate guarantees and swaptions, fair value is measured on the basis of generally accepted valuation methods where the volatility of the underlying reference interest rates and currencies are included. Where derivatives are tied to several financial instruments, a total fair value is determined as the sum of the fair value on each derivative.

According to IFRS 7, fair values are measured in accordance with a 3-layer hierarchy for valuation methodology. Financial assets and liabilities with quoted prices are included in the first level of the valuation methodology, followed by the second level with quoted market prices as input to generally accepted valuation methods and formulas and thirdly, the third level where the fair value is based on unobservable market data and, therefore, should be commented on separately.

The Group has based fair value pricing on quoted market data as input to generally accepted standard valuation methods and formulas for all items, thus all assets and liabilities valued at fair value are included in level 2, see valuation hierarchies in IFRS 7.

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 financial expenses.

Receivables and 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 arose is recognised in the income statement under financial income and financial expenses.

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

Translation of financial assets and liabilities recognised in value adjustments and translation of receivables, payables etc. are 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, amortisation and impairment losses.

Intangible assets are depreciated on straight line basis over the expected useful life, not exceeding more than 5 years.

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

During the construction period, the value of the road and rail links is determined using the following principles:
Expenses related to the links are based on entered contracts, and contracts are capitalised directly
Other direct or indirect expenses are capitalised as the value of own work
Net financing expenses are capitalised as construction loan interet
EU subsidies received are set off against the cost price

Areas comprise investment in land and buildings planned to be used for the project during the construction and operations phase.

Significant future one-off replacements/maintenance work is regarded as separate elements and depreciated over the expected useful life. Ongoing maintenance work is recognised in the income statement as 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
Other plant, 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 method for depreciation and the expected useful lives are reassessed annually and are changed if there has been a major change in the conditions or expectations. If there is a change in the method for depreciation, the effect on depreciation forward will be recognised as a change of accounting estimates and judgements.

The basis for depreciation is calculated with due regard for the asset's scrap value and is reduced by any depreciation. The scrap value is determined at the time of acquisition and is reviewed annually. If the scrap value exceeds the asset's carrying value, depreciation ceases.

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

Other operating expenses
Other operating expenses include expenses relating to operations. These comprise, inter alia, expenses for external services, office expenses and expenses for office premises.

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

Staff expenses 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 leases
Operating leases are recognised in the income statement on a straight-line basis over the leasing contract's leasing term unless another systematic method better reflects the lessee's benefit within the contract term. Leasing contracts have been entered into with a leasing period of 1-8 years. Operating leasing comprises office premises and vehicles.

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

Other receivables
Other receivables are measured at the current value of the amounts expected to be received.

Prepayments and accrued income
Prepayments and accrued income comprise expenses paid concerning subsequent financial years.

Cash at bank and in hand
Cash at bank and in hand comprise cash holdings and short-term bank deposits and which can readily be converted to cash at bank and in hand and where there is only an insignificant risk of changes in value.

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

Deferred income and accruals
Deferred income and accruals comprise accrued interest and payments received concerning 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 the income statement items. The company's cash flow statement shows the cash flow for the year, the year's changes in cash and cash equivalents well as the company's cash and cash equivalents 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 debt.

Cash flow from financing activities comprises the raising of loans, repayment of debt and financial income and expenses, including non-liquid 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 key 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 (DKK 1,000)

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

Fees to the company's auditors elected at the General Meeting:	2011	2010
Statutory audit	225	200
Other assurance statements	6	26
Tax consultancy	429	601
Other services	56	22
Total fees to the company's auditors elected at the General Meeting	**716**	**849**
Recognised in road and rail construction project in progress	-491	-649
Fee to the company's auditors elected at the General Meeting in the income statement	**225**	**200**

Operating leases	2011	2010
Rented premises and vehicle hire, regarded as operating leases, are recognised in road and rail construction project in progress (corresponding to minimum benefits):	9.942	9.633
The notice period for operating lease periods are:		
0-1 years	9.931	9.639
1-5 years	39.452	38.159
After five years	24.567	33.356
Operating leases, total	**73.950**	**81.154**

Note 3 Staff expenses (DKK 1,000)

Staff expenses include total expenses for employees, management and the Board of Directors. Staff expenses comprise direct payroll costs, defined contribution pension schemes, training and other direct staff expenses.

	2011	2010
Wages and salaries, remuneration and emoluments	53.565	47.832
Pension contributions	132	123
Social security	525	250
Other staff expenses	2.377	3.782
Total staff expenses	**56.599**	**51.987**
Recognised in road and rail construction project in progress	-56.311	-51.652
Staff expenses in income statement	**288**	**335**
Average number of employees	62	57
Number employees at 31 December	74	64

Remuneration for Management Board:

For 2011	**Fixed salary**	**Pensions**	**Non-monetary benefits**	**Total**
Leo Larsen	480	0	0	480
Total	480	0	0	480

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

Note 3 Staff expenses (cont.)

Fees to the Board of Directors	2011	2010
Henning Kruse Petersen (Chairman)	0	83
Carsten Koch (Vice-Chairman)	0	63
Pernille Sams	0	42
Jørgen Elikofer	0	42
Rainer Feuerhake	125	75
Mette Boye*	0	0
Walther Christophersen*	0	0
Jeanne Christensen	125	125
Leif Sjøgren***	33	125
Zoran Markou	125	47
Karsten Holmegaard**	92	0
Total fees to the Board of Directors	**500**	**602**

* Elected at extraordinary general meeting at 29 July 2011

** Elected by employees on 6 April 2011

*** Stepped down from the Board of Directors on 6 April 2011

Note 4 Tax (DKK 1,000)

	2011	2010
Tax paid (joint tax contribution)	1.210	599
Change in deferred tax	-1.047	-469
Total	**163**	**130**
Tax on the year's result is specified as follows:		
Computed 25 per cent tax on year's results	136	142
Other adjustments	27	-12
Total	**163**	**130**
Effective tax rate	**30,1%**	**22,8%**

Note 5 Software (DKK 1,000)

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

	2011	2010
Original cost at 1 January	5.183	5.710
Additions for the year	0	59
Disposals for the year	0	-586
Original cost at 31 December	**5.183**	**5.183**
Depreciation at 1 January	2.686	970
Additions for the year	1.765	1.997
Disposals for the year	0	-281
Depreciation at 31 December	**4.451**	**2.686**
Balance at 31 December	**732**	**2.497**
Depreciation recognised in road and rail construction project in progress	1.765	1997

Note 6 Road and rail link in progress (DKK 1,000)

	2011	2010
Project in progess		
Original cost at 1 January	639.463	301.812
Additions for the year	442.490	630.745
Disposals for the year	-227	0
EU subsidy received	-181.733	-293.094
Original cost at 31 December	**899.993**	**639.463**
Balance at 31 December	**899.993**	**639.463**
Of which areas	2.472	0

In road and rail links in progress, financing expenses (net) for the year are recognised at DKK 4,363 thousand and the capitalisation rate is 100 per cent.

Note 7 Land and buildings (DKK 1,000)

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

	2011	2010
Original cost at 1 January	9.036	8.409
Additions for the year	23	627
Original cost at 31 December	**9.059**	**9.036**
Depreciation at 1 January	630	278
Additions for the year	360	352
Depreciation at 31 December	**990**	**630**
Balance at 31 December	**8.069**	**8.406**
Depreciation recognised in road and rail construction project in progress	360	352

Note 8 Leasehold improvements (DKK 1,000)

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

	2011	2010
Original cost at 1 January	21.678	21.538
Additions for the year	3.839	337
Disposals for the year	0	-197
Original cost at 31 December	**25.517**	**21.678**
Depreciation at 1 January	7.372	3.203
Additions for the year	4.388	4.353
Disposals for the year	0	-184
Depreciation at 31 December	**11.760**	**7.372**
Balance at 31 December	**13.757**	**14.306**
Depreciation recognised in road and rail construction project in progress	4.388	4.353

Note 9 Operating plant (DKK 1,000)

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

	2011	2010
Original cost at 1 January	6.026	3.534
Additions for the year	1.479	3.017
Disposals for the year	-550	-525
Original cost at 31 December	**6.955**	**6.026**
Depreciation at 1 January	1.451	725
Additions for the year	1.197	1.067
Disposals for the year	-165	-341
Depreciation at 31 December	**2.483**	**1.451**
Balance at 31 December	**4.472**	**4.575**
Depreciation recognised in road and rail construction project in progress	1.197	1.067

Note 10 Deferred tax (DKK 1,000)

	2011	2010
Balance at 1 January	-106	363
Deferred tax for the year	-1.047	-469
Balance at 31 December	**-1.153**	**-106**
Deferred tax relates to:		
Property, plant and equipment	-1.945	-898
Tax loss	792	792
Total	**-1.153**	**-106**

Note 11 Receivables (DKK 1,000)

Receivables comprise trade receivables, EU subsidies receivable, balances with members and re-charged expenditure. The book value of receivables represents the expected realisable value.

	2011	2010
Trade receivables and services	20	18
Members	848	7
EU subsidy receivable	50.751	171.926
VAT receivable	6.405	0
Accrued interest financial instruments	1.846	2.070
Other receivables	63	52
Total	**59.933**	**174.073**

Note 12 Derivatives (DKK 1,000)

	2011 Assets	2011 Liabilities	2010 Assets	2010 Liabilities
Currency swaps	15.676	0	27.082	0
Forward exchange contracts	0	148	0	0
Total derivatives	**15.676**	**148**	**27.082**	**0**

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

Note 13 Prepayments and accrued income (DKK 1,000)

Prepayments and accrued income comprise paid costs relating to the subsequent financial year.

	2011	2010
Prepaid rent	2.827	2.747
Other prepayments	1.993	1.025
Total prepayments and accrued income	**4.820**	**3.772**

Note 14 Cash at bank and in hand (DKK 1,000)

	2011	2010
Cash at bank and in hand	35.091	47.960
Fixed term deposit accounts	163.813	193.881
Total cash at bank and in hand	**198.904**	**241.841**

Note 15 Share capital (DKK 1,000)

	2011	2010
Number of shares with a nominal value of DKK 100 at 1 January	5.000.000	5.000.000
Number of shares with a nominal value of DKK 100 at 31 December	**5.000.000**	**5.000.000**

As at 31 December 2011, 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.

In 2009, the company’s share capital was increased from DKK 10 million to DKK 500 million of which DKK 460 million was paid in cash and DKK 30 million was a scrip issue.

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 (DKK 1,000)

	2011	2010
At 1 January	3.421	3.860
Loss for the year	-379	-439
At 31 December	**3.042**	**3.421**

Note 17 Trade and other payables (DKK 1,000)

	2011	2010
Creditors	28.429	32.792
Members	14	284
Affiliated companies	1.318	1.098
VAT payable	0	6.214
Accrued interest financial instruments	2.568	2.575
Prepayments received (EU subsidy)	112.308	0
Other payables	43.739	44.551
Total	**188.376**	**87.514**

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 that administers the Danish state's unlimited guarantee for 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 financing expenses for the project over its 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 project it operates within a particularly long-term time frame. This means that a long-term perspective is adopted with regard to the assessment of the results and risks associated with the financial management.

The company has access to direct loans arranged by Danmarks Nationalbank on behalf of the state to the company based on a specific government bonds and with identical conditions as government bonds sold in the market.

Borrowing requirements proved to be lower than expected and the company did not raise loans in 2011. Borrowing requirements are expected to total DKK 1.1 billion in 2012 of which refinancing accounts for DKK 0.5 billion.

Foreign exchange risks
The company's foreign exchange risks relate to the currency composition of the net debt, including derivatives, cash at bank and in hand and trade creditors. The foreign exchange risks are managed with restrictions on the composition of the currency distribution.

The company can distribute freely between DKK and EUR, and the actual division is decided by the currency and interest ratio between the two currencies. Other currencies are always hedged when the equivalent value of the exposure is greater than DKK 5 million.

The currency risk is limited to fixed term deposits in EUR against the equivalent value of DKK 176 million because the company's gross debt was converted to DKK towards the end of the year in line with the stronger kroner and a favourable development in the interest rate differential. Exposure in EUR is not assessed in the light of the Danish fixed exchange rate policy representing no great financial risk.

Foreign exchange sensitivity can be calculated at DKK 9 million in the case of currency fluctuations of +/- 5.0 per cent in all currencies that are different from the base value. The calculated foreign exchange sensitivity does not express the expected volatility in the currencies to which the company has exposure.

Interest rate risks
Floating rate debt or debt with a short maturity implies that the loan must have the interest rate reset at market interest rates within a shorter time frame, which typically involves higher risks than fixed interest debt with long maturity when the fluctuations in the current interest expenses form the basis of the risk management. By contrast, interest expenses are often highter for longer maturities because the interest rate curve usually has a positive correlation and the choice of debt distribution is, therefore, a question of balancing interest expenses and risk profile.

The company has converted the net debt to floating interest rate guarantees and is exposed to changes in the floating rate in DKK and EUR and the impact of an interest rate variation of 1 percentage point would affect the cash flow by DKK 3.0 million during the financial year.

Yield exposure calculated on nominal notional amounts in DKK 1,000.

Yield buckets	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Nom.amount	Fair value
Cash at bank and in hand	198.904	0	0	0	0	0	198.904	198.904
Bond loans and other loans	-500.000	0	0	0	0	0	-500.000	-521.339
Interest and currency swaps	0	0	0	0	0	0	0	17.458
Forward exchange contracts	0	0	0	0	0	0	0	-84
Other derivatives	-301.096	0	0	0	0	0	-301.096	-305.061

The duration denotes the average remaining maturity on the net debt. A high duration implies a relatively low interest refixing risk and vice versa.

The net debt's duration totals 0.6 years and expresses the rate sensitivity of a change in interest rate of 1 percentage point. With the current interest rate exposure, the duration affects the fair value by around DKK 1.8 million as at 31 December 2011.

The sensitivity calculations have been made on the basis of the net debt on the balance sheet date.

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, receivables from derivative contracts 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 counterparty’s rating with the international credit rating agencies (Moody’s, Standard & Poor’s and Fitch/IBCA).

Financial counterparties must have high credit quality and agreements are only made with counterparties that have a long-term rating above A1/A+ unless rigorous guarantee requirements are met. Moreover, the financial counterparties shall enter into CSA agreements (collateral agreements) that offer collateral in the form of government bonds or mortgage bonds with high credit quality to cover a receivable from derivative contracts.
Thus the credit exposure is effectively limited through a threshold value set out in the guarantee agreement which depends on the counterparty’s rating. The threshold value is the maximum unhedged receivable that can be accepted on each counterparty.

In respect of derivative contracts, the company has a gross exposure of DKK 17 million on a single counterparty in the AA rating category and a fixed term deposit on the same counterparty that corresponds to DKK 164 million.

The company’s maximum credit exposure expresses the accounting recognised receivables.

The fair value of the company’s receivables and trade creditor debt, which is measured at amortised cost, is estimated to more or less correspond to the carrying value.

Liquidity risk
The company has a limited liquidity risk through its access to direct government loans and the guarantee from the Danish state. In addition, the company has a policy of maintaining liquidity reserves corresponding to at least six months’ liquidity consumption. This reduces the risk of borrowing at times when general loans terms are unfavourable.

Maturity on receivables, derivatives, debt and trade creditors:

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	198.904,00	0	0	0	0	0	198.904
Receivables and debt certificate	65.067,00	0	0	0	0	0	65.067
Derivatives, assets	500.000,00	0	0	0	0	0	500.000
Liabilities	-500.000,00	0	0	0	0	0	-500.000
Derivatives, liabilities	-500.000,00	0	0	0	0	0	-500.000
Trade creditors	-28.429,00	0	0	0	0	0	-28.429
Total principal amount	-264.458	0	0	0	0	0	-264.458

Note 19 Securities

The company has not provided any securities.

Note 20 Contingent liabilities

In connection with the computation of the Group's tax bill for 2008 SKAT (Tax, Customs and Duties in Denmark) has proposed advancing the tax date for the allocated EU subsidy (approximately DKK 2 billion) to the Fehmarn project. The change is not expected to incur tax payments for the Group but, due to the joint taxation regulations, will result in payments between the Group's companies in connection with the use of tax losses. The company does not agree with the proposed change.

The company is engaged in discussions with SKAT on this matter.

Note 21 Related parties (DKK 1,000)

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 2011	Amount 2010	Balance as at 31 December 2011	Balance as at 31 December 2010
The Danish State	Guarantee commission	-750	-286	-750	-286
Sund & Bælt Holding A/S	Handling of operational tasks	-2.075	-922	-424	-877
	Joint tax contribution	1.210	599	1.210	599
Sund & Bælt Partner A/S	Joint expenses	465	387	63	7
A/S Storebælt	Consultancy	467	-71	-14	-6
Øresundsbro Konsortiet	Consultancy	-3.512	-4.998	-1.318	-1.098

Note 22 Events after the balance sheet date

At the start of 2012, Femern A/S initiated an analysis of the project’s overall timetable. The work, which will be completed before summer 2012, is expected to result in a readjustment of the timetable.

Apart from that, no events of importance to the annual report for 2011 have 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 the financial year 1 January – 31 December, 2011 for Femern A/S.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position as at December 31, 2011 and the result of the company's activities and cash flow for the financial year 1 January – 31 December, 2011.

Moreover, it is our view that the Management 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 key risks and uncertainties to which the company is subject.

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

Copenhagen 15 March 2012

Management Board

Leo Larsen
CEO

Board of Directors

Henning Kruse Petersen
Chairman

Carsten Koch
Vice-Chairman

Pernille Sams

Jørgen Elikofer

Rainer Feuerhake

Mette Boye

Walther Christophersen

Jeanne Christensen

Zoran Markou

Karsten Holmegaard

The independent auditor's report

To the owner of Femern Bælt A/S
We have audited the annual accounts for Femern Bælt A/S for the financial year 1 January – 31 December 2011 comprising the comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies. The annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

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. The Management also has responsibility for the internal controls that the management deems necessary for preparing annual accounts free of material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement in the annual accounts, 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 that contain 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.

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, 2011 and of the results of the company's operations and cash flow for the financial year 1 January – 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of matter relating to the annual accounts
Without this having influenced our opinion, we refer to Note 18 (with reference to page 12 in the Management Report), where it is stated that the company's contining operations are underwritten by the Danish state's guarantee for the company's obligations.

Statement regarding Management Report
In accordance with the Financial Statements Act, we have ready the Management Report. We did not perform any procedures in addition to the audit of the annual accounts.

Based on this, it is our view that the information contained in the Management Report is in line with the annual accounts.

Copenhagen 15 March, 2012

Deloitte
Statsautoriseret Revisionspartnerselskab

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)
Director

Member of the Board of Directors of
- Finansiel Stabilitet A/S (Chairman)
- Den Danske Forskningsfond (Chairman)
- Soclé du Monde ApS (Chairman)
- Erhvervsinvest Management A/S (Chaiman)
- 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 Konsortiet (Chairman)
- Asgard Ltd. (Vice-Chairman)
- Skandinavisk Holding A/S (Vice-Chairman)
- Fritz Hansen A/S (Vice-Chairman)
- Scandinavian Tobacco Group A/S
- Scandinavian Private Equity A/S
- William Michaelsens Legat
- ØK´s Almennyttige Fond.

Carsten Koch (Vice-Chairman)
Director

Member of the Board of Directors of
- Udviklingsselskabet By & Havn I/S (Chairman)
- Københavns Havns Pensionskasse (Chairman)
- Forca A/S (Chairman)
- FredericiaC P/S (Chairman)
- Vækstfonden (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 Konsortiet
- CMP Copenhagen Malmö Port AB
- Dades A/S
- Investeringsforeningen Maj Invest
- Kærkommen Holding ApS
- Kommunekemi A/S
- GES Investment Services Denmark A/S
- Pluss Leadership A/S

Pernille Sams
Director

Member of the Board of Directors of
- Danske Selvstændige Ejendomsmæglere (Chairman)
- Pernille Sams Ejendomsmæglerfirma ApS
- Sund & Bælt Holding A/S
- A/S Storebælt
- A/S Femern Landanlæg
- A/S Øresund
- Øresundsbro Konsortiet

Jørgen Elikofer
Managing Director, ElikoferCo

Member of the Board of Directors of
- Sund & Bælt Holding A/S
- A/S Storebælt
- A/S Femern Landanlæg
- A/S Øresund
- Øresundsbro Konsortiet

Mette Boye
Head of Department, Consumer Council

Member of the Board of Directors of
- Sund & Bælt Holding A/S
- A/S Storebælt
- A/S Femern Landanlæg
- A/S Øresund

Walter Christophersen
Independent businessman

Member of the Board of Directors of
- Sund & Bælt Holding A/S
- A/S Storebælt
- A/S Femern Landanlæg
- A/S Øresund

Rainer Feuerhake

Member of the Board of Directors of
- TUI Travel Plc
- TUIFly GmbH
- TUI Deutschland GmbH
- TUI InfoTec GmbH
- Amalgamated Metal Corporation PLC
- GP Günter Papenburg AG

Jeanne Christensen
Accounts assistant (elected by employees)

Zoran Markou
IT Systems Administrator (elected by employees)

Karsten Holmegaard (6 April 2011)
Head of Media Relations (elected by employees)

Management Board

Leo Larsen
CEO

Member of the Board of Directors of:
- Københavns Energi A/S (Chairman)
- Sund & Bælt Partner A/S (Chairman)
- Brobizz A/S (Chairman)
- Fonden Tropebyen Slagelse

Chairman of Det fælles vandsamarbejde Vores Vand.

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NORDISK MILJØMÆRKNING
Svanemærket tryksag 541-874

Femern A/S
Vester Søgade 10
DK-1601 Copenhagen V
T +45 33416300
F +45 33416301
E info@femern.dk
www.femern.com
CVR-nr. 28986564