

# ANNUAL REPORT 2017

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# The management's review

**In 2017, DSB achieved a profit before tax of DKK 274 million, and will pay a dividend of DKK 106 million.**

- Adjusted for non-recurring items, the profit is DKK 548 million - an increase of DKK 167 million compared to 2016
- DSB's punctuality for Long-distance & Regional Trains has been improved in compared to 2016. The operator punctuality - the part of the punctuality, which DSB is responsible for - meets DSB's contractual requirements. Customer punctuality - which also includes delays caused by, among other things, infrastructure issues - does not meet the contractual requirement
- DSB also meets the operator punctuality requirement for S-trains, but the customer punctuality does not meet the contractual requirement
- The number of journeys sold is 2 percent lower than in 2016. This is mainly due to a decrease in the number of journeys in S-trains, caused by large infrastructure works. On top of this is the fact that DSB is no longer operating the regional traffic in Northern Jutland and on the Grenaa line
- The sale of the cheap Orange tickets continues to show strong growth
- A supplementary contract reduces the contractual payment to DSB by a total of DKK 2.3 billion for the years 2018-2024.

*"Thanks to a large and committed effort from the employees, DSB has successfully dealt with a year that saw a lot of challenges. We can also take joy in the fact that the operator punctuality despite an ageing train fleet once again meet the targets of the traffic contract."*

*Flemming Jensen, CEO*

## **Robust Economy**

In 2017, DSB achieved a profit before tax of DKK 274 million. Among other things, the result is impacted by the agreement with the state concerning payment for the risk of parts of the future pension contributions for DSB's civil servants. Furthermore, the result is impacted by severance costs in connection with a reduction of approximately 100 administrative positions. In relation to 2016, the Profit before tax is improved by DKK 2,467 million and is primarily due to 2016 being affected by write-downs of DKK 2,731 million relating to the IC4 and IC2 train sets.

The profit before tax, adjusted for non-recurring items, has been improved by DKK 167 million. The adjusted result is impacted by a decreasing in passenger revenue, lower operating costs and in particular, declining financial costs and depreciation.

The table below shows the non-recurring items that amount to the difference between "Profit before tax" and "Adjusted profit before tax."

<b>Profit before tax adjusted for non-recurring items<sup>1)</sup></b>	
<b>DKK million</b>	<b>2017</b>
<b>Profit before tax</b>	<b>274</b>
Gains on real estate	-254
Write-downs real estate	81
Profit from selling foreign activities, net	-16
Payment for the risk of civil servant pension at a fixed 15 percent	388
Severance costs	77
Reversed write-downs, net	-2
<b>Adjusted profit before tax</b>	<b>548</b>

<sup>1)</sup> A minus indicates that the correction has had a positive pre-tax effect on profit.

Net interest-bearing debt has been reduced by DKK 1,232 million compared with 2016 and amounted to DKK 4,802 million as of 31 December 2017. The debt has thereby been reduced by more than DKK 7 billion since 2012, where the Net interest-bearing debt amount to DKK 12,029 million.

### **Operator punctuality for Long-distance & Regional Trains exceeds targets**

Operator punctuality for Long-distance & Regional trains - the number of trains on time for which DSB has sole responsibility - totalled at 94.4 percent and exceeds the Traffic contract target of 93.9 percent.

Throughout 2017, there has been a good development in operator punctuality, among other things, due to the results of the initiatives that have been launched on an ongoing basis to reduce the number of delay-causing faults on the trains. DSB's ageing train fleet increases the risk for technical errors, which can affect the punctuality. It is currently the background for problems with the more than 30-year-old ME-diesel locomotives and the decision to take them out of service.

The shared target for DSB and Banedanmark for customer punctuality - which also includes delays caused by, for example, infrastructure works - has also been improved compared to last year. This is a positive development, but customer punctuality is still under threat and the actual 79.4 percent is below the Traffic contract target of 82.4 percent. A worn-down rail infrastructure and the extensive works to replace tracks and signals are some of the most significant reasons for the target not being achieved.

DSB is highly focused on providing our customers with the best possible punctuality. At the same time, however, it is clear that the rail infrastructure and the very necessary works taking place in and around the tracks, which Banedanmark is carrying out all across the country presents a challenge to train operations. This is a condition for the train operations that unfortunately will continue to impact customers negatively for the next many years. Customer punctuality is getting a



significant lift when work on new signals and electrification have been completed. DSB and Banedanmark collaborate on handling the passenger traffic and the traffic information in connection with these track works and other infrastructure works.

### **Operator punctuality for S-trains exceeds targets**

The S-train operator punctuality totalled at 98.6 percent, exceeding the Traffic contract target of 97.5 percent.

The customer punctuality for S-trains totalled at 91.8 percent, which is below the target of 92.3 percent. The many track works, in particular on the line between Valby and Svanemøllen over the summer, have affected punctuality for S-trains. In addition, the new signalling system on the line between Hillerød and Jægerborg continues to pose challenges. Generally, the 300,000 daily customers using Copenhagen's S-trains have been able to reach their destinations on time in 9/10 cases - but some of the S-train customers have experienced a punctuality during certain periods that is not satisfying.

### **The customers - increased competition and continued high growth in the sale of Orange tickets**

For the year, there has been a decline of 2 percent in the number of journeys compared to last year. The decrease is primarily driven by a decrease in number of journeys in S-trains. Long-distance & Regional Trains achieved 75.9 million journeys in 2017, which is 0.5 million more journeys than in 2016, and the growth is driven by a higher number of journeys in the East. In Addition, the number of journeys in the Long-distance & Regional traffic is negatively impacted by handing over the regional train traffic in Northern Jutland and on the Grenaa line, track works and the influence of Ungdomskort (Youthcards) now being subject to higher user payments. The negative impact from these factors can only be partially offset by the improved traffic operations in connection with the end of ID controls in Sweden.

An increase in the competition on journeys across the Great Belt has also led to the number of journeys in Long distance & Regional Trains not growing to the extent expected. In particular, car traffic is increasing and the decision to reduce bridge tolls across the Great Belt will increase competition further.

Customers appreciate DSB's Orange concept of selling cheap tickets on departures with empty seats outside rush hours. With an Orange ticket from DKK 99, it is possible to cross the belt at a competitive price. In 2017, there was sold 1.3 million Orange tickets for East/West journeys, which corresponds to an increase of 44 percent compared to the year before.

The S-trains had 112.3 million journeys in 2017, which was 4.0 million fewer than in 2016 - corresponding to a decrease of 3 percent. The negative development can, among other things, be explained by the previous comprehensive track works on the City line.

For 2017, the customer satisfaction rating totalled 7.9, which is on the same level as in 2016. There is, however, a large difference in customer satisfaction on the individual lines and it is clear

that the customers are very satisfied with “this journey” when there are no track works, and conversely, that they react negatively when they are impacted by track works.

In January 2017, there was implemented a new structure for journeys on Zealand, and this will ensure that the lowest price for a journey always will be selected when using the travel card (rejsekort). In March 2018, it is expected that a new structure for journeys on Jutland and Funen also will simplify the fare system in Western Denmark.

In connection with entering into the political agreement on Business and Growth Initiatives in November (Erhvervs- og Vækstinitiativer), it was agreed that DSB will have the opportunity to take advantage of the frameworks of the current contract to develop and launch simpler and more commercially attractive ticket prices. As a result of this, a simplification of the entire product range is being prepared.

### **New modern trains will streamline and stabilize train services**

It is DSB’s goal to replace the aging trains with a modern and uniform train fleet with the benefits that this provides to the customers.

It has been decided to purchase 26 new electric locomotives whose main task will be to pull the double-decker coaches and operate regional train traffic on Zealand. The electric locomotives will replace the aging ME-diesel locomotives, and this will benefit both the environment and the operational reliability. The new locomotives will be standard rolling stock and well-tested in operation.

In the summer of 2017, DSB’s decision paper for the so-called “Phase 1.5” of purchasing the new electric train sets was approved politically. The decision paper answers three key questions for the future work: Choice of train type, acquisition strategy, and the organisation of the future process. On that basis, DSB has continued to implement phase 2, including preparing tender material, requirements specifications and contract drafting. DSB received 1 February 2018 the political approval to begin carrying out phase 3, and after this, the tender process can begin. It is expected that the new trains can be phased in from 2023.

The acquisition of new electric trains will mean a comprehensive renewal of the train fleet which is necessary in order to realise the societal, operational and environmental gains from the electrification of the railroad moving towards 2030. DSB depends on Banedanmark’s rollout of the new signal system and the electrification of the main lines. These large infrastructure projects are critical for the rolling stock that DSB is investing in to be able to put into operation for the benefit of the customers.

### **Streamlining of the administration**

Due to a need for continuing streamlining – including to support DSB’s vision that by 2030 DSB will need to be able to operate without contractual payments from the state. Therefore, the need to improve efficiency is sharpened by declining revenues, due to partly reduced state contractual payment and the transfer of the lines to other operators, latest the transfer of the regional train traffic in Northern Jutland and on the Grenaa line and the extended new tender of the traffic in Central and Western Jutland. Talks have been had concerning the planned layoffs with approximately 100 employees. This amounts to a reduction of 7 percent. In connection with the reduction, the financial statement for 2017 includes a severance costs of DKK 77 million.

### **Meeting the requirements for the halfway evaluation in the traffic contract**

The traffic contract contains two points-giving target requirements for operator punctuality and efficiency. For every target it is possible to gain 1 point per year, and the state can terminate the contract if DSB - before the halfway evaluation at the end of 2019 - has not gained at least 5 points.

It is fortunate that DSB, at the end of 2017, has achieved the necessary 5 points and thereby already now after only three years fulfils the requirements for the halfway evaluation in the traffic contract.

### **Political agreement on The Future of the Train Traffic in the Greater Copenhagen area**

The government, the Social Liberal Party and the Danish People’s Party have in December of 2017 reached an agreement on the future of the train traffic in the Greater Copenhagen area.

For DSB, it is positive that there are no changes to DSB’s operation of S-trains until the replacement of the current S-train fleet, and that DSB will take the role of the public part of a collaboration about creating the future’s driverless S-train operations.

DSB also makes note of the parties involved in the agreement having the desire to hand over the Øresund traffic to a Swedish traffic operator. DSB is concerned about the consequences for Danish train operations if the disturbances from the regional traffic in Skåne are imported to Copenhagen Central Station and believe that a closed train system between Malmø and Copenhagen will be the best future solution for the train traffic across Øresund.

### **Supplementary contract concerning reduction of DSB’s contract payment**

The Ministry of Transport, Building and Housing and DSB signed a supplementary contract for DSB’s 10-year traffic contract in 2017. The supplementary contract reduces the contract payment by a total of DKK 2.3 billion for the remainder of the traffic contract’s duration (2018-2024). Together with the supplementary contract that was signed in 2015, the total reduction of the contractual payments from the state is reduced by more than DKK 5.0 billion over the duration of the contract period.

The signing of the supplementary contract is a natural step towards realising the strategy of a subsidy-free DSB in 2030. It is our view that DSB, on the basis of an electricity-based train system, new rolling stock and an optimised infrastructure will be able to act in a market-orientated

fashion and to create a DSB of the future without state subsidies. The supplementary contracts places significant requirements on DSB related to streamlining in a quicker pace than originally planned.

The prerequisites for DSB being able to streamline its operations at the speed agreed is that a number of improvements to the infrastructure - including the Copenhagen-Ringsted line, the signal programme and electrification - are carried out within certain timeframes.

The agreement provides the opportunity for DSB to, over time, optimise the use of employee resources in the entire organisation when the S-train operations will gradually require fewer employees. Optimal utilisation of the civil servants in such a transition period is of great financial significance.

A part of the agreed contract reduction depends on a changed revenue distribution model for the public transport in the Greater Copenhagen area before the Metro City Ring opens in 2019. A changed model entails that DSB will no longer subsidise the Metro company through the so-called "Metro double factor" where the passenger-determined revenue distribution has been changed to benefit the Metro company.

As part of the supplemental contract, an agreement has been reached with the Danish Ministry of Finance wherein DSB pays DKK 388 million to the state for the risk of part of the future pension payments for DSB's civil servants. The agreement will mean that the pension contributions to the state, effective as of 1 January 2018, will be fixed at 15 percent rather than the current payment of 26 percent of the pensionable salary. When the agreement enters into force, DSB will achieve an improvement in its financials result of approximately DKK 65 million in 2018, which is then gradually reduced in the subsequent years. The agreement with the Danish Ministry of Finance does not change the rights of the employees covered by the agreement.

*"With the signed supplementary contract concerning a reduced contract payment, there has been created the basis for us to continue to work with realising the company's strategy of having a market-oriented DSB without state subsidies. We now need to gather all of our strength to streamline DSB, deliver trains on time and create passenger growth based on customer satisfaction."*

*Peter Schütze, Chairman of the Board*

Taastrup, 6 February 2018

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Peter Schütze  
Chairman of the Board

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Flemming Jensen  
CEO

**The annual report is published in both a Danish and an English language version. In the event of any discrepancies the Danish language version shall prevail**







# The financial management's review

Financial highlights						
DSB Group (DKK million)	2013	2014	2015	2016	2017	Pct. change
Net revenue <sup>1)</sup>	10,506	10,574	10,331	10,183	10,087	-1
Total income <sup>2)</sup>	12,340	12,772	12,258	12,248	12,092	-1
Of these, non-recurring items	34	282	85	193	284	47
Total expenses	9,558	9,323	9,332	9,503	9,831	3
Of these, non-recurring items	90	-	-	-	479	-
Profit/loss before amortisation, depreciation and write-downs	2,782	3,449	2,926	2,745	2,261	-18
Amortisation, depreciation and write-downs	1,892	2,247	2,023	4,634	1,854	-60
Of these, non-recurring items	24	323	127	2,767	79	-97
Operating profit/loss	890	1,202	903	-1,889	407	-
Profit/loss before tax	386	670	580	-2,193	274	-
Profit before tax adjusted for non-recurring items	466	624	622	381	548	44
Profit/loss for the year <sup>3)</sup>	483	482	446	-1,704	211	-
Balance sheet total	23,465	21,947	20,369	16,534	16,305	-1
Total equity	5,917	6,301	6,931	5,338	5,497	3
Interest-bearing liabilities, net	11,075	9,314	7,162	6,034	4,802	-20
Profit ratio (EBIT margin)*	8.5	11.4	8.7	-18.6	4.0	-
Return on equity (ROE)*	8.8	7.9	6.7	-27.8	3.9	-
Return on invested capital after tax (ROIC after tax)*	5.0	5.4	4.7	-11.5	2.9	-
Gearing*	4.0	2.7	2.4	2.2	2.1	-5
Equity ratio*	25.2	28.7	34.0	32.3	33.7	4
Interest coverage*	2.0	3.1	2.7	-5.9	2.7	-
Average number of full-time employees	7,807	7,351	7,302	7,239	7,132	-1
Number of full-time employees at year-end	7,977	7,564	7,438	7,285	7,292	0
<b>Productivity – (Danish activities)<sup>4)</sup></b>						
Passenger and transport contract revenues per seat kilometre (øre/kilometre)	-	-	56	55	56	2
Passenger Revenue per seat kilometre (øre/kilometre)	-	-	29	31	32	3
Costs per seat kilometre, excluding non-recurring items (øre/kilometre)	-	-	58	56	57	2
<b>Operator punctuality<sup>5)</sup></b>						
Long-distance & Regional Trains (percent)	94.6	95.5	94.4	92.0	94.4	3
S-train (percent)	98.5	98.9	99.0	98.4	98.6	0
<b>Customer punctuality<sup>6)</sup></b>						
Long-distance & Regional Trains (percent)	78.6	82.6	78.5	74.0	79.4	7
S-train (percent)	92.9	93.6	95.0	92.6	91.8	-1
<b>Customers</b>						
Customers in Denmark (million customers) <sup>7)</sup>	186.0	189.1	192.7	191.7	188.2	-2
"Customer satisfaction for this journey" – (Danish activities)	7.9	8.0	8.0	7.9	7.9	0
<b>Reputation</b>						
Users of Long-distance & Regional Trains	49.1	51.1	51.5	49.7	49.3	-1
Users of S-trains	55.3	56.1	59.1	55.6	52.6	-5
Non-users of Long-distance & Regional trains	39.2	46.0	43.6	41.5	40.9	-1

<sup>1)</sup> Net revenue includes turnover relating to the railway business.

<sup>2)</sup> Total income includes income from activities not related to the railway business.

<sup>3)</sup> Tax on profit for the year 2013 was affected by a revenue of DKK 138 million (reduced tax liability) as a consequence of the gradual reduction of the corporate tax rate from 25 percent in 2013 to 22 percent in 2016.

<sup>4)</sup> Seat kilometres are calculated as the number of seats contained in a litra unit multiplied by the number of litra-kilometres travelled.

<sup>5)</sup> Operator punctuality is the total punctuality, less any delays due to circumstances for which DSB is not responsible. Arrivals are considered punctual if they are less than 3 minutes delayed. Cancellations due to circumstances at DSB that are not notified 72 hours in advance are calculated as a delay. In 2015, with the signing of a new traffic contract, the calculation method has changed. From 2016, Øresund is included in Long-distance & Regional Trains. Operator punctuality for Long-distance & Regional Trains has in 2017 been corrected for three operational problems that the Ministry of Transport, Building and Housing has approved.

<sup>6)</sup> Customer punctuality for Long-distance & Regional Train traffic is defined as the number of passengers riding on punctual trains in relation to the total number of passengers. Customer punctuality for the S-train network is defined as the proportion of passengers which may arrive punctually on the basis of passengers' expected travel pattern and the operated train traffic. Arrivals are considered punctual if they are less than 3 minutes delayed. Cancellations which are not notified 72 hours in advance are counted as a delay.

<sup>7)</sup> Customers in Denmark in 2013, 2014, 2015 and 2016 have been adjusted compared to previously published figures due to the final journey inventories, etc. calculated as the number of journeys. In additions, Customers in Denmark in 2016 has been adjusted with the transference of the Grenaa line and regional traffic in North Jutland.

\* Calculated pursuant to the definitions laid down in Definitions of Financial Ratios.

## Report - Financial Activities

The profit before tax for 2017 amounted to DKK 274 million, which is an improvement of DKK 2,467 million compared to 2016. In 2016, the result before tax was affected by the write-downs of the IC4 train sets and IC2 train sets. Profit before tax is in 2017 affected by the agreement with the state regarding risk for part of future pension payments for civil servants as well as severance costs in connection with streamlining the administration.

**Table 1: Profit before tax adjusted for non-recurring items <sup>1)</sup>**

<b>DKK million</b>	<b>2017</b>	<b>2016</b>
<b>Profit/loss before tax</b>	<b>274</b>	<b>-2,193</b>
Gains on real estate	-254	-193
Write-down real estate	81	-
Profit foreign activities, net	-16	-
Payment for risk for part of future pension payments for civil servants	388	-
Severance costs	77	-
Write-downs of the IC4 train sets and the IC2 train sets	-	2,731
Write-down single-person operation Kystbanen (Coastal Route)	-	36
Reversed write-downs, net	-2	-
<b>Adjusted profit before tax</b>	<b>548</b>	<b>381</b>

<sup>1)</sup> A minus indicates that the correction has had a positive pre-tax effect on earnings.

Adjusted for non-recurring items the profit before tax is DKK 167 million higher than the corresponding profit for 2016. The improvement is primarily the result of reduced financial costs.

The balance sheet total was DKK 16,305 million at the end of 2017, compared to DKK 16,534 million as of 31 December 2016. The reduction in Assets has been influenced by lower fixed assets, mainly resulting from depreciations of rolling stock, which is partially matched by the acquisition of 67 pre-leased double-decker coaches in 2017. Additionally, the development in Assets in total can be allocated to the sale of commercial properties, which is matched by an increasing amount of cash in bank and in hand. The fall in Liabilities

is due to the repayment of loans, partly matched by higher Equity.

In 2017, DSB has invested DKK 1,473 million (DKK 1.147 million). Investments include primarily heavy maintenance of Long-distance & Regional trains and S-trains and the acquisition of 67 double-decker coaches in September 2017. In 2016 the investments was affected by the purchase of Hovedbanegårdens Forretningscenter (The Copenhagen Central Station Business Centre).

Net interest-bearing debt has been reduced by DKK 1,232 million compared with 31 December 2016 and totalled at DKK 4,802 million as of 31 December 2017. It is still mainly cash flows from operating activities that have made it possible to repay loans. The debt reduction can especially be attributed to amortisation, depreciations and write-downs of the existing rolling stock exceeding investments in new rolling stock.

In 2017, Gearing amounted to 2.1 (2.2), Return on invested capital after tax was 2.9 (-11.5), and the Solvency ratio was 33.7 (32.3).

### Net revenue

The net revenue of the DSB Group was DKK 10,087 million in 2017 (DKK 10,183 million). Adjusted for the transferences of activities on the Grenaa line and the regional train traffic in North Jutland the net revenue is at the same level as in 2016.

Passenger revenue amounted to DKK 5,473 million, and is DKK 21 million lower than in 2016.

In 2017 the development in Long-distance & Regional trains was affected by a loss of passenger revenue as a result of the transference of activities on the Grenaa line in August 2016 as a consequence of the establishment of the Aarhus Letbane and the transference of regional train traffic in North Jutland to Nordjyske Jernbaner in August 2017. Journeys travelled with Long-distance & Regional trains

2017 are affected by the new transport rules for youth card (Ungdomskort). In addition, 2017 was negatively affected by refunds of the cardboard multiride cards.

During the period, S-trains have had 4.0 million fewer journeys compared to 2016, which mainly can be explained as a result of several major track works in 2017 - in particular, on the City line between Valby and Svanemøllen. Additionally, the challenges with the implementation of a new signal system on the line between Jægersborg and Hillerød also had an impact. This is matched by a higher average price per journey, which have had a positive contribution to the passenger revenue. Finally, the turnover in S-trains was affected by refunds of the cardboard multiride cards.

Revenue from transport contracts amounted to DKK 4,286 million and has decreased by DKK 108 million compared to 2016. The development can be contributed to the transference of the activities on the Grenaa line in August 2016 and the regional traffic in North Jutland in August 2017, and the sale of DSB Uppland in September 2017.

Sales of repairs and maintenance of rolling stock, etc. amounted to DKK 288 million and have increased by DKK 6 million compared to 2016.

Sale and leasing of rolling stock amounted to DKK 40 million, an increase of DKK 27 million compared with 2016. This development is due to leasing of rolling stock for the Copenhagen-Hamburg line, which was previously serviced, with rolling stock from Deutsche Bahn.

Work performed by the enterprise and capitalised decreased by DKK 65 million and totalled DKK 609 million in 2017. This is mainly due to fewer activable IT projects and fewer kilometre-based heavy maintenance of Long-distance & Regional trains and S-trains.

Other operating income is at the same level as in 2016 and amounted to DKK 1,396 million. 2017 was affected by higher profits from the

sale of properties and the sale of DSB Uppland. Other than this, Other operating income is negatively affected by reduced shop sales resulting from the temporary closing of the shop at Østerport and closing of less profitable shops.

### **Expenses**

Expenses totalled at DKK 9,831 million in 2017. The expenses are higher than in 2016 (DKK 9,503 million) primarily due to higher Staff costs as a consequence of the agreement with the state regarding risk for part of future pension payments for civil servants, and severance expenses in connection with streamlining the administration.

The expenses for raw materials and support materials amounted to DKK 1,755 million and have decreased by DKK 148 million. The development is affected by fewer expenses for energy for traction and less consumption of shop inventory as a result of the temporary closing of the shop at Østerport and closing of less profitable shops. Additionally, reduced expenses for spare parts, a result of fewer heavy maintenance of Long-distance & Regional trains in 2017 compared to 2016, which is partially matched by increased expenses for spare parts used for ongoing repairs of train sets to insure higher punctuality.

Other external expenses amounted to DKK 3,842 million, a decrease of DKK 22 million compared to 2016. The decrease can be contributed to reduced costs for the leasing of rolling stock for the Copenhagen-Hamburg line, which now, unlike previously, is mainly operated with IC3 train sets and compensation from the Swedish government for expenses for ID control. Additionally, Other external expenses has been positively affected by the sale of DSB Uppland in September 2017. This is partly matched by increased expenses for infrastructure and write-downs of the activities in Germany.

Staff costs amounted to DKK 4,234 million and increased by DKK 498 million compared to 2016. Staff costs is affected by DKK 465



million in 2017 relating to 2 non-recurring items - the agreement with the state regarding the risk for part of future pension payments for civil servants, and severance expenses in connection with streamlining the administration. The agreement with the state implies that the pension contribution is fixed at 15 percent of the pensionable salary against previous 26 percent. The remaining part of the increase in Danish activities is influenced by the general wage development, increasing number of full-time employees at the workshops and activities that have been sold or ceased.

#### **Amortisation, depreciation and write-downs**

Amortisation, depreciation and write-downs totalled at DKK 1,854 million compared to DKK 4,634 million in 2016. The decrease is due to the fact that 2016 was affected by the write-downs of the IC4 train sets and IC2 train sets and the single-person operation on Kystbanen (the Coastal Route). Amortisation, depreciation and write-downs are in 2017 affected by write-downs of buildings and a decrease in depreciations.

#### **Financials**

Net financials totalled to DKK 133 million (DKK 304 million). The decrease, compared to 2016, is primarily a result of restructuring loans at a lower average interest rate on the net-interest-bearing liabilities and repayment of loans. Furthermore, Net financials was in 2016 negatively impacted by expenses related to repayment of loans.

#### **Dividend for the Ministry of Transport, Building and Housing**

The Board of Directors recommends that the Annual Meeting adopts a resolution that DKK 106 millions will be paid in dividend for 2017.

#### **Claw Back**

The final calculations regarding the excess payments for pursuant to the contract between the Ministry of Transport and DSB regarding train services provided as a public service in the period 2015-2024 (clawback) did not cause an adjustment of the revenue from the transport contract.

#### **Outlook for 2018**

DSB expects profit before tax and non-recurring items in the order of DKK 250-300 million for 2018.

#### **Events occurring after the balance sheet date**

As announced October 13, 2017, DSB has entered a conditional agreement on the sale of former DSB's office property at Kalvebod Brygge 32 in Copenhagen. The sale is finally completed in February 2018.

Moreover, events after 31 December 2017 have not occurred, which, in the opinion of the management, have a significant impact on the assessment of the 2017 annual report.

#### **Other conditions**

The Operating Director Anders Egehus has resigned from the Executive Board per. 31 December 2017 in connection with his resignation.

## Safety

Since the beginning of 2015, DSB has worked intensively and with a particular focus on developing and implementing DSB's safety management system. This comprehensive work has been monitored closely and has been extensively audited by the Transport, Construction and Housing Agency, which on 14 December 2017 issued an unconditional safety certificate to DSB for the operation of train business to 31 December 2021.

The issuance of the final multi-year safety certificate was a critical milestone for DSB in its work towards maintaining and continually improving DSB's high level of railway safety. In particular, in 2017, DSB has focused on maintaining and improving the operational safety while at the same time strengthening the management of the company's safety-related activities and competencies.

Now, with the certified safety management system, DSB has the prerequisites for a broad and secure anchoring of a good safety culture focusing on observing the rail safety-related considerations.

This task is supported by DSB's work with the specific safety objectives, safety indicators and reporting, which is critically supported by the risk profile, risk assessments and analysis.

In 2017 DSB has also worked on reducing the number of signal overruns and serious incidents or accidents.

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**Table 2: Incidents<sup>1)</sup>**

Number	Increase			
	2017	2016 <sup>2)</sup>	Abs.	Pct.
<b>Material accidents</b>	<b>14</b>	<b>16</b>	<b>-2</b>	<b>-13</b>
<b>Injuries</b>				
- Deaths	5	5	0	0
- Serious injuries	4	9	-5	-56
- Minor injuries	98	75	23	31
<b>Signal overruns</b>				
- Secured area (A-B-C)	144	167	-23	-14
- Unsecured area (D-E)	85	105	-20	-19
Hereof signal overruns involving a high danger potential	19	23	-4	-17
<b>Defective wheels or axles</b>	<b>5</b>	<b>8</b>	<b>-3</b>	<b>-38</b>

<sup>1)</sup> The table includes the most important safety indicators for Long-distance & Regional trains and S-trains.

<sup>2)</sup> The numbers for 2016 have been revised in relation to previously published numbers as a result of final calculations.

The development in the number of signal overruns has been closely monitored in 2017 with the use of analysis covering data from a significant number of years in addition to continual concrete operational initiatives. For 2017, this has led to a positive development which DSB is working on maintaining in 2018.

The negative development seen in 2016 in relation to serious incidents or accidents, and also personal injuries, continued in 2017. As for the causes of the incidents, DSB has again been able to point to irregular and unauthorised movements in and around track areas as the primary cause of the injuries.

In 2015 and 2016, DSB launched the first steps of a multi-stage awareness and behaviour campaign specifically targeted towards customers, the aim of which was to improve behaviour on and around tracks. The assessments in 2017 revealed that DSB was successful in raising awareness about the issue. It was also concluded, however, that there is still a lot of potential for improving the customers' behaviour.

On that basis, DSB will in 2018 work on a new phase of "Hovedet under armen"-cam-

paign. This is an initiative that supports compliance with DSB's safety policy and puts the focus on rail safety for passengers, staff and business partners.

## Risk management

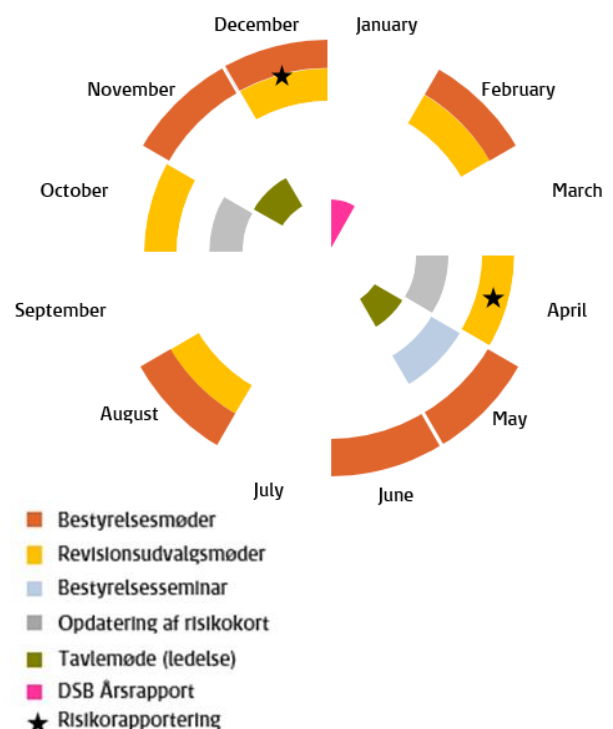
As a train operator, DSB is exposed to a number of different risks that can impact train operations. Risk management is therefore an integrated component of the company's business processes - including when approving investments and implementing significant facility and infrastructure programmes.

Risk management is partly aimed at preventing and preparing for incidents and partly at reducing uncertainty, taking advantage of opportunities and supporting the company strategic objectives.

The board holds overall responsibility for the risk management process, while the ongoing monitoring and follow-up on the process is handled by the Audit Committee. The management is responsible for the ongoing updating and development of risk management processes.

Reporting to the board on the risks facing DSB takes place on an annual basis, while the Audit Committee and management receive bi-annual reports.

### Annual Wheel – Risk Management



## **Commercial**

### **The competition is increasing over the Great Belt**

The competition over the Great Belt is increasing in these years, and DSB is mainly challenged by the increase in the sale of cheaper passenger cars and relatively low gas prices. A political decision to reduce the cost of driving over the Great Belt by a total of 25 percent over the next five years will only make the competition even more intense. DSB is closely monitoring the market development and continually working to develop and offer competitive ticket types that will make it more attractive to choose the train rather than the car.

### **Passenger numbers are decreasing on the S-train network**

For the first time in many years, the number of passengers on the S-train lines is decreasing. Comprehensive track works on vulnerable lines, in addition to delays in connection with replacing existing signals, have had a negative impact on the number of passengers. In order to increase the customer focus further, DSB is working targeted on a number of initiatives that, among other things, will contribute towards improving traffic information in connection with the coming track works on the Valby-Frederikssund line.

### **Harmonisation of fare systems**

The harmonisation of fare systems across Denmark is aimed at providing customers with simpler and more transparent prices. DSB has not yet concluded the analysis of the effects of Takst Sjælland (Fare Zealand) which entered into effect in January 2017, and therefore the full financial consequences of it are still unknown. Beyond the immediate uncertainties related to the fare reforms' earnings model, there is also some uncertainty related to the harmonisation of the fare and zone systems. DSB is closely monitoring the development of the various types of ticket prices, and reactions from customers are also monitored and analysed.

## **Rolling stock and infrastructure**

### **Changes to infrastructure works**

As a train operator, DSB is to a significant degree dependent on investments in infrastructure works on the rail network being carried out according to the fixed schedules. Delays in the infrastructure projects, such as the signal and electrification programmes, means that DSB cannot operate as planned to a significant extent, and this has major impacts for the customers. In order to ensure that the trains arrive on time, DSB is continually working on improving the agility in its planning in relation to the rolling stock and the maintenance and deployment of personnel and strives to ensure that planned track blockages are incorporated as soon as possible into future train time tables.

### **Delivery of spare parts for an aging train fleet**

Ongoing maintenance of the train fleet is crucial for allowing DSB to continue to deliver a good and safe product to the customers. The purchase of spare parts and component repairs for the aging fleet is, however, sensitive to types of errors that will lead to a need for new spare parts and components, as many of the parts are unique and no longer produced by the original manufacturer. The consequence of this is that rolling stock is out of service for significant amount of time, which impacts the ability to maintain a stable train operation. In order to reduce this risk, DSB is constantly focused on the development in operations - including workshop management, the purchase of spare parts and changes to traffic patterns.

### **Safety**

Safety precedes everything else at a workplace like DSB, where accidents or violations of safety regulations can have far-reaching consequences. The safety of employees and customers is therefore a high-priority element in the risk management processes and in daily work. In order to reduce risks, DSB has, among other things, established emergency preparedness plans that are to ensure that - on very short notice - unforeseen incidents

can be managed. Finally, DSB is subject to a number of requirements from public authorities, and these are continually monitored and controlled by the Ministry of Transport, Building and Housing.

## **IT**

DSB relies on well-functioning and reliable IT systems that support DSB's ability to run an effective company and ensure the safety of its customers and employees.

The EU's new personal data regulation will come into force in May 2018, and DSB is working to ensure compliance with the new requirements. Cybercrime is a real and specific threat, since viruses and internet crime can lead to operational disturbances that go far beyond the incident itself. Therefore, DSB has increased its focus on protecting critical IT systems and data, and works in a targeted manner to build a culture where the employees are conscious of IT security issues.

DSB wishes the company IT to provide the foundation for increased efficiency and agility - in addition to continuously adapting the product range to customer needs and competition. DSB has therefore initiated a digitalization strategy to contribute to a market-oriented DSB.

## **Reputation**

DSB carries out an important societal function that benefits many, and therefore, it is of the utmost importance that DSB is perceived as a responsible company that runs its business operations focusing on ethics and compliance with legislation, while at the same time, creating growth and value for society. DSB is aware of the significance of having a good reputation, and manages this risk by having clear guidelines and policies aimed at ensuring that DSB's reputation is not harmed, but instead continually improved.

## **Social and employee conditions**

DSB's management is focused on ensuring good occupational health and safety in the workplace, and local campaigns have been

launched to minimise falling and stumbling accidents, just as long-term campaigns are being worked on in order to prevent work-related injuries. Furthermore, there is a great focus on ensuring that employees and customers are safe at the stations and on the trains, and at the local level, there are several initiatives underway to teach employees conflict resolution skills.

## **Corporate governance**

### **Recommendations for corporate governance**

As an independent public corporation, DSB follows the state's recommendations for corporate governance as they appear in "The State as Shareholder". The rules of procedure of the Board of Directors as well as DSB's Articles of Association are in accordance. The policy contains guidelines for the management of state corporations, including requirements, expectations and recommendations for corporate governance.

In addition, DSB follows the recommendations of the Committee for Corporate Governance. DSB comply with the recommendations to the extent they are relevant. The recommendations of the Committee for Corporate Governance are available on [www.corporategovernance.dk](http://www.corporategovernance.dk).

The Corporate Governance Committee has reviewed the Committee's recommendations in November 2017. The revised recommendations entered into force on 1 January 2018 and are applied at the business meeting in which the Annual Report for 2017 is dealt with. The Board has reviewed the revised recommendations. The statement of corporate governance according to the follow or explain principle is published on [www.dsb.dk](http://www.dsb.dk).

## **Openness and transparency**

### **Communication**

DSB aims to make the dialogue between the corporation and its stakeholders (owner, customers, partners and employees) as open and broad as possible, and to ensure that communication is simple, factual and professionally correct. DSB has a stakeholder management policy developed in collaboration with the owner.

### **Customer ambassador**

The customer ambassador processes customer complaints and considers cases at their own initiative. One of the responsibilities of the customer ambassador is to contribute to ensuring that customers receive the service to which they are entitled. The customer ambassador considers enquiries from customers who have previously had their case considered, but who do not feel that they have received a satisfying reply to their complaint. The customer ambassador submits half-yearly status reports, which are published on [www.dsb.dk](http://www.dsb.dk).

### **Publication of important matters**

DSB is under an obligation to notify the Danish Business Authority as soon as possible of all important matters relating to the corporation which may be presumed to be of importance to DSB's future, owner, creditors or employees.

All such notices are submitted electronically via [www.virk.dk](http://www.virk.dk).

### **Annual and interim reports**

As an independent public corporation the financial reporting complies with the Danish Financial Statements Act and the DSB Act. The annual report is audited by a state-authorised public accountant and by the Auditor General.

The Board of Directors is required to publish quarterly and interim reports pursuant to the requirements of the Danish Financial Statements Act. The quarterly and interim reports must be submitted to the Minister for Trans-

port, Building and Housing and to the Danish Business Authority.

DSB holds quarterly meetings with the Minister for Transport, Building and Housing at which the corporation's financial situation is discussed, among other things.

The Ministry of Transport, Building and Housing lays down DSB's accounting regulations in pursuance of the Danish Railway Act.

### **Reporting on corporate social responsibility**

Pursuant to the Danish Financial Statements Act, DSB is required, as an independent public corporation, to publish a report on the corporation's approach to corporate social responsibility. Among other things, the report must include information about the corporate social responsibility policies and how these are put into practice. For 2017 the report is incorporated in the Annual Report under Corporate Social Responsibility. DSB also prepares a separate annual environmental report which is published on [www.dsb.dk](http://www.dsb.dk).

### **Ethics**

The management has, in cooperation with the unions and a number of business areas, prepared an ethics policy which applies to all the employees. The rules describe how to cooperate with external partners, how DSB deals with attempts at bribery, DSB's views on gifts and events, the rules governing support to charity as well as the expectations with regard to the integrity and impartiality of all the employees.

The whistleblower scheme is managed by the head of the internal audit function, who reports to the Auditing Committee. Through the whistle-blower scheme, the employees can anonymously report suspicions of irregular conduct such as violation of the Code of Conduct or financial fraud. In 2017, two reports were submitted via the scheme. None of these are assessed to have material consequences for DSB.



## **Diversity**

In 2017 the Board of Directors discussed target figures for the underrepresented gender on the Board of Directors. As an independent public corporation, DSB is covered by the Danish Gender Equality Act from which it is apparent that the Board of Directors of the corporation should have a gender balance, i.e. minimum 1/3 of the underrepresented gender. This meet by the current composition of the Board of Directors (employee representatives not included). The activities aimed at ensuring diversity at all management levels are described in the Diversity section under Corporate Social Responsibility.

## **Public access**

The Annual Meeting is held annually within the end of April.

The Annual meeting corresponds to the annual general meeting in a limited liability company, is open to the press.

DSB's Articles of Association and Annual Reports are published on [www.dsb.dk](http://www.dsb.dk)

According to the Danish DSB Act, the Danish Act on Public Access to Documents on Public File, the Danish Public Administration Act and the Danish Act on the Parliamentary Ombudsman apply to cases concerning the employees and to the railway activities carried out as part of its provision of negotiated traffic.

## **DSB regulation**

DSB is governed by Consolidated Act No. 1184 of 12 October 2010 on DSB with later amendments (the DSB Act). The Articles of Association dated 17 December 2015 were issued in pursuance of the DSB Act.

## **Management committees**

DSB has established three management committees – Audit -, Remuneration - and Rolling stock committees.

## **Audit Committee**

The Audit Committee assists the Board of Directors with an independent assessment of

whether the company's financial reporting, internal controls, risk management and statutory audit are organised appropriately in the light of the company's and the group's size and complexity. The framework for the work of the Committee is defined in a terms of reference.

By the end of 2016, the Audit Committee comprised the following members, which all are independent:

Carsten Gerner, chairman  
Henriette Fenger Ellekrog  
Birthe Østergaard Petersen

The Committee has held 5 meetings in 2017, at which, among others, the following topics were dealt with:

- Annual report and interim reports
- Audit reports and reporting from internal and external Auditor
- Reporting from the whistle-blower scheme
- External auditor's independence and delivery of non-audit services
- Risk management
- Internal control structure
- Future accounting and economy (FRØ).

## **Remuneration Committee**

The remuneration committee assists the Board of Directors with the preparation of recommendations regarding remuneration policy and remuneration. The framework for the work of the Committee is defined in a terms of reference.

By the end of 2017, the Remuneration committee comprised the following members, which all are independent:

Annette Sadolin, chairman  
Peter Schütze  
Hans Christian Kirketerp-Møller

The Committee has held 4 meetings in 2017, at which, among others, the following topics were dealt with:

- Remuneration policy
- Remuneration of the Board of Directors
- Pay conditions for management, directors, direct references to the CEO and highly paid employees
- Analysis of salary trends, assessment of salary development and tendencies of the pay-roll
- Performance related pay, goal setting and calculation
- Goal for the underrepresented gender balance in the management.

### **Rolling stock Committee**

The Rolling stock committee assists the Board of Directors with the preparation of options relating to acquisitions, reinvestment and divestment of the rolling stock where the size of the investment requires Board approval. The framework for the work of the Committee is defined in a terms of reference.

At the end of 2017, the Rolling stock committee comprised the following members, which all are independent:

Christina Grumstrup Sørensen, chairman  
Peter Schütze  
Preben Steenholdt Pedersen

The Committee held 6 meetings in 2016, at which, among others, the following topics were dealt with:

- IC4 status - as well as follow-up on implementation of updated commissioning plan
- Signal programs (CBTC / ERTMS)
- Electrification, including Aarhus
- ME environmental upgrade
- Desiro - resale to Mid / West
- The train of the future
- Operating status - including MDBF and CBTC
- Diesel strategy - in view of the status and possible delays in signal and electrification programs.

## **Management**

### **The Board of Directors, election and eligibility**

The Board of Directors comprises directors elected by the Minister for Transport, Building and Housing at the Annual Meeting as well as directors elected by the employees.

The directors elected by the Minister shall be elected based on social, managerial and business considerations so that the Board of Directors as a whole represents insight into transport issues. Furthermore, the composition of the Board of Directors ensures insight into financial issues.

The directors elected by the employees are elected in accordance with the provisions regarding election of employee representatives and their alternates, including the rules governing group representation and eligibility

Every year, the Chairman of the Board of Directors carries out an evaluation of the Board of Directors and management. In addition to complying with the corporate governance recommendations the purpose is to identify any improvement of the work of the Board of Directors and consequently its value creation. The special competencies of the Board of Directors are described on [www.dsb.dk](http://www.dsb.dk)

Members of the Board of Directors are elected for a period of 2 years. Reelection may take place for a period of 1 year or more. The Minister of Transport, Building and Housing may at any time remove the directors elected by him at an Annual Meeting.

### **Composition of the Board of Directors 2017**

In 2017, Board of Directors comprised nine members, six members are elected by the Minister of Transport, Building and Housing and three by the employees. A list of Board of Directors is available in the section "About DSB".



The members of the Board elected at the Annual Meeting are regarded as independent.

### **The management's tasks and responsibilities**

The Board of Directors is in charge of the general and strategic management of DSB's affairs. The Board of Directors employs and dismisses the Executive Board and specifies its terms of employment. Articles of Association include a detailed description of the tasks of the Board of Directors. The Executive Board comprises one to four members who are notified to the Danish Business Authority. The Executive Board is in charge of the day-to-day management of DSB.

### **Remuneration**

The remuneration policy shall support the strategy and values and its objective is to secure the basis for remuneration and employment terms.

As an independent public corporation, DSB has a special obligation to ensure that the wage determination is based on integrity and openness.

The remuneration policy is based on the relevant market for the position, taking into account the special circumstances involved in operating an independent public corporation. DSB does not wish to be a market leader but wishes to be able to attract and retain qualified employees at all levels.

## **Statements to the Danish Business Authority**

2 February 2017

Change in DSB's Executive Board

9 February 2017

DSB's Annual Report 2016

14 February 2017

Notice convening the ordinary Annual Meeting 2017

7 March 2017

Minutes of ordinary Annual Meeting of DSB

11 May 2017

Notice convening the extraordinary Annual Meeting

11 May 2017

Interim report for the 1st quarter of 2017

22 May 2017

Minutes of extraordinary Annual Meeting of DSB

17 August 2017

Interim report 2017

9 November 2017

Interim report for the 3rd quarter of 2017.

# Management statement and auditors' reports

## Management Statement

The Board of Directors and the Executive Board have today discussed and approved the annual report for DSB for 2017.

The Annual Report is presented in accordance with the Danish Financial Statements Act and the Danish DSB Act. We consider the accounting policies applied to be appropriate. Accordingly, the Annual Report gives a true and fair view of the group's and the parent corporation's assets, liabilities and financial position at 31 December 2017 and of the results of the group's and the parent corporation's operations and the group's cash flows for the financial year from 1 January to 31 December 2017.

In our view the management's review contains a well-founded assessment of the development in the group's and the parent corporation's activities and financial conditions, the profit for the year and the group's and the parent corporation's financial position in general and a description of the most important risks and uncertainty factors to which the group and the parent corporation are subject.

The Annual Report is recommended for approval by the Annual Meeting.

Taastrup, 6 February 2018

## Executive Board

Flemming Jensen  
CEO

Jürgen Müller  
Director of Strategy  
& Rolling stock

Thomas Thellersen Børner  
CFO

## The Board of Directors

Peter Schütze  
Chairman

Annette Sadolin  
Vice-Chairman

Henrik Amsinck

Henriette Fenger Ellekrog

Carsten Gerner

Christina Grumstrup Sørensen

Hans Christian Kirketerp-Møller

Preben Steenholdt Pedersen

Birthe Østergaard Petersen

## **Independent auditors' report**

**To the Minister of Transport, Building and Housing**

### **Auditor's report on the consolidated financial statements and the financial statements**

#### **Conclusion**

We have audited the consolidated annual accounts and the annual accounts of the independent public corporation DSB for the financial year from 1 January to 31 december 2017, comprising income statement, balance sheet, equity statement and notes, including accounting policies, for the group as well as for the parent corporation and the consolidated cash flow statement. The consolidated annual accounts and the annual accounts are presented in accordance with the provisions applying to reporting under the Danish Financial Statements Act and with the Danish DSB Act.

In our view the consolidated annual accounts and annual accounts give a true and fair view of the group's and the independent public corporation DSB's assets, liabilities and financial position at 31. december 2017 and of the result of the group's and the independent public corporation DSB's activities and the group's cash flows for the financial year from 1 January to 31 december 2017 in accordance with the provisions applying to reporting under the Danish Financial Statements Act and with the Danish DSB Act.

#### **Basis of opinion**

We have conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark as well as to good public auditing practice as the audit is carried out on the basis of the provisions in the Danish DSB Act. Our responsibility according to these standards and requirements is described in detail in the section "Auditor's responsibility for the annual accounts".

The Auditor General is independent of the independent public corporation DSB pursuant to section 1 (6) of the Danish Auditor General's Act and the approved auditor is independent of the corporation pursuant to international ethical rules for auditors (IESBA's ethical rules) and the additional requirements applicable in Denmark. We have both fulfilled our other ethical obligations under these rules and requirements.

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

#### **Management's responsibility for the consolidated financial statements and the financial statements**

The management is responsible for the preparation of consolidated annual accounts and annual accounts that give a true and fair view in accordance with the provisions applying to reporting under the Danish Financial Statements Act and with the Danish DSB Act. The management is also responsible for such internal controls as management determines are necessary to enable the preparation of consolidated annual accounts and annual accounts that are free from material misstatement, whether due to fraud or error.

In the preparation of the consolidated annual accounts and the annual accounts, the management is responsible for assessing the corporation's ability to continue operations, providing information on conditions regarding continued operation, if relevant, and preparing the consolidated annual accounts and the annual accounts based on the going concern accounting principle unless the

management intends to liquidate the corporation, suspend operations or has not other realistic alternative than to do so.

### **Auditors' responsibility for the audit of the consolidated financial statements and the financial statements**

Our aim is to obtain a high degree of assurance that the consolidated annual accounts and the annual accounts as a whole are free from material misstatement regardless of whether this is due to fraud or errors and to issue and auditor's report and express an opinion. A high degree of assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with international standards on audit and the additional requirements applicable in Denmark as well as good public auditing practice will always disclose material misstatement. Misstatements may occur as a result of fraud or error and may be regarded as material if it can reasonably be expected that the misstatement, or parts thereof, affects the financial decisions made by the users of the accounts based on the consolidated annual accounts and the annual accounts.

As part of an audit conducted in accordance with international auditing standards and the additional requirements applicable in Denmark as well as good public auditor practice, we perform professional assessments and maintain professional scepticism during the audit. In addition:

- We identify and assess the risk of material misstatement in the consolidated annual accounts and the annual accounts regardless of whether this is due to fraud or error, prepare and carry out audit procedures in response to these risks and obtain audit evidence that is adequate and suitable for forming a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than for material misstatement due to error since fraud may include conspiracies, forgery, intentional omission, misrepresentation or disregarding for internal control.
- We obtain understanding of the internal control with relevance for the audit in order to be able to prepare audit procedures that are suitable under the circumstances but not in order to be able to express an opinion on the effectiveness of the corporation's internal controls.
- We determine whether the accounting policies applied by the management are suitable and whether the accounting estimates made by management and related information are reasonable.
- We express an opinion as to whether the management's preparation of the consolidated annual accounts and the annual accounts based on the going concern accounting principle is suitable and whether, based on the audit evidence obtained, there is material uncertainty associated with events or conditions, which may give rise to significant doubt as to the corporation's ability to continue operations. If we find that there is material uncertainty, we must state in our auditor's report that the consolidated annual accounts and the annual accounts contain information on this or, if such information is not adequate, modify our opinion. Our opinion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may result in the corporation being unable to continue operations.
- We evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the information in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events and thus present a true and fair view of these.

- We obtain sufficient and appropriate audit evidence for the financial information for the companies or business activities in the Group for the purpose of expressing an opinion on the consolidated financial statements. We are responsible for managing, supervising and performing the Group Audit. We are solely responsible for our audit opinion.

We communicate with the executive management on the planned scope and timing of the audit as well as significant audit observations, including any significant defects in internal control which we identify during our audit.

### **Statement on the management's review**

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts and the annual accounts does not include the management's review and we do not express any opinion with certainty on the management's review.

In connection with our audit of the consolidated annual accounts and the annual accounts, it is our responsibility to read the management's review and consider whether the management's review is significantly inconsistent with the consolidated annual accounts and the annual accounts or our knowledge obtained during our audit or in any other way seems to contain material misstatement.

Our responsibility is also to consider whether the management's review contains the required information pursuant to the Danish Financial Statements Act.

Based on the work performed, we find that the management's review is in accordance with the consolidated annual accounts and the annual accounts and has been prepared in accordance with the Danish Financial Statements Act. We have not identified any material misstatement in the management's review.

### **Declaration pursuant to other legislation and other regulation**

#### **Statement on legal-critical audit and performance audit**

The management is responsible for ensuring that the transactions comprised by the financial reporting are in accordance with grants, legislation and other rules and regulations and with agreements concluded and the usual practice and that appropriate financial considerations have been applied to the administration of the funds and the operation of the corporations comprised by the accounts.

In connection with our audit of the consolidated annual accounts and the annual accounts, it is our responsibility, in accordance with good public auditing practice, to select relevant subjects for legal-critical audit as well as performance audit. During our legal-critical audit we verify with a high degree of certainty for the selected subjects whether the transactions comprised by the financial reporting are in accordance with grants, legislation and other rules and regulations and with agreements concluded and the usual practice. During our performance audit we assess with a high degree of certainty whether the systems, processes or transactions examined support the appropriate financial considerations applied to the administration of the funds and the operation of the corporations comprised by the accounts. In this connection, the management is responsible for establishing systems and processes that support economics, productivity and efficiency.

If we conclude that our work has given rise to significant critical comments we must report on this.

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

Copenhagen, 6 February 2018

**Ernst & Young**

Authorised Limited Company of Accountants  
CVR No. 30700228

**The National Audit Office of Denmark**

CVR No. 77806113

Jesper Koefoed

State-authorized public  
accountant

NME nr: 11689

Peter Gath

State-authorized public  
accountant

NME nr: 19718

Lone L. Strøm

Auditor General

Malene Sau Lan Leung

Head of Office





Spor  
Track

9

10



Spor  
Track

11

12

DSB Billetsalg  
DSB Rejsebureau



Toiletter



Reventlowspade



Baga



Cyke



# Consolidated annual accounts and annual accounts

Income statement					
Parent corporation				Group	
2016	2017	Note	Amounts in DKK million	2017	2016
			<b>Income</b>		
9,716	10,238	2.1	Net revenue	10,087	10,183
100	83	2.2	Work performed by the enterprise and capitalised	609	674
627	579	2.3	Other operating income	1,396	1,391
<b>10,443</b>	<b>10,900</b>		<b>Total income</b>	<b>12,092</b>	<b>12,248</b>
			<b>Expenses</b>		
630	1,179	2.4	Expenses for raw materials and consumables	1,755	1,903
4,780	4,742	2.5, 2.6, 2.7	Other external expenses	3,842	3,864
2,630	3,115	2.8, 2.9	Staff costs	4,234	3,736
<b>8,040</b>	<b>9,036</b>		<b>Total expenses</b>	<b>9,831</b>	<b>9,503</b>
			<b>Profit/loss before amortisation, depreciation and write-downs</b>	<b>2,261</b>	<b>2,745</b>
4,643	1,848	3.1, 3.2	Amortisation, depreciation and write-downs of intangible and tangible assets	1,854	4,634
<b>-2,240</b>	<b>16</b>		<b>Operating profit/loss</b>	<b>407</b>	<b>-1,889</b>
			<b>Financials</b>		
268	303	4.3	Profit/loss after tax in group enterprises and associated undertakings	0	0
16	25	4.1	Financial income	30	13
310	150	4.1	Financial expenses	163	317
<b>-26</b>	<b>178</b>		<b>Net financials</b>	<b>-133</b>	<b>-304</b>
<b>-2,266</b>	<b>194</b>		<b>Profit/loss before tax</b>	<b>274</b>	<b>-2,193</b>
562	17	5.1	Tax on earnings for the year	-63	489
<b>-1,704</b>	<b>211</b>		<b>Profit/loss for the year</b>	<b>211</b>	<b>-1,704</b>
		4.2	<b>The profit/loss for the period are distributed as follows:</b>		
			Company participant in DSB	211	-1,704
		4.7	Minority interests	0	0
			<b>Profit/loss for the year</b>	<b>211</b>	<b>-1,704</b>
			<b>The parent corporation's result is proposed to be allocated as follows:</b>		
0	106		Dividend for the Ministry of Transport, Building and Housing		
75	17		Reserve for development costs		
-1,779	88		Retained earnings		
<b>-1,704</b>	<b>211</b>		<b>Total</b>		



## Balance sheet – Assets

Parent corporation				Group	
2016	2017	Note	Amounts in DKK million	2017	2016
		3.1	<b>Intangible assets</b>		
168	112		Development projects	114	172
79	93		Intangible assets in progress and prepayments	93	79
<b>247</b>	<b>205</b>		<b>Total intangible assets</b>	<b>207</b>	<b>251</b>
		3.2	<b>Tangible assets</b>		
4,226	4,078		Land and buildings	4,446	4,607
8,778	7,498		Rolling stock	8,408	8,589
706	612		Operating equipment, fixtures and fittings and other equipment	767	856
114	211		Tangible assets in progress and advance payments	238	145
<b>13,824</b>	<b>12,399</b>		<b>Total tangible assets</b>	<b>13,859</b>	<b>14,197</b>
		4.3	<b>Investments</b>		
1,303	1,710		Equity investments in group and associated undertakings	0	0
28	707		Loan in group	-	-
250	207		Subordinated loan capital in associated companies	207	250
37	26		Other receivables	26	38
<b>1,618</b>	<b>2,650</b>		<b>Total investments</b>	<b>233</b>	<b>288</b>
<b>15,689</b>	<b>15,254</b>		<b>Total non-current assets</b>	<b>14,299</b>	<b>14,736</b>
<b>11</b>	<b>13</b>	6.1	<b>Inventories</b>	<b>458</b>	<b>485</b>
<b>91</b>	<b>91</b>	3.2	<b>Properties held for sale</b>	<b>109</b>	<b>183</b>
		6.2	<b>Receivables</b>		
488	565		Trade receivables	704	621
502	152		Receivables from group undertakings	-	-
44	55		Receivable joint taxation contribution	-	-
204	203		Other receivables	233	283
138	83	6.3	Prepayments	100	155
<b>1,376</b>	<b>1,058</b>		<b>Total receivables</b>	<b>1,037</b>	<b>1,059</b>
<b>18</b>	<b>370</b>		<b>Cash in bank and in hand</b>	<b>402</b>	<b>71</b>
<b>1,496</b>	<b>1,532</b>		<b>Total current assets</b>	<b>2,006</b>	<b>1,798</b>
<b>17,185</b>	<b>16,786</b>		<b>Total assets</b>	<b>16,305</b>	<b>16,534</b>

## Balance sheet – liabilities and equity

Parent corporation				Group	
2016	2017	Note	Amounts in DKK million	2017	2016
			<b>Equity</b>		
4,760	4,760		Contributed capital	4,760	4,760
75	92	2.2	Reserve for development costs	-	-
503	539		Retained earnings	631	578
0	106		Proposed dividends	106	0
<b>5,338</b>	<b>5,497</b>		<b>Company participant in DSB's share of equity</b>	<b>5,497</b>	<b>5,338</b>
-	-	4.7	<b>Minority interests</b>	<b>0</b>	<b>0</b>
<b>5,338</b>	<b>5,497</b>		<b>Total equity</b>	<b>5,497</b>	<b>5,338</b>
			<b>Provisions</b>		
29	193	8.1	Other provisions	241	64
1,010	917	5.2	Deferred tax liabilities	851	918
<b>1,039</b>	<b>1,110</b>		<b>Total provisions</b>	<b>1,092</b>	<b>982</b>
			<b>Non-current liabilities</b>		
4,609	3,030	4.4	Long-term loans	3,030	4,609
-	-	4.4	Subordinated loan capital	0	2
591	558		Other non-current liabilities	558	591
302	265		Other liabilities	265	302
<b>5,502</b>	<b>3,853</b>		<b>Total non-current liabilities</b>	<b>3,853</b>	<b>5,504</b>
			<b>Current liabilities</b>		
229	2,071	4.4	Current portion of non-current liabilities	2,071	229
1,000	0		Short-term loans	0	1,000
199	0		Credit institutions	0	199
1,274	1,131		Trade accounts payables	1,452	1,639
1,221	1,054		Debt to group companies	-	-
61	169		Corporation tax	173	63
562	990		Other liabilities	1,206	793
760	911	6.4	Prepayments	961	787
<b>5,306</b>	<b>6,326</b>		<b>Total current liabilities</b>	<b>5,863</b>	<b>4,710</b>
<b>10,808</b>	<b>10,179</b>		<b>Total liabilities</b>	<b>9,716</b>	<b>10,214</b>
<b>17,185</b>	<b>16,786</b>		<b>Total equity and liabilities</b>	<b>16,305</b>	<b>16,534</b>
		1.1	Accounting policies applied		
		1.2	Significant accounting estimates		
		1.3	Materiality in financial reporting		
		8.2	Contingent assets and liabilities as well as other financial obligations		
		8.3	Related parties		

## Statement of changes in equity

Amounts in DKK million

Parent corporation	Contributed capital	Reserve for development costs	Retained earnings	Proposed dividends	Total equity
<b>Equity at 1 January 2016</b>	<b>4,760</b>	<b>-</b>	<b>1,998</b>	<b>173</b>	<b>6,931</b>
Paid dividends	-	-	-	-173	-173
Contribution from the Ministry of Transport, Building and Housing	-	-	42	-	42
Profit/loss for the year	-	75	-1,779	0	-1,704
Foreign currency exchange rate adjustments concerning group companies	-	-	-2	-	-2
Value adjustment of hedging instruments, beginning of period	-	-	342	-	342
Value adjustment of hedging instruments, at end of period (note 7.6)	-	-	-107	-	-107
Equity movements in group companies	-	-	2	-	2
Other changes in equity, tax			7		7
<b>Equity at 31 December 2016</b>	<b>4,760</b>	<b>75</b>	<b>503</b>	<b>0</b>	<b>5,338</b>
Profit for the year	-	17	88	106	211
Foreign currency exchange rate adjustments concerning group companies	-	-	-1	-	-1
Value adjustment of hedging instruments, beginning of period (note 7.6)	-	-	107	-	107
Value adjustment of hedging instruments, at end of period (note 7.6)	-	-	-171	-	-171
Equity movements in group companies	-	-	11	-	11
Other changes in equity, tax	-	-	2	-	2
<b>Equity at 31 December 2017</b>	<b>4,760</b>	<b>92</b>	<b>539</b>	<b>106</b>	<b>5,497</b>

## Equity statement (continued)

Amounts in DKK million						
Group	Contributed capital	Retained earnings	Proposed dividends	Company participant in DSB's share of equity	Minority interests	Total equity
<b>Equity at 1 January 2016</b>	<b>4,760</b>	<b>1,998</b>	<b>173</b>	<b>6,931</b>	<b>0</b>	<b>6,931</b>
Paid dividends	-	-	-173	-173	-	-173
Contribution from the Ministry of Transport, Building and Housing	-	42	-	42	-	42
Profit/loss for the year	-	-1,704	0	-1,704	0	-1,704
Foreign currency exchange rate adjustments	-	-2	-	-2	-	-2
Value adjustment of hedging instruments, beginning of period	-	345	-	345	-	345
Value adjustment of hedging instruments, at end of period (note 7.6)	-	-108	-	-108	-	-108
Other changes in equity, tax	-	7	-	7	-	7
<b>Equity at 31 December 2016</b>	<b>4,760</b>	<b>578</b>	<b>0</b>	<b>5,338</b>	<b>0</b>	<b>5,338</b>
Profit for the year	-	105	106	211	0	211
Foreign currency exchange rate adjustments	-	-1	-	-1	-	-1
Value adjustment of hedging instruments, beginning of period (note 7.6)	-	108	-	108	-	108
Value adjustment of hedging instruments, at end of period (note 7.6)	-	-161	-	-161	-	-161
Other changes in equity, tax	-	2	-	2	-	2
<b>Equity at 31 December 2017</b>	<b>4,760</b>	<b>631</b>	<b>106</b>	<b>5,497</b>	<b>0</b>	<b>5,497</b>

Cash flow statement			
		Group	
Amounts in DKK million	Note	2017	2016
<b>Operating profit/loss</b>		<b>407</b>	<b>-1,889</b>
<b>Adjustment for non-cash operating items</b>			
Amortisation, depreciation and write-downs of intangible and tangible assets	3.1, 3.2	1,854	4,634
Change in other provisions, net	8.1	177	-37
<b>Other adjustments</b>			
Gain and loss on sale and scrapping of intangible and tangible assets	8.4	-266	-189
Net financial items, paid	4.6	-144	-366
Corporation tax, paid	5.1	-6	-98
Change in working capital		342	95
<b>Total cash flow from operating activities</b>		<b>2,364</b>	<b>2,150</b>
<b>Cash flows from investment activities</b>			
Acquisition of intangible and tangible assets, excluding capitalised interest	3.1, 3.2	-1,473	-1,147
Sale of intangible and tangible assets	3.1, 3.2	413	253
Subordinated debt repayments	4.3	46	9
<b>Total cash flows from investment activities</b>		<b>-1,014</b>	<b>-885</b>
<b>Cash flows from financing activities</b>			
Proceeds from raising of long-term loans		409	-
Proceeds from raising of short-term loans		640	1,000
Repayment of, and payment of instalments on long-term loans		-229	-1,743
Repayment of, and payment of instalments on short-term loans		-1,640	-250
Change in credit institutions		-199	-70
Paid dividends		0	-173
<b>Total cash flow from financing activities</b>		<b>-1,019</b>	<b>-1,236</b>
<b>Total change in Cash in bank and in hand</b>		<b>331</b>	<b>29</b>
Cash in bank and in hand at 1 January		71	42
<b>Cash in bank and in hand 31 December</b>		<b>402</b>	<b>71</b>

The cash flow statement cannot be derived directly from the income statement and the balance sheet.

## Notes and accounting policies applied

### Section 1 Interpretation

The notes is divided according to theme and based on materiality. The purpose is to ensure that the financial reporting reflects and is adapted to specific conditions based on materiality.

The notes are divided into eight groups according to theme:

Section 1	Interpretation
Section 2	Operation
Section 3	Operating equipment
Section 4	Financing and capital structure
Section 5	Taxation
Section 6	Working capital
Section 7	Financial conditions
Section 8	Other notes

This section contains the following notes:

1.1	Accounting policies applied
1.2	Significant accounting estimates
1.3	Materiality in financial reporting

### 1.1 Accounting policies applied

The interim financial report for the independent public company DSB has been prepared in accordance with the provisions of the Danish Financial Statements Act and the Act on DSB.

The annual report has been prepared according to the same accounting policies as the annual report for 2016.

#### Presentation

A reclassification has been made of revenue from sales of shop items, etc. which are now included under Other operating income where previously it was under Net revenue. Comparative figures have been adjusted.

#### Changes in accounting estimates

There have been no significant changes to accounting estimates in 2017.

#### Consolidated annual accounts

The consolidated annual accounts comprise the parent corporation and Group companies in which the parent corporation directly or indirectly holds more than 50 per cent of the voting rights and exercises a controlling influence. Companies in which the Group holds between 20 and 50 per cent of the voting rights and exercises significant, but not controlling, influence are regarded as associated companies.

Companies owned and operated jointly with others and where the parties together exercise a controlling influence (joint ventures) are consolidated on a pro rata basis.

The note Investment includes Group companies (subsidiaries and joint ventures) and associated companies.

The consolidated annual accounts are prepared as a summary of the accounts of the parent corporation and the individual Group companies stated in accordance with the Group's accounting policies and with elimination of intragroup income and expenses, shareholdings, intragroup balances and dividends as well as intragroup realised and unrealised profits on transactions.

#### Business combinations

Newly acquired or newly founded companies are recognised in the consolidated annual accounts at the time of acquisition. Companies sold or liquidated are recognised in the consolidated income statement until the time of divestment. Comparative figures are not restated for newly acquired, sold or liquidated companies.

Gains or losses related to the sale or liquidation of Group and associated companies are stated as the difference between the sales price and the carrying amount of the net assets at the time of sale, including non-amortised goodwill and expected costs of sale or liquidation.

Acquisitions of new companies are accounted for using the purchase method, according to which the identifiable assets and liabilities of the newly acquired companies are measured at their fair values at the date of acquisition. Costs of restructuring which are recognised in the acquired company before the date of takeover and which have not been agreed as part of the acquisition are included in the pre-acquisition balance sheet and thus the determination of goodwill. Restructuring decided by the acquirer is recognised in the income statement. The tax effect of the revaluation is taken into account.

Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the economic service life of the asset. Any excess of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill) is recognised in the income statement as income at the time of takeover when the general conditions for recognition of income are fulfilled.

#### **Intragroup business combinations**

In connection with business combinations such as purchase and sale of equity investments, mergers, demergers, addition of assets and share exchanges etc. with participation of companies under the control of the parent corporation, the book value method will be used in the future. When this method is applied the business combination is regarded as completed at the time of acquisition with any adjustment of comparative figures. The difference between the agreed consideration and the carrying amount of the acquired company is recognised in equity.

#### **Foreign currency translation**

Transactions denominated in foreign currencies are translated on initial recognition using the exchange rate on the transaction date. Differences between the exchange rate on the transaction date and the exchange rate on the payment day are recognised in the income statement under financial income and expenses, net.

Receivables, liabilities and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the time when the account receivable or li-

ability arose or was recognised in the latest annual accounts is recognised in the income statement under financial income and expenses, net.

Foreign Group companies are considered to be independent units. The income statement is translated using the average exchange rate and the balance sheet items are translated using the exchange rate at the balance sheet date. Exchange rate differences arising from the translation of foreign Group companies' equity at the beginning of the year at the exchange rates at the balance sheet date and from the translation of income statements from average exchange rates at the exchange rates at the balance sheet date are taken directly to equity.

#### **Non-deductible VAT**

DSB has partial right of deduction of incoming VAT, since the group has both VAT-liable and VAT-free activities. The VAT-free activities are related to passenger transport. Furthermore, the payroll states is calculated.

The non-deductible proportion of the incoming VAT is included in the individual items in the income statement and the balance sheet. As part of the joint VAT registration, the parent corporation pays compensation to Group companies in cases where there had been full right of deduction if the associated company had an independent VAT registration.

#### **Equity**

##### **Reserve for development costs**

Reserve for development costs comprises recognised development costs. The reserve cannot be used for payment of dividend or covering of loss. The reserve is reduced or dissolved if the recognised development costs are amortised, depreciated or eliminated from the operation of the corporation. This takes place by transfer directly to the distributable reserves of the equity.

##### **Dividends**

Dividends are recognised as a liability at the time of adoption at the ordinary Annual Meeting (the time of declaration). The proposed dividend for the financial year is disclosed as a separate item under Equity.

##### **Cash flow statement**

The cash flow statement shows the cash flow divided into operating, investing and financing activity for the year, changes in the Group's cash at bank and in hand and the

Group's cash at bank and in hand at the beginning and end of the year.

The cash flow statement includes the share in cash flows of pro rata consolidated companies (joint ventures).

A separate cash flow statement has not been prepared for the parent corporation as this is contained in the consolidated cash flow statement.

#### **Total cash flow from operating activities**

Cash flows from operating activities are stated as the Operating profit/loss adjusted for non-cash operating items, financial income and expenses paid, corporation tax paid and changes in working capital. The working capital comprises the change in Current assets less the change in Current liabilities exclusive of items included in cash at bank and in hand. Changes in working capital are adjusted for changes that have no effect on liquidity.

#### **Cash flows from investment activities**

Cash flows from investment activities include purchases and sales etc. of non-current assets.

#### **Cash flows from financing activities**

Cash flows from financing activities comprise proceeds from raising loans, repayment and instalments on liabilities and dividend received and paid.

#### **Cash at bank and in hand**

Cash at bank and in hand includes cash and short-term securities with insignificant currency risk.

#### **Other accounting policies applied**

Other accounting policies applied are listed under the respective relevant notes among the notes below:

##### **Section 2 – Operation**

- 2.1 Net revenue
- 2.2 Work performed by the enterprise and capitalised
- 2.3 Other operating income
- 2.4 Expenses for raw materials and consumables
- 2.5 Other external expenses
- 2.6 Consultancy fees
- 2.7 Audit fee
- 2.8 Staff costs
- 2.9 Remuneration for the Executive Board and the directors

##### **Section 3 – Operating equipment**

- 3.1 Intangible assets
- 3.2 Tangible assets

##### **Section 4 – Financing and capital structure**

- 4.1 Financial income and expenses
- 4.2 Allocation of the results
- 4.3 Investments
- 4.4 Borrowing and liquidity
- 4.5 Interest-bearing liabilities, net
- 4.6 Net financial items, paid
- 4.7 Minority interests

##### **Section 5 – Taxation**

- 5.1 Tax on earnings for the year
- 5.2 Deferred tax liabilities

##### **Section 6 – Working capital**

- 6.1 Inventories
- 6.2 Receivables
- 6.3 Prepayments
- 6.4 Prepayments (liabilities)

##### **Section 7 – Financial conditions**

- 7.1 Interest risk
- 7.2 Currency exchange rate risk
- 7.3 Raw materials price risk
- 7.4 Liquidity risk
- 7.5 Counterparty risk
- 7.6 Market values calculated in the equity

##### **Section 8 – Other notes**

- 8.1 Other provisions
- 8.2 Contingent assets and liabilities as well as Other financial obligations
- 8.3 Related parties
- 8.4 Gain and loss on sale and scrapping of intangible and tangible assets
- 8.5 Events after the balance sheet date



## 1.2 Significant accounting estimates

A number of accounting estimates have been used for establishing and complying with accounting practices.

The measurement of the accounting estimate value of certain assets and liabilities are based on estimates of how future events will impact the value of these assets and liabilities on the balance sheet date. Estimates that are significant to delivering the accounts are made, among other things, for the life expectancy of non-current assets, the money flows from investments and the associated discounting rates, sales values, deferred provisions and contingent liabilities.

The estimates and assumptions are also based on historical experiences and other factors that the senior management assess as responsible under the circumstances, but which, due to their nature, are uncertain and unpredictable.

The assumptions may be incomplete or inexact, and unexpected events or circumstances may occur. Furthermore, the business activities are subject to risks and uncertainties that cannot be controlled and which may lead to the actual results deviating from these estimates.

### **Valuation of rolling stock**

The valuation of rolling stock is associated with significant accounting estimates.

The significant accounting estimates apply to, among other things, expectations for the future application of the rolling stock, the scrap value and the technical and financial life expectancy.

The estimates made are further described in the note for Tangible assets (section 3).

## 1.3 Materiality in financial reporting

When preparing the annual accounts it is assessed on an individual basis, qualitative as well as quantitative factors, whether an item is significant. If individual presentation in the income statement, balance sheet and notes is not assessed to be relevant for the reader's decisions the information is considered to be immaterial.

## Section 2 Operation

In this section, Operating profit/loss is described in more detail.

The section includes information on earnings and costs in connection with the carrying out of operations.

The main events in 2017 are further detailed in Report - Financial Activities.

This section contains the following notes:

- 2.1 Net revenue
- 2.2 Work performed by the enterprise and capitalised
- 2.3 Other operating income
- 2.4 Expenses for raw materials and consumables
- 2.5 Other external expenses
- 2.6 Consultancy fees
- 2.7 Audit fee
- 2.8 Staff costs
- 2.9 Remuneration for the Executive Board and the directors

### Note 2.1: Net revenue

Parent corporation		Amounts in DKK million	Group	
2016	2017		2017	2016
		<b>Passenger revenues distributed on business areas:</b>		
4,011	3,985	Long-distance and Regional Trains	3,963	3,989
1,505	1,510	S-trains	1,510	1,505
<b>5,516</b>	<b>5,495</b>	<b>Total passenger revenue</b>	<b>5,473</b>	<b>5,494</b>
4,178	4,109	Revenue from transport contracts	4,286	4,394
9	8	Repair and maintenance of rolling stock etc.	288	282
13	626	Sale and leasing of rolling stock	40	13
<b>9,716</b>	<b>10,238</b>	<b>Total</b>	<b>10,087</b>	<b>10,183</b>

Passenger revenues in parent corporation and the Group include penalty fares of DKK 30 million (2016: DKK 27 million).

The sale and leasing of rolling stock in 2017 is impacted by the parent company having sold 67 double-decker coaches to a group company. Sales are presented as Net revenue, as sales of rolling stock as a natural extension of the purpose of operating train services.

### Accounting practices

Passenger revenues are recognised at the time of transport. Provision is made in respect of the value of tickets sold that have not been used at the balance sheet date. Discounts in connection with the sale and payments relating to the Travel Time Guarantee Scheme are deducted from the net turnover. Revenues from control fees are measured by the provision to meet expected losses.

Revenues from transport contracts are recognised over the periods to which they relate.

Revenues from Repair and maintenance of rolling stock etc. are recognised concurrently with production, which means that revenues correspond to the selling price of work performed for the year (production method).

Revenues from the sale of rolling stock is calculated when the delivery and transfer of risk has taken place.

## Note 2.2: Work performed by the enterprise and capitalised

The value of the capitalised development projects in the parent company that are covered by the rules of the Danish Financial Statements Act for binding of separate equity reserve amounts to DKK 79 million in 2017 (2016: DKK 108 million). The reserve as of 31 December 2017 amounts to DKK 92 million. (2016: DKK 75 million) and has been calculated with a reduction for write-offs and deferred tax.

### Accounting practices

This item includes work performed by the enterprise in connection with the carrying out of, for example, major maintenance inspections of train sets, which are capitalised. The value is measured based on registered expenses for performance of the work performed based on registrations of the expenses incurred in the form of own work etc. The item also includes directly attributable expenses and a proportionate share of indirect production costs.

## Note 2.3: Other operating income

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
0	2	Sales from shops, etc.	821	856
125	153	Renting and leasing	193	162
19	18	Gain on sale of intangible and tangible assets	276	212
355	356	Intragroup revenues	-	-
128	50	Others	106	161
<b>627</b>	<b>579</b>	<b>Total</b>	<b>1,396</b>	<b>1,391</b>

In 2017, Other operating income was impacted by non-recurring items in the shape of property advances from selling properties, etc. with net DKK 254 million. (2016: DKK 193 million).

Earnings from shops, etc. relate to the sales from the 7-eleven shops at stations where DSB is the franchisee.

### Accounting practices

Other operating income includes income of a secondary nature in relation to the railway business, including income from the Group's properties, either through rental activities or profits from selling land and buildings - or earnings from shop products, etc.

Intragroup income in the parent corporation includes trading with group companies.

Revenues are recognised when delivery and transfer of risk have taken place at the fair value of the agreed consideration exclusive of VAT, discounts and taxes collected on behalf of a third party.

## Note 2.4: Expenses for raw materials and consumables

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
535	453	Energy for train operation	458	546
23	22	Sales from shops, etc.	574	608
72	704	Spare parts and rolling stock, etc.	723	749
<b>630</b>	<b>1,179</b>	<b>Total</b>	<b>1,755</b>	<b>1,903</b>

Spare parts and rolling stock etc. was affected in 2017 by the parent company having bought 67 double-decker coaches for resale to a group company.

### Accounting practices

Expenses for raw materials and consumables include the year's purchases and the year's change in the valuation of inventory of energy for train operation, Goods for sale in shops etc. and Spare parts and rolling stock, etc.

Energy for train operation is adjusted for the effect from realised diverted financial instruments.

Note 2.5: Other external expenses				
Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
645	672	Infrastructure charges	715	689
1,549	1,629	Repair, maintenance and cleaning, etc.	780	701
388	391	Administrative expenses	438	422
167	136	Leasing of buildings and premises, etc.	214	214
402	405	Consultancy fees etc., including audit fee	393	397
203	193	Leasing of rolling stock	156	203
147	134	Replacement transport, etc.	147	161
-20	-2	Provision for onerous contracts etc., net	33	-15
313	297	Commissions, etc.	210	203
156	136	Sale and marketing	136	156
116	100	Staff-related costs	123	130
115	141	Payroll tax	131	120
15	8	Gain and loss on sale and scrapping of intangible and tangible assets	10	23
584	502	Other external expenses	356	460
<b>4,780</b>	<b>4,742</b>	<b>Total</b>	<b>3,842</b>	<b>3,864</b>

### Accounting practices

Other external expenses include expenses in relation to the railway business and other operating activities. Non-deductible VAT is presented as part of the related cost type.

Note 2.6: Consultancy fees				
Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
23	29	Lawyers	30	24
211	228	IT consultants	228	215
35	16	Management consultants	19	40
0	1	Tax, VAT and accounting assistance	3	1
51	40	Technical consultancy	21	36
74	83	Programme management	83	72
<b>394</b>	<b>397</b>	<b>Total</b>	<b>384</b>	<b>388</b>

The note Consultancy fees and the note Audit fee make up Consultancy fees etc. including audit fee in the note Other external expenses.

## Note 2.7: Audit fee

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
		<b>Statutory audit:</b>		
4.4	4.0	Ernst & Young Godkendt Revisionspartnerselskab	4.7	5.3
0.9	1.8	The National Audit Office of Denmark	1.8	0.9
		<b>Other assurance statements:</b>		
0.8	1.1	Ernst & Young Godkendt Revisionspartnerselskab	1.1	0.8
		<b>Tax and VAT consultancy:</b>		
0.6	0.3	Ernst & Young Godkendt Revisionspartnerselskab	0.3	0.7
		<b>Other services:</b>		
0.8	1.3	Ernst & Young Godkendt Revisionspartnerselskab	1.3	0.8
<b>7.5</b>	<b>8.5</b>	<b>Total</b>	<b>9.2</b>	<b>8.5</b>

Auditing fee consist of fees to external auditor appointed at the Annual Meeting and the National Audit Office of Denmark.

## Note 2.8: Staff costs

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
2,240	2,303	Wages and salaries	3,285	3,206
364	786	Pensions	908	486
26	26	Other social security costs	41	44
<b>2,630</b>	<b>3,115</b>	<b>Total</b>	<b>4,234</b>	<b>3,736</b>
<b>4,757</b>	<b>4,736</b>	<b>Average number of full-time employees</b>	<b>7,292</b>	<b>7,285</b>

The average number of employees in 2017 includes employees in pro rata consolidated companies with 88 (2016: 90).

Severance pay for the Executive Board and senior executives in connection with dismissal by DSB not owing to breach or the like on the part of the employee does not exceed 12 months' salary.

In December 2017, DSB have decided to streamline administration by reducing approximately 100 positions in January 2018. This has affected Wages and Salaries and Pensions in 2017 with DKK 77 million.

Pension contributions paid to the state are recognised as an expense for civil servants. The pension contribution currently amounts to 26 percent (2016: 26 percent) of the pensionable salary. DSB has entered into an agreement concerning the payment for the risk for part of future pension contributions for civil servants, so that the future pension rate will be fixed at 15 percent of the pensionable salary, for a total of DKK 388 million. For civil servants, the general provisions of the Civil Service Act apply and the agreement entered into with the state does not change.

See the note Contingent assets and liabilities as well as Other financial obligations.

The company has concluded agreements regarding performance-related salary with a number of executive employees (primarily managers). As a starting point, agreements regarding performance-related salary accounts for 10-20 percent for

managers who are not part of the Corporate Management and for 20-25 percent for members of the Corporate Management. At year-end 2017, the number of agreements regarding performance-related salary was 316, compared to 302 at year-end 2016.

### Accounting practices

Staff expenses include wages and salaries, remuneration, pension contributions and other staff expenses relating to the corporation's employees, including the Executive Board and the Board of Directors.

#### Note 2.9: Remuneration for the Executive Board and the directors

Remuneration for the Executive Board (in DKK 1,000s)	2017	2016
Flemming Jensen	6,102.0	5,675.2
Thomas Thellersen Børner	3,435.8	3,367.8
Anders Egehus (Resigned 31 December 2017)	3,523.6	4,079.4
Jürgen Müller (Joined 1 February 2017)	3,177.9	-
<b>Total</b>	<b>16,480.0</b>	<b>13,122.4</b>

Remuneration paid in 2017 to a former member of the Executive Board amounted to DKK 1,795.7 thousand. (2016: 3,520.9 thousand).

The remuneration paid to the Executive Board is distributed as follows: Salaries DKK 13,367.6 thousand (2016: DKK 10,023.5 thousand), pension contribution DKK 1,278.3 thousand (2016: DKK 1,256.2 thousand) and variable remuneration DKK 3,389.1 thousand (2016: DKK 2,363.6 thousand)

The members of the Executive Board have agreements regarding performance-related salary according to which they may receive up to 25 percent of the fixed salary. The notice period for the CEO is 12 months.

Fees for the members of the Board of Directors (DKK 1,000s)	Board of Directors	Audit Committee	Remuneration Committee	Rolling Stock Committee	Total 2017	Total 2016
Peter Schütze	558.0	-	55.0	55.0	668.0	655.0
Annette Sadolin	372.0	-	110.0	-	482.0	435.0
Henrik Amsinck (Joined 19 May 2017)	115.0	-	-	-	115.0	-
Lars Andersen (Resigned 1 March 2017)	31.0	13.3	-	-	44.3	245.0
Henriette Fenger Ellekrog (Joined 19 May 2017)	115.0	6.7	-	-	121.7	-
Carsten Gerner	186.0	160.0	-	-	346.0	325.0
Helge Israelsen (Resigned 1 March 2017)	31.0	-	-	-	31.0	238.3
Christina Grumstrup Sørensen	186.0	-	-	110.0	296.0	238.3
Andreas Hasle (Resigned 1 October 2016)	-	-	-	-	-	183.8
Hans Christian Kirketerp-Møller	186.0	-	55.0	-	241.0	220.0
Preben Steenholt Pedersen	186.0	-	-	55.0	241.0	220.0
Birthe Østergaard Petersen (Joined 1 October 2016)	186.0	53.3	-	-	239.3	41.2
<b>Total</b>	<b>2,152.0</b>	<b>233.3</b>	<b>220.0</b>	<b>220.0</b>	<b>2,825.3</b>	<b>2,801.6</b>

## Section 3 Operating equipment

This section on operating equipment contains information regarding the corporation's intangible and tangible fixed assets.

The main events in 2017 are further detailed in Financial activities

This section contains the following notes:

- 3.1 Intangible assets
- 3.2 Tangible assets

### Note 3.1: Intangible assets

Amounts in DKK million

	Development pro- jects	Intangible assets in progress and prepayments	Intangible assets total
<b>Parent corporation</b>			
<b>Cost price at 1 January 2017</b>	1,361	85	1,446
Additions	-	79	79
Retained	71	-71	0
Disposals	-43	-	-43
<b>Cost price at 31 December 2017</b>	<b>1,389</b>	<b>93</b>	<b>1,482</b>
<b>Depreciation, amortisation and write-downs at 1 January 2017</b>	<b>-1,193</b>	<b>-6</b>	<b>-1,199</b>
Amortisation, depreciation and write-downs for the year	-105	-	-105
Write-downs for the year	-12	-	-12
Disposals	33	6	39
<b>Depreciation, amortisation and write-downs at 31 December 2017</b>	<b>-1,277</b>	<b>0</b>	<b>-1,277</b>
<b>Carrying amount at 31 December 2017</b>	<b>112</b>	<b>93</b>	<b>205</b>
Carrying amount at 31 December 2016	168	79	247

### Note 3.1: Total intangible assets (continued)

Amounts in DKK million

Group	Development projects	Intangible assets in progress and pre-payments	Intangible assets total
<b>Cost price at 1 January 2017</b>	<b>1,433</b>	<b>85</b>	<b>1,518</b>
Additions	-	79	79
Retained	71	-71	0
Disposals	-43	-	-43
<b>Cost price at 31 December 2017</b>	<b>1,461</b>	<b>93</b>	<b>1,554</b>
<b>Amortisation, depreciation, and write-downs at 1 January 2017</b>	<b>-1,261</b>	<b>-6</b>	<b>-1,267</b>
Amortisation, depreciation and write-downs for the year	-107	-	-107
Write-downs for the year	-12	-	-12
Disposals	33	6	39
<b>Amortisation, depreciation and write-downs at 31 December 2017</b>	<b>-1,347</b>	<b>0</b>	<b>-1,347</b>
<b>Carrying amount at 31 December 2017</b>	<b>114</b>	<b>93</b>	<b>207</b>
Carrying amount at 31 December 2016	172	79	251

Additions in Development projects and Intangible assets in progress and advance payments primarily includes the addition of mobile sales channels, traffic information systems and development of a new accounting and financial system for the entire Group. Disposals is mainly comprised of costs for external consultants, direct salaries and purchased materials.

#### Accounting practices

Intangible assets comprise primarily development projects, including rights of use and software.

Development projects are included in intangible assets insofar as the cost price can be clearly defined and there is sufficient guarantee that the future earnings can cover the sales and administrative costs and the development costs themselves. It is a prerequisite that the projects are clearly defined and identifiable, and that the technical feasibility, sufficient resources and a potential future market or development potential in the corporation can be proven.

Other development costs are recognised as expenses in the income statement as they are incurred. Development costs included in the balance sheet are measured at cost less accumulated depreciation, amortisation and write-downs.

The cost of development projects comprises costs, including staff costs, amortisation, depreciations and write-downs, which directly and indirectly can be attributed to the corporation's development activities. Interest and borrowing expenses on loans for financing of development projects are recognised in cost provided they relate to the development period. All other financing expenses are recognised in the income statement.

After completion of the development work, development projects are amortised on a straight-line basis over their expected useful lives. The amortisation period is usually 3 - 10 years.

Profits and losses on disposal are calculated as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profits and losses are recognised in the income statement under Other operating income or Other external expenses.

The description of costs for development projects on equity are found under accounting policies applied in Section 1.



### Note 3.2: Tangible assets

Amounts in DKK million

Parent corporation	Land and buildings	Rolling stock	Operating equipment, fixtures and fittings and other equipment	Tangible assets in progress and advance payments	Total tangible assets
<b>Cost price at 1 January 2017</b>	<b>7,307</b>	<b>25,006</b>	<b>2,672</b>	<b>116</b>	<b>35,101</b>
Additions	101	436	-	360	897
Retained	35	207	23	-265	0
Disposals	-26	-866	-424	-	-1,316
<b>Cost price at 31 December 2017</b>	<b>7,417</b>	<b>24,783</b>	<b>2,271</b>	<b>211</b>	<b>34,682</b>
<b>Amortisation, depreciation and write-downs at 1 January 2017</b>	<b>-3,081</b>	<b>-16,228</b>	<b>-1,966</b>	<b>-2</b>	<b>-21,277</b>
Amortisation, depreciation and write-downs for the year	-186	-1,348	-99	-	-1,633
Write-downs for the year	-84	0	-14	-	-98
Disposals	12	291	420	2	725
<b>Amortisation, depreciation and write-downs at 31 December 2017</b>	<b>-3,339</b>	<b>-17,285</b>	<b>-1,659</b>	<b>0</b>	<b>-22,283</b>
<b>Carrying amount at 31 December 2017</b>	<b>4,078</b>	<b>7,498</b>	<b>612</b>	<b>211</b>	<b>12,399</b>
Carrying amount at 31 December 2016	4,226	8,778	706	114	13,824
Capitalised interest is included in cost	4	291	11	0	306

### Note 3.2: Tangible assets (continued)

Amounts in DKK million

Group	Land and buildings	Rolling stock	Operating equipment, fixtures and fittings and other equipment	Tangible assets in progress and advance payments	Total tangible assets
<b>Cost price at 1 January 2017</b>	<b>8,057</b>	<b>24,652</b>	<b>3,260</b>	<b>146</b>	<b>36,115</b>
Reclassification	-8	-	-	-	-8
Additions	103	966	1	402	1,472
Retained	43	207	60	-310	0
Disposals	-32	-192	-448	-	-672
<b>Cost price at 31 December 2017</b>	<b>8,163</b>	<b>25,633</b>	<b>2,873</b>	<b>238</b>	<b>36,907</b>
<b>Depreciation, amortisation and write-downs at 1 January 2017</b>	<b>-3,450</b>	<b>-16,063</b>	<b>-2,404</b>	<b>-1</b>	<b>-21,918</b>
Reclassification	2	-	-	-	2
Amortisation, depreciation and write-downs for the year	-189	-1,315	-132	-	-1,636
Write-downs for the year	-85	0	-14	-	-99
Disposals	5	153	444	1	603
<b>Depreciation, amortisation and write-downs at 31 December 2017</b>	<b>-3,717</b>	<b>-17,225</b>	<b>-2,106</b>	<b>0</b>	<b>-23,048</b>
<b>Carrying amount at 31 December 2017</b>	<b>4,446</b>	<b>8,408</b>	<b>767</b>	<b>238</b>	<b>13,859</b>
Carrying amount at 31 December 2016	4,607	8,589	856	145	14,197
Capitalised interest is included in cost	4	291	11	0	306

In pursuance of an agreement concluded between the Ministry of Transport, Building and Housing and the Danish Transport, Construction and Housing Authority, DSB has, upon request from the Danish Ministry of Transport, acquired 10 train sets for leasing to the Danish Transport and Building Agency for the operation of the Coastal Line/the Øresund traffic. In connection with the financing of the train sets of EUR 47,5 million, DSB has provided the 10 train sets with a carrying amount of DKK 395 million as security.

In 2016, DSB received a contribution of tangible assets, in the form of Carlsberg Station, from the Ministry of Transport, Building and Housing, totalling of DKK 53 million.

In 2017 DSB received 6 lifts at Copenhagen Central Station from Metroselskabet I / S in connection with the establishment of Cityringen. The value of the grant is recognized on an ongoing basis over the life of the assets by reducing the monthly depreciation of the assets.

Based on previous experiences, the scrap value for rolling stock is assessed at DKK 0.

The carrying amount at 31 December 2017 is impacted by the reclassification to Properties held for sale.

### Note 3.2: Tangible assets (continued)

#### Specification of rolling stock

Amounts in DKK million

Group	Cost price at 31 December 2017	Depreciation, amortisation and write-downs at 31 December 2017	Carrying amount at 31 December 2017	Carrying amount at 31 December 2016
<b>Trains</b>				
IC2 train sets	0	0	0	0
IC3 train sets	2,448	-2,080	368	406
IC4 train sets	4,358	-3,160	1,198	1,322
IR4 train sets	2,177	-1,965	212	299
Øresund train sets	1,861	-1,332	529	623
Double-decker coaches	1,126	-122	1,004	552
Desiro train sets	146	-59	87	92
MR train sets	108	-108	0	0
ICE-TD train sets	0	0	0	7
ME diesel locomotives	313	-312	1	0
EA electric locomotives	81	-54	27	26
Total LCC assets (major maintenance inspections of train sets)	1,751	-967	784	792
Assets in circulation	541	-266	275	232
<b>Total Long-distance and Regional Trains</b>	<b>14,910</b>	<b>-10,425</b>	<b>4,485</b>	<b>4,351</b>
S-train sets	10,173	-6,596	3,577	3,962
Total LCC assets (major maintenance inspections of train sets)	385	-91	294	232
Assets in circulation	150	-88	62	70
<b>Total trains</b>	<b>10,708</b>	<b>-6,775</b>	<b>3,933</b>	<b>4,264</b>
Other trains	28	-25	3	5
Guarantees etc. set off	-13	0	-13	-31
<b>Carrying amount</b>	<b>25,633</b>	<b>-17,225</b>	<b>8,408</b>	<b>8,589</b>

#### Accounting practices

Land and buildings, Rolling stock, Operating equipment, fixtures and fittings and other equipment are measured at cost less accumulated depreciation, amortisation and write-downs. Land is not amortised.

Cost includes the purchase price and costs directly related to the purchase up to the time where the asset is ready for use. With regard to own produced assets (primarily major maintenance inspections (Life Cycle Cost (LCC) of capitalised train sets), the cost covers direct and indirect costs for materials, components, subcontractors and wages/salaries as well as borrowing cost from specific and general borrowing in direct connection with the construction of the individual asset.

Costs for major maintenance inspections (LCC) of train sets are recognised separately and amortised over the useful life, which corresponds to the period until the next major maintenance inspection.

Assets are depreciated on a straight-line basis over their expected useful lives based on the following assessment of their expected useful lives:

Buildings	30 - 60 years
Installations	10 - 15 years
Rolling stock	2 - 25 years

Operating equipment, fixtures and fittings and other equipment

3 - 25 years

In connection with capitalisation, cost is distributed on the most important individual components (decomposition) and amortised over the useful life of this. The basis of depreciation is calculated taking into account the scrap value of the asset after the end of its useful life and reduced by any write-downs. The amortisation period and the scrap value are fixed at the time of acquisition and reassessed annually. If the scrap value exceeds the carrying amount of the asset, amortisation stops.

If the amortisation period or the scrap value changes, the impact on amortisation in the future is recognised as a change of accounting estimates.

Profits and losses on disposal or scrapping of tangible assets are calculated as the difference between the sales price less sales costs and the carrying amount at the time of sale or scrapping. Profits and losses are recognised in the income statement under Other operating income or Other external expenses.

### **Properties held for sales**

Properties held for sales include buildings and land, which were not originally acquired for resale purposes, but are expected to be sold within 12 months.

Properties held for sale are measured at cost less accumulated depreciations made before reclassification from fixed assets to Properties held for sale, after which they are no longer depreciated.

### **Leasing**

In terms of accounting, leasing obligations are divided into finance and operating leases. Expenses regarding operational leases are recognised in the income statement over the term of the lease. Total commitments regarding operational leasing and rent agreement are disclosed under Contingent assets and liabilities in addition to Other obligations.

### **Impairment of non-current assets**

The carrying amount of non-current assets is reviewed on the balance sheet date to decide whether there are any indications of impairment other than what is expressed through amortisation. If there are signs of such impairment, an impairment test is carried out for the relevant asset or group of assets to determine whether the recoverable amount is lower than the carrying amount. If so, a write-down is made to that lower recoverable amount. Any write-downs are recognised in the income statement.

In case of subsequence reversals of write-downs as a consequence of changes in the preconditions for the calculated recoverable value, the value of the asset is increased to the adjusted recoverable value, but not to more than the carrying amount the asset would have had if it had not been written down for impairment.

## Section 4 Financing and capital structure

This section describes the financing of DSB's activities.

As a result of the positive generation of liquidity, interest-bearing liabilities, net, have been reduced by DKK 1,232 million.

This section contains the following notes:

- 4.1 Financial income and expenses
- 4.2 Allocation of the results
- 4.3 Investments
- 4.4 Borrowing and liquidity
- 4.5 Interest-bearing liabilities, net
- 4.6 Net financial items, paid
- 4.7 Minority interests

### Note 4.1 Financial income and expenses

Parent corporation		Financial income	Group	
2016	2017	Amounts in DKK million	2017	2016
3	3	Interest on balances with group companies	-	-
3	3	Interest on balances with associated companies	3	3
10	9	Others	16	10
-	10	Foreign currency exchange gains, etc.	11	-
<b>16</b>	<b>25</b>	<b>Total</b>	<b>30</b>	<b>13</b>

		Financial expenses		
2016	2017	Amounts in DKK million	2017	2016
307	150	Interest on loans, debt to credit institutions etc.	163	315
3	-	Foreign currency exchange losses, etc.	-	2
<b>310</b>	<b>150</b>	<b>Total</b>	<b>163</b>	<b>317</b>

### Accounting practices

Financial income and expenses, net, comprises interest income and costs, capital and exchange rate gains and losses relating to liabilities and transactions in foreign currencies and amortisation of financial assets and liabilities.

### Note 4.2 Allocation of the results

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
		<b>The profit/loss for the period are distributed as follows:</b>		
		Company participant in DSB	211	-1,704
		Minority interests	0	0
		<b>Earnings for the year</b>	<b>211</b>	<b>-1,704</b>
		<b>The parent corporation's result is proposed to be allocated as follows:</b>		
0	106	Dividend for the Ministry of Transport, Building and Housing		
75	17	Reserve for development costs		
-1,779	88	Retained earnings		
<b>-1,704</b>	<b>211</b>	<b>Total</b>		

### Note 4.3: Investments

Amounts in DKK million

Parent corporation	Equity investments in group companies	Equity investments in associated companies	Subordinated loan in group companies	Subordinated loan capital in associated companies	Other receivables	Investments total
<b>Cost price at 1 January 2017</b>	<b>1,887</b>	<b>413</b>	<b>154</b>	<b>250</b>	<b>37</b>	<b>2,741</b>
Foreign currency translation adjustments	-4	-	-	-	-	-4
Additions	337	-	789	3	2	1,131
Disposals	-283	-	-236	-46	-13	-578
<b>Cost price at 31 December 2017</b>	<b>1,937</b>	<b>413</b>	<b>707</b>	<b>207</b>	<b>26</b>	<b>3,290</b>
<b>Value adjustments at 1 January 2017</b>	<b>-584</b>	<b>-413</b>	<b>-126</b>	<b>0</b>	<b>-</b>	<b>-1,123</b>
Foreign currency translation adjustments	2	-	1	-	-	3
Earnings for the year	303	0	-	-	-	303
Approved dividend	-243	-	-	-	-	-243
Other adjustments	295	-	125	-	-	420
<b>Value adjustments at 31 December 2017</b>	<b>-227</b>	<b>-413</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-640</b>
<b>Carrying amount at 31 December 2017</b>	<b>1,710</b>	<b>0</b>	<b>707</b>	<b>207</b>	<b>26</b>	<b>2,650</b>
Carrying amount at 31 December 2016	1,303	0	28	250	37	1,618

### Note 4.3: Investments (continued)

Amounts in DKK million

Equity investments in group companies

Share of book value

Name	Registered office	Equity interest	Share capital	Parent company 2017
DSB Ejendomsudvikling A/S	Denmark	100%	DKK 100 mill.	685
Kort & Godt A/S	Denmark	100%	DKK 5.5 mill.	60
DSB Vedligehold A/S	Denmark	100%	DKK 28.5 mill.	559
DSB Sverige AB	Sweden	100%	SEK 5.1 mill.	63
- DSB Småland AB <sup>1)</sup>	Sweden	100%	SEK 1.1 mill.	-
DSB Deutschland GmbH	Germany	100%	EUR 25,000	4
- VIAS GmbH <sup>2)</sup>	Germany	50%	EUR 25,000	-
- VIAS Logistik GmbH <sup>2)</sup>	Germany	50%	EUR 25,000	-
Selskabet af 23.12.2014 A/S	Denmark	100%	DKK 0.5 mill.	1
Selskabet af 23.05.2017 46DD A/S	Denmark	100%	DKK 1.5 mill.	161
Selskabet af 28.08.2017 67DD A/S	Denmark	100%	DKK 1.5 mill.	177
DOT - Din offentlige Transport I/S <sup>2)</sup>	Denmark	33%	DKK 0.3 mill.	0
BSD ApS	Denmark	100%	DKK 125,000	0
<b>Total</b>				<b>1,710</b>

<sup>1)</sup> The company ceased operating activity from 1 March 2014.

<sup>2)</sup> Recognised according to the principles of proportional consolidation.

The liquidation of DSB Øresund Holding ApS and DSB Øresund A/S concluded in April 2017. The liquidation proceeds to DSB and the minority shareholder amounted to DKK 0 million.

In 2017, DSB has sold the group company DSB Uppland AB.

### Accounting practices

Equity investments in group companies are measured according to the book value method. This means that equity investments are measured at the proportionate share of the companies' book value, calculated according to the accounting policies of the Group less or plus unrealised intragroup profits and losses.

Equity investments in group companies with a negative book value are measured at DKK 0, and any potential receivables from these companies are depreciated to the extent that the receivable is irrecoverable. To the extent that the parent company has a legal or actual obligation to cover a deficit exceeding the receivable, the remaining amount is recognised in Provisions.

The net value adjustment of equity investments in group companies is shown as Reserve for net value adjustment according to the book value method in equity, to the extent that the carrying amount exceeds the cost price.

In the parent company's income statement, the proportionate share of group companies' profit/loss after tax, less the proportionate share of internal profit/loss, is recognised.

### Note 4.3: Investments (continued)

Amounts in DKK million

Group	Equity investments in associated companies	Subordinated loan capital in associated companies	Other receivables	Financial investments, total
<b>Cost price at 1 January 2017</b>	<b>413</b>	<b>250</b>	<b>38</b>	<b>701</b>
Additions	-	3	1	4
Disposals	-	-46	-13	-59
<b>Cost price at 31 December 2017</b>	<b>413</b>	<b>207</b>	<b>26</b>	<b>646</b>
<b>Value adjustments at 1 January 2017</b>	<b>-413</b>	<b>0</b>	<b>-</b>	<b>-413</b>
Earnings for the year	0	-	-	0
<b>Value adjustments at 31 December 2017</b>	<b>-413</b>	<b>0</b>	<b>-</b>	<b>-413</b>
<b>Carrying amount at 31 December 2017</b>	<b>0</b>	<b>207</b>	<b>26</b>	<b>233</b>
Carrying amount at 31 December 2016	0	250	38	288

### Equity investments in associated companies

Amounts in DKK million

Name	Registered office	Equity interest	Share capital	Parent company 2017	Group 2017
Rejsekort A/S	Denmark	45.0%	114	0	0
Rejseplanen A/S	Denmark	48.4%	1	0	0
<b>Total</b>				<b>0</b>	<b>0</b>

### Accounting practices

Equity investments in associated companies are measured according to the book value method. This means that equity investments are measured at the proportionate share of the companies' book value, calculated according to the accounting policies of the Group less or plus unrealised intragroup profits and losses.

Equity investments in associated companies with a negative book value are measured at DKK 0 and any receivables from these companies are depreciated to the extent that the receivable is irrecoverable. To the extent that the parent company has a legal or actual obligation to cover a deficit exceeding the receivable, the remaining amount is recognised in Provisions.

Subordinated loan capital in associated companies and Other receivables are measured at amortised cost.

In both the Group's and parent company's income statement, the proportionate share of the associated companies' Profit/loss after tax, less the proportionate share of internal profit/loss, is recognised.

#### Note 4.4: Borrowing and liquidity

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
4,838	5,101	Bonds issued	5,101	4,838
199	0	Credit institutions	0	199
1,000	0	Short-term loans	0	1,000
404	322	Fair values of currency swaps on loans	322	404
<b>6,441</b>	<b>5,423</b>	<b>Total</b>	<b>5,423</b>	<b>6,441</b>

All foreign currency loans have been converted into DKK via currency swaps.

In the parent corporation and the Group, DKK 1,897 million of the debt portfolio was raised without state guarantee (2016: (DKK 3.082 million). The remaining loans are all guaranteed by the Danish state, to which a guarantee commission is payable.

The fair value of derivative financial instruments used for hedging of foreign exchange rate and interest rate risks associated with the above Borrowing and liquidity is DKK -827 million at 31 December 2017 (2016: DKK -573 million). Consequently, DKK -240 million is recognised in equity (2016: DKK -169 million).

At 31 December 2017, derivative financial instruments with a positive and a negative fair value were DKK 51 million (2016: DKK 69 million) and DKK 845 million (DKK 611 million).

### Accounting practices

Liabilities are recognised at the date of borrowing at the net proceeds received after deduction of transaction costs incurred. In subsequent periods, financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other financial liabilities are measured at amortised cost price.



**Note 4.5: Interest-bearing liabilities, net**

	<b>Group</b>	
<b>Amounts in DKK million</b>	<b>2017</b>	<b>2016</b>
Long-term loans	3,030	4,609
Current portion of non-current liabilities	2,071	229
Short-term loans	0	1,000
Credit institutions	0	199
Others	322	404
Subordinated loan capital	0	2
<b>Interest-bearing liabilities</b>	<b>5,423</b>	<b>6,443</b>
Cash and cash equivalents and securities	-402	-71
Deposits	-12	-88
Subordinated loan capital, receivable	-207	-250
<b>Interest-bearing assets</b>	<b>-621</b>	<b>-409</b>
<b>Total</b>	<b>4,802</b>	<b>6,034</b>

**Note 4.6: Net financial items, paid**

	<b>Group</b>	
<b>Amounts in DKK million</b>	<b>2017</b>	<b>2016</b>
Financial income	30	13
Financial expenses	-163	-317
Other, including financial instruments	-11	-62
<b>Total</b>	<b>-144</b>	<b>-366</b>

**Note 4.7 Minority interests**

The company's group company with minority shares included DSB Øresund Holding ApS in liquidation. The liquidation of DSB Øresund Holding ApS concluded in April 2017. The liquidation proceeds to DSB and the minority shareholder amounted to DKK [0] million.

**Accounting practices**

In the consolidated annual accounts, the group companies' items are recognised at 100 percent. The minority shareholders' share of the profit/loss for the year and of the equity in the group companies which are not owned 100 percent is included as part of the Group's profit/loss and equity, respectively, but is presented separately.

## Section 5 Taxation

Tax on the profit/loss for the year in 2017 totals in revenue DKK 17 million for the parent company and DKK 63 million was paid for the Group.

This section contains the following notes:

- 5.1 Tax on earnings for the year
- 5.2 Deferred tax liabilities

### Note 5.1: Tax on earnings for the year

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
70	-137	Tax on profit/loss for the year	-192	26
492	154	Change in deferred tax regarding the profit/loss for the year	128	461
-	-	Tax regarding internal profit	1	1
<b>562</b>	<b>17</b>	<b>Tax on profit for the year</b>	<b>-63</b>	<b>488</b>
0	0	Adjustment of tax relating to previous years	0	1
<b>562</b>	<b>17</b>	<b>Total tax</b>	<b>-63</b>	<b>489</b>
<b>Reconciliation of tax rate:</b>				
22.0%	22.0%	Tax on profit for the year	22.0%	22.0%
29.2%	-30.8%	Tax effect of non-taxable income and non-deductible expenses	-0.9%	4.3%
0.2 %	0.0%	Adjustment of tax relating to previous years	0.0%	0.9%
<b>51.4%</b>	<b>-8.8%</b>	<b>Effective tax rate for the year</b>	<b>22.9%</b>	<b>27.2%</b>
<b>98</b>	<b>6</b>	<b>Tax paid for the year</b>	<b>6</b>	<b>98</b>

### Accounting practices

The corporation is covered by the Danish rules on compulsory joint taxation of the Group's Danish Group companies. The group companies are included in the joint taxation from the time at which they are included in the consolidation and until they are excluded from the consolidation.

The parent corporation is the administration unit for the joint taxation and consequently settles all payments of corporation tax with the tax authorities.

The current Danish corporation tax is distributed by settlement of the joint taxation contributions between the jointly taxed companies relative to their taxable income. In this connection, any companies with a tax loss receive joint taxation contributions from companies that were able to use this loss to reduce their own tax profit.

The tax for the year, which comprises current corporation tax, the year's joint taxation contribution and changes in deferred tax, including differences as a consequence of changed tax rates, is recognised in the income statement with the share attributable to the profit/loss for the year and directly in equity by the share which may be attributed to items entered directly on equity.

Current tax liabilities and receivables are included in the balance sheet as calculated tax on the taxable income for the year adjusted for tax on the taxable income for previous years and tax paid on account.

Joint taxation contributions payable and receivable are included in the balance sheet as balances with group companies.

## Note 5.2: Deferred tax liabilities

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
1,505	1,010	<b>Deferred tax liabilities at 1 January</b>	918	1,390
-3	61	Adjustment at 1 January	62	-9
0	0	Adjustment regarding previous years	0	-1
-	-	Change in deferred tax regarding internal profit	-1	-1
0	0	Change in deferred tax regarding joint taxation	-	-
-492	-154	Change in deferred tax regarding the profit/loss for the year	-128	-461
1,010	917	<b>Deferred tax liabilities at 31 December</b>	851	918
<b>Deferred tax concerns:</b>				
3	1	Intangible assets	-5	-6
1,070	1,043	Tangible assets	1,034	1,028
24	4	Current assets	-26	-4
-87	-131	Other provisions	-151	-99
0	0	Current liabilities	0	0
-	-	Tax regarding internal profit	-1	-1
1,010	917	<b>Deferred tax liabilities at 31 December</b>	851	918

The Group's Danish companies are jointly and severally liable for tax on the consolidated taxable income etc. The total corporation tax liability is DKK 173 million at 31 December 2017 (2016: DKK 63 million). The Group's Danish companies are jointly and severally liable for Danish withholding tax in the form of tax on dividend, royalty and interest. Any subsequent corrections of corporation and withholding taxes may increase the corporation's liability.

DSB, Kort & Godt A/S, DSB Ejendomsudvikling A/S, DSB Vedligehold A/S and Selskabet af 23.12.2014 are jointly registered for VAT and payroll tax purposes and are jointly and severally liable for payment of the companies' aggregate VAT and payroll tax liabilities.

### Accounting practices

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items, where temporary differences, apart from business acquisitions, arise at the date of acquisition without affecting the profit/loss for the year or the taxable income. In cases where the calculation of the tax value may be made according to different taxation rules, deferred tax is measured on the basis of the management's planned use of the asset or settlement of the liability.

Deferred tax assets, including the value of a tax loss allowed for carryforward and net financing expenses, are recognised as an asset at the expected value of utilisation, either through elimination of tax on future earnings or by set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is adjusted for eliminations of unrealised intragroup profits and intragroup losses.

Deferred tax is measured based on the tax rules and tax rates in the individual countries applicable according to the legislation in force at the balance sheet date when the deferred tax is expected to crystallise as current tax.

## Section 6 Working capital

Most important items regarding working capital include inventories, receivables, prepayments and other debt.

This section contains the following notes:

- 6.1 Inventories
- 6.2 Receivables
- 6.3 Prepayments
- 6.4 Prepayments (liabilities)

### Note 6.1: Inventories

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
10	12	Fuel for train operation	12	10
0	0	Spare parts etc.	409	436
1	1	Sales from shops, etc.	37	39
<b>11</b>	<b>13</b>	<b>Total</b>	<b>458</b>	<b>485</b>

Spare parts, etc. are used for repairs and maintenance of trains. For certain groups of Spare parts, etc. there is an element of uncertainty surrounding the time of future use, just as emergency stocks are being built for critical product groups with a long delivery time.

As of 31 December 2017, there has been written down inventories due to unsaleability with a total of DKK 230 million (2016: DKK 232 million), almost entirely related to Spare parts, etc.

#### Accounting practices

Fuel for trains and Spare parts are measured at cost according to the average cost method. Cost comprises the purchase price plus delivery costs and any processing and other costs directly or indirectly attributable to inventories.

Goods for sale in shops etc. are measured at cost, calculated in accordance with the FIFO method. Cost comprises the purchase price plus delivery costs.

Inventories are written down to the lower of net realisable value and cost. The net realisable value for inventories is calculated as the sales amount less completion costs and costs incurred to effect the sale.

### Note 6.2: Receivables

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
		<b>Receivables from sales and services are as follows:</b>		
69	76	Receivables from issued control fees	76	69
79	193	Receivables, contract payment	183	79
340	296	Other receivables	435	473
<b>488</b>	<b>565</b>	<b>Total</b>	<b>704</b>	<b>621</b>

DSB is not significantly exposed to single customers, since receivables from sales and services are distributed across a significant number of customers, including private individuals, private companies and public institutions. For receivables from

sales and services, no significant security has been received. Deposits are considered as collateral for property owners from rental activity.

All Trade receivables are due within 1 year.

#### Provision for losses on receivables

Assessment of indications for loss of value of DSB's trade receivables are made continuously.

In the statement of provisions for expected losses, there has been made a segmentation of the population of Trade receivables. The segmentation separates the portfolio into types of customers, types of receivables and historical experiences in relation to determined losses. An average expected loss percentage is calculated on the basis of this segmentation.

There has been no provision for losses on Receivables from group undertakings, Receivable joint taxation contribution, Other receivables, Prepayments, Loan within the group undertakings or Subordinated loan capital in associated companies.

#### Accounting practices

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions for expected losses is based on historical experience and is made when there is an objective indication that a receivable or portfolio of receivables has lost value. If there is an objective indication that an individual receivable has lost value, the individual asset is written down for impairment.

#### Note 6.3: Prepayments

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
80	28	Prepaid costs etc.	35	87
8	8	Financial instruments	8	8
50	47	Prepaid wages and salaries and pension contributions (civil servants)	57	60
<b>138</b>	<b>83</b>	<b>Total</b>	<b>100</b>	<b>155</b>

#### Accounting practices

Prepayments (assets) comprise costs incurred relating to subsequent financial years.

#### Note 6.4: Prepayments (liabilities)

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
318	320	Tickets sold but not used	320	318
24	16	Financial instruments	16	24
418	575	Others	625	445
<b>760</b>	<b>911</b>	<b>Total</b>	<b>961</b>	<b>787</b>

Prepayments (liabilities) fall due in the following periods:

535	505	Within 1 year	555	562
225	406	After 1 year	406	225
<b>760</b>	<b>911</b>	<b>Carrying amount at 31 December</b>	<b>961</b>	<b>787</b>

#### Accounting practices

Prepayments (liabilities) comprise payments received regarding income in the subsequent financial years.

Sold but un-utilised travel capacity covers tickets sold where the travel time is after 31 December.

## Section 7 Financial conditions

DSB defines risk as an uncertainty associated with future targets that can have wide ranging impacts on security, punctuality, reputation and finances.

Financial risks include interest rates, foreign exchange rates, raw material prices, liquidity and counterparties.

Interest rate risks relate to changes in financing interest rates.

The primary currency risk relates to oil consumption and trade with international counterparties in EUR and SEK, respectively.

Raw material price risks relates to the risk associated with the purchase of electricity and oil.

Liquidity risks relates to the possibilities of providing liquidity - especially in a situation in which there is a crisis in financial markets.

Counterparty risk arises when counterparties fail to fulfil their obligations.

This section contains the following notes:

- |     |                                        |
|-----|----------------------------------------|
| 7.1 | Interest risk                          |
| 7.2 | Exchange rate risk                     |
| 7.3 | Raw materials price risk               |
| 7.4 | Liquidity risk                         |
| 7.5 | Counterparty risk                      |
| 7.6 | Market values recognised in the equity |

As a result of its operations, investments and financing, DSB is exposed to changes in risk relating to interest, exchange rates, raw material prices, liquidity and counterpart risks. The financial management aims to address the associated financial risks. The overall framework is set out in the financial policy, which is approved by the Board of Directors.

In accordance with this policy, DSB must monitor, calculate, administer and manage risks, in addition to continuously monitoring risk exposure and cash resources.

The purpose of the financial hedging is to limit and control the impact on profit caused by fluctuations in the financial markets. There are no significant changes in risk exposure or risk management compared with 2016.

### Accounting practices

Initial recognition of derivative financial instruments is made in the balance sheet at cost and they are subsequently measured at fair value. Positive and negative changes in fair values of derivative financial instruments are recognised in Other receivables and Other liabilities, respectively.

Changes in the fair value of derivative financial instruments which are classified as and meet the criteria for hedging of the fair value of a recognised asset or recognised liability are recognised in the income statement together with changes in the fair value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments which are classified as and meet the criteria for hedging of future assets or liabilities are recognised in Other receivables or Other liabilities and in Equity. If the future transaction results in the recognition of assets or liabilities, amounts previously recognised in equity will be transferred at the cost price of the respective asset or liability. If the future transaction results in income or expenses, amounts previous recognised as equity will be transferred to the income statement in the period in which the hedged item impacts the income statement.

In respect of derivative financial instruments which do not meet the conditions for treatment as hedging instruments, changes in the fair value are recognised in the income statement on an ongoing basis.



## Note 7.1: Interest risk

	Principal, local cur- rency (mil- lion)	Currency swap, DKK (million)	At variable interest rates	At fixed in- terest rates	Maturity term	Average ef- fective in- terest rate	Duration (years)	Market value of currency and inter- est swaps
<b>At 31 December 2017</b>								
NOK	800	781	-	100%	0.5	1.1%	0.5	-182
SEK	3,330	2,745	-	100%	2.1	0.4%	2.1	-173
JPY	20,000	1,314	-	100%	22.5	3.3%	15.3	-406
EUR	78	583	-	100%	4.0	2.6%	3.8	-66
<b>Portfolio</b>		<b>5,423</b>	<b>-</b>	<b>100%</b>	<b>7.0</b>	<b>1.4%</b>	<b>6.4</b>	<b>-827</b>
<b>At 31 December 2016</b>								
DKK	1,399	1,399	100%	-	0.2	0.2 %	0.1	
NOK	800	781	-	100%	1.5	1.1%	1.5	-143
SEK	2,800	2,335	42%	58%	2.6	0.4%	1.6	-87
JPY	20,000	1,314	-	100%	23.5	3.2%	16.1	-264
EUR	82	612	-	100%	4.8	3.0%	4.5	-79
<b>Portfolio</b>		<b>6,441</b>	<b>35%</b>	<b>65%</b>	<b>6.9</b>	<b>1.3%</b>	<b>6.0</b>	<b>-573</b>

As a result of financing activities, DSB is exposed to fluctuations in interest rates, both in Denmark and abroad. The primary interest rate exposure in this regard relates to fluctuations in CIBOR, NIBOR and EURIBOR. The policy is to raise all loans so that interest rate risks are only in CIBOR and EURIBOR. Interest rate risks are normally hedged using interest rate swaps in which variable rate loans are covered to a fixed rate.

Within a 12-month period, interest rate sensitivity must not exceed DKK 50 million (with one percentage point change in interest rates), the debt portfolio must have a duration of 3 to 10 years, and at least 50 percent of the liability portfolio must be at a fixed rate.

Accordingly, the weighted average duration of gross debt amounted to 6.4 years (2016: 6.0 years). Of the financial liabilities, 100 percent were converted to fixed rate with maturity of longer than one year (2016: 65 percent). Variable rate debt is adjusted regularly during the year.

## Note 7.2: Exchange rate risk

Currency risks in recognised financial assets and liabilities are hedged so that at least 75 percent of the risk is in DKK. In addition to this, risks in EUR or other currencies are only permitted if they are included in the Group companies' financing or hedging of exposure from Group companies.

The most significant currency exposure relates to loans in EUR, NOK, JPY and SEK, which are hedged using derivative financial instruments, currency swaps. After hedging, DSB is not exposed to significant currency risks from financing activities.

Other registered positions represent an insignificant share of the currency exposure; the future cash flow in currency is hedged 30-70 percent on average, as calculated for a rolling 12-month period.

Currency risks associated with operations are primarily related to oil consumption. Other currency risks in relation to trade with international counterparts are limited, apart from SEK and EUR.

DSB is exposed to currency risks in relation to the signed contract in SEK concerning maintenance of the Swedish Øresund train set and in EUR in relation to the purchase of rolling stock.

Equity investments in foreign Group companies whose net assets are impacted by currency exchange rate fluctuations in the translation to DKK in the consolidated financial statements. This translation risk is not hedged.

DSB has no further significant exchange rate risks.

### The hypothetical impact on profit for the year and equity due to sensitivity to changes in exchange rates is as follows:

	Nominal position in local currency (million)				Sensitivity in DKK million		
	Cash and cash equivalents, and receivables, total	Financial liabilities (non-derivative)	Derivative financial instruments for securing future cash flows	Total	Change in exchange rate	Hypothetical impact on Profit before tax	Hypothetical impact on equity before tax
<b>At 31 December 2017</b>							
NOK	0	-800	800	0	10.0%	0	0
USD	0	-28	27	-1	10.0%	-1	116
SEK	97	-3,349	3,021	-231	10.0%	-17	-17
JPY	0	-20,000	20,000	0	10.0%	0	0
EUR	4	-83	78	-1	0.5%	0	0
<b>At 31 December 2016</b>							
NOK	-1	-800	800	-1	10.0%	0	0
USD	-2	-29	32	1	10.0%	1	119
SEK	19	-2,823	2,927	123	10.0%	10	21
JPY	0	-20,000	20,000	0	10.0%	0	0
EUR	2	-91	82	-7	0.5%	0	0

The position in SEK is a hedge of future cash flow.

Conditions for sensitivity analysis:

- Unchanged price and interest rate level.
- Financial instruments which are recognised in the balance sheet at 31 December 2017 (2016).

### Note 7.3: Raw materials price risk

Amount in DKK million	Nominal			Sensitivity		
	Market value of raw material swaps	Next year's expected raw materials consumption	Raw materials agreements	Change in energy price	Hypothetical impact on Profit before tax	Hypothetical impact on equity before tax
<b>At 31 December 2017</b>						
Raw materials – oil	27	55,670 tons	49,200 tons	10.0%	0	18
Raw material – electricity	2	323,667 mWh	276,779 mWh	10.0%	0	7
<b>At 31 December 2016</b>						
Raw materials – oil	-2	59,566 tons	55,200 tons	10.0%	0	20
Raw material – electricity	11	343,445 mWh	236,460 mWh	10.0%	0	5

Conditions for sensitivity analysis:

- Financial instruments which are recognised in the balance sheet at 31 December 2017 (2016).

DSB uses oil and electricity in its operations and is therefore exposed to raw material price risks, the exposure must be hedged. The hedging is ongoing throughout the year and is carried out through the conclusion of raw materials futures contracts.

88 percent of the expected oil consumption in 2018 covered per. 31 december 2017 (2016: 93 percent). Corresponding electricity consumption has covered 86 percent by 31 december 2017 of the expected consumption in 2018 (2016: 69 percent).

### Note 7.4: Liquidity risk

Amounts in DKK million						
Group	Carrying amount	Contractual cash flows, total	Within 1 year	Years 1 – 5	After 5 years	
Long-term loans and Subordinated loan capital - principal	5,101	5,423	2,071	1,666	1,686	
Long-term loans and Subordinated loan capital - interest	561	1,718	357	220	1,141	
Other financial instruments	-33	-37	-29	-8	-	
Short-term loans and Credit institutions	0	0	0	-	-	
Trade accounts payables	1,452	1,452	1,452	-	-	
<b>In total, at 31 December 2017</b>	<b>7,081</b>	<b>8,556</b>	<b>3,851</b>	<b>1,878</b>	<b>2,827</b>	

Amounts in DKK million						
Group	Carrying amount	Contractual cash flows, total	Within 1 year	Years 1 – 5	After 5 years	
Long-term loans and Subordinated loan capital - principal	4,840	5,242	229	3,483	1,530	
Long-term loans and Subordinated loan capital - interest	573	1,540	96	283	1,161	
Other financial instruments	-31	-35	-27	-6	-2	
Short-term loans and Credit institutions	1,199	1,199	1,199	-	-	
Trade accounts payables	1,639	1,639	1,639	-	-	
<b>In total, at 31 December 2016</b>	<b>8,220</b>	<b>9,585</b>	<b>3,136</b>	<b>3,760</b>	<b>2,689</b>	

The positive liquidity means that all due loans during 2017 were repaid. In connection with the purchase of 67 double-decker coaches, a 10-year serial loan of a nominal value of SEK 530 million.

Pursuant to the policy, DSB must at all times maintain sufficient cash resources. The target is to have a cash reserve corresponding to the development in the approved budget year's expected net debt plus DKK 200 million, though at least DKK 1.0 billion. The cash reserve is calculated as cash at bank and in hand plus access to drawing on bank facilities.

At 31 December 2017, agreements were concluded on revocable bank facilities of DKK 1,850 million and irrevocable bank facilities of DKK 2,150 million, with expiry during the period 2018-2022 (2016: revocable of DKK 1,500 million and irrevocable of DKK 2,500 million, with expiry during the period 2017-2021). Of these cash resources, DKK 4,346 million is not utilised. (2016: DKK 2,447 million).

#### Note 7.5: Counterparty risk

Counterparty risk arises when financial derivative instruments are concluded to hedge the Group's financial risks or when liquidity is placed with financial counterparties. The risk is that the counterparties will fail to fulfil their obligations.

Cash and cash equivalents are placed in banks and agreements on financial instruments have been entered into with financial institutions rated at least A based on Standard & Poor's rating.

Receivables from derivative financial instruments, cash surplus and deposits total DKK 527 million at 31 December 2017. (2016: DKK 228 million). If the access to offsetting exposure in financial contracts with financial counterparties is recognised, the receivables from these three items total DKK 66 million at 31 December 2017. (2016: DKK 12 million).

#### Note 7.6: Market values calculated in the equity

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
-51	-157	Exchange rate swaps	-157	-51
-117	-83	Interest rate swaps	-83	-117
11	2	Electricity price swaps	2	11
-2	27	Oil price swaps	27	-2
22	-8	Forward exchange contracts	5	21
30	48	Deferred tax	45	-30
<b>-107</b>	<b>-171</b>	<b>Total</b>	<b>-161</b>	<b>-108</b>

The fair value of the received financial instruments that are classified as ensuring future cash flows are recognised directly in the equity.

## Section 8 Other notes

This section includes notes that are significant but not related to the other sections.

In 2017, the Group made a number of property sales where the net profit is recognized under Other operating income.

This section contains the following notes:

- 8.1 Other provisions
- 8.2 Contingent assets and liabilities, as well as other economic obligations
- 8.3 Related parties
- 8.4 Gain and loss on sale and scrapping of intangible and tangible assets
- 8.5 Events after the balance sheet date

### Note 8.1: Other provisions

Amounts in DKK million

Parent corporation	Restructuring Staff	Other liabilities	Other provisions total
<b>Other provisions at 1 January 2017</b>	<b>0</b>	<b>29</b>	<b>29</b>
Provisions	68	4	4
Applied	-	-2	-2
Reversed	-	-	0
<b>Other provisions at 31 December 2017</b>	<b>68</b>	<b>31</b>	<b>31</b>

Amounts in DKK million

Group	Onerous contracts	Restructuring Staff	Other liabilities	Other provisions total
<b>Other provisions at 1 January 2017</b>	<b>23</b>	<b>0</b>	<b>41</b>	<b>64</b>
Provisions	9	77	8	17
Applied	0	-	-1	-1
Reversed	-	-	-10	-10
<b>Other provisions at 31 December 2017</b>	<b>32</b>	<b>77</b>	<b>38</b>	<b>70</b>

Restructuring – Staff primarily involves obligations regarding former civil servants.

Onerous contracts involve provisions for expected losses in the remaining contract period in VIAS GmbH.

Other provisions include obligations regarding civil servants on loan and compensation obligations, etc.

### Accounting practices

Provisions are recognised when DSB, as a consequence of an event that occurred at the balance sheet date at the latest, has a legal obligation or an actual obligation, and it is likely that financial advantages must be given up to meet that obligation.

Provisions are recognised and measured as the best estimate of the costs necessary to liquidate the obligations. If fulfilment of the obligation is expected to be far in the future, the obligation is measured at fair value.

## Note 8.2: Contingent assets and liabilities, as well as other economic obligations

Parent corporation			Group	
2016	2017	Amounts in DKK million	2017	2016
4	0	Contingent assets	0	4
179	202	Contingent liabilities	308	305
2,915	3,414	Other financial investment liabilities	2,528	2,998

Contingent liabilities include guarantees of a total of DKK 146 million. (2016: DKK 161 million) for the Group companies. These consist of operating guarantees to the contracting authorities, as well as guarantees to the lessor in connection with the lease of trains.

In 2009, via a supplementary agreement with the Danish Ministry of Transport, DSB committed to invest up to DKK 1,000 million in parking facilities, etc. in order to ensure effective access to and from rail traffic to increase the number of passengers over the period of 2009 to 2020. Investments and the related operation are financed through the sale of vacant land and commercial properties and through any applicable public or private co-financing. DSB has pledged funding of DKK 720 million. As of 31 December 2017, DSB has sold vacant land at a total profit of DKK 1,040 million (2016: DKK 783 million) and has invested and incurred operating costs totalling DKK 325 million. (2016: DKK 304 million).

DSB continuously pays a pension contribution for civil servants calculated as a percentage of the pensionable salary to cover the government's pension obligation towards civil servants. At retirement, the state is finally taking over the pension obligation. The contribution rate for the current pension contributions is based on assumptions about expected retirement age and wage development, etc. Deviations from these assumptions may in certain circumstances result in a post-adjustment of contributions in the form of an additional payment to or from the state at the time of retirement. The contribution rate was 26 percent in 2017. In 2017, DSB entered into an agreement for risk of part of the future pension payment, so that the pension rate from 2018 will amount to fixed 15 percent.

DSB has an obligation to pay the payroll for three years to civil servants who are dismissed by an official for the irrevocable cause, cf. section 32 of the Civil Service Act. DSB also has an obligation to the Modernization Board to pay pension contributions for civil servants up to the expected retirement age of 62 years. At the balance sheet date, DSB has recognized only a liability for redundancies.

DSB is a party to a small number of pending cases. The outcome of these cases, individually or jointly, is not expected to have a significant impact on the financial position of the Company.

In Other investment liabilities, there is included leasing of rolling stock amounting to a total of DKK 112 million (2016: DKK 184 million), of which DKK 41 million falls due for payment in 2018 (2016: DKK 80 million) and DKK 71 million in the years 2019-2020 (2016: DKK 104 million in the years 2018-2020).

As part of the agreement with Rejsekort A/S concerning the use of the Rejsekort system, DSB is obliged to pay an annual subscription fee until 2028. (2016: DKK 131 million). The total liability has been calculated to DKK 1,565 million (2016: DKK 1,590 million), of which DKK 138 million is due 2018 (2016: DKK 131 million) and DKK 567 million is due in the period 2019-2022 (2016: DKK 524 million in the period 2018-2021.)

DSB have outsourced the majority of its IT operations covering IT services and support to end-users as well as operation of networks, telephony, data centres and systems. The total liability in this regard is DKK 108 million (2016: DKK 247 million), of which DKK 67 million is due in 2018 (2016: DKK 112 million) and DKK 41 million (2016: DKK 135 million in 2018-2019) is due in 2019.



DSB have concluded a lease for Telegade 2 in Taastrup. The lease is non-terminable by DSB for the period until 2021 for parts of the premises and 2026 for other parts of the premises. The maximum commitment in this regard is DKK 219 million (2016: DKK 240 million), of which DKK 33 million (2016: DKK 32 million), is due in 2018 and 114 million is due for payment in the period 2019-2022 (2016: DKK 117 million in the period 2018-2021.)

As part of its normal business operations, DSB has service and maintenance obligations as well as purchase and selling obligations.

In addition, Other investment obligations include contracts regarding investment in tangible assets. The remaining purchase obligation regarding IC2 and IC4 train sets at 31 December 2017 has been calculated to amount to a total of DKK 0 million (2016: DKK 6 million) before discounts. The remaining purchase obligation regarding 67 double-decker coaches at 31 December 2017 totals DKK 0 million. (2016: (DKK 585 million) as they bought in 2017.

DSB is interest in DOT – Din offentlige Transport I / S and is jointly liable for the total debt and obligations of the partnership.

### Accounting practices

Contingent assets and liabilities, as well as other financial obligations, include conditions or situations existing at the balance sheet date, but whose accounting effects cannot be finally determined until the outcome of one or more uncertain future events becomes known.

### Note 8.3: Related parties

Related parties	Basis
The Ministry of Transport, Building and Housing	100% owner
Board of Directors and Executive Board	Management control

DSB's transactions with the Ministry of Transport, Building and Housing and related agencies and institutions (primarily the Danish Transport, Building and Housing Authority and Banedanmark) comprise:

	Group	
Amounts in DKK million	2017	2016
<b>Income</b>		
Income from transport contracts, net	4,109	4,178
Bonus relating to transport contracts	0	6
Other rental and sale of repairs, goods and services	29	16
<b>Expenses, etc.</b>		
Infrastructure and capacity charges	670	644
Guarantee commission to the Danish state	17	16
<b>Prepayments</b>		
Pre-paid contract payment	393	261

Transactions with related parties are conducted on market terms, including on the basis of cost allocation. The transactions are disclosed due to their special nature.

In 2016, DSB received a contribution of tangible assets, in the form of Carlsberg Station, from the Ministry of Transport, Building and Housing, totalling DKK 53 million.

**Note 8.4: Gain and loss on sale and scrapping of intangible and tangible assets**

Amounts in DKK million	Group	
	2017	2016
Gain on sale of intangible and tangible assets	276	212
Gain and loss on sale and scrapping of intangible and tangible assets	-10	-23
<b>Total</b>	<b>266</b>	<b>189</b>

**Note 8.5: Events after the balance sheet date**

As announced October 13, 2017, DSB has entered a conditional agreement on the sale of former DSB's office property at Kalvebod Brygge 32 in Copenhagen. The sale is finally completed in February 2018.

Moreover, events after 31 December 2017 have not occurred, which, in the opinion of the management, have a significant impact on the assessment of the 2017 annual report.

**Other conditions**

The Operating Director Anders Egehus has resigned from the Executive Board per. 31 December 2017 in connection with his resignation.

# Operating activities

## Transport contract 2015-2024

The Ministry of Transport and DSB concluded a new transport contract in 2015, which specified the services DSB would be supplying during the contract period.

The contract concluded with the Ministry of Transport is a 10-year contract on the condition that DSB meets the operator punctuality and efficiency requirements.

Operator punctuality is the total punctuality, with deductions for delays due to circumstances for which DSB is not responsible. The requirement of operator punctuality is considered met if the requirements for Long-distance & Regional train traffic, as well as S-train, are all fulfilled within a calendar year.

Efficiency is measured according to revenue coverage, which is passenger revenue per DKK 1 of expenses.

DSB receives one point for each year the operator punctuality requirement is met, and one point for each year that the efficiency requirement is met. If DSB earns fewer than five points in total during the period 2015-2019, the transport contract can be terminated wholly or partially with effect at 31 December 2021.

DSB achieved points for operator punctuality in 2015 and efficiency requirements in 2015 and 2016. In 2017 DSB achieved points for both operator punctuality and efficiency requirements. Thereby DSB have already achieved all 5 points in total by the end of 2017, as was expected by the end of 2019.

In December of 2017, DSB entered into a new supplementary contract with the Ministry of Transport, Building and Housing. The supplementary contract reduces the contractual payment by 2,3 billion in the remaining period of the contract (2018-2024).

## Productivity

**Table 1: Number of full-time employees**

	Increase			
	2017	2016	Abs.	Pct.
Danish activities	7,041	7,056	-15	0
Swedish activities	-	96	-96	-
German activities <sup>1)</sup>	91	87	4	5
<b>Number of full-time employees – year-end</b>	<b>7,132</b>	<b>7,239</b>	<b>-107</b>	<b>-1</b>
<b>Average number of full-time employees in total</b>	<b>7,292</b>	<b>7,285</b>	<b>7</b>	<b>0</b>

<sup>1)</sup> Costs related to these full-time employees are recognised in Staff costs on a pro rata basis by 50 percent.

The decrease in the number of full-time employees in the Danish activities is, among other things, a result of fewer employees in 2017 due to discontinued activities that include the closing down of stores, converting Jernbanemuseet (the Rail Museum) to a commercial foundation and also traffic handovers. This is partly counteracted by the hiring of more workshop employees with a view to reducing the number of rolling stock faults causing delays.

The reduction of 96 employees in the Swedish activities is due to the fact that DSB Uppland was sold to Transdev Sverige in September 2017.

**Table 2: Productivity in the Danish train activities**

	Increase			
	2017	2016	Abs.	Pct.
Costs per seat kilometre <sup>1)</sup> (øre/km)	57	56	1	2
Number of train kilometres per employee	11,809	12,006	-197	-2
Number of train journeys per employee <sup>2)</sup>	40,320	40,760	-440	-1

<sup>1)</sup> Costs per seat kilometre are calculated as the number of seats contained in a litra unit multiplied by the number of litra-kilometres travelled. The calculation includes depreciation, but is adjusted for non-recurring items.

<sup>2)</sup> The number of train journeys per employee in 2016 has been adjusted with the reduction in the number of journeys resulting from the transference of the Grenaa line and the regional train traffic in North Jutland.

The number of train journeys per employee fell by 1 percent. The drop can be ascribed to the fact that the number of journeys in S-trains was challenged as a result of track work - mainly on the City line.

## Punctuality

Table [3]: Operator punctuality <sup>1)</sup>				
Percent	Increase			
	2017	2016	Abs.	Per-centage points
Long-distance & Re-gional Trains <sup>2)</sup>	94.4	92.0	2.4	3
S-trains	98.6	98.4	0.2	0

<sup>1)</sup> Operator punctuality is the total punctuality, less any delays due to circumstances for which DSB is not responsible. Arrivals are considered punctual if they are less than 3 minutes delayed. Cancellations due to circumstances at DSB that are not notified 72 hours in advance are calculated as a delay.

<sup>2)</sup> Operator punctuality for Long-distance & Regional trains has in 2017 been corrected for three operational problems that the Ministry of Transport, Building and Housing has approved.

Operator punctuality in Long-distance & Regional trains has risen from 92.0 percent in 2016 to 94.4 percent in 2017. The increase is due to fewer delays and cancellations, as a result of fewer defects in the rolling stock in addition to the time tables for 2017 having been more robust. The operator punctuality of 94.4 percent exceeds the traffic contract's target of 93.9 percent.

Operator punctuality for S-trains has risen by 0.2 percentage points to 98.6 percent in 2017. It still exceeds the traffic contract's target of 97.5 percent. The increase is in particular due to the fact that there have been fewer faults in the rolling stock - including fewer faults in the rolling stock due to the new signal system (CBTC) compared to 2016.

Table 4: Customer punctuality <sup>1)</sup>

	Percent		Increase	
	2017	2016	Abs.	Per-centage points
Long-distance & Re-gional Trains	79.4	74.0	5.4	7
S-trains	91.8	92.6	-0.8	-1

<sup>1)</sup> Customer punctuality for Long-distance and Regional Train traffic is defined as the number of passengers riding on punctual trains in relation to the total number of passengers. Customer punctuality for the S-train network is defined as the proportion of passengers which may arrive punctually on the basis of passengers' expected travel pattern and the operated train traffic. Arrivals are considered punctual if they are less than 3 minutes delayed. Cancellations which are not notified 72 hours in advance are counted as a delay. Customer punctuality in Long-distance & Regional trains has risen by 5.4 percentage points to 79.4 percent in 2017.

The time table for 2017 (K17) which entered into effect in December 2016 has been more robust than K16 (Timetable 2016). At the same time, there have generally been fewer delays and cancellations in 2017 compared to 2016 - including fewer rolling stock errors, track works and weather events such as leaf fall, snow, ice and storms.

Customer punctuality is still negatively impacted by a rising number of incidents on the infrastructure, such as track and signal errors. In addition to this, more delays than usual from abroad - and in particular Sweden - have impacted customer punctuality negatively in 2017.

In S-trains, customer punctuality fell from 92.6 percent in 2016 to 91.8 percent in 2017. Among other things, this is due to a large increase in safety mechanism errors in the old signal control facility, in addition to various delaying effects of numerous and large infrastructure projects on the S-train tracks.

Banedanmark's new signal system (CBTC), which has been rolled-out on the line between Hillerød and Jægersborg, is still presenting challenges. Other infrastructure challenges, such as problems with tracks and

power for the train engines in addition to external issues such as serious incidents or accidents or vandalism have also to a great extent impacted customer punctuality for S-train in 2017.

## Customers

In 2017, 188.2 million journeys were carried out via DSB in Denmark. This amounts to a decrease of 2 percent, mainly driven by a decrease in the number of journeys in S-trains.

**Table 5: Total journeys**

1,000 journeys	Increase			
	2017	2016 <sup>1)</sup>	Abs.	Pct.
Long-distance & Regional Trains	75,928	75,465	463	1
East (Zealand)	53,441	52,895	546	1
West (Jutland and Funen)	13,810	13,860	-50	0
East/West (across the Great Belt)	8,010	7,982	28	0
Others	667	728	-61	-8
S-trains	112,286	116,271	-3,985	-3
<b>Denmark, total</b>	<b>188,214</b>	<b>191,736</b>	<b>-3,522</b>	<b>-2</b>
<b>Sweden, total</b>	<b>2,733</b>	<b>3,900</b>	<b>-1,167</b>	<b>-30</b>
<b>Germany, total</b>	<b>2,165</b>	<b>2,165</b>	<b>0</b>	<b>0</b>
<b>Total number of customers</b>	<b>193,112</b>	<b>197,801</b>	<b>-4,689</b>	<b>-2</b>

<sup>1)</sup> Customers in Denmark (counted as numbers of journeys) in 2016 has been adjusted in relation to previously published figures as a result of final counts of travels, etc. 2016 figures are also adjusted with the handover of activities on the Grenaa line and the regional traffic in North Jutland by approximately 0.9 million journeys in the West.

Long-distance & Regional trains had 75.9 million journeys in 2017 versus 75.5 million journeys in 2016, which has been influenced by more journeys in the East (Zealand).

The traffic in the East (Zealand) has increased by 1 percent. The increase is mainly due to more travellers on Zealand in the Greater Copenhagen area and returning customers who were impacted by the ID controls in Sweden in 2016 and the beginning of 2017. This is par-

tially matched by large track works on Kystbanen (the Coast Line) and the Øresund line in 2017.

In the West (Jutland and Funen), the number of journeys are at the level with 2016. In 2017, activities in the West were affected by the new travel regulations for Youth Cards, as the user payment for the most expensive Youth Cards has seen a significant increase. Compared to previously, the number of journeys in 2016 was adjusted for the transference of the activities on the Grenaa line in August 2016 as a consequence of the establishment of the Aarhus Light Rail, and the transference of regional traffic in North Jutland to Nordjyske Jernbaner in August 2017.

The development in the number of East/West journeys (between regions) is on the same level as that in the same period in 2016, which was affected by major track works on Funen. The number of journeys has been positively affected by an increase in the number of Orange-tickets sold. In 2017 1.3 Orange-tickets were sold for East/West journeys compared to 0.9 million Orange-tickets in 2016. DSB's market share across the Great Belt is similar to that of the same period in 2016, despite the fact that the new payment regulations for Youth Cards have led to an estimated drop in the number of journeys by 0,2 million.

S-trains had 112.3 million journeys in 2017, which is a decrease of 3 percent. A large part of the decrease is due to more rail track works in 2017 compared to 2016, particularly on the City line, which impacts the entire S-train network. The ongoing work on the new signal system and minor, unplanned track work also affected the number of journeys.

The decrease in the number of Swedish activities is due to the fact that DSB Uppland was sold to Transdev Sverige in September 2017.

### Customer satisfaction

Until April of 2017, customer satisfaction was measured on a quarterly basis, but in order to track customer satisfaction more closely it is

now measured on a monthly basis. DSB focuses on the customers' experience of the current journey as well as their more general perception of a journey with DSB. The questionnaires are distributed on a basis that reflects the actual distribution of journeys. This means that more questionnaires are distributed on lines with many journeys than on lines with fewer journeys. The responses are also representative of the actual distribution by travel time of day and weekday/weekend.

Based on these surveys, DSB has identified the five most important areas for achieving high customer satisfaction:

- Punctuality
- Traffic information
- Personal comfort
- Cleaning and safety
- Products and service

DSB has established action plans for each of these areas in addition to fixed KPIs as a way to focus on making improvements in each individual area and increase overall customer satisfaction.

Table 6: Customer satisfaction				
Score (1-10)	Increase			
	2017	2016	Abs.	Pct.
Satisfaction with the journey (Long-distance & Regional Trains)	7.8	7.7	0.1	1
Satisfaction with Long-distance & Regional Trains in general	6.9	6.9	0.0	0
Satisfaction with the journey (S-trains)	8.0	8.0	0.0	0
Satisfaction with S-trains in general	7.6	7.7	-0.1	-1
Satisfaction with the journey (all of DSB)	7.9	7.9	0.0	0
Satisfaction with DSB in general	7.3	7.4	-0.1	-1

For all of DSB, the satisfaction with the journey is 7.9, and thereby unchanged compared to 2016. However, the satisfaction levels with DSB in general have fallen marginally.

For Long-distance & Regional Trains, satisfaction rose marginally in 2017 compared to 2016.

The following factors in particular were the cause of rising customer satisfaction:

- The trains' general compliance with the schedule on the journey in question
- The trains' general compliance with the schedule in general
- Internet on the trains

On Long-distance & Regional trains, there are rising levels of satisfaction in particular on the following lines: Odense-Ringe-Svendborg and Aalborg-Hjørring.

For S-trains, the satisfaction with this journey was unchanged compared to 2016. However, satisfaction with travelling on S-trains in general dropped marginally.

The following factors in particular were the cause of this decline in satisfaction:

- The trains' general compliance with the schedule in general

The falling satisfaction is particularly visible on the Farum line and the Høje Taastrup line.

#### Service the DSB Way (Service på DSBsk)

Service the DSB Way continued in 2017, and with several new targeted activities in addition to a new e-learning process across the entire organisation, it still maintains its focus on delivering good and uniform service from all employees. The customers have noted the effect of these initiatives, as there has been a rising level of satisfaction with DSB staff despite operational challenges.

#### Food and refreshments

In June 2017, DSB expanded on the sales concept in the trains so that, beyond snacks and soft drinks, there was now also to be sold coffee on the inter-regional trains. The customers appreciated this. On both Facebook

and in the trains, the response has been positive. At the same time, DSB is working on installing drink vending machines in the inter-regional trains (IC3 and IC4 train sets). At the end of 2017, vending machines have been installed in 80 percent of the train sets.

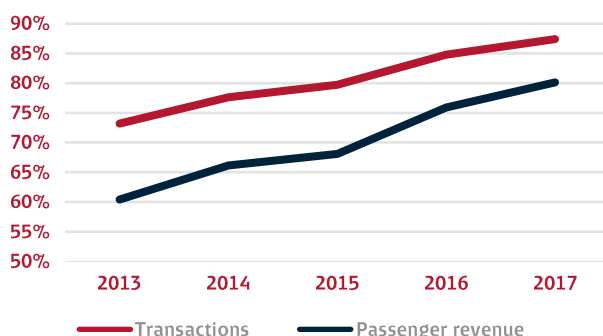
#### Digitisation and self-service

Even more customers have made use of the digital self-service offers in 2017, and the degree of self-service at the end of 2017 was at 87.4 percent, which is 2.6 percentage points higher than at the end of 2016. The turnover on the self-service channels is 80 percent of the total passenger revenue. In the app, the turnover has increased by 68 percent to DKK 761 million compared to 2016. By the end of 2017, the number of active users of the app was 18 percent higher than at the end of 2016.

The development is partially driven by the general (societal) trends, where more and more people are embracing digital options (especially the use of the DSB and DOT app), and partly by the greater availability of Rejsekort (Travel Cards) after the introduction of Takst Sjælland (Fare Zealand). At the end of 2017, there were 2.4 million active travel cards (Rejsekort), an increase of 21 percent in comparison to the end of 2016.

**Figure 1: Self-service**

Share in %



#### Revenue Management

Revenue Management aims to optimise revenues from commercial products and ensure increased capacity utilisation. In June 2017, DSB started using a new optimisation tool, called Revenue Optimizer. The revenue optimisation of dynamic prices is based on expected demand, time of day and day of the week. Furthermore, Revenue Optimizer contains an improved campaign module, a new event and season module, and updates so that the management mechanisms take place in real time. At the same time as the launch of Revenue Optimizer, the reserved seat ticket was separated from Orange.

#### Fraud

In 2017, there has been a focus on reducing fraud with payment cards in DSB's self-service channels. In March 2017, 3D secure for Visa/Mastercard was implemented, and in the second half of 2017 implementation has started on an equivalent solution for Dankort.

#### More focus on customer needs

In 2017, DSB has prepared one of the market's largest segmentation analyses in order to gain knowledge about our customers and non-customers. This knowledge forms the basis for creating better products and services and to optimize marketing.

#### Digital development

Digitalisation provides DSB with better opportunities to work with streamlined and targeted marketing for customers with messages that will seem more relevant to the individual recipient. Thus, there has been added digital competencies and initiatives aimed at contributing towards making the customers' encounter with DSB in marketing contexts even better.

#### Campaigns

In 2017, the campaign focus was Orange, with messages about train at cheaper prices – including more departures to 99 DKK on the line Aarhus - Copenhagen. This has also been in light of the increased competition from newly



arrived bus companies from abroad that have increased the marketing focus on the offers of attractive prices and good products. In a similar, there has been launched a large Orange campaign which has spread awareness of cheap prices in the run-up to Christmas through a multi-channel approach where both TV, outdoors, events, online marketing, social media and influencers have been part of the marketing plan in order to reach a wide spectrum of current and potential customers. The campaign has been a success, and it achieved its revenue target by 200 percent.

Throughout all of 2017, the focus has been on communicating the advantageous offers for young people through Youth Tickets, since the focus in general is on making young people take the train. It is in particular the young people that we wish to reach with our new communication channel, Snapchat, which now has 4,000 followers.

#### Partnerships

DSB has strengthened the strategic direction for commercial partnerships in 2017, with the aim of creating more value for DSB Plus customers, both inside and outside the train. From 2017, DSB has been able to offer DSB Plus members free e-books and articles on the train journey, music from well-known artists or visits Tivoli, and where our members can also visit DSB's station, Hjulskøbing, at the Open Air Stage.

#### Customer Centre and Ticket Sales

Customer satisfaction with customers centre and ticket sales remains very high, with a score of 9 on a scale of 0-10. The number of customers that make personal inquiries to DSB has, in comparison to 2016, fallen by 5.4 percent - to 2.2 million inquiries in 2017. This covers a significant decline of 26 percent in the Ticket Sales' traditional counter work (Copenhagen Airport not included). This is first and foremost a result of the reduced number of counters after moving to smaller premises at Copenhagen Central Station and Odense, but

also a high degree of help-for-self-help service on the ticket machines (the same amount as on counter sales).

At the same time, there has been a slight increase of 3.4 percent in the number of inquiries received by the Customer Centre. The increase is due to the extraordinary workload involved in refunding the clip cards after they expired in January 2017, in addition to a large amount of inquiries related to the rejsekortet (Travel Card) in connection with the launch of commuter cards on rejsekortet over the summer 2017.

In 2017, the customer centre services for domestic and foreign travel were organisationally merged with Ticket Sales (DSB Sales & Service). By doing so, it is ensured that the personal service is provided uniformly across these two channels and that there is a greater flexibility in making use of the employees' resources. This benefits the customers as it results in shorter waiting times, and it simultaneously increases the productivity.

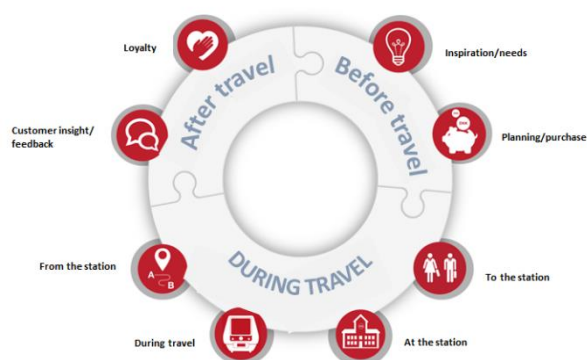
#### Fare reforms

In 2017, DSB has continued working on reforming the fare systems in Denmark. In January of 2017, a fare reform on Zealand entered into force, which created a collective fare area on Zealand and was the largest reorganisation of the fare systems in Denmark in 40 years.

In parallel to Fare Zealand, DSB has participated in an effort involving a reform of the fare systems in Western Denmark (Fare West). In 2017, DSB has put a lot of work into completing this reform so that it can, according to schedule, enter into force in March 2018. Just as with Fare Zealand, this is a task that involves a significant adaption of DSB's IT systems.

### The customer journey

During 2017, there has been a focus on building an overall understanding of the entire customer journey. This will form the basis for the efforts in the years ahead. DSB wants to build a stronger relationship with the customers before, underway and after the journey.



## Rolling stock situation

### The rolling stock situation has improved in 2017

DSB's rolling stock situation has improved in 2017 in comparison to 2016.

In 2017 launched a number of initiatives to improve the development in the number of kilometres between failures (MDBF – Mean time between failures).

These initiatives have contributed to bringing punctuality back to the level of the target in the traffic contract.

DSB remains focused on improving the maintenance of the rolling stock and on optimising the critical processes between operations and maintenance.

### Rolling stock

Table 7: Litra kilometres<sup>1)</sup>

Kilometre (1,000 )	Increase			
	2017	2016	Abs.	Pct.
IC4 train sets	6,488	6,538	-50	-1
IC3 train sets	30,985	30,736	249	1
IR4 train sets	9,135	9,301	-166	-2
Øresund train sets	8,342	8,892	-550	-6
Double-decker coaches	15,958	16,174	-216	-1
MR train sets	691	1,904	-1,213	-64
Desiro train sets	2,589	2,287	302	13
ME-diesel locomotives	3,724	3,636	88	2
EA-electric locomotives	154	142	12	8
S-train sets	17,344	17,310	34	0

<sup>1)</sup> Litra-kilometre is the aggregated number of kilometres travelled by DSB's locomotives, train sets and double-decker coaches in Denmark.

**Table 8: Number of kilometres travelled between incidents<sup>1) 2)</sup>**

Kilometre (1,000 )			Increase	
	2017	2016	Abs.	Pct.
IC4 train sets	4.5	3.6	0.9	25
IC3 train sets	42.8	33.3	9.5	29
IR4 train sets	12.4	10.9	1.5	14
Øresund train sets	21.2	21.3	-0.1	0
Double-decker coaches	18.2	19.7	-1.5	-8
MR train sets	10.2	9.7	0.5	5
Desiro train sets	14.1	17.6	-3.5	-20
ME-diesel locomotives	26.4	16.4	10.0	61
EA-electric locomotives	6.7	4.1	2.6	63
S-train sets	14.6	13.9	0.7	5

<sup>1)</sup> A technical incident on the rolling stock, which causes a delay.

**Table 9: Number of kilometres travelled between breakdowns<sup>1)</sup>**

Kilometre (1,000 )			Increase	
	2017	2016	Abs.	Pct.
IC4 train sets	27.1	27.9	-0.8	-3
IC3 train sets	469.1	409.7	59.4	14
IR4 train sets	194.2	290.4	-96.2	-33
Øresund train sets <sup>2)</sup>	N/A	160.6	N/A	N/A
Double-decker coaches	191.6	144.2	47.4	33
MR train sets	43.2	35.2	8.0	23
Desiro train sets	43.8	44.0	0.2	0
ME-Diesel locomotives	97.9	72.7	25.2	35
Ea-Electric locomotives	38.6	23.7	14.9	63
S-train sets	42.1	42.5	-0.4	-1

<sup>1)</sup> A train/train set which, due to a technical error, is cancelled and cannot complete its planned run while it is in operation.

<sup>2)</sup> Data for 2017 is not available.

The development in the reliability of DSB's rolling stock as seen in the tables above shows an increase in the number kilometres travelled between failures – except Desiro train sets, which operates a minor part of the total kilometres production.

#### IC4 train sets

In 2017, the IC4 train sets drove almost 6.5 million litre kilometres, which is a small decrease in comparison to 2016. Overall, the IC4 trains have run on approximately 16 percent of DSB's total diesel production in 2017. The

IC4 train sets have run for fewer litre kilometres than planned, which is due to the halting of passenger operations with IC4 in March 2017 due to issues with a hydraulic pump. In 2017, the IC4 train sets were primarily utilised in regional rail traffic in Jutland and on Zealand, but also selected departures in the long-distance rail traffic.

The operational stability of the IC4 train sets has generally improved in comparison to 2016, despite the incident with the hydraulic pump. Overall, the number of kilometres driven between incidents has increased by 25 percent in comparison to 2016. Despite the increase and a focused effort on improving the operational stability, DSB does however still expect that the IC4 trains stays the least operationally stable trains in DSB, until new electricity rolling stock is purchased and entered into operation.

#### IC3 train sets

It has been 28 years since the first IC3 train sets were delivered. They still form a core part of the train fleet. The IC3 trains have driven almost 31 million litre kilometres in 2017, which is 1 percent more than in 2016. The development is caused by IC3 train sets have been used for the journeys to Hamburg which were previously operated with leased trains from Deutsche Bahn. The IC3 train sets represented 70 percent of total travel with diesel trains.

The IC3 train sets have had a very positive development in terms of kilometres driven between incidents, which has risen by 29 percent from 2016 to 2017. The IC3 train sets therefore remain the most operationally stable rolling stock.

In 2017, DSB has decided that life-expectancy enhancing investments should be made to the IC3 train sets. With these investments, the plan is that the IC3 train sets will first be phased out between 2026 and 2028. The life-expectancy enhancements involve, among other things, repairs to the coaches,

renovation of floors in vestibules and control rooms, renovation of the roof under the air conditioners and replacement of chimneys and sound dampeners. The work will begin in 2018 and is expected to stretch over 4 years.

#### IR4 train sets

IR4 train sets are used both on Kystbanen (The Coast Line) and for Long-distance and Regional trains together with the IC3 train sets.

The IR4 train sets have driven 2 percent fewer litra kilometres in 2017 compared to 2016, which amounts to 9.1 million driven litra kilometres in 2017. The most significant causes for this are large infrastructure works in 2017 on Funen, Kystbanen and the rest of Zealand.

The IR4 train sets have also had a very positive development in terms of kilometres driven between incidents (mean distance between failures), which has risen by 14 percent from 2016 to 2017. The development in the number of kilometres between failures has, however, been negative, and this is due to the number of breakdowns being unusually low in 2016.

DSB is in the process of improving customer comfort in the IR4 train set. The work are expected to be completed by the end of 2018.

#### Øresund train sets

The Øresund train sets have driven fewer litra kilometres in 2017 than in 2016 due to track works on Kystbanen and in Sweden. The number of driven litra kilometres has fallen from 8.9 million litra kilometres in 2016 to 8.3 million litra kilometres in 2017.

Together with Swedish owners of rolling stock, DSB has started an upgrade project of the Øresund train sets in 2017. The project will run for the next 5 years. The first renovated train set is expected to be put into operation in the beginning of 2018. The upgrade project will, among other things, lead to en-

tirely new toilets, the removal of old vending/ticket machines and create new improved handicap spaces.

#### Double-decker coaches

The double-decker coaches are pulled either by ME-diesel locomotives or electric EA-locomotives.

In 2017, the double-decker coaches have seen a decrease in the number of kilometres driven between incidents. Among other things, the decline is due to problems with batteries and the exterior doors.

In 2017, the double-decker coaches have, however, managed to achieve a 33 percent increase in kilometres driven between failures compared to 2016.

#### MR train sets

As planned, the MR train sets is being phased out, and therefore they drove fewer litra kilometres in 2017 compared to 2016. The MR train sets have, however, covered more litra-kilometres than planned in 2017, since on certain stretches they have replaced the IC4 trains in the period when the IC4 train sets were not used for passenger journeys.

There is no scheduled operation of MR train sets in the time tables for 2018, but DSB is planning to keep a number of MR train sets operational in case there is an acute operational need for them.

#### Desiro train sets

In 2017, the Desiro train sets have driven on the Svendborg line and on Lille Syd between Roskilde and Næstved. On these two lines, the train sets have in total driven more litra kilometres than in 2016, where a part of the train sets were operating on the Grenaa Line. The increase in the number of driven litra kilometres went from 2.3 million litra kilometres in 2016 to 2.6 million litra kilometres in 2017.

In 2017, the Desiro train sets have also seen a decrease of 20 percent in the number of kilometres driven between incidents compared to 2016. It has had a temporary impact on operational stability in 2017 that the train sets now operate on other stretches than in 2016. Additionally, in 2017 there has been more failures on the train sets than in 2016.

#### ME diesel locomotives

The ME locomotives have had a positive development in the number of kilometres driven between incidents, with an increase of 61 percent. The positive development is due to, among other things, further training of employees at the workshops which had resulted in an optimised maintenance.

In order to limit particle emissions from the ME locomotives, it has been decided to replace the piston heads, piston rings, and padding on all ME locomotives. The replacements are expected to contribute positively to reducing particle emissions from the ME diesel locomotives, and also reduce the need for lubricant oil. The replacements were begun in 2017, and 8 locomotives have had the parts replaced. In 2018, there is at present scheduled replacements for further 5 locomotives.

#### EA diesel locomotives

DSB's electric EA locomotives have run with significantly better operational stability in 2017 than in 2016. For example, the EA locomotives have driven 63 percent kilometres between incidents than in 2016.

In the time table for 2018, it is planned to keep two EA locomotives in operation and one train as an operational reserve.

#### S-train sets

The S-train sets have driven 17.3 litre kilometres in 2017, which is around the same number as in 2016.

However, the S-trains have driven more kilometres between incidents in 2017 than in 2016. The delay-causing incidents due to the

new signal system (CBTC) on the S-track where errors in the signal equipment on the train leads to delays.

The S-trains have driven more than 6,000 kilometres more between incidents if one excludes incidents related to the signal system.

### Banedanmark's Signal Programme

In November 2017, a political decision was made to change the roll-out plan for the signal programme which, among other things, will delay the full implementation throughout Denmark for a number of years. The new strategy means that, the initial focus will now be on rebuilding the IC3 train sets, the double-decker coaches and the Desiro train sets.

Under the auspices of the Ministry of Transport, Building and Housing, working groups are in the process of preparing a traffic-related realisation plan for the signal programme. The plan is to balance the desire to increase the use of the signal programme versus the disruptions it will lead to for passengers when the train traffic needs to be restructured due to insufficient rolling stock if this rolling stock is not modified. As experiences are gained from the modifications of the IC3 train sets, Banedanmark can also make decisions related to the modification of other train types. It is simultaneously being investigated whether DSB can assume a greater role in connection with the installation of the new signal equipment in Long-distance & Regional trains.

#### Long-distance and Regional Trains

The modification of the IC3 rolling stock has been challenging for Banedanmark and their supplier, and the installation in the first IC3 train set began only in the middle of January 2018. The first Desiro train set has been equipped with the new signal equipment, and after a testing and approval process, it is expected to be ready for traffic in the first quarter of 2018.

### S-train

The Jægersborg-Hillerød line is the first to use the new signal system. The system on this line has received a number of software updates that have removed a number of errors. However, work is still continuing on solving certain issues and functional limitations.

According to Banedanmark's latest plan, the next roll-out is scheduled for the fourth quarter 2018.

Banedanmark and DSB are currently discussing which issues, including errors and limitations, need to be resolved before the next roll-outs can proceed as scheduled.

## Reputation

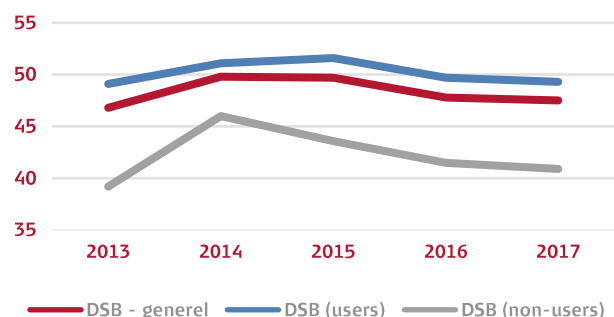
DSB's reputation was stable in 2017 and stood at 47.5 at the end of the year. In comparison with the 2016, the reputation has risen up by 1.3 points. The stable level is maintained despite challenges with Banedanmark's necessary track work and the resulting effects for customer punctuality and operations.

The trend has been the same for both users and non-users of the Long-distance & Regional Trains. It is still the case that users (49.3) have a significantly better perception of DSB compared to non-users (40.9). In 2017, it has been especially among the mid-range users that DSB has strengthened its position.

S-train's reputation fell marginally in the third quarter due to the summer's track work on the City line between Valby and Svanemøllen. A line that affects all S-train lines beside the Ringbanen. In the fourth quarter, the trend has reversed and the reputation has risen from 48.1 to 50.5 points and is on its way to the level it had in early 2017. For S-trains, it continues that high-frequency users judge S-tog better than low-frequency users.

Figure 2: Reputation

Indeks 0-100



Supplemental key figures					
Total journeys (thousand)	2013	2014	2015	2016 <sup>5)</sup>	2017
East <sup>1)</sup>	23,773	23,870	24,752	52,895	53,441
West	16,612	16,172	15,604	13,860	13,810
East – West	8,763	8,629	8,297	7,982	8,010
Other <sup>2)</sup>	988	982	1,091	728	667
<b>Long-distance &amp; Regional Trains</b>	<b>50,136</b>	<b>49,653</b>	<b>49,744</b>	<b>75,465</b>	<b>75,928</b>
S-trains	109,242	111,967	114,121	116,271	112,286
DSB Øresund	26,606	27,497	28,834	-	-
<b>Danish activities, total</b>	<b>185,984</b>	<b>189,117</b>	<b>192,699</b>	<b>191,736</b>	<b>188,214</b>
Krösatåg <sup>3)</sup>	1,194	207	-	-	-
Upptåget <sup>4)</sup>	4,800	4,848	4,896	3,900	2,733
VIAS	4,204	4,246	4,289	2,165	2,165
<b>Total foreign activities</b>	<b>10,198</b>	<b>9,301</b>	<b>9,185</b>	<b>6,065</b>	<b>4,898</b>
<b>Total journeys</b>	<b>196,182</b>	<b>198,418</b>	<b>201,884</b>	<b>197,801</b>	<b>193,112</b>

Passenger kilometres (million)	2013	2014	2015	2016	2017
East <sup>1)</sup>	1,120	1,122	1,153	1,737	1,718
West	985	968	943	932	902
East – West	1,965	1,928	1,821	1,745	1,787
Other <sup>2)</sup>	141	136	158	116	102
<b>Long-distance &amp; Regional Trains</b>	<b>4,211</b>	<b>4,154</b>	<b>4,075</b>	<b>4,530</b>	<b>4,509</b>
S-trains	1,285	1,319	1,344	1,362	1,320
DSB Øresund	533	534	577	-	-
<b>Danish activities, total</b>	<b>6,029</b>	<b>6,007</b>	<b>5,996</b>	<b>5,892</b>	<b>5,829</b>
Krösatåg <sup>3)</sup>	94	16	-	-	-
Upptåget <sup>4)</sup>	201	203	205	163	114
VIAS	124	125	127	64	64
<b>Total foreign activities</b>	<b>419</b>	<b>344</b>	<b>332</b>	<b>227</b>	<b>178</b>
<b>Total passenger kilometres</b>	<b>6,448</b>	<b>6,351</b>	<b>6,328</b>	<b>6,119</b>	<b>6,007</b>

1) Operation of DSB Øresund was transferred to DSB as of 13 December 2015.

2) Other includes IC Bornholm and International.

3) Operations were transferred to Veolia on 1 March 2014.

4) The operations have been transferred to Transdev Sverige as of 1 September 2017.

5) The number of journeys in the West in 2016 has been adjusted for the transfer of activities on the Grenaa line and regional train traffic in Northern Jutland with approximately 1,3 million journeys.



### Supplemental key figures (continued)

Total train kilometres (1,000 km)	2013	2014	2015	2016	2017
East <sup>1)</sup>	7,752	8,128	8,816	13,365	13,205
West	8,947	8,318	8,396	8,001	6,592
Long distance traffic <sup>2)</sup>	19,910	20,338	18,585	18,687	19,549
International trains <sup>3)</sup>	1,373	1,240	1,048	826	629
<b>Long-distance &amp; Regional Trains</b>	<b>37,982</b>	<b>38,024</b>	<b>36,845</b>	<b>40,879</b>	<b>39,975</b>
S-trains	15,833	15,936	15,840	15,595	15,149
DSB Øresund	4,772	4,658	4,540	-	-
<b>Danish activities, total</b>	<b>58,587</b>	<b>58,617</b>	<b>57,225</b>	<b>56,474</b>	<b>55,124</b>
Krösatåg <sup>4)</sup>	2,364	394	-	-	-
Upptåget <sup>5)</sup>	2,990	2,990	2,991	2,992	1,995
VIAS	4,400	4,400	4,292	2,300	2,300
<b>Total foreign activities</b>	<b>9,754</b>	<b>7,784</b>	<b>7,283</b>	<b>5,292</b>	<b>4,295</b>
<b>Total train kilometres</b>	<b>68,341</b>	<b>66,401</b>	<b>64,508</b>	<b>61,766</b>	<b>59,419</b>

<sup>1)</sup> Operation of DSB Øresund was transferred to DSB as of 13 December 2015.

<sup>2)</sup> Long-distance traffic in Denmark includes IC Bornholm in Denmark.

<sup>3)</sup> International trains in Denmark, IC Bornholm in Sweden and charter trains abroad.

<sup>4)</sup> Operations were transferred to Veolia on 1 March 2014.

<sup>5)</sup> The operations have been transferred to Transdev Sverige as of 1 September 2017.

Supplemental key figures (continued)					
Rolling stock in operation <sup>1)</sup>	2013	2014	2015	2016	2017
IC4 train sets	82	82	82	77	77
IC3 train sets	96	96	96	96	96
IC2 train sets	23	23	23	-	-
IR4 train sets	24	24	44	44	44
MR train sets	53	53	35	30	12
Leased Desiro train sets	12	12	12	12	12
Desiro train sets	4	4	4	4	4
Desiro train sets on loan/leased from the Ministry of Transport, Building and Housing <sup>2)</sup>	4	4	4	4	4
Leased ICE-TD	13	13	13	4	-
Øresund train sets <sup>3)</sup>	111	111	111	111	111
DSB Øresund, IR4 train sets	20	20	-	-	-
ME-Diesel locomotives	33	33	33	33	33
Electric locomotives (EA)	6	6	6	5	5
S-trains (eight coach train sets)	104	104	104	104	104
S-trains (four coach train sets)	31	31	31	31	31
Krösatåg – Diesel train sets	13	-	-	-	-
Krösatåg – Electric train sets	4	-	-	-	-
Upptåget – Electric train sets <sup>5)</sup>	11	12	12	12	-
VIAS – Electric train sets <sup>4)</sup>	45	45	19	19	19
Ranger locomotives/tractors	14	14	15	14	14
Leased double-decker coaches	67	67	67	67	-
Double-decker coaches	46	46	46	46	113

<sup>1)</sup> Rolling stock included in DSB Group's operations at year-end.

<sup>2)</sup> In 2016, DSB entered into a lease agreement with the Ministry of Transport, Building and Housing lasting up to December 2020.

<sup>3)</sup> The 111 train sets consist of 34 train sets used in Denmark and 77 train sets in a joint pool shared by Transdev and DSB. Operations are divided by the national border.

<sup>4)</sup> Operation of the Odenwald line ceased at the end of December 2015.

<sup>5)</sup> The operations have been transferred to Transdev Sverige as of 1 September 2017.

### Supplemental key figures (continued)

Number of kilometres travelled between incidents <sup>1)</sup> (1,000 km)	2013	2014	2015 <sup>2)</sup>	2016 <sup>2)</sup>	2017 <sup>2)</sup>
IC4 train sets	4.5	6.5	5.4	3.6	4.5
IC3 train sets	52.9	54.3	41.3	33.3	42.8
IR4 train sets (ER DSB)	22.8	25.4	16.1	10.9	12.4
Øresund train sets	32.0	36.6	22.7	21.3	21.2
Double-decker coaches	-	-	30.5	19.7	18.2
MR train sets	20.3	21.2	10.8	9.7	10.2
Desiro train sets	15.3	26.6	32.9	17.6	14.1
ME-Diesel locomotives	32.7	32.2	22.8	16.4	26.4
Electric locomotives (EA)	21.6	-	3.9	4.1	6.7
S-train sets	20.5	-19.9	21.1	13.9	14.6

<sup>1)</sup> A technical incident on the rolling stock, which causes a delay.

<sup>2)</sup> From 2015, the Mean Distance Between Failures (MDBF) was calculated with a delay criterion of 2:59 min.

Number of kilometres travelled between breakdowns <sup>1)</sup> (1,000 km)	2013	2014	2015	2016	2017
IC4 train sets	57.1	60.8	67.2	27.9	27.1
IC3 train sets	663.9	489.1	643.0	409.7	469.1
IR4 train sets (ER DSB)	140.8	172.0	273.6	290.4	194.2
Øresund train sets <sup>3)</sup>	169.3	208.8	292.8	160.6	N/A
Double-decker coaches	-	-	166.9	144.2	191.6
MR train sets	185.2	139.5	58.3	35.2	43.2
Desiro train sets	92.0	174.3	137.6	44.0	43.8
ME-Diesel locomotives	116.9	121.6	78.8	72.7	97.9
Electric locomotives (EA)	79.3	-	-	23.7	38.6
S-train sets <sup>2)</sup>	-	-	64.1	42.5	42.1

<sup>1)</sup> A train/train set which, due to a technical error, is cancelled while it is in operation and cannot complete its planned run.

<sup>2)</sup> No data for 2012-2014.

<sup>3)</sup> Data for 2017 is not available.

Supplemental key figures (continued)					
Average number of full-time employees	2013	2014	2015	2016	2017
DSB, including Property Development	4,085	3,943	3,840	4,060	4,046
- of which social chapter <sup>1)</sup>	173	161	144	128	82
S-trains	731	711	722	697	690
- of which social chapter <sup>1)</sup>	10	17	15	12	8
Kort & Godt A/S	698	649	614	636	605
- of which social chapter <sup>1)</sup>	12	14	15	12	12
DSB Vedligehold A/S	1,683	1,647	1,665	1,706	1,797
- of which social chapter <sup>1)</sup>	38	44	52	55	30
DSB Øresund A/S <sup>2)</sup>	368	319	307	-	-
<b>Danish activities, total</b>	<b>7,565</b>	<b>7,269</b>	<b>7,148</b>	<b>7,099</b>	<b>7,138</b>
DSB Sverige AB	7	-	-	-	-
Roslagståg AB <sup>3)</sup>	5	-	-	-	-
- of which social chapter <sup>1)</sup>	1	-	-	-	-
Krösatåg <sup>4)</sup>	100	17	-	-	-
Västtrafik <sup>5)</sup>	26	-	-	-	-
Upptåget <sup>6)</sup>	85	92	95	96	66
VIAS	189	186	195	90	88
<b>Total foreign activities</b>	<b>412</b>	<b>295</b>	<b>290</b>	<b>186</b>	<b>154</b>
<b>DSB Group, total</b>	<b>7,977</b>	<b>7,564</b>	<b>7,438</b>	<b>7,285</b>	<b>7,292</b>

<sup>1)</sup> The social chapter includes programmes such as flex jobs, light jobs, rehabilitation, partial pension and early retirement benefit, which was introduced in 1996 with the aim of promoting employment in the government labour market for people with reduced working capacity in Denmark.

<sup>2)</sup> Operation of DSB Øresund was transferred to DSB as of 13 December 2015.

<sup>3)</sup> Arriva is the new operator as of 7 January 2013.

<sup>4)</sup> Operations were transferred to Veolia on 1 March 2014.

<sup>5)</sup> SJ is the new operator of Västtrafik as of 1 May 2012. Until 1 September 2013, DSB was responsible for operation of DSB försäljningsservice Väst.

<sup>6)</sup> The operations have been transferred to Transdev Sverige as of 1 September 2017.

Organisation entitled to negotiation (total employees – year-end)	2013	2014	2015	2016	2017
AC	442	427	462	509	508
Individual	196	210	213	212	236
DJ	3,904	3,776	3,659	3,545	3,522
FO DSB	1,095	1,055	1,069	1,118	1,162
HK	2,252	2,087	2,041	2,124	2,019
Others	55	58	45	49	42
<b>Total</b>	<b>7,944</b>	<b>7,613</b>	<b>7,489</b>	<b>7,557</b>	<b>7,489</b>

Employee group – form of employment (total employees – year-end)	2013	2014	2015	2016	2017
Contract staff	196	210	213	212	236
Collective agreement employees	4,775	5,004	5,079	5,295	5,383
Hourly-paid employees	498	35	33	44	20
Civil servants	2,475	2,364	2,164	2,006	1,850
<b>Total</b>	<b>7,944</b>	<b>7,613</b>	<b>7,489</b>	<b>7,557</b>	<b>7,489</b>

### Supplemental key figures (continued)

Total operated railway stations (year-end)	2013	2014	2015	2016	2017
Long-distance train stations, including joint stations	158	158	159	144	144
S-train, including joint stations	85	85	85	85	85
S-train joint stations with Long-distance and Regional trains	-9	-9	-9	-9	-9
S-train, excluding joint stations	76	76	76	76	76
Stations in Sweden operated by Krösatåg <sup>1)</sup>	50	-	-	-	-
Stations in Sweden operated by Upptåget	19	17	17	17	-
Stations in Germany operated by VIAS <sup>2)</sup>	63	63	28	28	28
<b>Total operated railway stations</b>	<b>366</b>	<b>314</b>	<b>280</b>	<b>265</b>	<b>248</b>
<b>Km track operated by DSB in Denmark</b>	<b>1,668</b>	<b>1,668</b>	<b>1,668</b>	<b>1,593</b>	<b>1,593</b>
<b>Km track operated by DSB in Sweden<sup>3)</sup></b>	<b>685</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>-</b>
<b>Km track operated by DSB in Germany<sup>2)</sup></b>	<b>964</b>	<b>964</b>	<b>504</b>	<b>504</b>	<b>504</b>

<sup>1)</sup> Operations were transferred to Veolia on 1 March 2014.

<sup>2)</sup> Operation of the Odenwald line ceased at the end of December 2015.

<sup>3)</sup> The operations have been transferred to Transdev Sverige as of 1 September 2017.

Income statement by quarter								
	2017				2016			
Amounts in DKK million	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Passenger revenue	1,299	1,424	1,286	1,464	1,327	1,406	1,337	1,424
Revenue from transport contracts	1,098	1,095	1,076	1,017	1,093	1,113	1,089	1,099
Sale of repair and maintenance services of rolling stock, etc.	72	67	67	82	73	54	70	85
Leasing of rolling stock	16	8	10	6	3	2	8	0
<b>Net revenue</b>	<b>2,485</b>	<b>2,594</b>	<b>2,439</b>	<b>2,569</b>	<b>2,496</b>	<b>2,575</b>	<b>2,504</b>	<b>2,608</b>
Work performed by the enterprise and capitalised	155	149	137	168	179	155	141	199
Other operating income	261	311	529	295	341	319	359	372
<b>Total revenues</b>	<b>2,901</b>	<b>3,054</b>	<b>3,105</b>	<b>3,032</b>	<b>3,016</b>	<b>3,049</b>	<b>3,004</b>	<b>3,179</b>
Expenses for raw materials and consumables	464	437	424	430	455	450	480	518
Other external expenses	980	929	934	999	988	942	905	1,029
Staff costs	924	988	933	1,389	927	987	917	905
<b>Total expenses</b>	<b>2,368</b>	<b>2,354</b>	<b>2,291</b>	<b>2,818</b>	<b>2,370</b>	<b>2,379</b>	<b>2,302</b>	<b>2,452</b>
<b>Profit before amortisation, depreciation and write-downs</b>	<b>533</b>	<b>700</b>	<b>814</b>	<b>214</b>	<b>646</b>	<b>670</b>	<b>702</b>	<b>727</b>
Amortisation, depreciation and write-downs of intangible and tangible assets	451	428	480	495	459	1,173	442	2,560
<b>Operating profit/loss</b>	<b>82</b>	<b>272</b>	<b>334</b>	<b>-281</b>	<b>187</b>	<b>-503</b>	<b>260</b>	<b>-1,833</b>
Net financials	-34	-30	-29	-40	-71	-60	-56	-117
<b>Profit/loss before tax</b>	<b>48</b>	<b>242</b>	<b>305</b>	<b>-321</b>	<b>116</b>	<b>-563</b>	<b>204</b>	<b>-1,950</b>
<b>Profit for the period</b>	<b>39</b>	<b>185</b>	<b>234</b>	<b>-247</b>	<b>88</b>	<b>-438</b>	<b>160</b>	<b>-1,514</b>
<b>Total equity</b>	<b>5,371</b>	<b>5,568</b>	<b>5,803</b>	<b>5,497</b>	<b>6,806</b>	<b>6,459</b>	<b>6,559</b>	<b>5,338</b>
EBITDA-margin	21.4	27.0	33.4	8.3	25.9	26.0	28.0	27.9
Return on equity (ROE) p.a.	2.9	13.5	16.5	-17.5	5.1	-26.4	9.8	-101.8
Return on capital employed after tax (ROIC after tax) p.a.	2.3	7.4	9.5	-8.3	4.2	-11.8	6.3	-46.8

## Key figure definitions

### Key figure definitions

Key figures and terminology are prepared in accordance with below definitions:

**Earnings before interest, taxes, depreciation and amortisation margin** (EBITDA margin) = profit before depreciation and amortisation x 100 / net revenue

**Earnings before interest and taxes margin** (EBIT margin) = operating profit x 100 / net revenue

**Return on equity** (ROE) = profit for the year x 100 / average equity

**Return on invested capital after tax** (ROIC after tax) = operating profit after tax (NOPLAT) x 100 / (average equity + average net interest-bearing debt)

**Gearing** = net interest-bearing debt / profit before depreciation and amortisation

**Solvency ratio** = equity x 100 / balance sheet total

**Interest coverage** = (operating profit + financial income) / financial expenses

# Line Accounts

To ensure transparency, DSB has in recent years developed a reporting system for the finances of DSB's railway services by activity area. Combined with further division of the operator tasks by lines, this contributes to transparency to the public debate. Furthermore, DSB uses the financial statements regarding lines on an ongoing basis to streamline the company.

## Activity Area Accounts

Public services delivered by DSB pursuant to the traffic contract is divided in Train Service, Train System, and General Obligations, see Table 1.

- Train Service relates to the operator task of driving trains.
- Train System is a collective designation for the activities that support the task of operating trains, from operation of stations, provision of rolling stock, timetable planning and monitoring, to traffic information and sale of tickets.
- General Obligations are activities that are independent of the railway services, such as operation of the Railway Museum and extra costs regarding civil servants.

Furthermore, Train Service is divided into Long-Distance and Regional train traffic, S-train traffic and Øresund traffic. Train System divides into Stations, Rolling Stock and Systems & Channels. Systems & Channels include Sales Channels and Customer Service, as well as Traffic Handling and shared functions, see Figure 7.

DSB's income before leasing of rolling stock for 2017 amounts to DKK 10,661 million.

The income finances the supplied Public services. In the Line Economy Model, the total passenger revenue is allocated to Train Services<sup>1)</sup>, i.e. passenger transportation, while Train System tasks in the model are predominantly financed by income from the traffic contract (hereinafter called contract payment).

The total contract payment amounts to DKK 4,109 million, which finances - together with income from profit-making lines - on the one hand the loss-making train service, and on the other hand, the other activity areas based on principles established in connection with DSB's traffic contract with the state. In accordance with this, the contract payment is allocated so that for Stations, it reflects a risk-calculated return on the invested capital (ROIC) of 3 percent. For Rolling Stock and General Obligations, it reflects a covering of costs without yield and for Systems & Channels it reflects a profit ratio of 5 percent. The remaining contract payment falls to Train Service, see Figure 10.

The positive result for Stations and for Systems & Channels is therefore due to the technical distribution of the contract payment.

Of Income before leasing of rolling stock, 70 percentage finances Train Services and 28 percentage finances Train System tasks while the remaining 2 percentage finances General Obligations.

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<sup>1)</sup> This is an analytical decision, as the passenger revenues are in fact also used for co-financing, e.g., stations, sales channels, timetable planning, traffic information, etc. If the passenger revenues were also allocated to Train system, the size of the contract payment to be allocated to these areas of activities would be reduced.



**Table 1: The results of DSB's railway services divided into areas of activity 2017**

Amounts in DKK million	Public services	Train Services			Train System			General Obligations	
		Long-Distance and Regional train traffic	S-train traffic	Øresund traffic	Stations	Rolling Stock	Systems & Channels <sup>1)</sup>	Historical <sup>2)</sup>	Non-recurring items <sup>3)</sup>
Passenger revenues	5,495	3,192	1,515	691	0	0	97	0	0
Revenue from traffic contract	4,109	1,681	0	135	580	96	1,524	93	0
Other operating income <sup>4)</sup>	1,057	117	33	20	81	640	80	83	3
<b>Income before leasing of rolling stock</b>	<b>10,661</b>	<b>4,990</b>	<b>1,548</b>	<b>846</b>	<b>661</b>	<b>736</b>	<b>1,701</b>	<b>176</b>	<b>3</b>
Leasing of rolling stock	1,623	0	0	0	0	1,623	0	0	0
<b>Total income</b>	<b>12,284</b>	<b>4,990</b>	<b>1,548</b>	<b>846</b>	<b>661</b>	<b>2,359</b>	<b>1,701</b>	<b>176</b>	<b>3</b>
Expenses for raw materials and consumables	-1,179	-436	-91	-51	-1	-586	-14	0	0
Other external expenses	-4,696	-2,226	-475	-407	-337	-308	-907	-29	-7
Staff expenses	-3,104	-1,212	-384	-214	-96	-26	-569	-147	-456
<b>Expenses before leasing of rolling stock</b>	<b>-8,979</b>	<b>-3,874</b>	<b>-950</b>	<b>-672</b>	<b>-434</b>	<b>-920</b>	<b>-1,490</b>	<b>-176</b>	<b>-463</b>
Leasing of rolling stock	-1,623	-989	-481	-153	0	0	0	0	0
<b>Total expenses</b>	<b>-10,602</b>	<b>-4,863</b>	<b>-1,431</b>	<b>-825</b>	<b>-434</b>	<b>-920</b>	<b>-1,490</b>	<b>-176</b>	<b>-463</b>
<b>Profit before amortisation, depreciation and write-downs</b>	<b>1,682</b>	<b>127</b>	<b>117</b>	<b>21</b>	<b>227</b>	<b>1,439</b>	<b>211</b>	<b>0</b>	<b>-460</b>
Amortisation, depreciation and write-downs	-1,781	-42	-10	-6	-156	-1,363	-125	0	-79
<b>Operating profit/loss</b>	<b>-99</b>	<b>85</b>	<b>107</b>	<b>15</b>	<b>71</b>	<b>76</b>	<b>86</b>	<b>0</b>	<b>-539</b>
Profit/loss after tax in group companies	1	0	0	0	0	1	0	0	0
Net financials	-119	-1	-3	0	-20	-77	-18	0	0
<b>Profit/loss before tax</b>	<b>-217</b>	<b>84</b>	<b>104</b>	<b>15</b>	<b>51</b>	<b>0</b>	<b>68</b>	<b>0</b>	<b>-539</b>
Tax on profit/loss for the year	41								
<b>Profit/loss for the year</b>	<b>-176</b>								
Allocation in percentage									
Revenue from transport contract		41%	0%	3%	14%	2%	38%	2%	0%
Income before leasing of rolling stock		47%	15%	8%	6%	7%	15%	2%	0%
Cost before leasing of rolling stock		43%	11%	7%	5%	10%	17%	2%	5%
Expenses, amortisation, depreciation, write-downs and financials	-12,501	-4,906	-1,444	-831	-610	-2,359	-1,633	-176	-542

<sup>1</sup> Passenger revenues under Systems & Channels reflect commission income from sale of tickets from other operators.

<sup>2</sup> General obligations (historical) covers the railway museum, civil servants on loan, own surplus civil servants, extra expenses for civil servants, special buildings leased out on non-commercial terms as well as elimination items.

<sup>3</sup> The General obligations (Non-recurring items) covers net profits from the sale of properties in the parent company, the buyout of future pension contributions for civil servants in addition to the layoff costs for fewer administrative employees.

<sup>4</sup> Other operating income includes fees, compensation, rent and income from Traffic-independent activities etc.

Costs of Public Services before leasing of rolling stock amounts to DKK 8,979 million. Of this, 61 percentage has been used for Train services, 32 percentage for Train system and the rest for General obligations.

Costs regarding leasing of rolling stock have been disregarded with respect to both income and expenses, as the rolling stock in the line accounts is regarded as neutral intercompany transfers in terms of profit/loss. It is assumed technically, that the rolling stock is leased to Train Services without any profits.

The breakdown of Train Services into activity areas is based on Public Services, which is a revised statement of the activities carried out by DSB according to the traffic contract.

The basis for breaking down the activities this way is DSB's Line Economy Model. This model divides DSB's profit and loss account into activities and calculates the economy of the individual line based on the activities required in the individual areas.

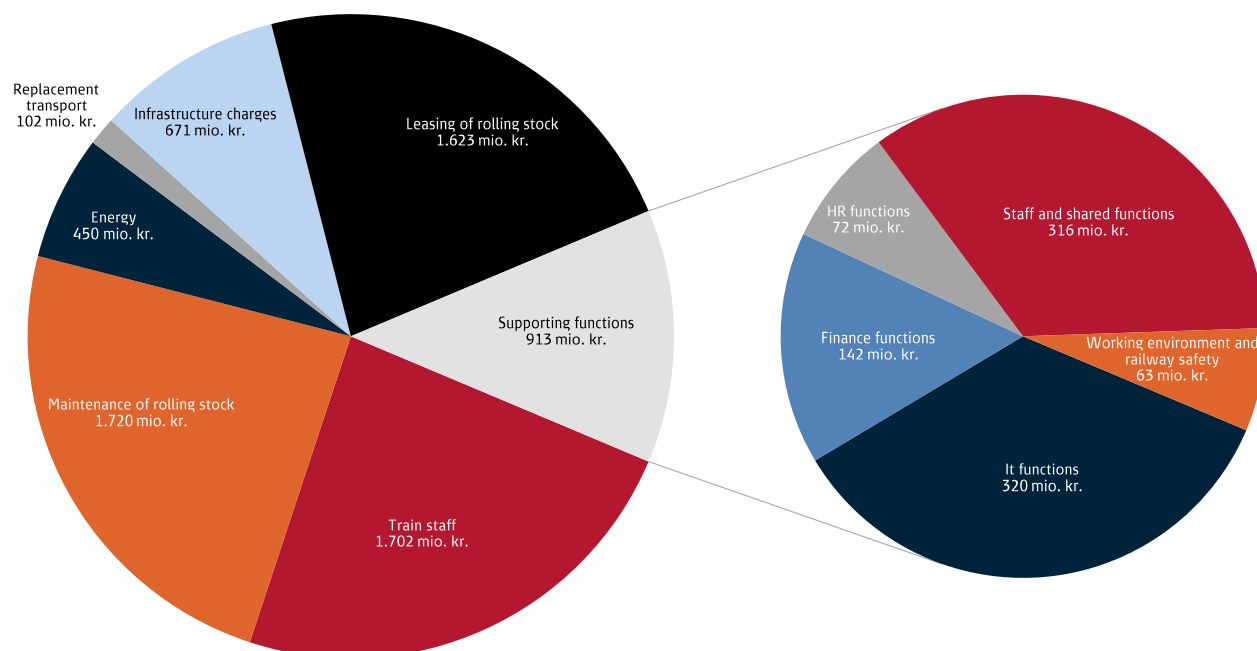
### **Train Service Expenses**

Most of DSBs' expenses including amortisation, depreciation, amortisation and financial items cover Train Services (DKK 7,181 million), allocated to Long-Distance and Regional train traffic (DKK 4,906 million), S-train traffic (DKK 1,444 million) and Øresund traffic (DKK 831 million) in 2017, see Table 1.

Maintenance of rolling stock and Leasing of rolling stock amounts to DKK 3,343 million or 47 percentage of the total expenses for Train Services, while expenses for on-board staff amount to DKK 1,702 million or 24 percentage, see Figure 1. The remaining expenses relate to energy for train operation, infrastructure charges and replacement transport and supporting functions.

**Figure 1: Train Service expenses 2017**

Amounts in DKK million



In accordance with the Accounting Regulations, DSB must allocate the complete costs to the activities and thereby a part of the supporting functions, which constitute DKK 913 million or 13 percentage of the Train Service expenses. The supporting functions include multidisciplinary IT functions, staff and shared functions, finance and HR functions as well as working environment and railway safety etc. Half of the supporting function costs comprise payroll and consultancy expenses while the remaining part includes expenses for software development, licences, outsourced data operation centre, insurance, rent and consumption expenses, branding of DSB and amortisations etc.

Expenses for supporting functions are allocated to the activity areas based on the number of employees converted into full-time employees involved in carrying out the individual activities. This means that employee-intensive activities account for a substantial part of the expenses. Consequently, Train Services, to which the largest share of DSB's employees contributes directly as part of the train crew and indirectly in the workshops, carry a relatively large share of the expenses for supporting functions.

The expenses for supporting functions are only variable to a limited extent in relation to the extent of the train services. For example, the handover of the train operations on the Odder-Grenaa line (to Aarhus Letbane) or the regional train traffic in Northern Jutland (to Nordjyske Jernbaner) has no noteworthy impact on DSB's expenses for inter-organisational IT functions or other support functions.

### Train System Expenses

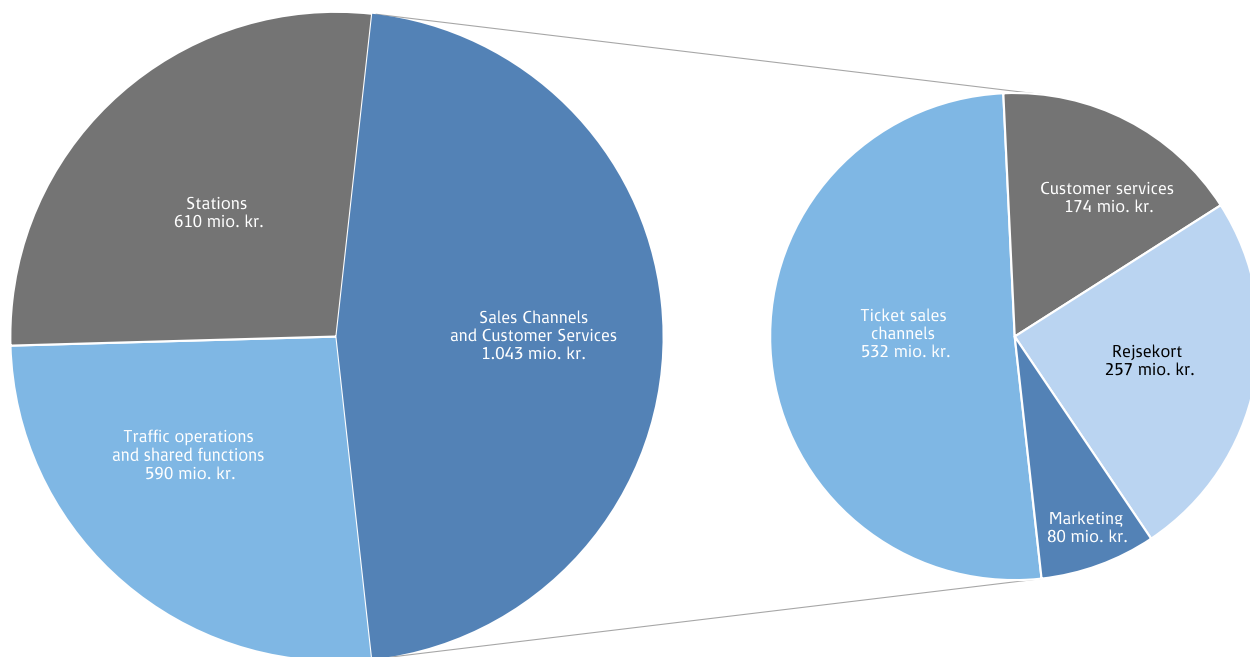
Expenses for the Train System, excluding Rolling Stock, which ensures coherence in Train Services in Denmark, are DKK 2,243 million including amortisation, depreciation, amortisation and finan-

cial items, see Table 1. Systems & Channels, which consists of Traffic operations and shared functions and Sales Channels and Customer Service amounts to DKK 1,633 million or 73 percentage of the Train System expenses, while Stations amount to DKK 610 million or 27 percentage.

Sales Channels and Customer Services comprises customer-oriented activities such as ticket sales channels (personal service, digital sale and ticket vending machines), customer services, Rejsekort (DSB's co-financing of the Travel Card system) and marketing. Traffic operations and shared functions includes traffic-oriented activities such as staff and traffic planning, traffic information, monitoring and control of train traffic at the operations centres etc. run by DSB together with Banedanmark, see Figure 2. In line with Train Services, the Train System must be stated at the fully allocated expenses and thus carry a share of DSB's total supporting functions.

**Figure 2: Train System expenses 2017**

Amounts in DKK million



### Line Accounts

The Line Accounts are primarily an internal analysis tools used by DSB to understand the correlations in the company's operations, to analyse and optimise the financial structure of the individual lines. The information about the financial structure of train operator on the individual lines also provides a useful impression of the public priorities in Danish train operation, for example that DSB is able to offer Train Services by Long-Distance trains and S-trains without state subsidies whereas Regional train, with less capacity utilisation, needs substantial subsidies.

In a broader perspective, the Line Accounts are suitable for demonstrating the significant extent of DSB's activities outside the train service activities, which range from planning and monitoring of traffic, customer service and distribution systems to station operation. These are tasks that DSB also take care of on behalf of and in collaboration with the public transport in general.

However, the Line Accounts are not suitable for direct financial comparison between operators even if such comparison only focused on the Train Service activities. Furthermore, the Line Accounts cannot be used as reference with respect to adjustment of DSB's expenses in connection with giving up lines to other operators.

The reason for this is partly that the Line Accounts reflect activity based costing and partly that DSB's expenses, like all other companies' expenses, are variable to different degrees depending on the production volume. This means that parts of DSB's expenses are only vaguely or not at all correlated, with the number of train or seat kilometres driven.

Therefore, it is the case that there is no noteworthy correlation between the extent of the Train Services and expenses for, for example, sales and distribution channels, planning systems and surveillance centres. When DSB hands over lines, it means that DSB loses economies of scale and opportunities for inter-organisational synergy.

The Line Accounts are based on the activity area Train Services reflecting the costs of operating all the lines. The costs are allocated to the lines in relation to their use of activities and the supporting functions are allocated to the lines based on the number of full-time employees involved in the individual activities, see Table 2 and Table 3.

Positive results reflect that lines are operated with a profit and can therefore be operated without any state subsidies. On the other hand, negative results reflect that the line operates at a loss and consequently financing has to be added from profit-making lines and/or government contract payments.

According to the Accounting Regulations, DSB is required to specify the individual lines, including all expenses, regardless of whether the individual expense concerns the extent of production. Therefore, the Train System expenses for Stations and Systems & Channels are broken down on lines in Table 4 and Table 5. In practice, this means that e.g. expenses for stations, operation of the Rejsekort (Travel Card) system, ticket vending machines, operations centres controlling traffic to limit delays and traffic information etc. The expenses have been broken down on lines, even though these activities do not have any direct connection with the actual financial setup of the train traffic on the individual line.

The key figures for passenger revenues per seat kilometre and expenses per seat kilometre provide the best indication of how the seat capacity is utilised on the individual lines, see Table 4 and Table 5. Seat kilometres take into account the number of seats available in the individual rolling stock class and the number of train sets/coaches coupled on a line. Train kilometres, which are often used as a key figure, do not consider these differences. The statement of passenger kilometres is subject to a not insignificant uncertainty, when regarded in terms of lines. The reason is that the statement of journeys and thus how far the individual passenger travels, largely is based on passenger surveys that are subject to substantial uncertainty. For instance, DSB has no precise information as to how often or how long a commuter with a season ticket travels, nor do we know which line the commuter travels by (see page Figure 9).

**Table 2: Line accounts for Train Services 2017 (Long-Distance and Regional West)**

Amounts in DKK million	Passenger revenues	Total revenues	Train staff	Maintenance of rolling stock	Energy	Replacement transport	Infrastructure charges	Direct costs	Leasing of rolling stock (avg. costs)	Supporting function costs	Profit/loss on Train Services
Copenhagen – Aarhus – Aalborg	1,666	1,704	-359	-355	-107	-7	-300	-1,128	-320	-193	63
Copenhagen – Esbjerg	427	438	-105	-91	-28	-3	-107	-334	-87	-56	-39
<b>Long-Distance</b>	<b>2,093</b>	<b>2,142</b>	<b>-464</b>	<b>-446</b>	<b>-135</b>	<b>-10</b>	<b>-407</b>	<b>-1,462</b>	<b>-407</b>	<b>-249</b>	<b>24</b>
Odense – Svendborg	38	39	-23	-29	-5	0	-5	-62	-15	-12	-50
Odense – Ringe	4	5	-8	-9	-1	0	-2	-20	-5	-4	-24
Aarhus – Langå – Aalborg	81	87	-63	-38	-12	-1	-11	-125	-33	-33	-104
Skørping – Lindholm	3	3	-4	-9	-1	0	-2	-16	-3	-2	-18
Aalborg – Frederikshavn	37	39	-21	-22	-5	-1	-5	-54	-14	-11	-40
Aarhus – Hamborg	35	37	-21	-18	-6	-1	-6	-52	7	-11	-19
Aarhus – Fredericia – Esbjerg	84	88	-40	-91	-18	-2	-12	-163	-32	-22	-129
Aarhus – Fredericia	12	13	-5	-12	-2	0	-1	-20	-5	-3	-15
Odense – Fredericia	16	18	-17	-31	-6	-1	-4	-59	-12	-9	-62
Fredericia – Flensborg	23	25	-14	-8	-2	0	-4	-28	-7	-8	-18
Fredericia – Sønderborg	37	41	-31	-17	-5	0	-6	-59	-16	-16	-50
Aarhus – Langå – Struer	0	1	-7	-4	-1	0	-1	-13	-3	-4	-19
Fredericia – Vejle – Struer	70	76	-64	-58	-14	-1	-13	-150	-34	-34	-142
Struer – Thisted	0	0	-4	-4	-1	0	-1	-10	-2	-2	-14
<b>Regional West</b>	<b>440</b>	<b>472</b>	<b>-322</b>	<b>-350</b>	<b>-79</b>	<b>-7</b>	<b>-73</b>	<b>-831</b>	<b>-174</b>	<b>-171</b>	<b>-704</b>

**Table 3: Financial statements of Train Services 2017 (Regional East, Øresund and S-trains)**

Amounts in DKK million	Passenger revenues	Total revenues	Train staff	Maintenance of rolling stock	Energy	Replacement transport	Infrastructure charges	Direct costs	Leasing of rolling stock (avg. costs)	Supporting function costs	Profit/loss on Train Services
Copenhagen - Kalundborg	97	105	-66	-90	-24	-1	-9	-190	-66	-36	-187
Copenhagen - Holbæk	127	132	-56	-79	-22	-2	-8	-167	-82	-31	-148
Copenhagen - Roskilde	4	5	-14	-6	-2	0	-1	-23	-5	-7	-30
Copenhagen - Ringsted	51	54	-29	-17	-5	-1	-4	-56	-15	-15	-32
Copenhagen - Slagelse	52	55	-24	-30	-5	-1	-6	-66	-24	-13	-48
Copenhagen - Nykøbing F - Rødby	217	227	-108	-164	-49	-4	-18	-343	-174	-61	-351
Copenhagen - Hamborg	73	75	-23	-29	-7	-1	-3	-63	-17	-13	-18
Roskilde - Køge - Næstved	31	34	-31	-35	-6	-5	-5	-82	-20	-17	-85
Copenhagen - Vstad	7	8	-6	-4	-1	0	-7	-18	-5	-3	-18
<b>Regional East</b>	<b>659</b>	<b>695</b>	<b>-357</b>	<b>-454</b>	<b>-121</b>	<b>-15</b>	<b>-61</b>	<b>-1,008</b>	<b>-408</b>	<b>-196</b>	<b>-917</b>
Copenhagen - Helsingør	288	302	-140	-90	-22	-34	-17	-303	-81	-72	-154
Copenhagen - Malmø	403	409	-67	-67	-18	-5	-113	-270	-72	-33	34
<b>Øresund</b>	<b>691</b>	<b>711</b>	<b>-207</b>	<b>-157</b>	<b>-40</b>	<b>-39</b>	<b>-130</b>	<b>-573</b>	<b>-153</b>	<b>-105</b>	<b>-120</b>
<b>Long-Distance and Regional train</b>	<b>3,883</b>	<b>4,020</b>	<b>-1,350</b>	<b>-1,407</b>	<b>-375</b>	<b>-71</b>	<b>-671</b>	<b>-3,874</b>	<b>-1,142</b>	<b>-721</b>	<b>-1,717</b>
Central (Hellerup-Valby)	573	578	-66	-47	-11	-14	0	-138	-73	-36	331
Køge (Sydhavn - Køge)	190	196	-63	-74	-18	-2	0	-157	-113	-34	-108
Høje Taastrup (Danshøj - Høje Taastrup)	139	142	-27	-22	-5	-2	0	-56	-34	-15	37
Frederikssund (Langgade - Frederikssund)	173	179	-56	-60	-15	-4	0	-135	-92	-31	-79
Farum (Ryparken - Farum)	99	103	-35	-32	-7	-1	0	-75	-48	-19	-39
Hillerød (Bernstorffsvej - Hillerød)	177	183	-58	-52	-12	-6	0	-128	-80	-32	-57
Klampenborg (Charlottenlund- Klampenborg)	31	31	-11	-7	-2	0	0	-20	-11	-6	-6
Ringbanen (Ny Ellebjerg - Hellerup)	133	136	-36	-19	-5	-2	0	-62	-30	-19	25
<b>S-trains</b>	<b>1,515</b>	<b>1,548</b>	<b>-352</b>	<b>-313</b>	<b>-75</b>	<b>-31</b>	<b>0</b>	<b>-771</b>	<b>-481</b>	<b>-192</b>	<b>104</b>
<b>Train Services before Income from traffic contract</b>	<b>5,398</b>	<b>5,568</b>	<b>-1,702</b>	<b>-1,720</b>	<b>-450</b>	<b>-102</b>	<b>-671</b>	<b>-4,645</b>	<b>-1,623</b>	<b>-913</b>	<b>-1,613</b>
<b>Calculated payment under traffic contract</b>	<b>0</b>	<b>1,816</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,816</b>
<b>Train Services after Income from traffic contract</b>	<b>5,398</b>	<b>7,384</b>	<b>-1,702</b>	<b>-1,720</b>	<b>-450</b>	<b>-102</b>	<b>-671</b>	<b>-4,645</b>	<b>-1,623</b>	<b>-913</b>	<b>203</b>

**Table 4: Line accounts for Train Services 2017 (Long-Distance and Regional West)**

Amounts in DKK million	Train Services Passenger revenues	Train Services Other revenues	Train Services Costs	Profit/loss from Train Services	Other revenue	Other expenses	Train Services Profit/loss	Passenger revenue per seat kilometres <sup>1)</sup>	Services Cost per seat kilometres <sup>1)</sup>	Profit/loss from Train Services per passenger kilometres <sup>1)</sup>	Passenger kilometres Million units	Train kilometres Million units
Copenhagen – Aarhus – Aalborg	1,666	38	-1,641	63	41	-349	-245	0.48	-0.47	-0.07	1,870	10.75
Copenhagen – Esbjerg	427	11	-477	-39	15	-113	-137	0.42	-0.47	-0.28	488	3.27
<b>Long-Distance</b>	<b>2,093</b>	<b>49</b>	<b>-2,118</b>	<b>24</b>	<b>56</b>	<b>-462</b>	<b>-382</b>	<b>0.47</b>	<b>-0.47</b>	<b>-0.16</b>	<b>2,358</b>	<b>14.02</b>
Odense – Svendborg	38	1	-89	-50	4	-29	-75	0.32	-0.75	-1.84	40	0.96
Odense – Ringe	4	1	-29	-24	1	-8	-31	0.13	-0.86	-8.42	4	0.29
Aarhus – Langå – Aalborg	81	6	-191	-104	4	-44	-144	0.24	-0.57	-1.35	107	1.99
Skørping – Lindholm	3	0	-21	-18	0	-4	-22	0.10	-0.78	-6.84	3	0.18
Aalborg – Frederikshavn	37	2	-79	-40	3	-28	-65	0.25	-0.53	-1.38	47	0.92
Aalborg – Hamborg	35	2	-56	-19	1	-12	-30	0.21	-0.33	-0.85	35	0.96
Aarhus – Fredericia – Esbjerg	84	4	-217	-129	6	-55	-178	0.20	-0.52	-1.62	110	2.11
Aarhus – Fredericia	12	1	-28	-15	1	-8	-22	0.23	-0.52	-1.45	15	0.26
Odense – Fredericia	16	2	-80	-62	2	-19	-79	0.10	-0.51	-4.67	17	0.75
Fredericia – Flensborg	23	2	-43	-18	1	-10	-27	0.33	-0.60	-1.13	24	0.46
Fredericia – Sønderborg	37	4	-91	-50	3	-21	-68	0.17	-0.41	-1.47	46	1.02
Aarhus – Langå – Struer	0	1	-20	-19	0	-3	-22	0.00	-0.61	-8.76	3	0.22
Fredericia – Vejle – Struer	70	6	-218	-142	4	-43	-181	0.20	-0.61	-2.08	87	2.21
Struer – Thisted	0	0	-14	-14	1	-2	-15	0.00	-0.73	-6.06	2	0.13
<b>Regional West</b>	<b>440</b>	<b>32</b>	<b>-1,176</b>	<b>-704</b>	<b>31</b>	<b>-286</b>	<b>-959</b>	<b>0.20</b>	<b>-0.54</b>	<b>-1.77</b>	<b>540</b>	<b>12.46</b>

<sup>1)</sup> Calculated financial ratios are not rounded off.



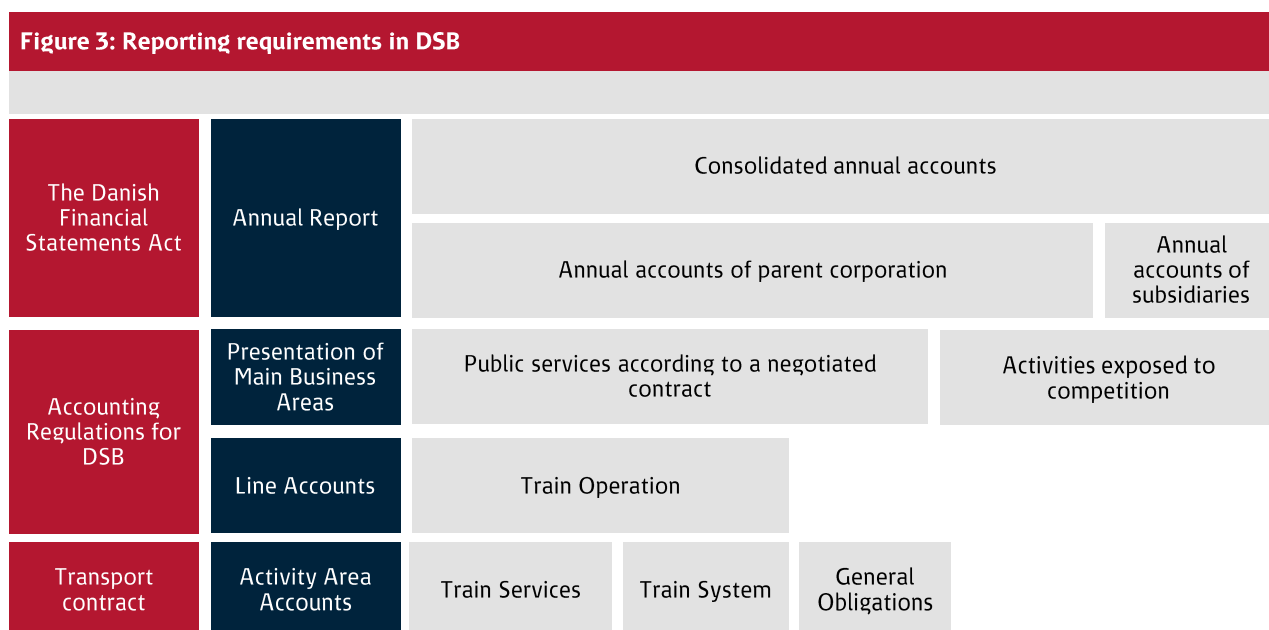
**Table 5: Line accounts for Train Services 2017 (Regional East, Øresund and S-trains)**

Amounts in DKK million	Train Services Passenger revenues	Train Services Other revenues	Train Services Costs	Profit/loss from Train Services	Other revenue	Other expenses	Train Services Profit/loss	Passenger revenue per seat kilometres <sup>1)</sup>	Services Cost per seat kilometres <sup>1)</sup>	Profit/loss from Train Services per passenger kilometres <sup>1)</sup>	Passenger kilometres Million units	Train kilometres Million units
Copenhagen - Kalundborg	97	8	-292	-187	7	-63	-243	0.19	-0.57	-1.87	130	1.67
Copenhagen - Holbæk	127	5	-280	-148	14	-102	-236	0.25	-0.55	-1.48	159	1.32
Copenhagen - Roskilde	4	1	-35	-30	1	-6	-35	0.06	-0.54	-8.02	4	0.26
Copenhagen - Ringsted	51	3	-86	-32	6	-44	-70	0.24	-0.40	-1.09	64	0.70
Copenhagen - Slagelse	52	3	-103	-48	6	-40	-82	0.22	-0.44	-1.19	69	0.68
Copenhagen - Nykøbing F - Rødby	217	10	-578	-351	15	-122	-458	0.19	-0.50	-1.40	327	3.11
Copenhagen - Hamburg	73	2	-93	-18	2	-15	-31	0.28	-0.35	-0.41	76	0.87
Roskilde - Køge - Næstved	31	3	-119	-85	5	-38	-118	0.21	-0.81	-2.96	40	1.02
Copenhagen - Ystad	7	1	-26	-18	0	-3	-21	0.15	-0.56	-5.00	4	0.20
<b>Regional East</b>	<b>659</b>	<b>36</b>	<b>-1,612</b>	<b>-917</b>	<b>56</b>	<b>-433</b>	<b>-1,294</b>	<b>0.21</b>	<b>-0.51</b>	<b>-1.48</b>	<b>873</b>	<b>9.83</b>
Copenhagen - Helsingør	288	14	-456	-154	29	-195	-320	0.24	-0.37	-1.10	292	2.95
Copenhagen - Malmø	403	6	-375	34	38	-294	-222	0.42	-0.39	-0.78	286	2.26
<b>Øresund</b>	<b>691</b>	<b>20</b>	<b>-831</b>	<b>-120</b>	<b>67</b>	<b>-489</b>	<b>-542</b>	<b>0.32</b>	<b>-0.38</b>	<b>-0.94</b>	<b>578</b>	<b>5.21</b>
<b>Long-Distance and Regional train</b>	<b>3,883</b>	<b>137</b>	<b>-5,737</b>	<b>-1,717</b>	<b>210</b>	<b>-1,670</b>	<b>-3,177</b>	<b>0.32</b>	<b>-0.48</b>	<b>-0.73</b>	<b>4,349</b>	<b>41.52</b>
Central (Hellerup-Valby)	573	5	-247	331	5	-179	157	0.69	-0.30	0.00	0	2.25
Køge (Sydhavn - Køge)	190	6	-304	-108	10	-93	-191	0.15	-0.24	0.00	0	3.29
Høje Taastrup (Danshøj - Høje Taastrup)	139	3	-105	37	2	-55	-16	0.35	-0.27	0.00	0	1.06
Frederikssund (Langgade - Frederikssund)	173	6	-258	-79	5	-86	-160	0.16	-0.24	0.00	0	2.82
Farum (Ryparken - Farum)	99	4	-142	-39	2	-47	-84	0.18	-0.26	0.00	0	1.55
Hillerød (Bernstorffsvej - Hillerød)	177	6	-240	-57	3	-75	-129	0.19	-0.26	0.00	0	2.31
Klampenborg (Charlottenlund- Klampenborg)	31	0	-37	-6	1	-14	-19	0.24	-0.29	0.00	0	0.39
Ringbanen (Ny Ellebjerg - Hellerup)	133	3	-111	25	1	-54	-28	0.39	-0.32	0.00	0	1.39
<b>S-trains</b>	<b>1,515</b>	<b>33</b>	<b>-1,444</b>	<b>104</b>	<b>29</b>	<b>-603</b>	<b>-470</b>	<b>0.28</b>	<b>-0.26</b>	<b>0.00</b>	<b>0</b>	<b>15.06</b>
<b>Total lines</b>	<b>5,398</b>	<b>170</b>	<b>-7,181</b>	<b>-1,613</b>	<b>239</b>	<b>-2,273</b>	<b>-3,647</b>	<b>0.31</b>	<b>-0.41</b>	<b>-0.84</b>	<b>4,349</b>	<b>56.58</b>
<b>Public service</b>	<b>5,398</b>	<b>170</b>	<b>-7,181</b>	<b>-1,613</b>	<b>344</b>	<b>-3,057</b>	<b>-4,326</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4,349</b>	<b>56.58</b>

<sup>1)</sup> Calculated financial ratios are not rounded off.

### Method used for preparation of Line Accounts

As a public undertaking, DSB must fulfil a number of reporting requirements, see Figure 3. The reporting requirements each have their own background and purpose and all aim at creating transparency and a check of DSB's conditions. However, the requirements address the company from different perspectives. This makes it difficult to understand the link between the individual reports, which at the same time can impede transparency in DSB's economy.



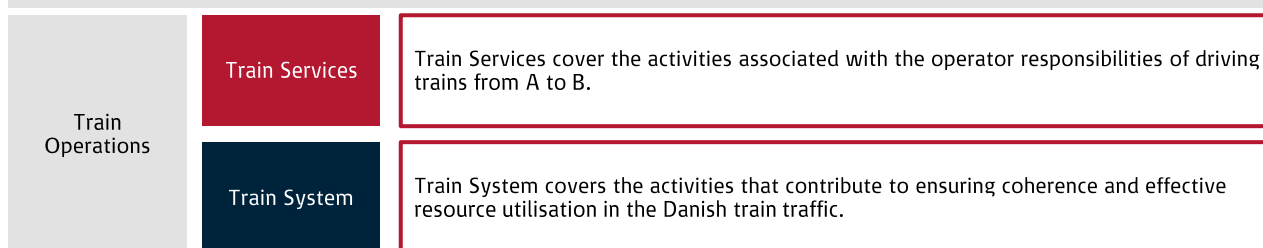
The Danish Financial Statements Act stipulates requirements for the drawing up of accounts, which cover the DSB Group and provide insight into the financial position of the whole company.

DSB's Accounting Regulations are designed to separate Public Services from Competitive Activities in order to provide an insight into the activities that are subject to contract payment and ensure that there is non-illegal support from the state. The presentation of the General Accounts, which are reviewed by DSB's External Auditor, divides the parent undertaking DSB's result into Public Services under a negotiated contract and Competitive Activities.

The traffic contract only covers Public Services that DSB performs in the given contract. These services constitute a subset of the parent company's activities. That means that DSB Vedligehold A/S is not enclosed directly by the Public Service obligation, but indirectly in the form of the preparation and maintenance services that are delivered and invoiced for Train Services. Neither is Kort & Godt A/S covered by the Public Service obligation.

The Line Accounts are based on DSB's General Accounts from where Public Services are separated. The Activity Area Accounts are an attempt to segment DSB's activities with reference to the split in the traffic contract. The Line Accounts are a breakdown of the Train Services on the lines in accordance with DSB's Accounting Regulations.

**Figure 4: Elements of Train Operations**



Train Operations in Denmark are driven by DSB as a gathered business activity, but will, in connection with the traffic contract, prepare and implement a separation of the train operations into activities related to the driving trains (Train Services), and activities related to the maintenance of the production apparatus (Train System), see Figure 4.

### **Financial model for lines**

The Line Economy Model provides a basis for DSB's Presentation of Main Business Areas and Line Accounts. This creates a unique correlation and a complete transaction track between the individual accounts.

The model creates the Presentation of Main Business Areas setup by dividing DSB's activities into Public Services under a negotiated contract and Competitive Activities, such as, for example, DSB renting out properties to external customers.

Public Services are further split into Activity Areas Accounts and the activities that DSB implements to operate the individual lines. The lines contain all accounting entries relating to Train operations, see an earlier definition.

**Figure 5: Design of the Line Economy Model**

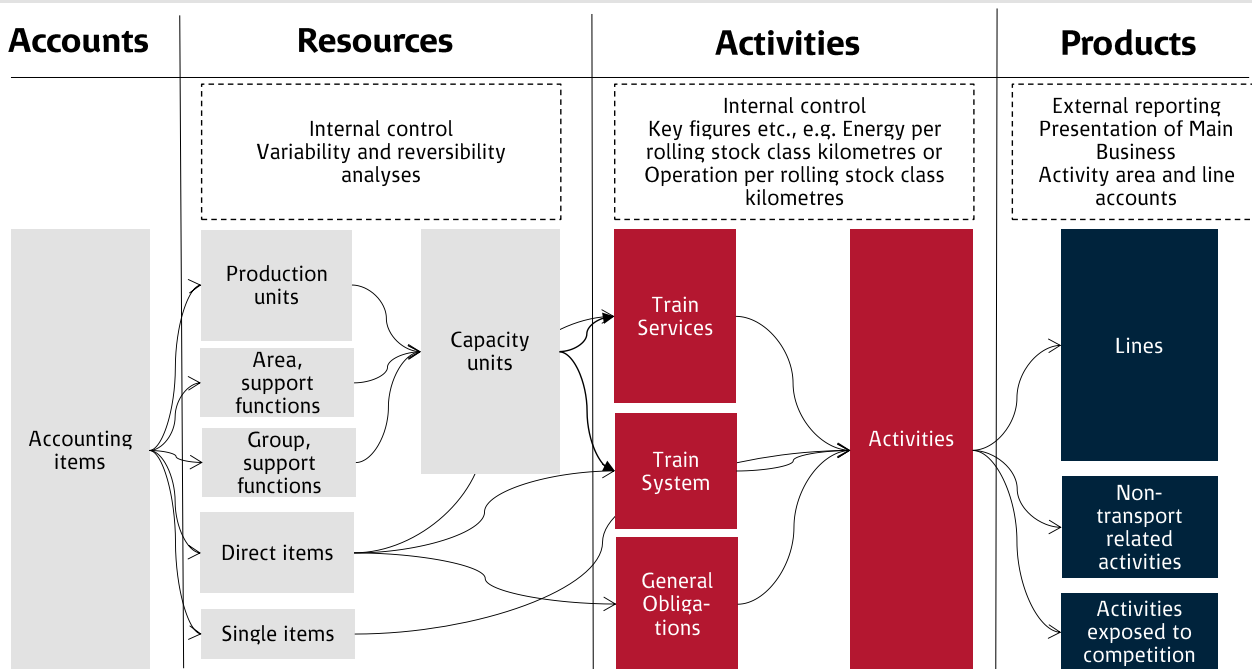


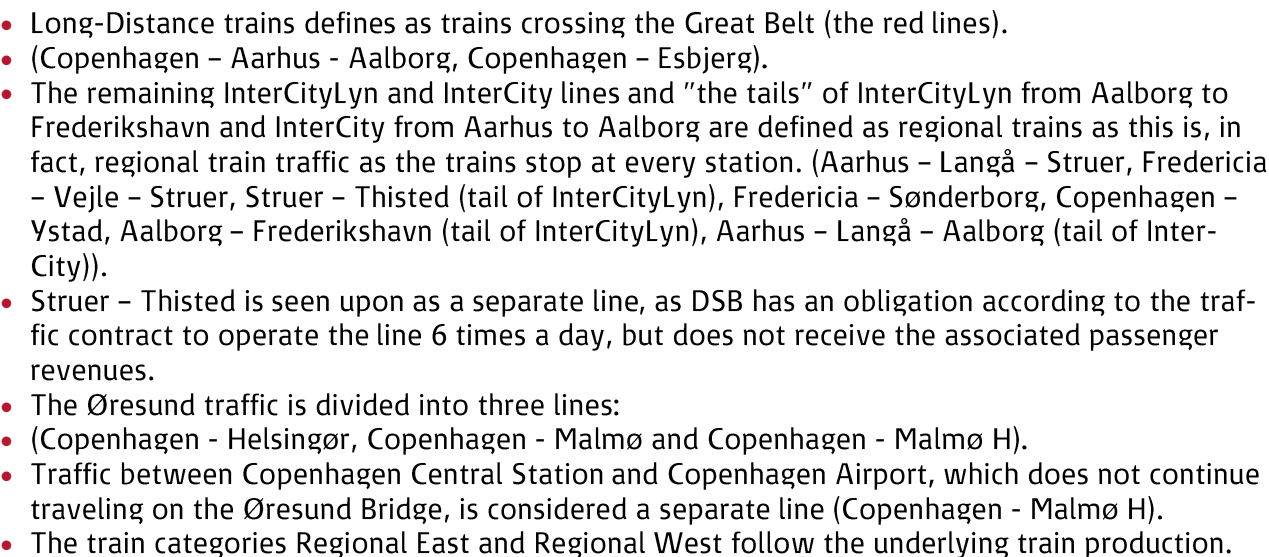
Figure 5 describes the principle method used in the Line Economy Model where the accounting entries are grouped and allocated through activities into lines. At the resources level, the accounts are grouped and classified according to production proximity, so that the supporting functions are allocated according to the capacity unit's relative use of resources. The model makes use primarily of objective and systematic allocations based on train production information.

The Line Economy Model is based on a combination of "full cost allocation" and "activity-based cost allocation". The full cost allocation results from the Accounting Regulations requirement that all costs are allocated to the lines.

### Definition of lines

The definitions of the individual lines have been reviewed and adapted to the train production and timetable that DSB has used in 2017. The most significant changes are that DSB no longer operates the lines Aarhus - Grenaa and Aarhus - Horslet that have both been handed over to Midtjysk Trafik in August 2016. In 2017, the lines Skørping - Lindholm and the regional part of Aalborg - Frederikshavn was handed over to Nordjyske Jernbaner as of 6 August 2017. DSB still operates the InterCityLyn part of the Aalborg - Frederikshavn line, which is considered the tail end of InterCityLyn. Finally, the line Copenhagen - Ystad has been handed over to Skånetrafikken as of 10 December 2017 (in connection with the transition to K18).

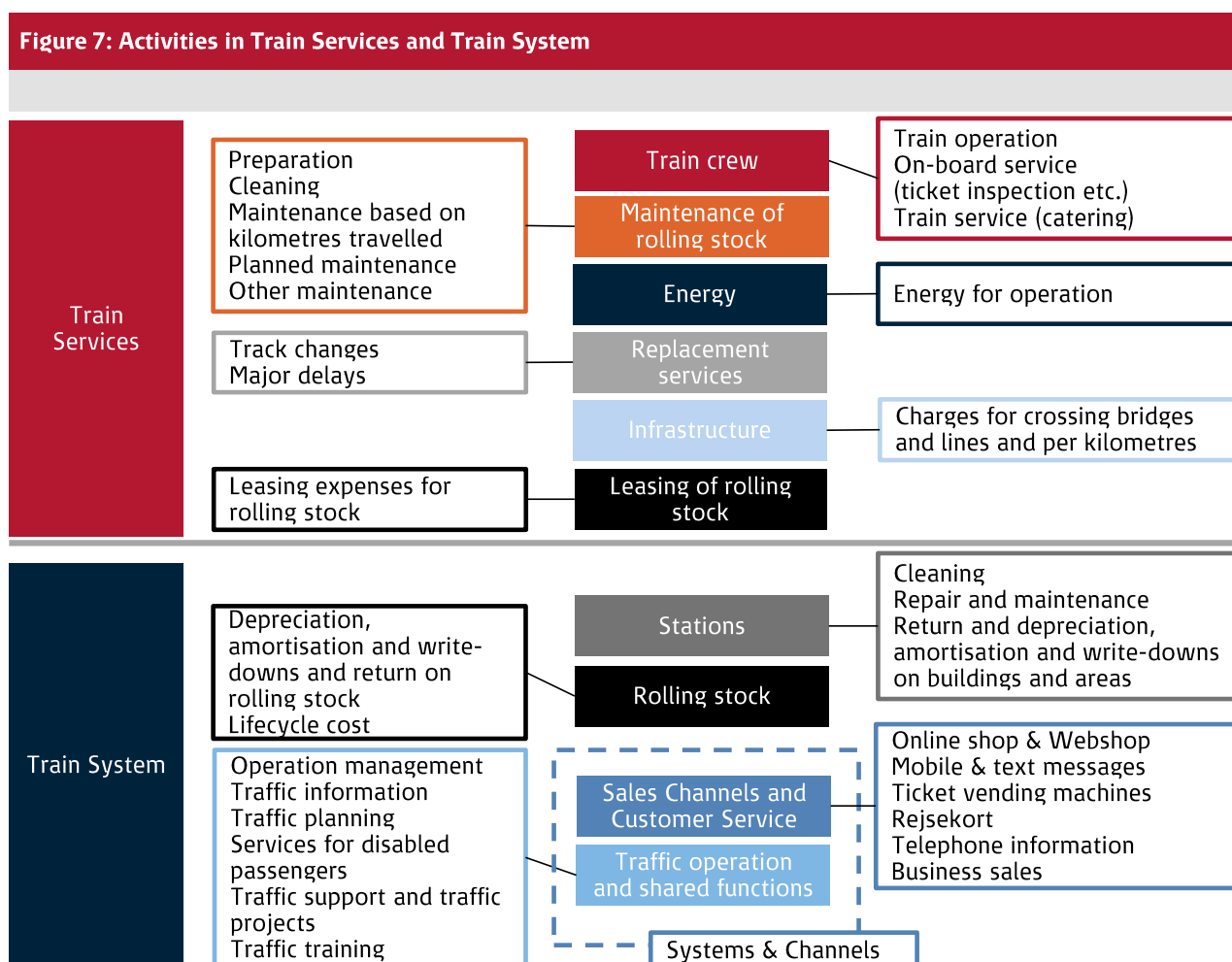
## Long-distance & Regional Trains



- International train systems, used largely by local travellers on Zealand and in Jutland are defined as regional traffic.

### Definition of activities and division into the activity areas Trains Services and Train System

The central element in the Line Economy Model is the definition of the activities carried out by DSB in Train Services. The activity definitions and groupings used support the distinction between Train Services and Train System activities on which the Activity area accounts are based.



DSB's accounting registrations do not directly support a division of the Train Services in accordance with the activity area perception in the traffic contract. The basic registrations are aimed at supporting the company's current organisation and thus the most effective total business. That is why the Activity Areas Accounts are based on allocations of the Line Economy Model.

### Basis of allocation

Development of the Line Economy Model is based on the objective that the model should reflect DSB's revenue, cost and production structure. Since it is an allocation model, the size of revenue and costs per line will depend on the choice of activity groupings and the choice of allocation keys.

Train Service activities for lines is in general allocated according to the following principles:

- If the activity is performed only for the operation of a single line, there will be a direct allocation to the line.
- If instead the activity is carried out, in order to be able to run multiple or all lines, the costs are allocated to lines in accordance with an appropriate production parameter.

**Figure 8: The main basis of allocation for Train Services in the Line Economy Model**

Train crew	Time registrations by engine drivers, conductors and ticket inspectors
Maintenance of rolling stock	Rolling stock class hours, rolling stock class kilometres and seat kilometres
Energy	Rolling stock class kilometres
Replacement-services	Journey portions, directly attributed to specific lines
Infrastructure	Bridges, tunnels, lines and train kilometres
Leasing of rolling stock	Average

Figure 8 shows the main production-based basis of allocation used in the allocation of Train Service activities to the individual lines.

One example is the full costs of the train transport activity under on-board staff, which is allocated to the line, based on the locomotive driver's time registration that is connected to the individual line via the rolling stock.

A second example is the full maintenance costs of IC3 train sets rolling stock, allocated relatively to the lines where IC3 train sets are used based on the kilometre that the IC3 train set has travelled.

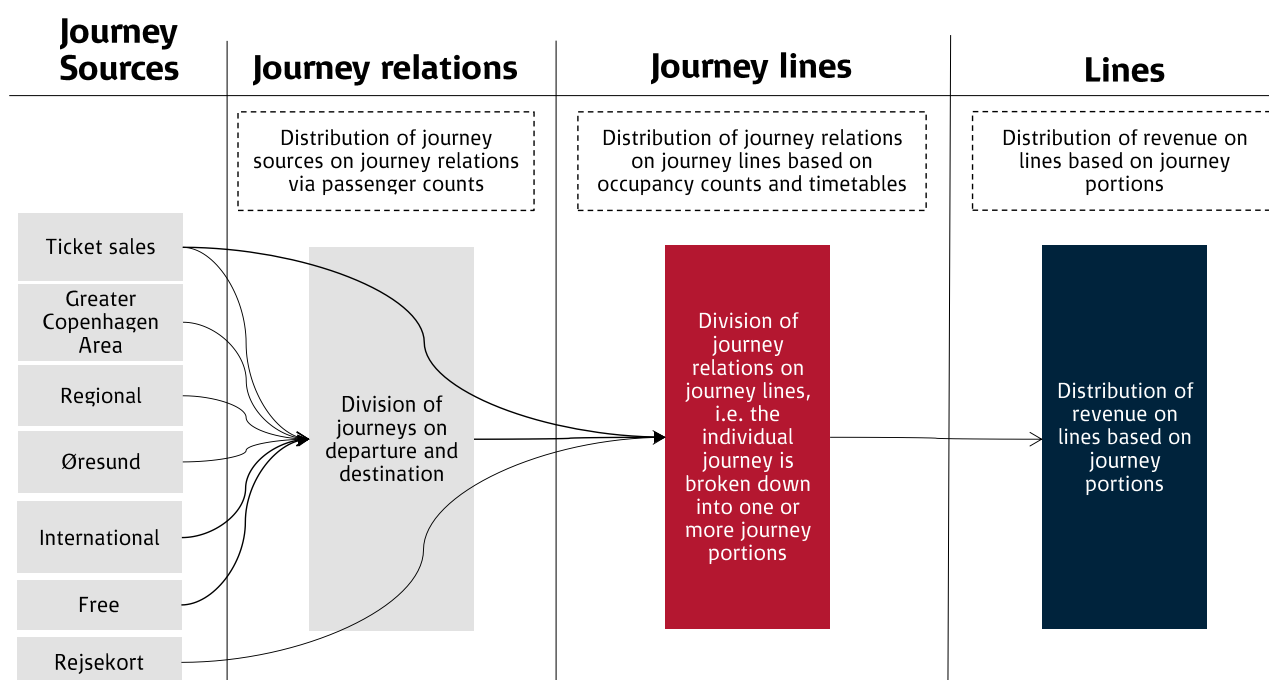
A third example is the infrastructure costs for crossing the Great Belt, which are allocated in proportion with the number of bridge passengers carried on the individual line.

### **Distribution of passenger revenues for the lines**

It is not possible precisely to quantify the number of journeys in DSB because, in public transport, it is possible to ride by buses, with the metro and the train without necessarily having a travel warrant for a specific departure. This applies to both period tickets and single journeys, since it is possible to buy an open ticket for e.g. Copenhagen - Aarhus. Thus, it is not possible to determine whether the journey is made with the long distance train headed for Esbjerg, Aarhus or Aalborg. In addition, a journey can be made across multiple operators and lines. For example, a journey from Tisvildeleje to Aarhus involving the local train from Tisvildeleje to Hillerød, S-train from Hillerød to Copenhagen and regional train from Copenhagen to Aarhus can be made on the same ticket.

The accounts statement is not made any less complicated by the fact that there are now many ticketing systems and tariff areas that must be coordinated across different operators.

**Figure 9: Principles for the allocation of passenger revenues to lines**



DSB has thus a number of travel sources, see Figure 9, of which the largest is DSB's own ticket sales and capital city journeys as well as the Rejsekort (Travel Card). The journeys are assessed by means of passenger counts in trains, which are converted to the number of passengers. The methods may vary from journey source to journey source and are agreed with the other operators in a given tariff area.

The trips must be divided into a travel relationship, which shows, from where and to where the journey is made. This is based on passenger studies<sup>2</sup> of travel patterns that provide a statistical weighting that can be used for travel sources.

When travel relationships are established, the journey's routing shall be determined, i.e. which of several possible lines have been used for the journey between two destinations. Since a journey can be made over several lines, it must be shared relatively between the lines. Thus, a trip can be divided into one or more partial journeys. Occupancy counts and timetables are used to split between lines.

Partial journeys are used to allocate passenger revenues to lines in the Travel Revenue Model. In the Line Economy Model, this input is used as a basis for allocating the registered passenger revenue. Therefore, there is a degree of discretion in the passenger revenue linked to single lines.

### Distribution of income from the traffic contract to areas of activity

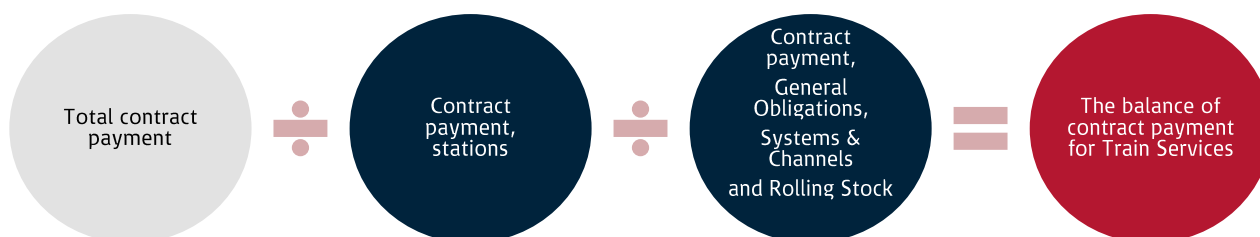
<sup>2</sup> The BRIK counts in the HT-area and the Country count, as carried out by COWI in Long Distance & Regional trains.



The Line Economy Model does not break down the contract payment onto lines, since there is no unique activity-based method on how to allocate the contract payment.

For use for the Activity area accounts, DSB has chosen to allocate contract payment according to the following method.

**Figure 10: Principles for allocating revenues from the traffic contract to activity areas**



The contract payment to Stations is allocated to ensure an annual return on the invested capital (ROIC) of 3 percent. The contract payment for General Obligations (historical) is based on cost recovery. The contract payment for Systems & Channels is based on a profit rate of 5 percent; the contract payment for Equipment covers all the project costs for preparation of the purchase of new electric trains for Denmark alone, since rolling stock rental is charged to the train service activity.

The remaining contract payment accrues to Train Services where it is allocated such that the profit ratio is identical for Long Distance and Regional train traffic, Øresund traffic and S-train traffic. If they generate a profit individually without contract payment this payment is allocated only to the loss-making traffic areas. For S-trains, this means that in 2017, no contract payment is added (see Table 1), since S-train traffic can be operated with a profit.

In addition, it is assumed that the passenger revenues accrue to Train Services and thus, according to the model, do not contribute directly to the Train System.

#### **Distribution of rolling stock rental to Train Service**

All income and expenses as well as depreciation, amortisation and financial items for rolling stock are collected in two pools, one for Long-Distance and Regional trains (including Øresund) and one for S-trains. However, both pools are exclusive project costs for Train of the Future, which is not included.

On Long-distance and Regional train traffic lines where dedicated rolling stock is used (Odense - Svendborg, Odense - Ringe, Aarhus - Hamburg, Copenhagen - Hamburg, Copenhagen - Vstad and Copenhagen - Malmø), the lines costs are accounted directly with the specific rolling stock costs. The remaining rolling stock pool is seen as a common pool that can operate on all lines and therefore calculated as an average rolling stock by using the driven kilometres on the individual lines. Rolling stock rental for S-trains is based solely on the actual rolling stock costs of the S-train rolling stock.

**Distribution of VAT and tax**

DSB has partial right of deduction of incoming VAT, since the group has both VAT-liable and VAT-free activities. The non-deductible proportion of incoming VAT is included in the profit and loss account and in the balance sheet's entries.

DSB's companies are jointly registered and VAT in DSB is posted centrally. VAT is allocated to the activity areas according to the relative VAT of the relevant activities and thereby follow the actual costs through the allocation model.

Corporation tax is not be allocated to activity areas and lines. In the General Accounts, corporation tax is divided between Public Services according to the traffic contract and Competitive Activities.

## Management Statement

DSB's management has considered and approved DSB's Line Accounts for 2017.

The accounts are completed in accordance with the principles and methods specified in the Accounting Regulations for DSB, taking into account the interpretations agreed with the Ministry of Transport, Building, and Housing.

It is our view that

- DSB complies with the Accounting Regulations in 2017, including making the necessary accounting breakdown, see the Section 2 of the Accounting Regulation, such that DSB can account for contribution needs in the train operations.
- The model instrument and the basis of allocation used are documented in accordance with the Section 3 of the Accounting Regulations so that DSB can account for financial allocation to lines.

Taastrup, February 6<sup>th</sup> 2018

Flemming Jensen  
CEO

Thomas Thellersen Børner  
CFO

# Corporate Social Responsibility (CSR)

DSB's focus on corporate social responsibility contributes to the creation of a framework within which:

- The company's customers can travel easily, safely and securely with DSB. This includes elderly and disabled customers.
- DSB is an environmentally and climate-friendly public transport company for the benefit of society, customers, employees and DSB
- There is a good work environment, wherein diversity contributes to the development of DSB
- There is an internal pride in working for DSB which makes a positive contribution to society.

DSB's social responsibility is incorporated into the policies, processes and practices.

It is stated in the ethical policy that DSB will comply with the 10 universal principles of the UN Global Compact, with a focus on human rights and employee rights. The ethical rules require that our suppliers comply with national and international rules regarding child labour, health and safety at work, discrimination, use of forced or involuntary labour, corruption, bribery and the environment. DSB's ethical policy also includes a whistle-blower scheme providing good opportunities for handling any irregularities as quickly as possible.

The environmental policy describes the efforts to actively minimise the company's climate impact. DSB also has an accessibility policy, which ensures that customers with disabilities can make use of DSB's services.

Additionally, DSB has a policy for working environment, diversity and communication and staff which creates the framework for proper and safe working conditions and open and honest communication.

The procurement policy has to ensure that DSB handles purchases professionally and in a manner that prevents corruption. Social responsibility is also expressed in the demands the company makes on its suppliers. In connection with the conclusion of contracts with external suppliers, DSB ensures that they are made aware of the code of ethics.

## Collaboration and support

Since 2009, DSB has been a part of the UN Global Compact and reports annually on its work related to social responsibility.



Since 2008, DSB has collaborated with the Danish organisation Natteravnene (Night Ravens), which consists of approximately 4,000 adult volunteers. The volunteers walk around at night in the towns and cities, including at stations and in trains. DSB supports Natteravnene financially. They can run free of charge with all DSB trains when doing their volunteer work.

DSB collaborates with a number of aid organisations in Denmark by giving them permission to collect donations for their charitable causes and hand out materials to the customers at the stations. These organisations include Danmarks Indsamlingen (DR and 12 of Denmark's largest humanitarian organisations), DanChurchAid, the Danish Cancer Society, ActionAidDenmark, Save the Children Denmark, Danish Red Cross, the Danish Refugee Council and the World's Best News. In 2017, DSB supported UNICEF by providing the employees with the opportunity to donate their

Christmas present to children in distress. Approximately 300 employees chose to donate more than 2,000 blankets to refugee children who were freezing.

At election time in Denmark, DSB also supports the democratic process by permitting the political parties and their candidates to distribute material at the stations in the period leading up to the election - this also took place during the municipal elections of 2017.

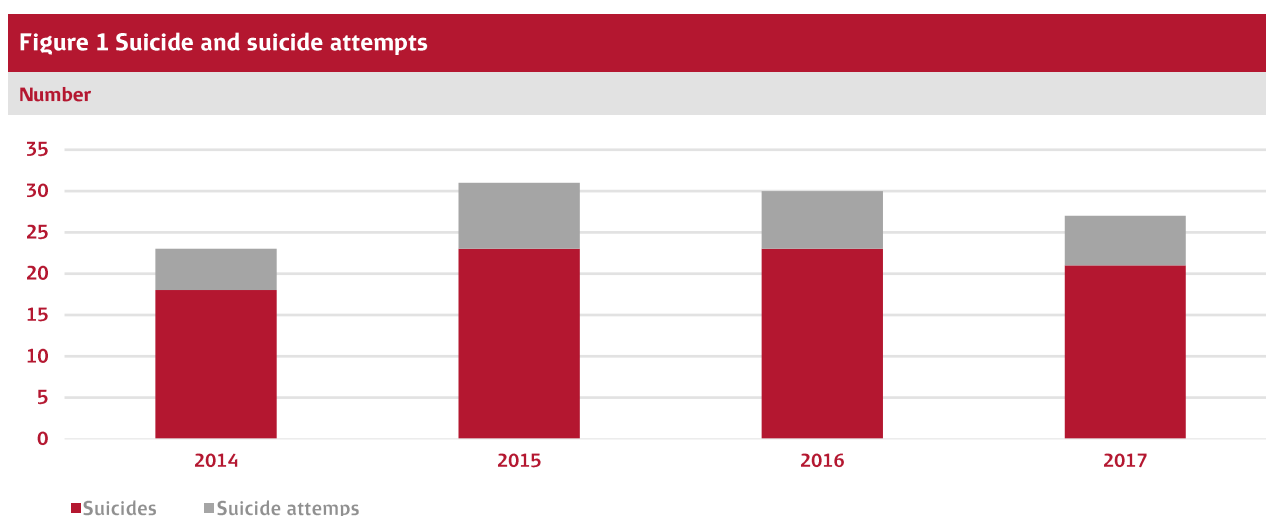
### Safety and security

It must be safe and secure to be a customer and employee. According to ERAIL (European Railway Accident Information Links), the Danish rail net is among Europe's safest. This is not least due to the fact that safety is a prerequisite for DSB, and safety is deeply integrated into the way the company conducts its business. In the safety policy, it is stated: Our customers need to be able to take safety for granted - but we must never do so!

Surveillance in trains and at stations contributes to safety and security. At the end of 2017, over 2,000 cameras at 143 stations and almost 4,000 cameras in S-trains were installed. In addition, DSB has two mobile video surveillance systems that can be moved to stations where passengers feel insecure or which are particularly exposed to vandalism. As an example, the camera surveillance is used to call for police and extra personnel when the situation requires it, and also to help police solve crimes such as vandalism, violent assaults, pick-pocketing, etc.

There are heart defibrillators installed in all DSB's trains. In collaboration with the Tryg Foundation, the heart defibrillators have also been set up at 64 selected stations across the whole country. 750 employees are trained in life-saving first aid techniques and the use of heart defibrillators.

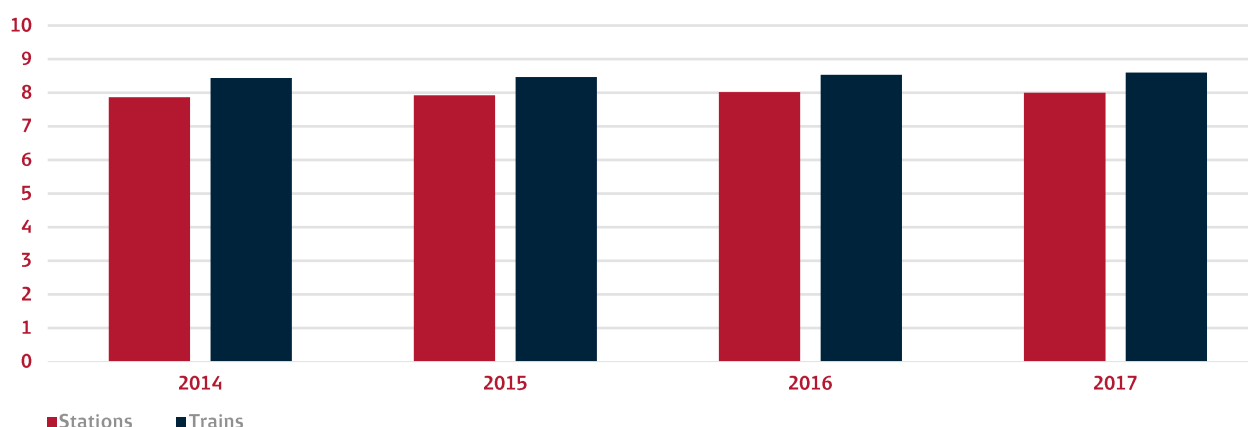
Suicide and suicide attempts are unfortunately a recurring event. In addition to being a tragic event for the individuals hit by trains and their families, it also impacts the customers and employees in the form of train cancellations, delays and psychological scarring. In 2017 were recorded 21 suicides and 6 suicide attempts (23 and 7, respectively, in 2016).



The customer surveys tracks customers' perception of security in trains and at stations. The survey reveals that the customers' perception of security in 2017 has remained unchanged in comparison to 2016.

**Figure 2: Customer satisfaction with security**

Scale 0-10



Every year, DSB spends large sums on fighting graffiti and creating nice and safe environments for its customers in the trains and on the stations - both by preventative measures such as security guards, etc. and also by cleaning trains and properties. In cooperation with Banedanmark, there has been introduced so-called zero-tolerance for graffiti at all stations in Greater Copenhagen and at certain stations on Zealand. This means that the stations most at risk in terms of graffiti are checked for graffiti every day, while the other stations are checked once a week. This has resulted in a virtual eradication of organised graffiti at the stations.

Homeless people who stay at stations and on trains are contributing towards an unsafe environment for the customers. DSB has established a collaboration with the City of Copenhagen's Homeless Unit to help the homeless at stations move on. Through this collaboration, DSB contacts Hjemløseenheden (Homeless Unit) when our staff encounter homeless people in need of help. With the assistance of the Homeless Unit, DSB has also produced a map with a list of over-night shelters that can be handed out by the personnel.

### **Occupational health and safety**

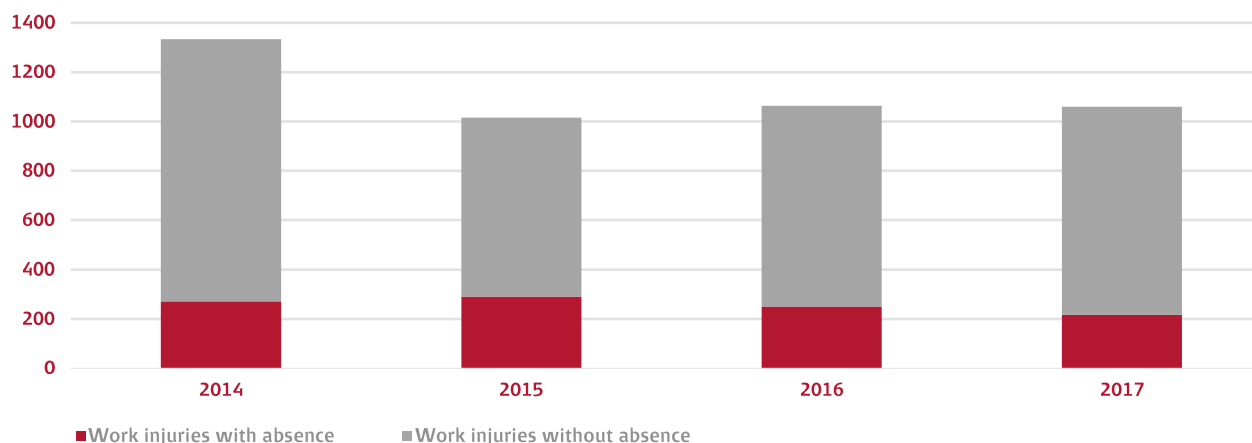
As part of the company's strategy, DSB strives to be an attractive workplace. DSB has a systematic approach towards occupational health and safety, and in 2017 its work environment was once again audited by the OHSAS 18001 standard.

In 2017, it was once again a goal to reduce the number of work accidents and absences in general. Accidents with absences declined from 251 in 2016 to 217 cases in 2017. The decline is due to a systematic approach towards analysing the causes and scope of work accidents, in addition to a smaller number of incidents involving people hit by trains. The number of work accidents resulting in at least one day of absence per 1 million hours worked (LITFR) fell from 22 in 2016 to 19 in 2017.

Accidents not resulting in absences increased from 813 in 2016 to 843 incidents in 2017. One of the reasons for this increase is that there has been put more focus on registering threats of violence towards the staff as a work accident.

Figure 3: Work injuries

Number

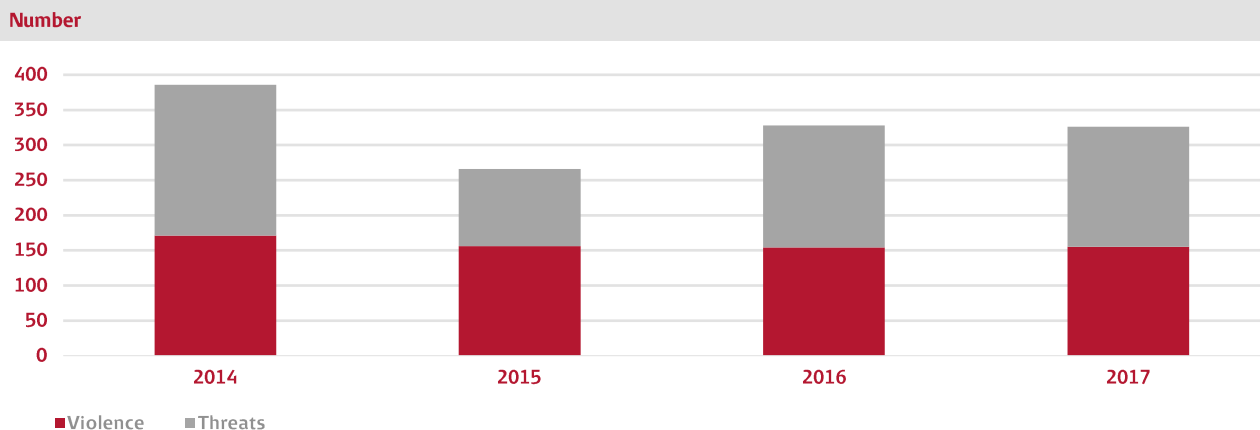


DSB has once again increased its focus in 2017 on reducing general sickness absence in the company. The effort focused on rapid follow-up with employees with long-term or recurring illnesses. The aim has been to maintain the sick employees' contact with, and return to, the workplace. The effort contributed to a reduction in sickness absences – from 9.3 days in 2016 to 9.1 days in 2017.

In 2017, DSB has also worked on reducing stress through means such as informational material, go-home-meetings and courses for management. The number of employees who respond that they have experienced work-related stress fell by a single percentage point to 27 in 2017. DSB will continue to focus on stress-preventative measures.

When many people are gathered at stations, in trains and in connection with ticket inspections, disagreements may arise, which may escalate to threats and violence against fellow customers and the staff. DSB makes every effort to continue improving our prevention and handling of these situations. This includes conflict management training of the staff, collaboration with the police, and dialogue with customers. In 2017, DSB recorded a small increase in instances of violent incidents, but a small decrease in the number of threats against the staff.

**Figure 4: Violence and threats against the staff**



DSB has zero tolerance to offending behavior - unwanted sexual awareness, violence, threats and harassment - in all contexts, both externally and internally. Among other things, in the annual workplace assessments, a follow-up is included on the extent of violent behavior internally in DSB, which provides the basis for management follow-up.

### **Accessibility**

DSB wants it to be easy for everyone to take the train - also those challenged by disabilities.

DSB offers disabled assistance for the train, and it can be ordered around the clock - though at least 12 hours before the planned start of the journey. Similarly, DSB has a companion scheme that makes it possible for the disabled individual to have a companion along to assist, and this companion travels at a significantly reduced price.

In 2017, DSB provided disability assistance 17,100 times and sold 45,800 disability assistant tickets. In addition to this, assistance was provided approximately 65,000 times in connection with journeys on the S-train and Kystbanen lines, as well as from stations with the option of spontaneous journeys.

In 2017, regional train traffic in Northern Jutland was transferred to Nordjyske Jernbaner and Nordjyllands Trafikselskab. DSB entered into an agreement with the new operator which ensures an cohesive service for customers with impaired mobility. Likewise, DSB has agreed on continued disability assistance for customers using the trains between Copenhagen and Ystad.

DSB also offers courses and open house events where employees come and teach about how to make ticket purchases, etc. The customer service team has completed 26 events in 2017 in collaboration with the DaneAge Association in addition to 71 open house events together with data processing centres, libraries and the local citizen service departments in the municipalities.

DSB also makes a special effort for children who are part of a family living in separate parts of the country. DSB has trained 70 children's guides who care for the children during the journey in a separate coach to which only the children have seat reservations. In 2017, there was 18,200 guide-assisted children journeys.



## **Diversity**

DSB wants to be an attractive workplace characterised by diversity, and it believes that a focused and prioritised effort will make DSB stronger and increase its competitiveness. DSB therefore has a diversity policy with certain focus areas intended to strengthen this diversity heading towards 2020 - including as it relates to trainee positions, management, ethnicity and gender.

In 2017, were 38 refugees in short corporate traineeships (4 weeks). 21 participated in industry courses (13 weeks) and of these, 6 of them extended their traineeship by 13 weeks.

DSB has increased the number of traineeships for apprentices, and by the end of the year, there were 46 traineeship positions for apprentices at the workshops, etc. Beyond this, DSB has recruited 9 office trainees who are set to start in 2018.

Gender equality in management is an integral part of personnel policy. In the Board of Directors, the gender distribution is equal (employee representatives are not included), and the Board's gender distribution thereby meets the goal that at least one third of the members must be of the underrepresented gender.

The gender distribution in 2017 was 25 percent women in the director group. Of all managers at DSB, 27 percent are women – almost the same percentage as for all employees where 26 percent are women. DSB's objective in terms of gender distribution at the various management levels is that the distribution must reflect the gender distribution in the company as a whole.

## **Bribery**

DSB does not tolerate corruption and has clear internal guidelines for the receipt of gifts in addition to a whistle-blower scheme. The guidelines are communicated to the staff on the intranet and through e-learning, and they are also a subject in the introductory training for new employees. DSB also has an acquisition policy with a code of conduct that all of our suppliers must adhere to. In 2017, DSB has not observed cases of bribery.

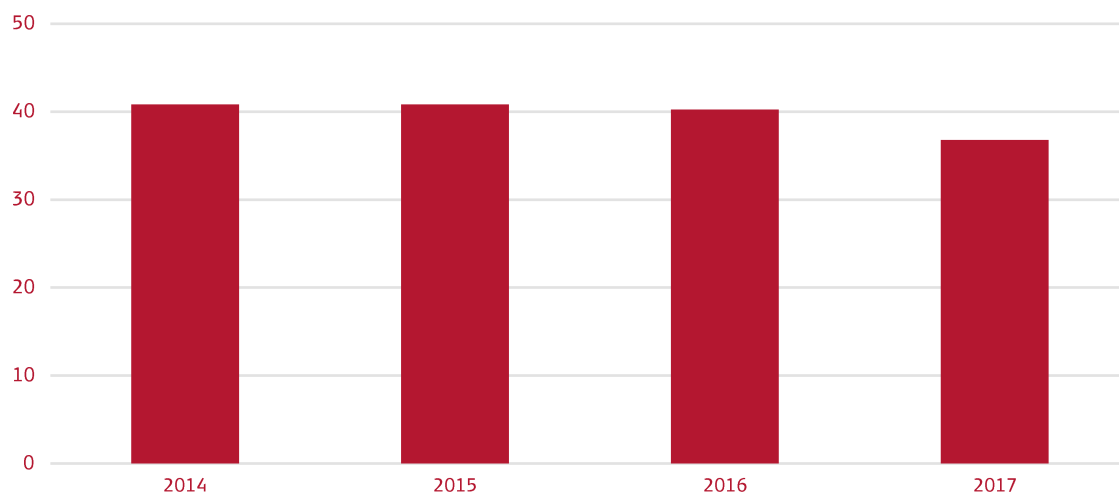
## **Environment and climate**

The main risks from the environmental and climate perspective are considered to be emissions to air from the train operation as well as the noise generated by operations.

The total CO<sub>2</sub> emission in 2017 has fallen by 5 percent compared to 2016. It is a combination of a declining energy consumption for train operations, a declining energy consumption for buildings and workshops and an improved energy mix for electricity.

**Illustration 5: CO<sub>2</sub> emission per passenger kilometre**

Grams



DSB has set a strategic measuring point for sustainability, defined as the emission of grams of CO<sub>2</sub> from train operations per passenger kilometre. The diagram above shows the results from recent years.

With emissions of approx. 38 grams per passenger kilometre, trains are a very competitive means of transport compared to other forms of transport, as cars and planes emit 100 grams of CO<sub>2</sub> per passenger kilometre, while buses emit 60 grams. This figure amounts to an improvement of 8 percent in comparison to 2016.

The continuing electrification of the main network in Denmark will mean a decline in energy consumption and CO<sub>2</sub> emission due to the transition from diesel to electricity. In the autumn of 2017 the Lunderskov-Esbjerg stretch was electrified. This will have an impact throughout 2018 and is expected to lead to a continued decline of energy consumption.

The total energy consumption for trains in 2017 has fallen by 3 percent compared to 2016. Diesel traffic has fallen by 4 percent, which is a result of a combination of reduced traffic (Aarhus Letbane and Northern Jutland) in addition to a reduced usage of MR train sets and C4 train sets. Energy consumption for electrical trains has fallen by 2 percent compared to 2016.

**Table 1: Development in energy consumption and CO<sub>2</sub> emissions**

Change from 2016 to 2017	Energy consumption per seat kilometre	Energy consumption per passenger kilometre	CO <sub>2</sub> emission per passenger kilometre
Long-distance & Regional Trains			
- Diesel trains	-1%	-6%	-6%
- Electric trains	1%	-3%	-15%
S-trains	-2%	1%	-11%

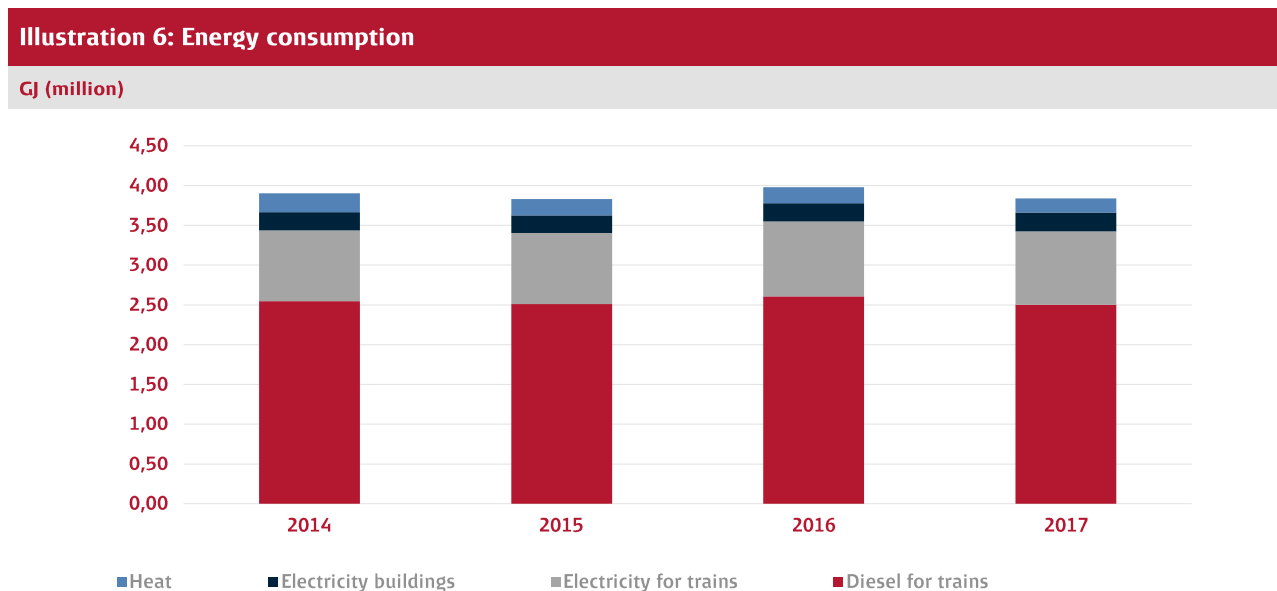
The CO<sub>2</sub> emission per passenger kilometre for the company's electric train operations has fallen significantly. This is due to declining energy consumption, increasing coverage and an improved energy mix in Denmark.

Approximately 90 percent of the total energy consumption is used for train operations.

The energy consumption for purposes other than train operations has fallen by 4 percent in 2017 compared to 2016.

Through its environmental policy and the environmental certification of workshops and preparation centres, DSB is focused both on reducing its impact on the surrounding environment and on contributing to the transport sector's overall restructuring and the reduction of its climate impact.

The total energy consumption and the composition thereof is shown in the illustration below.



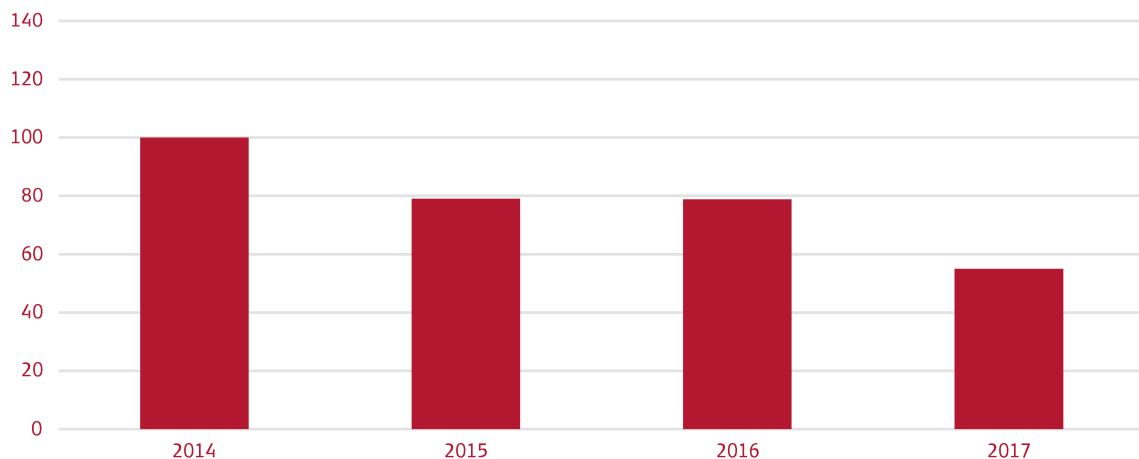
DSB is continuing its efforts to reduce energy consumption in buildings and fixed installations. In 2017, the following initiatives made an impact:

- A new gas boiler at Klargøringscenter Kastrup, which was replaced in 2016 has resulted in a reduction of 60 percent in the consumption of gas, equivalent to 580 tons of CO<sub>2</sub>.
- At Klargøringscenter København and at the workshop in Fredericia, the ventilation system was replaced. This is expected to lead to a reduction in the consumption of heat and electricity.
- Ongoing replacement of traditional lighting with LED lighting.

Diesel trains make a local impact on air quality in the form of particles and NO<sub>x</sub> etc. DSB's main focus is on a reduction of particles, including ultrafine particles.

### Illustration 7: Particle emissions

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The total emission of particles, calculated by mass, from diesel trains has fallen by 30 percent in comparison to 2016, and by 45 percent since 2014. The reason for this is the reduced use of MR train sets and IC4 train sets, as well as the installation of catalytic converters in the MR train sets.

The company is continuing its work to implement various prototypes for reducing customers' and employees' exposure to ultrafine particles. Since the end of 2017, the MR train sets and ICE TD train sets are no longer used for passenger traffic. This will lead to a further decline in the emission of particles, etc.

The number of noise and smoke complaints submitted by neighbours and customers rose from 93 in 2016 to 147 in 2017.

Complaints and enquiries, by category:

- Exterior noise: 82
- Smoke: 8
- Noise and smoke: 21
- Air quality: 11

It remains the ME diesel locomotives, which is the primary reason for the enquiries. This applies to both enquiries from neighbors to turning tracks/clearing areas and from neighbors to the tracks in Valby.

In 3 cases, a municipality has been involved (Roskilde, Helsingør and Ballerup). All cases deal with noise and are completed without further action. In addition, DSB has contact with Aarhus Municipality regarding environmental approval of the workshop - including noise conditions.

Banedanmark's measurements of air quality at Nørreport continue to show a significant improvement compared before the rebuilding.





# About DSB

## Board of Directors

The Board of Directors' directorships in Danish and foreign commercial enterprises. The special competencies of the Board of Directors are described on [www.dsb.dk](http://www.dsb.dk).



### **Peter Schütze, Chairman**

Joined DSB's Board of Directors on 1 June 2011 (at the extraordinary Annual Meeting).

Re-elected Chairman on 28 February 2017 (ordinary Annual Meeting)  
Term of office ends: 2019.

Chairman of:

- the Board of Directors of Falck A/S
- Investeringskomiteen - The Danish Climate Investment Fund and The Danish Agribusiness Fund
- Dronning Margrethe II's Arkæologiske Fond

Vice-Chairman of:

- the Board of Directors of Simcorp A/S
- the Board of Directors of Nordea-fonden and Nordea Bank-fonden

Member of:

- Industrial Board Axcel and Axcel Future
- the Board of Directors of Lundbeck Fonden
- the Board of Directors Association, Gösta Enboms Fund
- the Systemic Risk Council.



### **Annette Sadolin, Vice Chairman**

Joined DSB's Board of Directors on 28 April 2009 (ordinary Annual Meeting)

Re-elected – selected as Vice Chairman on 28 February 2017 (ordinary Annual Meeting)

Term of office ends: 2019.

Chairman of:

- the Board of Directors of Østre Gasværk Teater

Member of:

- the Board of Directors of DSV A/S
- the Board of Directors of Topdanmark Forsikring A/S
- the Board of Directors of Ratos AB, Sweden
- the Board of Directors of Blue Square Re. N.V.
- the Board of Directors of Ny Carlsberg Glyptotek
- the Board of Directors of KNI A/S, Greenland



### **Henrik Amsinck**

Joined DSB's Board of Directors on 19 May 2017 (at the extraordinary Annual Meeting).

Term of office ends 2019.

Member of:

- the Board of Directors of LEGO GmbH
- the Board of Directors of Destination Aarhus
- Entrepriise 50 (CIO network)



### **Henriette Fenger Ellekrog**

Joined DSB's Board of Directors on 19 May 2017 (at the extraordinary Annual Meeting).

Term of office ends 2019.

Chairman of:

- The Board for the Danish Employers' Association for the Financial Sector

Member of:

- the Board for Danske Bank Plc
- the Board for Realkredit Danmark A/S
- the Board for Fondet for Dansk-Norsk Samarbejde
- DI's Advisory Board for more women in senior management and boards.



### **Carsten Gerner**

Joined DSB's Board of Directors on 24 April 2012 (ordinary Annual Meeting)

Re-elected on 15 March 2016 (ordinary Annual Meeting)

Term of office ends: 2018.

Member of:

- the Board of Directors of Hempel Fonden
- the Board of Directors of Hempel Holding A/S
- the Board of Directors of Ib Andersen Industri A/S
- the Board of Directors of IAI Holding A/S
- the Board of Directors of Boligfonden DTU
- the Board of Directors of H-Kollegie Fonden.



### **Christina Grumstrup Sørensen**

Joined DSB's Board of Directors on 17 March 2015 (ordinary Annual Meeting).

Re-elected on 28 February 2017 (ordinary Annual Meeting)

Term of office ends: 2019.

Member of:

- The board of Terma A/S.

**Hans Christian Kirketerp-Møller**

Joined DSB's Board of Directors on 27 April 2011 (elected by employees)

Re-elected on 2 march 2015 (elected by employees)

Senior Consultant.

Chairman of:

- Board of Directors of AOF Gentofte, Gladsaxe and Lyngby-Taarbæk
- Board of Directors of Design for Alle.

President UIC – PASSAGE.

Council member:

- BFA-velfærd og offentlig administration.

Member of:

- the Board of Directors of BAR-FOKA

**Preben Steenholdt Pedersen**

Joined DSB's Board of Directors on 27 April 2011 (elected by employees)

Re-elected on 2 march 2015 (elected by employees)

Locomotive operation instructor.

Deputy Chairman of Danish Railway Workers' Union.

Chairman of:

- Vejlekassen c/o Tjenestemændenes forsikring

Member of:

- the Board of Directors of Dan Ejendomsservice A/S
- the Board of Directors of Tjenestemændenes Forsikring
- the Board of Directors of Interesseforeningen
- the Board of Directors of Forsikringsagenturforeningen afd. 1
- the Board of Directors of Transporterhvervets Uddannelser (TUR).

**Birthe Østergaard Petersen**

Joined DSB's Board of Directors on 1 October 2016 (elected by employees).

Working environment specialist.



## Executive Board

The Executive Board's directorships in Danish and foreign commercial enterprises



**Flemming Jensen, CEO**

Employed with DSB since 2015

Chairman of:

- the Board at TP Aerospace.

Member of:

- the board of Directors of Industriens arbejdsgivere i København.



**Thomas Thellersen Børner, CFO**

Employed with DSB since 2013.



**Jürgen Müller, Executive Vice President, Strategy & Rolling Stock**

Employed with DSB since 2015

## Management

The Management's directorships in Danish and foreign commercial enterprises.



**Jan Sigurdur Christensen, Director of Commercial**

Employed with DSB since 2014.

Member of:

- the Board of Directors of Rejsekort A/S.



**Lars Kaspersen, Executive Vice President, Communications & Branding**

Employed with DSB since 2013.

Chairman of:

- Fonden Danmarks Jernbanemuseum.



**Mette Rosholm, Director of Proce & Legal Affairs**

Employed with DSB since 2014.

Member of:

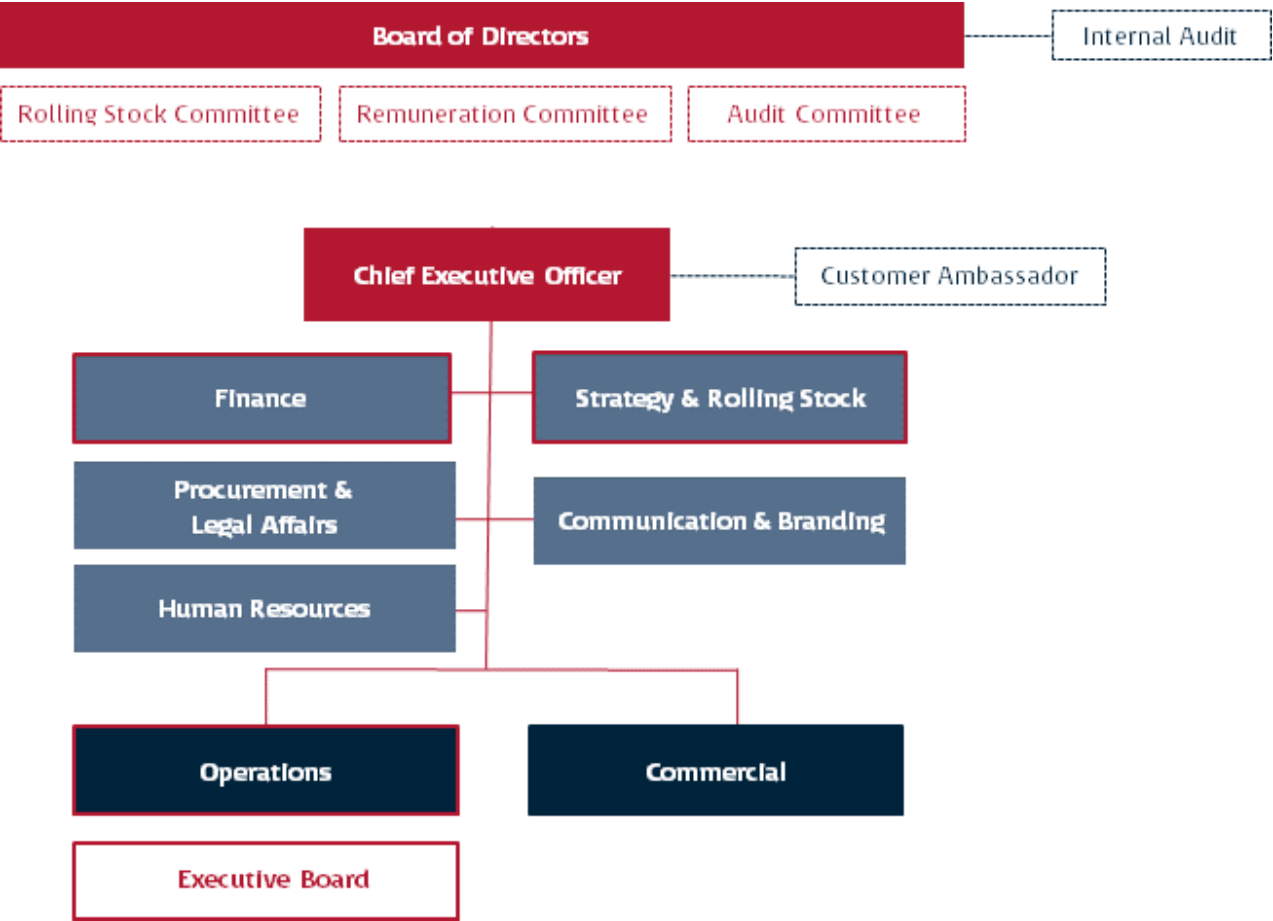
- the Board of Directors of Rejsekort A/S.



**Tine Moe Svendsen, HR Director**

Employed with DSB since 2015

Organisation



## Financial calendar 2018

Expected publication of quarterly and interim reports:

1st quarter 2018	8 May 2018
Interim report 2018	23 August 2018
1st -3rd quarter 2018	8 November 2018

## Publications

Annual report for 2017 can be found at [www.dsb.dk](http://www.dsb.dk)

Environmental report for 2017 can be found at [www.dsb.dk](http://www.dsb.dk)

## Company details

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Tel. +45 70 13 14 15

[www.dsb.dk](http://www.dsb.dk)

CVR no. 25050053

### Municipality of domicile

Høje-Taastrup

### Ownership

DSB is an independent public corporation owned by the Ministry of Transport, Building and Housing

### Auditor

Ernst & Young  
Authorised Limited Company of Accountants  
CVR No. 30700228

The National Audit Office of Denmark

### Bank

Nordea Bank Danmark A/S

### Editors

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Martin Buchtrup Larsen  
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Niels-Otto Fisker

### Graphic design

Communication & Branding

