

# Annual report 2007



**Metro Development Corporation**

PARTNERSHIP

# Corporate information

## **The corporation**

The Metro Development Corporation  
Arne Jacobsens Allé 17  
DK-2300 Copenhagen S

As of 5 May 2008:  
Metrovej 5  
DK-2300 Copenhagen S

Tel.: +45 3311 1700  
Fax: +45 3311 2301  
E-mail: [m@m.dk](mailto:m@m.dk)  
Website: [www.m.dk](http://www.m.dk)

CVR No.: 30 82 36 99  
Established: By Act No. 551 of 6 June 2007  
Financial year: 1 January to 31 December  
Registered district: City of Copenhagen

## **Board of Directors**

Henning Christophersen (Chairman)  
Jesper Christensen (Vice-Chairman)  
Mads Lebech (Vice-Chairman)  
Birgit Aagaard-Svendsen  
Hans Jensen  
Camilla Burgwald  
Karin Storgaard  
Thue Ravn  
Bente Rønnebæk

## **Board of Executives**

Anne-Grethe Foss (Managing Director)

## **Auditors**

The National Audit Office of Denmark  
The Audit Directorate of the City of Copenhagen  
BDO Kommunernes Revision A/S

## **Ownership**

The City of Copenhagen: 50 %  
The Danish Government: 41.7 %  
The City of Frederiksberg: 8.3 %

# Table of contents

## **Endorsements**

- 4 Management endorsement
- 5 Independent auditor's report

## **Directors' report**

- 8 Financial highlights
- 9 Resumé and outline of 2007
- 10 The Metro Development Corporation, organisation and tasks
- 11 Finances
- 12 Financing
- 14 Metro Operation
- 18 Metro Construction

## **Annual Accounts: 1 January to 31 December 2007**

- 22 Accounting Policies
- 27 Profit and Loss Account
- 28 Balance Sheet
- 30 Cash Flow Statement
- 31 Notes

## **The Metro Development Corporation, Board of Directors and Board of Executives**

- 39 Board of Directors and Board of Executives
  
- 42 Appendix

# Management endorsement

The Board of Directors and the Board of Executives have today examined and approved the annual report for 2007 for the Metro Development Corporation (Metroselskabet I/S).

The annual report has been prepared in accordance with the Danish Financial Statements Act (accounting class D), Danish accounting standards and the stipulations of the partnership agreement on reporting. It is our opinion that the accounting policies applied are appropriate, and that the annual report gives a true and fair view of the corporation's assets and liabilities, its financial position and the result for the year.

The recommend the adoption of the annual report by the partners.

Copenhagen, 15 April 2008

## Board of Executives

Anne-Grethe Foss

## Board of Directors

Henning Christophersen (Chairman)

Jesper Christensen (Vice-Chairman)

Mads Lebech (Vice-Chairman)

Birgit Aagaard-Svendsen

Hans Jensen

Camilla Burgwald

Karin Storgaard

Thue Ravn

Bente G. Rønnebæk

# Independent auditor's report

## **To the partners of the Metro Development Corporation**

We have audited the annual report of the Metro Development Corporation for the financial year 1 January - 31 December 2007, including management endorsement, directors' report, accounting policies, profit and loss account, balance sheet, cash flow statement, equity statement and notes. The annual report was prepared in accordance with the terms of the partnership agreement between the Danish Government, the City of Copenhagen and the City of Frederiksberg on the Metro Development Corporation and the Danish Financial Statements Act plus Danish accounting standards.

With this endorsement, we deem the auditing of the annual report for 2007 concluded. However, the National Audit Office of Denmark may investigate any queries concerning this and previous financial years more closely. In connection with this, new information may come to light that may give rise to specific factors dealt with in this report being reassessed.

## **Management's responsibility for the Annual Report**

It is the responsibility of the management to prepare and present an annual report that gives a true and fair view in accordance with the terms of the partnership agreement between the Danish Government, the City of Copenhagen and the City of Frederiksberg on the Metro Development Corporation and the Danish Financial Statements Act plus Danish accounting standards. This responsibility includes the format, implementation and maintenance of internal controls relevant to preparing and presenting an annual report that gives a true and fair view without material misstatement, irrespective of whether such statements are a result of fraud or errors, and choice and use of expedient accounting policies and exercise of accounting estimates that are reasonable in the circumstances. In addition to this, it is also the responsibility of the management to ensure that the administration of funds covered by the annual report is in accordance

with legislation and other provisions as well as contracts entered into and customary practice.

## **Auditor's responsibility and basis of opinion**

It is our responsibility to express an opinion about the annual report based on our audit. We conducted our audit in accordance with Danish auditing standards and the principles of good public auditing practice, cf. Act on the Auditing of Governmental Accounts, etc. These standards require that we live up to ethical requirements and plan and perform the audit with a view to obtaining reasonable assurance that the annual report is free of material misstatement.

An audit includes actions to obtain audit evidence substantiating the sums and information provided in the annual report. The procedures selected depend on the auditor's assessment, including the assessment of the risk of material misstatement in the annual report, irrespective of whether such misstatement is a result of fraud or errors. In a risk assessment, the auditor considers internal controls of relevance to the Metro Development Corporation's preparation and presentation of an annual report that gives a true and fair view, for the purpose of formulating audit procedures appropriate to the circumstances, but not with the aim of expressing an opinion on the effectiveness of the Metro Development Corporation's internal control. An audit also involves assessing whether the accounting policies employed by the management are suitable, whether the accounting estimates made by the management are reasonable as well as an evaluation of the overall presentation of the annual report. The audit also involves an assessment of whether the corporation has laid down business procedures and internal controls that, to the widest possible extent, ensure that the administration of funds covered by the annual report is in accordance with legislation and other provisions as well as contracts entered into and customary practice.

We believe that the audit evidence obtained provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

**Opinion**

It is our opinion that the annual report gives a fair and true view of the Metro Development Corporation's assets, liabilities and financial position as of 31 December 2007 and of the results from the Metro Development Corporation's operations and cash flow for the financial year 1 January - 31 December 2007 in accordance with the terms of the partnership agreement between the Danish Government, the City of Copenhagen and the City of Frederiksberg on the Metro Development Corporation and the Danish Financial Statements Act plus Danish accounting standards. It is also our opinion that the corporation has laid down business procedures and internal controls that, to the widest possible extent, ensure that the administration of funds covered by the annual report is in accordance with legislation and other provisions as well as contracts entered into and customary practice.

**Supplementary information**

The primary contractors of the partnership have lodged claims for additional payment. In this context, we refer to the comments in the directors' report on page 11 under "Claims situation". We agree with the comments made by the Board of Directors.

**Declaration regarding the performance audit conducted**

In connection with the financial audit of the Metro Development Corporation's annual report for 2007, the auditors have carried out an assessment of whether due financial regard has been paid to selected issues in the administration of the Metro Development Corporation, and that the information in the annual report regarding targets and results is documented and adequate for the Metro Development Corporation's operations in 2007.

**Management's responsibility**

It is the responsibility of the management of the Metro Development Corporation to ensure that guidelines and procedures have been established to safeguard that due financial regard is paid in the administration of the Metro Development Corporation, and that the information in the annual report regarding targets and results is documented and adequate for the Metro Development Corporation's operations in 2007.

**Auditor's responsibility and the performance audit conducted**

In accordance with good public auditing practice, cf. the Act on the Auditing of Governmental Accounts, we have, for selected administrative areas, examined whether the Metro Development Corporation has established business procedures that, to the widest possible extent, ensure financially expedient administration. We have also, on a random basis, reviewed the information in the annual report regarding targets and results for the Metro Development Corporation. Our work has been carried out with a view to obtaining limited assurance that administration of the selected areas has been handled in a financially appropriate manner, and that the information in the annual report regarding targets and results is documented and adequate for the Metro Development Corporation's operations in 2007.

**Opinion**

The performance audit conducted has not uncovered any circumstances that give us cause to conclude that administration in 2007 of the areas we have scrutinised has not been undertaken in a financially expedient manner, or that the information in the annual report regarding targets and results is not documented and adequate for the Metro Development Corporation's operations in 2007.

Copenhagen, 15 April 2008

**The National Audit Office of Denmark**

Henrik Otbo

/Henning Madsen

**BDO Kommunernes Revision A/S**

Lasse Jensen

**The Audit Directorate  
of the City of Copenhagen**

Jan Christensen

/Ib Hansen

# Directors' report

## Financial highlights

The corporation can be defined by the following financial highlights.

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

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



## Resumé and outline of 2007

2007 was a landmark year for the Metro. Firstly, the act on construction of a City Circle Line and the act on the formation of the Metro Development Corporation were passed. Secondly, the construction of the original metro was concluded.

The decision to initiate the work of building a City Circle Line also involved the previous corporations, the Ørestad Development Corporation and Frederiksbergbaneselskabet I/S, being closed down, and a new corporation, the Metro Development Corporation, being established.

The City Circle Line will be a 15 km-long underground railway under the City of Copenhagen, the "bridge quarters" and Frederiksberg. It will consist of 17 stations, two of them taking the form of extensions to existing Metro stations.

The original metro was completed on 28 September 2007, with the opening of the connection to the airport. It is now possible to travel from Kongens Nytorv to the airport in just 14 minutes. The current metro covers a total distance of 23 km and has 22 stations.

2007 is the first financial year for the new Metro Development Corporation. The result for the year before depreciation and financial items shows a profit of DKK 26 million.

Write-downs and depreciation in 2007 amounted to DKK 230 million, and the financial items constituted overall earnings of DKK 53 million.

The overall accounting result for the year subsequently amounts to a deficit of DKK 151 million.

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 2.2 billion.

Passenger figures for the Metro for 2007 amounted to approximately 40 million, corresponding to growth of 8 per cent compared to 2006. As an overall 2007 average, operating stability of the Metro was 98.4 per cent, which, as in 2006, is above the corporation's target of 98 per cent.

In 2007, investments totalling DKK 235 million have been effected. These investments principally relate to the construction of stage 3 of the Metro from Lergravsparken to Copenhagen Airport, accounting for DKK 174 million. Following the opening of stage 3 of the Metro, there is some outstanding and remedial work remaining, which will take place in 2008 and 2009.

The preparatory work on the City Circle Line in 2007 accounted for DKK 62 million.

# The Metro Development Corporation, organisation and tasks

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

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

The purpose of the Metro Development Corporation is to:

- handle planning and construction of a City Circle Line
- complete construction of stage 3 of the Metro
- be responsible for operation and maintenance of the whole Metro

The Metro Development Corporation, 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 owners 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. The actual costs in connection with establishment have not been finally calculated.

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

The Metro Development Corporation 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, the Metro Development Corporation had 53 employees.

The Metro Development Corporation, 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.

## New registered office

The Metro Development Corporation is in the process of constructing a temporary office building. In addition to the corporation's own employees, the new office will house advisors and the executive staff from future contractors on the City Circle Line. The temporary two-storey building will be at Metrovej no. 5, situated 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 optimum framework for the partnership between the Metro Development Corporation and its service operators.

The Metro Development Corporation is expecting to move in at the start of May 2008.

## Good management

The Metro Development Corporation'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.

The Metro Development Corporation 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, the Metro Development Corporation is comparable with government-owned public limited companies in connection with publishing quarterly and annual reports through the Danish Commerce and Companies Agency.

## Finances

### Operating profit for the year

The Metro Development Corporation's result for 2007 before depreciation and financial items shows a profit of DKK 26 million.

The corporation's total write-downs and depreciation amounted to DKK 230 million. The result before financial items subsequently amounts to a deficit of DKK 204 million. The deficit is divided between DKK 138 million on operation of the Metro and DKK 66 million on the City Circle Line.

The financial items include interest revenues of DKK 139 million and interest expenses of DKK 82 million. In addition, there is a market value adjustment that entails an accounting cost of DKK 4 million. The total financial items amount to an income of DKK 53 million.

The corporation's overall accounting result after financial items amounts to a deficit of DKK 151 million.

No events of significance to the annual report for 2007 have occurred after the closing of accounts.

### Equity development for the year

The Metro Development Corporation has been established with equity of DKK 10.3 billion. The corporation's total accounting deficit of DKK 151 million has been deducted from the equity, which amounted to DKK 10.1 billion at the end of 2007.

One consequence of the accounting policies applied at the Metro Development Corporation 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.

### Claims situation

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 in connection with the contractor's final settlement. 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. The Metro Development Corporation 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 2010-2011.

# Financing

## Liquidity position

The Metro Development Corporation was established with a debt commitment of DKK 2.4 billion to Arealudviklingsselskabet I/S. The City of Copenhagen and the City of Frederiksberg invested a total of DKK 4.8 billion in connection with the founding of the corporation. The debt to Arealudviklingsselskabet was subsequently discharged, and the Metro Development Corporation will thus have funds for entering into the large construction contracts for the City Circle Line.

The Metro Development Corporation has made fixed-term deposits at banks and purchased bonds. The liquidity investments have been made in Danish kroner.

## Borrowing

As joint owners of the Metro Development Corporation, 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 mar-

ket 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, which formed the basis for the opening balance sheet for establishment of the corporation, is included as an appendix to the annual report. 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 the City Circle Line 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 Energy 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

The Metro Development Corporation'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 2007 was 0.6 years.

As a result of the Metro Development Corporation only having invested money in bonds (short-term interest-sensitive securities) at the end of the year, the result for the year is only 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>Opening balance</i>	<i>2007</i>
Long-term debt	-2,441	0
Bank loans	0	-17
Deposits	0	2,249
Financial income	-	53

## Metro Operation

### Result for the year

The corporation's result for operation of the Metro (before depreciation) in 2007 constitutes a profit of DKK 63 million. This is an improvement of DKK 66 million compared to 2006.

The corporation's income from the Metro in 2007 constituted DKK 372 million from the joint fare system, and DKK 93 million for leasing out the Metro, etc. Expenditure covering running costs for the Metro, contract management, etc. this year came to DKK 403 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 164 million.

The fare payment is based on an average passenger revenue per passenger of DKK 9.32 in 2007, calculated on the basis of the Ministry of Transport's order regarding division of ticket revenue in the metropolitan area.

### Passenger figures

In 2007, the Metro had around 40 million passengers. This represents growth of around 8 per cent compared to 2006.

The average number of passengers per 24-hour weekday period in December 2007 was approximately 149,000. For 2007 as a whole, the Metro averaged 128,000 passengers for every 24-hour weekday period.

The passenger figures in 2007 have been lower than originally expected. An expected increase was introduced following the opening of stage 3 to the airport, but the preliminary numbers indicate that, apart from the station at the airport, the passenger figures for stage 3 are not living up to the budget. The Board of Directors therefore decided, at the end of 2007, to downgrade the budget figures for 2007 and 2008.

The Metro Development Corporation's target for 2008 is 44 million passengers on the Metro, equivalent to expected growth of around 10 per cent. The

Operating result of the Metro		
DKK million	2007	2006 <sup>2)</sup>
Fare payments	372	246
Leasing out the Metro	85	19
Other income	8	8
<b>Total income</b>	<b>465</b>	<b>272</b>
Payment for operations	-372	-245
Contract management, etc.	-23	-24
Other expenses	-7	-6
<b>Total expenses</b>	<b>-403</b>	<b>-276</b>
<b>Result before depreciation</b>	<b>63</b>	<b>-4</b>
Depreciation	-164	-343
<b>Total result</b>	<b>-101</b>	<b>-347</b>
Net profit ratio <sup>1)</sup>	14%	-1%

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

2) The comparison is based on the 2006 accounts for the Ørestad Development Corporation.



**Operations contract**

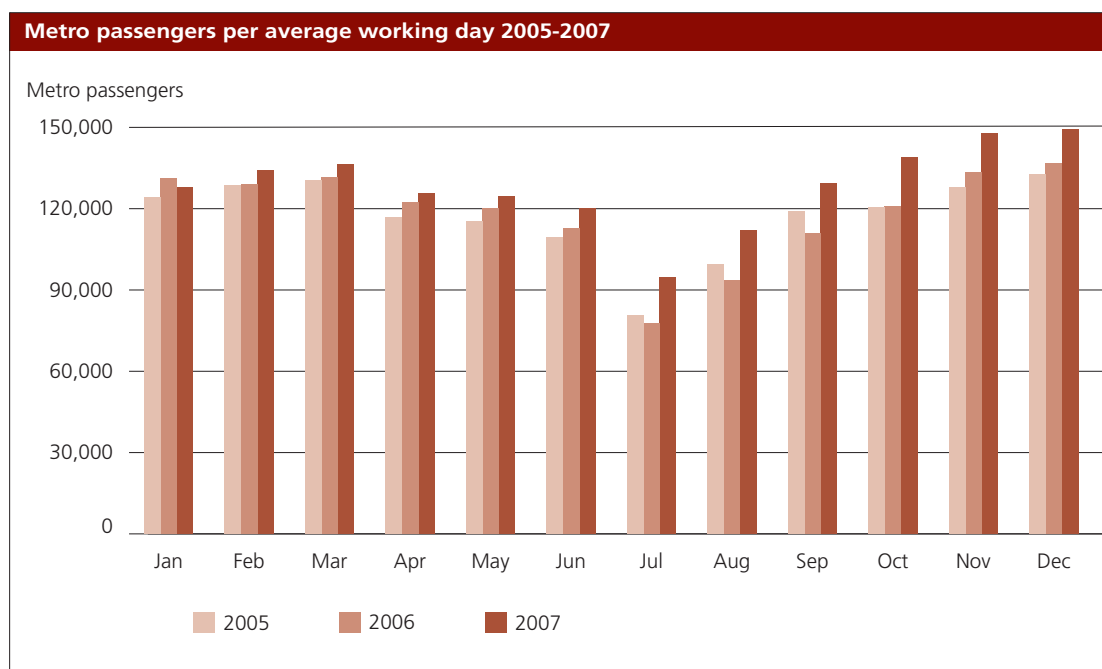
Pursuant to the act regarding the Metro Development Corporation and Arealudviklingsselskabet, operation of the Metro is contracted out. The contract for operation of the Metro has been signed with Ansaldo, which supplied the actual Metro system, i.e. trains, tracks, safety and control systems, etc. The 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.

passenger target has been set based on an expectation of growth as a result of 2008 being the first year with full effect of the opening of phase 3 of the Metro. However, this is also instrumental in the passenger figures being subject to an extraordinary level of uncertainty. In addition, the continued expansion of Ørestad and general fluctuations affect the passenger figures. Moreover, operational stability is expected to remain at a high level.

**Operational stability**

Phase 3 was commissioned in September, and has not caused any initial difficulties that have affected the general operational reliability for the year. 2007 as a whole has seen a generally high level of operational stability, resulting in a new record for operational stability of 98.4%, an improvement of 0.1% compared with the previous year, and above the corporation's target of 98%.



**Customer satisfaction**

Analysis company Megafon undertakes regular customer satisfaction surveys on the Metro. The overall result for 2007 is shown in the graph on the next page.

**Maintenance**

Regular maintenance of the Metro, including, where applicable, both preventive maintenance and repairs, forms part of the contract with the service operator. Partly through the operator's regular reporting and the corporation's inspections, partly through the recently undertaken 5-year review of the Metro's first phases, it can be established that maintenance of the Metro in general lives up to the requirements of the operations contract.

**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 the Metro Development Corporation. There were no incidents in 2007 that resulted in personal injury.

**Environment**

Washing of the entire tunnel section was carried out. Subsequent analyses of the tunnel washing water show that the limit values for discharge were exceeded. There is ongoing dialogue with the environmental authorities for the purpose of finding measures to limit the discharge.

**Emergency planning**

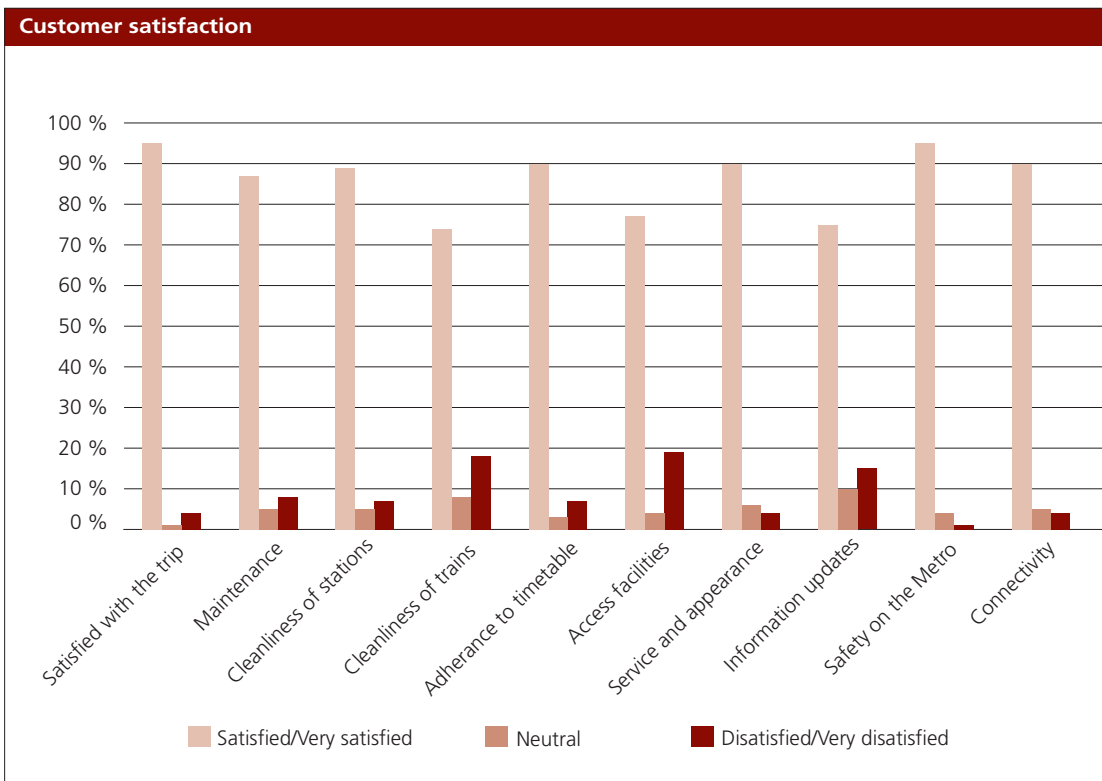
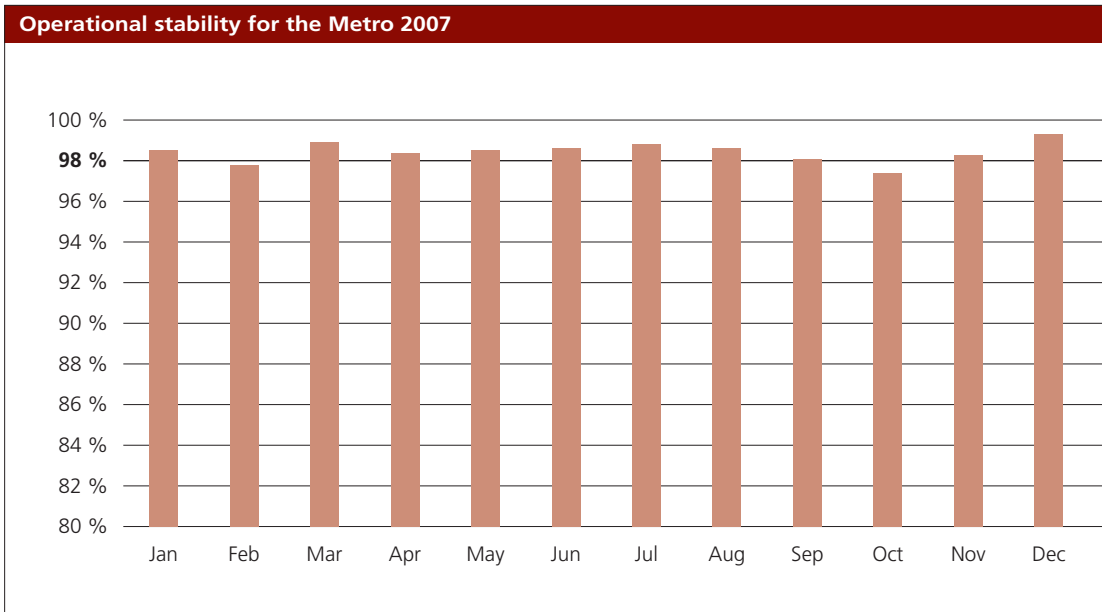
The emergency planning work in 2007 has been characterised by preparation and development of emergency plans in connection with the commissioning of phase 3.

A full-scale exercise was held in 2007, with the participation of all players, including police, fire service, hospitals as well as the Metro's operator and the Metro Development Corporation. In general, all participants gained good experience to build on.

**Electronic ticket system**

The Metro Development Corporation, 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 the Metro Development Corporation, Rejsekort A/S is owned by a number of transport companies in Denmark, including DSB and Movia. The project has been delayed. Consequently, the first phase, consisting of a pilot phase involving testing of the system in a limited trial area around Roskilde, has not yet been initiated, but a so-called pilot test in a very limited area is proceeding in 2008. Neither the pilot test nor the pilot phase include the Metro.





# Metro Construction

## Investment for the year

Investment in phases 1-3 of the Metro, totalling DKK 174 million, has been made in 2007. By the end of 2007, DKK 11,964 million of the expected overall construction costs of DKK 12,007 million had been paid. This equates to a stage of completion of almost 100 per cent. There is some residual work outstanding, which is chiefly expected to be completed in 2008 and 2009.

Construction costs of DKK 62 million for the City Circle Line have been paid in 2007.

## Phases 1-2

As mentioned elsewhere, the construction contractor (COMET) has lodged financial claims against the Metro Development Corporation for the Court of Arbitration.

## Phase 3

Phase 3 of the Metro, the East Amager line, which runs from Lergravsparken to Copenhagen Airport, was opened on 28 September 2007. The Metro now runs from the city to the airport in just 14 minutes.

The opening of phase 3 was celebrated with an official opening ceremony at the airport, with H.R.H. Crown Prince Frederik opening the line, and a concert was held at Femøren featuring three young Danish

bands. All the other stations along the line also had an official opening with guest speakers and refreshments. At Amager Strand Station, a large family event was held as well.

The line was completed slightly ahead of schedule and on budget. Following the commissioning, residual work will be carried out, which is expected to take place in 2008 and 2009.

## The City Circle Line

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

The design of the City Circle Line is principally based on the design of the existing metro with the stipulation that the City Circle Line 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 original metro, e.g. through the requirement specifications being similar to the originals.

Architecturally, the same station concept is being used as a basis, with the stations being constructed as Cut&Cover direct from the surface. One single exception, however, is the station at Frederiks Kirken, where a 'tunnel station' will be constructed, excavated using the mining method.

**The Metro Investment Budget, 2007**

<i>DKK million<sup>1)</sup></i>	<i>Investments in 2007</i>	<i>Investments as of 31-12-2007</i>	<i>Total budget</i>	<i>Overall expenditure (estimated)</i>
<b>Metro in operation<sup>2)</sup></b>	<b>174</b>	<b>11,964</b>	<b>12,045</b>	<b>12,007</b>
<b>City Circle Line</b>	<b>62</b>	<b>66</b>	<b>15,000</b>	<b>15,000</b>

1) Investments as of 31-12-2007 have been calculated in current prices. The residual budget for the Metro in operation has been adjusted to the 2007 price level. The budget for the City Circle Line uses the 2005 price level.

2) Excluding expenses related to mobilisation of the operation, service test, currency adjustments, extraordinary district plan requirements in Tårnby Municipality and expenses paid on behalf of COMET.



The City Circle Line – unlike the existing metro – will exclusively run in tunnels and be designed as a ring metro. 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 long-distance trains at 3 stations (Hovedbanegård, Østerport and Nørrebro). The tunnel will be 15 km long and it will take 24 minutes to travel all the way around.

The City Circle Line, according to the act, is expected to cost DKK 15 billion (measured in 2005 prices), and is expected to be completed by 2018.

The corporation began building up its project organisation in 2007. The corporation has also entered into contracts with the principal advisers regarding Building and construction technology and Transport systems including trains. The corporation concluded a review of the City Circle Line's functional requirements and proposed solutions at the end of the year. Further work is now being done on the feasibility study.

The first visible construction work in 2007 was the initial geotechnical bores.

### **Safety and working environment**

The safety work on phase 3, up to the opening in September 2007, was continuously coordinated with the contractors and, in connection with test runs, with the operator.

The "Safe Sites" working environment campaign, which has been active throughout most of phase 3, has now concluded. It focused on the working environment, combining information and competition. A total of 6 awards were given, but none in 2007.

No reportable work accidents were recorded in 2007, which is a positive result. The accident frequency for 2006 was 7.9 per million working hours. This is an excellent result compared with the average accident frequency in the building and construction industry, which reported 25.1 for 2006.

The construction work on the entire Metro has been spared any very serious accidents, which is considered a sign that a good safety philosophy was established.

# Annual Accounts

# Accounting policies

## 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 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 annual report is the first for the partnership. The accounting period is 1 January - 31 December 2007. The annual report shows DKK (thousands).

## 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 the Metro (City Circle Line) on the basis of an estimate. The amount has been included in the cost of construction of the Metro.

Other operating income includes administration contributions from Arealudviklingselskabet I/S and minor revenue from leases, etc.

#### Operating expenses for the Metro

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 at 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, 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.

#### Building in progress, operating equipment and fixtures and fittings

Building in progress, 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 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 2007

Note (all figures in DKK thousands)

2007

<b>Income</b>		
2	Metro fare revenue	371,702
2	Metro operating income	93,446
	Value of own work	8,929
3	Other operating income	5,983
	<b>Total income</b>	<b>480,060</b>
<b>Expenses</b>		
2	Metro operating expenses	-402,536
4	Staff costs	-29,774
5	Other external costs	-21,834
	Write-down and depreciation	-229,923
	<b>Total expenses</b>	<b>-684,067</b>
	<b>Result before financial items</b>	<b>-204,007</b>
6	<b>Financial items</b>	
	Financial income	139,329
	Financial expenses	-86,519
	<b>Financial items, total</b>	<b>52,810</b>
	<b>Result for the year</b>	<b>-151,197</b>
	<b>Proposed disposal of profit</b>	
	Carried forward to next year	<b>-151,197</b>

# Balance Sheet

## Assets

As of 31 December 2007

Note	(all figures in DKK thousands)	2007	Opening balance
<b>FIXED ASSETS</b>			
<b>Tangible fixed assets</b>			
7	Construction of the Metro	1,880	324,471
8	Metro in operation	5,461,584	5,134,133
9	Building in progress	19,922	0
9	Operating equipment and fixtures and fittings	96	159
	<b>Total tangible fixed assets</b>	<b>5,483,482</b>	<b>5,458,763</b>
<b>Financial fixed assets</b>			
10	Participating interests	16,990	7,802
11	Accounts receivable	1,119,210	5,959,803
	<b>Total financial fixed assets</b>	<b>1,136,200</b>	<b>5,967,605</b>
	<b>Total fixed assets</b>	<b>6,619,682</b>	<b>11,426,368</b>
<b>CURRENT ASSETS</b>			
12	Land holdings	0	2,700
13	Accounts receivable	1,454,315	1,368,101
14	Securities	639,649	0
14	Liquid resources	1,609,715	0
	<b>Total current assets</b>	<b>3,703,678</b>	<b>1,370,801</b>
	<b>TOTAL ASSETS</b>	<b>10,323,360</b>	<b>12,797,169</b>

# Balance Sheet

## Liabilities

As of 31 December 2007

Note	(all figures in DKK thousands)	2007	Opening balance
<b>EQUITY</b>			
	Start of year	10,250,857	10,250,857
	Additions for the year	-151,197	0
15	<b>Total equity</b>	<b>10,099,660</b>	<b>10,250,857</b>
<b>LONG-TERM DEBTS</b>			
	Debt to Arealudviklingsselskabet	0	2,441,408
	<b>Total long-term debts</b>	<b>0</b>	<b>2,441,408</b>
<b>SHORT-TERM DEBTS</b>			
	Bank loans	17,088	0
	Trade creditors	159,152	74,155
16	Other debts	47,460	30,749
	<b>Total short-term debts</b>	<b>223,700</b>	<b>104,904</b>
	<b>Total debts</b>	<b>223,700</b>	<b>2,546,312</b>
	<b>TOTAL LIABILITIES</b>	<b>10,323,360</b>	<b>12,797,169</b>
17	Contractual commitments and contingent liabilities		
18	Auditor's fee		
19	Related parties		
20	Currency, interest rate and credit risks		

# Cash Flow Statement

(all figures in DKK thousands)

2007

<b>Cash flow from operating activities</b>	
Metro fare revenue	371,702
Metro operating income	93,446
Other operating income	5,983
Metro expenses	-402,536
Staff costs	-29,774
Other external costs	-21,834
<b>Total cash flow from operating activities</b>	<b>16,987</b>
<b>Cash flow from investment activities</b>	
Investment in construction of the Metro	-223,090
Investment in buildings, operating equipment and fixtures and fittings	-19,922
Investment in securities (excluding value adjustment)	-643,435
<b>Total cash flows from investment activities</b>	<b>-886,447</b>
<b>Cash flows from financing activities</b>	
Accounts receivable	4,745,192
Trade creditors and other debts	-2,322,612
Net financing expenses (excluding value adjustment)	56,758
<b>Total cash flows from financing activities</b>	<b>2,479,339</b>
Change in available funds	1,609,878
Available funds, at start of year	0
Market value adjustment, net	-163
<b>Available funds, at end of year</b>	<b>1,609,715</b>

## Notes

### Note 1 Segment reporting

	<i>Phase 1-3</i>	<i>City Circle Line</i>	<i>Total</i>
Income	471,131	8,929	480,060
Expenses	-608,889	-75,178	-684,067
<b>Result before financial items</b>	<b>-137,758</b>	<b>-66,249</b>	<b>-204,007</b>

#### FIXED ASSETS

Construction of the Metro	1,880	0	1,880
Metro in operation	5,461,584	0	5,461,584
Building in progress	19,922	0	19,922
Operating equipment and fixtures and fittings	96	0	96
Financial fixed assets	1,077,900	58,300	1,136,200
<b>Total fixed assets</b>	<b>6,561,382</b>	<b>58,300</b>	<b>6,619,682</b>

#### CURRENT ASSETS

Land holdings	0	0	0
Accounts receivable	1,448,174	6,140	1,454,315
<b>Total current assets</b>	<b>1,448,174</b>	<b>6,140</b>	<b>1,454,315</b>

#### DEBTS

Trade creditors	144,563	14,589	159,152
Other debts	32,366	15,094	47,460
<b>Total debts</b>	<b>176,929</b>	<b>29,683</b>	<b>206,612</b>

**Note 2 Operating result for the Metro**

	<i>2007</i>
<b>Metro fare revenue</b>	<b>371,702</b>
<b>Metro operating income</b>	
Leasing out the Metro	84,993
Other income	8,453
<b>Total</b>	<b>93,446</b>
<b>Total income</b>	<b>465,148</b>
<b>Metro operating expenses</b>	
Payment for operations	-372,049
Contract management, etc.	-23,220
Other expenses	-7,267
<b>Total expenses</b>	<b>-402,536</b>
<b>Result before depreciation</b>	<b>62,612</b>
Depreciation	-163,613
<b>Result before financial items</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 2007, the Metro had 40 million passengers. The fare revenue for 2007 is based on an average passenger revenue of DKK 9.32.

**Note 3 Other operating income**

Other operating income consists of Arealudviklingsselskabet's share of administration costs for the period 1 January to 26 October 2007, when the partnership was founded, and minor income from leases, etc.



**Note 4 Staff costs**

Wages, salaries and emoluments	24,293
Pension contributions	3,260
Social security contributions	1,411
Other staff costs	810
<b>Total staff costs</b>	<b>29,774</b>

Of which:

Salaries for the Board of Executives	2,143
Pensions for the Board of Executives	266
Emoluments for the Board of Directors	900

Average number of employees (full-time equivalents)	43
---	----

Performance salary for the Board of Executives constitutes a maximum of 15% of their salaries. Salaries to the Board of Executives include bonus payments for 2006.

**Note 5 Other external costs**

	2007
Administration costs	19,114
Consultancy costs	2,720
<b>Other external costs, total</b>	<b>21,834</b>

**Note 6 Financial items**

	2007
<b>Financial income</b>	
Interest income from financial fixed assets	44,387
Interest income from accounts receivable	75,464
Interest income from liquid resources and securities	19,478
<b>Total financial income</b>	<b>139,329</b>
<b>Financial expenses</b>	
Interest expenses	-82,571
Exchange rate adjustment	0
Market value adjustment	-3,949
<b>Total financial expenses</b>	<b>-86,519</b>
<b>Total financial items</b>	<b>52,810</b>

**Note 7 Construction of the Metro**

	<i>Phases 1-3</i>	<i>City Circle Line</i>	<i>Total</i>
<b>ACQUISITION SUM</b>			
Start of year	320,721	3,750	324,471
Net additions for the year	-1,692	62,499	60,807
Carried forward to Metro in Operation	-317,148	0	-317,148
<b>End of year</b>	<b>1,880</b>	<b>66,249</b>	<b>68,129</b>
<b>WRITE-DOWNS AND REVALUATIONS</b>			
Start of year	0	0	0
Revaluations for the year	0	0	0
Write-downs for the year	0	-66,249	-66,249
<b>End of year</b>	<b>0</b>	<b>-66,249</b>	<b>-66,249</b>
<b>Start book value</b>	<b>320,721</b>	<b>3,750</b>	<b>324,471</b>
<b>End book value</b>	<b>1,880</b>	<b>0</b>	<b>1,880</b>

Construction of the Metro consists of costs for implementation of ticket systems. Write-down for the year on the City Circle Line is due to the recoverable amount being lower than the book value.

**Note 8 Metro in operation**

	<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	2,361,701	1,283,533	1,232,192	256,707	5,134,133
Net additions for the year	40,471	47,681	41,586	44,176	173,914
Transferred from Construction of the Metro	44,401	95,144	72,944	104,659	317,148
<b>End of year</b>	<b>2,446,573</b>	<b>1,426,359</b>	<b>1,346,722</b>	<b>405,541</b>	<b>5,625,196</b>
<b>WRITE-DOWNS AND DEPRECIATION</b>					
Start of year	0	0	0	0	0
Depreciation for the year	-25,055	-28,949	-60,926	-48,682	-163,611
Write-downs for the year	0	0	0	0	0
<b>End of year</b>	<b>-25,055</b>	<b>-28,949</b>	<b>-60,926</b>	<b>-48,682</b>	<b>-163,611</b>
<b>Start book value</b>	<b>2,361,701</b>	<b>1,283,533</b>	<b>1,232,192</b>	<b>256,707</b>	<b>5,134,133</b>
<b>End 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>

**Note 9 Building in progress, Operating equipment and fixtures and fittings**

	<i>Operating equip- ment and fixtures and fittings</i>	<i>Temporary office building</i>	<i>Total</i>
<b>ACQUISITION SUM</b>			
Start of year	159	0	159
Net additions for the year	0	19,922	19,922
<b>End of year</b>	<b>159</b>	<b>19,922</b>	<b>20,080</b>
<b>DEPRECIATION</b>			
Start of year	0	0	0
Depreciation for the year	-62	0	-62
<b>End of year</b>	<b>-62</b>	<b>0</b>	<b>-62</b>
<b>Start book value</b>	<b>159</b>	<b>0</b>	<b>159</b>
<b>End book value</b>	<b>96</b>	<b>19,922</b>	<b>20,018</b>

Depreciation on Temporary office building will be implemented from the time of occupancy. 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. Additions for the year amount to DKK 9 million.

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

	<i>The Danish Government</i>	<i>City of Copenhagen</i>	<i>City of Frederiksberg</i>	<i>Other accounts receivable</i>	<i>Total</i>
Start of year	41,700	4,050,000	1,847,617	20,486	5,959,802
Additions for the year	0	0	44,387	5,421	49,808
Disposals for the year	-41,700	-4,000,000	-848,700	0	4,890,400
<b>End of year</b>	<b>0</b>	<b>50,000</b>	<b>1,043,304</b>	<b>25,906</b>	<b>1,119,210</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 equivalent to cost. 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. Similarly, the City of Frederiksberg is entitled to have conveyed free of charge a portion of the land (700 m<sup>2</sup>) by Fasanvej Station, 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 2007 includes accumulated payment of DKK 839 million.

Accounts receivable also includes VAT receivable of DKK 13 million. Accrued interest amounts to DKK 53 million.

Of accounts receivable as of 31 December 2007, DKK 1,342 million falls due for payment later than 31 December 2008.

**Note 14 Securities and liquid resources**

	<i>2007</i>
Securities over 3 months	639,649
<b>Other securities, total</b>	<b>639,649</b>
Cash and bank deposits	293
Fixed-term deposits	1,134,552
Securities under 3 months	474,870
<b>Total liquid resources</b>	<b>1,609,715</b>

**Note 15 Participating interests**

	<i>Contribution existing Metro</i>	<i>Owner contribution</i>	<i>Result carried forward</i>	<i>Total</i>
Start of year	660,857	9,590,000	0	10,250,857
Additions for the year	0	0	-151,197	-151,197
<b>End of year</b>	<b>660,857</b>	<b>9,590,000</b>	<b>-151,197</b>	<b>10,099,660</b>

**Note 16 Other debts**

	<i>2007</i>	<i>Opening balance</i>
Outstanding PAYE tax, etc.	1,377	104
Outstanding holiday pay	4,454	3,632
Costs payable	41,629	27,013
<b>Total other debts</b>	<b>47,460</b>	<b>30,749</b>

Outstanding costs include establishment costs of DKK 9 million.

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

Metro under construction (contracts in progress in DKK million)	32
Metro in operation (contracts in progress in DKK million)	56
	<b>88</b>

The residual value of contracts in progress entered into with consultants and contractors concerning the Metro totals DKK 88 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 835 million.

A contract has been entered into for construction of the temporary office building, with an overall residual value of DKK 34 million.

**CONTINGENT LIABILITIES**

The large construction contractor from the first two stages of the Metro, COMET, has lodged a claim against the Metro Development Corporation for additional payment of around DKK 2 billion in connection with the contractor's final settlement. 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 partnership has informed COMET that these claims must essentially be rejected on the existing basis. COMET has subsequently lodged a claim 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>2007</i>	<i>Opening balance</i>
The Audit Directorate of the City of Copenhagen	100	65
The National Audit Office of Denmark	456	192
Kommunernes Revision A/S	205	65
Other services	0	0
<b>Auditor's fee, total</b>	<b>761</b>	<b>322</b>

**Note 19 Related parties**

Transactions between parties and Metroselskabet I/S 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 at 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 2007 (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.	4.47%	475	-	475	494
1-2 years.	-	-	-	-	-
2-3 years.	4.50%	650	-	650	666
<b>Variable interest rate</b>					
0-1 years.	4.66%	-	1,135	1,135	1,143
1-2 years.	-	-	-	-	-
2-3 years	-	-	-	-	-

**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 2007.

<i>Total counterparty exposure (market value, DKK million)</i>	<i>Investments/ Bonds</i>
AAA	1,160
AA	504
A	638
<b>Total</b>	<b>2,302</b>

# The Metro Development Corporation, Board of Directors and Board of Executives

## The Board of Directors

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

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

Appointed by the Danish Government  
 Managing Director of Epsilon S.P. R.L.  
*Chairman of the Board of:* The European Institute of Public Administration  
*Senior Partner at:* Kreab A/B  
*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:* transport provider MOVIA, The European Association of Cities for Second Chance Education (treasurer) and Det kongelige opfostringshus (Royal Orphanage).  
*Member of:* Copenhagen City Council (2nd Vice-Chairman), the Audit Committee (Chairman), the Finance Committee, the Child and Youth Committee, the Election Committee, Københavns Erhvervsråd and Københavns Kommunes Ungdomsskole (Chairman).

### **Mads Lebech (Vice-Chairman)**

Appointed by the City of Frederiksberg  
 Mayor of the City of Frederiksberg.  
*Board posts, etc.:* R98, Copenhagen Capacity, Kommunekemi A/S, the National Association of Local Authorities in Denmark (chairmanship and board of directors), KAB, the National Association of Local Authorities in Denmark (Wage and Personnel Committee), Wonderful Copenhagen, Zoological Gardens, the Øresund Committee, chairman of Realdania's Urban Development Forum, Drostfonden, Foreningen Norden for Frederiksberg, Frederiksberg Conservative Constituency Organisation, Regional Council for Region Hovedstaden and Chairman of the Historisk-topografisk Selskab for Frederiksberg.

### **Birgit Aagaard-Svendsen**

Appointed by the Danish Government  
 Director of J. Lauritzen A/S and Landlov Aps.  
*Chairman of the Board 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.  
 Also member of the board of Det Norske Veritas.

### **Hans Jensen**

Appointed by the Danish Government  
 Former chairman of LO  
*Chairman of the Board of:* A/S A-Pressen, AKF-Holding A/S, Lønmodtagernes Dyrtidsfond, Højstrupgård A/S, Fondsmæglerselskabet af 2004 A/S, FMS Holding af 2004 A/S, Fåmandsforeningen LD  
*Board member of:* Arbejdernes Landsbank, A/S Panda VVS, ATP, Dansk Erhvervsinvestering A/S and Dansk Innovationsinvestering P/S  
*Other duties:* President of Dansk Folkeferie and and the committee of representatives of Danmarks Nationalbank

**Camilla Burgwald**

Appointed by the City of Copenhagen

MA (Sociology)

*Member of:* City Council, the Technological and Environmental Committee

**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

**Bente G. Rønnebæk**

Elected by the employees

Bookkeeper

**Thue Ravn**

Elected by the employees

Marketing Manager

## Board of Executives

**Anne-Grethe Foss**

Managing Director

*Member of:* The Competition Council and the school board of Ørestad Gymnasium



# Appendix

# The long-term budget that provided the basis for establishment of the Metro Development Corporation

## 1. Background

In connection with the preparation of the proposal for the act regarding Metroselskabet I/S and Arealudviklingsselskabet I/S, a model opening balance sheet was prepared for Metroselskabet I/S, and a liquidity budget was prepared on the basis of this. The calculations were performed in mid 2006 and showed that the new metro development corporation will be free from debt by 2049.

Annual accounts are now available from the existing metro companies and an actual balance sheet for the new metro corporation – Metroselskabet I/S – has been compiled as of 1 January 2007. This balance sheet is the basis for a new liquidity budget (see below).

## 2. Provisions for the new liquidity budget

1. The passenger forecasts for both the City Circle Line and for phases 1-3 of the Metro, which formed the basis of the agreement in principle regarding the City Circle Line, serve as the starting point.
2. The fare system, which formed the basis of the agreement in principle regarding the City Circle Line, also serves as a starting point. This fare system has been adjusted to 2007 prices on the basis of the Ørestad Development Corporation's budget for 2007. The fare per passenger, according to the budget, is DKK 9.00.
3. The operating costs for phases 1-3 are based on the Ørestad Development Corporation's current budgets. The fact-finding report on the City Circle Line, with the operating costs calculated using 2004 prices, serves as the basis for the City Circle Line. The operating costs for the City Circle Line have subsequently been listed as 2007 prices by adjusting the costs by 2 per cent p.a.
4. The remaining investment for phases 1-3 is based on the Ørestad Development Corporation's current budgets. In connection with this, reinvestment of DKK 251 million (in 2007 prices) every 10 years is assumed. In accordance with the agreement in principle regarding the City Circle Line, reinvestment in trains, tunnels and stations has not been taken into account.
5. The construction costs for the City Circle Line have been established based on the construction estimate, which formed the basis of the agreement in principle regarding the City Circle Line. This construction estimate was DKK 15 billion in 2005 prices. The construction costs have been adjusted upward to 2007 prices by adding 10.2 per cent in price rises. The evaluation was based on trends in the official price index since 1 January 2005. Reinvestment is similarly based on the provisions in the agreement in principle. This reinvestment has been adjusted from the 2005 price level to the 2007 price level by adding a price increase of roughly 7 per cent. It should be noted that the structure of these investments is not directly comparable with the investments in the City Circle Line (see above), as materiel, etc. forms a more substantial portion of the structure of the reinvestments.
6. The liquidity bridge is presumed to be paid off by the start of 2010 and to be charged interest up until that time at 8 per cent p.a.
7. It is presumed that the non-interest-bearing portion of the debt will grow from just under DKK 100 million on establishment to around DKK 600 million when the construction work is at its peak, before dropping again to just under DKK 100 million.

8. It is assumed that the contribution from the City of Copenhagen of DKK 4,000 million and from the City of Frederiksberg of DKK 800 million will accrue interest from the time of establishment of the corporation (September 2007). The claim on the owners relating to reinvestment of DKK 100 million will accrue interest from 2008, while the other debts will accrue interest from the start of 2007. The interest is assumed to be 4 per cent p.a., equivalent to the level of the current Cibor interest rate (3 months), which is the basis for the payment of interest on the debts.
9. It is assumed that any net excess liquidity is tied to a short-term interest rate (4 per cent p.a.), while a net liability is tied to an interest rate of well over 6 per cent, equivalent to a real interest rate of 4 per cent. The real interest rate of 4 per cent is equivalent to the provisions in the Agreement in principle. The real interest rate is currently around 3 per cent p.a.
10. It is assumed that all prices from 2007 will rise by 2 per cent p.a.

With these assumptions, the claims on the owners can be accorded equal status to cash contributions provided that DKK 4,900 million does not accrue interest until the middle of the year. As of 1 January 2007, the corporation thus has net excess liquidity of approximately DKK 3.5 billion. This excess liquidity arises as follows:

	<i>DKK million</i>
Interest-bearing liability:	- 2,441
Claims on the City of Frederiksberg:	1,848
Claims on the City of Copenhagen:	4,050
Claims on the Danish Government:	42
<b>Total</b>	<b>3,498</b>

### 3. The liquidity budget

The liquidity budget is enclosed as an appendix. As shown by this, the corporation will be free from debt in 2057, and the debt, in current prices, will reach its peak in 2023, when it will be around DKK 14.9 billion.

In the draft act regarding Metroselskabet I/S and Arealudviklingselskabet I/S, the repayment period is estimated to be 2049, while the Agreement in principle operates on a repayment period of up to 40 years after the opening of the Metro (2058).

The basis for the repayment period having increased in relation to the comments in the bill is that the price trend for construction work from 2005 to 2007 has been around 10 per cent, while the contributions from the owners are not index-linked. This is counteracted to a certain extent by the fact that in the same period a real increase in revenue per passenger on the Metro took place, and that the interest income for the first few years is expected to be higher as a result of the increase in the day-to-day interest rate.

It should be noted that the sharp increase in the price indices within the building and construction sector is a result of the high level of activity in this sector. When it comes time to invite tenders for the construction work, the competitive situation may be different.

According to the first preliminary results from the updated traffic model, the number of passengers on the existing Metro in 2015 is expected to be 14.6 per cent lower than previously expected. On the other hand, individual journeys are expected to be longer. The number of passengers for the City Circle Line in the same "calculation year" is approximately 3.5 per cent lower than previously expected.

The forecasts based on the updated traffic model must now be quality assured and detailed further, so that passenger trends for both the years up to 2015 and the subsequent period can be estimated. In addition, the management of the new Metro Development Corporation, in partnership with the owners, must draw up proposals for strengthening passenger numbers in the Metro.

## Liquidity budget for Metroselskabet I/S

Interest rate, liquidity bridge	8.0%
Long-term interest rate, real interest rate	4.0%
Inflation	2.0%
Short-term interest rate	4.0%

Year	Liquidity bridge	Other liabilities <sup>1)</sup>	Contribution from owners	Metro	Liquidity effect	Interest rate	Interest	Movement/ Transaction	Cash, at start of year	Cash, at end of year
2006	1,267,734	104,904								-1,402,091
2007			4,900,000	-191,530	4,708,470	6.08%	-43,687	4,664,783	-1,402,091	3,262,692
2008				-526,457	-526,457	4.00%	120,082	-406,376	3,262,692	2,856,316
2009				-652,452	-652,452	4.00%	101,332	-551,121	2,856,316	2,305,195
2010	1,596,980	100,000		-699,268	997,711	4.00%	143,593	1,141,304	2,305,195	3,446,499
2011		100,000		-1,699,355	-1,599,355	4.00%	106,187	-1,493,169	3,446,499	1,953,331
2012		100,000		-2,121,352	-2,021,352	4.00%	38,103	-1,983,250	1,953,331	-29,919
2013		100,000		-1,882,546	-1,782,546	6.08%	-55,209	-1,837,755	-29,919	-1,867,674
2014		100,000		-1,928,474	-1,828,474	6.08%	-168,320	-1,996,794	-1,867,674	-3,864,468
2015		-100,000		-2,299,339	-2,399,339	6.08%	-306,823	-2,706,162	-3,864,468	-6,570,630
2016		-100,000		-1,874,641	-1,974,641	6.08%	-458,638	-2,433,278	-6,570,630	-9,003,909
2017		-100,000		-1,866,323	-1,966,323	6.08%	-606,332	-2,572,655	-9,003,909	-11,576,563
2018		-100,000		-1,274,669	-1,374,669	6.08%	-745,028	-2,119,697	-11,576,563	-13,696,260
2019		-100,000		496,777	396,777	6.08%	-820,849	-424,072	-13,696,260	-14,120,332
2020				614,270	614,270	6.08%	-840,118	-225,848	-14,120,332	-14,346,181
2021				698,543	698,543	6.08%	-851,325	-152,783	-14,346,181	-14,498,963
2022				454,697	454,697	6.08%	-867,918	-413,221	-14,498,963	-14,912,184
2023				854,493	854,493	6.08%	-881,067	-26,574	-14,912,184	-14,938,758
2024				881,032	881,032	6.08%	-881,888	-856	-14,938,758	-14,939,614
2025				908,295	908,295	6.08%	-881,124	27,171	-14,939,614	-14,912,443
2026				929,193	929,193	6.08%	-878,846	50,347	-14,912,443	-14,862,096
2027				947,996	947,996	6.08%	-875,222	72,774	-14,862,096	-14,789,322
2028				974,578	974,578	6.08%	-870,001	104,578	-14,789,322	-14,684,745
2029				657,484	657,484	6.08%	-873,140	-215,656	-14,684,745	-14,900,401
2030				1,016,960	1,016,960	6.08%	-875,485	141,475	-14,900,401	-14,758,926
2031				1,037,299	1,037,299	6.08%	-866,274	171,025	-14,758,926	-14,587,901
2032				646,253	646,253	6.08%	-867,588	-221,335	-14,587,901	-14,809,236
2033				1,079,206	1,079,206	6.08%	-868,078	211,128	-14,809,236	-14,598,108
2034				1,100,790	1,100,790	6.08%	-854,595	246,195	-14,598,108	-14,351,913
2035				1,122,806	1,122,806	6.08%	-838,967	283,839	-14,351,913	-14,068,074
2036				1,145,262	1,145,262	6.08%	-821,037	324,225	-14,068,074	-13,743,849
2037				1,168,167	1,168,167	6.08%	-800,638	367,529	-13,743,849	-13,376,319
2038				1,191,530	1,191,530	6.08%	-777,592	413,938	-13,376,319	-12,962,381
2039				801,514	801,514	6.08%	-764,106	37,408	-12,962,381	-12,924,973
2040				1,239,668	1,239,668	6.08%	-748,709	490,960	-12,924,973	-12,434,014
2041				1,264,462	1,264,462	6.08%	-718,116	546,346	-12,434,014	-11,887,667
2042				787,779	787,779	6.08%	-699,175	88,604	-11,887,667	-11,799,064
2043				1,315,546	1,315,546	6.08%	-677,981	637,565	-11,799,064	-11,161,499
2044				-714,287	-714,287	6.08%	-700,013	-1,414,300	-11,161,499	-12,575,798
2045				1,368,694	1,368,694	6.08%	-723,614	645,080	-12,575,798	-11,930,718
2046				1,396,068	1,396,068	6.08%	-683,573	712,494	-11,930,718	-11,218,224
2047				1,423,989	1,423,989	6.08%	-639,417	784,572	-11,218,224	-10,433,652
2048				1,452,469	1,452,469	6.08%	-590,862	861,607	-10,433,652	-9,572,046
2049				977,041	977,041	6.08%	-552,717	424,324	-9,572,046	-9,147,721
2050				1,511,149	1,511,149	6.08%	-510,920	1,000,228	-9,147,721	-8,147,493
2051				1,541,372	1,541,372	6.08%	-449,201	1,092,170	-8,147,493	-7,055,323
2052				960,298	960,298	6.08%	-400,201	560,096	-7,055,323	-6,495,226
2053				1,603,643	1,603,643	6.08%	-346,878	1,256,765	-6,495,226	-5,238,461
2054				1,635,716	1,635,716	6.08%	-269,506	1,366,210	-5,238,461	-3,872,252
2055				1,668,430	1,668,430	6.08%	-185,461	1,482,969	-3,872,252	-2,389,282
2056				1,701,799	1,701,799	6.08%	-94,297	1,607,502	-2,389,282	-781,780
<b>2057</b>				<b>1,735,835</b>	<b>1,735,835</b>	<b>6.08%</b>	<b>4,459</b>	<b>1,740,293</b>	<b>-781,780</b>	<b>958,513</b>
2058				1,770,552	1,770,552	4.00%	73,404	1,843,956	958,513	2,802,469
2059				1,191,007	1,191,007	4.00%	135,685	1,326,693	2,802,469	4,129,162
2060				1,842,082	1,842,082	4.00%	201,647	2,043,729	4,129,162	6,172,891

1) Does not accrue interest





April 2008

Copies: 1,000

Layout: Lars Møller Nielsen

Text: Metroselskabet

Photographs: Metroselskabet / Lene Skyttke

Printing: Kolofon

ISSN: 1903-1556

ISBN: 978-87-92378-00-2

**The Metro Development Corporation**

Arne Jacobsens Allé 17  
DK-2300 Copenhagen S

As of 5 May 2008:

Metrovej 5  
DK-2300 Copenhagen S

T +45 33111700

F +45 33112301

E [m@m.dk](mailto:m@m.dk)

W [www.m.dk](http://www.m.dk)