



A/S Øresundsforbindelsen

Interim report

Q1 2020

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Management report

Summary of Q1 2020

The Board of Directors has today approved the interim report for Q1 2020 (1 January – 31 March 2020) for A/S Øresund. The auditors elected by the Annual General Meeting have not conducted a review of the interim report.

Economic headlines

- Revenue totals DKK 5 million and declined by 50 per cent compared to Q1 2019. The decline in earnings can be attributed to the adoption of the 2016 Finance Act whereby it was decided that the fees for the rail companies' use of the Øresund railway should be reduced over a number of years.
- External expenses total DKK 19 million and are unchanged in relation to the same period last year.
- EBIT fell by 6 per cent to DKK -69 million.
- Net financing expenses declined by DKK 6 million compared to Q1 2019.
- Value adjustments represent gains of DKK 191 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 result from Øresundsbro Konsortiet I/S amounts to income of DKK 205 million against income of DKK 31 million in 2019. Compared to 2019, the results are affected by the negative impact from the decline in traffic revenue due to COVID-19 and positively affected by positive value adjustments of financial items.
- In Q1 2020, DKK 0.2 billion was repaid on the interest-bearing net debt, which totalled DKK 10.8 billion on 31 March 2020.
- The result for the period amounts to a profit of DKK 237 million against a loss of DKK 216 million in 2019.
- Cash flow from operating and investing activities (free cash flow) has resulted in a net liquidity improvement of DKK 114 million. Cash flow from financing activities has resulted in a net reduction in liquidity of DKK 15 million whereby cash at bank and in hand for the period saw a net improvement of DKK 98 million.

The impact of value adjustments on financial results

	Income statement with ref. to Q1	Fair value adjustments	Pro forma income statement 2020, Q1	Pro forma income statement 2019, Q1
Operating loss (EBIT)	-69		-69	-65
Financial items excl. value adjustment	168	-191	-23	-29
Profit/loss before share of jointly managed company	100		-92	-94
Profit/loss from jointly managed company	205	-73	132	136
Profit before fair value adjustment	304		40	42
Fair value adjustment		264	264	-318
Profit/loss before tax	304		304	-277
Tax	-67		-67	61
Profit/loss, Q1	237		237	-216

Outlook for the year

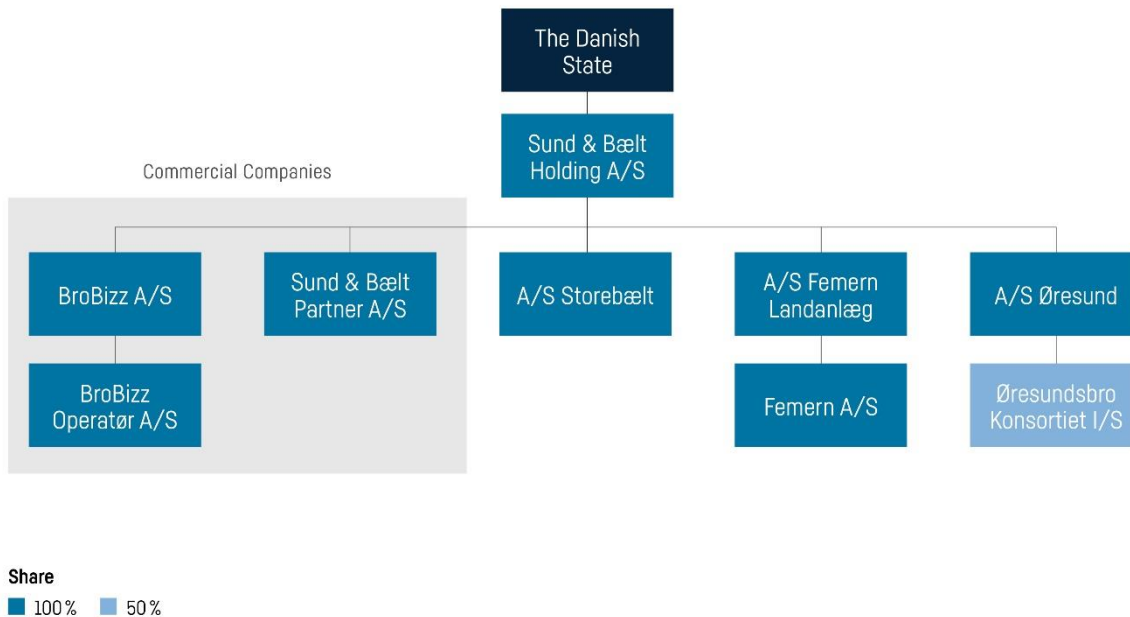
The outlook for the 2020 results – based on the budget adopted in November 2019 – is for a profit before fair value adjustments and tax within the order of DKK 150 million of which the share of the result from Øresundsbro Konsortiet I/S is a profit of approximately DKK 660 million. Since then, the current outbreak of COVID-19 and the subsequent closure of workplaces and borders have created great uncertainty about the current year's results.

Traffic revenue from the road link declined substantially owing to the closure of workplaces and borders in mid-March and the effect of this is estimated, with great uncertainty, to be a fall in traffic revenue on a monthly basis of approximately DKK 60-70 million of which DKK 30-35 million can be attributed to A/S Øresund's ownership share. With respect to financing expenses, the effect is deemed to be limited as it is expected that interest rates and inflation will remain at a low level over an extended period.

Information as to shareholders

A/S Øresund is a limited company based in Denmark. A/S Øresund is a subsidiary of Sund & Bælt Holding A/S and is included in the consolidated accounts for Sund & Bælt Holding A/S, which is the ultimate parent company. The entire share capital of Sund & Bælt Holding A/S is owned by the Danish State.

Group overview



Main activity

A/S Øresund's primary task is in part to own and operate the Danish landworks in connection with the fixed link across Øresund and in part to manage the partial ownership of Øresundsbro Konsortiet I/S. These responsibilities are assumed having regard to maintaining high levels of accessibility and safety on the facilities. In addition, repayment of the loans raised to finance the facilities shall take place within a reasonable time frame.

Key figures and financial ratios for A/S Øresund

	2020	2019	2019
(DKK million)	Q1	Q1	Q1-Q4
Revenue, railway	5	10	40
Expenses	-19	-19	-97
Depreciation, amortisation and write-downs	-55	-56	-221
Operating loss (EBIT)	-69	-65	-277
Financial items excl. value adjustment	-23	-29	-173
Loss before value adjustments	-92	-94	-450
Value adjustments, net	191	-213	-470
Share of result in jointly managed company (Øresundsbro Konsortiet I/S*)	205	31	427
Profit/loss, Q1	237	-216	-384
Capital investment for the year, road and railway	6	6	24
Capital investment at 31 March, road and railway	4,776	4,972	4,825
Net debt (fair value)	12,334	12,528	12,681
Interest-bearing net debt	10,821	11,003	11,018
Equity	-6,179	-6,248	-6,416
Balance sheet total	9,087	8,369	8,676
Cash flow from operating activity	120	10	-8
Cash flow from investing activity	-6	-6	-24
Cash flow from financing activity	-15	7	165
Total cash flow	98	11	134
Financial ratios, per cent	2020	2019	2019
	Q1	Q1	Q1-Q4
Profit ratio (EBIT)	-1376.0	-644.6	-675.1
Rate of return (EBIT)	-3.0	-3.1	-3.2
Return on facilities (EBIT)	-5.8	-5.2	-5.7

Development in activities and economic situation

The result from the operation of the Danish landworks shows a loss (EBIT) of DKK 69 million, which is on a par with the same period last year.

Revenue, which comprises the rail fee from Banedanmark, was reduced by 50 per cent and amounts to DKK 5 million for the period. The fee reduction follows the plan laid down by the adoption of the 2016 Finance Act.

Operating expenses and depreciation total DKK 74 million and are on a par with the same period in 2019.

The statement of results includes 50 per cent of the result for Øresundsbro Konsortiet I/S corresponding to earnings of DKK 205 million. The result was negatively affected by the closure of workplaces and borders owing to COVID-19. Revenue from road traffic thus declined by almost 4 per cent. However, owing to substantial positive value adjustments of financial items, pre-tax profit increased from DKK 31 to DKK 205 million.

Road traffic on the Øresund Bridge for Q1 declined by 15.1 per cent compared to the same period in 2019. Until mid-March, the decline in traffic amounted to 0.2 per cent but after the closure of the border, the decline increased to 69 per cent with passenger cars accounting for 74.8 per cent and lorries 4.5 per cent. For the quarter as a whole, passenger car traffic fell by 16 per cent and lorries by 5.6 per cent.

The company's net financing expenses total DKK 23 million and are DKK 6 million lower than in 2019.

Financing expenses excluding value adjustments total 0.68 per cent per annum for A/S Øresund against 0.95 per cent per annum for the same period last year and 0.39 per cent per annum for Øresundsbro Konsortiet I/S against 0.53 per cent per annum for the same period in 2019. The difference is due to a lower interest rate level. Including value adjustments, financing expenses total -1.07 per cent per annum for A/S Øresund (2.89 per cent in 2019) and -0.98 per cent per annum (2.27 per cent in 2019) for Øresundsbro Konsortiet I/S.

Value adjustments of the company's debt amounts to gains of DKK 191 million. For the same period in 2019, value adjustments amounted to an expense of DKK 213 million. Fair value adjustments are an accounting item with no effect on the company's debt repayment as the debt is repaid at nominal value.

The result after tax shows a profit of DKK 237 million. For the same period in 2019, the result was a loss of DKK 216 million. The change can primarily be attributed to the value adjustments of financial items, which, after tax, have a positive impact in the amount of DKK 450 million.

A/S Øresund's financial risks are mainly unchanged in relation to the report contained in the note to the 2019 annual report, which addresses financial risk management.

A/S Øresund's floating rate was 14.3 per cent of the net debt at the end of March. For Øresundsbro Konsortiet I/S it was 56 per cent.

Equity was negative and totalled DKK 6,179 million as at 31 March 2020 against DKK 6,416 million as at 31 December 2019. Equity movements for the accounting period relate to the results for the period 1 January – 31 March 2020.

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

A/S Øresund's interest-bearing net debt totalled DKK 10.8 billion as at the end of March. For Øresundsbro Konsortiet I/S it was DKK 10.4 billion.

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

On the basis of the estimated operating results for the company and for Øresundsbro Konsortiet I/S, equity is expected to be re-established within a time frame of 17 years calculated from the end of 2019.

Future operating results are estimated on the basis of the Ministry of Transport and Housing's fixed fee from Banedanmark for use of the rail link and on the basis of traffic forecasts for road traffic for Øresundsbro Konsortiet I/S which is recognised at 50 per cent of the results 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 A/S Øresund, and against a guarantee commission of 0.15 per cent, the Danish State 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 liabilities. Øresundsbro Konsortiet A/S' debt is guaranteed jointly and severally by the Danish and Swedish States.

The company's commercial risks are unchanged in relation to the risks described in the 2019 annual report. There is substantial uncertainty about the impact of the COVID-19 outbreak, with particular uncertainty related to road traffic revenue.

In 2013, HH Ferries *et al* lodged a complaint with the EU Commission claiming that the Danish/Swedish state guarantees for 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 its decision on 19 September 2018. The decision was an annulment of the EU Commission's decision from 2015. The judgement did not state whether the State aid was illegal or not, but only that the Commission had made certain procedural errors. The Commission is initiating a formal investigation procedure which will lead to a new decision, probably in the first half of 2020.

Events after the balance sheet date

No events have occurred since the end of the period that can impact the company's earnings and economic position.

Statement by the Board of Directors and Management Board

The Board of Directors and Management Board have today discussed and approved the interim report for the period 1 January to 31 March 2020 for A/S Øresund.

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 31 March 2020 and the results of the company's activities and cash flow for the period 1 January – 31 March 2020.

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, 12 May 2020

Management Board

Mogens Hansen
CEO

Board of Directors

Mikkel Hemmingsen
Chair

Louise Friis
Vice-Chair

Mogens Hansen

Financial statements

Comprehensive income statement 1 January – 31 March

(DKK million)

	Note	1 January-31 March 2020	1 January-31 March 2019
Revenue			
Net revenue	2	5	10
Total revenue		5	10
Expenses			
Other external expenses		-19	-19
Depreciation, amortisation and write-downs		-55	-56
Total expenses		-74	-75
Operating loss (EBIT)		-69	-65
Financial items			
	3		
Financial income		78	87
Financial expenses		-101	-116
Value adjustments, net		191	-213
Total financial items		168	-242
Profit/loss before inclusion of share of results in jointly managed company		100	-307
Share of results in jointly managed company		205	31
Profit/loss before tax		304	-277
Tax		-67	61
Profit/loss, Q1		237	-216
Other comprehensive income		0	0
Tax on other comprehensive income		0	0
Comprehensive income		237	-216

Balance sheet 31 March - Assets

(DKK million)

Assets	Note	31 March 2020	31 December 2019	31 March 2019
Non-current assets				
Property, plant and equipment				
Road link	4	1,191	1,199	1,221
Rail link	5	3,585	3,626	3,752
Other fixtures and fittings, plant and equipment		1	1	1
Total property, plant and equipment		4,777	4,826	4,973
Other non-current assets				
Participating interest in jointly managed company		1,526	1,321	924
Deferred tax		0	0	92
Total other non-current assets		1,526	1,321	1,016
Total non-current assets		6,303	6,146	5,989
Current assets				
Receivables				
Receivables		395	547	665
Securities		940	866	599
Derivatives		1,217	983	1,116
Total receivables		2,552	2,396	2,380
Cash at bank and in hand		232	134	0
Total current assets		2,784	2,530	2,380
Total assets		9,087	8,676	8,369

Balance sheet 31 March – Equity and liabilities

(DKK million)

Equity and liabilities	Note	31 March 2020	31 December 2019	31 March 2019
Equity				
Share capital		5	5	5
Retained earnings		-6,184	-6,421	-6,253
Total equity		-6,179	-6,416	-6,248
Liabilities				
Non-current liabilities				
Deferred tax		128	61	0
Bond loans and amounts owed to credit institutions		12,323	12,372	12,249
Total non-current liabilities		12,451	12,433	12,249
Current liabilities				
Current portion of non-current liabilities		1,155	1,160	926
Credit institutions		0	0	35
Trade and other payables		214	127	242
Derivatives		1,443	1,370	1,163
Accruals and deferred income		2	2	2
Total current liabilities		2,815	2,659	2,368
Total liabilities		15,266	15,092	14,617
Total equity and liabilities		9,087	8,676	8,369

Statement of changes in equity 1 January – 31 March

(DKK million)

	Share capital	Retained earnings	Total
Balance at 1 January 2019	5	-6,038	-6,033
Profit/loss for the year and comprehensive income	0	-384	-384
Balance at 31 March 2019	5	-6,421	-6,416
Balance at 1 January 2020	5	-6,421	-6,416
Profit for the year and comprehensive income	0	237	237
Balance at 31 March 2020	5	-6,184	-6,179

Cash flow statement 1 January – 31 March

(DKK million)

Note	31 March 2020	31 March 2019
Cash flow from operating activities		
Loss before financial items	-69	-65
Adjustments		
Amortisation, depreciation and write-downs	55	56
Cash flow from operations (operating activities) before change in working capital	-14	-9
Change in working capital		
Receivables and prepayments	-71	-2
Trade and other payables	205	21
Total cash flow from operations	120	10
Cash flow from investing activity		
Acquisition of intangible and tangible fixed assets	-6	-6
Total cash flow from investing activity	-6	-6
Free cash flow	114	4
Cash flow from financing activity		
Raising of loans with credit institutions	0	22
Interest expenses, paid	-16	-15
Total cash flow from financing activities	-15	7
Change for the period in cash and cash equivalents	98	11
Cash and cash equivalents at 1 January	134	24
Cash and cash equivalents at 31 March	232	35

Notes

Note 1. Accounting policies

The quarterly financial statements are presented in accordance with IAS 34, Presentation of Interim Reports, as approved by the EU and Danish disclosure requirements for listed companies. The financial section of the quarterly report complies with the provisions in IAS 34 for condensed interim financial statements.

The quarterly financial statements are presented in Danish kroner (DKK), which is the company's functional currency.

The accounting policies applied in the quarterly financial statements are unchanged from the accounting policies applied in the 2019 financial statements. Reference should be made to the 2019 annual report for a further description of the accounting policies applied.

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

Profit ratio: EBIT in percentage of revenue.

Rate of return: EBIT in percentage of total assets.

Return on facilities: EBIT in percentage of the investment in the road and rail links.

Note 2. Revenue

	2020	2019
Specification of revenue	Q1	Q1
Revenue from railway	5	10
Total revenue	5	10

Note 3. Financial items

The company recognises changes in the fair value of financial assets and liabilities through the comprehensive income statement. The difference in the fair value between the balance sheet dates constitutes the total financial items allocated between value adjustments and net financing expenses where the latter comprises interest income and expenses.

Net financing expenses comprise accrued nominal/real coupons rates, realised inflation indexation and amortisation of premiums/discounts while 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 corresponding foreign exchange gains and losses.

	31 March 2020	31 March 2019
Financial income		
Income from participating interests	0	0
Interest income, securities, banks etc.	0	0
Interest income, financial instruments	78	87
Total financial income	78	87
Financial expenses		
Interest expenses, loans	-45	-48
Interest expenses, financial instruments	-56	-68
Other financial items, net	0	0
Total financial expenses	-101	-116
Net financing expenses	-23	-29
Value adjustments, net		
- Securities	0	0
- Loans	21	-218
- Currency and interest rate sw aps	170	6
- Interest rate options	0	0
- Currency options	0	0
- Other value adjustments	0	0
Value adjustments, net	191	-213
Total financial items	168	-242
Of which financial instruments	193	25

Commission to the Danish State of DKK 4.3 million as at 31 March 2020 (31 March 2019: DKK 4.3 million) is recognised in interest expenses.

Net financing expenses for the Group were DKK 6 million lower in Q1 2020 compared to the same period in 2019. This is primarily due to the indexation of the real rate debt.

Note 4. Road link

	Directly capitalised expenses	Value of own work	Financing expenses (net)	Projects in progress	Total Q1 2020	Total Q1-Q4 2019
Original cost at 1 January	1,504	14	165	0	1,683	1,682
Adjustment to opening balance	-1	0	0	1	0	0
Additions for the year	0	0	0	0	0	1
Original cost at 31 December	1,503	14	165	2	1,683	1,683
Original cost at 1 January	446	3	36	0	485	454
Adjustment to opening balance	0	0	0	0	0	0
Depreciation, amortisation and writedowns for the year	7	0	0	0	8	31
Depreciation on assets disposed	0	0	0	0	0	0
Depreciation at 31 December	453	3	37	0	492	485
Book value	1,050	11	128	2	1,191	1,199

Note 5. Rail link

	Directly capitalised expenses	Value of own work	Financing expenses (net)	Projects in progress	Total Q1 2020	Total Q1-Q4 2019
Original cost at 1 January	4,982	0	487	0	5,469	5,453
Adjustment to opening balance	-22	0	0	22	0	0
Additions for the year	0	0	0	6	6	23
EU subsidy	0	0	0	0	0	0
Disposals for the year	0	0	0	0	0	-6
Transfers for the year	6	0	0	-6	0	0
Original cost at 31 December	4,966	0	487	22	5,475	5,469
Original cost at 1 January	1,679	0	164	0	1,843	1,659
Adjustment to opening balance	0	0	0	0	0	0
Depreciation, amortisation and writedowns for the year	43	0	4	0	47	190
Depreciation on assets disposed	0	0	0	0	0	-6
Depreciation at 31 December	1,721	0	168	0	1,890	1,843
Book value	3,244	0	319	22	3,585	3,626

Note 6. Net debt

Fair value hierarchy	2020				2019			
	Level 1	Level 2	Level 3	Q1 Total	Level 1	Level 2	Level 3	Q1 Total
Bonds	940	0	0	940	599	0	0	599
Cash at bank and in hand	0	0	0	0	0	0	0	0
Derivatives, assets	0	1,217	0	1,217	0	1,116	0	1,116
Financial assets	940	1,217	0	2,157	599	1,116	0	1,715
Bond loans and debt	-13,273	-205	0	-13,478	-12,958	-217	0	-13,175
Derivatives, liabilities	0	-1,443	0	-1,443	0	-1,163	0	-1,163
Financial liabilities	-13,273	-1,648	0	-14,921	-12,958	-1,380	0	-14,338

Net debt spread across currencie	2020				2019			
	EUR	DKK	Other	Q1 Total	EUR	DKK	Other	Q1 Total
Cash at bank and in hand	39	193	0	232	0	-2	-32	-35
Investments in bonds	940	0	0	940	0	599	0	599
Financial assets	980	193	0	1,172	0	597	-32	564
Bond loans and amounts owed to credit institutions	-205	-13,273	0	-13,478	0	-217	-12,958	-13,175
Currency and interest rate sw aps	-2,801	2,575	0	-227	0	-2,579	2,532	-48
Currency futures	0	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0	0
Accrued interest	-77	275	0	198	0	-94	224	130
Financial liabilities	-3,083	-10,423	0	-13,506	0	-2,890	-10,203	-13,093
Total net debt	-2,104	-10,230	0	-12,334	0	-2,293	-10,235	-12,528

Interest-bearing net debt

	2020	2019
	Q1	Q1
Repayment period - number of years	47	47
Interest-bearing net debt - DKK billion	10.8	11.0
Repayment of debt	2043	2043
Financing expenses excl. value adjustment - per cent per annum	0.68	0.95
Financing expenses incl. value adjustment - per cent per annum	-1.07	2.89

Note 7. Transactions with 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 per cent ownership via Sund & Bælt Holding A/S	Guarantee for the company's debt. Guarantee commission	Determined by law. Accounts for 0.15 per cent of nominal debt
Sund & Bælt Holding A/S	Copenhagen	100 per cent ownership of A/S Øresund	Management of operational tasks. Joint taxation contribution	Market price
A/S Storebælt	Copenhagen	Subsidiary of Sund & Bælt Holding A/S	Maintenance tasks	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
BroBizz Operatør A/S	Copenhagen	Subsidiary of BroBizz A/S	-	Market price
Øresundsbro Konsortiet I/S	Copenhagen/ Malmø	50 per cent owned company	Purchase of financial management	Market price
Banedanmark	Copenhagen	Owned by the Danish State	Payment for use of rail links. Maintenance tasks.	Determined by the Minister of Transport and Housing
Danish Road Directorate	Copenhagen	Partly owned by the Danish State	Maintenance tasks	Market price

Related party	Description	Amount 2019	Amount 2018	Balance at 31 Dec 2019	Balance at 31 Dec 2018
The Danish State	Guarantee commission	-4.3	-15.9	-4.3	-17.0
Sund & Bælt Holding A/S	Management of subsidiary's operational tasks	-6.2	-30.7	-2.7	-0.6
	Joint taxation contribution	0.0	200.4	0.0	204.2
A/S Storebælt	Maintenance tasks	0.0	-1.0	0.0	-0.2
Øresundsbro Konsortiet I/S	Financial management	-0.4	-1.8	-5.0	0.0
Banedanmark	Payment for use of rail links	5.0	50.3	2.1	4.2
	Maintenance tasks	0.0	-3.0	0.0	-1.2
Vejdirektoratet	Maintenance tasks	-0.4	-1.3	0.0	-0.3

Note 8. Auditor's statement

No audit or review of the interim report has been performed.