

Annual Report 2018 Metroselskabet I/S



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Foreword



In 2018, for the third consecutive year, the operational stability of the Metro in operation was an average of 99.2 per cent.

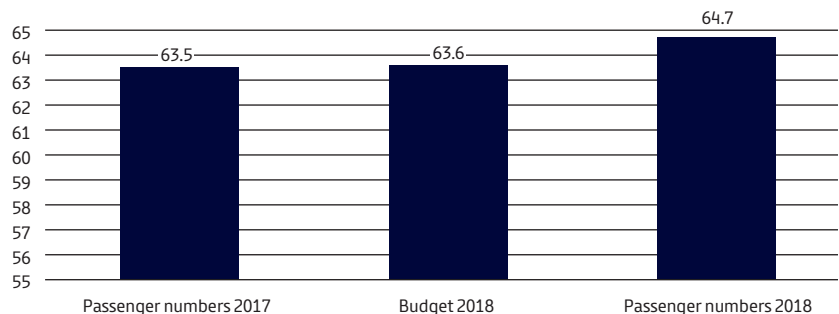
Metroselskabet's result for 2018 before depreciation and write-downs is better than expected

Metroselskabet's result for 2018 before depreciation and write-downs is a profit of DKK 292 million, which is DKK 28 million lower than in 2017. The decrease from 2017 to 2018 is due to the fact that, with effect from 2018, the Danish Transport, Construction and Housing Authority has issued a new Order concerning the division of ticket revenue in the Greater Copenhagen area. This affected Metroselskabet's fare per passenger in 2018. The fare per passenger thus fell from DKK 13.65 per passenger in 2017 to DKK 13.22 per passenger in 2018.

Despite the decrease in the fare per passenger, the company's result before depreciation and write-downs exceeds the budget expectation by DKK 84 million, as a consequence of more passengers and higher income per Metro passenger than expected. The company's primary operating profit ratio is 23 per cent, which also exceeds expectations. The company's financial performance has thus surpassed expectations and the result is considered to be satisfactory. Since the company's establishment in 2007, the Metro in operation has achieved annual operating profits without public operating contributions.

Metro passenger numbers

Million passengers



Continued growth in the number of passengers

The Metro is gaining more and more passengers. In 2018, around 65 million passengers used the Metro, which is an increase by 2 per cent compared to 2017. Improving the capacity of the current system is a precondition for maintaining passenger growth, and the company has therefore decided to invest in capacity-enhancing measures as part of a larger investment programme. In 2018, work commenced on identifying new ways to increase capacity in both the short and longer term. This includes measures to put more trains in operation, upgrade the operating system and change the seating alignment in the trains. Parallel to this, the company is working to help customers to use the Metro in a good way, especially when customers enter and leave the trains, and also when they stand while waiting for the train, and once they are on the train. The aim is to guide customers to use the Metro effectively, and that customers experience the least possible inconvenience during rush-hour periods.

High operational stability continued in 2018

In 2018, for the third consecutive year, the operational stability of the Metro in operation was an average of 99.2 per cent. The Metro thus continues to deliver stable and reliable operation with a high level of operational stability.

Focus on the opening of Cityring – and development of the branches of the Metro to Nordhavn and Sydhavn

2018 was also a year of even more intense preparations for the opening of Cityring.

At the end of 2018, the principle activities under the Cityring project were running according to the time schedule, and in December 2018, Metroselskabet expected that Cityring would open this summer as planned.

The company is monitoring the activities closely and at the end of 2018 noted that there was still a backlog concerning the architectural work in particular. This backlog can only be eliminated if the construction contractor's staff deployment activities are maintained in 2019.

It will not be possible to obtain safety authorisation from the authorities, and thereby a licence to carry passengers, until immediately prior to the opening of Cityring. Until then, Cityring's final opening date for Cityring cannot be set, since a number of milestones first need to be achieved. Reaching each of these milestones will be necessary for Cityring to open as planned, but they are not the only conditions.

There was also considerable activity relating to the company's other major construction projects. At the beginning of November, the last tracks for the branch to Nordhavn were laid, so that track-laying has been completed for the entire section linking the new Metro stations, Nordhavn and Orientkaj, with the rest of the Metro network.

The preparatory work on the branch to Sydhavn began in the spring, and the construction work was officially launched with a groundbreaking ceremony at Enghave Brygge in November.

In this report you can read more about Metroselskabet's activities during the past year.

Thank you for a good year to all our passengers, partners and employees.

We hope that you enjoy reading the report!

Jørn Neergaard Larsen
Chairman of the Board

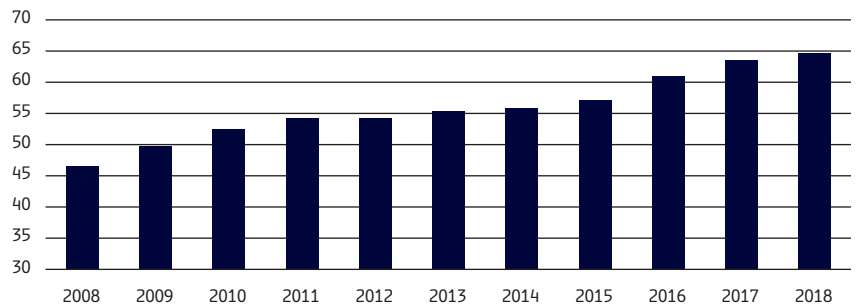
Henrik Plougmann Olsen
CEO



Summary of Key Figures

Passenger numbers

Million passengers

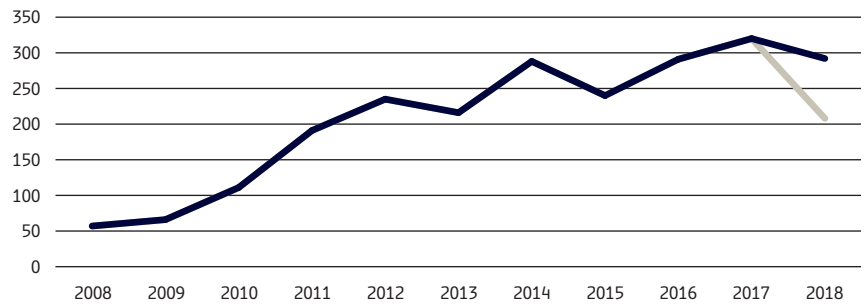


In 2017, Metroselskabet adopted a new counting system. On comparing passenger numbers for 2016 and 2017, it should thus be taken into account that the new system in 2016 counted around 1.4 million more passengers than the old system.

Result before depreciation and write-downs

DKK mio. Budgeted result before depreciation and write-downs

Result before depreciation and write-downs



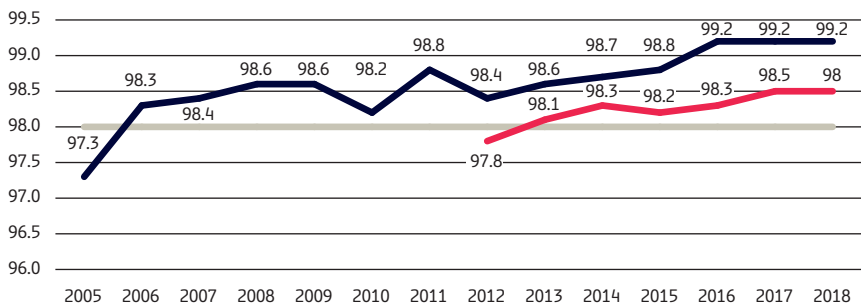
Operational stability

%

Objective


Result

Rush-hour periods

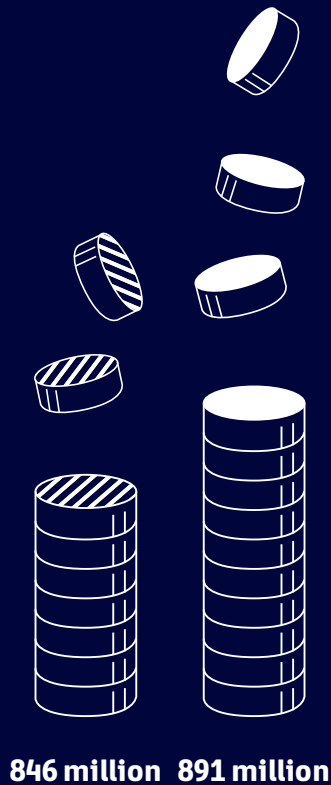


2018 in brief

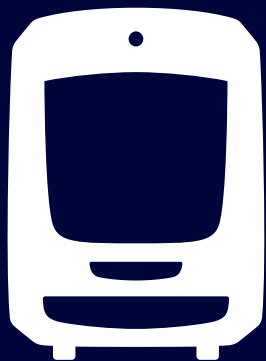
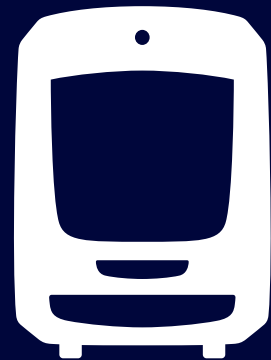
Passenger income

 Budgeted fare revenue

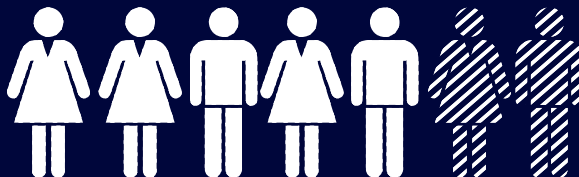
 Actual fare revenue



8x
New trains

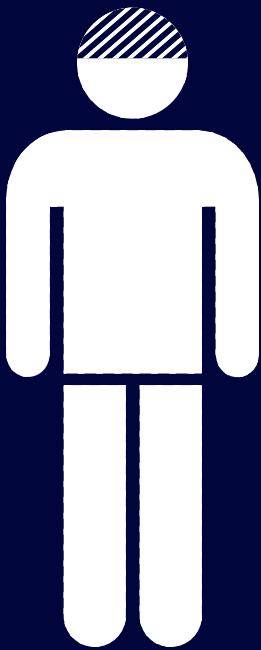


64.7
passengers in 2018



1.2 million
extra passengers





96%

Customer satisfaction with the journey



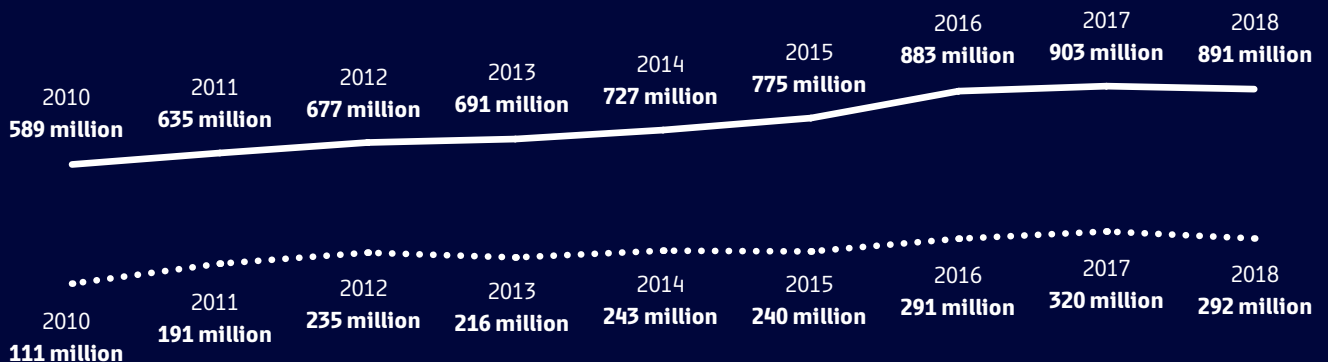
99.2%

Trains on time

In 2018, 98.5 percent of trains were on time during rush-hour periods.

Development in the result before depreciation and write-downs and in fare revenue (adjusted for non-recurring income), 2010-2017

- Fare revenue
- Development in the result before depreciation and write-downs

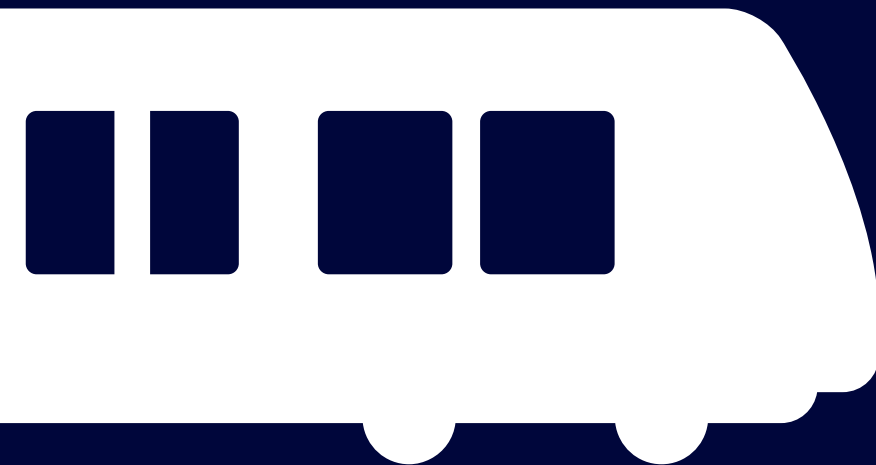


Directors' Report



Safety is one of Metroselskabet's core values and everyone should be aware of how they can make a positive difference.

– Henrik Plougmann Olsen, CEO of Metroselskabet.



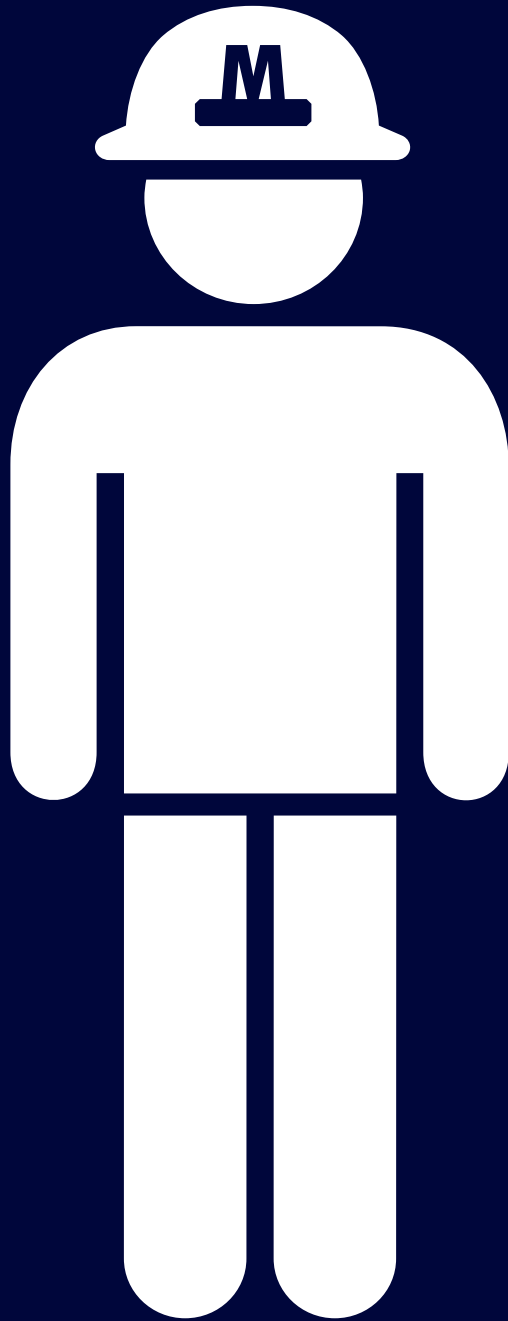
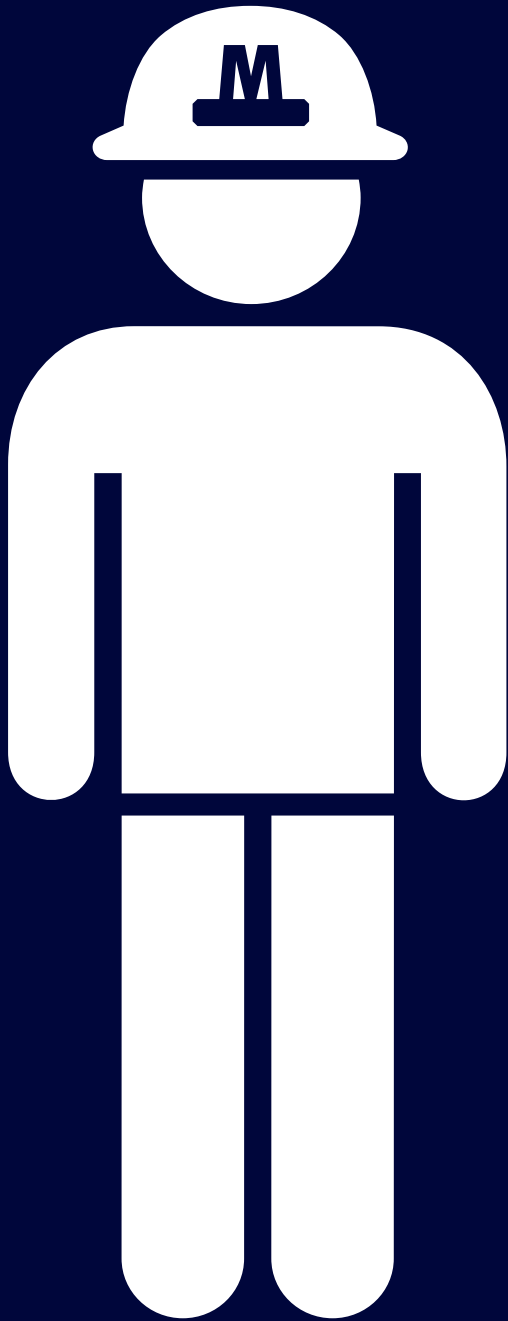




Photo: Tuala Hjärne

Directors' Report

Metroselskabet has drawn up a business strategy for the period from 2018 to 2022. The business strategy sets the framework for the company's work during the strategy period and comprises the following five focus areas:

- Finance
- Operation and maintenance
- Construction works
- Business development
- CSR

The Directors' Report is based on the aforementioned focus areas and describes

Metroselskabet's activities in 2018 within selected sub-elements of the focus areas.

Metroselskabet has prepared a separate report for the "CSR" focus area. Reference is therefore made to Metroselskabet's 2018 CSR Report for a more detailed description of the company's CSR work in 2018. Metroselskabet works systematically with CSR within the framework of the UN Global Compact, of which Metroselskabet has been a member since 2016. The CSR Report and the Annual Report are two equivalent reports that describe the various different bottom lines for Metroselskabet's work.

Finances

Metroselskabet must be operated on a commercial basis. Metroselskabet's most important financial obligation is to observe the long-term budget and thereby to service the company's debt on a timely basis. Metroselskabet also works on achieving financing of new construction projects, which requires the company to continuously streamline its activities and reduce its costs.



The company's profit ratio is 20 per cent in 2018 compared to an expected profit ratio of 15 per cent.

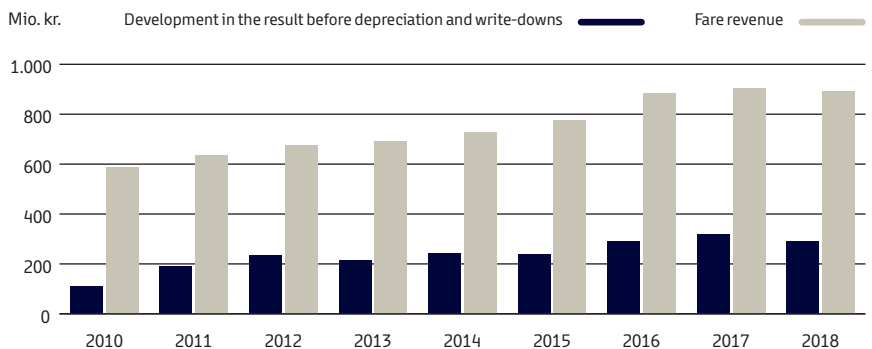
The result for the year exceeds expectations

The result for 2018 before depreciation and write-downs is a profit of DKK 292 million, which exceeds the budget expectations by DKK 84 million. This is due to higher passenger revenue as a consequence of more passengers than expected, since in 2018, the Metro had 64.7 million passengers, compared to the expected 63.6 million budgeted for 2018. The company also achieved a higher fare per passenger than expected.

The company's profit ratio is 20 per cent in 2018, compared to an expected profit ratio of 15 per cent. The company's financial performance has thus been better than expected and the result is considered to be satisfactory.

Depreciation and write-downs represent a positive value totalling DKK 214 million in 2018, of which write-downs concerning the Metro in operation amount to DKK 164 million. A previous write-down concerning

Development in the result before depreciation and write-downs and in fare revenue (adjusted for non-recurring income), 2010-2018



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

Depreciation expresses the year's decrease in the value of the company's assets.

Write-downs express the impairment of the company's assets beyond depreciation.

the construction of the Metro totalling DKK 380 million (income) was reversed in 2018. The reversal of the previous write-down concerning the construction of the Metro reflects the increased value of the Metro as a consequence of price development.

The result for the year before financial items is a profit of DKK 507 million. Financial items comprise interest income of DKK 254 million and interest expenses of DKK 576 million. The result before market value adjustment is a profit of DKK 322 million. The market value adjustment can be attributed primarily to the company's financial agreements concerning interest rate hedging and comprises a charge of DKK 143 million. The result for the year is thus a profit of DKK 42 million. The result for the year is approximately DKK 320 million higher than expected and is due primarily to the reversal of a previous write-down. The result is assessed to satisfactory.

Operating result for the Metro

Metroselskabet's result before depreciation and write-downs is DKK 292 million, which is DKK 84 million higher than expected. The increase is due to additional fare revenue as a consequence of the increase in passenger numbers.

The operating result has decreased by DKK 28 million, however, compared to 2017. The decrease is a consequence of how, with effect from 2018, the Danish Transport, Construction and Housing Authority has issued a new Order concerning the division of ticket revenue in the Greater Copenhagen area. This affected Metroselskabet's fare per passenger in 2018. The fare is thus DKK 0.48 less per passenger.

Revenue totals DKK 1,255 million, of which DKK 891 million from the joint fare system and DKK 364 million primarily from the leasing of the Metro. The year's costs of payment for the operation of the Metro,

contract management, administration and similar amounted to DKK 963 million. The company's primary operating profit ratio is 23 per cent, which is better than expected, and is assessed to be satisfactory.

Write-downs, etc. amount to DKK 165 million and the result of the Metro in operation before financial items is a profit of DKK 127 million.

The development in the result of the Metro in operation has thus exceeded expectations, and the result is assessed to be satisfactory.

Development in equity

The accounting result for the year is a profit of DKK 42 million that has been carried to equity together with the owners' contribution of DKK 446 million concerning the underground location of Ny Ellebjerg Metro Station. Equity is thereafter negative at DKK-1,007 million and in accordance with expectations.

After market value adjustments, the company's adjusted equity amounted to DKK 3,846 million at the end of 2018. The adjusted equity has thus increased by DKK 630 million from 2017, which is due to the owners' contribution of DKK 446 million and a profit before market value adjustment of DKK 184 million. Market value adjustment resulted in an accounting charge of DKK 143 million.

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

Operating result for the Metro

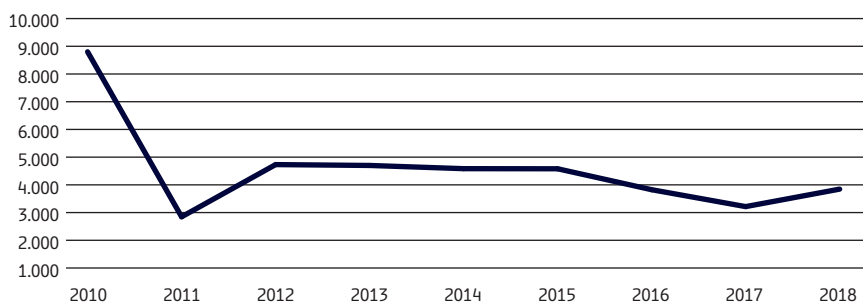
All figures in DKK million	2018	2017
Fare payments	891	903
Metro operating income	360	382
Other operating income	4	8
Total Metro operating income	1,255	1,293
Payment for operations	-891	-903
Contract management, etc.	-37	-35
Other expenses	-5	-5
Administration costs	-30	-29
Total Metro operating expenses	-963	-973
The Metro's operating result before depreciation and write-downs	292	320
Depreciation	-165	-177
The Metro's operating result before financial items	127	143
Net profit ratio before depreciation	23%	25%

Definition: The net profit ratio before depreciation is compiled as the result before depreciation as a ratio of total income.

The Metro's operating result cannot be derived directly from Metroselskabet's Profit and Loss Account, but is shown in Notes 1 and 19 to the financial statements. Fare payments are based on average passenger revenue per new passenger of DKK 13.22 in 2018, calculated on the basis of the Danish Ministry of Transport, Building and Housing's Order on the distribution of ticket revenue in Greater Copenhagen.

Development in adjusted equity, 2010-2018

Mio. kr.



Adjusted equity corresponds to equity after market value adjustment, cf. the Statement of Changes in Equity.

Equity expresses the company's own financing and is calculated as the company's assets minus the company's debt (liabilities),

Market value expresses the value of the company's debt at the given time.

Market value adjustment shows the development in market value during the financial year. The market value adjustment does not affect the company's liquidity and long-term economy, for as long as the loans are held to maturity.

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

Metroselskabet expects to invest a total of approximately DKK 38,5 billion up to 2024 in the construction of Cityring and the branches of the Metro to Nordhavn and Sydhavn. The construction budget for Cityring totalling DKK 25.2 billion (2018 prices) is based on the major civil engineering contracts concluded for the transport system and the Cityring construction work. The total construction budget for the branch of the Metro to Nordhavn of DKK 3.2 billion,

including an adjustment supplement (2018 prices), is based on the construction contracts established for the transport system and the construction work relating to the Nordhavn Metro line. The total construction budget for the branch of the Metro to Sydhavn of DKK 9.3 billion, including an adjustment supplement (2018 prices), is based on the construction contracts established for the transport system and the construction work relating to the Sydhavn Metro line. In addition, there are investments relating to mobilisation and the trial run of DKK 0.9 billion.

In 2018, the investments defrayed for Cityring, Nordhavn and Sydhavn totalled DKK 2,6 billion, so that the total investment to date is DKK 27.0 billion.

Photo: Ditte Valente



Investment budget for Cityring, and the branches of the Metro to Nordhavn and Sydhavn

All figures in DKK million	Investments 2018	Investments at 31.12.2018	Overall investment budget	Overall investment budget
Cityring	1,513	23,125	25,174	23,442 (2010 prices)
Nordhavn ¹	373	2,245	3,162	2,900 (2012 prices)
Sydhavn ¹	557	1,391	9,274	8,627 (2014 prices)
Mobilisation and Trial Run	131	233	932	932 (2018 prices)
Total	2,574	26,994	38,542	-

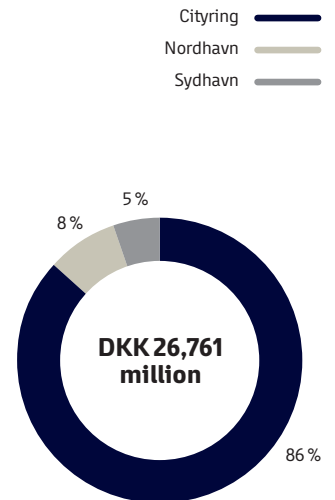
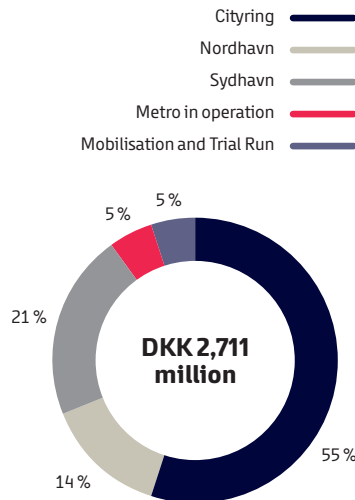
¹ Including adjustment supplements

The year's investment in the Metro in operation amounts to DKK 136 million.

The net book value of Cityring, and of the branches of the Metro to Nordhavn and Sydhavn, are stated at DKK 16.4 billion in the Balance Sheet, 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.

Investments in 2018 distributed on projects

Total investment as at 31 December 2018 distributed on civil engineering projects



The net book value of Cityring, and of the branches of the Metro to Nordhavn and Sydhavn, are stated in the Balance Sheet at DKK 16.4 billion, 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.

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 (present value) is calculated on an overall basis for the Metro in operation, Cityring, and the branches of the Metro to Nordhavn and 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. On the calculation of the recoverable value, the estimated future cash flows are discounted back to present value. At end-2018, the recoverable value was higher than the book value, so the value of the asset has been adjusted. The adjustment (reversal of previous write-down) of the fixed assets as at the Balance Sheet date amounts to DKK 380 million, cf. Note 6 to the Annual Accounts.

The assumed level of interest rates (discounting factor) constitutes the principal uncertainty regarding 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 6 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.

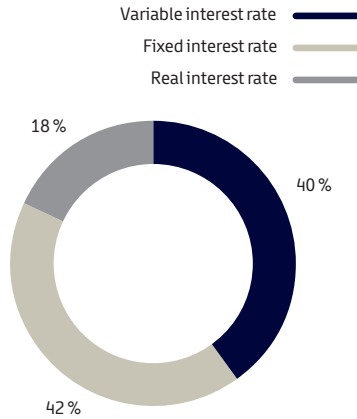
In the same way as for the valuation of the Metro, the net book market value of the debt increases when the interest rate level for the debt decreases. The fluctuations in the two accounting items must not be expected to set off each other, among other things because different interest rates are applied (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 concerning 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 2018, Metroselskabet had raised loans totalling DKK 22.0 billion (in nominal terms). The loans are raised as re-lending at Danmarks Nationalbank. As at the end of 2018, the company's long-term debt commitments totalled DKK 27.6 billion in net terms.

The recoverable value represents the current value (present value) of a company's future investments and the revenues that the asset is expected to realise.

Distribution of interest rates as at 31 December 2018 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 profit of TDKK 5 in 2018 (a profit of TDKK 26 in 2017).

The accumulated result of Metroselskabet's advisory services was a profit of TDKK 345 at the end of 2018.

Capital and long-term finances

In connection with the company's budgeting for 2019 an updated long-term budget has been drawn up, including the expected repayment term for the debt. The long-term budget presents the expectations concerning the Metro's long-term economic development. The description is based on a number of assumptions and is subject to the

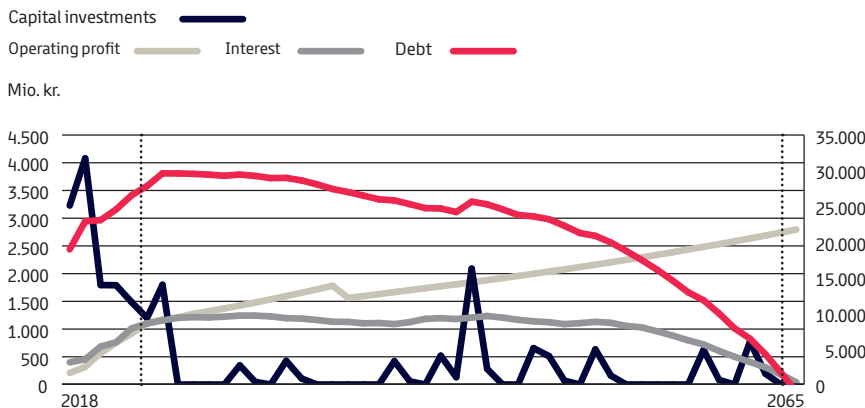
uncertainty that will always apply to assessments of future circumstances. The budget is based, among other things, on assumptions concerning the development in the number of Metro passengers, as well as the development in interest rates and indexes.

The long-term budget shows that the company's net debt is expected to reach its maximum level, at approximately DKK 29.6 billion (in current prices and including interest), in 2024. The debt is expected to be repaid in 2065.

The company has built up appropriate interest rate exposure, so as to lock elements of the future interest costs. The company has done this by entering into financial agreements on interest rate hedging, whereby the interest rates for a large part of the expected maximum debt have been agreed. The agreements have been established in order to increase the budget certainty of the company's long-term finances.

Up to 2025, significant capital investments will be made, and the debt will increase. After this, the profit from the operation of the Metro will exceed the interest costs, and the debt will be repaid, so that the company is expected to be free of debt in 2065.

The company's long-term finances



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. This is laid down and described in Metroselskabet's 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 obligations, including the loans raised by Metroselskabet. Due to

Financial Highlights and Key Figures

Financial Highlights and Key Figures

All figures in DKK million	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net turnover for the year	722	864	980	1,100	1,125	1,301	1,294	1,473	1,519	1,492
Result before depreciation and write-downs	66	111	191	235	216	288	240	291	320	292
Depreciation and write-downs	-596	-787	-5,689	1,772	-484	-2,392	-3,531	-708	-567	215
Result before financial items	-530	-676	-5,498	2,007	-267	-2,104	-3,291	-417	-247	507
Financial items	113	45	-457	-123	-64	-149	-229	-337	-363	-322
Result before market value adjustment	-387	-632	-5,954	1,884	-331	-2,254	-3,520	-754	-610	184
Market value adjustment	-30	358	-2,882	-550	2,138	-3,712	825	-1,562	695	-143
Result for the year	-417	-274	-8,837	1,335	1,807	-5,966	-2,695	-2,316	85	42
Balance Sheet total	9,691	9,442	8,216	10,077	12,633	15,953	17,308	23,270	24,851	30,380
Investment in the Metro for the year	448	637	3,651	2,332	3,170	3,420	3,842	4,654	2,875	3,392
Long-term debt	56	0	4,403	6,600	7,345	12,900	13,287	22,895	22,078	27,696
Equity	9,413	9,139	303	1,637	3,744	-87	737	-1,579	-1,495	-1,007
Adjusted equity*	9,433	8,801	2,847	4,731	4,700	4,581	4,580	3,825	3,215	3,846
Equity ratio	97%	97%	4%	16%	30%	-1%	4%	-7%	-6%	-3%
Adjusted equity ratio	97%	93%	35%	47%	37%	29%	26%	16%	13%	13%
Profit ratio	9%	13%	19%	21%	19%	22%	19%	20%	21%	20%
Profit ratio on the Metro in operation	10%	14%	22%	24%	22%	25%	22%	23%	25%	23%
Rate of return	1%	1%	2%	2%	2%	2%	1%	1%	1%	1%
Number of passengers (million)	50	52	54	54	55	56	57	61	63	64.7
Number of employees (year-end)	93	123	160	219	242	274	289	325	330	338

*Adjusted equity is adjusted for market value adjustment



Each risk has a designated risk owner, who ensures that risks are handled and reported under the individual professional areas.

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 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.

raised amounted to approximately EUR 1 billion (approximately DKK 7.5 billion).

On 10 February 2017 – adopted by the company's owners on 6 April 2017 – Metroselskabet entered into a settlement agreement with CMT. Among other things, the agreement settles a number of the claims raised by CMT, equivalent to approximately EUR 500 million (DKK 3.7 billion), so that these claims are no longer pending before the Arbitration Court. The remaining claims are for approximately EUR 500 million (DKK 3.7 billion), but as a consequence of the settlement agreement reached, the maximum payment that CMT can receive is EUR 238.5 million (DKK 1.8 billion). Claims have been clarified in 2018, so that claims before the Arbitration Court now amount to EUR 420 million (DKK 3.1 billion) and the maximum payment has been reduced to EUR 234.6 million (DKK 1.8 billion). From a legal aspect, the remaining claims have been raised on an undocumented basis. It is therefore Metroselskabet's immediate assessment that the claims can be rejected on the present basis.

Key figures

Equity ratio =	$\frac{\text{Total equity at the end of the year} \times 100}{\text{Total assets}}$
Adjusted equity ratio =	$\frac{\text{Total equity excluding market value adjustments} \times 100}{\text{Total assets}}$
Profit ratio =	$\frac{\text{Result before depreciation and write-downs} \times 100}{\text{Net revenue}}$
Rate of return =	$\frac{\text{Result before depreciation and write-downs}}{\text{Total assets}} \times 100$

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.

Arbitration cases, etc.

In July 2016, CMT, Metroselskabet's civil engineering contractor for Cityring, submitted all of its claims against Metroselskabet to the Arbitration Court – in order to avoid limitation of the claims. The total claims

Systematic reporting

Risks are reported at several different levels. Each risk has a designated risk owner, who ensures that risks are prevented, handled and reported within 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 the branches of the Metro to Nordhavn and Sydhavn, a risk management process that is especially adapted to these projects has been built up. This process involves the contractors during the construction of the system, thereby ensuring that risks are handled on the most appropriate basis.

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 assesses 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. At quarterly meetings with the company's owners, the company reports on the risk exposure, based on the Board's review.

Networking and sharing experience among national and international construction projects

The company participates in national and international experience-sharing and 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 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, and the branches of the Metro to 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.

It is expected that there will be 13,000 new passengers at
Enghave Plads Station on a normal business day in 2025.
Photo: Metroselskabet



Operation and maintenance

Metroselskabet must be in line with the modern world and reflect the society in which the company operates, and the demand for constant availability and maximum usability. Passengers must be able to trust that the Metro will always be available, with reliable, high-frequency operation around the clock. Passengers must experience how Metroselskabet efficiently addresses capacity challenges with the least possible inconvenience to passengers and to operational stability.

Operation of the Metro

Operational stability

In 2018, for the third consecutive year, the operational stability of the Metro in operation (M1 and M2) was an average of 99.2 per cent. Every month in 2018, operational stability has exceeded the company's objective of operational stability of at least 98 per cent. For the majority of the months of the year, operational stability was even higher, and exceeded 99 percent.

During rush-hour periods, operational stability has been 98.5 per cent. Operational stability both during and outside rush-hour periods is at the same level as last year.

On days affected by operational disruptions (operational stability below 98 per cent), Metroselskabet cooperates closely with the operations contractor, Metro Service A/S, whereby incidents are analysed carefully in order to avoid repetitions and to achieve continuous improvement in operations.

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:

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

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



In order to preserve the value of the company's assets, Metroselskabet has planned a number of major replacements concerning the Metro in operation.

Customer satisfaction

Metroselskabet continuously monitors customer satisfaction with the Metro in operation. Customer satisfaction is measured concerning a number of aspects, covering everything from customers' satisfaction with the overall journey, punctuality, staff service and information, to cleaning and safety. Satisfaction with the Metro was generally at a satisfactory level in 2018.

Up to 2025, the company is undertaking lifetime-prolonging maintenance of the existing trains, so that up to 2035 they can continue to deliver a high level of service to customers. The lifetime-prolonging renovation programme was launched in 2018. The operating system of the Metro in operation will need to be replaced in the late 2020s, so that planning of this has already commenced.

Investment programme

In order to preserve the value of the company's assets, Metroselskabet has planned a number of major replacements concerning the Metro in operation. A major investment programme has been launched that, in addition to reinvestment in existing assets, also includes investment in capacity-improvement measures. Improving the capacity of the existing system is a condition for maintaining the expected passenger growth, which is also the basis for the company's long-term finances.

The company has purchased eight new trains for the Metro in operation, in order to increase capacity significantly in the coming years. The new trains are expected to be commissioned on a gradual basis, while the old trains will be taken out of operation for extensive renovation in 2021. This will accommodate the expected passenger growth within the next few years.

In addition, planning of the infrastructure conversions, including the maintenance centre and switches, is in full swing, so that they can be in place when the extra trains are to be put into operation.

Customer satisfaction with:

	2017 – average for the full year (per cent)	2018 – average for the full year (per cent)
Journey	96	96
Timetable	95	95
Security	94	95
Service and conduct of staff	90	91
Information for customers	78	82
Cleaning of the stations	90	88
Cleaning of the trains	81	80

“ Upgrading the operating system's software and 31 trains in operation will increase the Metro's capacity (...)

Under the investment programme, in 2018 work was also launched to identify new pathways to increased capacity in both the short and long term by optimising the behavioural design of the Metro. There is special focus on the trains and the most capacity-challenged stations, where it is sought to improve passenger flows and customers' experience. In addition to the design measures, we are also working on announcements, campaigns and steward activity, to guide passengers to act more appropriately during rush-hour periods, for example when they enter and leave the trains. In addition, various solutions have been devised to optimise the seating alignment in the existing trains.

Commencement of operations under the new contract

In 2018, Metroselskabet worked on preparing for the commencement of a new contract with the company Metro Service A/S, which is undertaking the operation and maintenance of the Metro in operation (M1/M2) from 1 January 2019 until mid-2024. Furthermore, Ansaldo STS, which won the tender for the operation and maintenance of Cityring and the branches of the Metro to Sydhavn and Nordhavn (M3/M4), has chosen Metro Service A/S as a subcontractor to perform this task.

Metroselskabet works closely with Metro Service A/S to ensure successful and trusting cooperation during the new contract period, for which the aim is for passengers to experience a cohesive Metro system.

Upgrading the operating system

In the autumn of 2018, the Metro's operating system software was upgraded. This has streamlined timetables and operation, increasing the operational stability and capacity of both lines. Metroselskabet will thus be able to transport more customers by Metro. At the end of 2018, Metroselskabet worked on a more ambitious timetable, so that there will be 31 trains in operation for most of the rush-hour period in 2019 – in contrast to 30 trains in 2018, and there will be more departures per 24-hour period. Upgrading the operating system's software and 31 trains in operation will increase the Metro's capacity, giving space for more passengers during rush-hour periods, while also maintaining the current operational stability.

Upgrading the Metro's passenger information system

In 2017 and 2018, Metroselskabet undertook a major upgrade of the Metro's passenger information system. The new passenger information system is expected to give a significant boost to the quality of passenger information when all the new features of the upgrade are put into service during 2019. As part of the upgrade, the information screens on the platforms have been replaced with a new type equivalent to the Cityring information screens. The new screens will help to ensure a consistent customer experience in the two Metro systems.



M

DO

Construction works

Metroselskabet is currently a major construction client, due to the scale and complexity of the company's construction portfolio. Even though projects are still ongoing, Metroselskabet must also prepare for a decline in overall activity during the next few years, in step with the completion of Cityring. The company must also prepare for how the projects will be supported by digital tools to a far greater extent than before. Finally, as a strategic measure, in the coming years Metroselskabet will make a special effort to ensure a safe working environment at the construction sites, and to a far higher standard than today.



Metroselskabet has three major systems under construction, and each of these projects is in a separate phase.

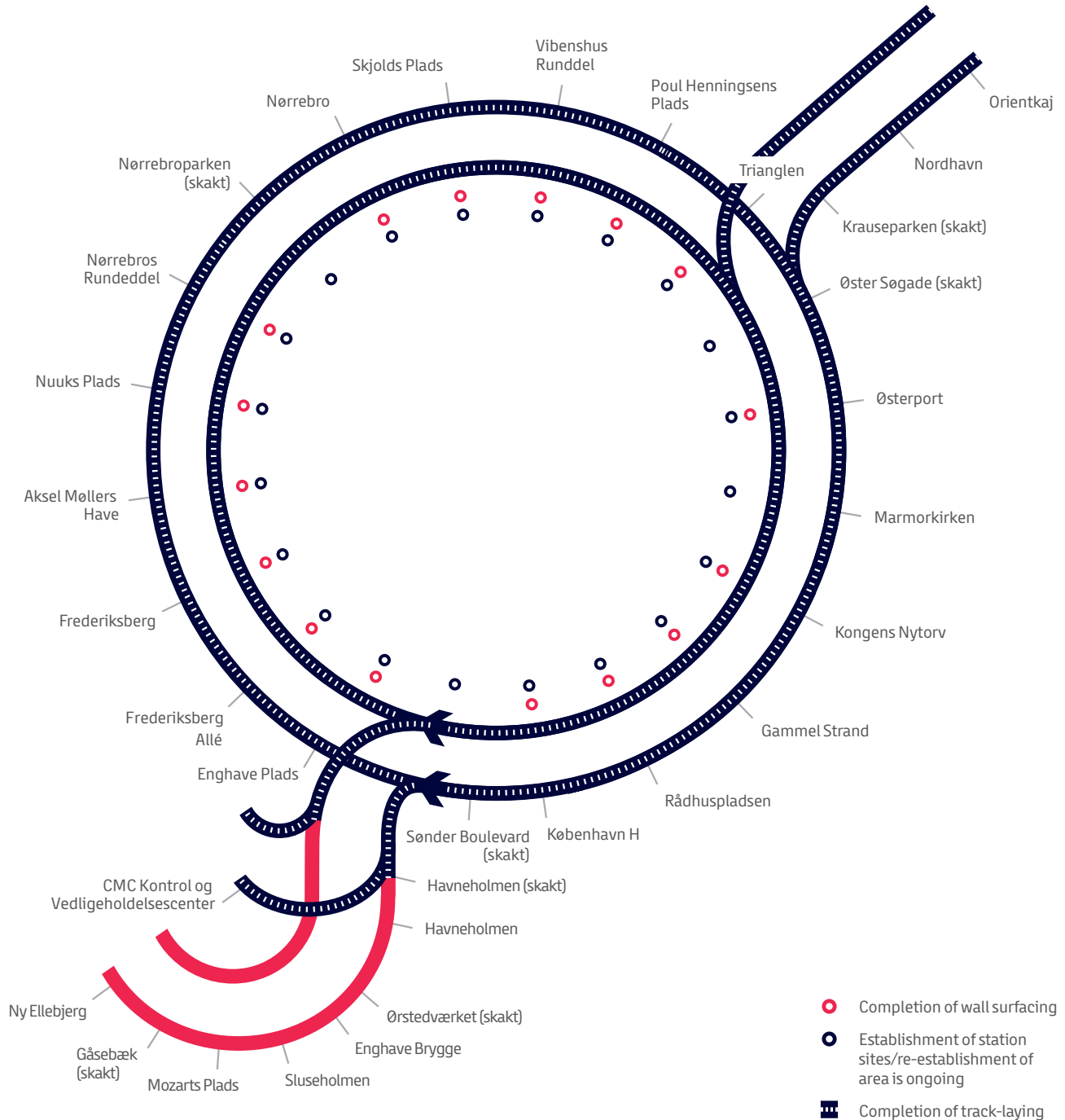
Metroselskabet has three major systems under construction, and each of these projects is in a separate phase. First of all, Metroselskabet is constructing Cityring, which is a 15.5-km subterranean Metro line with 17 stations in central Copenhagen and Frederiksberg. Secondly, Metroselskabet is responsible for the construction of a section of the Metro to Nordhavn, as a branch from Cityring to the new Nordhavn quarter. Thirdly, Metroselskabet is constructing a section of the Metro to Sydhavn, as an extension of the line from Nordhavn via Cityring to Ny Ellebjerg Station. Overall, the company has construction investments for DKK 38.5 billion in 2018 prices.

Metroselskabet's organisation must be adapted to a smaller construction portfolio now that Cityring and the branch to Nordhavn are entering their final phase, with

slightly decreasing administrative costs. At the same time, the administrative costs for the Sydhavn branch have increased as a consequence of the project's increased activity. Moreover, Metroselskabet has been commissioned to perform a preliminary study of a Metro service to Lynetteholmen. On this basis, at the end of 2018 the Board allocated DKK 20 million from the 2019 budget in order to postpone the planned reduction of the organisation. This postponement will enable the company to retain employees in a situation where there are changes in the timeframe for the completion of Cityring, and also ensure that the right employees can be retained for the work at Sydhavn and Lynetteholmen. Finally, the activities for the Light Rail in Ring 3 will also require the company to retain key employees.

Status of Cityring, and the Nordhavn and Sydhavn lines, 31.12.18

31.12.18



Focus on the completion of Cityring

The work on Cityring is in its final phase, and the company is dedicated to getting Cityring ready for its opening in the summer of 2019. In April 2018, the project reached an important milestone when the track-laying was completed. The track all the way around Cityring, in both tunnels, has now been laid.

In 2018, the key focus for the progress of the construction work was the architectural work, including wall surfaces, skylights, floors and lighting. There was also a strong focus on the mechanical and electrical works, including the installation of ventilation and fire prevention systems, etc., and testing of these systems, as well as the installation of the transport system and testing of this system and the trains as one overall system.

Up to the summer of 2018, the architectural work achieved less momentum than assumed in the time schedule. There has thus been a need to devote more resources to the architectural work, for which staff numbers were more than doubled in the autumn of 2018.

At the end of 2018, Metroselskabet identified the following critical activities up to the opening of Cityring:

- The architectural completion of the stations
- The mechanical and electrical works
- Testing of systems and trains
- Safety approval

To ensure insights for the company's owners and openness about the progress made up to the completion and opening of Cityring, in the autumn of 2018, Metroselskabet began to prepare a monthly "Owner briefing – Cityring", to report on the progress of a number of critical activities for the completion of Cityring in the final phase of the

construction work. During the autumn of 2018, the owner briefings focused on the four aforementioned critical activities.

Assessed according to the progress made during the period up to and including December 2018, it is assessed that Cityring will be able to open as planned. Yet for any major project on this scale there will always be risks that, right up to the opening date, can lead to delays.

Metro to Nordhavn

In 2018, the contractor focused on completion of the concrete works in the station box, as well as starting up the architectural work (the AF works) and the mechanical and electrical installations (M & E works). At Krauseparken, the concrete works in the cross-tunnel and shaft have been completed and the work on the mechanical and electrical installations (M & E works) is underway, as planned.

At the start of November 2018, the last track for the branch of the Metro to Nordhavn were laid and the installation of catenary power was completed. Track-laying has thus been completed for the entire section linking the new Metro stations, Nordhavn and Orientkaj, with the rest of the Metro network. The Nordhavn line runs parallel to Cityring from Copenhagen Central Station through the City Centre to Østerport Station. It then branches off under Sortedam Lake and continues to Nordhavn Station. The final section to Orientkaj runs as an elevated line.

More than 89 per cent of the overground construction work from Nordhavn Station up to Orientkaj Station has been completed.

“
In April 2018, the project reached an important milestone when the track-laying was completed.

Metro to Sydhavn

The contracts for the Sydhavn Metro were signed in March 2018, after which the construction sites have been continuously arranged and handed over to the contractor. The first construction site to be arranged is Enghave Brygge, where the contractor has begun work on the secant piles, which are used as supporting walls in the shaft. Five out of six construction sites were handed over to the contractor in 2018.

In April 2018, the preparatory work on contaminated soil and its disposal around the Gåsebæk shaft got underway.

On 8 November 2018, the construction of the new Metro line to Sydhavn officially commenced, and the groundbreaking ceremony was held at the Enghave Brygge construction site. Green Metro fences have been erected at several Sydhavn locations. On the Metro fence at Enghave Brygge, an almost 500-metre long graffiti artwork was inaugurated on 15 September 2018. The artists behind the work describe it as Europe's longest continuous graffiti artwork.

The Sydhavn Metro is an extension of the M4 line, which runs from Orientkaj in the north, across the City and on to Sydhavn. The Sydhavn Metro will have a total of five stations and extend from Fisketorvet across the new urban development areas along the harbour to the older workers' quarter at Mozarts Plads, ending in the southern part of Valby at Ny Ellebjerg, which will be a traffic hub.

Digitalisation

Based on a mapping of the company's work processes and tools, with broad involvement across the organisation, in 2018 Metroselskabet completed an analysis of the company's maturity in terms of digitalisation.

To ensure that the company is increasingly able to meet stakeholders' ever-higher digitalisation requirements, the analysis identified a need for investment in digitalisation in order to improve the company's maturity in terms of digital work processes and tools.

The analysis also focused on the company's need for ongoing streamlining, so that the costs of maintaining an effective organisation are kept to a level that corresponds to the extent of its tasks.

In January 2019, the company's Board will prioritise and decide on the forward-looking measures and related investments within the digitalisation area.

The Metro fence at Enghave Brygge creates a temporary new urban space. Photo: Ditte Valente







Safety on the Right Track

Metroselskabet and Greater Copenhagen Light Rail want everyone to be able to work safely without accidents.

We are responsible for everyone who works for us and we care about our colleagues. We are therefore absolutely dedicated to ensuring their safety.

To stay on the right track, we do the following:

- Appreciate people and their contributions, experience and cultural differences.
- Succeed through collaboration and partnership between MS and contractors.
- Are eager to learn from good, as well as bad, experiences.
- Take the time and make the effort required to do things right the first time.
- Are trained, experienced and competent safety managers.
- Are personally responsible for everyone being able to go home from work every day without any accidents.



Safety on the Right Track

2018 was the year that Metroselskabet's safety vision, Safety on the Right Track, really came into focus. Safety must be an integrated aspect of Metroselskabet's work and with this vision, the company will ensure that everyone in the company and otherwise working on the company's projects can work safely without accidents.

The vision reflects how in the future safety must be a guiding consideration, pursued widely within the organisation as an integral aspect of the core tasks of the various professional disciplines. 2018 was thus also the year in which the company focused on clarifying roles and responsibilities in relation to ensuring the safety of the various construction trades, and also launched a comprehensive safety training course, the Safety Academy.

The aim of the Safety Academy is to hold workshops and training courses for the employees and management of Metroselskabet and its contractors, in order to increase their focus on their own and colleagues' safety and to develop a range of skills that are assessed to be essential for good safety performance. The Safety Academy started up in the second half of 2018. In 2018, all of the company's employees took the Safety

Academy's basic module and around 30 employees took the intervention training module. In 2019, a number of more specialised courses will be held, to give employees of both Metroselskabet and its contractors concrete tools to improve safety in the performance of their work. A comprehensive management training programme will also be held.

Furthermore, Metroselskabet has tested new ways of welcoming the contractors for the branch of the Metro to Sydhavn, with focus on building up good cooperation and a common frame of reference for a high standard of safety from the start of the project.

This vision has been the focus of the initial meetings between Metroselskabet's management and the contractors' management. Furthermore, Metroselskabet's top-level management and the management of the contractor constructing the Sydhavn Metro have visited a construction site designated by the contractors as exemplary in relation to safety.

Accident rate

The Cityring accident rate in 2018 has improved significantly compared to 2017. The year 2017 ended with an average frequency of 15.9 accidents, resulting in absence of one million working hours. At the end of December 2018, the accident rate was 5.4. This represents a considerable decrease in the Cityring accident rate from 2017 to 2018.



Safety is one of Metroselskabet's core values and everyone should be aware of how they can make a positive difference.

- Henrik Plougmann Olsen, CEO of Metroselskabet.

The Nordhavn project had a long period of 1 year and 8 months without any accidents resulting in absence from work. Unfortunately, there was an accident resulting in absence in December 2018, and the project therefore ended 2018 with an accident rate of 4.6 for the year. However, this is still a considerable decrease compared to 2017, when the overall accident rate for the year was 12.0.

The Sydhavn project started up in 2018, and the contractor for the construction project had one accident resulting absence in December 2018. The overall accident rate for the project is 5.7 for 2018 (February to December). Considering the ongoing work at Ny Ellebjerg, and on the transfer tunnel and relocating the station in isolation, there were no accidents resulting in absence in 2018.

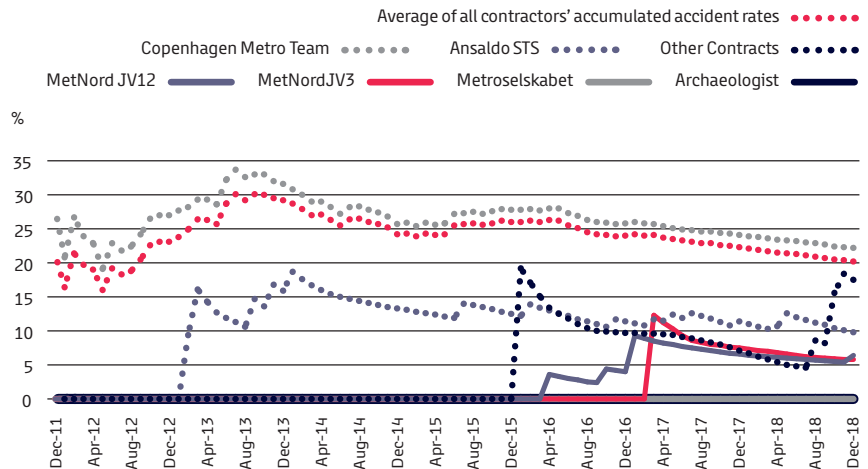
agreement in principle for the construction of Lynetteholmen. Lynetteholmen is a new island to be built between Nordhavn and Refshaløen in Copenhagen's harbour basin. In the long term, Lynetteholmen will have around 35,000 residents and an equivalent number of workplaces. As part of the agreement in principle, Lynetteholmen will be developed as a sustainable quarter, with focus on cycling and high-class public transport based on a Metro service to Copenhagen's city centre. The agreement also states that, besides serving Lynetteholmen, the Metro will continue to Refshaløen, and possibly also on to Kløverparken if financing can be made available.

Metroselskabet has been tasked with undertaking a preliminary investigation of the feasibility of Metro operation in the area, including an analysis of the technical engineering solutions, traffic forecasts for the area and the expected construction costs for the project. At the end of 2018, Metroselskabet was well underway with the analysis work. The preliminary investigation is expected to be completed by the end of 2019.

Metro to new island in Copenhagen

On 5 October 2018, the Danish government and the City of Copenhagen signed an

Accumulated accident rate per contractor for the period from 1 December 2011 to 31 December 2018



Business development

Metroselskabet will focus on its core activity, which is to construct, operate and maintain the Metro on a commercial basis. The company will develop its activities with new business areas that have a natural business affiliation to the Metro activities, if they can contribute positively to the company's finances.



It was decided that Metroselskabet would be responsible for the development and site preparation of the area (Ny Ellebjerg, ed).

In connection with the agreement between the Danish State, the City of Copenhagen and the City of Frederiksberg on the subterranean location of the Metro station at Ny Ellebjerg, it was decided that part of the funding would come from the development of the area above the railway site at Ny Ellebjerg. It was decided that Metroselskabet would be responsible for the development and site preparation of the area.

With the adoption by the Folketing of the Act to amend the Cityring Act and the Act on Metroselskabet I/S and Udviklingselskabet By & Havn I/S on 13 December 2018, Metroselskabet's object clause was extended so that Metroselskabet could start work on preparing the development of the area.

At the end of 2018, Metroselskabet therefore invited tenders for an assignment to gain an overview of the costs of covering the railway site. Calculations must be made for varying degrees of cover, combined with varying degrees of scope for the work between the tracks in the area. The analysis is expected to be completed in the spring of 2019.

About Metroselskabet

Gender balance in
Metroselskabet

All employees

41%

Management

35%

Management Group with Directors

41%

Board of Executives

60%

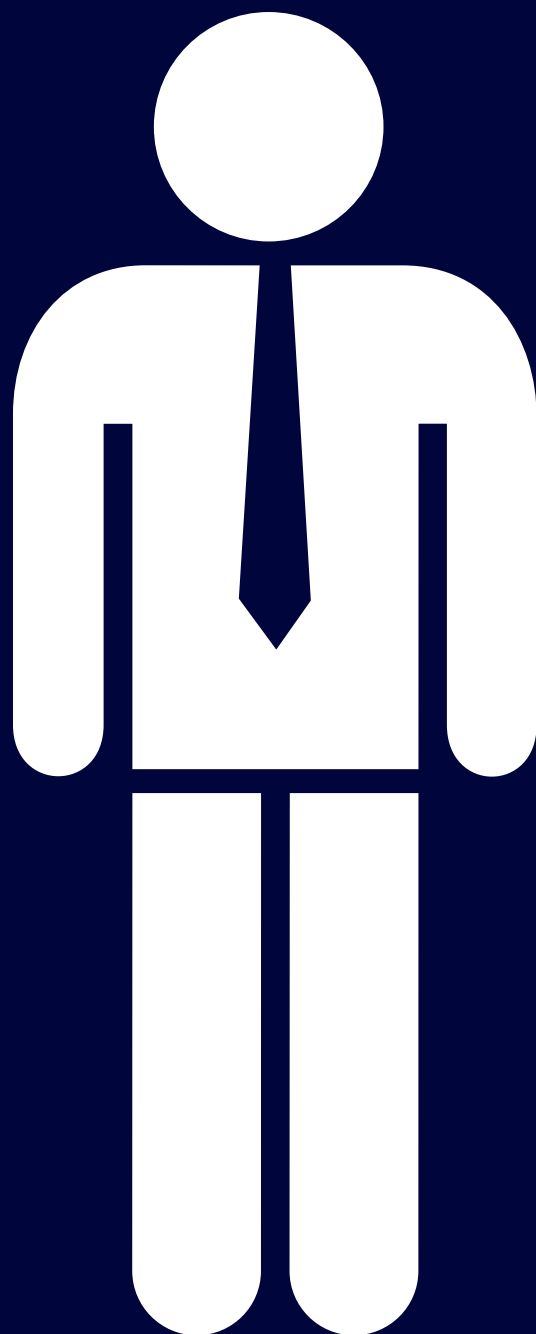


59%

65%

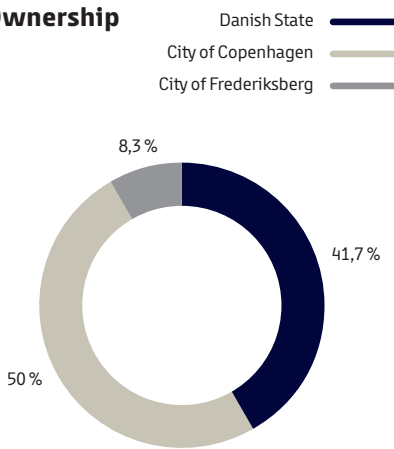
59%

40%



Ownership

Ownership



Metroselskabet was established as of 1 January 2007 pursuant to Act no. 551 of 6 June 2007 on Metroselskabet I/S and Arealudviklingsselskabet 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, as well as the construction of the coming Metro.

Metroselskabet's object is stated in the Act, in accordance with which 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 on a commercial basis.
- Make the necessary employees and other resources available to undertake Hovedstadens Letbane I/S' activities.
- Operate other activities which have a natural business relationship with the Metro activities.
- Use the building permit for the area above the railway site within the development area at Ny Ellebjerg Station to develop the area and make

appropriate legal property ownership arrangements.

- After the three owners' approval has been achieved, can establish subsidiaries or acquire shares in other companies with limited liability in connection with the development of the area at Ny Ellebjerg Station.
- May enter into cooperation agreements, etc., in connection with the development of the area at Ny Ellebjerg Station, or commercially affiliated activities.

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

The Board has nine members, who are appointed for a period of four years. The City of Copenhagen and the Danish State appoint three members each, 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. In 2018, ten meetings of the Board were held, as well as four and three meetings, respectively, of the Board' Risk Committee and Audit Committee, and one meeting of the Board' Remuneration Committee.



Board of Metroselskabet

Jørn Neergaard Larsen
1949

As from 12 January 2017
Chairman of the Board
Chairman of the Risk Committee
Chairman of the Remuneration committee

Appointed by the Danish State

Remuneration for 2018: DKK 452,002

Lars Weiss
1971

As from 1 January 2018
Vice Chairman
Member of the Risk Committee
Member of the Remuneration Committee

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

Remuneration for 2018: DKK 335,251

Other offices held:

- First Vice Chairman of the City Council of Copenhagen
- Member of the Finance Committee
- Member of the Technical and Environmental Committee

Jørgen Glenthøj
1955

As from 15 January 2009
Vice Chairman
Member of the Risk Committee
Member of the Audit Committee
Member of the Remuneration Committee

Appointed by the City of Frederiksberg
Member of Frederiksberg City Council

Remuneration for 2018: DKK 335,251

Other offices held:

- Member of the Board of Wonderful Copenhagen

Birgitte Brinch Madsen

1963

As from 1 April 2014
Board member
Chairman of the Audit Committee
Member of the Remuneration Committee

Appointed by the Danish State
Director

Remuneration for 2018: DKK 217,188

Other offices held:

- Board member of Holte District Heating
- Chairman of Oreco A/S
- Chairman of RUM A/S
- Chairman of Intech International A/S
- Board member of Investeringsforeningen Danske Invest and related funds
- Board member of the North Sea Fund
- Board member of DEIF A/S
- Board member of Orbicon A/S
- Board member of EUDP

Harald Børsting

1952

As from 1 April 2014
Board member

Appointed by the Danish State

Remuneration for 2018: DKK 127,188

Other offices held:

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

Ali Hansen

1960

As from 1 January 2018
Board member

Member of the Audit Committee
Until 5 June 2018
As from 1 August 2018

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

Remuneration for 2018: DKK 130,990

Other offices held:

- Member of the Health and Care Committee

Fanny Broholm

1988

As from 1 January 2018
Board member

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

Remuneration for 2018: DKK 127,188

Other offices held:

- Member of the Technical and Environmental Committee
- Board member of CTR
- Group Chairperson of Alternativet Copenhagen

Peter Jensen

1963

As from 1 January 2014
Board member

Elected by the employees of Metroselskabet
Operations engineer

Remuneration for 2018: DKK 127,188

Mimi Larsson

1975

As from 1 January 2018
Board member

Elected by the employees of Metroselskabet
Head Consultant

Remuneration for 2018: DKK 127,188

Flemming Brank

1957

Appointed by the City of Frederiksberg
Alternate member

Former members in 2018

Charlotte Lund

1982

As from 6 June 2018
Board member
Member of the Audit Committee
Until 31 July 2018

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

Remuneration for 2018: DKK 26,198

Other offices held:

- Member of the Finance Committee
- Member of the Social Affairs Committee

Procedure for evaluation of the Board

Once a year, the Board of Metroselskabet evaluates the work of the Board. The evaluation is made without the participation of the Executive Management or the members of Metroselskabet's Board of Executives. Prior to the evaluation, an evaluation form is submitted, as the basis for the evaluation deliberations.

Attendance of meetings of the Board in 2018

	Board meetings 10 meetings	Audit Committee 3 meetings	Risk Committee 4 meetings	Remuneration Committee 1 meeting
Jørn Neergaard Larsen	10/10		4/4	1/1
Jørgen Glenthøj	9/10	3/3	1/4	1/1
Lars Weiss	9/10		3/4	1/1
Birgitte Brinch Madsen	9/10	3/3		1/1
Harald Børsting	10/10			
Ali Hansen*	9/10	2/3		
Charlotte Lund**	1/10			
Fanny Broholm	6/10			
Peter Jensen	9/10			
Mimi Larsson	10/10			

*Ali Hansen was granted leave of absence from the City Council of Copenhagen from 1 June to 31 July 2018.

**Charlotte Lund was appointed as a member of the Metroselskabet's Board from 6 June to 31 July 2018. Together, Ali Hansen and Charlotte Lund attended ten Board meetings.

Executive Management of Metroselskabet

Executive Management:

Henrik Plougmann Olsen
1968

CEO

Remuneration for 2018: DKK2,988,542

Other offices held:

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

The Company's Executive Management is supported by a Board of Executives comprising:

Anne-Grethe Foss
1942

Director

Erik Skotting
1957

Technical Director

Rebekka Nymark
1970

Customer Director

Louise Høst
1977

Planning and Labour Market Director

Metroselskabet's employees



Of the five members of the Executive Management, 40 per cent are men and 60 per cent are women.

Metroselskabet seeks actively to attract men and women on an equal basis to both managerial and other positions. The company had 339 employees as of the end of 2018. The overall gender distribution for all employees is 41 per cent women and 59 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 2018, Metroselskabet employed three trainees. The number of students employed is 31, and the company has seven employees in practical traineeships, equivalent to one semester, or a 20-week programme.

Of the five members of the Executive Management, 40 per cent are men and 60 per cent are women. The gender balance of the entire company's management, including the Board of Executives, is 59 per cent men and 41 per cent women.

Metroselskabet's Board comprises 67 per cent men and 33 per cent women, including the representatives elected by the

employees. The Board is nominated by the company's owners and employees.

At the close of the financial year, the company employed a staff of 339, compared to 330 in 2017. Employees handle the company's administration, the operation of the Metro, the construction of Cityring and the Metro 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 180 advisers attached to – and often located at – Metroselskabet's head office, and around 130 more loosely 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.

Compliance testing of Metroselskabet

In 2018, Metroselskabet undertook extensive compliance testing 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, which were revised in 2018. 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 testing was to designate the areas in which there is scope for improvement.

The general conclusion of the compliance testing concerning good corporate governance was that the company's governance documents are in compliance. However, the revised recommendation 3.1.2. from the Committee on Corporate Governance was still pending. This recommendation states

that the Board should annually discuss "the company's activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity". On this basis, the Board decided to present a diversity policy together with the compliance test for 2019.

Social responsibility


Metroselskabet undertook the same compliance testing concerning the company's social responsibility policies and strategies. The test showed that Metroselskabet fulfilled the requirements and recommendations set out in the applicable rules in the Danish Financial Statements Act.

Metroselskabet has adopted the UN Global Compact and thus prepares an independent report on corporate social responsibility, separate from the management report, in a CSR Report that is submitted to the UN. Metroselskabet's corporate social responsibility report in accordance with Section 99a(7) of the Danish Financial Statements Act is also included in Metroselskabet's 2018 CSR report.

Metroselskabet's CSR Report is available here: m.dk/dokumenter.

Annual Accounts

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

 Budgeted fare revenue

 Actual fare revenue

846
2018

891
2018

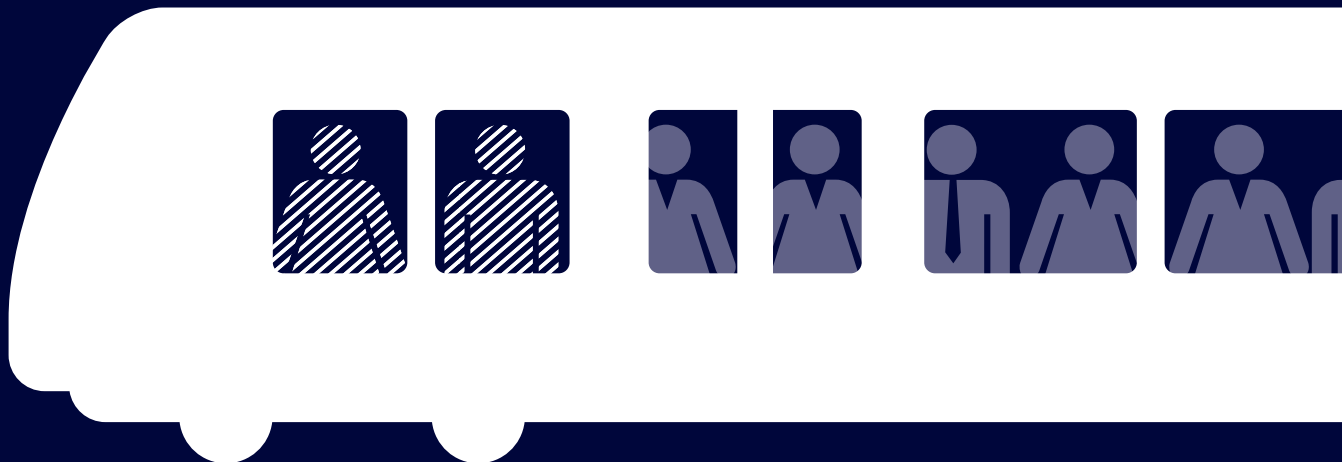


64.7 million

passengers in 2018

1.2 million

extra passengers



Accounting Policies 2018

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 requirements under the Danish Financial Statements Act concerning the Profit and Loss Account have been adjusted in order to better show how the results have been generated.

The accounting period is 1 January - 31 December 2018. The Annual Report is presented in DKK (thousands). The accounting policies applied are unchanged from the previous year.

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 flow out of 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. Derivative financial instruments are recorded under other accounts receivable and other liabilities, respectively.

Any changes in the fair value of derivative financial instruments 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.

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 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, management, administrative and technical staff.

Other external costs

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

Financial items and market value adjustment

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

Facilities under construction, comprising the construction of the Metro, are 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 subterranean stations	100 years
Other permanent facilities	50 years
Rolling stock, mechanical and electrical installations	25 years
Other technical installations	10 years

The scrap value has been set at zero, taking the expected service lives into account. Depreciation methods 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	3 years
Fixtures and fittings and operating equipment in general	5 years
Temporary office buildings	15 years

Residual value and service lives are reassessed annually and amended in the event of any significant changes.

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. Profit or loss is recognised in the Profit and Loss Account.

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. On the calculation of the capital asset value, the estimated future cash flows are discounted back to present value.

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. The write-down is recorded in the Profit and Loss Account.

Financial fixed assets

Participating interests

Participating interests recorded under financial fixed assets – which do not include listed shares – are measured at cost price. Participating interests are written down to recoverable value if this is lower than book value.

Receivables

Accounts receivable under financial fixed assets are recorded at amortised cost, which is in principle equivalent to face value. Write-down is undertaken to meet expected losses.

Current assets

Properties

Properties are measured at cost price.

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.

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.

Debts that are hedged for changes in fair value, and for which the effectiveness of this hedging can be documented, are subsequently measured at fair value. Changes in fair value are recorded in the Profit and Loss Account under market value adjustment, 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.

Cash Flow Statement

The Cash Flow Statement 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 according to the indirect method, compiled 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 the 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 19.

Profit and Loss Account

Profit and Loss Account for the period 1 January - 31 December 2018

All figures in DKK thousands	Note	2018	2017
Income			
Metro fare revenue	1	890,635	902,994
Metro operating income	1	359,589	381,903
Value of own work		207,380	203,787
Other operating income	2	34,822	30,804
Total income		1,492,426	1,519,488
Expenses			
Metro operating expenses	1	-933,085	-943,421
Staff costs	3	-233,932	-224,565
Other external costs		-33,499	-31,399
Total expenses		-1,200,516	-1,199,385
Result before depreciation and write-downs		291,910	320,103
Depreciation	4	-164,152	-178,219
Write-downs	4	-665	-390,280
Reversal of write-down	4	379,816	1,090
Total depreciation and write-downs		214,999	-567,409
Result before financial items		506,909	-247,306
Financial items			
Financial income	5	253,764	79,381
Financial expenses	5	-576,258	-442,076
Total financial items		-322,494	-362,694
Result before market value adjustment		184,415	-610,000
Market value adjustment	5	-142,681	694,567
Result for the year		41,734	84,567

Balance Sheet

Assets as at 31 December 2018

All figures in DKK thousands	Note	2018	2017
Fixed assets			
Tangible fixed assets			
Construction of the Metro	6	16,683,263	12,923,329
Metro in operation	7	4,408,407	4,553,241
Buildings	8	51,711	59,236
Operating equipment and fixtures and fittings	8	36	122
Total tangible fixed assets		21,143,417	17,535,928
Financial fixed assets			
Other participating interests	9	22,983	23,648
Receivables	10	1,432,085	32,939
Derivative financial instruments	11	2,699,745	2,154,609
Total financial fixed assets		4,154,813	2,211,196
Total fixed assets		25,298,230	19,747,124
Current assets			
Properties	12	5,935	5,935
Receivables	13	1,046,997	1,314,728
Owner contributions	14	372,640	361,318
Accrued items		8,645	45,910
Securities	15	3,647,933	3,376,367
Liquid resources	15	0	0
Total current assets		5,082,150	5,104,258
Total assets		30,380,380	24,851,382

Liabilities as at 31 December 2018

All figures in DKK thousands	Note	2018	2017
Equity			
Start of the year		-1,494,768	-1,579,335
Additions for the year		487,661	84,567
Total equity		-1,007,107	-1,494,768
Long-term debt			
Long-term debt	16	21,820,161	15,922,171
Derivative financial instruments	16	5,876,088	6,155,934
Total long-term debt		27,696,249	22,078,105
Short-term debt			
Short-term element of long-term debt	16	2,651,405	3,264,975
Bank loans		150,304	27,623
Trade creditors		485,105	165,068
Prepaid owner contributions	17	0	445,927
Prepaid customers		49,590	41,033
Other debt	18	354,834	323,420
Total short-term debt		3,691,238	4,268,045
Total debt		31,387,487	26,346,150
Total liabilities		30,380,380	24,851,382
Segment reporting	19		
Proposed distribution of profit	20		
Events occurring after the Balance Sheet date	21		
Contractual commitments and contingent liabilities	22		
Auditors' and consulting fees	23		
Related parties	24		
Currency, interest rate and credit risk	25		
Specification of loans and financial instruments	26		

Statement of Changes in Equity

All figures in DKK thousands	Contributions concerning the existing Metro	Owner contributions	Earnings carried forward before MVA	Equity excluding MVA	Market value adjustment (MVA)	Total
Start of the year 2017	660,857	15,543,580	-12,379,053	3,825,384	-5,404,718	-1,579,335
Participating interests	0	0	0	0	0	0
Retained earnings	0	0	-610,000	-610,000	694,567	84,567
Start of the year 2018	660,857	15,543,580	-12,989,053	3,215,384	-4,710,150	-1,494,768
Participating interests	0	445,928	0	445,928	0	445,928
Result for the year carried forward	0	0	184,415	184,415	-142,681	41,734
End of the year	660,857	15,989,508	-12,804,638	3,845,726	-4,852,831	-1,007,107

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

All figures in DKK thousands	2018	2017	2016	2015	2014
Start of the year	15,543,580	15,543,580	15,543,580	12,027,580	9,890,000
Capital augmentation	445,928	0	0	3,516,000	2,137,580
End of the year	15,989,508	15,543,580	15,543,580	15,543,580	12,027,580

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.

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 a subterranean Metro station at Ny Ellebjerg. The owner contribution of DKK 446 million in 2018 was transferred to capital contributions in connection with the establishment of the major construction contracts for the Sydhavn Metro in March 2018.

The owners' total capital contribution is DKK 16.0 billion. The total construction sum for Cityring, Nordhavn and Sydhavn is DKK 38.5 billion.

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, since Metroselskabet can still service its debt as planned.

Cash Flow Statement

All figures in DKK thousands	Note	2018	2017
Cash flows from operating activities			
Metro fare revenue		890,635	902,994
Metro operating income		359,589	381,903
Other operating income		34,822	30,804
Metro operating expenses		-933,085	-943,421
Staff costs		-233,932	-224,565
Other external costs		-33,499	-31,399
Change in accounts receivable		-106,036	280,160
Change in trade creditors		328,594	-92,906
Total cash flows from operating activities		307,088	303,569
Cash flows from investment activities			
Investment in the construction of the Metro	27	-3,184,445	-2,648,581
Investment in buildings, operating equipment and fixtures and fittings		0	0
Investment in securities (excluding market value adjustment)		-271,436	478,511
Total cash flows from investment activities		-3,455,881	-2,170,070
Cash flows from financing activities			
Loans raised, net (excluding market value adjustment)		4,414,960	2,550,000
Contributions from owners		445,927	0
Change in receivables from financing activities		-1,445,364	148,245
Other debt		31,414	47,727
Net financing expenses (excluding value adjustment)		-420,824	-464,595
Total cash flows from financing activities		3,026,113	2,281,377
Change in available funds		-122,680	414,876
Available funds, start of the year		-27,623	-442,499
Available funds, end of the year		-150,304	-27,623

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

Notes

Note 1 Operating result for the Metro in operation

All figures in DKK thousands	2018	2017
Metro fare revenue	890,635	902,994
Metro operating income		
Leasing out of the Metro	358,968	381,470
Other income	621	433
Total Metro operating income	359,589	381,903
Other operating income	4,713	7,830
Total income	1,254,937	1,292,726
Metro operating expenses		
Payment for operations	-890,635	-902,994
Contract management, etc.	-37,527	-35,186
Other expenses	-4,923	-5,241
Total Metro operating expenses	-933,085	-943,421
Administration costs	-29,949	-29,236
Total expenses	-963,034	-972,657
Result before depreciation	291,903	320,069
Depreciation	-164,152	-178,219
Write-downs (Rejsekort)	0	1,090
Reversal of write-down (Rejsekort)	-665	0
Result before financial items	127,086	142,941

Cf. segment reporting in Note 19.

The partnership has outsourced the operation of the Metro. The lease payment depends on the overall operating result for the Metro. In 2018, the Metro had 64.7 million passengers (63,5 million in 2017). The fare revenue in 2018 is based on average passenger revenue of DKK 13.22 (DKK 13.65 in 2017).

Note 2 Other operating income

Other operating income comprises income from the administration and handling of the client organisation for Hovedstadens Letbane I/S of DKK 30.0 million (DKK 22.8 million in 2017), sale of advisory services, lease of workplaces and minor income from e.g. leases.

Note 3 Staff costs

All figures in DKK thousands	2018	2017
Wages, salaries and emoluments	190,614	182,201
Pension commitments	30,315	29,173
Social security contributions	6,044	5,486
Other staff costs	6,959	7,706
Total staff costs	233,932	224,565
Of which:		
Salaries for the Executive Management	2,360	2,265
Other payments to the Executive Management	215	157
Pensions for the Executive Management	413	370
Emoluments for the Board	2,006	1,913
Average number of employees (full-time equivalents - 1,924 hours)	315	311
Employees at the end of the year (number)	338	330

Other payments include bonus payments for the Executive Management, which amount to up to 10 per cent of the ordinary salary. Bonus payments in 2018 concern the achievement of target results for 2017. The bonus payment targets are fixed once a year by the company's Remuneration Committee and will cover the following financial year. The bonus payment is paid out once a year after consideration by the Remuneration Committee.

The term of notice is six months for the Executive Management. In addition, a severance payment amounting to 12 months' salary has been agreed for the Executive Management, if the severance is not due to breach of contract by the executive director. Severance payments are made at the end of the notice period.

In addition, a member of the Executive Management has free newspapers, a free landline, free mobile phone, free home Internet connection and tablet computer.

The remuneration of the Board includes the remuneration of the Audit Committee and the Risk Committee.

Note 4 Depreciation and write-downs

All figures in DKK thousands	2018	2017
Depreciation, Metro in operation	156,541	170,549
Depreciation, buildings, operating equipment and fixtures and fittings	7,612	7,670
Write-down/reversal of depreciation, construction of the Metro	-379,816	390,280
Write-down/reversal of depreciation, capital contributions	665	-1,090
Total depreciation and write-downs	-214,999	567,409

Note 5 Financial items and market value adjustment

All figures in DKK thousands	2018	2017
Financial income		
Interest income from financial fixed assets	0	-1,813
Interest income from accounts receivable	29,646	12,002
Interest income from liquid resources, securities and financial instruments, etc.	214,133	64,137
Exchange rate adjustment	9,986	5,054
Total financial income	253,764	79,381
Financial expenses		
Interest expenses	-576,258	-442,076
Exchange rate adjustment	0	0
Total financial expenses	-576,258	-442,076
Total financial items	-322,494	-362,694
Total market value adjustment	-142,681	694,567

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, since the loans are held until maturity.

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 40 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, of DKK 4.0 billion. In the same way, an increase in the level of interest rates by 1 per cent would improve the result by DKK 4.0 billion.

The change in the market value adjustment from 2017 to 2018 is due to the decrease in the level of interest rates in that period.

Note 6 Construction of the Metro

All figures in DKK thousands	Metro in operation	Ongoing construction works	Total
Acquisition sum			
Start of the year	125,328	24,473,230	24,598,558
Additions for the year	136,322	3,255,504	3,391,825
Transferred to the Metro in operation	-11.707	0	-11,707
End of the year	249,944	27,728,733	27,978,677
Write-downs and revaluation			
Start of the year	0	-11,675,229	-11,675,229
Write-downs for the year/reversal of depreciation	0	379,816	379,816
End of the year	0	-11,295,413	-11,295,413
Net book value at the beginning of the year	125,328	12,798,000	12,923,329
Net book value at the end of the year	249,944	16,433,320	16,683,263
Recoverable value, 31.12.2018			21,091,670
Net book value of the Metro in operation, 31.12.2018, cf. Note 7			4,408,407
Acquisition sum 31.12.2018			27,978,677
Write-downs 01.01.2018			-11,675,229
Net book value of the construction of the Metro before adjustment			16,303,447
The year's reversal of previous write-down for the year			379,816

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

The recoverable value of the overall Metro is higher than the book value, so that a previous write-down has been reversed. The year's reversal of a previous write-down is recognised in the Profit and Loss Account.

The recoverable value is calculated on the basis of the incorporated future expectations in the company's long-term budget. 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 be DKK 4.8 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 4. -billion lower result.

Note 7 Metro in operation

All figures in DKK thousands	Tunnel and shell of underground stations	Other fixed facilities	Rolling stock, etc.	Other technical installations	Total
Acquisition sum					
Start of the year	2,817,736	1,563,942	1,507,052	521,221	6,409,950
Additions for the year	1,407	368	456	9,475	11,707
Disposals for the year	0	0	0	-9,475	-9,475
End of the year	2,819,144	1,564,310	1,507,508	521,221	6,412,183
Depreciation and write-downs					
Start of the year	-311,494	-370,489	-783,595	-391,132	-1,856,710
Depreciation for the year	-29,625	-33,973	-71,800	-21,142	-156,541
Disposals, depreciation for the year	0	0	0	9,475	9,475
Write-downs for the year	0	0	0	0	0
End of the year	-341,119	-404,463	-855,394	-402,799	-2,003,776
Net book value at the beginning of the year	2,506,242	1,193,452	723,457	130,089	4,553,241
Net book value at the end of the year	2,478,024	1,159,847	652,114	118,421	4,408,407

Note 8 Buildings, operating equipment and fixtures and fittings

All figures in DKK thousands	Operating equipment and fixtures and fittings	Temporary office buildings	Total
Acquisition sum			
Start of the year	2,050	112,742	114,792
Additions for the year	0	0	0
Disposals for the year	-24	0	-24
End of the year	2,026	112,742	114,768
Depreciation			
Start of the year	-1,928	-53,506	-55,434
Depreciation for the year	-87	-7,525	-7,612
Depreciation, disposals	24	0	24
End of the year	-1,991	-61,031	-63,022
Net book value at the beginning of the year	122	59,236	59,358
Net book value at the end of the year	36	51,711	51,746

Note 9 Other participating interests

All figures in DKK thousands	Rejsekort A/S	Rejseplanen A/S	DOT I/S	Total
Acquisition sum				
Start of the year	67,137	328	300	67,765
Additions for the year	0	0	0	0
Disposals for the year	0	0	0	0
End of the year	67,137	328	300	67,765
Depreciation and write-downs				
Start of the year	-44,116	0	0	-44,116
Write-down/reversal of write-down	-665	0	0	-665
End of the year	-44,781	0	0	-44,781
Net book value at the beginning of the year	23,020	328	300	23,648
Net book value at the end of the year	22,355	328	300	22,983

Name	Domicile	Interest	Capital
Rejseplan A/S	Copenhagen	3.2%	1,032,800
Rejsekort A/S	Gldsaxe	7.16%	114,218,900
DOT I/S	Valby	33.3%	900,000

The partnership's participating interests in Rejsekort A/S are stated at acquisition cost or lower recoverable value. The recoverable value is determined as the present value of the expected cash flows. 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.

Note 10 Accounts receivable, financial fixed assets

All figures in DKK thousands	Total
Acquisition sum	
Start of the year	575,196
Additions for the year (loans)	841,485
Additions for the year (interest, etc.)	17,130
Disposals for the year (repayment of principal)	-1,727
End of the year	1,432,085
Depreciation and write-downs	
Start of the year	0
Depreciation for the year	0
Write-downs for the year	0
End of the year	0
Net book value at the beginning of the year	575,196
Net book value at the end of the year	1,432,085

In order to ensure reasonable liquidity for the civil engineering contractor CMT during the construction period, Metroselskabet has established a liquidity scheme (liquidity bridge) of DKK 1,4 billion. CMT has provided a bank guarantee for the liquidity bridge.

Other accounts receivable are the company's subordinate loan capital in Rejsekort A/S.

Note 11 Derivative financial instruments

All figures in DKK thousands	Total
Acquisition sum	
Start of the year	0
Additions for the year	0
Disposals for the year	0
End of the year	0
Value adjustments	
Start of the year	2,154,609
Value adjustment for the year	545,135
End of the year	2,699,745
Net book value at the beginning of the year	2,154,609
Net book value at the end of the year	2,699,745

Note 12 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 2018, the company has taken over four 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 areas are valued at DKK 0. At the end of 2018 Metroselskabet entered into a conditional sales agreement on the sale of the sites. The agreement will be recognised when the terms of the sales agreement are fulfilled and the City of Frederiksberg has received a profit in accordance with the agreement to this effect.

Note 13 Accounts receivable, current assets

Receivables also include VAT receivable at DKK 173 million and accrued interest at DKK 681 million.

Note 14 Owner contributions receivable, current assets

Receivable owner contributions as at 31 December 2018 comprise receivables from the Danish State and the City of Frederiksberg. The City of Frederiksberg's receivable relates to deposits in accordance with appropriation document 8 of 8 October 2014 concerning the revised time schedule for Cityring and to the financing of a subterranean Metro station at Ny Ellebjerg. The receivable from the Danish State concerns the financing of a subterranean Metro station at Ny Ellebjerg.

Note 15 Securities and liquid resources

All figures in DKK thousands	2018	2017
Securities over 3 months	3,647,933	3,376,367
Total securities	3,647,933	3,376,367
Cash and bank deposits	0	0
Total liquid resources	0	0

Securities concern the purchase of bonds as collateral for the market values of the company's financial instruments. As at 31 December 2018, DKK 3.3 billion has been pledged as collateral.

Note 16 Long-term debt and short-term element of the long-term debt

All figures in DKK thousands	Loans over one year	Loans below one year	Derivative financial instruments (negative value)	Foreign exchange forward contracts	Total
Acquisition sum					
Start of the year	-14,340,000	-3,245,000	0	0	-17,585,000
Additions for the year	-7,650,000	-2,550,000	0	0	-10,200,000
Disposals for the year	2,550,000	3,245,000	0	0	5,795,000
End of the year	-19,440,000	-2,550,000	0	0	-21,990,000
Value adjustments					
Start of the year	-1,582,171	-19,975	-6,155,934	0	-7,758,080
Value adjustment for the year	-797,990	-81,431	279,847	-1	-599,574
End of the year	-2,380,161	-101,405	-5,876,088	-1	-8,357,654
Net book value at the beginning of the year	-15,922,171	-3,264,975	-6,155,934	0	-25,343,080
Net book value at the end of the year	-21,820,161	-2,651,405	-5,876,087	-1	-30,347,654

In 2018, the company raised loans for DKK 4.4 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 2018. 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 type" in the agreement established between Danmarks Nationalbank, the Ministry of Transport, Building and Housing, and Metroselskabet.

Of the company's long-term debt, DKK 9.5 billion in nominal terms falls due after five years.

Note 17 Prepaid owner contributions

Prepaid owner contributions at 31 December 2017 concerned owner contributions receivable from the Danish State at DKK 128 million (DKK 120 million in 2013 prices) and the City of Frederiksberg at DKK 160 million (DKK 150 million in 2013 prices), and the payment from the City of Copenhagen of DKK 158 million (DKK 150 million in 2013 prices) concerning the agreement established in 2016 on the financing of a subterranean Metro station at Ny Ellebjerg. The amounts were transferred to capital contributions in connection with the establishment of the major construction contracts for the Sydhavn Metro in March 2018.

Note 18 Other debt

All figures in DKK thousands	2018	2017
Outstanding ATP payments, etc.	271	283
Outstanding holiday pay	33,140	30,215
Accrued interest	321,423	292,922
Total other debt	354,834	323,420

Note 19 Segment reporting

All figures in DKK thousands	Advisory services 2018	Administration tasks in 2018	Metro in operation in 2018	Ongoing construction projects	Total 2018
Income	68	30,040	1,254,937	207,380	1,492,426
Expenses	-62	-30,040	-963,034	-207,380	-1,200,516
Result before depreciation and write-downs	6	0	291,903	0	291,909
Depreciation and write-downs	0	0	-164,817	379,816	214,999
Result before financial items	6	0	127,086	379,816	506,908
Fixed assets					
Construction of the Metro	0	0	249,944	16,433,320	16,683,263
Metro in operation	0	0	4,408,407	0	4,408,407

Note 19 Segment reporting – continued

All figures in DKK thousands	Advisory services 2017	Administration tasks in 2017	Metro in operation in 2017	Ongoing construction projects	Total 2017
Income	139	22,836	1,292,726	203,787	1,519,488
Expenses	-105	-22,836	-972,657	-203,787	-1,199,385
Result before depreciation and write-downs	34	0	320,069	0	320,103
Depreciation and write-downs	0	0	-177,129	-390,280	-567,409
Result before financial items	34	0	142,940	-390,280	-247,306
Fixed assets					
Construction of the Metro	0	0	125,329	12,798,000	12,923,329
Metro in operation	0	0	4,553,241	0	4,553,241

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 5 (a loss of TDKK 26 in 2017). The accumulated result of Metroselskabet's advisory services was a profit of TDKK 345 at the end of 2018.

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

Note 20 Proposed distribution of profit

All figures in DKK thousands	2018	2017
Carried forward to the following year	41,734	84,567

Note 21 Events occurring after the Balance Sheet date

After the close of the financial year, no events of significance to the Annual Report for 2018 have occurred.

Note 22 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 5,602 million.

For the purpose of the operation of the Metro until July 2024, a contract has furthermore been entered into for a total value of DKK 1,979 million. In addition to contractual payments, incentive payments will also be possible.

Concerning the operation of Cityring and the Nordhavn line, a contract has been entered into for a total value of DKK 2,120 million during a five-year period as from the commencement of the operation of Cityring and the Nordhavn line.

Contingent liabilities

Metroselskabet's contractor for the construction of Cityring has raised a number of claims totalling approximately EUR 704 million (approximately DKK 5.2 billion). Of this amount, approximately EUR 420 million (approximately DKK 3.1 billion) concerns claims for which there is a maximum payment amount of EUR 234.6 million (DKK 1.8 billion). The claims raised have been submitted to the Arbitration Court. The remaining EUR 284 million (DKK 2.1 billion) concerns claims for which there is a maximum payment amount of EUR 7.5 million (DKK 56 million). From a legal aspect, the remaining claims raised have 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.

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 thus 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.

Note 23 Auditing and consulting fees

All figures in DKK thousands	2018	2017
Office of the Auditor General	297	440
Deloitte	573	650
EY	540	651
Statutory audit in total	1,410	1,741
Deloitte	32	10
Other endorsements in total	32	10
Deloitte, VAT and tax advisory services	268	189
Deloitte, other advisory services	912	651
EY, other advisory services	293	0
Total advisory fees	1,474	840

The audit fee for 2017 includes an extraordinary fee of TDKK 250 concerning the audit of the Annual Report for 2016.

Note 24 Related parties

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

Transactions with related parties take place on market terms.

In 2018, 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 25 Currency, interest and counterparty risk

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 an agreement between Danmarks Nationalbank, the Ministry of Finance, 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 the end of 2018 is DKK 40 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 4.0 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, which 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.

Note 25 Currency, interest and counterparty risk – continued**Net financial liabilities**

All figures in DKK thousands	Nominal value 2018	Net book value 2018	Net book value 2017
Securities and fixed-term deposits	3,621,641	3,647,929	3,376,367
Accrued interest, securities and fixed-term deposits	0	0	-4
Securities and fixed-term deposits in total	3,621,641	3,647,929	3,376,363
Loans	-21,990,000	-24,471,563	-19,187,146
Accrued interest, loans	0	-53,075	-42,063
Loans in total	-21,990,000	-24,524,638	-19,229,209
Derivative financial instruments, assets	-	2,699,745	2,154,609
Derivative financial instruments, liabilities	-	-5,876,088	-6,155,934
Accrued interest, derivative financial instruments	-	412,266	318,120
Financial instruments in total	-	-2,764,076	-3,683,204
Net liabilities in total	-18,368,359	-23,640,783	-19,536,050

Accrued interest is stated in the Balance Sheet under assets, receivables, at DKK 681 million, and liabilities, other debt, at DKK 321 million, respectively.

Currency risk

Currency distribution, as at 31 December 2018, net book value

All figures in DKK million	Securities and fixed-term deposits	Loans	Financial instruments	Net position
DKK <1 year	0	-2,665	56	-2,609
DKK > 1 year	0	-21,860	-2,505	-24,365
EUR < 1 year	1,464	0	-1	1,463
EUR > 1 year	2,184	0	-314	1,870
Total	3,648	-24,525	-2,764	-23,641

Note 25 Currency, interest and counterparty risk – continued

Interest rate risk

Interest rate fixing as at 31 December 2018, net book value

All figures in DKK million	DKK	EUR	Total
0-1 years	-2,608	1,463	-1,145
1-5 years	-10,016	2,184	-7,832
5-10 years	-7,862	0	-7,862
10-20 years	-1,115	-314	-1,429
> 20 years	-5,372	0	-5,372
Total	-26,974	3,333	-23,641

Counterparty risk

Liquidity investments and the use of financial instruments involve a credit risk on the counterparty, in the form of a credit risk or liquidity risk. 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 risks by using appropriate agreement documentation.

Counterparty risk distributed by rating category, as at 31 December 2018

Total counterparty exposure (net book value, DKK million)	Securities and fixed-term deposits	Loans	Derivative financial instruments	Total
AAA	3,648	-24,525	0	-20,877
AA	0	0	-2,119	-2,119
AA	0	0	2,773	2,773
A	0	0	-2,425	-2,425
A	0	0	516	516
BBB	0	0	-1,508	-1,508
Total	3,648	-24,525	-2,764	-23,641

The counterparties to the agreements are subject to collateral agreements. The net provision of security by Metroselskabet at 31.12.18 is DKK 3,3 billion.

Note 26 Specification of loans and derivative financial instruments

As part of Metroselskabet's financial strategy, the company has hedged the interest rates (fixed nominal interest rate and real interest rate) for approximately two thirds of the expected maximum net debt. Interest rates have been hedged in order to cover part of the interest rate risk in the project, thereby reducing the overall project risk.

The schedule shows the company's total borrowing by maturity, and the proportion of the loans swapped to variable interest rates in order to match the hedging of interest rates. The proportion of the loans that are not swapped is stated at amortised cost.

All figures in DKK million	Fixed (Principal)	CIBOR 3M	CIBOR 6M	EURIBOR 6M	Net book value 31.12.18
Duration < 1 year					
Loans	-2,550	0	0	0	-2,665
Interest rate swap (fixed to variable)	500	0	-500	0	23
Interest rate and currency swap (fixed to variable)	0	0	0	0	0
Net exposure	-2,050	0	-500	0	-2,642
Duration 1-5 years					
Loans	-7,600	-	-	-	-8,034
Interest rate swap (fixed to variable)	850	-850	-	-	88
Interest rate swap (fixed to variable)	6,050	-	-6,050	-	291
Net exposure	-700	-850	-6,050	0	-7,655
Duration 6-10 years					
Loans	-9,800	-	-	-	-10,548
Interest rate swap (fixed to variable)	4,150	-4,150	-	-	272
Interest rate swap (fixed to variable)	5,650	-	-5,650	-	383
Net exposure	0	-4,150	-5,650	0	-9,893
Duration 21-30 years					
Loans	-2,040	-	-	-	-3,279
Interest rate swap (fixed to variable)	-1,200	-1,200	-	-	843
Net exposure	-840	-1,200	0	0	-2,436

The schedule shows the company's interest rate hedging agreements by maturity and interest rates.

Note 26 Specification of loans and derivative financial instruments – continued

All figures in DKK million	CPI + Fixed	Fixed	CIBOR 3M	CIBOR 6M	EURIBOR 6M	Net book value 31.12.18
Duration 1-10 years						
Interest rate swap (real to fixed)	1,011	-1,011	0	0	0	-36
Net exposure	1,011	-1,011	0	0	0	-36
Duration 11-20 years						
Interest rate swap (variable to fixed)	-	-4,988	-	3,982	1,024	-1,660
Interest rate swap (real to fixed)	405	-405	-	-	-	-31
Interest rate swap (variable to real)	0	0	0	0	0	0
Net exposure	405	-5,393	0	3,982	1,024	-1,691
Duration 21-30 years						
Interest rate swap (variable to fixed)	-	-6,289	-	6,289	-	-2,785
Interest rate swap (real to fixed)	-1,491	1,491	-	-	-	520
Net exposure	-1,491	-4,798	0	6,289	0	-2,265
Duration 31-40 years						
Interest rate swap (variable to fixed)	-	-5,020	-	5,020	-	-1,479
Interest rate swap (variable to fixed)	-	-1,043	-	-	1,043	62
Interest rate swap (fixed to real)	-2,814	2,814	-	-	-	747
Net exposure	-2,814	-3,249	0	5,020	1,043	-671
Loans in total						
						-24,525
Total financial agreements						
						-2,764

All figures in DKK million	DKK	EUR (stated in DKK)	Net book value 31.12.18
Forward contacts	1,082	-1,081	-1
Loans in total			-24,525
Total financial agreements			-2,764

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 27 Investment in the construction of the Metro

All figures in DKK thousands	2018	2017
Investment in the construction of the Metro, cf. Notes 6 and 7	3,391,825	2,875,188
Purchase/sale of properties	0	-22,820
Value of own work	-207,380	-203,787
Total investment in the construction of the Metro	3,184,445	2,648,581

Management Endorsement

The Board and the Executive Management have today examined and approved the Annual Report for 2018 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, 28 February 2019

Executive Management

Henrik Plougmann Olsen

Board

Jørn Neergaard Larsen (Chairman)

Harald Børsting

Lars Weiss (Vice Chairman)

Ali Hansen

Jørgen Glenthøj (Vice Chairman)

Fanny Broholm

Birgitte Brinch Madsen

Mimi Larsson

Peter Jensen

Independent Auditors' Report

To the partners of Metroselskabet I/S

Auditors' 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 2018, 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 Metroselskabet's financial position at 31 December 2018 and of the results of its operations and its cash flows for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark as well as generally accepted public auditing standards as the audit is based on the provisions of the Danish Act on Metroselskabet I/S and Arealudviklingsselskabet I/S and the Danish

Auditor General Act. Our responsibilities under those standards and requirements are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

The auditor general is independent of Metroselskabet in accordance with Section 1(6) of the Danish 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.

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 Metroselskabet's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

Auditors' 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 auditors' 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 and generally accepted public accounting standards, see the Danish Act on Metroselskabet I/S and Arealudviklings-selskabet I/S and the Danish Auditor General Act, 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 and generally accepted public accounting standards, see the Danish Act on Metroselskabet I/S and Arealudviklingsselskabet I/S and the Danish Auditor General Act, we exercise professional judgement and maintain an attitude of professional scepticism throughout the audit. We also:

- Identify and assess the risk 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 Metroselskabet's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting 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 Metroselskabet's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause Metroselskabet to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including 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.

Report on other legal and regulatory requirements

Statement on compliance audit and performance audit

Management is responsible for ensuring that the transactions covered by the financial statements are in accordance with the appropriations, laws and other regulations, agreements and usual practice, and that financial consideration has been made when managing the funds and operations covered by the financial statements. Management is also responsible for setting up systems and processes supporting economy, productivity and efficiency.

As part of our audit of the financial statements, it is our responsibility to perform compliance audit as well as performance audit of selected subject matters in accordance with the public auditing standards. In our compliance audit, we test the selected subject matters to obtain reasonable assurance about whether the examined transactions covered by the financial statements comply with the appropriations, laws and other regulations, agreements and usual practice. In our 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 operations 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 in this statement.

We have no significant critical comments to report in this connection.

Copenhagen, 28 February 2019

Danish Auditor General

Business Registration no: 77806113

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Auditor General

Malene Sau Lan Leung
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Appendix to the Directors' Report

The following 2019 long-term budget was adopted in December 2018. No significant changes have been made in relation to the 2018 long-term budget from December 2017.

Long-term budget assumptions

The long-term budget is stated in current prices:

Passenger numbers and fares

1. The passenger numbers up to 2035 are determined on the basis of the passenger forecast according to the most recently updated traffic model. The number of passengers budgeted for in 2019 is 83 million, increasing to 123 million passengers in 2020, and 167 million in 2024. The number of passengers in 2035 is expected to be 191 million. After 2035, the passenger number has been conservatively maintained at 154 million, cf. the previous passenger forecast.

2. 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 2019 prices,

based on the realised development in fares during the period, and furthermore adjusted in accordance with the actual passenger breakdown in 2017. In 2019, the fare per passenger is budgeted at DKK 13.65. The assumption is a real fare increase equivalent to the assumptions in the government's 2016 convergence programme concerning the economic development. The future fare development is subject to uncertainty concerning the risk of changes in the future distribution of ticket revenues in Greater Copenhagen.

Operating and construction costs

3. 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 and the branch to Nordhavn, the basis is the transport system contract. For Sydhavn, the basis is the expected operating payment.

As the assumed real increase in fares is from experience assessed to have a partial impact on the index-linking 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.

- 4.** For the 2018-2023 period, operational mobilisation is budgeted as a total of DKK 695 million in 2019 prices. In 2019, the budgeted expenses for the Trial Run of Cityring total DKK 150 million in 2019 prices.
- 5.** The construction costs for Cityring are based on the most recently approved construction budget. The total construction costs are estimated at DKK 23.1 billion in 2010 prices (DKK 24.9 billion in 2019 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.
- 6.** The construction costs for the Nordhavn line are based on the most recently approved construction budget. The total construction costs are estimated at DKK 2.9 billion in 2012 prices, including adjustment reserves (DKK 3.2 billion in 2019 prices). The conversion of the remaining budget from 2012 prices to the current price level is based on the contract index and the construction index of the Ministry of Finance.
- 7.** The construction costs for the Sydhavn line are based on the most recently approved construction budget. The total construction costs are assessed at DKK 8.6 billion including adjustment reserves in 2014 prices (DKK 9.4 billion in 2019 prices). The use of the adjustment supplement is conditional on a payment from By & Havn, which in accordance with the agreement has reserved an amount equivalent thereto in its own budgets.
- 8.** Reinvestments in connection with Cityring are based on the assumptions in the agreement in principle and for every 10th year amount to DKK 283 million, for every 25th year to DKK 1,274 million, and after an additional 50 years to DKK 566 million in 2019 prices. The conversion from 2010 prices to the current price level is based on the development in the net price index and an inflation expectation of 2 per cent from 2018 to 2019.
- 9.** Reinvestments in connection with the Nordhavn line are based on the assumptions in the report and for every 10th year amount to DKK 38 million, for every 25th year to DKK 169 million, and after an additional 50 years to DKK 75 million in 2019 prices. The conversion from 2012 prices to the current price level is based on the development in the net price index and an inflation expectation of 2 per cent from 2018 to 2019.
- 10.** Reinvestments in connection with the Sydhavn line are based on the assumptions in the agreement in principle and for every 10th year amount to DKK 82 million, for every 25th year to DKK 370 million, and after an additional 50 years to DKK 164 million in 2019 prices. The conversion from 2012 prices to the current price level is based on the development in the net price index and an inflation expectation of 2 per cent from 2018 to 2019.
- 11.** Reinvestments in connection with the Metro in operation of DKK 330 million every 10th year in 2019 prices are assumed. In accordance with the partnership agreement, reinvestment in trains, tunnels and stations has not been included. The investment programme budget (capacity expansion) was estimated to be DKK 2,035 million in the period from 2018 to 2024, in 2019 prices.
- 12.** The company's general financing reserve of DKK 848 million in 2019 prices is reserved in the long-term budget.

Other conditions

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. Interest on the debt takes account of the company's established interest-rate hedging agreements. 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, account is furthermore taken of the company's actual interest rate expectations.

16. It is assumed that as from 2019 all prices will increase by 2 per cent p.a.

Long-term budget 2018 for Metroselskabet I/S (current prices)

DKK million

Inflation 2%

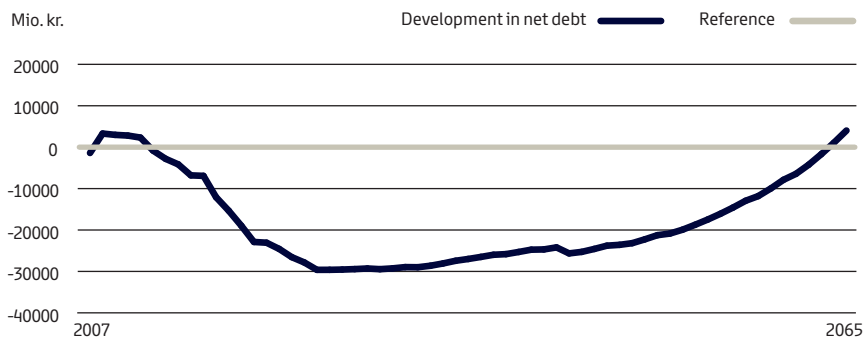
Interest rate assumptions:

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.

Cityring construction costs (2010 price level)	23,137
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Nordhavn construction costs (2012 price level)	2,900
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Sydhavn construction costs (2014 price level)	8,627
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Long-term budget 2018 for Metroselskabet I/S (current prices)

DKK million	Year			The Metro in operation	Construction of Cityring, Nordhavn and Sydhavn	
		Receivables	Other debt, etc.	Investments	Construction costs	Index linking
	01.01.2007	1,268	105		-4	
	2007	4,842	75	-172	-62	0
	2008	58	-142	-53	-390	0
	2009		102	-44	-404	0
	2010		40	-43	-594	0
	2011		-141	-62	-3,008	-102
	2012	310	-64	-61	-2,173	-98
	2013	1,886	-51	-135	-2,990	-128
	2014	931	-207	-151	-3,240	-126
	2015	3,779	5	-162	-3,668	-84
	2016	-238	-218	-71	-4,353	-230
	2017	-298	-36	-56	-2,727	92
	2018	517	300	-249	-2,309	-670
	2019		300	-470	-2,988	-622
	2020	1,434	300	-468	-1,220	106
	2021		300	-580	-1,104	107
	2022		-400	-449	946	92
	2023		-100	-458	-688	-53
	2024			-411	-1,265	-123
	2025			0	0	0
	2026			0	0	0
	2027			0	0	0
	2028			0	0	0
	2029			-345	0	0
	2030			-47	0	0
	2031			0	0	0
	2032			-427	0	0
	2033			-108	0	0
	2034			0	0	0
	2035			0	0	0
	2036			0	0	0
	2037			0	0	0
	2038			0	0	0
	2039			-421	0	0
	2040			-57	0	0
	2041			0	0	0
	2042			-520	0	0
	2043			-132	0	0
	2044			-2,090	0	0
	2045			-282	0	0
	2046			0	0	0
	2047			0	0	0
	2048			-656	0	0
	2049			-513	0	0
	2050			-69	0	0
	2051			0	0	0
	2052			-634	0	0
	2053			-161	0	0
	2054			0	0	0
	2055			0	0	0
	2056			0	0	0
	2057			0	0	0
	2058			0	0	0
	2059			-625	0	0
	2060			-84	0	0
	2061			0	0	0
	2062			-773	0	0
	2063			-196	0	0
	2064			0	0	0
	2065			0	0	0
	2066			0	0	0

Operating profit, overall Metro						Net debt,	Net debt,
Income	Expenses	Liquidity effect	Interest	Movement		start of the year	end of the year
							-1,402
380	-354	4,708	-17	4,691		-1,402	3,288
501	-444	-469	152	-317		3,288	2,971
530	-464	-280	114	-166		2,971	2,805
595	-484	-486	-4	-490		2,805	2,315
635	-443	-3,122	-15	-3,137		2,315	-822
678	-443	-1,851	-143	-1,994		-822	-2,816
691	-475	-1,203	-134	-1,336		-2,816	-4,152
772	-484	-2,505	-149	-2,655		-4,152	-6,806
743	-503	110	-229	-119		-6,806	-6,926
836	-545	-4,819	-337	-5,156		-6,926	-12,082
903	-583	-2,889	-363	-3,252		-12,082	-15,334
846	-636	-3,236	-400	-3,636		-15,334	-18,969
1,158	-841	-3,462	-455	-3,917		-18,969	-22,886
1,839	-1,273	505	-685	-180		-22,886	-23,066
2,089	-1,334	-736	762	-1,498		-23,066	-24,563
2,324	-1,405	-968	-1,013	-1,981		-24,563	-26,544
2,571	-1,467	-195	-1,101	-1,296		-26,544	-27,840
2,745	-1,571	-625	-1,155	-1,780		-27,840	-29,619
2,841	-1,630	1,211	-1,203	8		-29,619	-29,612
2,932	-1,656	1,275	-1,215	60		-29,612	-29,551
3,023	-1,700	1,323	-1,210	113		-29,551	-29,439
3,117	-1,745	1,372	-1,224	148		-29,439	-29,291
3,216	-1,792	-1,079	-1,243	164		-29,291	-29,455
3,319	-1,840	1,433	-1,243	190		-29,455	-29,265
3,425	-1,890	1,536	-1,229	306		-29,265	-28,959
3,535	-1,940	-1,168	-1,197	-30		-28,959	-28,988
3,647	-1,992	1,547	-1,189	358		-28,988	-28,630
3,763	-2,046	1,717	-1,164	553		-28,630	-28,077
3,882	-2,100	1,782	-1,132	650		-28,077	-27,428
3,476	-1,914	-1,562	-1,129	434		-27,428	26,994
3,549	-1,953	1,596	-1,104	492		26,994	-26,502
3,624	-1,993	1,631	-1,109	523		-26,502	-25,979
3,700	-2,033	1,246	-1,090	156		-25,979	-25,824
3,778	-2,075	1,646	-1,126	521		-25,824	-25,303
3,854	-2,116	1,738	-1,184	553		-25,303	-24,749
3,932	-2,159	1,253	-1,196	57		-24,749	-24,692
4,010	-2,202	1,676	-1,181	495		-24,692	-24,197
4,091	-2,246	-245	-1,206	-1,451		-24,197	-25,648
4,173	-2,291	1,599	-1,236	363		-25,648	-25,285
4,256	-2,337	1,919	-1,207	712		-25,285	-24,573
4,341	-2,384	1,958	-1,167	791		-24,573	-23,782
4,428	-2,431	1,340	-1,140	200		-23,782	-23,582
4,517	-2,480	1,524	-1,124	400		-23,582	-23,182
4,607	-2,529	2,008	-1,089	919		-23,182	-22,263
4,699	-2,580	2,119	-1,107	1,012		-22,263	-21,251
4,793	-2,632	1,527	-1,130	397		-21,251	-20,854
4,889	-2,684	2,044	-1,113	930		-20,854	-19,924
4,987	-2,738	2,249	-1,057	1,192		-19,924	-18,732
5,086	-2,793	2,294	-1,030	1,264		-18,732	-17,468
5,188	-2,849	2,339	-959	1,381		-17,468	-16,087
5,292	-2,906	2,386	-882	1,505		-16,087	-14,582
5,398	-2,964	2,434	-797	1,637		-14,582	-12,946
5,506	-3,023	1,858	-723	1,135		-12,946	-11,811
5,616	-3,083	2,448	-606	1,842		-11,811	-9,970
5,728	-3,145	2,583	-501	2,082		-9,970	-7,888
5,843	-3,208	1,862	-406	1,455		-7,888	-6,433
5,959	-3,272	2,491	-309	2,182		-6,433	-4,251
6,079	-3,338	2,741	-182	2,559		-4,251	-1,692
6,200	-3,404	2,796	-40	2,756		-1,692	1,064
6,324	-3,472	2,852	99	2,951		1,064	4,014

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