
A/S Øresund

Interim report

for the period 1 January – 30 June 2019

Interim report comprises:

A/S Øresund, CVR no. 15807830

SUMMARY

Financial results (figures for the corresponding period in 2018 are given in parenthesis).

- Revenue from the railway: DKK 20 million (DKK 30 million). The decline in revenue can be attributed to the adoption of the Finance Act 2016 whereby it was decided that the fees for the rail companies' use of the Øresund railway line should be reduced over a number of years.
- Other income: DKK 0 million (DKK 9 million). The negative difference can primarily be attributed to the sale of building rights for DKK 7.5 million in the same period last year.
- Operating expenses: DKK 48 million (DKK 44 million).
- Depreciation: DKK 111 million (DKK 131 million).
- EBIT amounts to a loss of DKK 138 million (loss DKK 136 million).
- Interest expenses DKK 100 million (DKK 94 million).
- Value adjustments: expense of DKK 425 million (expense DKK 32 million). Fair value adjustments are an accounting item with no effect on the company's debt repayment because the debt is repaid at nominal value.
- The share of the result from Øresundsbro Konsortiet I/S: income of DKK 74 million (income DKK 330 million). The difference in the result for Øresundsbro Konsortiet I/S compared to the same period last year is primarily due to a negative difference in value adjustments of DKK 520 million.
- The result before value adjustments and tax is a profit of DKK 44 million, including the share of the profit in Øresundsbro Konsortiet I/S (profit DKK 38 million).
- Tax constitutes an income of DKK 130 million (expense DKK 15 million). Changes in relation to the same period in 2018 are solely related to changes in the result.
- The result after tax is a loss of DKK 459 million (profit DKK 53 million).

Cash flow

- Cash flow from operating and investing activities (free cash flow) has resulted in a net reduction in liquidity of DKK 22 million. Cash flow from financing activities has resulted in an improvement in liquidity of DKK 101 million whereby A/S Øresund's cash at bank and in hand for the period saw a net improvement of DKK 79 million.

Outlook for 2019

- The outlook for the result before financial value adjustments and tax has changed to a profit of approx. DKK 130 million. Of this, the share of the result from Øresundsbro Konsortiet I/S is a profit of approx. DKK 640 million. The upward adjustment of DKK 30 million has been made because of a lower level of inflation.

COMPREHENSIVE INCOME STATEMENT

(DKK million)	1 January - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2019	1 April - 30 June 2018	2018
Revenue - railway	20.1	30.4	10.1	15.2	60.8
Other income	0.7	8.6	0.6	0.7	9.6
Total income	20.8	39.0	10.7	15.9	70.4
Operating expenses	-48.4	-44.1	-29.2	-25.8	-98.2
Depreciation	-110.8	-131.0	-54.8	-65.2	-252.0
EBIT	-138.4	-136.1	-73.3	-75.1	-279.8
Interest expenses	-99.8	-93.8	-70.7	-79.9	-202.4
Loss before value adjustment	-238.2	-229.9	-144.0	-155.0	-482.2
Value adjustments	-424.8	-32.3	-211.7	-155.5	109.1
Loss before share of results in affiliated company	-663.0	-262.2	-355.7	-310.5	-373.1
Share of results in jointly managed company	74.4	329.9	43.8	106.0	690.9
Profit/loss before tax	-588.6	67.7	-311.9	-204.5	317.8
Tax	129.5	-14.9	68.6	45.0	-66.7
Profit/loss for the period	-459.1	52.8	-243.3	-159.5	251.1
Other comprehensive income	0.0	0.0	0.0	0.0	0.0
Tax on other comprehensive income	0.0	0.0	0.0	0.0	0.0
Comprehensive income	-459.1	52.8	-243.3	-159.5	251.1

ASSETS

(DKK million)	30 June 2019	31 December 2018	30 June 2018
Non-current assets			
<u>Fixed assets</u>			
Road and rail links	4,923.2	5,022.4	5,134.4
Other property, plant and equipment	0.8	0.9	1.1
Total property, plant and equipment	4,924.0	5,023.3	5,135.5
Other non-current assets	1,127.9	924.0	658.1
Total non-current assets	6,051.9	5,947.3	5,793.6
Current assets			
Receivables	2,671.9	2,264.4	3,066.7
Cash at bank and in hand	79.3	0.0	95.5
Total current assets	2,751.2	2,264.4	3,162.2
Total assets	8,803.1	8,211.7	8,955.8

EQUITY AND LIABILITIES

Equity			
Share capital	5.0	5.0	5.0
Retained earnings at the beginning of the period	-6,037.5	-6,288.6	-6,288.6
Profit/loss for the period	-459.1	251.1	52.8
Total equity	-6,491.6	-6,032.5	-6,230.8
Liabilities			
Non-current liabilities	13,344.6	12,054.3	13,341.6
Current liabilities	1,950.1	2,189.9	1,845.0
Total liabilities	15,294.7	14,244.2	15,186.6
Total equity and liabilities	8,803.1	8,211.7	8,955.8

CASH FLOW STATEMENT

(DKK million)	1 January - 30 June 2019	1 January - 30 June 2018	2018
Cash flow from operating activities			
Loss before net financials	-138.4	-136.1	-279.8
Adjustment for non-cash items			
Amortisation, depreciation and impairment	110.8	131.0	252.0
Joint taxation contribution	0.0	0.0	-2.9
Adjustment for other non-cash items	0.0	0.0	0.0
Cash flow from operations (operating activity) before change in working capital	-27.6	-5.1	-30.7
Change in working capital			
Receivables, prepayments and accrued income	-159.9	-211.8	-806.2
Creditors and other liabilities	177.5	175.3	663.6
Total cash flow from operating activity	-10.0	-41.6	-173.3
Cash flow from investing activity			
Purchase of facility	-11.5	-5.4	-14.2
Dividend received from jointly managed company	0.0	535.1	535.1
Total cash flow from investing activity	-11.5	529.7	520.9
Free cash flow	-21.5	488.1	347.6
Cash flow from financing activities			
Raising of loans	937.5	650.0	1,750.0
Reduction of liabilities, net	-719.2	-868.2	-1,730.0
Debt reduction at credit institutions	-23.9	-98.6	-74.7
Interest paid	-93.6	-76.0	-293.1
Interest received	0.0	0.2	0.2
Total cash flow from financing activities	100.8	-392.6	-347.6
Change for the period in cash at bank and in hand	79.3	95.5	0.0
Cash at bank and in hand at the beginning of the period	0.0	0.0	0.0
Cash at bank and in hand at the end of the period	79.3	95.5	0.0

NET DEBT

2019 - Q2 (DKK million)				2018 (DKK million)			
Fair value hierarchy	Level 1	Level 2	Level 3	Fair value hierarchy	Level 1	Level 2	Level 3
Bonds	716.8	0.0	0.0	Bonds	600.4	0.0	0.0
Cash at bank and in hand	0.0	0.0	0.0	Cash at bank and in hand	0.0	0.0	0.0
Derivatives, assets	0.0	1,244.0	0.0	Derivatives, assets	0.0	1,032.1	0.0
Financial assets	716.8	1,244.0	0.0	Financial assets	600.4	1,032.1	0.0
Bond loans and debt	-13,433.4	-216.5	0.0	Bond loans and debt	-12,771.4	-219.6	0.0
Derivatives, liabilities	0.0	-1,357.2	0.0	Derivatives, liabilities	0.0	-1,076.8	0.0
Financial liabilities	-13,433.4	-1,573.7	0.0	Financial liabilities	-12,771.4	-1,296.4	0.0

MAIN FIGURES

(DKK million)	1st half year 2019	1st half year 2018	Q2 2019	Q2 2018	2018
Net turnover	20.8	39.0	10.7	15.9	70.4
EBIT	-138.4	-136.1	-73.3	-75.1	-279.8
Net financials before value adjustment	-99.8	-93.8	-70.7	-79.9	-202.4
Value adjustments, net	-424.8	-32.3	-211.7	-155.5	109.1
Profit from jointly managed company (Øresundsbro Konsortiet I/S)	74.4	329.9	43.8	106.0	690.9
Profit/loss before tax	-588.6	67.7	-311.9	-204.5	317.8
Total assets	8,803.1	8,955.8	8,803.1	8,955.8	8,211.7
Equity	-6,491.6	-6,230.8	-6,491.6	-6,230.8	-6,032.5

FINANCIAL RATIOS

Per cent	1st half year 2019	1st half year 2018	Q2 2019	Q2 2018	2018
Profit ratio (EBIT)	-666.7%	-349.3%	-687.2%	-316.5%	-397.6%
Rate of return (EBIT)	-3.1%	-3.0%	-3.3%	-3.4%	-3.4%
Return on facility (EBIT)	-5.6%	-5.3%	-6.0%	-5.8%	-5.6%

Developments over the period

EBIT shows a loss of DKK 138 million against a loss of DKK 136 million for the same period in 2018.

Revenue is DKK 18 million lower compared to 2018. The difference is due in part to lower earnings from the railway of DKK 10 million and in part to earnings of DKK 8 million in 2018 from the sale of development rights.

Operating expenses are on a par with last year and total DKK 48 million.

Depreciation has fallen by DKK 20 million.

Interest expenses amount to DKK 100 million and are DKK 6 million higher than in 2018.

The result before value adjustments, the share of the results in the jointly managed company and tax is a loss of DKK 238 million against a loss in 2018 of DKK 230 million.

The value adjustments of the company's debt amount to an expense of DKK 425 million. For the same period in 2018, value adjustments amounted an expense of DKK 32 million. The fair value adjustments are an accounting item with no effect on the company's debt repayment because the debt is repaid at nominal value.

50 per cent of Øresundsbro Konsortiet I/S' result, corresponding to an income of DKK 74 million, is included in the income statement. Øresundsbro Konsortiet I/S' result amounts to a profit of DKK 149 million against a profit for the equivalent period in 2018 of DKK 660 million.

Road traffic on the Øresund Bridge fell by 1.3 per cent compared to the same period in 2018. The number of passenger cars declined by 1.7 per cent, the number of lorries increased by 3.3 per cent and the number of coaches by 7.3 per cent.

Tax amounts to a net income of DKK 130 million against an expense of DKK 15 million for the same period in 2018. Tax has been earmarked as 22 per cent of the result for the period before tax. The difference in the tax expense is solely related to changes in the result.

A/S Øresund's result after tax shows a loss of DKK 459 million. The result for the same period in 2018 was a profit of DKK 53 million. Compared to the same period in 2018, the result after tax is negatively affected by accounting adjustments of approx. DKK 520 million in the form of value adjustments of net financials (including value adjustments for Øresundsbro Konsortiet I/S).

Financing expenses, excluding value adjustments, total 1.69 per cent per annum for A/S Øresund against 1.58 per cent per annum for the same period last year and 1.71 per cent per annum for Øresundsbro Konsortiet I/S against 1.89 per cent per annum for 2018. The difference can be attributed to lower inflation in 2019 compared to the same period last year. Including value adjustments, financing expenses amount to 5.54 per cent per annum for A/S Øresund (1.87 per cent in 2018) and 5.20 per cent per annum (0.89 per cent in 2018) for Øresundsbro Konsortiet I/S.

A/S Øresund's financial risks are, in the main, unchanged as compared to the note in the Annual Report for 2018, which deals with financial risk management.

At the end of June, the floating rate debt for A/S Øresund was 26.8 per cent of the net debt and 47.7 per cent for Øresundsbro Konsortiet I/S.

Outlook for 2019

The outlook for the result before financial value adjustments and tax has changed to a profit of approx. DKK 130 million. Of this, the share of the result from Øresundsbro Konsortiet I/S is a profit of approx. DKK 640 million. The upward adjustment of DKK 30 million has been made because of a lower level of inflation.

Equity development

(DKK million)	1 January - 30 June 2019	1 January - 31 December 2018	1 January - 30 June 2018
Share capital	5.0	5.0	5.0
Equity at the beginning of the period	-6,032.5	-6,266.5	-6,266.5
Profit/loss for the period	-459.1	251.1	52.8
Transitional effect IFRS 15 after tax	0.0	-17.1	-17.1
Equity at the end of the period	-6,491.6	-6,032.5	-6,230.8

At the end of June 2019, equity was negative at DKK 6.5 billion. Equity movements for the period comprise the result for the period 1 January – 30 June 2019.

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 18-19 years, calculated from the end of 2018.

The repayment period for Øresundsbro Konsortiet I/S' and A/S Øresund's debt is expected to be 50 and 45 years from the opening, i.e. 2050 and 2043 respectively.

A/S Øresund's interest bearing net debt totals DKK 11.1 billion at the end of June.

Øresundsbro Konsortiet I/S's interest-bearing net debt amounts to DKK 11.5 billion at the end of June.

Future operating results are estimated on the basis of the fixed fee from Banedanmark for use of the rail links as determined by the Ministry for Transport and Housing and on the basis of road traffic forecasts for Øresundsbro Konsortiet I/S, which is recognised at 50 per cent of the result for the period corresponding to the ownership share.

It should be noted that under the terms of the Act on Sund & Bælt Holding A/S for the parent company and, amongst others, A/S Øresund, the Danish State has extended separate guarantees for interest and repayments and other ongoing liabilities relating to the company's loans against payment of a guarantee commission of 0.15 per cent. Moreover, and without further notification of each individual case, the Danish state guarantees the company's other financial obligations. Øresundsbro Konsortiet A/S' debt is guaranteed jointly and severally by the Danish and Swedish states.

In 2013, HH Ferries *et al*/ lodged a complaint with the EU Commission claiming that the Danish/Swedish State guarantees for the Øresundsbro Konsortiet I/S' loans etc. are illegal according to the EU's State aid rules. In October 2015, the EU Commission decided that the guarantees are covered by the State aid rules, but that they are in compliance with these rules. HH Ferries *et al*/ brought this before the EU Court which reached a decision on 19 September 2018. The decision was an annulment of the EU Commission's decision from 2015.

The judgement did not state whether or not the State aid was illegal, but only that the EU Commission had committed certain procedural errors. The EU Commission is initiating a formal investigation procedure which will lead to a new decision, probably in the first half of 2020.

ACCOUNTING POLICIES

The interim report is presented in accordance with IAS 34 provisions. The accounting policies are in accordance with those used in the 2018 Annual Report.

With effect from 1 January 2019, the company has implemented the accounting standards IFRS 16, Leases, and IFRS 9, Early repayment with negative compensation, which enter into force for financial years beginning on or after 1 January 2019 or later. The implementation of new or updated accounting standards have not led to changes in accounting policies.

EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date that could affect these accounts.

OWNERSHIP OF A/S Øresund

The entire share capital of A/S Øresund is owned by Sund & Bælt Holding A/S, which is owned by the Danish State.

AUDITOR'S STATEMENT

No audit or review of the interim report has been carried out.

STATEMENT BY THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

The Board of Directors and Management Board of A/S Øresund have today discussed and approved the interim report for the period 1 January to 30 June 2019.

The interim report, which has not been audited by the company's auditors, has been prepared in accordance with IAS 34 Presentation of Interim Reports as approved by the EU and additional Danish disclosure requirements for interim reports for companies with publicly traded debt instruments.

We are of the opinion that the interim report gives a true and fair view of the company's assets, liabilities and financial position as at 30 June 2019 and the results of the company's activities and cash flow for the period 1 January – 30 June 2019.

It is our view that the Management Report contains a true and fair view of developments in the company's activities and financial position, the results for the period and the company's financial position as a whole and a description of the key risks and uncertainties facing the company.

Copenhagen, 26 August 2019

Management Board

Mikkel Hemmingsen
CEO

Board of Directors

Peter Frederiksen
Chairman

Jørn Tolstrup Rohde
Vice-Chairman

Walter Christophersen

Claus Jensen

Ruth Schade

Lene Lange

APPENDIX 1

FINANCIAL RATIOS

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

Profit ratio: Operating profit (EBIT) in percentage of revenue.

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 links.