

# Ring 3 Letbane I/S

## Annual Report 2014



Herlev

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The English text in this document is an unofficial translation of the Danish original.  
In the event of any inconsistencies, the Danish version shall apply.

# 1.0

## Welcome

Dear reader,

2014 was a decisive year for the coming light railway in Greater Copenhagen. The Folketing (Parliament) adopted the Act on a Light Railway, and the preparatory work commenced. The company that is to undertake the engineering design, construction and operation of the light railway was established, and the Board of Directors began the work of setting the framework for the coming light railway in Greater Copenhagen.

In the spring of 2015, the Ministry of Transport will publish the EIA Report, which will then be submitted for public consultation. Before the actual construction work can commence, a more detailed description of the construction project must be drawn up, the Act to Construct the Light Railway must be adopted, an invitation to tender must be held, and the winning contractors must be found.

The light railway will be vitally important to the people of Greater Copenhagen, and for the Capital Region's public transport network and overall development.

The light railway from Lyngby to Ishøj will intersect the S-train network, with departures every five minutes in daytime hours, ensuring passengers a faster and simpler journey across the various areas of the capital. The municipalities along the light railway will have new opportunities to develop urban quarters, attract new employers and create new communal and social facilities.

It is unique that 11 municipalities, the Capital Region and the Danish State have been able to join forces on constructing a light railway. This requires a good deal of foresight.

This Annual Report presents a detailed account of Ring 3 Letbane I/S' activities in 2014.

We hope you enjoy reading the report.

**Anne Grete Holmsgaard**  
*Chairman of the Board of Directors*

**Henrik Plougmann Olsen**  
*CEO*



Ishøj

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# Expected journey times

Lyngby station → Buddinge station

7 minutes

Buddinge station → Herlev station

11 minutes

Herlev station → Glostrup station

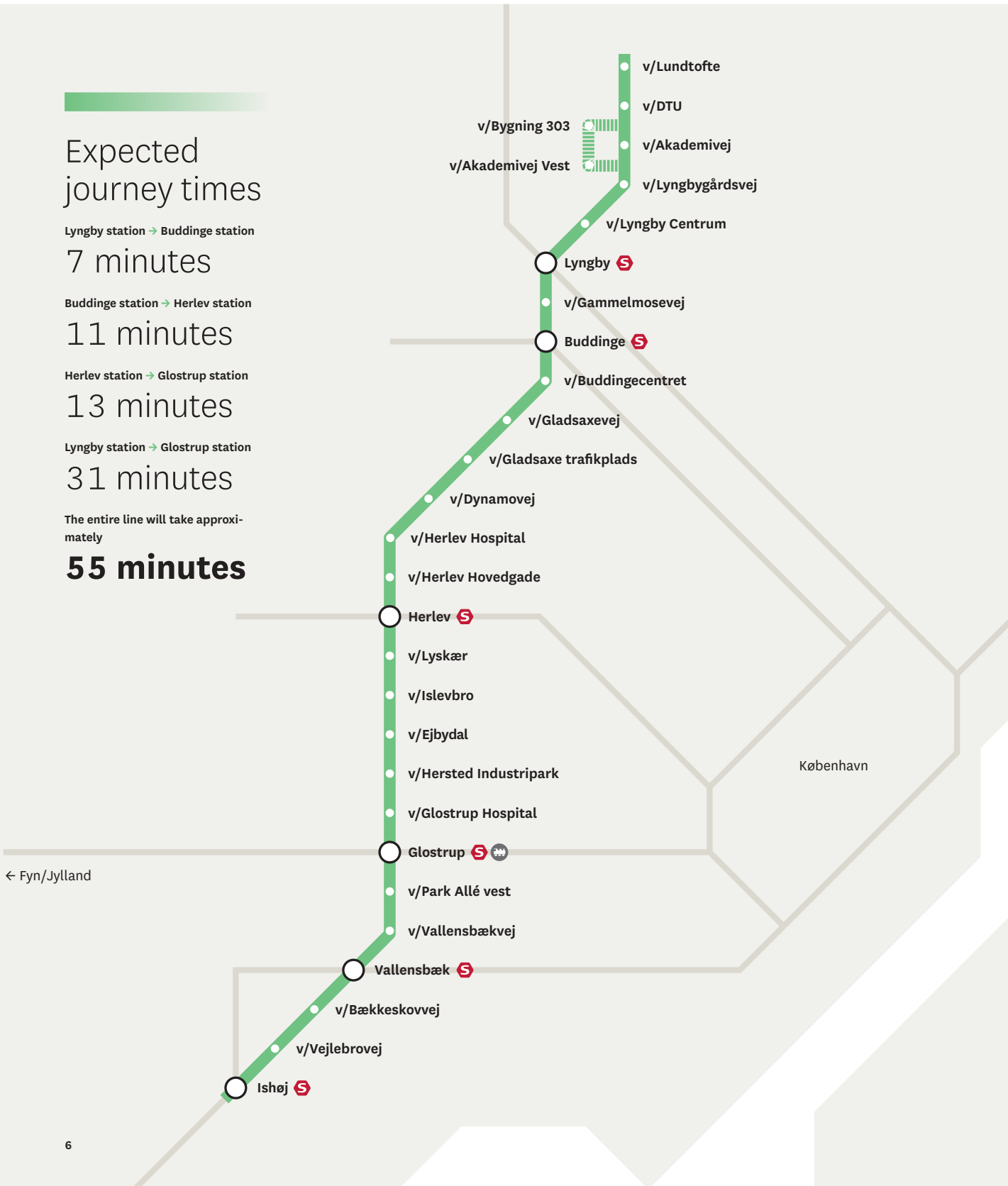
13 minutes

Lyngby station → Glostrup station

31 minutes

The entire line will take approximately

**55 minutes**



# Light railway along Ring 3

The planned extent will be **27 kilometres,** with **27 stations**

You can transfer to S-trains at **six stations** – Ishøj, Valensbæk, Glostrup, Herlev, Buddinge and Lyngby

A light railway train can carry **200-230 passengers.** This corresponds to three-four city buses.

The light railway trains will roll out for the first time in **2021**

# 2.0

## Directors' Report

- 2.1 Result for the Year
- 2.2 Company Management
- 2.3 Social Responsibility
- 2.4 Construction of a light railway in Ring 3





Gladsaxe

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## 2.1

# Result for the Year

The result for 2014 before depreciation and write-downs was a loss of DKK 1.8 million. Depreciation and write-downs totalled DKK 90.3 million in 2014, and concern write-downs on the construction of the light railway. The result before financial items is hereafter a loss of DKK 92.1 million.

### Development in equity

Ring 3 Letbane I/S was established on 19 June 2014. In connection with its establishment, the Danish State, represented by the Ministry of Transport, and the Capital Region, 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. The company's book loss of DKK 92.1 million has been deducted from equity, which amounts to DKK 3.3 billion as at year-end 2014.

One consequence of the accounting policies applied by Ring 3 Letbane I/S is that equity must be expected to continue to be reduced in the coming years, culminating on the establishment of the major civil engineering contracts. This is when a considerable accounting provision will be made. 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.

Ring 3 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 Ring 3 Letbane I/S would still be able to service its debt as planned.


### Financing, including long-term finances

Ring 3 Letbane I/S has drawn up an updated long-term budget. 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, at approximately DKK 4 billion, in 2027 (in current prices). The debt is expected to be repaid in 2059, which is in accordance with the previous expectations.

## Investment budget for Ring 3 Letbane I/S

All figures in DKK million

	Investments in 2014	Investments as at 31 Dec. 2014	Overall budget (2014 prices)	Overall budget (2013 prices)
Capital investments	78.4	103.9	3,452	3,418
Operations-related capital investments	11.9	11.9	1,352	1,339
<b>Total</b>	<b>90.3</b>	<b>115.8</b>	<b>4,804</b>	<b>4,757</b>



**13-14 million** passengers are expected to use the light railway on an annual basis. For comparison, the "Kystbanen" (coastal line between Copenhagen and Elsinore) had more than 10 million passengers in 2011.

#### **Investment in the light railway**

Investments in the construction of the light railway totalled DKK 90.3 million in 2014, of which DKK 78.4 million concerns capital investments and DKK 11.9 million concerns operations-related capital investments. In 2014 a write-down of DKK 90.3 million was made concerning the construction of the light railway, and the book value of the light railway is carried at DKK 0 in the Balance Sheet. This is a consequence of how the investment in the light railway will not be fully recovered via future revenue, such as passenger revenue, etc., and is therefore written down on an ongoing basis to the expected recoverable value of the light railway, with due consideration of the planned capital investments, cf. below. 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 railway 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).

#### **Value of the light railway**

The net book value of the light railway is

reviewed annually in order to determine whether there are indications of impairment.

The future cash flows included in the recoverable value are based on the company's current long-term budget and its incorporated future expectations, cf. the company's long-term budget, section 6.1. The recoverable value is calculated according to the capital asset value method. On the calculation of the capital asset value, the estimated future cash flows are discounted back to present value. The calculation of the recoverable value of the light railway shows a negative value, so that the value in the Balance Sheet is stated as DKK 0.

#### **Events occurring after the Balance Sheet date**

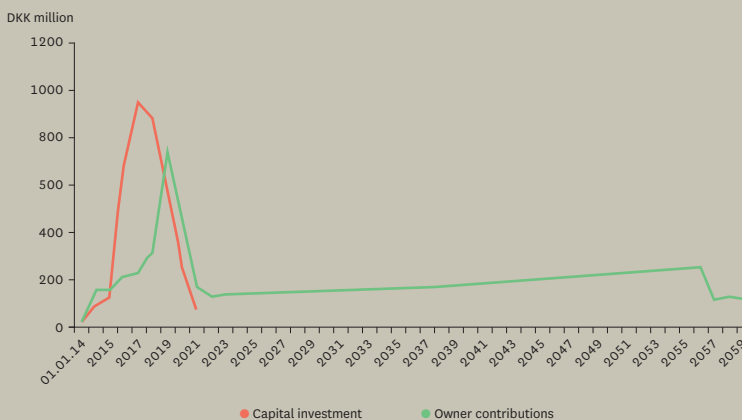
After the close of the financial year no events of significance to the Annual Report for 2014 have occurred.

In conjunction with its establishment the company's owners have made contributions to the financing of the capital investment. The Danish State, represented by the Ministry of Transport, finances approximately DKK 1.4 billion, while the Capital Region and the 11 municipalities involved finance the remaining approximately DKK 2.1 billion. In conjunction with the company's establishment, the dates of the payment of the respective contributions are specified in payment agreements with the individual owners.

The operations-related capital investments concern investments for the procurement of light railway trains, the establishment of a 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 railway 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.

The tables show that both the company's capital investments and the operations-related capital investments are expected to be defrayed during the period 2014-2021, while the related financing, from the owners as instalments of owner contributions and operating contributions, and as passenger revenue from the operation of the light railway, is expected to be contributed to the company as annual payments. During the period until these payments have financed the overall light railway, the difference will be financed by raising loans. Based on the current long-term budget, included as an appendix to the Directors' Report, the company expects the loans to be repaid in full by 2059.

### Timing differences between capital expenditure and revenue (owner contributions)



- The investment budgets and the timing distribution of the investments will be updated when the major civil engineering contracts are established.
- Payment of owner contributions is set out in payment agreements.

### Timing differences between operations-related capital expenditure and revenue (operating contributions and operating profit)



- The investment budgets and the timing distribution of the investments will be updated when the major civil engineering contracts are established.
- The operating contributions are agreed in payment agreements and will be updated no later than one year before the Danish State's withdrawal from the partnership.
- The operating contributions depend on the number of passengers, fares, operating costs, etc.

## Financial Highlights and Key Figures

<i>All figures in DKK million</i>	2014	Opening Balance Sheet 01.01.2014
Result before depreciation and write-downs	-1.8	0
Depreciation and write-downs	-90.3	0
Result before financial items	-92.1	0
Result for the year	-92.1	0
Balance Sheet total	3,740	3,804
Investment in the light railway for the year	90.3	25.5
Equity	3,332	3,424
Equity ratio	89%	90%

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

In 2015 a number of citizens' meetings were held on the basis of the EIA Report



## 2.2

# Company Management

### Organisation

Ring 3 Letbane I/S is owned by the Danish State, represented by the Ministry of Transport, and the Capital Region, Lyngby-Taarbæk Municipality, Gladsaxe Municipality, Herlev Municipality, Albertslund Municipality, Rødovre Municipality, Glostrup Municipality, Brøndby Municipality, Hvidovre Municipality, Vallensbæk Municipality, Ishøj Municipality and Høje-Taastrup Municipality.

Meetings of the partnership are the company's supreme authority, and an annual meeting of the partnership is held before the end of April. The company's Annual Report is presented and considered at the ordinary meeting of the partnership. The company was established in June 2014, and no meeting of the partnership was held in 2014.

In accordance with the company's Articles of Association, the Board of Directors submits quarterly reports to the partners after the end of each financial quarter, and subsequently quarterly meetings are held between the company's owners and the Chairman of the Board of Directors. Financial reporting and progress are discussed at the quarterly meetings. At a quarterly

meeting the individual owners may be represented by members of their town council/municipal council/regional council, in addition to the mayors. No formal decisions are taken at the quarterly meetings. Two quarterly meetings were held in 2014.

On the the establishment of the company, the 11 municipalities entered into an agreement on the establishment of Borgmesterforum (Mayors' Forum). Borgmesterforum coordinates the municipalities' election of representatives to the Board of Directors and also prepares the 11 municipalities' attendance of the meeting of the partnership and meetings of the Board of Directors. In 2014, three meetings of Borgmesterforum were held.

The Board of Directors of Ring 3 Letbane I/S is the company's supreme authority, and is thus responsible for ensuring that Ring 3 Letbane I/S fulfils the objectives laid down in legislation. The Board of Directors has seven members, who are appointed for a period of four years. Three members are appointed by the Danish State, while the Capital Region appoints two members, and the municipalities jointly – within Borgmesterforum – also appoint two members. During 2014, six

meetings of Ring 3 Letbane I/S' Board of Directors were held, including three as the interim Board of Directors before June 2014. The Board of Directors of Ring 3 Letbane I/S consists of 57 per cent women and 43 per cent men.

The Board of Executives of the company consists of CEO Henrik Plougmann Olsen. By agreement Metroselskabet I/S makes the necessary employees and other resources available to undertake the activities of Ring 3 Letbane I/S, including administration, engineering design, procurement and contractual tasks concerning the light railway in Ring 3. Pursuant to the Act, Ring 3 Letbane I/S pays Metroselskabet to undertake the aforementioned tasks, on a cost-price basis.

### Procedures for the presentation of financial statements and use of IT

Ring 3 Letbane I/S' Board of Directors has laid down the overall procedures and controls for the most important areas relating to the presentation of the financial statements.

The current accounting instructions describe the organisation of accounting activities and the planning of accounting routines, including information on

the distribution of responsibility and authority. A reporting process has been established involving quarterly financial reporting and updates to the outlook for the year. In addition to the Profit and Loss Account, Balance Sheet, Statement of Cash Flows and Notes, reporting also includes a description of the current status of the construction of the light railway and of the company's financial conditions.

The financing instructions define the framework for the handling of financial transactions, among other things to ensure the required risk profile.

### Capital

In connection with the company's budgeting for 2015 an updated long-term budget has been drawn up, including the expected repayment term for the debt. The long-term budget presents the expectations of the long-term economic development in the light railway. The long-term budget is based on a number of assumptions for which the starting point is the long-term budget prepared in connection with the agreement in principle. The description is based on a number of assumptions and is subject to the uncertainty that will always apply to assessments of future circumstances. The budget is based, among other things, on assumptions concerning the development in the number of passengers, as well as the development in interest rates and indexes.

In the current 2015 long-term budget, the company's net debt is expected to reach its maximum in 2027 at approximately DKK 4 billion (in current prices). The debt is expected to be repaid in 2059, which is in accordance with the previous expectations. The date of the commissioning of the light railway influences the conditions for the repay-

ment of the company's debt. For further information reference is made to the description under the company's long-term budget, section 6.1, which is included as an appendix to the Directors' Report.

Each year a finance strategy is determined so as to ensure appropriate financial management that minimises the long-term financial costs, with due consideration of financial risks. Financial management within the stated strategy is undertaken by Sund og Bælt Partner, as laid down and described in the Memorandum of Association.

As the joint owners of Ring 3 Letbane I/S, the Danish State, represented by the Ministry of Transport, and the Capital Region, 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 are directly, unconditionally and jointly and severally liable for all of the obligations of the company, including the loans raised by the company. Due to the joint and several liability of the Danish State, the company is indirectly subject to the same credit rating as sovereign risk, which is AAA. This means that the company can generally achieve terms in the capital market that are comparable with those available to the Danish State. In addition, the company is able to raise re-lending loans at Danmarks Nationalbank. A re-lending loan is a loan raised directly for the company from Danmarks Nationalbank on behalf of the Danish State, based on a specific government bond, and on the same terms as those that apply when the bond is sold in the market.

### Financial risks

Ring 3 Letbane I/S handles a number of financial risks. Ring 3 Letbane I/S' borrowing and use of financial instruments (interest rate hedging, swaps, etc.) are governed by a tripartite agreement between Danmarks Nationalbank, the Ministry of Transport and Ring 3 Letbane I/S.

### Currency risks

The tripartite agreement sets out guidelines for the types of financial instruments and loan agreements that may be included in the loan portfolio. According to these guidelines, the company's loan portfolio may only be exposed in DKK and EUR.

### Interest rate risks

Interest rate risks are managed by both borrowing and investing money at variable and fixed interest rates.

### Counterparty risks

The company may only place liquidity with the most creditworthy Danish and foreign institutions, so that the counterparty risk is limited as far as possible. This risk is managed and monitored continuously via a special line and limit system which determines the principles for the specification of these risks, as well as a maximum limit to the risks that may be accepted for an individual counterparty. The latter is measured in relation to the counterparty's ratings from the international rating agencies. The company also seeks to reduce risk by using appropriate agreement documentation. In this connection, special agreements concerning the provision of security – CSA agreements – are concluded with counterparties.

### Rating

International credit-rating agencies allocate companies a rating as an expression of their credit standing. The ratings are part of a scale in which AAA is the top rating, AA the next rating, and so on. Due to the joint and several liability of the Danish State, Ring 3 Letbane I/S is indirectly subject to the same credit rating as sovereign risk, which is AAA.

## 2.3

# Social Responsibility

### Introduction

Ring 3 Letbane I/S takes responsibility for creating good and secure future public transport in Greater Copenhagen, yet Ring 3 Letbane I/S' responsibility extends beyond providing public transport. In the coming years, Ring 3 Letbane I/S will also focus on its social responsibility to develop a light railway that ensures the fewest possible adverse effects for the environment and its surroundings in general.

The light railway will depart every **5 minutes** during day-time hours during the week

### Labour clauses and social clauses

During the next year Ring 3 Letbane I/S will consider how the company will use labour clauses and social clauses in the contracts for the construction of the light railway, whereby these clauses will be part of the coming invitation to tender. To the greatest possible extent, labour clauses and social clauses must take account of the current and future development in the labour market, as well as experience from other major construction projects. In addition, the contracts' clauses must be drawn up in accordance with the relevant new state and municipal regulations.

The invitation to tender for consulting services included a social clause concerning the provision of apprenticeships. The consulting services primarily concern work that does not involve trades that are subject to training requirements pursuant to Consolidated Act no. 987 of 16 August 2010 concerning basic vocational training, etc. and pursuant to Consolidated Act no. 171 of 2 March 2011 concerning vocational training. Agreements have been made to employ eight practical trainees in total in connection with the design period. This required is fulfilled by the providers of consulting services.

### Environment

Prior to the construction of a light railway in Ring 3, in accordance with the Act on a Light Railway in Ring 3 the Minister for Transport must undertake an EIA process for the project. The EIA Report must include a description of the project's expected significant environmental impacts from the operation of the light railway, as well as from the construction phase. In conjunction with the preparation of the EIA Report, it is assessed which considerations should be made during the project's construction and operation phases, in order to prevent or limit environmental impacts. On this basis, the project's remedial measures are determined. In overall terms, the EIA Report gives the authorities a basis to take environmentally appropriate decisions.



The work of preparing an EIA Report for the light railway in Ring 3 comprised the following activities in 2014:

- Specification, invitation to tender, evaluation of bids and establishment of the contract concerning consulting services.
- Scoping of environmental assessments in cooperation with the Ministry of Transport.
- A consultation process whereby the project idea was presented, and ideas and proposals were requested concerning the investigations under the EIA Report, was held from 23 April to 30 May 2014. A total of 31 consultation responses were received, from two authorities, four enterprises and 25 residents, including two housing associations.
- Establishment of cross-municipal working groups within relevant topics in the EIA Report (soil handling, climate adjustment measures, traffic, noise and official conditions) in order to support and streamline the planning of the subsequent consideration by the authorities.
- Preparation of a project description, assessment method and specific and cross-disciplinary environmental assessments.



## 2.4

# Construction of a light railway in Ring 3

The Act on a Light Railway in Ring 3 was adopted by the Folketing (Parliament) on 26 February 2014 and authorises the engineering design and execution of the preparatory work for the light railway in Ring 3. Pursuant to the Act, on 19 June 2014 the parties established the company Ring 3 Letbane I/S.

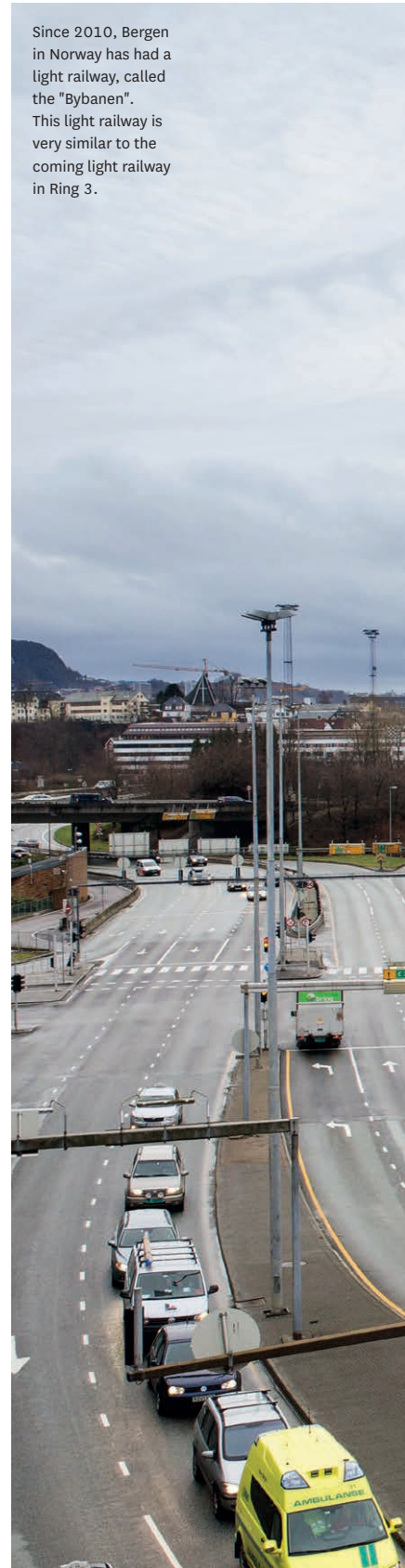
During 2014 Ring 3 Letbane I/S held the invitation to tender for the consulting services under the project, after which contracts were established concerning the engineering design, invitation to tender and establishment of contracts for the construction of the light railway.

In the spring of 2014, the work commenced on the further specification of the project in a planning proposal. The 11 municipalities, the Capital Region, the Danish Road Directorate, DSB and Banedanmark, as well as other relevant players, were involved in this process. The planning proposal will provide the basis for the preparation of the tender documents, as well as the proposed Act on the Construction of a Light Railway.

In the autumn of 2014 the project was also in dialogue with the municipalities concerning supplementary acquisitions. A number of supplementary acquisitions were already assumed as part of the preliminary investigation. Furthermore, as part of the subsequent process the municipalities have submitted requests for further supplementary acquisitions, which are included in the planning proposal and the EIA Report. Besides the main alignment, the planning proposal and EIA Report also include the possible supplementary acquisition of an alternative alignment at DTU (Technical University of Denmark).

Each passenger is expected to travel an average of **5.5 km** on one light railway journey.

Since 2010, Bergen in Norway has had a light railway, called the "Bybanen". This light railway is very similar to the coming light railway in Ring 3.







The light railway will have an average speed of **30 km/h**, including stops at stations



#### Expectations of 2015

A draft EIA Report was sent for consultation to the municipalities and the Capital Region in February and March 2015. During the same period the municipalities will consider any supplementary acquisitions. After this, the planning proposal will be presented to the municipalities, the Capital Region and the Ministry of Transport, just as other affected parties will be consulted in relevant areas. The EIA Report is expected to be submitted for public consultation in May 2015. The EIA Report and the planning proposal, with related supplementary acquisitions, will form the basis for the preparation of proposals for the Act on the Construction of a Light Railway and the tender project. In this respect the owners must reach

a decision concerning the alignment at DTU. The Act on the Construction of a Light Railway is expected to be adopted around year-end 2015/2016. The need for site acquisitions and realignment of utility grids is subject to planning and preparation. The municipalities are in dialogue concerning the establishment of a joint official processing office concerning the required municipal permits. The purpose includes ensuring the coordination of traffic across the municipalities, to ensure accessibility and avoid traffic disruptions during the utility grid realignment activities. Again in 2015 there will be focus on dialogue with owners, utility grid and site owners, as well as the general public, concerning the project.



### **Communication**

Communication with neighbours, residents and stakeholders is a vital and integral part of the construction of a light railway. The light railway is a new mode of transport in Greater Copenhagen, and this knowledge and its perspectives and significance must be communicated to the general public. In 2014 an overall core narrative and communication strategy were thus prepared, in cooperation with the owners. On this basis, a visual identity has been developed, including a logo, etc. for use in the communication between the company and the general public. A basis has thus been created for knowledge-building communication, as well as the communication that will take place in conjunction with the EIA consultation in 2015.

In 2014 the Board of Directors of Ring 3 Letbane I/S worked on changing the name of the company to "Hovedstadens Letbane" (the Capital's Light Railway). However, changing the company's name requires amendment of the Act. Any change may take place in conjunction with the adoption of the Act on the Construction of a Light Railway, which is expected to take place around year-end 2015/2016.

# 3.0

## Annual Accounts

- 3.1 Accounting Policies
- 3.2 Profit and Loss Account
- 3.3 Balance Sheet
- 3.4 Cash Flow Statement
- 3.5 Notes



Lyngby-Taarbæk

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# 3.1

## Accounting Policies

### Basis of accounting

The Annual Report for Ring 3 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.

This is the first Annual Report presented by the partnership. The accounting period is 1 January – 31 December 2014. The Annual Report is presented in 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 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, debt 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.

Changes in the fair value of derivative financial instruments that are classified as and fulfil the conditions for the hedging of future transactions are carried directly to equity. When the hedged transactions are realised, the accumulated changes are reported as part of the cost of the accounting items in question.

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 railway. The amount is included in the cost of the construction of the light railway.

### Staff costs

Staffs 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 railway*

Construction of the light railway 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 railway 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 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.

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

### Current assets

#### Properties

Properties are in principle measured at cost or replacement value, where this differs significantly from cost.

### 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 of less than three months at the time of acquisition, 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.

### 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.

### Long-term debt

Long-term debt are 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.

Debt 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.

### 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 beginning 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 debt, as well as net financing expenses.

Available funds include liquid resources and short-term securities.

### Financial highlights

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

# 3.2

## Profit and Loss Account

### Profit and Loss Account

For the period 1 January – 31 December 2014

(All figures in DKK thousands)

	Note	2014
<b>Income</b>		
Value of own work		17,271
<b>Total income</b>		<b>17,271</b>
<b>Expenses</b>		
Staff costs	1	-1,100
Other external costs	2	-17,926
<b>Total expenses</b>		<b>-19,026</b>
<b>Result before depreciation and write-downs</b>		<b>-1,755</b>
<b>Depreciation and write-downs</b>		
Write-downs	4	-90,301
<b>Total depreciation and write-downs</b>		<b>-90,301</b>
<b>Result before financial items</b>		<b>-92,056</b>
<b>Financial items</b>		
Financial income	3	0
Financial expenses	3	-1
<b>Total financial items</b>		<b>-1</b>
<b>Result for the year</b>		<b>-92,057</b>
<b>Proposed distribution of profit</b>		
Carried forward to next year		-92,057

# 3.3

## Balance Sheet

### Assets

As at 31 December 2014

(All figures in DKK thousands)

	Note	2014	Opening Balance Sheet 01.01.2014
<b>Fixed assets</b>			
Tangible fixed assets			
Construction of a light railway	4	0	0
<b>Total tangible fixed assets</b>		<b>0</b>	<b>0</b>
<b>Total fixed assets</b>		<b>0</b>	<b>0</b>
<b>Current assets</b>			
Receivables, Danish State	5	1,386,957	1,478,957
Receivables, Capital Region	5	1,001,236	1,001,236
Receivables, municipalities	5	1,243,797	1,309,308
Other receivables	5	23,839	14,126
Accrued items		174	0
Liquid resources	6	84,479	0
<b>Total current assets</b>		<b>3,740,482</b>	<b>3,803,626</b>
<b>Total assets</b>		<b>3,740,482</b>	<b>3,803,626</b>

## Liabilities

As at 31 December 2014

(All figures in DKK thousands)

	Note	2014	Opening Balance Sheet 01.01.2014
<b>Equity</b>			
Beginning of the year		3,423,803	3,423,803
Additions for the year		-92,057	0
<b>Total equity</b>	7	<b>3,331,746</b>	<b>3,423,803</b>
<b>Long-term debt</b>			
Long-term debt	8	377,323	377,323
<b>Total long-term debt</b>		<b>377,323</b>	<b>377,323</b>
<b>Short-term debt</b>			
Trade creditors		25,822	0
Accrued items		3,660	0
Other debt	9	1,931	2,500
<b>Total short-term debt</b>		<b>31,413</b>	<b>2,500</b>
<b>Total debt</b>		<b>408,736</b>	<b>379,823</b>
<b>Total liabilities</b>		<b>3,740,482</b>	<b>3,803,626</b>
Contingent liabilities	10		
Auditors' and consulting fees	11		
Related parties	12		

# 3.4

## Cash Flow Statement

(All figures in DKK thousands)

	<b>2014</b>
<b>Cash flows from operating activities</b>	
Staff costs	-1,100
Other external costs	-17,926
<b>Total cash flows from operating activities</b>	<b>-19,026</b>
<b>Cash flows from investment activities</b>	
Investment in the construction of the light railway	-73,030
<b>Total cash flows from investment activities</b>	<b>-73,030</b>
<b>Cash flows from financing activities</b>	
Accounts receivable	147,625
Short-term debt	28,913
Net financing expenses	-1
<b>Total cash flows from financing activities</b>	<b>176,537</b>
Change in available funds	84,479
Available funds at beginning of year	0
<b>Available funds at year-end</b>	<b>84,479</b>

# 3.5

## Notes

### Note 1

#### Staff costs

The Board of Executives of Metroselskabet I/S is also the Board of Executives of Ring 3 Letbane I/S. The Board of Executives does not receive remuneration from Ring 3 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 Ring 3 Letbane I/S, including administration, engineering design, procurement and contractual tasks concerning the light railway in Ring 3, and debt and asset management for Ring 3 Letbane I/S. An administration fee is paid for this.

Staff costs include remuneration of the company's Board of Directors at TDKK 1,100.

### Notes 2

#### Other external costs

*(All figures in DKK thousands)*

	<b>2014</b>
Administration expenses	16,993
Other expenses	933
<b>Other external costs in total</b>	<b>17,926</b>

### Note 3

#### Financial items

*(All figures in DKK thousands)*

	<b>2014</b>
Financial income	0
Financial expenses	-1
<b>Total financial items</b>	<b>-1</b>

## Note 4

### Construction of a light railway

(All figures in DKK thousands)

	Capital investments	Operations-related capital investments	Total
<b>Acquisition sum</b>			
Opening Balance Sheet 01.01.2014	25,481	0	25,481
Net additions for the year	78,447	11,854	90,301
<b>Year-end</b>	<b>103,928</b>	<b>11,854</b>	<b>115,782</b>
<b>Depreciation and write-downs</b>			
Opening Balance Sheet 01.01.2014	-25,481	0	-25,481
Write-downs for the year	-78,447	-11,854	-90,301
<b>Year-end</b>	<b>-103,928</b>	<b>-11,854</b>	<b>-115,782</b>
<b>Book value at the beginning of the year</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Book value at year-end</b>	<b>0</b>	<b>0</b>	<b>0</b>

The construction of the light railway consists of the costs of the preparatory work and includes the preparation of an investigation report, as well as the tender documents.

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

## Note 5

### Receivables, current assets

(All figures in DKK thousands)

	Danish State	Capital Region	Municipalities	Total
Opening Balance Sheet 01.01.2014	1,478,957	1,001,236	1,309,308	3,789,501
Disposals for the year (payments)	-92,000	0	-65,511	-157,511
<b>Year-end</b>	<b>1,386,957</b>	<b>1,001,236</b>	<b>1,243,797</b>	<b>3,631,990</b>
<b>Specification of receivables</b>				
Danish State				1,386,957
Capital Region				1,001,236
Lyngby-Taarbæk Municipality				273,632
Gladsaxe Municipality				274,842
Herlev Municipality				146,765
Rødovre Municipality				43,513
Glostrup Municipality				156,701
Albertslund Municipality				70,914
Brøndby Municipality				90,902
Høje-Taastrup Municipality				18,626
Hvidovre Municipality				19,891
Vallensbæk Municipality				68,386
Ishøj Municipality				79,626
<b>Total receivables</b>				<b>3,631,990</b>



## Note 5 (continued)

On the establishment of the partnership, agreements have been made concerning the payment of the contributions from the Danish State, the Capital Region and the municipalities. The financing contributions agreed are subject to annual index adjustment based on an assumption index for capital investments up to the commencement of operations, and thereafter the net price index.

In accordance with the accounting policy, the receivable as at 31 December 2014 is stated at book cost in 2014 prices. DKK 3,473 million of the receivable as at 31 December 2014 falls due for payment later than 31 December 2015.

Accounts receivable also include VAT receivable of DKK 21 million.

## Note 6

### Liquid resources

(All figures in DKK thousands)

	2014	Opening Balance Sheet 01.01.2014
Cash and bank deposits	84,479	0
<b>Total liquid resources</b>	<b>84,479</b>	<b>0</b>

## Note 7

### Equity

(All figures in DKK thousands)

	Owner contribu- tions	Write-down of fixed assets	Establishment costs	Retained earnings	Total
Opening Balance Sheet 01.01.2014	3,451,784	-25,481	-2,500	0	3,423,803
Capital contributions	0	0	0	0	0
Retained earnings	0	0	0	-92,057	-92,057
<b>Year-end</b>	<b>3,451,784</b>	<b>-25,481</b>	<b>-2,500</b>	<b>-92,057</b>	<b>3,331,746</b>

Specification of owner contributions	Ownership interest	Contributions
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
<b>Total owner contributions</b>	<b>100%</b>	<b>3,451,784</b>

In the agreement in principle on the construction and operation of a light railway in Ring 3 of 20 June 2013 the parties have agreed to contribute to the financing of the construction costs. The financing of the construction costs 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 railway'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. In accordance with the agreement in principle, the municipalities have not yet agreed on the distribution of the contributions to operations. When the distribution between the municipalities has been agreed, this distribution will form the basis for determining the municipalities' annual contributions to operations.

In accordance with the Act on a Light Railway in Ring 3, Act no. L165 of 26 February 2014, the contributed equity is made up as follows:

## Note 7 (continued)

(All figures in DKK thousands)

	Danish State	Capital Region	Municipalities	Total
Contributions, cf. Section 1(3)	1,794,738	1,001,236	1,309,308	4,105,282
Paid-in adjustment reserve	-138,087	-103,669	-135,567	-377,323
Construction reserve under State auspices	-276,174	0	0	-276,174
<b>Total contributions</b>	<b>1,380,476</b>	<b>897,567</b>	<b>1,173,741</b>	<b>3,451,784</b>

In the agreement in principle on the construction and operation of a light railway in Ring 3 of 20 June 2013 the parties have agreed that the Danish State will allocate an adjustment reserve of 30 per cent, in accordance with the State's rules for the budgeting of new construction projects. The municipalities and the Region will allocate an adjustment reserve of 15 per cent, including an agreed target saving of 3 per cent. The 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 expenditure.

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

### Long-term debt

(All figures in DKK thousands)

	Paid-in adjustment reserve	Total
Opening balance 01.01. 2014	377,323	377,323
Additions for the year	0	0
Disposals for the year	0	0
<b>Year-end</b>	<b>377,323</b>	<b>377,323</b>

#### Specification of long-term debt

Danish State		138,087
Capital Region		103,669
Lyngby-Taarbæk Municipality		29,825
Gladsaxe Municipality		29,960
Herlev Municipality		15,997
Rødovre Municipality		4,745
Glostrup Municipality		17,081
Albertslund Municipality		7,727
Brøndby Municipality		9,896
Høje-Taastrup Municipality		2,034
Hvidovre Municipality		2,169
Vallensbæk Municipality		7,456
Ishøj Municipality		8,676
<b>Total long-term debt</b>		<b>377,323</b>

In accordance with the accounting policy, the long-term debt as at 31 December 2014 has been compiled at book cost stated in 2014 prices.

## Note 9

### Other debt

(All figures in DKK thousands)

	2014	Opening Balance Sheet 01.01.2014
Payable PAYE tax, etc.	133	0
Costs payable	1,799	2,500
<b>Total other debt</b>	<b>1,931</b>	<b>2,500</b>

Costs payable are the costs of the establishment of the partnership.

## Note 10

### Contingent liabilities

The construction of the light railway 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 11

### Auditors' and consulting fees

(All figures in DKK thousands)

	2014	Opening Balance Sheet 01.01.2014
Office of the Auditor General	40	135
Deloitte	26	150
<b>Statutory audit in total</b>	<b>66</b>	<b>285</b>
Deloitte	0	0
<b>Other declarations in total</b>	<b>0</b>	<b>0</b>
Deloitte, VAT and tax advisory services	0	42
Deloitte, other advisory services	0	0
<b>Consulting fees in total</b>	<b>0</b>	<b>42</b>

## Note 12

### Related parties

Ring 3 Letbane I/S' related parties are the company's owners, Board of Directors, Board of Executives and Metroselskabet I/S.

Transactions with related parties take place on market terms.

Transactions between related parties and Ring 3 Letbane I/S for the period:

The partnership's Board of Directors have received payment in the form of Directors' fees, cf. Note 1.

In 2014 Ring 3 Letbane I/S has paid administration fees to Metroselskabet I/S. Metroselskabet I/S makes the necessary employees and other resources available to undertake Ring 3 Letbane I/S' activities.

Many European cities have light railways. Here is a selection.



Strasbourg



Bergen



Valencia

The price of the light railway is approximately **DKK 4 billion** besides approximately DKK 1.3 billion for the procurement of trains, etc.



Besançon



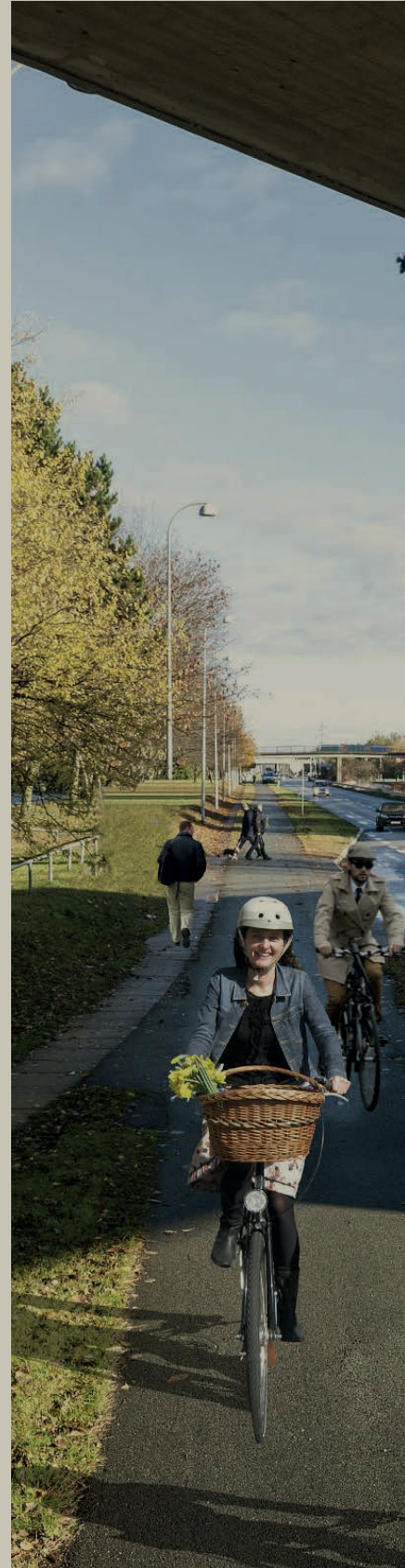
**11 municipalities, the Capital Region and the Danish State** are behind Ring 3 Letbane I/S. The municipalities are Lyngby-Taarbæk, Gladsaxe, Herlev, Albertslund, Rødovre, Glostrup, Brøndby, Hvidovre, Vallensbæk, Ishøj and Høje-Taastrup.



# 4.0

## The Board of Directors of Ring 3 Letbane I/S

### 4.1 The Board of Directors of Ring 3 Letbane I/S



Vallensbæk

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# 4.1

## The Board of Directors of Ring 3 Letbane I/S



**Anne Grete Holmsgaard**

*(Chairman)*

Appointed by the Ministry of Transport Director, Biorefining Alliance

**Other offices held:**

Chairman of Energifonden.net  
Chairman of the stakeholder forum under Energinet.dk

**Karin Søjberg Holst**

*(Vice Chairman)*

Appointed by Borgmesterforum Mayor, Gladsaxe Municipality

**Other offices held:**

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

**Kenneth Kristensen Berth**

*(Vice Chairman)*

Appointed by the Capital Region Regional Council member, Capital Region  
Special consultant in the Danish People's Party's Press Office

**Other offices held:**

Member of the Executive Committee, Capital Region  
Member of the Municipal Council, Vallensbæk Municipality  
Member of the Board of Representatives of Wonderful Copenhagen  
Member of the Council for Human Rights – appointed by the Danish People's Party





#### **Dorthe Vinther**

Appointed by the Ministry of Transport  
HR Director, Energinet.dk

#### **Johnny Hansen**

Appointed by the Ministry of Transport  
Founder and director, umove A/S

#### **Other offices held:**

Member of the Board of Directors of  
HandicapBefordring A/S  
Chairman of the Board of Directors,  
HTS fonden  
Member of Advisory Board,  
PA Consulting  
Member of the Danish Growth Council

#### **Annie Hagel**

Appointed by the Capital Region  
Regional Council member, Capital Region  
Freelance journalist

#### **Other offices held:**

Member of the Health Services Coordina-  
tion Committee, Capital Region

#### **Søren P. Rasmussen**

Appointed by Borgmesterforum  
Member of the Municipal Council,  
Lyngby-Taarbæk Municipality  
MSc (Engineering)

#### **Other offices held:**

Member of the Finance Committee,  
Lyngby-  
Taarbæk Municipality  
Member of the Social and Health  
Services Committee, Lyngby-Taarbæk  
Municipality  
Member of the Technical and Environ-  
mental Committee, Lyngby-Taarbæk  
Municipality  
Member of the Culture and Leisure Com-  
mittee, Lyngby-Taarbæk Municipality

# 5.0

## Endorsements

- 5.1 Management Endorsement
- 5.2 The Independent Auditors' Report



Albertslund

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## 5.1

# Management Endorsement

The Board of Directors and the Board of Executives have today examined and approved the Annual Report for 2014 for Ring 3 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 on the presentation of financial statements.

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

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

*Copenhagen, 9 April 2015*

Board of Executives

**Henrik Plougmann Olsen**

Board of Directors

**Anne Grete  
Holmsgaard**  
*Chairman*

**Karin Søjberg Holst**  
*Vice Chairman*

**Kenneth Kristensen Berth**  
*Vice Chairman*

**Dorthe Vinther**

**Johnny Hansen**

**Annie Hagel**

**Søren P.  
Rasmussen**

## 5.2 The Independent Auditors' Report

To the partners of  
Ring 3 Letbane I/S

### Report on the financial statements

We have audited the financial statements of Ring 3 Letbane I/S for the financial year 1 January 2014 to 31 December 2014, which comprise the accounting policies, profit and loss account, balance sheet, statement of changes in equity, cash flow statement and notes as well as reports. The financial statements are prepared in accordance with the Danish Financial Statements Act.

### Management's responsibility 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. Management is responsible for selecting and applying the most appropriate accounting policies and performing accounting estimates deemed fair in view of the circumstances.

Management is also responsible for the transactions included in the financial statements being in compliance with acts and other regulations as well as with agreements entered into and accounting policies.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on

our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation as well as generally accepted public auditing standards, see the Act on the Audit of State Accounts etc. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Ring 3 Letbane I/S' preparation of financial statements that give a true and fair view 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 Ring 3 Letbane I/S' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

*Copenhagen, 9 April 2015*

Office of the Auditor General

**Lone Strøm**  
Auditor General

**Morten Brødstrup-Holm**  
Director

An audit also involves an assessment of whether the procedures and internal controls established support the transactions included in the financial statements and are in accordance with acts and other regulations as well as with agreements entered into and accounting policies.

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

Our audit has not resulted in any qualification.

### Opinion

In our opinion, the financial statements give a true and fair view of Ring 3 Letbane I/S' financial position at 31 December 2014 and of the results of its operations and cash flows for the financial year 1 January 2014 to 31 December 2014 in accordance with the Danish Financial Statements Act. We are also of the opinion that the procedures and internal controls established support the transactions included in the financial statements and are in accordance with acts and other regulations as well as with agreements entered into and accounting policies.

### Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Deloitte

**Lyng Skovgaard**  
State-Authorised Public  
Accountant

**Ulrik Benedict Vassing**  
State-Authorised Public  
Accountant

6.0

# Appendix to the Directors Report

## 6.1 Long-term budget



Glostrup

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# 6.1

## Long-term budget

The following long-term budget for 2015 was adopted in December 2014.

### Long-term budget assumptions

The long-term budget is stated in current prices:

#### Capital investments

1. The capital expenditure for the establishment of a light railway in Ring 3 is determined according to the capital investment estimate that was the basis for the agreement in principle on the construction and operation of a light railway in Ring 3. This capital investment estimate was DKK 3.4 billion in 2013 prices. The capital expenditure has been adjusted upwards to 2015 prices on the basis of the Ministry of Finance's capital investment index. The timing distribution of the costs is based on the time schedule from the agreement in principle.
2. Reinvestments in connection with the light railway 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 2015 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 railway in Ring 3 are determined on the basis of the investigation report concerning the light railway in Ring 3. This budget estimate was DKK 1.3 billion in 2013 prices. The budget estimate has been adjusted upwards to 2015 prices on the basis of the Ministry of Finance's capital investment index. The timing distribution of the costs is based on the time schedule from the agreement in principle.

#### 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. The price per new passenger is based on the expectations of the fare development in the period 2009-2020 and projected to DKK 8.81 per passenger in 2020, in 2013 prices. On the same basis, the average fare revenue per passenger in 2032 is calculated at DKK 10.14 in 2013 prices. The fare income is adjusted to 2015 prices, on the basis of a general price projection of 2 per cent p.a.
6. On the light railway'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 2015 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 railway in Ring 3. The operating costs are estimated at DKK 162 million per annum in 2013 prices. The operating costs are adjusted to 2015 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 expenditure. The payments are listed at 2015 prices, based on the assumption index for capital investments.
- 9.** The light railway is registered for VAT purposes, so that VAT is deducted from the company's net income from the operation of the light railway, while the VAT costs of the construction of the light railway 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 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 2015 all prices will increase by 2 per cent p.a.

# Long-Term Budget 2015 for Ring 3 Letbane I/S (in current prices)

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

(DKK million)

Year	Receivables	Other debt	Contributions to the financing of capital investments			Debt to owners	Capital investments	Operating investments	Operating result	Liquidity	Interest	Movement	Cash beginning of year	Cash end of year
			Danish State	Region	Municipalities									
Year-end 2013	-12	-3	40	0	0	0	-25	0	0	0	0	0	0	0
2014	9	8	92	0	66	0	-96	-18	0	60	0	60	0	60
2015		10	92	0	67	0	-132	-24	0	13	0	13	60	73
2016		13	144	0	68	0	-668	-121	0	-563	-6	-569	73	-496
2017		13	172	0	63	0	-963	-224	0	-939	-56	-995	-496	-1,491
2018		13	255	0	65	0	-881	-480	0	-1,029	-116	-1,145	-1,491	-2,636
2019		-10	510	167	66	0	-603	-516	0	-386	-153	-539	-2,636	-3,175
2020		-10	290	57	67	-425	-254	-34	15	-295	-205	-500	-3,175	-3,674
2021		-10	45	58	68		-69	-46	31	78	-218	-140	-3,674	-3,814
2022		-10	0	59	70		0	0	44	163	-226	-63	-3,814	-3,877
2023			0	60	71		0	0	50	182	-229	-47	-3,877	-3,924
2024			0	62	73		0	0	57	192	-231	-40	-3,924	-3,964
2025			0	63	74		0	0	65	202	-233	-31	-3,964	-3,995
2026			0	64	76		0	0	73	213	-235	-22	-3,995	-4,017
2027			0	65	77		0	0	81	224	-236	-12	-4,017	-4,029
2028			0	67	79		0	0	90	235	-236	0	-4,029	-4,029
2029			0	68	80		0	0	99	248	-235	12	-4,029	-4,017
2030			0	69	82		-41	0	109	219	-235	-16	-4,017	-4,033
2031			0	71	83		0	0	119	274	-235	39	-4,033	-3,994
2032			0	72	85		0	0	130	287	-232	56	-3,994	-3,939
2033			0	74	87		0	0	133	293	-228	65	-3,939	-3,874
2034			0	75	89		0	0	135	299	-224	75	-3,874	-3,799
2035			0	77	90		0	0	138	305	-219	86	-3,799	-3,713
2036			0	78	92		0	0	141	311	-214	97	-3,713	-3,616
2037			0	80	94		0	0	144	317	-208	110	-3,616	-3,506
2038			0	81	96		0	0	147	324	-201	123	-3,506	-3,383
2039			0	83	98		0	0	149	330	-193	137	-3,383	-3,246
2040			0	85	100		-50	0	152	287	-186	101	-3,246	-3,146
2041			0	86	102		0	0	155	343	-178	165	-3,146	-2,981
2042			0	88	104		0	0	159	350	-168	182	-2,981	-2,798
2043			0	90	106		0	0	162	357	-157	201	-2,798	-2,598
2044			0	92	108		0	0	165	365	-144	220	-2,598	-2,378
2045			0	93	110		-1,553	0	168	-1,182	-178	-1,359	-2,378	-3,737
2046			0	95	112		0	0	172	379	-212	167	-3,737	-3,570
2047			0	97	115		0	0	175	387	-202	185	-3,570	-3,384
2048			0	99	117		0	0	179	395	-190	204	-3,384	-3,180
2049			0	101	119		0	0	182	402	-178	225	-3,180	-2,955
2050			0	103	122		-61	0	186	350	-166	184	-2,955	-2,771
2051			0	105	124		0	0	190	419	-152	266	-2,771	-2,505
2052			0	107	127		0	0	193	427	-136	291	-2,505	-2,214
2053			0	109	129		0	0	197	436	-118	318	-2,214	-1,896
2054			0	112	132		0	0	201	444	-99	346	-1,896	-1,550
2055			0	114	134		0	0	205	453	-77	376	-1,550	-1,175
2056			0	116	137		0	0	209	462	-55	408	-1,175	-767
2057			0	118	0		0	0	213	332	-38	294	-767	-473
2058			0	121	0		0	0	218	338	-20	318	-473	-155
<b>2059</b>			<b>0</b>	<b>123</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>222</b>	<b>345</b>	<b>-2</b>	<b>343</b>	<b>-155</b>	<b>188</b>
2060			0	0	0		-74	0	227	152	5	157	188	346

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