

ANNUAL REPORT 2016

Contents

| | | | |
|---|-----------|---|------------|
| Preface..... | 3 | → Notes and accounting policies applied | 31 |
| The management's review | 8 | Operating activities..... | 67 |
| → Report - Financial Activities | 9 | → Transport contract 2015-2024 | 67 |
| → Outlook for 2017 | 11 | → Productivity | 67 |
| → A look into the future: 10 years with complexity | 11 | → Punctuality | 68 |
| → Safety | 12 | → Customers | 69 |
| → Risk management | 13 | → Rolling stock situation..... | 73 |
| → Corporate governance | 15 | → Reputation | 77 |
| → Statements to the Danish Business Authority | 19 | → Supplemental key figures | 78 |
| | | → Income statement by quarter | 84 |
| | | → Key figure definitions | 85 |
| Management statement and auditors' reports | 20 | Line Accounts | 86 |
| → Management Statement | 20 | Corporate Social Responsibility (CSR) | 109 |
| → Independent auditors' report | 21 | About DSB | 121 |
| Consolidated annual accounts and annual accounts | 25 | → Board of Directors | 121 |
| → Profit and loss statement | 25 | → Executive Board | 124 |
| → Balance sheet – assets | 26 | → Management | 125 |
| → Balance sheet – liabilities and equity | 27 | → Organisation..... | 126 |
| → Statement of changes in equity | 28 | → Financial calendar 2017 | 127 |
| → Equity statement (continued)..... | 29 | → Publications | 127 |
| → Cash flow statement..... | 30 | → Company details | 127 |

Preface

DSB's result before tax in 2016 were a loss of DKK 2,193 million as a consequence of write-downs of IC4 and IC2 train sets. Adjusted for write-downs and other non-recurring items, DSB delivered a profit before tax of DKK 381 million.

- Punctuality was a challenge for Long-distance and Regional train traffic, the S-train fulfilled contractual requirements
- The procurement process for new and modern electric rolling stock got off to a good start. New electric locomotives are expected to be put into operation from the beginning of 2020
- A comprehensive fare reform for Zealand was launched in January 2017
- In 2016, an increased number of low fare tickets were sold and the customers' self-service possibilities were improved.

Despite a loss before tax of DKK 2,193 million, DSB can present a fundamentally sound financial situation in its annual accounts. Profit before tax amounted to DKK 381 million when adjusted for non-recurring items. The interest-bearing debt was reduced by about DKK 1.1 billion.

Overall, DSB's finances create the conditions for DSB ability to finance the planned purchase of 26 electric locomotives to replace the aging and polluting diesel locomotives and, in the longer term, also purchase new electric trains in the period towards 2024.

| Profit/loss before tax adjusted for non-recurring items ¹⁾ | |
|--|--------|
| DKK million | 2016 |
| Loss before tax | -2,193 |
| Write-down of 77 IC4 train sets (2nd half-year 2016) | 2,058 |
| Write-downs of 23 IC2 and 5 IC4 train sets (1st half-year 2016) | 673 |
| Write-down other tangible assets, Single-person operation Kystbanen (Coastal line) | 36 |
| Net gains on real estate, etc. | -193 |
| Adjusted profit before tax | 381 |

¹⁾ A minus indicates that the correction has had a positive effect on profit/loss before tax.

The above shows the four items that constitute the difference between "Loss before tax" and "Adjusted profit before tax".

The 23 IC2 train sets and 5 unfinished IC4 train sets were already fully written down by DKK 673 million in connection with the interim accounts. IC2 train sets were only in very limited use in operations and did not meet the stability requirements that are essential for use in daily train services. At the same time, it was estimated that there will be no need for completing the development of the 5 unfinished IC4 train sets where development work had already been suspended.

In December 2016, DSB presented its analysis of the future of the IC4 train sets to the Parliament's Transport, Construction and Housing Committee. The conclusion was that operating experience has shown that improvement initiatives have not been reflected in an increased operating stability, and the remaining 77 IC4 train sets will primarily run as regional trains - and this only during a period until DSB begins phasing in new electric trains in 2024. Subsequently, the IC4-train sets will be phased out in pace with the introduction of the new trains. The value of the 77 IC4

train sets will, as a consequence of the decision be written-down by DKK 2,058 million, corresponding to half the book value.

The punctuality of Long-distance & Regional train traffic was challenged in 2016, which was an inconvenience for our 200,000 daily customers

3 out of 4 Long-distance & Regional train traffic customers arrived within 3 minutes of the scheduled time. This is not a satisfactory result and does not live up to DSB's and Banedanmark's common goal for customer punctuality of 81.8 percent.

Customer satisfaction declined marginally from 8.0 to 7.9 primarily due to the unsatisfactory punctuality.

The customer punctuality has been challenged by issues relating to infrastructure, including track maintenance and signal faults, by the introduction of ID-verifications at the borders to Sweden and from Germany and an increasing number of technical faults on DSB's trains. More than half of the year's delays are due to circumstances which DSB does not have direct control. DSB has an ongoing dialogue with Banedanmark (the Danish national railway network agency) on aspects relating to the infrastructure, so that there is greater assurance that more track work will be carried out on schedule.

Operator Punctuality - the part of punctuality that DSB is accountable for - in the Long-distance & Regional train was, at 92.0 percent, 1.8 percentage points from the year target. DSB has launched a number of initiatives to help bring punctuality back up to the level demanded by the traffic contract. The initiatives include among other recruitment of up to an additional 200 employees at DSB's workshops, so that there will be more resources to reduce the number of delaying faults on trains.

"It is not satisfactory that so many DSB customers experienced delays in 2016. We have launched a number of initiatives to ensure more trains on time. Due to the new initiatives, DSB's operator punctuality has, in December 2016 and January 2017, been above the target in the contract with the state. While it is too early to draw a conclusion, it suggests that we are on the right track, "
Flemming Jensen, CEO

S-train on time - almost all the time

The 300,000 daily customers in the Copenhagen S-trains could again in 2016 be happy with a punctuality on the right side of the goal. 92.6 percent of customers arrived on time. This result is on the right side of DSB's and Banedanmark's common goal of 92.3 percent. However, there are also customers in the S-trains that have experienced challenges in 2016. This applies especially on the line between Køge and Hillerød, where Banedanmark has worked intensively with the renewal of tracks and signals.

Operator punctuality for S-trains was 98.4 percent - almost a percentage point above the target of 97.5 percent.

The challenges to punctuality in connection with track and signal work is the main reason for customer satisfaction in S-trains falling 0.2 points to 8.0 for the year.

New modern trains will simplify and streamline train services

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

In the coming year, a political decision must be taken regarding a tenders of new electric trains for Denmark for both Long-distance and Regional train traffic. DSB will present a draft for the purchase of new electric trains to be put into operation in the middle of the next decade as the electrification of the train network to Aarhus and Aalborg. DSB has already decided initially to buy 26 new electric locomotives, scheduled to be put into operation from the start of 2020 as Banedanmark's electrification of the Zealand track network.

New electric locomotives and electric trains means a farewell to the majority of DSB's diesel driven train fleet and replacing this with a simple, modern and environmentally friendly train fleet to the benefit of DSB's customers and DSB's efficiency.

Easier to be a customer - simpler prices on Zealand and Lolland-Falster

In 2016, it was decided to implement a comprehensive reform of tariff systems in public transport on Zealand and Lolland-Falster. In close cooperation with Movia and Metro, DSB has worked intensively to prepare the new fare system, which were launched in January 2017.

It is very satisfying that train, bus and metro customers on Zealand, Lolland-Falster and Møn now have one combined tariff system where the Rejsekort (travel card) always provides the cheapest possible standard single ticket.

With the tariff reform, the majority of customers have lower or unchanged prices, but with such a large restructuring, it is unfortunately inevitable that there are customers who have experienced rising prices.

More customers in S-trains, cheaper tickets and more self-service options

The Copenhagen S-train could this year note a 2 percent increase in passengers. In total, 116.3 million journeys were sold on the S-train in the 2016. The number of journeys sold in Long-distance & Regional train traffic fell by 2.2 million journeys. Adjusted for extraordinary factors such as ID-verifications and the transfer of Grenaa line to Midttrafik, Long-distance & Regional train traffic are estimated to have a 0.4 percent increase in the number of journeys.

DSB's Orange tickets concept on trains outside of peak hours, with available seat capacity has caught on in the past year. Just over 1 million Orange tickets have been sold, which is twice as many as in 2015.

DSB has, among other, introduced a new pricing structure, where tickets from Copenhagen to Aarhus start at 99 kroner. In addition, DSB introduced Orange tickets on travels in the regional trains. The tickets are available on lines covering more than 7 zones and have a starting price of DKK 39. Finally, you can buy Orange tickets simply and easily in the DSB App.

DSB's focus on the development of digital sales channels continued in 2016, and the customer self-service rate at the end of the year was just under 85 percent. In the DSB App, in addition to regular tickets, it is now possible to also buy, for example, an electronic 10-trip card. During the period, a new online store selling international tickets has been opened, and finally the spreading of the Rejsekort (travel card) is continuing. By the end of December, there were 2 million active Rejsekort (travel cards).

Better and more stable internet in trains is high on the customer's wish list for the train ride. The Danish government has set aside DKK 100 million for Banedanmark to build additional cell towers as a precondition for better coverage along the train lines. Combined with the cooperation between DSB and the telecommunications companies to install signal amplifiers on trains and DSB's installation of Wi-Fi, the way is paved for better internet on the trains, which will make the train a functional workplace.

2016 has also offered improved services to DSB's customers at the closest level. It is now possible for train passengers between Aarhus and Copenhagen to buy a snack bag with water, potato chips, and chocolate, and, at the same time, it has been decided to install vendor machines in the trains where customers can buy cold drinks. DSB's desire is to ensure our customers as easy and convenient travel as possible.

I want to thank DSB's employees for their outstanding and dedicated performance in a year where the company and its customers have been challenged by an unsatisfactory punctuality "
Flemming Jensen, CEO

Taastrup, 9 February 2017

Peter Schütze
Chairman of the Board

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 management's review

| Financial highlights | | | | | | |
|--|--------|--------|--------|--------|--------|-------------|
| DSB Group (DKK million) | 2012 | 2013 | 2014 | 2015 | 2016 | Pct. change |
| Net revenue ¹⁾ | 11,101 | 11,359 | 11,388 | 11,153 | 11,039 | -1 |
| Total income ²⁾ | 12,120 | 12,340 | 12,772 | 12,258 | 12,248 | 0 |
| Of these, non-recurring items | 135 | 34 | 282 | 85 | 193 | - |
| Total expenses | 9,764 | 9,558 | 9,323 | 9,332 | 9,503 | 2 |
| Profit/loss before amortisation, depreciation and write-downs | 2,356 | 2,782 | 3,449 | 2,926 | 2,745 | -6 |
| Amortisation, depreciation and write-downs | 1,701 | 1,892 | 2,247 | 2,023 | 4,634 | - |
| Of these, non-recurring items | 33 | 24 | 323 | 127 | 2,767 | - |
| Operating profit/loss | 655 | 890 | 1,202 | 903 | -1,889 | - |
| Profit/loss before tax | 115 | 386 | 670 | 580 | -2,193 | - |
| Profit before tax adjusted for non-recurring items | 219 | 466 | 624 | 622 | 381 | - |
| Profit/loss for the year ³⁾ | 50 | 483 | 482 | 446 | -1,704 | - |
| Balance sheet total | 24,486 | 23,465 | 21,947 | 20,369 | 16,534 | -19 |
| Total equity | 5,050 | 5,917 | 6,301 | 6,931 | 5,338 | -23 |
| Interest-bearing liabilities, net | 11,652 | 11,075 | 9,314 | 7,162 | 6,034 | -16 |
| Profit ratio (EBIT margin)* | 5.9 | 7.8 | 10.6 | 8.1 | -17.1 | - |
| Return on equity (ROE)* | 1.0 | 8.8 | 7.9 | 6.7 | -27.8 | - |
| Return on invested capital after tax (ROIC after tax)* | 2.6 | 5.0 | 5.4 | 4.7 | -11.5 | - |
| Gearing* | 4.9 | 4.0 | 2.7 | 2.4 | 2.2 | -8 |
| Equity ratio* | 20.6 | 25.2 | 28.7 | 34.0 | 32.3 | -5 |
| Interest coverage* | 1.5 | 2.0 | 3.1 | 2.7 | -5.9 | - |
| Average number of full-time employees | 8,818 | 7,977 | 7,564 | 7,438 | 7,285 | -2 |
| Number of full-time employees at year-end | 8,379 | 7,807 | 7,351 | 7,302 | 7,239 | -1 |
| Productivity – (Danish activities) ⁴⁾ | | | | | | |
| Passenger and transport contract revenues per seat kilometre (øre/kilometre) | - | - | - | 56 | 55 | -2 |
| Passenger Revenue per seat kilometre (øre/kilometre) | - | - | - | 29 | 31 | 7 |
| Costs per seat kilometre, excluding non-recurring items (øre/kilometre) | - | - | - | 58 | 56 | -3 |
| Customer punctuality ⁵⁾ | | | | | | |
| Long Distance & Regional Trains (percent) | 80.2 | 78.6 | 82.6 | 78.5 | 74.0 | - |
| S-train (percent) | 91.7 | 92.9 | 93.6 | 95.0 | 92.6 | - |
| Operator punctuality ⁶⁾ | | | | | | |
| Long Distance & Regional Trains (percent) | 94.7 | 94.6 | 95.5 | 94.4 | 92.0 | - |
| S-train (percent) | 98.2 | 98.5 | 98.9 | 99.0 | 98.4 | - |
| Customers | | | | | | |
| Customers in Denmark (million customers) ⁷⁾ | 181.7 | 186.0 | 189.1 | 192.7 | 192.6 | 0 |
| "Customer satisfaction for this journey" – (Danish activities) | 7.8 | 7.9 | 8.0 | 8.0 | 7.9 | -1 |
| Reputation | | | | | | |
| Users of Long-distance & Regional Trains | 52.1 | 49.1 | 51.1 | 51.5 | 49.7 | -3 |
| Users of S-trains | 58.2 | 55.3 | 56.1 | 59.1 | 55.6 | -6 |
| Non-users of Long-distance & Regional trains | 43.5 | 39.2 | 46.0 | 43.6 | 41.5 | -5 |

¹⁾ Revenue includes revenue relating to the railway business.

²⁾ Total income includes income from activities not related to the railway business.

³⁾ Tax on profit/loss 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 corporation tax rate from 25 percent in 2013 to 22 percent in 2016.

⁴⁾ Seat kilometres are calculated as the number of seats contained in a litre unit multiplied by the number of litre-kilometres travelled.

⁵⁾ Customer punctuality for Long-distance and Regional train traffic is defined as the number of passengers using punctual trains in relation to the total number of passengers. In 2016, Øresund is included in Long-distance & Regional trains. Customer punctuality for the S-train network is defined as the proportion of passengers who may arrive punctually on the basis of the passengers' expected travel pattern and the operated train traffic. Arrivals are considered punctual if they are delayed less than 3 minutes. Cancellations 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.

⁶⁾ Operator punctuality is the total punctuality less any delays due to circumstances for which DSB is not responsible. In 2016, Øresund is included in Long-distance & Regional trains. Arrivals are considered punctual if they are delayed less than 3 minutes. 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.

⁷⁾ Customers in Denmark in 2012, 2013, 2014, and 2015 adjusted compared to previously published figures due to the final journey inventories, etc. calculated as the number of journeys.

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

Report - Financial Activities

DSB's result before tax for 2016 was a loss of DKK 2,193 million. Adjusted for write-downs of IC4 and IC2 train sets and other non-recurring items, profit before tax was DKK 381 million.

Result before tax was DKK 2,773 million less than in 2015.

Net interest-bearing liabilities were markedly reduced compared with year-end 2015. This development means that the gearing has improved in 2016, while the equity ratio is reduced as a result of write-downs on IC4 and IC2 train sets.

Result before tax was, in 2016, affected by a number of non-recurring items.

Table 1: Profit/loss before tax adjusted for non-recurring items¹⁾

| DKK million | 2016 | 2015 |
|--|---------------|------------|
| Profit/loss before tax | -2,193 | 580 |
| Write-down of 77 IC4 train sets (2nd half year 2016) | 2,058 | - |
| Write-down of 23 IC2- and 5 IC4 train sets (1st half year 2016) | 673 | 127 |
| Write-down other tangible assets, Single-person operation Kystbanen (Coastal line) | 36 | - |
| Net gains on real estate, etc. | -193 | -85 |
| Adjusted profit before tax | 381 | 622 |

¹⁾ A minus indicates that the correction has had a positive effect on profit/loss before tax.

As mentioned, profit before tax adjusted for non-recurring items amount to DKK 381 million. The adjusted profit before tax in 2015 was DKK 622 million.

Loss before tax is affected by the write-down on IC4 and IC2 train sets. The write-down should be seen in the context with the procurement of new rolling stock - both electric locomotives and electric train sets - is expected to reduce the dependence on both IC4 and IC2 train sets allowing for a controlled phasing out.

In December 2016, DSB presented a recommendation concerning the future completion and commissioning of IC4 train sets.

Based on the accumulated operational experience, the conclusion was that IC4 will not be the core of Danish train transport, as the improvement initiatives have not been reflected in an increased operating stability. IC4 train sets are planned to be used exclusively for regional trains in contrast to the original plan, in which the IC4 was to be used for long-distance traffic.

The conclusion was also that IC4 train sets will be used in operation until the new electric trains are put into operation - equivalent to an average expected phasing out of all IC4 train sets by the end of 2024.

As a result of the reassessment of the expected future use of the IC4 and IC2 train sets - including an assessment of developments in the operation, functionality, and capacity needs and following the deployment plan associated with electrification - the management has, in 2016, completed a review of the book values resulting in the writing-down of all IC2 train sets by DKK 588 million full write-down of 5 IC4 train sets (NT) by DKK 85 million, a total of DKK 673 million, and partial write-down of the remaining 77 IC4 train sets by DKK 2,058 million.

The conclusion of "supplementary contract 1" to the traffic contract with the Danish state has affected the result before tax negatively by DKK 219 million. Furthermore, the result before tax are negatively affected by both lost passenger revenues and costs in connection with the introduction of ID-verification to enter Sweden and the border control from Germany.

Net interest-bearing liabilities have been reduced by DKK 1,128 million and constituted DKK 6,034 million as at 31 December 2016. It is mainly cash flows from operating activities that have made it possible to repay loans. The

positive cash flows from operations can especially be contributed to amortisation, depreciation and write-downs of the existing rolling stock substantially exceeding investments in new rolling stock.

By the end of 2016, Gearing amounted to 2.2 (2.4), Return on invested capital after tax -11.5 (4.7) and solvency ratio 32.3 (34.0). DSB's balance sheet totalled DKK 16,534 million as of 31 December, 2016 compared to DKK 20,369 million at the end of 2015. The decrease in assets is primarily affected by amortisation, depreciation and write-downs of tangible assets. The liabilities are mainly reduced by the repayment of debt and equity reduction.

In 2016, DSB has invested DKK 1,147 million (DKK 803 million). Investments mainly included major overhauls of long-distance and regional trains, S-trains as well as acquisition of the Shopping centre at the Central station (Hovedbanegårdens Forretningscenter, the shops located at the centre of the train station hall).

Income

The net revenue in the DSB Group was DKK 11,039 million in 2016 (DKK 11,153 million).

The passenger revenue was DKK 5,494 million, equivalent to an increase of DKK 525 million. The reason for the increase is mainly that passenger revenues from the Øresund activity in 2016 accrued to DSB as opposed to 2015 where DSB Øresund was fully financed by contract payment while passenger revenues accrued to the Danish state.

In addition, the passenger revenue is positively affected by an increased number of S-train journeys. Conversely, there were fewer journeys in the long-distance traffic as a result of the major track maintenance on Funen. The lines that are not affected by significant and exceptional circumstances, have created travel growth.

Finally, the passenger revenue is negatively affected by increased payments for the travel time guarantee scheme and provisions for loss on control charges.

Revenue from traffic contracts fell by DKK 489 million and amounted to DKK 4,394 million. This decrease was partly due to the transition to a new contract for the Øresund line and the effect of "supplementary contract 1" on a reduction of contract payment. Moreover, traffic contract revenues are negatively affected by the discontinuation of German activities. at the end of 2015.

Sales from shops, etc. increased by DKK 34 million and amounted to DKK 856 million. The development is primarily attributable to taken over eight kiosks on Kystbanen in 2016.

Sales of repairs and maintenance of rolling stock, etc. amounted to DKK 282 million and have increased by DKK 25 million

Leasing of rolling stock fell by DKK 209 million, representing DKK 13 million. The development is affected by discontinuation of the activity relating to the leasing of Øresund multiple train sets to the Ministry of Transport, Building and Housing that, in 2015, as traffic provider made these available to DSB Øresund for the operation of the Coastal- and Kastrupline.

Work performed by the enterprise and capitalised amounted to DKK 674 million and increased by DKK 137 million. The reason for this is that several major overhauls of S-trains and Øresund train sets were carried out as well as increased activation of IT development projects.

Other operating income amounted to DKK 535 million in 2016, representing a decrease of DKK 33 million. This is primarily due to lower sales of electricity and services, partially offset by increased gains on property sales.

Expenses

Expenses totalled DKK 9,503 million in 2016 (DKK 9,332 million).

Costs of raw materials and consumables increased by DKK 52 million and totalled DKK 1,903 million in 2016. This development is affected by increased cost of sales of kiosk products as a consequence of taken over of eight kiosks on the Kystbane (Coastal line). In addition, costs of Spare parts, etc. have also increased. Conversely, costs of Energy for train operation have decreased.

Other external expenses increased by DKK 91 million to DKK 3,864 million. This development was partly attributable to higher consultancy costs as a result of increased costs for IT development and preparation for future train acquisitions. In addition, there are increased marketing costs and external costs for repair and maintenance of buildings, which were previously handled by DSB's own employees.

Staff costs amounted to DKK 3,736 million in 2016 (3,708 million). The cost is negatively affected by the contractual salary adjustment and ongoing severance costs. Conversely, the development is positively affected by the transfer of the Odenwald line in Germany in 2015 to a new operator, a reduction in the number of employees partially due to the contract concluded on Facility Management services, and fewer employees in customer-oriented functions.

Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs have increased by DKK 2,611 million to DKK 4,634 million in 2016. The increase is primarily write-downs of the IC4 and IC2 fleet. After adjustment for non-recurring items, amortisation, depreciation and write-downs were at the same level as 2015.

Financial items

In 2016, net financials represented a cost of DKK 304 million (DKK 323 million). Net financials are positively affected by lower interest-

bearing liabilities but set off by costs in connection with repayment of loans with related interest and currency swaps.

Dividend for the Ministry of Transport, Building and Housing

The Board of Directors recommends that the Annual Meeting adopts a resolution that no dividend will be paid for 2016.

Claw Back

The final calculations regarding the excess payments for 2016 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.

the transport contract.

Outlook for 2017

In 2017, DSB will intensify its activities for improvement of operations in order to improve punctuality. For this purpose, up to 200 employees will be recruited at the workshops in order to reduce the number of defects in rolling stock which cause delays.

On August 2017, regional train traffic in North Jutland will be transferred from DSB to Nordjyske Jernbaner.

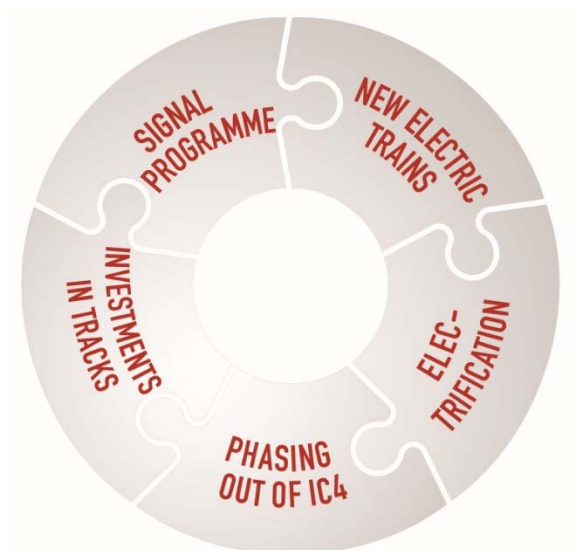
DSB's economy is still affected by the introduced ID-verifications at the Swedish border and the border control from Germany, which leads to increased costs and, not least, passenger turnover losses. The check is, in both cases, expected to be extended to May 2017.

DSB expects result before tax and non-recurring items in the order of DKK 500 million for 2017.

A look into the future: 10 years with complexity

Not only in 2017 but also in following years, the Danish railway sector will experience massive changes as a result of the infrastructure

investments made in the signal program, electrification and the purchase of new electric trains.



Overall, the projects have the potential to cause a significant structural improvement in train operation to benefit the customers with shorter travel times, increased punctuality and more reliable train operation and a significant improvement in DSB's operating economy. Timely delivery of the projects is therefore crucial for DSB's ability to meet customers' legitimate demands for efficient and punctual trains.

Safety

In 2016, DSB intensified its work with implementation and further development of DSB's safety management system, which was commissioned as of November 2015.

With the new process-based safety management system, DSB can maintain and develop operational safety and strengthen managerial control of the company's safety activities and competences.

Based on the work with implementing and further developing DSB's safety management system, the focus of inspections conducted in

2016 was to ensure maintenance and improvement of the existing safety level, improve the safety management system and support implementation of the system. Work on the new safety management system is also supported by the establishment of an operational risk profile and improvement of the implemented risk assessments.

Table 2: Incidents¹⁾

| Number | Increase | | | |
|--|----------|------|------|-----|
| | 2016 | 2015 | Abs. | % |
| Important accidents | 17 | 13 | 4 | 31 |
| Injuries | | | | |
| - Deaths | 5 | 8 | -3 | -38 |
| - Serious injuries | 10 | 5 | 5 | 100 |
| - Minor injuries | 71 | 37 | 34 | 92 |
| Signal overruns | | | | |
| - Secured area (A-B-C) | 167 | 158 | 9 | 6 |
| - Unsecured area (D-E) | 102 | 122 | -20 | -16 |
| Hereof signal overruns involving a high danger potential | 24 | 26 | -2 | -8 |
| Defective wheels or axles | 8 | 12 | -4 | -33 |

¹⁾The table includes the most important safety indicators for Long-distance & Regional trains and S-trains in 2016.

Due to an increase in the number of signal overrun episodes in 2015 and continued negative development in 2016 in the secured area, DSB has initiated additional measures to reduce the number of signal overrun episodes in order to restore a positive development in this area. The analysis work and the implementation of the measures will continue in 2017.

In 2016, DSB has seen a negative development in relation to person collision incidents and thus also personal injuries. This tendency can be explained by inappropriate and careless passenger behaviour. In order to counter this tendency, DSB has made an effort to influence passenger behaviour through the campaign "Hovedet under armen" (thoughtlessness), which focuses on passenger behaviour and safety.

Furthermore, DSB increased the focus on safety in connection with departure procedures and has implemented the first part of a multi stage attention and behaviour campaign targeting especially the passengers. The initiative also supports the observance of DSB's safety policy.

Train operations is a very safe mode of transport, DSB remains among the safest operators in Europe, according to an analysis performed by the Boston Consulting Group.

DSB manages the risk of accidents through operational focus on railway safety and DSB's new safety management system. Nevertheless, DSB is exposed to circumstances beyond its control, such as storms or terror. DSB manages this risk by having emergency preparedness procedures and plans and through emergency drills in close cooperation with other players - including the national emergency response.

In December 2016, DSB received renewed security certificate for operation of the railway company. The certification is for one year, as in 2017 DSB shall show that the new safety management system is in use and is effective.

Risk management

DSB has developed a uniform risk management concept, based on the risks involved in the realisation of DSB's strategic targets. The risk management concept is implemented throughout DSB and the practical handling is rooted in the business through a clear allocation of ownership and responsibility for risk handling.

In addition, risk handling is integrated in vital business processes, including approval of investments and major programmes.

Risks are defined as uncertainty associated with DSB's future objectives, which may in-

volve everything from safety, punctuality, customer satisfaction, reputation and financial position.

The transport contract, which lays down the general guidelines for DSB as a train operator for a 10-year period, includes objectives for punctuality and finances which must be met. The fulfilment of the objectives of the contract will be assessed at the middle of the contract period. DSB will continuously focus and follow up on the fulfilment of these contract conditions. However, there is an inherent risk in the current rolling stock problems with an ageing train fleet and the many structural changes which have to be made in the coming decade, including new Signal Programme, electrification and track work.

A new sector analysis carried out by the Ministry of Transport, Building and Housing may be important for the allocation of work within the sector in the long term. This will be important when determining whether DSB's role and responsibility for the train operation in Denmark under the current Transport Contract will change. However, any such change is not expected to take effect until after the expiry of the current contract period in 2024.

DSB is subject to constant public exposure and as a provider of a Public Service it is directly or indirectly impacted by the population's or the politicians' requirements and wishes for public transport in Denmark. Changing conditions may affect the general customer experience and have a negative financial effect. An attempt is being made to handle this risk by being competitive and having a punctual core product and continuous streamlining.

Commercial risks

In recent years, increased sales of cheap micro-cars, the emergence of car-pooling forms and additional inexpensive buses has increased the competition. This applies to national traffic as well as on other lines that have been affected by major track works and/or ID or border controls.

Increased digitisation of sales- and customer systems is an important focus area for DSB. The aim is to be able to offer a better customer experience and more competitive products. In the short term, however, there is a risk of loss of customer satisfaction and increased costs of maintenance of several parallel product systems.

The harmonisation of fare systems across Denmark should make it easier to be a customer. Tariff Zealand was launched in January 2017. Tariff West has not yet launched. DSB does not yet know how customers will react to the new fare systems and thereby how this will affect DSB's ticket revenue. DSB has and will seek to minimise the risk through ongoing dialogue between DSB, the ministry and the other parties on products, customer experiences and common solutions.

The harmonisation of fares also involves major changes to the underlying IT-systems and an extraordinary effort is being made to minimise the inconvenience associated with the changes.

DSB continuously analyses the trends and the overall competitive situation and prepares marketing- and product initiatives - including Orange tickets.

Infrastructure

DSB is dependent on Banedanmark's planned infrastructure expansion following the planned timetable. The roll-out of the new signal system and electrification of the main lines are essential in order for DSB to be able to deliver stable train operations during the contract period and for the rolling stock in which DSB invests to be used on the infrastructure.

Work on upgrading the signal system will involve several and major track closures for many years to come with inconvenience for DSB's customers. DSB cooperates with Banedanmark to ensure that disruption for DSB's customers is minimised. Continuous co-ordination has been established with Banedanmark on planned track work to allow

DSB to organise train traffic best as possible with the least possible inconvenience for the customers.

Rolling stock

Rolling stock deliveries are essential for DSB's ability to provide a satisfactory product for DSB's customers. Workshop management, follow-up on changed transport patterns, prioritisation of resources and spare part planning and improvement of the operational stability of the IC4 train sets are some of the identified measures to be handled. An attempt will be made to minimise this risk with initiatives within the individual measures to be handled.

Financial risks

In connection with ongoing operations and financing, DSB is impacted by the development and pricing on the financial markets. The most important risks are associated with uncertain interest rates and energy prices. All financial risks and how they are accounted for are described detailed in the notes.

IT security

DSB is aware of the risk of loss of data or breakdown of systems due to cyber crime attacks. DSB is striving to minimise the threat and the consequences of cyber crime attacks. In addition to a strong focus on IT technology, DSB is also committed to developing an employee culture in which IT security is always at the back of the minds of the employees.

Business critical projects

On the basis of qualitative criteria, a number of business-critical projects are identified. These are continuously reported to DSB's Board of Directors:

- Train of the Future
- The signal program
- Future Accounting and Finance
- The new personal data protection regulation
- Internet in the trains
- Improved liquidity
- Traffic information

Compliance

DSB may risk negative impact on its reputation or finances, in the event that the general legislation and ethical standards are not respected or in consequence of flawed processes. Restrictions of authority, policies, guidelines and DSB's contract management system as well as follow-up in this regard are intended to minimise the risk of fraud and errors.

There is a risk of bribery and corruption in connection with procurement and cooperation with suppliers. DSB handles this risk by having clear guidelines and policies in this area. In addition, DSB has a whistleblower scheme.

No breach of human rights has been detected in connection with purchasing.

DSB is focused on ensuring compliance with the new EU personal data protection regulation, which launches in May 2018. DSB has increased its efforts to ensure compliance with the legislation in this area. The increased digitisation of sales channels with customer-related sensitive personal data also means that IT security and compliance with the legislation on protection of personal data are high priorities at DSB

Social and employee risks

For DSB, a failure to prevent work-related disorders would mean a loss of confidence in DSB as a company and workplace. DSB's staff are especially exposed to violence and threats. In addition, there is a risk of falling and stumbling accidents as well as being hit by a train. DSB has managerial focus on a good working environment. Among other, local campaigns have been launched to prevent falls and trips, and DSB monitors and follows up on "nearby incidents". Initiatives to prevent violence and threats have also been implemented.

Furthermore, the safety of customers and employees at train stations and in the trains is a

top priority. DSB handles this risk by surveillance, cooperation with public authorities and training of staff in conflict management.

Environment

There is growing focus on the environmental impact from trains operations in relation to neighbours, customers and employees. This applies to air pollution as well as noise. There are risks that the growing focus may give rise to internal and external requirements for investments which may reduce the environmental impact. Furthermore, the requirements may involve operational changes at workshops and preparation centres, which may result in increased operating expenses.

DSB monitors the development and expects a marked improvement concurrently with the updating of the rolling stock by a general transition to electrical trains which comply with the latest standards.

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, April 2015". The rules of procedure of the Board of Directors as well as DSB's Articles of Association have been revised accordingly. 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 endeavours to comply with the recommendations to the extent they are relevant to DSB and in a way that ensures that DSB is also in compliance with the state recommendations and the Danish DSB Act. The recommendations of the Committee for Corporate Governance are available on the website www.corporategovernance.dk.

Based on the recommendations of the Committee for Corporate Governance, a status on DSB's compliance with the recommendations for good corporate governance was prepared in 2016. This status was published on www.dsb.dk under "Good Corporate Governance".

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.

The customer ambassador

DSB's 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 DSB's customers receive the service to which they are entitled. The customer ambassador considers enquiries from customers who have previously had their case considered by DSB, but who do not feel that they have received a satisfactory reply to their complaint. The customer ambassador submits half-yearly status reports, which are published on DSB's website.

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.

Annual and interim reports

As an independent public corporation DSB's financial reporting complies with the Danish Financial Statements Act. DSB's annual report is

audited by a state-authorised public accountant and by the Auditor General.

DSB's 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 Transport, 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 DSB's corporate social responsibility policies and how DSB puts its corporate social responsibility policies into practice. For 2016 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

Ethics

DSB's management has, in cooperation with the unions and a number of business areas, prepared an ethics policy which applies to all DSB's employees. The rules describe how DSB cooperates 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 DSB's expectations with regard to the integrity and impartiality of all its employees.

In 2013, DSB established a whistleblower scheme managed by the head of the internal audit function, who reports to the Auditing

Committee. Through the whistleblower scheme, DSB's employees can anonymously report suspicions of irregular conduct such as violation of DSB's Code of Conduct or financial fraud. In 2016, 9 reports were submitted via the scheme. None of these are assessed to have material consequences for DSB.

Diversity

In 2016 DSB's 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 corresponds to the current composition of the Board of Directors (employee representatives not included). DSB's activities aimed at ensuring diversity at all management levels are described in the Diversity section under Corporate Social Responsibility.

Public access

DSB's Annual Meeting, which corresponds to the annual general meeting in a limited liability company, is open to the press.

The Minister for Transport, Building and Housing, the Board of Directors, the Executive Board and DSB's auditors participate in DSB's Annual Meeting. A chairman appointed by the Minister for Transport, Building and Housing presides over the Annual Meeting.

The ordinary Annual Meeting is held every year before the end of April. Furthermore, DSB's Articles of Association and Annual Reports are published on 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 DSB's employees and to the railway activities carried out by DSB 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). DSB's 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 control, 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:
Carsten Gerner, chairman
Lars Andersen

Both members are deemed independent, however, Lars Andersen has been a member of DSB's Board of Directors since 1999.

The Committee has held 5 meetings in 2016, at which, among others, the following topics were dealt with:

- Annual report and interim reports
- Audit reports and - reporting
- Reporting from the whistleblower scheme
- External auditor's independence and delivery of non-audit services
- The audit committee's tasks in relation to new accountancy legislation
- Risk management
- The valuation of the IC4 and IC2 train sets

Remuneration Committee

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

By the end of 2016, 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 2016, at which, among others, the following topics were dealt with:

- DSB's 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 entire DSB payroll
- Performance related pay, goal setting and calculation
- Gender balance in the management

Rolling stock Committee

The Rolling stock committee assists the Board of Directors with the preparation of options for the Board 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 2016, 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:

- MDBF analysis
- IC4 recommendation
- Train of the Future

DSB's management

The Board of Directors, election and eligibility

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

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 a self-evaluation of the work of the Board of Directors, the individual directors and the overall competencies of the Board of Directors. In addition to complying with the corporate governance recommendations the purpose is to identify any possibilities for 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

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 2016

In 2016, DSB's 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 DSB's Board of Directors is available in the section "About DSB" in the Annual Report.

The members of the Board elected at the Annual Meeting are regarded as independent, however, Lars Andersen has been a director since 1999.

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. DSB's 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 in DSB

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

As an independent public corporation, DSB has a special obligation to ensure that the wage determination at DSB 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.

DSB no longer offers contracts with severance payment.

Statements to the Danish Business Authority

25 February 2016
DSB's Annual Report 2015

1 March 2016
Notice convening the ordinary Annual Meeting of DSB

29 March 2016
Minutes of ordinary Annual Meeting of DSB

12 May 2016
DSB's interim report for the first quarter 2016

23 August 2016
Interim report 2016

10 November 2016
DSB's interim report for 1st - 3rd quarter 2016

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 2016.

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 2016 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 2016.

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, 9 February 2017

Executive Board

Flemming Jensen
CEO

Thomas Thellersen Børner
CFO

Anders Egehus
Executive Vice President,
Operations

Jürgen Müller
Executive Vice President,
Strategy & Rolling stock

The Board of Directors

Peter Schütze
Chairman

Annette Sadolin
Vice-Chairman

Lars Andersen

Carsten Gerner

Helge Israelsen

Christina Grumstrup Sørensen

Hans Christian Kirketerp-Møller

Preben Steenholdt Pedersen

Birte Østergaard Petersen

Independent auditors' report

To the Minister of Transport, Building and Housing

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 2016, 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 class D enterprises 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 2016 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 2016 in accordance with the provisions applying to reporting class D enterprises 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 annual accounts

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 class D enterprises 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 annual accounts

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 an 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 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.

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, 9 February 2017

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

Peter Gath

State-authorized public
accountant

Lone L. Strøm
Auditor General

Malene Sau Lan Leung
Head of Office



Spor 8

15.03

Cykel og biler
Elevante

Nordtjerskov
Elevante



Rejs ikke uden billet eller kort.
Der bødes 600 kr. i kontrolafgift.

Consolidated annual accounts and annual accounts

| Profit and loss statement | | | | | |
|---------------------------|---------------|---------------|--|---------------|---------------|
| Parent corporation | | | | Group | |
| 2015 | 2016 | Note | Amounts in DKK million | 2016 | 2015 |
| | | | Income | | |
| 9,390 | 9,716 | 2.1 | Net revenue | 11,039 | 11,153 |
| 69 | 100 | 2.2 | Work performed by the enterprise and capitalised | 674 | 537 |
| 645 | 627 | 2.3 | Other operating income | 535 | 568 |
| | | | Of these, non-recurring items, net property gains, etc., -193 in 2016 | | |
| 10,104 | 10,443 | | Total income | 12,248 | 12,258 |
| | | | Expenses | | |
| 668 | 630 | 2.4 | Expenses for raw materials and consumables | 1,903 | 1,851 |
| 4,271 | 4,780 | 2.5, 2.6, 2.7 | Other external expenses | 3,864 | 3,773 |
| 2,436 | 2,630 | 2.8, 2.9 | Staff costs | 3,736 | 3,708 |
| 7,375 | 8,040 | | Total expenses | 9,503 | 9,332 |
| 2,729 | 2,403 | | Profit before amortisation, depreciation and write-downs | 2,745 | 2,926 |
| 1,999 | 4,643 | 3.1, 3.2 | Amortisation, depreciation and write-downs | 4,634 | 2,023 |
| | | | Of these non-recurring items, write-down of IC2 and IC4 train sets and one-man operation Coastal Line -2,767 in 2016 | | |
| 730 | -2,240 | | Operating profit/loss | -1,889 | 903 |
| | | | Financials | | |
| 104 | 268 | 4.2 | Profit/loss after tax in group companies | 0 | 0 |
| 23 | 16 | 4.1 | Financial income | 13 | 22 |
| 336 | 310 | 4.1 | Financial expenses | 317 | 345 |
| -209 | -26 | | Net financials | -304 | -323 |
| 521 | -2,266 | | Profit/loss before tax | -2,193 | 580 |
| -75 | 562 | 5.1 | Tax on profit/loss for the year | 489 | -134 |
| 446 | -1,704 | | Profit/loss for the year | -1,704 | 446 |
| | | | The profit/loss for the period are distributed as follows: | | |
| | | | Company participant in DSB | -1,704 | 446 |
| | | | Minority interests | 0 | 0 |
| | | | Profit/loss for the year | -1,704 | 446 |
| | | | The parent corporation's profit/loss is proposed to be allocated as follows: | | |
| 173 | 0 | | Dividend for the Ministry of Transport, Building and Housing | | |
| - | 75 | | Reserve for development costs | | |
| 273 | -1,779 | | Retained profit/loss | | |
| 446 | -1,704 | | Total | | |

| Balance sheet – assets | | | | | |
|------------------------|---------------|------|--|---------------|---------------|
| Parent corporation | | | | Group | |
| 2015 | 2016 | Note | Amounts in DKK million | 2016 | 2015 |
| | | 3.1 | Intangible assets | | |
| 252 | 168 | | Other development projects | 172 | 253 |
| 36 | 79 | | Intangible assets in progress and prepayments | 79 | 40 |
| 288 | 247 | | Total intangible assets | 251 | 293 |
| | | | | | |
| | | 3.2 | Tangible assets | | |
| 4,081 | 4,226 | | Land and buildings | 4,607 | 4,548 |
| 12,204 | 8,778 | | Rolling stock | 8,589 | 12,023 |
| 823 | 706 | | Operating equipment, fixtures and fittings and other equipment | 856 | 985 |
| 155 | 114 | | Tangible assets in progress and advance payments | 145 | 174 |
| 17,263 | 13,824 | | Total tangible assets | 14,197 | 17,730 |
| | | | | | |
| | | 4.2 | Investments | | |
| 1,401 | 1,303 | | Equity investments in subsidiary and associated companies | 0 | 0 |
| 22 | 28 | | Subordinated loan capital in group companies | - | - |
| 256 | 250 | | Subordinated loan capital in associated companies | 250 | 256 |
| 135 | 37 | | Other receivables | 38 | 135 |
| 1,814 | 1,618 | | Total investments | 288 | 391 |
| | | | | | |
| 19,365 | 15,689 | | Total non-current assets | 14,736 | 18,414 |
| | | | | | |
| 14 | 11 | 6.1 | Inventories | 485 | 425 |
| | | | | | |
| - | 91 | 3.2 | Properties held for sale | 183 | 106 |
| | | | | | |
| | | 6.2 | Receivables | | |
| 678 | 488 | | Trade receivables | 621 | 793 |
| 47 | 502 | | Receivables from group companies | - | - |
| 0 | 44 | | Receivable joint taxation contribution | - | - |
| 237 | 204 | | Other receivables | 283 | 387 |
| 180 | 138 | 6.3 | Prepayments | 155 | 202 |
| 1,142 | 1,376 | | Total receivables | 1,059 | 1,382 |
| | | | | | |
| 13 | 18 | | Cash at bank and in hand | 71 | 42 |
| | | | | | |
| 1,169 | 1,496 | | Total current assets | 1,798 | 1,955 |
| | | | | | |
| 20,534 | 17,185 | | Total assets | 16,534 | 20,369 |

Balance sheet – liabilities and equity

| Parent corporation | | | | Group | |
|--------------------|---------------|------|--|---------------|---------------|
| 2015 | 2016 | Note | Amounts in DKK million | 2016 | 2015 |
| | | | Equity | | |
| 4,760 | 4,760 | | Contributed capital | 4,760 | 4,760 |
| - | 75 | 2.2 | Reserve for development costs | - | - |
| 1,998 | 503 | | Retained earnings | 578 | 1,998 |
| 173 | 0 | | Proposed dividends | 0 | 173 |
| 6,931 | 5,338 | | Company participant in DSB's share of equity | 5,338 | 6,931 |
| | | | | | |
| - | - | 4.6 | Minority interests | 0 | 0 |
| | | | | | |
| 6,931 | 5,338 | | Total equity | 5,338 | 6,931 |
| | | | | | |
| | | | Provisions | | |
| 109 | 29 | 8.1 | Other provisions | 64 | 101 |
| 1,505 | 1,010 | 5.2 | Deferred tax liabilities | 918 | 1,390 |
| 1,614 | 1,039 | | Total provisions | 982 | 1,491 |
| | | | | | |
| | | | Non-current liabilities | | |
| 5,482 | 4,609 | 4.3 | Long-term loans | 4,609 | 5,482 |
| - | - | 4.3 | Subordinated loan capital | 2 | 2 |
| 769 | 591 | | Other non-current liabilities | 591 | 769 |
| 335 | 302 | | Other liabilities | 302 | 335 |
| 6,586 | 5,502 | | Total non-current liabilities | 5,504 | 6,588 |
| | | | | | |
| | | | Current liabilities | | |
| 1,156 | 229 | 4.3 | Current portion of non-current liabilities | 229 | 1,156 |
| 250 | 1,000 | | Short-term loans | 1,000 | 250 |
| 269 | 199 | | Credit institutions | 199 | 269 |
| 1,202 | 1,274 | | Trade accounts payables | 1,639 | 1,521 |
| 648 | 1,221 | | Debt to group companies | - | - |
| 81 | 61 | | Corporation tax | 63 | 92 |
| 862 | 562 | | Other liabilities | 793 | 1,070 |
| 935 | 760 | 6.4 | Prepayments | 787 | 1,001 |
| 5,403 | 5,306 | | Total current liabilities | 4,710 | 5,359 |
| | | | | | |
| 11,989 | 10,808 | | Total liabilities | 10,214 | 11,947 |
| | | | | | |
| 20,534 | 17,185 | | Total equity and liabilities | 16,534 | 20,369 |
| | | | | | |
| | | 1.1 | General 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 |
| Equity at 1 January 2015 | 4,760 | - | 1,541 | 0 | 6,301 |
| Profit for the year | - | - | 273 | 173 | 446 |
| Foreign currency exchange rate adjustments concerning affiliated companies | - | - | 4 | - | 4 |
| Value adjustment of hedging instruments, beginning of period | - | - | 525 | - | 525 |
| Value adjustment of hedging instruments, at end of period | - | - | -342 | - | -342 |
| Equity movements in affiliated companies | - | - | -3 | - | -3 |
| Equity at 31 December 2015 | 4,760 | - | 1,998 | 173 | 6,931 |
| Paid dividends | - | - | - | -173 | -173 |
| Contribution from the Ministry of Transport, Building and Housing | - | - | 42 | - | 42 |
| Loss for the year | - | 75 | -1,779 | 0 | -1,704 |
| Foreign currency exchange rate adjustments concerning affiliated companies | - | - | -2 | - | -2 |
| Value adjustment of hedging instruments, beginning of period | - | - | 342 | - | 342 |
| Value adjustment of hedging instruments, at end of period | - | - | -107 | - | -107 |
| Equity movements in affiliated companies | - | - | 2 | - | 2 |
| Other changes in equity, tax | | | 7 | | 7 |
| Equity at 31 December 2016 | 4,760 | 75 | 503 | 0 | 5,338 |

Equity statement (continued)

Amounts in DKK million

| Group | Contributed capital | Retained Profit | Proposed dividends | Company participant in DSB's share of equity | Minority interests | Total equity |
|--|---------------------|-----------------|--------------------|--|--------------------|--------------|
| Equity at 1 January 2015 | 4,760 | 1,541 | 0 | 6,301 | 0 | 6,301 |
| Profit for the year | - | 273 | 173 | 446 | 0 | 446 |
| Foreign currency exchange rate adjustments associated companies | - | 4 | - | 4 | - | 4 |
| Value adjustment of hedging instruments, beginning of period | - | 525 | - | 525 | - | 525 |
| Value adjustment of hedging instruments, at end of period | - | -345 | - | -345 | - | -345 |
| Equity at 31 December 2015 | 4,760 | 1,998 | 173 | 6,931 | 0 | 6,931 |
| Dividend paid | - | - | -173 | -173 | - | -173 |
| Contribution from the Ministry of Transport, Building and Housing | - | 42 | - | 42 | - | 42 |
| Loss for the year | - | -1,704 | 0 | -1,704 | 0 | -1,704 |
| Foreign currency exchange rate adjustments concerning affiliated companies | - | -2 | - | -2 | - | -2 |
| Value adjustment of hedging instruments, beginning of period | - | 345 | - | 345 | - | 345 |
| Value adjustment of hedging instruments, at end of period | - | -108 | - | -108 | - | -108 |
| Other changes in equity, tax | | 7 | | 7 | | 7 |
| Equity at 31 December 2016 | 4,760 | 578 | 0 | 5,338 | 0 | 5,338 |

| Cash flow statement | | | |
|---|----------|---------------|---------------|
| | | Group | |
| Amounts in DKK million | Note | 2016 | 2015 |
| Operating profit/loss | | -1,889 | 903 |
| Adjustment for non-cash operating items | | | |
| Amortisation, depreciation and write-downs of intangible and tangible assets | | 4,634 | 2,023 |
| Change in other provisions, net | 8.1 | -37 | -46 |
| Other adjustments | | | |
| Gain and loss on sale and scrapping of intangible and tangible assets | 8.4 | -189 | -110 |
| Net financial items, paid | 4.5 | -366 | -331 |
| Corporation tax, paid | 5.1 | -98 | -37 |
| Change in working capital | | 95 | 364 |
| Total cash flow from operating activities | | 2,150 | 2,766 |
| Cash flows from investment activities | | | |
| Acquisition of intangible and tangible assets, excluding capitalised interest | 3.1, 3.2 | -1,147 | -803 |
| Sale of intangible and tangible assets | 3.1, 3.2 | 253 | 192 |
| Subordinated debt repayments | 4.2 | 9 | 0 |
| Total cash flows from investment activities | | -885 | -611 |
| Cash flows from financing activities | | | |
| Proceeds from raising of short-term loans | | 1,000 | 250 |
| Repayment of and payment of instalments on long-term loans | | -1,743 | -1,960 |
| Repayment of and payment of instalments on short-term loans | | -250 | -450 |
| Change in credit institutions | | -70 | 20 |
| Paid dividends | | -173 | 0 |
| Total cash flow from financing activities | | -1,236 | -2,140 |
| Total change in cash and cash equivalents | | 29 | 15 |
| Cash and cash equivalents at 1 January | | 42 | 27 |
| Cash and cash equivalents at 31 December | | 71 | 42 |

Notes and accounting policies applied

Section 1 Interpretation

In the financial year 2016 DSB has divided the notes according to theme and based on materiality. The purpose is to ensure that the financial reporting reflects and is adapted to DSB's 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 | General accounting policies applied |
| 1.2 | Significant accounting estimates |
| 1.3 | Materiality in financial reporting |

1.1 General 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 for Class D Companies and the Act on DSB.

With effect from 1 January 2016, the corporation has implemented Act no. 738 of 1 June 2015. Amendments to the Act will primarily affect DSB's recognition and measurement in the following areas:

1. Annual reassessment of residual values (scrap values) of tangible assets - no effect in 2016
2. Method for intra-group business combinations - no effect in 2016
3. Reserve for development costs - effect in 2016

Re. 1: An annual reassessment of the residual values of tangible assets must be carried out in the future. DSB has no material residual values of tangible assets except for values attributed to the corporation's land. The change is therefore made pursuant to section 4 of the Danish Executive Order on Transition with future effect alone as a change of accounting estimate and it has no effect on the equity.

Re. 2: In connection with business combinations 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. Previously, the business combination was regarded as completed at the start of the financial year with adjustment of comparative figures.

Re. 3: An amount corresponding to the recognised development costs will in the future be tied to a special reserve in the parent corporation under the equity called Reserve for development costs. The amount will be tied to a special reserve, which cannot be used for distribution of dividend or covering of loss. If the recognised development costs are sold or otherwise eliminated from the operation of the corporation the reserve is reduced or dissolved. This takes place by transfer directly to the distributable reserves of the equity. If the recognised development costs are written down part of the reserve for development costs must be reversed. The part that is reversed corresponds to the write-down of the development costs. If a write-down of development costs is subsequently reversed the Reserve for development costs is restored. Reserve for development costs is also reduced by the depreciation made. In this way, the Reserve for development

costs will not exceed the amount recognised in the balance sheet as development costs.

Compared to the annual accounts for 2015 DSB has changed the classification of non-deductible VAT attributed to the related cost type. Changes in classification have not impacted the profit/loss or equity. Comparative figures have been adjusted. In addition, a few minor re-classifications have been made.

Except for the above as well as new and changed presentation and disclosure requirements pursuant to act no. 738 of 1 June 2015, the annual accounts have been prepared in accordance with the same accounting policies as last year.

Changes in accounting estimates

Compared with 31 December 2015, DSB has revised the economic service life of the Group's IC4 and IC2 train sets based on updated expectations for the future use. The management has decided to phase out all IC2 train sets and 5 IC4 train sets (NT). A reassessment of the carrying amount of the remaining 77 IC4 train sets has also been made.

The accounting consequences are described under Significant accounting estimates.

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 prepared 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 without any adjustment of comparative figures. The dif-

ference 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 liability 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 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, written-down or eliminated from the operation of the corporation. This takes place by transfer directly to the distributable reserves of the equity.

Dividends

Dividend is 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 turnover
- 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 fees
- 2.8 Staff expenses
- 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 Investments
- 4.3 Borrowing and liquidity
- 4.4 Interest-bearing liabilities, net
- 4.5 Financial income and expenses net, paid
- 4.6 Minority interests

Section 5 – Taxation

- 5.1 Tax on profit 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

Section 8 – Other notes

- 8.1 Other provisions
- 8.2 Contingent assets and liabilities, and economic investment 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

Compared with 31 December 2015, DSB has revised the economic service life of the Group's IC4 and IC2 train sets based on updated expectations for the future use. The management has decided to phase out all IC2 train sets and 5 IC4 train sets (NT). Furthermore, a reassessment of the carrying amount of the remaining 77 IC4 train sets has been made, which has resulted in a write-down of DKK 2,058 million. The reassessment resulted in a total write-down of DKK 2,731 million.

The write-down is based on significant estimates in relation to the future economic lifetime. The write-down is further described under the note on Tangible assets.

1.3 Materiality in financial reporting

When preparing the annual accounts it is assessed whether the information is material to the reader. In the income statement and the balance sheet, items are shown separately if the items are concluded to be individually material.

Whether an item is individually material is assessed based on qualitative as well as quantitative factors. If individual presentation in the income statement, balance sheet and notes is not concluded 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 operation itself.

The main events in 2016 are further detailed in Report - Financial Activities.

This section contains the following notes:

- 2.1 Net turnover
- 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 fees
- 2.8 Staff expenses
- 2.9 Remuneration for the Executive Board and the directors

Note 2.1: Net turnover

| Parent corporation | | Amounts in DKK million | Group | |
|--------------------|--------------|---|---------------|---------------|
| 2015 | 2016 | | 2016 | 2015 |
| | | Passenger revenues distributed on business areas: | | |
| 3,524 | 4,011 | Long-distance & Regional Trains | 3,989 | 3,524 |
| 1,445 | 1,505 | S-trains | 1,505 | 1,445 |
| 4,969 | 5,516 | Total passenger revenue | 5,494 | 4,969 |
| 4,138 | 4,178 | Revenue from transport contracts | 4,394 | 4,883 |
| 0 | 0 | Sales from shops etc. | 856 | 822 |
| 61 | 9 | Repair and maintenance of rolling stock etc. | 282 | 257 |
| 222 | 13 | Leasing of rolling stock | 13 | 222 |
| 9,390 | 9,716 | Total | 11,039 | 11,153 |

Passenger revenues in the Parent corporation and the Group include penalty fares of DKK 27 million (2015: DKK 60 million).

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

Revenues from Sales from shops etc. are recognised when delivery and transfer of risk have taken place at the fair value of the agreed consideration exclusive of VAT and taxes collected on behalf of a third party. All types of discounts granted are recognised under revenues.

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).

Note 2.2: Work performed by the enterprise and capitalised

In 2016, the value of the capitalised development projects in the parent company totals DKK 108 million, of which DKK 75 million is covered by the rules of the Danish Financial Statements Act for binding of separate equity reserve. The reserve is calculated with a reduction for deferred tax.

Accounting practices

This item includes work performed by the enterprise in connection with the carrying out of i.a. major maintenance inspections of train set, 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 | |
|--------------------|------------|--|------------|------------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 287 | 283 | Renting and leasing | 162 | 147 |
| 6 | 19 | Gain on sale of intangible and tangible assets | 212 | 120 |
| 188 | 166 | Intragroup revenues | - | - |
| 164 | 159 | Others | 161 | 301 |
| 645 | 627 | Total | 535 | 568 |

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 profit on sale of land and building. Intragroup income in the parent corporation includes trading with Group companies except for income from renting of buildings etc.

Note 2.4: Expenses for raw materials and consumables

| Parent corporation | | | Group | |
|--------------------|------------|----------------------------|--------------|--------------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 561 | 535 | Energy for train operation | 546 | 575 |
| 22 | 23 | Sales from shops etc. | 608 | 579 |
| 85 | 72 | Spare parts etc. | 749 | 697 |
| 668 | 630 | Total | 1,903 | 1,851 |

Expenses for raw materials and consumables in the parent company includes Non-deductible VAT of DKK 128 million (2015: DKK 132 million). In the Group, the amount totals DKK 167 million (2015: DKK 135 million).

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 etc

Note 2.5: Other external expenses

| Parent corporation | | | Group | |
|--------------------|--------------|---|--------------|--------------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 514 | 645 | Infrastructure charges | 689 | 733 |
| 1,326 | 1,549 | Repair, maintenance and cleaning etc. | 701 | 656 |
| 388 | 388 | Administrative expenses | 422 | 431 |
| 151 | 167 | Operations of buildings and premises etc. | 214 | 234 |
| 293 | 402 | Consultancy fees etc., including audit fees | 397 | 305 |
| 237 | 203 | Leasing of rolling stock | 203 | 228 |
| 159 | 147 | Replacement transport etc. | 161 | 174 |
| - | -20 | Provision for onerous contracts etc., net | -15 | -68 |
| 279 | 313 | Commissions etc. | 203 | 213 |
| 113 | 156 | Sale and marketing | 156 | 116 |
| 115 | 116 | Staff-related costs | 130 | 143 |
| 136 | 115 | Payroll charge | 120 | 137 |
| 9 | 15 | Gain and loss on sale and scrapping of intangible and tangible assets | 23 | 10 |
| 551 | 584 | Other external expenses | 460 | 461 |
| 4,271 | 4,780 | Total | 3,864 | 3,773 |

Other external expenses in the parent company includes Non-deductible VAT of DKK 451 million (2015: DKK 368 million). In the Group, the amount totals DKK 477 million (2015: DKK 427 million).

Accounting practices

Other external expenses include expenses in relation to the railway business and other operating activities. From 2016, non-deductible VAT is presented as part of the related cost type. Comparative figures have been adjusted.

Note 2.6: Consultancy fees

| Parent corporation | | | Group | |
|--------------------|------------|------------------------------------|------------|------------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 17 | 23 | Lawyers | 24 | 17 |
| 125 | 211 | IT consultants | 215 | 125 |
| 14 | 35 | Management consultants | 40 | 14 |
| 3 | 0 | Tax, VAT and accounting assistance | 1 | 8 |
| 54 | 51 | Technical consultancy | 36 | 58 |
| 75 | 74 | Programme management | 72 | 76 |
| 288 | 394 | Total | 388 | 298 |

The note Consultancy fees and the note Audit fees make up Consultancy fees etc. including audit fee in the note Other external expenses. In relation to 2015, a few minor reclassifications have been made.

Note 2.7: Audit fees

| Parent corporation | | | Group | |
|--------------------|------------|--|------------|------------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| | | Statutory audit: | | |
| 2.5 | 4.4 | Ernst & Young Godkendt Revisionspartnerselskab | 5.3 | 3.3 |
| 1.0 | 0.9 | The National Audit Office of Denmark | 0.9 | 1.0 |
| | | Other assurance statements: | | |
| 1.1 | 0.8 | Ernst & Young Godkendt Revisionspartnerselskab | 0.8 | 1.5 |
| | | Tax and VAT consultancy: | | |
| 0.2 | 0.6 | Ernst & Young Godkendt Revisionspartnerselskab | 0.7 | 0.4 |
| | | Other services: | | |
| 0.7 | 0.8 | Ernst & Young Godkendt Revisionspartnerselskab | 0.8 | 0.8 |
| 5.5 | 7.5 | Total | 8.5 | 7.0 |

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

Compared to 2015 fees for external auditor appointed at the Annual Meeting have increased as the external auditor and the National Audit Office of Denmark conducts the complete financial and administrative audit as from 2016.

Note 2.8: Staff expenses

| Parent corporation | | | Group | |
|--------------------|--------------|--|--------------|--------------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 2,069 | 2,240 | Wages and salaries | 3,206 | 3,186 |
| 341 | 364 | Pensions | 486 | 478 |
| 26 | 26 | Other social security costs | 44 | 44 |
| 2,436 | 2,630 | Total | 3,736 | 3,708 |
| 4,558 | 4,758 | Average number of full-time employees | 7,285 | 7,438 |

The average number of employees includes employees in pro rata consolidated companies with 90 (2015: 195).

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. The general provisions of the Danish Civil Servants Act apply to the public servants. Pension contributions paid to the state are recognised as an expense for civil servants. The pension contribution is currently 26 per cent of the pensionable salary. For other employees, pension contributions are expensed in accordance with collective and individual agreements. Reference is made to the note Contingent assets and liabilities, and economic investment obligations.

DSB has an obligation to pay redundancy payment for three years to civil servants who are dismissed for a cause that is not the fault of the civil service, see section 32 of the Danish Civil Servant Act. DSB also has a commitment to the Agency for the Modernisation of Public Administration to pay pension costs for civil servants until the expected retirement age of 62 years. The corporation has only recognised a liability for dismissed civil servants.

The company has concluded agreements regarding performance-related salary with a number of executive employees (primarily managers). As a basis, 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 2016 the number of agreements regarding performance-related salary was 302, compared to 304 at year-end 2015.

From 2016, health insurance costs are included in Staff expenses. Costs regarding seconded public servants are distributed on cost type in the note Staff expenses from 2016. Comparative figures have been adjusted.

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 1,000) | 2016 | 2015 |
|---|-----------------|----------------|
| Flemming Jensen (joined 1 May 2015) | 5,675.2 | 3,122.9 |
| Thomas Thellersen Børner (joined 1 January 2016) | 3,367.8 | - |
| Susanne Mørch Koch (joined 1 January 2016) | 4,079.4 | - |
| Anders Egehus (joined 1 January 2016) | 3,520.9 | - |
| Total | 16,643.3 | 3,122.9 |

The above represents remuneration paid to the Executive Board. 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. However, an 18-month notice period applies if termination takes place within the first 24 months of employment.

Remuneration paid to the former acting CEO and the former CFO totalled DKK 2,158.9 thousand in 2015.

| Fees for the members of the Board of Directors (DKK 1,000) | Board of Directors | Audit Committee | Remuneration Committee | Rolling Stock Committee | Total 2016 | Total 2015 |
|--|--------------------|-----------------|------------------------|-------------------------|----------------|----------------|
| Peter Schütze | 545.0 | - | 55.0 | 55.0 | 655.0 | 628.1 |
| Annette Sadolin | 325.0 | - | 110.0 | - | 435.0 | 419.1 |
| Lars Andersen | 165.0 | 80.0 | - | - | 245.0 | 230.0 |
| Carsten Gerner | 165.0 | 160.0 | - | - | 325.0 | 310.0 |
| Helge Israelsen | 165.0 | - | - | 73.3 | 238.3 | 260.0 |
| Lilian Merete Mogensen (Resigned 17 March 2015) | - | - | - | - | - | 51.3 |
| Christina Grumstrup Sørensen (Joined 17 March 2015) | 165.0 | - | - | 73.3 | 238.3 | 161.8 |
| Andreas Hasle (Resigned 1 October 2016) | 123.8 | 60.0 | - | - | 183.8 | 230.0 |
| Hans Christian Kirketerp-Møller | 165.0 | - | 55.0 | - | 220.0 | 200.3 |
| Preben Steenholdt Pedersen | 165.0 | - | - | 55.0 | 220.0 | 205.0 |
| Birte Østergaard Petersen (Joined 1 October 2016) | 41.2 | - | - | - | 41.2 | - |
| Total | 2,025.0 | 300.0 | 220.0 | 256.6 | 2,801.6 | 2,695.6 |

Section 3 Operating equipment

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

The main events in 2016 are further detailed in Report - 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

| Parent corporation | Development projects | Intangible assets in progress and prepayments | Intangible assets total |
|---|----------------------|---|-------------------------|
| Cost price at 1 January 2016 | 1,299 | 42 | 1,341 |
| Additions | 1 | 107 | 108 |
| Transferred | 64 | -64 | 0 |
| Disposals | -3 | - | -3 |
| Cost price at 31 December 2016 | 1,361 | 85 | 1,446 |
| Amortisation, depreciation and write-downs at 1 January 2016 | -1,047 | -6 | -1,053 |
| Amortisation, depreciation and write-downs for the year | -140 | - | -140 |
| Write-downs for the year | -9 | - | -9 |
| Disposals | 3 | - | 3 |
| Amortisation, depreciation and write-downs at 31 December 2016 | -1,193 | -6 | -1,199 |
| Carrying amount at 31 December 2016 | 168 | 79 | 247 |
| Carrying amount at 31 December 2015 | 252 | 36 | 288 |

Additions in Development projects and Intangible assets in progress and prepayments primarily includes the addition of mobile sales channels, traffic information systems and development of a new accounting and financial system for the entire Group. Additions are predominantly comprised of internal costs in the form of direct wages and purchased materials that are registered through the Group's financial system.

Note 3.1: Total intangible assets

Amounts in DKK million

| Group | Development projects | Intangible assets in progress and pre-payments | Intangible assets total |
|---|----------------------|--|-------------------------|
| Cost price at 1 January 2016 | 1,366 | 46 | 1,412 |
| Additions | 1 | 107 | 108 |
| Transferred | 68 | -68 | 0 |
| Disposals | -2 | - | -2 |
| Cost price at 31 December 2016 | 1,433 | 85 | 1,518 |
| Amortisation, depreciation and write-downs at 1 January 2016 | -1,113 | -6 | -1,119 |
| Amortisation, depreciation and write-downs for the year | -141 | - | -141 |
| Write-downs for the year | -9 | - | -9 |
| Disposals | 2 | - | 2 |
| Amortisation, depreciation and write-downs at 31 December 2016 | -1,261 | -6 | -1,267 |
| Carrying amount at 31 December 2016 | 172 | 79 | 251 |
| Carrying amount at 31 December 2015 | 253 | 40 | 293 |

Additions in Development projects and Intangible assets in progress and prepayments primarily includes the addition of mobile sales channels, traffic information systems and development of a new accounting and financial system for the entire Group. Additions are predominantly comprised of internal costs in the form of direct wages and purchased materials that are registered through the Group's financial system.

Accounting practices

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

Development projects which are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development potential in the corporation can be proven and where it is expedient to produce, market or use the project, are recognised as intangible assets if the cost can be reliably determined and there is sufficient security that future earnings can cover sales and administrative expenses plus the actual development costs. 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 amortisation, depreciation and write-downs.

The cost of development projects comprises costs, including wages, salaries and amortisation, 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.

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 |
| Cost price at 1 January 2016 | 7,063 | 25,601 | 2,633 | 157 | 35,454 |
| Reclassification | -143 | - | - | - | -143 |
| Additions | 352 | 493 | 1 | 327 | 1,173 |
| Transferred | 69 | 227 | 72 | -368 | 0 |
| Disposals | -34 | -1,315 | -34 | - | -1,383 |
| Cost price at 31 December 2016 | 7,307 | 25,006 | 2,672 | 116 | 35,101 |
| Amortisation, depreciation and write-downs at 1 January 2016 | -2,982 | -13,397 | -1,810 | -2 | -18,191 |
| Reclassification | 52 | - | - | - | 52 |
| Amortisation, depreciation and write-downs for the year | -159 | -1,349 | -143 | - | -1,651 |
| Write-downs for the year | -16 | -2,785 | -42 | - | -2,843 |
| Disposals | 24 | 1,303 | 29 | - | 1,356 |
| Amortisation, depreciation and write-downs at 31 December 2016 | -3,081 | -16,228 | -1,966 | -2 | -21,277 |
| Carrying amount at 31 December 2016 | 4,226 | 8,778 | 706 | 114 | 13,824 |
| Carrying amount at 31 December 2015 | 4,081 | 12,204 | 823 | 155 | 17,263 |
| Capitalised interest is included in cost | 4 | 291 | 11 | 0 | 306 |

Based on the decision regarding future expected use of the IC4 train sets – including an assessment of development in operations, functionality and capacity needs, and in extension of the commissioning plan in connection with electrification – in 2016 the management conducted a thorough review and assessment of the need for the IC4 and IC2 train sets.

It is concluded that 23 IC2 train sets do not meet the requirements for stability, which is required for their use in railway transport. Therefore, all of the train sets were completely phased out during 2016. The train sets' sales value and scrap value with the deduction of disposal costs is assessed at DKK 0 million, which has resulted in a full write-down of the train sets and related capitalised costs of major inspections, inventory and parts, etc. of DKK 588 million.

A reassessment was also conducted of the carrying amount of 82 IC4 train sets and related capitalised costs of major inspections and parts, based in part on the following assumptions:

- 5 IC4 train sets (NT) that have not been commissioned in operations are phased out and fully written-down in 2016.
- Use of the remaining 77 IC4 train sets is planned for regional train traffic up to and including 2024, after which time they will be phased out. The IC4 train sets were formerly used in long distance traffic. The sales value and scrap value with a deduction of disposal costs for the IC4 train sets at the time of their phasing out in 2024 is also assessed to be DKK 0.
- Lastly, it is assumed that DSB, through a future traffic contract after the expiry of the existing traffic contract (after 2024), will not be compensated for the fact that the IC4 train sets did not run until 2037 as originally assumed.

The reassessment of the IC4 train sets and related capitalised costs of major inspections and parts is based on an impairment test, which shows a write-down totalling DKK 2,143 million. This figure includes DKK 124 million relating to the reassessment of capitalised costs of major inspections of the IC4 train sets. This write-down stems from a reassessment of the depreciation of the capitalised costs of major inspections. In the event of changes in significant assumptions for the write-down in the coming years (e.g. the time of phasing out of the IC4 train sets), DSB will conduct a new assessment of the valuation of the IC4 train sets.

The total write-down in 2016 on IC4 and IC2 train sets and related capitalised costs of major inspections, inventory and parts, etc totals DKK 2,731.

The carrying amount at 31 December 2016 is impacted by the reclassification to Properties held for sale.

In 2012 a grant was received from the City of Copenhagen for establishing a footbridge in Hellerup. The grant will be recognised over the life of the asset through a reduction of the monthly depreciation of the asset.

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.

In pursuance of an agreement concluded between the Ministry of Transport and the Danish Transport Agency, 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 55 million, DSB has provided the 10 train sets with a carrying amount of DKK 425 million as security.

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 |
|---|--------------------|----------------|--|--|-----------------------|
| Cost price at 1 January 2016 | 7,893 | 25,312 | 3,200 | 175 | 36,580 |
| Reclassification | -110 | - | - | - | -110 |
| Additions | 313 | 418 | 3 | 358 | 1,092 |
| Transferred | 69 | 227 | 91 | -387 | 0 |
| Disposals | -108 | -1,305 | -34 | - | -1,447 |
| Cost price at 31 December 2016 | 8,057 | 24,652 | 3,260 | 146 | 36,115 |
| Amortisation, depreciation and write-downs at 1 January 2016 | -3,345 | -13,289 | -2,215 | -1 | -18,850 |
| Reclassification | 33 | - | - | - | 33 |
| Amortisation, depreciation and write-downs for the year | -174 | -1,292 | -174 | - | -1,640 |
| Write-downs for the year | -16 | -2,785 | -43 | - | -2,844 |
| Disposals | 52 | 1,303 | 28 | - | 1,383 |
| Amortisation, depreciation and write-downs at 31 December 2016 | -3,450 | -16,063 | -2,404 | -1 | -21,918 |
| Carrying amount at 31 December 2016 | 4,607 | 8,589 | 856 | 145 | 14,197 |
| Carrying amount at 31 December 2015 | 4,548 | 12,023 | 985 | 174 | 17,730 |
| Capitalised interest is included in cost | 4 | 291 | 11 | 0 | 306 |

Based on the decision regarding future expected use of the IC4 train sets – including an assessment of development in operations, functionality and capacity needs, and in extension of the commissioning plan in connection with electrification – in 2016 the management conducted a thorough review and assessment of the need for the IC4 and IC2 train sets.

It is assessed that 23 IC2 train sets do not meet the requirements for stability, which is required for their use in railway transport. Therefore, all of the train sets were completely phased out during 2016. The train sets' sales value and scrap value with the deduction of disposal costs is assessed at DKK 0 million, which has resulted in a full write-down of the train sets and related capitalised costs of major inspections, inventory and parts, etc. of DKK 588 million.

A reassessment was also conducted of the carrying amount of 82 IC4 train sets and related capitalised costs of major inspections and parts, based in part on the following assumptions:

- 5 IC4 train sets (NT) that have not been commissioned in operations are phased out and fully written-down in 2016.
- Use of the remaining 77 IC4 train sets is planned for regional train traffic up to and including 2024, after which time they will be phased out. The IC4 train sets were formerly used in long distance traffic. The sales value and scrap value with a deduction of disposal costs for the IC4 train sets at the time of their phasing out in 2024 is also assessed to be DKK 0.
- Lastly, it is assumed that DSB, through a future traffic contract after the expiry of the existing traffic contract (after 2024), will not be compensated for the fact that the IC4 train sets did not run until 2037 as originally assumed.

The reassessment of the IC4 train sets and related capitalised costs of major inspections and parts is based on an impairment test, which shows a write-down totalling DKK 2,143 million. This figure includes DKK 124 million relating to the reassessment of capitalised costs of major inspections of the IC4 train sets. This write-down stems from a reassessment of the depreciation of the capitalised costs of major inspections. In the event of changes in significant assumptions for the write-down in the coming years (e.g. the time of phasing out of the IC4 train sets), DSB will conduct a new assessment of the valuation of the IC4 train sets.

The total write-down in 2016 on IC4 and IC2 train sets and related capitalised costs of major inspections, inventory and parts, etc totals DKK 2,731.

The carrying amount at 31 December 2016 is impacted by the reclassification to Properties held for sale.

In 2012 a grant was received from the City of Copenhagen for establishing a footbridge in Hellerup. The grant will be recognised over the life of the asset through a reduction of the monthly depreciation of the asset.

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.

In pursuance of an agreement concluded between the Ministry of Transport and the Danish Transport Agency, 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 55 million, DSB has provided the 10 train sets with a carrying amount of DKK 425 million as security.

Note 3.2: Tangible assets (continued)

Specification of rolling stock

Amounts in DKK million

| Group | Cost price at 31 December 2016 | Depreciation and write-downs at 31 December 2016 | Carrying amount at 31 December 2016 | Carrying amount at 31 December 2015 |
|---|--------------------------------|--|-------------------------------------|-------------------------------------|
| Train | | | | |
| IC2 train sets | 0 | 0 | 0 | 535 |
| IC3 train sets | 2,428 | -2,022 | 406 | 486 |
| IC4 train sets | 4,292 | -3,067 | 1,225 | 3,380 |
| IR4 train sets | 2,178 | -1,879 | 299 | 379 |
| ET train sets | 1,861 | -1,238 | 623 | 719 |
| Double-decker coaches | 649 | -97 | 552 | 584 |
| MQ - Desiro train sets | 146 | -54 | 92 | 97 |
| MR train sets | 119 | -119 | 0 | 0 |
| ICE train sets | 93 | -86 | 7 | 39 |
| ME diesel locomotives | 326 | -326 | 0 | 0 |
| EA diesel locomotives | 67 | -41 | 26 | 0 |
| Total Long-distance & Regional Trains | 12,159 | -8,929 | 3,230 | 6,219 |
| S-trains | 10,180 | -6,218 | 3,962 | 4,396 |
| Other trains | 88 | -83 | 5 | 6 |
| Guarantees etc. set off | -31 | 0 | -31 | -30 |
| Total trains | 22,396 | -15,230 | 7,166 | 10,591 |
| Total LCC assets (major maintenance inspection of train sets) | 1,675 | -651 | 1,024 | 998 |
| Total rotatable parts | 581 | -182 | 399 | 434 |
| Carrying amount | 24,652 | -16,063 | 8,589 | 12,023 |

Accounting practices

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

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 depreciated 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 depreciated over the useful life. 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 depreciation 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 depreciation stops.

If the depreciation period or the scrap value changes, the impact on depreciation 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.

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 note Contingent assets and liabilities, and economic investment 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 depreciation. 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 assets.

As a result of the positive generation of liquidity loans due in the course of the year have been repaid without any need to contract new long-term loans. In the course of the year, interest-bearing liabilities, net, have been reduced by DKK 1.1 billion.

This section contains the following notes:

- 4.1 Financial income and expenses
- 4.2 Investments
- 4.3 Borrowing and liquidity
- 4.4 Interest-bearing liabilities, net
- 4.5 Financial income and expenses net, paid
- 4.6 Minority interests

Note 4.1 Financial income and expenses

| Parent corporation | | Financial income | Group | |
|--------------------|-----------|--|-----------|-----------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 4 | 3 | Interest on balances with Group companies | - | - |
| 4 | 3 | Interest on balances with associated companies | 3 | 4 |
| 15 | 10 | Others | 10 | 18 |
| 23 | 16 | Total | 13 | 22 |

| Parent corporation | | Financial expenses | Group | |
|--------------------|------------|---|------------|------------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 336 | 307 | Interest on loans, debt to credit institutions etc. | 315 | 345 |
| - | 3 | Foreign exchange losses etc. | 2 | - |
| 336 | 310 | Total | 317 | 345 |

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: Investments

Amounts in DKK million

| Parent corporation | Equity investments in Group companies | Equity investments in associated companies | Subordinated loan capital in associated companies | Subordinated loan capital in associated companies | Other receivables | Investments total |
|--|---------------------------------------|--|---|---|-------------------|-------------------|
| Cost price at 1 January 2016 | 1,880 | 413 | 154 | 256 | 135 | 2,838 |
| Foreign currency translation adjustments | -7 | - | - | - | - | -7 |
| Additions | 14 | - | - | 3 | 47 | 64 |
| Disposals | - | - | - | -9 | -145 | -154 |
| Cost price at 31 December 2016 | 1,887 | 413 | 154 | 250 | 37 | 2,741 |
| Value adjustments at 1 January 2016 | -479 | -413 | -132 | 0 | - | -1,024 |
| Foreign currency translation adjustments | 5 | - | -1 | - | - | 4 |
| Profit/loss for the year | 268 | 0 | - | - | - | 268 |
| Dividend paid | -344 | - | - | - | - | -344 |
| Other adjustments | -34 | - | 7 | - | - | -27 |
| Value adjustments at 31 December 2016 | -584 | -413 | -126 | 0 | - | -1,123 |
| Carrying amount at 31 December 2016 | 1,303 | 0 | 28 | 250 | 37 | 1,618 |
| Carrying amount at 31 December 2015 | 1,401 | 0 | 22 | 256 | 135 | 1,814 |

Note 4.2: Investments (continued)

Amounts in DKK million

Equity investments in Group companies

| | | | | Share of book value |
|------------------------------------|----------------------|--------------------|------------------|---------------------------|
| Name | Registered office | Equity interest | Share capital | Parent company 2016 |
| DSB Ejendomsudvikling A/S | Denmark | 100% | 100 million DKK | 667 |
| Kort & Godt A/S | Denmark | 100% | 5.5 million DKK | 69 |
| DSB Vedligehold A/S | Denmark | 100% | 28.5 million DKK | 508 |
| DSB Øresund A/S ¹⁾ | Denmark | 75% | 0.7 million DKK | 0 |
| DSB Øresund Holding ApS | Denmark | 70% | 29 million DKK | 0 |
| - DSB Øresund A/S ¹⁾ | Denmark | 25% | 0.7 million DKK | - |
| DSB Sverige AB | Sweden | 100% | 5.1 million SEK | 40 |
| - DSB Uppland AB | Sweden | 100% | 1.1 million SEK | - |
| - DSB Småland AB ²⁾ | Sweden | 100% | 1.1 million SEK | - |
| DSB Deutschland GmbH | Germany | 100% | 25,000 EUR | 18 |
| - VIAS GmbH ³⁾ | Germany | 50% | 25,000 EUR | - |
| - VIAS Logistik GmbH ³⁾ | Germany | 50% | 25,000 EUR | - |
| Selskabet af 23.12.2014 A/S | Denmark | 100% | 0.5 million DKK | 1 |
| BSD ApS | Denmark | 100% | 125,000 DKK | 0 |
| Total | | | | 1,303 |

1) DSB directly owns 75% and indirectly owns 17.5%, corresponding to a total equity interest of 92.5%. The direct equity interest of 75% is not entitled to dividends or liquidation proceeds; thus, for accounting purposes, DSB is estimated to have an equity interest of 70%.
DSB Øresund A/S and DSB Øresund Holding ApS are in liquidation.

2) The company ceased operating activity as from 1 March 2014.

3) Recognised according to the principles of proportional consolidation.

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 receivables from these companies are written-down 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.

Profit/loss after tax in Group companies

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 4.2: Investments (continued)

Amounts in DKK million

| Group | Equity investments in associated companies | Subordinated loan capital in associated companies | Other receivables | Total investments |
|--|--|---|-------------------|-------------------|
| Cost price at 1 January 2016 | 413 | 256 | 135 | 804 |
| Additions | - | 3 | 48 | 51 |
| Disposals | - | -9 | -145 | -154 |
| Cost price at 31 December 2016 | 413 | 250 | 38 | 701 |
| Value adjustments at 1 January 2016 | -413 | 0 | - | -413 |
| Profit/loss for the year | 0 | - | - | 0 |
| Value adjustments at 31 December 2016 | -413 | 0 | - | -413 |
| Carrying amount at 31 December 2016 | 0 | 250 | 38 | 288 |
| Carrying amount at 31 December 2015 | 0 | 256 | 135 | 391 |

Equity investments in associated companies

Amounts in DKK million

| Name | Registered office | Equity interest | Share capital | Parent company 2016 | Group 2016 |
|-----------------|-------------------|-----------------|---------------|---------------------|------------|
| Rejsekort A/S | Denmark | 46.5% | 114 | 0 | 0 |
| Rejseplanen A/S | Denmark | 48.4% | 1 | 0 | 0 |
| Total | | | | 0 | 0 |

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 written-down 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 is measured at amortised cost.

Other receivables are measured at amortised cost.

Profit/loss after tax in associated companies

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 4.3: Borrowing and liquidity

| Parent corporation | | | Group | |
|--------------------|--------------|------------------------|--------------|--------------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 6,638 | 4,838 | Bonds issued | 4,838 | 6,638 |
| 269 | 199 | Credit institutions | 199 | 269 |
| 250 | 1,000 | Short-term loans | 1,000 | 250 |
| 357 | 404 | Others | 404 | 357 |
| 7,514 | 6,441 | Total | 6,441 | 7,514 |

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

In the parent corporation and the Group DKK 3,082 million of the debt portfolio was raised without state guarantee (2015: DKK 2,936 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 and interest rate risks associated with the above Borrowing and liquidity is DKK -573 million at 31 December 2016 (2015: DKK -830 million). Consequently, DKK -169 million is recognised in equity (2015: DKK -338 million).

At 31 December 2016 derivative financial instruments with a positive and a negative fair value were DKK 69 million and DKK 615 million, respectively.

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 the net realisable value.

Note 4.4: Interest-bearing liabilities, net

| | Group | |
|--|--------------|--------------|
| Amounts in DKK million | 2016 | 2015 |
| Long-term loans | 4,609 | 5,482 |
| Current portion of non-current liabilities | 229 | 1,156 |
| Short-term loans | 1,000 | 250 |
| Credit institutions | 199 | 269 |
| Conversion of loan to DKK through currency swaps | 404 | 349 |
| Subordinated loan capital | 2 | 2 |
| Interest-bearing liabilities | 6,443 | 7,508 |
| Cash and cash equivalents and securities | -71 | -42 |
| Deposits | -88 | -48 |
| Subordinated loan capital, receivable | -250 | -256 |
| Interest-bearing assets | -409 | -346 |
| Total | 6,034 | 7,162 |

Note 4.5: Financial income and expenses net, paid

| Amounts in DKK million | Group | |
|--|-------------|-------------|
| | 2016 | 2015 |
| Financial income | 13 | 22 |
| Financial expenses | -317 | -345 |
| Other, including financial instruments | -62 | -8 |
| Total | -366 | -331 |

Note 4.6: Minority interests

The Company's subsidiary with minority interests comprises DSB Øresund Holding ApS in liquidation. The profit/loss for the year totals DKK 0 million. During 2016, a debt conversion was performed in the subsidiary, which is expected to be liquidated in 2017. The liquidation proceeds to DSB and the minority shareholder is expected to total 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 2016 totals DKK 562 million for the parent company and DKK 489 million for the Group, which primarily can be attributed to the change in deferred tax as a result of the write-down of the IC4 and IC2 train sets.

This section contains the following notes:

- 5.1 Tax on profit/loss for the year
- 5.2 Deferred tax liabilities

Note 5.1: Tax on profit/loss for the year

| Parent corporation | | | Group | |
|------------------------------------|--------------|---|--------------|--------------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 13 | 70 | Tax on profit/loss for the year | 26 | -29 |
| -111 | 492 | Change in deferred tax regarding the profit/loss for the year | 461 | -124 |
| - | - | Tax regarding internal profit | 1 | 8 |
| 13 | - | Adjustment of deferred tax from 23.5 % to 22.0 % | - | 13 |
| -85 | 562 | Tax on profit for the year | 488 | -132 |
| 10 | 0 | Adjustment of tax relating to previous years | 1 | -2 |
| -75 | 562 | Total tax | 489 | -134 |
| Reconciliation of tax rate: | | | | |
| 23.5% | 22.0% | Tax on profit/loss for the year | 22.0% | 23.5% |
| -5.0% | 29.2% | Tax effect of non-taxable income and non-deductible expenses | 4.3% | 1.2 |
| 0.2% | 0.0% | Special tax rules | 0.0% | 0.2% |
| -2.4% | 0.0% | Adjustment of deferred tax from 23.5 % to 22.0 % | 0.0% | -2.2% |
| -1.9% | 0.2% | Adjustment of tax relating to previous years | 0.9% | 0.4% |
| 14.4 % | 51.4% | Effective tax rate for the year | 27.2% | 23.1% |
| 37 | 98 | Tax paid for the year | 98 | 37 |

Accounting practices

The Group 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 | |
|-------------------------------|-------|---|-------|-------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 1,446 | 1,505 | Deferred tax liabilities at 1 January | 1,390 | 1,287 |
| 1 | -3 | Adjustment at 1 January | -9 | -2 |
| -10 | 0 | Adjustment regarding previous years | -1 | 2 |
| - | - | Change in deferred tax regarding internal profit | -1 | -8 |
| -30 | 0 | Change in deferred tax regarding joint taxation | - | - |
| 111 | -492 | Change in deferred tax regarding the profit/loss for the year | -461 | 124 |
| -13 | - | Adjustment of deferred tax from 23.5 % to 22.0 % | - | -13 |
| 1,505 | 1,010 | Deferred tax liabilities at 31 December | 918 | 1,390 |
| Deferred tax concerns: | | | | |
| 41 | 3 | Intangible assets | -6 | 30 |
| 1,550 | 1,070 | Tangible assets | 1,028 | 1,503 |
| 19 | 24 | Current assets | -4 | -10 |
| -99 | -87 | Other provisions | -99 | -108 |
| 0 | 0 | Current liabilities | 0 | 0 |
| - | - | Tax regarding internal profit | -1 | -7 |
| -6 | 0 | Tax loss | 0 | -18 |
| 0 | 0 | Net financing expenses to be carried forward | 0 | 0 |
| 1,505 | 1,010 | Deferred tax liabilities at 31 December | 918 | 1,390 |

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 63 million at 31 December 2016 (2015: DKK 92 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 timing differences relating to goodwill which is not deductible for tax purposes and on office premises and other items, where timing 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 - 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.

DSB has continued its efforts in 2016 to improve the Group's working capital. The total change in working capital is positive and totals DKK 95 million in the Group for 2016, which can primarily be attributed to a reduction in the Group's receivables.

This section contains the following notes:

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

Note 6.1: Inventories

| Parent corporation | | | Group | |
|--------------------|-----------|-------------------------------|------------|------------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 12 | 10 | Fuel for train operation | 10 | 12 |
| 0 | 0 | Spare parts etc. | 436 | 375 |
| 2 | 1 | Goods for sales in shops etc. | 39 | 38 |
| 14 | 11 | Total | 485 | 425 |

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. Inventories are measured with due regard for marketability, obsolescence and developments in the expected sales price.

Note 6.2: Receivables

Accounting practices

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provision for bad debt is made when it is assessed that there is an objective indication of impairment of a receivable or a portfolio of receivables. If there is an objective indication that an individual receivable is impaired, the individual asset is written down for impairment.

Receivables (such as penalty fares) for which there is no objective indication of impairment at an individual level are assessed at portfolio level for objective indication of impairment. The objective indicators used for the portfolios are based on primarily historical loss experience. Write-downs are stated as the difference between the carrying amount of receivables and the expected cash flow, including the realisable value of any security received.

Note 6.3: Prepayments (assets)

| Parent corporation | | | Group | |
|--------------------|------------|---|------------|------------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 79 | 80 | Prepaid expenses etc. | 87 | 97 |
| 7 | 8 | Financial instruments | 8 | 11 |
| 94 | 50 | Prepaid wages and salaries and pension contributions (civil servants) | 60 | 94 |
| 180 | 138 | Total | 155 | 202 |

Accounting practices

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

Note 6.4: Prepayments (liabilities)

| Parent corporation | | | Group | |
|--------------------|------------|---------------------------|------------|--------------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 306 | 318 | Tickets sold but not used | 318 | 306 |
| 86 | 24 | Financial instruments | 24 | 86 |
| 543 | 418 | Others | 445 | 609 |
| 935 | 760 | Total | 787 | 1,001 |

Prepayments (liabilities) fall due in the following periods:

| | | | | |
|------------|------------|---------------------------------------|------------|--------------|
| 674 | 535 | Within 1 year | 562 | 740 |
| 261 | 225 | After 1 year | 225 | 261 |
| 935 | 760 | Carrying amount at 31 December | 787 | 1,001 |

Accounting practices

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

Section 7 Financial matters

The Company defines risk as an uncertainty associated with future targets that can have wide ranging impacts on security, punctuality, reputation and finances. Financial risks relate to currency, raw materials and counterparties.

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

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

Counterparty risk arises when counterparties fail to fulfil their obligations.

This section contains the following notes:

- | | |
|-----|-----------------------------|
| 7.1 | Interest risk |
| 7.2 | Currency exchange rate risk |
| 7.3 | Raw materials price risk |
| 7.4 | Liquidity risk |
| 7.5 | Counterparty risk |

As a result of its operations, investments and financing, the Company is exposed to changes in risk relating to interest, raw materials and currency exchange rates. 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, the Company 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 2015.

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 previously 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 currency (million) | Currency swap, DKK (million) | Floating | Fixed | Maturity term | Average effective interest rate | Duration |
|----------------------------|--|------------------------------------|------------|------------|------------------|---------------------------------------|------------|
| At 31 December 2016 | | | | | | | |
| DKK | 1,399 | 1,399 | 100% | - | 0.2 | 0.2% | 0.1 |
| NOK | 800 | 781 | - | 100% | 1.5 | 1.1% | 1.5 |
| SEK | 2,800 | 2,335 | 42% | 58% | 2.6 | 0.4% | 1.6 |
| JPY | 20,000 | 1,314 | - | 100% | 23.5 | 3.2% | 16.1 |
| EUR | 82 | 612 | - | 100% | 4.8 | 3.0% | 4.5 |
| Portfolio | | 6,441 | 33% | 67% | 6.9 | 1.3% | 6.0 |
| At 31 December 2015 | | | | | | | |
| DKK | 720 | 720 | 100% | - | 0.8 | 3.9% | 0.1 |
| USD | 105 | 634 | - | 100% | 2.3 | 4.2% | 2.2 |
| NOK | 1,776 | 1,668 | - | 100% | 1.4 | 3.7% | 1.4 |
| SEK | 2,800 | 2,336 | 18% | 82% | 3.6 | 1.6% | 2.4 |
| JPY | 23,000 | 1,517 | - | 100% | 21.4 | 4.5% | 14.9 |
| EUR | 86 | 641 | - | 100% | 5.6 | 3.9% | 5.0 |
| Portfolio | | 7,515 | 30% | 70% | 6.6 | 3.3% | 5.5 |

As a result of financing activities, the Company 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 a percentage point change in interest rates), the debt portfolio must have a duration of 3 to 8 years, and at least 50 percent of the liability portfolio must be at a fixed rate.

Accordingly, the weighted average duration of gross debt is 6.0 years (2015: 5.5 years). Of the financial liabilities, 67 percent were converted to fixed rate with maturity of longer than one year (2015: 70 percent). Variable rate debt is adjusted regularly during the year.

Note 7.2: Currency exchange rate risk

Exchange rate uncertainty associated with financial activity

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 as detailed below.

The Company has currency risks relating to SEK as a result of its Swedish Group company, which operates under a transport contract in Sweden and a contract on maintenance of the Swedish Øresund train sets; the risk relating to EUR stems from the purchase of rolling stock.

The Company has 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.

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 |
| At 31 December 2016 | | | | | | | |
| NOK | -1 | -800 | 800 | -1 | 10.0% | 0 | 0 |
| USD | -2 | -29 | 32 | 2 | 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 |
| At 31 December 2015 | | | | | | | |
| NOK | -1 | -1,850 | 1,850 | -1 | 10.0% | 0 | 2 |
| USD | 0 | -152 | 152 | 0 | 10.0% | 0 | 137 |
| SEK | -13 | -2,792 | 2,620 | -185 | 10.0% | -15 | 1 |
| JPY | 0 | -23,000 | 23,000 | 0 | 10.0% | 0 | 0 |
| EUR | 0 | -83 | 90 | 7 | 0.5% | 0 | 0 |

Conditions for sensitivity analysis:

- Unchanged price and interest rate level.
- Financial instruments recognised in the balance sheet at 31 December 2016 (2015).

Note 7.3: Raw materials price risk

| Amount in DKK million | Nominal | | Sensitivity | | |
|----------------------------|--|--------------------------|------------------------|--|--|
| | 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 |
| At 31 December 2016 | | | | | |
| Raw materials – oil | 59,566 tons | 55,200 tons | 10.0% | 0 | 20 |
| Raw material – electricity | 343,445 mWh | 236,460 mWh | 10.0% | 0 | 5 |
| At 31 December 2015 | | | | | |
| Raw materials – oil | 60,766 tons | 66,000 tons | 10.0% | 0 | 18 |
| Raw material – electricity | 353,321 mWh | 239,352 mWh | 10.0% | 0 | 2 |

Conditions for sensitivity analysis:

· Financial instruments which are recognised in the balance sheet at 31 December 2016 (2015).

The Company uses oil and electricity in its operations and is therefore exposed to price risks. At the beginning of a budget year, the exposure must be hedged. The hedging is ongoing throughout the year before the budget year and is carried out through the conclusion of raw materials price swap agreements.

Hedging of electricity consumption is used to hedge 75 percent of the expected consumption in 2017 and the remainder in the subsequent years. Similarly, oil hedging is used for 93 percent of the expected consumption in 2017. This hedging reflects the actual risk exposure.

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 | 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 | - | - |
| Financial instruments, total at 31 December 2016 | 8,220 | 9,585 | 3,136 | 3,760 | 2,689 |

The positive liquidity means that all due loans during 2016 were repaid without raising new long-term loans.

The Company's policy is to always 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 2016, agreements were concluded on revocable bank facilities of DKK 1,500 million and irrevocable bank facilities of DKK 2,500 million, with expiry during the period 2017-2021 (2015: revocable of DKK 1,750 million and irrevocable of DKK 2,500 million, with expiry during the period 2015-2018). Of these cash resources, DKK 2,447 million is not utilised. (2015: DKK 3,188 million).

Note 7.5: Counterparty risk

Counterparty risk

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.

Receivables from derivative financial instruments, cash surplus and deposits total DKK 228 million at 31 December 2016. (2015: DKK 301 million). If the access to offsetting exposure in financial contracts with financial counterparties is recognised, the receivables from these three items total DKK 171 million at 31 December 2016 instead (2015: 90 million DKK).

Customers and partners are subject to ongoing credit ratings and monitoring of the credit relationship. Historically, DSB has had relatively small losses as a consequence of non-payment by customers and counterparties.

Section 8 Other notes

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

In 2016, DSB received a contribution in the form of Carlsberg station from the Ministry of Transport, Building and Housing. In addition, the Group has carried out a number of property sales.

This section contains the following notes:

- 8.1 Other provisions
- 8.2 Contingent assets and liabilities, and economic investment 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 | Capital losses in Group companies | Restructuring Staff | Onerous contracts | Other liabilities | Other provisions total |
|---|-----------------------------------|---------------------|-------------------|-------------------|------------------------|
| Parent corporation | | | | | |
| Other provisions at 1 January 2016 | 37 | 16 | - | 56 | 109 |
| Provisions | - | 6 | - | 4 | 10 |
| Used | -19 | -22 | - | -30 | -71 |
| Reversed | -18 | - | - | -1 | -19 |
| Other provisions at 31 December 2016 | 0 | 0 | - | 29 | 29 |

| Amounts in DKK million | Restructuring Staff | Onerous contracts | Other liabilities | Other provisions total |
|---|---------------------|-------------------|-------------------|------------------------|
| Group | | | | |
| Other provisions at 1 January 2016 | 16 | 23 | 62 | 101 |
| Provisions | 6 | - | 10 | 16 |
| Used | -22 | - | -30 | -52 |
| Reversed | - | - | -1 | -1 |
| Other provisions at 31 December 2016 | 0 | 23 | 41 | 64 |

Capital losses in Group companies include the Parent company's obligation to cover negative balances in Group companies as a result of guarantees.

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 the Group, 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, and economic investment obligations

| Parent corporation | | | Group | |
|--------------------|-------|---------------------------------|-------|-------|
| 2015 | 2016 | Amounts in DKK million | 2016 | 2015 |
| 4 | 4 | Contingent assets | 4 | 4 |
| 510 | 179 | Contingent liabilities | 305 | 545 |
| 2,739 | 2,915 | Economic investment obligations | 2,998 | 2,790 |

Contingent liabilities include guarantees of a total of DKK 161 million. (2015: DKK 243 million) for DSB's 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 2016, DSB has sold vacant land at a total profit of DKK 783 million (2015: DKK 599 million) and has invested and incurred operating costs totalling DKK 304 million. (2015: DKK 286 million).

DSB pays an ongoing pension contribution to the state for civil servants and employees on similar terms as those of a civil servant, calculated as a percentage of the pensionable salary, to cover the state's pension obligation to civil servants. Upon retirement, the state assumes the full pension obligation. The contribution rate for the ongoing pension contributions is based on assumptions about interest rates, expected pension age, wage development and mortality, etc. Deviations from these assumptions, under certain conditions, can result in an adjustment of the contributions in the form of additional payment to or from the state at the time of retirement. The contribution rate is current 26 percent.

DSB has an obligation to pay redundancy payment for three years to civil servants who are dismissed for a cause that is not the fault of the civil servant, see section 32 of the Danish Civil Servant Act. DSB also has a commitment to the Agency for the Modernisation of Public Administration to pay pension costs for civil servants until the expected retirement age of 62 years.

DSB is a part in 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.

Economic investment obligations includes leasing of rolling stock of a total of DKK 184 million (2015: DKK 369 million), of which DKK 80 million falls due for payment in 2017 and DKK 104 million in the period 2018-2020.

As part of DSB's agreement with Rejsekort A/S concerning the use of the Rejsekort system, DSB is obliged to pay an annual subscription fee of approx. DKK 131 million for the period 2016-2028. The total obligation for the period 2017-2028 has been stated at DKK 1,590 million, of which DKK 524 million falls due in the period 2018-2021.

In 2012 DSB 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 DSB's systems. The total liability in this regard is DKK 247 million (2015: DKK 236 million), of which DKK 112 million falls due in 2017 and DKK 135 million falls due in 2018-2019.

In 2012 DSB 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 240 million (2015: DKK 271 million), of which DKK 32 million falls due in 2017 and DKK 117 million falls due in 2018-2021.

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

In addition, economic investment obligations include contracts regarding investment in tangible assets. The remaining purchase obligation regarding IC2 and IC4 train sets at 31 December 2016 totals DKK 6 million (2015: DKK 153 million) before discounts. The remaining purchase obligation regarding 67 double-decker coaches at 31 December 2016 totals DKK 585 million. (2015: DKK 0 million).

Accounting practices

Contingent assets and liabilities, as well as other economic investment 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, Construction and Housing Authority and Rail Net Denmark) comprise:

| | Group | |
|--|-------|-------|
| Amounts in DKK million | 2016 | 2015 |
| Income | | |
| Income from transport contracts, net | 4,162 | 4,539 |
| Bonus relating to transport contracts | 6 | 9 |
| Transport income | 0 | 6 |
| Other rental and sale of repairs, goods and services | 16 | 186 |
| Expenses, etc. | | |
| Infrastructure and capacity charges | 587 | 558 |
| Guarantee commission to the Danish state | 16 | 19 |
| Prepayment | | |
| Prepaid contract payment | 261 | 315 |

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 | |
|--|------------|------------|
| | 2016 | 2015 |
| Gain on sale of intangible and tangible assets | 212 | 120 |
| Loss on sale and scrapping of intangible and tangible assets | -23 | -10 |
| Total | 189 | 110 |

Note 8.5: Events after the balance sheet date

No events have occurred after 31 December 2016, which in the opinion of the management have a significant impact on the assessment of the annual report for 2016.

Other matters

The Executive Board is per 1 February 2017 expanded with Jürgen Müller, Director of Strategy & Rolling stock. Jürgen Müller joined DSB in 2015. Meanwhile, Susanne Mørch Koch is per 1 January resigned from the Executive Board in connection with the resignation.

Operating activities

Transport contract 2015-2024

The Ministry of Transport and DSB concluded a new transport contract in 2015, which specifies the services DSB will deliver 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 and regional rail traffic, as well as S-train traffic, are all fulfilled within a calendar year.

Efficiency is measured according to revenue coverage, which is passenger revenue per DKK one 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 earned points for both operator punctuality and efficiency requirements in 2015, while DSB only expects to earn a point for the efficiency requirement in 2016. Thus, DSB expects to have earned a total of 3 points at the end of 2016.

Productivity

At year-end 2016, the number of full-time employees was 7,239, which is a decrease of 63 employees compared to year-end 2015.

Table 1: Number of full-time employees

| | Increase | | | |
|---|--------------|--------------|-------------|-----------|
| | 2016 | 2015 | Abs. | % |
| Danish activities ¹⁾ | 7,056 | 7,004 | 52 | 1 |
| Swedish activities | 96 | 94 | 2 | 2 |
| German activities ²⁾ | 87 | 204 | -117 | -57 |
| Number of full-time employees – year-end | 7,239 | 7,302 | -63 | -1 |
| Average number of full-time employees in total ³⁾ | 7,285 | 7,438 | -153 | -2 |

¹⁾ Including Øresund.

²⁾ Costs related to these full-time employees are recognised in Staff costs at a proportional rate of 50%.

³⁾ The deviation in Average number of full-time employees is primarily due to the transfer of staff as a result of the contract concluded on Facility Management services, and the transfer of the Odenwald line to a new operator.

The Danish activities at year-end 2016 have increased by 52 full-time employees. This is due in part to the acquisition of 8 shops on Kystbanen (Coastal line) in 2016. In addition, additional employees have been hired to perform maintenance on DSB's rolling stock. Lastly, there are fewer employees in customer-oriented functions – partially due to the increasing rate of passenger self-service.

The reduction of 117 employees in the German activities is due to the transfer of the Odenwald line to a new operator at the end of 2015.

Table 2: Productivity in the Danish train activities

| | Increase | | | |
|---|----------|--------|------|----|
| | 2016 | 2015 | Abs. | % |
| Costs per seat kilometre ¹⁾ (øre/km) | 56 | 58 | -2 | -3 |
| Number of train kilometres per employee | 12,006 | 11,865 | 141 | 1 |
| Number of train journeys per employee | 40,952 | 39,954 | 998 | 2 |

¹⁾ 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.

Costs per seat kilometre are 3 percent lower in 2016 than in 2015, when adjusted for non-recurring items. Furthermore, the Number of train kilometres per employee and Number of train journeys per employee have had a positive growth of 1 percent and 2 percent, respectively, compared with 2015.

Punctuality

Table 3: Customer punctuality ¹⁾

| Percent | Increase | | | |
|---------------------------------|----------|------|------|-------------------|
| | 2016 | 2015 | Abs. | Percentage points |
| Long-distance & Regional Trains | 74.0 | 78.5 | -4.5 | -6 |
| S-trains | 92.6 | 95.0 | -2.4 | -3 |

¹⁾ Customer punctuality for long-distance and regional train traffic is defined as the number of passengers using punctual trains in relation to the total number of passengers. In 2016, Øresund is included in Long Distance & Regional Trains. 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 delayed less than three minutes. Cancellations which are not notified 72 hours in advance are recognised as a delay.

Customer punctuality in Long-distance & Regional Trains fell from 78.5 percent to 74.0 percent in 2016. In S-trains, customer punctuality fell by 2.4 percentage points to 92.6 percent.

The decline in customer punctuality for Long-distance & Regional Trains is the result of several factors, including delays in track maintenance during the spring and summer of 2016.

This has led to situations with late cancellations, which has been unsatisfactory for customers. Customer punctuality was also negatively impacted by the declining reliability of DSB's rolling stock, with delays and cancellations as a result. Other factors in the declining customer punctuality include the introduction of ID checks at Copenhagen Airport in January 2016 and border controls at Padborg. Furthermore, the implementation of K16 (the 2016 timetable) had a negative impact on customer punctuality.

For S-trains, the declining customer punctuality is predominantly due to the commissioning of the new signal system between Hillerød and Jægersborg, which has resulted in delays and cancellations from the implementation start-up in February and throughout 2016. In addition, external events such as collisions with people, vandalism and infrastructure problems necessitating the use of busses/rail replacement busses also impacted customer punctuality negatively.

Table 4: Operator punctuality ¹⁾

| Percent | Increase | | | |
|---------------------------------|----------|------|------|-------------------|
| | 2016 | 2015 | Abs. | Percentage points |
| Long-distance & Regional Trains | 92.0 | 94.4 | -2.4 | -3 |
| S-trains | 98.4 | 99.0 | -0.6 | -1 |

¹⁾ Operator punctuality is the total punctuality, less any delays due to circumstances for which DSB is not responsible. In 2016, Øresund is included in Long Distance & Regional Trains. Arrivals are considered punctual if they are delayed less than three minutes. Cancellations due to circumstances at DSB that are not notified 72 in advance are recognised as a delay.

Operator punctuality in Long-distance & Regional Trains declined from 94.4 percent in 2015 to 92.0 percent in 2016. In S-trains, operator punctuality declined from 99.0 to 98.4 percent.

The developments in operator punctuality for Long-distance & Regional Trains are particularly impacted by the reliability of DSB's rolling stock; in addition to these issues on the

part of DSB, operator punctuality is also impacted by the derived consequences of track maintenance.

For S-trains, the decline in operator punctuality is mainly due to the implementation of the new signal system, where signal errors in the train sets have resulted in delays and cancellations.

Customers

In 2016, 192.6 million journeys were carried out by DSB in Denmark, compared to 192.7 million journeys in 2015. An average journey with DSB in 2016 was 31 kilometres long, which is at the same level as 2015.

In 2016, the number of journeys across the Great Belt (train, plane, car and bus) increased by approx. 1.1 million journeys compared to 2015. The growth can be seen in car, bus and plane traffic, while train traffic decreased. DSB's market share across the Great Belt was 22.0 percent in 2016, which is a decrease of 1.6 percentage points compared with 2015.

Table 5: Number of journeys

| 1,000 journeys | Increase | | | |
|-----------------------------------|----------------|--------------------|---------------|------------|
| | 2016 | 2015 ²⁾ | Abs. | % |
| Long-distance & Regional Trains | 76,365 | 78,578 | -2,213 | -3 |
| East (Zealand) ¹⁾ | 52,500 | 53,586 | -1,086 | -2 |
| West (Jutland and Funen) | 15,154 | 15,604 | -450 | -3 |
| East/West (across the Great Belt) | 7,982 | 8,297 | -315 | -4 |
| Others | 729 | 1,091 | -362 | -33 |
| S-trains | 116,271 | 114,121 | 2,150 | 2 |
| Denmark, total | 192,636 | 192,699 | -63 | 0 |
| Sweden, total | 3,900 | 4,896 | -996 | -20 |
| Germany, total | 2,165 | 4,289 | -2,124 | -50 |
| Total number of customers | 198,701 | 201,884 | -3,183 | -2 |

¹⁾ Operation of DSB Øresund has been transferred to DSB as at 13 December 2015. The journeys are included in East (Zealand).

²⁾ Compared to previously released figures, 2015 increased by 0.8 million journeys in Long-distance & Regional Trains.

Long-distance & Regional Trains had 76.4 million journeys in 2016, which is 2.2 million journeys fewer than in 2015. Apart from impacts from extraordinary circumstances, including ID verification, border control and track maintenance works, there was a growth in journeys by long distance and regional train. This can be attributed to factors including the improved Youth Card, commuter card and the improved access to ticket purchases through electronic media, including apps.

The Zealand traffic has been impacted by the continued ID verification and the number of journeys declined by 2 percent.

The number of journeys for Jutland and Funen decreased by 3 percent. Traffic on Grenaabanen was transferred from DSB to Midttrafik in August.

Journeys across the Great Belt decreased by 4 percent compared with 2015. The development in the number of journeys across the Great Belt was significantly impacted negatively due to track maintenance works on Funen in 2015 and 2016. The decrease has been greater than expected due to the considerable non-planned blocking of tracks around Ascension Day and Whitsun. Furthermore, DSB has not fully managed to make up for the reduction in number of journeys between regions due to track maintenance work in 2015.

The S-trains had 116.3 million journeys in 2016, which was 2.2 million more than in 2015 - corresponding to growth of 2 percent. In addition to the general traffic development, the positive growth can also be attributed to continued robust production, with generally high customer punctuality and a number of initiatives linked to the combined use of bicycles and S-trains. The development is also supported by the conversion of more train cars with space for customers' bicycles. DSB has calculated that 10.4 million journeys were conducted with a bicycle in the S-trains, corresponding to growth of 1 percent compared to

2015. Track maintenance and the establishment of new signals have negatively impacted travel figures by about 1.5 million journeys.

The development in Others is primarily due to a reduction in the number of international journeys and journeys with IC Bornholm due to continued ID verification and border control.

Customer satisfaction

Customer satisfaction is measured every quarter by DSB in Kundekompasset. 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, to ensure targeted efforts to improve in each individual area and increase overall customer satisfaction.

Table 6: Customer satisfaction

| Score (1-10) | Increase | | | |
|---|----------|------|------|----|
| | 2016 | 2015 | Abs. | % |
| Satisfaction with the journey (Long-distance & Regional Trains) | 7.8 | 7.9 | -0.1 | -1 |
| Satisfaction with Long-distance & Regional Trains in general | 7.0 | 7.3 | -0.3 | -4 |
| Satisfaction with the journey (S-trains) | 8.0 | 8.2 | -0.2 | -2 |
| Satisfaction with S-trains in general | 7.7 | 7.9 | -0.2 | -3 |
| Satisfaction with the journey (Øresund trains) | 7.6 | 7.8 | -0.2 | -3 |
| Satisfaction with Øresund trains in general | 6.8 | 7.2 | -0.4 | -6 |
| Satisfaction with the journey (all of DSB) | 7.9 | 8.0 | -0.1 | -1 |
| Satisfaction with all of DSB in general | 7.4 | 7.6 | -0.2 | -3 |

For Long-distance & Regional Trains, satisfaction declined in 2016 compared with 2015. The following factors in particular were the cause of declining satisfaction:

- The trains' general compliance with the schedule, and on the current journey (punctuality)
- Traffic information in connection with delays – information on alternatives and explanations for the change
- Traffic information at dsb.dk and by mobile phone (sms and apps)
- Exterior cleaning of the train sets.

The declining satisfaction with long-distance and regional trains' compliance with the schedule in general and the current journey had a knock-on effect on customer satisfaction with the traffic information. With regard to exterior cleaning, DSB has faced major challenges with exterior graffiti.

For S-trains, satisfaction with the current journey and S-trains in general declined in 2016. The following underlying parameters had a particular impact on the decline in satisfaction:

- The trains' general compliance with the schedule, as well as on the current journey (punctuality)
- Traffic information in connection with delays – information on alternatives and explanations for the change
- Traffic information about changes in traffic on S-TV screens and in S-trains.

The declining satisfaction with S-trains' compliance with the schedule in general and the current journey in particular had a knock-on effect on customer satisfaction with traffic information. There were also challenges with the S-TV screens, which did not work during stretches of 2016.

For Øresund trains, satisfaction declined in 2016 compared with 2015. The following factors in particular were the cause of declining satisfaction:

- The trains' general compliance with the schedule, as well as on the current journey (punctuality)
- Traffic information in connection with delays – information on alternatives and explanations for the change
- The number of train departures.

Service the DSB Way

Service the DSB Way continued in 2016. A range of targeted activities and an e-learning course across the company highlighted the importance of delivering good, consistent service by all employees – both those with direct customer contact and those in more administrative roles. A result of these efforts was stable satisfaction with DSB's staff, despite the operational challenges in 2016.

Park & Ride

In collaboration with the Confederation of Danish Industry, DSB conducted an analysis to identify the potential for travellers by combining car and train, as well as using the "Park & Ride" facilities in Denmark. The analysis compared the travel times for car vs. public transport from door to door and will influence the location of DSB's future investments.

Food and refreshments

DSB launched two initiatives in 2016 aiming to offer DSB's customers the opportunity to purchase food and refreshments onboard trains travelling across regions. In September, DSB launched a snack bag product as a trial programme. DSB has also installed two new automatic beverage machines in IC3 trains to test them before full deployment.

DSB cardboard Multiride tickets phased out

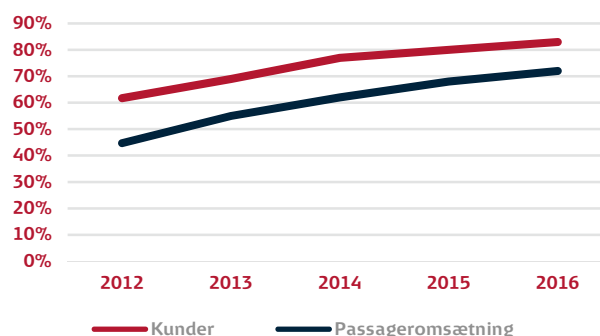
The sale of all types of DSB cardboard Multiride tickets ceased in August throughout the country. The Multiride tickets could be used up to and including mid-January 2017, after which they can be refunded until August 2019. DSB 10-journey Multiride tickets for standard and DSB 1' were launched in a digital version in the DSB App in February 2016.

Digitisation and self-service

2016 saw continued focus on the development of digital sales channels in order to support to objective of increasing customers' utilisation of self-service options. Self-service utilisation measured among customers in December was at 85 percent, while it was at 82 percent in January 2016.

Figure 1: Self-service

Share in %



Several measures in recent years have increased customer self-service – including the continued increase in the use of the rejsekortet travel card. At the end of December, there were 2.0 million active Rejsekort, of which 530,000 were issued in 2016.

In addition to the aforementioned launch of the 10-journey Multiride ticket in DSB's App, a new online store for the sale of international tickets was launched in June, giving customers the opportunity to purchase tickets to many destinations online, thus increasing the degree of self-service for tickets that have traditionally be marked by long servicing times at DSB Customer Centre. Agreements are being concluded on a rolling basis with a range of European operators for the sale of "print at home" tickets, which can be sold online.

In September, a new Business Portal was implemented, increasing the opportunities for self-service purchases and follow-up for companies with a Commercial Agreement.

Revenue Management

Revenue Management aims to optimise revenues from commercial products and ensure increased capacity utilisation. During 2016, this resulted in a new pricing structure for the Orange product, implementation of the Orange concept in regional traffic, price differentiation in interregional traffic to better take advantage of willingness to pay, tightening of control and pricing close to departure to reduce inexpedient migration, and optimisation of the method for determining the number Orange tickets offered for a given departure.

Increased marketing

2016 saw a focus on marketing of DSB's products and services. Working with a new advertising agency, a new concept for sales marketing was selected. The first campaign in the new concept was the launch of DSB Døgnet.

The good experiences with the Orange January sale and late summer sale from 2015 were continued in 2016 with major campaigns. DSB Døgnet and Christmas traffic were also significantly marketed. The marketing of DSB Orange resulted once again in increased sales of Orange tickets in 2016 compared to the year before. DSB Døgnet resulted in 96 percent more journeys on that day than on a comparable Saturday, and a 124 percent increase in the sale of reserved seats. Thus, DSB Døgnet

impacted both the price perception and experience of travelling by train. The vast majority of train journeys during the day were east-west.

Social media

During 2016, DSB undertook more targeted and structured efforts relating to its social media presence. These efforts resulted in increased relevance of content. DSB's two Facebook pages are now followed by 91,000 users.

Customer Centre

DSB Customer Centre answers calls and written enquires from customers, including on Facebook. Furthermore, the Customer Centre sells tickets and issues Business Cards, Youth Cards and rejsekort travel cards. In 2016, the Customer Centre answered 1.2 million telephone calls and 0.5 million written enquiries, which combined is about 2 percent fewer than in 2015. There was also an approximate 5 percent decline in the number of telephone enquiries, particularly in relation to rejsekort and the wide-ranging types of calls regarding domestic journeys. The written enquiries increased by about 6.5 percent, with much of this growth attributable to Facebook and the Travel Time Guarantee.

DSB Sales & Service

Throughout 2016, DSB worked to create modern and effective customer touchpoints at the largest stations. In connection with these efforts, DSB's staffed points of sale in Odense, Aarhus, Copenhagen Central Station and Kastrup Airport were remodelled and renamed DSB Salg & Service (DSB Sales & Service). The remodelling and new design support the increasing use of digital channels for ticket purchases. As a result of the remodelling, the rate of self-service at the four stations (measured as a share of sales in the automated vending machines compared to the sales counter) increased by 8 percentage points from 2015 to 2016.

ID-verification

DSB established ID-verifications for train travellers to Sweden at Copenhagen Airport in January 2016, in accordance with the Swedish government's demands for carrier liability. The ID-verifications have been conducted at all five access points to Track 1 at the airport.

In mid-April, the procedure of taking pictures of customers' photo ID when they passed the inspection was phased out. The basis for stopping this procedure was that, at that time, there had been approximately 1 million people through the check at the airport, with only a few enquiries by the Swedish authorities regarding alleged breaches of carrier responsibility. Most these cases were subsequently dropped. On this basis, DSB wanted to minimise the inconvenience for customers by speeding up the ID-verification process.

From the start of the ID-verifications at the airport, a revised schedule has applied for trips to Copenhagen Airport and across the Øresund. The ID-verifications have generally been performed without significant challenges, but the revised schedule has caused both traffic-related and capacity-related challenges. Therefore, together with the Ministry of Transport, Building and Housing, Rail Net Denmark and Skånetrafiken, DSB has carried out efforts to identify the possibilities for an improved traffic solution and – as a result – a different setup for the ID-verifications. In November, various scenarios were tested to arrive at a proposed future setup for the ID-verifications.

During the first year, DSB has had significant costs associated with the ID-verifications. An agreement has been reached with Skånetrafiken to share these costs equally between DSB and Skånetrafiken.

Tariff reforms

DSB prioritised efforts in 2016 to realise a tariff reform in Zealand (Takst Sjælland), which was launched in January 2017. The reform establishes a unified tariff zone in Zealand. This

is the largest reorganisation of the tariff systems in Denmark in 40 years, and the work involved significant restructuring of DSB's IT systems.

A reform of the tariff systems in western Denmark (Takst Vest) has run parallel with the effort in Zealand. The main elements of the reform were determined in 2016, and IT development, etc. is planned in 2017, with a view to be launched in 2018. Efforts are being taken to ensure that DSB can also restructure and simplify the tariffs in east/west traffic.

Rolling stock situation

Challenging rolling stock situation

DSB's rolling stock situation in the past year was challenging. The declining reliability of the rolling stock has contributed to the negative development in customer punctuality and was the primary factor in the negative development in operator punctuality.

On this basis, DSB launched a project in collaboration with an external consultancy company to identify the causes of the negative development in the MDBF – Mean Distance Between Failures.

The analysis was completed in October and showed that the causes of the declining reliability were primarily related to the physical condition of the rolling stock and the processes for coordination between operations and the workshop. The analysis indicated that the focus in recent years has been on quickly getting rolling stock out and running again – even if this has meant that the trains are to some extent put into operation with technical and non-critical defects. This has contributed to the rolling stock causing more delaying events than previously.

To ensure greater managerial focus, DSB decided in 2015 to consolidate operating activities in DSB with maintenance activities in DSB Vedligehold under joint management.

DSB has launched a number of initiatives to help bring punctuality back up to the level demanded by the traffic contract. The initiatives include recruitment of up to an additional 200 employees at the workshops, so that there will be more resources to reduce the number of delaying errors in the train sets.

Furthermore, the current workshop capacity will be expanded so that maintenance and repairs can be performed 24 hours a day to a greater extent than previously. Other initiatives focus on the processes between operations and maintenance, on optimisation of defect reporting for the rolling stock, and measures to improve the cross-organisational management.

IC4 and IC2 train sets

In June, DSB decided to phase out all 23 IC2 train sets. This decision was made because the IC2 train sets do not meet the requirements for stability, which is required for their use in railway transport. In addition to the 23 IC2 train sets, a decision was also made to phase out 5 IC4 train sets. The total pool subsequently amounts to 77 IC4 train sets.

IC4 report

In December, DSB released the final report on the future utilisation of the IC4 train sets. The IC4 train sets continue to operate for shorter period between delaying events than other rolling stock. The measures taken have not had the expected effect and it is not possible to systematically account for how planned measures will impact operating stability.

DSB's recommendation in relation to the future utilisation of IC4 is as follows:

The IC4 train sets are part of the solution until the phasing in of electric trains. This means a minimalistic commissioning of IC4 train sets, with the use of 77 IC4 train sets will be used until they are phased out – approx. 40 IC4 train sets operating with passengers and approx. 37 IC4 train sets in the operating and workshop pool. The focus from now on will only be improving the operating stability and

availability of the IC4 train sets. Therefore, the efforts will cease to introduce four coupled train sets, operational switching and improved comfort in the passenger areas.

Until DSB begins the phasing in of new electrical train sets in 2024, the future use of the IC4 train sets will be primarily as regional trains. The IC4 train sets will be phased out as the new electrical train sets are commissioned.

Existing rolling stock

Table 7: Litra-kilometres ¹⁾

| Kilometres (1,000) | Increase | | | |
|-------------------------|----------|--------|-------|-----|
| | 2016 | 2015 | Abs. | % |
| IC4 train sets | 6,538 | 5,507 | 1,031 | 19 |
| IC3 train sets | 30,736 | 30,865 | -129 | 0 |
| IR4 train sets | 9,301 | 7,368 | 1,933 | 26 |
| Øresund train sets | 8,892 | 7,557 | 1,335 | 18 |
| Double-decker coaches | 16,174 | 16,231 | -57 | 0 |
| MR train sets | 1,904 | 2,449 | -545 | -22 |
| Desiro train sets | 2,287 | 3,027 | -740 | -24 |
| Diesel locomotives – ME | 3,636 | 3,782 | -146 | -4 |
| S-train sets | 17,310 | 17,306 | 4 | 0 |

¹⁾ Litra-kilometres is the aggregated number of kilometres travelled by DSB's locomotives, train sets and double-decker coaches.

²⁾ Operation of DSB Øresund was transferred to DSB as of 13 December 2015. Litra-kilometres for 2015 are included for comparison.

Table 8: Number of kilometres travelled between incidents ¹⁾

| Kilometres (1,000) | Increase | | | |
|-------------------------|----------|------|-------|-----|
| | 2016 | 2015 | Abs. | % |
| IC4 train sets | 3.6 | 5.4 | -1.8 | -33 |
| IC3 train sets | 33.3 | 41.3 | -8.0 | -19 |
| IR4 train sets | 10.9 | 16.1 | -5.2 | -32 |
| Øresund train sets | 21.3 | 22.7 | -1.4 | -6 |
| MR train sets | 9.7 | 10.8 | -1.1 | -10 |
| Desiro train sets | 17.6 | 32.9 | -15.3 | -47 |
| Diesel locomotives - ME | 16.4 | 22.8 | -6.3 | -28 |
| S-train sets | 13.9 | 21.1 | -7.2 | -34 |

¹⁾ A technical incident on the rolling stock which causes a delay.

Table 9: Number of kilometres travelled between breakdowns ¹⁾

| Kilometres (1,000) | Increase | | | |
|-------------------------|----------|-------|--------|-----|
| | 2016 | 2015 | Abs. | % |
| IC4 train sets | 27.9 | 67.2 | -39.3 | -58 |
| IC3 train sets | 409.7 | 643.0 | -233.3 | -36 |
| IR4 train sets | 290.4 | 273.6 | 16.8 | 6 |
| Øresund train sets | 160.6 | 292.8 | -132.2 | -45 |
| MR train sets | 35.2 | 58.3 | -23.1 | -40 |
| Desiro train sets | 44.0 | 137.6 | -93.6 | -68 |
| Diesel locomotives - ME | 72.7 | 78.8 | -6.1 | -8 |
| S-train sets | 42.5 | 64.1 | -21.6 | -34 |

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

Developments in the reliability of DSB's rolling stock is seen in the above two tables.

IC4 train sets

In 2016, the IC4 train sets travelled 6.5 million kilometres, representing a 19 percent increase compared to 2015. The IC4 train sets were primarily utilised in regional rail traffic in Jutland and on Zealand, as well as selected departures in long-distance rail traffic.

The daily operational utilisation at year-end had increased to 49 out of the 77 available train sets in the rolling stock. The remaining train sets were used for conversions, the workshop pool and testing.

The operational stability of the IC4 train sets developed negatively over the first nine months of the year, and improved over the last three months of the year. Overall, the Number of kilometres travelled between events ended at 3,606 kilometres, which is 33 percent lower than in 2015. There have been a particularly high frequency of issues with defects in the IC4 train sets' PowerPack; therefore, DSB launched an upgrade of the IC4 train sets' PowerPack, which is expected to be completed at the end of 2018.

IC3 train sets

The IC3 train sets turned 25 years old last year, and they continue to have a very central role in DSB's train fleet. The IC3 train sets

travelled 30.7 million kilometres in 2016, which is slightly fewer than in 2015. Thus, the IC3 train sets represented 69 percent of total travel with diesel trains.

Like DSB's other rolling stock, the IC3 train sets have experienced a decline in the Number of kilometres travelled between events, from 41,319 kilometres in 2015 to 33,252 kilometres in 2016, but the IC3 train sets remain DSB's most reliable rolling stock.

IR4 train sets

In connection with DSB's takeover of DSB Øresund's operation of Kystbanen and Kastrupbanen in December 2015, the operation of 20 IR4 train sets was transferred from DSB Øresund to DSB. DSB thereby has 44 IR4 train sets, which have been utilised on Kystbanen and for long-distance and regional rail traffic together with IC3 train sets. The merger of IR4 train sets has resulted in significantly improved rolling stock utilisation, with a 26 percent increase in distance travelled, from 7.4 million to 9.3 million kilometres.

To improve customer comfort in the IR4 train sets, DSB has launched the replacement of all toilet bowls and associated equipment in all 44 train sets. This will result in fewer defective and therefore non-operational toilets and reduce the costs of repair. The replacements are expected to be completed in 2018.

Øresund train sets

In connection with DSB's takeover of DSB Øresund's operation of Kystbanen and Kastrupbanen in December 2015, the operation of 34 Øresund train sets was transferred from DSB Øresund to DSB. In 2016, operations faced challenges due to the ID-verifications; the introduction of these ID-verifications required production of up to 4.5 percent more than originally planned to carry out the planned traffic. The Øresund train sets travelled 8.9 million kilometres in 2016 compared to 7.6 million kilometres in 2015.

In 2016, DSB have, together with the Swedish rolling stock owner, planned a renovation

project for the Øresund train sets. The project is expected to commence in the second quarter of 2017 and run over the next five years. The renovation project establishes brand new toilets, removes old vending machines, establishes new and improved space for disabled persons and gives the Øresund train sets a fresh and modern design, inside and out.

MR train sets

In 2016, the MR fleet was reduced by one train set, which was handed over to Rail Net Denmark. The plan remains to phase out the MR fleet over the coming years, but due to the early phasing out of the IC2 train sets in 2016, there is a need for 21 MR train sets for operations in 2017 and slightly fewer in 2018. The total MR fleet is expected to be reduced by eight train sets during the first quarter of 2017.

In the spring, 10 MR train sets more were equipped with exhaust gas catalytic converters, bringing the total number of MR train sets with this equipment to 14. DSB will install catalytic converters in two more MR train sets during the first half of 2017.

Desiro train sets

DSB stopped operations on Grenaabanen in August, where 12 of the Desiro train sets had been used. In connection with this, the provision of four Desiro train sets also came to an end; DSB has instead concluded a lease with the Ministry of Transport, Building and Housing until December 2020. After the schedule change to K17 (Schedule 2017) in December, the Desiro train sets now operate on Svendborgbanen and Lille Syd, between Roskilde and Næstved.

The Desiro train sets experienced a significant decline in reliability during the year, in terms of Number of kilometres travelled between events, going from 32,903 kilometres in 2015 to 17,589 kilometres in 2016.

ME diesel locomotives

Exhaust gas catalytic converters were tested on the ME diesel locomotives in 2016. Technical challenges have prevented further implementation, however. Despite the challenges with new exhaust gas catalytic converters in the ME diesel locomotives, other solutions have been tested and are expected to have a positive impact on particle emissions from the ME diesel locomotives. These solutions are expected to commence in 2017.

S-train sets

The S-train sets experienced a significant decline in reliability during the year, in terms of Number of kilometres travelled between events. This is due in part to events related to the implementation of the new signal system, where signal errors result in errors in the trains. The Number of kilometres travelled between events in 2016, adjusted to remove events relating to the signal system, was 19,672; this figure is 13,915 kilometres if events relating to the signal system are included. In comparison, the Number of kilometres travelled between events was 21,068 kilometres in 2015.

Banedanmark's Signal Programme

In 2016, Banedanmark issued a new project plan for the implementation of the new signal system. This means that the deployment of the new signal system for Long-distance & Regional trains is delayed by about two years and for S-trains by one year in relation to the political agreement from 2009.

Long-distance & Regional Trains

The adjusted schedule for the Signal Programme is tight. The first serial introductions will begin in 2017 with Desiro and IC3 train sets. The training of locomotive instructors began as planned in November and the training of locomotive operators began in January 2017.

At the end of 2016, all trains have been equipped with the new, built-in digital GSM-R radio; however the Øresund train sets and

some IC3 train sets still need to be converted. The delay with these train sets is due to still-pending regulatory approvals.

S-trains

In February 2016, the new signal system (CBTC) was put into service on the Jægersborg-Hillerød line. The system was implemented with a number of known errors, and a number of newly discovered errors were also corrected during the year. Some of the errors will not be corrected until sometime during 2017. The next deployment is planned for 2018.

Reputation

DSB's reputation was under pressure in 2016, and declined from 50.4 in the first quarter to 46.2 in the third quarter. The decline is primarily due to punctuality challenges during the year. During the fourth quarter, the negative development in reputation was brought to a halt. The pulse score for the year was 47.8, which is 0.9 points lower than last year.

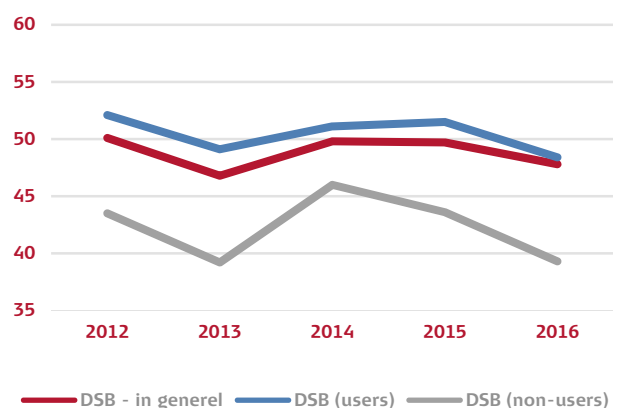
The trend has been the same among both users and "non-users" of long-distance and regional trains. It remains such that users (48.4) have a significantly better view of DSB than "non-users" (39.3).

DSB's S-train reputation declined from 58.8 to 55.0 in 2016. For DSB S-trains, high-frequency users still rate DSB S-trains higher than low-frequency users.

Generally speaking, DSB's reputation at the end of 2016 is highest in Greater Copenhagen and lowest in Region Zealand.

Figure 2: Reputation

Index 0-100



| Supplemental key figures | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total journeys (thousand) | 2012 | 2013 | 2014 | 2015 | 2016 |
| East ¹⁾ | 24,220 | 23,773 | 23,870 | 24,752 | 52,500 |
| West | 15,774 | 16,612 | 16,172 | 15,604 | 15,154 |
| East – West | 8,788 | 8,763 | 8,629 | 8,297 | 7,982 |
| Other ²⁾ | 1,003 | 988 | 982 | 1,091 | 728 |
| Long-distance & Regional Traffic | 49,785 | 50,136 | 49,653 | 49,744 | 76,365 |
| S-trains | 106,133 | 109,242 | 111,967 | 114,121 | 116,721 |
| DSB Øresund | 25,799 | 26,606 | 27,497 | 28,834 | - |
| Danish activities, total | 181,717 | 185,984 | 189,117 | 192,699 | 192,636 |
| Roslagsbanan ³⁾ | 11,000 | - | - | - | - |
| Krösatåg ⁴⁾ | 1,094 | 1,194 | 207 | - | - |
| Västtrafik ⁵⁾ | 4,199 | - | - | - | - |
| Upptåget ⁶⁾ | 4,800 | 4,800 | 4,848 | 4,896 | 3,900 |
| VIAS | 4,120 | 4,204 | 4,246 | 4,289 | 2,165 |
| Total foreign activities | 25,213 | 10,198 | 9,301 | 9,185 | 6,065 |
| Total journeys | 206,930 | 196,182 | 198,418 | 201,884 | 198,701 |
| Passenger kilometres (million) | 2012 | 2013 | 2014 | 2015 | 2016 |
| East ¹⁾ | 1,143 | 1,120 | 1,122 | 1,153 | 1,729 |
| West | 963 | 985 | 968 | 943 | 932 |
| East – West | 2,003 | 1,965 | 1,928 | 1,821 | 1,745 |
| Other ²⁾ | 137 | 141 | 136 | 158 | 116 |
| Long-distance & Regional Traffic | 4,246 | 4,211 | 4,154 | 4,075 | 4,522 |
| S-trains | 1,265 | 1,285 | 1,319 | 1,344 | 1,362 |
| DSB Øresund | 516 | 533 | 534 | 577 | - |
| Danish activities, total | 6,027 | 6,029 | 6,007 | 5,995 | 5,884 |
| Roslagsbanan ³⁾ | 129 | - | - | - | - |
| Krösatåg ⁴⁾ | 94 | 94 | 16 | - | - |
| Västtrafik ⁵⁾ | 794 | - | - | - | - |
| Upptåget | 312 | 201 | 203 | 205 | 163 |
| VIAS | 124 | 124 | 125 | 127 | 64 |
| Total foreign activities | 1,453 | 419 | 344 | 332 | 227 |
| Total passenger kilometres | 7,480 | 6,448 | 6,351 | 6,327 | 6,111 |

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

²⁾ Other includes IC Bornholm and International.

³⁾ Arriva is the new operator as of 7 January 2013.

⁴⁾ Operations were transferred to Veolia on 1 March 2014.

⁵⁾ SJ is the new operator of Västtrafik as of 1 May 2012.

Supplemental key figures (continued)

| Total train kilometres (1,000 km) | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------------|---------------|---------------|---------------|---------------|
| East ¹⁾ | 7,889 | 7,752 | 8,128 | 8,816 | 13,365 |
| West | 9,222 | 8,947 | 8,318 | 8,396 | 8,001 |
| Long-distance traffic ²⁾ | 19,102 | 19,910 | 20,338 | 18,585 | 18,867 |
| International trains ³⁾ | 1,369 | 1,373 | 1,240 | 1,048 | 826 |
| Long-distance & Regional Traffic | 37,582 | 37,982 | 38,024 | 36,845 | 40,879 |
| S-trains | 15,521 | 15,833 | 15,936 | 15,840 | 15,595 |
| DSB Øresund | 4,334 | 4,772 | 4,658 | 4,540 | - |
| Danish activities, total | 57,437 | 58,587 | 58,617 | 57,225 | 56,474 |
| Roslagsbanan ⁴⁾ | 3,100 | - | - | - | - |
| Krösatåg ⁵⁾ | 2,460 | 2,364 | 394 | - | - |
| Västtrafik ⁶⁾ | 3,667 | - | - | - | - |
| Upptåget | 2,866 | 2,990 | 2,990 | 2,991 | 2,992 |
| VIAS | 4,400 | 4,400 | 4,400 | 4,292 | 2,100 |
| Total foreign activities | 16,493 | 9,754 | 7,784 | 7,283 | 5,092 |
| Total train kilometres | 73,930 | 68,341 | 66,401 | 64,508 | 61,566 |

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

²⁾ Long-distance traffic in Denmark includes IC Bornholm in Denmark.

³⁾ International trains in Denmark, IC Bornholm in Sweden and charter trains abroad.

⁴⁾ Arriva is the new operator as of 7 January 2013.

⁵⁾ Operations were transferred to Veolia on 1 March 2014.

⁶⁾ SJ is the new operator of Västtrafik as of 1 May 2012.

| Supplemental key figures (continued) | | | | | |
|--|------|------|------|------|------|
| Rolling stock in operation ¹⁾ | 2012 | 2013 | 2014 | 2015 | 2016 |
| IC4 train sets ²⁾ | 70 | 82 | 82 | 82 | 77 |
| IC3 train sets | 96 | 96 | 96 | 96 | 96 |
| IC2 train sets ²⁾ | 9 | 23 | 23 | 23 | - |
| IR4 train sets | 24 | 24 | 24 | 44 | 44 |
| MR train sets | 65 | 53 | 53 | 35 | 30 |
| Leased Desiro train sets | 12 | 12 | 12 | 12 | 12 |
| Desiro train sets | 8 | 4 | 4 | 4 | 4 |
| Desiro train sets on loan/lease from the Ministry of Transport, Building and Housing ³⁾ | - | 4 | 4 | 4 | 4 |
| Leased ICE-TD | 13 | 13 | 13 | 13 | 4 |
| Øresund train sets ⁴⁾ | 111 | 111 | 111 | 111 | 111 |
| DSB Øresund, IR4 train sets | 20 | 20 | 20 | - | - |
| Diesel locomotives – ME | 36 | 33 | 33 | 33 | 33 |
| Electric locomotives (EA) | 6 | 6 | 6 | 6 | 5 |
| S-trains (eight coach train sets) | 104 | 104 | 104 | 104 | 104 |
| S-trains (four coach train sets) | 31 | 31 | 31 | 31 | 31 |
| Roslagståg – Electric train sets | 30 | - | - | - | - |
| Krösatåg – Diesel train sets | 13 | 13 | - | - | - |
| Krösatåg – Electric train sets | 4 | 4 | - | - | - |
| Upptåget – Electric train sets | 11 | 11 | 12 | 12 | 12 |
| VIAS – Electric train sets ⁵⁾ | 45 | 45 | 45 | 19 | 19 |
| Ranger locomotives/tractors | 16 | 14 | 14 | 15 | 14 |
| Leased double-decker coaches | 112 | 67 | 67 | 67 | 67 |
| Double-decker coaches | - | -46 | -46 | -46 | -46 |

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

²⁾ Number of train sets in 2012 delivered from AnsaldoBreda.

³⁾ DSB has in 2016 signed a lease with Transport, Construction and Housing Ministry until December 2020.

⁴⁾ 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.

⁵⁾ Operation of the Odenwald line ceased at the end of December 2015.

Supplemental key figures (continued)

| Number of kilometres travelled between incidents ¹⁾ (1,000 km) | 2012 | 2013 | 2014 | 2015 ²⁾ | 2016 |
|--|------|------|------|--------------------|------|
| IC4 train sets | 3.6 | 4.5 | 6.5 | 5.4 | 3.6 |
| IC3 train sets | 57.4 | 52.9 | 54.3 | 41.3 | 33.3 |
| IR4 train sets (ER DSB) | 21.8 | 22.8 | 25.4 | 16.1 | 10.9 |
| Øresund train sets | 34.0 | 32.0 | 36.6 | 22.7 | 21.3 |
| MR train sets | 20.1 | 20.3 | 21.2 | 10.8 | 9.7 |
| Desiro train sets | 12.4 | 15.3 | 26.6 | 32.9 | 17.6 |
| Diesel locomotives – ME | 26.2 | 32.7 | 32.2 | 22.8 | 16.4 |
| Electric locomotives (EA) | 15.3 | 21.6 | - | - | - |
| S-train sets | 16.0 | 20.5 | 19.9 | 21.1 | 13.9 |

¹⁾ A technical incident on the rolling stock which causes a delay.

²⁾ From 2015, the Mean Distance Between Failures (MDBF) was calculated with a dealy criterion of 2:59 min.

| Number of kilometres travelled between breakdowns ¹⁾ (1,000 km) | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-------|-------|-------|-------|-------|
| IC4 train sets | 53.2 | 57.1 | 60.8 | 67.2 | 27.9 |
| IC3 train sets | 804.6 | 663.9 | 489.1 | 643.0 | 409.7 |
| IR4 train sets (ER DSB) | 129.0 | 140.8 | 172.0 | 273.6 | 290.4 |
| Øresund train sets | 162.1 | 169.3 | 208.8 | 292.8 | 160.6 |
| MR train sets | 232.8 | 185.2 | 139.5 | 58.3 | 35.2 |
| Desiro train sets | 96.3 | 92.0 | 174.3 | 137.6 | 44.0 |
| Diesel locomotives – ME | -95.5 | 116.9 | 121.6 | 78.8 | 72.7 |
| Electric locomotives (EA) | 114.5 | 79.3 | - | - | - |
| S-train sets ²⁾ | - | - | - | 64.1 | 42.5 |

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

²⁾ No data for 2012-2014.

| Supplemental key figures (continued) | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Average number of full-time employees | 2012 | 2013 | 2014 | 2015 | 2016 |
| DSB, including Property Development | 4,314 | 4,085 | 3,943 | 3,840 | 4,060 |
| - of which social chapter ¹⁾ | 151 | 173 | 161 | 144 | 128 |
| S-trains | 872 | 731 | 711 | -722 | 697 |
| - of which social chapter ¹⁾ | 13 | 10 | 17 | 15 | 12 |
| Kort & Godt A/S | 736 | 698 | 649 | 614 | 636 |
| - of which social chapter ¹⁾ | 10 | 12 | 14 | 15 | 12 |
| DSB Vedligehold A/S | 1,709 | 1,683 | 1,647 | 1,665 | 1,706 |
| - of which social chapter ¹⁾ | 34 | 38 | 44 | 52 | 55 |
| DSB Øresund A/S ²⁾ | 355 | 368 | 319 | 307 | - |
| Danish activities, total | 7,985 | 7,565 | 7,269 | 7,148 | 7,099 |
| DSB Sverige AB | 15 | 7 | - | - | - |
| Roslagståg AB ³⁾ | 288 | 5 | - | - | - |
| - of which social chapter ¹⁾ | 1 | 1 | - | - | - |
| Krösatåg ⁴⁾ | 101 | 100 | 17 | - | - |
| Västtrafik ⁵⁾ | 174 | 26 | - | - | - |
| Upptåget | 76 | 85 | 92 | 95 | 96 |
| VIAS | 179 | 189 | 186 | 195 | 90 |
| Others | - | - | - | - | - |
| Total foreign activities | 833 | 412 | 295 | 290 | 186 |
| DSB Group, total | 8,818 | 7,977 | 7,564 | 7,438 | 7,285 |

¹⁾ 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.

²⁾ Operation of DSB Øresund was transferred to DSB as of 13 December 2015.

³⁾ Arriva is the new operator as of 7 January 2013.

⁴⁾ Operations were transferred to Veolia on 1 March 2014.

⁵⁾ S J is the new operator of Västtrafik as of 1 May 2012. Until 1 September 2013, DSB was responsible for operation of DSB försäljningsservice Väst.

| Organisation entitled to negotiation (total employees – year-end) | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|--------------|--------------|--------------|--------------|--------------|
| AC | 421 | 442 | 427 | 462 | 509 |
| Individual | 206 | 196 | 210 | 213 | 212 |
| DJ | 4,032 | 3,904 | 3,776 | 3,659 | 3,545 |
| FO DSB | 1,130 | 1,095 | 1,055 | 1,069 | 1,118 |
| HK | 2,294 | 2,252 | 2,087 | 2,041 | 2,124 |
| Others | 97 | 55 | 58 | 45 | 49 |
| Total | 8,180 | 7,944 | 7,613 | 7,489 | 7,557 |

| Employee group – form of employment (total employees – year-end) | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|
| Contract staff | 206 | 196 | 210 | 213 | 212 |
| Collective agreement employees | 4,912 | 4,775 | 5,004 | 5,079 | 5,295 |
| Hourly-paid employees | 431 | 498 | 35 | 33 | 44 |
| Civil servants | 2,631 | 2,475 | 2,364 | 2,164 | 2,006 |
| Total | 8,180 | 7,944 | 7,613 | 7,489 | 7,557 |

Supplemental key figures (continued)

| Total operated railway stations (year-end) | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|
| Long-distance train stations, including joint stations | 155 | 158 | 158 | 159 | 159 |
| S-train, including joint stations | 85 | 85 | 85 | 85 | 85 |
| S-train joint stations with Long-distance & Regional trains | -9 | -9 | -9 | -9 | -9 |
| S-train, excluding joint stations | 76 | 76 | 76 | 76 | 76 |
| Stations in Sweden operated by Roslagsbanan ¹⁾ | 38 | - | - | - | - |
| Stations in Sweden operated by Krösatåg ²⁾ | 50 | 50 | - | - | - |
| Stations in Sweden operated by Upptåget | 19 | 19 | 17 | 17 | 17 |
| Stations in Germany operated by VIAS ¹⁾ | 63 | 63 | 63 | 28 | 28 |
| Total operated railway stations | 401 | 366 | 314 | 280 | 280 |
| Km track operated by DSB in Denmark | 1,668 | 1,668 | 1,668 | 1,668 | 1,573 |
| Km track operated by DSB in Sweden | 750 | 685 | 180 | 180 | 180 |
| Km track operated by DSB in Germany ³⁾ | 964 | 964 | 964 | 504 | 504 |

¹⁾ Arriva is the new operator as of 7 January 2013.

²⁾ Operations were transferred to Veolia on 1 March 2014.

³⁾ Operation of the Odenwald line ceased at the end of December 2015.

| Income statement by quarter | | | | | | | | |
|---|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| | 2016 | | | | 2015 | | | |
| Amounts in DKK million | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter |
| Passenger revenue | 1,327 | 1,406 | 1,337 | 1,424 | 1,200 | 1,245 | 1,152 | 1,372 |
| Revenue from transport contracts | 1,093 | 1,113 | 1,089 | 1,099 | 1,235 | 1,235 | 1,265 | 1,148 |
| Sale from kiosks, etc. | 197 | 229 | 219 | 211 | 185 | 218 | 208 | 211 |
| Sale of repair and maintenance services of rolling stock, etc. | 73 | 54 | 70 | 85 | 57 | 70 | 75 | 55 |
| Leasing of rolling stock | 3 | 2 | 8 | 0 | 60 | 58 | 59 | 45 |
| Net turnover | 2,693 | 2,804 | 2,723 | 2,819 | 2,737 | 2,826 | 2,759 | 2,831 |
| Work performed by the enterprise and capitalised | 179 | 155 | 141 | 199 | 143 | 129 | 123 | 142 |
| Other operating income | 144 | 90 | 140 | 161 | 94 | 161 | 129 | 184 |
| Total income | 3,016 | 3,049 | 3,004 | 3,179 | 2,974 | 3,116 | 3,011 | 3,157 |
| Expenses for raw materials and consumables | 455 | 450 | 478 | 520 | 426 | 454 | 466 | 505 |
| Other external expenses | 988 | 942 | 907 | 1,027 | 908 | 906 | 912 | 1,047 |
| Staff costs | 927 | 987 | 917 | 905 | 917 | 968 | 922 | 901 |
| Total expenses | 2,370 | 2,379 | 2,302 | 2,452 | 2,251 | 2,328 | 2,300 | 2,453 |
| Profit before depreciation, amortisation and write-downs | 646 | 670 | 702 | 727 | 723 | 788 | 711 | 704 |
| Depreciation, amortisation and write-downs | 459 | 1,173 | 442 | 2,560 | 465 | 462 | 638 | 458 |
| Operating profit | 187 | -503 | 260 | -1,833 | 258 | 326 | 73 | 246 |
| Net financials | -71 | -60 | -56 | -117 | -127 | -71 | -62 | -63 |
| Profit before tax | 116 | -563 | 204 | -1,950 | 131 | 255 | 11 | 183 |
| Profit for the period | 88 | -438 | 160 | -1,514 | 91 | 184 | 14 | 157 |
| Total equity | 6,806 | 6,459 | 6,559 | 5,338 | 6,241 | 6,744 | 6,724 | 6,931 |
| EBITDA-margin | 24.0 | 23.9 | 25.8 | 25.8 | 26.4 | 27.9 | 25.8 | 24.9 |
| Return on equity (ROE) p.a. | 5.1 | -26.4 | 9.8 | -101.8 | 5.8 | 11.3 | 0.8 | 9.2 |
| Return on capital employed after tax (ROIC after tax) p.a. | 4.2 | -11.8 | 6.3 | -46.8 | 4.9 | 6.4 | 1.7 | 5.8 |

Key figure definitions

Key figure definitions

Key figures and terminology are prepared in accordance with "Recommendations & Key Figures 2010" from The Danish Society of Financial Analysts.

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

Profit/loss 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

DSB works with a focus on optimising and improving the efficiency of railway services through ongoing improvements, and thereby ensures that DSB remains competitive, transparent, responsible and solid.

To ensure transparency, DSB has in recent years developed a system for reporting the finances of DSB's railway services by activity area. Combined with further division of the operator tasks by rail line, this contributes transparency to the public debate on the future of railway services in Denmark.

The line accounts are a breakdown of DSB's accounts based on a number of assumptions and allocations, which can of course be discussed. DSB is willing to enter into dialogue on these assumptions and, in any case, recommends that the results are used with a degree of caution.

Activity Area Accounts

Public services¹ that DSB delivers according to the transport contract are divided into Train Service, Train System and General Obligations; see Table 1. Train Service relates to the operator task of operating 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.

Train Service is furthermore divided into Long-Distance and Regional train traffic, S-train traffic and Øresund traffic. Train System is divided into Stations, Rolling Stock and Systems & Channels. Systems & Channels include Sales Channels and Customer Service, as well as Traffic operation and shared functions, see Figure 9.

DSB's income before leasing of rolling stock for 2016 amounts to DKK 10,198 million for financing the public service traffic delivered. 73 percentage of the income finances the Train Service, 25 percentage finances Train System tasks, while the rest finances General Obligations.

Revenue from the transport contract (hereafter contract payment) is allocated to the activity areas based on the principles laid down in connection with DSB's transport contract with the state, see Figure 12.

Passenger revenues are primarily allocated to Train Service. This is an analytical decision, as the passenger revenues should in fact also be used for co-financing 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.

¹ Public services are calculated and published in the Presentation of Main Business Areas 2016 on www.dsb.dk.

Table 1: Profit/loss divided into areas of activity 2016

| 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 ¹⁾ | Historical ²⁾ | Non-recurring items ³⁾ |
| Passenger revenues | 5,516 | 3,260 | 1,506 | 648 | 0 | 0 | 102 | 0 | 0 |
| Revenue from transport contract | 4,163 | 1,687 | 0 | 130 | 575 | 102 | 1,573 | 96 | 0 |
| Other operating income ⁴⁾ | 519 | 118 | 35 | 20 | 72 | 23 | 123 | 109 | 19 |
| Income before leasing of rolling stock | 10,198 | 5,065 | 1,541 | 798 | 647 | 125 | 1,798 | 205 | 19 |
| Leasing out of rolling stock | 1,833 | 0 | 0 | 0 | 0 | 1,833 | 0 | 0 | 0 |
| Total income | 12,031 | 5,065 | 1,541 | 798 | 647 | 1,958 | 1,798 | 205 | 19 |
| Expenses for raw materials and consumables | 619 | 484 | 108 | 58 | 1 | 0 | 11 | -43 | 0 |
| Other external expenses | 4,736 | 2,195 | 476 | 363 | 300 | 328 | 1,002 | 66 | 6 |
| Staff costs | 2,611 | 1,218 | 363 | 211 | 91 | 22 | 542 | 164 | 0 |
| Costs before leasing of rolling stock | 7,966 | 3,897 | 947 | 632 | 392 | 350 | 1,555 | 187 | 6 |
| Leasing of rolling stock | 1,833 | 1,156 | 514 | 163 | 0 | 0 | 0 | 0 | 0 |
| Total expenses | 9,799 | 5,053 | 1,461 | 795 | 392 | 350 | 1,555 | 187 | 6 |
| Profit/loss before amortisation, depreciation and write-downs | 2,232 | 12 | 80 | 3 | 255 | 1,608 | 243 | 18 | 13 |
| Amortisation, depreciation and write-downs | 4,589 | 55 | 18 | 9 | 161 | 1,413 | 153 | 11 | 2,769 |
| Operating profit/loss | -2,357 | -43 | 62 | -6 | 94 | 195 | 90 | 7 | -2,756 |
| Net financials | 288 | 5 | 8 | 1 | 46 | 195 | 26 | 7 | 0 |
| Profit/loss before tax | -2,645 | -48 | 54 | -7 | 48 | 0 | 64 | 0 | -2,756 |
| Tax | -581 | | | | | | | | |
| Profit/loss for the year | -2,064 | | | | | | | | |
| Allocation in percentage | | | | | | | | | |
| Revenue from transport contract | | 41% | 0% | 3% | 14% | 2% | 38% | 2% | 0% |
| Income before leasing of rolling stock | | 50% | 15% | 8% | 6% | 1% | 18% | 2% | 0% |
| Cost before leasing of rolling stock | | 49% | 12% | 8% | 5% | 4% | 20% | 2% | 0% |
| Expenses, amortisation, depreciation, write-downs and net financials | 14,676 | 5,113 | 1,487 | 805 | 599 | 1,958 | 1,734 | 205 | 2,775 |

¹⁾ Passenger revenues under Systems & Channels reflect commission income from sale of tickets from other operators.

²⁾ General obligations (historical) regarding Railway Museum, civil servants on loan, special buildings leased out on non-commercial terms, non-financed costs of joint stations, the profit/loss from Rejsekort A/S, and elimination items.

³⁾ General obligations (Non-recurring items) regarding net profit from sale of property in the parent company and write-downs of IC4 and IC2 train sets, as well as write-down of equipment for one-man operation at Kystbanen (Costal line).

⁴⁾ 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 7,966 million in 2016. 69 percentage hereof is used for Train Service, 29 percentage for Train System tasks and the remainder is allocated to General Obligations.

Costs regarding leasing of rolling stock have been disregarded with respect to both income and expenses, as the rolling stock in these annual account is regarded as neutral intercompany transfers in terms of profit/loss. It is assumed that the rolling stock is leased for Train Service without any proceeds.

The breakdown of Train Services on activity areas is based on Public Services², which is a revised statement of the activities carried out by DSB under the transport contract. The Public Services statement is prepared in the format prescribed by the Accounting Regulations for DSB as stated in the Presentation of Main Business Areas 2016.

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

Revenue from transport contracts

Together with passenger revenue, the contract payment of DKK 4,163 must finance the Public Services provided by DSB under the transport contract.

In connection with the passenger revenue distribution in the Greater Copenhagen Area, there is a so-called Metro factor of 1.49, which means that a passenger travelling with Metroselskabet weighs more than a passenger travelling with DSB when the revenue in the Greater Copenhagen Area is distributed. It is estimated that DSB loses passenger revenue of DKK 171 million in 2016, which means that DSB must use the contract payment to cover this.

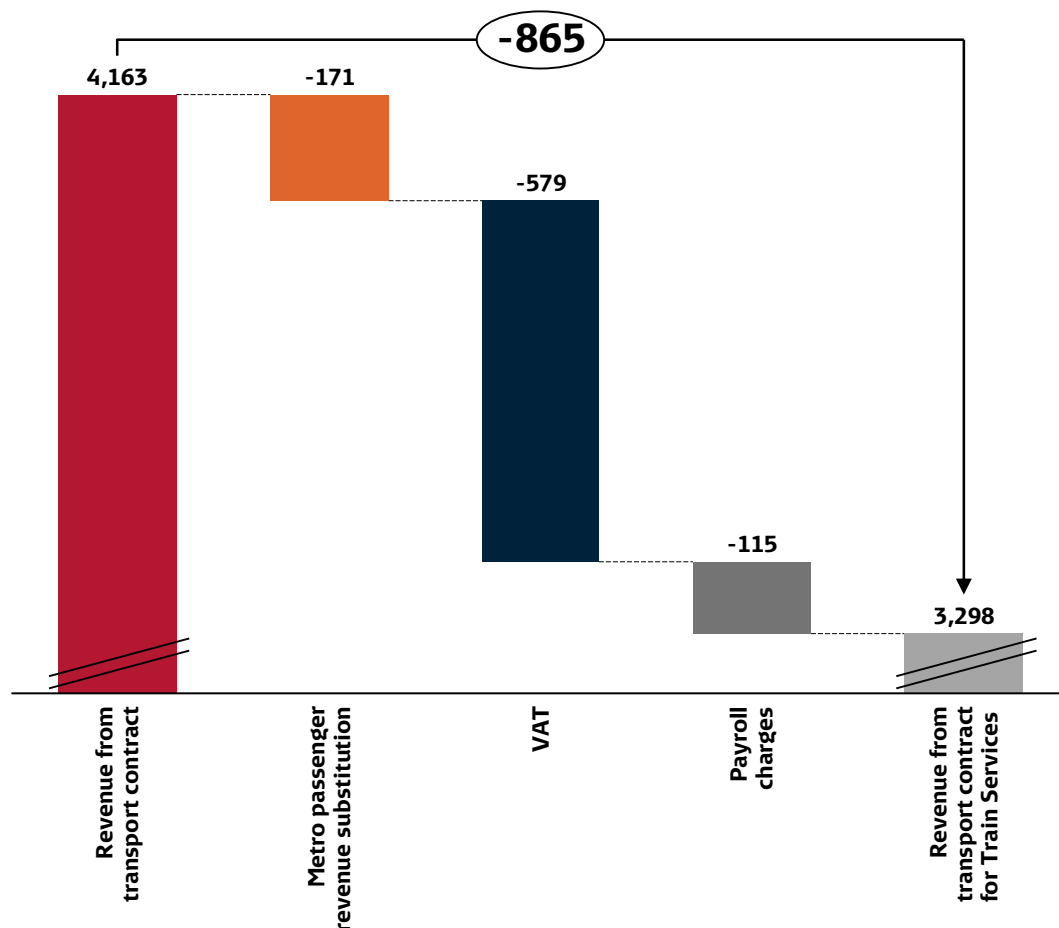
In Denmark public passenger transport is exempt from VAT. This means that DSB is not able to deduct the input VAT in connection with purchase of goods and services in the same way as other sectors. Furthermore, companies which produce services which are exempt from VAT must pay payroll charges to the Danish state. In 2016, non-deductible VAT amounts to DKK 579 million and the payroll charges amount to DKK 115 million, totalling DKK 694 million. A corresponding part of the contract payment can thus be said to be retransferred to the state as a result of DSB's special VAT situation.

The overall result is that of the contract payment of DKK 4,163 million in 2016 DKK 3,298 million, or 79 percentage, remain for co-financing of DSB's train operation, see Figure 1.

²⁾ Compared to the Presentation of Main Business Areas, however, a settlement of leasing of rolling stock is included in connection with the activity areas Rolling Stock and Train Services, based on DSB's cost of capital.

Figure 1: Contract payment for Train Services

Amounts in DKK million



In addition, in 2016 DSB paid DKK 551 million (exclusive of VAT of DKK 89 million) in infrastructure charges for passing the Great Belt Link and the Øresund Link and in kilometre charges for using the tracks. These charges are thus retransferred to the state. After deduction of this, the remaining contract payment for financing DSB's internal train operation activities amount to DKK 2,747 million, or 66 percentage, in 2016.

In years of dividend distribution, the contract payment for train operation will be lower. For example, DSB distributed DKK 173 million in dividend for the fiscal year 2015.

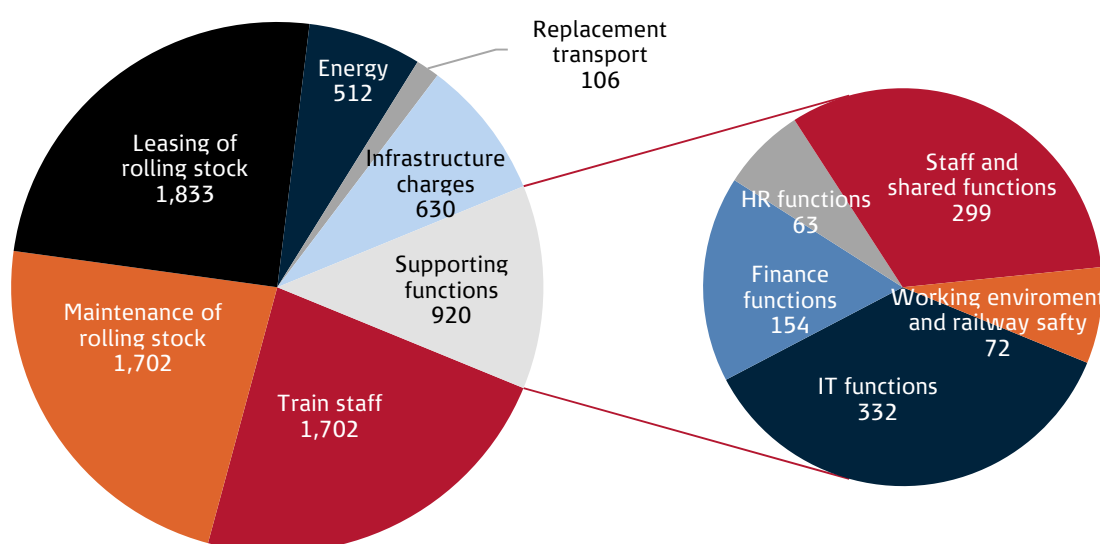
Train Services expenses

Most of DSBs' expenses including amortisation, depreciation and write-downs and financial income and expenses cover Train Services (DKK 7,405 million), distributed on Long-Distance and Regional train traffic (DKK 5,113 million), S-train traffic (DKK 1,487 million) and Øresund traffic (DKK 805 million) in 2016, see Table 1.

Maintenance of rolling stock and Leasing of rolling stock total DKK 3,535 million of 48 percentage of the total expenses for Train Services while expenses for Train staff amount to DKK 1,702 million or 23 percentage, see Figure 2. The remaining expenses relate to Energy, Infrastructure charges and Replacement transport and Supporting functions.

Figure 2: Train Services expenses 2016

Amounts in DKK million



In accordance with the Accounting Regulations, DSB must allocate the complete costs to the activities and thereby also a part of the Supporting functions, which constitute DKK 920 million or 12 percentage of the Train Service costs. The Supporting functions include multidisciplinary IT functions, Staff and Shared functions, Finance and HR functions as well as Working environment and railway safety. 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 amortisation etc.

Expenses regarding 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. As a consequence Train Services, to which the largest share of DSB's employees contributes directly as part of the Train staff and indirectly in the workshops, carry a relatively large share of the expenses for Supporting functions.

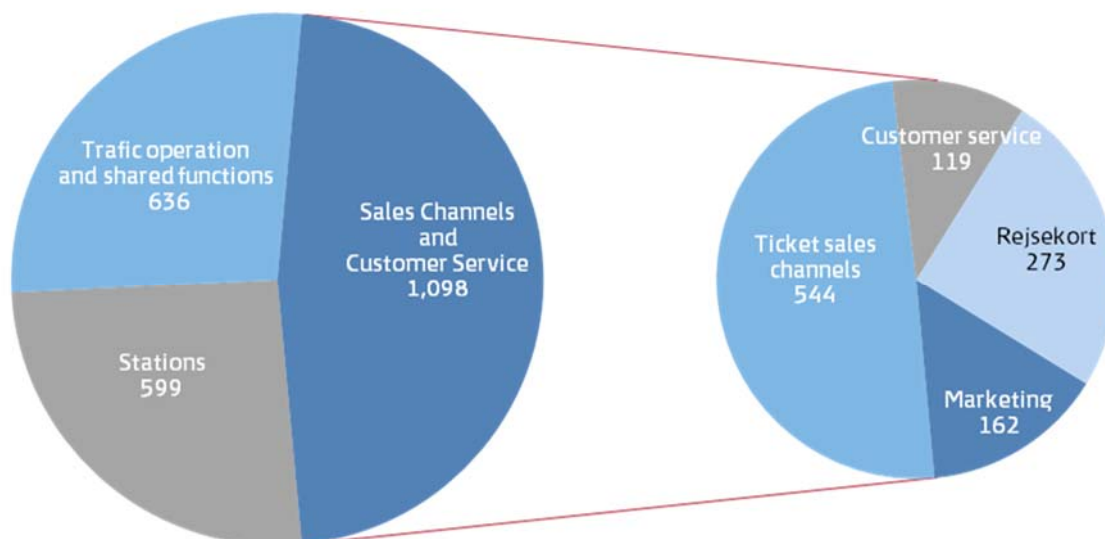
Train System expenses

Expenses for the Train System, excluding Rolling Stock, which ensures coherence in Train Services in Denmark amounts to DKK 2,333 million including amortisation, depreciation and write-downs and financial income and expenses, see Table 1. Systems & Channels, which consists of Traffic operation and shared functions and Sales Channels and Customer Service, accounts for DKK 1,734 million or 74 percentage of this while Stations accounts for DKK 599 million or 26 percentage.

Sales Channels and Customer Service comprises customer-oriented activities such as Ticket sales channels (personal service, digital sale and ticket vending machines), Customer service, Rejsekort (DSB's co-financing of the travel card system) and Marketing. Traffic operation 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 run by DSB together with Banedanmark etc., see Figure 3. In line with train traffic, the Train System must be stated at the fully allocated expenses and thus carry a share of DSB's total supporting functions.

Figure 3: Train system expenses 2016

Amounts in DKK million



Integrated traffic with economies of scale

The line accounts are primarily an internal analytical tool used by DSB to understand the correlations in the company's operations and analyse and optimise the financial structure of the individual lines, see Table 2 and Table 3. The information about the financial structure of train traffic on the individual lines also provides a useful impression of the social priorities in Danish train operation, for example that DSB is able to offer train service by Long-Distance train traffic and S-train traffic without state subsidies whereas Regional train traffic, with less capacity utilisation, needs substantial subsidies.

In a broader perspective, the line accounts are suitable for demonstrating the significant extent of activities outside the Train Service activities, which range from planning and monitoring of traffic, customer service and distribution systems to station operation and tasks carried out by DSB on behalf of and in cooperation with the rest of the public transportation system.

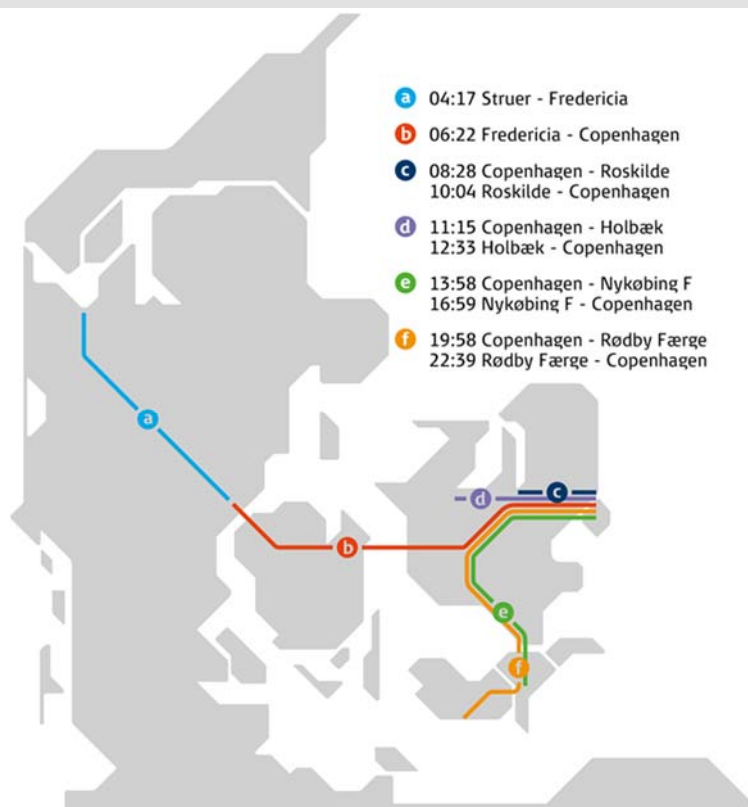
However, the line accounts are not suitable for direct financial comparison between operators even if such comparison is only focused on the train operation activities. Furthermore, the line accounts cannot be used as reference with respect to adjustment of DSB's expenses in connection with giving up 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.

Today, DSB operates the train traffic in an integrated form. This makes it possible to exploit network advantages and ensure coherent optimization of the use of rolling stock and staff. To illustrate this, the IC3 train set Henrik Gerner's journey can be followed on a given day.

On 28 October 2016 at 04.17 a.m. in Struer the train set started a journey through Denmark which ended in Copenhagen on the following day at 01.01 a.m. During the journey, the train set fully or partially serviced 10 departures distributed on 6 different lines, including InterCity and Regional Rail Traffic, see Figure 4. The train set was connected to and disconnected from other train sets to create a coherent journey without any change of trains for passengers across Denmark and it was operated by different staff along the way.

Figure 4: The IC3 train set Henrik Gerner's journey through Denmark on 28 October 2016.



On this day, Henrik Gerner ran without interruptions of traffic but if such interruptions had occurred, for example due to signal or track malfunctions, DSB would have been able to make other arrangements with the rolling stock or staff and adjust the other traffic to minimise the consequences for the customers. Such rearrangements are made in cooperation with Banedanmark and they are a significant part of DSB's traffic monitoring and control.

A division of the network will limit the possibilities for optimum use of rolling stock and staff and, all other things being equal, will increase the costs of Train Operation while at the same time challenging the possibilities for coherent journeys without any change of trains and with flexible handling of interruptions. In an economic sense, a division will only be advantageous if a new train operator is able to carry on Train Operation at costs that are so low that they make up for the loss of network advantages and economics of scale as well as the increased costs of having more interfaces and more complexity.

Line accounts

The line accounts are based on the activity area Train Services reflecting the costs of operating train traffic. The costs are allocated to the lines in relation to their use of activities and 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 the line operated at 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 also 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 system, ticket vending machines, operations centres controlling traffic to limit delays etc. and traffic information 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 train types and the number of train sets/coaches coupled on a line. Train kilometres which are often used as a key figure do not take these differences into account. 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 to a great extent is based on random 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 uses on the journey (see page 105 Distribution of passenger revenues for the lines).

Table 2: Line accounts for Train Services 2016 (Long-Distance and Regional West)

| Amounts in DKK million | Passenger revenues | Total revenues | Train staff | Main-tenance of rolling stock | Energy | Replacement transport | Infrastructure charges | Direct costs | Leasing of rolling stock (avg. costs) | Supporting function costs | Profit/loss |
|-------------------------------|--------------------|----------------|-------------|-------------------------------|-------------|-----------------------|------------------------|---------------|---------------------------------------|---------------------------|-------------|
| Copenhagen – Aalborg | 954 | 969 | -150 | -168 | -58 | -6 | -103 | -485 | -183 | -84 | 217 |
| Copenhagen – Esbjerg | 457 | 469 | -111 | -98 | -33 | -7 | -100 | -349 | -102 | -60 | -42 |
| Copenhagen – Aarhus | 688 | 706 | -168 | -180 | -57 | -10 | -161 | -576 | -165 | -92 | -127 |
| Long-Distance | 2,099 | 2,144 | -429 | -446 | -148 | -23 | -364 | -1,410 | -450 | -236 | 48 |
| Odense – Svendborg | 37 | 39 | -22 | -30 | -5 | -3 | -5 | -65 | -16 | -12 | -54 |
| Odense – Nyborg | 4 | 4 | -3 | -5 | -1 | 0 | -1 | -10 | -3 | -2 | -11 |
| Odense – Ringe | 2 | 2 | -3 | -4 | -1 | 0 | -1 | -9 | -2 | -2 | -11 |
| Nyborg – Ringe | 5 | 5 | -8 | -9 | -2 | 0 | -1 | -20 | -4 | -4 | -23 |
| Aarhus – Grenaa | 11 | 12 | -12 | -15 | -2 | -8 | -2 | -39 | -9 | -8 | -44 |
| Aarhus – Hornslet | 3 | 3 | -4 | -4 | -1 | 0 | -1 | -10 | -3 | -1 | -11 |
| Aarhus – Langå – Aalborg | 83 | 89 | -63 | -44 | -13 | 0 | -11 | -131 | -36 | -35 | -113 |
| Skørping – Lindholm | 3 | 4 | -7 | -10 | -1 | 0 | -1 | -19 | -4 | -5 | -24 |
| Aalborg – Frederikshavn | 60 | 63 | -29 | -34 | -8 | -1 | -7 | -79 | -22 | -16 | -54 |
| Aalborg – Hamborg | 17 | 18 | -6 | -4 | -2 | 0 | -2 | -14 | -4 | -4 | -4 |
| Aarhus – Fredericia – Esbjerg | 89 | 94 | -51 | -111 | -24 | 0 | -14 | -200 | -42 | -28 | -176 |
| Aarhus – Fredericia | 22 | 23 | -8 | -19 | -4 | 0 | -3 | -34 | -8 | -4 | -23 |
| Odense – Fredericia | 17 | 19 | -17 | -31 | -7 | 0 | -5 | -60 | -14 | -9 | -64 |
| Fredericia – Flensborg | 21 | 23 | -18 | -11 | -3 | 0 | -5 | -37 | -11 | -10 | -35 |
| Fredericia – Sønderborg | 38 | 41 | -26 | -13 | -5 | 0 | -5 | -49 | -16 | -15 | -39 |
| Aarhus – Langå – Struer | 0 | 1 | -7 | -4 | -1 | 0 | -1 | -13 | -4 | -4 | -20 |
| Fredericia – Vejle – Struer | 70 | 75 | -56 | -41 | -12 | -2 | -12 | -123 | -36 | -29 | -113 |
| Herning – Struer | 1 | 2 | -3 | -5 | -1 | 0 | -1 | -10 | -2 | -2 | -12 |
| Struer – Thisted | 0 | 0 | -5 | -4 | -1 | 0 | -1 | -11 | -2 | -1 | -14 |
| Regional West | 483 | 517 | -348 | -398 | -94 | -14 | -79 | -933 | -238 | -191 | -845 |

Table 3: Financial statements of Train Services (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 |
|---|--------------------|----------------|---------------|------------------------------|-------------|-----------------------|------------------------|---------------|---------------------------------------|---------------------------|---------------|
| Copenhagen - Kalundborg | 102 | 109 | -64 | -94 | -28 | -1 | -9 | -196 | -78 | -36 | -201 |
| Copenhagen - Holbæk | 122 | 128 | -54 | -70 | -29 | -1 | -7 | -161 | -98 | -31 | -162 |
| Copenhagen - Roskilde | 9 | 10 | -13 | -7 | -2 | 0 | -2 | -24 | -8 | -6 | -28 |
| Copenhagen - Ringsted | 46 | 49 | -29 | -23 | -6 | -1 | -4 | -63 | -25 | -16 | -55 |
| Copenhagen - Slagelse | 56 | 59 | -27 | -27 | -9 | -1 | -5 | -69 | -31 | -14 | -55 |
| Copenhagen - Nykøbing F - Rødby | 231 | 242 | -104 | -121 | -50 | -2 | -17 | -294 | -186 | -60 | -298 |
| Copenhagen - Hamborg | 72 | 75 | -30 | -8 | -2 | -3 | -4 | -47 | -17 | -15 | -4 |
| Roskilde - Køge - Næstved | 33 | 38 | -51 | -46 | -5 | -1 | -6 | -109 | -20 | -29 | -120 |
| København - Vstad | 7 | 7 | -4 | -3 | -1 | -2 | -6 | -16 | -5 | -1 | -15 |
| Regional East | 678 | 717 | -376 | -399 | -132 | -12 | -60 | -979 | -468 | -208 | -938 |
| København - Helsingør | 434 | 451 | -170 | -108 | -34 | -7 | -21 | -340 | -119 | -88 | -96 |
| København - Malmø | 214 | 217 | -35 | -39 | -14 | -3 | -106 | -197 | -44 | -17 | -41 |
| Øresund | 648 | 668 | -205 | -147 | -48 | -10 | -127 | -537 | -163 | -105 | -137 |
| Central (Hellerup-Valby) | 580 | 587 | -72 | -52 | -15 | -3 | 0 | -142 | -86 | -36 | 323 |
| Køge (Sydhavn - Køge) | 181 | 186 | -56 | -67 | -19 | -38 | 0 | -180 | -111 | -30 | -135 |
| Høje Taastrup (Danshøj - Høje Taastrup) | 138 | 141 | -26 | -22 | -6 | -1 | 0 | -55 | -35 | -14 | 37 |
| Frederikssund (Langgade - Frederikssund) | 172 | 178 | -60 | -60 | -17 | -1 | 0 | -138 | -98 | -32 | -90 |
| Farum (Ryparken - Farum) | 99 | 103 | -35 | -33 | -10 | 0 | 0 | -78 | -55 | -18 | -48 |
| Hillerød (Bernstorffsvej - Hillerød) | 179 | 185 | -51 | -52 | -15 | -3 | 0 | -121 | -86 | -28 | -50 |
| Klampenborg (Charlottenlund- Klampenborg) | 32 | 33 | -10 | -7 | -3 | 0 | 0 | -20 | -12 | -5 | -4 |
| Ringbanen (Ny Ellebjerg - Hellerup) | 125 | 128 | -34 | -19 | -5 | -1 | 0 | -59 | -31 | -17 | 21 |
| S-trains | 1,506 | 1,541 | -344 | -312 | -90 | -47 | 0 | -793 | -514 | -180 | 54 |
| Train Services before Income from transport contract | 5,414 | 5,587 | -1,702 | -1,702 | -512 | -106 | -630 | -4,652 | -1,833 | -920 | -1,818 |
| Calculated payment under transport contract | 0 | 1,817 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,817 |
| Train Services after Income from transport contract | 5,414 | 7,404 | -1,702 | -1,702 | -512 | -106 | -630 | -4,652 | -1,833 | -920 | -1 |

Table 4: Line accounts for Train Services and Train System (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 ¹⁾ | Services Cost per seat kilometres ¹⁾ | Profit/loss from Train Services per passenger kilometres ¹⁾ | Passenger kilometres million units | Train kilometres million units |
|-------------------------------|-----------------------------------|-------------------------------|----------------------|---------------------------------|---------------|----------------|----------------------------|---|---|--|------------------------------------|--------------------------------|
| Copenhagen – Aalborg | 954 | 15 | -752 | 217 | 21 | -151 | 87 | 0.55 | -0.43 | 0.08 | 1,083 | 4.69 |
| Copenhagen – Esbjerg | 457 | 12 | -511 | -42 | 17 | -116 | -141 | 0.44 | -0.49 | -0.28 | 511 | 3.32 |
| Copenhagen – Aarhus | 688 | 18 | -833 | -127 | 26 | -172 | -273 | 0.42 | -0.51 | -0.35 | 773 | 5.20 |
| Long-Distance | 2,099 | 45 | -2,096 | 48 | 64 | -439 | -327 | 0.47 | -0.47 | -0.14 | 2,367 | 13.21 |
| Odense - Svendborg | 37 | 2 | -93 | -54 | 3 | -26 | -77 | 0.33 | -0.82 | -2.01 | 38 | 0.91 |
| Odense - Nyborg | 4 | 0 | -15 | -11 | 1 | -4 | -14 | 0.15 | -0.64 | -3.23 | 5 | 0.12 |
| Odense - Ringe | 2 | 0 | -13 | -11 | 1 | -4 | -14 | 0.12 | -0.85 | -9.73 | 1 | 0.12 |
| Nyborg - Ringe | 5 | 0 | -28 | -23 | 0 | -4 | -27 | 0.11 | -0.64 | -5.20 | 5 | 0.27 |
| Aarhus - Grenaa | 11 | 1 | -56 | -44 | 2 | -12 | -54 | 0.20 | -1.06 | -3.99 | 14 | 0.42 |
| Aarhus - Hornslet | 3 | 0 | -14 | -11 | 1 | -6 | -16 | 0.22 | -1.06 | -4.04 | 4 | 0.11 |
| Aarhus - Langå - Aalborg | 83 | 6 | -202 | -113 | 6 | -46 | -153 | 0.25 | -0.60 | -1.31 | 116 | 1.91 |
| Skørping - Lindholm | 3 | 1 | -28 | -24 | 1 | -8 | -31 | 0.09 | -0.78 | -7.06 | 4 | 0.26 |
| Aalborg - Frederikshavn | 60 | 3 | -117 | -54 | 5 | -41 | -90 | 0.29 | -0.56 | -1.19 | 76 | 1.27 |
| Aalborg - Hamborg | 17 | 1 | -22 | -4 | 1 | -6 | -9 | 0.46 | -0.59 | -0.45 | 20 | 0.23 |
| Aarhus - Fredericia - Esbjerg | 89 | 5 | -270 | -176 | 7 | -57 | -226 | 0.18 | -0.56 | -2.00 | 113 | 2.48 |
| Aarhus - Fredericia | 22 | 1 | -46 | -23 | 2 | -14 | -35 | 0.25 | -0.52 | -1.20 | 29 | 0.46 |
| Odense - Fredericia | 17 | 2 | -83 | -64 | 2 | -19 | -81 | 0.11 | -0.55 | -4.50 | 18 | 0.79 |
| Fredericia - Flensborg | 21 | 2 | -58 | -35 | 1 | -12 | -46 | 0.22 | -0.60 | -1.86 | 24 | 0.63 |
| Fredericia - Sønderborg | 38 | 3 | -80 | -39 | 2 | -22 | -59 | 0.18 | -0.38 | -1.24 | 47 | 0.97 |
| Aarhus - Langå - Struer | 0 | 1 | -21 | -20 | 1 | -3 | -22 | - | -0.62 | -6.84 | 3 | 0.21 |
| Fredericia - Vejle - Struer | 70 | 5 | -188 | -113 | 5 | -39 | -147 | 0.22 | -0.58 | -1.75 | 85 | 2.07 |
| Herning - Struer | 1 | 1 | -14 | -12 | 0 | -2 | -14 | 0.08 | -0.74 | -6.48 | 2 | 0.13 |
| Struer - Thisted | 0 | 0 | -14 | -14 | 0 | -1 | -15 | - | -0.73 | -5.59 | 3 | 0.14 |
| Regional West | 483 | 34 | -1,362 | -845 | 41 | -326 | -1,130 | 0.21 | -0.59 | -1.86 | 607 | 13.49 |

¹⁾ Calculated financial ratios are not rounded off.

Table 5: Line accounts for Train Services (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 ¹⁾ | Services Cost per seat kilometres ¹⁾ | Profit/loss from Train Services per passenger kilometres ¹⁾ | Passenger kilometres million units | Train Kilo-metres million units |
|---|-----------------------------------|-------------------------------|----------------------|---------------------------------|---------------|----------------|----------------------------|---|---|--|------------------------------------|---------------------------------|
| Copenhagen - Kalundborg | 102 | 7 | -310 | -201 | 8 | -60 | -253 | 0.19 | -0.57 | -1.93 | 131 | 1.67 |
| Copenhagen - Holbæk | 122 | 6 | -290 | -162 | 15 | -97 | -244 | -0.23 | -0.54 | -1.50 | 163 | 1.32 |
| Copenhagen - Roskilde | 9 | 1 | -38 | -28 | 2 | -12 | -38 | -0.12 | -0.50 | -4.14 | 9 | -0.27 |
| Copenhagen - Ringsted | 46 | 3 | -104 | -55 | 6 | -41 | -90 | -0.18 | -0.40 | -1.45 | 62 | 0.76 |
| Copenhagen - Slagelse | 56 | 3 | -114 | -55 | 6 | -40 | -89 | 0.16 | -0.33 | -1.12 | 80 | 0.75 |
| Copenhagen - Nykøbing F - Rødby | 231 | 11 | -540 | -298 | 16 | -114 | -396 | -0.21 | -0.49 | -1.19 | 333 | 3.04 |
| Copenhagen - Hamborg | 72 | 3 | -79 | -4 | 3 | -18 | -19 | 0.40 | -0.44 | -0.22 | 92 | 0.68 |
| Roskilde - Køge - Næstved | 33 | 5 | -158 | -120 | 5 | -40 | -155 | -0.21 | -1.04 | -3.52 | 44 | 1.10 |
| Copenhagen - Vstad | 7 | 0 | -22 | -15 | 1 | -5 | -19 | 0.14 | -0.48 | -3.24 | 6 | -0.20 |
| Regional East | 678 | 39 | -1,655 | -938 | 62 | -427 | -1,303 | -0.21 | -0.51 | -1.42 | 920 | 9.79 |
| Copenhagen - Elsinore | 434 | 17 | -547 | -96 | 62 | -346 | -380 | -0.27 | -0.34 | -0.87 | 439 | 3.63 |
| Copenhagen - Malmø | 214 | 3 | -258 | -41 | 10 | -160 | -191 | -0.33 | -0.40 | -1.28 | 149 | 1.55 |
| Øresund | 648 | 20 | -805 | -137 | 72 | -506 | -571 | -0.29 | -0.36 | -0.97 | 588 | 5.18 |
| Central (Hellerup-Valby) | 580 | 7 | -264 | 323 | 11 | -168 | 166 | 0.61 | -0.28 | - | - | 2.56 |
| Køge (Sydhavn - Køge) | 181 | 5 | -321 | -135 | 10 | -89 | -214 | 0.15 | -0.26 | - | - | 3.08 |
| Høje Taastrup (Danshøj - Høje Taastrup) | 138 | 3 | -104 | 37 | 3 | -52 | -12 | 0.35 | -0.26 | - | - | 1.11 |
| Frederikssund (Langgade - Frederikssund) | 172 | 6 | 68 | -90 | 4 | -87 | -173 | 0.16 | -0.25 | - | - | 3.00 |
| Farum (Ryparken - Farum) | 99 | 4 | -151 | -48 | 2 | -49 | -95 | 0.16 | -0.25 | - | - | 1.68 |
| Hillerød (Bernstorffsvej - Hillerød) | 179 | 6 | -235 | -50 | 3 | -72 | -119 | 0.19 | -0.25 | - | - | 2.33 |
| Klampenborg (Charlottenlund- Klampenborg) | 32 | 1 | -37 | -4 | 1 | -15 | -18 | 0.24 | -0.28 | - | - | 0.39 |
| Ringbanen (Ny Ellebjerg - Hellerup) | 125 | 3 | -107 | 21 | 2 | -48 | -25 | 0.37 | -0.31 | - | - | 1.41 |
| S-trains | 1,506 | 35 | -1,487 | 54 | 36 | -580 | -490 | -0.26 | -0.26 | - | - | 15.57 |
| Total lines | 5,414 | 173 | -7,405 | -1,818 | 275 | -2,278 | -3,821 | 0.30 | -0.41 | - | - | 57.24 |
| Public services | 5,414 | 173 | -7,405 | -1,818 | 425 | -5,415 | -6,808 | - | - | - | - | - |

¹⁾ Calculated financial ratios are not rounded off.

Essential adjustments to the Line Economy Model in 2016

In 2016, the following significant adjustments were incorporated into the Line Economy Model:

- New line definitions
- Internal contracts between DSB and the S-train service

The schedule change 2016 resulted in significant production changes, which have made it necessary to revise the old line definitions. DSB has agreed new line definitions with the Ministry of Transport, Building and Housing from 2016 that primarily ensure uniform handling of the lines over time and thus reflect the actual underlying planned production (see Figure 8).

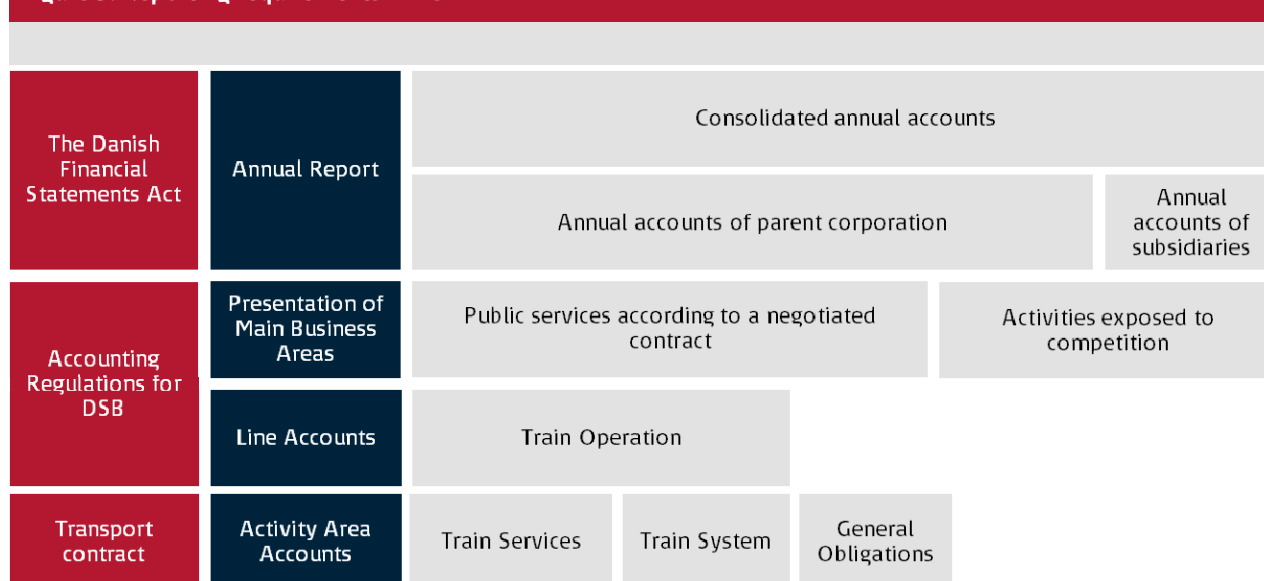
A review of DSB's internal contracts between DSB and S-train for 2015 has revealed a need for adjustment of the contracts. As S-train is no longer a separate company but is operated together with the other Train Services, DSB has decided to simplify the internal processes by not trading services internally in the future, but instead allocating them by means of the Line Economy Model. This ensures uniform handling of supporting function costs for Train Service across the Long-Distance and Regional traffic, S-train traffic and Øresund traffic activity areas.

In practical terms, this means that S-train will be charged an additional DKK 37 million compared with continuing the existing internal commercial contracts. The main reason is that the internal contracts do not adequately include S-train's share of VAT and tax on labour costs nor IT costs.

Method used for preparation of line accounts

As a public undertaking, DSB must fulfil a number of reporting requirements, see Figure 5. 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 can, at the same time, impede transparency in DSB's economy.

Figure 5: Reporting requirements in DSB

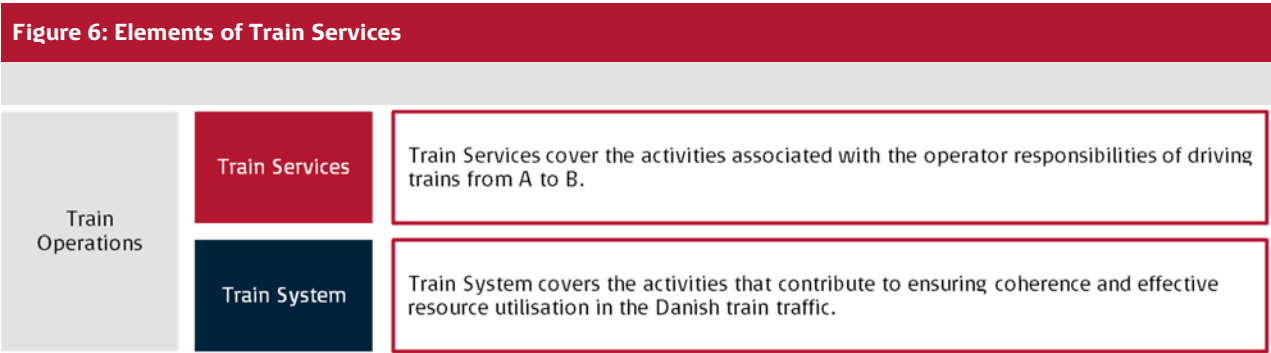


The Danish Financial Statements Act stipulates requirements for the drawing up of accounts, which cover the whole group and provide insight into the financial position of the whole company.

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 no illegal state support. The Presentation of Main Business Areas, which are reviewed by External Auditor, divides the parent undertaking DSB's result into Public Services under a negotiated contract and Competitive Activities.

The traffic contract covers only Public Services that DSB performs under the contract. These services constitute a subset of the parent company's activities. That means that DSB Vedligehold A/S is not covered 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 2016 Presentation of main Business Areas 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.



DSB operates Train Services in Denmark as a total activity, but shall, in connection with the traffic contract, prepare and implement a separation of the railway operations into activities related to the actual train movements (Train Services), and activities related to the maintenance of the production apparatus (Train System), see Figure 6.

Line Economy Model

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, the sale by DSB of energy in the form of diesel oil and electric traction power to other operators.

Public Services are further split into activity areas 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 7: Design of the Line Economy Model

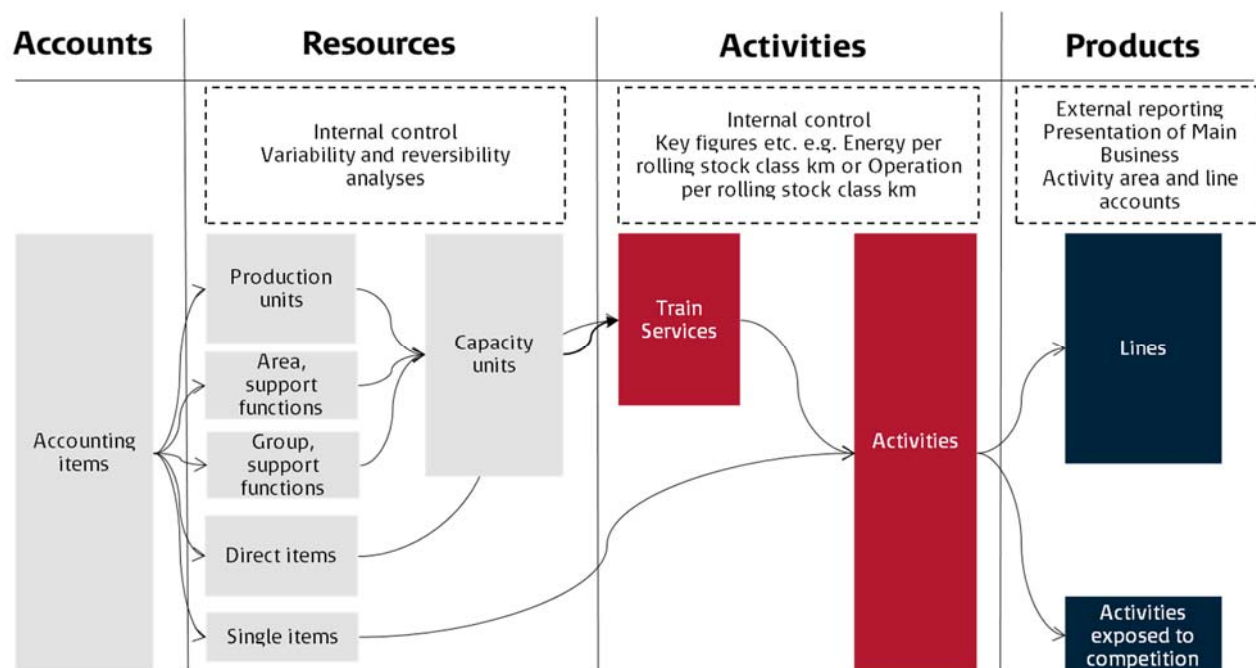


Figure 7 describes the principle method used in the Line Economy Model where the accounting entries are grouped and distributed via activities for lines. At the resources level, the accounts are grouped and classified according to production proximity, so that the supporting functions are distributed according to the capacity unit's relative use of resources. The model makes use primarily of objective and systematic basis of allocation based on production information.

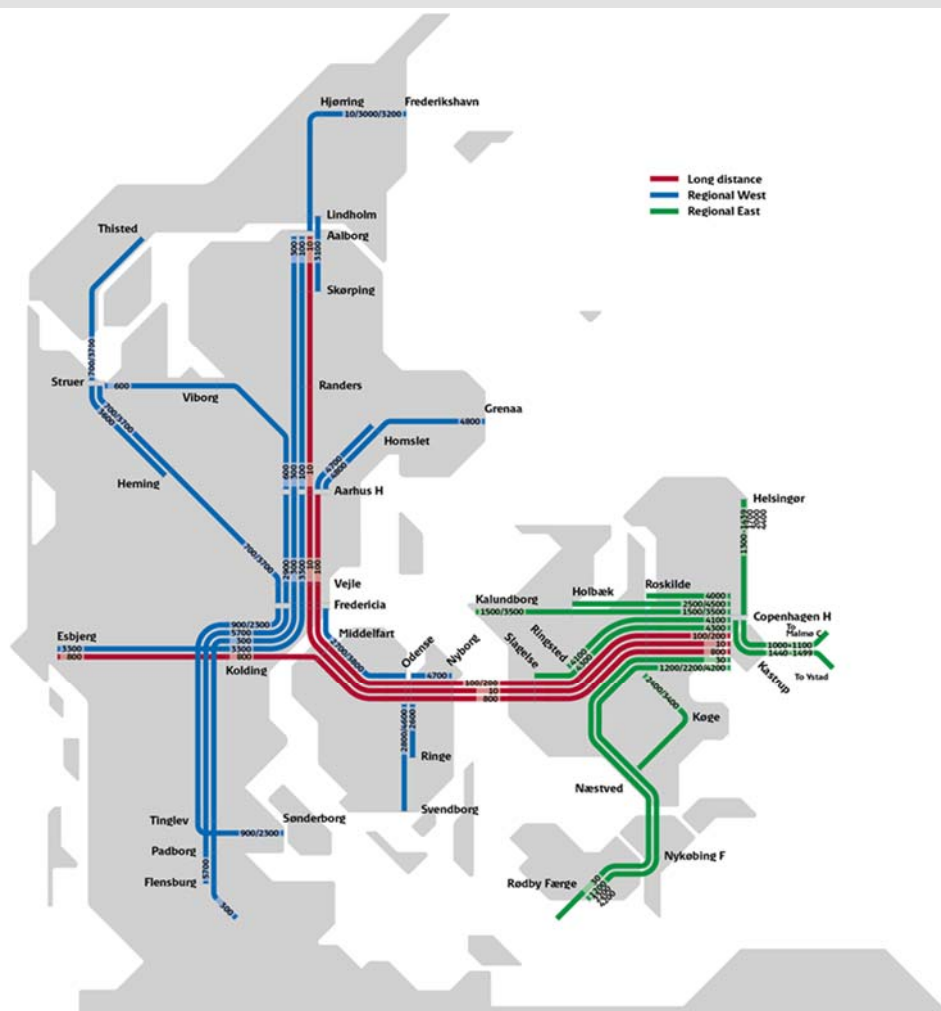
The Line Economy Model is based on a combination of "full cost allocation" and "activity-based cost allocation". The full cost allocation results from the Accounting Regulations requirement that all costs are allocated to the lines.

Definition of lines

In 2016, definitions of the individual lines have been reviewed and adapted to the production and timetable that DSB has used in 2016. Figure 8 shows how all lines are defined according to the current timetable for 2016.

Figure 8: Line definitions 2016

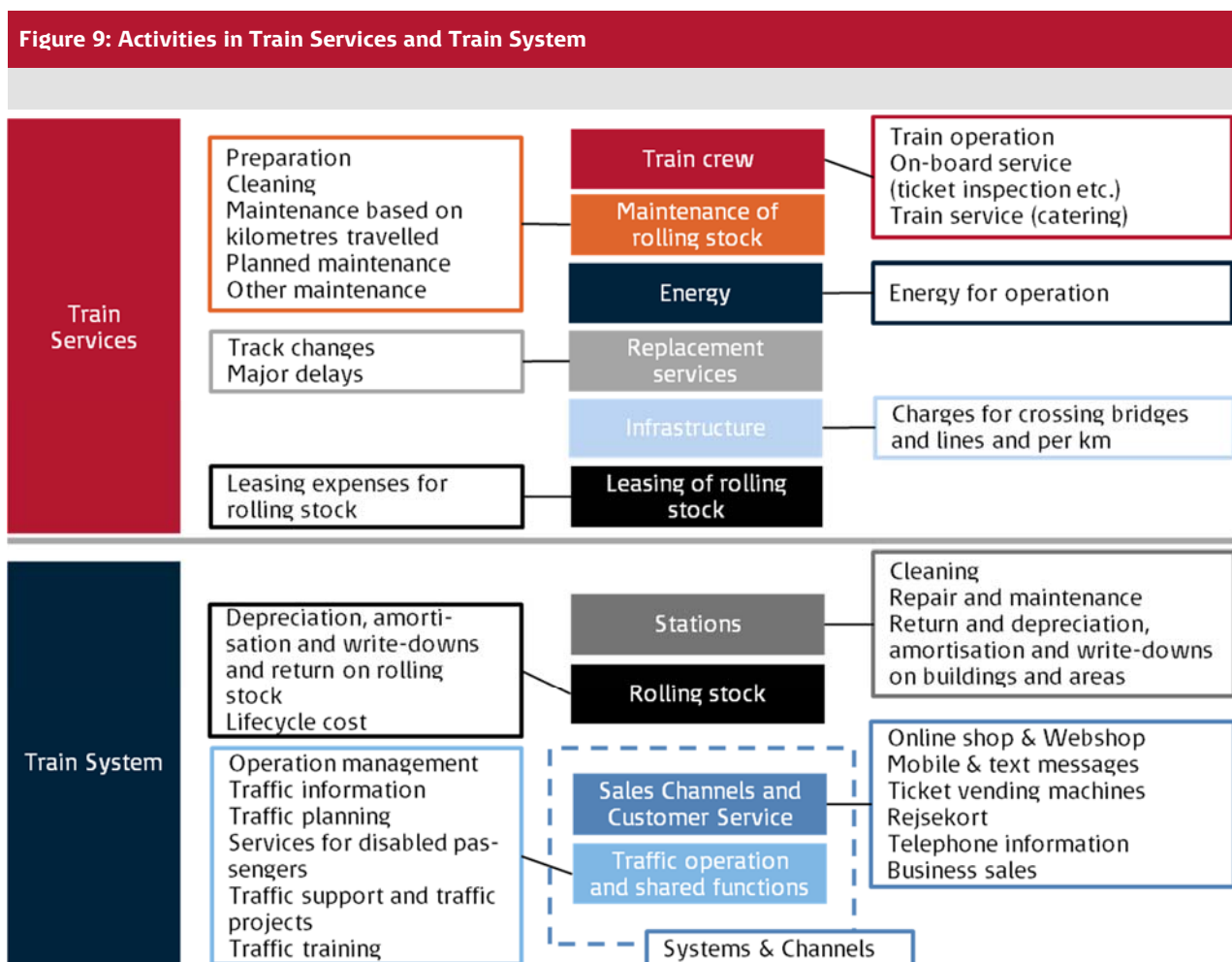
Long-Distance & Regional Trains



- Long-Distance trains are defined as trains crossing the Great Belt (the red lines). (Copenhagen – Aalborg, Copenhagen – Aarhus, Copenhagen – Esbjerg)
- The remaining InterCityLyn and InterCity lines and "the tails" of InterCityLyn from Aalborg to Frederikshavn and InterCity from Aarhus to Aalborg are defined as regional trains as this is, in fact, regional train traffic as the trains stop at every station. (Aarhus – Langå – Struer, Fredericia – Vejle – Struer, Struer – Thisted (tail of InterCityLyn), Fredericia – Sønderborg, København – Vstad, Aalborg – Frederikshavn (tail of InterCityLyn), Aarhus – Langå – Aalborg (tail of InterCity)).
- Struer – Thisted is viewed as a separate line, as DSB has an obligation according to the transport contract to operate the line 6 times a day, but does not receive the associated passenger revenues.
- The train categories Regional East and Regional West follow the underlying train production.
- International train systems, used to a great extent by local travellers on Zealand and in Jutland are defined as regional rail traffic.

Definition of activities and breakdown 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 basic 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 train business. That is why the reports on activity areas are based on the basis of allocation 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 basis of allocation.

The train service activities for lines is in general distributed according to the following principles:

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

Figure 10: 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 10 shows the main production-based basis of allocation used in the allocation of the train service activities to the individual lines.

One example is the full costs of the train transport activity under on-board staff, which is distributed 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, distributed relatively to the lines where IC3 train sets are used based on the kilometres that the IC3 train set has travelled.

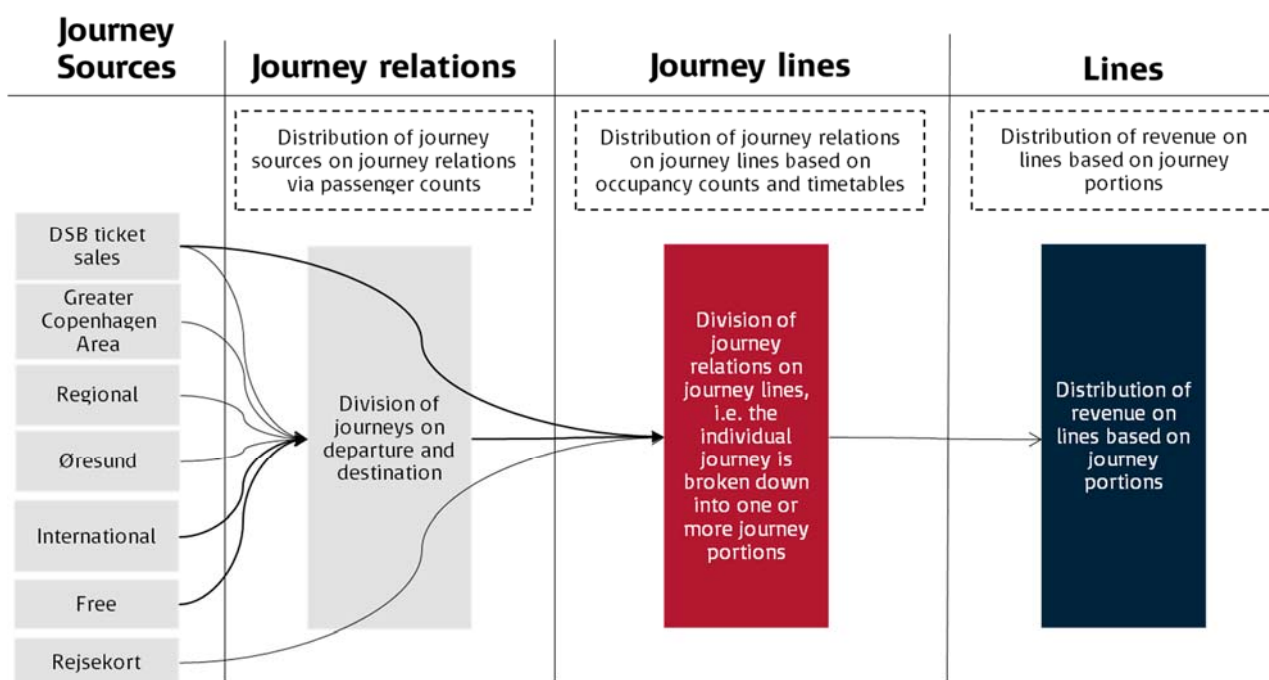
A third example is the infrastructure costs for crossing the Great Belt, which are allocated in proportion with the number of bridge passengers carried on the individual line.

Distribution of passenger revenues for the lines

It is not possible to directly quantify the number of journeys in DSB due to the fact that, in public transport, it is possible to ride on buses, the metro and the train without necessarily having to have 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 travelled on an InterCity or InterCityLyn. In addition, a journey can be made across multiple operators and lines. For example, a journey from Tisvildeleje to Bornholm involving the local train from Tisvildeleje to Hillerød, S-train from Hillerød to Copenhagen H and regional train from Copenhagen to Vstad 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 11: Principles for the allocation of passenger revenues to lines



DSB has thus a number of travel sources, see Figure 11, 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, that are converted to the number of passengers. The methods may vary from travel source to travel source and are agreed with the other operators in a given tariff area.

The trips must then be divided into travel relationships that show from where and to where the journey is made. This is based on passenger studies³ of travel patterns that provide a statistical weighting that can be used for travel sources.

³ The BRIK counts in the Greater Copenhagen Area and the Country count, as carried out by COWI in Long-Distance & Regional trains.

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 for splitting across travel lines.

Partial journeys are used to allocate passenger revenues to lines in the overall Travel Revenue Model. In the Line Economy Model, this input is used as a basis for distributing the registered passenger revenue. So 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

The Line Economy Model will not be broken down into the contract payment on lines, since there is no unique activity-based method on which 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 12: Principles for allocating revenues from the traffic contract to activity areas



The contract payment to Stations is allocated so as 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 distributed such that the profit ratio is identical for Long-Distance and Regional train traffic, Øresund traffic and S-train traffic. If the generate a profit individually without contract payment this payment is distributed only to the loss-making traffic areas. For S-trains this means that in 2016 no contract payment is added (see Table 1) since S-trains may be operated at 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 amortisation, depreciation, write-downs and financial income and expenses for rolling stock are collected in two pools, one for Long-Distance and Regional train traffic (including Øresund) and one for S-train traffic. However, both pools are exclusive of Train of the Future, which is not included.

On the Long-Distance and Regional train traffic lines where dedicated rolling stock is used (Odense - Svendborg, Aarhus - Grenaa, Copenhagen - Malmø and Copenhagen - Ystad), the line costs are accounted directly with the specific rolling stock costs. The remaining rolling stock pool is regarded as a common pool that can be inserted on all lines and therefore calculated as an average rolling stock by using the driven train 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.

Internal commercial contracts between DSB and the S-train service

S-train is closed down as an independent company, new internal commercial contracts will not be drawn up between DSB and S-train. The existing commercial contracts will not be updated and are, therefore, no longer accurate. From 2016 onward, the consolidated overhead costs are distributed to S-train lines in accordance with the same principles as apply to the Long-Distance and Regional train traffic.

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.

For the purposes of VAT, DSB's companies are jointly registered and VAT in DSB is bookkept in central profit centres. VAT is allocated the activity areas according to the relative VAT of the relevant activities. VAT costs then follow the actual costs through the allocation model.

Corporation tax will not be allocated to activity areas and lines. In the Presentation of Main Business Areas, corporation tax is divided between Public Services according to the negotiated contract and Competitive Activities.

Management Statement

DSB's management has considered and approved DSB's Line accounts for 2016.

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

It is our view that

- The Accounting Regulations are respected in 2016, including making the necessary accounting breakdown, see the Section 2 of the Accounting Regulation, such that DSB can account for the need for grants for the passenger traffic.
- 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, 9 February 2017

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 – including elderly and disabled customers
- company offers environmental and climate-friendly public transport for the benefit of society, customers, employees and the company
- employees have a good working environment in which diversity contributes to the development of the company
- DSB's contributions to society contribute to the creation of pride and job satisfaction within the DSB organisation.

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

It is stated in DSB's ethical policy that the company will comply with the 10 universal principles of the UN Global Compact, with focus on human rights and employee rights. DSB's 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 whistleblower scheme providing good opportunities for handling any irregularities as quickly as possible.

DSB has an environmental policy describing the efforts to actively minimise the company's climate impact. DSB has a policy for working environment, communication and staff which creates the framework for proper and safe working conditions and open and honest communication. DSB is a company with room for diversity and no tolerance of violence, threats, bullying and harassment at the workplace.

DSB has a procurement policy to ensure that the company 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 member of the UN Global Compact, contributing to these efforts economically and by annually reporting on progress in DSB's social responsibility work.



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. Their purpose is to be good role models, contribute to the sense of safety and security and help children and young people, spreading joy and promoting integration. In addition to the financial support DSB provides to Natteravnene, they can ride all DSB trains free of charge while doing this 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 DSB 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.

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.

In 2016, DSB supported Danish People's Aid's Christmas collection by donating a family ticket to the Christmas baskets handed out to 11,000 vulnerable families in Denmark. DSB also gave Danish People's Aid the opportunity to promote their campaign to Ud&Se's 500,000 readers and on TV monitors in the S-trains.

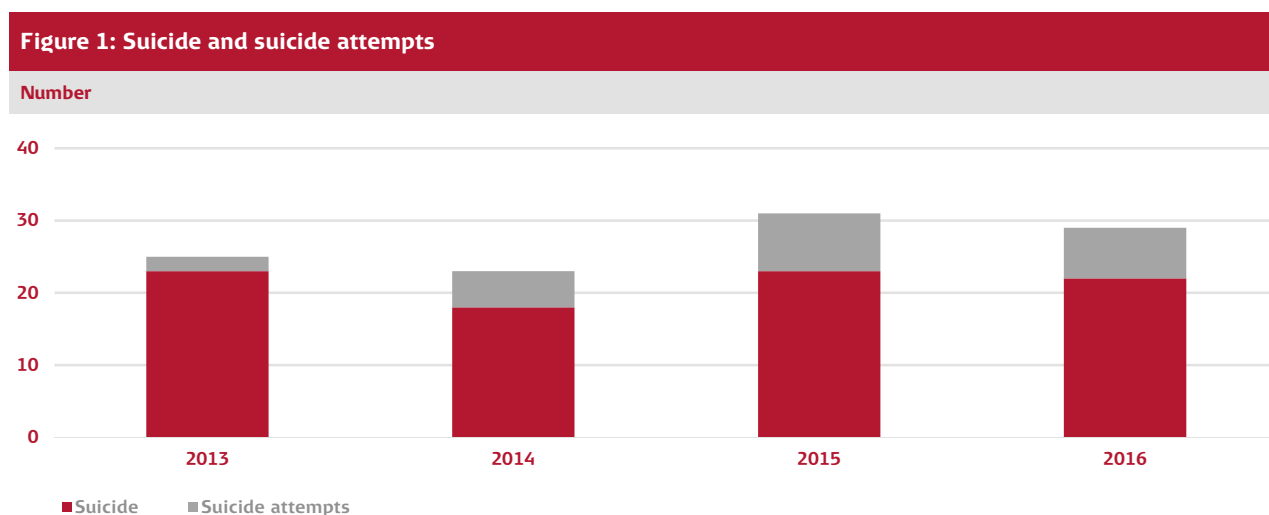
Safety and security

It must be safe to be a customer and employee of DSB. According to ERAIL (European Railway Accident Information Links), the Danish rail net is among Europe's safest, as measured by significant personal injuries per train kilometre. This is largely due to the strong focus on safety at DSB, and that it is deeply integrated into the way we work. DSB's safety policy states: "Our customers must be able to take safety for granted – but we must never take it for granted!"

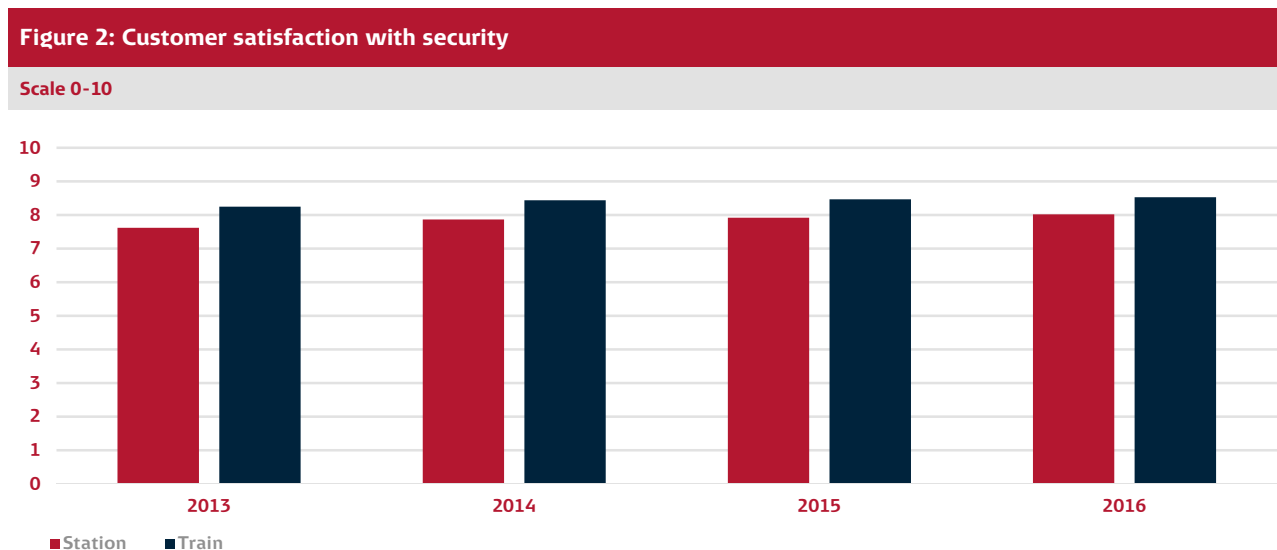
In 2016, the safety work was further strengthened with the implementation of a new safety management system. DSB also launched the customer campaign "Head under your arm", drawing attention to customer conduct and safety.

Surveillance in trains and at stations contributes to safety and security. At the end of 2016, 2,063 cameras at 143 stations and 3,824 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. The cameras are used to summon the police and extra staff if necessary and to help the police solve cases concerning vandalism, violence, pick-pocketing, etc. DSB has also entered into a nationwide cooperation agreement with the Danish National Police regarding the use of videos etc. in connection with police investigations of incidents involving train collisions with people. In 2016, DSB's surveillance centre contributed to police investigations in 888 cases.

Suicide and suicide attempts are unfortunately a recurring event for DSB. In addition to being a tragic event for the individuals hit by trains and their families, it also impacts DSB's customers and employees in the form of, inter alia, train cancellations and delays. In 2016, DSB recorded 22 suicides and 7 suicide attempts (23 and 8, respectively, in 2015).



In customer surveys, DSB tracks customers' perception of security in trains and at stations. Customers' perception of security has slightly increased every year since 2013. A number of initiatives and efforts are contributing to ensuring the positive development of customers' perception of security.



In 2016, DSB completed the installation of defibrillators at 65 selected train stations nationwide and in all of DSB's nearly 500 trains. The installation of defibrillators is the result of a collaboration project between DSB and TrygFonden, which also includes the training of 750 DSB employees in life-saving first aid and the use of defibrillators.

DSB spends large amounts of money every year to combat graffiti and create attractive and safe environments for the customers. Overall, DSB spent more than DKK 15 million in 2016 to remove graffiti on the trains. A total of 2,996 train sets – 1,982 S-trains and 1,014 long-distance and regional trains – underwent graffiti removal. Including the value of the time in which the trains are out of operation for graffiti removal purposes, the costs of graffiti prevention for DSB's trains totalled DKK 44 million in 2016. S-trains have experienced a significant increase in graffiti. The total area, in square metres, of graffiti removed from S-trains increased by 40 percent compared with 2015. Therefore, DSB has had guards on duty at the S-train depots for selected periods of 2016, in addition to other ongoing preventive measures.

DSB, in cooperation with Rail Net Denmark, has 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. In 2016, 40,000 square metres of graffiti was removed at the stations. This is a slight increase over 2015, but far from the total graffiti in 2014. The majority of graffiti at the stations now stems from supporters of Greater Copenhagen's two leading football clubs.

In 2016, DSB saw an increase in enquiries by customers and staff regarding beggars and the homeless, who frequent stations in Greater Copenhagen. From customer surveys and other sources, DSB knows that beggars and the homeless at stations and in trains can negatively impact

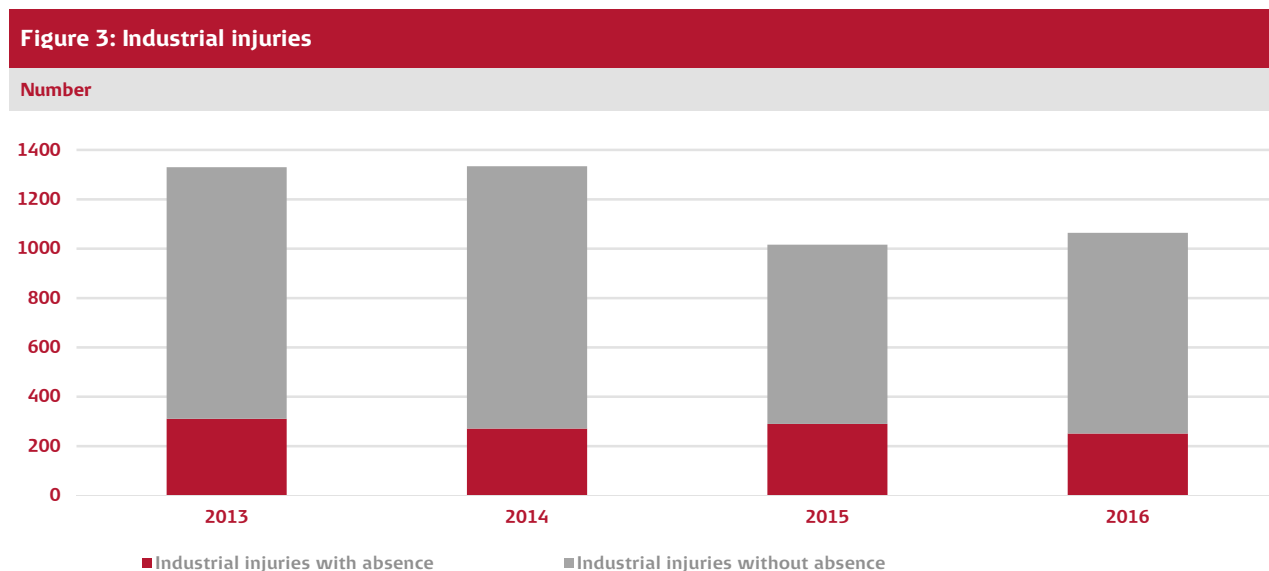
the sense of security. During a trial period, DSB assigned guards to handle the challenges with beggars and homeless people. DSB has an ongoing dialogue with the guards to ensure that this work is done in a dignified and proper manner when dealing with these already vulnerable people. DSB has also established a collaboration with the City of Copenhagen's Homeless Unit to help the homeless at stations along their way. 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 card with a list of overnight shelters that can be handed out by guards and staff.

Working environment

As part of the company's strategy, DSB strives to be an attractive workplace. This requires a systematic approach to the working environment. Therefore, a goal once again in 2016 was to reduce the number of accidents and absences in general.

Accidents with absences declined from 290 to 251 cases. One-third of the decline is due to fewer employees falling at the workplace when climbing or descending, or twisting injuries. At the workshops, DSB has been conducting a long-term campaign called "Don't walk by" to strengthen the culture of preventing accidents. This has contributed to reducing accidents with absence at the workshops from 41 accidents in 2015 to 22 accidents in 2016.

Accidents without absence increased by 87 to 813. One of the reasons for the increase is more thorough registration of violence and threat incidents. A share of the increase is also due to a changed procedure in train operations, compared to 2015, where some of the events were registered as "near accidents".

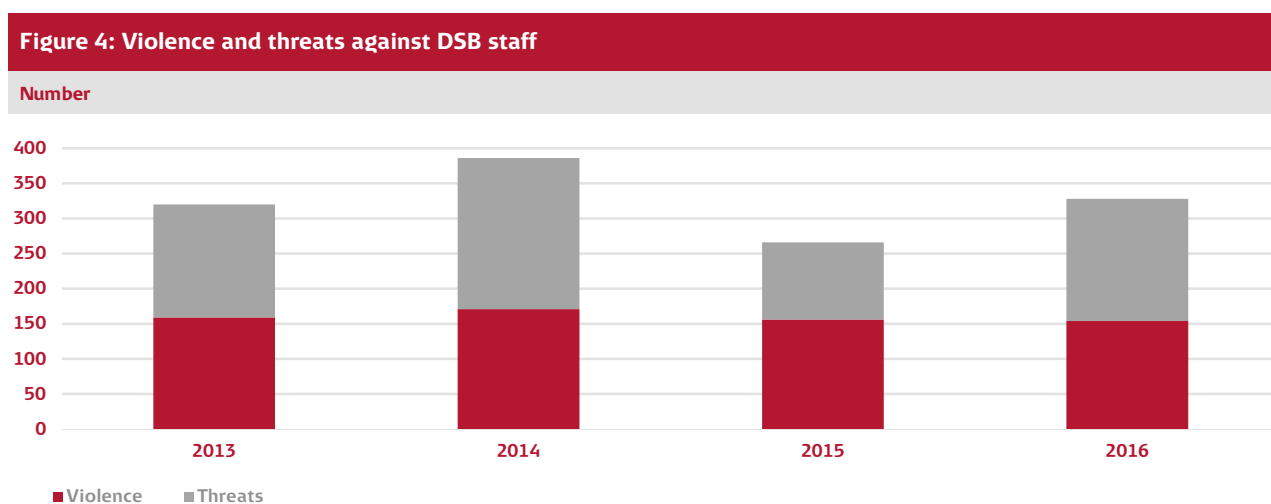


DSB increased its focus in 2016 on reducing general sickness absence in the company. The effort focused on rapid follow-up with employees with long-term or recurring illnesses. The aim has been to maintain the sick employees' contact with, and return to, the workplace. The effort contributed to a reduction in sickness absences – from 9.9 days per employee in 2015 to 9.3 days in 2016.

Given that DSB's working environment certificate was going to expire in November 2016, a decision was made to maintain the certification. FORCE Certification conducted a certification process across all of DSB's organisation. The certification identified 20 deviations, all of which were resolved before year-end. DSB's working environment was thereby recertified for an additional three years.

In autumn 2016, DSB drew attention to the issue of bullying and harassment. The reason was the annual workplace assessment. In September, 7% of respondents indicated that they had experienced bullying internally at the workplace within the past year. Spearheaded by DSB's CEO, the campaign established a clear framework for the company's view: DSB does not accept bullying or harassment in the workplace.

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 passengers and DSB staff. In 2016, DSB recorded a small decline in instances of violence, but an increase in the number of threats against DSB staff.



DSB makes every effort to continue improving our prevention and handling of these situations. This includes conflict management training of DSB staff, collaboration with the police, and dialogue with customers.

In connection with major events such as festivals and football matches, many customers are travelling to the same destination, often in a festive mood and rather noisy. In connection with a number of these events, DSB enters into a dialogue with organisers and customers with a view to arranging for a special train for the individual event. The aim of this is to ensure the best possible journey for the participants, as well as DSB's other customers and personnel, and with as few conflicts as possible.

DSB has 40 train conductors who are specially trained in handling customers on so-called "football trains". In 2016, DSB provided special coaches for 16,130 football fans on 26 football journeys. When the football match is a "Copenhagen derby" between FCK and Brøndby, where up to 4,600 fans are departing at once, special trains are deployed in the S-train network. In 2016, there were no industrial injuries in connection with these journeys. Similarly, there was very little damage to DSB's rolling stock in connection with transporting these football fans.

Accessibility

In 2016, DSB improved its service for elderly and disabled customers. From September, disabled customers requiring assistance with train travel only needed to contact DSB 12 hours before a planned departure. This is just half of the advance notice required in 2015. DSB also maintained the extended hours for telephone orders, enabling customers to obtain assistance during all hours of train operation. From the beginning of 2016, DSB also increased its service level by offering disabled assistance at all of DSB's long-distance and regional train stations and Kystbanen – with the exception of the Grenaa-Aarhus-Odder line after August where service on this line was handed over to Midttrafik.

In 2016, DSB provided disabled assistance 17,164 times and sold 44,496 disabled assistant tickets. In addition to this, assistance was provided approximately 60,000 times in connection with journeys on the S-train and Kystbanen lines, as well as from stations with the option of spontaneous journeys.

DSB wishes to provide easy access for the customers to buying a ticket. DSB therefore develops information and ticket services and app's. To ensure awareness of the new ways of purchasing tickets, DSB offers courses and Open House events where DSB employees come out and instruct the user in the new services. DSB's customer service team conducted 33 events in 2016 in collaboration with DaneAge and 48 Open House events with data rooms, libraries and local citizen services offices in Danish 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. DSB's children's guides meet the children at the station, are there for the children if they need help during the journey and make sure that the children get off at the right stations. The special trains with children's guides are available Fridays and Sundays and in connection with national holidays. In 2016, 18,282 journeys with children's guides were sold.

Diversity

DSB strives to be an attractive workplace characterised by diversity, where differences can thrive and contribute to creating better quality in our work and results. DSB believes that a focused and prioritised effort for diversity makes the company stronger and improves our competitiveness. In 2016, DSB established a new policy on diversity and plans to conduct a series of new initiatives between now and 2020 to create even greater diversity.

At year-end 2016, 28 percent of DSB's employees were seniors (55 years). 170 employees (2.2 percent) were employed on special conditions (such as flex job, trial job, section 56 jobs). DSB also wants to help young people into employment. In 2016, DSB had 46 internship positions. During autumn 2016, DSB had refugees in internships at selected workplaces.

Equal representation at management levels is part of staff policy. 33 percent of the members of DSB's board are women (not counting employee representatives) and the board's gender distribution thereby meets the goal that at least one-third of the members should be from the underrepresented gender. The gender distribution was 29 percent women in the group of directors in 2016. Of all managers at DSB, 25 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 com-

pany as a whole. DSB will ensure that this objective is obtained by requiring recruitment consultants to present candidates of both genders and by including the underrepresented gender when planning for successors.

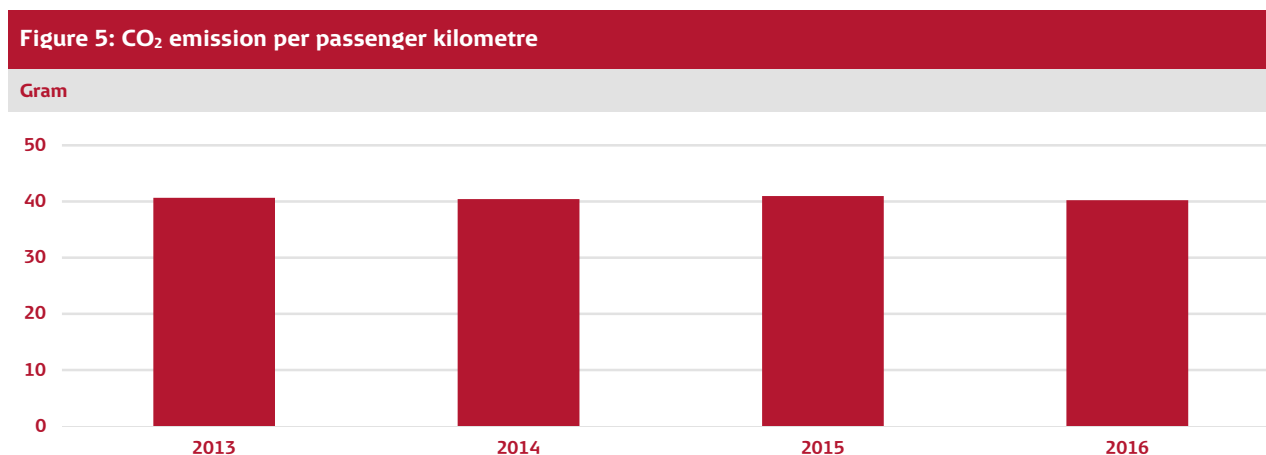
Bribery

Two former DSB employees were convicted in 2016 for having received bribes in the form of gifts and IT equipment at very favourable prices from a supplier. DSB has an ethics policy with rules for the receipt of gifts, etc. To minimise the risk of bribery, the importance of these rules has been stressed to the DSB staff. Suppliers have also been notified that DSB does not tolerate bribery according to the Code of Conduct that all suppliers must follow.

Environment and climate

In 2016, DSB set a strategic measuring point for sustainability, defined as the emission of CO₂ in grams from train operations per passenger kilometre. The diagram below shows the results from recent years.

With emissions of approx. 40 grams per passenger kilometre, trains are a very competitive means of transport compared to other forms of transport as cars and planes both emit approx. 100 grams CO₂ per passenger kilometre, while busses emit approx. 60 grams.



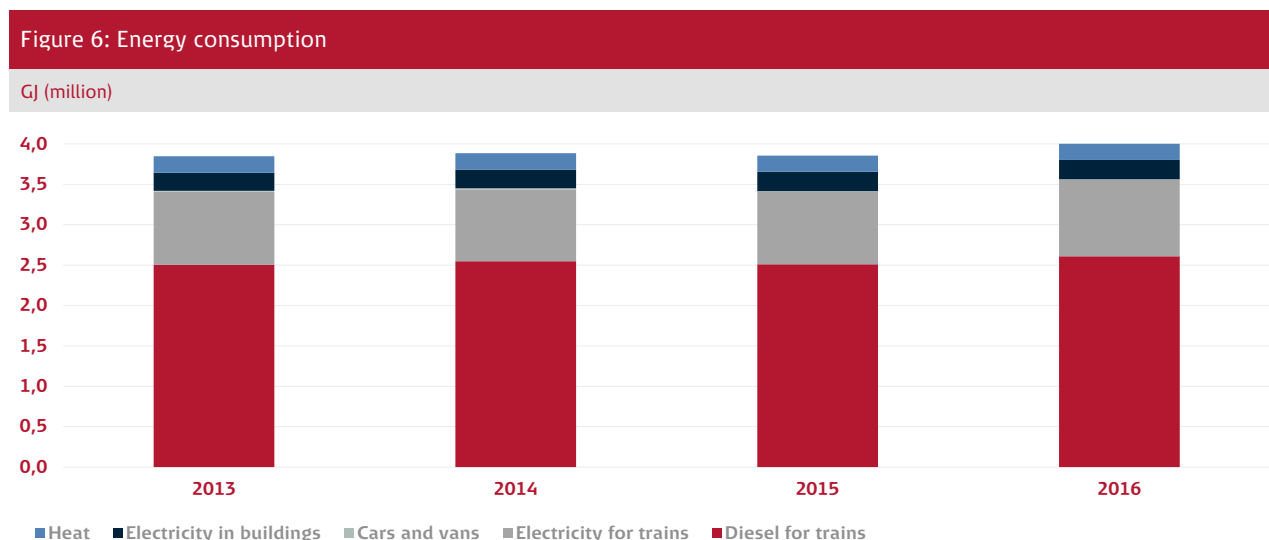
Through its environmental policy, DSB focuses on reducing the company's impact on the surrounding environment and contributing to the transport sector's overall restructuring and reduction of climate impact.

The continued electrification of the main network in Denmark means a decline in energy consumption and CO₂ emissions due to the conversion from diesel to electricity. In addition, a decline in CO₂ emissions is expected due to the higher share of renewable energy in the Danish energy mix.

DSB's total energy consumption for trains increased by 4 percent compared to 2015. The increase has been in both diesel consumption and electricity consumption. This is due to additional production as a result of ID-verifications in Kastrup, increased numbers of seat in the Long-distance traffic and a change in train type used.

Approx. 90 percent of DSB's total energy consumption is used for train operation.

Energy consumption for other than train operation is unchanged since 2015.



Electricity consumption for cars and vans is less than 1 percent of DSB's total energy consumption and is therefore not included in the figure.

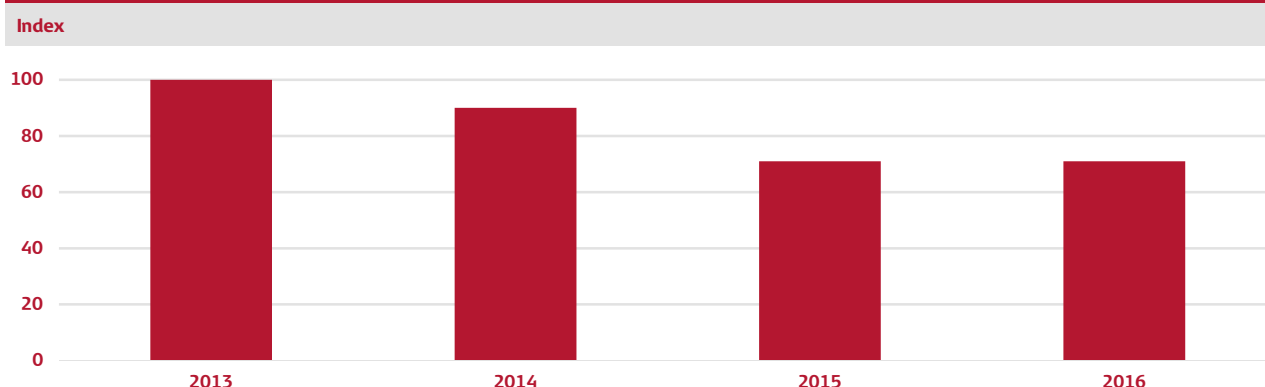
DSB's total CO₂ emission has declined by 5 percent compared to 2015. This is due to a decrease for the train product and the company resulting from the improved energy mix for electricity and district heating.

DSB conducted an energy review in 2016 and is listed on the Danish Energy Agency's positive list of companies who have conducted an energy review. The energy review is required for all large companies throughout the EU and must cover at least 90 percent of the company's total energy consumption. At DSB, the energy review covered energy consumption for train operation and energy consumption at the Preparation Centre Kastrup.

The energy review takes stock of energy consumption in the selected areas and identifies potential measures to reduce consumption. Preparation Centre Kastrup is continuing its work to connect to the district heating system, closing a local combined heat and power station and reinvesting in ventilation.

Diesel trains make a local impact on air quality in the form of particles, NO_x, etc. DSB's main focus is on a reduction of particles, including ultrafine particles.

Figure 7: Particle emissions



The total emissions of particles, calculated by mass, from diesel trains was unchanged compared to 2015, but has declined by 30 percent since 2013. The reason is the reduced use of MR train sets and ME locomotives, as well as the installation of catalytic converters in the MR train sets.

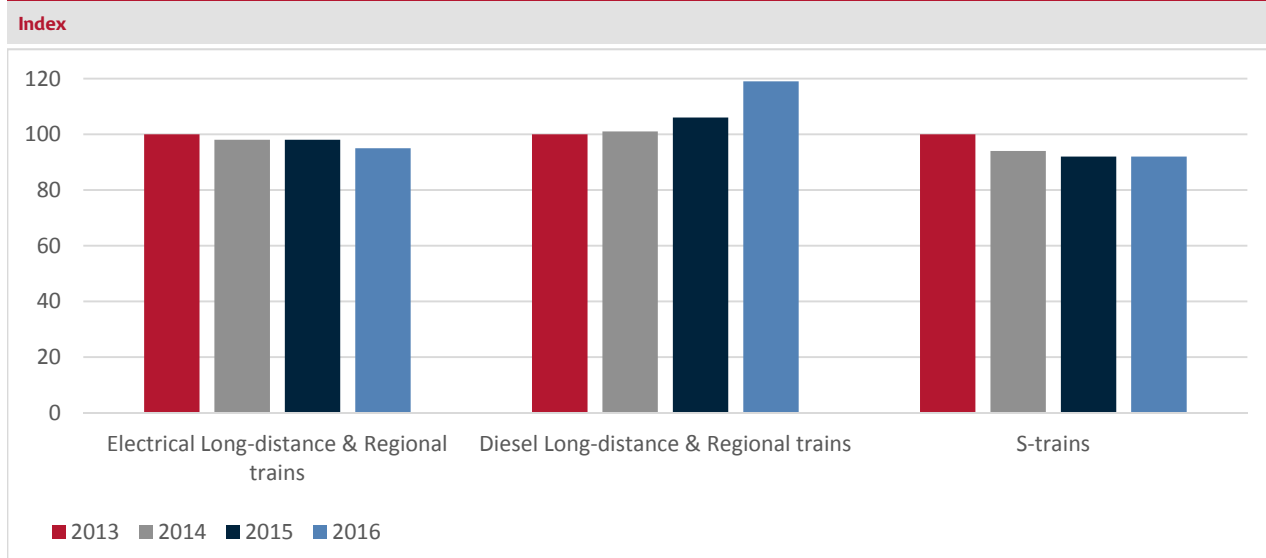
DSB is continuing its work to implement various prototypes for reducing customers' and employees' exposure to ultrafine particles.

CO₂ emissions per passenger kilometre for DSB's electric trains have declined significantly due to the energy mix in Denmark contains a higher proportion of renewable energy. The increase for diesel traffic is due to the declining occupancy rate and more frequent use of types of rolling stock with a higher energy consumption per seat kilometre.

Table 1: Development in energy consumption and CO₂ emissions

| Change from 2015 to 2016 | Energy consumption per seat kilometre | Energy consumption per passenger kilometre | CO ₂ emission per passenger kilometre |
|---------------------------------|---------------------------------------|--|--|
| Long-distance & Regional Trains | | | |
| - Diesel trains | 6% | 12% | 12% |
| - Electrical trains | -6% | -3% | -31% |
| S-trains | 6% | 0% | -29% |

Figure 8: Development in electricity and diesel consumption per passenger kilometre



DSB is continuing efforts to reduce energy consumption in buildings and fixed installations. This included the following measures in 2016:

- The majority of lighting at the S-train platforms was replaced with LED lighting during autumn 2015, with a full impact of approximately 1 GWh in 2016.
- Optimisation of ventilation system at Klargøringscenter København. Full impact in 2017
- New gas boiler at Klargøringscenter Kastrup. Full impact in 2017

During 2016, there were three spill accidents from trains in operation. Dialogue was conducted with the municipalities in connection with all three events, in addition to remedial actions. In the cases where soil samples have been taken, testing determined that the oil does not pose any risk. An excavation permit is still pending in connection with the last case.

The number of noise and smoke complaints submitted by neighbours and customers fell from 147 in 2015 to 93 in 2016.

Complaints and enquiries, by category:

Noise outside of train: 34

Noise inside train: 17

Smoke: 2

Noise and smoke: 15

Air quality outside of train: 11

Air quality inside train: 14

Noise outside train typically involves noise from ME-diesellocomotives idling on turning tracks / in preparation areas. Noise inside trains typically involve S-trains with surfaces on one or more wheels.

In two cases, a municipality was involved, though without enforcement (Aarhus and Copenhagen). Both cases concern noise.

Due to the establishment of the Light Rail in Århus, DSB has stopped traffic between Grenaa and Odder. In the autumn of 2016, this enabled a replacement of rolling stock on the Roskilde-Køge-Næstved line, from MR train sets to Desiro train sets. This has reduced both the noise impact and particle impact.

Ultrafine particles and air pollution generally also give rise to a number of enquiries regarding air quality at Nørreport Station and the risk of travelling by diesel train (ME and MR train sets). The measurements carried out by Rail Net Denmark of the air quality at Nørreport station show a continued substantial improvement, compared with the situation 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



Peter Schütze, Chairman

Joined DSB's Board of Directors on 1 June 2011 (extraordinary Annual Meeting).

Re-elected Chairman on 17 April 2015 (ordinary Annual Meeting)

Term of office ends: 2017

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 LundbeckFonden
- 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 – elected Vice Chairman – on 17 April 2015 (ordinary Annual Meeting)

Term of office ends: 2017

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 Skodsborg Kurhotel og Spa A/S
- the Board of Directors of Ratons 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

**Lars Andersen**

Joined DSB's Board of Directors on 25 June 1999
Re-elected on 17 April 2015 (ordinary Annual Meeting)
Term of office ends: 2017

Director at Arbejderbevægelsens Erhvervsråd

Member of:

- the Board of Directors of IndustriPension Holding A/S
- the Board of Directors of Industriens Pensionsforsikring A/S
- the Board of Directors of Arbejdernes Landsbank A/S

**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 audit committee of Hempel A/S
- the Board of Directors of Ib Andresen 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

**Helge Israelsen**

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

**Christina Grumstrup Sørensen**

Joined DSB's Board of Directors on 17 March 2015 (ordinary Annual Meeting)
Term of office ends: 2017

Senior Partner in Copenhagen Infrastructure Partners

Board member 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

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



Thomas Thellersen Børner, CFO

Employed with DSB since 2013



Anders Egehus, Executive Vice President, Operations

Employed with DSB since 2012



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, Executive Vice President, Commercial
Employed with DSB since 2014

Member of the Board of Directors of Rejsekort A/S



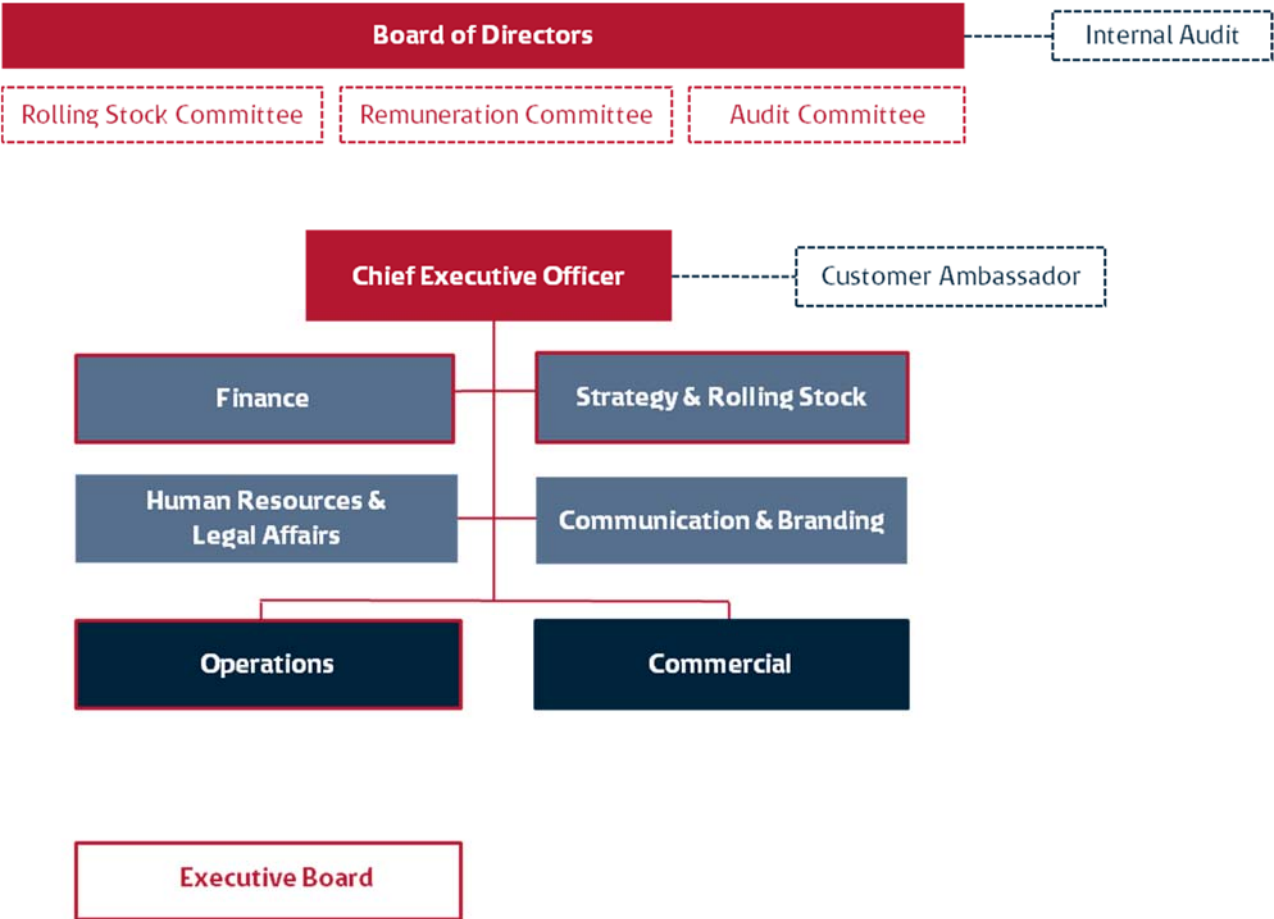
Lars Kaspersen, Executive Vice President, Communications & Branding
Employed with DSB since 2013



Mette Rosholm, Executive Vice President, HR & Legal Affairs
Employed with DSB since 2014

Member of the Board of Directors of Rejsekort A/S

Organisation



Financial calendar 2017

Expected publication of quarterly and interim reports:

| | |
|---------------------|-----------------|
| First quarter 2017 | 11 May 2017 |
| Interim report 2017 | 17 August 2017 |
| Third quarter 2017 | 8 November 2017 |

Publications

Annual report for 2016 can be found at www.dsb.dk

Environmental report for 2016 can be found at www.dsb.dk

Company details

Address

DSB
Telegade 2
DK-2630 Taastrup
Tel. +45 70 13 14 15

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
Godkendt Revisionspartnerselskab
CVR no. 30700228

The National Audit Office of Denmark

Bank

Nordea Bank Danmark A/S

Published by

DSB
Telegade 2
DK-2630 Taastrup

Editors

Marianne Holmbjerg
Martin Buchtrup Larsen
Anders Reinholt
Niels-Otto Fisker

Graphic design

Communication & Branding

Photo

DSB's Photo archive

