Femern Sund Bælt

Annual Report 2012

Content

Preface

2012 was characterised by ongoing work on the tender process and regulatory approval in both Denmark and Germany.

The first major event was in March, when Femern A/S held the successful Industry Day, to which the international building and construction industry was invited. The purpose was to provide information about the upcoming prequalification round, the tendering process and not least prepare the ground for possible partnerships and joint ventures among the participants. More than 500 representatives from companies across Europe and the U.S. attended the event.

On 17 April 2012, Femern A/S presented a realistic, but still ambitious timetable for the project. The fixed link is now expected to open at the end 2021.

In June, there was a change of government in Schleswig-Holstein, and Femern A/S had the honour of being visited by the new Prime Minister, Torsten Albig, during his first official visit to Denmark. The Prime Minister expressed support for the project.

In October, Femern A/S began the process of prequalifying contractors, and so allowed the international construction world to obtain detailed information about the project going forward. The companies had until January 2013 to prepare their application to Femern A/S to be prequalified for the major construction works, which are expected to start in 2015.

The most suitable contractor consortia will demonstrate that they are equipped to do the job both technically and economically in their application to be prequalified.

Throughout 2012, Femern A/S worked hard to produce comprehensive documentation of the project for the Danish and German authorities. During 2013, the company must in part submit an application for regulatory approval to the German authorities, and in part provide material in the form of an Environmental Impact Statement (EIS) to the Danish authorities. The reports will subsequently be sent for hearing in both Denmark and Germany.

The Fehmarnbelt project is a priority project of the trans-European transport network and receives EU funding as a result. The EU funding represents a significant contribution to the financing of the planning work and the feasibility studies

Read more about the company's operations, timetable, contracts, etc. at the company's website www.femern.dk, where you can also sign up for the company newsletter.

Henning Kruse Petersen Chairman of the Board Femern A/S	Claus F. Baunkjær 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 regulatory approval of the coast-coast link across the Fehmarnbelt on behalf of the Danish government.

The overall framework for its work falls under a treaty between Denmark and Germany on regulatory approvals, finance, construction and operation of a fixed link across the Fehmarnbelt between Rødbyhavn and Puttgarden. The treaty was signed in September 2008 by the transport ministers from Denmark and Germany and finally ratified in December 2009 at the official exchange of the ratification documents.

In Germany the treaty was approved by the adoption of the law in the German Bundestag on 18 June 2009 and finally in the Bundesrat on 10 July 2009. In Denmark, the treaty was approved by parliament by adopting the "Planning Act for a fixed link across the Fehmarnbelt and 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, feasibility studies and preparations in relation to the establishment of the coast-coast link.

Since 2009 Femern A/S has been carrying out in-depth studies on both sides of Fehmarnbelt as well as in the Fehmarnbelt itself. These have included investigations of the land and marine environment, soil conditions and navigational safety.

The results of the feasibility studies are a prerequisite for the preparation of the documents to be made available for the regulatory approval process. Moreover, the results will feed into the preparation of the tender documents.

Since 2009, the company has also examined the different bridge and tunnel solutions on an equitable basis in order to assess the technical solution which is the most suitable for the Fehmarnbelt fixed link. Based on the results of these studies, the company recommended to the Minister of Transport in November 2010 that an immersed tunnel is its preferred technical solution. At a meeting on 1 February 2011, the Minister of Transport and the political parties behind the fixed link endorsed the company’s recommendation.

The final decision on which technical solution should be built will be taken in connection with the adoption of a Construction Act in Denmark and through the regulatory process in Germany. But the choice of the immersed tunnel as the preferred option means that Femern A/S can focus resources on the immersed tunnel solution in connection with the detailed planning of the link and in the preparation of the tender process.

In June 2011, a production site for the large tunnel elements was selected. The parties supporting the fixed link across the Fehmarnbelt endorsed Femern A/S’ recommendation to locate the production of the standard tunnel elements at Rødbyhavn. It was selected from among the possible sites because it was Femern A/S’ assessment that Rødbyhavn was the most appropriate location for the production facilities.

On 17 April 2012, Femern A/S presented a realistic, but still ambitious timetable for the project to the Minister of Transport and the political monitoring group. The revised schedule means that the planning phase is to be extended by about a year. A Construction Act is expected in the second half of 2014. The construction period is unchanged at 6½ years, which is why the fixed link is expected to open at the end of 2021.

The tender process

In 2012, work continued on the preparation of the tender process.

On 2 October 2012, Femern A/S started the prequalification process for contractors who, in mid-2013, will be invited to bid for the large construction contracts.

The purpose of prequalification is to select the most suitable contractor consortia with the right composition and the greatest strength. The consortia, which may consist of German, Danish and other international companies, have to document in their application to be prequalified that they are equipped for the task both technically and economically.

With the launch of the prequalification, the international construction world was given detailed information about the project's intentions for the first time.

The four major construction contracts on the coast-coast link are:

- Dredging of the seabed and landfill
- Construction of the northern part of the tunnel
- Construction of the southern part of the tunnel
- Construction of the portal structures, ramps and connecting land facilities.

The deadline to apply for prequalification expired on 18 January 2013.

Work on drawing up the tender conditions for the four major contracts is well underway, and the prequalified contractor consortia will be invited to bid for these contracts in 2013.

Femern A/S wishes to be a socially responsible company and will stipulate a number of requirements for the contractors who will be responsible for the construction works. The company expects that the project's tender documents and the final contracts will contain clauses designed to ensure proper wages and working conditions, including working conditions at the construction sites, the work environment, health and safety as well as the need for apprenticeships and the establishment of good housing conditions for employees during the construction phase.

Regulatory approval in Denmark

The Company shall, pursuant to the Treaty provisions, obtain all necessary approvals and permits to construct, operate and maintain the coast-coast link. Since the Fehmarnbelt fixed link crosses a border, and the regulatory process thus involves two countries' legislations, management traditions, language and cultures, regulatory approval of the project is a challenging and in many ways unique task.

In the past year, Femern A/S has continued to work on completing the Environmental Impact Statement for the Danish authorities. The Environmental Impact Statement contains a comprehensive description of the project's impacts on people and the environment.

In December 2012, the completed draft Environmental Impact Statement was submitted for scrutiny by the authorities. The Danish Environmental Impact Statement is expected to be presented at the end of May 2013 for use in the public hearing.

In Denmark, the project will finally be approved through the adoption of a Construction Act.

Regulatory approval in Germany

In Germany, the project will be approved by the German authorities on the basis of a project application, drawn up on the basis of the laws of the Federal Republic of Germany and Schleswig-Holstein

The application to the German authorities must comprise all aspects of the project, including the technical solutions, the environment, nature, safety, rail conditions, etc.

Work on the application for approval of the link by the German authorities is an ongoing dialogue and an extensive task. In total, the application material is expected to run to around 9,000 pages, with background material of approximately 12,000 pages.

Femern A/S expects to complete the work of preparing the application documents for use in the German regulatory approval process in 2013, after which the project application will be submitted for public hearing by the German authorities in Schleswig-Holstein.

Communication activities

In March 2012, Femern A/S addressed the international building and construction industry officially for the first time. More than 500 representatives from contractors and consultants participated in the Industry Day, where Femern A/S set out specifics on the project and the future tenders. All presentations and information from the Industry Day were published on the company website.

In October, Femern A/S began the tender process by inviting companies worldwide to participate in prequalification. The process launch triggered considerable media coverage of the project.

During the year Femern A/S continued to have frequent briefings for the project's many stakeholders, particularly in Denmark and Germany; these included the authorities, politicians, interest groups and NGOs (Non-Governmental Organisations).

There is some concern about the consequences of the project, especially in Germany and, as a result, the company continues to focus on communication activities among stakeholders on the German side of the Fehmarnbelt.

Femern A/S has established a dialogue with NGOs in Germany on the project's impact on the environment, and is actively listening to the organisations' concerns and ideas. The company also held a public meeting on the project in Burg on Fehmarn, with about 300 people attending.

In addition, Femern A/S is participating in the ”Dialogforum Feste Fehmarnbelt Querung” (Fehmarnbelt Link Dialogue Forum), which was set up by the Schleswig-Holstein government to ensure citizen involvement and transparency in both the coast-coast project and the German landworks. Four meetings were held in 2012.

Femern A/S was host in the spring, when a group from the European Parliament's Transport Committee visited Fehmarn and were shown around the area where the tunnel will reach land in Germany.

Schleswig-Holstein had a new government in June 2012, and subsequently a number of German ministers and parliamentarians, including the new Prime Minister, Torsten Albig, visited Femern A/S to receive a status report on the project.

In the late summer, the Folketing's (the Danish parliament) Transport Committee visited the dyke at Rødbyhavn where Femern A/S also presented a status report on the project.

In September, Femern A/S was co-organiser of "Fehmarnbelt Days" in Lübeck, where stakeholders from across the Fehmarnbelt region came together. The event gave rise to a wide range of activities and collaborations with organisations working to promote development and integration in the region.

During the year, Femern A/S published six newsletters on developments within the project and in the region. The newsletter continues to attract recipients and had approximately 3,800 subscribers by the end of 2012.

The overall increase in interest in the project can also be seen in the number of visits to the website, which in 2012 had 7,800 monthly visitors, an increase of approximately 20 per cent on the previous year.

Corporate issues

Femern A/S is a public 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 operations.

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

The company is headquartered in Copenhagen. It also has offices in Burg on Fehmarn and in Rødbyhavn as well as a representative office in Berlin.

At the Annual General Meeting on 20 April 2012 no new board members were elected, because according to the company’s articles of association, board members are elected for two years at a time. The company's Board of Directors consists of Henning Kruse Petersen (Chairman), Carsten Koch (Vice Chairman), Pernille Sams, Jørgen Elikofer, Walter Christophersen, Mette Boye and Rainer Feuerhake. The employee representatives are Karsten Holmegaard, Zoran Markou and Jeanne Christensen.

Claus F. Baunkjær joined as CEO of Femern A/S on 1 September 2012. He succeeded Leo Larsen, who will continue as CEO of the parent company Sund & Bælt Holding A/S. Claus Baunkjær was previously Assistant Secretary and member of the Executive Board of the Ministry of Transport, where he has worked on a number of major construction projects in the road and rail area. Claus Baunkjær was also one of the driving forces behind the preparation of the 2008 State Treaty between Denmark and Germany on a fixed link across the Fehmarnbelt.

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

Employees

Femern A/S is a project organisation under continuing construction. At the end of 2012 the company employed 89 people, or 85 full-time employees.

Femern A/S	2012	2011
Number of employees	89	74
Of whom		
- Female	37 pct.	38 pct.
- Male	63 pct.	62 pct.
Gender breakdown, managers		
- Female	5 pct.	6 pct.
- Male	95 pct.	94 pct.
Educational background		
- Higher	62 pct.	64 pct.
- Intermediate	24 pct.	24 pct.
- Short	13 pct.	12 pct.
Staff turnover	4 pct.	13 pct.
Average age	46	47
Training per employee	8.613 kr.	7.851 kr.
Absenteeism (incl. long-term absence due to illness)	1,5 pct.	1,9 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 0.6 million with an after tax loss of DKK 0.5 million.

The company's expenses in 2012 totalled DKK 429 million. An estimated EU subsidy of DKK 145 million was set off against this. Of the total net expenses of DKK 284 million, DKK 283 million is capitalised under fixed assets.

Total expenses comprise DKK 319 million for feasibility studies on geotechnology, the environment, navigational safety, the design and tender process, land acquisitions and related communication activities as well as the regulatory treatment of these activities. The remaining DKK 110 million was used for salaries and general administration including rent, IT and office expenses.

Financing

In addition to the company’s invested 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 in 2011, the original subsidy was reduced to EUR 267.5 million (approximately DKK 2.0 billion). At the same time the subsidy period for the grant was extended to include costs incurred in 2014-15. Following the EU Commission's evaluation of the revised timetable, which was submitted in April 2012 and contained an extension of the planning phase of about a year, the original amount was further reduced and now stands at EUR 193.2 million (approximately DKK 1.4 billion) as a result of the postponement of the construction stage. Support for these construction costs is expected to be achieved under the upcoming subsidy programme covering the period 2014-20.

In November 2012, the EU Commission announced a TEN-T application round, where priority projects can apply for extra funding for the period 2012-15 in the event that they do not receive maximum support. The Fehmarnbelt project receives a subsidy rate of 24 for construction costs, and full support of 50% for project-related costs. The plan is to seek a higher subsidy rate in 2012-15 for the construction costs, which cannot exceed 30. If the EU Commission decides to increase the subsidy rate for construction costs, it can increase the subsidy by up to DKK 80 million up to and including 2015.

The guidelines for the funding period 2014-20 were announced by the EU Commission in June 2011. On the basis of the Commission’s proposal, a budget was negotiated with the European Parliament and Council of Ministers in 2012. Negotiations will continue in 2013, and the subsidy application is expected to be delivered at the turn of 2013/14.The Fehmarnbelt project is believed to be a strong candidate to also receive TEN-T support in the period 2014-20.

The EU subsidy is awarded to cover the company’s costs during the planning phase and in 2012 amounted to 34 per cent of the total costs incurred.

Payments of the EU subsidy are made partly as advances on the scheduled annual subsidy and also as final payments when the company can document the eligible costs incurred.

Of the grant of DKK 1.4 billion, the EU Commission paid a total of DKK 850 million for the period 2008-2012. The company had a receivable from the EU of DKK 23 million for 2011 and 2012. In addition, the EU Commission has prepaid DKK 222 million for 2013.

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

The company has two different borrowing options: direct state loans provided through Danmarks Nationalbank and loans raised in the money and capital markets backed by a government guarantee.

In 2012 the company financed its operations through EU subsidies and lending through Nationalbanken. The company's previous borrowing requirement, which totalled DKK 500 million, was refinanced in 2012. There was also a further loan of DKK 300 million, so the total borrowing requirement year end 2012 was DKK 800 million.

In 2012, financing expenses (net) totalled DKK 1.5 million while the financial value adjustments amounted to an income of DKK 6.5 million, which relate 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 ongoing liabilities in relation to the company's borrowings against a guarantee commission of 0.15 per cent. At year end 2012, the interest bearing net debt totalled DKK 430 million.

At year end, equity was DKK 503 million.

Taxation

In connection with the assessment of the Group's tax statement for 2008, in 2011 SKAT (Tax, Customs and Duties in Denmark) proposed advancing the tax date for the allocated EU subsidy (approximately DKK 2 billion) for the Fehmarnbelt project. The company stated that it disagreed with the proposed amendment. After discussions with the tax authorities in 2012 the proposed amendment on the tax date for the accorded EU subsidy has been changed.

Cash flow

Cash flow from operations totalled DKK 146 million and derives mainly from changes in working capital, which consists of current assets and short-term debt.

Net investments in fixed assets total DKK 273 million.

Borrowings of DKK 331 million and financing expenses of DKK 2 million are included under financing activities.

At year end 2012, the company's cash and cash equivalents totalled DKK 401 million.

Events after the balance sheet date

The government's Growth Plan (Vækstplan DK) published on 26 February 2013 proposes to front load operations in the Fehmarnbelt project by DKK 1,180 million, of which DKK 350 million relates to the company's operations in 2015. Upon approval of the advance by the Finance Committee, the company's borrowing limit is expected to be increased to DKK 4 billion.

There are no additional post balance sheet events of importance for the Annual Report for 2012.

Expectations for 2013

For the coming year project costs in the region of DKK 580 million have been budgeted. Expectations of revenue in the form of EU subsidies amount to DKK 200 million. Of the total net expenses of DKK 380 million, DKK 379 million is expected to be capitalised.

The result after tax in 2013 is expected to be a loss of approximately DKK 1 million.

In 2013 and beyond, the net expenses (after deduction of EU subsidies) will be covered by debt financing. In 2013 the borrowing requirement for new loans is expected to be approximately DKK 400 million so that the total debt financing at year end 2013 is estimated to be approximately DKK 1.2 billion. The debt financing is expected mainly to be in the form of direct government loans.

Corporate Governance

In 2005, the Committee on Corporate Governance revised recommendations for corporate governance, which were most recently updated in August 2011. The recommendations are publicly available 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 assessed 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 bonus schemes for the Management Board and Board of Directors are not employed. No remuneration committee has, therefore, been established.
- Members of the Board of Directors are elected by the Annual General Meeting stand for election every second year.

Corporate social responsibility

Femern A/S is linked to the policies of Sund & Bælt, including its CSR policy. This includes the obligation to comply with the UN Global Compact's 10 principles of corporate social responsibility, which cover among other things, human rights, employee rights, the environment and anti-corruption.

For further information about policies, objectives 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 Environmental Report is available at:
www.sundogbaelt.dk/grøntregnskab

Additional information can be found at:
www.sundogbaelt.dk/samfundsansvar

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

In 2012, Femern A/S began working on an independent CSR policy, which – in addition to creating a socially responsible framework for the company's daily operations and core activities related to the planning of the fixed link – should form the basis for the company's guidelines and requirements for future contractors.

Femern A/S has chosen to focus on the following CSR areas:

- Business operations and management
- Environment and climate
- Safety, health and wellbeing
- Society and dialogue

It is Femern A/S' wish that work on the fixed link should be carried out in a proper manner with regard to the environment and the employees who will build the tunnel.

Femern A/S will finalise the CSR policy in 2013 so that it can form the basis of the CSR requirements in the construction contracts.

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	2008	2009	2010	2011	2012
Operating expenses	-614	-764	-569	-542	-638
Operating loss	-614	-764	-569	-542	-638
Tax	148	208	130	163	163
Loss for the year	-466	-556	-439	-379	-475
Capital investments during the year	49.946	290.334	341.691	265.871	283.174
Equity	44.416	503.860	503.421	503.042	502.567
Balance sheet total	168.294	612.475	1.121.790	1.211.490	1.648.283
Financial ratios, per cent:					
Profit ratio (primary operations)	0,0	0,0	0,0	0,0	0,0
Rate of return (primary operations)	-0,4	-0,1	0,0	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.: The majority of the company’s expenses have been capitalized in the balance sheet.

Comprehensive income statement 1 January – 31 December 2012 (DKK 1,000)

Note		2012	2011
	Expenses		
2	Other operating expenses	-240	-254
3	Staff expenses	-398	-288
	Total expenses	**-638**	**-542**
	Operating loss	**-638**	**-542**
	Loss before tax	**-638**	**-542**
4	Tax	163	163
	Loss for the year	**-475**	**-379**

Profit appropriation: It is proposed that the year’s loss of DKK 475 thousand be carried forward to next year. .

Femern A/S has no other comprehensive income in the current financial year or comparative year.

Balance sheet 31 December 2012 (DKK 1,000)

Note	Assets	2012	2011
	Non-current assets		
	Intangible assets		
5	Software	2.766	732
	Total intangible assets	**2.766**	**732**
	Property, plant and equipment		
6	Road and rail construction project in progress	1.175.549	899.993
7	Land and buildings	8.060	8.069
8	Leasehold improvements	11.365	13.757
9	Operating plant	4.221	4.472
	Total property, plant and equipment	**1.199.195**	**926.291**
	Total non-current assets	**1.201.961**	**927.023**
	Current assets		
	Receivables		
11	Receivables	41.004	59.933
	Debt certificate	0	5.134
12+18	Derivatives, assets	38	15.676
13	Prepayments and accrued income	4.639	4.820
	Total receivables	**45.681**	**85.563**
14	**Cash at bank and in hand**	**400.641**	**198.904**
	Total current assets	**446.322**	**284.467**
	Total assets	**1.648.283**	**1.211.490**

Note	Equity and liabilities	2012	2011
	Equity		
15	Share capital	500.000	500.000
16	Free reserves	2.567	3.042
	Total equity	**502.567**	**503.042**
	Liabilities		
	Non-current liabilities		
10	Deferred tax liabilities	4.494	1.153
18	Bond loans and amounts owed to credit institutions	834.015	0
	Total non-current liabilities	**838.509**	**1.153**
	Current liabilities		
18	Bond loans and amounts owed to credit institutions	0	518.771
12+18	Derivatives, liabilities	0	148
17	Trade and other payables	307.207	188.376
	Total current liabilities	**307.207**	**707.295**
	Total liabilities	**1.145.716**	**708.448**
	Total equity and liabilities	**1.648.283**	**1.211.490**

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Statement of changes in equity (DKK 1,000)

	Share capital	Free reserves	Total
Balance at 1 January 2011	**500.000**	**3.421**	**503.421**
Loss for the year and comprehensive income	0	-379	-379
Balance at 31 December 2011	**500.000**	**3.042**	**503.042**
Balance at 1 January 2012	**500.000**	**3.042**	**503.042**
Loss for the year and comprehensive income	0	-475	-475
Total comprehensive income	**0**	**-475**	**-475**
Balance at 31 December 2012	**500.000**	**2.567**	**502.567**

Cash flow statement (DKK 1,000)

Note		2012	2011
	Cash flow from operating activities		
	Loss before net financials	-638	-542
	Adjustments		
	Tax	163	163
	Cash flow generated from operations (operating activities) before changes in working capital	**-475**	**-379**
	Change in working capital		
	Receivables, prepayments and accrued income	24.244	113.733
	Creditors and other liabilities	122.172	101.909
	Total cash flow from operating activities	**145.941**	**215.263**
	Cash flow from investing activities		
	Acquisition of property, plant and equipment	-418.812	-435.570
	Sale of property, plant and equipment	152	0
	EU subsidy received	145.269	181.733
	Total cash flow from investing activities	**-273.391**	**-253.837**
	Free cash flow	**-127.450**	**-38.574**
	Cash flow from financing activities		
	Borrowing	330.734	0
	Interest paid	-1.547	-4.363
	Total cash flow from financing activities	**329.187**	**-4.363**
	Change for the period for cash at bank and in hand	**201.737**	**-42.937**
	Cash at bank and in hand at 1 January	198.904	241.841
	Cash at bank and in hand at 31 December	**400.641**	**198.904**
	Cash at bank and in hand is composed as follows:		
	Cash at bank and in hand and deposit accounts	400.641	198.904
14	**Cash at bank and in hand at 31 December**	**400.641**	**198.904**

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

Notes

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 2011.

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.

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

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 2012, the company has implemented IFRS 1 and 7 and IAS 12.

The following amendments to existing and new standards and interpretations have not yet become effective and are not applicable in connection with the preparation of the annual accounts for 2012: IAS 1, 19, 27, 28 and 32; IFRS 1, 7, 9, 10, 11, 12 and 13; and IFRIC 20. The new standards and interpretations will be implemented.

The implementation of IFRS 9 and 13 will change, among other things, the classification and measurement of financial assets and liabilities. The implementation of these standards 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 2013, 2014 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 comprehensive 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 comprehensive income statement.

Result and the comprehensive income statement
The company's objective is to manage the planning and client management of the fixed link across the Fehmarnbelt. The company's expenses are capitalised and included in the cost of "road and rail assets under construction" as tangible assets. In the results and comprehensive income statement these are only included as a share of the company's general administration costs.

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

Public subsidies
Government subsidies include EU subsidies and guarantees from the Danish state. Public subsidies are recognised when it is reasonably likely that subsidy conditions will be met, and that the subsidy will be received.

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

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 comprehensive 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.

Balances under corporation tax legislation's interest deduction limitation rules are divided among the jointly taxed companies in accordance with the joint taxation agreement. Deferred tax liabilities relating to these balances are recognised in the balance sheet while deferred tax assets are recognised only if the criteria for recognition of deferred tax assets are met.

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.

Balances under corporation tax legislation's interest deduction limitation rules are divided among the jointly taxed companies in accordance with the joint taxation agreement. Deferred tax liabilities relating to these balances are recognised in the balance sheet while deferred tax assets are recognised only if the criteria for recognition of deferred tax assets are met.

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 comprehensive income statement, are split into financial income, financial expenses and value adjustment. Financial income and expenses comprise interest income, interest expenses and realised inflation indexation from payables and derivatives. 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 is initially recognised at fair value, as well as subsequently. 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. 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.

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 the comprehensive income statement. 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.

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, and forward exchange contracts. 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.

As a consequence of the change 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 company 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. There were no transfers between the levels over the year.

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 comprehensive 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 comprehensive 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 equiment
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 interest
- 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.

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

Depreciation is recognised in the road and rail link in progress.

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 road and rail link in progress 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.

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

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.

Fee to the company's auditors elected at the General Meeting	**2012**	**2011**
Statutory audit	200	225
Other assurance statements	0	6
Tax advice	712	429
Other services	442	56
Total fees to the company's auditors elected at the General Meeting	**1.354**	**716**
Recognised in road and rail construction project in progress	-1.154	-491
Fee to the company's auditors elected at the General Meeting in the income statement	**200**	**225**

Operating leases	**2012**	**2011**
Rented premises and vehicle hire, regarded as operating leases, are recognised in road and rail construction project in progress(corresponding to minimum benefits):	10.002	9.942
The notice period for operating lease periods are:		
0-1 years	9.977	9.931
1-5 years	39.657	39.452
After five years	14.846	24.567
Operating leases, total	**64.480**	**73.950**

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.

	2012	2011
Wages and salaries, remuneration and emoluments	60.347	53.565
Pension contributions	152	132
Social security	416	525
Other staff expenses	3.102	2.377
Total staff expenses	**64.017**	**56.599**
Recognised in road and rail construction project in progress	-63.619	-56.311
Staff expenses in the comprehensive income statement	**398**	**288**
Average number of employees	70	62
Number of employees at 31 December	89	74

Remuneration for Management Board

For 2012	**Fixed salary**	**Pensions**	**Non-monetary benefits**	**Total**
Claus F. Baunkjær*	762	0	1	763
Leo Larsen**	427	0	0	427
Total	1.189	0	1	1.190

*CEO 1/9-31/12 2012

**CEO 1/1-31/8 2012

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

Note 3 Staff expenses (cont.)

Fee to the Board of Directors	2012	2011
Henning Kruse Petersen (Chairman)	0	0
Carsten Koch (Vice-Chairman)	0	0
Pernille Sams	0	0
Jørgen Elikofer	0	0
Rainer Feuerhake	125	125
Mette Boye	0	0
Walther Christophersen	0	0
Jeanne Christensen	125	125
Leif Sjøgren	0	33
Zoran Markou	125	125
Karsten Holmegaard	125	92
Total fees to the Board of Directors	**500**	**500**

If the company terminates the employment of the CEO, a contract has been signed for the payment of severance pay corresponding to 12 months' salary.

There are no incentive payments or bonus schemes for the Management Board and Board of Directors.

Key management personnel, comprising the Board of Management and the Management Board, are remunerated as shown above.

Note 4 Tax (DKK1,000)

	2012	2011
Tax paid (joint tax contribution)	0	1.210
Change in deferred tax	158	-1.047
Adjustment of tax for previous years	3.504	0
Adjustment of deferred tax for previous years	-3.499	0
Total	**163**	**163**
Tax on the year's result is specified as follows:		
Computed 25 per cent tax on year's results	160	136
Other adjustments	3	27
Total	**163**	**163**
Effective tax rate	**25,5%**	**30,1%**

Note 5 Software (DKK1,000)

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

	2012	2011
Original cost at 1 January	5.183	5.183
Additions for the year	2.881	0
Original cost at 31 December	**8.064**	**5.183**
Depreciation at 1 January	4.451	2.686
Additions for the year	847	1.765
Depreciation at 31 December	**5.298**	**4.451**
Balance at 31 December	**2.766**	**732**
Depreciation recognised in road and rail construction project in progress	847	1.765

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

	2012	2011
Original cost at 1 January	899.993	639.463
Additions for the year	420.841	442.490
Disposals for the year	-16	-227
EU subsidy received	-145.269	-181.733
Original cost at 31 December	**1.175.549**	**899.993**
Balance at 31 December	**1.175.549**	**899.993**
Of which areas	8.556	2.472

In road and rail links in progress, financing expenses (net) for the year are recognised at DKK 1,547 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.

	2012	2011
Original cost at 1 January	9.059	9.036
Additions for the year	354	23
Original cost at 31 December	**9.413**	**9.059**
Depreciation at 1 January	990	630
Additions for the year	363	360
Depreciation at 31 December	**1.353**	**990**
Balance at 31 December	**8.060**	**8.069**
Depreciation recognised in road and rail construction project in progress	363	360

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.

	2012	2011
Original cost at 1 January	25.517	21.678
Additions for the year	2.995	3.839
Original cost at 31 December	**28.512**	**25.517**
Deprecation at 1 January	11.760	7.372
Additions for the year	5.387	4.388
Deprecation at 31 December	**17.147**	**11.760**
Balance at 31 December	**11.365**	**13.757**
Depreciation recognised in road and rail construction project in progress	5.387	4.388

Note 9 Operating plant (DKK1,000)

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

	2012	2011
Original cost at 1 January	6.955	6.026
Additions for the year	1.388	1.479
Disposals for the year	-370	-550
Original cost at 31 December	**7.973**	**6.955**
Depreciation at 1 January	2.483	1.451
Additions for the year	1.503	1.197
Disposals for the year	-234	-165
Depreciation at 31 December	**3.752**	**2.483**
Balance at 31 December	**4.221**	**4.472**
Depreciation recognised in road and rail construction project in progress	1.503	1.197

Note 10 Deferred tax (DKK 1,000)

	2012	2011
Balance at 1 January	-1.153	-106
Deferred tax for the year	158	-1.047
Other adjustments	-3.499	0
Balance at 31 December	**-4.494**	**-1.153**
Deferred tax relates to:		
Property, plant and equipment	-232.641	-1.945
Reduced net financing expenses	130	0
Tax loss	228.017	792
Total	**-4.494**	**-1.153**

Note 11 Receivables (DKK1,000)

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

	2012	2011
Members	3.117	848
EU subsidy receivable	23.453	50.751
VAT receivable	14.284	6.405
Accrued interest financial instruments	56	1.846
Other receivables	94	83
Total	**41.004**	**59.933**

Note 12 Derivatives (DKK 1,000)

	2012 Assets	2012 Liabilities	2011 Assets	2011 Liabilities
Currency swaps	0	0	15.676	0
Forward exchange contracts	38	0	0	148
Total derivatives	**38**	**0**	**15.676**	**148**

The value adjustment of derivatives at fair value is recognised in projects in progress as part of the financing expenses, net.

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

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

	2012	2011
Prepaid rent	3.151	2.827
Other prepayments	1.488	1.993
Total prepayments and accrued income	**4.639**	**4.820**

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

	2012	2011
Cash at bank and in hand	250.529	35.091
Fixed term deposit accounts	150.112	163.813
Total cash at bank and in hand	**400.641**	**198.904**

Note 15 Share capital (DKK 1,000)

	2012	2011
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 2012, 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)

	2012	2011
At 1 January	3.042	3.421
Loss for the year	-475	-379
At 31 December	**2.567**	**3.042**

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

	2012	2011
Creditors	38.506	28.429
Members	8	14
Affiliated companies	2.503	1.318
Accrued interest financial instruments	2.060	2.568
Prepayments received (EU subsidy	222.022	112.308
Other payables	42.108	43.739
Total	**307.207**	**188.376**

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 raised loans for DKK 800 million in 2012. Expected loan requirements in 2013 total DKK 400 million, of which refinancing amounts to DKK 0.

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 390 million. 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 19 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 higher 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 gross debt to floating interest rate guarantees and is therefore only exposed to changes in the floating rate in DKK and EUR on the excess liquidity, and the impact of an interest rate variation of 1 percentage point would affect the cash flow by DKK 4 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	400.513	0	0	0	0	0	400.513	400.589
Bond loans and other loans	0	-800.000	0	0	0	0	-800.000	-834.015
Interest and currency swaps	0	0	0	0	0	0	0	0
Forward exchange contracts	157	0	0	0	0	0	157	38
Other derivatives	**400.670**	**-800.000**	**0**	**0**	**0**	**0**	**-399.330**	**-433.388**

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 3.6 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 15.6 million as at 31 December 2012.

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 0 on a single counterparty in the AA rating category and a fixed term deposit on the same counterparty that corresponds to DKK 150 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 ri
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	400.513	0	0	0	0	0	400.513
Receivables and debt certificate	37.893	0	0	0	0	0	37.893
Derivatives, assets	149.000	0	0	0	0	0	149.000
Liabilities	0	-800.000	0	0	0	0	-800.000
Derivatives, liabilities	-149.000	0	0	0	0	0	-149.000
Trade creditors	-38.506	0	0	0	0	0	-38.506
Total principal amount	**399.900**	**-800.000**	**0**	**0**	**0**	**0**	**-400.100**

Note 19 Securities
The company has not provided any securities.

Note 20 Purchase commitments
With regard to expropriation and advance acquisitions of areas and properties for use in the establishment of the fixed coast-coast link across the Fehmarnbelt, there are purchase commitments for an estimated amount of DKK 109 million.

Note 21 Contingent liabilities
The company has no other obligations.

Note 22 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	Guarantee for the company's liabilities. Guarantee commission	Fixed by legislation. Constitutes 0.15% of the nominal debt
A/S Femern Landanlæg	Copenhagen	100% ownership of Femern A/S		
Sund & Bælt Holding A/S	Copenhagen	100% ownership of A/S Femern Landanlæg	Handling of operational tasks Joint tax contribution	Market price
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 Joint tax contribution	Market price
A/S Storebælt	Copenhagen	Affiliated company	Sale of consultancy	
Øresundsbro Konsortiet	Copenhagen / Malmø	Affiliated company	Purchase of consultancy	Market price

Related parties	Description	Amount 2012	Amount 2011	Balance as at 31 december 2012	Balance as at 31 December 2011
The Danish State	Guarantee commission	-1.000	-750	-1.000	-750
Sund & Bælt Holding A/S	Handling of operational tasks	-2.335	-2.075	-393	-424
	Joint tax contribution	3.504	1.210	3.504	1.210
Sund & Bælt Partner A/S	Joint expenses	218	465	6	63
A/S Storebælt	Consultancy	-124	467	-8	-14
Øresundsbro Konsortiet	Consultancy	-7.128	-3.512	-2.503	-1.318

Note 23 Events after the balance sheet date

The government's Growth Plan proposes to front load the activities on the Fehmarnbelt project by DKK 1,180 million, of which DKK 350 million relates to the company's operations in 2015. Upon approval of the advance, the Finance Committee expects its borrowing limit to be increased to DKK 4 billion.

There are no additional post balance sheet events of importance for the Annual Report for 2012.

Note 24 Approval of the annual report for publication

The Board of Directors approved this annual report for publication at the Board meeting on 18 March 2013. The annual report shall be submitted to Femern A/S' shareholder for approval at the Annual General Meeting on 25 April 2013.

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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, 2012 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 31 December, 2012 and the result of the company's activities and cash flow for the financial year 1 January – 31 December, 2012.

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.

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Copenhagen, 18 March 2013

Management Board

Claus F. Baunkjær
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 A/S
We have audited the annual accounts for Femern 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 and disclosure requirements in the Danish Financial Statements 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 disclosure requirements in the Danish Financial Statements Act. 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 and disclosure requirements in the Danish Financial Statements Act.

Emphasis of matter relating to the annual accounts
Without this having influenced our opinion, we refer to Note 18 (with reference to page 9 in the Management Report), where it is stated that the company's continuing 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, 18 March 2013

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:

- Den Danske Forskningsfond (Chairman)
- Soclé du Monde ApS (Chairman)
- Erhvervsinvest Management A/S (Chairman)
- Scandinavian Private Equity Partner A/S (Chairman)
- A/S Det Østasiatiske (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 (Vice-Chairman)
- Asgard Ltd. (Vice-Chairman)
- Skandinavisk Holding A/S (Vice-Chairman)
- Fritz Hansen A/S (Vice-Chairman)
- Skandinavisk Holding II A/S
- Scandinavian Tobacco Group A/S
- Scandinavian Private Equity A/S
- William Michaelsens Legat
- ØK´s Almennyttige Fond.
- Tesch Allé ApS
- Midgard Group Inc.

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
- Dades A/S
- Investeringsforeningen Maj Invest
- Kærkommen Holding ApS
- GES Investment Services Denmark A/S
- Pluss Leadership A/S
- Nordgroup A/S

Pernille Sams
Director

Member of the Board of Directors of:
- Danske Selvstændige ejendomsmægle-re (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
- Amalgamated Metal Corporation PLC
- GP Günter Papenburg AG

Jeanne Christensen
Accounts assistant (elected by employees)

Zoran Markou
IT System Administrator (elected by em-ployees)

Karsten Holmegaard
Head of Media Relations (elected by em-ployees)

Management Board

Claus F. Baunkjær
CEO

Chairman of the Government Committee for commercial passenger transport.

This publication was compiled by Femern A/S.

Femern A/S is responsible for the planning of the Fehmarnbelt coast-to-coast link.

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Reservations: The alignment and technical solutions for the Fehmarnbelt Fixed Link's coast-to-coast facility have not been finally decided. Femern A/S is proposing the current concept of a tunnel solution with an alignment east of Puttgarden and Rødbyhavn as the one that best meets the various criteria. The final choice of solution will depend on factors such as the forthcoming environmental impact assessment and will not be made until a construction act has been enacted in Denmark and the final German construction permit has been granted.

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