

Annual Report 2017
Metroselskabet I/S





Contents

Foreword	4
Key Figures	7
2017 in Brief	8
Management Report	10
About Metroselskabet	30
Ownership	33
Board of Directors of Metroselskabet	34
Executive Management of Metroselskabet	38
Metroselskabet's Employees	39
Business Strategy	41
Compliance Test of Metroselskabet	42
Annual Accounts	44
Accounting Policies	46
Accounts	51
Management Endorsement	78
Independent Auditors' Report	80
Appendix to the Directors' Report	84
Long-Term Budget	87

Foreword

“
**99.2 per cent of trains
 were on time in 2017.
 98.5 per cent during
 rush-hour periods.**”

Metroselskabet’s result for 2017 before depreciation and write-downs was a profit of DKK 320 million, which exceeds the budget expectations by DKK 101 million.

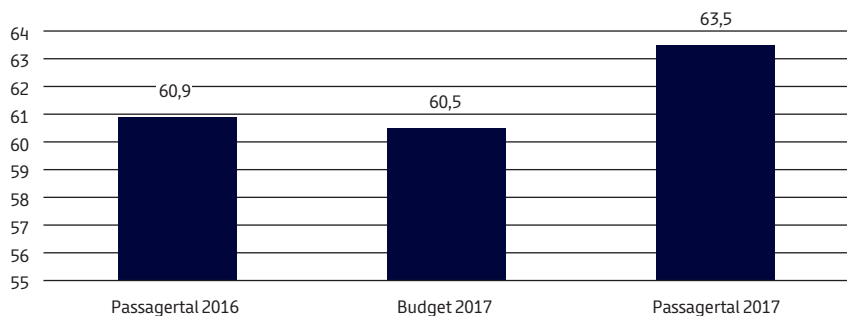
The improved result before depreciation and write-downs is primarily related to higher passenger earnings, as a consequence of more passengers than expected, and also a higher fare per passenger than expected. Metroselskabet’s result before depreciation and write-downs has been increasing since the company was established in 2007. Every year since 2007, the

Metro in operation has achieved an operating profit without public operating contributions. Metroselskabet’s long-term budget, which shows when the company expects to be free of debt, is unchanged in terms of the expected debt settlement, and the company thus still expects to continue to be free of debt in 2065.

Metroselskabet can thus present annual accounts with a sound economy, which will ensure that, as planned, the company’s profit from operations can finance the construction of Cityring, and the Nordhavn and Sydhavn branches of the Metro, within the defined repayment term.

Metro passenger numbers

Mio. passagerer



Note: In 2017, Metroselskabet adopted a new counting system. The passenger numbers for 2017 therefore cannot be compared directly with previous years.

The number of Metro passengers continues to increase, and 2017 was another record year in terms of the number of Metro passengers.

In 2017, there were more than 63 million Metro passengers, which is an increase of 4 per cent from 2016, and almost 3 million passengers ahead of budget. The increase in passenger numbers can be attributed primarily to the continued population growth in the capital and to sustained high operational stability.

The operational stability of the Metro remains at a high level

In 2017, the overall operational stability was 99.2 per cent, and measured solely for peak hours the operational stability was 98.5 per cent. Operational stability is vital to ensuring a good travel experience for passengers and thereby attracting more passengers. Stable operation is particularly important during rush-hour periods, when the Metro has most passengers.

Metroselskabet has adopted investments in the Metro for approximately DKK 2 billion.

In order to maintain stable operations, Metroselskabet has developed a strategy for investment in the Metro in operation, so that the Metro will be ready to handle even more passengers in the future, while still maintaining high operational stability.

The construction of the Metro is financed as part of the overall financial basis for Metroselskabet: via revenue from the Metro in operation, and also by raising loans which will be repaid from the operating revenue once the new Metro lines open.

Metroselskabet's revenue is thus primarily derived from passenger fare revenue. Metroselskabet therefore has a strong focus on maintaining and attracting Metro passengers, since this revenue is the foundation for the company's sustainable finances.

These were the highlights for 2017. In this report, you can read more about Metroselskabet's activities during the 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, Board of Directors

Henrik Plougmann Olsen
CEO

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:

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

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

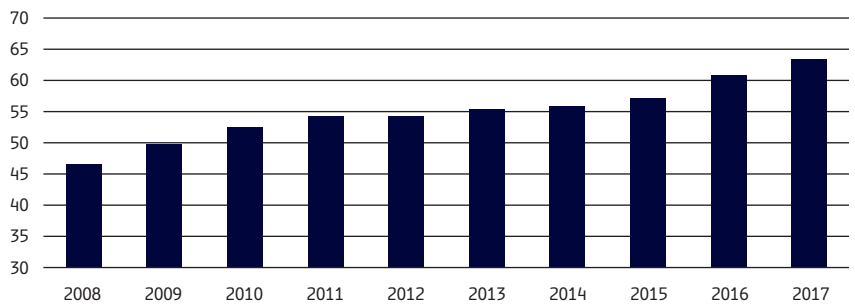
Near-finished tunnel section of Cityring.



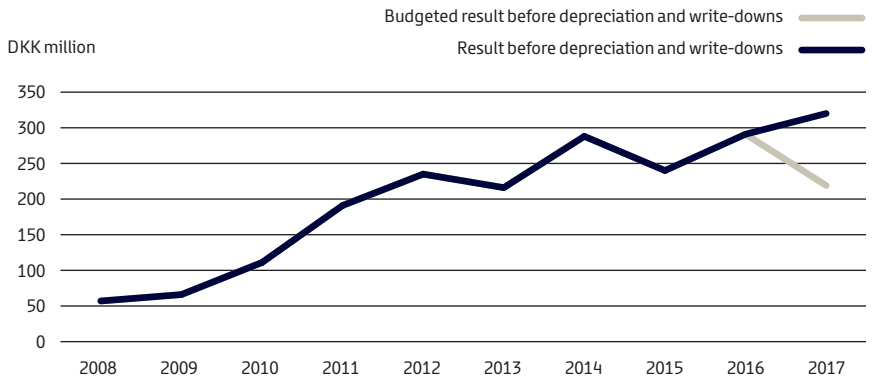
Summary of Key Figures

Passenger numbers

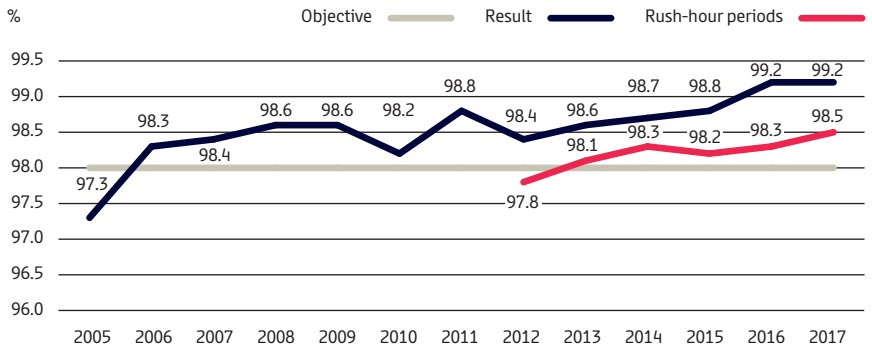
Million passengers



Result before depreciation and write-downs



Operational stability

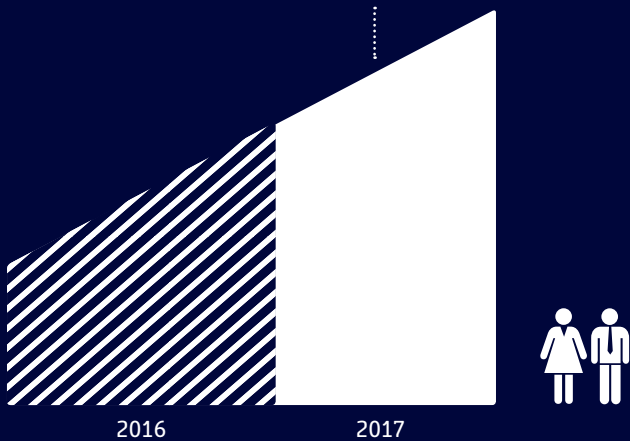


2017 in brief

In 2017, we had

63.5 million passengers

This represents growth of **2.5 million**



Note: In 2017, Metroselskabet adopted a new counting system. The passenger numbers for 2017 therefore cannot be compared directly with previous years.

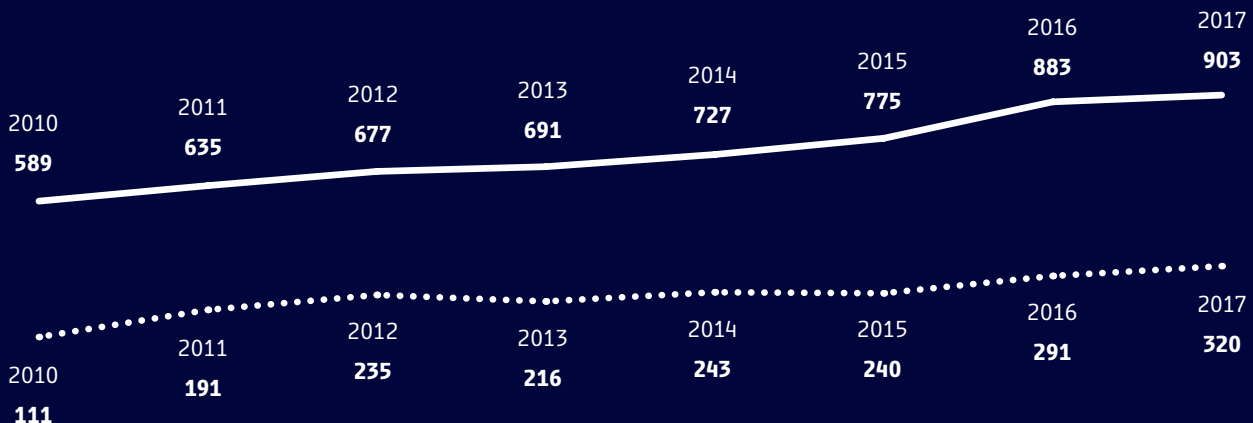
Passenger income (DKK million)

Actual fare revenue
Revised budgeted fare revenue



Development in the result before depreciation and write-downs, and fare revenue (adjusted for one-off income) 2010-2017 (DKK million)

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



DKK 2 billion

for capacity-building measures



99,2%

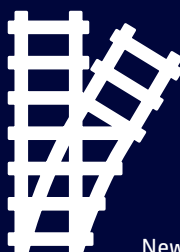
of trains ran on time in 2017.
98.5% in rush hour periods.



New ATC System



Maintenance of existing fleet



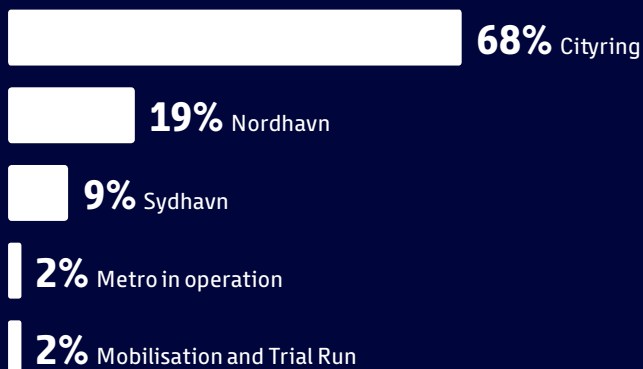
New switches

8 x

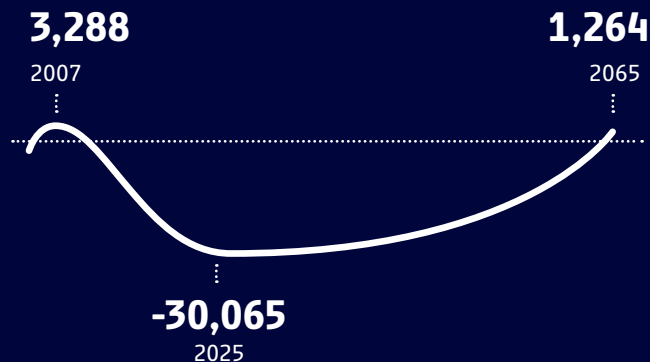


Eight new trains

2017
Investments



Long-term budget
(DKK million)



Directors' Report

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.

Results

The result for the year was better than expected.

The result for 2017 before depreciation and write-downs was a profit of DKK 320 million, which exceeds the budget expectations by DKK 101 million. This is primarily related to higher passenger revenue as a consequence of more passengers than expected, and a higher fare per passenger than expected.

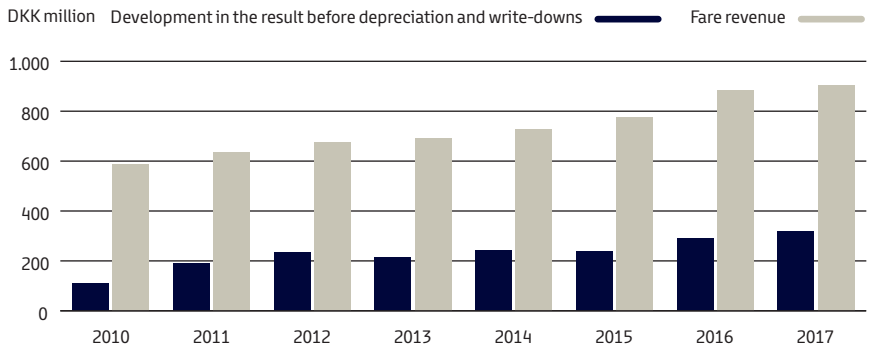
Depreciation and write-downs total DKK 567 million in 2017, of which depreciation concerning the Metro in operation amounts to DKK 177 million and

write-downs concerning the construction of the Metro total DKK 390 million.

The write-down concerning the construction of the Metro is a consequence of how the overall investment in the construction of the Metro will not be fully recovered from future revenue in the form of passenger revenue, etc. The write-down is primarily related to an agreement concerning the establishment of a subterranean Metro station at Ny Ellebjerg Metro station.

The result for the year before financial items is a loss of DKK 247 million. Financial items comprise interest income of DKK 79 million and interest expenses of

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



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

Operating result for the Metro

All figures in DKK million	2017	2016
Fare payments	903	883
Metro operating income	382	364
Other operating income	8	10
Total Metro operating income	1,293	1,258
Payment for operations	-903	-883
Contract management, etc.	-35	-48
Other expenses	-5	-6
Administration costs	-29	-29
Total Metro operating expenses	-973	-966
The Metro's result before depreciation and write-downs	320	291
Depreciation	-177	-175
The Metro's result before financial items	143	116
Net profit ratio before depreciation	25%	23%

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 2 and 21 to the financial statements.

Fare payments are based on average passenger revenue per new passenger of DKK 13.65 in 2017, calculated on the basis of the Ministry of Transport, Building and Housing's Order on the distribution of ticket revenue in Greater Copenhagen.

DKK 442 million. The result before market value adjustment is a loss of DKK 610 million. The market value adjustment can be attributed primarily to the company's financial agreements concerning interest hedging and comprises income of DKK 695 million. The result for the year is a profit of DKK 85 million.

Operating result for the Metro

The result for the year for the Metro in operation before depreciation and write-downs (primary operation) is DKK 320 million, equivalent to an increase of DKK 29 million from 2016. The increase is

primarily related to additional fare payments, as a consequence of the increase in passenger numbers from 2016 to 2017.

Revenue totals DKK 1,293 million, of which DKK 903 million from the tariff system and DKK 382 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 973 million. Depreciation, etc. amounted to DKK 177 million. The result before financial items for the Metro in operation is a profit of DKK 143 million.

Equity expresses the company's value 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.

Development in equity

The result for the year is a profit of DKK 85 million that has been carried to equity capital. Equity is thereafter negative, at DKK 1,495 million. After market value adjustments, the company's adjusted equity capital amounted to DKK 3,215 million at the end of 2017. The adjusted equity capital excluding market value adjustments has thus decreased by DKK 610 million from 2016. The market value adjustment led to book income of DKK 695 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 company does not entail any need for further contributions from the owners, as Metroselskabet can still service its debt as planned.

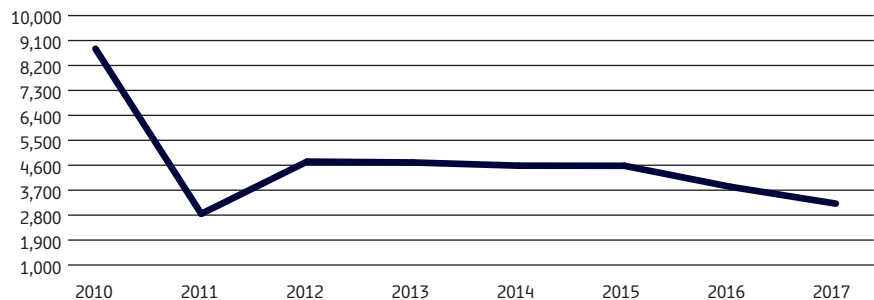
Investment in Cityring, and the branches of the Metro to Nordhavn and Sydhavn

Metroselskabet is investing a total of approximately DKK 37 billion in 2011-2024 in the construction of Cityring, and the branches of the Metro to Nordhavn and Sydhavn. The civil engineering budget for Cityring totalling DKK 24.6 billion (2017 prices) is based on the major civil engineering contracts concluded for the transport system and the Cityring civil engineering works. The total construction budget for the branch to Nordhavn of DKK 3.1 billion including correction supplement (2017 prices) is based on the construction contracts established for the transport system and the construction work relating to Nordhavn. The total construction budget for Sydhavn of DKK 9.1 billion including correction supplement (2017 prices) is based on the agreement in principle concerning the Sydhavn Metro.

In 2017, the investments defrayed for Cityring and the branches of the Metro to Nordhavn and Sydhavn totalled DKK 2.8 billion, so that the total investment to date is DKK 24.4 billion.

Development in adjusted equity, 2010-2017

DKK million



Note: Adjusted equity corresponds to equity adjusted for market value adjustment, cf. the Statement of Changes in Equity.

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

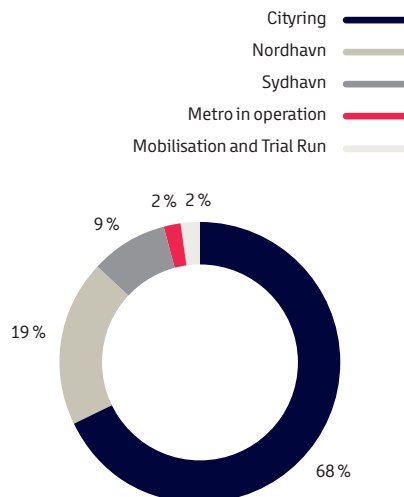
All figures in DKK million	Investments 2017	Investments as at 31 December 2017	Overall investment budget	Overall investment budget
Cityring	1,909	21,612	24,620	23,110 (2010 prices)
Nordhavn ¹	541	1,872	3,133	2,900 (2012 prices)
Sydhavn ¹	267	834	9,089	8,627 (2014 prices)
Mobilisation and Trial Run	48	102	569	569 (2017 prices)
Total	2,765	24,420	37,411	-

¹ Including correction supplements

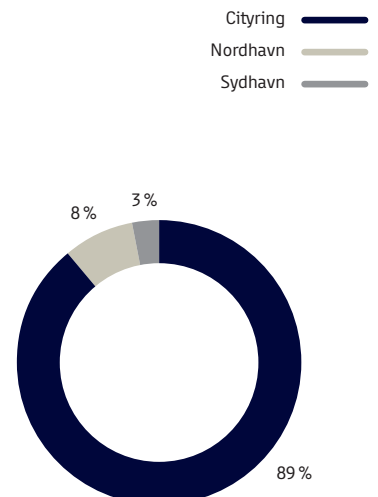
The year's investment in the Metro in operation amounts to DKK 56 million.

The net book value of Cityring, and the branches of the Metro to Nordhavn and Sydhavn, are stated in the balance sheet at DKK 12.8 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.

Investments in 2017 distributed on projects



Total investment as at 31 December 2017 distributed on civil engineering projects



Investment in Cityring, and the branches of the Metro to Nordhavn and Sydhavn

In 2017, a write-down of DKK 390 million was made concerning the construction of the Metro. This is a consequence of how the total investment in Cityring, and the branches of the Metro to Nordhavn and Sydhavn, will not be recovered fully from future income such as passenger revenue, etc. The write-down for the year is primarily a consequence of the agreement on the establishment of a subterranean Metro station at the Ny Ellebjerg Metro station, which is thus included in the calculation of the recoverable value.

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

In 2017, investments were made in Cityring, and in the branches of the Metro to Nordhavn and Sydhavn, totalling DKK 2.8 billion. The investments have been capitalised and are included in the value of the overall Metro.

Value of the overall Metro

The net book value of the overall Metro is reviewed annually in order to determine whether there are indications of impairment. The recoverable value is calculated on an overall basis for the Metro in operation, Cityring, 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. The calculation of the recoverable value is based on the capital value method. On the calculation of the capital value, the estimated future cash flows are discounted back to present value. At the end of 2017, the recoverable value showed indications of impairment. Write-down of the fixed assets as at the Balance Sheet date amounts to DKK 390 million, cf. Note 6 to the Annual Accounts.

The assumed level of interest rates (discounting factor) constitutes the principal uncertainty in the estimated value of the Metro. The company has applied a conservative expectation of the development in interest rates to the valuation of the overall Metro (the recoverable value), since a risk supplement is included to cover the uncertainty of the development in interest rates. If the company had instead applied the current lower market interest rate, the value of the fixed assets would have been significantly higher and the result for the year would have improved significantly. In the same way, the result would have been lower if an expectation of higher interest rates had been applied. Note 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 concerning either a fixed interest rate or an inflation-pegged interest rate. The maturity is determined on the basis of the company's expectations of the debt structure and servicing of the debt.

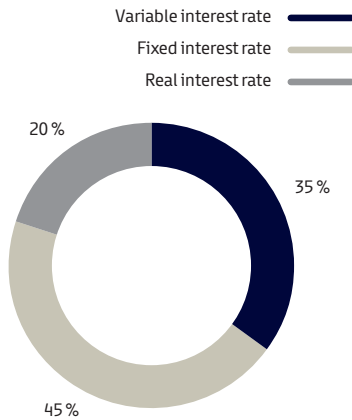
In the same way as for the valuation of the Metro, the net book market value of the debt increases when the interest rate level for the debt decreases. The fluctuations in the two accounting items must not be expected to set off each other, among other things because different interest rates are applied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

Financing

At the end of 2017, Metroselskabet had raised loans totalling DKK 19.2 billion (DKK 17.6 billion in nominal terms). The loans are raised as re-lending at Danmarks Nationalbank. At the end of 2017, the company's long-term debt commitments totalled DKK 23.2 billion in net terms.

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

Distribution of interest rates as at 31 December 2017 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 26 in 2017 (a loss of TDKK 10 in 2016).

The accumulated result of Metroselskabet's advisory services was a profit of TDKK 340 at the end of 2017.

repayment term for the debt. The long-term budget presents the expectations concerning the long-term economic development in the Metro. The description is based on a number of assumptions and is subject to the uncertainty that will always apply to 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 30.1 billion (in current prices and including interest), in 2025. The debt is expected to be repaid in 2065.

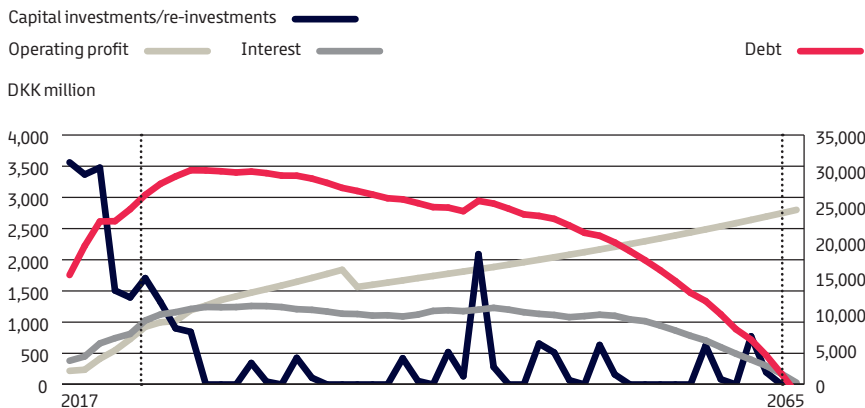
Capital and long-term finances

In connection with the company's budgeting for 2018 an updated long-term budget has been drawn up, including the expected

The company has built up appropriate interest rate exposure, so as to lock elements of the future interest costs. With the current 2018 long-term budget, the company has hedged the interest rate on a large proportion of the expected maximum debt at a fixed interest rate.

Up to 2025, significant capital investments will be defrayed, 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.

Financial Highlights and Key Figures

Financial Highlights and Key Figures

All figures in DKK million	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net turnover for the year	672	722	864	980	1,100	1,125	1,301	1,294	1,473	1,519
Result before depreciation and write-downs	57	66	111	191	235	216	288	240	291	320
Depreciation and write-downs	-575	-596	-787	-5,689	1,772	-484	-2,392	-3,531	-708	-567
Result before financial items	-518	-530	-676	-5,498	2,007	-267	-2,104	-3,291	-417	-247
Financial items	242	113	45	-457	-123	-64	-149	-229	-337	-363
Result before market value adjustment	-290	-387	-632	-5,954	1,884	-331	-2,254	-3,520	-754	-610
Market value adjustment	13	-30	358	-2,882	-550	2,138	-3,712	825	-1,562	695
Result for the year	-277	-417	-274	-8,837	1,335	1,807	-5,966	-2,695	-2,316	85
Balance Sheet total	9,950	9,691	9,442	8,216	10,077	12,633	15,953	17,308	23,270	24,851
Investment in the Metro for the year	442	448	637	3,651	2,332	3,170	3,420	3,842	4,654	2,875
Long-term debt	0	56	0	4,403	6,600	7,345	12,900	13,287	22,895	22,078
Equity	9,830	9,413	9,139	303	1,637	3,744	-87	737	-1,579	-1,495
Adjusted equity*	9,820	9,433	8,801	2,847	4,731	4,700	4,581	4,580	3,825	3,215
Equity ratio	99%	97%	97%	4%	16%	30%	-1%	4%	-7%	-6%
Adjusted equity ratio	99%	97%	93%	35%	47%	37%	29%	26%	16%	13%
Number of passengers (million)	47	50	52	54	54	55	56	57	61	63
Number of employees (end of the year)	71	93	123	160	219	242	274	289	325	330

*Adjusted equity is adjusted for market value adjustment.

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 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

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

loan is a loan raised directly for Metro-selskabet from Danmarks Nationalbank on behalf of the Danish State, based on a specific government bond, and on the same terms as those that apply when the bond is sold in the market.

Key Figures

$$\text{Equity ratio} = \frac{\text{Total equity at the end of the year} \times 100}{\text{Total assets}}$$

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

Arbitration cases, etc.

In July 2016, CMT, the civil engineering contractor for Cityring, submitted all of its claims against Metroselskabet to the Arbitration Court – in order to avoid limitation of the claims. Total claims 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 of approximately EUR 500 million (DKK 3.7 billion), for which there is a maximum amount of EUR 238 million (DKK 1.8 billion), have in legal terms been notified on an undocumented

basis. It is therefore Metroselskabet's immediate assessment that the claims can be rejected on the present basis.

Risk management

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

Systematic reporting

Risks are reported at several different levels. Each risk has a designated risk owner, who ensures that risks are handled and reported under the individual professional areas, thereby ensuring a high standard of reporting. The company is focused on ensuring systematisation of risk management across all of the company's activities. For the company's major projects, including Cityring and the branch to Nordhavn, a risk management process has been built up that is adapted especially to these projects. This process involves the Cityring's contractors during the construction of the system, thereby ensuring that risks are handled on the most appropriate basis. The process is also repeated for the Sydhavn Metro.

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

An equivalent process has been implemented for the company's other projects and has been expanded to also consider earlier and subsequent phases of

the projects. Risks are reported to the Executive Management, which collects proposals for changes to the current risk exposure from all of the company's activities. The Executive Management evaluates the proposals received and ensures that ongoing risks are handled and assessed on a uniform basis, with due consideration of probability and consistency across the organisation. On this basis, the Executive Management prepares a comprehensive list and a current risk list comprising the company's overall risk exposure. Furthermore, in 2017 the company's Risk Committee commenced a new review of the fundamental risk situation to which the company's activities are subject, in order to discuss the need for possible changes in the understanding/assessment of the risk situation.

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

Networking and sharing experience among national and international construction projects

The company participates in national and international experience-sharing and working groups, to ensure that the company stays updated on the latest developments within risk management. This also helps to ensure that risks that have not previously been considered are included in risk management.

Procedures for the presentation of financial statements and use of IT

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

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

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



Capacity

New passenger forecast challenges the capacity of the Metro

In 2017, Metroselskabet updated the passenger forecast for the Metro. The forecast shows expected strong growth in the number of passengers up to 2035. The increase is higher than expected in recent passenger forecasts, which were e.g. made in connection with the decision concerning the branch to Sydhavn. The increase is due among other things to continued positive expectations of population and workplace development in Greater Copenhagen, especially in the City of Copenhagen.

The figure below illustrates the total passenger growth for the existing M1/M2 lines towards 2035. In 2018, a total passenger volume of 64 million new passengers is expected for M1/M2. This figure is expected to increase to more than 90 million in 2035, corresponding to an increase of 40 per cent for M1 and M2 alone.

The updated passenger forecast shows a significant increase in the number of passengers across the entire Metro – i.e. also in relation to the coming Cityring, which comprises the M3 and M4 lines. In 2035,

198 million new passengers are expected for the Metro, compared to 154 million new passengers in the existing long-term budget.

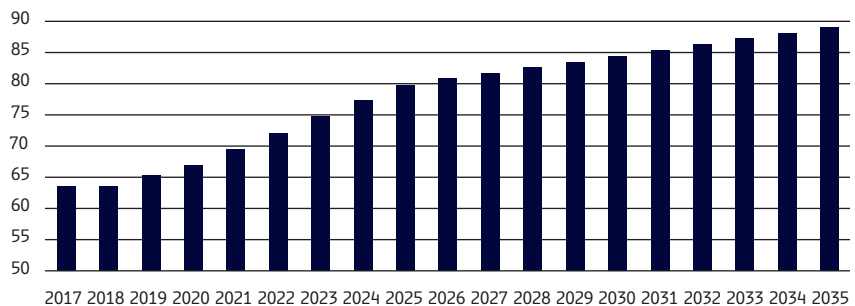
The new expectations of the increase in the number of Metro passengers present capacity challenges for the existing M1 and M2 lines. Metroselskabet does not expect any immediate capacity challenges for the new M3 and M4 lines. The increase in the number of Metro passengers will exert capacity pressure, so that during peak hours some passengers will not be able to travel, because the train is full. The company's expectation is that, without investment in the Metro, it will not be possible to maintain the current service level.

Future capacity challenges

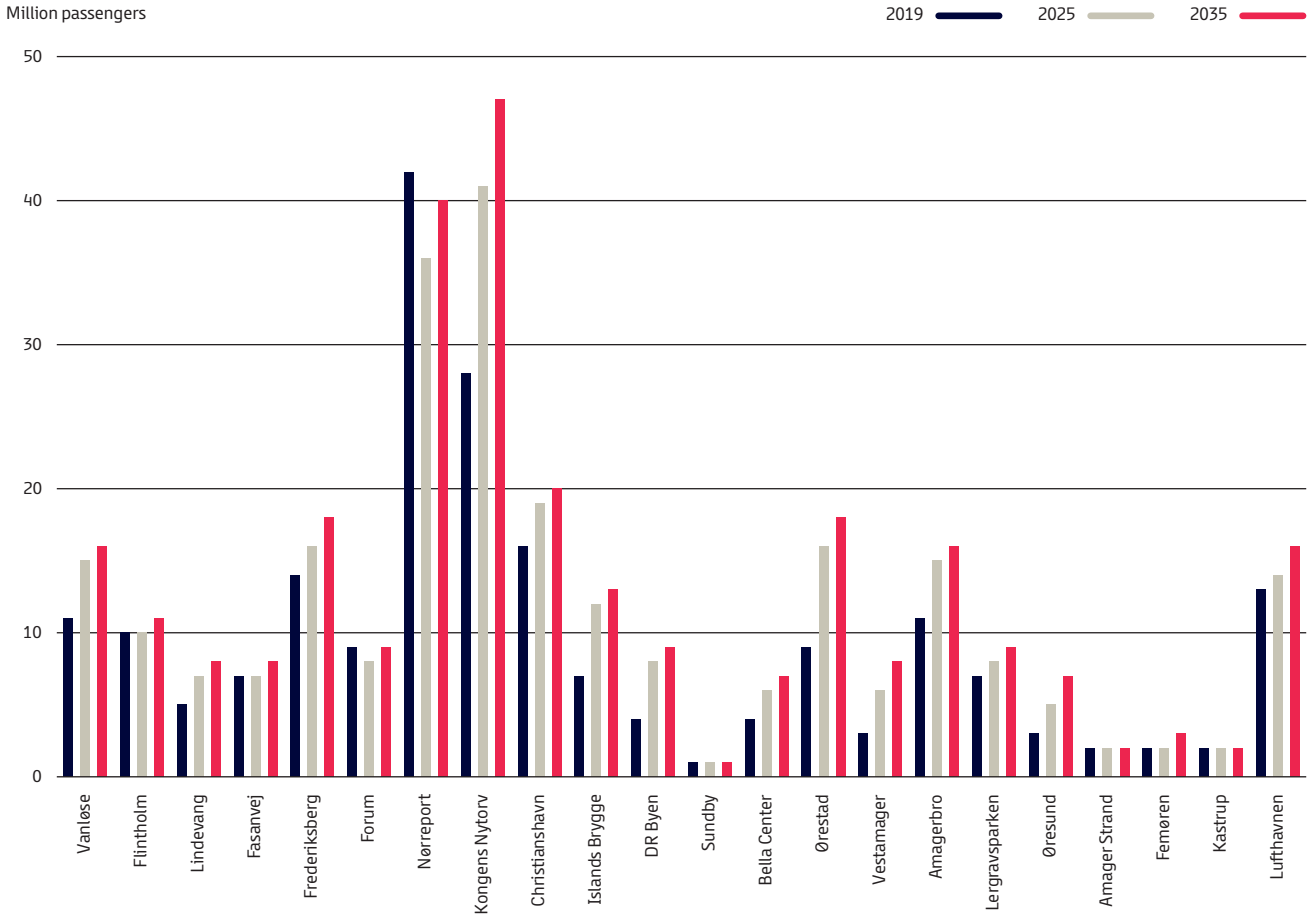
Capacity is expected to be under particular pressure concerning the part of the M1 and M2 lines which crosses the port between the city centre and Amager. Towards 2025, primarily the Christianshavn, Amagerbro and Islands Brygge Metro stations are expected to face challenges, with an increasing number of passengers who do not manage to catch the first available train in the morning rush hour. If customers have to wait for

Expected annual passengers on M1/M2

Million passengers



Estimated annual passengers for the stations on the M1 and M2 lines in 2019, 2025 and 2035



two trains on average before catching the Metro, this will increase their journey time by four minutes in the city centre, and eight minutes on the branch lines.

Opportunities to expand capacity

The Metro system was originally built for capacity expansion in step with increasing demand. For example, it is possible to put additional trains into operation, the platforms are prepared to handle 4-car trains, and the Metro trains are designed for changes in layout to accommodate

more passengers. There are thus a number of possible measures to increase capacity during peak hours.

Metroselskabet is working on a number of short-and medium-term initiatives to improve capacity. In the short term, there is focus on optimising the seating alignment on the trains. In the medium term, greater capacity-building measures need to be implemented if the current level of service in the Metro is to be maintained.

“
Metroselskabet is working on a number of short- and medium-term initiatives to improve capacity.”

The company's Board of Directors has decided to purchase eight new trains and initiate life-cycle extension of the existing trains, besides launching a series of initiatives to address capacity challenges in the short term.

In addition, Metroselskabet held an invitation to tender for the operation and maintenance of the M1 and M2 Metro lines. Metroselskabet has thus entered into a contract with Metro Service A/S concerning the operation and maintenance of M1 and M2 as from 1 January 2019 and during the next 5 years and 7 months, with a flexible option of up to 5 years in addition to the contract period. This means that the contract can terminate at the same time as the termination of the operation and maintenance contract for Cityring that has been established with Ansaldo STS and is handled by its subcontractor, Metro Service A/S. When operation and maintenance is next subject to an invitation to tender, it will thus be possible to offer a contract for both M1/M2 and M3/M4.

Safeguarding of installations

Climate protection

In recent years, Copenhagen has experienced more frequent and more intense torrential cloudbursts, and a greater incidence of higher sea levels in the port of Copenhagen, and this trend continued to be seen in 2017.

As a consequence of this development, Metroselskabet has intensified the ongoing process of protecting the facility, in order to ensure the stable and timely running of the Metro in operation. In 2017, Metroselskabet initiated the preparation

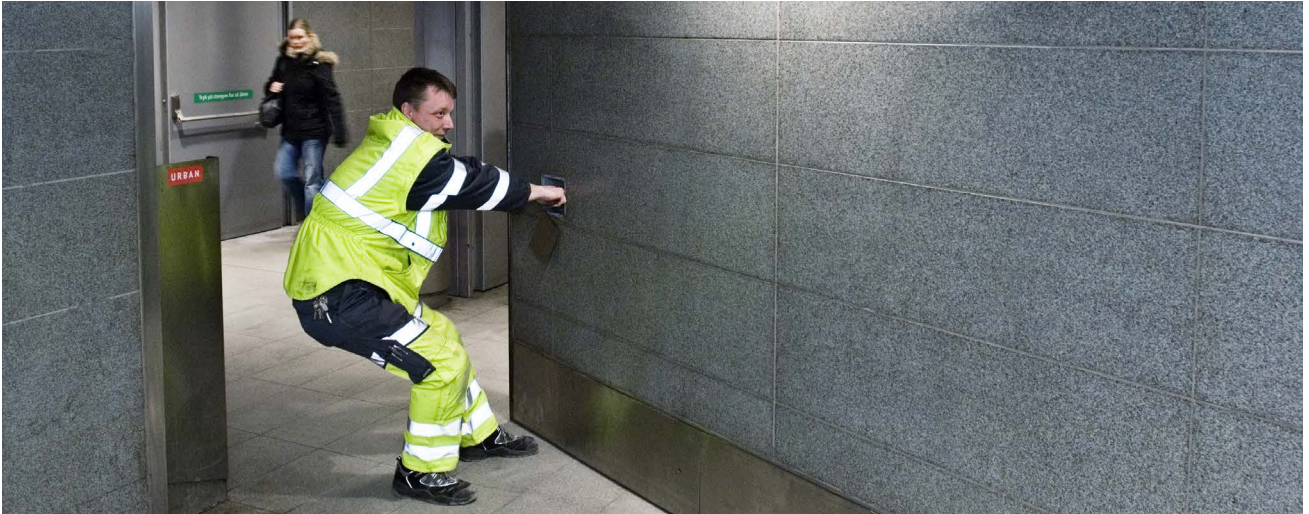
of cloudburst and storm surge projects totalling DKK 55 million, which was authorised by Metroselskabet's Board of Directors in December 2016. The projects focus on safeguarding exposed technical installations, the Control and Maintenance centre, the five lowest subterranean stations and the existing tunnel system.

Concurrently with safeguarding the Metro in operation, Metroselskabet has identified specific locations of Cityring, where additional measures are assessed to be necessary in order to achieve the required safeguarding level. The identified measures are planned to be established before Cityring opens.

The sites on the branch to Sydhavn are all planned to be established at a permanent minimum level of 3 m DvR², which is the highest possible level concurrently with integration into the surrounding urban space. In addition, supplementary mobile solutions are planned in order to achieve the required safeguarding level as protection from storm surges. The new forecasts from the UN Climate Panel and newly discovered data from storm surge events from the south show that storm surges from the south will have significantly greater consequences than previously predicted. This will require significantly greater measures to protect the Sydhavn Metro from flooding than assumed in the preparation of the project for the Sydhavn Metro. DKK 185 million has been allocated in the construction budget for the Sydhavn Metro in order to meet the significantly increased need to safeguard the Sydhavn Metro from storm surges.

Protection from terrorist attacks

² Danish Vertical Reference, which refers to the number of metres above normal sea level.



Storm surge protection at Nørreport. The gates will ensure that the Metro is not flooded.

At the beginning of 2017, updates were made to the national threat scenario, including the threat to the Metro (the terrorist threat to Denmark is updated by PET (the Danish Security and Intelligence Service), and the cyberthreat to Denmark is assessed by the Centre for Cyber Security under FE (the Danish Defence Intelligence Service), while the national risk scenario is updated by the Danish Emergency Management Agency, which is an agency under the Danish Ministry of Defence).

To support effective crisis management, Metroselskabet has developed an emergency management policy and concrete emergency management plans to support staff and management in a crisis situation. The plans are action-oriented, manageable, accessible, up-to-date and realistic. Metroselskabet undertakes ongoing evaluation and updating of emergency management plans.

In 2017, Metroselskabet performed a cooperation and stakeholder analysis in order to identify possible new initiatives as protection from terrorism. Furthermore, the company designated and launched a number of new partnerships in order

to, among other things, ensure a joint approach to protecting the systems from terrorism.

Protection from cybercrime

Like all other Danish companies, Metroselskabet increasingly appears to be exposed to cybercrime. Metroselskabet did not register any cybercrime targeted at its systems in 2017. In the course of 2017, however, Metroselskabet introduced a number of immediate initiatives to help to protect the company from the generally increasing cybercrime threat. This primarily concerned upgrades and improvements to the company's IT infrastructure.

The company also commenced the updating and development of its risk management with IT security risks. The objective is to achieve systematic follow-up on potential IT security risks. The company also conducted an analysis of its information security. The analysis investigated and assessed the company's information security, and also pointed to a number of short- and medium-term information security risks which the company should address. This led to an update of the company's information security policy.

“
Track laying has commenced from the Control and Maintenance Centre (CMC) in Vasbygade, and more than 50 per cent of the track laying has been completed.”

The projects' challenges

Metroselskabet has two major facilities under construction and one facility to begin in 2018. The company thus has investments for DKK 2.8 billion in 2017 prices in either facilities or roads in facilities.

Cityring

At the start of 2017, the four boring machines completed the 30 km of tunnel for Cityring. The completion of the tunnel work was a major milestone in the Cityring project. At all 22 construction sites, the excavation and all major concrete works have now been completed, and the mechanical and electrical installation work has commenced at all stations and shafts.

The track installation has commenced from the Control and Maintenance Centre (CMC) in Vasbygade, and more than 80 per cent of the track installation has been completed. At the beginning of August 2017, track laying and installation of the transport system was so far advanced that Ansaldo STS commenced test operation with the new Metro trains on the section from the Control and Maintenance Centre towards Frederiksberg. The first test drives on the “Functional Section”, which is the section where the transport system is tested, were successful.

In 2016, the contractor for the construction of Cityring, CMT, raised claims against Metroselskabet for just below EUR 1 billion (around DKK 7.5 billion) in overall terms. On 10 February 2017, Metroselskabet entered into a settlement agreement with CMT, which was subsequently approved by the company's owners. Under the settlement agreement, Metroselskabet paid EUR 113 million (approximately DKK 850 million)

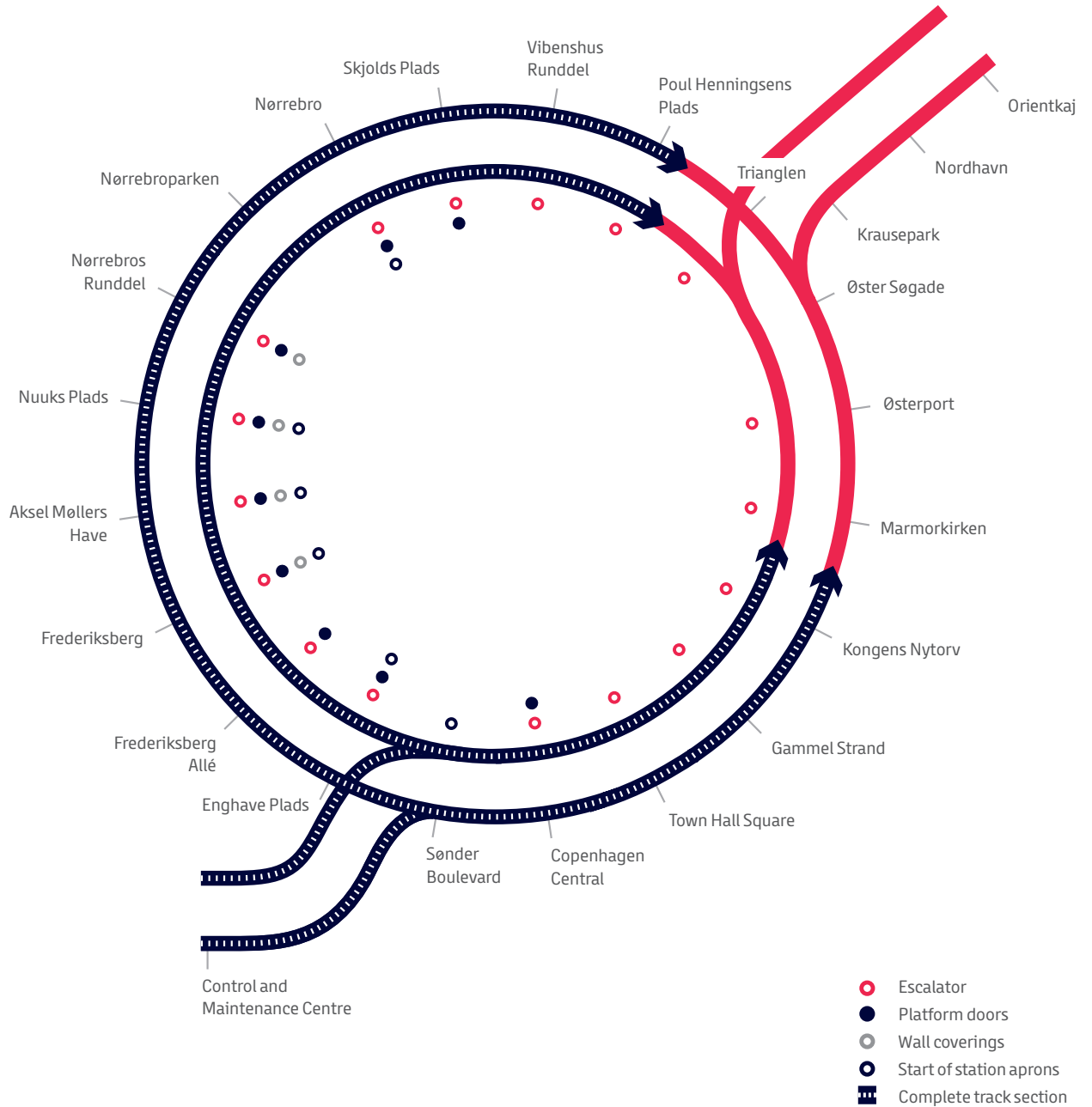
to CMT, to ensure the progress of the project, limit losses and minimise the project's risks, and around half of the claims raised were settled. Metroselskabet furthermore established a long-term liquidity bridge for CMT amounting to EUR 180 million (approximately DKK 1.3 billion).

The cooperation between CMT and its subcontractor, MT Højgaard, which was to undertake the architectural work, such as setting up the wall cladding at the stations, was marked by challenges. As a consequence, as from November 2016, the architectural work was at a standstill for extended periods. After Metroselskabet entered into a settlement agreement with CMT in February 2017, CMT is now obliged to ensure that the architectural work makes satisfactory progress. In June 2017, CMT and MT Højgaard entered into an agreement to transfer these works, so that CMT has assumed MT Højgaard's contractual obligations. Subsequently, CMT entered into an agreement with two Italian subcontractors, Bodino and AZA, concerning the performance of the architectural works for Cityring. This work is now underway, although the start-up has been slower than expected. The focus is therefore on production progress.

The challenges during the first construction phases were primarily the establishment of the very large civil engineering structures in narrow urban spaces, while in the last part of Cityring the primary challenges are the coordination of the installation work at the same relatively constrained workplaces, and ensuring the commissioning of the technical systems. The Cityring project is thus increasingly evolving from a complex construction project to a complex technical project. The transition from construction to technical

Cityring Progress status

31.12.17



In 2017, we reached the bottom of the nearly 40-metre deep excavation for the rescue shaft at Krauseparken.



project also reduces the need for a work area at ground level, making it possible to start the work of establishing the station sites. At the end of 2017, seven station workplaces had been demobilised and the work on the station sites had commenced, or commencement was imminent.

Metro to Nordhavn

2017 was a year in which great progress was made in the construction of the branch to Nordhavn. The contractor for the construction work, MetNord, completed tunnel boring in early February, when the second and last tunnel boring machine broke through at Øster Søgade. Towards the end of the year, the primary casting of Nordhavn station and the overland connection to the future Orientkaj station was completed. At Krauseparken, the excavation of the shaft and cross tunnels has been completed and the concrete works have begun.

Metroselskabet and MetNord entered into a settlement agreement at the end of November 2017 on the basis of claims raised by MetNord concerning soilbed conditions, pollution, design and assessor review, interface problems, etc. Under the agreement, Metroselskabet will pay EUR 17 million (DKK 126 million) to MetNord, and a new time schedule will be drawn up to ensure that MetNord's work can be completed in accordance with the overall completion dates for the contracts.

Metro to Sydhavn

It has been an important year for the Sydhavn branch from Cityring. In October 2016, Metroselskabet's owners, the Danish State, the City of Copenhagen and the City of Frederiksberg, decided that the coming station at Ny Ellebjerg would be a subterranean station. The subterranean station

solution at Ny Ellebjerg will ensure better interconnection of the various lines at the new traffic hub into which Ny Ellebjerg is developing.

The decision to make Ny Ellebjerg a subterranean station meant that a number of preparatory works at Ny Ellebjerg were launched in 2017 in order to facilitate the work of constructing the station, and to prepare for better interconnection with the other platforms at Ny Ellebjerg. Furthermore, Metroselskabet held invitations to tender and initiated the work of moving the Ring Line's S-train station at Ny Ellebjerg, so as to make room for the Metro station's workplace.

The invitation to tender for the major contracts was issued at the end of 2016, and in February 2017, the tender documents were supplemented with the design of the deep station at Ny Ellebjerg. Metroselskabet received the first bids in the summer of 2017 and reviewed the bids in October 2017, so that it was possible to nominate the winners of the invitations to tender in November 2017.

Metroselskabet expects the construction work on the Metro stations to be launched at the beginning of 2018.

CSR

To strengthen the company's CSR work, the company has chosen to work systematically with CSR within the framework of the UN Global Compact, of which Metroselskabet has been a member since 2016.

Metroselskabet's CSR work is based on the UN Sustainable Development Goals to varying degrees, depending on how close

the individual development goals are to the company's core business. Metroselskabet focuses its efforts within the Sustainable Development Goals which are most relevant to the company's core business in the individual years, and which the company has the greatest opportunity to influence.

CSR is a strategic action area on which Metroselskabet is working in every aspect of its business. In the forthcoming strategy period, CSR is one of five focus areas in the company's business strategy for 2018 to 2022.

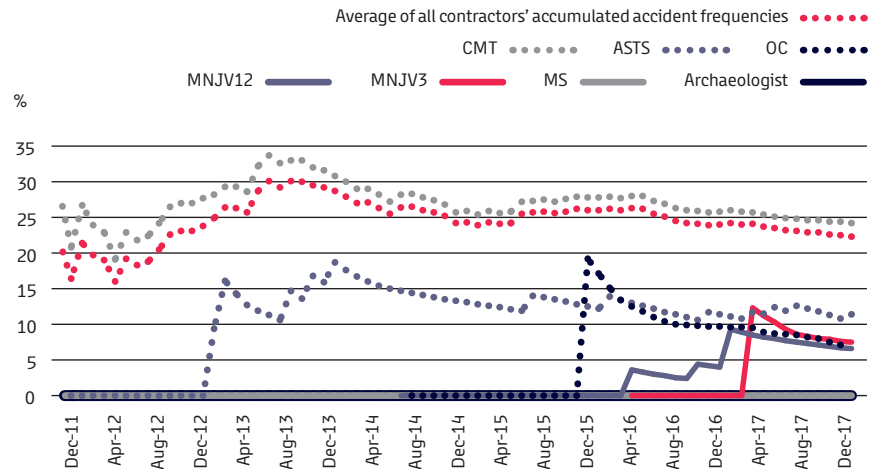
Metroselskabet has prepared a separate report on the company's CSR work and reference is therefore made to the CSR report for a more detailed description of the company's CSR work. The CSR report and the annual report are two equivalent reports that, on equal terms, describe the different bottom lines for the company's work.

Working environment

In 2017, for the second consecutive year, there was a decrease in the average accident frequency for Cityring and the branch to Nordhavn. The number of occupational accidents on Cityring, including the branch to Nordhavn, was an accident frequency of 15.9 in 2017, which is a decrease compared to 2016, when the accident frequency was 20.2. At the end of 2017, the accumulated accident frequency for the construction of the Metro had also dropped, from 24.0 in 2016 to 22.3.

In 2017, there was strong focus on evaluating and developing the company's actions in the safety and working environment areas. On this basis, a new strategy for the area is being developed, ready for the start-up of the company's forthcoming projects at the start of 2018. The purpose and content of the strategy are described in further detail in the CSR report for 2017.

Accumulated accident frequency per contractor for the period from 1 December 2011 to 31 December 2017



Apprentices

Metroselskabet continues to work to ensure that as many apprentices as possible are engaged in the Metro construction work. Metroselskabet assesses that, to date, around 173 apprentice FTEs have been involved in Cityring and the branch to Nordhavn.

The overall requirement concerning the number of apprentices for Cityring as from May 2016 until 2019 is 75 apprentice FTEs, including the ongoing contracts for the completion of station aprons and connecting tunnels.

The main contractors for the Nordhavn Metro will have employed 33 apprentice FTEs work during the lifetime of the project. It has proved to be more difficult than expected to achieve this objective. Metroselskabet is in dialogue with the contractor, including an assessment of whether the contractual requirement is consistent with the training that, in quality terms, can be offered under the project. The aim is to continue to ensure that the contractor hires as many apprentices as possible.

For more information concerning the recruitment of apprentices, see Metroselskabet's 2017 CSR report.

Rescue shaft at Krauseparken.
In future there will be a cavity all the way into the two Metro tunnels between which the cylindrical shaft is located.



About Metroselskabet

Gender balance in Metroselskabet

All employees

40%

Management

35%

Management Group with Directors

41%

Board of Executives

60%

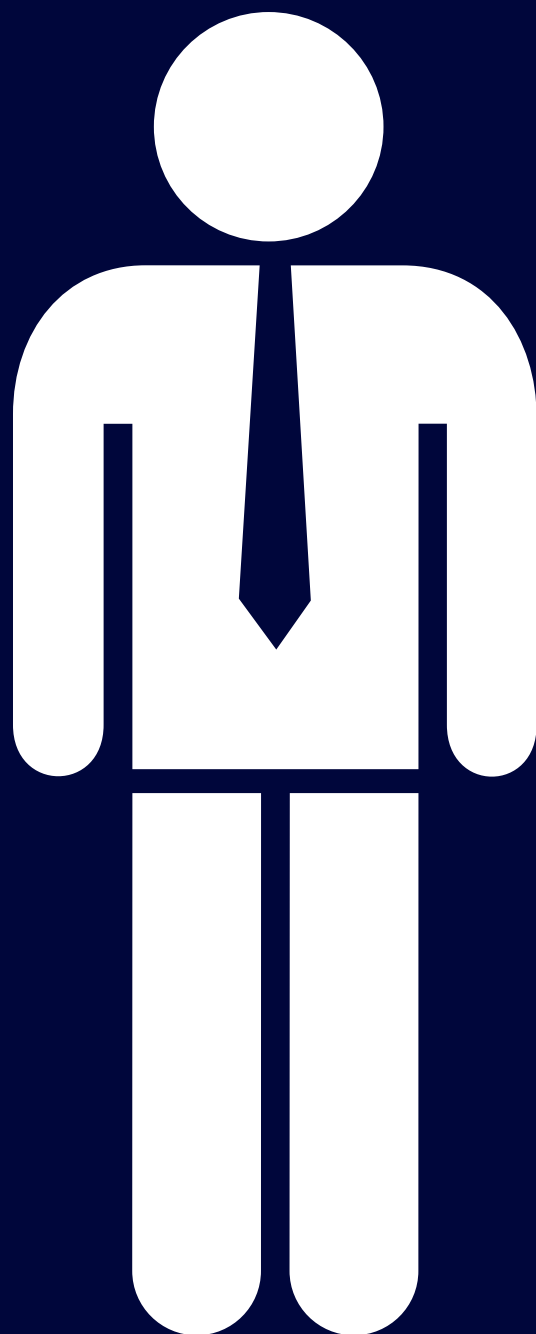


60%

65%

59%

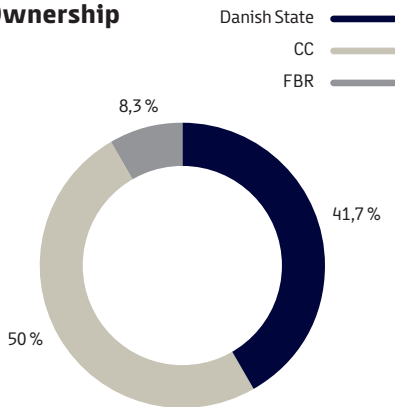
40%





Ownership

Ownership



Danish State
CC
FBR

Metroselskabet was established as of 1 January 2007 pursuant to Act no. 551 of 6 June 2007 concerning 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 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

Metroselskabet is owned as a partnership by the City of Copenhagen, the City of Frederiksberg and the Danish State, represented by the Ministry of Transport, Building and Housing. The Board of Directors of Metroselskabet is the company's supreme authority, and is responsible for ensuring that Metroselskabet fulfils the objectives laid down in legislation.

The Board of Directors has nine members, who are appointed for a period of four years. The City of Copenhagen and the Danish State 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 of Directors. In 2017, 11 meetings of the Board of Directors were held, as well as four and three meetings, respectively, of the Risk Committee and the Audit Committee, and one meeting of the Board of Directors' Remuneration Committee.

Board of Directors of Metroselskabet

Jørn Neergaard Larsen

1949

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

Appointed by the Danish State

Remuneration in 2017: DKK 413,172

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 in 2017: DKK 0

Other offices held:

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

Jørgen Glenthøj

1955

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

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

Remuneration in 2017: DKK 325,000

Other offices held:

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

Birgitte Brinch Madsen

1963

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

Appointed by the Danish State
Director

Remuneration in 2017: DKK 200,000

Other offices held:

- Chair of Greater Copenhagen Light Rail
- Chair of the Board of Directors of Intech International A/S
- Board member of Danske Invest
- Board member of the North Sea Fund
- Board member of DEIF A/S
- Board member of Orbicon A/S
- Board member of EUDP
- Board member of GUDP

Harald Børsting

1952

Board member

Appointed by the Danish State

Remuneration in 2017: DKK 125,000

Other offices held:

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

Ali Hansen

1960

As from 1 January 2018
Board member

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

Remuneration in 2017: DKK 0

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 in 2017: DKK 0

Other offices held:

- Member of the Technical and Environmental Committee of the City of Copenhagen

Peter Jensen

1963

Board member

Elected by the employees of Metroselskabet
Operations engineer

Remuneration in 2017: DKK 125,000

Mimi Larsson

1975

As from 1 January 2018
Board member

Elected by the employees of Metroselskabet
Head Consultant

Remuneration in 2017: DKK 0

Flemming Brank

1957

Appointed by the City of Frederiksberg
Alternate member

Former members in 2017

Susan Hedlund

1962

Vice Chairman
Member of the Risk Committee
Member of the Remuneration Committee
Resigned on 31 December 2017

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

Remuneration in 2017: DKK 325,000

Other offices held:

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

Ninna Hedeager Olsen

1980

Board member
Member of the Audit Committee
Resigned on 31 December 2017

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

Remuneration in 2017: DKK 150,000

Other offices held:

- Member of the Employment and Integration Committee of the City of Copenhagen
- Board member of Thorvaldsens Museum
- Board member of R98 Fonden
- Board member of Enhedslisten (Red-Green Alliance) Nørrebro – Blågård
- Member of the group management of the Red-Green Alliance group in the City Council of Copenhagen.
- Member of the Employment Council in the Ministry of Employment
- STAR (Styrelsen for Arbejdsmarked og rekruttering) (Danish Agency for Labour Market and Recruitment)

- Member of the liaison committee for volunteers in social work
- Union representative for the members of DM and DJØF at the Department of Management and Administration at Metropolitan University College

Jakob Næsager

1973

Board member
Resigned on 31 December 2017
Appointed by the City of Copenhagen
Member of the City Council of Copenhagen
Group chairman for the Conservative Party
Director

Remuneration in 2017: DKK 125,000

Other offices held:

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

Søren Banke

1965

Board member
Resigned on 31 December 2017

Elected by the employees
Work Site Manager

Remuneration in 2017: DKK 125,000

Margit Ørsted

1949

Alternate member
Resigned on 31 December 2017
Appointed by the City of Frederiksberg

Attendance of meetings of the Board of Directors in 2017

	Board of Directors, 11 meetings	Audit Committee, 3 meetings	Risk Committee, 4 meetings	Remuneration Committee, 1 meeting
Jørn Neergaard Larsen	11/11		4/4	1/1
Jørgen Glenthøj	9/11	2/3	4/4	1/1
Susan Hedlund	10/11		4/4	1/1
Birgitte Brinch Madsen	11/11	3/3		1/1
Harald Børsting	11/11			
Ninna Hedeager Olsen	10/11	3/3		
Jakob Næsager	7/11			
Peter Jensen	11/11			
Søren Banke	7/11			

Procedure for evaluation of the Board of Directors

Once a year, the Board of Directors of Metroselskabet evaluates the work of the Board of Directors. 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.

Executive Management of Metroselskabet

Executive Management:

Henrik Plougmann Olsen
1968

CEO

Remuneration in 2017: DKK 2,791,632

Other offices held:

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

The Company's CEO 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 330 employees as of the end of 2017. The overall gender distribution of the employees is 40 per cent women and 60 per cent men. Metroselskabet is working with the universities and other educational institutions to offer student internships and practical training positions. Metroselskabet also offers access to relevant projects for project and thesis students. In 2017, Metroselskabet employed three trainees. The number of students employed is 30, and the company has 11 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 of Directors comprises 67 per cent men and 33 per cent women, excluding the representatives elected by the employees. The Board of Directors is nominated by the company's owners and employees.

At the end of the financial year, the company employed a staff of 330, compared to 325 in 2016. Employees handle the company's administration, the operation of the Metro in operation, the construction of Cityring and the branches to Nordhavn and Sydhavn, and the engineering design of the Light Rail in Ring 3, on behalf of Greater Copenhagen Light Rail. There are also around 174 advisers attached to – and often located in – Metroselskabet's head office, and around 129 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.



Business strategy

Metroselskabet's business strategy sets the framework for how the company works in the upcoming strategy period from 2018 to 2022. Metroselskabet has selected the following five focus areas for the upcoming strategy period:

- **Finances**
Metroselskabet's business must be based on a financially responsible foundation.
- **Operation and maintenance**
Metroselskabet must provide high-class public transport of the highest quality to passengers.
- **Construction work**
Metroselskabet must be a responsible developer.
- **CSR**
Metroselskabet must act with social responsibility in all the company's activities.
- **Business development**
Metroselskabet will be an innovative company which focuses on its core activities.

Compliance test of Metroselskabet

In 2017, Metroselskabet undertook an extensive compliance test of Metroselskabet's corporate documents and of the company's policies and strategies for social responsibility.

Corporate governance

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

The general conclusion of the compliance test concerning good corporate governance test was that the company's management documents are in compliance.

Social Responsibility

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

Metroselskabet has adopted the UN Global Compact and thus prepares an independent corporate social responsibility report, 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 99 a(7) of the Danish Financial Statements Act is also included in Metroselskabet's 2017 CSR report.

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



Metro
Metro



Annual Accounts

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

■ Fare revenue

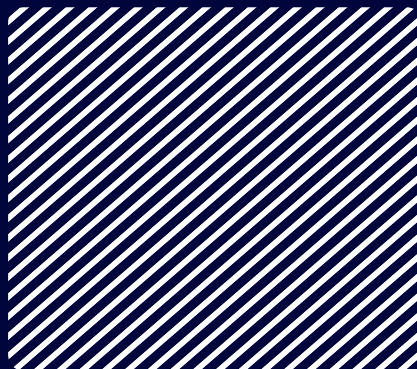
▨ Result before depreciation and write-downs

903

2017

320

2017



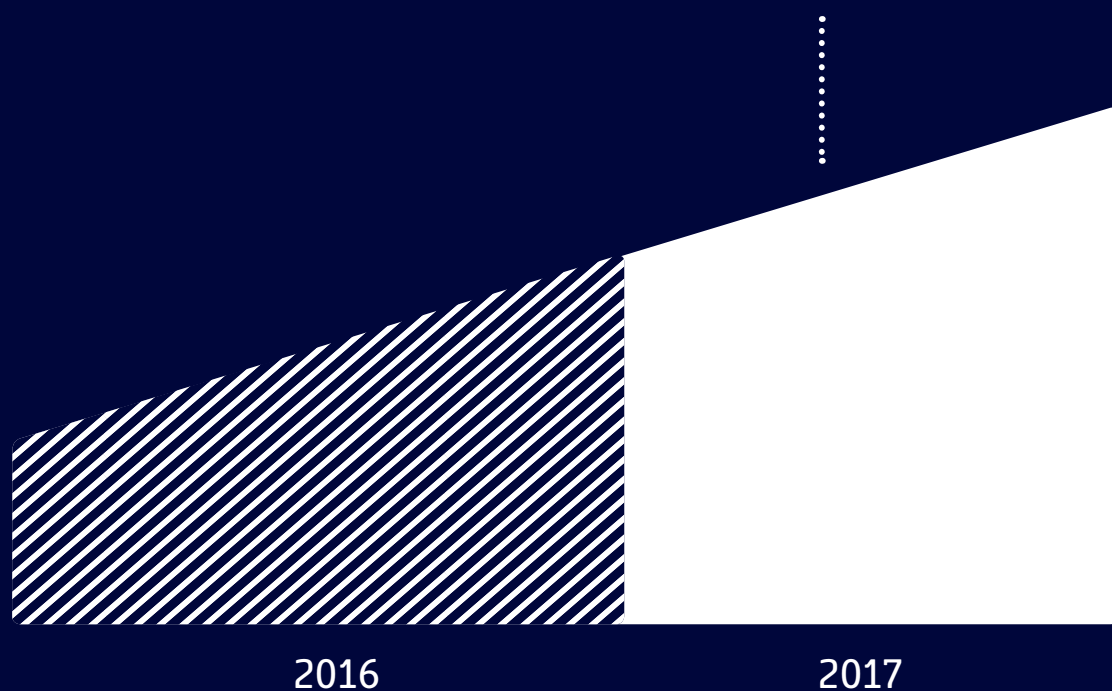
Note: In 2017, Metroselskabet transferred to a new counting system. The passenger numbers for 2017 therefore cannot be compared directly with previous years.

In 2017, we had

63.5 million passengers

This represents growth of

2.5 million



Accounting Policies 2017

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 2017. 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 be deducted from the partnership, and the liabilities' value can be measured reliably.

When first recorded, assets and liabilities are measured at cost. Subsequently,

assets and liabilities are measured as described below for each item.

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

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

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

Foreign currency translation

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

foreign currency are recorded at historical exchange rates.

Derivative financial instruments

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

Any changes in the fair value of 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 of Directors, 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 underground stations	100 years
Other fixed 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 change.

Gains and losses on the sale of tangible fixed assets are calculated as the difference between the sales price less selling costs and the book value at the time of the sale. 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 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.

Accounts receivable

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 at cost, 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 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 2017

All figures in DKK thousands	Note	2017	2016
Income			
Metro fare revenue	1	902,994	883,280
Metro operating income	1	381,903	364,603
Value of own work		203,787	195,841
Other operating income	2	30,804	29,676
Total income		1,519,488	1,473,400
Expenses			
Metro operating expenses	1	-943,421	-937,315
Staff costs	3	-224,565	-213,502
Other external costs		-31,399	-31,303
Total expenses		-1,199,385	-1,182,120
Result before depreciation and write-downs		320,103	291,280
Depreciation	4	-178,219	-175,961
Write-downs	4	-390,280	-533,200
Reversal of write-down		1,090	663
Total depreciation and write-downs		-567,409	-708,498
Result before financial items		-247,306	-417,218
Financial items			
Financial income	5	79,381	95,007
Financial expenses	5	-442,076	-432,221
Total financial items		-362,694	-337,214
Result before market value adjustment		-610,000	-754,432
Market value adjustment	5	694,567	-1,561,981
Result for the year		84,567	-2,316,412

Balance Sheet

Assets as at 31 December 2017

All figures in DKK thousands	Note	2017	2016
Fixed assets			
Tangible fixed assets			
Construction of the Metro	6	12,923,329	10,582,226
Metro in operation	7	4,553,241	4,579,985
Buildings	8	59,236	66,784
Operating equipment and fixtures and fittings	8	122	244
Total tangible fixed assets		17,535,928	15,229,239
Financial fixed assets			
Other participating interests	9	23,648	22,258
Accounts receivable	10	32,939	677,654
Derivative financial instruments	11	2,154,609	2,227,363
Total financial fixed assets		2,211,196	2,927,275
Total fixed assets		19,747,124	18,156,514
Current assets			
Properties	12	5,935	28,755
Accounts receivable	13	1,314,728	1,137,294
Owner contributions	14	361,318	71,302
Accruals		45,910	7,333
Securities	15	3,376,367	3,869,069
Liquid resources	15	0	0
Total current assets		5,104,258	5,113,754
Total assets		24,851,382	23,270,267

Liabilities as at 31 December 2017

All figures in DKK thousands	Note	2017	2016
Equity holdings			
Start of the year		-1,579,335	737,077
Additions for the year		84,567	-2,316,412
Total equity holdings		-1,494,768	-1,579,335
Long-term debt			
Long-term debt	16	15,922,171	16,161,970
Derivative financial instruments	16	6,155,934	6,733,370
Total long-term debt		22,078,105	22,895,340
Short-term debt			
Short-term element of long-term debt	16	3,264,975	779,164
Bank loans		27,623	442,499
Trade creditors		165,068	261,284
Prepaid owner contributions	17	445,927	157,900
Prepaid customers		41,033	37,723
Other debt	18	323,420	275,693
Total short-term debt		4,268,045	1,954,262
Total debt		26,346,150	24,849,602
Total liabilities		24,851,382	23,270,267
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 and counterparty 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 MVR	Equity excluding MVR	Market value adjustment (MVR)	Total
Start of the year 2016	660,857	15,543,580	-11,624,622	4,579,816	-3,842,737	737,079
Participating interests	0	0	0	0	0	0
Retained earnings	0	0	-754,432	-754,432	-1,561,981	-2,316,412
Start of 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
End of the year	660,857	15,543,580	-12,989,053	3,215,384	-4,710,150	-1,494,768

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

All figures in DKK thousands	2013	2014	2015	2016	2017
Start of the year	9,590,000	9,890,000	12,027,580	15,543,580	15,543,580
Capital augmentation	300,000	2,137,580	3,516,000	0	0
End of the year	9,890,000	12,027,580	15,543,580	15,543,580	15,543,580

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

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

In 2015, the Danish State, represented by the Minister for Transport, Building and Housing, and the City of Copenhagen contributed capital of DKK 3.516 million to the company. The contribution was made in connection with the establishment of the agreement to construct a branch from Cityring to Ny Ellebjerg via Sydhavn.

In 2016, the Danish State, represented by the Minister for Transport, Building and Housing, and the City of Copenhagen and the City of Frederiksberg entered into an agreement on the financing of an underground Metro station at Ny Ellebjerg. The owner contribution is currently recognised as a prepaid owner contribution. The amount will be transferred to participating interests in connection with the signing of the contract for the Sydhavn Metro.

The owners' total participating interests amount to DKK 15.5 billion, which comprises the owners' share of the financing of the total construction costs for Cityring, and the Nordhavn and Sydhavn Metros, totalling DKK 37.4 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	2017	2016
Cash flows from operating activities			
Metro fare revenue		902,994	883,280
Metro operating income		381,903	364,603
Other operating income		30,804	29,676
Metro operating expenses		-943,421	-937,315
Staff costs		-224,565	-213,502
Other external costs		-31,399	-31,303
Change in accounts receivable		280,160	-192,401
Change in trade creditors		-92,906	4,930
Total cash flows from operating activities		303,569	-92,032
Cash flows from investment activities			
Investment in the construction of the Metro	27	-2,648,581	-4,457,962
Investment in buildings, operating equipment and fixtures and fittings		0	-217
Investment in securities (excluding market value adjustment)		478,511	-545,216
Total cash flows from investment activities		-2,170,070	-5,003,395
Cash flows from financing activities			
Loans raised, net (excluding market value adjustment)		2,550,000	5,265,836
Contributions from owners		0	155,476
Change in receivables from financing activities		148,245	-267,952
Other debt		47,727	28,495
Net financing expenses (excluding market value adjustment)		-464,596	-457,130
Total cash flows from financing activities		2,281,377	4,724,725
Change in available funds		414,876	-370,702
Available funds, start of the year		-442,499	-71,796
Available funds, end of the year		-27,623	-442,499

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	2017	2016
Metro fare revenue	902,994	883,280
Metro operating income		
Leasing out of the Metro	381,470	364,517
Other income	433	86
Total Metro operating income	381,903	364,603
Other operating income	7,830	9,794
Total income	1,292,726	1,257,677
Metro operating expenses		
Payment for operations	-902,994	-883,280
Contract management, etc.	-35,186	-48,135
Other expenses	-5,241	-5,901
Total Metro operating expenses	-943,421	-937,315
Administration costs	-29,236	-29,072
Total expenses	-972,657	-966,387
Result before depreciation	320,069	291,291
Depreciation	-178,219	-175,961
Write-downs (Rejsekort)	0	0
Reversal of write-down (Rejsekort)	1,090	663
Result before financial items	142,940	115,993

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 2017, the Metro had 63.5 million passengers (61 million in 2016). The fare revenue for 2017 is based on average passenger revenue of DKK 13.65 (DKK 13.66 in 2016).

Note 2 Other operating income

Other operating income comprises income from the administration and handling of the client organisation for the Hovedstadens Letbane I/S of DKK 22.8 million (DKK 19.9 million in 2016), sale of advisory services, lease of workplaces and minor income from e.g. leases.

Note 3 Staff costs

All figures in DKK thousands	2017	2016
Wages, salaries and emoluments	182,201	172,009
Pension commitments	29,173	27,360
Social security contributions	5,486	6,407
Other staff costs	7,706	7,726
Total staff costs	224,565	213,502
Of which:		
Salaries for the Executive Management	2,265	2,169
Other payments to the Executive Management	157	178
Pensions for the Executive Management	370	326
Emoluments for the Board of Directors	1,913	1,925
Average number of employees (full-time equivalents - 1,924 hours)	311	296
Employees at the end of the year (number)	330	325

Other payments include bonus payments for executives, which amount to up to 10 per cent of the ordinary salary. Bonus payments in 2017 concern the achievement of target results for 2016. The remuneration of the Board of Directors includes the remuneration of the Audit Committee and the Risk Committee.

Note 4 Depreciation and write-downs

All figures in DKK thousands	2017	2016
Depreciation, Metro in operation	170,549	167,716
Depreciation, buildings, operating equipment and fixtures and fittings	7,670	8,244
Write-downs, construction of the Metro	390,280	533,200
Reversal of write-down, participating interests	-1,090	-663
Total depreciation and write-downs	567,409	708,498

Note 5 Financial items and market value adjustment

All figures in DKK thousands	2017	2016
Financial income		
Interest income from financial fixed assets	-1,813	-1,227
Interest income from accounts receivable	12,002	2,955
Interest income from liquid resources, securities and financial instruments, etc.	64,137	96,061
Exchange rate adjustment	5,054	-2,781
Total financial income	79,381	95,007
Financial expenses		
Interest expenses	-442,076	-423,166
Exchange rate adjustment	0	-9,055
Total financial expenses	-442,076	-432,221
Total financial items	-362,694	-337,214
Total market value adjustment	694,567	-1,561,981

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 42 million, which means that a decrease in the level of interest rates by 1 per cent would entail an increase in the market value adjustment, and thereby a decrease in the result, by DKK 4.2 billion. In the same way, an increase in the level of interest rates by 1 per cent would improve the result by DKK 4.2 billion.

The change in the market value adjustment from 2016 to 2017 is due to the increase in the level of interest rates during that period.

Note 6 Construction of the Metro

All figures in DKK thousands	Metro in operation	Ongoing construction projects	Total
Acquisition sum			
Start of the year	212,911	21,654,264	21,867,175
Additions for the year	56,223	2,818,965	2,875,188
Transferred to the Metro in operation	-143,805	0	-143,805
End of the year	125,328	24,473,230	24,598,558
Write-downs and revaluation			
Start of the year	0	-11,284,949	-11,284,949
Write-downs for the year	0	-390,280	-390,280
End of the year	0	-11,675,229	-11,675,229
Net book value at the beginning of the year	212,911	10,369,315	10,582,226
Net book value at the end of the year	125,328	12,798,000	12,923,329
Recoverable value, 31.12.2017			17,476,569
Net book value of the Metro in operation, 31.12.2017, cf. Note 7			4,553,241
Acquisition sum, 31.12.2017			24,598,558
Write-downs, 01.01.2017			-11,284,949
Net book value of the construction of the Metro before write-downs			13,313,609
Write-downs for the year			-390,280

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 lower than the book value, so that a write-down has been made to the lower recoverable value. The write-downs for the year are 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 have been DKK 4.6 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 4.0-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	2,702,100	1,560,577	1,502,882	521,221	6,286,780
Additions for the year	115,636	3,365	4,170	20,635	-143,805
Disposals for the year	0	0	0	-20,635	-20,635
End of the year	2,817,736	1,563,942	1,507,052	521,221	6,409,950
Depreciation and write-downs					
Start of the year	-281,240	-335,878	-710,054	-379,623	-1,706,795
Depreciation for the year	-30,254	-34,611	-73,541	-32,144	-170,549
Disposals, depreciation for the year	0	0	0	20,635	20,635
Write-downs for the year	0	0	0	0	0
End of the year	-311,494	-370,489	-783,595	-391,132	-1,856,710
Net book value at the beginning of the year	2,420,860	1,224,699	792,828	141,598	4,579,985
Net book value at the end of the year	2,506,242	1,193,452	723,457	130,089	4,553,241

Note 8 Buildings, operating equipment and fixtures and fittings

All figures in DKK thousands	Operating equip- ment and fixtures and fittings	Temporary office buildings	Total
Acquisition sum			
Start of the year	2,200	112,742	114,942
Additions for the year	0	0	0
Disposals for the year	-150	0	-150
End of the year	2,050	112,742	114,792
Depreciation			
Start of the year	-1,956	-45,957	-47,914
Depreciation for the year	-121	-7,548	-7,670
Depreciation, disposals	150	0	150
End of the year	-1,928	-53,506	-55,434
Net book value at the beginning of the year	244	66,784	67,028
Net book value at the end of the year	122	59,236	59,358

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	0	67,465
Additions for the year	0	0	300	300
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	-45,206	0	0	-45,206
Reversal of write-down	1,090	0	0	1,090
End of the year	-44,116	0	0	-44,116
Net book value at the beginning of the year	21,930	328	0	22,258
Net book value at the end of the year	23,020	328	300	23,648

Name	Domicile	Interest	Capital
Rejseplan A/S	Copenhagen	3.2%	1,032,800
Rejsekort A/S	Gladsaxe	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	City of Frederiksberg	Other receivables	Total
Acquisition sum			
Start of the year	637,896	39,759	677,655
Additions for the year (loans)	0	0	0
Additions for the year (interest credit)	-1,813	432	-1,381
Disposals for the year (repayment of principal)	-636,083	-7,252	-643,335
End of the year	0	32,939	32,939
Depreciation and write-downs			
Start of the year	0	0	0
Depreciation for the year	0	0	0
Write-downs for the year	0	0	0
End of the year	0	0	0
Net book value at the beginning of the year	637,896	39,759	677,655
Net book value at the end of the year	0	32,939	32,939

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	2,227,363
Value adjustment for the year	-72,754
End of the year	2,154,609
Net book value at the beginning of the year	2,227,363
Net book value at the end of the year	2,154,609

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 2017, 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 sites are valued at DKK 0.

Note 13 Accounts receivable, current assets

In order to ensure reasonable liquidity for the civil engineering contractor CMT during the construction period, Metroselskabet has established a liquidity scheme (liquidity bridge) for DKK 536 million.

Receivables also include VAT receivable at DKK 163 million and accrued interest at DKK 569 million.

Note 14 Owner contributions receivable, current assets

Receivable owner contributions as at 31 December 2017 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 an underground Metro station at Ny Ellebjerg. The receivable from the Danish State concerns the financing of an underground Metro station at Ny Ellebjerg.

Note 15 Securities and liquid resources

All figures in DKK thousands	2017	2016
Securities over 3 months	3,376,367	3,869,069
Total securities	3,376,367	3,869,069
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 2017, DKK 2.9 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	-14,285,000	-750,000	0	0	-15,035,000
Additions for the year	-3,300,000	-3,245,000	0	0	-6,545,000
Disposals for the year	3,245,000	750,000	0	0	3,995,000
End of the year	-14,340,000	-3,245,000	0	0	-17,585,000
Value adjustments					
Start of the year	-1,876,970	-29,164	-6,732,270	-1,100	-8,639,504
Value adjustment for the year	294,800	9,189	576,336	1,100	881,425
End of the year	-1,582,171	-19,975	-6,155,934	0	-7,758,080
Net book value at the beginning of the year	-16,161,970	-779,164	-6,732,270	-1,100	-23,674,504
Net book value at the end of the year	-15,922,171	-3,264,975	-6,155,934	0	-25,343,080

In 2017, the company raised loans for DKK 3.3 billion (nominal value DKK 2.6 billion). The value of the company's financial instruments is recognised in the total value of the debt as at 31 December 2017. 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 "Guidelines for Financial Transactions" in the agreement between Danmarks Nationalbank, the Ministry of Finance, the Ministry of Transport, Building and Housing, and Metroselskabet.

Of the company's long-term debt, DKK 9.6 billion (DKK 8.5 billion in nominal terms) falls due after five years.

Note 17 Prepaid owner contributions

Prepaid owner contributions at 31 December 2017 concern the 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 price), and the payment from the City of Copenhagen at DKK 158 million (DKK 150 million in 2013 prices) concerning the agreement established in 2016 concerning the financing of an underground Metro station at Ny Ellebjerg. The amounts will be transferred to participating interests in connection with the signing of the contract for the Sydhavn Metro.

Note 18 Other debt

All figures in DKK thousands	2017	2016
Outstanding ATP payments, etc.	283	259
Outstanding holiday pay	30,215	29,398
Accrued interest	292,922	246,036
Total other debt	323,420	275,693

Note 19 Segment reporting

All figures in DKK thousands	Advisory services in 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	125,328	12,798,000	12,923,329
Metro in operation	0	0	4,553,241	0	4,553,241

Note 19 Segment reporting – continued

All figures in DKK thousands	Advisory services in 2016	Administration tasks in 2016	Metro in operation in 2016	Ongoing construction projects	Total in 2016
Income	0	19,881	1,257,678	195,841	1,473,400
Expenses	-10	-19,881	-966,387	-195,841	-1,182,120
Result before depreciation and write-downs	-10	0	291,290	0	291,280
Depreciation and write-downs	0	0	-175,298	-533,200	-708,498
Result before financial items	-10	0	115,992	-533,200	-417,218
Fixed assets					
Construction of the Metro	0	0	212,911	10,369,315	10,582,226
Metro in operation	0	0	4,579,985	0	4,579,985

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 26 (a loss of TDKK 10 in 2016). The accumulated result of Metroselskabet's advisory services was a profit of TDKK 341 at the end of 2017.

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	2017	2016
Carried forward to the following year	84,567	-2,316,412

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 2017 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 2,283 million.

For the purpose of operation of the Metro until December 2018, a contract has furthermore been concluded for a total residual value of DKK 345 million. In addition to contractual payments, incentive payments will be possible.

Concerning the operation of Cityring and the branch to Nordhavn, a contract has been established for a total value of DKK 2,029 million during a five-year period as from the commencement of the operation of Cityring and Nordhavn.

Contingent liabilities

Metroselskabet's main contractor for Cityring has raised a number of claims totalling approximately EUR 588 million (approximately DKK 4.4 billion). Of this amount, approximately EUR 437 million (approximately DKK 3.3 billion) concerns claims for which there is a maximum amount of EUR 238.5 million (DKK 1.8 billion). The remaining EUR 151 million (DKK 1.1 billion) concerns claims for which there is a maximum amount of EUR 32.5 million (DKK 243 million). A number of the claims raised have been submitted to the arbitral tribunal. From a legal aspect, the 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, there are several smaller outstanding claims from the company's contractors. The claims are discussed and clarified with the contractors on an ongoing basis. The size of these claims is subject to uncertainty.

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

Note 23 Auditing and consulting fees

All figures in DKK thousands	2017	2016
Office of the Auditor General	440	420
Deloitte	650	598
EY	651	591
Statutory audit in total	1,741	1,609
Deloitte	10	10
Other declarations in total	10	10
Deloitte, VAT and tax advisory services	189	342
Deloitte, other advisory services	651	2,383
EY, other advisory services	0	25
Total advisory fees	840	2,750

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 of Directors, Executive Management and Hovedstadens Letbane I/S.

Transactions with related parties take place on market terms.

In 2017, 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 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 the year 2017 is DKK 42 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 4.2 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 2017	Net book value 2017	Net book value 2016
Securities and fixed-term deposits	3,350,205	3,376,367	3,869,069
Accrued interest, securities and fixed-term deposits	0	-4	-4
Securities and fixed-term deposits in total	3,350,205	3,376,363	3,869,065
Loans	-17,585,000	-19,187,146	-16,941,134
Accrued interest, loans	0	-42,063	-44,059
Loans in total	-17,585,000	-19,229,209	-16,985,194
Derivative financial instruments, assets	0	2,154,609	2,227,363
Derivative financial instruments, liabilities		-6,155,934	-6,733,370
Accrued interest, derivative financial instruments	0	318,120	256,603
Financial instruments in total	0	-3,683,204	-4,249,404
Net liabilities in total	-14,234,795	-19,536,050	-17,365,532

Accrued interest is stated in the Balance Sheet under assets, receivables at DKK 569 million, and liabilities, other debt at DKK 293 million, respectively.

Currency risk

Currency distribution, as at 31 December 2017, net book value

All figures in DKK million	Securities and fixed-term deposits	Loans	Financial instruments	Net position
DKK <1 year	0	-3,266	3	-3,263
DKK >1 year	0	-15,963	-3,431	-19,394
EUR <1 year	2,359	0	0	2,359
EUR >1 year	1,017	0	-255	762
Total	3,376	-19,229	-3,683	-19,536

Note 25 Currency, interest and counterparty risk – continued

Interest rate risk

Interest rate fixing as at 31 December 2017, net book value

All figures in DKK million	DKK	EUR	Total
0 - 1 years	-3,263	2,359	-904
1 - 5 years	-6,032	1,017	-5,015
5-10 years	-7,582	0	-7,582
10 - 20 years	-1,290	-352	-1,642
>20 years	-4,489	96	-4,393
Total	-22,656	3,120	-19,536

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 2017

Total counterparty exposure (net book value, DKK million)	Securities and fixed-term deposits	Loans	Derivative financial instruments	Total
AAA	3,376	-19,229	0	-15,853
AA	0	0	-976	-976
AA	0	0	251	251
A	0	0	-1,923	-1,923
A	0	0	362	362
BBB	0	0	-1,397	-1,397
Total	3,376	-19,229	-3,683	-19,536

The counterparties to the agreements are subject to collateral agreements. As at 31.12.17, the counterparties have pledged security for DKK 613 million. Metroselskabet's security pledge as at 31.12.17 is stated in Note 15.

Note 26 Specification of loans and derivative financial instruments

As part of the 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 31.12.17
Duration <1 year					
Loans	-3,245	0	0	0	-3,266
Interest rate swap (fixed to variable)	400	0	-400	0	3
Interest rate and currency swap (fixed to variable)	0	0	0	0	0
Net exposure	-2,845	0	-400	0	-3,263
Duration 1-5 years					
Loans	-5,800	-	-	-	-6,370
Interest rate swap (fixed to variable)	850	-850	-	-	126
Interest rate swap (fixed to variable)	2,000	-	-2,000	-	214
Net exposure	-2,950	-850	-2,000	0	-6,029
Duration 6-10 years					
Loans	-7,500	-	-	-	-8,048
Interest rate swap (fixed to variable)	2,600	-2,600	-	-	236
Interest rate swap (fixed to variable)	4,900	-	-4,900	-	242
Net exposure	0	-2,600	-4,900	0	-7,570
Duration 21-30 years					
Loans	-1,040	-	-	-	-1,546
Interest rate swap (fixed to variable)	200	-200	-	-	134
Net exposure	-840	-200	0	0	-1,412

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 31.12.17
Duration 1-10 years						
Interest rate swap (real to fixed)	1,011	-1,011	0	0	0	-15
Net exposure	1,011	-1,011	0	0	0	-15
Duration 11-20 years						
Interest rate swap (variable to fixed)	-	-4,988	-	3,982	1,006	-1,630
Interest rate swap (real to fixed)	405	-405	-	-	-	-12
Interest rate swap (variable to real)	0	0	0	0	0	0
Net exposure	405	-5,393	0	3,982	1,006	-1,642
Duration 21-30 years						
Interest rate swap (variable to fixed)	-	-6,289	-	6,289	-	-2,672
Interest rate swap (real to fixed)	-1,491	1,491	-	-	-	399
Net exposure	-1,491	-4,798	0	6,289	0	-2,274
Duration 31-40 years						
Interest rate swap (variable to fixed)	-	-5,020	-	5,020	-	-1,272
Interest rate swap (variable to fixed)	-	-1,043	-	-	1,043	96
Interest rate swap (fixed to real)	-4,314	4,314	-	-	-	469
Net exposure	-4,314	-1,749	0	5,020	1,043	-707

Note 26 Specification of loans and derivative financial instruments – continued

All figures in DKK million	DKK	EUR (stated in DKK)	Net book value 31.12.17
Forward contacts	0	0	0
Loans in total			-19,229
Total financial agreements			-3,683

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	2017	2016
Investment in the construction of the Metro, cf. Notes 6 and 7	2,875,188	4,653,803
Purchase/sale of properties	-22,820	0
Value of own work	-203,787	-195,841
Total investment in the construction of the Metro	2,648,581	4,457,962

Management Endorsement

The Board of Directors and the Executive Management have today examined and approved the Annual Report for 2017 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, 23 February 2018

Executive Management

Henrik Plougmann Olsen

Board of Directors

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

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 2017, 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 2017 and of the results of its operations and its cash flows for the financial year 1 January to 31 December 2017 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 Arealudviklingselskabet 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 Arealudviklingsselskabet 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, 23 February 2018

Danish Auditor General

Business Registration no 77806113

Deloitte

Statsautoriseret

Revisionspartnerselskab

Business Registration no 33963556

Ernst & Young

Godkendt

revisionspartnerselskab

Business Registration no 30700228

Lone Lærke Strøm
Auditor General

Erik Lyng Skovgaard Jensen
State-Authorised Public Accountant
Identification no: mne10089

Torben Kristensen
State-Authorised Public Accountant
Identification no: mne10003

Malene Sau Lan Leung
Head of Department

Bryndís Símonardóttir
State-Authorised Public Accountant
Identification no: mne40064

Michael N. C. Nielsen
State-Authorised Public Accountant
Identification no: mne26738

Appendix to the Directors' Report

The following 2018 long-term budget was adopted in December 2017. In relation to the 2017 long-term budget from December 2016, recognition has been made of the company's updating of the passenger forecast for the overall Metro, which shows a significant increase in the number of passengers up to 2035, and related reserves for capacity expansion as a consequence of the growth in passenger numbers.

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 2018 is 64 million, increasing to 92 million passengers in 2019, and 170 million in 2024. The number of passengers in 2035 is expected to be 192 million. After 2035, the passenger numbers have 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 2018 prices, based on the realised development in fares during the period, and furthermore adjusted in accordance with the actual passenger breakdown in 2016. In 2018, the fare per passenger is budgeted at DKK 13.36. 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, the basis is the transport system contract. For Nordhavn, the basis is the investigation, and for Sydhavn the basis is the agreement in principle.

As the assumed real increase in fares is from experience assessed to have a partial impact on the 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 2017-2023 period, operational mobilisation is budgeted as a total of DKK 731 million in 2018 prices. In 2019, the budgeted expenses for the Trial Run of the Cityring total DKK 147 million in 2018 prices.

5. The construction costs 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 24.8 billion in 2018 prices). The conversion of the remaining budget from 2010 prices to the current price level is based on the contract index and the construction index of the Ministry of Finance. The costs in the individual years are based on the current payment plans.

6. The construction costs for the branch to Nordhavn are determined on the basis of the agreement in principle. The total construction costs are estimated at DKK 2.9 billion in 2012 prices, including adjustment reserves (DKK 3.2 billion in 2018 prices). The conversion of the remaining budget from 2012 prices to the current price level is based on the construction index of the Ministry of Finance.

7. The construction costs for the Sydhavn Metro are determined on the basis of the agreement in principle. The total construction costs are assessed at DKK 8.6 billion including adjustment reserves in

2014 prices (DKK 9.3 billion in 2018 prices). The use of the adjustment reserves is conditional on a payment from By & Havn, which in accordance with the agreement has reserved an amount equivalent thereto in its own budgets.

8. Reinvestments in connection Cityring are based on the assumptions in the agreement in principle and for every 10th year amount to DKK 278 million, for every 25th year to DKK 1,249 million, and after an additional 50 years to DKK 555 million in 2018 prices. The conversion from 2010 prices to the current price level is based on an average inflation expectation of 2 per cent p.a.

9. Reinvestments in connection with Nordhavn are based on the assumptions in the report and for every 10th year amount to DKK 37 million, for every 25th year to DKK 165 million, and after an additional 50 years to DKK 74 million in 2018 prices. The conversion from 2012 prices to the current price level is based on an average inflation expectation of 2 per cent p.a.

10. Reinvestments in connection with the Sydhavn Metro are based on the assumptions in the agreement in principle and for every 10th year amount to DKK 81 million, for every 25th year to DKK 362 million, and after an additional 50 years to DKK 161 million in 2018 prices.

11. Reinvestments in connection with the Metro in operation of DKK 323 million every 10th year in 2018 prices are assumed. In accordance with the partnership agreement, reinvestment in trains, tunnels and stations has not been included.

**Other factors**

12. 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.

13. 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 back to approximately DKK 100 million.

14. 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 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.

15. It is assumed that as from 2017 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.

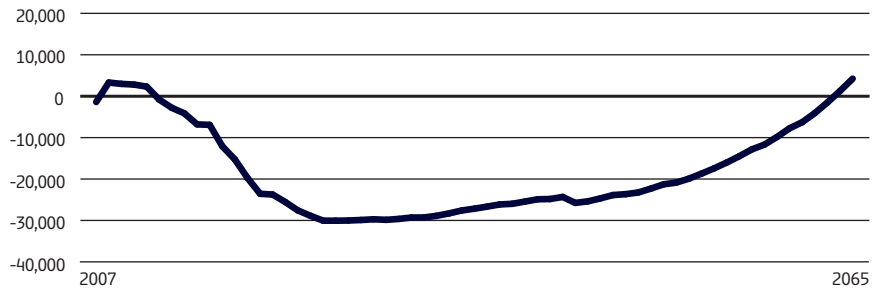
Debt in addition to the interest rate hedging accrues interest at a real interest rate of 3.5 per cent, equivalent to a nominal interest rate of 5.5 per cent.

Cityring construction costs (2010 price level) 23,110

Nordhavn construction costs (2012 price level) 2,900

Sydhavn construction costs (2014 price level) 8,627

DKK million



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	142	300	-130	-2,785		-570
	2018	-805	300	-387	-2,803		-546
	2019		300	-391	-2,973		-503
	2020	1,461	200	-386	-1,071		-178
	2021		-200	-356	-957		-180
	2022		-200	-713	-812		-153
	2023		-100	-371	-572		-81
	2024			-322	-625		-118
	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, beginning of the year	Net debt, end of the year
Income	Expenses	Liquidity effect	Interest	Movement			
							-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
821	-601	-2,822	-381	-3,203		-12,082	-15,285
876	-639	-4,003	-450	-4,453		-15,285	-19,738
1,285	-872	-3,155	-670	-3,825		-19,738	-23,563
1,827	-1,280	574	-765	-191		-23,563	-23,753
2,076	-1,349	-966	-841	-1,807		-23,753	-25,560
2,306	-1,382	-954	-1,079	-2,033		-25,560	-27,593
2,550	-1,552	-126	-1,168	-1,294		-27,593	-28,887
2,717	-1,616	37	-1,202	-1,165		-28,887	-30,052
2,808	-1,587	1,221	-1,234	-13		-30,052	-30,065
2,898	-1,612	1,286	-1,242	44		-30,065	-30,021
2,989	-1,626	1,363	-1,238	126		-30,021	-29,895
3,083	-1,669	1,413	-1,239	174		-29,895	-29,721
3,181	-1,714	1,122	-1,257	-136		-29,721	-29,857
3,284	-1,761	1,476	-1,255	221		-29,857	-29,636
3,389	-1,808	1,581	-1,240	341		-29,636	-29,296
3,498	-1,857	1,214	-1,206	8		-29,296	-29,288
3,610	-1,907	1,594	-1,195	398		-29,288	-28,890
3,725	-1,959	1,766	-1,169	597		-28,890	-28,293
3,843	-2,012	1,832	-1,134	697		-28,293	-27,596
3,527	-1,963	1,565	-1,129	435		-27,596	-27,160
3,602	-2,003	1,599	-1,105	494		-27,160	-26,666
3,677	-2,044	1,634	-1,109	524		-26,666	-26,142
3,755	-2,085	1,249	-1,091	158		-26,142	-25,984
3,834	-2,128	1,649	-1,121	528		-25,984	-25,456
3,911	-2,170	1,740	-1,179	561		-25,456	-24,894
3,989	-2,214	1,255	-1,190	65		-24,894	-24,829
4,069	-2,258	1,679	-1,175	504		-24,829	-24,325
4,151	-2,303	-242	-1,199	-1,442		-24,325	-25,767
4,234	-2,349	1,602	-1,229	373		-25,767	-25,393
4,319	-2,396	1,922	-1,200	723		-25,393	-24,671
4,405	-2,444	1,961	-1,159	802		-24,671	-23,869
4,493	-2,493	1,343	-1,131	212		-23,869	-23,657
4,583	-2,543	1,527	-1,115	412		-23,657	-23,244
4,675	-2,594	2,011	-1,079	932		-23,244	-22,312
4,768	-2,646	2,122	-1,096	1,026		-22,312	-21,286
4,863	-2,699	1,531	-1,118	412		-21,286	-20,873
4,961	-2,753	2,047	-1,101	946		-20,873	-19,927
5,060	-2,808	2,252	-1,043	1,209		-19,927	-18,719
5,161	-2,864	2,297	-1,015	1,282		-18,719	-17,437
5,264	-2,921	2,343	-943	1,400		-17,437	-16,037
5,370	-2,980	2,390	-865	1,525		-16,037	-14,512
5,477	-3,039	2,438	-780	1,658		-14,512	-12,854
5,587	-3,100	1,862	-704	1,157		-12,854	-11,697
5,698	-3,162	2,452	-598	1,854		-11,697	-9,843
5,812	-3,225	2,587	-492	2,095		-9,843	-7,749
5,929	-3,290	1,866	-397	1,469		-7,749	-6,279
6,047	-3,356	2,495	-299	2,197		-6,279	-4,083
6,168	-3,423	2,745	-171	2,574		-4,083	-1,509
6,291	-3,491	2,800	-28	2,772		-1,509	1,264
6,417	-3,561	2,856	107	2,963		1,264	4,227

Metroselskabet I/S
Metrovej 5
DK-2300 Copenhagen S
CVR no. 30823699

T +45 3311 1700
E m@m.dk

Read more about the Metro at m.dk

Photos:
Morten Bjerregaard, Ditte Valente,
Søren Hytting, Metroselskabet

Layout, e-Types
Printing, GraphicUnit ApS
ISBN: 978-87-92378-19-4



AM



Read more about the Metro at m.dk