

Hovedstadens Letbane I/S Annual Report 2017



Hovedstadens Letbane I/S

Metrovej 5

DK-2300 Copenhagen S

CVR number: 36032499

T +45 3311 1700

E info@dinletbane.dk

Read more about Greater Copenhagen

Light Rail

at dinletbane.dk

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Greater Copenhagen Light Rail at one of the 29 coming stations along the line.

Foreword

The work on the Light Rail in 2017 did not lead to any changes in the financial basis. Greater Copenhagen Light Rail was able to maintain the overall budgets unchanged, while the invitations to tender for the major contracts and the preparation of the final decision by the owners to enter into contracts could take place within the framework laid down by the owners for the construction budget of DKK 502 million in 2017.

One of the major milestones in 2017 was the completion of the extensive procurement process. Invitations to tender in accordance with EU regulations were held for eight Light Rail contracts. This was a process characterised by constructive negotiation. Both the winning bids and the other bids were of high quality and Greater Copenhagen Light Rail looks forward to fruitful cooperation with the winning contractors in the coming years.

Parallel to the invitations to tender, the extensive work was undertaken of preparing the company and its surroundings for the forthcoming construction phase. The framework has been laid for cooperation with contractors, authorities and utility line owners. Before the contractors can start work, buried utility lines along Ring 3 must be realigned, and sites and properties must be expropriated in order to make areas available for the construction work.

In the Light Rail municipalities, a large number of meetings were held with residents and utility line owners, in preparation for the construction work. In the eight municipalities in which the Light Rail will run, all inspections of properties and sites were completed and approved. This means that the expropriation process can begin in 2018.

Traffic plans during the construction period were also prepared in the course of the year, and the final details concerning the alignment fell into place. This meant, among other things, that the 28-kilometre long Light Rail will have an extra 29th station. In Vallensbæk Municipality, it was decided to construct an additional station, Delta Park, of which the most important function will be to improve the infrastructure and the development of the municipality's largest business area.

Towards the end of the year, the EY firm of accountants undertook external quality assurance of the project's aggregated risk and reserve requirements.

Thank you to all partners and employees.

We hope that you enjoy reading the report!

Birgitte Brinch Madsen
Chair of the Board of Directors

Henrik Plougmann Olsen
CEO

Results and expectations



The result for 2017 was in accordance with expectations.”

Result for the year

Greater Copenhagen Light Rail will not have any passenger revenue until the Light Rail opens.

During the first years, the company's accounts will therefore show a deficit due to the very significant investments in the construction of the Light Rail, without any passenger revenue.

The company's finances are planned on the basis of this strategy, which was also applied to the Great Belt Fixed Link, the Øresund Fixed Link, the Copenhagen Metro and the Fehmarn Belt Fixed Link.

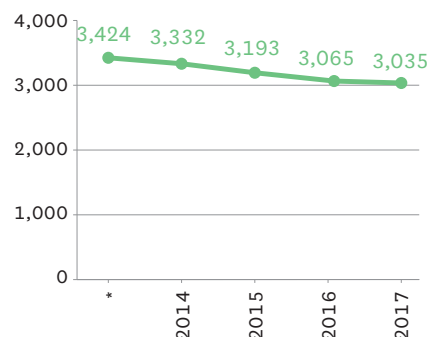
The result for 2017 was in accordance with expectations.

The result for 2017 before depreciation and write-downs is a loss of DKK 2 million. Depreciation and write-downs totalled DKK 99 million in 2017, and concern write-downs on the construction of the Light Rail. The result before financial items is hereafter a loss of DKK 101 million. Financial items account for income of DKK 71 million. The result for the year is a loss of DKK 30 million.

Development in equity

Hovedstadens Letbane I/S was established on 19 June 2014. The Danish State represented by the Danish Ministry of Transport, Building and Housing, the Capital Region and Lyngby-Taarbæk Municipality, Gladsaxe Municipality, Herlev Municipality, Rødovre Municipality, Glostrup Municipality, Albertslund Municipality, Brøndby Municipality, Høje-Taastrup Municipality, Hvidovre Municipality, Vallensbæk Municipality and Ishøj Municipality contributed DKK 3.5 billion on the company's establishment. The company's book loss of DKK 30 million has been deducted from equity, which amounted to DKK 3,035 million at the end of 2017.

Equity (DKK million)



*Opening balance sheet, 1 January 2014

One consequence of the accounting policies applied by Hovedstadens Letbane I/S is that equity would be expected to continue to be reduced in the following years, culminating with the establishment of the major civil engineering contracts, expected to take place in the first quarter of 2018.

As a consequence, the company will record a liability in the accounts equivalent to the negative value of the cash flows from the project. This provision will affect the operating result for the year in question significantly, just as most of the equity contributions can be expected to have been allocated at this time. This is in accordance with the assumptions made at the time of the establishment of the company.

Hovedstadens Letbane I/S is a partnership in which the owners are 100 per cent liable for the company. Any negative equity capital would thus not as such entail a need for further contributions from the owners, as Hovedstadens Letbane I/S would still be able to service its debt as planned.

Long-term economic development

Hovedstadens Letbane I/S prepared an updated long-term budget in December 2017. The long-term budget shows the expectations of the long-term economic development in the company. The long-term budget shows that the company's net debt is expected to reach its maximum level in 2032, at approximately DKK 3.9 billion (in current prices). See the graph below.

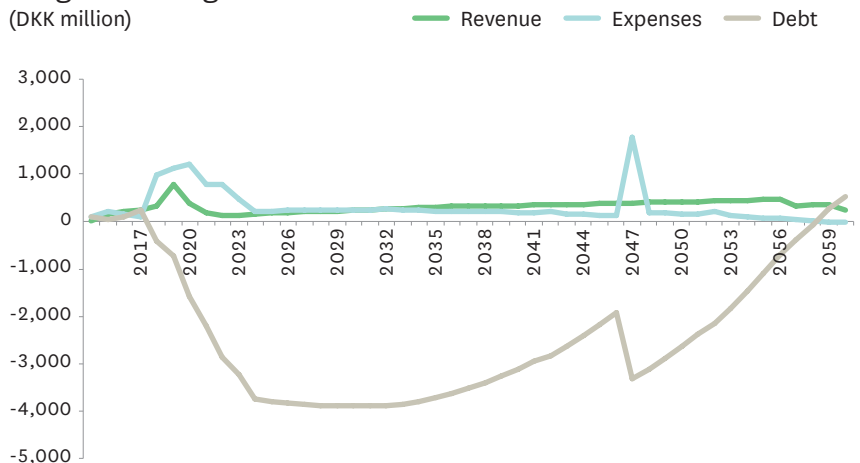
The debt is expected to be repaid in 2059, which is in accordance with the previous expectations.

Investment in the Light Rail

Investments in the construction of the Light Rail totalled DKK 102 million in 2017, of which DKK 93 million concerned capital investments and DKK 9 million concerned operations-related capital investments. In 2017, a write-down of DKK 99 million was made concerning the construction of the Light Rail, and the net book value of the Light Rail is stated as DKK 0 in the balance sheet. This is a consequence of how the investment in the Light Rail will not be fully recovered via future revenue such

Long-term budget

(DKK million)



Note: In budgetary terms, reinvestment in rolling stock, mechanical and electrical installations is assumed in 2047, cf. the company's long-term budget (Appendix to the Management Report)

“
Based on the current long-term budget, the company expects the loans to be repaid in full by 2059.”

as passenger revenue, etc., and is therefore written down on an ongoing basis to the expected recoverable value of the Light Rail, with due consideration of the planned capital investments. The write-down that has been made is in accordance with expectations.

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

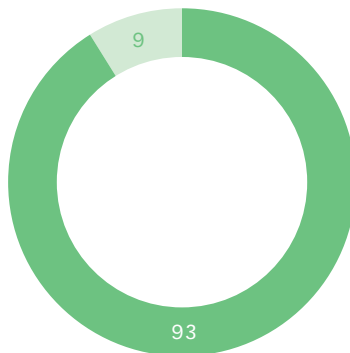
In conjunction with its establishment, the company's owners made contributions to the financing of the capital investments. The Danish State, represented by the Ministry of Transport, Building and Housing, finances approximately DKK 1.4 billion, and the Capital Region and the 11 municipalities involved finance the remaining approximately DKK 2.1 billion. On the company's establishment, the dates of the payment of the respective deposits were determined in the payment agreements with the individual owners. See the graph in the top right-hand corner.

The operations-related capital investments concern investments for the procurement

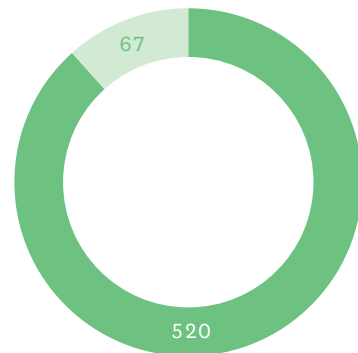
of Light Rail trains, the establishment of the Control and Maintenance Centre, trial operation, strategic spare parts and reinvestments. The operations-related capital investments are financed by the Capital Region and the 11 municipalities involved via their payment, once the Light Rail has been put into operation, of annual operating contributions for a total value of approximately DKK 1 billion, as well as an expected operating surplus at a value totalling approximately DKK 0.3 billion. See the graph at the centre right.

The tables show that both the company's capital investments and the operations-related capital investments are expected to be defrayed during the 2014-2024 period, while the related financing, from the owners via owner contributions as instalments and operating contributions, and as passenger revenue from the operation of the Light Rail, is expected to be contributed to the company as annual payments. During the period until these payments have financed the overall Light Rail, the difference will be financed by raising loans. Based on the current long-term budget, included as an Appendix to the Management Report, the company expects the loans to be repaid in full by 2059.

Investments in 2017 (DKK million)

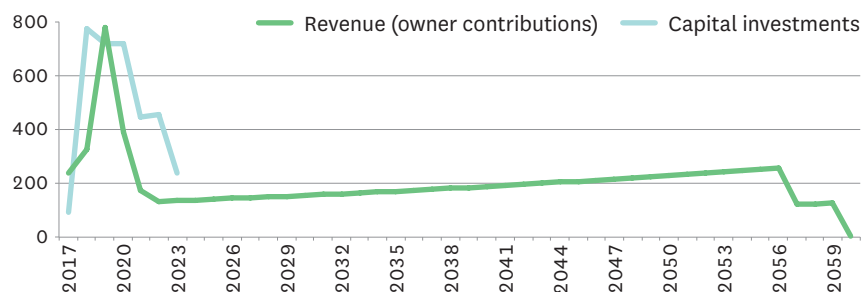


Investment at 31 December 2017 (DKK million)

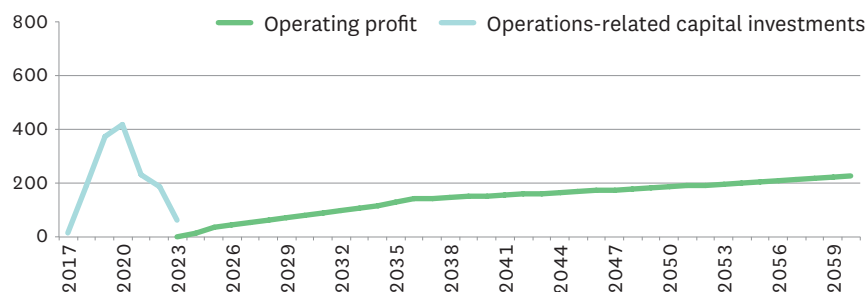


● Capital investments ● Operations-related capital investments

Timing difference between capital investments and revenue (owner contributions) (DKK million)



Timing differences between operations-related capital investments and revenue (DKK million)



Financial Highlights and Key Figures 2017

All figures in DKK million	2014	2015	2016	2017
Result before depreciation and write-downs	-1.8	-2.0	-2.3	-2.5
Depreciation and write-downs	-90.3	-204.6	-158.3	-99.3
Result before financial items	-92.1	-206.6	-160.6	-101.8
Result for the year	-92.1	-140.2	-128.0	-30.4
Balance sheet total	3,740	3,725	4,004.3	3,923.7
The year's investment in the Light Rail	90.3	208.0	160.6	101.8
Equity	3,332.0	3,193.0	3,065.3	3,034.9
Solvency ratio	89%	86%	77%	77%

Equity ratio = Equity at the end of the year x 100/total assets

Key Figures for Greater Copenhagen Light Rail

Investment (DKK million)



Capital investments

4,781

Budget (2017 prices)

Operations-related capital investments

1,443

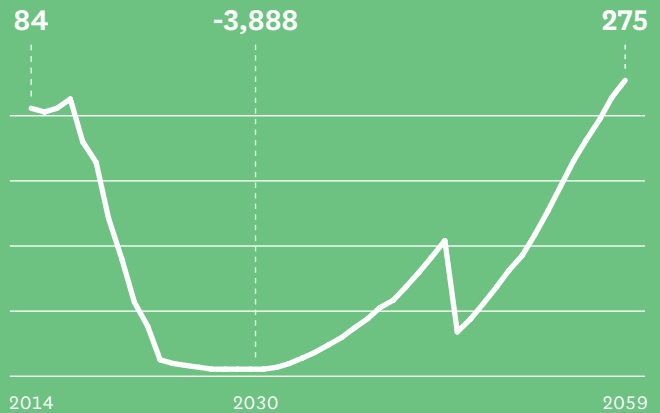
Budget (2017 prices)

Total

6,224

Total budget including adjustment reserve of DKK 1,106 million (2017 prices)

Long-term budget (DKK million)



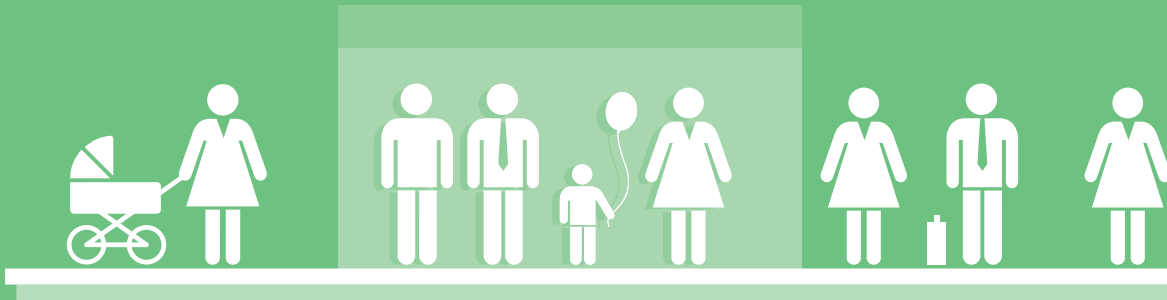
The Light Rail will run every five minutes during daytime hours, and every ten minutes in the evenings and at weekends.



The Light Rail will have 29 stations along the 28-km stretch, which will be served by 27 Light Rail trains.

29
28
27

13-14 million passengers are expected to use the Light Rail on an annual basis. For comparison, the “Kystbanen” (coastal line between Copenhagen and Elsinore) had just over 9 million passengers in 2016.



A Light Rail train can carry 200-230 passengers. This corresponds to around four city buses.



4,000 daily individual journeys are expected to be made using the Light Rail, rather than private vehicles, once the Light Rail opens.



Greater Copenhagen Light Rail

Hovedstadens Letbane I/S is tasked with building and operating the Light Rail along Ring 3.

The Light Rail will make it easy, rapid and comfortable to travel across Greater Copenhagen. The Light Rail will run every five minutes in daytime hours, with no fixed timetable, and with connections to S-trains at six stations. It will stop close to DTU (the Technical University of Denmark), and Herlev and Glostrup Hospitals, besides a large number of other workplaces, shops and cultural and sporting venues and, not least, residential areas.

For most of its alignment, the Light Rail will run on its own track, separated from the rest of the traffic at the side or middle of the road. At a few locations, due to the lack of space it will mingle with other traffic.

A Light Rail service is a quiet and environmentally friendly means of transport. The trains run on electricity, with plenty of space for 200-230 passengers in each train, which corresponds to the number of passengers in around four city buses.

The Light Rail will run every five minutes during daytime hours – without a timetable, just like the Metro.





The Light Rail platforms will either be laid on each side of the tracks or in the middle of the tracks, called an island platform, as shown in the illustration here.

“
Greater Copenhagen
Light Rail will include
a new 28-kilometre
development area
between Lyngby and
Ishøj.”

The Light Rail and urban development

Greater Copenhagen Light Rail will entail a new 28-kilometre development area between Lyngby and Ishøj.

The Light Rail will increase the areas' accessibility and create a basis to attract private investment, because many companies and private individuals will be keen to locate close to sustainable and effective public transport systems.

There is a strong interest in the business community to develop the areas along the Light Rail. This is the conclusion after the Incentive consultancy updated their investment analysis from October 2016. At that time, the estimate was DKK 20 billion, but the updated analysis from September 2017 shows that investments for DKK 32 billion have been made or are planned in the municipalities along the forthcoming Light Rail. The same investment analysis assesses that the Light Rail can help to attract up to 36,500 new jobs and up to 32,000 new residents towards 2032.

Furthermore, an analysis by COWI for the City of Copenhagen, the Greater Copenhagen Recruitment Service, Metroselskabet and Greater Copenhagen Light Rail shows that the establishment of the Light Rail is expected to have a direct employment effect of around 2,300 FTEs and an indirect employment effect of around 2,200 FTEs.

New station at Delta Park in Vallensbæk Municipality

In 2017, the municipal council of Vallensbæk Municipality decided to buy an additional station at Delta Park. This will give businesses and residents in the area easy access to the Light Rail. With the new station, Greater Copenhagen Light Rail will have 29 stations instead of the 28 originally planned.

In 2015, the Light Rail's environmental impact was investigated. At that time, Delta Park was already included as part of the investigation basis, and the station was included as an option in the Act on the Construction of the Greater Copenhagen Light Rail.

Status of the work on the Light Rail

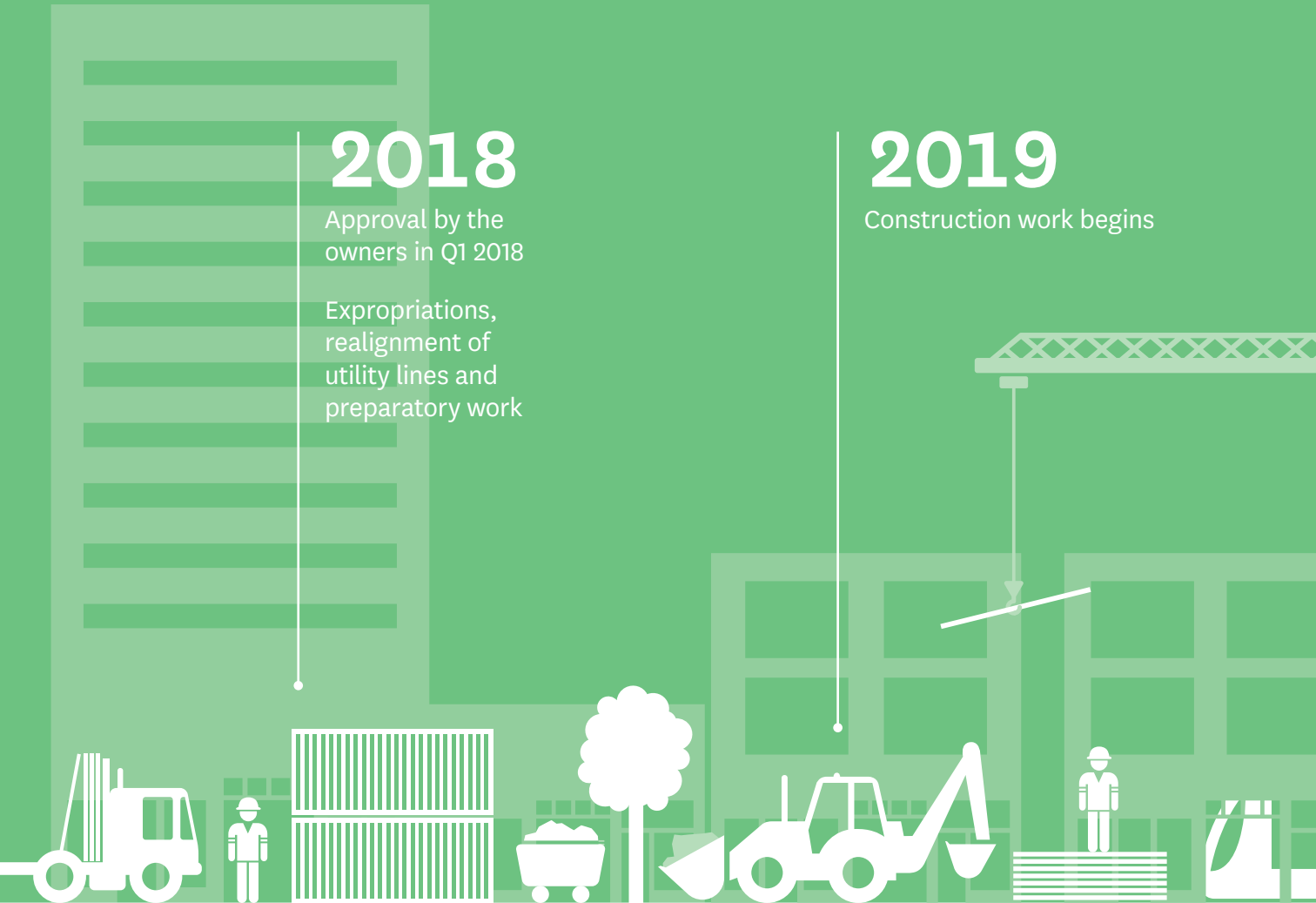
2018

Approval by the owners in Q1 2018

Expropriations, realignment of utility lines and preparatory work

2019

Construction work begins



Selection of contractors

At the meeting of the Board of Directors of Greater Copenhagen Light Rail on 10 January, the Board of Directors approved the result of the invitation to tender and the recommendation to the owners to approve the financial basis for the execution of the Light Rail in Ring 3.

Greater Copenhagen Light Rail announced the winning contractors for the eight Light Rail contracts in total for which tenders were invited.

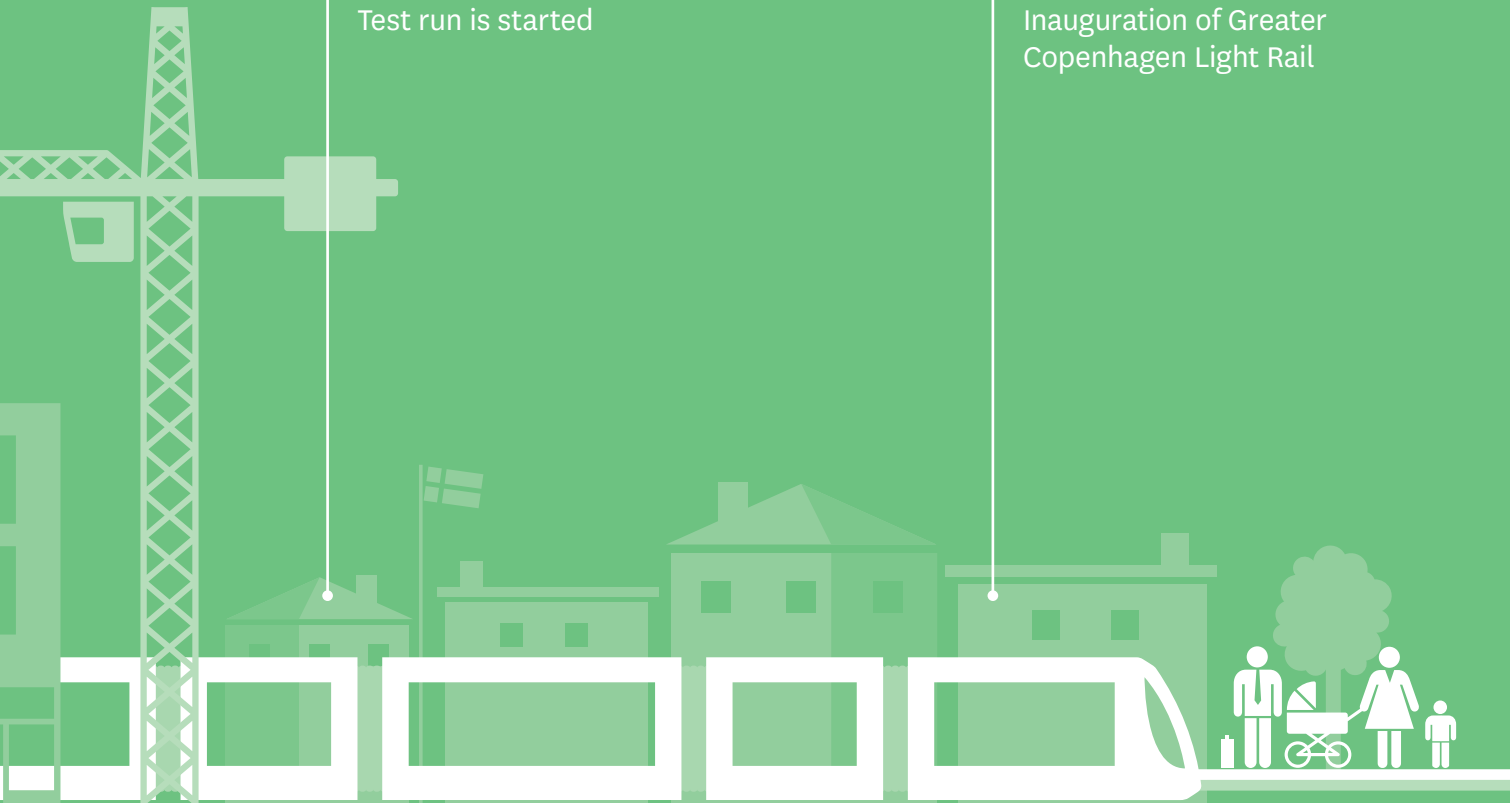
After approval by the owners in Q1 2018, Greater Copenhagen Light Rail will enter into contracts with the winning contractors.

2023

Test run is started

2024

Inauguration of Greater Copenhagen Light Rail



“
EY has assessed that both the Light Rail’s base estimate and the risk register and risk process are at an appropriate and fair level at the current stage of the project.”

New quality assurance

At the end of 2017, the Minister for Transport, Building and Housing requested Greater Copenhagen Light Rail to undertake an external assessment of the Light Rail project’s aggregated risk and the derived reserve requirements after the invitation to tender had been held. The assessment was to build further on the external review of the Light Rail project’s construction finances that was undertaken by EY in the summer and autumn of 2016. On receipt of the Minister’s request, the company initiated cooperation with EY to achieve quality assurance of the updated risk register and thereby the aggregated risk, as well as the derived reserve requirements.

On the basis of their work, EY has assessed that both the Light Rail’s base estimate and the risk register and risk process are at an appropriate and fair level at the current stage of the project. Together with the result of the invitation to tender, the quality assurance was included in the Board of Directors’ recommendation to the owners as the basis for the final decision on the Light Rail project.

Expropriation activities

The company uses expropriation to acquire areas to be used for the construction and operation of the Light Rail. Expropriation entails that a number of properties along the Light Rail’s alignment have to release sites on a permanent or temporary basis. Compensation is paid, as determined by the Expropriation Commission, which serves as an impartial third party in the expropriation process. Expropriation can also have the consequence that the use of properties adjacent to the Light Rail is subject to limitations by imposing encumbrances. In these cases too, expropriation releases compensation. Around 550 properties are affected by expropriation, of which around 30 per cent are expected to be commercial properties.

In 2017, inspections as part of the expropriation process took place in all municipalities, along the entire alignment of the Light Rail. It is therefore expected that the expropriation activities will be initiated in the spring of 2018.

There has been good dialogue with the affected parties and the areas inspected for use in the construction phase and operation of the Light Rail were approved by the Expropriation Commissioner with only a few comments. There will be continuous assessment of the need for further initiatives to ensure a good dialogue with the general public, including residents’ meetings, press relations, etc.

Knowledge of the Light Rail

A strategy for communication, dialogue and cooperation with stakeholders during the construction phase was prepared in 2017. The strategy sets out key messages and action areas, with special focus on the target groups of road users, businesses/commercial operators, and neighbours. The strategy has been approved by the Board of Directors and aims to ensure that the target groups receive a high service level, with relevant, consistent and responsive communication throughout the entire construction phase. This applies to both the realignment of utility lines and the construction work.

The strategy has been set up with input from the owners and a wide range of stakeholders, with collection of data concerning companies and residents in the Light Rail municipalities. An external survey carried out among residents and employees in the location municipalities shows, among other things, that two thirds are familiar with Greater Copenhagen Light Rail. The primary source of this knowledge is local media, which are also residents’ preferred source of information about the Light Rail. The survey also shows that 76 per cent of

Lyngby-Taarbæk Municipality's residents' meeting on the Light Rail at DTU in August 2017 was well-attended.



“
An external survey of residents and employees in the location municipalities shows, among other things, that two thirds are aware of Greater Copenhagen Light Rail.”

residents expect Greater Copenhagen Light Rail to proactively provide information about the project. The many inputs from the data collection are incorporated into the strategy for communication, dialogue and cooperation with stakeholders during the construction phase. At the request of the municipalities, the strategy assumes that the municipalities will play a prominent role in instigating communication concerning the Light Rail.

In 2017, Greater Copenhagen Light Rail attended numerous events to present the Light Rail and answer questions about the project. The company provided information at the People's Meeting on Bornholm, gave presentations at four business network meetings along the alignment, and held an information meeting for utility line owners and the emergency services. Greater Copenhagen Light Rail also attended and gave a presentation at a residents' meeting concerning the Light Rail in Lyngby. The meeting was organised by Lyngby-Taarbæk Municipality, and attendance and interest in the project were significant. Greater Copenhagen Light Rail also attended Liv i Lyngby, which is a town festival organised by Lyngby-Taarbæk Vidensby. Greater Copenhagen

Light Rail was represented at the Culture Night in Glostrup, and was also part of the Ministry of Transport, Building and Housing's Culture Night event in Copenhagen.

Greater Copenhagen Light Rail is classified as a megaproject

In 2017, Greater Copenhagen Light Rail was classified as a megaproject by the Ministry of Transport, Building and Housing. This classification is primarily due to the fact that the Light Rail project has an exceptional number of different interfaces and mutual interdependencies compared to other ongoing projects. On the basis of this classification, the Ministry of Transport, Building and Housing conducts extraordinary inspection of the project that lies beyond the customary inspection of construction projects. Every quarter, a report on the progress of the project is prepared, in order to ensure transparency for the project's finances, time schedule and activities, risks and other conditions. The report also presents the semi-annual Status of the Civil Engineering and Construction Projects, which is submitted to the Folketing (Parliament) by the Ministry of Transport, Building and Housing.

At six of the Light Rail stations, passengers can switch to S-trains. When the Light Rail opens, on an annual basis 13-14 million passengers are expected to use this transport option.



Company Management

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Greater Copenhagen Light Rail will handle both the operation and construction of the Light Rail in Ring 3.”

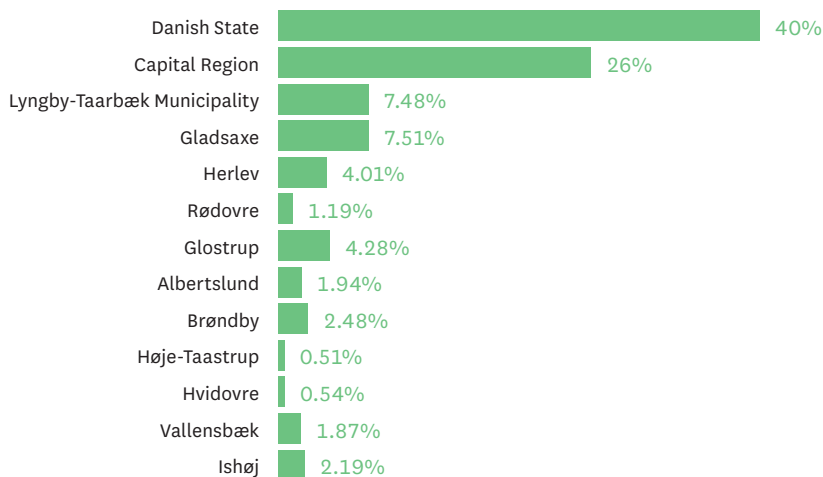
Greater Copenhagen Light Rail, at that time called Ring 3 Letbane I/S, was established in June 2014 as authorised by Act no. 165 of 26 February 2014. Greater Copenhagen Light Rail will handle both the operation and construction of the Light Rail in Ring 3. On the transition from construction to operation, the Danish State will withdraw from the company, which will be continued by the Capital Region and the municipalities.

On 26 May 2016, the Act on a Light Rail in Ring 3 was amended to also be a Construction Act. The Act was proposed on the basis

of the EIA report and the engineering design for Greater Copenhagen Light Rail.

Greater Copenhagen Light Rail is owned by the Danish State, represented by the Danish Minister for Transport, Building and Housing, the Capital Region and 11 municipalities: Ishøj Municipality, Vallensbæk Municipality, Hvidovre Municipality, Albertslund Municipality, Brøndby Municipality, Rødovre Municipality, Høje-Taastrup Municipality, Herlev Municipality, Gladsaxe Municipality, Glostrup Municipality and Lyngby-Taarbæk Municipality.

Ownership of Greater Copenhagen Light Rail



The Board of Directors of Greater Copenhagen Light Rail is the company's supreme authority, and is responsible for ensuring that the company fulfils the objectives laid down in legislation. The composition of the Board of Directors was adjusted in accordance with the political parties' agreement of 12 May 2016, which was the basis for the adoption of the Construction Act. In accordance with this agreement, the Danish State must hold a majority in the Board of Directors. On the amendment of the Articles of Association adopted on 9 November 2016, the Board of Directors was increased from seven to nine members.

The Board of Directors has nine members, who are appointed for a period of four years. Five members are appointed by the Danish State, while two members are appointed by the Capital Region. The municipalities jointly appoint two members.

“
Together with the Annual Accounts for 2017, Greater Copenhagen Light Rail presented a compliance test for corporate governance, as well as a CSR Report on social responsibility.”

In 2017, six meetings of the Board of Directors were held, as well as one seminar for the Board of Directors, one partnership meeting, and three quarterly meetings for the Greater Copenhagen Light Rail partners.

In accordance with Greater Copenhagen Light Rail's Articles of Association, the Board of Directors submits quarterly reports to the partners after the end of each quarter of the financial year, and subsequently quarterly meetings are held between the company's owners and the Chair of the Board of Directors. The documents are publicly available at dinletbane.dk

On the establishment of Greater Copenhagen Light Rail, the 11 municipalities entered into an ownership agreement concerning the establishment of a Mayors' Forum. The Mayors' Forum coordinates the municipalities' election of representatives to the Board of Directors, and also prepares the municipalities' attendance of quarterly meetings, the partnership meeting and meetings of the Board of Directors. The municipalities thereby together constitute a single partner on an equal footing with the other two partners, which are the Danish State and the Capital Region. In 2017, six meetings of the Mayors' Forum were held.

Greater Copenhagen Light Rail shares an organisation with Metroselskabet, and in accordance with legislation, Metroselskabet makes the necessary employees and other resources available to undertake the activities of Greater Copenhagen Light Rail, including for the performance of financing, administration, engineering design, procurement and contractual tasks concerning the Light Rail in Ring 3. Greater Copenhagen Light Rail pays Metroselskabet for handling these tasks, on a cost-price basis.

Greater Copenhagen Light Rail's compliance and CSR Report

In 2017, together with the annual accounts, Greater Copenhagen Light Rail presented a compliance test for corporate governance, as well as a CSR Report on social responsibility. The owners approved the compliance test at the partnership meeting in 2017.

Corporate governance

In 2017, on the basis of the Danish State's ownership policy and Recommendations on Corporate Governance from the Committee on Corporate Governance, Greater Copenhagen Light Rail published a series of corporate documents, including a compliance test, combined in Greater Copenhagen Light Rail's corporate governance compendium, which is available at dinletbane.dk. The publication of these documents will ensure the greater transparency of Greater Copenhagen Light Rail's corporate governance.

The compliance test showed that the company's management documents generally comply with the applicable rules.

Social responsibility

In 2017, Greater Copenhagen Light Rail published the company's first annual CSR Report, which presented Greater Copenhagen Light Rail's CSR work and future ambitions for the company's development in this area. In mid-2016, Greater Copenhagen Light Rail adopted the UN Global Compact, and its social responsibility report in accordance with Section 99 a(7) of the Danish Financial Statements Act is presented in Greater Copenhagen Light Rail's 2017 CSR Report. Greater Copenhagen Light Rail's CSR Report is available at dinletbane.dk



Along most of the route, the Light Rail will run in its own track, shielded from other traffic. In this case, at the side of the road.

Greater Copenhagen Light Rail's employees

In accordance with the Act on the Greater Copenhagen Light Rail, the company has only one employee, namely the CEO, who is the CEO of Metroselskabet at any time.

Metroselskabet is subject to a statutory obligation to make the necessary employees and other resources available to undertake Greater Copenhagen Light Rail's activities, as described above. The overall gender distribution of the employees is 40 per cent women and 60 per cent men. Around 10 per cent of the employees are non-Danish nationals, primarily from neighbouring European countries.

The Light Rail's use of resources in terms of Metroselskabet's employees corresponds to approximately 19 FTEs.

Of the five executive directors, 40 per cent are men and 60 per cent are women. The gender distribution of the full company management is 59 per cent men and 41 per cent women. This is a change since 2016, when the distribution was around 64 per cent men and 36 per cent women.

The gender distribution of the Board of Directors of Greater Copenhagen Light Rail is 66 per cent men and 33 per cent women. The Board of Directors is nominated by the company's owners.

At the end of the financial year, Metroselskabet employed a staff of 330, compared to 325 in 2016. There are also around 174 advisers attached to – and often located in – the company's head office, and around 129 more loosely affiliated advisers who work from elsewhere in Denmark and from various parts of the world.

The employees have a wide range of educational backgrounds. This includes engineers in many different fields, land surveyors, geologists, architects and computer scientists, as well as a number of social sciences graduates. There is a need for knowledge-intensive resources, in the form of a large number of highly-specialised employees engaged in concrete works, electrical installations and safety, as well as environmental and risk management, and occupational health and safety.

Board of Directors of Greater Copenhagen Light Rail



Birgitte Brinch Madsen

Chair of the Board of Directors

Appointed as of 10 November 2016

Appointed by the Danish State
Director
Date of birth: 1963
Remuneration in 2017: DKK 300,000

Other offices held:

- Chair of the Board of Directors of Intech International A/S
- Board member of Metroselskabet
- Board member of Investeringsforeningen Danske Invest and related funds
- Board member of the North Sea Fund
- Board member of DEIF A/S
- Board member of Orbicon A/S
- Board member of EUDP (the Energy Technology Development and Demonstration Programme) Board member of GUDP (the Green Development and Demonstration Programme)



Trine Græse

Vice Chair

Appointed as of 24 August 2017

Chair of Borgmesterforum (the Mayors' Forum)
Appointed by Borgmesterforum (the Mayors' Forum)
Mayor, Gladsaxe Municipality
Date of birth: 1961
Remuneration: DKK 70,652

Other offices held:

- Chair of LOOP CITY
- Member of the Board of Directors of NOVAFOS Holding A/S.



Helle Busck Fensvig

Board member

Appointed as of 10 November 2016

Appointed by the Danish State
CEO, Arnold Busck A/S
Date of birth: 1965
Remuneration in 2017: DKK 100,000

Other offices held:

- Chair of the Board of Directors of Neptun Ejendomme A/S
- Board member of Fonden DBK
- Board member of Detail Forum
- Board member of Boghandlerforeningen



Finn Rudaizky

Vice Chairman

Appointed as of 1 February 2017

Appointed by the Capital Region
Member of the City Council of Copenhagen
Date of birth: 1942
Remuneration in 2017: DKK 183,333

Other offices held:

- Member of the Social Affairs Committee of the City of Copenhagen



Jens Mandrup

Board member

Appointed as of 1 January 2018

Appointed by the Capital Region
Owner, CopenHistory
Regional Council member, Capital Region
Date of birth: 1977
Remuneration in 2017: DKK 0

Other offices held:

- Chairman of the Transport Committee in the Capital Region



John Steen-Mikkelsen

Board member

Appointed as of 10 November 2016

Appointed by the Danish State
CEO, Danske Færger A/S and Bornholmstrafikken Holding A/S
Date of birth: 1955
Remuneration in 2017: DKK 100,000

Other offices held:

- Chairman of Bilfærgernes Rederiforening
- Board member of Interferr
- Board member of Samsø-Linien A/S

**Henrik Rasmussen****Board member**

Appointed as of 1 January 2018

Appointed by Borgmesterforum
(the Mayors' Forum)

Mayor, Vallensbæk Municipality

Date of birth: 1971

Remuneration in 2017: DKK 0

Other offices held:

- Chairman of Væksthus Hovedstadsregionen
- Member of the Finance Committee
- Delegate to the Municipal Political Summit
- Member of Vallensbæk Employment Forum
- Member of the Election Board, Folketing elections
- Member of the Election Board, referendums
- Member of the Election Board, European Parliament elections
- Member of the Election Board, municipal and regional elections
- Board member of Strandparken I/S
- Board member of VEKS
- Member of the Board of Representatives of HMN Naturgas I/S
- Board member of Vestforbrænding I/S
- Board member of HOFOR Vand Holding A/S and HOFOR Spildevand Holding A/S
- Board member of BIOFOS Holding A/S

**Mogens Therkelsen****Board member**

Appointed as of 10 November 2016

Appointed by the Danish State
Director/Chairman, Mt Holding ApS of
12 September 2012

Date of birth: 1946

Remuneration in 2017: DKK 100,000

Other offices held:

- Chairman of the Board of Directors of H.P. Therkelsen A/S
- Member of the DI Infrastructure, DI Transport and DI Freight committees
- Chairman of Union Bank, Flensburg
- Board member of Flensburg Avis
- Board member of Frøslevlejrens Efterskole
- Member of the Danish/German Transport Commission
- Board member of FDE Fonden

**Niels Hald****Board member**

Appointed as of 10 November 2016

Appointed by the Danish State
CEO, Danish Brewers' Association

Date of birth: 1952

Remuneration in 2017: DKK 100,000

Other offices held:

- Board member of Dansk Retursystem A/S
- Board member of Den Skandinaviske Bryggerhøjskole ApS
- Brewers of Europe, Unesda and EFBW
- Member of the Employer Panel for Nutrition, Exercise and Sports, University of Copenhagen

Attendance of Board meetings in 2017	Participated	Absent
Birgitte Brinch Madsen, Chair	6	-
Karin Søjberg Holst*), Vice Chair	2	-
Trine Græse**), Vice Chair	4	-
Finn Rudaizky, Vice Chair	5	1
Søren P. Rasmussen	4	2
Annie Hagel	6	-
Helle Busck Fensvig	6	-
Niels Hald	6	-
Mogens Therkelsen	6	-
John Steen-Mikkelsen	5	1

*) Resigned on 23 August 2017 **) Appointed as of 24 August 2017

Former members of the Board of Directors



Karin Søjberg Holst

Vice Chair

Resigned on 23 August 2017

Chair of Borgmesterforum
(the Mayors' Forum)
Appointed by Borgmesterforum
(the Mayors' Forum)
Mayor, Gladsaxe Municipality
Date of birth: 1945
Remuneration in 2017: DKK 129,348

Other offices held:

- Chair of Gladsaxe Business Council
- Board member of Vestforbrænding I/S
- Board member of HMN Naturgas I/S



Annie Hagel

Board member

Resigned on 31 December 2017

Appointed by the Capital Region
Regional Council member, Capital Region
Freelance journalist
Date of birth: 1950
Remuneration in 2017: DKK 100,000

Other offices held:

- Member of the Health Services
Coordination Committee,
Capital Region
- Member of the Committee for Cohesive
Patient Treatment, Capital Region



Søren P. Rasmussen

Board member

Resigned on 31 December 2017

Appointed by Borgmesterforum
(the Mayors' Forum)
Member of the Municipal Council,
Lyngby-Taarbæk Municipality
Date of birth: 1967
Remuneration in 2017: DKK 100,000

Other offices held:

- Chairman of the Children and
Youth Committee, Lyngby-Taarbæk
Municipality
- Member of the Finance Committee,
Lyngby-Taarbæk Municipality
- Member of the Social and Health
Services Committee, Lyngby-Taarbæk
Municipality
- Member of the Urban Planning
Committee, Lyngby-Taarbæk
Municipality
- Member of the Culture and Leisure
Committee, Lyngby-Taarbæk
Municipality



Henrik Thorup

Board member

Resigned on 31 January 2017

Appointed by the Capital Region
Vice Chairman, Capital Region
Vice Chairman, Statsrevisorerne
(the State auditors)
Date of birth: 1946
Remuneration in 2017: DKK 16,667

Other offices held:

- Member of the Executive Committee,
Capital Region
- Board member of Danish Regions
- Board Member of the Pension Fund
for Nurses, PKA
- Member of the National Dentistry
Complaints Board
- Member of the Local Tax Appeals
Tribunal in Nærum
- Member of the Local Authorities'
Wage Board
- Chairman of the Licensing Board of
Gentofte Municipality

Executive Management of Greater Copenhagen Light Rail



Henrik Plougmann Olsen
CEO

Hovedstadens Letbane I/S and
Metroselskabet I/S

Other offices held:

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

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



Anne-Grethe Foss
Director



Erik Skotting
Technical Director



Rebekka Nymark
Customer Director



Louise Høst
Planning and Labour Market
Director

Annual Accounts

Accounting Policies

Basis of accounting

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

The accounting period is 1 January – 31 December 2017. The Annual Report is presented in DKK (thousands). The accounting policies applied are unchanged from the previous year.

General information on recognition and measurement

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

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

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

On recognition and measurement, predictable losses and risks arising prior to the

presentation of the Annual Report, and which confirm or invalidate conditions existing on the Balance Sheet date, are taken into account.

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

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

Foreign currency translation

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

Derivative financial instruments

Derivative financial instruments are measured at cost when first recorded in the Balance Sheet, and subsequently at fair value. Derivative financial instruments are

recorded under other accounts receivable and liabilities, respectively.

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

For derivative financial instruments that do not fulfil the conditions for treatment as hedging instruments, the changes in fair value are reported in the Profit and Loss Account on an ongoing basis as financial items.

Profit and Loss Account

Income

The value of own work includes the staff costs and other costs for the year that, on an estimate basis, may be attributed to the construction of the Light Rail. The amount is included in the cost of the construction of the Light Rail.

Staff costs

Staff costs consist of the remuneration of the Board of Directors.

Other external costs

Other external costs include administration costs, including office supplies, etc. and the handling of the Client organisation.

Financial items

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

Corporate tax

The partnership is not liable to pay corporate tax.

Balance Sheet

Tangible fixed assets

Construction of the Light Rail

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

Valuation of fixed assets

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

The recoverable value is either the net sales price less sales costs or the capital value, whichever is higher. On the calculation of the capital asset value, the estimated future cash flows are discounted back to present value.

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

Current assets

Accounts receivable

Accounts receivable are recognised in the Balance Sheet at amortised cost. Write-down is undertaken to meet expected losses.

**Liquid resources**

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

Liabilities**Long-term debt**

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

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

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

Other financial liabilities

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

Provisions

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

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

The principles described under the section on the valuation of fixed assets state that the value of the light railway is depreciated with due consideration of the calculated recoverable value of the light railway. If write-down cannot take place within the book value of the asset in question, however, an accounting provision is made to cover the outstanding obligation.

Cash Flow Statement

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

Cash flows relating to operating activities are calculated as the operating profit adjusted for non-cash operating items.

Cash flows relating to investment activities include payments in connection with the construction of the light railway 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.

Profit and Loss Account

Profit and Loss Account for the period 1 January – 31 December 2017

All figures in DKK thousands	Note	2017	2016
Income			
Value of own work		22,091	19,361
Total income		22,091	19,361
Expenses			
Staff costs	1	-1,301	-1,128
Other external costs		-23,266	-20,551
Total costs		-24,567	-21,679
Result before depreciation and write-downs		-2,476	-2,318
Write-downs			
Write-downs	2	-99,355	-158,302
Total write-downs		-99,355	-158,302
Result before financial items		-101,831	-160,620
Financial items			
Financial income	3	92,271	36,980
Financial expenses	3	-20,871	-4,380
Total financial items		71,400	32,600
Result for the year		-30,431	-128,021

Balance Sheet

Assets as at 31 December 2017

All figures in DKK thousands	Note	2017	2016
Fixed assets			
Tangible fixed assets			
Construction of the Light Rail	4	0	0
Total tangible fixed assets		0	0
Total fixed assets		0	0
Current assets			
Receivables, Danish State	5	1,050,552	1,192,864
Receivables, Capital Region	5	1,233,209	1,203,931
Receivables, municipalities	5	1,411,632	1,398,850
Other receivables	5	11,066	10,527
Liquid resources	6	217,261	198,131
Total current assets		3,923,719	4,004,302
Total assets		3,923,719	4,004,302

Liabilities as at 31 December 2017

All figures in DKK thousands	Note	2017	2016
Equity			
Start of the year		3,065,303	3,193,324
Additions for the year		-30,431	-128,021
Total equity		3,034,872	3,065,303
Long-term debt			
Long-term debt	7	803,157	784,089
Total long-term debt		803,157	784,089
Short-term debt			
Short-term element of long-term debt	7	0	103,687
Trade creditors		6,993	16,942
Accrued items		339	239
Prepaid purchases	8	78,217	33,378
Other debt	9	139	662
Total short-term debt		85,688	154,909
Total debt		888,845	938,998
Total liabilities		3,923,719	4,004,302
Proposed distribution of profit	10		
Events occurring after the balance sheet date	11		
Contingent liabilities	12		
Auditors' and consulting fees	13		
Related parties	14		

Statement of Changes in Equity

All figures in DKK thousands	Owner contributions	Result carried forward	Total
Start of 2016	3,451,784	-258,460	3,193,324
Result for the year carried forward	0	-128,021	-128,021
Start of the year 2017	3,451,784	-386,480	3,065,303
Result for the year carried forward	0	-30,431	-30,431
End of the year	3,451,784	-416,911	3,034,872

Specification of owner contributions	Ownership interest	Contribution
Danish State	40%	1,380,476
Capital Region	26%	897,567
Lyngby-Taarbæk Municipality	7.48%	258,223
Gladsaxe Municipality	7.51%	259,397
Herlev Municipality	4.01%	138,501
Rødovre Municipality	1.19%	41,081
Glostrup Municipality	4.28%	147,891
Albertslund Municipality	1.94%	66,903
Brøndby Municipality	2.48%	85,683
Høje-Taastrup Municipality	0.51%	17,606
Hvidovre Municipality	0.54%	18,780
Vallensbæk Municipality	1.87%	64,556
Ishøj Municipality	2.18%	75,119
Total owner contributions	100%	3,451,784

In the agreement in principle on the construction and operation of a Light Rail in Ring 3 of 20 June 2013, the parties have agreed to contribute to the financing of the capital investments. The financing of the capital investments is determined on the basis of the ownership shares at the time of establishment. The ownership shares are maintained up to the commencement of operations.

As from the Light Rail's transition to passenger operations, the Capital Region and the municipalities furthermore make annual contributions to cover the annual operating expenses, including operations-related capital investments, after deduction of passenger revenue. The Capital Region finances 43 per cent of the contributions to operations, while 57 per cent is financed by the municipalities. The municipalities have not yet agreed on the distribution of the contributions to operations, cf. the agreement in principle. When the distribution between the municipalities has been agreed, this distribution will form the basis for determining the municipalities' annual contributions to operations.

On 31 May 2016, the Folketing (Parliament) adopted Act no. 657 of 8 June 2016 on the Construction of a Light Rail in Ring 3. Pursuant to the Act and the subsequent amendments to the company's Articles of Association, the Capital Region and the municipalities have extended their adjustment reserves to 30 per cent, equivalent to the Danish State, and contributed a further DKK 395.0 million (DKK 379.3 million in 2013 prices) to the company.

In relation to Act no. L165 of 26 February 2014 on the Construction of a Light Rail in Ring 3 and the Act to amend the Act on the Construction of a Light Rail in Ring 3, the Act on Metroselskabet I/S and Udviklingselskabet By & Havn I/S, and Act no. 657 of 8 June 2016 concerning traffic companies, the contributed equity is provided as follows:

All figures in DKK thousands	Danish State	Capital Region	Municipalities	Total
Contributions, cf. Section 1(3) (2014)	1,794,738	1,001,236	1,309,308	4,105,282
Contributions, cf. Section 1(4) (2016)	0	171,526	223,493	395,019
Contributed adjustment reserve (2014)	-138,087	-103,669	-135,567	-377,323
Contributed adjustment reserve (2016)	0	-171,526	-223,493	-395,019
Adjustment reserve under State auspices	-276,174	0	0	-276,174
Total contributions	1,380,476	897,567	1,173,741	3,451,784



Cash Flow Statement

All figures in DKK thousands	2017	2016
Cash flows from operating activities		
Staff costs	-1,301	-1,128
Other external costs	-23,266	-20,551
Total cash flows from operating activities	-24,567	-21,679
Cash flows from investment activities		
Investment in the construction of the Light Rail	-77,264	-138,941
Total cash flows from investment activities	-77,264	-138,941
Cash flows from financing activities		
Loans raised, net (excluding market value adjustment)	0	0
Long-term debt	-84,619	394,790
Accounts receivable	99,714	-238,221
Short-term debt	34,467	12,418
Net financing costs	71,400	32,600
Total cash flows from financing activities	120,961	201,587
Change in available funds	19,131	40,966
Available funds, start of the year	198,131	157,164
Available funds, end of the year	217,261	198,131

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

Notes

Note 1 Staff costs

The Board of Executives of Metroselskabet I/S is also the Board of Executives of Hovedstadens Letbane I/S. The Board of Executives does not receive remuneration from Hovedstadens Letbane I/S.

During the year the company has not employed any other employees than the Board of Executives. Metroselskabet I/S makes the necessary employees and other resources available to undertake the activities of Hovedstadens Letbane I/S, including administration, engineering design, procurement and contractual tasks concerning the Light Rail in Ring 3, and debt and asset management for Hovedstadens Letbane I/S. An administration fee is paid for this.

Staff costs include remuneration of the company's Board of Directors at TDKK 1,300.

Note 2 Write-downs

All figures in DKK thousands	2017	2016
Write-down of capital investments	90,653	142,090
Write-down of operations-related capital investments	8,701	16,213
Total write-downs	99,355	158,302

Note 3 Financial items

All figures in DKK thousands	2017	2016
Financial income	92,271	36,980
Financial expenses	-20,871	-4,380
Total financial items	71,400	32,600

Note 4 Construction of the Light Rail

All figures in DKK thousands	Capital investments	Operations-related capital investments	Total
Acquisition sum			
Start of the year	422,183	56,515	478,696
Additions for the year	90,653	8,701	99,355
Disposals for the year	0	0	0
End of the year	512,836	65,216	578,051
Depreciation and write-downs			
Start of the year	-422,183	-56,515	-478,696
Write-downs for the year	-90,653	-8,701	-99,355
End of the year	-512,836	-65,216	-578,051
Book value at the start of the year	0	0	0
Book value, end of the year	0	0	0

The construction of the Light Rail comprises the costs of the preparatory work. The capital investments of DKK 512.8 million include costs of DKK 50.7 million concerning the purchase of properties in connection with expropriations.

The value of the fixed asset has been written down to DKK 0. This is a consequence of how the Light Rail is written down on an ongoing basis to the facility's expected recoverable value, with due consideration of the planned capital investments.

Note 5 Accounts receivable, current assets

All figures in DKK thousands	Danish State	Capital Region	Municipalities	Total
Start of the year	1,192,864	1,203,931	1,398,850	3,795,646
Additions for the year (interest accrual)	29,008	29,278	33,985	92,271
Additions for the year (purchase agreements)	0	0	42,560	42,560
Disposals for the year (payments)	-171,321	0	-63,763	-235,084
End of the year	1,050,552	1,233,209	1,411,632	3,695,392
Specification of receivables			2016	2017
Danish State			1,192,864	1,050,552
Capital Region			1,203,931	1,233,209
Municipalities			1,398,850	1,411,631
Total receivables			3,795,646	3,695,392

On the establishment of the partnership, payment agreements have been made with the company's owners, the Danish State, the Capital Region and the 11 municipalities, concerning the payment of annual contributions. The contributions are paid by the owners under the payment agreements concluded.

The Danish State has entered into a payment agreement for the payment of their contributions in eight instalments during the 2014-2021 period. The Capital Region has entered into a payment agreement for a large payment in 2019, and a fixed annual payment during the 2020-2059 period. Finally, the 11 municipalities have entered into payment agreements for a large payment in 2014-2016, and a fixed annual payment during the 2017-2056 period. It has been agreed that the annual payments are subject to adjustment according to the assumption index under the Danish Finance Act for construction up to the start of operations, and thereafter according to the net price index. The net book value of the payment agreements is compiled at amortised cost, in accordance with the accounting policies.

Accounts receivable also include purchase agreements cf. Note 8.

Of the receivable as at 31 December 2017, DKK 3,366 million will fall due for payment later than 31 December 2018.

Accounts receivable also include VAT receivable of DKK 3 million.

Note 6 Liquid resources

All figures in DKK thousands	2017	2016
Cash and bank deposits	217,261	198,131
Total liquid resources	217,261	198,131

Note 7 Long-term debt

All figures in DKK thousands	Loans (short-term)	Contributed adjustment reserve	Total
Start of the year	103,687	784,089	887,777
Additions for the year (interest accrual)	0	19,068	19,068
Disposals for the year (loan redemption)	-103,687	0	-103,687
End of the year	0	803,157	803,157
Specification of long-term debt		2016	2017
Danish State		142,386	145,849
Capital Region		278,422	285,193
Municipalities		363,281	372,116
Total long-term debt		784,089	803,157

Of the company's long-term debt, DKK 803 million falls due after five years.

On 31 May 2016, the Folketing (Parliament) adopted Act no. 657 of 8 June 2016 on the Construction of a Light Rail in Ring 3. Pursuant to the Act and the subsequent amendments to the company's Articles of Association, the Capital Region and the municipalities have extended their adjustment reserves to 30 per cent, equivalent to the Danish State, and contributed a further DKK 395.0 million (DKK 379.3 million in 2013 prices) to the company. The Capital Region and the municipalities' adjustment reserves, as well as 10 per cent of the Danish State's 30 per cent adjustment reserve, are contributed to the partnership together with the contribution to the financing of the capital investments.

The adjustment reserve is tied in budgetary terms, so that this reserve can only be utilised in the same ratio as the parties' ownership interests, and only after submission to the owners.

After the final compilation of the total construction costs, the unutilised element of the reserves will be required to be repaid to the owners in the same ratio as their respective ownership interests and contributed adjustment reserves.

Note 8 Prepaid purchases

The company has entered into a number of purchase agreements with the company's owners. At the present time, the purchase agreements are included as prepaid purchases. On the establishment of the major construction contracts, the prepaid purchases will be transferred to the construction of the Light Rail.

Note 9 Other debt

All figures in DKK thousands	2017	2016
Payable PAYE tax, etc.	139	147
Interest accruals	0	515
Total other debt	139	662

Note 10 Proposed distribution of profit

All figures in DKK thousands	2017	2016
Carried forward to the following year	-30,431	-128,021

Note 11 Events occurring after the Balance Sheet date

After the close of the financial year, no events of significance to the Annual Report for 2017 have occurred.

Note 12 Contingent liabilities

The construction of the Light Rail in Ring 3 entails expropriation, compensation and similar, for which the partnership pays the owners/residents affected. The size of the future compensation has not yet been determined.



Note 13 Auditing and consulting fees

All figures in DKK thousands	2017	2016
Office of the Auditor General	65	55
Deloitte	44	75
Statutory audit in total	109	130
Deloitte	12	15
Other endorsements in total	12	15
Deloitte, VAT and tax advisory services	0	175
Deloitte, other advisory services	0	65
Consulting fees in total	0	240

Note 14 Related parties

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

Transactions with related parties take place on market terms.

In 2017, Hovedstadens Letbane I/S paid administration fees to Metroselskabet I/S concerning Metroselskabet's administration and running of the client organisation for Greater Copenhagen Light Rail, cf. the Order concerning settlement between Hovedstadens Letbane I/S and Metroselskabet I/S. Metroselskabet I/S makes the necessary employees and other resources available to undertake Hovedstadens Letbane I/S' activities.

Endorsements

Management Endorsement

The Board of Directors and the Executive Management have today examined and approved the Annual Report for 2017 for Hovedstadens Letbane I/S.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act (accounting class D) and the provisions of the Articles of Association concerning the presentation of financial statements.

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

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

Copenhagen, 22 February 2018

Board of Directors

Birgitte Brinch Madsen
(Chair)

Finn Rudaizky
(Vice Chair)

Helle Busck Fensvig

Niels Hald

John Steen-Mikkelsen

Trine Græse
(Vice Chair)

Mogens Therkelsen

Jens Mandrup

Henrik Rasmussen

Executive Management

Henrik Plougmann Olsen

Independent auditors' reports

Auditors' report on the financial statements

Opinion

We have audited the financial statements of Hovedstadens Letbane I/S for the financial year 1 January to 31 December 2017, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of Hovedstadens Letbane's financial position at 31 December 2017 and of the results of its operations and its cash flows for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark as well as generally accepted public auditing standards as the audit is based on the provisions of the Danish Act on a Light Rail on Ring 3 and the Danish Auditor General Act. Our responsibilities under those standards and requirements are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing Hovedstadens Letbane's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless

Management either intends to liquidate Hovedstadens Letbane or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark and generally accepted public accounting standards, see the Danish Act on a Light Rail on Ring 3 and the Danish Auditor General Act, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark and generally accepted public accounting standards, see the Danish Act on a Light Rail on Ring 3 and the Danish Auditor General Act, we exercise professional judgement and maintain an attitude of professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hovedstadens Letbane's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Hovedstadens Letbane's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Hovedstadens Letbane to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any



significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Report on other legal and regulatory requirements

Statement on compliance audit and performance audit

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

As part of our audit of the financial statements, it is our responsibility to perform compliance audit as well as performance audit of selected subject matters in accordance with the public auditing standards. In our compliance audit, we test the selected subject matters to obtain reasonable assurance about whether the examined transactions covered by the financial statements comply with the appropriations, laws and other regulations, agreements and usual practice. In our performance audit, we make an assessment to obtain reasonable assurance about whether the systems, processes or transactions examined support the exercise of sound financial management in the administration of the funds and operations covered by the financial statements.

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

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

Danish Auditor General

Business Registration no 77806113
Copenhagen, 22 February 2018

Lone Lærke Strøm
Auditor General

Malene Sau Lan Leung
Head of Department

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration no 33963556

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

Bryndís Símonardóttir
State-Authorised Public Accountant
Identification no: mne40064

Appendix to the Management's Report

Long-term budget

The following 2018 long-term budget was adopted in December 2017.

Long-term budget assumptions

The long-term budget is stated in current prices

Capital investments

1. The capital investments for the establishment of a Light Rail in Ring 3 are determined according to the capital investment estimate that was the basis for the agreement in principle on the construction and operation of a Light Rail in Ring 3. This capital investment estimate was DKK 3.4 billion in 2013 prices. The capital investments have been adjusted upwards to 2018 prices on the basis of the Finance Act's assumption index for capital investments. The timing distribution of the investments is based on the time schedule in the Act on the Construction of a Light Rail in Ring 3 of 8 June 2016, with expected passenger operations in 2023/24.
2. Reinvestments in connection with the Light Rail in Ring 3 are based on the assumptions in the agreement in principle and for every 10th year amount to DKK 30 million, and for every 25th year to DKK 834 million, in 2013 prices. The reinvestments are listed at 2018 prices on the basis of the Ministry of Finance's capital investment index.

Operations-related capital investments

3. The operations-related capital investments in conjunction with the establishment of a Light Rail in Ring 3 are determined on the basis of the investigation report concerning the Light Rail in Ring 3. This budget estimate was DKK 1.3 billion in

2013 prices. The budget estimate has been adjusted upwards to 2018 prices on the basis of the Ministry of Finance's capital investment index. The timing distribution of the investments is based on the time schedule in the Act on the Construction of a Light Rail in Ring 3 of 8 June 2016, with expected passenger operations in 2023/24.

Operating result

4. Passenger numbers are determined on the basis of the OTM calculations from the investigation report. The agreement in principle is based on the passenger scenario with high urban growth. A traffic effect in the first two years of operation of 85 per cent and 95 per cent, respectively, is assumed.
5. The basis for the fare assumptions is the agreement in principle. Start-up of operations as a consequence of the Act on the Construction of a Light Rail in Ring 3 of 8 June 2016 is assumed to be in 2024. The price per new passenger is based on the expectations of the tariff development in the 2009-2020 period (the investigation). The tariff is projected to DKK 8.81 per passenger in 2024, in 2013 prices. On the same basis, the average fare revenue per passenger in 2036 is calculated at DKK 10.14 in 2013 prices. The fare income is adjusted to 2018 prices on the basis of a general price projection of 2 per cent p.a.
6. On the Light Rail's transition to passenger operations, an annual operating contribution to cover the annual operating costs is included, including operations-related capital investments after deduction of passenger revenue. The municipalities' total annual operating contributions amount to DKK 44 million in 2013 prices,

and the Capital Region's annual operating contributions amount to DKK 34 million in 2013 prices. The operating contributions are adjusted to 2018 prices on the basis of a general price projection of 2 per cent p.a.

7. The operating expenses are determined on the basis of the investigation report concerning a Light Rail in Ring 3. The operating costs are estimated at DKK 162 million per annum in 2013 prices. The operating costs are adjusted to 2018 prices on the basis of a general price projection of 2 per cent p.a.

Other factors

8. Contributions are equivalent to the payment agreements concluded with the owners on the establishment of the company, concerning contributions to the financing of the capital investments. The payments are listed at 2018 prices, based on the Finance Act's assumption index for capital investments.
9. The Light Rail is registered for VAT purposes, so that VAT is deducted from the company's net income from the operation of the Light Rail, while the VAT costs of the construction of the Light Rail are set off.
10. It is assumed that "other debt", which does not accrue interest, will increase to approximately DKK 50 million when the construction works peak, after which it will fall back to approximately DKK 10 million.
11. It is assumed that surplus liquidity accrues interest at a real interest rate of 2 per cent p.a., while the net debt accrues interest at a real interest rate of 4 per cent p.a. In the short term, the company's actual interest rate expectations are also taken into account. The interest rates solely concern the interest on the company's loans and liquid resources, and not the index linking of the company's accounts with the owners.
12. It is assumed that as from 2018 all prices will increase by 2 per cent p.a.

Long-term budget for 2018 for Greater Copenhagen Light Rail – December 2017 (current prices)

Real rate of interest (debt) 4%
 Interest rate (balance) 2%
 Inflation 2%

All figures in DKK million	Contributions to the financing of capital investments														
	Accounts receivable	Other debt	Danish State	Region	Municipalities	Correction reserves	Capital investments	Index difference	Operational investments	Operating result	Liquidity	Interest	Movement	Net debt, start of the year	Net debt, end of the year
End of the year 2013	-12	-3	40	-	-	-	-25	0	-	-	0	0	0	0	0
2014	-12	31	92	0	66	-79	0	-13	0	84	0	84	0	84	84
2015	3	9	92	0	67	-179	0	-29	0	-36	0	-36	84	84	48
2016	15	-21	144	0	68	-143	0	-17	0	46	0	46	48	48	94
2017		10	171	0	63	-89	0	-15	0	140	-1	140	94	94	234
2018		10	257	0	65	-777	0	-190	0	-635	-2	-637	234	234	-403
2019		10	515	197	66	-717	-1	-371	0	-302	-37	-339	-403	-403	-741
2020		-10	293	29	68	-717	-1	-419	0	-758	-71	-829	-741	-741	-1,571
2021		-10	45	59	69	-446	-1	-230	0	-514	-114	-628	-1,571	-1,571	-2,198
2022		-10	0	60	70	-455	-1	-186	0	-522	-152	-674	-2,198	-2,198	-2,872
2023		-10	0	61	72	-233	0	-61	0	-172	-181	-353	-2,872	-2,872	-3,225
2024	471		0	62	73	-935	0	5	0	16	-308	-207	-515	-3,225	-3,740
2025			0	63	75		0	0	0	34	172	-223	-51	-3,740	-3,791
2026			0	65	76		0	0	0	47	188	-226	-38	-3,791	-3,829
2027			0	66	78		0	0	0	54	198	-228	-30	-3,829	-3,858
2028			0	67	79		0	0	0	62	209	-229	-21	-3,858	-3,879
2029			0	69	81		0	0	0	70	220	-230	-10	-3,879	-3,889
2030			0	70	83		0	0	0	79	231	-230	1	-3,889	-3,888
2031			0	71	84		0	0	0	88	243	-230	13	-3,888	-3,875
2032			0	73	86		-43	0	0	97	213	-230	-17	-3,875	-3,892
2033			0	74	88		0	0	0	107	269	-229	40	-3,892	-3,852
2034			0	76	89		0	0	0	118	283	-227	56	-3,852	-3,796
2035			0	77	91		0	0	0	129	297	-223	75	-3,796	-3,721
2036			0	79	93		0	0	0	141	313	-218	95	-3,721	-3,627
2037			0	80	95		0	0	0	144	319	-212	107	-3,627	-3,520
2038			0	82	97		0	0	0	147	325	-205	120	-3,520	-3,400
2039			0	84	99		0	0	0	149	332	-198	134	-3,400	-3,267
2040			0	85	101		0	0	0	152	338	-190	148	-3,267	-3,118
2041			0	87	103		0	0	0	155	345	-181	164	-3,118	-2,954
2042			0	89	105		-52	0	0	159	300	-172	127	-2,954	-2,827
2043			0	90	107		0	0	0	162	359	-163	196	-2,827	-2,631
2044			0	92	109		0	0	0	165	366	-151	215	-2,631	-2,415
2045			0	94	111		0	0	0	168	373	-138	236	-2,415	-2,180
2046			0	96	113		0	0	0	172	381	-123	258	-2,180	-1,922
2047			0	98	116		-1,618	-13	0	175	-1,242	-157	-1,399	-1,922	-3,321
2048			0	100	118		0	0	0	179	396	-191	205	-3,321	-3,116
2049			0	102	120		0	0	0	182	404	-179	225	-3,116	-2,891
2050			0	104	123		0	0	0	186	412	-165	247	-2,891	-2,643
2051			0	106	125		0	0	0	190	421	-150	271	-2,643	-2,373
2052			0	108	128		-63	-1	0	193	365	-135	230	-2,373	-2,143
2053			0	110	130		0	0	0	197	438	-119	318	-2,143	-1,825
2054			0	112	133		0	0	0	201	446	-100	346	-1,825	-1,479
2055			0	115	135		0	0	0	205	455	-79	376	-1,479	-1,102
2056			0	117	138		0	0	0	209	464	-56	408	-1,102	-694
2057			0	119	0		0	0	0	213	333	-36	297	-694	-397
2058			0	122	0		0	0	0	218	339	-18	322	-397	-75
2059			0	124	0		0	0	0	222	346	4	350	-75	275
2060			0	0	0		0	0	0	227	227	16	242	275	517

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