ANNUAL REPORT 2012

BY&HAVN

CPH City & Port Development

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Annual report for 2012

The annual report was presented and approved at
the company's ordinary partnership meeting held on
15 April 2013

[signed]

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Chairman

Contents

Annual report

1. Summary of the year

The combined profit on primary operation excluding value adjustment of investment properties was DKK 97 million versus DKK 105 million the year before. This fall should be seen in the light of the fact that the 2011 result includes one-off effects of approx. DKK 50 million. If these are disregarded, the results show considerable progress.

CPH City & Port Development's turnover was DKK 322 million in 2012, an increase of DKK 59 million on 2011, equivalent to 23%. This increase concerns primarily the receipt of land in Nordhavnen, though income from parking activities also contributed to the rise. With net turnover of DKK 174 million, the company's leasing business in 2012 also made a substantial contribution to total turnover.

In 2012, value adjustments of the company's investment properties reduced the result by DKK -280 million. The negative value adjustment can primarily be attributed to the change in the law that removed the land improvement deduction from the assessment of property taxes. Apart from this effect, value creation for the company's investment properties has been positive and largely as expected.

The sale of building rights in the company's development areas has for many years been affected by the weak economic situation, but 2012 showed signs of a pick-up in the market. In 2012 the company concluded a major sales agreement for the first time in a number of years. Conditional sales agreements for other areas were also concluded. The trend is expected to continue in 2013, with an increased sales volume. Further agreements on the sale of building rights were therefore already concluded by the beginning of 2013.

Provision of the necessary planning basis for development areas is an important prerequisite for ensuring that the company can achieve its long-term sales targets. The company has building rights with the necessary planning basis for sale in a number of different areas with differing characteristics. This bolsters scope for sale when demand starts to emerge.

Investments in infrastructure in the development areas are carried out as and when demand starts to emerge. In 2012, there has been considerable activity in the Århusgade district owing to the local plan approved in Copenhagen Municipality at the end of 2011. Several buildings have been demolished, and work on renovating and progressing Sandkaj is going on. Work on upgrading conduits and infrastructure is being continued in 2013.

The development potential for the Århusgade district and the rest of Nordhavn has otherwise been bolstered after a political agreement was concluded to establish a metro for Nordhavn. The company is to contribute to the funding of this with an amount equivalent to the increased value creation in the area, which is put at approx. DKK 900 million. The final legal basis is expected to be adopted in 2013.

On Marmormolen, the first stage of a new office building with a floor area of 45 000 square metres for the UN was transferred to the tenant. The second stage is expected to be ready at the end of 2013. Site development of the rest of Marmormolen has also been performed, with this now being ready to accept fresh investment in housing and business.

In Ørestad, a new multi-storey car park on Edvard Thomsens Vej with 747 spaces was taken into service in 2012. The construction of a new multi-storey car park in Ørestad Syd was also started.

In the outermost part of Nordhavnen, work on extending the port area and establishing a new cruising quay with associated terminal was continued in 2012. The extension is being carried out by receiving excavation residues from the metro building and other construction work in Copenhagen. The cruising quay is expected to be taken into service in mid-2013.

The total result, including market value adjustments of investment properties and debt, was DKK -922 million. Of this, unrealised value adjustments of properties and debt account for approx. DKK 562 million. Equity capital has accordingly been assessed as DKK -4 169 million versus DKK 450 million at the time of the company's formation in 2007.

Since the formation of the company, the equity capital has been affected by unrealised market value adjustments of the company's debts of approx. DKK -1 900 million. As the loans approach expiry, the market value adjustments will be carried back to the result and thus the equity capital and will therefore have no effect on the company's long-term finances.

Re-establishment of the equity capital and reducing debts through the sale of investment properties are the primary parameters governing the company. With current sales expectations and investment plans, equity capital is expected to be recreated within a period of around 10 years. After an increase in debts in 2012, debts are expected to fall in 2013, partly as a result of the agreement from 2011 to include the building for the UN in a project company, which means a liquidity improvement of more than DKK 1 700 million. In addition there is the cash flow from other sales and from day-to-day operation, which has improved considerably in the years that the company has existed.

The development of both equity capital and debts in the longer term is dependent on economic conditions in the coming years. The form of the company and its owners mean that negative equity has no consequences for continued operation of the company.

Main and key numbers

	2012	2011	2010	2009	2008
	DKK millions	DKK millions	DKK millions	DKK millions	DKK millions
Profit					
Net turnover	322	263	257	242	239
Value adjustment og investment properties	-280	-632	503	-75	83
Result for primary operation	-182	-527	542	-45	117
Result for capital shares in subsidiaries	-24	-12	-2	0	0
Result for capital shares in joint ventures	38	33	26	41	76
Result for capital shares in associated companies	-1	0	0	0	1
Financiel items net (excluding market value adjustment of debts)	-471	-498	-499	-505	-564
Financiel items net (including market value adjustment of debts)	-753	-1.520	-591	-741	-1.403
Result before market value adjustment of debts	-639	-1.004	67	-508	-370
Result for the year	**-922**	**-2.026**	**-26**	**-744**	**-1.208**
Balance sheet					
Assets	13.181	12.081	11.788	13.569	14.505
Fixed assets	12.534	11.057	11.167	12.915	13.662
Current assets	647	1.024	621	655	843
Investments in tangible fixed assets	1.939	636	221	128	326
Depreciation and amortisation	53	26	26	27	27
Equity capital	**-4.169**	**-3.251**	**-1.224**	**-1.222**	**-502**
Cash flow					
Cash flow from:					
- operating activity	235	-665	-519	-615	-435
- investment activity	-1.808	-468	2.303	914	-143
- of which investment in					
tangible fixed assets	1.938	636	221	128	326
- financing activity	1.512	1.197	-1.898	-399	-43
Change ind liquid funds for the year	-61	64	-114	-100	-621
Number of employees	**110**	**111**	**112**	**113**	**103**
Key numbers %					
Net profit ratio	N/A	N/A	71,4 pct.	-26,7 pct.	36,4 pct.
Return on assets	-1,4 pct.	-4,4 pct.	4,6 pct.	-0,3 pct.	0,8 pct.
Solvency	-31,6 pct.	-26,9 pct.	-10,4 pct.	-9,0 pct.	-3,5 pct.
Return on equity	N/A	N/A	N/A	N/A	N/A
Net interest-bearing debt	16.614	14.832	12.685	14.044	14.407

The key numbers have been drawn up in accordance with the CFA institute´s recommendations and guidance. See the definitions in the definitions in the section on accounting practice.

2. Area development

Table 1. Key numbers for Area Development

Millions of DKK	**2012**	**2011**
Net turnover	58	6
Value adjustment of investment properties	-401	-857
Other income	0	29
Total income	**-342**	**-822**
Costs	90	55
Result for primary operation	**-432**	**-877**
Income from capital shares	-21	-11
Result before interest	**-414**	**-889**

Balance	**2012**	**2011**
Total balance	9 125	8 770
Investments	54	195
Tangible fixed assets	8 429	7 712
Liabilities	14 793	13 336

Sale of building rights

As expected, the company concluded agreements concerning the sale of building rights in 2012. The first sale in Inner Nordhavn was carried out in September, when two cement silos were sold to NCC Property Development and are now to be converted to environmentally certified office buildings. In addition, an agreement for the sale of a building right in Ørestad Nord to Nordea covering a floor area of 46 000 square metres for the construction of a new head office was concluded in November. The agreement is solely conditional on the acceptance of the new local plan. Furthermore, Nordea has an option to purchase a building right covering a floor area of another 24 000 square metres.

Nordhavnen

Development of Nordhavnen is in full swing, with the focus initially being on Inner Nordhavn. Here, the demolition of warehouses and storage buildings not worth preserving was completed at the end of 2012, and construction work on pipework and paving is expected to be started in the first quarter of 2013. In December 2012 the company concluded an agreement on the first building land in the area for expected implementation in 2013. Construction of the apartments in the “Havnehuset” was started in the third quarter of 2013, with these being expected to be opened in the third quarter of 2014. In the course of 2012, discussions were also started on the sale of a series of building rights for housing purposes in the Århusgade district, and work is being carried out on offering building rights for general dwellings in the first quarter of 2013.

In addition, the company is working on the development of local plans for the areas of Levantkaj West, Århusgade district West and Trælastholmen.

In the next couple of years the company will be investing just under DKK 1 billion in a frame and new cruising quay with associated terminal buildings in Nordhavnen. This is intended to allow the Nordhavnen area to be extended by just over 100 hectares. In 2012 the company opened a new facility for receiving land for landfill use. Construction of the frame for landfill took place as planned, and the entire northern side of the frame has been completed.

The work on preparations to establish a metro for Nordhavnen continued throughout 2012. The hearing of the environmental impact assessment report and municipal plan addendum for the metro to Nordhavnen was completed in November 2012, and the additions are expected to be finally adopted by Copenhagen Municipality’s Citizen Representation in the second quarter of 2013. The preliminary work on the actual construction of the metro is starting in March 2013.

Marmormolen
Under the auspices of the subsidiary FN-Byen P/S, the company is erecting office facilities on Marmormolen (Campus 1), which are intended to house the UN's organisations in Denmark. The UN took the first stage of the building into service at the turn of 2012/2013, and the last stage of the office building is expected to be ready for occupation at the end of 2013. At the same time as the UN moved in, Marmormolen was opened to the general public, and the free port grid was demolished. Demolition of buildings on the jetty has been completed, as has construction of Marmorvej.

Unicef has terminated its lease of Marmormolen and has taken the new store (Campus 2) in Nordhavnen into service.

Ørestad
Three out of Ørestad's four districts are still being developed in parallel with the company's other development areas, but the last one, Amager Fælled, is pending. In the third quarter of 2012, together with NCC, the company launched an overall plan for the Ørestad Down Town area in Ørestad City, allowing the development of the area's office buildings, neighbourhood houses and shops. The proposed local plan was submitted for public hearing in January 2013 and, after the end of debate in committee, is expected to be approved by Copenhagen Municipality's Citizen Representation in mid-2013.

In September 2012, the municipal plan and local plan addendum for the Arena district in Ørestad South was adopted by Copenhagen Municipality's Citizen Representation. The addenda mean that the company Arena CPHX P/S, which is owned by Realdania and Copenhagen Municipality, is establishing Copenhagen Arena, which is expected to be established at the end of 2015. In connection with the arena, an ice ring, a school and a business and housing district are planned to be constructed.

Besides the arena, the company is also working together with Copenhagen Municipality on the siting and design of a municipal leisure hall in Ørestad City, which is intended to allow indoor sports activities. The draft proposal for the hall's design is expected to be discussed by the committee in mid-2013.

In Ørestad South, the building of 50 new general family homes is being started in the second quarter of 2013. The dwellings, which will be facing the canal close to Vestamager Metro Station, will be given a green profile and are expected to be ready to move into in 2014.

New building is also under way in Ørestad North. In August 2012, the construction of the Radiorækkerne terrace houses was started, and the first houses are expected to be ready to move into in May 2013. The next stage of the construction process is being started in the first quarter of 2013.

Other development areas
Over the year, the company made great strides in its work on allowing development of the former port and industrial area at Enghave Brygge, so that it can be converted into a canal town, primarily with dwellings. The draft local plan addendum for Enghave Brygge was adopted by Copenhagen Municipality in December 2012 and will be the subject of a public hearing in January and February 2013.

The company has also begun the development of Tulipanen, consisting of a triangular area at Kastellet. There is a residual building right within the existing local plan, which is initially expected to be used for a residential building consisting of three single houses with a building right covering a total floor area of 4 600 square metres. The building right is expected to be launched in 2013.

3. Leasing

Table 2. Key figures for Leasing

DKK millions	2012	2011
Net turnover	177	182
Value adjustment of investment properties	122	225
Other income	0	1
Total income	**299**	**408**
Costs	104	87
Result for primary operation	**195**	**321**
Income from capital shares	0	0
Result before interest	**195**	**321**

Balance	**2012**	**2011**
Total balance	2 594	2 093
Investments	397	134
Tangible fixed assets	2 533	2 006
Liabilities	1 703	1 306

The business area covers the leasing and operation of 765 building, area and water area leases, most of which are in Nordhavnen.

Turnover from leasing is in 2012 approx. DKK 5.4 million lower than in 2011, partly because a number of buildings were demolished in, for example, the Århusgade district in connection with the urban development of the area. Profit for primary operation totals DKK 212 million, DKK 121.6 million of which concern unrealised value adjustments on the value of the company's lease properties. The leasing of offices, etc. increased during the year, while the voids rate for pure storage facilities at the end of 2012 is at the same level as at the start of the year.

The company itself takes care of building renovations and lease arrangements. In 2012 the company also successfully pursued a strategy according to which storage leases are converted to offices and showrooms and thus contribute to positive growth in letting income.

4. Parking

Table 3. Key figures for Parking

DKK millions	2012	2011
Net turnover	39	33
Value adjustments	0	0
Other income	0	0
Total income	**39**	**33**
Costs	18	17
Result for primary operation	**21**	**16**
Income from capital shares	0	0
Result before interest	**20**	**16**

Balance	**2012**	**2011**
Total balance	492	476
Investments	-0	0
Tangible fixed assets	466	389
Liabilities	499	477

CPH City & Port Development erects, runs and maintains car parks in Ørestad City, Ørestad South, Northern Toldbod and Southern Frihavn. The company has been responsible for around 4 360 parking spaces, either in multistorey car parks or at ground level, representing around 10% more parking spaces than in 2011. The increase in the number of parking spaces is due to the fact that in February

2012 the company opened a multi-storey car park with 747 parking spaces on Edvard Thomsens Vej in Ørestad City.

CPH City & Port Development owns the car parks, and the operation of the parking spaces is mainly carried out by the company itself.

CPH City & Port Development also operates a multi-storey car park in Amerika Plads with more than 800 parking spaces. This car park is owned jointly with TK Development.

Turnover has risen by DKK 5.9 million, equivalent to around 18% compared with 2011. The positive evolution of turnover is partly a result of an increase in the number of customers, while it also stems from the growing customer base in Ørestad and higher earnings per customer. The result from primary operation has increased by DKK 4.5 million.

Parking facilities are being expanded In line with the development of Ørestad and the Århusgade district. The first multi-storey car park in Ørestad Syd with around 700 parking spaces is expected to be ready in mid-2013. In the Århusgade district, a temporary ground-level car park is expected to be established in 2014 in connection with the urban development of the area.

5. Port operation

Table 4. Key figures for Port operation

DKK millions	**2012**	**2011**
Net turnover	48	42
Other income	0	0
Total income	**48**	**42**
Costs	31	28
Result for primary operation	**17**	**14**
Income from capital shares	34	32
Result before interest	**51**	**46**

Balance	**2012**	**2011**
Total balance	970	784
Investments	0	7
Tangible fixed assets	755	579
Liabilities	365	218

Most of CPH City & Port Development's port facilities for commercial port operation are leased to the 50%-owned joint venture Copenhagen Malmö Port AB (CMP). The rest of CMP is owned by Malmö Municipality and private investors. Similarly, CMP leases port facilities in Malmö from Malmö Municipality. The leases in both Copenhagen and Malmö run until 2035.

Besides ownership of the shares in CMP, CPH City & Port Development exerts an influence on the development of port operation by planning which areas and facilities are to be used for port operation and by investment in new facilities. Investments in new port facilities are typically funded by increased rent payments from CMP.

The port operating activities in Copenhagen consist primarily of a container terminal in Nordhavnen, an oil and bulk terminal in Prøvestenen and quays and receiving facilities for ferry and cruiser traffic.

In 2012, work on establishing a new cruise quay in Nordhavnen continued. The quay is being established by CPH City & Port Development with a view to leasing to CMP. The project is proceeding largely as planned. The new cruise quay measuring 1 700 metres in total will be taken into service during the 2013 cruise season. During 2012, work has also been carried out on preparing the establishment of new terminal buildings for cruise passengers. The buildings will be taken into service in 2014.

CPH City & Port Development's profit for primary operation of its port activities was DKK 17 million in 2012, DKK 3 million better than the profit figure in 2011. The improvement stems primarily from increased rent payments from CMP.

Table 5. CMP's economic turnover and results for 2008-2012 (SEK millions)

	2008	2009	2010	2011	2012
Turnover	784	733	675	727	725
Profit on primary operation	173	122	112	101	102

In 2012 CMP achieved a profit on primary operation of SEK 102 million before tax, which is on a par with its profit for 2011. The development in profit should be viewed in the light of increased rent payment to port owners and the evolution of foreign exchange rates.

CMP set another record in 2012 with a total of 373 cruise calls, most of which were in Copenhagen. In this way, CMP cemented its position in Copenhagen as one of Northern Europe's prime destinations for the growing cruise industry. Total passenger numbers for cruise ships and ferries calling at CMP were nearly 1.3 million in 2012, which is also a new record.

In 2012 CMP also made progress on the number of new vehicles handled by the terminal in Malmö. This increase covers, among other things, vehicles shipped with a view to later export to the Russian market. The total number of vehicles was nearly 500 000.

Lastly, 2012 saw progress on RoRo lines and on the volume of oil passing via the terminals in Copenhagen and Malmö, including in particular transit oil.

6. Corporate social responsibility (CSR)

CPH City & Port Development recognises that it has great responsibility in providing Copenhagen with new urban areas of high quality and ensuring sustainable urban development. The company's vision forms the starting point for this socially responsible approach: as an urban development company and landowner, CPH City & Port Development is to create a vibrant urban environment of international class that is attractive to live and work in and which is exciting to visit. It is also essential that CPH City & Port Development's socially responsible actions are underpinned by the business strategy.

As a member of the UN Global Compact, the company supports all ten principles within the spheres of human rights, work, the environment and anti-corruption. With reference to CPH City & Port Development's business activities, the main focus is on the company's socially responsible commitments aimed at the UN Global Compact's environmental principles as it is here that the company can exert the greatest possible influence. However, CPH City & Port Development is also aware of the need to safeguard human rights, working rights and anti-corruption.

In December 2012 CPH City & Port Development submitted the UN Global Compacts Communication on Progress (COP) report for the second time. In 2012 CPH City & Port Development's reporting period was moved to 31 December, so that the COP report follows the financial year. CPH City & Port Development's COP report is available on CPH City & Port Development's website www.byoghavn.dk/CSR.

CPH City & Port Development's CSR policy is based on external and internal action areas. Externally, the CSR efforts are geared to urban development activities, the environment and the sustainability of urban areas, sustainable operation and maintenance of the port and other areas, and external personnel policy measures in the form of contributions to upskilling of the labour market. Within the organisation, the focus is on staff well-being, knowledge and competences and the working environment.

Urban development activities
CPH City & Port Development takes joint responsibility for the long-term development of urban districts so that they remain vital and diverse places in which to live. CPH City & Port Development develops and promotes activities on land and on water in its urban areas. The company acts as the catalyst and supports urban life and clubs within the local environments and helps strengthen networks so that voluntary activities can germinate within the areas and help ensure vigorous urban districts.

In cooperation with the Landowner Association Ørestad City og Vandlauget, CPH City & Port Development opened three islands in the canal on Sivegaden, Ørestad City in 2012. The islands form part of an effort to revitalise the area and are intended to provide new residences and more ways of crossing the canal. The islands were the winning project in the competition "Living space for life", and activities involving citizens have been continuously held in connection with the competition. In January 2013 the islands were awarded a prize for their slick architectural design.

Another project, the Metro Seas, arose in connection with the competition "Living space for life". Amager West Local Committee and Lokaludvalg have cooperated on establishing two test seas below the overhead metro railway. The seas are intended to create urban life and elements of urban space. The test seas are intended to provide clarification of demand and access to plants and flowers suitable for the area under the metro. The metro seas form part of the Amager West Local Committee's neighbourhood plan.

As part of developing a rich children's cultural life in Ørestad, CPH City & Port Development and Amager West Local Committee support the operation of the exhibition and learning environment Bibiana Denmark. From two shop premises in VM-Bjerget, the organisation will build an exhibition centre and learning environment for children's art and culture with a view to being able to establish a permanent home for art and culture for children in Denmark.

A living town also means a healthy town, and in 2012 a health trail in Ørestad was opened. Health trails are precisely measured routes of 1 - 2½ km. Their condition is tested by walking or running the route as quickly as possible and timing this. Afterwards, one's fitness rating can be gauged directly in the open air on a table via a graduation mark. Partners involved in creating the health trail are the Landowner Association Secretariat in Ørestad, Amager West Local Committee and CPH City & Port Development.

The annual Copenhagen event Kulturhavn was held again with CPH City & Port Development as the main sponsor, and sponsor assistance was also granted to the swimming gala Christiansborg Rundt and the Copenhagen Rowing Club.

Environment and sustainability
To a large extent, CPH City & Port Development plans urban areas as sustainable neighbourhoods. Ørestad's unified plan had accounted for environmental and sustainable aspects as long ago as 1992. Effective public transport, appropriate handling of rainwater and a densely built-up neighbourhood are just some of the sustainable elements that have from the outset been planned for Ørestad.

In the local plan for the Århusgade district, the focus is on developing a dense town with good public transport services, ensuring good conditions for road users and creating green urban districts with green roofs and mixed forms of housing. In 2012, the Danish Parliament and Copenhagen Municipality concluded a political agreement safeguarding the metro to Nordhavnen. The metro, in which the first two metro stations will be ready in 2019, will assume great importance for urban development.

As a natural extension of planning the urban areas, CPH City & Port Development is taking part in a pilot project under the Danish Nature Agency and Green Building Council Denmark concerning the certification of urban areas based on the DGNB sustainability system. DGNB stands for Deutsche Gesellschaft für Nachhaltiges Bauen and is a German system that certifies sustainability via 45 indicators. CPH City & Port Development has a target of achieving certification of the urban development areas Trælastholmen, Levantkaj West and Sundmolen. It is CPH City & Port Development's intention that certification of the urban areas should encourage investors to establish sustainable building, which they can have certified.

The FN City, the first stage of which was taken into service in January 2013, was in 2012 awarded the prestigious Green Building Award for its unique energy efficiency. The building is constructed as a low-energy class 1 building under the building regulations 08. The prize is the designation for an energy-efficient building that uses less than 50 kWh per m^2/year for heating, cooling, lighting, ventilation, etc. There is, among other things, a large solar cell system on the roof, and cooling takes place with seawater. In addition, the UN City will be certified in accordance with the LEED system.

7. Corporate governance

Code for corporate governance

CPH City & Port Development generally complies with the recommendations issued by the Committee for Corporate Governance and also the State's recommendations and requirements for corporate governance in State-owned enterprises. The company continuously assesses both existing and new recommendations so that there is an updated overview of the company's compliance with all recommendations. This overview is available on the company's website – www.byoghavn.dk – which describes each of the recommendations that the Committee for Corporate Governance issues, whether the company complies with the recommendation and brief comments/explanations on some of the recommendations.

In general terms, it can be said that the company follows by far most of the recommendations, but there are recommendations that have either been opted out of or which cannot be observed given the company's special structure and ownership in certain areas, etc. Because CPH City & Port Development is a publicly owned associated company with its own formation legislation, a number of the recommendations are irrelevant for the company and cannot therefore be followed. This applies to recommendations concerning, for example, remuneration policy, considerations relating to the appointment and composition of the Board of Directors and its independence, the period for members of the Board of Directors and the election of auditors. In addition, the establishment of a whistleblower scheme has been deemed irrelevant.

The company also follows the Committee's work on implementing new recommendations, which are expected in 2013. Moreover, further consideration will in the course of 2013 be given to whether a whistleblower scheme should be introduced.

The composition of the company's management bodies

Committees or the like were not appointed during the financial year, and the whole Board of Directors has therefore acted in accordance with the entire company's line of business, and no members were assigned special responsibility during the financial year.

With regard to the Board of Directors' decision at the end of 2011 to appoint an actual audit committee consisting of the entire Board of Directors and with the Board of Directors' Vice-Chairman as Chairman of the audit committee, a number of relevant aspects were discussed during 2012, including terms of reference, duties of the committee and interfaces for the Board of Directors, the organisation of work on the committee, including the frequency of meetings, annual plans, etc. The audit committee's terms of reference can be found on www.byoghavn.dk.

The Board of Directors' duties are set out in the company's statutes, which are posted up on the company's website – www.byoghavn.dk.

The company's Board of Directors consists of eight members – currently six men and two women. Members of the Board of Directors are appointed for a four-year period, and the period for the Board runs from 2010 to 2013. Three members are appointed by Copenhagen Municipality and three by the Danish State. In addition, two members are staff-elected representatives. The election procedure for this is set out on the company's website.

In 2012 the Board held six Board meetings, and a single written vote was held.
The audit committee held one meeting in 2012.

Meetings of the Board of Directors and meetings of the audit committee are laid down before the start of the year.

In line with previous years, a Board of Directors' evaluation has been conducted. This evaluation is conducted by the individual members indicating their stance on, among other things, the form of the meetings and the material, methods adopted by the Board of Directors, follow-up and implementation of decisions taken, the Chairman's work, cooperation between the Board of Directors and the Executive Board, etc. by completing a questionnaire in anonymised form. A review of the rules of procedure also takes place in connection with the evaluation.

Evaluation of the audit committee takes place for the first time in 2013.

The Board of Directors has the following composition:

<u>Carsten Koch – Director (Chairman of the Board of Directors)</u>
Management duties:
Chairman of the Copenhagen Port Pension Fund, the area development company Fredericia C P/S, Forca A/S and Vækstfonden
Vice-Chairman of Sund & Bælt Holding A/S and Femern A/S
Board member of Øresundsbro Konsortiet I/S, Dades A/S, the investment association Maj Invest, Kærkommen Holding APS, Nordgroup A/S, GES Investment Services Danmark A/S and Pluss Leadership A/S
Also Chairman of the Employment Council
Born 1945
Appointed 2008, reappointed 2010

<u>Mads Lebech – CEO, the Danish Industry Foundation (Vice-Chairman of the Board)</u>
Management duties: Vice-Chairman of Tivoli A/S, Chairman of Ordrupgaards Advisory Board and the Tourism Growth Council, also Board member of, among others, KAB Boligselskab, the Frederiksberg Fund and Copenhagen Malmö Port AB
Born 1967
Appointed 2010

<u>Agneta Björkman – Director, Vera Consultancy</u>
Management duties: Chairman of the Board of the firm of contractors Nordkysten A/S and the holding company Nordkysten ApS. Board member of the Port of Århus, Copenhagen Port Pension Fund, Monyx Financial Group AB, Elkysten A/S and member of the Board of Governors in Realdania
Born 1952
Appointed 2008, reappointed 2010

<u>Carl Christian Ebbesen – Bachelor of Commerce, political secretary</u>
Management duties: Board member of the cleaning company R98, organisational Vice-Chairman of the Danish People's Party, member of Copenhagen Municipality's Civilian Representation (DF)
Born 1968
Appointed 2008, reappointed 2010

<u>John Becher Krommes (staff representative) – Special worker</u>
Management duties: shop steward 3F
Born 1964
Elected 2008, re-elected 2010

<u>Peter Maskell – Professor, Copenhagen Business School</u>
Management duties: Board member of DJØF's Forlag A/S and Copenhagen Malmö Port AB
Born 1949
Appointed 2008, reappointed 2010

<u>Nina Dahle Rasmussen (staff representative) – Accountancy manager</u>
Born 1975
Elected 2010

Lars Weiss – Member of the Civilian Representation for the Social Democratic Party
Management duties: Board member of Copenhagen Malmö Port AB, I/S SMOKA and the hive-off vehicle of 1 December 2009
Born 1971
Appointed September 2011

The company's Board consists of:

> Jens Kramer Mikkelsen – CEO
> Management duties: Board member of Copenhagen Port Pension Fund and DGI-Byen. Chairman of the Board of Dansk Fitness & Helse Organisation, Vesterbro Ungdomsgaard, Sankt Annæ Gymnasium, Projektselskabet FN-Byen P/S and the general partner FN-Byen ApS. Chairman of Copenhagen Goddwill Ambassadors Corps' Advisory Board. Member of the delegate assembly of the Danish Property Federation.
> Born 1951.

Main elements of control and risk management systems

CPH City & Port Development takes an active role in relation to the risks associated with the company's activities and with prioritising the measures that the company can take to minimise the risks. A number of risks may be influenced by CPH City & Port Development's own decisions, while others are primarily caused by external circumstances whose impact the company is only to a limited extent able to affect or reduce. Risks encompass those associated with the company's business areas and other risks.

The identification and prioritisation of efforts concerning risks takes place at a general level in connection with the Board's strategy work. Besides risk aspects connected with the submission of accounts, there is a particular focus at the level of the Board of Directors on business risks, financial risks and insurance risks. The specific risk aspects are described in further detail in section 10. The Board has established processes and procedures which guarantee that the identification and prioritisation of risks is incorporated in day-to-day work organisation within the company.

Risk aspects in connection with the submission of accounts
CPH City & Port Development's risk management and internal controls concerning the submission of accounts are organised with a view to minimising the risks of significant errors or irregularities in the accounts and ensuring that the submission of external annual and part-annual reports takes place in accordance with the Danish Financial Statements Act.

Before the submission of accounts, the main items, processes and procedures in connection with the submission of accounts are examined with a view to identifying the risks. Within CPH City & Port Development, the main risks concerning individual items in the accounts are connected with the valuation of investment properties and also the company's debt portfolio.

After a recommendation from the Board of Directors, the latter approves the principles of the valuation of the company's investment properties. The principles are submitted at least once a year. The Board has also adopted the principle that roughly every five years external assessments of the value of the investment properties must be obtained from an independent party in support of the valuation in the annual accounts.

Each year the Board approves a financial strategy that manages and reports on daily administration of the debt portfolio. The debt portfolio is managed by an external party with considerable expertise and experience in this area. A special declaration from the external party's auditors is received concerning the practical performance of the financial management. This declaration confirms that established procedures and internal controls are sound, and that the risks of significant errors or irregularities in the accounts are thereby minimised. Specific controls are established for account items concerning the debt portfolio received from the portfolio manager.

In addition, identified risks at the time of submission of the accounts are countered by incorporating a number of management-approved policies and other governing documents such as procedures, certification rules and reporting instructions. The management's attitude to good risk management and internal control is expressed in and communicated via these documents. The documents are available via the company's internal information systems. The aim is, among other things, to ensure that employees are familiar with their responsibilities and powers within the organisation.

To ensure that the aims and policies decided upon by the Board of Directors and the management are achieved, and identify and correct any errors and irregularities, the Executive Board has implemented a control environment. The control environment consists of, among other things, clear procedures for making the necessary arrangements and certification in connection with purchase and sale and ensuring functional separations where there are specific risks of error and/or fraud. This is supported by, among other things, the company's IT systems, which ensure that invoices can only be approved by duly authorised employees. In terms of IT, controls have been implemented concerning the use and modifications of the company's IT systems and established IT-based emergency response plans.

The company's economic development is followed closely by the Board of Directors, the Executive Board and the management in other respects. Quarterly accounts are drawn up, which are presented for the approval of the Board of Directors together with an internal review comparing the development of the results with the budget approved by the Board of Directors. Monthly reports on economic development are drawn up for the Executive Board and other management. The reports cover operating and investment activities.

A process has been established for the drafting of annual and part-annual reports with, among other things, checklists for ensuring the provision of correct information and documentation for compliance with the Danish Financial Statements Act.

8. Organisation and employees

CPH City & Port Development's business activities are wide-ranging, and this makes great demands of employees' knowledge and competence. The employees help to guarantee an ongoing increase in value for CPH City & Port Development, and the company is aware that its employees are of one of the company's most important resources. Ongoing in-service training and skills development help ensure that employees are always developing and providing the company with a high level of knowledge and competence.

At the end of the year, the company had 108 employees. Their average age is 48 years, and there are 41 women and 67 men. Within the company's group of managers, consisting of 13 people, there are six women and seven men. The employee groups break down into 79 white-collar workers and 29 special workers. The white-collar workers consist of, among others, economists, lawyers, town planners, engineers, maritime workers, property inspectors, office employees, etc. The special employees are engaged in operation and maintenance in the company's development areas and in Copenhagen Port.

The Cooperation Committee and the Danish Working Environment Authority have an ongoing dialogue concerning how personnel aspects can be adjusted and improved. CPH City & Port Development has a "green smiley" for the company's working environment, and the work on the company's Workplace Assessment action plan continued in 2012. In 2014, the physical and mental working environment will be reappraised in a Workplace Assessment.

In 2012 CPH City & Port Development focused on the company's social responsibility in connection with the upskilling of the labour market, and adopted an external personnel policy in 2012. The policy contains targets for CPH City & Port Development's efforts in creating temporary jobs (business practice, study practice, job trial, wage subsidy, etc.), the employment of students, social clauses and ongoing cooperation with relevant training bodies. In 2012 training period agreements of diverse nature and duration were concluded with six business trainees. The company is also in the process of introducing social clauses in all major invitations to tender.

9. Corporate aspects

CPH City & Port Development was formed on 26 October 2007 with an accounting effect on 1 January 2007 in accordance with the Act on Metroselskabet I/S and Arealudviklingsselskabet I/S, which was enacted in June 2007. The company is an associated company that is owned by Copenhagen Municipality (55%) and the Danish State (45%). The interested parties are jointly and severally liable to an unlimited extent for the company's obligations.

The object of the company is, on a commercial basis, to develop the areas in Ørestad and Copenhagen Port and manage port operation of Copenhagen Port. The operational part of port operation is taken care of by Copenhagen Malmö Port AB (CMP), which is a Swedish public limited company in which CPH City & Port Development has a 50% stake. The other part is owned by Malmö Municipality and a number of private shareholders. CPH City & Port Development also has stakes in the following companies:

- FN-Byen P/S with associated general partner company. FN-Byen P/S is owned 99.2% by CPH City & Port Development and 0.8% by NKM ApS. The object of the company is to erect properties on Marmormolen.

- The building development company Marmormolen P/S and associated general partner company. The company is owned 90% by CPH City & Port Development and 10% by N&S P/S. The object of the company is to develop Marmormolen.

- DanLink-Udvikling P/S and associated general partner company. CPH City & Port Development and TK Development each own 50% of the limited partnership with share capital. The object of the company is to develop Amerika Plads.

- Ørestad Down Town P/S and associated general partner company. The company is owned 40% by CPH City & Port Development and 60% by NCC Property Development A/S. The object of the company, which was established in 2011, is to develop the Ørestad Down Town area.

- Harbour P/S and associated general partner company. The company is owned 8.5% by CPH City & Port Development, 45.75% by ATP Ejendomme and 45.75% by PensionDanmark. The object of the company, which was established in 2011, is to own and lease the UN City and develop areas on Marmormolen and Langelinie.

- In 2012 CPH City & Port Development also held stakes in the building development company Sluseholmen P/S with associated general partner company. The companies were wound up in 2012 because the object of the companies has been fulfilled.

Company structure as of 31 December 2012

Key to captions
Left-hand column:
Subsidiaries
FN-Byen P/S and the general partner company FN-Byen ApS
99.2% owned
The rest is owned by NKM ApS

The building development company Marmormolen P/S and the general partner company No. 1 ApS
90% owned
The rest is owned by N&S P/S

Middle column:
CPH City & Port Development
50% owned
Joint Ventures
Copenhagen Malmö Port AB
40% owned
The rest is owned by Malmö Municipality and a number of private shareholders
The limited partnership with share capital DanLink-Udvikling and DLU ApS
40% owned
The rest is owned by TK Development

Right-hand column:
Associated companies
Ørestad Down Town P/S and Ørestad Down Town ApS
The rest is owned by NCC Property Development A/S
Harbour P/S and Harbour Komplementar ApS
The rest is owned equally by ATP Ejendomme and PensionDanmark

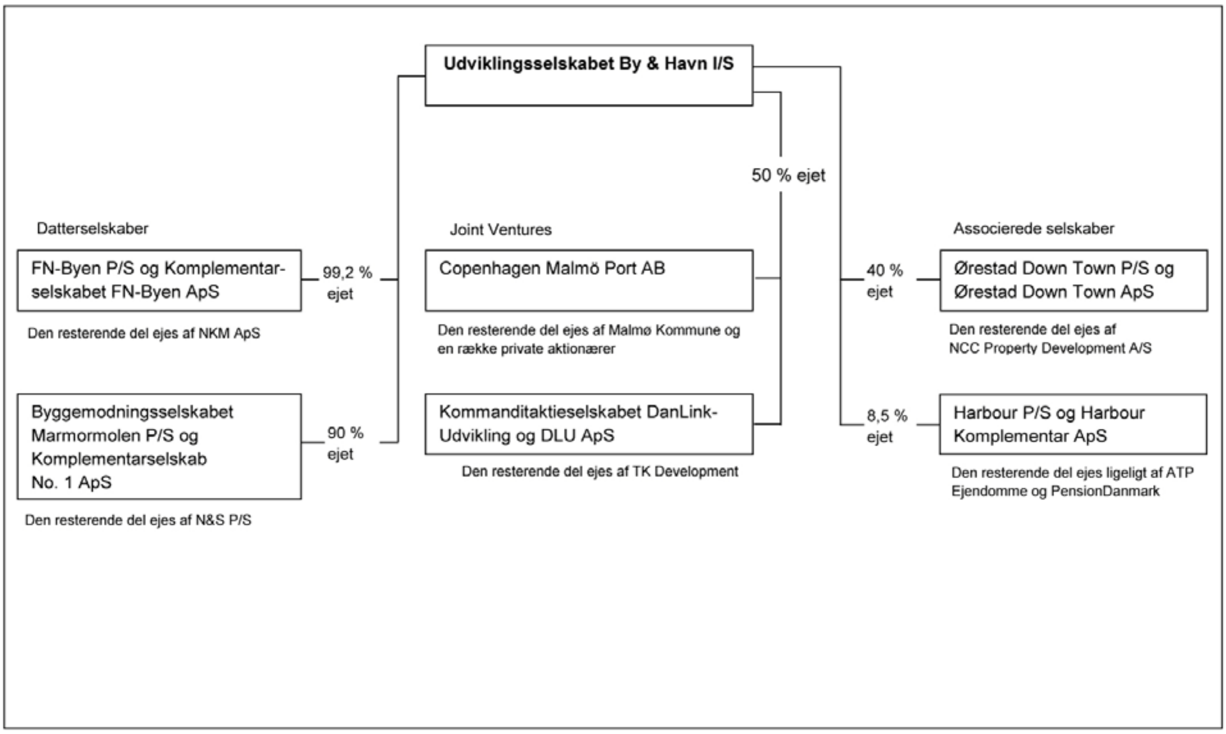


Table 6. Capital shares in joint ventures and associated companies (millions of DKK)

Capital shares in subsidiaries:	
- FN Byen P/S	84
- The building development company Marmormolen P/S	-15
Joint ventures:	171
- Copenhagen Malmö Port AB	58
- DanLink-Udvikling P/S	
	7
Associated companies	
Total capital shares	305

10. Risk factors

Risk aspects for business areas

<u>Area development</u>
The value of the company's development properties (including the UN City Campus 1, which is under development) is DKK 7 484 million as of 31 December 2012 and thus forms the most important part of CPH City & Port Development's total tangible fixed assets and earnings basis in the longer term.

CPH City & Port Development's sale of areas (building rights) in urban development areas for residential and commercial purposes depends on whether the market needs new areas for homes or for commercial purposes. Demand depends primarily on the economic situation, though also on competition with other urban development areas and demographic developments within Copenhagen. The property market's dependence on changes in the economic situation leads to sharp swings in sales from year to year, while the business cycle also affects pricing. Economic conditions will therefore have a major impact on the basis for value creation within the company in both the short and long term.

The company's time horizon is very long-term because current area holdings are expected to have to be sold over the next 70-80 years. Over such a long period, there will naturally be spells of low sales and spells of high sales, depending on the evolution of the economic situation. In recent years, sales have been relatively limited. In 2012, however, agreements concerning sales in both Nordhavnen and Ørestad Nord were concluded, for both residential and commercial purposes. With current expressions of interest and sales discussions, sales are expected to increase in 2013. There is therefore a possibility that sales in 2013 will exceed the long-term level.

It is the company's strategy to continue the development of new urban areas so that demand can be met when the market turns. The strategy is also as far as possible to have a varied range of areas available for the market within the company's development areas, which minimises fluctuations in the rate of sales. Areas for both residential and commercial purposes are therefore offered in various parts of the town, and also areas with differing characteristics and price levels.

However, the level of activity is adapted to expected market development so that new investments in urban development are tailored to the rate of sales. An important precondition for being able to develop the areas in line with market demand is that the necessary planning basis is provided with conditions that meet market needs. The company is engaged in a close and constructive dialogue with Copenhagen Municipality on this on an ongoing basis.

Another important precondition for the development and sale of the areas is that the new urban areas have the characteristics that the market demands. Work is done continuously on collecting information on this and developing the urban areas accordingly, which, all other things being equal, helps cut the risk of flagging sales.

Leasing

The value of CPH City & Port Development’s lease properties is assessed at DKK 1 910 million as at 31 December 2012, which is equivalent to around 18% of the value of the total investment properties and 16% of the tangible fixed assets.

The greatest risk for CPH City & Port Development’s turnover and income from leasing activities is recession, as has been the case in the last few years. The risk consists in a fall in market rents, an increase in the voids rate or the occurrence of substantial losses on leases owing to non-payment.

The entire portfolio of leases consists of a wide range of different leases, which helps to limit the risk of being hit hard by falling demand for certain types of leases. It is attempted to improve the leases continuously, but major improvement work is only started once a lease agreement has been concluded which can in the long term finance the improvement costs. Broken down by income, the leases are in the following main areas:

Office leases	35%
Areas	34%
Store leases	16%
Areas of water	11%
Other leases	4%
	100%

Building leases cover leases for offices, for stores and for other purposes such as catering, etc. The portfolio comprises both older store leases and modernised office leases with a good location. As at 31 December 2012, the voids rate is put at 10.7% and for store leases at 6.2%. The evolution of the voids rate for the company’s building leases more or less tracks the evolution of the market in Greater Copenhagen. The voids rate for the company’s building leases is generally highest for leases with a low market rent.

Area leases concern primarily areas in Nordhavnen and Sydhavnen. In a number of the areas, lessees have invested in their own buildings and plant, which helps cut the risk of tenants moving out. Water area leases cover, among other things, leasing to sailing clubs, etc. The value of these leases is not included as investment properties in the accounts.

The company is also actively engaged in cutting the risk of voids looking ahead by primarily concluding lease agreements with relatively long non-termination periods. Credit assessment of major new tenants is undertaken, and the collection of prepaid rent (deposit) cuts the risk of direct losses. In 2012, direct losses on debtors from leases were very limited.

Parking

As of 31 December 2012, the value of CPH City & Port Development’s car parks was put at just over DKK 1 031 million (fair value), equivalent to around 8% of tangible fixed assets.

The greatest risk for value creation within the parking segment is that urban development is spread between large areas, and it thereby becomes difficult to get the parking capacity to be used effectively. Investment in new car parks is adapted to the rate of expansion in the new urban development areas. In the new development areas, investment first takes place in temporary ground-level car parks, while major investments in car parks in construction are only made when demand is sufficient.

Demand for parking spaces in the various areas is affected primarily by the number of dwellings and jobs in the immediate area and by the price level for parking, while general economic conditions affect turnover in car parks only to a limited extent.

The parent company CPH City & Port Development owns and operates a total of more than 4 360 parking spaces in car parks or at ground level. There are also 800 parking spaces in the joint venture company DanLink-Udvikling P/S. Nearly 3 600 parking cards with fixed subscription payment have been supplied for the nearly 4 400 spaces, with 2 400 of these being business cards and nearly 1 200 being cards for private use.

Permanent customers account for around 79% of turnover. The rest consist of customers who pay cash. The result for parking is thus dependent to a very limited extent on individual car parks or on individual customers.

The company’s car parks are in a number of areas exposed to competition from similar car parks or from free street parking. The general trend within parking for higher levels of payment for parking in urban areas benefits, all other things being equal, the company’s parking activities.

The evolution in the profit of the car parks may be affected by general competition between various forms of transport, although it is considered that major changes in this can affect revenue levels only in the very long term.

Port operation

The value of the tangible fixed assets used for port operation totals just over DKK 970 million, equivalent to around 8% of total tangible fixed assets. The fixed assets consist primarily of buildings, quays, wharves and other port facilities used in commercial port operation. The bulk of the facilities are leased to the 50%-owned CMP, which takes care of the company’s port operation activities. In a similar way, CMP takes care of the operation of the commercial port in Malmö. In 2012 the total rent payment from CMP to CPH City & Port Development was just over DKK 30 million. On top of this is a share in the profit from CMP, which was around DKK 34 million in 2012. The value of the owner share in CMP is, according to our equity method, included at DKK 172 million.

Port operation is affected by general economic conditions, and CMP’s turnover and results have consequently also been hit by the economic slowdown in recent years. CMP’s activities are spread between a number of different business areas and are further spread between activities in Malmö and Copenhagen, which do not necessarily experience the same business cycles. CMP’s turnover is split between many different customers, many of whom have a relatively strong financial background. The combined port operation activities therefore have a balanced risk profile, which has helped reduce the fall in income during the recession over the last few years.

A proportion of CMP’s revenue is achieved in SEK. CPH City & Port Development does not cover the currency risk arising as a result of this because this is in the long term deemed to be limited relative to CPH City & Port Development’s total revenue.

CPH City & Port Development invests in new port facilities when the evolution of port turnover or urban development makes this necessary. The primary port facilities are leased to CMP, and new investment in port facilities is as a rule initiated only if an agreement has been concluded with CMP concerning rent payment for this. The ongoing investments in a new cruise quay in Nordhavnen are an example of this.

Financial risks

At the end of 2012, CPH City & Port Development had total nominal debts to credit institutions of DKK 13.5 billion. Based on current expectations for operational earnings, sales and investments, debts are expected to grow over the next four-five years, after which debt levels are expected to fall. The financial risk concerning the debts is a significant area of risk for CPH City & Port Development.

Under the special formation Act for the company (Act on Metroselskabet I/S and Arealudviklingsselskabet I/S), the company can fund its activities via government loans on favourable terms. The company’s borrowing is regulated by a tripartite agreement between Danmarks Nationalbank, the Danish Ministry of Transport and CPH City & Port Development. The agreement contains guidelines on what kinds of financial instruments and loan agreements the company can arrange to be included in the loan portfolio. The loans are typically raised as subsidiary loans from Nationalbanken, which may, where appropriate, be restricted by using, for example, interest rate SWAPS so that the desired risk profile is achieved.

The objective for financial management is to achieve the lowest possible real financing costs over a longer time horizon, but taking account of an acceptable level of fluctuations between results for the individual years. The aim is to keep the real funding costs below 3% p.a., which has been achieved in all years since the formation of the company.

The framework for the company's financial transactions is laid down once a year by the Board of Directors with the adoption of a financial strategy and funding instructions. The overall risk profile is low.

In 2013, debt is expected to be reduced by just under DKK 1 000 million. Total refinancing amounts to around DKK 2 200 million.

Currency risk
Under the guidelines of the tripartite agreement and the finance strategy adopted by the Board of Directors, the company's loan portfolio is only ultimately exposed to DKK and EUR. In the light of the historically low fluctuations between the two currencies, the exposure in EUR is not considered to pose a material financial risk. The chosen split between the two currencies will depend on relative changes in interest rates for the currencies.

As of 31 December 2012, 70% of the gross debt was invested in DKK and 30% in EUR. The currency risk from a 1% change in the EUR exchange rate is DKK 49 million.

Interest rate risk
The distribution of the total debt portfolio across different types of interest rate (loans bearing fixed, variable or real interest rates) is laid down in the finance strategy, but is otherwise considered continuously dependent on developments on financial markets. In setting the debt distribution, the link between the development of financing costs (liabilities) and the company's revenues (assets) is taken into account. Analysts have indicated that, given its overall risk profile, the company can advantageously use all three debt types within its portfolio. The aim is for around 50% of the debt in the longer term to be invested in loans bearing real interest, with the rest being distributed largely equally between loans paying a nominal fixed and variable interest rates.

As of 31 December 2012, 36% of the debt bore a fixed interest rate, 33% was based on real interest rates and 31% bore a variable interest rate. The portion of the portfolio bearing a real interest rate, which primarily consists of loan agreements with relatively long terms, is expected to increase in 2013.

Table 6. Relative distribution of debts by interest rate type as of 31 December 2011 and 2012 (%)

	31 Dec. 2012	31 Dec. 2011
Variable interest rate	31	20
Fixed interest rate	36	43
Real interest rate (index)	33	37
Total	100	100

The duration of the debt portfolio is put at 6.7 years as of 31 December 2012, which is the combined weight of a duration of 2.8 years for the nominal debt part and 12.8 years for the real interest rate-based debt part. The exchange rate sensitivity is put at DKK 11 million for a 1 basis point (0.01%) change in the interest rate curve.

Credit risks
Financial credit risks consist in counterparties not fulfilling their commitments to CPH City & Port Development, either in relation to derived financial instruments or in the investment of excess liquidity.

Interest rate and foreign currency SWAPS are entered into only with the most credit-worthy Danish and foreign institutions and in accordance with the guidelines in the tripartite agreement with

Nationalbanken and the Danish Ministry of Transport. The aim is to limit counterparty risk as far as possible.

Counterparty risks are managed and monitored continuously within a specific line and limit system, which lays down the principles for assessing these risks and a maximum for what scale of risks is acceptable for each counterparty. The latter form of risk is measured relative to the counterparty's rating awarded by the international rating agencies. The company only enters into agreements with counterparties if there is a credit support annex (CSA). The credit risk of these agreements is assessed to be 0.

At times the company has excess liquidity which is invested as a bank deposit until the expected disposal. At the end of 2012, the liquidity reserve was DKK 10 million. The excess liquidity in the parent company is only invested in financial institutions with a rating of at least A+/A1. Excess liquidity of up to DKK 100 million that is to be used for ongoing operation may, however, be invested on a day-to-day basis with counterparties with a rating below A+/1, but within the A category.

Liquidity risk

CPH City & Port Development has a very limited liquidity risk because, via the Act on Metroselskabet I/S and Arealudviklingsselskabet I/S and the tripartite agreement with Nationalbanken and the Danish Ministry of Transport, the company is able to raise loans from Nationalbanken to fund the company's activities. Loans can be raised at very short notice. In addition, the company has drawing rights with its principal bank of DKK 100 million, of which DKK 0 had been drawn at the end of the year.

Other risks

Insurances

CPH City & Port Development has taken out a number of insurances concerning the company's tangible fixed assets to cover against possible damage. These include insurances for buildings, equipment, motor vehicles and movable property. Part of management responsibility entails adopting an active approach to damage arising and considering measures to prevent damage so that the company's total risk costs are reduced over time.

Insurances have also been taken out concerning liability, including the liability of the Board of Directors and the Executive Board, and contract works insurances in connection with major construction jobs.

Once a year the Board of Directors adopts an insurance strategy and reviews the company's current insurance cover.

Environment

CPH City & Port Development has no activities that can in themselves give rise to material environmental damage. Nevertheless, some of the company's tenants engage in activities that may affect the environment to a certain extent. All rent contracts incorporate a requirement for tenants to clean up the areas on vacating the premises. Alternatively, it is agreed that the tenant must, on vacating the premises, pay an amount corresponding to the clean-up costs. CPH City & Port Development accordingly agrees to clean up the areas if this is required. As of 31 December 2012, DKK 53 million has been allocated for such environmental commitments.

Some of the company's areas comprise backfilled material and may be contaminated. In connection with the sale of areas (building rights), an open process is conducted with respect to purchasers regarding any risk of contamination. As a rule, sale agreements set out who is to cover any additional costs for clean-up in connection with use of the areas. This eliminates any risk of legal disputes in this regard.

There is not a complete survey of the scale of contamination, but this has been taken into account in the assessment of the value of the company's investment properties.

Law

The company has principally legal risks in connection with the conclusion of rent contracts and sales contracts. Standard rent contracts have been drawn up for all leases. The rent contracts are examined with a view to ensuring that they reflect legislation and practice in effect in this area. The company has historically had very few legal disputes with tenants.

Sale contracts are also standardised to some extent, but in many cases require adaptation to specific cases. The company has its own legal experts, but calls in external legal assistance in any major property deals in order to minimise the risk of subsequent legal disputes.

Public works contracts
The company continuously invests relatively large amounts in port facilities, car parks and general infrastructure, etc. There is continuously a risk of construction projects not running to budget or not being implemented by the expected time. The company has its own personnel with considerable experience of the areas in question, and external expertise is called in as necessary to manage the largest and most complicated projects.

Uncertainties in recognition and measurement

A number of material accounting items cannot be measured reliably, but must be laid down on the basis of an estimate, with uncertainty arising during the recognition and measurement of the items. The main items where uncertainty may exist in respect of accounting items are the assessment of the fair value of the company's investment properties and the company's long-term debt. However, the items are laid down as far as possible on the basis of external information and generally accepted methods.

So far as the company's investment properties are concerned, the values are assessed by calculating the present value of expected future cash flow, which is also the method typically employed by market players. The uncertainty of the assessment relates to some of the central conditions in the calculation such as capitalisation factors, sale prices and sale points. The method of assessing the value of the investment properties is further described in note 12 to the accounts, which also shows sensitivity to the changes in the central conditions.

So far as the present value of the company's long-term debt is concerned, the present value has been assessed in accordance with current methods. The assessment has been conducted by Sund & Bælt Partner A/S, to which the task of managing the company's debt portfolio has been outsourced. Reconciliation of the market values relative to the market values assessed by the counterparties has also been carried out. The reconciliation has supported the completeness of the transaction registration and has revealed only marginal departures from the counterparties' values.

11. Accounting report

Result

Net turnover for the year was DKK 322 million, corresponding to an increase of 23% over 2011. The increase arises from the fact that the acceptance of excavated earth in Nordhavnen was opened up in 2012. In 2012, total income from this was just under DKK 50 million. Progress has also been made on income from car parks in, among others places, Ørestad. This progress has been approx. 23% and is due primarily to the supply of new parking customers.

In 2012, value adjustment of the company's investment properties was performed with a total of DKK -280 million. This value adjustment is linked primarily to the development properties, in respect of which a change in the law on property taxation led to a write-down of the values by around DKK 800 million. If this effect is disregarded, the development properties would have been written up because the company came closer to the realisation of a number of projects in 2012. Growing interest in the market for the company's properties has also been identified. The value of the lease properties has been written up by approx. DKK 126 million. One of the reasons for this has been more precise valuation of the individual properties.

In 2012, profit on primary operation was DKK -182 million. If value adjustment of the properties is disregarded, however, primary operation yielded a profit of DKK 97 million. This represents a fall of around DKK 8 million on 2011. However, the primary operating profit in 2011 was affected by positive one-off items totalling DKK 50 million. Discounting the effect of these, a favourable development in the company's operating activities is identifiable.

The profit on capital shares was approx. DKK 13 million in 2012 versus DKK 21 million in 2011. This fall is due primarily to the fact that the profit for the subsidiary FN-Byen P/S is encumbered by building interest over the period for construction of the UN City. The other companies have largely achieved the same level of profit as in 2011.

Despite rising net debt, the company's financial costs fell from DKK 498 million in 2011 to DKK 471 million in 2012. The company has consequently benefited from the falling level of interest rates. The generally falling interest rate level during 2012 has meant that the market value of the company's long-term debt has increased, which has reduced the profit by DKK -282 million.

Balance sheet

As of 31 December 2012, the total balance was DKK 13 181 million versus DKK 12 081 million the year before.

Tangible fixed assets are assessed at DKK 12 203 million, an increase of DKK 1 517 million on the year before. This increase primarily concerns the investment properties, which have risen by DKK 964 million. The increase can primarily be attributed to additions via the purchase of the UN building on Marmormolen by the subsidiary FN-Byen P/S. In addition, the values have been affected by value adjustments of DKK -280 million. The value of port equipment has risen by DKK 454 million, with this being due to additions from investment in new cruise quays and new port areas. As of 31 December 2012, tangible fixed assets under construction amounted to DKK 451 million. The bulk of this amount consists of the investment in a new warehouse for Unicef, which was eventually taken into service at the beginning of 2013.

Financial assets have fallen from DKK 371 million in 2011 to DKK 331 million in 2012. The fall is primarily attributable to the payment of distributions, including from Byggemodningsselskabet Sluseholmen P/S, which was wound up in the course of the year.

CPH City & Port Development's total current assets on the balance sheet date were DKK 647 million versus DKK 1 024 million the year before. The fall primarily concerns a fall of DKK 327 million in accounts receivable from subsidiaries as a result of the above-mentioned purchase of the UN building on Marmormolen.

So far as the liabilities side is concerned, equity capital in 2012 fell to DKK -4 169 million from DKK -3 251 million in 2011, a large proportion of which can be attributed to the unrealised market value adjustments of both investment properties and debt.

Total indebtedness rose by DKK 2 014 million, which virtually exclusively concerns long-term debt. The increased debt level within the company covers a relatively high level of investment in 2012, while operating profit including interest expenditure still gives a negative cash flow. In addition, as described above, a market value adjustment of debt of DKK -282 million took place in 2012. Total long-term indebtedness is put at DKK 16 701 million, of which DKK 2 338 million falls due in 2013.

Besides debt to credit institutions, the company has a debt to Copenhagen Municipality concerning the company's contribution to the establishment of a road link between the motorway system and Nordhavnen. The debt falls due on completion of the road and is stated at the discounted present value of DKK 504 million.

Expectations for 2013 and future years

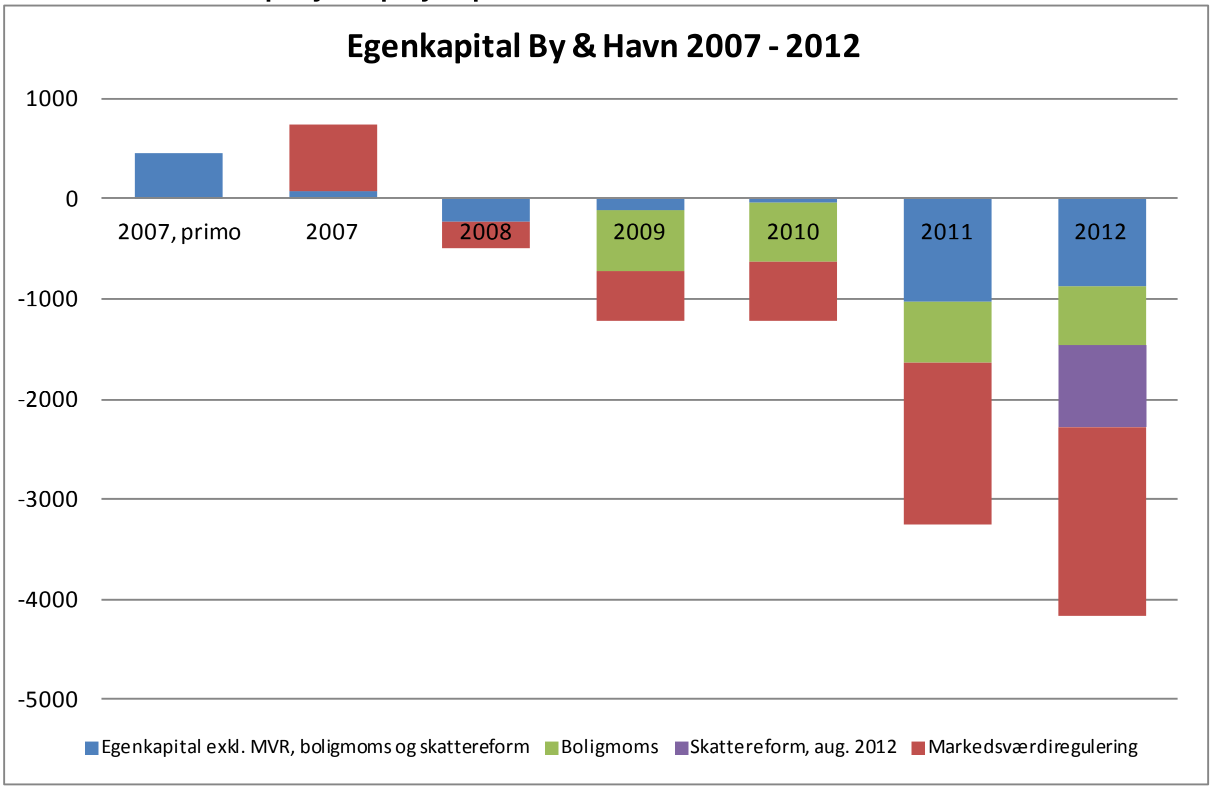
In terms of its financial management, the company's management focuses closely on long-term value creation within the company and thus growth in equity capital. The importance of this is further emphasised by the evolution of profits in 2012, which mean that equity capital at the end of 2012 is DKK -4 169 million.

The evolution of equity capital since the formation of the company is illustrated by the figure below. It is evident from this that the company was formed with equity capital of DKK 450 million, equivalent to soundness of approx. 3%. Since its formation, the finances of the company have been materially affected by "outside forces". The evolution of interest rates since the establishment of the company has meant that the market value of the company's debt items subject to fixed interest rates has increased. Over the period 2007-2012, market value adjustment (the difference between the nominal and present value of the debt) has reduced profits by nearly DKK 1 900 million. These are unrealised items that will be carried back to the profit in line with the repayment of the loans.

The company's finances have also been affected by an amendment of the VAT legislation in 2009 concerning the sale of real estate and an amendment of the legislation governing property taxation in 2012. The two changes in the law are, combined, considered to have reduced the value of the company's properties by around DKK 1 400 million, which has affected the company's result via negative value adjustments of the company's investment properties.

If both the said unrealised market value adjustments of the company's debt portfolio and the effect of the amended legislation are disregarded, equity capital as of 31 December 2012 would have been put at around DKK -900 million.

Evolution of the company's equity capital 2007-2012



<u>Translation of captions</u>
Equity capital for CPH City & Port Development 2007-2012
2007, beginning
Equity capital excluding MVR, housing VAT and tax reform
Housing VAT
Tax reform, Aug. 2012
Market value adjustment

With current expectations for future years' operating profit, sale of building rights and investments, equity capital is expected to be recreated within a period of around 10 years. Scope for this will of course depend on the economic situation.

The first step to recovering the equity capital is expected in 2013**.** CPH City & Port Development therefore expects a profit before market value adjustment of the debt of DKK 79 million. For primary operation excluding market value adjustments of the investment properties, profit of DKK 128 million is expected. In other words, the positive development of the company's operating activities is expected to continue in the coming year. Operating activities are expected to provide positive cash flow of more than DKK 220 million in 2013.

In 2013, a positive liquidity development of just under DKK 1 000 million is expected. The cash flow from the operation and sale of investment properties can therefore more than cover the financial items and cash flow to the investment activities. Excess liquidity is to be used to reduce the company's debt.

At the end of 2013, around DKK 2 200 million of the total debt of around DKK 16 700 million is to be refinanced. The refinancing is covered by the raising of loans with Nationalbanken in accordance with agreements in force. The company's liquidity risk is therefore very low, and the annual report has been produced assuming continued operation.

Events after the end of the financial year

After the end of the financial year there have been no events of material importance for the annual accounts or for the annual report in other respects.

Profit and loss account 1 January – 31 December 2012

	Note	31 Dec. 2012 DKK 1 000	31 Dec. 2011 DKK 1 000
Net turnover			
Value adjustments of the investment properties			
Other operating income			
Total income			
Personnel costs			
Other external costs			
Depreciation and amortisation of tangible and intangible fixed assets			
Result of primary operation			
Result of capital shares in subsidiaries after tax			
Result of capital shares in joint ventures after tax			
Result of capital shares in associated companies after tax			
Financial income			
Financial costs			
Result before market value adjustments of debts			
Market value adjustment of debts			
Result for the period			

Appropriation of result

Proposed appropriation of result

Reserve for net revaluation in accordance with the intrinsic value method
Profit carried forward

Balance sheet 31 December 2012

Assets

	Note	31 Dec. 2012 DKK 1 000	31 Dec. 2011 DKK 1 000
		[see original for figures]	
Investment properties			
Land and buildings			
Port equipment			
Operating equipment			
Tangible fixed assets under construction			
Tangible fixed assets			
Capital shares in subsidiaries			
Capital shares in joint ventures			
Capital shares in associated companies			
Receivables in joint ventures in connection with property sale			
Other receivables			
Financial assets			
Fixed assets			
Receivables from sales and services			
Receivables from sale of investment properties			
Receivables with subsidiaries			
Receivables with joint ventures			
Other receivables			
Deferrals			
Receivables			
Liquid holdings			
Current assets			
Assets			

Balance sheet 31 December 2012

Liabilities

	Note	31 Dec. 2012 DKK 1 000	31 Dec. 2011 DKK 1 000
		[see original for figures]	
Partnership capital			
Result brought forward			
Equity capital			
Other obligations provided for			
Obligations provided for			
Credit institutions			
Bonds			
Leasing commitments			
Deposits			
Debts to Copenhagen Municipality			
Long-term debt obligations			
Short-term element of long-term debt obligations			
Bank debts			
Suppliers of goods and services			
Debts to subsidiaries			
Payable to joint ventures			
Other debts			
Prepayments received from customers			
Short-term debt obligations			
Debt obligations			
Liabilities			
Contingent liabilities, etc.			
Fees to auditors			
Connected parties and ownership			

__Cash flow statement 1 January – 31 December 2012__

	Note	31 Dec. 2012 DKK 1 000	31 Dec. 2011 DKK 1 000
		[see original for figures]	
Result for the period			
Adjustments			
Change in working capital			
Cash flow from operation before financial items			
Interest payments in and the like			
Interest payments out and the like			
Cash flow from ordinary operation			
Cash flow from operating activity			
Purchase of tangible fixed assets			
Change in financial assets			
Sale of investment properties			
Sale of other tangible fixed assets			
Change in receivables concerning sale of property			
Proceeds received from subsidiaries and joint ventures			
Cash flow from investment activity			
Raising of loans, net revenue			
Repayment of debts			
Cash flow from financing activity			
Change in liquid funds			
Opening liquid funds			
Closing liquid funds			
Liquid funds are broken as follows:			
Liquid holdings			
Closing liquid funds			

Equity capital statement as of 31 December 2012

	Partnership capital DKK 1 000	Result carried forward DKK 1 000	DKK 1 000
		[see original for figures]	
Equity capital 1 January 2011			
Exchange rate adjustment concerning independent foreign units			
Reserve for net revaluation according to the intrinsic value method			
Result for the year			
Equity capital 31 December 2011			
Foreign exchange adjustment concerning independent foreign units			
Reserve for net revaluation according to the intrinsic value method			
Result for the year			
Equity capital 31 December 2012			

	2012 DKK 1 000	2011 DKK 1 000

[see original for figures]

1 Net turnover

Port income
Rent income, properties
Parking income
Receipt of land
Other turnover

2 Value adjustments of investment properties

Profit on sale of investment properties
Value adjustments of investment properties

3 Personnel costs

Wages
Pensions
Other costs of social insurance
Other personnel costs

Of which payments to the Executive Board and Board of Directors:
Executive Board
Board of Directors

Average number of employees

4 Other external costs

Operating and administration costs
Property taxes and duties

5 Depreciation and amortisation of tangible and intangible fixed assets

Buildings
Port equipment
Operating equipment
Losses on assets

Notes to the annual report

	2012	2011
	DKK 1 000	DKK 1 000
	[see original for figures]	

6 Result of capital shares in subsidiaries after tax

Result of shares in subsidiaries after tax

7 Result of capital shares in joint ventures after tax

Result of shares in joint ventures after tax

8 Result of capital shares in associated companies after tax

Share of profit in associated companies after tax

9 Financial income

Interest income, bank
Interest income, financial instruments
Interest income, subsidiaries
Interest income, Copenhagen Municipality
Financial income on sale
Exchange rate adjustments
Other financial income

10 Financial costs

Interest costs, bank
Interest costs, financial instruments
Interest costs, Copenhagen Municipality
Losses on financial assets
Financial leasing
Exchange rate adjustments
Other financial costs

11 Market value adjustments of debts

Market value adjustment of loans
Market value adjustment of foreign currency and interest rate swaps
Market value adjustment, road debt, Copenhagen Municipality

Notes to the annual report

[see original for figures]

12 Tangible fixed assets

	Investment properties	Land and buildings	Port equipment	Operating equipment	Tangible fixed assets under construction
	DKK 1 000	DKK 1 000	DKK 1 000	DKK 1 000	DKK 1 000
Cost price 1 January					
Reclassification					
Additions					
Disposals during the period					
Transfers during the period					
Cost price 31 December					
Value adjustments 1 January					
Net write-up for the period					
The year's transfers back of previous year's write-up					
Value adjustments 31 December					
Depreciation and amortisation 1 January					
Reclassification					
Depreciation for the period					
Depreciation and amortisation carried back on assets sold					
Depreciation and amortisation 31 December					
Book value 31 December					
Depreciated over		30-40 years	4-67 years	4-7 years	
Of which including financially leased assets with					

The valuation of the investment properties is based on a discounting-back of expected future cash flows. Discounting factors of between 5% and 10% are adopted, depending on the quality, location and time horizon of the investment properties.

CPH City & Port Development's investment properties are, on the balance sheet date of 31 December 2012, stated at a value of DKK 10 425 million. The investment properties consist in part of a portfolio of lease properties at a value of DKK 1 910 million and development properties (building land for sale) at a value of DKK 8 515 million. The value of the lease properties includes the value of the UN City (Campus 1), which is under construction. A lease contract has nevertheless been concluded with the future tenant, and a contract has further been concluded for the sale of the property for execution in 2013.

The investment properties form the main part of CPH City & Port Development's asset base. Under accounting practice, the valuation must take place at present value (market value). CPH City & Port Development's development properties are of a size and nature that inherently lead to uncertainty in assessing the present value. This is exacerbated at times where actual sales are limited. To achieve greater certainty in the assessments, CPH City & Port Development arranged for an external assessment of values as of 31 December 2011. The assessments as of 31 December 2012 are close to these assessments because account has been taken of the market information obtained via specific sale agreements or sale discussions in which the company participated during 2012. Furthermore, account has been taken of the change in the law governing property taxation which meant the removal of scope for obtaining deductions for land improvement expenses in the statement of the property value for use in the assessment of land tax. The change in the law has, all other things being equal, meant a fall in the market price for building rights and thus a fall in the total value of the company's investment properties.

The value of the development property includes the value of the company's parking activities.

Notes to the annual report

12 Tangible fixed assets *(continued)*

The method for valuing CPH City & Port Development's investment properties in the annual accounts is described below and supplemented with sensitivity calculations.

Lease properties

In principle, all the company's lease properties are included in the assessment, except for areas laid out for port operation. Furthermore, the areas and buildings leased to associations and clubs and water area leases are exempt from the assessment.

The portfolio of lease properties has been assessed by the capitalisation method since it is generally accepted that the current net rent can be maintained in the long term. In specific cases, account has been taken of the fact that certain properties become development properties as the company's areas are converted.

The net rent capitalised is calculated as follows:

Current rent
- Correction for general voids
- Operation and maintenance
- Property taxes
- Administration (3% of gross rent)
= Net rent
The net rent for vacant building leases is laid down at a carefully estimated market rent.

The level of general voids for the building leases is laid down on the basis of market information for the specific categories (office leases 10%, and storage leases 4%) and will be modified in line with revised assessments in the market.

The vacant areas are not valued, but then voids for the leased areas have not been taken into account either.

Expenditure on operation and maintenance has been assessed on the basis of key figures per building type. The expenditure for special building renovation carried out to ensure the assessed rent income has been included in the key figures. The property taxes are specific property taxes levied in 2012.

The capitalisation factor for the properties is laid down as being between 5.5 and 9.0%, depending on the characteristics of the lease. The capitalisation factors have been found out from market reports from valuers. The capitalisation factors will be modified as changes are made in the market reports in question. The average capitalisation factor is assessed as 6.4%.

The capitalised net rent is added to the value of the prepaid rent, which is equivalent to 1.5 month's rent in the case of quarterly invoicing and cash deposits on hand (DKK 32 million).

The total value of the lease properties is of course sensitive to changes in the yield requirement. If the average yield requirement increases by 1.0 percentage point, the daily value is reduced from DKK 1 910 million to DKK 1 647 million. With a reduction in the yield requirement of 1 percentage point, the value will rise to DKK 2 284 million.

Value of lease properties in the case of a change in the yield requirement

Primary yield requirement (%)	-1	-0.5	Central estimate	0.5	1
Present value of the lease properties (DKK millions)	2 284	2 080	1 910	1 768	1 647

Development properties:

CPH City & Port Development's total areas included in the accounts as development properties cover in total a floor area of just under 5 million square metres, which is to be developed and sold over time. There is an approved local plan or there is a local plan in preparation for roughly half the 5 million square metres of floor area. CPH City & Port Development thus has a very large proportion of the total accessible floor metres in Copenhagen Municipality. The areas are to be developed as the market demands new areas. It is expected that the development perspective for such large areas will be towards 70-80 years. Sales levels have in recent years been characterised by a sluggish market with low demand. However, major sale agreements were for the first time in several years concluded in 2012, and there are expectations of further sales in 2013.

The expectations are based on specific sale discussions. However, the market is still considered fragile with the risk of relapses.

The valuation of such large areas is of course subject to considerable uncertainty. This uncertainty is linked in part to the time of sale and in part to the sale price. Sales carried out in 2012 and ongoing sale discussions have, however, been relatively close to the previous assessment.

Notes on the annual report

12 Tangible fixed assets *(continued)*

The value of the development properties is stated in accordance with the model as the discounted present value of future cash flows from development and sale of the properties. Cash flows consist of, on the one hand, expected sale income and, on the other hand, building maturation and development costs and costs for property taxes, etc. until final disposal. The model is based on a set of conditions concerning price development and time of disposal, with the current market situation being taken as the basis. The model approach to valuation means that the fair values calculated increase as the realisation point approaches.

Calculations of sensitivity
The total value of the development properties is, as of 31 December 2012, assessed as DKK 8 515 million. Sensitivity in relation to changes in some of the central assumptions is set out in the tables below.

Discount factor
A real discount factor of 5% for the bulk of the development areas is employed in calculating the present value of future cash flows. For development areas with a long development perspective, a real discount factor of 10% has been adopted up to 2025. The average discount factor is assessed as approx. 5.7%.

In the case of a change in the real discount factor of +/- 1.0 percentage point, the calculated present value changes by approx. DKK -500/-700 million.

Value of development properties in the case of a change in the discount factor

			Central estimate		
Real discount factor (%)	4.7	5.2	5.7	6.2	6.7
Calculated present value (DKK millions)	9 182	8 828	8 515	8 235	7 985

Sale point
It is assumed that the available floor area of just under 5 million square metres is sold over a period of nearly 75 years. The exact juncture is difficult to predict precisely and will of course depend on the general economic cycle throughout the period and the attractiveness of the development areas relative to other locations in the metropolitan area. In the case of a change in the sale point for all sales and the associated development costs of 1 year, the present value increases/falls by approx. DKK 500 million.

Value of development properties in the case of change in sale point

Sale point	All sales are brought forward 1 year	Central estimate	All sales are deferred 1 year
Calculated present value (DKK millions)	8 999	8 515	8 058

Sale prices: the model assessment of the present value of the development properties has been based on the current prices on the market for building rights. The prices adopted reflect the current market situation. Real price rises are not assumed over the approx. 75-year period in which the building rights are expected to be sold.

As shown by the table below, a change of 5 percentage points in the sale prices achieved will produce a change of approx. DKK 400 million in the calculated fair values.

Value of development properties in the case of a change in the sale prices

Price assumption (%)	-10	-5	Central estimate	5	10
Calculated present value (DKK millions)	7 760	8 138	8 515	8 894	9 272

Notes to the annual report

	31 Dec. 2012 DKK 1 000	31 Dec. 2011 DKK 1 000
	[see original for figures]	

13 Capital shares in subsidiaries

Opening cost price		
Additions over the period		
Disposals over the period		
Closing cost price		
Opening value adjustment		
Result for the period		
Premium		
Carry-back of internal profit		
Closing value adjustments		
Book value at end of period		

Capital shares in subsidiaries are broken down as follows:

Name	Registered office	Registered capital	Voting and owner share
Byggemodningsselskabet Marmormolen P/S	Copenhagen	TDKK 2 000	90%
Komplementarselskab No. 1 ApS	Copenhagen	TDKK 125	90%
FN-Byen P/S	Copenhagen	TDKK 90 000	99.17%
Komplementarselskabet FN-Byen ApS	Copenhagen	TDKK 80	100%

	31 Dec. 2012 DKK 1 000	31 Dec. 2011 DKK 1 000

14 Capital shares in joint ventures

Opening cost price		
Additions over the period		
Disposals over the period		
Closing cost price		
Opening value adjustments		
Exchange rate adjustment, foreign joint venture		
Result for the period		
Profit for the parent company		
Disposals over the period		
Closing value adjustments		

Book value at end of period

Capital shares in joint ventures are broken down as follows:

Name	Registered office	Registered capital	Voting and owner share
Copenhagen Malmö Port AB	Malmö, SE	TSEK 120 000	50%
Kommanditaktieselskabet DanLink-Udvikling	Copenhagen	TDKK 10 000	50%
DLU ApS	Copenhagen	TDKK 125	50%

Notes to the annual report

	31 Dec. 2012 DKK 1 000	31 Dec. 2011 DKK 1 000
	[see original for figures]	

15 Capital shares in associated companies

Opening cost price
Additions over the period
Disposals over the period

Opening value adjustments
Result for the period
Profit for the parent company
Disposals over the period

Closing value adjustments

Book value at end of period

Capital shares in subsidiaries are broken down as follows:

Name	Registered office	Registered capital	Voting and owner share
Harbour P/S	Copenhagen	TDKK 10 000	8.5%
Harbour Komplementar ApS	Copenhagen	TDKK 80	8.5%
Ørestad Down Town P/S	Copenhagen	TDKK 16 500	40%
Ørestad Down Town ApS	Copenhagen	TDKK 80	40%

16 Other financial assets

	Receivables with joint ventures DKK 1 000	Other receivables DKK 1 000
Book value 1 January		
Additions during the year		
Disposals during the year		
Book value 31 December		

Receivables with joint ventures concern property sales. The amounts are paid as the properties are sold.

	31 Dec. 2012 DKK 1 000	31 Dec. 2011 DKK 1 000
17 Receivables from sale of the investment properties		
Deed of conveyance accounts and guarantees		
Reimbursement debtors Ørestad		

Of receivables from property sales, DKK 21 million fall due within the next 12 months.

18 Other receivables

Other receivables comprise interest receivable in respect of debts to credit institutions of DKK 106 million and receivables in respect of building maturation VAT of DKK 255 million, which is written down with the sale of the investment properties.

19 Liquid holdings

Agreements on cash-pool schemes have been concluded with Nordea, which comprises FN-Byen P/S and Komplementarselskab FN-Byen ApS and Byggemodningsselskabet Marmormolen P/S and Komplementarselskab No. 1 ApS.

	31 Dec. 2012 DKK 1 000	31 Dec. 2011 DKK 1 000

20 Other obligations provided for

Cost price 1 January		
Additions over the period		
Used over the period	[see original for figures]	
Book value at end of period		
Of which the due dates are expected to be		
Within 1 year		
Between 1 and 5 years		
After 5 years		

	Other DKK 1 000	Environmental measures DKK 1 000	Support fund DKK 1 000
Cost price 1 January			
Additions over the period			
Used over the period			
Book value on 31 December			

Obligations provided for to environmental measures concern pollution obligations in connection with the sale of the former DanLink areas and the areas at Prøvestenen and in Nordhavnen.

The insurance status statement as of 31 December 2012 for the Port Support Fund showed a premium reserve totalling DKK 0.2 million. The insurance reserve is assessed once a year.

Notes to the annual report

	31 Dec. 2012 DKK 1 000	31 Dec. 2011 DKK 1 000
	[see original for figures]	

21 Debt obligations

The company's total interest-bearing debt obligations at fair value are broken down as follows:

Credit institutions
Bonds
Bank debts
Leasing obligations
Debts to Copenhagen Municipality

The company's nominal debt for credit institutions and bonds is DKK 13 480.

The company's total interest-bearing debt obligation for credit institutions and the value of bonds, both measured at fair value, may be broken down into the following currencies:

	DKK	EUR	Other	Total
31 December 2012				
31 December 2011				

Credit institutions

Interest-rate guarantee periods concerning financial obligations for credit institutions and the value of bonds may be further broken down as follows:

DKK millions	0-1 year1	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total	Fair value
Loans								
Interest rate swaps								
Currency swaps								
Total								

The debt to credit institutions and the value of bonds are broken down into the following interest types

Variable interest	30.4%
Fixed interest	36.4%
Real interest	33.2%
	100%

The company's debts to credit institutions are entered including the value of interest and currency swaps. The combined value of interest and currency swaps as of 31 December 2012 is 1 515 million. The combined value of interest and currency swaps as of 31 December 2011 is in total DKK 1 434 million.

Notes to the annual report

21 Debt obligations *(continued)*

Debts to Copenhagen Municipality

Debts to Copenhagen Municipality concern grants for the establishment of Nordhavnsvejen and debts concerning Bryggebroen. One third of the loan concerning road debt fell due at the start of the construction work in 2010. The remaining two thirds falls due when the road is taken into service, which is expected to be in 2015. The debt is indexed with the evolution of Danmarks Statistik's index for the construction of roads and is entered in the accounts at the back-discounted present value. Debts concerning Bryggebroen fall due at DKK 163 000 annually and are repaid in 2014.

	31 Dec. 2012 DKK 1 000	31 Dec. 2011 DKK 1 000

Leasing obligations

Obligations from financial leasing can be assessed as follows:

Fall due within 1 year	[see original for figures]	
Fall due between 1 and 5 years		
Fall due after 5 years		

Future financing costs, financial leasing

The group's financial leasing agreements concern a vehicle terminal and an administration and personnel building, which are leased to Copenhagen Malmö Port AB. The leasing contract includes an option to buy on the expiry of the leasing period. Both leasing agreements expire in 2025.

Term of long-term debt

	Deposits	Financial leasing debts	Debts to Copenhagen Municipality	Credit institutions	Total
Short-term debt					
Fall due between 1 and 5 years					
Fall due after 5 years					

22 Other debts

Other debts include interest due concerning debts to credit institutions as of 31 December 2012 of DKK 162 million. As of 31 December 2011, the amount was DKK 177 million.

23 Contingent liabilities, etc.

Under the Act on Metroselskabet I/S and Arealudviklingsselskabet I/S, CPH City & Port Development must organise and implement the conversion of the port areas in Copenhagen no longer used for port operation. In assessing the properties, account has been taken of costs associated with the development of the areas no longer to be used for port operation. To be able to fulfil the Act's intentions, it may become necessary for CPH City & Port Development to contribute to special measures in relation to infrastructure and the aquatic environment, etc. that will not entail an increase in CPH City & Port Development's assets.

Via the special pension fund, former employees are entitled to public servant pensions. The last active member retired in 2010, which is why pension premiums are no longer paid by CPH City & Port Development because the pension fund is a wind-up fund and does not admit new members. CPH City & Port Development is obliged to extraordinarily to pay the inadequate cover in the pension fund at the time based on an actuarial assessment. The pension fund's assets as of 31 December 2012 are DKK 275 million (versus DKK 269 million as of 31 December 2011), and the pension obligation including 4% solvency margin was DKK 174 million (versus DKK 170 million as of 31 December 2011). The excess cover in the pension fund is DKK 101 million. It is considered that, during the life of the pension fund, there will be no need for CPH City & Port Development to pay extraordinary contributions to make up any inadequate cover.

Contractual obligations

CPH City & Port Development has concluded contracts with contractors concerning building maturation and the establishment of multi-storey car parks in Ørestad, backfilling in Nordhavnen, the establishment of a cruise quay and renovation work in Nordhavnen with a residual value of approx. DKK 604 million.

The company has received guarantees concerning works contracts for approx. DKK 275 million.

In connection with sale agreements concluded in Ørestad, CPH City & Port Development is obliged to establish infrastructure in Ørestad and has special obligations to maintain infrastructure in the form of roads and wharves generally. There are also certain legal obligations to maintain listed properties in the property portfolio.

The company has, in connection with the sale/option of an area in Ørestad with a floor area of approx. 145 000 square metres, agreed that payment of the sale price depends on the purchaser's economic use of the area. There can only be additional payment to CPH City & Port Development.

The company receives guarantees on entering into rent contracts. As of 31 December 2012, guarantees for a total of DKK 90 million have been received.

The company has concluded operational leasing agreements on rolling stock. The agreements run for 3-7 years.

Notes to the annual report

24 Audit fees

	Statutory audit	Other statutory	Other declarations	Tax advice	Other services	Total
Rigsrevisionen						
Deloitte		[see original for figures]				
PricewaterhouseCoopers						
KPMG						
Total						

25 Connected parties and ownership

Determining influence	**Registered office**	**Basis**
Copenhagen Municipality	Copenhagen	Partner
The Danish State	Denmark	Partner

Other connected parties
CPH City & Port Development's parties cover subsidiaries, joint ventures and associated companies, cf. notes 13, 14 and 15.

Furthermore, the company's owners, Board of Directors and Executive Board are regarded as connected parties.

Transactions
Trade with connected parties takes place on market conditions.

CPH City & Port Development has had income and costs from Copenhagen Malmö Port AB in the form of rent income and payments for services in 2012 of DKK 39 million net.

CPH City & Port Development has constructed a vehicle terminal and an administration and personnel building for Copenhagen Malmö Port AB via leasing. The leasing agreement has been established as an agreement between the parties with a term up to at least 2025.

In addition, there are fewer transactions between the parent company and subsidiaries, joint ventures and associated companies in the form of administration contributions and services.

CPH City & Port Development was formed with an amount owed to Copenhagen Municipality concerning contributions for the road link with Nordhavnen. As of 31 December 2012, the debt was included in the accounts at DKK 503 million, which forms the principal together with indexing and market value adjustment.

CPH City & Port Development has had an agreement with the subsidiary company FN-Byen P/S concerning the financing of the construction of a lease property. As of 31 December 2012, CPH City & Port Development has purchased the property from FN byen P/S. CPH City & Port Development then had a debt to the company of DKK 257 million as of 31 December 2012.

As of 31 December 2012, the building maturation company Marmormolen P/S purchased a site at Marmormolen for the development of dwellings by CPH City & Port Development.

Ownership
Copenhagen Municipality (55%)
The Danish State (45%)

	31 Dec. 2012 DKK 1 000	31 Dec. 2011 DKK 1 000

26 Cash flow statement – adjustments

Financial income
Financial costs
Market value adjustment of debts [see original for figures]
Value adjustments of investment properties
Profit on sale of fixed assets
Depreciation and amortisation for the period
Income from capital shares in associated companies after tax
Income from capital shares in joint ventures after tax

27 Cash flow – change in working capital

Change in receivables
Change in other obligations provided for
Change in suppliers, etc.

28 Management duties

See the management's report

12. Accounting practice adopted

General
As an associated company, CPH City & Port Development is covered by the provisions of the Danish Financial Statements Act governing the presentation of annual reports for accounting class A enterprises. The annual report is therefore produced in accordance with these.

CPH City & Port Development has furthermore chosen to adopt recognition and measurement criteria and notes, etc. in accordance with the provisions for accounting class D enterprises for unlisted state corporations. This is done to achieve greater transparency and information value than the requirements for accounting class A enterprises.

Because enterprises covered by accounting class A are not subject to the requirement to draw up group accounts, CPH City & Port Development has opted not to draw up group accounts.

General aspects of recognition and measurement
All income is recognised in the profit and loss account as it is earned – based on the following criteria:

1) provision has taken place before the end of the accounting period,
2) there is a binding sale agreement,
3) the sale price has been laid down, and
4) at the time of sale the payment has been received or may with reasonable certainty be expected to be received.

Income is recognised on this basis in the profit and loss account as it is earned. Under this, value adjustments of investment properties, financial assets and commitments measured at present value or amortised cost price are recognised. Also included in the profit and loss account are any costs incurred in achieving the period's earnings, including depreciation, write-downs and obligations provided for and repayments as a result of modified accounting assessment of amounts that have previously been recognised in the profit and loss account.

Assets are recognised in the balance sheet where it is likely that future economic benefits will accrue to the company, and the value of the asset can be measured reliably.

Commitments are recognised in the balance sheet where it is likely that future economic benefits will be denied the company, and the value of the commitment can be measured reliably.

The annual report is produced in accordance with the historic cost price principle, but not so far as investment properties, securities, financial assets and commitments are concerned.

On first recognition, assets and commitments are measured at cost price. Assets and commitments are then measured as described for each accounting item.

In relation to recognition and measurement, account is taken of foreseeable losses and risks arising before the annual report is produced, and which confirm or disconfirm aspects existing on the balance sheet date.

Handling of capital shares in subsidiaries, joint ventures and associated companies in the parent company
Capital shares in subsidiaries, joint ventures and associated companies are recognised and measured in accordance with the intrinsic value method.

The relative share of the period's result less write-down of goodwill under the items "Result of capital shares in joint ventures and subsidiaries" and "Income from capital shares in associated companies" is recognised in the profit and loss account.

The relative owner share of the companies' intrinsic value according to the accounts assessed in accordance with the parent company's accounting practice is recognised in the balance sheet under the item “Capital shares in joint ventures and subsidiaries” and “Capital shares in associated companies”.

Conversion of foreign currency
Transactions in foreign currency are in the course of the period converted to the exchange rate prevailing on the date of the transaction. Gains and losses arising between the exchange rate prevailing on the date of the transaction and the exchange rate on the date of payment are recognised as a financial item in the profit and loss account.

Receivables, debts and other monetary items in foreign currency that are not settled on the balance sheet date are converted to the exchange rate prevailing on the balance sheet date. The difference between the exchange rate prevailing on the balance sheet date and the exchange rate prevailing on the transaction date is recognised as a financial item in the profit and loss account.

If the company’s foreign subsidiaries, associated companies and joint ventures are independent units, the profit and loss statement is converted to average exchange rates, while the balance sheet items are converted to the exchange rate prevailing on the balance sheet date.

Exchange rate adjustments arising in connection with the conversion of independent foreign companies’ equity capital in the first year and exchange rate adjustments arising as a result of conversion of independent foreign companies’ profit and loss statements to average exchange rates are recognised directly on the equity capital.

Segment information
Information is provided on business segments. Information on business segments is based on the company’s return and risks and on the internal financial management. The segment information is set out in the management’s report.

There is only one geographic segment.

Distribution of the items included in the period’s results takes place, including profit before financial items. These are items that can be attributed directly to the segments.

Assets in the segment cover assets used directly in the operation of the segment. Segment commitments include non-interest-based commitments derived from the operation of the segment, including suppliers of goods and services and other debts.

The result of primary operation for the company is split into four business segments: Area development, Leasing, Parking and Port operation. The business segments coincide with the segments for which partial accounts will be drawn up under the accounting regulations for the company.

Area development consists of:

- The development company By og Havn I/S’ share of the items in other joint ventures concerning area development
- Income from the sale of properties, including value adjustment of investment properties intended for development
- Activities broadly connected with area development, e.g. costs of promoting the recreational use of the company’s properties
- Other items not covered by the other business segments.

Leasing consists of:

- Income from the leasing of building, area and water area leases
- Income from the sale of lease properties, including value adjustment of lease properties
- Costs of operation and maintenance of CPH City & Port Development’s buildings and areas that are leased or expected to be leased
- Depreciation of the fixed installations concerning leasing.

Port operation consists of:

- CPH City & Port Development's share of the items in the joint venture (Copenhagen Malmö Port AB)
- CPH City & Port Development's income from leasing fixed installations to joint venture (Copenhagen Malmö Port AB)
- Depreciation of fixed installations leased to joint venture (Copenhagen Malmö Port AB)
- Port income in CPH City & Port Development and the associated costs.

Parking consists of:

- Income from parking on CPH City & Port Development's car parks
- Costs of operation and maintenance of CPH City & Port Development's car parks
- Operation and administration of car parks for K/S DanLink-Udvikling.

Profit and loss account

Income

Turnover on sale is recognised in the profit and loss account if provision and the passing of risk to the purchaser have taken place before the end of the accounting period. Turnover is recognised excluding VAT and less discounts in connection with the sale.

Rent income is stated exclusive of cost reimbursements from the tenants in respect of heat because this amount outstanding is recognised in the balance sheet.

Value adjustments of investment properties consist of realised profits from property sales and the period's calculated value adjustments. For the statement of value adjustments, see the section on investment properties.

Profits from the sale of investment properties include gains on the estimated market value for properties considered to be sold at the time of agreement.

Other operating income comprises income of a secondary nature relative to the company's main activity.

Profits or losses on disposal of tangible fixed assets stated as the difference between a possible sale sum and the booked value are included under "Other operating income".

Costs

Personnel costs include wages, payments, pension contributions and other personnel costs for the company's employees, including the Executive Board and Board of Directors.

Other external costs include the repair and maintenance of fixed installations and machinery, cleaning of fixed installations and buildings, insurances, property taxes, administration costs, etc.

Depreciation

Tangible fixed assets are depreciated on a straight-line basis over the expected usage period. The expected usage periods are as follows:

Bridges, wharves and other port facilities	up to 67 years
Buildings, etc.	up to 40 years
Leased fixed assets	30 years
Floating operating equipment	10-25 years
Other hardware and equipment	4-10 years

Minor assets under DKK 50 000 are not activated.

Areas and investment properties are not depreciated.

The depreciation basis is the purchase price less any scrap value.

Buildings that are used for port operation activities in the parent company or leased for port operation activities in CMP, and buildings leased to production and storage companies are in principle depreciated to 0. Other buildings are depreciated to a scrap value of 50%.

Financial items
Financial items comprise interest income and costs concerning securities, liquid holdings and debt obligations and are recognised with the amount concerning the financial year.

Balance sheet

Tangible fixed assets
Tangible fixed assets are valued in accordance with the following principles.

Investment properties
In connection with the formation of the company, investment properties were defined as properties not used in the company's operation, and which are owned with a view to achieving rental income and/or capital gains on sale.

Investment properties are measured at present value in accordance with the models which, with the involvement of external professional valuers, were adopted at the time of the company's formation, taking account of the properties' specific characteristics:

- The present value of the lease properties is measured at the capitalised value of the net rent for the individual lease properties

- The present value of development areas is measured at the discounted-back value of expected cash flow for the individual development areas.

Value adjustments of the investment properties are recognised in the profit and loss account.

Other tangible fixed assets
Other tangible fixed assets consist of land and buildings, port facilities, operating equipment and fittings. The book value consists of the purchase price of the assets less depreciation and amortisation carried out.

Value-enhancing main rehabilitations and other major renovation work are activated as improvements.

Financial assets
Credit balances are recognised at amortised cost price.

Depreciation assessment of fixed assets
The accounting value of tangible fixed assets is assessed periodically to determine whether there is an indication of mark-down beyond what is expressed in normal depreciation. If this is the case, depreciation is carried out at the asset's lower recovery value.

The recovery value for the asset is stated as the higher of the net sale value and the capital value.

If it is not possible to lay down the recovery value for the individual asset, the depreciation need for the smallest group of assets is assessed in which a reliable recovery value can be laid down in an overall assessment.

Head office properties and other assets where it is not possible to state a capital value as a result of the asset not in itself generating future cash flow are assessed for depreciation needs together with the group of assets to which they can be attributed.

Receivables
Receivables held till expiry are value at the amortised cost price, which in all essentials corresponds to the nominal value, or a lower net realisation value, which corresponds to the nominal value less write-downs as a provision for losses. Write-downs for losses are stated on the basis of an individual assessment of the individual receivables and for receivables from sale together with a general write-down based on the company's experience.

Securities
Securities consist of listed securities that are measured at the Stock Exchange's market value on the balance sheet date. Bonds that are drawn are recorded at par.

No recognition of purchases and sales of securities take place on the trade date.

Other obligations provided for
Obligations provided for are recognised if the company, as a result of an event that occurred before or on the balance sheet date, has a legal or actual obligation, and it is likely that economic benefits must be granted to discharge the obligation.

Long-term debt obligations and derived financial instruments
Debts to financing institutions, including derived financial instruments used to cover interest rate risks are measured at the time of loan raising at cost price, corresponding to the revenue received or deductions for transaction costs paid. After first recognition, debts to financing institutions are recognised, including derived financial instruments at market value in the same way as investment properties. Changes in the fair value are recognised in the profit and loss account.

The short-term element of long-term debts is recognised under "Short-term elements of long-term debt obligations".

Deferrals
Deferrals stated as assets cover costs paid concerning the subsequent account period.

Deferrals stated as obligations cover principally recoveries in respect of income in the subsequent accounting periods.

Other financial obligations
Other financial obligations, which cover bank debts, creditors and other debts, are measured at the amortised cost price, which usually corresponds to the nominal value.

Cash flow statement
The cash flow statement shows the company's cash flow for the period broken down between operating, investment and financing activity, the period's staggering of liquid funds and the company's liquidity at the beginning and end of the period.

Cash flow from operating activities
Cash flow from operating activities are stated as the period's primary operation adjusted for non-cash profit items as depreciation and amortisation, obligations provided for and changes in working capital, interest payments received and made and corporation tax paid. Working capital covers current assets minus short-term debt obligations, excluding the items included in liquid funds.

Cash flow from investment activity
Cash flow from investment activity covers cash flow from purchases and sales of tangible and financial assets.

Cash flow from financing activity
Cash flow from financing activity covers cash flow from raising and repayment of long-term debt obligations and cash flow to and from the owners.

Liquid funds
Liquid funds consist of the items "Liquid holdings" and "Securities" under current assets and short-term bank debt.

The cash flow statement cannot be derived directly from the profit and loss account and the balance sheet.

Main and key numbers
The key numbers quoted in the statement of main and key numbers are calculated as follows:

$$\text{Net profit ratio} = \frac{\text{Result of primary operation x 100}}{\text{Total income}}$$

$$\text{Return on assets} = \frac{\text{Result of primary operation x 100}}{\text{Average assets}}$$

$$\text{Solvency} = \frac{\text{Equity capital x 100}}{\text{Total liabilities}}$$

$$\text{Return on equity} = \frac{\text{Result after tax x 100}}{\text{Average equity capital}}$$

13. Management opinion

The Board of Directors and the Executive Board have discussed and adopted the annual report for the financial year 1 January to 31 December 2012 for CPH City & Port Development covering the management's report, the profit and loss account, the balance sheet, the cash flow statement, the equity capital statement, notes and accounting practice adopted.

The annual report has been drawn up in accordance with the Danish Financial Statements Act, accounting class A.

CPH City & Port Development has also chosen to adopt recognition and measurement criteria and notes, etc. in accordance with the provisions for accounting class D enterprises for unlisted State corporations. This is done to achieve greater transparency and information value than under the requirements for accounting class A enterprises.

It is our opinion that the chosen accounting practice is appropriate, that the company's internal controls relevant for drawing up and submitting annual reports are adequate, and that the annual report therefore provides a fair picture of the company's assets, liabilities and financial position as of 31 December 2012 and of the result of the company's activities and cash flow for the financial year 1 January to 31 December 2012.

It is also our opinion that the management's report contains a fair account of the aspects with which the report deals.

The annual report is presented for the partnership's approval on 15 April 2013. The Board of Directors recommends that a dividend not be paid.

Copenhagen, 20 March 2013

Executive Board

	[signed]	
	Jens Kramer Mikkelsen *CEO*	

Board of Directors

[signed]	[signed]	[signed]
Carsten Koch *Chairman*	Mads Lebech *Vice Chairman*	Agneta Björkman
[signed]	[signed]	[signed]
Carl Christian Ebbesen	John Becher Krommes	Peter Maskell
[signed]	[signed]	
Nina Dahle Rasmussen	Lars Weiss	

14. The independent auditors' declarations

To interested parties in CPH City & Port Development

Approval of the annual accounts
We have audited the annual accounts for CPH City & Port Development for the period 1 January – 31 December 2012, covering accounting practice adopted, the profit and loss account, the balance sheet, the equity capital statement, the cash flow statement and notes. The annual accounts are drawn up in accordance with the provisions of the Annual Accounting Act for class A enterprises.

Management's responsibility for the annual accounts
The management is responsible for the drafting of annual accounts that provide a fair picture in accordance with the Annual Accounting Act. The management is also responsible for internal control that the management deems necessary to draw up annual accounts without materially erroneous information, regardless of whether this is due to fraud or error, and the choice and use of appropriate accounting practice and the exercise of accounting discretion that is reasonable according to the circumstances.

In addition, it is the management's responsibility that the measures covered by the annual accounts are in accordance with laws and other regulations and with agreements concluded and customary practice.

Auditors' responsibility
Our responsibility is to express a conclusion on the annual accounts based on our audit. We have conducted the audit in accordance with international standards on auditing and additional requirements according to Danish audit legislation and good public auditing practice, cf. the Act on the auditing of State accounts, etc. This requires that we meet ethical requirements and plan and conduct the audit to achieve a high degree of certainty that the annual accounts are free from material error.

An audit covers the performance of audit activities to achieve audit evidence for amounts and information in the annual accounts. The chosen audit activities depend on the auditors' assessment, including assessment of risks of material misinformation in the annual accounts, regardless of whether this is due to fraud or error. During the risk assessment, the auditor considers internal controls that are relevant for CPH City & Port Development's drafting of annual accounts that provide a fair picture. The aim of this is to design audit documents that are suitable according to the circumstances, but not to express a conclusion on the effectiveness of CPH City & Port Development's internal control. An audit also covers assessment of whether the management's choice of accounting practice is appropriate, whether the management's accounting discretion is reasonable and the overall presentation of the annual accounts.

The audit also covers an assessment of whether procedures and internal controls have been established to help ensure that the measures covered by the annual accounts conform with laws and other regulations and with agreements concluded and customary practice.

It is our view that the audit evidence achieved is adequate and suitable as a basis for our conclusion.

The audit has not given rise to reservations.

Conclusion
It is our view that the annual accounts provide a fair picture of CPH City & Port Development's assets, liabilities and financial position as of 31 December 2012 and of the results of CPH City & Port Development's activities and cash flow for the financial year 1 January – 31 December 2012 in accordance with the Annual Accounting Act. It is also our view that procedures and internal controls have been established to help ensure that the measures covered by the annual

accounts conform with laws and other regulations and with agreements concluded and customary practice.

Opinion on the management's report
In accordance with the Annual Accounting Act, we have read through the management's report. We have not undertaken any actions besides the audit of the annual accounts carried out. In this light, it is our opinion that the information in the management's report is in accordance with the annual accounts.

Supplementary information on aspects in the accounts
Without modifying our conclusion, we draw attention to note 12 of the accounts, in which the management describes the considerable uncertainty associated with the valuation of the company's investment properties.

Copenhagen, 20 March 2013

Rigsrevisionen	**Deloitte**
[signed]	[signed]
Lone Strøm Auditor General	John Menå Chartered accountant
[signed]	[signed]
Tina Mollerup Laigaard Office Manager	Lynge Skovgaard Chartered accountant

CPH City & Port Development

CPH City & Port Development
Nordre Toldbod 7
PO Box 2083
1013 Copenhagen K
Denmark
Central Business Register number: 30823702

Tel 3376 9800
Fax 3376 9801
info@byoghavn.dk
www.byoghavn.dk