

# **Annual Report 2016**

Metroselskabet I/S



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Thanks to e.g. operational reliability of 99.2 per cent, 2016 was another record year.

Dear reader,

2016 was one of the most eventful years in Metroselskabet's almost ten-year history. The Metro has drawn in many new passengers and the "heavy" Cityring construction work will soon be completed.

The profit from operation of the Metro increased significantly in 2016 and the result before depreciation and write-downs was DKK 291 million. This profit will contribute to financing the coming civil engineering projects. The company also ended 2016 with positive adjusted equity of DKK 3.8 billion.

The existing Metro system in the Copenhagen area achieved a new record for its operating reliability in 2016. The previous record of 98.8 per cent was set in 2011 and 2015, but in 2016 Metroselskabet's operator managed to achieve operating reliability of 99.2 per cent for the full year. This means that an average of 12,896 of the Metro's 13,000 daily departures ran on time.

This high operating reliability is a result of such measures as the last few years' major task of setting up platform doors at all overground stations. This is a particularly impressive result in view of the major milestone passed by the Metro in 2016. The ambitious growth objective of a 5-per-cent increase in passenger numbers in 2016 was exceeded, as more than 60 million passengers took the Metro.

Great progress was also made at the many Metro construction sites. The tunnel boring machines just need to complete the last few per cent of the Cityring tunnels before the Cityring construction work enters a new phase. The skilled tunnel boring crews have overcome the challenges of building the Metro at demanding locations such as Marmorkirken (the Marble Church), Magasin, Gammel Strand and the Town Hall Square.

Now, the technical installations and permanent track are being completing, while the Cityring trains are tested, including trial runs. Twenty-one new Metro trains have already been delivered, and in 2016, Metroselskabet used an option to purchase 39 Metro trains in total, which gives sufficient capacity to cover the operation of the branches to Nordhavn and Sydhavn.

Intensive work is taking place on the branch from Cityring to Nordhavn, so that it can open at the end of 2019. During December, the tunnel boring machine Frida set a new record for the most tunnel rings installed in the course of 24 hours. With no less than 40 tunnel rings – equivalent to 53.2 metres – Frida and the skilled team of tunnel workers beat Comet’s previous record, from the Metro construction work in the late-1990s, by three metres.

The decision was also taken for Metroselskabet to launch the invitation to tender for the line to Sydhavn.

At the beginning of 2017, Jørn Neergaard Larsen was appointed as the new Chairman of Metroselskabet.

These were the highlights for 2016. In this report, you can read more about Metroselskabet’s activities during the year. A new aspect is that Metroselskabet has also prepared a CSR report with a description of our initiatives in 2016, as well as the company’s expectations for the future.

We hope that you enjoy reading the report!

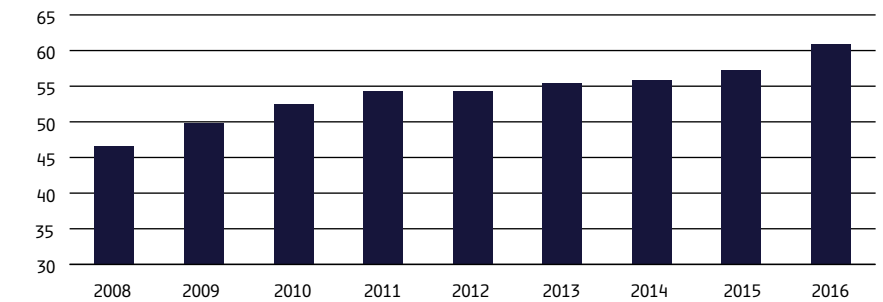
**Jørn Neergaard Larsen**  
Chairman of the Board of Directors

**Henrik Plougmann Olsen**  
CEO

# Summary of Key Figures

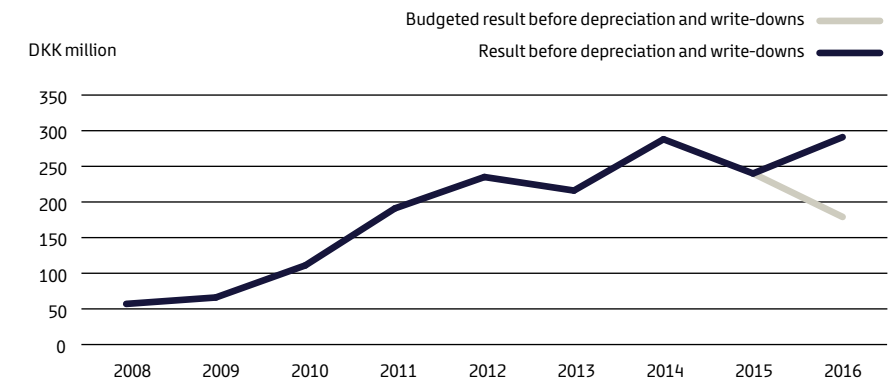
## Passenger numbers

Million passengers



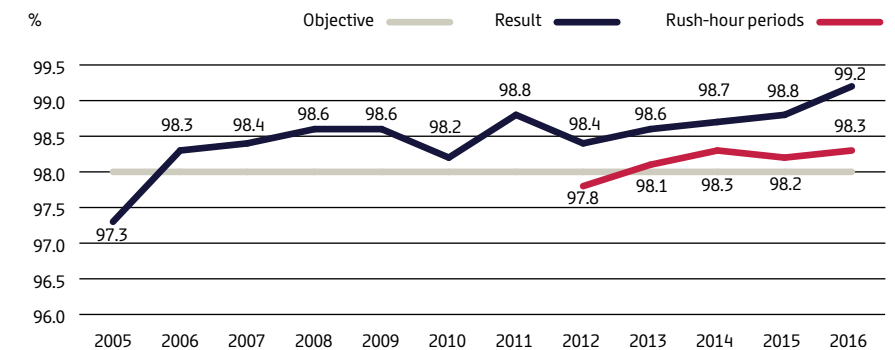
## Result before depreciation and write-downs

DKK million



## Operational stability

%

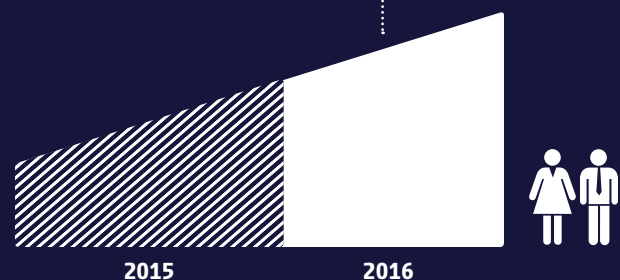


# 2016 in Brief

In 2016 we had

**60,923,433** passengers.

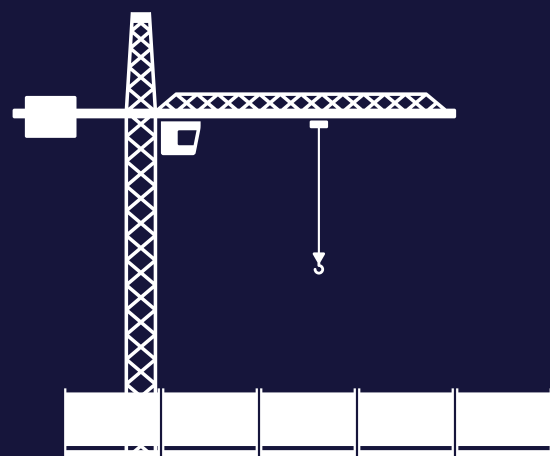
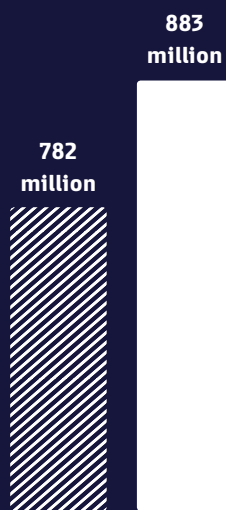
This is an increase of **3.71 million**



Passenger revenue

■ Actual fare revenue

▨ Revised budgeted fare revenue



In 2016 we had

**541,983**

visitors to viewing platforms

In 2016 we had

**56,323**

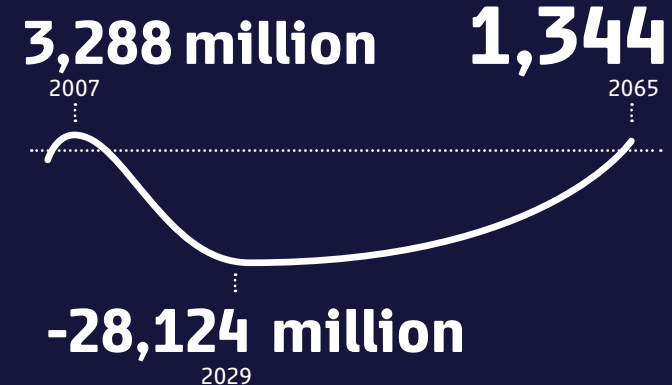
visitors to the construction sites



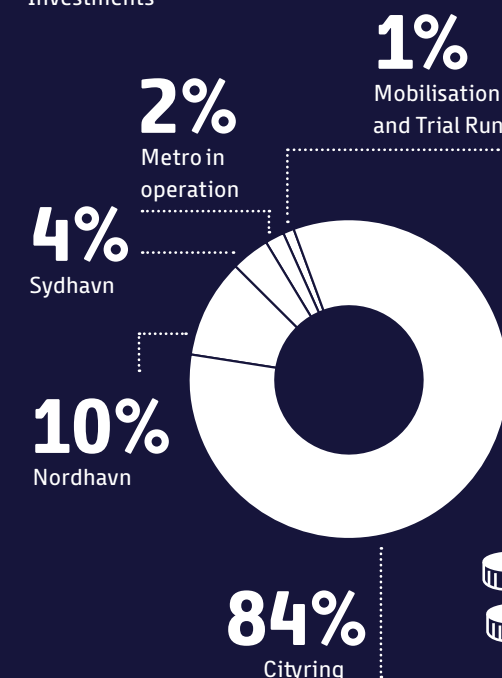
**99.2%**

of trains ran on time in 2016.  
98.3% during rush-hour periods.

Long-term budget (DKK million)



2016  
Investments



Out of **39** train sets for Cityring,  
we have received

**21**



I December 2016 var over 95 %  
af Cityringens tunneller udgravet





The growth objective of a 5 per cent increase in passenger numbers in 2016 was exceeded, as more than 60 million passengers took the Metro.

# 2016 in Brief

Metroselskabet can look back on 2016 as a year full of exciting and challenging tasks, in particular the preparation of the invitation to tender for the operation and maintenance of the Metro in operation, the invitation to tender for the branch to Sydhavn from Cityring, and the ongoing construction work on the branch to Nordhavn and Cityring. Yet 2016 also included many other ambitious initiatives.

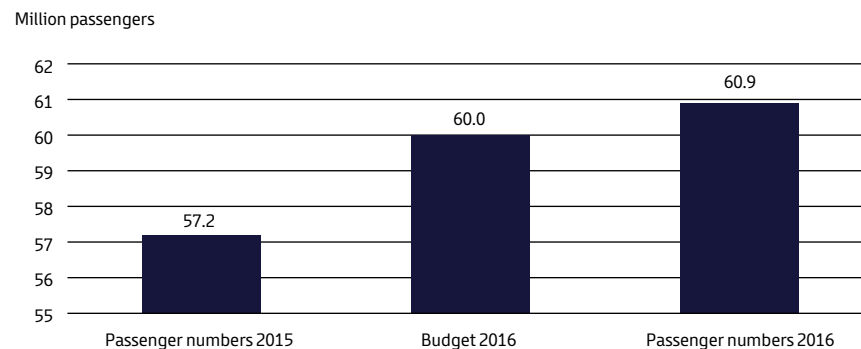
## Passenger growth

2016 was a record year for the number of Metro passengers, reaching over 60 million passengers, which is an increase of 6 per cent from 2015, and 0.9 million passengers ahead of budget. The budgeted number of passengers was 60 million, representing an increase of 4.9 per cent compared to 2015, when 57.2 million

passengers took the Metro. There was a record number of passengers in November 2016, when no less than 5,451,035 passengers took the Metro.

Besides the continued growth in Greater Copenhagen's population, the reason for the high growth includes that the growth in passenger numbers in 2015 was impeded by the work of installing platform doors at the overground stations, which led to operational disruptions particularly in the first half of 2015, so that passengers used alternative transport options. As planned, the system functions better than before now that the doors have been installed, making it possible to deploy more trains during e.g. rush-hour periods and other peak-load periods. In 2016, passengers therefore enjoyed a significantly higher service level, so that more of them opted for the Metro as their preferred means of transport.

## Metro passenger numbers



“  
**99.2 per cent of the  
 planned departures  
 were on time.**”

The section between Amagerbro and Copenhagen Airport achieved a particularly high increase in the number of passengers. In 2016, the Airport, which is the Metro's fifth largest station, achieved growth totalling 26.35 per cent, which corresponds to a passenger increase of almost 0.9 million. The Metro's other stations also all achieved an increase in 2016, which includes observed individual increases of up to 23 and 11 per cent.

## Punctual operation

The Metro has always been able to achieve high operational stability, which nonetheless is still becoming better and better. 2016 was yet another record year with the best operational stability so far, with 99.2 per cent of planned departures taking place on time. The high operational stability continues the high operational stability achieved in the second half of 2015 and is mainly due to the fact that 2016 was the first full year with the new platform doors at the overground stations.

The high operational stability is also due to the systematic initiatives taking place in cooperation with the operations contractor, Ansaldo STS, and its subcontractor,

Metro Service A/S, with focus on continuous improvement in operational stability. For example, in 2016 optimisation projects were launched to make the train control system even better. One of these projects is improved management of how long the train doors are open at the stations. This improves passengers' opportunity to board and leave the trains, and will also reduce problems with blocked doors and related disruption of operations. There is also focus on optimising "flexiareas" in the trains, so that each train has the capacity to take more passengers.

Operational stability measured for rush-hour periods alone was 98.3 per cent in 2016, which is close to the previous record in 2015. Yet rush-hour periods do not show the same major improvement as for the overall operational stability during the year. In 2016, Metroselskabet had special focus on ensuring a better, and not least faster, reaction to operational disruptions during rush-hour periods. When operations are disrupted during rush-hour periods, a lot of passengers quickly accumulate on the platforms, making it difficult to board and leave the trains, which in turn makes it more difficult to resume normal operations. Moreover, delays are most problematic for customers during

Operational stability is a measurement of the number of trains arriving on time. Since the trains do not run according to a fixed timetable, at fixed times, but at fixed intervals, the calculation is made for all stations in both directions. At the end of each day, operational stability is calculated as follows:

$$\text{Operational stability} = \frac{\text{planned departures} - \text{missed departures}}{\text{planned departures}}$$

Metroselskabet attaches great importance to ensuring a good experience for passengers via high operational stability, in cooperation with Ansaldo STS, the operations contractor, and their sub-supplier, Metro Service A/S.

“  
**The recently installed dynamic billboards have been implemented, to provide information at selected stations concerning planned and unplanned disruptions.”**

rush-hour periods, since they are often travelling to work or studies, or on their way home to pick up their children, and so on.

The activities launched in 2016 to rectify operational disruptions more quickly included improved distribution of personnel in the Metro system. At the busiest stations, there are now permanent stewards in attendance during rush-hour periods. This helps to ensure that staff are always available at these stations, ready to assist if any disruptions occur. A further advantage is that these staff members can guide passengers.

In 2016 there was also focus on improving information to customers via personnel in control rooms and at stations, so as to reduce the inconvenience to customers as far as possible when disruptions occur. In 2016 it became possible for stewards to make local announcements at four central stations (Frederiksberg, Nørreport, Kongens Nytorv and Christianshavn). This means that stewards at individual stations can make local announcements using handheld loudspeakers, giving information to passengers directly from the platform, as an extra supplement to announcements and other information

The Metro runs all day and all night, every day of the week. There are 2-4 minutes between each train during rush-hour periods, and 3-6 minutes outside rush-hour periods and at weekends.

On Friday and Saturday nights (after 1am), the trains run at 7-15 minute intervals, and from Sunday to Thursday at 20-minute intervals after midnight.

given from the control room. In addition, the recently installed dynamic billboards have been implemented, to provide information on planned and unplanned disruptions at selected stations.

Operational stability during rush-hour periods is measured on all business days from 7am to 9am, and again from 3.30pm to 5.30pm.

### Climate adjustment programme

In recent years, the Copenhagen area has experienced more frequent and more intense torrential cloudbursts, and a greater incidence of higher sea levels in the port of Copenhagen during stormy weather conditions. As a consequence, Metroselskabet has continuously adapted its climate adjustment programme, so that it is based on the latest prognoses and events. The importance of this work has been emphasised repeatedly by situations in which Metroselskabet has seen flooding of technical facilities during torrential downpours, leading to operational disruptions and repair costs.

As a consequence, in 2016 Metroselskabet has focused on continuing this ongoing process, which was intensified in 2015 with the protection of installations in order to ensure stable and punctual Metro operation. This work included cloudburst protection of shafts and technical facilities, as well as descents to tunnel sections, by installing watertight doors, railings and barriers. In addition, the Metro's Control and Maintenance Centre has been protected from cloudbursts by establishing a retarding basin, installing barriers, laying drainage and installing pumps, etc.



**99.2%**

of trains ran on time in 2016.  
 98.3 per cent during rush-hour periods.

Besides measures to protect the existing Metro, we have performed analyses to protect Cityring, as well as the new branches to Nordhavn and Sydhavn. This will protect the future Metro sections on the basis of the latest data and experience from the Metro in operation.

### World-class passenger information

Metroselskabet's objective is to improve passenger information and create good passenger experiences, in order to attract new and retain existing customers. Customers' satisfaction with information to passengers is relatively high, but there is room for improvement, and the company therefore wishes to raise the levels of information and passenger satisfaction. To this end, the company has launched a number of initiatives to be implemented in the coming years.

The initiatives include a major upgrading of the technical systems used to transmit passenger information out to customers. The system upgrade will improve announcements at stations and in trains, make it possible to provide information more quickly via several channels, and return more precise results to searches for travel information on Rejseplanen (Travel Planner). The system is expected to be implemented in 2018. The ambition is to create world-class passenger information, for the benefit of customers, and to ensure comprehensive passenger information throughout the system, once Cityring opens.

As part of the efforts to improve customer service and the customer experience at stations, a new concept for manning of

the large stations has been introduced. A steward with "station responsibility" has the day-to-day responsibility for a specific station. The steward is available to customers requiring information on tickets, departures, connections, etc.

Targeted behaviour management campaigns have also been launched in order to encourage passengers to act in ways that facilitate the Metro's operation, and which also improve the travel experience.

### DOT and Takst Sjælland

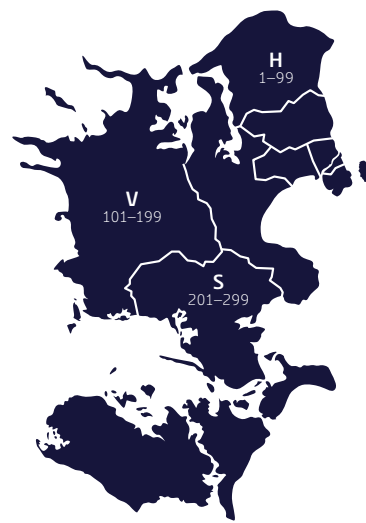
DSB, Movia and Metroselskabet have continuously expanded their cooperation in order to make it easier to be a public transport user. This has included both geographical and content-based expansion. The geographical expansion has widened the cooperation to include Zealand, Lolland, Falster and Møn, while the content-based element concerns greater cooperation on customer-oriented activities such as ticket sales, customer service, traffic information, etc. The new customer-oriented cooperation is called DOT (Din Offentlige Transport) (Your Public Transport). In 2016, DSB, Movia and Metroselskabet established DOT as a partnership (DOT I/S), so that DOT can enter into contracts, hire staff and operate and develop services for customers. This means that together the public transport companies can develop and operate customer-oriented activities on an even wider scale.

In addition, the DOT partners have cooperated closely on harmonising prices for public transport on Zealand. The aim has been to ensure uniform prices across Zealand and also to make the tariff system





More than half of the new Metro trains have been delivered.



The switch from four tariff areas to one gives harmonised prices across Zealand.

more straightforward and logical. One element of the tariff reform has been to ensure that it is always cheapest to use Rejsekort (the electronic travel card), unless frequent travel makes a season ticket more worthwhile. In concrete terms, the three current tariff areas (H, S and V) and DSB's transverse tariff set have been combined into one tariff area covering the whole of Zealand, Lolland, Falster and Møn. With Takst Sjælland (Tariff Zealand), the DOT partners have undertaken the largest reform of the tariff system in Greater Copenhagen since the 1970s, and the new prices entered into force as of 15 January 2017. Some passengers have experienced rising and others falling prices, but overall the price level is not expected to increase. Most prices for short trips are unchanged in the Greater Copenhagen area, so that most Metro passengers are only affected to a limited extent.

### New invitation to tender for the operation of the existing Metro

The current operations and maintenance contract with Ansaldo STS will expire at the end of December 2018 after a contract term of eight years. In 2016, Metroselskabet focused on preparing the tender documents, which were published in November 2016, to ensure that the coming new contract can be signed at the beginning of 2018. The aim is to ensure that the winning bidder has plenty of time for mobilisation prior to the new contract's commencement date, which is 1 January 2019.

The ticket revenue from the operation of the Metro fully finances the costs of the operations and maintenance contract for the Metro in operation. The operating profit is used to co-finance the establishment of new Metro lines, as well as the current minor investments required for operations. It is therefore important for Metroselskabet to achieve a good agreement and price as a result of the new invitation to tender for the operations and maintenance contract.

“  
**With Takst Sjælland (Tariff Zealand), the DOT partners have undertaken the largest reform of the tariff system in Greater Copenhagen since the 1970s.”**

The most significant changes from the previous tender documents are adjustments to the current business strategy, and ensuring consistency with the Cityring operations and maintenance contract. In addition, experience from the current contract has been incorporated as improvements. A significant change in the tender documents is that the company must ensure coordination across several Metro lines, since the operation and maintenance of Cityring and the Nordhavn line (M3 and M4) will be operated under one contract, and the existing Metro lines in operation (M1 and M2) under another contract.

The invitation to tender is held as a negotiated tender after prior prequalification, and will take place under the new public procurement directive from December 2015.

The most significant changes as a consequence of the new directive are that the full tender documents have been available to interested applicants on the publication of the contract notice, that there are limited opportunities to make subsequent changes to the tender documents, and that the weighting of the award criteria and evaluation models have also been described and were available to applicants at the time of the publication of the contract notice, which took place in November 2016.

### Tunnel boring for Cityring is almost completed

At the start of 2017, the four tunnel boring machines, Nora, Tria, Minerva and Eva, completed their work of boring the tunnels under the city, which began in 2013. The progress of the four tunnel boring machines which are boring the 29 kilometres

of tunnel for Cityring generally adhered to schedule. On 31 December 2016, the tunnel boring machines had less than 10 per cent left to bore of the 29 kilometres in total of tunnels for the Cityring.

The completion of the tunnel work will be a major milestone in the Cityring project, even though the work will continue unabated at the construction sites. At 21 out of the 22 construction sites, the excavation and establishment of base plates have been completed. The mechanical and electrical installation work is under way at seven stations and the architectural work of e.g. installing wall surfaces has commenced at the first six stations.

The work at the station construction sites reflects how the Cityring project is entering a new phase in which the transport system contractor Ansaldo STS is continuously gaining access to tunnels, stations and shafts, in order to be able to lay tracks and perform installation work. The track-laying work is running according to schedule, and a number of technical rooms are also being constructed at six stations.

The first 21 Cityring trains have arrived at the Control and Maintenance Centre in Vasbygade, where they will undergo various tests and adjustments. The production of the other passenger trains is running according to schedule, and a total of 39 Metro train sets will be delivered for the Cityring operations, including the branches to Nordhavn and Sydhavn.

The challenges during the first construction phases were primarily the establishment of the very large civil engineering structures in narrow urban spaces, while in the next phases the key challenges will be the coordination of the contractors'

installation work at the same relatively constrained workplaces. The civil engineering contractor will thus complete the interior structures and install the ventilation systems, among other things. The civil engineering contractor is also tasked with the architectural work, such as the installation of wall surfaces at the stations.

At the same time, the transport system supplier will lay the tracks and install the transport system in tunnels, stations and shafts, and then test the system's functionality in the "Functional Section", which is the section in which the transport system is tested.

The work of installing the wall surfaces has begun at the following stations: Nørrebro's

Runddel, Nuuks Plads, Aksel Møllers Have, Frederiksberg Station, Frederiksberg Allé and Enghave Plads. At these stations, the large station interiors and the internal structures have been cast, while the track-laying work has commenced.

There are currently no changes in the project's overall time schedule, although local shortfalls are handled via concrete recovery plans.

During the period so far, there has been particular focus on risks related to the scheduled completion of the main structures at Marmorkirken (the Marble Church) and the complicated underpass below Magasin at Kongens Nytorv. Both of these activities have now been completed successfully.

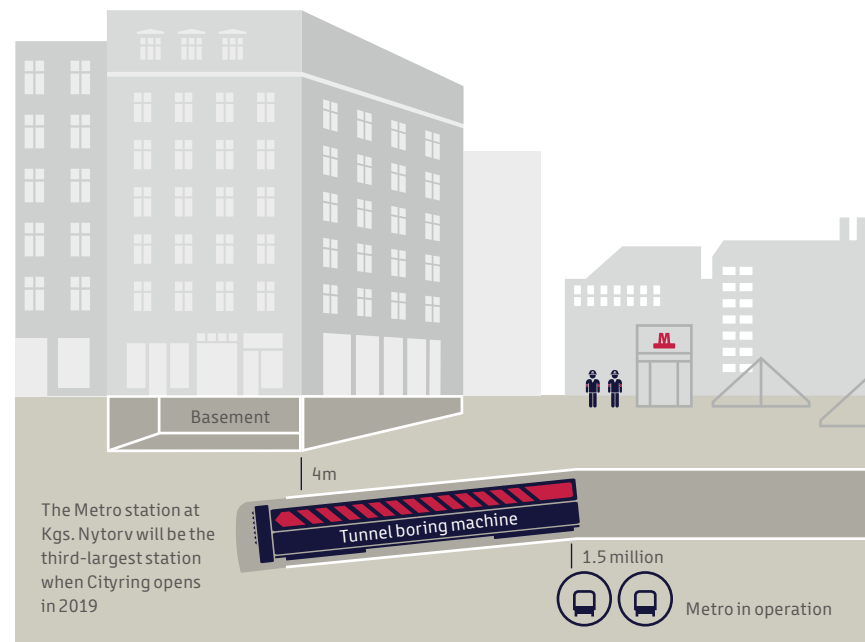
Overall and individually, there are estimated to be potential risks at these locations that might have a negative impact on the project's time schedule by up to around eight weeks in relation to the scheduled completion date in May 2019, and there are thus no delays in relation to the planned completion in May and opening in July 2019.

The figure on the next page shows the progress of boring and track laying.

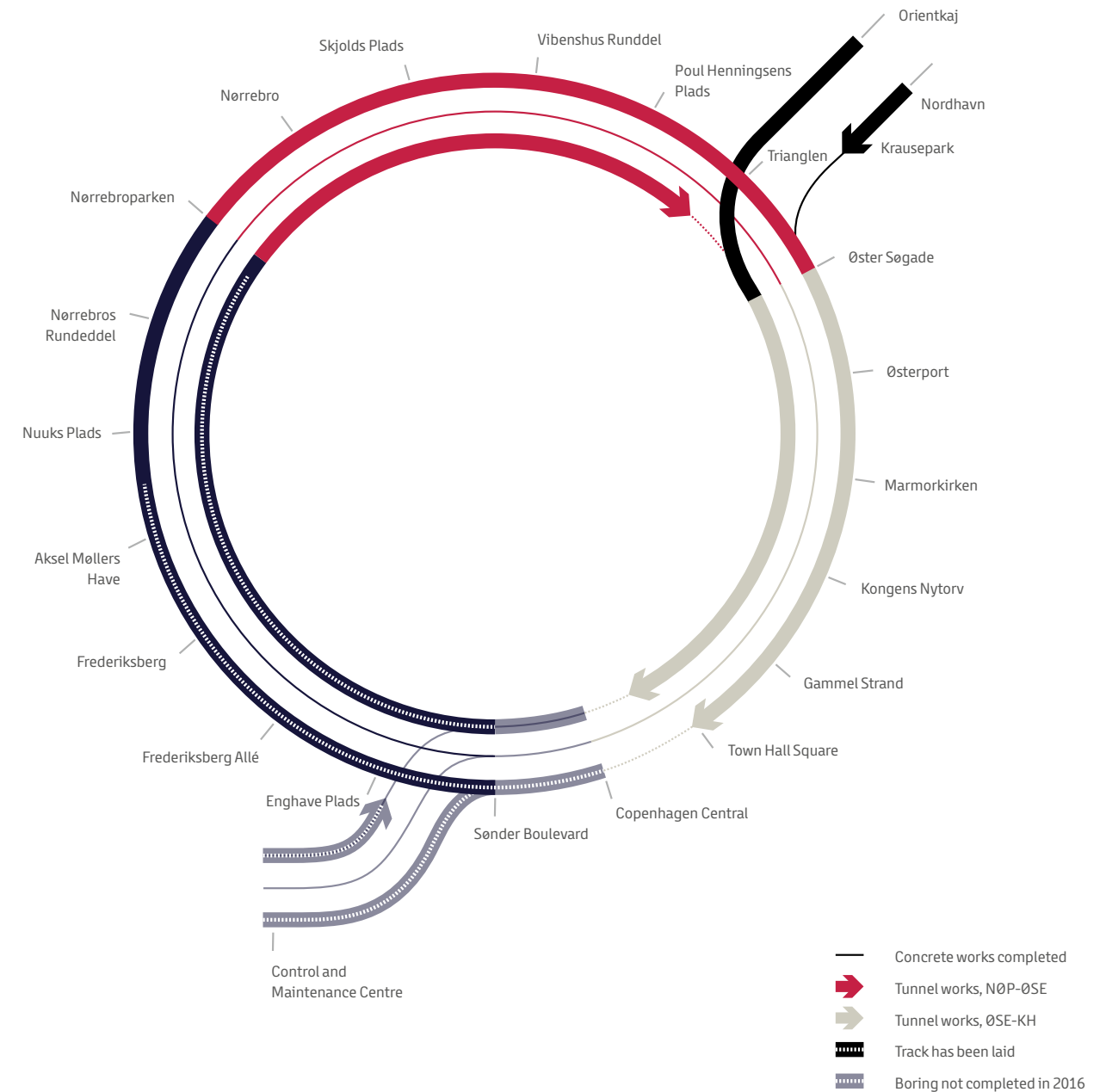
### Boring the Nordhavn line has reached more than half-way

The construction work for the branch to Nordhavn is divided between two contracts, with Met-Nord JV, which is a Joint Venture between Züblin and Hochtief, as the contractor for both:

### Kongens Nytorv with Magasin du Nord's basement



### Cityring Progress status 2016-12-31



- NH12 – is a turnkey contract which comprises the subterranean construction work from Nordhavn Station to Øster Søgade Station.
- NH3 – is a main contract which comprises the overground construction work from Nordhavn Station to Orientkaj Station.

Both contracts for the Nordhavn project are generally adhering to the agreed contract time schedules.

At the end of December 2016, 79 per cent of the overall NH12 project was completed. For NH3, approximately 24 per cent of the construction work has been completed.

The first tunnel boring machine, Alice, commenced tunnel boring in mid-June, and the tunnel boring machine has made satisfactory progress. The tunnel boring machine Alice successfully broke through to Øster Søgade on 4 October. A construction site has been established at Krauseparken and the establishment of secant pile walls for the shaft structure is ongoing.

The work on the elevated line and Orientkaj Station has commenced, and the pile driving work was completed at the end of September, while the casting of foundations for bridge piers, lift towers and technical buildings is still ongoing.

It has been found that the pollution previously discovered close to Den Røde By (the “red quarter” in Valby) might also affect the pedestrian tunnel under Kalkbrænderihavnsvej, when it is established. Work is taking place to achieve a pragmatic solution with remedial measures that are

not estimated to affect the project’s time schedule or overall economy.

## Working environment

Metroselskabet has strong focus on the working environment at the construction sites. The number of occupational accidents during the Cityring project, including the branch to Nordhavn, gave an accident frequency of 20.2 in 2016. This is a decline from 2015, when the accident frequency was 28.4.

The large drop in the number of occupational accidents is to a high degree related to the company’s prioritised focus on reducing the number of occupational accidents. At the end of 2016, the accumulated accident frequency for the Metro construction project was 24.0, which is a decline from 2015, when the frequency for the entire project was 26.0 at the end of 2015.

Most of the accidents in 2016 occurred under the civil-works contract with CMT – which is also the contract with the currently most intensive production activities. Concerning the other contracts, the accident frequency was at a significantly lower level.

There are variations in the working environment at the many different construction sites. Metroselskabet has therefore launched a number of initiatives to ensure that best practice is shared between the construction sites. These initiatives are described further in Metroselskabet’s 2016 CSR report.

On 31 December 2016, the tunnel boring machines had less than 10 per cent left to bore of the approximately 29 kilometres of Cityring tunnels.



## Apprentices

Metroselskabet is also working actively to ensure that as many apprentices as possible are involved in the Metro construction work, while also ensuring that the young people achieve education of high quality, with plenty of learning opportunities.

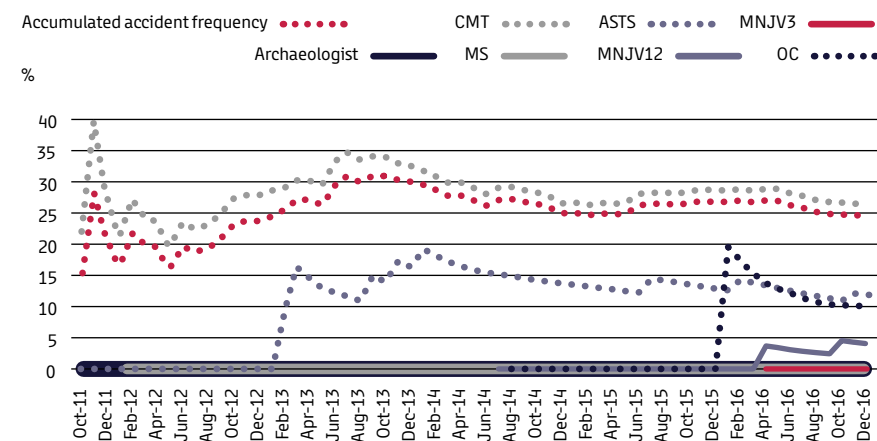
Metroselskabet assesses that, to date, around 150 apprentices have been involved in the Cityring and Nordhavn work. In May 2016, the company set a new target for the number of apprentices. It was decided that as from 2016 and up to the completion of Cityring, 62.5 apprentice FTEs would be attached to Cityring. The company also has a contractual objective together with the main contractors for the Nordhavn line that they must have employed 33 apprentice FTEs during the project's lifetime.

For more information concerning the working environment and employee rights, including recruitment of apprentices, see Metroselskabet's 2016 CSR report.

## The invitation to tender for the Sydhavn branch from Cityring has been launched.

It has been an important year for the Sydhavn branch from Cityring. At the end of 2016, Metroselskabet's owners, the Danish State, the City of Copenhagen and the City of Frederiksberg decided that the coming station at Ny Ellebjerg would be built underground. The underground station solution at Ny Ellebjerg will provide for better connection between the different railway lines at the new traffic hub of Ny Ellebjerg.

**Accumulated accident frequency per contractor for the period from 1 October 2011 to 31 December 2016**



The decision to make Ny Ellebjerg a tunnel station will increase the cost of the station, and this will, among other things, be financed by the Danish State assigning the construction rights for the area above the track area to Metroselskabet, so that the station can be built in this area. The surveys so far have shown that these construction rights have a value of approximately DKK 120 million. The City of Frederiksberg and the City of Copenhagen will each pay DKK 150 million (2013 prices) of the financing required. In addition, a contribution is included from the extra ticket revenue generated by the improved connections and buildings closer to the station.

The decision to make Ny Ellebjerg an underground station also meant that the invitation to tender for the Sydhavn branch from Cityring could be issued. It is thus still expected that Metroselskabet can complete the tendering process in September 2017 as planned.

In 2016, the station names for the Sydhavn branch were also finally determined. The five stations have been named Havneholmen, Enghave Brygge, Sluseholmen, Mozarts Plads and Ny Ellebjerg.

## Analysis of new light rail lines

Metroselskabet is advising the City of Copenhagen on an expanded screening for a light rail along Frederikssundsvej. The project has been launched by the City of Copenhagen, the Capital Region and Gladsaxe Municipality. The analysis investigates several different alignments of a light rail between Nørrebro Station and the light rail in Ring 3. The analysis also

includes light rail proposals combined with the Metro in the innermost section of Frederikssundsvej.

The City of Copenhagen is also investigating the future need to expand the high-class public transport provision in Copenhagen. Together with Movia, Metroselskabet is contributing professional advice and input for the project. Various different options are being investigated for new Metro lines, light rail lines and Bus Rapid Transport.

The Capital Region and Metroselskabet are financing the work to investigate which megatrends and critical uncertainties can be expected to influence future mobility. This work is being undertaken by Hovedstadens Letbane I/S. The work so far indicates that the technological development within driverless operation can be of great significance to the public transport of the future. The increasing urbanisation is also expected to continue. The analysis will result, among other things, in a number of recommendations for how account can be taken of the designated megatrends and critical uncertainties in the coming proposals for decisions on new light rail lines.

In the agreement between the Danish State, the City of Copenhagen and the City of Frederiksberg on the financing of an underground Metro station at Ny Ellebjerg the parties have agreed that an analysis will be performed of a high-class public transport solution to Hvidovre Hospital and Bispebjerg Hospital under Metroselskabet, and with the expected participation of the Capital Region, the City of Copenhagen, the City of Frederiksberg and Hvidovre Municipality. Metroselskabet has been asked to prepare a draft project description of this work.

### Use of future technology

The current rapid pace of development within the automotive industry concerning e.g. autonomous driving technology will in time also influence the technology behind the various forms of public transport. New and optimised technologies may change how passengers are transported by the public transport system, including the Metro and light rail, and similar rail systems. Metroselskabet therefore has special focus on surveillance and the potential use of new technology.

In time, the development and optimisation of battery technology will make it possible to e.g. install new rail systems without power rails and pantographs, while advanced detector and signal technology can optimise operation and make the already very safe rail traffic even safer.

Overall, this knowledge will contribute to preparing Metroselskabet for the timely inclusion and use of new technologies in the future, and to strengthening public transport in a broader sense.

### Megatrends and the transport of the future

In 2016, Metroselskabet took part in financing the analysis work in Hovedstadens Letbane I/S concerning megatrends and the transport of the future.

The overall aim of the analysis was to investigate which megatrends will affect future transport requirements, and to propose how these trends can be included in future analyses of the expansion of public transport in Greater Copenhagen.

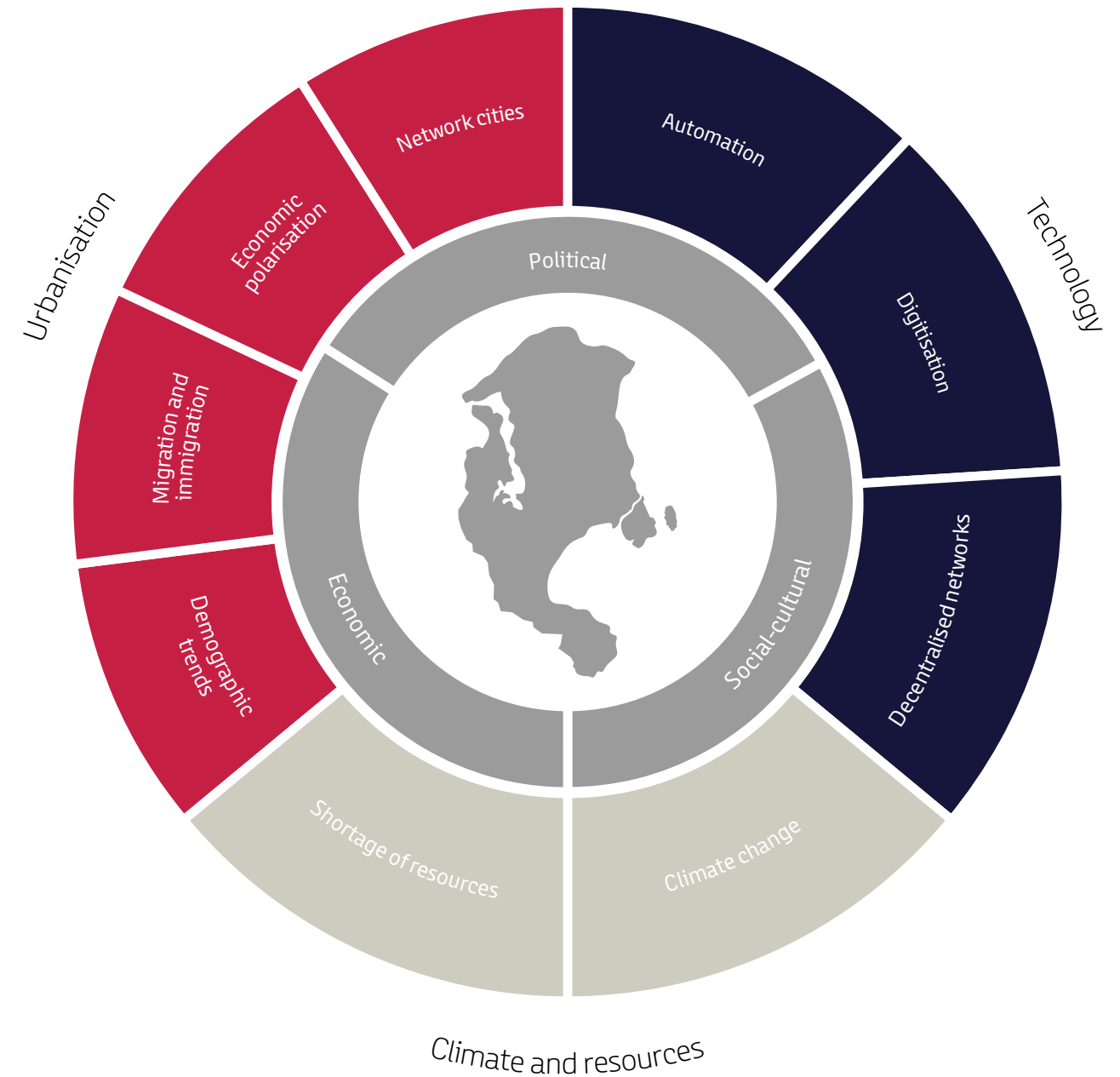
The work of investigating and building up a shared knowledge base concerning megatrends took place in close collaboration with the company's Review Board, which consists of independent researchers with special expertise in the transport and urban planning area.

The results of the investigation so far show that trends within urbanisation and technological development in particular are expected to be of great significance to future mobility and transport requirements in Greater Copenhagen. The analysis results so far indicate that automation and digitisation, with driverless and autonomous cars and buses, must be expected to be game changers in the transport area, even though it is very uncertain what this will signify for public transport. It is also indicated that the forces driving urbanisation, including the attraction of densely built urban areas, housing preferences and home prices, can move in different directions. The project is expected to be completed at the beginning of 2017.

**Metroselskabet has special focus on surveillance and the potential use of new technology.**



### Overview of megatrends



# About Metroselskabet

Gender distribution  
at Metroselskabet

All employees

**40%**

Management

**36%**

Executive Group

**60%**

Board of Directors

**43%**

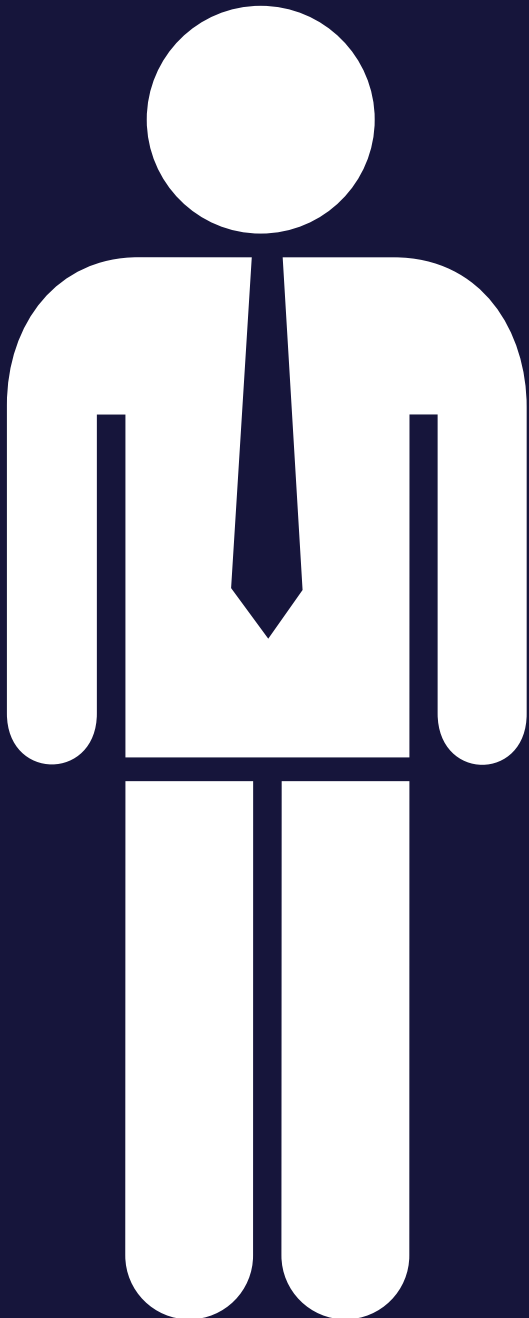


**60%**

**64%**

**40%**

**57%**



# Ownership

Metroselskabet was established as of 1 January 2007 pursuant to Act no. 551 of 6 June 2007 on Metroselskabet I/S and Arealudviklingselskabet I/S. On its establishment, Metroselskabet took over the Metro activities of Ørestadsselskabet I/S and Frederiksbergbaneselskabet I/S, and Ørestadsselskabet I/S and Frederiksbergbaneselskabet I/S were therefore dissolved.

Metroselskabet thereby undertakes the operation and maintenance of the Metro in operation and the construction of the coming Metro.

Metroselskabet's object is stated in the Act, which states that Metroselskabet is to:

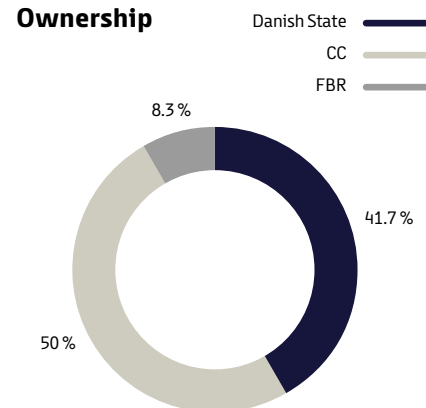
- Undertake the engineering design and construction of Cityring as a Metro system
- Undertake the operation and maintenance of the overall Metro system
- Hold public invitations to tender for the civil engineering works, as well as the operation and maintenance of the Metro
- Operate the Metro on a sound commercial basis

Metroselskabet is owned as a partnership by the City of Copenhagen, the City of Frederiksberg and the Danish State, represented by the Ministry of Transport, Building and Housing. The Board of Directors of

Metroselskabet is the company's supreme authority, and is responsible for ensuring that Metroselskabet fulfils the objectives laid down in legislation.

The Board of Directors has nine members, who are appointed for a period of four years. The City of Copenhagen and the Danish State each appoint three members, while the City of Frederiksberg appoints one member and an alternate member. Besides the members appointed by the owners, the company's employees elect two members of the Board of Directors. In 2016, eleven meetings of the Board of Directors were held, as well as four and three meetings, respectively, of the Risk Committee and the Audit Committee.

## Ownership



# Business strategy

**Vision**

Metroselskabet builds and operates modern public transport infrastructure with respect for its neighbours, the environment and the city. Metroselskabet delivers effective and reliable public transport that increases the mobility of residents, users and visitors to the metropolitan area.

**Mission**

Metroselskabet takes responsibility for the operation and development of the pubaing the Metro and similar Light Rail systems in urban areas, while taking due account of the surrounding environment.

In April 2014, Metroselskabet adopted a business strategy for the period from 2014 to 2018. The business strategy is based on Metroselskabet's vision and mission, on which all of the objectives in the business strategy are focused.

In order to ensure the achievement of its vision and mission, Metroselskabet has drawn up four overall strategic objectives, which are supported by 41 concrete objectives. The four overall strategic objectives are:

### Passengers and operation

The company is dedicated to increasing the number of public transport users, and wishes the overall public transport system to offer modern transport of high quality that contributes to mobility and development in Greater Copenhagen,

### Cityring and the branch to Nordhavn

The construction of Cityring and the branch to Nordhavn must be a continuation of the concept and the experience which Metroselskabet has gained from

the construction process and the operation of the Metro in operation, based on the three parameters of technical quality, time schedule and finances.

### CSR obligations

Metroselskabet undertakes an important task for society by handling the operation and construction of the Metro. Metroselskabet has therefore endorsed the UN Global Compact, which is the world's largest voluntary CSR initiative. For further information, see Metroselskabet's 2016 CSR report.

### Metroselskabet's organisation

Metroselskabet's organisation must be able to provide expertise according to the company's broad portfolio of tasks related to the development, engineering design and procurement, as well as the construction and operation, of the Metro, and the construction of the Light Rail. We must therefore be an attractive workplace in order to attract sufficiently qualified manpower and stay focused on continuous competence development and knowledge sharing.

# Compliance test of Metroselskabet

In 2016, Metroselskabet undertook an extensive compliance test of Metroselskabet's corporate documents and of the company's policies and strategies for social responsibility.

## Corporate governance

Metroselskabet reviewed the documents which constitute Metroselskabet's corporate governance and on this basis performed a compliance test of these documents compared to the corporate governance requirements and recommendations in relation to the Danish State's 2015 ownership policy and the Recommendations on Corporate Governance from the Committee on Corporate Governance. The corporate documents were also reviewed in relation to the requirements in the City of Copenhagen's active ownership policy. The purpose of the compliance test was to designate the areas in which improvements are possible.

The general conclusion to the corporate governance compliance test was that the company's governance documents are in compliance, with the exception of the recommendation that the Board of Directors should appoint a remuneration committee. There were also a number of

process-related requirements, e.g. concerning the annual consideration of documents by the Board of Directors and owners, which should be included in the Board of Directors' agendas going forward. These documents were previously solely considered by the Audit Committee.

To ensure that Metroselskabet could pass the compliance test – with the corporate governance requirements and recommendations made – the following actions took place:

- The Board of Directors appointed a Remuneration Committee which, among other things, will submit the remuneration policy for approval by the Board of Directors, submit proposals to the Board of Directors concerning the remuneration of the Board of Directors, and propose a general remuneration policy for the company.
- Performance of adjustment measures concerning the company's governance documents, including amendments to the Articles of Association to define a number of the conditions already applying in the company. The rules of procedure should also incorporate guidelines for handling any disagreement concerning disqualification and conflicts of interest.



In 2016, the Control and Maintenance Centre in Vasbygade was equipped with solar panels.

- The Board of Directors introduced annual compliance meetings at which Metroselskabet's compendium for corporate governance is discussed and signed in order to ensure compliance with the corporate governance requirements.
- Annual consideration of the remuneration policy by Metroselskabet's Board of Directors and its subsequent approval by Metroselskabet's owners.
- Annual discussion of the Whistleblower scheme.
- Metroselskabet publishes the company's corporate governance compendium on the company's website, including all relevant corporate documents.

## Social Responsibility

Metroselskabet performed the same compliance test concerning the company's social responsibility policies and strategies. The test showed that Metroselskabet fulfilled the requirements and recommendations set out in the current rules in the Danish Financial Statements Act. In accordance with the Danish State's ownership policy, the City of Copenhagen's active ownership policy, and the Recommendations on Corporate Governance, it was recommended that the company establish corporate social responsibility policies,

and that it would be worthwhile for Metroselskabet to adopt internationally recognised social responsibility standards.

The compliance test furthermore assessed which immediate changes should be made as a consequence of the amendment of the Danish Financial Statements Act, which in respect of Metroselskabet will apply to the financial year commencing on 1 January 2018. The compliance test was also based on the requirements in the Charter for Responsible Danish Property and Construction of the Danish Association for Responsible Construction, which was adopted by Metroselskabet in 2015.

On the basis of the coming social responsibility requirements as a consequence of the amendments to the Danish Financial Statements Act, Metroselskabet assessed that it would be most appropriate for Metroselskabet to adopt the UN Global Compact and thereby in future prepare an independent CSR Report separately from the Directors' Report. Metroselskabet's CSR report is available here: [m.dk/dokumenter](http://m.dk/dokumenter).

On 5 July 2016, Metroselskabet therefore endorsed the UN Global Compact. The social responsibility report in accordance with Section 99a(7) of the Danish Financial Statements Act can be read in Metroselskabet's 2016 CSR report, which has been submitted to the UN.



# Metroselskabet's employees

“**Metroselskabet is working with the universities and other educational institutions to offer student internships and practical training positions.**”

Metroselskabet seeks actively to attract men and women on an equal basis to both managerial and other positions. At the close of the financial year the company had 325 employees. The overall gender distribution of employees is around 40 per cent women and around 60 per cent men. Metroselskabet is working with the universities and other educational institutions to offer student internships and practical training positions. Metroselskabet also offers access to relevant projects for project and thesis students. In 2016, Metroselskabet employed four trainees. The number of students employed is 32, and the company has 13 employees in practical traineeships, equivalent to one semester, or a 20-week programme. Metroselskabet has also had two refugees employed in practical traineeships.

Of the five executive directors, 40 per cent are men and 60 per cent are women. The gender distribution of the executive and management level below the Board of Directors is 64 per cent men and 36 per cent women. This is a small improvement from 2015.

The company's objective is that managerial positions in the company must be equally attractive to men and women, and that the gender distribution is 60/40. As part of the company's CSR strategy,

Metroselskabet works to promote diversity and equal opportunities in the company, including in the management, among other things by promoting flexible working conditions. Metroselskabet wishes to have diversity in the company's management, so that managerial positions are held by persons of different genders, ages, etc. In concrete terms, this means that Metroselskabet e.g. has flexible working conditions, to make it attractive for women, men, parents of young children, seniors, etc. to hold managerial positions.

The gender distribution of the members of the Board of Directors nominated by the owners is 57 per cent men and 43 per cent women. The Board of Directors is nominated by the company's owners and employees.

At the end of the financial year, the company employed a staff of 325, compared to 289 in 2015. Employees handle the company's administration, the operation of the Metro in operation, the construction of Cityring and the branches to Nordhavn and Sydhavn, and the engineering design of the Light Rail in Ring 3, on behalf of Hovedstadens Letbane I/S. There are also around 250 advisers attached to – and often located in – Metroselskabet's head office, and around 350 more loosely



Tine Nedbo painting "Den slingrende vals" (the Winding Waltz) on Byens Hegn (City hoardings) at Enghave Plads.

affiliated advisers who work from elsewhere in Denmark and from various parts of the world.

Metroselskabet's employees have a wide range of educational backgrounds, as the company e.g. employs engineers in many different fields, land surveyors, geologists, architects and computer scientists, as well

as a number of social sciences graduates. The company is a knowledge-intensive organisation which employs a large number of highly-specialised employees who are, for example, engaged in concrete works, tunnel design, tunnel work, electrical installations, station architecture and safety, as well as environmental and risk management.

# Board of Directors of Metroselskabet

Jørn Neergaard Larsen  
1949

Chairman as from 12 January 2017  
Member of the Risk Committee  
Member of the Remuneration Committee

Appointed by the Danish State

Remuneration in 2016: DKK 0

Susan Hedlund  
1962

Vice Chair  
Member of the Risk Committee  
Member of the Remuneration Committee  
Appointed as of 4 April 2016

Appointed by the City of Copenhagen  
Member of the City Council of Copenhagen  
Head of Kvarterhuset i Kgs. Enghave

Remuneration in 2016: DKK 241,071

#### Other offices held

- Member of the Finance Committee of the City of Copenhagen
- Member of the Employment and Integration Committee of the City of Copenhagen
- Chair of the Citizen Advisory Services Committee
- Member of the group management of the Social Democrat group in the City Council of Copenhagen.
- Member of the Municipal Medical Services committee for the City of Copenhagen

Jørgen Glenthøj  
1955

Vice Chair  
Member of the Risk Committee  
Member of the Audit Committee  
Member of the Remuneration Committee

Appointed by the City of Frederiksberg  
Mayor of the City of Frederiksberg

Remuneration in 2016: DKK 325,000

#### Other offices held

- Board member of the Chamber of Commerce of the City of Frederiksberg
- Chairman of Frederiksberg Energi A/S
- Vice Chairman of the Local Council for Frederiksberg
- Vice Chairman of Hovedstadens Beredskab
- Member of the Board of Representatives of Movia
- Member of the district board concerning the Police activities
- Member of the Board of Directors of KOMBIT
- Member of the Committee for Recognition of Good and Attractive Buildings in the City of Frederiksberg
- Member of the Taxi Board for the Capital Region
- Member of the Capital Region's Local Authority Contact Committee
- Member of the Health Services Coordination Committee, Capital Region
- Member of the Practice Planning Committee, Capital Region
- Member of the Board of Directors of Wonderful Copenhagen
- Member of the National Association of Local Authorities' Local Authority Contact Committee for the Capital Region

– Member of the Board of Representatives of the National Association of Local Authorities

Birgitte Brinch Madsen  
1963

Board member  
Chair of the Audit Committee  
Member of the Remuneration Committee

Appointed by the Danish State  
Director

Remuneration in 2016: DKK 200,000

#### Other offices held:

- Chair of Hovedstadens Letbane I/S
- Chair of Intech International a/s
- Board member of Danske Invest
- Board member of the North Sea Fund
- Board member of DEIF A/S
- Board member of Orbicon A/S
- Board member of EUDP (the Energy Technology Development and Demonstration Programme)
- Board member of GUDP (the Green Development and Demonstration Programme)

Harald Børsting  
1952

Board member

Appointed by the Danish State

Remuneration in 2016: DKK 125,000

#### Other offices held:

- Board member of Refshaleøens Holding
- Board member of Refshaleøens Ejendomsselskab

Ninna Hedeager Olsen  
1980

Board member  
Member of the Audit Committee

Appointed by the City of Copenhagen  
Member of the City Council of Copenhagen  
Associate Professor at Metropolitan University College

Remuneration in 2016: DKK 150,000

#### Other offices held:

- Member of the Employment and Integration Committee of the City of Copenhagen
- Board member of Thorvaldsens Museum
- Board member of R98 Fonden
- Board member of Enhedslisten (Red-Green Alliance) Nørrebro – Blågård
- Member of the Employment Council under the Danish Ministry of Employment
- the Danish Agency for Labour Market and Recruitment
- Union representative for the members of DM and DJØF at the Department of Management and Administration at Metropolitan University College

Jakob Næsager  
1973

Board member

Appointed by the City of Copenhagen  
Member of the City Council of Copenhagen  
Group chairman for the Conservative Party Director

Remuneration: DKK 125,000

#### Other offices held:

- Member of the Technical and Environmental Committee of the City of Copenhagen
- Member of the Finance Committee of the City of Copenhagen
- Member of the Board of Representatives of Amager Ressourcecenter
- Member of the Board of Representatives of Vestforbrænding
- Board member of R98 Fonden
- Member of the Board of Centralkommunernes Transmissionselskab (CTR) (Metropolitan Copenhagen Heating Transmission Company)

Søren Banke  
1965

Board member  
Elected by the employees  
Work Site Manager

Remuneration: DKK 125,000

Peter Jensen  
1963

Board member  
Elected by the employees  
Operations engineer

Remuneration: DKK 125,000

Margit Ørsted  
1949

Appointed by the City of Frederiksberg  
Alternate member

**Former members in 2016:**

Henning Christophersen

Chairman of the Board of Directors  
Chairman of the Risk Committee  
Deceased on 31 December 2016

Appointed by the Danish State  
Former Minister and European Commissioner

Remuneration: DKK 425,000

**Other offices held:**

- Senior Partner, Kreab A/B
- Adviser to the European Commission

Lars Aslan Rasmussen

Vice Chair  
Member of the Risk Committee  
Until 4 April 2016

Appointed by the City of Copenhagen  
Member of the City Council of Copenhagen

Remuneration: DKK 83,929

**Other offices held:**

- Member of the Finance Committee of the City of Copenhagen
- Member of the Employment and Integration Committee of the City of Copenhagen

# Executive Management of Metroselskabet

**Executive Management:**

Henrik Plougmann Olsen

CEO

Remuneration: DKK 2,672,935

**Other offices held:**

- Board member of Rejsekort A/S
- Board member of Banebranchen (the Danish Rail Trade Association)
- Board member of Københavns Madhus
- Member of the Employer Panel at IFSK (Department of Political Science and Government), University of Copenhagen
- Board member of DGI-byen

**The Company's CEO is supported by an Executive Management comprising:**

Anne-Grethe Foss

Deputy Director

Erik Skotting

Technical Director

Rebekka Nymark

Technical Director

Louise Høst

Planning and Labour Market Director

# Results and expectations

Investments in 2016

Mobilisation and Trial Run

**1%**

Metro in operation

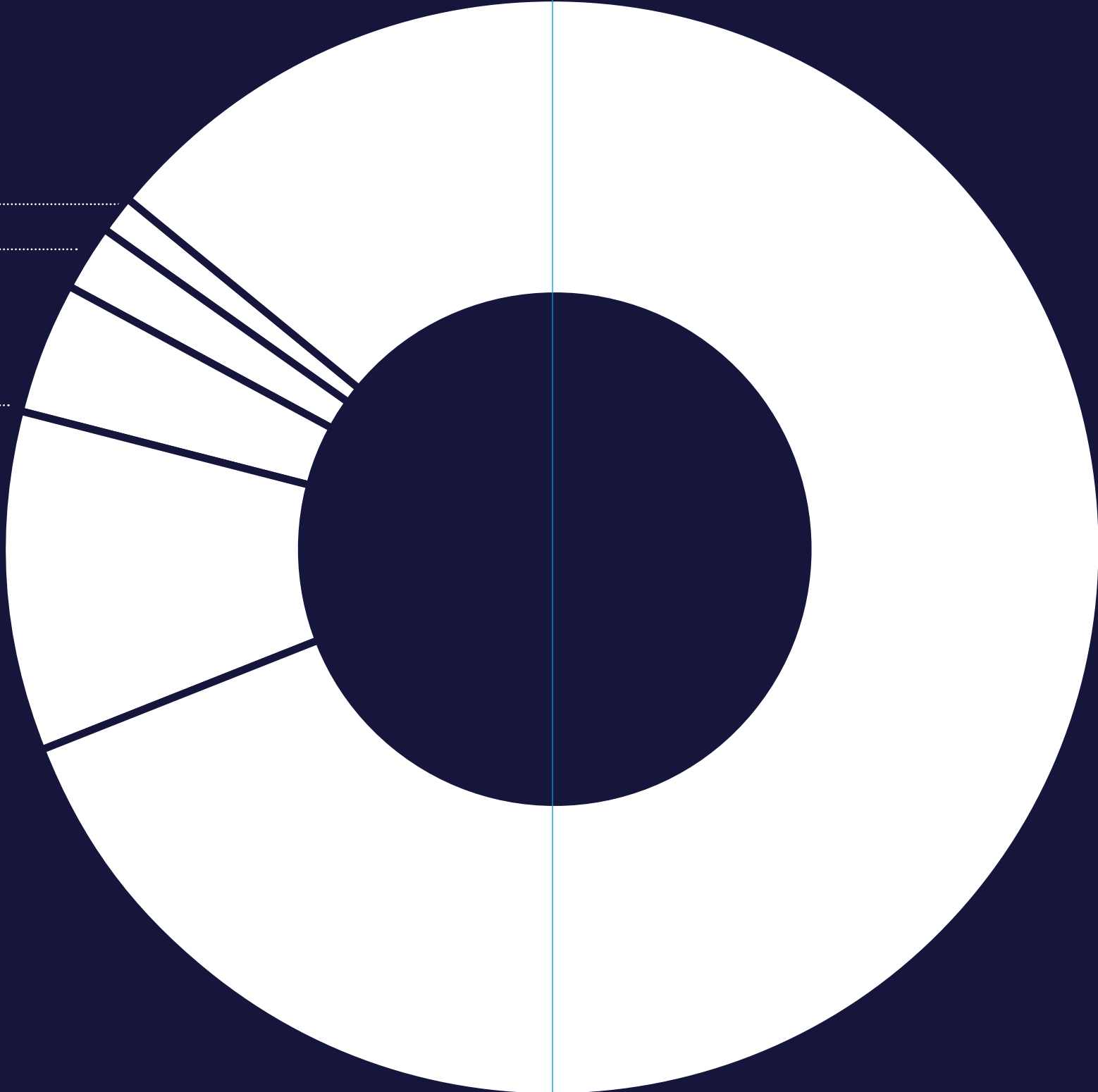
**2%**

Sydhavn

**4%**

Nordhavn

**10%**



Cityring

**84%**



# Result for the year

“  
The result before depreciation and write-downs is DKK 291 million, having increased by DKK 51 million from 2015.”

The result for 2016 before depreciation and write-downs is a profit of DKK 291 million, which exceeds the budget expectations by DKK 111 million. This is primarily related to higher passenger revenue due to more passengers than expected, and higher tariff income per passenger.

Depreciation and write-downs totalled DKK 708 million in 2016, of which write-downs amounted to a total of DKK 533 million concerning the construction of the Metro.

The write-down concerning the construction of the Metro is a consequence of how the overall investment in the construction of the Metro will not be fully recovered from future revenue in the form of passenger revenue, etc. The write-down is primarily due to an agreement with CMT, see the section of the Directors Report concerning the CMT agreement.

The result before financial items is hereafter a loss of DKK 417 million. Financial items comprise interest income of DKK 95 million and interest expenses of DKK 432 million. The result before market value adjustments is a loss of DKK 754 million.

## The Metro's operating result

The result before depreciation and write-downs is DKK 291 million, having increased by DKK 51 million from 2015. The

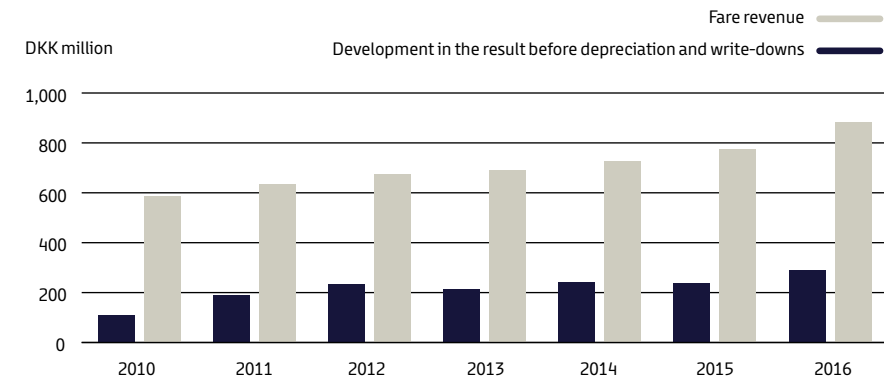
increase is primarily related to higher passenger revenue due to more passengers than expected, and higher tariff income per passenger.

Revenue totals DKK 1,258 million, of which DKK 883 million from the tariff system and DKK 364 million primarily from the leasing of the Metro. Costs of payment for the operation of the Metro, contract management, administration and similar amount to DKK 966 million for the year. Depreciation and write-downs amount to DKK 175 million. The Metro's operating result before financial items is hereafter a profit of DKK 116 million.

## Equity capital

The result for the year is a loss of DKK 2,316 million that has been carried to equity capital, which is thereafter negative at DKK 1,579 million. After market value adjustments, the company's adjusted equity capital amounted to DKK 3,825 million at the end of 2016. The adjusted equity capital excluding market value adjustments has thus decreased by DKK 755 million from 2015. This is primarily a consequence of the agreement with CMT, see the section of the Directors' Report concerning the CMT agreement. The market value adjustment led to book expenditure of DKK 1,562 million.

## Development in the result before depreciation and write-downs and tariff income (adjusted for non-recurring income) 2010-2016



Note: The figures for 2014 are adjusted for non-recurring income of DKK 45 million concerning a concluded arbitration case.

## Operating result for the Metro

All figures in DKK million		
	2016	2015
Fare payments	883	775
Metro operating revenue	364	310
Other operating income	10	16
<b>Total income</b>	<b>1,258</b>	<b>1,101</b>
Payment for operations	-883	-775
Contract management, etc.	-48	-47
Other expenses	-6	-7
Administration costs	-29	-33
<b>Total expenses</b>	<b>-966</b>	<b>-861</b>
<b>Result before depreciation</b>	<b>291</b>	<b>240</b>
Depreciation	-175	-202
<b>Result before financial items</b>	<b>116</b>	<b>38</b>
Net profit ratio before depreciation	23%	23%

Fare payments are based on average passenger revenue per new passenger of DKK 13.66 in 2016, calculated on the basis of the Ministry of Transport, Building and Housing's Order on the distribution of ticket revenue in Greater Copenhagen. In 2015 the average passenger revenue per new passenger amounted to DKK 13.02.

The market value adjustment can be attributed primarily to the company's financial agreements on the hedging of interest rates that are concluded in order to increase the budget certainty of the company's long-term finances. The adjustment is solely an accounting registration that has no impact on liquidity, since the intention is to retain the agreements until maturity.

Metroselskabet is a partnership in which the owners are 100 per cent liable for the company. Any negative equity capital in the company does not entail any need for further contributions from the owners, as Metroselskabet can still service its debt as planned.

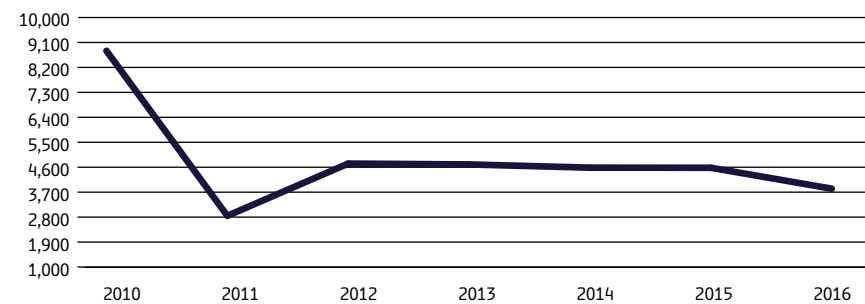
### Investment in Cityring, Nordhavn and Sydhavn

The total Cityring civil engineering budget of DKK 23.7 billion (2016 prices) is based on the major civil engineering contracts concluded for the transport system and the Cityring civil engineering works. The civil engineering budget for the branch to Nordhavn totalling DKK 2.6 billion (2016 prices) is based on the civil engineering contracts concluded for the transport system and the Nordhavn civil engineering works. The total Sydhavn civil engineering budget of DKK 6.9 billion (2016 prices) is based on an agreement in principle concerning the Metro to Sydhavn.

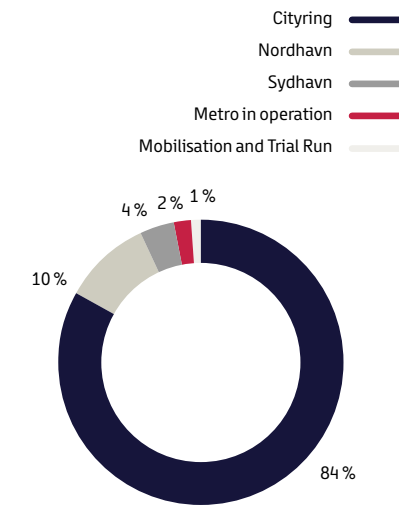
In 2016, the investments defrayed for Cityring, Nordhavn and Sydhavn totalled DKK 4,577 million, so that the total investment to date is DKK 21,650 million.

### Development in adjusted equity

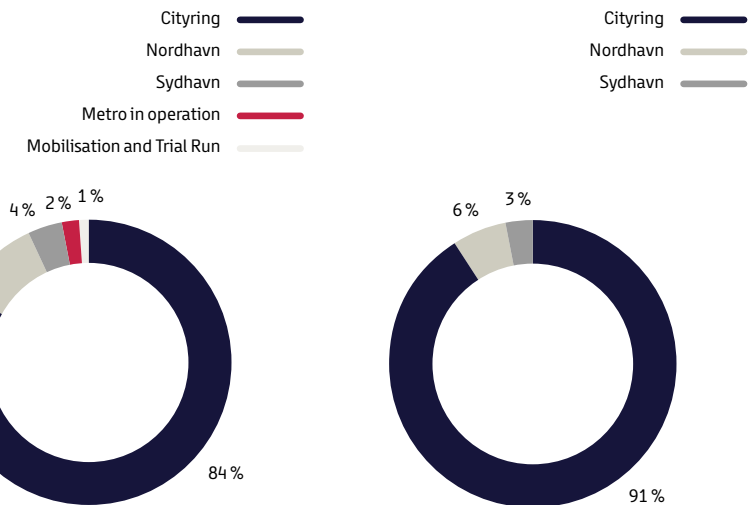
DKK million



### Investments in 2016 distributed on projects



### Total investment as at 31 December 2016 distributed on civil engineering projects



### Investment budget for Cityring including Nordhavn and Sydhavn

All figures are stated in DKK million

	Investments in 2016	Investments as at 31 Dec. 2016	Overall budget	Overall budget
Cityring	3,887	19,699	23,666	23,101 (2010 prices)
Nordhavn	462	1,330	2,619	2,460 (2012 prices)
Sydhavn	201	567	6,875	6,636 (2014 prices)
Mobilisation and Trial Run	27	54	561	561 (2016 prices)
<b>Total</b>	<b>4,577</b>	<b>21,650</b>	<b>33,721</b>	-

The year's investment in the Metro in operation amounts to DKK 71 million.

The net book value of Cityring, Nordhavn and Sydhavn is stated in the Balance Sheet at DKK 10,369 million, since Cityring, Nordhavn and Sydhavn are valued on the basis of the overall Metro's expected capital value, with due consideration of the planned capital investments.

## Investment in Cityring, Nordhavn and Sydhavn

In 2016 a write-down of DKK 533 million was made concerning the construction of the Metro. This is a consequence of how the total investment in Cityring, Nordhavn and Sydhavn will not be recovered fully from future income such as passenger revenue, etc. The write-down is a consequence of the establishment of the agreement with CMT, which is thus included in the calculation of the recoverable value.

The write-down is based on an estimate of the value of the overall Metro according to the assumptions applied by the company in the current long-term budget, and the expectations of the future level of interest rates (discounting factor).

In 2016, investments in Cityring, Nordhavn and Sydhavn totalled DKK 4.6 billion. The investments are capitalised and included as part of the value of the overall Metro.

## Value of the overall Metro

The net book value of the overall Metro is reviewed annually in order to determine whether there are indications of impairment. The recoverable value is calculated on an overall basis for the Metro in operation, Cityring, Nordhavn og Sydhavn, as they will constitute one overall cash-flow generating entity.

The future cash flows included in the recoverable value are based on the company's current long-term budget and its incorporated future expectations, cf. the Appendix to the Directors' Report. The calculation of the recoverable value is based on the capital asset value method. On the calculation of the capital asset value, the estimated future cash flows are discounted back to present value. At the end of 2016 the recoverable value is lower than the book value, so that a write-down was made in 2016. Write-down of the fixed assets as at the Balance Sheet date amounts to DKK 533 million, cf. Note 7 to the Annual Accounts.

The assumed level of interest rates (discounting factor) constitutes the principal uncertainty in the estimated value of the Metro. The company has applied a conservative expectation of the development in interest rates to the valuation of the overall Metro (the recoverable value), since a risk supplement is included to cover the uncertainty of the development in interest rates. If the company had instead applied the current lower market interest rate, the value of the fixed assets would have been significantly higher and the result for the year would have improved significantly. In the same way, the result would have been lower if an expectation of higher interest rates had been applied. Note 7 to the Annual Accounts presents the calculation of the risk exposure to the expected development in interest rates.

## Stabilisation of fluctuations in equity

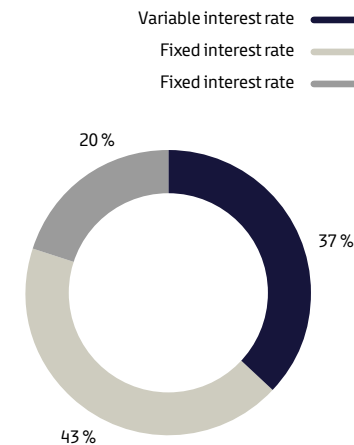
The present low level of interest rates is also reflected in the statement of the market value of the company's debt and the derivative financial instruments used to hedge the interest rate risk on the company's present and future debt. In this respect, the company among other things has agreements on the interest rate hedging of a large part of the expected future maximum debt via agreements on either a fixed interest rate or an inflation-pegged interest rate. The maturity is determined on the basis of the company's expectations of the debt structure and servicing of the debt.

In the same way as for the valuation of the Metro, the net book market value of the debt increases when the interest rate level for the debt decreases. The fluctuations in the two accounting items must not be expected to set off each other, among other things because different interest rates are applied (e.g. long/short-term interest rate and fixed/inflation-pegged/variable interest rate) to the items. Nonetheless, the application of current interest rate levels to both the valuation of the Metro and the market value adjustment of the agreements established for the interest rate hedging of significant interest rate fluctuations will, overall, serve to stabilise fluctuations in the company's equity.

## Financing

At the end of 2016, Metroselskabet had raised loans totalling DKK 16,941 million (in nominal terms DKK 15,035 million). The loans are raised as re-lending at Danmarks Nationalbank. As of the end of 2016, the company's long-term debt commitments totalled DKK 21,447 million in net terms.

## Distribution of interest rates as of 31.12.2016 in relation to the expected maximum debt



## Advisory services

In 2011, Metroselskabet's owners prepared and approved accounting regulations that apply to the company's activities which are subject to competition. Advisory services are subject to the accounting regulations that concern activities which are subject to competition, and the accounts for these advisory services are presented on this basis.

The result after calculated tax is a loss of TDKK 10 (a loss of TDKK 1 in 2015).

The accumulated result of Metroselskabet's advisory services was a profit of TDKK 314 at the end of 2016.

## Capital

In connection with the company's budgeting for 2017 an updated long-term budget has been drawn up, including the expected repayment term for the debt. The long-term budget presents the expectations of the long-term economic development in the Metro. The description is based on a number of assumptions

and is subject to the uncertainty that will always apply to the assessment of future circumstances. The budget is based, among other things, on assumptions concerning the development in the number of Metro passengers, as well as the development in interest rates and indexes.

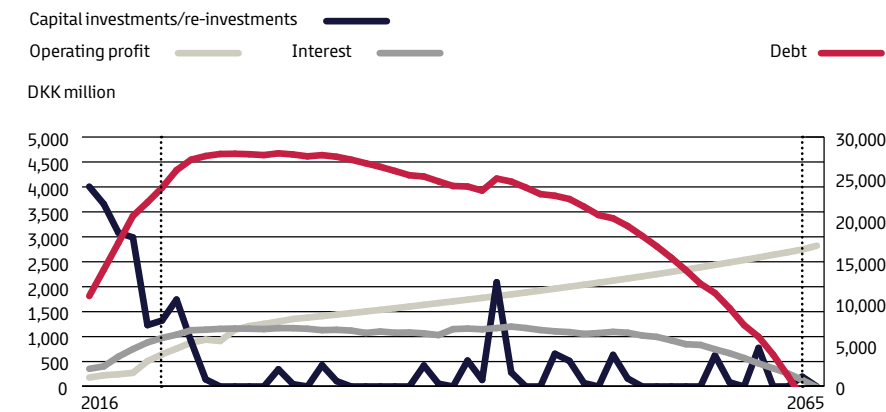
The long-term budget shows that the company's net debt is expected to reach its maximum level, at approximately DKK 28.1 billion, in 2029 (in current prices and including interest). The debt is expected to be repaid in 2065.

The company has worked to build up an appropriate interest rate exposure, so as to lock elements of the future interest costs. With the current 2017 long-term budget, the company has hedged the interest rate on a large proportion of the expected maximum debt at a fixed interest rate.

Each year a finance strategy is determined so as to ensure appropriate financial management that minimises the long-term financial costs, with due consideration of financial risks. Financial management within the stated strategy is undertaken by Sund og Bælt Partner, as laid down and described in the Memorandum of Association.

As joint partners in the company, the Danish State, the City of Copenhagen and the City of Frederiksberg are directly, unconditionally, and jointly and severally liable for all of Metroselskabet's liabilities, including the loans raised by Metroselskabet. Due to the joint and several liability of the Danish State, Metroselskabet is indirectly subject to the same credit rating as sovereign risk, which is AAA. This means that Metroselskabet can generally achieve terms in the capital market that are

## The company's long-term finances



equivalent to those available to the Danish State. In addition, Metroselskabet is able to raise re-lending loans at Danmarks Nationalbank. A re-lending loan is a loan raised directly for Metroselskabet from Danmarks Nationalbank on behalf of the Danish State, based on a specific government bond, and on the same terms as those that apply when the bond is sold in the market.

### Key figures

$$\text{Equity ratio} = \frac{\text{Equity year-end} \times 100}{\text{Total assets}}$$

$$\text{Adjusted equity ratio} = \frac{\text{Equity excluding market value adjustments} \times 100}{\text{Total assets}}$$

### CMT agreement

In December 2015, the Cityring civil engineering contractor, CMT, submitted a letter to Metroselskabet in which the contractor notified that it would raise a number of claims for extra payment concerning Cityring. In March/April 2016, CMT notified that they would raise further considerable extra claims. In July 2016, CMT submitted all of its claims to the Arbitration Court – in order to avoid limitation of the claims. At the same time, however, CMT requested the Arbitration Court to suspend the consideration of these claims until later.

For some time, Metroselskabet has negotiated with CMT to resolve the outstanding issues, and entered into a settlement agreement with CMT on 10 February 2017. The agreement entails

that Metroselskabet will pay EUR 113 million (approximately DKK 850 million) to CMT, to ensure the progress of the project and minimise the project's risk profile. The agreement also closes a number of the claims raised by CMT. Metroselskabet has also offered to make a long-term liquidity bridge totalling EUR 180 million (approximately DKK 1.3 billion) available to CMT.

The agreement of 10 February 2017 is incorporated in the Annual Accounts for 2016. It must be noted that at the present time the agreement of 10 February 2017 is conditional on its subsequent approval by the owners, cf. further details in Note 1 to the Annual Accounts.

### Arbitration cases, etc.

In a writ of summons of 5 November 2014 to the Court of Copenhagen the companies CTR I/S, Frederiksberg Forsyning A/S, Frederiksberg Kloak A/S, Frederiksberg Bygas A/S and Frederiksberg Fjernvarme A/S brought a claim against Metroselskabet I/S. The case concerns payment for completed utility grid realignment and reflects the filing of the Appraisal Commission's decision of 7 May 2014, whereby the aforementioned companies were required to defray the costs of the utility grid realignment. The case concerns an amount of approximately DKK 80 million. The case was concluded before the Court of Copenhagen in 2016, in favour of Metroselskabet. The other party appealed the case. The Supreme Court gave a ruling in the case on 16 February 2017, in favour of Metroselskabet, cf. Note 23 – Events occurring after the balance sheet date.

In July 2016, CMT, the civil engineering contractor for Cityring, submitted all of its

# Financial Highlights and Key Figures

## Financial Highlights and Key Figures

All figures in DKK million

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net turnover for the year	672	722	864	980	1,100	1,125	1,301	1,294	1,473
<b>Result before depreciation and write-downs</b>	<b>57</b>	<b>66</b>	<b>111</b>	<b>191</b>	<b>235</b>	<b>216</b>	<b>288</b>	<b>240</b>	<b>291</b>
Depreciation and write-downs	-575	-596	-787	-5,689	1,772	-484	-2,392	-3,531	-708
Result before financial items	-518	-530	-676	-5,498	2,007	-267	-2,104	-3,291	-417
Financial items	242	113	45	-457	-123	-64	-149	-229	-337
Result before market value adjustment	-290	-387	-632	-5,954	1,884	-331	-2,254	-3,520	-754
Market value adjustment	13	-30	358	-2,882	-550	2,138	-3,712	825	-1,562
Result for the year	-277	-417	-274	-8,837	1,335	1,807	-5,966	-2,695	-2,316
Balance Sheet total	9,950	9,691	9,442	8,216	10,077	12,633	15,953	17,308	23,270
Investment in the Metro for the year	442	448	637	3,651	2,332	3,170	3,420	3,842	4,654
Long-term debt	0	56	0	4,403	6,600	7,345	12,900	13,287	22,895
Equity	9,830	9,413	9,139	303	1,637	3,744	-87	737	-1,579
<b>Adjusted equity*</b>	<b>9,820</b>	<b>9,433</b>	<b>8,801</b>	<b>2,847</b>	<b>4,731</b>	<b>4,700</b>	<b>4,581</b>	<b>4,580</b>	<b>3,825</b>
Equity ratio	99%	97%	97%	4%	16%	30%	-1%	4%	-7%
Adjusted equity ratio	99%	97%	93%	35%	47%	37%	29%	26%	16%
Number of passengers (million)	47	50	52	54	54	55	56	57	61
Number of employees (year-end)	71	93	123	160	219	242	274	289	325

\* Adjusted equity is adjusted for market value adjustment.

claims to the Arbitration Court – in order to avoid limitation of the claims. The overall claims raised totalled EUR 915 million. At the same time, however, CMT requested the Arbitration Court to suspend the consideration of these claims until later. There are also elements in some claims, including the claim for extension of deadline, that have not yet been priced. The total

claim thus amounts to just over EUR 1 billion (approximately DKK 7.5 billion). On 10 February 2017, Metroselskabet entered into a settlement agreement with CMT. The agreement entails that Metroselskabet will pay EUR 113 million (approximately DKK 850 million) to CMT. The agreement among other things closes a number of the claims raised by CMT, for approximately EUR 500



million (approximately DKK 3.7 billion). The agreement is conditional on its subsequent approval by Metroselskabet's owners, however, cf. the section of the Directors' Report concerning the CMT agreement and Note 1. Hereafter there will be a number of remaining claims totalling approximately EUR 500 million (approximately DKK 3.7 billion). The remaining claims are undocumented in the legal sense, and have thus been notified on a highly unsubstantiated and undocumented basis. It is therefore Metroselskabet's immediate assessment that the claims can be rejected on the present basis.

## Risk Management

The risks to which the company is exposed are determined via the company's risk management activities. The objective of the company's risk management is systematic risk identification both across the organisation and locally within the organisation, enabling the company to achieve an overview of the overall risk exposure and thereby to handle risks on the most appropriate basis.

## Systematic reporting

Risks are reported at several different levels. Each risk has a designated risk owner, who ensures that risks are handled and reported under the individual professional areas, thereby ensuring a high standard of reporting. The company is focused on ensuring systematisation of risk management across all of the company's activities. For the company's major projects, including Cityring and Nordhavn, a risk management process has been built up that is especially adapted to these

projects. This process involves Cityring's contractors during the construction of the system, thereby ensuring that risks are handled on the most appropriate basis.

## The Executive Management and the Board of Directors are involved in risk management

An equivalent process has been implemented for the company's other projects and has been expanded to also consider earlier and subsequent phases of the projects. Risks are reported to the Executive Management, which collects proposals for changes to the current risk exposure from all of the company's activities. The Executive Management evaluates the proposals received and ensures that ongoing risks are handled and assessed on a uniform basis, with due consideration of probability and consistency across the organisation. On this basis, the Executive Management prepares a comprehensive list and a current risk list comprising the company's overall risk exposure.

On a quarterly basis, the Executive Management presents a prioritised list of current risks to the Risk Committee, and then to the full Board of Directors. At quarterly meetings with the company's owners, the company reports on the risk exposure, based on the Board of Directors' review.

## Networking and sharing experience among national and international construction projects

The company participates in national and international experience-sharing and

## Financial risks

Metroselskabet manages a number of financial risks. Metroselskabet's borrowing and use of financial instruments (interest rate hedging, swaps, etc.) are governed by a tripartite agreement between Danmarks Nationalbank, the Ministry of Transport, Building and Housing, and Metroselskabet.

## Currency risks

The tripartite agreement sets out guidelines for the types of financial instruments and loan agreements that may be included in the loan portfolio. According to these guidelines, the company's loan portfolio may only be exposed in DKK and EUR.

## Interest rate risks

Interest rate risks are managed by both borrowing and investing money at variable and fixed interest rates. The profit for the year is affected by fluctuations in the market value adjustment, which is determined overall by the development in the general level of interest rates. If the interest rate falls, for example, the market value of a fixed-interest bond rises, and vice versa. BPV (Basis Point Value) indicates the price exposure. BPV at end-2016 is DKK 45 million, which means that a decrease in the level of interest rates by 1 per cent will entail an increase in market value by DKK 4.5 billion, and vice versa.

## Counterparty risks

The company only places liquidity with the most creditworthy Danish and foreign institutions, so that the counterparty risk is limited as far as possible. This risk is managed and monitored continuously via a special line and limit system. The system determines the principles for the specification of these risks, as well as a maximum limit to the risks that may be accepted concerning an individual counterparty. The latter is measured in relation to the counterparty's ratings from the international rating agencies. The company also seeks to reduce risk by using appropriate agreement documentation. In this connection, special agreements concerning the provision of security – CSA agreements – are concluded with counterparties.

## Rating

International credit-rating agencies allocate companies a rating as an expression of their credit standing. The ratings are part of a scale in which AAA is the top rating, AA the next rating, and so on. Due to the joint and several liability of the Danish State, Metroselskabet is indirectly subject to the same credit rating as sovereign risk, which is AAA.

working groups, to ensure that the company stays updated on the latest developments within risk management. This also helps to ensure that risks that have not previously been considered are included in risk management.

## Procedures for the presentation of financial statements and use of IT

Metroselskabet's Board of Directors has determined the overall procedures and controls for the most important areas relating to the presentation of the financial statements.

The current accounting instructions describe the organisation of accounting activities and the planning of accounting routines, including information on the distribution of responsibility and authority. This also includes the regulations that are to be observed by the employees engaged in accounting activities.

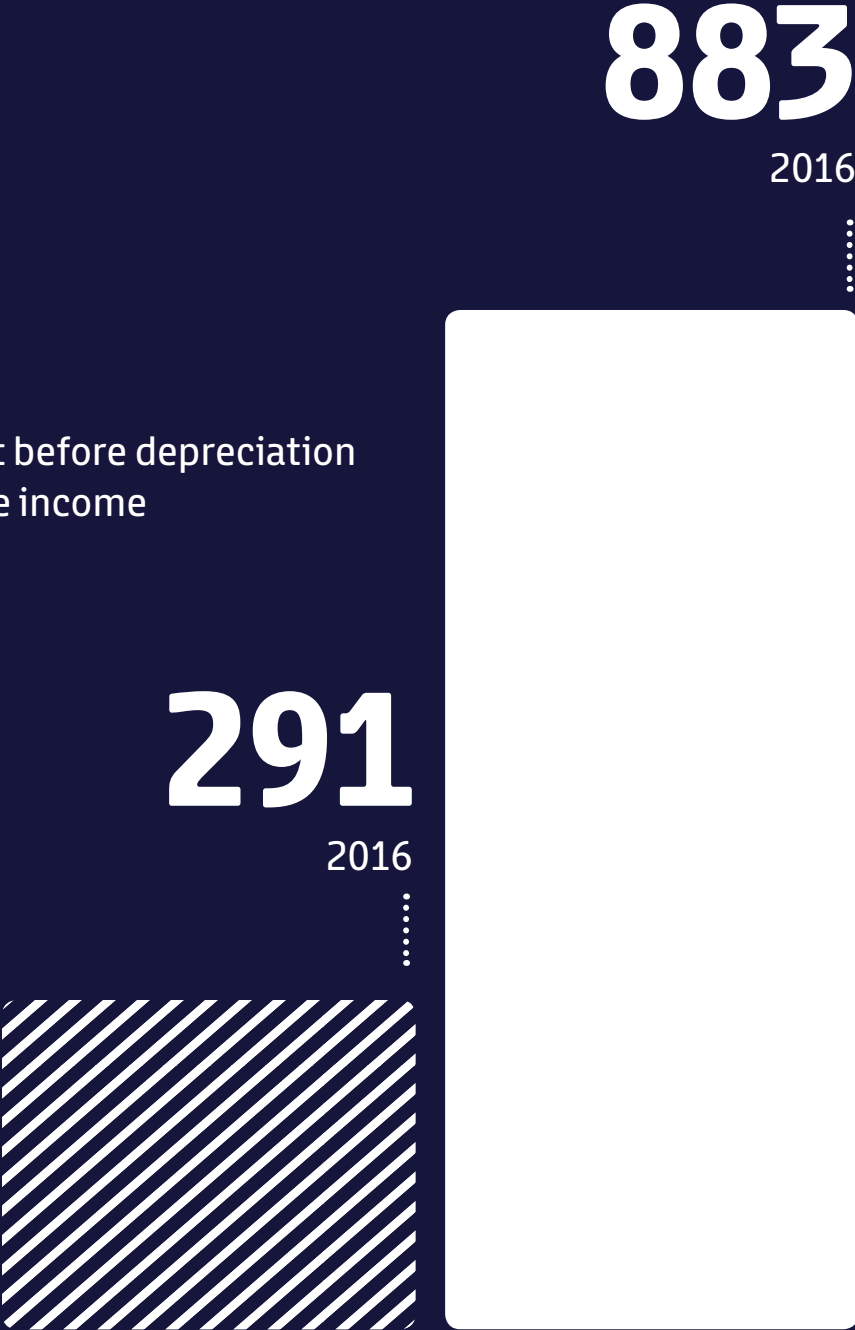
A reporting process has been established involving quarterly financial reporting and updates to the outlook for the year. In addition to the Profit and Loss Account, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and Notes, reporting includes a description of the current status of the operation of the Metro, the construction of Cityring, Nordhavn and Sydhavn, and the company's financial circumstances.

The financing instructions define the framework for the handling of financial transactions, among other things to ensure the required risk profile. The IT security policy describes the overall use of IT, including security, back-up, etc.

# Annual Accounts

Development in the result before depreciation and write-downs, and fare income

- Fare income
- ▨ Result before depreciation and write-downs

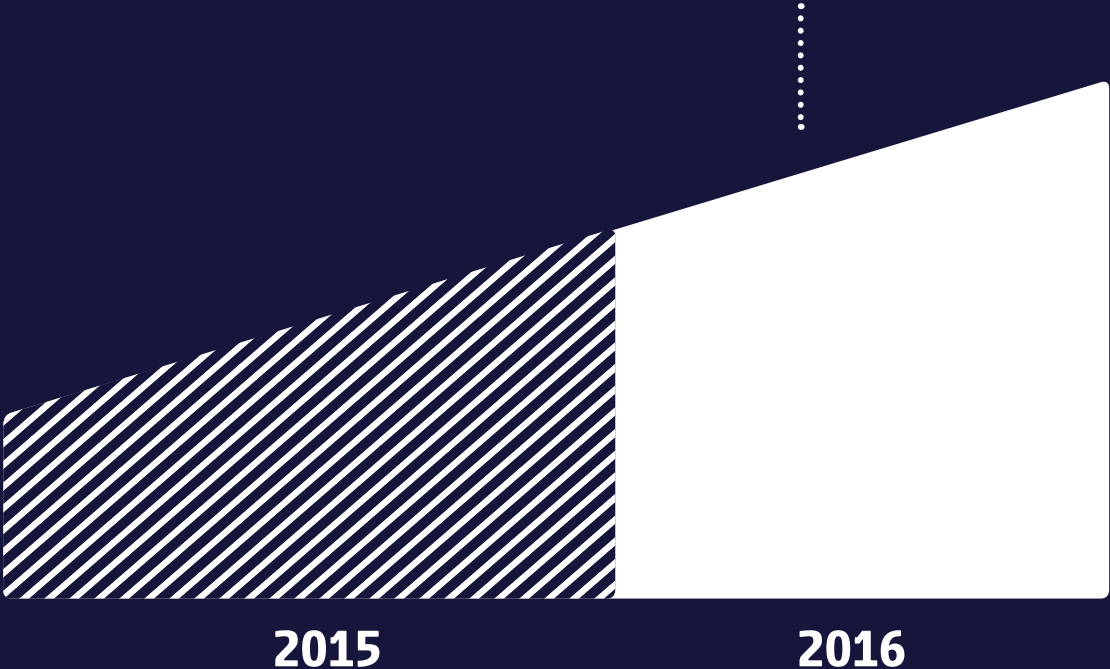


In 2016 we had

**60,923,433** passengers.

This represents an increase of

**3.71 million**





Frida's boring head is hoisted up to the surface at the tunnel construction site at Øster Søgade.

# Accounting Policies 2016

## Basis of accounting

The Annual Report for Metroselskabet I/S has been prepared in accordance with the stipulations of the Danish Financial Statements Act for class D enterprises. The format of the Profit and Loss Account has been adjusted in order to better show how the results have been generated.

The accounting period is 1 January – 31 December 2016. The Annual Report is presented in DKK (thousands). The accounting policies applied are unchanged from the previous year.

The Danish Financial Statements Act has been amended with effect for financial years commencing on 1 January 2016. The company has implemented the amendments to the Danish Financial Statements Act in the 2015 Annual Accounts.

The classification of fare revenue has been adjusted from the previous net presentation as fare revenue including taxes concerning fare revenue, to the current presentation on a gross basis. The comparative figures for 2015 have been adjusted accordingly. This has led to the reclassification of both fare revenue and the Metro's operating costs for 2015 by TDKK 32,373.

## General information on recognition and measurement

Assets are recorded in the Balance Sheet when it is probable that future economic benefits will accrue to the partnership, and the assets' value can be measured reliably.

Liabilities are recorded in the Balance Sheet when it is probable that future economic benefits will be deducted from the partnership, and the liabilities' value can be measured reliably.

When first recorded, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each item.

When implementing recognition and measurement, predictable losses and risks arising prior to the presentation of the Annual Report, and which confirm or invalidate conditions that exist on the Balance Sheet date, are taken into account.

The Profit and Loss Account includes income as it is earned, while costs are recorded as the amounts relating to the financial year.

Value adjustment of financial assets and liabilities measured at fair value is also recorded in the Profit and Loss Account.

**Foreign currency translation**

When first recorded, transactions involving foreign currency are translated at the exchange rate as of the transaction date. Accounts receivable, debts and other monetary items in foreign currency that have not been settled on the Balance Sheet date are translated at the exchange rate as of the Balance Sheet date. Exchange rate differences arising between the exchange rate as of the transaction date and the rate on the payment date or Balance Sheet date, respectively, are recorded as financial items in the Profit and Loss Account. Fixed assets purchased in foreign currency are recorded at historical exchange rates.

**Derivative financial instruments**

Derivative financial instruments are measured at cost when first recorded in the Balance Sheet, and subsequently at fair value. Derivatives are recorded under accounts receivable and liabilities, respectively.

Any changes in the fair value of derivatives that are classified as and fulfil the conditions for the hedging of the fair value of a recorded asset or liability are recorded in the Profit and Loss Account together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivatives that are classified as and fulfil the conditions for the hedging of future transactions are carried directly to equity. When the hedged transactions are realised, the accumulated changes are reported as part of the cost of the accounting items in question.

For derivative financial instruments that do not fulfil the conditions for treatment as hedging instruments, the changes in

fair value are reported in the Profit and Loss Account on an ongoing basis as financial items.

## Profit and Loss Account

**Income**

The Metro's fare revenue, which includes payments from the joint fare system in Greater Copenhagen, is recorded as the service is delivered, i.e. based on the number of passengers.

The Metro's operating income, which includes income from leasing out the Metro, as well as advertising revenue, etc. relating to the Metro, is recorded as the services are supplied.

The value of own work includes the staff costs and other costs for the year, which may be attributed to construction of the Metro on the basis of an estimate. The amount has been included in the cost of construction of the Metro.

Other operating income includes revenue from the administration and handling of the Client organisation for the Greater Copenhagen Light Rail, sale of advisory services, lease of work sites, and minor revenue from e.g. leases.

**Metro operating expenses**

The Metro's operating expenses include expenses for the operations contractor, the partnership's costs of contract management, etc., and other costs for maintaining the operation of the Metro.

**Staff costs**

Staff costs include fees, wages and salaries and other staff costs for the Board of

Directors, management, administrative and technical staff.

**Other external costs**

Other external costs include administration costs, including office supplies, etc.

**Financial items**

Financial items include interest and realised and non-realised exchange rate adjustments, as well as value adjustments of the partnership's loans, investments and derivative financial instruments, measured at fair value.

**Corporate tax**

The partnership is not liable to pay corporate tax.

## Balance Sheet

**Tangible fixed assets**

*Construction of the Metro*

Construction of the Metro is measured as costs incurred for preliminary studies, project design and construction, as well as the value of own work, until the date that the asset is ready for use. The Metro is not subject to depreciation during construction, but write-downs are made in relation to the recoverable value, cf. the section on the valuation of fixed assets.

*Metro in operation*

The Metro in operation is measured at cost less actual depreciation and write-downs. The cost price is equivalent to the current value as of 1 January 2007 (opening balance), with the addition of subsequent investments. The current value has been calculated as the future cash flows (recoverable value).

The basis for depreciation, which is calculated at cost, is distributed linearly on the assets' expected service life. The Metro in operation has been divided into component parts with uniform service lives, constituting:

Tunnel and shell of underground stations	<b>100 years</b>
Other fixed facilities	<b>50 years</b>
Rolling stock, mechanical and electrical installations	<b>25 years</b>
Other technical installations	<b>10 years</b>

The scrap value has been set at zero, taking the expected service lives into account. Depreciation method, residual value and service lives are reassessed annually and amended in the event of any significant change.

Substantial future investments are regarded as separate component parts and are depreciated over the expected service life.

*Buildings, operating equipment and fixtures and fittings*

Buildings, operating equipment and fixtures and fittings are measured at cost less actual depreciation and write-downs. Cost includes the acquisition sum and costs directly associated with the acquisition. The basis for depreciation, which is calculated at cost less the scrap value, is distributed linearly on the assets' expected service lives, as follows:

IT equipment	<b>3 years</b>
Fixtures and fittings and operating equipment in general	<b>5 years</b>
Temporary office buildings	<b>15 years</b>

Assets with an acquisition sum of less than DKK100,000 are recognised as costs in the Profit and Loss Account in the year of acquisition. Residual value and service lives are reassessed annually and amended in the event of any significant change.

Gains and losses on the sale of tangible fixed assets are calculated as the difference between the sales price less selling costs and the book value at the time of the sale. Gains or losses are recorded in the Profit and Loss Account together with depreciation and write-downs, or under other operating income, to the extent that the sales price exceeds the original cost.

## Valuation of fixed assets

The book value of fixed assets is reviewed annually in order to determine whether there is any indication of impairment over and above that expressed by depreciation. If so, an impairment test is made to determine whether the recoverable amount is lower than the book value, and write-down to this lower recoverable value is implemented.

The recoverable value is either the net sales price less sales costs or the capital value, whichever is higher. For calculating the capital value, estimated future cash

flows are discounted at current value, while observing the conditions in the long-term budget, cf. the Appendix to the Directors' Report, for example that the owners are obliged to pay for the large reinvestments in trains, tunnels and stations, as the need arises.

The recoverable value is measured on an overall basis for related assets comprising both plant in the course of construction and plant in operation, as this plant will constitute one overall cash-flow generating unit. Any impairment requirement is distributed on the assets that are included in the cash-flow generating unit in question. However, any negative recoverable value of the asset is only set off to the extent that a positive recoverable value for the other asset exceeds the book value of the asset. If there is any remaining undistributed impairment requirement, a provision is recorded if the company has an obligation to defray additional costs.

The write-down is normally recorded in the Profit and Loss Account. In instances where the write-down can be attributed to a provision already recorded, and is thereby already recorded in the Profit and Loss Account, the write-down is set off against the provisions, as an expression of the use thereof.

## Financial fixed assets

### Participating interests

Participating interests recorded under financial fixed assets – which do not include listed shares – are measured at fair value based on the calculated capital value. Participating interests are written down to recoverable value if this is lower than book value. In instances where an

approximate fair value cannot be calculated, the participating interests are measured at cost.

### Accounts receivable

Accounts receivable under financial fixed assets are measured at amortised cost, which is usually equivalent to nominal value less write-downs to meet expected losses.

## Current assets

### Properties

Properties are in principle measured at cost or replacement value, where this differs significantly from cost.

### Accounts receivable

Accounts receivable are recorded in the Balance Sheet at amortised cost, which is basically equivalent to face value. Write-down is undertaken to meet expected losses.

### Securities

Securities recorded under current assets comprise listed bonds, which are measured at fair value on the Balance Sheet date.

### Liquid resources

Liquid resources include cash and deposits, short-term bank deposits and securities, with a remaining life at the time of acquisition of less than 3 months and which can readily be converted into cash equivalents, and for which there is only a slight risk of changes in value. Securities and investments are measured at fair value on the Balance Sheet date.

## Long-term debt

Long-term debt is measured at cost at the time of raising the loans, equivalent to the proceeds received less transaction costs defrayed. The debt is subsequently measured at amortised cost, unless the fair value of the debt is hedged.

Debt that is hedged for changes in fair value, and for which the effect of this hedging can be documented, are subsequently measured at fair value. Changes in fair value are recorded in the Profit and Loss Account together with changes in the fair value of the hedging instruments.

The short-term element of the long-term debt is recorded under repayment of long-term debt commitments.

## Other financial liabilities

Other financial liabilities, which include bank loans, trade creditors and other debt, are measured at amortised cost, which is usually equivalent to nominal value.

### Provisions

Provisions are recorded when the partnership has a legal or actual liability as a result of an event during the financial year or previous years, and it is probable that discharge of the liability will entail a withdrawal from the partnership's resources.

Provisions are measured as the best estimate of the costs necessary to settle the liabilities on the Balance Sheet date. Provisions are measured at current value.

The principles described under the section on the valuation of fixed assets state that the value of the Metro is depreciated with

due account of the calculated recoverable value of the Metro. If write-down cannot take place within the book value of the asset in question, however, an accounting provision is made to cover the outstanding obligation.

## Cash Flow Statement

The Cash Flow Statement for the partnership is presented according to the indirect method and shows cash flows relating to operations, investments and financing, as well as the partnership's available funds at the beginning and end of the year.

Cash flows relating to operating activities are stated as the operating result adjusted for non-cash operating items and the change in receivables and debt relating to the operating activity.

Cash flows relating to investment activities include payments in connection with construction of the Metro and investments in securities.

Cash flows relating to financing activities include changes in receivables and debt concerning financing activities, as well as net financing expenses.

Available funds include liquid resources and short-term securities.

## Segment reporting

Information is provided on business segments (primary segment). The partnership solely conducts commercial activities in Denmark. The segment reporting adheres to the partnership's internal financial management, cf. Note 21.

# Profit and Loss Account

## Profit and Loss Account for the period 1 January – 31 December 2016

All figures in DKK thousands

	Note	2016	2015
<b>Income</b>			
Metro fare revenue	2	883,280	775,059
Metro operating revenue	2	364,603	310,272
Value of own work		195,841	174,499
Other operating income	3	29,676	33,727
<b>Total income</b>		<b>1,473,400</b>	<b>1,293,556</b>
<b>Expenses</b>			
Metro operating expenses	2	-937,315	-828,400
Staff costs	4	-213,502	-193,419
Other external costs		-31,303	-31,677
<b>Total expenses</b>		<b>-1,182,120</b>	<b>-1,053,497</b>
<b>Result before depreciation and write-downs</b>		<b>291,280</b>	<b>240,060</b>
<b>Depreciation and write-downs</b>			
Depreciation	5	-175,961	-173,504
Write-downs	5	-533,200	-3,357,523
Revaluations		663	0
<b>Total depreciation and write-downs</b>		<b>-708,498</b>	<b>-3,531,027</b>
<b>Result before financial items</b>		<b>-417,218</b>	<b>-3,290,967</b>
<b>Financial items</b>			
Financial income	6	95,007	86,284
Financial expenses	6	-432,221	-315,620
<b>Total financial items</b>		<b>-337,214</b>	<b>-229,336</b>
<b>Resultat før markedsværdiregulering</b>		<b>-754,432</b>	<b>-3,520,303</b>
Market value adjustment	6	-1,561,981	825,269
<b>Result for the year</b>		<b>-2,316,412</b>	<b>-2,695,034</b>

# Balance Sheet

## Assets as at 31 December 2016

All figures in DKK thousands

	Note	2016	2015
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Construction of the Metro	7	10,582,226	6,485,355
Metro in operation	8	4,579,985	4,723,969
Buildings	9	66,784	74,597
Operating equipment and fixtures and fittings	9	244	458
<b>Total tangible fixed assets</b>		<b>15,229,239</b>	<b>11,284,379</b>
<b>Financial fixed assets</b>			
Other participating interests	10	22,258	21,595
Accounts receivable	11	915,536	743,275
Financial instruments	12	2,227,363	1,246,365
<b>Total financial fixed assets</b>		<b>3,165,157</b>	<b>2,011,235</b>
<b>Total fixed assets</b>		<b>18,156,514</b>	<b>13,295,614</b>
<b>Current assets</b>			
Properties	13	28,755	28,755
Accounts receivable	14	899,412	593,070
Owner contributions	15	71,302	68,878
Accrued items		7,333	25,583
Securities	16	3,869,069	3,295,861
Liquid resources	16	0	0
<b>Total current assets</b>		<b>4,875,872</b>	<b>4,012,146</b>
<b>Total assets</b>		<b>23,270,267</b>	<b>17,307,760</b>

## Liabilities as at 31 December 2016

All figures in DKK thousands

	Note	2016	2015
<b>Equity</b>			
Start of the year		737,077	-83,889
Additions for the year		-2,316,412	820,966
<b>Total equity</b>		<b>-1,579,335</b>	<b>737,077</b>
<b>Long-term debt</b>			
Long-term debt	17	22,895,340	13,286,835
<b>Total long-term debt</b>		<b>22,895,340</b>	<b>13,286,835</b>
<b>Short-term debt</b>			
Short-term element of long-term debt	17	779,164	2,670,778
Bank loans		442,499	71,796
Trade creditors	18	261,284	259,803
Prepaid owner contributions	19	157,900	0
Prepaid customers		37,723	34,274
Other debt	20	275,693	247,198
<b>Total short-term debt</b>		<b>1,954,262</b>	<b>3,283,848</b>
<b>Total debt</b>		<b>24,849,602</b>	<b>16,570,683</b>
<b>Total liabilities</b>		<b>23,270,267</b>	<b>17,307,760</b>
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Specification of loans and financial instruments	28		

# Statement of Changes in Equity

All figures in DKK thousands	Contributions existing Metro	Owner contribution	Retained earnings before MVA	Equity excl. MVA	Market value adjustment (MVA)	Total
Start of the year 2015	660,857	12,027,580	-8,104,319	4,584,118	-4,668,006	-83,888
Participating interest	0	3,516,000	0	3,516,000	0	3,516,000
Retained earnings	0	0	-3,520,303	-3,520,303	825,269	-2,695,034
Start of the year 2016	660,857	15,543,580	-11,624,622	4,579,815	-3,842,737	737,077
Participating interest	0	0	0	0	0	0
Retained earnings	0	0	-754,432	-754,432	-1,561,981	-2,316,412
<b>End of the year</b>	<b>660,857</b>	<b>15,543,580</b>	<b>-12,379,053</b>	<b>3,825,384</b>	<b>-5,404,718</b>	<b>-1,579,335</b>

The last five years' capital contributions can be specified as follows:

All figures in DKK thousands	2016	2015	2014	2013	2012
Start of the year	15,543,580	12,027,580	9,890,000	9,590,000	9,590,000
Capital augmentation	0	3,516,000	2,137,580	300,000	0
<b>End of the year</b>	<b>15,543,580</b>	<b>15,543,580</b>	<b>12,027,580</b>	<b>9,890,000</b>	<b>9,590,000</b>

In 2013, the Danish State, represented by the Minister for Transport, Building and Housing, and the City of Copenhagen contributed capital of DKK 300 million to the company. The contribution was made on the establishment of the agreement in principle concerning the construction of the branch from Cityring to Nordhavn, and the adoption of the Act to amend the Act on a Cityring and the Act on Metroselskabet I/S and Udviklingselskabet I/S concerning the construction of the Metro to Nordhavn.

In 2014, capital contributions totalling DKK 2,138 million were made to the company. The capital contributions concern DKK 800 million contributed by the Danish State, represented by the Minister for Transport, Building and Housing, the City of Copenhagen and the City of Frederiksberg in accordance with appropriation document 8 of 8 October 2014 concerning the revised time schedule for Cityring, as well as DKK 404 million contributed by the Danish State, represented by the Minister for Transport, Building and Housing, and the City of Copenhagen concerning the switch chamber to Sydhavn in accordance with the agreement in principle for the Metro to Ny Ellebjerg via Sydhavn and the expansion of Nordhavn, as well as DKK 934 million contributed by the Danish State, represented by the Minister for Transport, Building and Housing, and the City of Copenhagen in accordance with the Act to amend the Act on a Cityring and the Act on Metroselskabet I/S and Udviklingselskabet By & Havn I/S of 21 May 2013 concerning the construction of the Metro to Nordhavn.

In 2015, the Danish State, represented by the Minister for Transport, Building and Housing, and the City of Copenhagen contributed capital of DKK 3,516 million to the company. The contribution was made in connection with the establishment of the agreement to construct a branch from Cityring to Ny Ellebjerg via Sydhavn.

There have been no further capital contributions during the last five years.

In 2016, the Danish State, represented by the Minister for Transport, Building and Housing, and the City of Copenhagen and the City of Frederiksberg entered into an agreement on the financing of an underground Metro station at Ny Ellebjerg. The agreement is subject to approval by the respective approving authorities, so that the financial elements of the agreement are not recognised in the Annual Accounts for 2016.

Metroselskabet is a partnership in which the owners are 100 per cent liable for the company. Any negative equity capital in the company does not entail any need for further contributions from the owners, as Metroselskabet can still service its debt as planned.



# Cash Flow Statement

All figures in DKK thousands

	Note	2016	2015
<b>Cash flows from operating activities</b>			
Metro fare revenue		883,280	775,059
Metro operating income		364,603	310,272
Other operating income		29,676	33,727
Metro operating expenses		-937,315	-828,400
Staff costs		-213,502	-193,419
Other external costs		-31,303	-31,677
Accounts receivable		-192,401	107,150
Trade creditors		4,930	-89,878
<b>Total cash flows from operating activities</b>		<b>-92,032</b>	<b>82,833</b>
<b>Cash flows from investment activities</b>			
Investment in the construction of the Metro	29	-4,457,962	-3,668,171
Investment in buildings, operating equipment and fixtures and fittings		-217	-27,031
Investment in securities (excluding market value adjustment)		-545,216	-1,677,726
<b>Total cash flows from investment activities</b>		<b>-5,003,395</b>	<b>-5,372,928</b>
<b>Cash flows from financing activities</b>			
Loans raised, net (excluding market value adjustment)		5,265,836	3,195,550
Contributions from owners		155,476	1,978,122
Accounts receivable		-267,952	-111,844
Other debt		28,495	120,282
Net financing expenses (excluding market value adjustment)		-457,130	-229,336
<b>Total cash flows from financing activities</b>		<b>4,724,725</b>	<b>4,952,774</b>
Change in available funds		-370,703	-337,321
Available funds at start of the year		-71,796	265,525
<b>Available funds at end of year</b>		<b>-442,499</b>	<b>-71,796</b>

The Cash Flow Statement cannot be derived directly from the other elements of the Annual Accounts.

# Notes

## Note 1 Significant conditions in the Annual Accounts

In December 2015, the Cityring civil engineering contractor, CMT, submitted a letter to Metroselskabet in which the contractor notified that it would raise a number of claims for extra payment concerning Cityring. In March/April 2016, CMT notified that they would raise further considerable extra claims. Before the summer of 2016, CMT had thus notified claims in the range of EUR 520 million (DKK 3.9 billion). In July 2016, CMT submitted all of its claims to the Arbitration Court – in order to avoid limitation of the claims. At the same time, however, CMT requested the Arbitration Court to suspend the consideration of these claims until later. Metroselskabet could note that CMT – in addition to the aforementioned large claims – had notified further large and small claims and expanded the claims already known, so that the total claims raised amounted to EUR 915 million (approximately DKK 6.8 billion). There are also elements in some claims, including the claim for extension of deadline, that have not yet been priced. The total claim thus amounts to just over EUR 1 billion (approximately DKK 7.5 billion).

The notified claims are undocumented in the legal sense, and have thus been notified on a highly unsubstantiated and undocumented basis. Metroselskabet's immediate assessment is that the size of the notified claims is not in reasonable proportion to the content and liability.

Metroselskabet furthermore noted that the work on the completion of the stations (the AF works) had been suspended since December 2016, due to a dispute between CMT and the subcontractor in question. The dispute which had arisen risked delaying the completion of the stations and thereby Cityring's opening date. On the establishment of the settlement agreement with CMT the work was resumed and this risk was avoided, so that Cityring is still expected to open in July 2019.

For a longer period Metroselskabet has negotiated with CMT to resolve the outstanding issues, including primarily the opportunities to resolve the problem of the lack of progress of the AF works.

It has been vital for CMT to achieve a rapid solution, possibly as a temporary agreement, to obtain the required liquidity for CMT. On 23 December 2016, Metroselskabet thus received a letter from CMT in which CMT notified that they were obliged to stop the work at the construction sites as from 1 January 2017, unless a solution was found to CMT's liquidity problems.

On this basis, at the end of December Metroselskabet entered into a temporary agreement with CMT. The agreement entails a short-term liquidity bridge of EUR 145 million excluding VAT (approximately DKK 1.1 billion), combined with a bank guarantee (on-demand guarantee) to cover the full amount, as well as an undertaking from CMT to continue the civil engineering work. The temporary agreement established with the contractor solely concerns liquidity and does not bind Metroselskabet to enter into a settlement agreement.

In January/February 2017, Metroselskabet negotiated with CMT and entered into a settlement agreement with CMT on 10 February 2017. The agreement entails that Metroselskabet will pay EUR 113 million (approximately DKK 850 million) to CMT to ensure the progress of the project, and also limit losses and minimise the project's risk profile. The agreement also closes a number of the claims raised by CMT. Metroselskabet has also offered to make a long-term liquidity bridge available to CMT for EUR 180 million (approximately DKK 1.3 billion) for up to 12 months after CMT's submission of the final bill, unless CMT has raised a

## Note 1 Significant conditions in the Annual Accounts (continued)

claim to the Arbitration Court before then. In such case the liquidity bridge will run until the Arbitration Court has made its ruling. It has also been agreed that the contractor may not make any further claims concerning the work performed during the period up to and including 31 December 2016, and that any claims concerning future deliveries under the agreement may not exceed EUR 33 million excluding interest (approximately DKK 245 million).

The remaining claims of approximately EUR 500 million (approximately DKK 3.7 billion) that are not clarified in the settlement are undocumented in the legal sense and have thus been notified on a highly unsubstantiated and undocumented basis. It is therefore Metroselskabet's immediate assessment that the claims can be rejected on the present basis. No obligation to cover these claims is therefore recognised in the Annual Accounts for 2016. The claim is stated as a contingent liability in Note 24.

The agreement of 10 February 2017 is recognised in the Annual Accounts for 2016 as the agreement includes new information concerning assets already recognised (the short-term liquidity bridge). Based on the agreement of 10 February 2017, the short-term liquidity bridge of EUR 145 million (approximately DKK 1.1 billion) existing as at the balance sheet date of 31 December 2016 has been reclassified in the balance sheet as follows:

- EUR 113 million (approximately DKK 850 million) is considered to comprise payment for ensuring the progress of the project, as well as limiting losses and minimising the project's risk profile, just as the agreement closes a number of the claims raised by CMT in accordance with the settlement agreement. This has taken place by recording the amount of the ongoing works under fixed assets (construction of the Metro).
- EUR 32 million (approximately DKK 238 million) is considered to be part of the long-term liquidity bridge and is reclassified to financial assets.

The share of the payment of EUR 113 million (approximately DKK 850 million) has led to further write-down of the Metro for approximately the same amount.

It must be noted that at the present time the agreement of 10 February 2017 is conditional on its subsequent approval by the owners. The management considers it to be probable that the owners will grant approval of the settlement agreement and have therefore taken this as the basis for recognition in the Annual Accounts. If the owners – contrary to expectations – do not approve the settlement agreement, this will mean that the agreement's impact on the Annual Report, as described above, will be reversed.

## Note 2 Operating result for the Metro

All figures in DKK thousands	2016	2015
<b>Metro fare revenue</b>	<b>883,280</b>	<b>775,059</b>
<b>Metro operating income</b>		
Leasing out the Metro	364,517	310,112
Other income	86	160
<b>Total Metro operating income</b>	<b>364,603</b>	<b>310,272</b>
<b>Other operating income</b>	<b>9,794</b>	<b>15,904</b>
<b>Total income</b>	<b>1,257,677</b>	<b>1,101,235</b>
<b>Metro operating expenses</b>		
Payment for operations	-883,280	-775,059
Contract management, etc.	-48,135	-46,732
Other expenses	-5,901	-6,609
<b>Total Metro operating expenses</b>	<b>-937,315</b>	<b>-828,400</b>
<b>Administration costs</b>	<b>-29,072</b>	<b>-32,774</b>
<b>Total expenses</b>	<b>-966,387</b>	<b>-861,174</b>
<b>Result before depreciation</b>	<b>291,290</b>	<b>240,061</b>
Depreciation	-175,961	-173,504
Write-downs (Rejsekort)	0	-28,623
Write-ups (Rejsekort)	663	0
<b>Result before financial items</b>	<b>115,993</b>	<b>37,934</b>

The partnership has outsourced the operation of the Metro. The lease payment depends on the overall operating result for the Metro. In 2016, the Metro had 61 million passengers (57 million in 2015). The fare revenue for 2016 is based on average passenger revenue of DKK 13.66 (DKK 13.02 in 2015).

## Note 3 Other operating income

Other operating income comprises income from the administration and handling of the client organisation for the Greater Copenhagen Light Rail of DKK 19.9 million (DKK 17.8 million in 2015), sale of advisory services, lease of workplaces and minor income from e.g. leases.

**Note 4** Staff costs

All figures in DKK thousands	2016	2015
Wages, salaries and emoluments	172,009	154,629
Pension commitments	27,360	25,071
Social security contributions	6,407	7,637
Other staff costs	7,726	6,083
<b>Total staff costs</b>	<b>213,502</b>	<b>193,419</b>
Of which:		
Salaries for the Executive Management	2,169	2,169
Other payments to the Executive Management	178	169
Pensions for the Executive Management	326	326
Emoluments for the Board of Directors	1,925	1,925
Average number of employees (full-time equivalents)	296	268
Employees at year-end	325	289

Other payments include bonus payments for executives, which amount to up to 10 per cent of the ordinary salary. Bonus payment in 2016 concern the achievement of target results for 2015. The remuneration of the Board of Directors includes the remuneration of the Audit Committee and the Risk Committee.

**Note 5** Depreciation and write-downs

All figures in DKK thousands	2016	2015
Depreciation, Metro in operation	167,716	166,987
Depreciation, buildings, operating equipment and fixtures and fittings	8,244	6,517
Write-downs, construction of the Metro	533,200	3,328,900
Write-down of participating interests	0	28,623
Write-up of participating interests	-663	0
<b>Total depreciation and write-downs</b>	<b>708,498</b>	<b>3,531,027</b>

**Note 6** Financial items and market value adjustment

All figures in DKK thousands	2016	2015
<b>Financial income</b>		
Interest income from financial fixed assets	-1,227	-559
Interest income from accounts receivable	2,955	7,832
Interest income from liquid resources, securities and financial instruments, etc.	96,061	66,272
Exchange rate adjustment	-2,781	12,739
<b>Total financial income</b>	<b>95,007</b>	<b>86,284</b>
<b>Financial expenses</b>		
Interest expenses	-423,166	-313,043
Exchange rate adjustment	-9,055	-2,577
<b>Total financial expenses</b>	<b>-432,221</b>	<b>-315,620</b>
<b>Total financial items</b>	<b>-337,214</b>	<b>-229,336</b>
Total market value adjustment	-1,561,981	825,269

The market value adjustment can be attributed primarily to the company's financial agreements on the hedging of interest rates that are concluded in order to increase the budget certainty of the company's long-term finances. The market value adjustment depends on the development in interest rates and is solely an item registered in the accounts without any impact on liquidity.

The accounting exposure concerning the market value adjustment can be expressed as a basis point value (BPV). With the company's current financial portfolio (swap), BPV is DKK 45 million, which means that a decrease in the level of interest rates by 1 per cent would entail an increase in the market value adjustment, and thereby a decrease in the result, by DKK 4.5 billion. In the same way, an increase in the level of interest rates by 1 per cent would increase the result by DKK 4.5 billion.

The change in the market value adjustment from 2015 to 2016 is due to the decrease in the level of interest rates in that period.

**Note 7** Construction of the Metro

All figures in DKK thousands

	<i>Metro in operation</i>	<i>Work in progress</i>	<b>In total</b>
<b>Acquisition sum</b>			
Start of the year	165,349	17,071,755	17,237,104
Additions for the year	71,294	4,582,510	4,653,803
Transferred to Metro in operation	-23,732	0	-23,732
<b>End of the year</b>	<b>212,911</b>	<b>21,654,264</b>	<b>21,867,175</b>
<b>Write-downs and revaluation</b>			
Start of the year	0	-10,751,749	-10,751,749
Write-downs for the year	0	-533,200	-533,200
<b>End of the year</b>	<b>0</b>	<b>-11,284,949</b>	<b>-11,284,949</b>
<b>Start book value</b>	<b>165,349</b>	<b>6,320,006</b>	<b>6,485,355</b>
<b>End book value</b>	<b>212,911</b>	<b>10,369,315</b>	<b>10,582,226</b>

<b>Recoverable value 31.12.2016</b>	<b>15,162,211</b>
Book value 31.12.2016, cf. Note 8	4,579,985
Acquisition sum 31.12.2016	21,867,175
Write-downs 01.01.2016	-10,751,749
<b>Book value before write-down</b>	<b>11,115,426</b>
<b>Write-down 31.12.2015</b>	<b>-533,200</b>

The calculation of the recoverable value is measured overall for the Metro in operation and Cityring, Nordhavn and Sydhavn, as they will constitute one overall cash-generating unit once Cityring, Nordhavn and Sydhavn are in operation.

**Note 7** – continued

The Metro in operation is measured at cost less actual depreciation and write-downs, cf. Accounting Policies, and has not previously been written down in Metroselskabet's accounts. The surplus recoverable value of the Metro in operation is therefore not written up for this asset, but set off to the statement of the value of Cityring, Nordhavn and Sydhavn. The recoverable value of Cityring, Nordhavn and Sydhavn after set-off is still lower than the book value, so that a write-down has been made to the lower recoverable value. The write-downs for the year are recorded in the Profit and Loss Account.

The value of the construction of the Metro is based on a stated recoverable value of the overall Metro. The recoverable value is calculated on the basis of the future expectations incorporated in the company's long-term budget, which is included as an Appendix to the Directors' Report. This includes the application of an average real interest rate of 2.4 per cent in the first 20 years, increasing to 4 per cent in the longer term.

The rate of interest applied to the calculation exceeds the current level of interest rates in the market, as an interest supplement is included. The use of a lower current market interest rate would increase the stated recoverable value and thereby improve the result for the year. For illustration, the use of a 1-per-cent lower interest rate in the first 20 years would mean that the recoverable value, and thereby the result for the year, would have been DKK 4.4 billion higher. On the other hand, the use of a 1-per-cent higher interest rate in this period would have led to a DKK 3.6-billion lower result.

**Note 8** Metro in operation

All figures in DKK thousands

	<i>Tunnel and shell of underground stations</i>	<i>Other fixed facilities</i>	<i>Rolling stock, etc.</i>	<i>Other technical installations</i>	<b>Total</b>
<b>Acquisition sum</b>					
Start of the year	2,702,100	1,560,577	1,502,882	518,287	6,283,847
Additions for the year	0	0	0	23,732	23,732
Disposals for the year	0	0	0	-20,799	-20,799
<b>End of the year</b>	<b>2,702,100</b>	<b>1,560,577</b>	<b>1,502,882</b>	<b>521,221</b>	<b>6,286,780</b>
<b>Depreciation and write-downs</b>					
Start of the year	-253,066	-302,074	-638,718	-366,019	-1,559,877
Depreciation for the year	-28,174	-33,803	-71,336	-34,402	-167,716
Disposals, depreciation for the year	0	0	0	20,799	20,799
Write-downs for the year	0	0	0	0	0
<b>End of the year</b>	<b>-281,240</b>	<b>-335,878</b>	<b>-710,054</b>	<b>-379,623</b>	<b>-1,706,795</b>
<b>Start book value</b>	<b>2,449,034</b>	<b>1,258,502</b>	<b>864,164</b>	<b>152,268</b>	<b>4,723,969</b>
<b>End book value</b>	<b>2,420,860</b>	<b>1,224,699</b>	<b>792,828</b>	<b>141,598</b>	<b>4,579,985</b>

**Note 9** Buildings, operating equipment and fixtures and fittings

All figures in DKK thousands

	Operating equipment and fixtures and fittings	Temporary office building	<b>I alt</b>
<b>Acquisition sum</b>			
Start of the year	2,200	112,525	114,725
Additions for the year	0	217	217
Disposals for the year	0	0	0
<b>End of the year</b>	<b>2,200</b>	<b>112,742</b>	<b>114,942</b>
<b>Depreciation</b>			
Start of the year	-1,742	-37,927	-39,669
Depreciation for the year	-214	-8,030	-8,244
Depreciation, disposal	0	0	0
<b>End of the year</b>	<b>-1,956</b>	<b>-45,957</b>	<b>-47,914</b>
<b>Start book value</b>	<b>458</b>	<b>74,597</b>	<b>75,055</b>
<b>End book value</b>	<b>244</b>	<b>66,784</b>	<b>67,028</b>

**Note 10** Other participating interests

All figures in DKK thousands

	Rejsekort A/S	Rejse- planen A/S	<b>Total</b>
<b>Acquisition sum</b>			
Start of the year	67,137	328	67,465
Additions for the year	0	0	0
Disposals for the year	0	0	0
<b>End of the year</b>	<b>67,137</b>	<b>328</b>	<b>67,465</b>
<b>Depreciation and write-downs</b>			
Start of the year	-45,869	0	-45,869
Revaluations for the year	663	0	663
<b>End of the year</b>	<b>-45,206</b>	<b>0</b>	<b>-45,206</b>
<b>Start book value</b>	<b>21,267</b>	<b>328</b>	<b>21,595</b>
<b>End book value</b>	<b>21,930</b>	<b>328</b>	<b>22,258</b>
Name	Domicile	Interest	Capital
Rejseplan A/S	Copenhagen	3.2%	1,032,800
Rejsekort A/S	Gladsaxe	7.16%	114,218,900

The valuation of Rejsekort A/S is based on the conditions for Rejsekort A/S that were known at the time of the presentation of the Annual Report. The write-up for the year amounts to DKK 0.7 million.

The partnership's participating interests in Rejsekort A/S are stated at fair value, based on the calculated capital value. The capital value is determined as the present value of the expected closing price for the shares in 2028. The discounting rates for the calculation of the present value are determined on the basis of the current market interest rate, with the addition of a risk premium. Participating interests in Rejseplanen A/S are stated at cost. The shareholding constitutes less than 10 per cent of the total share capital in Rejsekort A/S and Rejseplanen A/S, respectively.

**Note 11** Accounts receivable, financial fixed assets

All figures in DKK thousands

	<i>Liquidity bridge</i>	<i>City of Frederiksberg</i>	<i>Other receivables</i>	<b>Total</b>
<b>Acquisition sum</b>				
Start of the year	0	702,665	40,609	743,274
Additions for the year (interest credited)	237,882	-1,227	529	237,184
Disposals for the year (repayment of principal)	0	-63,542	-1,381	-64,923
<b>End of the year</b>	<b>237,882</b>	<b>637,896</b>	<b>39,757</b>	<b>915,535</b>
<b>Depreciation and write-downs</b>				
Start of the year	0	0	0	0
Depreciation for the year	0	0	0	0
Write-downs for the year	0	0	0	0
<b>End of the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Start book value</b>	<b>0</b>	<b>702,665</b>	<b>40,609</b>	<b>743,274</b>
<b>End book value</b>	<b>237,882</b>	<b>637,896</b>	<b>39,757</b>	<b>915,535</b>

Other accounts receivable are the company's subordinate loan capital in Rejsekort A/S. Receivables from the City of Frederiksberg are reduced by an annual payment from the City of Frederiksberg of approximately DKK 64 million to cover repayment of principal and interest.

In order to ensure reasonable liquidity for the civil engineering contractor CMT during the construction period, Metroselskabet has established a liquidity scheme (liquidity bridge), cf. also Note 1.

**Note 12** Financial instruments

All figures in DKK thousands

	<b>Total</b>
<b>Acquisition sum</b>	
Beginning of the year	0
Additions for the year	0
Disposals for the year	0
<b>Year-end</b>	<b>0</b>
<b>Value adjustments</b>	
Beginning of the year	1,246,365
Value adjustment for the year	980,998
<b>Year-end</b>	<b>2,227,363</b>
<b>Book value at the beginning of the year</b>	<b>1,246,365</b>
<b>Book value at year-end</b>	<b>2,227,36</b>

**Note 13** Properties

In connection with the construction of Cityring, the company has taken over flats by expropriation. The flats are valued at acquisition cost. As at 31 December 2016, the company has taken over 19 flats. The flats are rented out on market terms. Any loss or profit on the sale of the flats will be included in the cost of the construction of Cityring.

On the establishment of Metroselskabet, the company took over sites at Forum and Fasanvej Stations. If a profit is achieved on the sale of the sites, the City of Frederiksberg is entitled to a share of the profit, cf. separate agreement. The sites are valued at DKK 0.

**Note 14** Accounts receivable, current assets

Receivables include VAT receivable at DKK 354 million and accrued interest at DKK 459 million.

**Note 15** Owner contributions receivable, current assets

Receivable owner contributions as at 31 December 2016 comprise receivables from the City of Frederiksberg. The amount concerns the contributions by the City of Frederiksberg in accordance with appropriation document 8 of 8 October 2014 concerning the revised time schedule for Cityring. The amount falls due after one year, and within five years.

**Note 16** Securities and liquid resources

All figures in DKK thousands	2016	2015
Securities over 3 months	3,869,069	3,295,861
<b>Total securities</b>	<b>3,869,069</b>	<b>3,295,861</b>
Cash and bank deposits	0	0
Fixed-term deposits	0	0
Securities under 3 months	0	0
<b>Total liquid resources</b>	<b>0</b>	<b>0</b>

Securities concern the purchase of bonds as collateral for the market values of the company's financial instruments. As at 31 December 2016, DKK 3.3 billion has been pledged as collateral.

**Note 17** Long-term debt and short-term element of the long-term debt

All figures in DKK thousands	2016	2015
Loans over one year	-16,161,970	-8,652,946
Loans below one year	-779,164	-2,670,778
Financial instruments (negative value)	-6,732,270	-4,633,889
Foreign exchange forward contracts	-1,100	522
<b>Total long-term debt</b>	<b>-23,674,504</b>	<b>-15,957,091</b>

In 2016, the company raised loans for DKK 8.3 billion (DKK 7.5 billion in nominal terms). The value of the company's financial instruments is recognised in the total value of the debt as at 31 December 2016. The market value adjustment of financial instruments is recognised in the Profit and Loss Account.

The company's loans, financial instruments, etc., are in accordance with the "list of acceptable loan types" in the tripartite agreement between Danmarks Nationalbank, the Ministry of Transport, Building and Housing, and Metroselskabet.

Of the company's long-term debt, DKK 7.1 billion (DKK 6.0 billion in nominal terms) falls due after 5 years.

**Note 18** Trade creditors

Supplier debt as at 31 December 2016 includes a paid-in adjustment reserve of DKK 21 million. The amount was paid in by the Danish State concerning the construction of the Metro to Sydhavn.

**Note 19** Prepaid owner contributions

Prepaid owner contributions as at 31 December 2016 concern a payment by the City of Copenhagen of DKK 158 million (DKK 150 million in 2013 prices) concerning the agreement established in 2016 on the financing of an underground Metro station at Ny Ellebjerg. After the approval of the agreement by the respective authorising authorities, the amount of DKK 158 million will be transferred to capital contributions.

**Note 20** Other debt

All figures in DKK thousands	2016	2015
Outstanding ATP payments, etc.	259	207
Outstanding holiday pay	29,398	26,926
Accrued interest	246,036	220,064
<b>Total other debt</b>	<b>275,693</b>	<b>247,198</b>

**Note 21** Segment reporting

All figures in DKK thousands					
	Advisory services 2016	Administration tasks 2016	Metro in operation 2016	In progress	Total 2016
Income	0	19,881	1,257,677	195,841	1,473,400
Expenses	-10	-19,881	-966,387	-195,841	-1,182,120
<b>Result before depreciation and write-downs</b>	<b>-10</b>	<b>0</b>	<b>291,290</b>	<b>0</b>	<b>291,280</b>
Depreciation and write-downs	0	0	-175,298	-533,200	-708,498
<b>Result before financial items</b>	<b>-10</b>	<b>0</b>	<b>115,992</b>	<b>-533,200</b>	<b>-417,218</b>
<b>Fixed assets</b>					
Construction of the Metro	0	0	212,911	10,369,315	10,582,226
Metro in operation	0	0	4,579,985	0	4,579,985

All figures in DKK thousands					
	Advisory services 2015	Administration tasks 2015	Metro in operation 2015	In progress	Total 2015
Income	0	17,822	1,101,235	174,499	1,293,556
Expenses	-1	-17,822	-861,175	-174,499	-1,053,497
<b>Result before depreciation and write-downs</b>	<b>-1</b>	<b>0</b>	<b>240,061</b>	<b>0</b>	<b>240,060</b>
Depreciation and write-downs	0	0	-202,127	-3,328,900	-3,531,027
<b>Result before financial items</b>	<b>-1</b>	<b>0</b>	<b>37,934</b>	<b>-3,328,900</b>	<b>-3,290,967</b>
<b>Fixed assets</b>					
Construction of the Metro	0	0	165,349	6,320,006	6,485,355
Metro in operation	0	0	4,723,969	0	4,723,969

Advisory services comprise revenue and costs related to activities that are exposed to competition. The result of advisory services after financial items and calculated tax is TDKK -10 (a loss of TDKK 1 in 2015). The accumulated result of Metroselskabet's advisory services was a profit of TDKK 314 at the end of 2016.

Administration tasks comprise revenue and costs for the administration and handling of the client organisation for Hovedstadens Letbane I/S.

**Note 22** Proposed distribution of profit

All figures in DKK thousands		
	2016	2015
Carried forward to next year	-2,316,412	-2,695,034

**Note 23** Events occurring after the Balance Sheet date

On 10 February 2017, an agreement was established with CMT, cf. Note 1.

On 16 February 2017, the Supreme Court ruled in the case brought by Frederiksberg Forsyning A/S, Frederiksberg Kloak A/S, Frederiksberg Fjernvarme A/S, Frederiksberg Bygas A/S and CTR I/S concerning payment for utility grid realignments. The case was decided in favour of Metroselskabet, so that the utility grid owners must pay for the utility grid realignments, amounting to approximately DKK 80 million. The utility grid owners will also pay legal costs of DKK 1 million to Metroselskabet.

After the close of the financial year no events of significance to the Annual Report for 2016 have occurred.

**Note 24** Contractual commitments and contingent liabilities**Contractual commitments**

The current ongoing contracts with contractors concerning the construction of the Metro have a total residual value of DKK 3,725 million.

For the purpose of operation of the Metro until December 2018, a contract has furthermore been concluded for a total residual value of DKK 673 million. In addition to the contractual payments, there will be the opportunity for incentive payments.

Concerning the operation of Cityring and Nordhavn, a contract has been concluded for a total value of DKK 1,980 million during a five-year period as from the commencement of Cityring's and Nordhavn's operation.

**Contingent liabilities**

In July 2016, CMT, the civil engineering contractor for Cityring, submitted all of its claims to the Arbitration Court – in order to avoid limitation of the claims. The overall claims raised totalled EUR 915 million. At the same time, however, CMT requested the Arbitration Court to suspend the consideration of these claims until later. There are also elements in some claims, including the claim for extension of deadline, that have not yet been priced. The total claim thus amounts to just over EUR 1 billion (approximately DKK 7.5 billion). On 10 February 2017, Metroselskabet entered into a settlement agreement with CMT. The agreement entails that Metroselskabet will pay EUR 113 million (approximately DKK 850 million) to CMT. The agreement among other things closes a number of the claims raised by CMT, for approximately EUR 500 million (approximately DKK 3.7 billion). The agreement is conditional on its subsequent approval by Metroselskabet's owners, however, cf. Note 1. Hereafter there will be a number of remaining claims totalling approximately DKK 3.7 billion (approximately EUR 500 million). The remaining claims are undocumented in the legal sense, and have thus been notified on a highly unsubstantiated and undocumented basis. It is therefore Metroselskabet's immediate assessment that the claims can be rejected on the present basis.



**Note 24** – fortsat

As a natural element of the company's major civil engineering projects, in the contractual relationship between Metroselskabet and its contractors a number of claims are notified concerning extra payment, etc. in addition to what is already agreed in the contracts established. In addition to the aforementioned claims from CMT there are several smaller outstanding claims from the company's contractors. The claims are discussed and clarified with the contractors on an ongoing basis. The size of these claims is subject to uncertainty.

The construction of the Metro entails expropriation, compensation and similar for which the partnership pays the owners/residents affected. The size of the future compensation has not yet been determined.

Metroselskabet is part of the tariff cooperation in Greater Copenhagen. As of the Balance Sheet date, under the tariff cooperation tickets have been sold that have not yet been used, so that as of the Balance Sheet date Metroselskabet has an equivalent obligation to provide transport.

**Note 25** Auditing and consulting fees

All figures in DKK thousands	2016	2015
Office of the Auditor General	420	349
Deloitte	598	531
EY	591	521
<b>Statutory audit, total</b>	<b>1,609</b>	<b>1,401</b>
Deloitte	10	10
<b>Other declarations, total</b>	<b>10</b>	<b>10</b>
Deloitte, VAT and tax advisory services	342	297
Deloitte, other advisory services	2,383	1,430
EY, other advisory services	25	10
<b>Total advisory fees</b>	<b>2,750</b>	<b>1,737</b>

**Note 26** Related parties

Metroselskabet's related parties are the company's owners, Board of Directors, Executive Management and Hovedstadens Letbane I/S.

Transactions with related parties take place on market terms.

In 2016 Metroselskabet received revenue concerning the administration and management of the client organisation in conjunction with the establishment of a Light Rail in Ring 3, cf. the Order concerning remuneration between Hovedstadens Letbane I/S and Metroselskabet I/S. Metroselskabet I/S makes the necessary employees and other resources available to undertake Hovedstadens Letbane I/S' activities.

**Note 27** Currency, interest rate and credit risk

All figures in DKK thousands

<b>Financial net liabilities</b>	<i>Nominal value</i> <b>2016</b>	<i>Net book value</i> <b>2016</b>	<i>Market value</i> <b>2015</b>
Securities and fixed-term deposits	3,828,716	3,869,069	3,295,861
Accrued interest, securities and fixed-term deposits	0	-4	1
<b>Securities and fixed-term deposits in total</b>	<b>3,828,716</b>	<b>3,869,065</b>	<b>3,295,862</b>
Loans	-15,035,000	-16,941,134	-11,323,724
Accrued interest, loans	0	-44,059	-35,192
<b>Loans in total</b>	<b>-15,035,000</b>	<b>-16,985,194</b>	<b>-11,358,916</b>
Financial instruments	0	-4,506,007	-3,387,524
Accrued interest, financial instruments	0	256,603	177,657
<b>Financial instruments in total</b>	<b>0</b>	<b>-4,249,404</b>	<b>-3,209,867</b>
<b>Net liabilities in total</b>	<b>-11,206,284</b>	<b>-17,365,532</b>	<b>-11,272,921</b>

Accrued interest is stated in the Balance Sheet under assets, receivables of DKK 459 million, and liabilities, other debt of DKK 246 million, respectively.

**Note 27** – continued**Currency risk**

<b>Currency distribution as at 31 December 2016 (DKK million), net book value</b>	<i>Securities and fixed-term deposits</i>	<i>Loans</i>	<i>Financial instruments</i>	<i>Net position</i>
DKK < 1 year	0	-783	0	-783
DKK > 1 year	0	-16,202	-3,886	-20,088
EUR < 1 year	934	0	-1	933
EUR > 1 year	2,935	0	-362	2,573
<b>Total</b>	<b>3,869</b>	<b>-16,985</b>	<b>-4,249</b>	<b>-17,366</b>

**Interest rate risk**

<b>Interest rate fixing as at 31 December 2016 (DKK million), net book value</b>			
<i>Period</i>	<i>DKK</i>	<i>EUR</i>	<i>Total</i>
0–1 year	-783	933	150
1–5 years	-8,605	2,935	-5,670
5–10 years	-5,070	0	-5,070
10–20 years	-862	-395	-1,257
>20 years	-5,552	33	-5,519
<b>Total</b>	<b>-20,871</b>	<b>3,506</b>	<b>-17,366</b>

**Credit risk**

Liquidity investments and the use of financial instruments involve a credit risk on the counterparty. This risk is managed and monitored continuously via a special line and limit system which establishes the principles for the specification of these risks, as well as a maximum for the risks that are acceptable for an individual counterparty. The latter are measured by the international rating agencies (Moody's, Standard & Poor's and Fitch/IBCA). The company also seeks to reduce credit risks by using appropriate agreement documentation.

<b>Credit risk distributed by rating category, as at 31 December 2016</b>				
<i>Total counterparty exposure (accounting value, DKK million)</i>	<i>Securities and fixed-term deposits</i>	<i>Loans Bonds</i>	<i>Financial instruments</i>	<i>Total</i>
AAA	3,869	-16,985	0	-13,116
AA	0	0	-859	-859
A	0	0	-1,804	-1,804
BBB	0	0	-1,586	-1,586
<b>Total</b>	<b>3,869</b>	<b>-16,985</b>	<b>-4,249</b>	<b>-17,366A</b>

**Note 28** Specification of loans and financial instruments

All figures in DKK million	<i>Fixed (principal)</i>	<i>CIBOR 3M</i>	<i>CIBOR 6M</i>	<i>EURIBOR 6M</i>	<i>Net book value 31.12.16</i>
<b>Duration &lt; 1 year</b>					
Loans	-750	0	0	0	-783
Interest rate swap (fixed to variable)	0	0	0	0	0
Interest rate and currency swap (fixed to variable)	0	0	0	0	0
<b>Net exposure</b>	<b>-750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-783</b>
<b>Duration 1-5 years</b>					
Loans	-8,245	0	0	0	-9,036
Interest rate swap (fixed to variable)	850	-850	0	0	137
Interest rate swap (fixed to variable)	2,400	0	-2,400	0	295
<b>Net exposure</b>	<b>-4,995</b>	<b>-850</b>	<b>-2,400</b>	<b>0</b>	<b>-8,605</b>
<b>Duration 6-10 years</b>					
Loans	-5,000	0	0	0	-5,599
Interest rate swap (fixed to variable)	2,600	-2,600	0	0	277
Interest rate swap (fixed to variable)	2,400	0	-2,400	0	279
<b>Net exposure</b>	<b>0</b>	<b>-2,600</b>	<b>-2,400</b>	<b>0</b>	<b>-5,043</b>
<b>Duration 21-30 years</b>					
Loans	-1,040	0	0	0	-1,567
Interest rate swap (fixed to variable)	200	-200	0	0	145
<b>Net exposure</b>	<b>-840</b>	<b>-200</b>	<b>0</b>	<b>0</b>	<b>-1,422</b>

**Note 28** – continued

All figures in DKK million						
	<i>CPI + Fixed</i>	<i>Fixed</i>	<i>CIBOR 3M</i>	<i>CIBOR 6M</i>	<i>EURIBOR 6M</i>	<i>Net book value 31.12.16</i>
<b>Duration 1-10 years</b>						
Interest rate swap (real to fixed)	1,011	-1,011	0	0	0	-24
<b>Net exposure</b>	<b>1,011</b>	<b>-1,011</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-24</b>
<b>Duration 11-20 years</b>						
Interest rate swap (variable to fixed)	0	-3,499	0	2,493	-1,006	-1,248
Interest rate swap (real to fixed)	405	-405	0	0	0	-9
Interest rate swap (variable to real)	0	-	0	0	0	
<b>Net exposure</b>	<b>405</b>	<b>-3,904</b>	<b>0</b>	<b>2,493</b>	<b>-1,006</b>	<b>-1,257</b>
<b>Duration 21-30 years</b>						
Interest rate swap (variable to fixed)	0	-7,778	0	7,778	0	-3,470
Interest rate swap (real to fixed)	-1,491	1,491	0	0	0	402
<b>Net exposure</b>	<b>-1,491</b>	<b>-6,287</b>	<b>0</b>	<b>7,778</b>	<b>0</b>	<b>-3,069</b>
<b>Duration 31-40 years</b>						
Interest rate swap (variable to fixed)	0	-5,020	0	5,020	0	-1,536
Interest rate swap (variable to fixed)	0	-1,043	0	0	1,043	33
Interest rate swap (fixed to real)	-2,814	2,814	0	0	0	473
<b>Net exposure</b>	<b>-2,814</b>	<b>-3,249</b>	<b>0</b>	<b>5,020</b>	<b>1,043</b>	<b>-1,031</b>

All figures in DKK million			
	<i>DKK</i>	<i>EUR stated in DKK</i>	<i>Net book value 31.12.16</i>
Forward contacts	-1,821	1,820	-1
<b>Total loans</b>			<b>-16,985</b>
<b>Total financial agreements</b>			<b>-4,249</b>

The market value of loans with related financial instruments, and the financial instruments, is determined as the listed value on discounting future known and expected payment flows at the relevant discount rates. The discount rates are determined on the basis of the current market interest rates.

**Note 29** Investment in the construction of the Metro

All figures in DKK thousands		
	<b>2016</b>	<b>2015</b>
Investment in the construction of the Metro, cf. Notes 7 and 8	4,653,803	3,841,515
Purchase/sale of properties	0	1,155
Value of own work	-195,841	-174,499
<b>Total investment in the construction of the Metro</b>	<b>4,457,962</b>	<b>3,668,171</b>

# Management Endorsement

The Board of Directors and the Executive Management have today examined and approved the Annual Report for 2016 for Metroselskabet I/S.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act (accounting class D) and the provisions of the partnership agreement on the presentation of financial statements. It is our opinion that the

accounting policies applied are appropriate, and that the annual financial statements give a true and fair view of the company's assets, liabilities, financial position, profit and cash flows. It is also our opinion that the Directors' Report provides a true and fair account of the circumstances covered by the report.

We recommend that the Annual Report be adopted by the partners.

Copenhagen, 24 February 2017

## Executive Management

Henrik Plougmann Olsen

## Board of Directors

Jørn Neergaard Larsen (Chairman)

Harald Børsting

Susan Hedlund (Vice Chair)

Ninna Hedeager Olsen

Jørgen Glenthøj (Vice Chairman)

Jakob Næsager

Birgitte Brinch Madsen

Søren Banke

Peter Jensen

### Attendance of meetings of the Board of Directors in 2016

	Board of Directors meetings (11 meetings)	Audit Committee (3 meetings)	Risk Committee (4 meetings)
Henning Christophersen	8/11		3/4
Jørgen Glenthøj	10/11	3/3	3/4
Lars Aslan Rasmussen*	2/2		1/1
Susan Hedlund**	8/9		3/3
Birgitte Brinch Madsen	11/11	3/3	
Harald Børsting	9/11		
Ninna Hedeager Olsen	9/11	3/3	
Jakob Næsager	10/11		
Søren Banke	11/11		
Peter Jensen	11/11		

\* resigned on 4/4 2016

\*\* resigned on 4/4 2016

# Independent auditors' reports

## Report on the financial statements

### Opinion

We have audited the financial statements of Metroselskabet I/S for the financial year 1 January to 31 December 2016, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of Metroselskabet at 31 December 2016 and of the results of its operations and cash flows for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark as well as generally accepted public auditing standards as the audit was conducted in accordance with the provisions of the Act regarding Metroselskabet I/S and Arealudviklingselskabet I/S and the Auditor General Act.

Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report.

The Auditor General is independent of Metroselskabet in accordance with section 1(6) of the Auditor General Act and the approved auditor is independent of Metroselskabet in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Emphasis of matter

We draw attention to note 1 showing that Metroselskabet has entered into a settlement agreement with CMT of EUR 113 million on 10 February 2017 for the purpose of settling part of the claims made. The settlement agreement depends on the subsequent approval by the owners. Management considers it most likely that the owners approve the settlement

agreement for which reason its effect has been included in the financial statements; see Management's description in note 1. We focus attention on the uncertainty inherent in this context as mentioned in note 1.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with 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 ability of Metroselskabet to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate Metroselskabet 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 as well as generally accepted public auditing standards 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark as well as generally accepted public auditing standards, we exercise professional judgement and maintain professional scepticism 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 internal control of Metroselskabet.
- 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 in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Metroselskabet 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 Metroselskabet to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

#### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management

commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

#### Statement on compliance audit and performance audit

Management is responsible for the transactions covered by the financial statements are complying with the appropriations granted, legislation, other regulations, agreements and usual practice, and for ensuring that sound financial management is exercised in the administration of the funds and activities covered by the financial statements.

As part of our audit of the financial statements, it is our responsibility in accordance with good public auditing practice to select relevant subject matters for compliance audit as well as performance audit. In a compliance audit, we test the selected subject matters to obtain reasonable

assurance about whether the transactions covered by the financial statements comply with appropriations granted, statutes, other regulations, agreements and usual practice. In a performance audit, we make an assessment to obtain reasonable assurance about whether the systems, processes or transactions examined support the exercise of sound financial management in the administration of the funds and activities covered by the financial statements.

If, based on the procedures performed, we conclude that material critical comments should be made, we are required to report this.

We have no material critical comments to report in this respect.

*Copenhagen, 24 February 2017*

**Deloitte**  
Statsautoriseret  
Revisionspartnerselskab  
Central Business Registration  
No. 33 96 35 56

Erik Lyng Skovgaard Jensen  
State Authorised Public Accountant

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No. 77 80 61 13

Lone Strøm  
Auditor General

Malene Sau Lan Leung  
Head of Department

# Appendix to the Directors' Report

The following 2017 long-term budget was adopted in December 2016. In relation to the 2016 long-term budget from December 2015 there is recognition of the purchase of extra trains and conclusion of the agreement for an underground Metro station at Ny Ellebjerg.

## Long-term budget assumptionst

The long-term budget is stated in current prices:

### Passenger numbers and fares

**1.** The passenger numbers are determined according to the passenger forecast based on the most recently updated traffic model. For Cityring including Nordhavn, the number of passengers budgeted for in 2019 is 16 million, increasing to 77 million passengers in 2024. For the Metro in operation, the number of passengers budgeted for in 2017 is 60.5 million, increasing to 63 million passengers in 2019.

**2.** The passenger influx due to the branch to Sydhavn is based on the agreement in principle from June 2014 as well as the effect of an underground Metro station at Ny Ellebjerg station. The number of passengers budgeted for in 2023 is 9 million,

increasing to 14 million passengers in 2035.

**3.** For Cityring including Nordhavn and the Metro in operation, the basis for the fare assumptions is the price per new passenger, based on the Order on the distribution of ticket revenue in Greater Copenhagen. These fare assumptions have been adjusted to 2017 prices, based on the realised development in fares during the period, and furthermore adjusted in accordance with the actual passenger breakdown in 2015. The fare per new passenger has been budgeted at DKK 13.18 in 2017. A real increase in fares by 13 per cent in the period 2009-2018, and by 15 per cent in the period 2018-2030, is assumed – equivalent to the assumptions in the government's 2010 convergence programme concerning the economic development. These assumptions are applied to the calculation assumptions in the updated passenger forecast.

**4.** The basis for the fare assumptions is, for Sydhavn, the agreement in principle. An actual fare increase of 14 per cent in the period 2009-2025, and of 28.5 per cent in the period 2009-2040, is assumed. The average fare for the passenger influx due to the Sydhavn Metro in 2023 is budgeted at DKK 15.15 per passenger.

### Operating and construction costs

**5.** The operating costs for the Metro in operation are estimated on the basis of the company's costs in accordance with the contract for the operation and maintenance activities. For Cityring, the basis is the transport system contract. For Nordhavn the basis is the investigation, and for Sydhavn the basis is the agreement in principle.

As the assumed real increase in fares is from experience assessed to have a partial impact on the indexation of the Metro operating costs, a real increase in the operating costs equivalent to approximately 60 per cent of the assumed real increase in fares is budgeted.

In the period 2013-2019, the budgeted commissioning expenses for Cityring total DKK 426 million in 2017 prices. In 2019, the budgeted expenses for Trial Run of Cityring total DKK 143 million in 2017 prices.

**6.** The construction costs for Cityring have been determined on the basis of the tenders received for the transport system contract and the civil works contract. The total construction costs are estimated at DKK 22.3 billion in 2010 prices (DKK 23.8 billion in 2017 prices). The conversion of the remaining budget from 2010 prices to the current price level is based on the contract index and the construction index of the Ministry of Finance. The costs in the individual years are based on the current payment plans.

**7.** The construction costs for Nordhavn are determined on the basis of the agreement in principle. The total construction costs are estimated at DKK 2.5 billion in 2012 prices, including the contributed adjustment reserve (DKK 2.6 billion in 2017

prices). The conversion of the remaining budget from 2012 prices to the current price level is based on the construction index of the Ministry of Finance.

**8.** The construction costs for Sydhavn are determined on the basis of the agreement in principle. The total construction costs are estimated at DKK 8.6 billion including adjustment reserves in 2014 prices (DKK 9.1 billion in 2017 prices). The long-term budget incorporates the basic budget excluding adjustment reserves, equivalent to DKK 6.6 billion in 2012 prices (DKK 7.0 billion in 2017 prices). The use of the adjustment reserves is conditional on a payment from By & Havn, which in accordance with the agreement has reserved an amount equivalent thereto in its own budgets.

**9.** Reinvestments in connection with Cityring are based on the assumptions in the agreement in principle and for every 10th year amount to DKK 272 million, for every 25th year to DKK 1,224 million, and after an additional 50 years to DKK 544 million in 2017 prices. The conversion from 2010 prices to the current price level is based on an average inflation expectation of 2 per cent p.a.

**10.** Reinvestments in connection with Nordhavn are based on the assumptions in the report and for every 10th year amount to DKK 36 million, for every 25th year to DKK 162 million, and after an additional 50 years to DKK 72 million in 2017 prices. The conversion from 2012 prices to the current price level is based on an average inflation expectation of 2 per cent p.a.

**11.** Reinvestments in connection with Sydhavn are based on the assumptions in the agreement in principle and for every 10th year amount to DKK 79 million, for

every 25th year to DKK 355 million, and after an additional 50 years to DKK 158 million in 2017 prices.

**12.** Reinvestments in connection with the Metro in operation of DKK 317 million every 10th year in 2017 prices are assumed. In accordance with the partnership agreement, reinvestment in trains, tunnels and stations has not been included.

**Other factors**

**13.** The Metro is registered for VAT purposes, so that VAT is deducted from the company's income from the operation of the Metro, while the VAT costs of the construction of the Metro are set off.

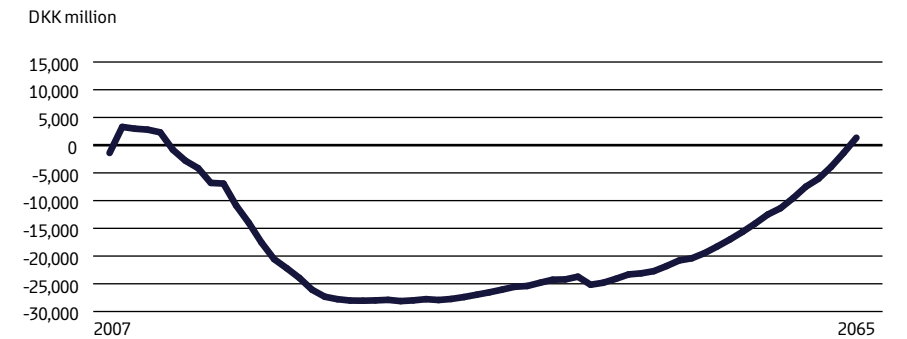
**14.** It is assumed that "other debt", which does not accrue interest, will increase to approximately DKK 600 million when the construction works peak, after which it will fall to approximately DKK 100 million.

**15.** It is assumed that surplus liquidity accrues interest at a real interest rate of 2 per cent p.a. On the accrual of interest on the debt, account is taken of the agreements on the hedging of interest rates concluded by the company. Debt in addition to the interest rate hedging accrues interest at a real interest rate of 3.5 per cent p.a. In the short term, the company's actual interest rate expectations are also taken into account.

**16.** It is assumed that from 2016 all prices will increase by 2 per cent p.a.

**Long-term budget 2017 for Metroselskabet I/S (current prices)**

DKK million	
Inflation	2%
Interest rate assumptions	
For interest rate hedging agreements the actual interest rate is applied.	
Debt in addition to the interest rate hedging accrues interest at a real interest rate of 3.5 per cent, equivalent to a nominal interest rate of 5.5 per cent.	
<b>Cityring construction costs (2010 price level)</b>	<b>22,303</b>
<b>Nordhavn construction costs (2012 price level)</b>	<b>2,460</b>
<b>Sydhavn construction costs (2014 price level)</b>	<b>8,627</b>







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