

# Annual report 2008











# Directors' report

## Financial highlights

The development of the corporation can be defined by the following financial highlights (DKK million)

There is no comparison with figures for previous financial years than 2007, as 2007 was the corporation's first financial year.

<i>DKK million</i>	<i>Opening balance</i>	<i>Accounts 2007</i>	<i>Accounts 2008</i>
Net turnover for the year	-	480	670
Result before financial items	-	-204	-518
Financial items	-	53	242
Result for the year	-	-151	-277
Balance sheet total	12,797	10,323	9,950
Investment in the Metro for the year	-	235	442
Equity	10,251	10,100	9,830
Equity ratio	80%	98%	99%

## Resumé and outline of 2008

2008 was another good year for the Metro. In April 2008 the Metro was recognised as the best in the world by industry experts from all over the world.

The Metro increased its passenger figures significantly in 2008 and set another passenger record.

The passenger figures in 2008 totalled approx. 47 million, corresponding to growth of 17 per cent compared to 2007. As an average for the entire 2008, the operational stability of the Metro was 98.6 per cent, an improvement of 0.2 percentage points compared to 2007.

The work on Cityringen reached an important milestone in 2008 with the delivery of the feasibility study to the stakeholders of the corporation. The feasibility study provides a concrete foundation for the future work, including the tender of large construction projects.

The result for the year before depreciation and financial items shows a profit of DKK 57 million. This is an improvement compared to the accounts for 2007 of DKK 31 million.

Write-downs and depreciation in 2008 amounted to DKK 575 million, and the financial items constituted overall earnings of DKK 242 million.

The overall accounting result for the year subsequently amounts to a deficit of DKK 277 million.

Investments totalling DKK 390 million were made in Cityringen in 2008.

In connection with the founding of the corporation, the City of Copenhagen and the City of Frederiksberg invested a total of DKK 4.8 billion in cash. The corporation has a balance of DKK 2.0 billion.

# Metroselskabet, organisation and tasks

Metroselskabet was founded on 26 October 2007 under the provisions of Act no. 551 of 6 June 2007 regarding Metroselskabet and Arealudviklingsselskabet. In accounting terms, this founding took effect from 1 January 2007.

Metroselskabet has immediately taken over the metro activities of the Ørestad Development Corporation and Frederiksbergbaneselskabet.

The purpose of Metroselskabet is to:

- handle planning and construction of Cityringen
- be responsible for operation and maintenance of the whole Metro

Metroselskabet, which is owned by the City of Copenhagen (50%), the Danish Government (41.7%) and the City of Frederiksberg (8.3%), is a partnership. This means that the stakeholders involved are jointly and severally liable for the corporation's liabilities. It also means that loans raised by the corporation are based on de facto security from both the Danish Government and the two municipalities. According to the act, the corporation must be run on a commercial basis.

Operation of the Metro has been contracted out to Ansaldo, with Metro Service A/S as subcontractor. Metroselskabet's finance function is handled by Sund og Bælt Partner A/S.

Metroselskabet has established a developer organisation for Cityringen. The project organisation handles all project management and planning management, including coordination of the tasks delegated to advisors.

Metroselskabet is managed by a board of directors made up of nine members. Three members have been appointed by the City of Copenhagen. Three members have been appointed by the Danish Government. One member has been appointed by the City of Frederiksberg. And finally, the employees have selected two representatives.

At the end of the financial year, Metroselskabet had 71 employees.

Metroselskabet moved to new premises on Metrovej 5 in May 2008. In addition to the corporation's own employees, the building is occupied by the advisors of the corporation. The building is located at the Metro's Control and Maintenance Centre (CMC). This choice of location, close to the corporation's service operators Ansaldo/Metro Service, ensures an ideal framework for the partnership between Metroselskabet and its service operators.

Metroselskabet, with a shareholding of 8 per cent, is a co-owner of Rejsekort A/S, whose task it is to provide a nationwide electronic ticket system.

## Good management

Metroselskabet's board of directors and day-to-day management team are continuously inspired by existing recommendations on good management, such as those expressed in the publication "Staten som aktionær" (The State as shareholder) (published by the Ministry of Finance, etc.) and the policy on active ownership adopted by the City Council of Copenhagen. In addition to the annual report, the corporation also publishes quarterly reports, which provide regular up-to-date status information on activities and financial position.

Metroselskabet emphasises the importance of openness. Information on the Metro's operational stability and the number of passengers, for example, is publicly available. The corporation is covered by the Access to Public Administration Files Act. This means, among other things, that the public may apply for access to the corporation's documents. In addition, Metroselskabet is comparable with government-owned public limited companies in connection with publishing quarterly and annual reports through the Danish Commerce and Companies Agency.

# Revenue

## Operating profit for the year

Metroselskabet's result for 2008 before depreciation and financial items shows a profit of DKK 57 million.

The corporation's total write-downs and depreciation amounted to DKK 575 million. The result before financial items subsequently amounts to a deficit of DKK 518 million. The deficit is divided between DKK 129 million on operation of the Metro and DKK 390 million on Cityringen.

The financial items include interest revenues of DKK 230 million and interest expenses of DKK 2 million. In addition, there is a market value adjustment that entails accounting income of DKK 14 mio. The total financial items amount to an income of DKK 242 million.

The corporation's overall accounting result after financial items amounts to a deficit of DKK 277 million.

No events of significance to the annual report for 2008 have occurred after the closing of accounts.

## Equity development for the year

At the start of the year, Metroselskabet had an equity of DKK 10.1 billion. The corporation's total accounting deficit of DKK 277 million has been deducted from the equity. At the establishment of the corporation, DKK 10 million was allocated to establishment costs. The costs have now been settled at DKK 3 million, which means that DKK 7 million has been reversed to the equity. The equity was DKK 9.8 billion at the end of 2008.

One consequence of the accounting policies applied at Metroselskabet is that the decrease in equity may be expected to continue in the coming years, reaching its peak in connection with signing of the major construction contracts (expected in 2010). A major accounting provision will be made in connection with this. This provision will significantly affect the operating result for the year in question, and the paid-up equity may essentially be counted on as being disposed of at that time.

## Arbitrations

The large construction contractor from stage 1 and 2A of the Metro, COMET, has lodged a claim for additional payment of around DKK 2 billion. The claim relates to the years 1999 onward and therefore covers a period when the construction work proceeded without any major problems. The former Ørestad Development Corporation reviewed the claims and informed COMET that these claims would essentially be rejected on the existing basis. COMET has subsequently lodged a claim for arbitration. Metroselskabet has taken over the claims raised against the Ørestad Development Corporation. According to the applicable timetable established by the Arbitration body, a ruling on the case is expected in 2011.

In the summer of 2008 the transport provider Movia has opened an arbitration case against the other traffic operators, including Metroselskabet, regarding the distribution of passenger revenue in the period 2005-07. The claim against Metroselskabet totals DKK 25.8 million. It is the belief of Metroselskabet that these claims must essentially be rejected.

# Financing

## Liquidity position

In connection with the founding of the corporation, the City of Copenhagen and the City of Frederiksberg invested money in the corporation. At the end of 2008, Metroselskabet had an overall balance of DKK 2.0 billion. Metroselskabet has made fixed-term deposits at banks and purchased bonds. The liquidity investments have been made in Danish kroner.

## Borrowing

As joint stakeholders in Metroselskabet, the Danish Government, the City of Copenhagen and the City of Frederiksberg are, unconditionally and jointly and severally, liable for all the corporation's liabilities, including loans raised by the corporation. Owing to the Danish Government's joint and several liability, the corporation has been indirectly credit-rated in the same way as the Government, i.e. Aaa by Moodys and AAA by Standard & Poors. Consequently, the corporation is generally able to obtain capital market terms comparable to those available to the Government. In addition, the corporation is able to raise so-called re-lending loans with the Danish Central Bank. A re-lending loan means a loan raised directly from the Central Bank by the corporation on behalf of the Danish Government, based on a specific government bond and on the same conditions as those that apply when the bond is sold on the market.

## Repayment date/long-term budget

The corporation's long-term budget served as a basis for the opening balance for the establishment of the corporation. The description of the corporation's financial position is based on a number of assumptions that are subject to the uncertainty that will always be involved in assessment of future circumstances.

The budget is based, among other things, on assumptions regarding trends in the number of passengers on the Metro and in interest rates.

Under the specified conditions, the net debt is expected to reach its maximum in 2024, at which time it will amount to DKK 15 billion (in current prices), and to be amortised in 2057, i.e. 39 years after completion of the whole Metro. Construction of Cityringen is expected to be completed in 2018.

## Currency risks

The corporation's borrowing is regulated by a three-party agreement between the Danish Central Bank, the Ministry of Transport and the corporation. The agreement contains guidelines for the types of financial instruments and loans that the corporation may include in its loan portfolio. According to these guidelines, the corporation's loan portfolio may only be exposed in DKK and EUR.

### Interest rate risks

Metroselskabet's interest rate risks are actively managed by investing money at both variable and fixed interest rates. Duration – the average fixed-interest period – of the corporation's deposits at the end of 2008 was 0,4 years.

As a result of Metroselskabet only having invested money in bonds (short-term interest-sensitive securities), the result for the year is slightly affected by fluctuations in the so-called market value adjustment, which is determined overall by trends in the general interest rate level. If the interest rate falls, for example, the market value of a fixed-interest bond rises and vice versa.

### Counterparty risks

The corporation's placement of liquidity utilises only the most credit-worthy Danish and foreign institutions, so that the risk to the counterparty is limited as far as possible.

This risk is managed and monitored continuously through a special line and limit system, which establishes the principles for specification of these risks, as well as a maximum for the extent of risks to be accepted for an individual counterparty. The latter is measured in relation to the counterparty's ratings from the international ratings agencies.

The corporation also seeks to reduce risks by using appropriate agreement documentation. In this connection, special agreements on provision of security – so-called CSA agreements – are entered into with counterparties.

<b>Financing result</b>		
<i>DKK million</i>	<i>2008</i>	<i>2007</i>
Long-term debt	0	0
Bank loans	0	-17
Deposits	1,965	2,249
Financial income	242	53

# Metro Operation

## Result for the year

The corporation's result for operation of the Metro (before depreciation) in 2008 constitutes a profit of DKK 76 million. This is an improvement of DKK 13 million compared to 2007.

The corporation's income from the Metro in 2008 constituted DKK 493 million from the joint fare system, and DKK 122 million for leasing out the Metro, etc. Expenditure covering running costs for the Metro, contract management, etc. this year came to DKK 538 million.

Depreciation on the Metro has been undertaken in accordance with the corporation's accounting policies. The overall result for the year is thus burdened with a loss of DKK 183 million.

The fare payment is based on an average passenger revenue per passenger of DKK 10.77 in 2008, calculated on the basis of the Ministry of Transport's order regarding division of ticket revenue in the metropolitan area.

## Passenger figures

In 2008, the Metro had approx. 47 million passengers. This represents growth of around 17 per cent compared to 2007.

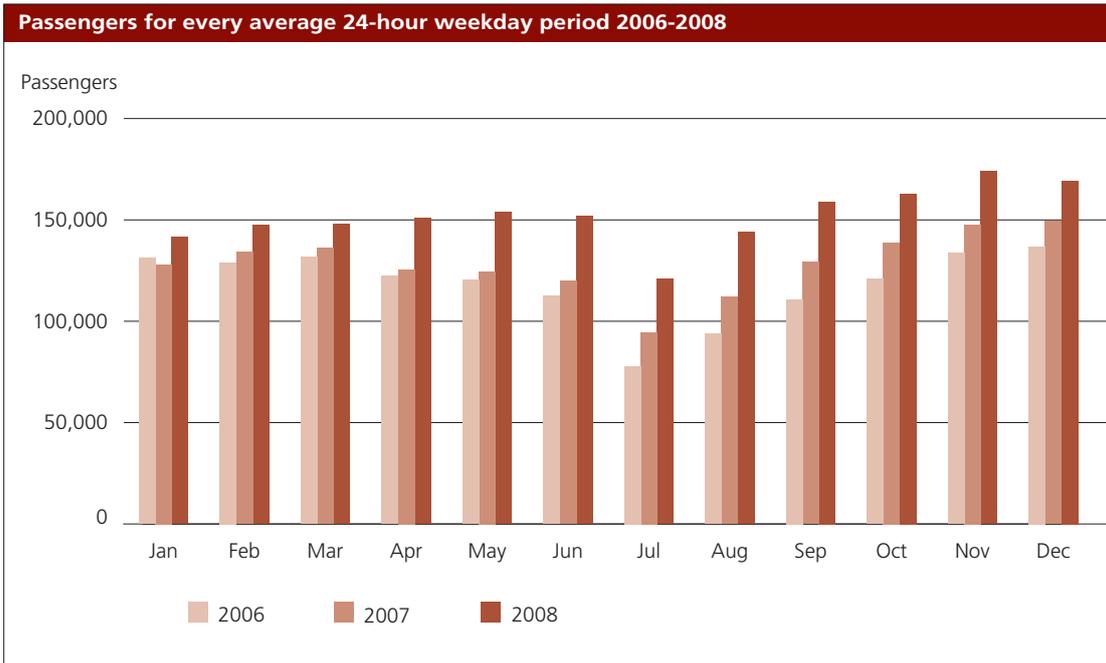
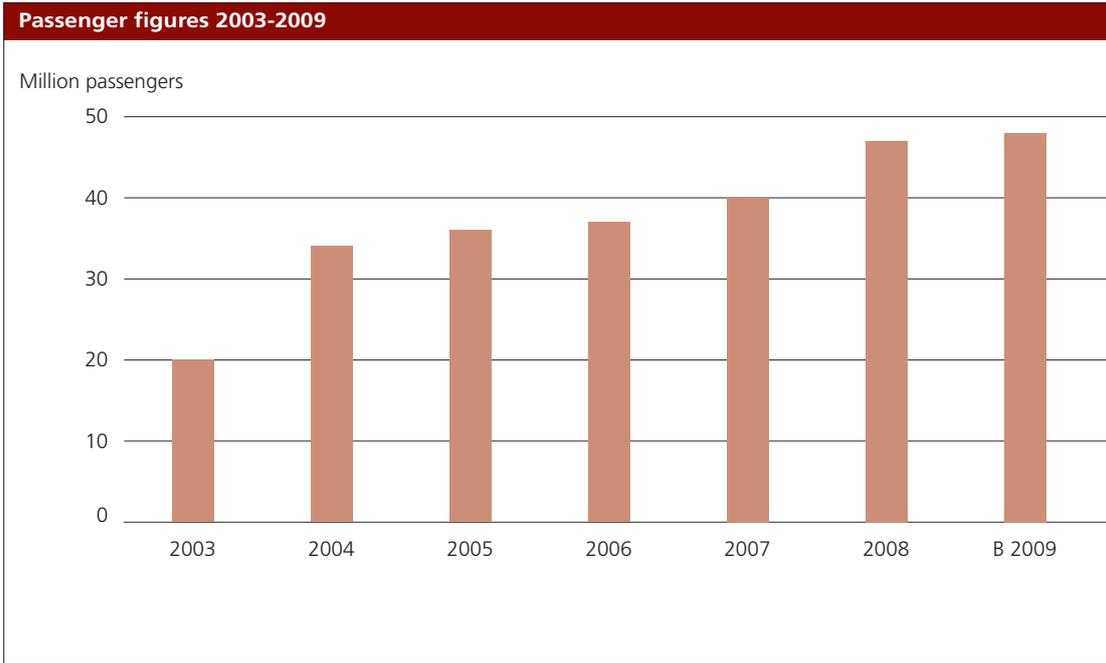
The average number of passengers per 24-hour weekday period in December 2008 was approximately 169 000. For 2008 as a whole, the Metro averaged approximately 152,000 passengers for every 24-hour weekday period.

The passenger figures in 2008 have been higher than originally budgeted. The third stage of the Metro opened in September 2007. This makes 2008 the first full year in which the original Metro is fully constructed. The large increase in passenger figures compared to the budget is primarily due to faster adjustments of the passenger figures on the third stage than expected.

Metroselskabet's target for 2009 is 48 million passengers on the Metro.

Operating result of the Metro		
DKK million	2008	2007
Fare payments	493	372
Leasing out the Metro	114	85
Other income	8	8
<b>Total income</b>	<b>614</b>	<b>465</b>
Payment for operations	-497	-372
Contract management, etc.	-22	-23
Other expenses	-19	-7
<b>Total expenses</b>	<b>-538</b>	<b>-403</b>
<b>Result before depreciation</b>	<b>76</b>	<b>63</b>
Depreciation	-183	-164
<b>Total result</b>	<b>-107</b>	<b>-101</b>
Net profit ratio <sup>1)</sup>	12%	14%

1) Net profit ratio =  $\frac{\text{Profit before depreciation} \times 100}{\text{Total income}}$



**Operations contract**

Pursuant to the act regarding Metroselskabet and Arealudviklingsselskabet, operation of the Metro is contracted out. The contract for operation of the Metro has been signed with Ansaldo, which supplied the Metro system. This includes trains, tracks, safety and control systems, etc. The operations contract runs until October 2010. Ansaldo has subcontracted Metro Service A/S to be in charge of operation and maintenance of the Metro.

The operations contract with Ansaldo consists of a fixed basic payment, dependent on the planned scope of traffic, and a variable payment that encompasses various bonus and penalty stipulations linked to operational reliability, passenger figures, passenger satisfaction, passenger complaints, cleaning, inadequate maintenance, etc.

**New tender of operations contract**

The current contract with Ansaldo expires on 18 October 2010. Therefore Metroselskabet has started preparing a new tender of the operation and maintenance task. The work in 2008 has been particularly focused on the requirement specifications, including consideration of lessons learned from the existing contract. In 2009, pre-qualification, tender, tender evaluation and negotiations with tenderers will commence. It is expected that a new contract will be signed in late 2009 or early 2010.

**Operational stability**

2008 as a whole has seen a generally high level of operational stability, resulting in operational stability of 98.6%, an improvement of 0.2 percentage points compared to the previous year, and above the corporation's target of 98 per cent.

**Customer satisfaction**

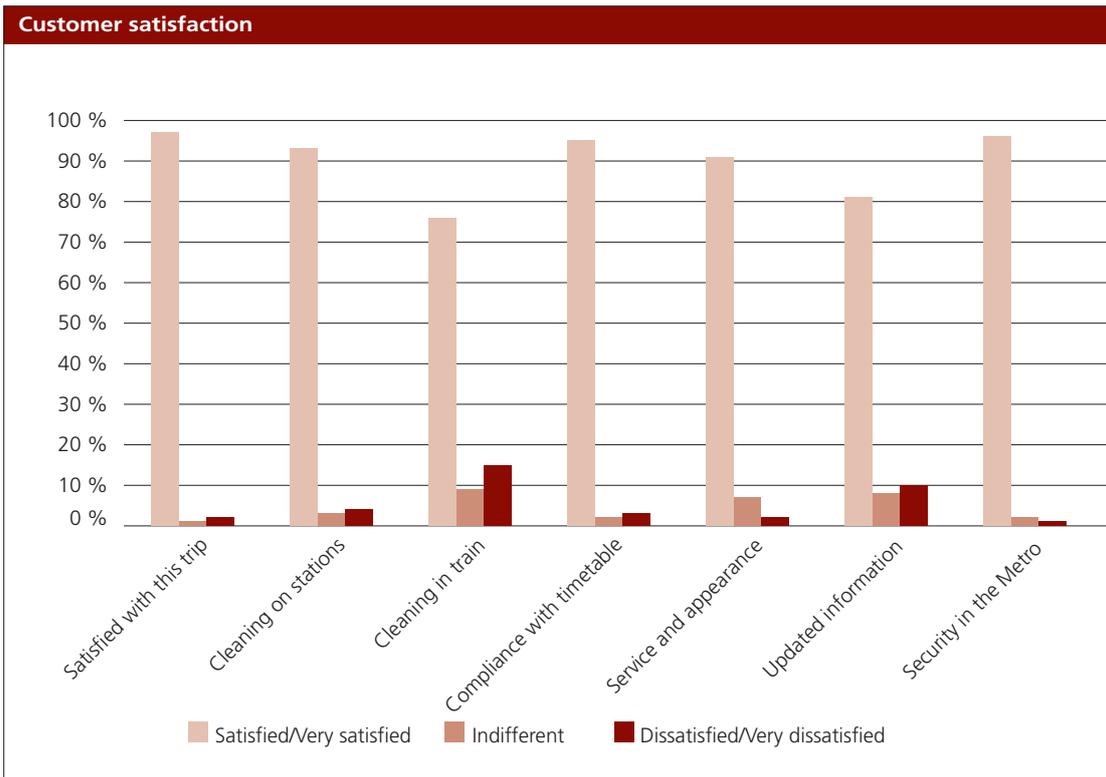
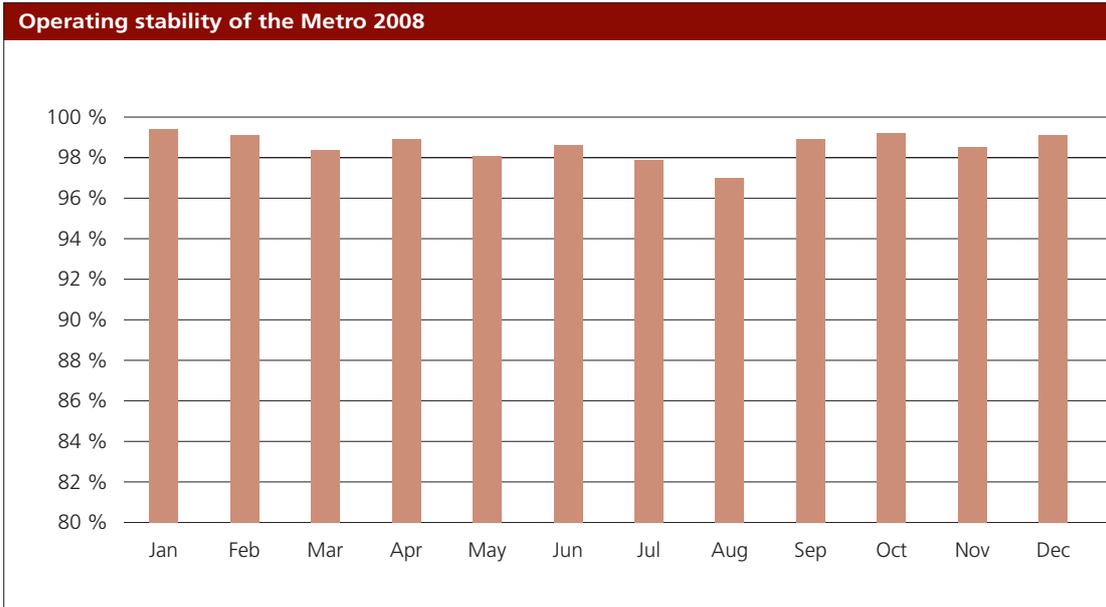
Analysis company Megafon undertakes regular customer satisfaction surveys on the Metro. The overall result for 2008 is shown on the chart on the next page.

**Safety**

The target for safety is for the Metro to be at least as safe as the safest new Metros in the world. The Metro's safety aspects are therefore a focus point for both the operator and its employees and Metroselskabet. There were no incidents in 2008 that resulted in personal injury.

**Electronic ticket system**

Metroselskabet, with a shareholding of 8 per cent, is a shareholder in Rejsekort A/S, which is to provide a nationwide electronic ticket system. In addition to Metroselskabet, Rejsekort A/S is owned by a number of transport companies in Denmark, including DSB and Movia. The project has been delayed.



# Cityringen

## Investment for the year

Investments totalling DKK 390 million were made in Cityringen in 2008.

## Legal framework

On 1 June 2007, the Danish Parliament passed an "act regarding Cityringen". The act is based on the "Report on Cityringen" from May 2005.

The design of Cityringen is principally based on the design of the existing metro with the stipulation that Cityringen be constructed as 'more of the same kind'. This does not mean that it must be built by the same contractors, but that the types of construction will largely be the same as in the existing metro. For instance, the station concept is basically the same as in the existing Metro in which the stations are laid out as Cut&Cover directly from the surface.

Cityringen – unlike the existing metro – will exclusively run in tunnels. There will be connections to the existing Metro at 2 of the 17 stations (Kongens Nytorv and Frederiksberg). There will also be connections to S-trains and, sporadically, regional trains and long-distance trains at 3 stations (Hovedbanen, Østerport and Nørrebro). The tunnel will be 15 km long and it will take 24 minutes to travel all the way around.

Cityringen will represent a large leap forward in Copenhagen's public transport where 85 per cent of the traffic destinations in the inner city will be accessible by train or Metro.

According to the bill, Cityringen is estimated at a cost of approx. DKK 15 billion in 2005 prices. There is an 80 per cent possibility that the price quote will be within a range of +/- DKK 3.4 billion. Cityringen is expected to open to passengers in 2018.

## Feasibility study

Metroselskabet has presented a so-called optimised feasibility study to the stakeholders. This is the first construction study that is based on concrete conditions at the individual locations. The optimisation process has resulted in a number of significant improvements on the project compared to the report used for the passage of Cityringen act. The improvements will be substantial for the neighbours of the construction sites as well as for future passengers. For instance, 16 of the 20 previous emergency tunnels will be eliminated. This means that many citizens and businesses will not be exposed to inconvenience pertaining to construction and will be exposed to less traffic. Three stations will be closer to the ground level. This will ensure better access conditions and a shorter total travel

Investment budget of Cityringen, 2008			
<i>DKK million</i> <sup>1)</sup>	<i>Investments in 2008</i>	<i>Investments as of 31-12-2008</i>	<i>Total budget</i>
Cityringen	390	456	15,417

1) Investments as of 31-12-2008 have been calculated in current prices. The budget follows the price level of 2005.



*Photo montage of the future station at Landsarkivet.*

time from these stations. Additionally, the construction work on these stations will be lighter.

#### **EIA process**

In the spring of 2008 the City of Copenhagen and the City of Frederiksberg presented an Environmental Impact Assessment for Cityringen. The assessment formed the basis of a public hearing among the citizens of Copenhagen and Frederiksberg. During the hearing, more than 200 citizens voiced concerns and submitted comments to the local authorities. The comments have been collected in a whitepaper which has formed the foundation for the approval by the City of Copenhagen and the City of Frederiksberg in January 2009 of the urban development addendum and EIA statement for Cityringen. In March 2009 the Transport Minister approved the final project.

#### **Environmental report**

In the fall of 2008 Metroselskabet commenced efforts for the preparation of an environmental report. The corporation expects to present the environmental report in early summer 2009. The environmental report will deal with the construction of Cityringen, operation of the existing Metro and administration of the corporation.

A key issue of the environmental report will be how to handle the massive challenges posed by a construction as large as Cityringen in the densely populated parts of Copenhagen. There will be focus on how construction can be managed with the least possible inconvenience to the citizens. Furthermore, there will be focus on limiting the already low CO<sub>2</sub> emission.

# Annual Accounts

# Accounting policies

## Basis of accounting

The annual report for Metroselskabet has been prepared in accordance with the stipulations of the Danish Financial Statements Act for class D enterprises and applicable Danish accounting standards. The format of the profit and loss account has been adapted in order to better show how the results have been generated.

The accounting period is 1 January - 31 December 2008. The annual report shows DKK (thousands). The applied accounting policies 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 asset's 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 for each item in the following.

When implementing recognition and measurements, predictable losses and risks arising prior to presentation of the annual report, and that 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 with the amounts relating to the financial year.

Value adjustment for financial assets and liabilities measured at market 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 at 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 rates.

### Derivative financial instruments

Derivatives are measured at cost when first recorded in the balance sheet, and subsequently at market value. Derivatives are recorded under accounts receivable and liabilities respectively. Any changes in the market value of derivatives are currently recorded as financial items in the profit and loss account.

## Profit and loss account

### Income

The Metro's fare revenue, which includes payments from the joint fare system in the metropolitan area, is recorded as the service is supplied, 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.

Value of own work includes the staff costs and other costs for the year, which may be attributed to construction of Cityringen 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 office space rent and minor revenue from leases, etc.

#### **Metro operating expenses**

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

#### **Staff costs**

Staff costs include fees, wages and salaries and other remuneration costs for the Board of Directors, management, administrative and technical staff.

#### **Other external costs**

Other expenses include costs for administration, including office supplies, etc.

#### **Financial items**

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

#### **Corporation tax**

The partnership is not liable to pay tax.

## Balance sheet

### **Tangible fixed assets**

#### **Construction of the Metro**

Construction of the Metro is measured as costs incurred for preliminary studies, planning and construction as well as value of own work, until the date the asset is ready for use. The Metro is not depreciated during construction.

#### **Metro in operation**

The Metro put into service is measured at cost less depreciation and write-down undertaken. The cost price is equivalent to the current value as of 1 January 2007 (opening balance), plus subsequent investments. The current value has been calculated as the future cash flows (recoverable amount).

The basis for depreciation, which is calculated at cost, is divided linearly over 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 to zero, taking into account estimated service life. Depreciation methods and service life are reassessed annually and amended in the event of any significant change.

Substantial future investments are regarded as separate component parts and 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 depreciation and write-down undertaken. 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 divided linearly over the assets' expected service life, as follows:

Computers	3 years
Fixtures and fittings and operating equipment in general	5 years
Temporary office building	10 years

Assets with an acquisition sum of less than DKK 100,000 are recorded as costs in the profit and loss account in the year of acquisition.

Gains and losses from sales of tangible fixed assets are calculated as the difference between the sales price less selling costs and the book value at the time of the sale. Gains or losses are recorded in the profit and loss account together with depreciation and write-downs or under other operating income, if the sales price exceeds the original cost.

### **Write-down on fixed assets**

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

The recoverable amount is either the net sales price less sales costs or the capital value, whichever is higher. For calculating the capital value, estimated future cash flows are discounted at current value.

The write-down is recorded as a basis in the profit and loss account. In instances where the write-down can be attributed to an already recorded allocated liability, and is thereby already recorded in the profit and loss account, the write-down is offset against the allocated liabilities as an expression of use thereof.

### **Financial fixed assets**

#### **Participating interests**

Participating interests recorded under financial fixed assets – do not cover listed shares – are measured at market value based on calculated capital value. In instances where an approximate market value cannot be calculated, the participating interests are measured at cost.

#### **Accounts receivable**

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

### **Current assets**

#### **Land holdings**

Land holdings are basically measured at cost or replacement value, where this differs significantly from cost.

#### **Accounts receivable**

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

#### **Securities**

Securities recorded under current assets comprise listed bonds, measured at market value on the balance sheet date.

**Liquid resources**

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

**Allocated liabilities**

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

Allocated liabilities are measured as the best estimate of the costs necessary to settle the liabilities on the balance sheet date. Allocated liabilities are measured at current value.

**Long-term debts**

Long-term debts are measured at cost at the time of raising the loans, equivalent to the proceeds received less transaction costs defrayed. Long-term debt is subsequently measured at market value, in accordance with the previous accounting policies for the area. Changes in market value are recorded in the profit and loss account.

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 debts, are measured at amortised cost, which is usually equivalent to nominal value.

## Cash Flow Statement

The cash flow statement for the partnership is presented according to the indirect method and shows cash flows relating to operation, 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 calculated as operating profit adjusted for non-cash operating items.

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 accounts receivable, trade creditors and other debts 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 conducts commercial activities in Denmark only. The segment reporting follows the partnership's internal financial management.

## Financial highlights

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



# Profit and Loss Account

for the period 1 January - 31 December 2008

Note	(all figures in DKK thousands)	2008	2007
<b>Income</b>			
2	Metro fare revenue	492,664	371,702
2	Metro operating income	121,780	93,446
	Value of own work	48,325	8,929
3	Other operating income	7,578	5,983
	<b>Total income</b>	<b>670,347</b>	<b>480,060</b>
<b>Expenses</b>			
2	Metro operating expenses	-538,277	-402,536
4	Staff costs	-47,821	-29,774
5	Other external costs	-27,146	-21,834
	Write-down and depreciation	-575,499	-229,923
	<b>Total expenses</b>	<b>-1,188,743</b>	<b>-684,067</b>
	<b>Result before financial items</b>	<b>-518,396</b>	<b>-204,007</b>
<b>Financial items</b>			
6	Financial income	243,493	139,329
	Financial expenses	-1,773	-86,519
	<b>Total financial items</b>	<b>241,720</b>	<b>52,810</b>
	<b>Result for the year</b>	<b>-276,676</b>	<b>-151,197</b>
<b>Proposed disposal of profit</b>			
	Carried forward to next year	-276,676	-151,197

# Balance Sheet

## Assets

As of 31 December 2008

Note	(all figures in DKK thousands)	2008	2007
<b>FIXED ASSETS</b>			
<b>Tangible fixed assets</b>			
7	Construction of the Metro	3,103	1,880
8	Metro in operation	5,329,891	5,461,584
9	Buildings	56,731	19,922
9	Operating equipment and fixtures and fittings	200	96
	<b>Total tangible fixed assets</b>	<b>5,389,925</b>	<b>5,483,482</b>
<b>Financial fixed assets</b>			
10	Participating interests	16,990	16,990
11	Accounts receivable	1,062,702	1,119,210
	<b>Total financial fixed assets</b>	<b>1,079,691</b>	<b>1,136,200</b>
	<b>Total fixed assets</b>	<b>6,469,616</b>	<b>6,619,682</b>
<b>CURRENT ASSETS</b>			
12	Land holdings	0	0
13	Accounts receivable	1,515,845	1,454,315
14	Securities	1,150,829	639,649
14	Liquid resources	813,697	1,609,715
	<b>Total current assets</b>	<b>3,480,371</b>	<b>3,703,678</b>
	<b>TOTAL ASSETS</b>	<b>9,949,987</b>	<b>10,323,360</b>

# Balance Sheet

## Liabilities

As of 31 December 2008

Note	(all figures in DKK thousands)	2008	2007
<b>EQUITY</b>			
	Start of year	10,099,660	10,250,857
	Additions for the year	-269,448	-151,197
15	<b>Total equity</b>	<b>9,830,211</b>	<b>10,099,660</b>
<b>LONG-TERM DEBTS</b>			
	<b>Total long-term debts</b>	<b>0</b>	<b>0</b>
<b>SHORT-TERM DEBTS</b>			
	Bank loans	0	17,088
	Trade creditors	72,075	159,152
16	Other debts	47,701	47,460
	<b>Total short-term debts</b>	<b>119,776</b>	<b>223,700</b>
	<b>Total debts</b>	<b>119,776</b>	<b>223,700</b>
	<b>TOTAL LIABILITIES</b>	<b>9,949,987</b>	<b>10,323,360</b>
17	Contractual commitments and contingent liabilities		
18	Auditor's fee		
19	Related parties		
20	Currency, interest rate and credit risks		

## Cash Flow Statement

<i>(all figures in DKK thousands)</i>	2008	2007
<b>Cash flow from operating activities</b>		
Metro fare revenue	492,664	371,702
Metro operating income	121,780	93,446
Other operating income	7,578	5,983
Metro expenses	-538,277	-402,536
Staff costs	-47,821	-29,774
Other external costs	-27,146	-21,834
<b>Total cash flow from operating activities</b>	<b>8,777</b>	<b>16,987</b>
<b>Cash flow from investment activities</b>		
Investment in construction of the Metro	-394,033	-223,090
Investment in buildings, operating equipment and fixtures and fittings	-39,583	-19,922
Investment in securities (excluding value adjustment)	-500,000	-643,435
<b>Total cash flows from investment activities</b>	<b>-933,616</b>	<b>-886,447</b>
<b>Cash flows from financing activities</b>		
Accounts receivable	-5,021	4,745,192
Trade creditors and other debts	-96,698	-2,322,612
Net financing expenses (excluding value adjustment)	228,167	56,758
<b>Total cash flows from financing activities</b>	<b>126,448</b>	<b>2,479,339</b>
Change in available funds	-798,391	1,609,878
Available funds, at start of year	1,609,715	0
Market value adjustment, net	2,372	-163
<b>Available funds, at end of year</b>	<b>813,697</b>	<b>1,609,715</b>

# Notes

## Note 1 Segment reporting

(all figures in DKK thousands)

	Phases 1-3	Cityringen	Total
Income	622,022	48,325	670,347
Expenses	-750,773	-437,970	-1,188,743
<b>Result before financial items</b>	<b>-128,751</b>	<b>-389,645</b>	<b>-518,396</b>

### FIXED ASSETS

Construction of the Metro	3,103	0	3,103
Metro in operation	5,329,891	0	5,329,891
Buildings	56,731	0	56,731
Operating equipment and fixtures and fittings	200	0	200
Financial fixed assets	1,079,691	0	1,079,691
<b>Total fixed assets</b>	<b>6,469,616</b>	<b>0</b>	<b>6,469,616</b>

### CURRENT ASSETS

Land holdings	0	0	0
Accounts receivable	1,507,684	8,161	1,515,845
<b>Total current assets</b>	<b>1,507,684</b>	<b>8,161</b>	<b>1,515,845</b>

### DEBTS

Trade creditors	38,097	33,978	72,075
Other debts	18,555	29,145	47,701
<b>Total debts</b>	<b>56,653</b>	<b>63,123</b>	<b>119,776</b>

**Note 2 Operating result for the Metro**

<i>(all figures in DKK thousands)</i>	2008	2007
<b>Metro fare revenue</b>	<b>492.664</b>	<b>371.702</b>
<b>Metro operating income</b>		
Leasing out the Metro	113.639	84.993
Other income	8.141	8.453
<b>Total</b>	<b>121.780</b>	<b>93.446</b>
<b>Total income</b>	<b>614.444</b>	<b>465.148</b>
<b>Metro operating expenses</b>		
Payment for operations	-496.858	-372.049
Contract management, etc.	-22.119	-23.220
Other expenses	-19.300	-7.267
<b>Total expenses</b>	<b>-538.277</b>	<b>-402.536</b>
<b>Result before depreciation</b>	<b>76.166</b>	<b>62.612</b>
Depreciation	-183.183	-163.613
<b>Result before financial items</b>	<b>-107.017</b>	<b>-101.001</b>

The partnership has outsourced operation of the Metro. The lease payment depends on the overall operating result for the Metro. In 2008, the Metro had 47 million passengers (40 million in 2007). The fare revenue for 2008 is based on an average passenger revenue of DKK 10.77. (DKK 9.32 in 2007)

**Note 3 Other operating income**

Other operating income includes revenue from office space rent and minor revenue from leases, etc.

**Note 4 Staff costs**

<i>(all figures in DKK thousands)</i>	2008	2007
Wages, salaries and emoluments	38,890	24,293
Pension contributions	4,915	3,260
Social security contributions	2,536	1,411
Other staff costs	1,479	810
<b>Total staff costs</b>	<b>47,821</b>	<b>29,774</b>

Of which:

Salaries for the Board of Executives	2,269	2,143
Pensions for the Board of Executives	96	266
Emoluments for the Board of Directors	1,744	900

Average number of employees (full-time equivalents)	68	43
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Performance salary for the Board of Executives constitutes a maximum of 10% of their salaries.

**Note 5 Other external costs**

<i>(all figures in DKK thousands)</i>	2008	2007
Administration costs	22,478	19,114
Consultancy costs	4,669	2,720
<b>Other external costs, total</b>	<b>27,146</b>	<b>21,834</b>

**Note 6 Financial items**

<i>(all figures in DKK thousands)</i>	2008	2007
<b>Financial income</b>		
Interest income from financial fixed assets	53,437	44,387
Interest income from accounts receivable	77,250	75,464
Interest income from liquid resources and securities	99,253	19,478
Market value adjustment	13,552	0
<b>Total financial income</b>	<b>243,493</b>	<b>139,329</b>
<b>Financial expenses</b>		
Interest expenses	-1,773	-82,571
Exchange rate adjustment	0	0
Market value adjustment	0	-3,949
<b>Total financial expenses</b>	<b>-1,773</b>	<b>-86,519</b>
<b>Total financial items</b>	<b>241,720</b>	<b>52,810</b>

**Note 7 Construction of the Metro**

<i>(all figures in DKK thousands)</i>	<i>Phases 1-3</i>	<i>Cityringen</i>	<i>Total</i>
<b>ACQUISITION SUM</b>			
Start of year	1,880	66,249	68,129
Net additions for the year	1,223	389,645	390,868
Carried forward to Metro in Operation	0	0	0
<b>End of year</b>	<b>3,103</b>	<b>455,894</b>	<b>458,998</b>
<b>WRITE-DOWNS AND REVALUATIONS</b>			
Start of year	0	-66,249	-66,249
Revaluations for the year	0	0	0
Write-downs for the year	0	-389,645	-389,645
<b>End of year</b>	<b>0</b>	<b>-455,894</b>	<b>-455,894</b>
<b>Start book value</b>	<b>1,880</b>	<b>0</b>	<b>1,880</b>
<b>End book value</b>	<b>3,103</b>	<b>0</b>	<b>3,103</b>

Construction of the Metro consists of costs for implementation of ticket systems and the establishment of a passenger counting system on stage 3. Write-down for the year on Cityringen is due to the recoverable amount being lower than the book value.

**Note 8 Metro in operation**

<i>(all figures in DKK thousands)</i>	<i>Tunnel and shell of underground stations</i>	<i>Other fixed facilities</i>	<i>Rolling stock, etc,</i>	<i>Other technical installations</i>	<i>Total</i>
<b>ACQUISITION SUM</b>					
Start of year	2,446,573	1,426,359	1,346,722	405,541	5,625,196
Net additions for the year	15,442	13,152	12,652	10,243	51,490
Transferred from Construction of the Metro	0	0	0	0	0
<b>End of year</b>	<b>2,462,015</b>	<b>1,439,511</b>	<b>1,359,375</b>	<b>415,784</b>	<b>5,676,685</b>
<b>WRITE-DOWNS AND DEPRECIATION</b>					
Start of year	-25,055	-28,949	-60,926	-48,682	-163,611
Depreciation for the year	-25,804	-31,337	-64,874	-61,168	-183,183
Write-downs for the year	0	0	0	0	0
<b>End of year</b>	<b>-50,859</b>	<b>-60,286</b>	<b>-125,801</b>	<b>-109,849</b>	<b>-346,794</b>
<b>Start book value</b>	<b>2,421,518</b>	<b>1,397,410</b>	<b>1,285,796</b>	<b>356,860</b>	<b>5,461,584</b>
<b>End book value</b>	<b>2,411,156</b>	<b>1,379,225</b>	<b>1,233,574</b>	<b>305,935</b>	<b>5,329,891</b>

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

<i>(all figures in DKK thousands)</i>	<i>Operating equipment and fixtures and fittings</i>	<i>Temporary office building</i>	<i>Total</i>
<b>ACQUISITION SUM</b>			
Start of year	159	19,922	20,080
Net additions for the year	150	39,433	39,583
<b>End of year</b>	<b>309</b>	<b>59,354</b>	<b>59,663</b>
<b>DEPRECIATION</b>			
Start of year	-62	0	-62
Depreciation for the year	-47	-2,624	-2,670
<b>End of year</b>	<b>-109</b>	<b>-2,624</b>	<b>-2,732</b>
<b>Start book value</b>	<b>96</b>	<b>19,922</b>	<b>20,018</b>
<b>End book value</b>	<b>200</b>	<b>56,731</b>	<b>56,931</b>

Depreciation will be implemented linearly over the expected useful life of the assets.

**Note 10 Participating interests**

The partnership's participating interests relate to shares in Rejsekort A/S, calculated at cost. The shareholding constitutes less than 10% of the overall share capital in Rejsekort A/S.

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

<i>(all figures in DKK thousands)</i>	<i>The City of Copenhagen</i>	<i>The City of Frederiksberg</i>	<i>Other accounts receivable</i>	<i>Total</i>
Start of year	50,000	1,043,304	25,906	1,119,210
Additions for the year	0	53,437	1,528	54,965
Disposals for the year	-50,000	-61,474	0	-111,474
<b>End of year</b>	<b>0</b>	<b>1,035,267</b>	<b>27,435</b>	<b>1,062,702</b>

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

**Note 12 Land holdings**

Land holdings are valued at zero kroner. In the event of a profit on sale of the land by Forum Station and Fasanvej Station, the City of Frederiksberg is entitled to a higher share of the profit, cf. separate agreement.

**Note 13 Accounts receivable, Current assets**

With a view to securing the building contractor reasonable liquidity during the construction period, the partnership has established a liquidity scheme (liquidity bridge). "Accounts receivable" as of 31. December 2008 includes accumulated payment of DKK 839 million.

Accounts receivable also includes accrued interest of DKK 38 million.

Of accounts receivable as of 31. December 2008, DKK 1,418 million falls due for payment later than 31 December 2009.

**Note 14 Securities and liquid resources**

<i>(all figures in DKK thousands)</i>	2008	2007
Securities over 3 months	1,150,829	639,649
<b>Other securities, total</b>	<b>1,150,829</b>	<b>639,649</b>
Cash and bank deposits	11,683	293
Fixed-term deposits	802,014	1,134,552
Securities under 3 months	0	474,870
<b>Total liquid resources</b>	<b>813,697</b>	<b>1,609,715</b>

**Note 15 Participating interests**

<i>(all figures in DKK thousands)</i>	<i>Investment in existing Metro</i>	<i>Owner contribution</i>	<i>Result carried forward</i>	<i>Total</i>
Start of year	660,857	9,590,000	-151,197	10,099,660
Additions for the year	0	0	-276,676	-276,676
Establishment costs, reversed	0	0	7,228	7,228
<b>End of year</b>	<b>660,857</b>	<b>9,590,000</b>	<b>-420,646</b>	<b>9,830,211</b>

At the establishment of the corporation, DKK 10 million was allocated to establishment costs. The costs have now been settled at DKK 3 million, which means that DKK 7 million has been reversed to the total equity.

**Note 16 Other debts**

<i>(all figures in DKK thousands)</i>	2008	2007
Outstanding PAYE tax, etc.	1,732	1,377
Outstanding holiday pay	6,220	4,454
Costs payable	39,749	41,629
<b>Total other debts</b>	<b>47,701</b>	<b>47,460</b>

Outstanding costs include due VAT of DKK 5 million.

**Note 17 Contractual commitments and contingent liabilities****CONTRACTUAL COMMITMENTS**

Metro under construction (contracts in progress in DKK million)	30
Metro in operation (contracts in progress in DKK million)	56
	<b>86</b>

The residual value of contracts in progress entered into with contractors concerning the Metro totals DKK 86 million.

With a view to operation of the Metro up to October 2010, another contract has been entered into with a residual value of DKK 574 million.

**CONTINGENT LIABILITIES**

The large construction contractor from the first two stages of the Metro, COMET, has lodged a claim against Metroselskabet for additional payment in connection with the contractor's final settlement of around DKK 2 billion. The claim relates to the years 1999 onward and therefore covers a period when the construction work proceeded without any major problems. After having reviewed the claims, the corporation has informed COMET that these claims must essentially be rejected on the existing basis. COMET has subsequently lodged a claim for arbitration.

The building contractor on stage 3 of the Metro has notified the corporation of a possible claim of up to DKK 70 million in connection with the final invoice.

The transport provider Movia has lodged a claim for the payment of around DKK 26 million. The claim pertains to the redistribution of ticket revenue in 2005-2007. It is the belief of the corporation that these claims must essentially be rejected. The claim has been lodged for arbitration.

The construction of the Metro involves compulsory purchases, etc., for which the partnership pays compensation to the owners concerned. The amount of future compensation has not yet been determined.

**Note 18 Auditor's fee**

<i>(all figures in DKK thousands)</i>	2008	2007
The Audit Directorate of the City of Copenhagen	120	100
The National Audit Office of Denmark	413	456
Kommunernes Revision A/S	280	205
Other services	0	0
<b>Auditor's fee, total</b>	<b>813</b>	<b>761</b>

**Note 19 Related parties**

Transactions between related parties and Metroselskabet for the period:

The partnership's owners have paid an owner contribution, cf. note 11

The partnership's board of executives have received payment in the form of salaries and pension, cf. note 4

The partnership's board of directors have received payment in the form of directors' fees, cf. note 4

Other than this, no transactions have been conducted with the partnership's related parties during the course of the year.

**Note 20 Currency, interest and credit risks****CURRENCY RISK**

The partnership has made liquidity investments in banks and purchased bonds. The liquidity investments have been made in Danish kroner.

**INTEREST RATE RISKS**

Liquidity investments divided by maturity and interest rates, as of 31. December 2008 (DKK million)

	<i>Effective interest rate</i>	<i>Bonds</i>	<i>Liquid resources</i>	<i>Amount at nominal value</i>	<i>Amount at market value</i>
<b>Fixed interest rate</b>					
0-1 years	4.50%	650	-	650	675
1-2 years	-	-	-	-	-
2-3 years	-	-	-	-	-
<b>Variable interest rate</b>					
0-1 years	6.15%	-	800	800	811
1-2 years	6.15%	175	-	175	177
2-3 years	6.15%	325	-	325	329

**CREDIT RISK**

Liquidity investments involve a credit risk for the counterparty. This risk is managed and monitored continuously through a special line and limit system, which establishes the principles for specification of these risks, as well as a maximum for the extent of risks to be accepted for an individual counterparty. The latter is measured by the international ratings agencies (Moody's, Standard & Poor's and Fitch/IBCA). The corporation also seeks to reduce credit risks by using appropriate agreement documentation.

Credit risks divided by rating category, as of 31. December 2008

<i>Total counterparty exposure (market value, DKK million)</i>	<i>Investments/ Bonds</i>
AAA	675
AA	947
A	370
<b>Total</b>	<b>1,992</b>

## Metroselskabet, Board of Directors and Board of Executives

### The Board of Directors

Metroselskabet board of directors is made up of nine members. In addition to their directorship of Metroselskabet, the board members hold the following positions and honorary offices, among others:

#### **Henning Christophersen (Chairman)**

Appointed by the Danish Government.  
Chairman of the Board of: The European Institute of Public Administration  
Board member of: Danske Bank A/S and Rockwool Foundation.

#### **Jesper Christensen (Vice Chairman)**

Appointed by the City of Copenhagen.  
Group Chairman of the City Council, Chief Accountant (currently on leave).  
Board member of: The transport provider MOVIA (also member of the group of representatives), The European Association of Cities for Second Chance Education (treasurer), Det kongelige opfostringshus (Royal Orphanage) and Ørestad Gymnasium.  
Member of: Copenhagen City Council (2nd Vice Chairman), the Audit Committee (Chairman), the Finance Committee, the Child and Youth Committee, the Election Committee and Københavns Kommunes Ungdomsskole (Chairman), Fordelingsnævnet, Fællesrådet for Fritidsinstitutioner og Klubber, the Copenhagen Election Committee and Grundlisteudvalget for Østre Storkreds.

#### **Jørgen Glenthøj (Vice Chairman)**

Appointed by the City of Frederiksberg.  
Mayor of the City of Frederiksberg.  
Board posts, etc.: R98, Kommunekemi A/S, the National Association of Local Authorities in Denmark (chairmanship and local authority contact committee for the Copenhagen area), Zoological Gardens, the Øresund Committee, Wonderful Copenhagen Foundation, Frederiksberg Energi A/S (Chairman), Frederiksberg Elnet A/S (observatory member), the Chamber of Commerce of the City of Frederiksberg, Movia (representative).

#### **Hans Jensen**

Appointed by the Danish Government.  
Former chairman of LO.  
Chairman of the Board of: A/S A-Pressen, Højstrupgård A/S.  
Board member of: A/S Panda VVS, Fondsmæglerselskabet af 2004 A/S, FMS Holding af 2004 A/S, Dansk Erhvervsinvestering A/S and Dansk Innovationsinvestering P/S, Parken Sport & Entertainment A/S, Basen Invest A/S.  
Other duties: President of Dansk Folkeferie and the committee of representatives of Danmarks Nationalbank.

#### **Birgit Aagaard-Svendsen**

Appointed by the Danish Government.  
Director of J. Lauritzen A/S and Landlov Aps.  
Chairman of Handyventure Singapore Pte and a number of subsidiaries of J. Lauritzen A/S.  
Board member of: Danske Bank A/S and a number of subsidiaries of J. Lauritzen A/S.  
Member of: Board of Det Norske Veritas.

**Per Homann Jespersen**

Appointed by the City of Copenhagen.  
Associate professor, Roskilde Universitetscenter.  
Member of: The climate think tank CONCITO.

**Karin Storgaard**

Appointed by the City of Copenhagen.  
Master of Arts, Principal Administrative Officer.  
Member of: Copenhagen City Council, the Cultural Committee and the Construction and Technological Committee.

**Jens H. Gravgaard**

Elected by the employees.  
Project manager.  
Board member of: Danish Society for Tunnel and Underground Works.

**Bente G. Rønnebæk**

Elected by the employees.  
Bookkeeper.

## Board of Executives

**Anne-Grethe Foss**

Managing Director.  
Member of: The Competition Council and the school board of Ørestad Gymnasium.

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