
A/S Øresund
Vester Søgade 10
1601 Copenhagen V

CVR no. 15807830

Annual Report 2016

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Company objective

A/S Øresund's primary task is to own and operate the fixed link across Øresund with associated landworks. These tasks must be carried out with due regard for maintaining a high level of safety and accessibility on the link. Moreover, repayment of the loans raised to finance the facilities must take place within a reasonable time frame.

Highlights of the year

Financial position

The result before fair value adjustment and tax – including the share from Øresundsbro Konsortiet I/S – was a profit of DKK 116 million and is therefore over DKK 50 million higher than in 2015.

The result was primarily affected by higher turnover from Øresundsbro Konsortiet I/S of over DKK 68 million, higher operating expenses of DKK 35 million as a consequence of assuming maintenance responsibility for the Øresund railway with effect from 1 September 2015 and lower interest expenses.

The result before tax amounted to a loss of DKK 450 million and is affected by negative fair value adjustments of DKK 566 million. The result after tax is a loss of DKK 351 million.

Profitability

The repayment period for A/S Øresund is now calculated at 51 years, which is one year less than last year, primarily due to increased interest rate hedging based on low interest rates.

The repayment period for Øresundsbro Konsortiet I/S is unchanged at 34 years from the opening year of 2000.

Management

Henning Kruse Pedersen relinquished his post as Chairman at the Annual General Meeting in April and was replaced by Peter Frederiksen. David P. Meyer (Vice-Chairman), Ruth Schade and Lene Lange have joined the Board of Directors.

Mikkel Hemmingsen was appointed CEO with effect from 15 September 2016.

With regard to Øresundsbro Konsortiet I/S, the result before value adjustments improved by approximately DKK 121 million on the year.

A/S Øresund's interest-bearing net debt increased by DKK 0.2 billion during the year and totalled DKK 11.2 billion at the end of 2016.

Value adjustments' impact on results

	Consolidated income statement in relation to annual report	Fair value adjust- ment	Proforma income state- ment
Operating loss	-168.8		-168.8
Net financials	-686.0	460.3	-225.7
Loss before share of jointly managed company	-854.8		-394.5
Result from jointly managed company	404.6	105.3	509.9
Profit before value adjustment and tax			115.4
Fair value adjustment		-565.6	-565.6
Loss before tax	-450.2		-450.2
Tax	99		99
Result for the year	-351.2		-351.2

Financial position

The result before financial value adjustments, the share in the jointly managed company and tax amounts to a loss of DKK 395 million against a loss of DKK 376 million in 2015.

Operating income amounts to DKK 101 million and primarily comprises fees from Banedanmark for use of the rail link.

Operating expenses total DKK 77 million.

Core inflation in the US and Europe struggled to reach the central banks' target of 2%, which meant that both short and long-term rates remain at historically low levels. The development has benefitted the company and led to a lower inflation indexation on the real rate debt than anticipated in the budget. The portfolio's duration was increased further compared to the end of 2015.

Net interest expenses were affected by low Danish interest rates and inflation, but also by a larger debt and amount to DKK 226 million, which is DKK 20 million less than in 2015.

The fair value adjustments consist of an expense of DKK 460 million. The value adjustment comprises in part negative fair value adjustments of financial assets and liabilities of DKK 467 million, and partly of an income from foreign exchange adjustments of DKK 7 million net.

Fair value adjustments are an accounting item that do not affect the repayment period of the company's debt as the debt is paid off at nominal value.

The result from Øresundsbro Konsortiet I/S is a profit of DKK 809 million, which contained negative fair value adjustments of DKK 211 million. The result before fair value adjustments was DKK 212 million up on 2015 and was affected by an increase in road revenues of DKK 68 million and a fall in interest expenses of DKK 40 million. A/S Øresund's share of the result is 50 per cent, corresponding to an income of DKK 405 million.

The annual result before fair value adjustments and tax is a profit of DKK 166 million, including the share of the profit from Øresundsbro Konsortiet I/S.

Tax on the year's results amounted to an income of DKK 99 million. The result after tax is a loss of DKK 351 million.

In the interim financial statement for Q2, the outlook for the year's result before financial value adjustments and tax was adjusted upwards to a level of DKK 0-20 million. The actual result before fair value adjustments and tax was between DKK 150-170 million better than the upgraded result and is thus approximately DKK 235 million better than expected at the beginning of the financial year. This primarily stems from lower financing expenses as a result of a lower than expected level of inflation, but also higher operating revenues for Øresundsbro Konsortiet I/S.

Equity at 31 December 2016 was negative at DKK 6,608 million. The company's negative equity is expected to be increased over a number of years.

Against the background of the estimated operating results for the company and Øresundsbro Konsortiet I/S, equity is expected to be restored within a time frame of 25-27 years, from the end of 2016.

Future operating results are estimated on the basis of the Ministry of Transport, Building and Housing's fixed fees from Banedanmark for use of the rail link and on the basis of traffic forecasts for the Øresund Bridge. The operating results are recognised at 50 per cent, which corresponds to the shareholding.

It should be noted that under the terms of the Act on Sund & Bælt Holding A/S for A/S Øresund, and against a guarantee commission of 0.15 per cent, the Danish government has extended separate guarantees for interest and repayments and other ongoing liabilities associated with the company's borrowings. In addition, and without further notification of each individual case, the Danish state guarantees the company's other financial obligations. Øresundsbro Konsortiet's liabilities are guaranteed jointly and severally by the Danish and Swedish states.

Cash flow from operations are negative at DKK 36 million, which is DKK 291 million lower than in 2015.

Cash flow from investing activities is negative and totals DKK 14 million, due to investments in fixed assets.

The free cash flow is negative at DKK 50 million and arises on the basis of operations less capital investments and expresses the company's ability to generate liquidity for financing interest and repayment of the company's liabilities.

Financing activities include borrowing, interest expenses and debt repayments, which netted an outflow of DKK 87 million. Interest expenses are primarily covered by loans.

In total, the company's cash funds fell by DKK 137 million so that cash at bank and in hand at the end of 2016 was negative and totals DKK 162 million.

Finance

2016 was characterised by moderate growth in the world economy. Oil prices and hence inflation were once again the focus on both sides of the Atlantic. Oil started the year with a dip below USD 30 per barrel, but stabilised during the spring and summer at around USD 45 per barrel. OPEC agreed a production ceiling at the end of the year, which pushed the price up further and meant that oil closed the year at approximately USD 57 per barrel.

Core inflation has had difficulty reaching the central banks' target of approximately 2 per cent on both sides of the Atlantic. In the US, core inflation rose slightly and was just under 1.8 per cent at the end of 2016. In Europe, it was around 1 per cent lower at 0.8 per cent.

A worrying trend is falling world trade – a development that escalated after the financial crisis, including through increased protectionism and exchange rate adjustments. Another current trend is the generally weak productivity growth and the low level of investment. Both factors might be influenced by – somewhat surprisingly for the markets – the US presidential. A key element of his economic policy is expected to be significantly increased investment, including in infrastructure. On the other hand, he has a somewhat protectionist attitude, which could harm world trade further.

Another surprise in 2016 was the British decision to leave the European Union. The actual execution of the referendum result and the negotiations about the future cooperation between the UK and the EU are expected to take several years.

Interest rates tested new lows over the summer and, although the surprising US presidential election result led to rising rates, they are still at very low levels.

Debt increased by DKK 0.2 billion in 2016.

At the end of 2016, A/S Øresund's interest-bearing net debt totalled DKK 11.2 billion.

Financial strategy

A/S Øresund's objective is to maintain an active and comprehensive financial management that minimises the long-term financial costs with due regard for financial risks. Among other things, financial risks are minimised by having exposure to DKK and EUR, while optimisation of the loan portfolio is achieved through the use of swaps and other derivative financial instruments.

The company raised loans via the Nationalbanken throughout 2016. Such on-lending continues to remain very attractive compared to alternative funding sources.

The company's cautious approach to credit risk meant that the company did not lose money in 2016 because of financial counterparties' insolvency.

The company's real interest rate exposure of approximately 1/3 of the total net debt also gave rise to inflation indexation in 2016, which was marginally below the result for 2015. The reason is that Danish inflation also remained at a very low level in 2016 as a result of further declines in energy prices, falling food prices and continued low wage pressure in the economy. Inflation is expected to rise in 2017 – not least because the decline in oil prices of recent years will fall out of the calculations.

The debt duration increased further in 2016. The benchmark for 2017 is 9.0 years, as it was for 2016.

Financial ratios 2016

	DKK million	Per cent p.a.
Borrowing 2016	2,364	
- of which on-lending from Nationalbanken	2,364	
Gross debt (fair value)	13,562	
Net debt (fair value)	12,957	
Interest-bearing net debt	11,190	
Real rate (before value adjustment)		1.60
Interest expenses	210	1.91
Value adjustment	460	4.19
Total financing expenses *)	670	6.10

*) Note: The amount excludes the guarantee commission, which totals DKK 15.8 million.

Profitability

The investment in the Øresund fixed link's landworks will be repaid partly through payment from Banedanmark for use of the Øresund rail line and partly through dividend payments from Øresundsbro Konsortiet I/S of which A/S Øresund owns 50 per cent.

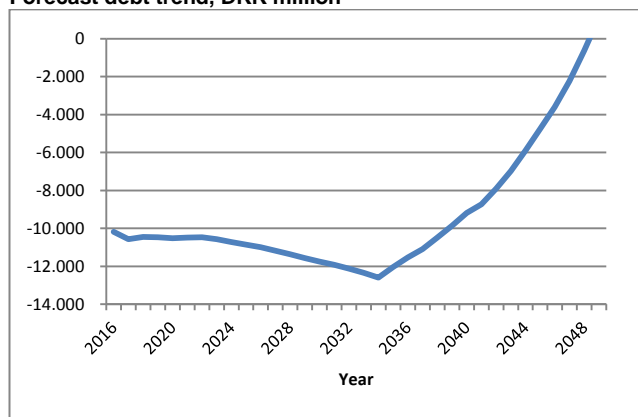
A/S Øresund was affected by the above-mentioned changes in the 2016 Budget where the annual fee for the railway companies' use of the fixed links will be gradually reduced over the coming years. In addition, A/S Øresund is obliged to pay the Danish state's rail contribution to Øresundsbro Konsortiet I/S until 2024 on a gradual basis. As basis for the calculation of the repayment period for the long-term profitability, the company uses a real rate of 3,0%

Moreover, as a consequence of the joint taxation with the Group's other companies, A/S Øresund obtains a cash flow advantage. This is because joint taxation with A/S Storebælt means that A/S Storebælt can immediately offset A/S Øresund's tax loss against paying the proceeds of the tax savings to A/S Øresund. A/S Øresund can thus forward the application of its tax loss over time.

The repayment period for A/S Øresund is now assessed be 51 years, which is 1 year less than last year due to increased interest rate hedging based on low interest rates.

The repayment period for A/S Øresund is sensitive to the changes in the economy, including joint taxation contribution and the Group's dividend policy

Forecast debt trend, DKK million



See more about Øresundsbro Konsortiet I/S' repayment period on page 9.

Events after the balance sheet date

There are no events after the balance sheet date that are of significance to the Annual Report for 2016.

Outlook for 2017

Economic and financial developments in 2017, and thus the company's expectations for the financial result for the year, are subject to some uncertainty.

Projections for the Danish economy point towards a modest increase in the level of growth through 2017, along with a similarly moderate rise in inflation. Interest rates in 2017 are expected to increase slightly compared to 2016.

According to the budget for 2017 drawn up at the end of 2016, the result before financial value adjustments and tax is expected to be a neutral result. Of this, the share of the result from Øresundsbro Konsortiet I/S is a profit of approximately DKK 530 million.

Road

Traffic on the Øresund motorway

The Øresund motorway continues to play a central role in the development of Amager and is an indispensable link between Copenhagen and the wider world via the airport and Øresund Bridge. It plays very much into the daily management of the critical infrastructure facilities that have a very high traffic density.

As a result, accessibility, availability and safety for motorists is continually in focus when carrying out maintenance and reinvestments on this stretch of road. This includes activities being transferred to low-traffic times of day wherever possible. Extensive upgrades may, however, also be carried out in the daytime to make the impact as brief as possible. Such activities are always based on thorough analyses of traffic flow and clear communication to neighbours, road users and other partners.

In 2017, work starts on an analysis of the need for capacity improvements on the landworks. The plan will be prepared on the basis of a traffic development forecast for the Øresund motorway. The projection has to take into account general traffic developments, but will, for example, also include urban development plans and the expansion of Copenhagen's airport.

Traffic on the Øresund motorway increased by approximately 3.4 per cent in 2016 compared to 2015. This means that some 82,350 vehicles per day travel west of Ørestad and about 68,140 vehicles per day east of Ørestad.

Climate protection

In 2012, the coastal dyke between Kalvebod Bridge and Kongelunden on West Amager was raised. Vestamager Pumpedlag's board, of which Sund & Bælt is part, has initiated work to finalise the last part of the dyke around south/western Amager at Ullerup, so that this part of Amager and Sund & Bælt's facilities will be better protected from flooding in storm situations.

Partnership with the Nature Agency on extreme rainfall

An agreement has been reached with the Nature Agency that A/S Øresund, in normal situations, brings water from its drainage systems to that part of West Amager located on the south side of the Øresund motorway. The objective is a desired improvement in the natural habitat. The system was also designed so that it can function as a relief for A/S Øresund's drainage system in extreme rainfall situations. The project will be implemented with funding from The Danish Nature Agency in spring 2017.

Key figures, DKK million

Road	2016	2015
Operating income	2.0	2.0
Operating expenses	-26.5	-25.4
Depreciation	-1.1	-28.2
Operating profit (EBIT)	-25.6	-51.6
Net financials	-78.9	-86.3
Loss before financial value adjustments	-104.5	-137.9

Traffic development, %

	2016	2015
Øresund Bridge	5.1	1.8

Railway

The Øresund railway's takeover, maintenance and reinvestments

Total traffic on the Øresund railway fell by 23.7 per cent compared to 2015 and amounted to 89,189 trains. Freight traffic increased by 8.0 per cent in 2016 compared to 2015 and amounted to 8,521 freight trains. The decline in the number of passenger trains can be attributed to border controls between Sweden and Denmark.

The Øresund railway comprises both an 18km railway line from Copenhagen Central Station to and including Kastrup Station at Copenhagen Airport, and a 6km freight line from Ny Ellebjerg to Kalvebod Bridge. As part of the Act on Sund & Bælt Holding A/S and the Railway Act, responsibility for maintenance and reinvestments of the Øresund railway was transferred to A/S Øresund on 1 September 2015. In conjunction with the acquisition of the Øresund railway, work went ahead on a comprehensive overview of the state of the rail technical installations. The large volume of traffic contributes to increased wear on the track and catenary systems. During 2016 replacement of rails and track parts was completed and this has contributed to improving the maintenance level.

A comprehensive 50-year reinvestment plan for all railway installations on the Øresund railway has been prepared. In this context, there is an established need for major reinvestment in a range of mechanical installations as well as track and the catenary systems.

Storebælt's Technical Monitoring took over the monitoring of the SCADA system on the Øresund railway as from 1 December 2016. Joint monitoring of the Storebælt rail section and the Øresund railway will benefit from accumulated experience.

Punctuality

The framework conditions for the operational impact on trains on the Øresund railway in 2016 were set at a maximum of 1,800 delayed passenger trains and 139 delayed freight trains. At year end 1,553 delayed passenger trains were recorded, which corresponds to approximately 86 per cent of the maximum permitted number of delayed passenger trains, and 26 delayed freight trains were recorded, which corresponds to approximately 19 per cent of the maximum permitted number of delayed freight trains.

Punctuality thus improved significantly during 2016, with the improvement being attributed to the fact that all track closures due to maintenance work were set out in an annual plan in accordance with Banedanmark's planning process. Analyses of the cause of the recorded errors are ongoing on the Øresund railway for improvement and prevention.

The capacity situation on the Øresund railway

The decision to introduce ID checks at Kastrup Station for travellers to Sweden affected train traffic on the Øresund railway. This resulted in a change from 10-minute to 20-minute operations.

The company participated in discussions with Banedanmark and Denmark's Ministry of Transport, Building and Housing to explore ways to increase capacity on selected sections of the line. This should be seen in the context of the establishment of the Fehmarnbelt link.

Passenger facilities at Ørestad Station are owned by CPH City & Port Development I/S. Discussions were held with the company in 2016 to transfer passenger facilities to A/S Øresund.

Key figures, DKK million

Railway	2016	2015
Operating income	99.0	110.7
Operating expenses	-56.3	-22.3
Depreciation	-192.2	-175.8
Operating profit (EBIT)	-149.5	-87.4
Net financials	-146.8	-159.6
Loss before financial value adjustments	-296.3	-247.0

Øresundsbro Konsortiet I/S

In 2016, Øresundsbro Konsortiet I/S posted a profit before value adjustment of DKK 1,020 million, which is an increase of DKK 121 million over the previous year. The improvement reflects an increase in turnover of DKK 69 million, lower expenses and depreciation of DKK 11 million net and lower interest expenses of DKK 41 million.

Road revenue increased by DKK 75 million compared to 2015 and amounts to DKK 1,346 million.

Total vehicle traffic rose by 5.1% compared to 2015. It is estimated that 1-2% of the rise is due to the border control between Denmark and Sweden. July proved to be a record month in respect of the number of vehicles in one day and the number of vehicles in one month. On average, 20,283 vehicles drove across the Øresund Bridge per day. A total of 7,424,000 vehicles crossed the bridge in 2016, which surpasses the previous record from 2009.

Lorry traffic rose by 3.2% compared to 2015. The market share for lorry traffic across Øresund remains at 53%.

Passenger car traffic rose by 5.1% compared to 2015. Commuter traffic rose by 5.3% compared to 2015. Leisure traffic rose by 6.6% and other passenger traffic rose by 5.2%. The number of BroPas contracts increased by approximately 34,550 compared to 2015 and now stands at 400,550.

Train traffic fell by 1.7% compared to 2015 and now totals 11.1 million passengers.

EBIT came in at a profit of DKK 1,306 million, which is an improvement of DKK 80 million over 2015. After value adjustment, the result for the year was a profit of DKK 809 million.

Equity at 31 December 2016 was positive at DKK 51 million.

The repayment period is unchanged at 34 years from the opening in 2000. Thus, the debt on the Øresund Bridge will be repaid in 2034.

The EU Commission's ruling on the complaint on State aid to Øresundsbro Konsortiet I/S has been brought before the General Court of the European Union by the plaintiff.

Øresundsbro Konsortiet I/S publishes an independent report on corporate social responsibility and sustainable development, which is found at www.oresundsbron.com/samfundsansvar (Danish only).

Further details about the Øresund Bridge are available from Øresundsbro Konsortiet I/S' Annual Report at www.oresundsbron.com

Through A/S Øresund, Sund & Bælt owns 50 per cent of Øresundsbro Konsortiet I/S, which is responsible for the Øresund Bridge's operations

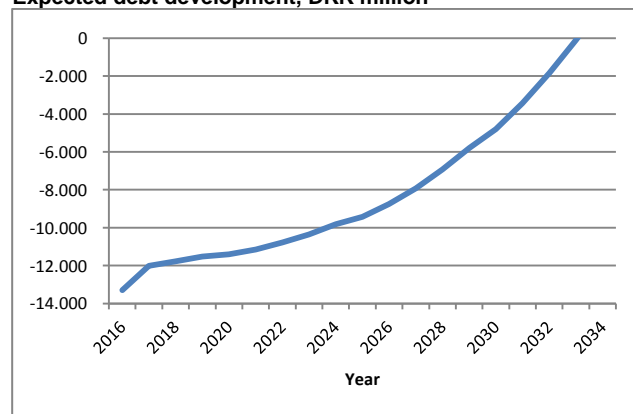
Key figures, DKK million

Øresundsbro Konsortiet	2016	2015
Operating income	1,866.0	1,797.4
Operating expenses	-279.4	-296.8
Depreciation	-280.3	-274.2
Operating profit (EBIT)	1,306.3	1,226.4
Net financials	-286.6	-327.2
Profit before financial value adjustments	1,019.7	899.2
Financial value adjustments	-210.5	234.8
Profit for the year	809.2	1,134.0
Group share of profits	404.6	567.0

Traffic development, %

	2016	2015	2014
Øresund Bridge	5,1	1,8	-3,4

Expected debt development, DKK million



Environment and climate

One of Sund & Bælt’s fundamental values is to support sustainable development and to contribute to meeting the objectives that society has set out with regard to the climate and the environment. This is achieved through a proactive approach to preventing and minimising the impact from the Group’s activities on the surrounding world. The work is based on an environmental and climate policy, annual environmental targets and selected focus areas.

Key figures for selected environmental indicators

	2016	2015 ¹⁾	Trend
Waste volume (tonnes)	580	513	➔
Water consumption (m ³)	11.320	16.017	➔
Water discharge (m ³)	2.5 million	2.7 million	➔
Electricity consumption (kWh)	9.5 million	10.0 million	➔
Electricity production, Sprogø offshore Wind Farm (kWh)	57.1 million	66.6 million	➔

1) Note: Values have been updated in relation to the 2015 Annual Report

A detailed description of Sund & Bælt’s environmental work and its impact is available from the Green Accounts for 2016 and can be read at www.sundogbaelt.dk/samfundsansvar.

A good working environment

Sund & Bælt works proactively to be an attractive workplace that takes care of the safety, health and well-being of its employees. Our objective is to maintain a healthy and safe working environment free from industrial accidents. Our efforts are founded upon a working environment policy and a working environment management system that supports continuous improvement. Working conditions on the road and rail facilities and at the toll station at Storebælt are of critical importance.

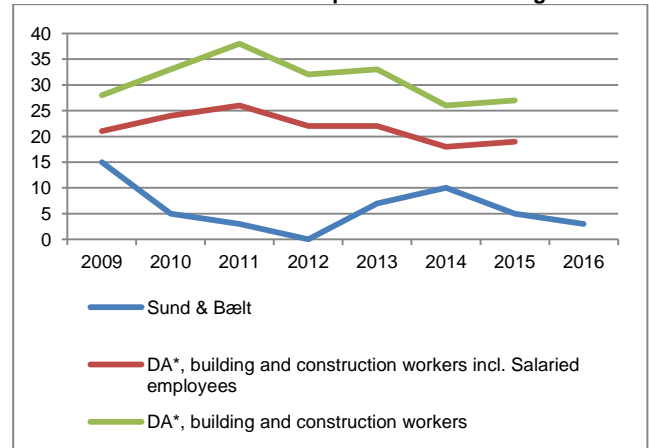
We conduct mandatory safety courses for all employees and contractors. On an annual basis, around 60 safety courses were held for new employees and follow-up courses are held every other year. In total, about 750 employees are trained every year.

Sund & Bælt is certified in accordance with DS/OHSAS 18001, which is part of the targeted effort in this area.

All incidents with or without absence from work as well as “near misses” are analysed to prevent recurrences and make improvements. All contractors are obliged to report accidents and near-misses to Sund & Bælt. In 2016, specific focus was trained on monitoring and the reporting of near-misses, which could have resulted in personal injury.

In 2016, contractors and Sund & Bælt employees spent almost 575,500 working hours on the road and rail facilities, at Sprogø Offshore Wind Farm, at workshops and in offices - and have managed to maintain a low number of accidents.

Number of industrial accidents per 1 million working hours



* Confederation of Danish Employers, manual workers and salaried employees

Traffic safety on the road link

One of Sund & Bælt’s objectives is that it must be at least as safe to drive on the Øresund motorway as it is on other motorways in Denmark. Sund & Bælt takes a proactive approach to traffic safety, i.e. by preventing accidents through analysis and screening all incidents. In 2016, there were five traffic accidents involving serious personal injury of which three were on the Øresund motorway. In addition, there was one traffic accident with one fatality on the Øresund motorway.

Corporate Governance

A/S Øresund is 100 per cent owned by Sund & Bælt Holding A/S. Through its 100 per cent ownership of Sund & Bælt Holding A/S, the Danish state is the company's supreme authority and exercises its ownership in accordance with the legislative guidelines set out in the publication "The state as shareholder".

The two-tier management structure consists of a Board of Directors and a Management Board, which are independent of each other. No individual is a member of both boards.

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

NASDAQ Copenhagen's corporate governance recommendations correspond to the recommendations from the Committee for Corporate Governance updated in November 2014. A/S Øresund generally complies with NASDAQ Copenhagen's corporate governance recommendations. Exceptions to the recommendations are owing to the Group's special ownership structure where the Danish state is the sole shareholder. The exceptions to the recommendations are:

- In connection with elections to the Board of Directors, the shareholder assesses the necessary expertise that the Board should possess. Therefore, no nomination committee has been established.
- 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. The Board of Directors of Sund & Bælt Holding A/S has decided that no fees should be paid to the board members of A/S Øresund. 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. According to the recommendations, members should stand for election every year.
- No Board of Directors committee has been established.
- No evaluation of the work of the Board of Directors and Management Board was carried out.

A/S Øresund meets the diversity requirements at senior management levels. There is a 44/56 distribution between the sexes among board members.

The company has set up an Audit Committee which, at a minimum, meets half-yearly. The members of the Audit Committee comprise the entire Board of Directors and the Vice-Chairman of the Board of Directors is Chairman of the Audit Committee.

The Board of Directors held four meetings during the year and, as at 2016, and was deemed to be independent.

With regard to significant concurrent positions held by the senior management outside the company, please refer to the section "Board of Directors, Board of Management and Senior Executives".

The recommendations from the Committee for Corporate Governance are available at www.corporategovernance.dk

CSR – Corporate Social Responsibility

Sund & Bælt helps to create growth and cohesion in Denmark by operating a responsible company whose aim is to bind humans and regions together and balances respect for economy, people and the environment in its daily operations. A safe and efficient traffic flow is the foundation of the Group and the safety of both customers and employees is paramount. CSR is thus not an isolated activity, but a basic tenet that is integrated into daily work.

Sund & Bælt has joined the UN Global Compact and through its membership is required to respect, comply and work with the 10 principles of the Global Compact. We do this through its CSR policy and risk assessment with related activities. For example, respect for and observance of human rights are incorporated as part of its human resources policy and a clear environmental and climate policy has been drawn up.

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

Sund & Bælt Holding A/S' Annual Report is available at www.sundogbaelt.dk/arsrapport

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

The Green Accounts are available at www.sundogbaelt.dk/grøntregnskab

Risk management and control environment

Certain events may prevent the Group from achieving its objectives in whole or in part. The likelihood that such events will occur is an element of risk of which the company is well aware. Some risks can be managed and/or reduced by the company itself while others are external events over which the companies have no control. The company has identified and prioritised a number of risks based on a holistic approach. As part of the work with these issues, the Board of Directors receives a report on an annual basis.

The greatest risk to accessibility is a prolonged interruption to a traffic link caused by a ship colliding with a bridge, terrorist activity or the like. The likelihood of such incidents is remote, but the potential consequences are significant. The potential financial losses for the company from such events, including operating losses for up to two years, are, however, covered by insurances.

A/S Øresund's objective is to ensure that safety on the links should be high and at least as high as on similar Danish facilities. So far, this objective has been met and the proactive safety work continues. The work is supported by regularly updated risk analyses.

In partnership with the relevant authorities, A/S Øresund maintains a comprehensive contingency plan, including an internal crisis management programme for handling accidents etc. on the company's traffic facilities. The programme is tested regularly through exercises.

Long-term traffic development is a significant factor in the debt's repayment period, c.f. notes 19 and 20 where the calculations and uncertainty factors are described. In addition to the general uncertainties that are inherent in such long-term forecasts, there is a special risk related to adjustment to prices introduced by the authorities, e.g. in the form of EU directives. The introduction of road taxes may also impact on the bridges' market position.

Development in long-term maintenance and reinvestment costs is subject to some uncertainty too. A/S Øresund works proactively and systematically to reduce such factors and it is unlikely that these risks will have a major effect on the repayment period.

Work on holistic risk management has defined and systemised a number of risks linked to the company's general operations. These include the risk of computer breakdowns or a failure of other technical systems, unauthorised access to computer systems, delays to, and cost increases for, maintenance work etc. These risks are handled by day-to-day management and the line organisation.

A/S Øresund's risk management and internal controls in connection with the accounts and financial reporting are intended to minimise the risk of material error. The internal control system contains clearly defined roles and areas of responsibility, reporting requirements and procedures for attestation and approval. Internal

controls are examined by the auditors and reviewed by the Board of Directors through the Audit Committee.

Key figures and financial ratios

(DKK million)

	2012	2013	2014	2015	2016
Operating income	105	107	107	113	101
Operating expenses	-25	-32	-26	-42	-78
Depreciation	-86	-80	-80	-200	-192
Operating profit (EBIT)	-6	-5	1	-130	-169
Net financials before value adjustment	-397	-279	-225	-246	-226
Loss before value adjustment	-403	-284	-224	-376	-395
Value adjustments, net	-225	538	-904	556	-460
Profit from jointly managed company (Øresundsbro Konsortiet I/S) *)	39	1,039	56	567	405
Profit/loss before tax	-589	1,293	-1,072	747	-450
Tax	147	-465	277	-178	99
Profit/loss for the year	-442	828	-795	569	-351
Capital investment for the year	41	4	3	9	13
Capital investment at the end of the year	6,038	5,961	5,883	5,688	5,579
Bond loans and bank loans	13,261	13,033	13,164	12,905	13,449
Net debt (fair value)	13,144	12,494	13,083	12,302	12,957
Interest-bearing net debt	11,508	11,446	11,145	10,956	11,190
Equity	-6,924	-6,096	-6,892	-6,257	-6,608
Balance sheet total	10,245	9,228	8,969	8,525	8,416
Financial ratios, per cent.:					
Profit ratio (EBIT)	-5.7	-4.7	0.9	-117.7	-167.3
Rate of return (EBIT)	-0.1	-0.1	0.0	-1.6	-2.0
Return on facilities (EBIT)	-0.1	-0.1	0.0	-2.3	-3.1

NB: The financial ratios have been stated in accordance with the Society of Financial Analysts' "Recommendations and Financial Ratios 2015". Please refer to definitions and concepts in note 1 Accounting Policies.

*) Øresundsbro Konsortiet I/S' share of the results for 2016 includes an expense of DKK 211 million relating to value adjustments. The result before value adjustments amounts to profits of DKK 1,020 million.

Comprehensive income statement 1 January – 31 December

(DKK million)

Note		2016	2015
	Income		
4	Operating income	101.0	112.7
	Total income	101.0	112.7
	Expenses		
5	Other operating expenses	-77.5	-42.4
7-9	Depreciation and amortisation of intangible fixed assets and property, plant and equipment	-192.3	-200.0
	Total expenses	-269.8	-242.4
	Operating profit (EBIT)	-168.8	-129.7
	Net financials		
	Financial income	85.8	111.8
	Financial expenses	-311.5	-357.6
	Value adjustment, net	-460.3	555.6
10	Net financials, total	-686.0	309.8
	Profit before inclusion of share of results in jointly managed company and tax	-854.8	180.1
11	Share of results in jointly managed company	404.6	567.0
	Profit before tax	-450.2	747.1
12	Tax	99.0	-178.3
	Profit for the year	-351.2	568.8
	Other comprehensive income	0.0	0.0
	Tax on other comprehensive income	0.0	0.0
	Comprehensive income	-351.2	568.8
	Proposed profit appropriation:		
	Retained earnings	-351.2	568.8

Balance sheet 31 December – Assets

(DKK million)

Note	Assets	2016	2015
	Non-current assets		
	Property, plant and equipment		
7	Road link	1,340.4	1,338.4
8	Rail link	4,238.8	4,419.5
9	Operating plant	0.4	0.2
	Total property, plant and equipment	5,579.6	5,758.1
	Other non-current assets		
11	Participating interest in associated company	25.4	0.0
13	Deferred tax	488.2	667.0
	Total other non-current assets	513.6	667.0
	Total non-current assets	6,093.2	6,425.1
	Current assets		
	Receivables		
14	Receivables	488.4	194.3
	Securities	602.5	524.1
15	Derivatives	1,231.6	1,380.9
16	Prepayments and accrued income	0.1	0.1
	Total receivables	2,322.6	2,099.4
	Total current assets	2,322.6	2,099.4
	Total assets	8,415.8	8,524.5

Balance sheet 31 December – Equity and liabilities

		(DKK million)	
Note	Equity and liabilities	2016	2015
	Equity		
17	Share capital	5.0	5.0
17	Retained earnings	-6,613.3	-6,262.1
	Total equity	-6,608.3	-6,257.1
	Liabilities		
	Non-current liabilities		
11	Provisions	0.0	379.1
18	Bond loans and amounts owed to credit institutions	10,696.8	10,728.4
	Total non-current liabilities	10,696.8	11,107.5
	Current liabilities		
18	Current portion of non-current liabilities	2,590.2	2,151.2
	Credit institutions	161.7	25.1
21	Trade and payables	144.9	155.5
15	Derivatives	1,430.5	1,342.3
	Total current liabilities	4,327.3	3,674.1
	Total liabilities	15,024.1	14,781.6
	Total equity, provisions and liabilities	8,415.8	8,524.5

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Statement of changes in equity 1 January – 31 December

		(DKK million)	
	Share capital	Retained earnings	Total
Balance at 1 January 2015	5.0	-6,830.9	-6,825.9
Profit for the year and comprehensive income	0.0	568.8	568.8
Balance at 31 December 2015	5.0	-6,262.1	-6,257.1
Balance at 1 January 2016	5.0	-6,262.1	-6,257.1
Profit for the year and comprehensive income	0.0	-351.2	-351.2
Balance at 31 December 2016	5.0	-6,613.3	-6,608.3

Notes

Note 1 Accounting policies

General

The annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of companies with listed debt instruments. Additional Danish disclosure requirements for annual reports are laid down in the IFRS order issued pursuant to the Danish Financial Statements Act and NASDAQ Copenhagen.

The accounting policies are in accordance with those applied in the Annual Report 2015.

The company has elected to use the so-called Fair Value Option under IAS 39. Consequently, all financial assets and liabilities (loans, placements and derivatives) are measured at fair value and changes in the fair value are recognised in the comprehensive income statement. Loans and cash at bank and in hand are measured at fair value on initial recognition in the balance sheet whereas derivative financial instruments are always measured at fair value, c.f. IAS 39.

The rationale for using the Fair Value Option is that the companies consistently apply a portfolio approach to financial management, which means that the anticipated exposure to financial risks is managed through different financial instruments, both primary and derivative financial instruments. Accordingly, when managing financial market risks, the companies do not distinguish between, for example, loans and derivatives, but solely focus on the total exposure. Using financial instruments to manage financial risks could, therefore, result in accounting inconsistencies were the Fair Value Option not used. This, therefore, is the reason for exercising it.

It is the companies' opinion that the Fair Value Option is the only principle under IFRS that reflects this approach as the other principles lead to inappropriate inconsistencies between otherwise identical exposures depending on whether the exposure relates to loans or derivative financial instruments or requires comprehensive documentation as in the case of hedge accounting. As derivative financial instruments, financial assets and loans are measured at fair value, recognition in the financial statements will produce the same results for loans and related derivatives when hedging is effective. Thus, the company will achieve accounting consistency. Loans without related derivative financial instruments are also measured at fair value in contrast to the main rule laid down 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 million.

In order to assist users of the Annual Report, some of the disclosures required under IFRS are also included in the Management Report. Similarly, information that is not considered material to the financial reader is omitted.

New accounts adjustment

The new and revised IFRS standards and interpretations implemented in 2016 have not resulted in any changes in accounting policies.

The following amendments to existing and new standards and interpretations have not yet come into force and are not applicable in connection with the preparation of the Annual Report for 2016: IAS 7 and 12 and IFRS 9, 15 and 16. The new standards and interpretations will be implemented when they become effective.

The implementation of IFRS 9 changes, 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 effect of IFRS 15 is expected to be insignificant as revenue from road traffic and issuer fees are included when passage has been undertaken.

The implementation of the other standards and interpretations are not expected to have any financial effect on the Sund & Bælt Group's results, assets and liabilities or equity in connection with financial reporting.

Consolidation

Øresundsbro Konsortiet is recognised in the accounts as a joint venture using the equity method at 50 per cent, in that it is a jointly managed company.

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.

Impairment of 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 covered under IAS 39). Impairment losses are recognised by the amount by which the carrying amount of the asset exceeds the recoverable amount, i.e. the higher of an asset's net selling price or its value in use. Value in use is the

present value of 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 separate identifiable cash flows (cash-generating units). See also note 20: Profitability.

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 consolidation in the consolidated accounts and until such time when they may be omitted from the consolidation. With effect from 1 January 2016, the subsidiaries Sund & Bælt Partner A/S and BroBizz A/S, are included in the compulsory joint taxation with the other companies in the Sund & Bælt Group following the abolition of the special legislation for the infrastructure companies in the Sund & Bælt group.

The parent company, Sund & Bælt Holding A/S, is the administrating company for joint taxation and therefore settles all corporation tax payments with the tax authorities.

Balances under corporation tax legislation's interest deduction limitation rules are distributed 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 joint taxation contribution from companies that have been able to use such losses against their own taxable profits.

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

Current tax and deferred tax

Tax owed and joint tax contribution receivable are included in the balance sheet under balances 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 distributed 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 tax assets are recognised only if the criteria for deferred tax assets are met.

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

Financial income and expenses

Financial income and expenses 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 as well as realised gains and losses relating to derivative financial instruments.

The fair value adjustment at the balance sheet date equals total 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 foreign currency translation for financial assets and liabilities 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

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

Cash at bank and in hand, which includes bank deposits, are recognised at fair value on initial recognition in the balance sheet as well as on subsequent recognition. Differences in the fair value between balance sheet dates are included in the income statement under Financial income and expenses. On initial recognition, all cash at bank and in hand items are classified as assets measured at fair value.

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

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

The fair value of loans is calculated as the market value of future known and expected cash flows discounted at relevant rates, as there are no quotations available for unlisted bond issuers and bilateral loans. The discounting rates used are based on current market rates considered to apply to the company as a borrower.

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

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

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

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

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

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

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

For derivative financial instruments with an option for cash flows, e.g. currency options, interest rate guarantees and swaptions, fair value is determined using generally accepted valuation methods (locked formulas) where the volatility of the underlying reference rates and currencies are included. Where derivative financial instruments are tied to several financial instruments, total fair value is calculated as the sum of the individual financial instruments.

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

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the rates at the date of payment are recognised in the comprehensive income statement as financial income and financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rate at the balance sheet date and the rates at the date at which the receivable or payable arose is recognised in the comprehensive income statement as 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 are recognised in value adjustments and translation of receivables, payables etc. are assigned to financial income and expenses.

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 was determined using the following principles:

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

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

Depreciation

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

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

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

Other plant, machinery, fixtures and fittings	5 years
Buildings for operational use	25 years

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

The depreciation method 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 to the depreciation method, the effect on depreciation going forward will be recognised as a change of accounting estimates and judgements.

The basis of depreciation is calculated on the basis of residual value less any impairment losses. The residual value is determined at the time of acquisition and is reassessed annually. If the residual value exceeds the carrying amount, depreciation will be discontinued.

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

Other operating expenses

Other operating expenses include expenses relating to technical, traffic-related and commercial operations of the facilities. These comprise, inter alia, expenses for operation and maintenance of the facility, financial management and fees to the parent company.

Operating leases

Operating leases are recognised in the comprehensive income statement on a straight-line basis over the leasing contract's leasing term unless another systematic method would give a better view of the leases during their term. Leasing contracts have been entered into with a leasing period of 1-5 years. Operating leasing comprises vehicles.

Participating interests in jointly managed company

Participating interests in the jointly managed company are measured in the balance sheet according to the equity method after which the proportion of the company's carrying value is recognised. Any losses on the participating interest are recognised under provisions in the balance sheet.

Securities

Listed securities are recognised under current assets and measured at fair value at the balance sheet date. Holdings of treasury shares are set off against equivalent issued bond loans.

Trade receivables

Trade receivables are measured at the amortised cost. Write-down is made for expected bad debt. Receivables also comprise accrued interest in respect of assets and costs paid concerning subsequent financial years.

Other receivables

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 securities which have a term of less than three months at the acquisition date, and which can readily be converted to cash and which only involve 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 and payments received concerning income in subsequent years.

Cash flow statement

The company's cash flow statement has been prepared in accordance with the indirect method based on the comprehensive 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 as 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 income statement items, computed corporation taxes and changes in working capital. The working capital comprises the operating balance sheet items recognised in current assets and current liabilities.

Cash flow from investing activities comprises the acquisition and disposal of intangible assets, property, plant and equipment and investments.

Cash flow from financing activities comprises the raising of loans, repayment of debt and financial income and expenses.

Cash at bank and in hand comprises cash and short-term marketable securities with a term of three months or less at the acquisition date less short-term bank loans. Unused credit lines are not included in the cash flow statement.

Financial ratios

The financial ratios have been prepared in accordance with the Society of Financial Analysts' "Recommendations and Financial Ratios 2015".

The following financial ratios provided under financial highlights are calculated as follows:

Profit ratio:	Operating profit (EBIT) in percentage of turnover.
Rate of return:	Operating profit (EBIT) in percentage of total assets
Return on facilities:	Operating profit (EBIT) in percentage of investment in road and rail link

Note 2 Significant accounting estimates and judgments

Determining the carrying amount of certain assets and liabilities requires an estimate on how future events will affect the value of such assets and liabilities at the balance sheet date. Estimates which are significant for financial reporting are, for instance, made by computing depreciation of, and impairment losses on, road and rail links and by computing the fair value of certain financial assets and liabilities.

Depreciation of the road and rail links is based on an assessment of the main components and their useful lives. An ongoing estimate of the assets' useful life is undertaken. Any change in these assessments will significantly affect the profit/loss for the year, but will not affect cash flows and repayment periods. For certain financial assets and liabilities, an estimate is made of the expected future rate of inflation when calculating the fair value.

A/S Øresund and Øresundsbro Konsortiet I/S facilities are assessed as a cash generating unit in that the companies' road and rail facilities function as one entity.

The calculation of the fair value of financial instruments is based on estimates of the relevant discounting rate applicable to the company, the volatility of reference rates and currency for financial instruments with an option for cash flows and estimates of future inflation for real interest loans and swaps. To the extent possible, the estimates made are based on tradeable market data and continuously adjusted to actual price indications, c.f. note 1.

With regard to the calculation of deferred tax, an estimate is made of the future application of tax losses carried forward, which is based on the expected future earnings of the Group and the expected lifetime of the assets. In addition, an estimate is made of gains on net financials that can be used for recovery of the interest rate ceiling constraints within a 3-year period. As far as possible, the estimates are based on observable market data and continuously adjusted according to inflation and current price indications. See note 13.

Note 3 Segment information

Segment information is based on the company's internal reporting. The top management uses segment information in monitoring and assessing the financial performance with a view to making financial decisions to allocate resources to the operating segments.

The company reports internally as one segment, but specifies operating activities: Road and Rai. The operating activities are reviewed in the Management Report. A specification of turnover is part of the segment reporting, which corresponds to the specification in note 4, Operating income.

Income and costs from operating activities comprise those items that are directly attributed to the individual activity as well as those items that can be allocated to the individual activity on a reliable basis. Allocated income and costs primarily comprise the company's administrative functions, tax on income, etc.

The company's operating segments are given below:

2016

DKK million	Road	Railway	Other non-reportable segments	Effect of group apportioned expenses	Total
Operating income	99.0	2.0	0.0	0.0	101.0
Expenses	-56.2	-26.5	0.0	5.2	-77.5
Depreciation	-192.2	-1.1	0.0	1.0	-192.3
Profit/loss before financing	-149.4	-25.6	0.0	6.2	-168.8
Interest, net	-146.8	-78.9	0.0	0.0	-225.7
Profit/loss before value adjustment	-296.2	-104.5	0.0	6.2	-394.5
Value adjustment, net					-460.3
Profit before inclusion of share of results in jointly managed company and tax					-854.8
Share of results in jointly managed company					404.6
Profit before tax					-450.2

2015

DKK million	Road	Railway	Other non-reportable segments	Effect of group apportioned expenses	Total
Operating income	110.7	2.0	0.0	0.0	112.7
Expenses	-22.3	-25.4	0.0	5.3	-42.4
Depreciation	-175.8	-28.2	0.0	4.0	-200.0
Profit/loss before financing	-87.4	-51.6	0.0	9.3	-129.7
Interest, net	-159.6	-86.3	0.0	0.1	-245.8
Profit/loss before value adjustment	-247.0	-137.9	0.0	9.4	-375.5
Value adjustment, net					555.6
Profit before inclusion of share of results in jointly managed company and tax					180.1
Share of results in jointly managed company					567.0
Profit before tax					747.1

The accounting policies used for calculating segment information is the same as the company's accounting policies c.f. note 1. The result before value adjustments for the segments reflects the revenue for each segment. The difference between the segments' overall results, including "Profit/loss before value adjustment" and A/S Øresund's total profit/loss before tax constitutes "Value adjustment, net".

Turnover in respect of the "Railway" comprises fees from Banedanmark. This operating segment thus comprises the net turnover for one customer which amounts to more than 10 per cent of the company's total net turnover. There is no turnover in respect of the "Road". Operating income for the "Road" primarily comprises revenue from the use of fibre optic cables and the sale of antennae capacity.

The company's entire turnover is generated in Denmark and there are no transactions between the segments.

Apart from the fees from Banedanmark under "Rail facility", the company is not dependent on any specific major customers and has no transactions with individual customers that amount to 10 per cent of the company's net turnover or above.

Traffic

Traffic on the Øresund motorway increased by approximately 3.4 % on the year. Approximately 82,350 vehicles per day now drive west of Ørestad and approximately 68,140 vehicles per day east of Ørestad (average for 2016).

Note 4 Operating income

Income from the rail link comprises fees from Banedanmark for use of the rail facilities. Rail fees are determined by the Minister of Transport, Building and Housing. Income is measured exclusive of VAT and other taxes.

Other income primarily comprises income from the use of fibre optic cables and the sale of antennae capacity

Specification of income	2016	2015
Revenue from the rail link	98.9	110.6
Other income	2.1	2.1
Total income	101.0	112.7

Note 5 Other operating expenses

Other operating expenses comprise expenses relating to the operation and maintenance of the link, financial administration and fees to the parent company of DKK 16 million.

Audit fees for 2016 are specified as follows	Statutory audit	Other assurance state- ments	Tax advice	Other	Total
PwC	0.2	0.1	0.0	0.1	0.4
Total audit fees	0.2	0.1	0.0	0.1	0.4

Audit fees for 2015 are specified as follows	Statutory audit	Other assurance state- ments	Tax advice	Other	Total
Deloitte	0.2	0.1	0.0	0.0	0.3
Total audit fees	0.2	0.1	0.0	0.0	0.3

Vehicle leasing is recognised in the income statement and is regarded as operating leasing. The notice periods for operating leasing payments are as follows:

	2016	2015
0-1 years	0.0	0.1
1-5 years	0.1	0.2
After 5 years	0.0	0.0
Leasing payments, total	0.1	0.3

Minimum leasing payments recognised in the profit for the year	0.1	0.0
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Note 6 Staff expenses

Apart from the Management Board, the company has no employees.

The Management Board and the Board of Directors receive fees from Sund & Bælt Holding A/S, which are paid via the administration contribution.

Note 7 Road link

	Directly capitalised expenses	Value of own work	Financing expenses (net)	Total 2016	Total 2015
Original cost at 1 January	1,499.6	13.8	165.0	1,678.4	1,854.1
Additions for the year	2.7	0.0	0.0	2.7	3.4
Disposals for the year	-0.2	0.0	0.0	-0.2	0.0
Reclassification	0.0	0.0	0.0	0.0	-179.1
Original cost at 31 December	1,502.1	13.8	165.0	1,680.9	1,678.4
Depreciation at 1 January	307.8	2.5	29.7	340.0	381.3
Opening adjustment	0.0	0.0	0.0	0.0	-38.6
Additions for the year	-1.0	0.1	1.6	0.7	28.2
Disposals for the year	-0.2	0.0	0.0	-0.2	0.0
Reclassification	0.0	0.0	0.0	0.0	-30.9
Depreciation at 31 December	306.6	2.6	31.3	340.5	340.0
Balance at 31 December	1,195.5	11.2	133.7	1,340.4	1,338.4

In 2015, a reclassification of some assets from the Road link to the Rail link was carried out. This has no implications for the Annual Report in terms of value or results.

A legislative amendment meant that there was a further breakdown of the road and rail links into their individual components in 2016. This has allowed for a more precise estimate of the useful life of the facilities and hence the depreciation of the individual components of the assets. The effect of this further breakdown of the assets is an increase in the depreciation in 2016 of DKK 3.4 million and a decrease in tax on the annual profits in 2016 of DKK 0.7 million.

These changes to the estimate of the useful lives will affect depreciation over the next 81 years, after which depreciation falls. The total depreciation of the road and rail links' useful life is, of course, unchanged. The further breakdown of the road and rail links has also resulted in certain adjustments relating to previous years. The adjustment affects the year's depreciation by DKK 4.0 million in 2015 and DKK 3.4 million in 2016 as well as tax on the years' profits of DKK 0.9 million in 2015 and DKK 0.7 million in 2016. Overall, this results in a net adjustment on the annual profits, which represents an income of DKK 3.1 million in 2015 and DKK 2.6 million in 2016. Furthermore, the adjustment also means an overall increase in the carrying amount at the beginning of 2015 on the road and rail link at DKK 38.6 million, deferred tax at DKK 14.4 million and equity at DKK 54.2 million net.

Note 8 Rail link

	Directly capitalised expenses	Value of own work	Financing expenses (net)	Total 2016	Total 2015
Original cost at 1 January	4,954.4	0.0	487.4	5,441.8	5,265.0
Additions for the year	10.7	0.0	0.0	10.7	5.7
Disposals for the year	-1.2	0.0	0.0	-1.2	-8.0
Reclassification	0.0	0.0	0.0	0.0	179.1
Original cost at 31 December	4,963.9	0.0	487.4	5,451.3	5,441.8
Depreciation at 1 January	926.8	0.0	95.5	1,022.3	854.6
Opening adjustment	0.0	0.0	0.0	0.0	-30.9
Additions for the year	174.3	0.0	17.1	191.4	175.7
Disposals for the year	-1.2	0.0	0.0	-1.2	-8.0
Reclassification	0.0	0.0	0.0	0.0	30.9
Depreciation at 31 December	1,099.9	0.0	112.6	1,212.5	1,022.3
Balance at 31 December	3,864.0	0.0	374.8	4,238.8	4,419.5

In 2015, a reclassification of some assets from the Road link to the Rail link was carried out. This has no implications for the Annual Report in terms of value or results.

In relation to the further breakdown of depreciation at the beginning of 2015, reference should be made to the legislative amendment etc. and its impact on the annual profit and tax for the year in Note 7.

Note 9 Operating equipment

	2016	2015
Original cost at 1 January	0.4	0.1
Additions for the year	0.3	0.3
Original cost at 31 December	0.7	0.4
Depreciation at 1 January	0.2	0.1
Additions for the year	0.1	0.1
Depreciation at 31 December	0.3	0.2
Balance at 31 December	0.4	0.2

Note 10 Financial income and expenses

The company recognises adjustments in the fair value of financial assets and liabilities through the comprehensive income statement, c.f. accounting policies. The difference in the fair value between the balance sheet dates constitutes the total financial income and expenses distributed on value adjustments and net financing expenses where the latter comprises interest income and expenses.

Net financing expenses comprise accrued nominal/real coupon rates, realised inflation indexation and amortisation of premiums/discounts while VAT; premiums and expected inflation indexation are included in the value adjustments.

Value adjustments comprise realised and unrealised gains and losses on financial assets and liabilities and foreign exchange gains and losses.

	2016	2015
Financial income		
Interest income, financial instruments	85.8	111.8
Total financial income	85.8	111.8
Financial expenses		
Interest expenses, loans	-310.8	-356.0
Other items, net	-0.7	-1.6
Total financial expenses	-311.5	-357.6
Net financing expenses	-225.7	-245.8
Value adjustments, net		
- Securities	-1.6	2.3
- Loans	-192.2	340.3
- Currency and interest rate swaps	-266.5	213.0
- Currency options	0.0	0.0
Value adjustments, net	-460.3	555.6
Total financial income and expenses	-686.0	309.8
Of which financial instruments	-180.7	324.8

Commission to the Danish State of DKK 15.8 million (DKK 16.7 million in 2015) is included under Interest expenses, loans.

Net financing expenses were DKK 20 million lower in 2016 compared to 2015 and this fall is primarily due to the impact of lower market rates in line with interest revenue. Inflation rates in Denmark remained at the same low level as the previous year, and inflation indexation was slightly lower.

Note 11 Participating interest Øresundsbro Konsortiet

Øresundsbro Konsortiet I/S is a jointly managed company by A/S Øresund and SVEDAB AB. It is a shared ownership both legally and in terms of voting rights. Furthermore, the two owners are jointly and severally liable for the jointly managed company's liabilities, and the owners are not able to transfer rights or liabilities between each other without the prior consent of the other party.

Øresundsbro Konsortiet I/S is based in Copenhagen/Malmö and the Sund & Bælt Group's ownership interest is 50 per cent.

	2016	2015
Value of participating interest at 1 January	-379.1	-946.1
Share of profit for the year	404.6	567.0
Participating interest at 31 December	25.4	-379.1
Carried forward to provisions at 1 January	379.1	946.1
Amount carried forward for the year	-379.1	-567.0
Carried forward to provisions at 31 December	0.0	379.1
Value of participating interest at 31 December	25.4	0.0
Key figures from jointly managed company		
Operating income	1,866.0	1,797.4
Operating expenses	-279.4	-296.8
Depreciation	-280.3	-274.2
Net financials	-286.6	-327.2
Value adjustment	-210.5	234.8
Profit for the year	809.2	1,134.0
Current assets	1,878.4	1,183.3
- Of which cash and cash equivalents	1.0	98.3
Non-current assets	15,462.9	15,681.6
Equity	50.9	-758.3
Current assets	4,128.7	4,290.9
- Of which short-term financial liabilities	3,542.2	4,036.9
Non-current liabilities	13,161.7	13,332.4
- Of which non-current financial liabilities	13,161.7	13,332.4
Contingent liabilities	103.6	106.6

Øresundsbro Konsortiet I/S's results for the year amount to a profit of DKK 809 million (2015: DKK 1,134 million).

The company's share of Øresundsbro Konsortiet I/S' results for the year of DKK 404.6 million (2015: DKK 567.0 million) is recognised in the income statement as Share of result in jointly managed company.

Note 12 Tax

	2016	2015
Tax paid	10.0	0.0
Change in deferred tax	89.0	-175.6
Adjustment of tax paid, previous year	0.0	24.0
Adjustment deferred tax, previous year	0.0	-37.9
Effect of changed tax rate	0.0	11.2
Total	99.0	-178.3
Tax on year's results is made up as follows:		
Computed 22.0 per cent tax on year's results	99.0	-175.6
Effect of changed tax rate	0.0	11.2
Other adjustments	0.0	-13.9
Total	99.0	-178.3
Effective tax rate	22.0	23.9

Current tax corresponds to tax payable and is paid via joint taxation.

Note 13 Deferred tax

As a result of accounting capitalisation of financing expenses during the construction period, the carrying value of the road and rail links is higher than the tax value.

Deferred tax will be offset as the underlying assets and liabilities are realised, including that the companies in the joint taxation under Sund & Bælt Holding A/S achieve positive taxable income. The company managed the construction of the fixed link across Øresund and during the construction phase, the company realised a tax loss in that the income base could only be realised when the link was ready for use. The use of the company's loss carried forward extends over a period longer than five years, but since the main components of the company's property, plant and equipment have an estimated service life of 100 years, it is deemed prudent to recognise the tax value of the losses carried forward without impairment.

The Sund & Bælt Group recognises interest deduction restrictions under interest rate cap and the EBIT rules in deferred tax. Management believes that the restrictions under the cap can be recovered within 3 years.

	2016	2015
Balance at 1 January	667.0	869.4
Deferred tax for the year	89.0	-175.6
Adjustment of deferred tax, previous year	0.0	-37.9
Effect of changed tax rate	0.0	11.2
Other adjustments	-267.8	-0.1
Balance at 31 December	488.2	667.0

Deferred tax relates to:

Property, plant and equipment	-119.6	-115.6
Property, plant and equipment, Øresundsbro Konsortiet I/S	-42.0	101.6
Reduced net financing expenses	351.9	415.1
Tax loss	297.9	265.9
Total	488.2	667.0

Difference during the year

	1 Jan 2015	Recognised in year's results 2015	31 Dec 2015	Recognised in year's results 2016	31 Dec 2016
Intangible fixed assets and property, plant and equipment	-71.7	-43.9	-115.6	-4.0	-119.6
Intangible fixed assets and property, plant and equipment, Øresundsbro Konsortiet I/S	81.0	20.6	101.6	-143.6	-42.0
Reduced net financing expenses	449.3	-34.2	415.1	-63.2	351.9
Tax loss	410.8	-144.9	265.9	32.0	297.9
Total	869.4	-202.4	667.0	-178.8	488.2

Note 14 Receivables

The book value of receivables represents the expected realisable value. There are no significant receivables due that are not impaired.

Receivables also comprise accrued interest in respect of assets, receivables in respect of affiliated companies and other receivables.

	2016	2015
Trade receivables and services	10.8	12.8
Members	273.3	24.0
Accrued interest financial instruments (see note 18)	202.7	157.5
Andre tilgodehavender	1.6	0.0
Total at 31 December	488.4	194.3

Accrued interest:

Payables	0.2	0.0
Interest rate swaps	187.6	140.7
Currency swaps	14.9	16.8
Accrued interest, total	202.7	157.5

Note 15 Derivatives

The fair value adjustment of financial assets and liabilities is recognised in the comprehensive income statement.

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	457.4	-1,430.5	584.9	-1,331.7
Currency swaps	774.2	0.0	795.8	-10.6
Forward exchange contracts	0.0	0.0	0.2	0.0
Total derivatives	1,231.6	-1,430.5	1,380.9	-1,342.3

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Gross value derivatives	1,231.6	-1,430.5	1,380.9	-1,342.3
Accrued interest	202.5	-65.5	157.6	-65.4
Gross value recognised in the balance sheet	1,434.1	-1,496.0	1,538.5	-1,407.7
Offsetting options by default ¹⁾	-291.9	291.9	-106.1	106.1
Collateral	-1,142.1	381.4	-1,378.3	149.4
Net value, total	0.1	-822.7	54.1	-1,152.2

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

Note 16 Prepayments and accrued income

	2016	2015
Prepaid expenses	0.1	0.1
Total prepayments and accrued income	0.1	0.1

Note 17 Equity

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

	2016	2015
Share capital	5.0	5.0
Retained earnings at 1 January	-6,262.1	-6,896.5
Profit for the year	-351.2	580.2
Opening adjustment	0.0	54.2
Retained earnings at 31 December	-6,613.3	-6,262.1
Total equity	-6,608.3	-6,257.1

The share capital comprises 50,000 shares of a nominal value of DKK 100.

The share capital has remained unchanged since 1992.

In relation to the opening adjustment 2015, please refer to the comments in Note 7.

Capital management

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

On the basis of the estimated operating results for the company and for Øresundsbro Konsortiet I/S, equity is expected to be restored within a time frame of 26-28 years, calculated from end 2016. For further details, please refer to the finance section of the Management Report.

Without special notification of each individual case, the Danish state guarantees the company's other financial liabilities. Øresundsbro Konsortiet I/S's debt is guaranteed jointly by the Danish and Swedish state.

Note 18 Net debt

2016 Fair value hierarchy	Level 1	Level 2	Level 3	2015			
				Fair value hierarchy	Level 1	Level 2	Level 3
Bonds	602.5	0.0	0.0	Bonds	524.1	0.0	0.0
Derivatives, assets	0.0	1,231.5	0.0	Derivatives, assets	0.0	1,380.9	0.0
Financial assets	602.5	1,231.5	0.0	Financial assets	524.1	1,380.9	0.0
Bond loans and debt	13,066.9	220.1	0.0	Bond loans and debt	12,600.1	279.5	0.0
Derivatives, liabilities	0.0	1,430.5	0.0	Derivatives, liabilities	0.0	1,342.3	0.0
Financial liabilities	13,066.9	1,650.6	0.0	Financial liabilities	12,600.1	1,621.8	0.0

2016

Net debt spread across currencies	EUR	DKK	Other currencies	Net debt
Cash at bank and in hand	604.9	0.0	0.0	604.9
Bond loans and amounts owed to credit institutions	-220.1	-13,231.0	0.0	-13,451.1
Currency and interest rate swaps	-2,864.8	2,665.9	0.0	-198.9
Currency exchange contracts	0.0	0.0	0.0	0.0
Accrued interest, net	-61.8	149.7	0.0	87.9
Total (notes 14, 15, 18, 21)	-2,541.8	-10,415.4	0.0	-12,957.2

Other currencies comprise:	GBP	JPY	NOK	SEK	USD	Total
Bond loans and amounts owed to credit institutions	0.0	0.0	0.0	0.0	0.0	0.0
Currency and interest rate swaps	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0

The above are included in the following accounting items:

	Deriva- tives assets	Deriva- tives liabilities	Total
Interest rate swaps	457.4	-1,430.5	-973.1
Currency swaps	774.2	0.0	774.2
Forward exchange contracts	0.0	0.0	0.0
Total (note 15)	1,231.6	-1,430.5	-198.9

Accrued interest	Receiv- ables	Other payables	Total
Debt	0.2	-49.3	-49.1
Interest rate swaps	187.6	-65.5	122.1
Currency swaps	14.9	0.0	14.9
Total (note 14, 21)	202.7	-114.8	87.9

Net debt totals DKK 10,265 million based on the nominal principal sum and there is an accumulated difference of DKK 2,692 million compared to the net debt at fair value. This reflects the difference between the fair value and the contractual amount at maturity.

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

2015

Net debt spread across currencies	EUR	DKK	Other currencies	Net debt
Investments	524.1	0.0	0.0	524.1
Bond loans and amounts owed to credit institutions	-213.7	-12,632.9	-58.1	-12,904.7
Currency and interest rate swaps	-3,557.7	3,537.8	58.3	38.4
Currency exchange contracts	825.3	-825.1	0.0	0.2
Accrued interest, net	-62.3	102.0	0.0	39.7
Total (notes 14, 15, 17, 22)	-2,484.3	-9,818.2	0.2	-12,302.3

Other currencies comprise:	GBP	JPY	NOK	SEK	USD	Total
Bond loans and amounts owed to credit institutions	0.0	-56.8	0.0	0.0	-1.3	-58.1
Currency and interest rate swaps	0.0	57.1	0.0	0.0	1.2	58.3
Total	0.0	0.3	0.0	0.0	-0.1	0.2

The above are included in the following accounting items:

	Deriva- tives assets	Deriva- tives liabilities	Total
Interest rate swaps	584.9	-1,331.7	-746.8
Currency swaps	795.8	-10.6	785.2
Forward exchange contracts	0.2	0.0	0.2
Total (note 15)	1,380.9	-1,342.3	38.6

Accrued interest	Receiv- ables	Other payables	Total
Debt	0.0	-52.4	-52.4
Interest rate swaps	140.7	-65.4	75.3
Currency swaps	16.8	0.0	16.8
Total (note 14, 21)	157.5	-117.8	39.7

Net debt totals DKK 9,996 million based on the nominal principal sum and there is an accumulated difference of DKK 2,306 million compared to the net debt at fair value. This reflects the difference between the fair value and the contractual amount at maturity.

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

Note 19 Financial risk management

Financing

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

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

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

The following describes A/S Øresund's funding in 2016 as well as the key risks.

Funding

All loans and other financial instruments employed by A/S Øresund are underwritten by the Danish state. In general, this means that A/S Øresund can achieve capital market terms equivalent to those available to the State, even if A/S Øresund does not have an explicit rating from the international credit rating agencies.

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

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

A/S Øresund has also established a standardised MTN (Medium Term Note) loan programme in the European bond market with a maximum borrowing limit of USD 1 billion of which USD 37 million has been utilised. Thus, an available credit limit of USD 963 million remains.

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

In 2016, funding requirements were mainly covered by on-lending from Danmarks Nationalbank, which was a particularly attractive source of funding. A/S Øresund raised on-lending with a principal nominal value of DKK 2.4 billion.

The extent of A/S Øresund's funding in any individual year is largely decided by the size of the repayments on the existing debt (refinancing) and the impact from operations. In 2017, such refinancing will amount to approx. DKK 2.5 billion and the expected net borrowing requirements will be around DKK 3.8 billion. This is beyond what is needed for the financing of any extraordinary repurchase of existing loans and debt issued to cover collateral demands.

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

Financial risk exposure

A/S Øresund is exposed to financial risks inherent in the funding of the infrastructures and linked to financial management as well as operational decisions, including bond issuance and loans from credit institutions, the use of derivatives and deposit of liquid funds for liquidity reserve, receivables from customers and trade payables.

Risks relating to these financial risk exposures primarily comprise:

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

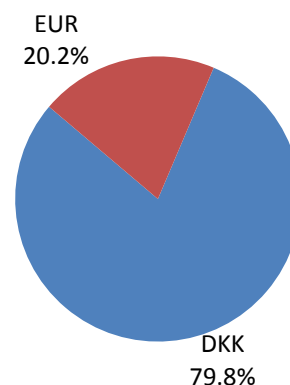
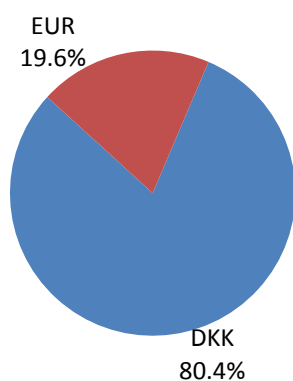
Financial risks are identified, monitored and controlled within the framework approved by the Board of Directors as determined in A/S Øresund's financial policy and strategy, operational procedures and in accordance with the guidelines from the Danish Ministry of Finance/Danmarks Nationalbank, which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

Currency risks

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

A/S Øresund's currency exposure at fair value in DKK million 2016 and 2015

Currency	Fair value 2016	Currency	Fair value 2015
DKK	-10,415	DKK	-9,818
EUR	-2,542	EUR	-2,484
Total 2016	-12,957	Total 2015	-12,302



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

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

The proportion of other currencies comprise JPY and USD, and are attributed to the hedging of bond loans in these currencies where premium/discounts in the currency swap result in an exposure based on market-to-market values although the cash flows are completely hedged.

Foreign exchange sensitivity for A/S Øresund amounted to DKK 16 million in 2016 (DKK 22 million in 2015) calculated as Value-at-Risk.

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

Interest rate and inflation risks

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

A/S Øresund's interest rate risk is actively managed by several lines and limits, and the combination of these limits the interest rate risk on the net debt.

For A/S Øresund, the following framework for 2016 was applied in the interest rate risk management:

- Interest rate refixing risk may not exceed 45 per cent of the net debt
- Duration target on net debt is 9.0 years (variation limit: 8.0-10.0 years)
- Limits for interest rate exposure with fluctuation bands.

A/S Øresund's interest rate risk is actively managed using interest rate and currency swaps and other derivatives.

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

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

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

Besides representing an isolated balancing of financing expenses and interest refixing risk on the net debt, A/S Øresund's risk profile is also affected by linkages to the operations. This means that a balancing of risk occurs across assets and liabilities with the aim of achieving a lower risk by choosing a debt distribution so that there is a positive correlation between operating revenue and financing expenses. This relationship was evident in the downturn that followed the financial crisis, when a sluggish trend in traffic revenues was offset by lower financing expenses.

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

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

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

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

This benchmark serves as an overall guideline and a financial framework for the debt management and implies that A/S Øresund targets a real rate debt allocation of 25-45 per cent and for 2016, the duration on the nominal debt was set at 9.0 years for A/S Øresund. The duration was calculated without discounting.

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

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

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

For A/S Øresund, the target for the duration on the nominal debt was 9.0 years in 2016 and the actual duration was between 9.0 years and 10.0 years and was predominately over weighted in relation to the benchmark. The existing nominal interest rate hedging was extended in line with the debt refinancing and the maturing fixed rate exposure.

For A/S Øresund, the duration on the strategic benchmark for 2017 is maintained at 9.0 years and the target for the real rate debt ratio remains unchanged.

There were significant fluctuations in market interest rates in the preceding year, but viewed over the year as a whole interest rates fell by around 0.3-0.4 percentage points on long date maturities.

The development in interest rates has led to an unrealised loss of DKK 467 million for A/S Øresund.

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

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

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

Yield exposure disclosed in nominal notional amounts 2016

Yield buckets	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Nominal value	Fair value
Cash at bank and in hand	0	595	0	0	0	0	595	603
Bond loans and other loans	-2,723	-1,730	-600	0	-450	-5,062	-10,565	-13,336
Interest rate and currency swaps	1,326	0	80	0	0	-1,539	-133	-62
Forward exchange contracts	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0
Credit institutions	-162	0	0	0	0	0	-162	-162
Net debt	-1,559	-1,135	-520	0	-450	-6,601	-10,265	-12,957

Of this, real rate instruments:

Real rate debt	0	0	0	0	0	0	0	0
Real rate swaps	0	0	0	0	0	-4,493	-4,493	-5,585
Real rate instruments total	0	0	0	0	0	-4,493	-4,493	-5,585

Yield exposure > 5 years is allocated as follows:

Yield buckets	5-10 years	10-15 years	15-20 years	> 20 years
Net debt	-1,133	-601	-2,891	-1,976
Of which real rate instruments	-1,413	-1,898	-677	-505

Yield exposure disclosed in nominal notional amounts 2015

Yield buckets	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Nominal value	Fair value
Cash at bank and in hand	522	0	0	0	0	0	522	524
Bond loans and other loans	-2,331	-2,500	0	-600	0	-4,912	-10,343	-12,932
Interest rate and currency swaps	-245	2,163	0	78	0	-2,146	-150	131
Forward exchange contracts	0	0	0	0	0	0	0	0
Other derivatives	0	0	0	0	0	0	0	0
Credit institutions	-25	0	0	0	0	0	-25	-25
Net debt	-2,079	-337	0	-522	0	-7,058	-9,996	-12,302
Of this, real rate instruments:								
Real rate debt	0	0	0	0	0	0	0	0
Real rate swaps	0	0	0	0	0	-4,496	-4,496	-5,305
Real rate instruments total	0	0	0	0	0	-4,496	-4,496	-5,305

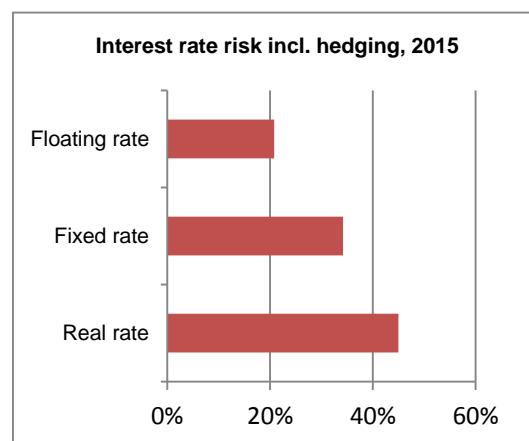
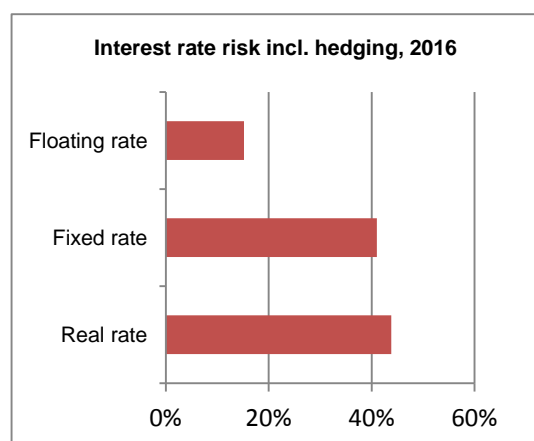
Yield exposure > 5 years is allocated as follows:

Yield buckets	5-10 years	10-15 years	15-20 years	> 20 years
Net debt	-1,957	-100	-1,433	-3,568
Of which real rate instruments	-1,418	-846	-1,052	-1,180

The fixed-rate nominal debt beyond five years is primarily exposed to yield exposure in the 10, 15 and 20-year yield segment.

Interest rate allocation

2016	Interest rate allocation in per cent	2015
15.2	Floating rate	20.8
41.0	Fixed rate	34.2
43.8	Real rate	45.0
100.0	Total	100.0



The yield exposure is distributed with an allocation of 111.3 per cent to interest rates in DKK and -11.3 per cent in EUR. Regarding real rate debt, this is exposed to the Danish Consumer Price Index (CPI).

The financing expenses' sensitivity to an interest rate change of 1 percentage point can be estimated at DKK 30 million and the impact will be symmetrical since there is no optionality in the interest rate exposure. With the current inflation level of close to 0 per cent, sensitivity to a change in inflation will be asymmetrical as a "floor" has been sold for inflation below 0 per cent on a principal of EUR 190 million. An increase in inflation of 1 percentage point will increase financing costs by DKK 45 million while a corresponding fall in inflation would reduce financing costs by DKK 35 million.

When interest rates change, this affects the market value (fair value) of the net debt and, in this respect, the impact and risk are greater on fixed rate debt with long maturities. This is primarily owing to the discounting effect and offsets the alternative cost or gain relating to fixed rate debt obligations in comparison to financing at current market interest rates.

The duration denotes the average remaining maturity on the net debt. A long duration implies a low interest rate refixing risk since a relatively small proportion of the net debt needs to be reset to the current interest rate.

The duration also expresses the interest rate sensitivity on the net debt to market value fluctuations.

2016			2015			
Duration (years)	BPV	Fair value		Duration (years)	BPV	Fair value
8.5	6.3	-7,372	Nominal debt	7.6	5.4	-6,997
13.1	7.3	-5,585	Real interest debt	13.7	7.3	-5,305
10.5	13.6	-12,957	Net debt	10.2	12.7	-12,302

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

A/S Øresund's duration totalled 10.5 years at the end of 2016 of which 8.5 years relate to the nominal debt and 13.1 years to the real rate debt. Interest rate sensitivity can be calculated at DKK 13.6 million, when the yield curve is shifted in parallel by 1bp. This will imply a positive fair value adjustment in the income statement and balance sheet when interest rates rise by 1bp, and vice versa.

The fair value adjustment's sensitivity to an interest rate change of 1 percentage point can be calculated as a fair value loss of DKK 1,543 million with an interest rate fall and a fair value gain of DKK 1,292 million with an interest rate rise.

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

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

Credit risks

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

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

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

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

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

The credit risk is limited to the greatest possible extent by diversifying the counterparty exposure and reducing the risk exposure to individual counterparties. The financial counterparties must adhere to high standards for credit quality and agreements are only entered into with counterparties that have a long-term rating above A3/A-.

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

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

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

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

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

Credit risks on financial assets recognised at fair value distributed on credit quality 2016**Total counterparty exposure (market value)**

Rating	Deposits	Deriva- tives without netting	Deriva- tives with netting	Collateral	Number of counter- parties
AAA	603	0	0	0	1
AA	0	195	105	92	3
A	0	1,211	1,102	1,076	3
BBB	0	0	0	0	1
Total	603	1,406	1,207	1,168	8

Credit risks on financial assets recognised at fair value distributed on credit quality 2015**Total counterparty exposure (market value)**

Rating	Deposits	Deriva- tives without netting	Deriva- tives with netting	Collateral	Number of counter- parties
AAA	524	0	0	0	2
AA	0	243	206	136	3
A	0	1,291	1,220	1,242	4
BBB	0	0	0	0	1
Total	524	1,534	1,426	1,378	10

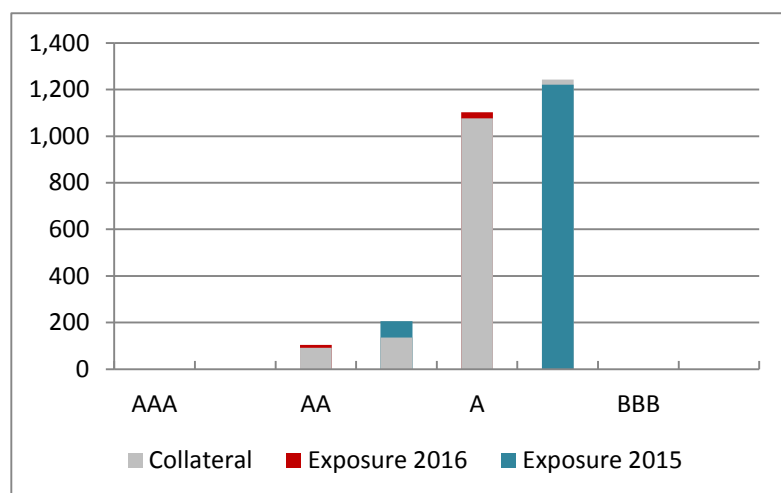
A/S Øresund has 8 financial counterparties, including Germany as bond issuer, while the business volume with the remaining 7 counterparties is related to derivative transactions of which all counterparties are covered by collateral agreements.

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

Counterparty exposure to counterparties with collateral agreements totals DKK 1,207 million and collateral amounts to DKK 1,168 million. There is no exposure to counterparties without collateral.

A/S Øresund has pledged collateral for DKK 381 million to hedge outstanding exposure from derivative transactions in favour of two counterparties.

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

Distribution of counterparty exposure on rating categories 2016 and 2015**Liquidity risk**

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

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

Maturity on debt as well as liabilities and receivables from financial derivatives 2016

Maturity	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Principal amount							
Debt	-2,500	-1,730	-600	0	-450	-5,285	-10,565
Derivative liabilities	-6	0	0	0	0	-1,544	-1,550
Derivative receivables	5	0	0	0	0	1,412	1,417
Assets	0	595	0	0	0	0	595
Total	-2,501	-1,135	-600	0	-450	-5,417	-10,103
Interest payments							
Debt	-367	-279	-275	-251	-252	-1,822	-3,246
Derivative liabilities	-110	-111	-109	-109	-108	-561	-1,108
Derivative receivables	182	100	99	99	99	606	1,185
Total	-295	-290	-285	-261	-261	-1,777	-3,169

Maturity on debt as well as liabilities and receivables from financial derivatives 2015

Maturity	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Principal amount							
Debt	-2,107	-2,500	0	-600	0	-5,136	-10,343
Derivative liabilities	-1,654	0	0	0	0	-1,536	-3,190
Derivative receivables	1,628	0	0	0	0	1,412	3,040
Assets	522	0	0	0	0	0	522
Total	-1,611	-2,500	0	-600	0	-5,260	-9,971
Interest payments							
Debt	-392	-352	-266	-267	-244	-2,065	-3,586
Derivative liabilities	-76	-76	-109	-106	-103	-504	-974
Derivative receivables	151	142	99	99	99	718	1,308
Total	-317	-286	-276	-274	-248	-1,851	-3,252

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

Note 20 Profitability

The investment in the Øresund fixed link's landworks will be repaid partly through payment from Banedanmark for use of the Øresund rail line and partly through dividend payments from Øresundsbro Konsortiet I/S of which A/S Øresund owns 50 per cent. A/S Øresund has been affected by the above-mentioned changes in the 2016 Budget where the annual fee for the railway companies' use of the fixed links will be gradually reduced over the coming years. In addition, A/S Øresund is obliged to pay the Danish state's rail contribution to Øresundsbro Konsortiet I/S until 2024 on a gradual basis. As a basis for calculating the repayment period in the long-term profitability calculations, the company applies a real rate of 3.0%.

Moreover, as a consequence of the joint taxation with the Group's other companies, A/S Øresund obtains a cash flow advantage. This is because joint taxation with A/S Storebælt means that A/S Storebælt can immediately offset A/S Øresund's tax loss against paying the proceeds of the tax savings for A/S Øresund. A/S Øresund can thus forward the application of its tax loss over time.

The repayment period for A/S Øresund is now assessed be 51 years, which is 1 year less than last year's projection due to increased interest rate hedging based on low interest rates.

The repayment period is sensitive to the changes in the economy of the two above-mentioned companies.

Note 21 Trade and other payables

	2016	2015
Trade payables	10.6	9.6
Members	0.0	0.2
Debt, Øresundsbro Konsortiet I/S	0.0	0.0
Commission payable	16.4	17.0
Accrued interest financial instruments (see note 19)	114.8	117.8
Other payables	3.1	10.9
Total	144.9	155.5
Accrued interest		
Loans	49.3	52.4
Interest rate swaps	65.5	65.4
Currency swaps	0.0	0.0
Total	114.8	117.8

Note 22 Contractual obligations, contingent liabilities and collateral

The company's contractual obligations comprise operation and maintenance contracts with expiry dates up to 2016 at an overall balance of DKK 13.6 million (DKK 5.4 million in 2015). At year end, work under contracts amounted to DKK 18.7 million (DKK 15.4 million in 2015).

Operating leasing comprises contracts with a maturity of between 1-4 years. The leasing liability totals DKK 0.1 million (DKK 0.0 million in 2015) of which DKK 0.01 million falls due in 2017.

In October 2014, the EU Commission ruled on the complaint concerning state aid to Øresundsbro Konsortiet I/S. The Commission found that Øresundsbro Konsortiet I/S is covered by the rules on state aid, and that the specific state aid in the form of state guarantees and, in Denmark's case, the special tax rules, are compatible with the EU Treaty. In February 2015, Scandlines Øresund etc. took the EU Commission's decision on Danish state aid to Øresundsbro Konsortiet I/S to the General Court of the European Union. The case also includes the tax regulations that the Sund & Bælt Group is subject to. At present, it is not possible to estimate the economic consequences.

A/S Øresund has entered into two-way collateral agreements (CSA agreements) with a number of financial counterparties and are, as a result, obliged to provide collateral by way of depositing bonds for balances on derivative contracts in the counterparty's favour. A/S Øresund has provided collateral of DKK 381 million with two financial counterparties in its favour.

Sund & Bælt Holding A/S is the management company in a Danish joint taxation agreement. According to corporate tax legislation, the company is jointly and severally liable, from and including 2013, with the other jointly taxed companies for overall corporation tax of DKK 29 million and from and including 1 July 2012 for any liabilities for holding tax on interest, royalties and dividend for the jointly taxed companies.

Otherwise, the company has not pledged any collateral.

Note 23 Related parties

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

Related party	Registered office	Affiliation	Transactions	Pricing
The Danish state	Copenhagen	100% ownership via Sund & Bælt Holding A/S	Guarantee for the company's debt. Guarantee commission	Determined by legislation. Accounts for 0.15% of the nominal debt
Sund & Bælt Holding A/S	Copenhagen	100% ownership of A/S Øresund	Management of operational tasks. Joint taxation contribution	Markedspris
A/S Storebælt	Copenhagen	Subsidiary of Sund & Bælt Holding A/S	-	Market price
Sund & Bælt Partner A/S	Copenhagen	Subsidiary of Sund & Bælt Holding A/S	-	Market price
A/S Femern Landanlæg	Copenhagen	Subsidiary of Sund & Bælt Holding A/S	-	Market price
Femern A/S	Copenhagen	Subsidiary of A/S Femern Landanlæg	-	Market price
BroBizz A/S	Copenhagen	Subsidiary of Sund & Bælt Holding A/S	-	Market price
Øresundsbro Konsortiet I/S	Copenhagen/Malmø	50% owned company	Purchase of treasury management	Market price
Banedanmark	Copenhagen	Owned by the Danish state	Payments for use of rail link	Determined by the Minister of Transport, Building and Housing
Danish Road Directorate	Copenhagen	Transport, Building and Housing Ministry	Maintenance tasks	Market price

In addition, the company's senior management are deemed to be related parties, c.f. Note 6.

Related party	Description	Amount 2016	Amount 2015	Balance at 31 Dec 2016	Balance at 31 Dec 2015
The Danish State	Guarantee commission	-15.8	-16.7	-15.8	-16.7
Sund & Bælt Holding A/S	Management of subsidiary's operational tasks	-15.8	-7.4	-2.9	-0.3
	Joint taxation contribution	276.1	24.2	276.1	24.2
A/S Storebælt	Analysis	-0.5	-0.2	0	-0.2
Øresundsbro Konsortiet I/S	Treasury management	-1.8	-2.2	0.0	0.0
Banedanmark	Payments for use of rail links etc.	98.9	111.7	10.3	12.5
	Maintenance tasks	-13.3	-7.5	0.0	-1.6
Danish Road Directorate	Maintenance tasks	-1.0	-1.9	0.0	-0.3

Note 24 Events after the balance sheet date

No events occurred after the balance sheet date that are of significance to the Annual Report for 2016.

Note 25 Approval of the Annual Report for publication

At the meeting of the Board of Directors on 17 March 2017, the Board of Directors approved the Annual Report for publication. The Annual Report will be presented to the shareholders of A/S Øresund for approval at the Annual General Meeting on 18 April 2017.

Statement by the Board of Directors and Management Board

The Board of Directors and Management Board have today considered and approved the Annual Report for the financial year 1 January-31 December 2016 for A/S Øresund.

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for companies with listed debt instruments.

It is our view that the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2016, as well as the results of company's activities and cash flow for the financial year 1 January – 31 December 2016.

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

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

Copenhagen, 17 March 2017

Management Board

Mikkel Hemmingsen, CEO

Board of Directors

Peter Frederiksen, Chairman

Carsten Koch, Vice-Chairman

David P. Meyer, Vice-Chairman

Pernille Sams

Mette Boye

Walter Christophersen

Claus Jensen

Ruth Schade

Lene Lange

Independent auditor's report

To the shareholder of A/S Øresund

Our opinion

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

What we have audited

A/S Øresund's Financial Statements for the financial year 1 January to 31 December 2016 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including summary of significant accounting policies ("financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of loans and derivative financial instruments for fair value</i></p> <p>In connection with the construction of the Øresund fixed link, A/S Øresund raised loans in international capital markets. A/S Øresund complies with certain regulations governing these loans, such as those from the State owner's guidelines for the issuing of loans and derivatives as well as the company's own internal guidelines. These regulations govern the loans and derivatives that the company may use.</p> <p>A/S Øresund uses the so-called fair value option, which means that all loans and financial instruments are measured at fair value. Unrealised fair value adjustments are recognised in the income statement and can represent a significant amount. However, this impact on profit has no effect on cash flow and the loans' long-term repayment period.</p> <p>The valuation models for fair value are complex and are primarily based on objective data, but it can happen that A/S Øresund uses alternative valuation models if this gives a more accurate valuation.</p> <p>We focused on the valuation of loans and derivative financial instruments since the management makes significant estimates from limited observable data as a basis for valuation.</p> <p>See note 15 (Derivatives), note 18 (Net debt) and note 19 (Financial risk management)</p>	<p>We evaluated and tested the design and operational effectiveness of the relevant internal controls for obtaining market data that form the basis for calculating fair values, and tested the established controls to ensure appropriate recognised valuation models.</p> <p>For loans and derivative financial instruments we conducted checks on a random basis that the underlying agreements were registered at A/S Øresund.</p> <p>For derivative financial instruments, we examined controls for comparison of the applied fair values with fair values provided by external parties.</p> <p>We recalculated the fair value of loans and derivative financial instruments using alternative models as a random test.</p>

<p><i>Recognition of deferred tax assets</i></p> <p>Sund & Bælt measures deferred tax assets from temporary differences between the carrying value and the tax value and the tax value of tax losses entitled to be carried forward to the extent that it is probable that there will be a future taxable profit for the utilisation of the deferred tax assets.</p> <p>Changes in the future taxable income, including key financing items affect the utilisation of the deferred tax assets, both recognized and unrecognized deferred tax assets.</p> <p>The interest restricted loss can only be utilised in the future taxable income if there are positive net financing items and the utilisation is fixed-term for the subsequent three years.</p> <p>We focused on this area because recognition of deferred tax assets requires significant judgments and estimates by the management, especially regarding future net financing items.</p> <p>Please refer to note 2 (Significant accounting estimates and judgements) and note 13 (Deferred tax).</p>	<p>We discussed principles for recognising deferred tax assets with management.</p> <p>We assessed the management model for the determination of deferred tax assets, including the model for forecasts of future taxable income.</p> <p>Our audit procedures included a critical review of management estimates and judgments with respect to future taxable income, particularly net financing items and the possibility of using fixed-term deferred tax assets.</p> <p>This included a comparison of management's judgments and estimates with budgets, investment plans and financing policies and plans. We also compared actual results with previously adopted budgets and plans in order to assess the accuracy of the previously used judgments and estimates.</p> <p>We used our tax specialists for the evaluation of the relevant tax regulations.</p>
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Statement on the Management Report

Management is responsible for the Management Report

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

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

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

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

Responsibility for the Financial statements and the audit

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 17 March 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. 33 77 12 31

Christian Fredensborg Jakobsen
State Authorised Public Accountant

Jens Otto Damgaard
State Authorised Public Accountant

Board of Directors, Management Board and Senior Executives

Board of Directors

Peter Frederiksen, Chairman (Born: 1963)

Director

Chairman since 2016

Joined the Board of Directors in 2016

Election period expires 2018

Areas of expertise: Many years' managerial experience in transport and logistics companies in the private sector, including A. P. Møller-Mærsk. Member of the Executive Board of Hamburg-Sued. Has particular competence within management, strategy and analysis.

Board member of

- Sund & Bælt Holding A/S (Chairman)
- A/S Storebælt (Chairman)
- A/S Øresund (Chairman)
- Femern A/S (Chairman)
- A/S Femern Landanlæg (Chairman)
- A/S United Shipping & Trading Company
- Bunker Holding A/S
- Uni-Tankers A/S

Carsten Koch, Vice-Chairman (Born: 1945)

Director

Vice-Chairman since 2009

Joined the Board of Directors in 2004

Election period expires in 2017

Areas of expertise: Many years of management experience in the private and public sector. Also has many years' experience of board positions, including as chairman of public sector companies. Has particular competence within strategy, management, economics and financing.

Board member of

- CPH City & Port Development (Chairman)
- Copenhagen's Havns Pensionskasse (Chairman)
- Forca A/S (Chairman)
- FredericiaC P/S (Chairman)
- NærHeden P/S (Chairman)
- The Danish Growth Fund (Chairman)
- Metropolitan University College UCC (Chairman)
- Sund & Bælt Holding A/S (Vice-Chairman)
- A/S Storebælt (Vice-Chairman)
- A/S Øresund (Vice-Chairman)
- Femern A/S (Vice-Chairman)
- A/S Femern Landanlæg (Vice-Chairman)
- AS3 A/S (Vice-Chairman)
- Øresundsbro Konsortiet I/S
- CMP A/B
- Investeringsforeningen Maj Invest

Chairman of the Employment Council under the Ministry of Employment.

David P. Meyer, Vice-Chairman (Born: 1957)

Director

Vice-Chairman since 2016

Joined the Board of Directors in 2016

Election period expires 2018

Areas of expertise: Many years' experience as director in the private sector. Many years' experience of board positions, including chairmanships. Has particular competence within strategy, international management, organisation, economics, finance, production and value chain optimisation.

Board member of

- Dansani A/S (Chairman)
- C&H System A/S (Chairman)
- KD Group A/S (Chairman)
- Damasec ApS (Chairman)
- Sund & Bælt Holding A/S (Vice-Chairman)
- A/S Storebælt (Vice-Chairman)
- A/S Øresund (Vice-Chairman)
- Femern A/S (Vice-Chairman)
- A/S Femern Landanlæg (Vice-Chairman)
- Øresundsbro Konsortiet I/S (Vice-Chairman)
- Pressalit A/S (Vice-Chairman)
- Atrium Partners A/S
- Dameca A/S
- Kohsel Elektronik A/S

Pernille Sams (Born: 1959)

Director, State authorised estate agent, LLM

Joined the Board of Directors in 2004

Election period expires in 2017

Areas of expertise: Many years of experience of board positions as well as legal, business and political experience. Special expertise within communications, risk management, analysis and strategy as well as social and nature-related issues.

Board member of

- Danske Selvstændige Ejendomsmæglere (Chair)
- Pernille Sams Ejendomsmæglerfirma ApS
- Foreningen Nordea Liv og Pension
- World Animal Protection
- Sund & Bælt Holding A/S
- A/S Storebælt
- A/S Øresund
- Femern A/S
- A/S Femern Landanlæg
- Øresundsbro Konsortiet I/S

Mette Boye (Born: 1974)

Director, Danish Ethical Trading Initiative

Joined the Board of Directors in 2011

Election period expires in 2017

Areas of expertise: Many years' experience of political organisations and board positions. Has particular competence within public transport, environmental and consumer policies, management, CSR and social and environmental matters.

Board member of:

- Sund & Bælt Holding A/S
- A/S Storebælt
- A/S Øresund
- Femern A/S
- A/S Femern Landanlæg
- Institute for Human Rights

Walter Christophersen (Born 1951)

Independent businessman

Joined the Board of Directors in 2011

Election period expires in 2017

Areas of expertise: Many years' experience from the private sector and with political work. Has particular competence within business, traffic and societal issues.

Board member of:

- Sund & Bælt Holding A/S
- A/S Storebælt
- A/S Øresund
- Femern A/S
- A/S Femern Landanlæg

Claus Jensen (Born: 1964)

Union President, the Danish Metal Workers' Union

Joined the Board of Directors in 2014

Election period expires in 2017

Areas of expertise: Management experience gained through various managerial positions at the Danish Metal Workers' Union. In-depth social and international understanding, thorough knowledge of labour market conditions and the collective bargaining system, strong negotiation skills, experience of management systems, staffing and organisational issues, in-depth knowledge of budgeting, accounting, insurance and pensions

Board member of

- CO-industri (Chairman)
- EUROPA Think Tank (Chairman)
- Sund & Bælt Holding A/S
- A/S Storebælt
- A/S Øresund
- Femern A/S
- A/S Femern Landanlæg
- Danish Confederation of Trade Unions, LO
- European Workers Participation Fund, EWPF
- IndustriALL – European Trade Union
- IndustriALL - Global
- Industrianställda i Norden, IN
- A/S A-Pressen
- Danish Academy of Technical Sciences, ATV
- The Economic Council of the Labour Movement, AE
- Arbejderbevægelsens Kooperative Finansieringsfond, AKF
- Arbejdernes Landsbank
- Arbejdsmarkeds Tillægspension, ATP
- CPH Vækstkomité
- Danmarks Nationalbank
- The Danish Growth Council

- The Danish Economic Council
- Det Blå Danmark
- Folk & Sikkerhed
- Fonden Peder Skram
- Industriens Kompetenceudviklingsfond, IKUF
- Industriens Pensionsforsikring A/S
- Industriens Pension Service A/S
- Industriens Uddannelse- og Samarbejdsfond, IUS
- IndustriPension Holding A/S
- InnovationsFonden
- Interforcekomitéen
- Markedsmodningsfonden
- Innovationsfonden
- Olympisk Idrætsforum
- Produktionspanel 4.0
- Ulandssekretariatet
- Young Enterprise/Fonden for Entreprenørskab

Ruth Schade (Born: 1951)

Group Director

Joined the Board of Directors in 2016

Election period expires in 2018

Areas of expertise: Director of the Harboe Group with responsibility for business strategy, finance and corporate and contractual matters as well as investor relations.

Board member of

- Sund & Bælt Holding A/S
- A/S Storebælt
- A/S Øresund
- A/S Femern Landanlæg
- Femern A/S
- Maj Invest Holding A/S
- Fondsmæglerselskabet Maj Invest A/S
- Ma Dansk Retursystem A/S
- Harboe Ejendomme A/S
- Skælskør Bryghus A/S
- Vejrmøllegård ApS
- Buskysminde A/S
- Lundegård A/S
- Rugbjerggård A/S
- Keldernæs A/S
- Visbjerggården A/S
- Danfrugt Skælskør A/S
- BG af 31. december 2010 A/S

Lene Lange (Born 1973)

Lawyer, Partner in LETT legal partnership

Joined the Board of Directors in 2016

Election period expires in 2018

Areas of expertise: Legal advice and project management, primarily in public-private partnerships, infrastructure projects, and production and processing plants. Management experience from position as VP Legal and Human Resources at Terma A/S, Director of Delacour Law Firm and Head of Department at LETT Law Firm.

Board member of

- Sund & Bælt Holding A/S
- A/S Storebælt
- A/S Øresund
- A/S Femern Landanlæg
- Femern A/S
- Øresundsbro Konsortiet I/S
- Compositelligence ApS
- PatentCo ApS

Management Board

Mikkel Hemmingsen

CEO

CEO of

- Sund & Bælt Holding A/S
- A/S Storebælt
- A/S Øresund
- A/S Femern Landanlæg

Board member of

- BroBizz A/S (Chairman)
- Sund & Bælt Partner A/S (Chairman)
- Femern A/S

Financial glossary

Swaps

The exchange of payments between two counterparties – typically a company and a bank. A company may, for example, raise a fixed interest loan and subsequently enter a swap with the bank by which the company receives fixed interest corresponding to the interest on the loan and pays variable interest +/- a premium. The company's net obligation will be the payment of the variable interest +/- the premium. Such transactions are called swaps. In a currency swap, payments in two different currencies are exchanged. Interest rate and currency swaps may also be combined.

Denominated

... issued in ... A bond can be issued (denominated) in EUR, but carry interest related to an amount in DKK.

Cap/floor structure

A cap is an agreement that allows a borrower to choose the maximum interest rate payable over a set period. A floor is the opposite of a cap. A floor restricts the interest rates from falling below a certain level. Accordingly, if a cap/floor has been entered into, the maximum and minimum interest to be paid has been fixed (interest can only fluctuate within a certain interval).

Collar structure

Another term for a cap/floor structure. A zero-cost collar, for example, is purchase of a cap financed by the sale of a floor. If the market rates increase, a cap has been set for the amount of interest to be paid. By contrast, there is no benefit if interest rates fall below the floor.

Cap hedge

Hedging of significant interest rate increases on the variable rate debt against payment of a premium. Is used as an alternative to entering a fixed rate for the entire loan period.

Interest-bearing net debt

The interest-bearing net debt comprises financial assets and liabilities measured at amortised cost, excluding interest due and receivable under accruals and deferred income.

Fair value

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

Fair value adjustment

An accounting principle in financial reporting requiring the value of assets/liabilities to be determined at their market value (fair value) - i.e. the value at which an asset could be sold or a liability settled in the market. In the period between the raising and repayment of loans the fair value will change as interest rates change.

AAA or AA rating

International credit rating agencies rate companies according to their creditworthiness. Companies are usually rated with a short and a long rating that expresses the company's ability to settle its liabilities in the short-term and the long-term respectively. The rating follows a scale, with AAA being the best rating, AA the second best etc. The Danish State, which guarantees the liabilities of Storebælt and the Øresund fixed link, has the highest credit rating: AAA. The largest credit rating agencies are Moody's and Standard & Poor's.

Real rate

The nominal interest rate minus inflation.