

# ANNUAL REPORT 2019

# Contents

<b>The management's review</b> .....	<b>3</b>	→ Supplemental key figures .....	75
<b>Results</b> .....	<b>10</b>	→ Income statement by quarter .....	80
→ Financial highlights .....	10	→ Key figure definitions .....	81
→ Financial activities .....	11	<b>Corporate issues</b> .....	<b>83</b>
→ Sustainability .....	14	→ Safety .....	83
→ Operating activities .....	15	→ Risk management .....	84
→ Expectations for 2020 .....	26	→ Corporate governance .....	87
→ Events that have occurred after the balance sheet date .....	26	→ Reporting on corporate social responsibility .....	92
→ Other matters .....	26	→ Statements to the Danish Business Authority .....	104
<b>Consolidated annual accounts and annual accounts</b> .....	<b>28</b>	→ Organization .....	105
→ Management statement on the annual report and the independent auditors' report .....	28	→ Financial calendar 2020 .....	111
→ Income statement .....	33	→ Publications .....	111
→ Balance sheet – assets .....	34	→ Company details .....	111
→ Balance sheet – liabilities and equity .....	35	<b>Line accounts</b> .....	<b>113</b>
→ Statement of changes in equity .....	36	→ Management Statement .....	113
→ Cash flow statement .....	38	→ Accounts .....	114
→ Notes and accounting policies applied .....	39		

# The management's review

**DSB is writing down the value of its rolling stock by DKK 1,686 million.**

**As a result, the profit before tax amounts to a loss of DKK 1,641 million. Adjusted for write-downs of rolling stock and other non-recurring items, DSB achieved a profit before tax of DKK 84 million.**

- The Long-distance & Regional train rolling stock has been written down with DKK 1,535 million, and
- 11 IC4 train sets have been completely removed from operations and, as a result, written down by DKK 151 million.
- The acquisition of a new electric train fleet is on schedule
- High punctuality for S-trains, while punctuality for Long-distance & Regional trains is challenged
- A small increase in the number of journeys sold compared to last year
- The sale of Orange and Orange Free tickets has almost doubled
- Increased market share for Great Belt crossings
- Four ambitious goals for climate and the environment have been decided upon
- In January 2019, the worst train accident in 30 years took place. It involved the death of 8 passengers, and 16 were injured, and the Accident Investigation Board of Denmark has now published its final report on the incident.

*"Looking forward, there are a number of external conditions that result in decreasing passenger revenue compared to the assumptions in DSB's traffic contract with the state, and we are, therefore, writing down the value of our rolling stock."  
Flemming Jensen, CEO*

## Finances

In 2019, DSB operated at a pre-tax loss of DKK 1,641 million. This negative result is overwhelmingly the result of write-downs of rolling stock for Long-distance & Regional trains. Corrected for write-downs and other non-recurring items, the result for 2019 was a pre-tax profit of DKK 84 million.

The assessed value of the rolling stock is based on projected future earnings. The growth forecasts that were the basis for DSB's traffic contract with the state have not materialised, and a re-evaluation of the value of the rolling stock has, therefore, been undertaken. The re-evaluation demonstrated that the book value of the current rolling stock was too high compared to the projected future earnings, and as a result, the rolling stock has been written down by DKK 1,535 million.

Additionally, an evaluation has been made of how many IC4 trains will be needed until the new electric trains are phased in. This has resulted in 11 IC4 trains being completely removed from operations and, as a result, written down by DKK 151 million.

In total, DSB's rolling stock for Long-distance & Regional trains has, therefore, been written down by DKK 1,686 million.

In the coming years, we will replace our ageing diesel-driven train fleet with a modern, uniform fleet of electric trains and locomotives. Together with the required improvements of the railway infrastructure, this is expected to contribute to renewed growth in passenger turnover.

The pre-tax profit of DKK 84 million, adjusted for write-downs and non-recurring item, is DKK 163 million lower than in 2018. The lower result, which is not satisfactory, is mainly due to decreasing passenger revenue, reduced traffic contract payment and increased costs of spare parts for the ageing rolling stock and also rising energy prices.

The decrease in passenger revenue compared to 2018 was DKK 112 million, or 2 percent. The decrease is due to a significantly lower average price for journeys across the Great Belt, which is primarily driven by an increased supply of Orange and Orange Free tickets. The aim of the lower prices is to make trains more competitive. A large number of Orange and Orange Free tickets were sold during the last 2-3 months of the year, and at the end the year, this increase in sales has more or less compensated for the lower average price. At the same time, DSB's market share for Great Belt crossings has increased.

Looking at the fourth quarter alone, the pre-tax profit adjusted for non-recurring items was at DKK 82 million, compared to a result of DKK 130 million in the fourth quarter of 2018. The results adjusted for non-recurring items for both the fourth quarter and the year are in line with previously stated expectations.

### Negative financial impact of the opening of the City Ring

The current revenue-sharing model in the Copenhagen area means that Metroselskabet I/S receives a share of the total passenger revenue that exceeds the metro's share of the total number of journeys in the Copenhagen area. This disproportionate share (the so-called metro double factor) has a negative impact on DSB's passenger revenue. With the opening of the City Ring in September 2019, the impact of the metro double factor in the coming years will gradually be increased by up to DKK 200 million per year. The impact is expected to grow to somewhere in the range of DKK 350-400 million in 2021.

The impact of the metro double factor in the annual report and the consolidated annual account has so far been offset in DSB's passenger revenue without further specification. However, the growing impact of this will not provide a true and fair view of the development of DSB's actual passenger revenue. Therefore, from and including the annual report and consolidated annual account for 2019, it will be specified so that the impact of the metro double factor can be seen as in the table below.

<b>DSB's passenger revenue - the impact of the metro double factor</b>		
<b>DKK million</b>	<b>2019</b>	<b>2018</b>
Passenger revenue - after the impact of the metro double factor	5,173	5,285
Metro double factor	226	192
<b>DSB's passenger revenue - before the impact of the metro double factor</b>	<b>5,399</b>	<b>5,477</b>



### **Customers - continued growth in the sale of Orange tickets**

In 2019, 187.2 million journeys were undertaken with DSB, which is 0.5 million more than in 2018. The number of journeys across the Great Belt increased by 3 percent, while the rest of the traffic for Long-distance & Regional trains decreased by 1 percent. There were 111.9 million S-train journeys, which is 0.9 million more than in 2018.

DSB's market share for traffic across the Great Belt has increased by 0.6 percent in the second half of 2019 and amounted to 20.5 percent at the end of 2019. The growth is, among other things, due to the significantly increased supply of Orange and Orange Free tickets in 2019. At the same time, the second half of the year has not seen comprehensive track works in connection with the regional traffic. Finally, the increasing awareness of trains as a sustainable form of transport also contributes to this. In 2019, 2.7 million Orange and Orange Free tickets were sold for Great Belt crossings compared to 1.7 million in 2018.

The idea behind Orange and Orange Free tickets is to fill empty seats on departures with spare capacity. In terms of price, the Orange Free ticket is somewhere between the Orange ticket and the standard ticket, and it is flexible if the customer needs to change the departure time. The aim is to get more people to take the train and to utilise our capacity better. Orange Free tickets can be bought until shortly before departure, and if you buy a ticket a few days before a journey, then it is possible to find a cheaper ticket.

Cheaper tickets help to get more passengers on the train, and thus also contribute towards reducing congestion in the major cities - as well as making the traffic more climate-friendly and sustainable.

### **In 2019, DSB agreed upon ambitious targets for the environment and climate**

DSB has agreed on ambitious targets that will make a significant contribution to a greener, less congested Denmark. The train is already the climate-friendly option - but we want to be more than that. We have, therefore, formulated four sustainability targets that are to be met between now and 2030: We want to be completely carbon neutral, we want to reduce our energy consumption by 50 percent, we want to avoid emitting particles from the train engines, and we want to reuse at least 90 percent of our waste.

A large part of the contribution of train services towards making Denmark sustainable is to be achieved via the planned modernisation of the railway, the acquisition of electric trains and the establishment of new and modern workshops, but it is a large and complex task to ensure that DSB meets its targets on all parameters. In 2019 we have, therefore, set up a team led by a Sustainability Manager who will be in charge of the coordinated efforts on this area. The Sustainability Manager reports directly to DSB's CEO.

### **Opening of the new electrified high-speed line between Copenhagen and Ringsted**

The new electrified high-speed line between Copenhagen and Ringsted opened in May 2019. This is a key route for the Long-distance & Regional train traffic. It is an improvement of public transport which will help meet the future demands for transport and contribute to reducing congestion in the cities. The new route will improve the connections between Zealand and the rest of Denmark.

With the opening of this new line, the new Køge Nord station was also opened. The intention behind the station is that it will develop into a central hub with the option to change trains to and from the S-train and with a "park and go" facility right at the motorway.

## **Reopening of a renovated and modernised Østerport Station - and the opening of the City Ring**

After two years of comprehensive renovation work, we re-opened a renovated Østerport Station in September 2019. Østerport Station is also one of the new connection stations for the City Ring, which was also opened in September 2019.

Together with the Metro, we will help to ensure that there is less congestion on the streets of Copenhagen and the approach roads and thereby positively impact the climate. Functional public transport is a vital element in the green transition.

*“At DSB, we have set ambitious goals for the climate and the environment. The train is the climate-friendly choice, and the more people that we can convince to take the train instead of going by car, the greater our impact on the climate accounts.”*  
Flemming Jensen, CEO

### **S-trains on time - punctuality is high, and contract targets are met**

Both customer punctuality and operator punctuality - the part of punctuality that DSB is solely responsible for - were, in 2019, 93.0 percent and 98.2 percent, respectively, and, therefore, in line with figures for punctuality in 2018 and above the contract targets set by the state.

In the fourth quarter, customer punctuality and operator punctuality were 93.2 percent and 98.2 percent, respectively.

The 300,000 daily Copenhagen S-train customers have thus arrived on time in the vast majority of cases. However, it is regrettable that some customers are negatively impacted by the necessary work involving tracks and signals.

### **Customer punctuality for Long-distance & Regional trains is still facing challenges**

The customer punctuality for Long-distance & Regional trains in 2019 was 79.1 percent, which is around the same as it was in 2018. Customer punctuality is below the traffic contract's target of 83.4 percent. Punctuality has been particularly negatively impacted by infrastructure works and delays from Sweden.

Rail Net Denmark's absolutely necessary track, signal and electrification work will, in the long term, contribute to ensuring that Denmark will have a modern, effective and climate-friendly railway - but right now and for the next couple of years it will be inconvenient to the rail travellers for extended periods.

Delays from Sweden are unfortunately adversely affecting the Danish train customers to an increasing degree. When trains from Sweden arrive late at Copenhagen Central Station, they create disturbances in the entire Danish Long-distance & Regional train traffic, particularly on Kystbanen (The Coastal Line). DSB and the Swedish operator have been talking to each other about initiatives that contribute to handling these delays.

In 2019, operator punctuality was 94.9 percent. This is an increase relative to 2018, and punctuality is generally stable as a result of a more robust timetable and fewer rolling stock faults. The latter can mainly be attributed to an increased focus on improving the maintenance of trains in 2019. The operator punctuality of 94.9 percent is above the traffic contract's target of 93.4 percent.

**A new electric train fleet will streamline the train service and contribute to climate targets**

In the coming years, we will replace our ageing diesel-driven train fleet with a modern, uniform fleet of electric trains and locomotives.

This will be a comprehensive renewal of the train fleet which will ensure significant improvements for our customers and which is at the same time necessary in order to realise the societal, operational budget-related and environmental gains from the electrification of the railway moving towards 2030.

The new electric train fleet will thus make a significant contribution to our ambition to be carbon neutral in 2030 and to the fulfilment of the major national climate ambitions.

The purchase of the new electric train fleet is proceeding according to plan, and we are ready to commission the new electric rolling stock concurrently with Rail Net Denmark's electrification of the railway. We expect that the new Vectron electric locomotives will be commissioned in regional train traffic on Zealand from 2021, and the new coaches are planned to be commissioned in passenger operations in 2023. The new electric train sets are expected to be commissioned in passenger operations from 2024.

Concurrently with the purchase of new locomotives, coaches and trains, we will establish new modern workshops, which will further contribute to an effective and stable train service.

### **The Accident Investigation Board Denmark's final report has been delivered**

2019 was off to the worst imaginable start, as on 2 January a semi-trailer, carried by a freight train on the Great Belt bridge, got loose and collided with an IC4 passenger train coming from the opposite direction. Eight passengers lost their lives in the collision, and 18 people were injured. We have assisted the authorities with their investigation of the chain of events prior to the accident.

On 18 December, the Accident Investigation Board Denmark delivered its final report on the accident in which the board states that "...based on the investigations, we conclude that the semi-trailer was almost certainly loaded correctly with the kingpin in place, but the lock which should have fastened the semi-trailer to the freight train was not working correctly, and the semi-trailer was, therefore, not fastened to the flatbed railway wagon." In connection with the report, the Accident Investigation Board Denmark also proposed a number of safety recommendations.

*"Denmark is viewed as one of the safest countries around the world when it comes to train operations. The accident on 2 January does not change this: Our customers should take their safety for granted - but we must never do so."  
Flemming Jensen, CEO*

Taastrup, 6 February 2020

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Peter Schütze  
Chairman of the Board

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Flemming Jensen  
CEO

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







# Results

Financial highlights							
DSB Group (DKK million)	2015	2016	2017	2018	2019	Pct. change	Q4 2019
Passenger revenue – before effect from Metrodobbeltfaktor	5,018	5,575	5,568	5,477	5,399	0	1,420
Metrodobbeltfaktor	168	183	192	192	226	18	58
Passenger revenue – after effect from Metrodobbeltfaktor	4,850	5,392	5,376	5,285	5,173	-2	1,362
Revenue from traffic contracts	4,883	4,394	4,286	4,051	4,025	-1	989
Net revenue <sup>1)</sup>	10,212	10,081	9,990	9,684	9,546	-1	2,434
Total revenue <sup>2)</sup>	12,258	12,248	12,092	11,855	11,385	-3	2,917
Of which non-recurring items	85	193	284	347	44	-87	2
Total expenses	9,332	9,503	9,831	9,353	9,371	0	2,340
Of which non-recurring items	-	-	479	-35	54	-	13
Earnings before amortisation and depreciation	2,926	2,745	2,261	2,502	2,014	-20	577
Amortisation, depreciation and write-downs of intangible and tangible assets	2,023	4,634	1,854	1,829	3,551	94	2,166
Of which non-recurring items	127	2,767	79	61	1,715	-	1,707
Operating profit/loss	903	-1,889	407	673	-1,537	-	-1,589
Profit or loss before tax	580	-2,193	274	568	-1,641	-	-1,610
Profit/loss before tax adjusted for non-recurring items	622	381	548	247	84	-66	82
Earnings for the year	446	-1,704	211	450	-1,276	-	-1,253
Balance sheet total	20,369	16,534	16,305	14,832	12,081	-19	12,081
Total equity	6,931	5,338	5,497	5,822	4,345	-25	4,345
Interest-bearing liabilities, net	7,162	6,034	4,802	3,860	3,320	-14	3,320
Earnings before interest, taxes, depreciation and amortisation margin (EBITDA margin)	28.7	27.2	22.6	25.8	21.1	-18	23.7
Profit ratio (EBIT margin)*	8.7	-18.6	4.0	6.9	-16.1	-	-65.3
Return on invested capital after tax (ROIC after tax)*	4.7	-11.5	2.9	5.3	-13.8	-	-59.5
Gearing*	2.4	2.2	2.1	1.5	1.6	7	5.8
Equity ratio*	34.0	32.3	33.7	39.3	36.0	-8	36.0
Interest cover*	2.7	-5.9	2.7	5.1	-13.8	-	-63.4
Average number of full-time employees	7,438	7,285	7,292	7,092	6,866	-3	6,832
<b>Productivity<sup>3)</sup></b>							
Passenger revenue per seat kilometre (DKK 0.01/km)	28.6	30.9	31.4	32.5	31.0	-5	32.0
Costs per seat kilometre, corrected for non-recurring items (DKK 0.01/kilometre)	57.5	56.4	56.8	60.6	59.7	-1	60.0
<b>Operator Punctuality<sup>4)</sup></b>							
Long Distance & Regional Trains (%)	94.4	92.0	94.4	94.4	94.9	1	95.1
S-trains (%)	99.0	98.4	98.6	98.2	98.2	0	98.2
<b>Passenger punctuality<sup>5)</sup></b>							
Long Distance & Regional Trains (%)	78.5	74.0	79.4	79.2	79.1	0	79.1
S-trains (%)	95.0	92.6	91.8	92.9	93.0	0	93.2
<b>Customers</b>							
Customers (millions) <sup>6)</sup>	192.7	193.2	188.5	186.7	187.2	0	48.7
“Customer satisfaction with this journey”	8.0	7.9	7.9	8.0	8.0	0	8.0
<b>Reputation</b>							
DSB	49.7	47.8	47.5	49.9	52.7	6	52.4
Users of DSB	51.5	49.7	49.3	51.6	54.6	6	54.1
Non-users of DSB	43.6	41.5	40.9	45.2	46.4	3	47.1

1) Net revenue includes turnover relating to the railway business.

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

3) Seat kilometres are calculated as the number of seats contained in a litra unit multiplied by the number of litra kilometres travelled.

4) Operator punctuality is the total punctuality, minus any delays due to circumstances for which DSB is not responsible. Arrivals are considered punctual if they are less than 3 minutes delayed. Cancellations due to circumstances at DSB that are not notified 72 hours in advance are calculated as delays. From 2016, Øresund is included in Long-distance & Regional Trains.

5) Customer punctuality for long-distance and regional train traffic is defined as the number of passengers riding on punctual trains in relation to the total number of passengers. Customer punctuality for the S-train network is defined as the proportion of passengers who may arrive punctually on the basis of passengers' expected travel pattern and the operated train traffic. Arrivals are considered punctual if they are less than 3 minutes delayed. Cancellations, which are not notified 72 hours in advance, are counted as delays.

6) Figures for Customers in Denmark in 2015, 2016 and 2017 have been adjusted compared with previously published figures as a result of final calculations of journeys, etc. and stated as number of journeys.

## Financial activities

The pre-tax earnings amounted to a loss of DKK 1,641 million, which is DKK 2,209 million lower than in 2018. The result for the year was negatively affected by the write-down of rolling stock in Long-distance & Regional trains – including write-down of 11 IC4 train sets phased out and severance costs. 2018 was positively affected by profits from the selling of DSB's previous office property on Kalvebod Brygge in Copenhagen.

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

DKK million	2019	2018
<b>Profit or loss before tax</b>	<b>-1,641</b>	<b>568</b>
Profit on real estate, net	-21	-340
Write-down, real estate	29	30
Adjustment of pension contributions for civil servants	-37	-50
Severance costs	76	8
Sale of fixed assets – previously written down	-8	-
Write-down of rolling stock	1,686	31
<b>Adjusted pre-tax profit or loss</b>	<b>84</b>	<b>247</b>

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

Adjusted for non-recurring items, the Pre-tax earnings amounted to DKK 84 million, which is DKK 163 million less than the corresponding result for 2018. The decline in the adjusted pre-tax result is primarily due to decreasing passenger revenue and increased costs for raw materials and consumables.

The pre-tax earnings was negatively affected by DKK 1,535 million in write-down of rolling stock, serving Long-distance & Regional train lines. The write-down is justified by the expected development in number of journeys and the average price per journey – passenger revenues – for the period 2020-2024 is below the forecasts which was basis for DSB's traffic contract with the state. In addition, a write-down of DKK 151 million was made for 11 phased out IC4 train sets.

The balance sheet total amounted to DKK 12,081 million at the end of 2019, compared with DKK 14,832 million on 31 December 2018.

The decline in the balance sheet total is primarily due to depreciation and write-downs of rolling stock. The total carrying value of rolling stock after depreciation and write-downs was 4,938 million on 31 December 2019.

In 2019, DSB has invested DKK 858 million (DKK 910 million). Investments were mostly in heavy maintenance of Long-distance & Regional trains and S-trains.

Interest bearing debt, net has been reduced by DKK 540 million compared with 31 December 2018, and amounted to DKK 3,320 million on 31 December 2019.

In 2019, Return on invested capital after tax amounted to -13.8 (5.3), Gearing was 1.6 (1.5) and Equity ratio 36.0 (39.3). The write-down of rolling stock was the main reason for the decline in ROIC and Equity ratio.

### Net revenue

The Net revenue amounted to DKK 9,546 million in 2019, which is DKK 138 million lower than in 2018.

Passenger revenues amounted to DKK 5,173 million, which is DKK 112 million lower than in 2018. The decline was primarily due to a lower average price for journeys across the Great Belt, which should be seen in the context of increasing numbers of Orange and Orange Free tickets being offered.

### Metrodobbeltfaktor

DSB includes the effect of the current revenue sharing model in the Greater Copenhagen area in Passenger revenue. The model implies that Metroselskabet I/S receives an overproportional share of total passenger revenues in the Greater Copenhagen areas, that is, a proportion that more than corresponds to Metroselskabet's share of the total number of journeys. The overproportional share (Metrodobbeltfaktor) is deducted in DSB's passenger revenues.

<b>Table 2: Passenger revenues</b>		
<b>DKK million</b>	<b>2019</b>	<b>2018</b>
Long-distance & Regional trains – before effect from Metrodobbeltfaktor	3,749	3,850
Metrodobbeltfaktor	59	48
<b>Long-distance &amp; Regional trains – after effect from Metrodobbeltfaktor</b>	<b>3,690</b>	<b>3,802</b>
<hr/>		
S-trains – before effect from Metrodobbeltfaktor	1,650	1,627
Metrodobbeltfaktor	167	144
<b>S-trains – after effect from Metrodobbeltfaktor</b>	<b>1,483</b>	<b>1,483</b>
<hr/>		
Total passenger revenue before effect from Metrodobbeltfaktor	5,399	5,477
Metrodobbeltfaktor	226	192
<b>Passenger revenue, total - after effect from Metrodobbeltfaktor</b>	<b>5,173</b>	<b>5,285</b>

The development in passenger revenue for Long-distance & Regional trains is affected by a decline in regional traffic. The reason for the decline is that the journeys have been completed at a lower average price per journey. In 2019, the sale of Orange- and Orange Fri tickets was DKK 2.7 million in the traffic between east and west (1.7 million) and the prices for journeys crossing the great Belt are in average 11 percent lower in 2019 than in 2018.

In 2019, S-trains had 0.9 million more journeys compared with 2018, which contributes to an increase in passenger revenue which is, however, substantially offset by a lower average price.

The revenues from traffic contracts amounted to DKK 4,025 million, which is DKK 26 million less than in 2018. The conclusion of "Supplementary contract 25" on compensation for work performed in the period 2012 to April 2019 in connection with the new signal and train control system (ERTMS) on the long-distance lines has resulted in an increase in revenue from traffic contracts of DKK 70 million. On top of this, there is a positive effect of the regular price increases of the traffic contract payment. This is, however, partially off-set by

no longer receiving traffic contract payments as a result of the selling off of activities in Germany. In addition, traffic contract payments in 2019 were reduced by DKK 45 million compared with 2018 as a result of signing Supplementary contract 19 to reduce the traffic contract payment.

Sales from repair and maintenance of rolling stock etc. amounted to DKK 298 million and have decreased by DKK 5 million compared with 2018.

Sales and leasing of rolling stock amounted to DKK 50 million, which is DKK 5 million higher than in 2018.

Work performed by the enterprise and capitalised amounted to DKK 480 million and has decreased by DKK 98 million compared with 2018. The decrease is primarily due to fewer major train inspections and, to a lesser extent, fewer IT projects having been completed.

Other operating income has fallen by DKK 234 million and amounted to DKK 1,359 million. The decline can in particular be attributed to 2018 being affected by the profits from the sale of DSB's previous office property on Kalvebod Brygge in Copenhagen.

### **Expenses**

Expenses totalled DKK 9,371 million. (DKK 9,353 million).

Expenses for raw materials and consumables amounted to DKK 1.958 million and have increased by DKK 92 million. The development is affected by increased expenses for spare parts for the aging rolling stock and rising energy prices.

Other external expenses amounted to DKK 3,677 million, a decrease of DKK 206 million compared with 2018. The decrease is primarily attributable to lower costs for replacement traffic and the sale of the activities in Germany. The decline is partially off-set by increased costs for consultants in connection



with the preparations for purchasing new rolling stock and driverless S-trains.

Staff costs amounted to DKK 3,736 million, and have increased by DKK 132 million compared with 2018. The increase is due to severance pay of DKK 76 million in connection with a streamlining of the administration and the general wage trends. By contrast, staff costs have fallen as a result of a reduced number of full-time employees in Danish activities and sale of the German activities.

### **Amortisation and depreciation**

Amortisation and depreciation amounted to DKK 3,551 million compared with DKK 1,829 million in 2018. The depreciation and write-downs for the year is affected by write-downs of rolling stock in Long-distance & Regional trains of DKK 1,686 million including DKK 151 million in write-downs of 11 phased out IC4 train sets, while 2018 included DKK 31 million in write-downs of 2 IC4 train sets.

### **Financials**

Net financials amounted to an expense of DKK 104 million (DKK 105 million).

### **Financial activities, 4th quarter 2019**

The pre-tax result in 4th quarter of 2019 showed a loss of DKK 1,610 million while the pre-tax result adjusted for non-recurring items showed a profit of DKK 82 million.

The pre-tax result in 4th quarter of 2019 is affected by write-downs of rolling stock by DKK 1,686 million including write-downs of the 11 phased out IC4 train sets.

The net turnover amounted to DKK 2,434 million. This is DKK 87 million higher than in the 4th quarter 2018 and is driven by lower passenger revenues.

Passenger revenue amounted to DKK 1,362 million in the 4th quarter compared with DKK 1,425 million in the 4th quarter 2018. The decrease is mainly due to journeys were made at a lower average price, due among other

things, to more Orange and Orange Free tickets being sold.

Transport contract revenue was DKK 989 million, which is DKK 26 million less than 4th quarter 2018. The primary reason being the sale of the activities in Germany.

Sale of repair and maintenance of rolling stock, etc. amounted to DKK 74 million and Sale and leasing of rolling stock amounted to DKK 9 million, which is in line with 4th quarter 2018.

Work performed by the enterprise and capitalised amounted to DKK 127 million, and is ascribed to major overhauls and activatable supplemental work.

Other operating income amounted to DKK 356 million compared to DKK 402 million in 2018. Other operating income is affected by compensation from insurance of DKK 30 million, while 4th quarter 2018 is affected by profit from sale of property.

Expenses totalled DKK 2,340 million in the 4th quarter.

Expenses for raw materials and consumables amounted to DKK 501 million, which is in line with 2018.

Other external costs amounted to DKK 935 million, which is DKK 75 million lower than 2018.

Staff costs amounted to DKK 904 million, which is an increase of DKK 49 million compared to 4th quarter 2018. The increase is mainly due to general wage increases and provision for severance costs for streamlining the administration decided in December.

Amortisation and depreciation amounted to DKK 2,166 million in the 4th quarter. This is DKK 1,717 million higher than in 2018. The increase is due to the write-down of rolling stock and write-down of properties.

Net financials amounted to an expense of DKK 21 million

### **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 2019.

## **Sustainability**

On 6 December 2019, the Danish Parliament adopted the first binding climate act backed by a majority consisting of many different parties. This is an act which will form the foundation for the action plans that will ensure that Denmark reaches its ambitious target of reducing its overall greenhouse gas emissions by 70% in 2030.

It is an important milestone that creates the framework for the development of Danish society in the coming years. It is also a milestone that places demands on Danish companies in general and the transport sector in particular.

Today, trains are already the most climate-friendly mode of transportation, and trains are also the answer to the growing congestion challenges - particularly in and around the largest cities and the main road networks. Consequently, DSB views a long-term sustainable development as a necessary basis for our business.

DSB is seeing increasing demand for sustainable transport, particularly on international journeys and journeys over the Great Belt.

DSB wants to focus on sustainability to demonstrate that it takes responsibility for the society that we are a part of. At the same time, part of DSB's contract with the state involves the company being operated sustainably.

The transport sector is part of the problem when it comes to emitting greenhouse gases and other harmful substances in Denmark.

A journey taken on a DSB diesel Intercity train emits 4-5 less CO<sub>2</sub> than if the journey had been taken with a conventional car. The basis for the comparison is the traffic model Tema 2015 issued by the Ministry of transport which uses an average cabin factor of 54 percent for trains and 1.3 passenger for cars. In addition, a train can carry 700-800 passengers on a complete full rush hour departure and consequently an important contribution to the congestion in and out of the cities.

The most important thing that DSB can do for the environment is thus to ensure that more Danes opt to take the train when choosing their means of transport. However, we can have a positive impact on both the environment and the climate through more than train operations alone - we can also launch our own initiatives and set requirements for our suppliers.

Moving towards 2030, DSB wants to maintain and develop its position as a company that takes responsibility for both the climate and congestion by providing efficient transport solutions to all travellers in Denmark.

Simultaneously, DSB wants to ensure that the train can maintain its position as the most sustainable mode of transport (if you don't want to take the bicycle or walk), even as more environmentally friendly cars arrive on the market.

In 2019, DSB has formulated four ambitious climate and environment targets for 2030:

- Carbon neutral - all of DSB is to be supplied with renewable energy
- Reducing energy consumption by 50% - increasing the efficiency of energy consumption throughout DSB
- No particle emissions from the train engines
- At least 90% of waste is to be recycled - i.e., turned into new resources.

The four targets support all of the UN's Sustainable Development Goals (SDGs).

## We are not there yet, but we have whistled departure.

Today, DSB uses both diesel and electric rolling stock. Between now and 2030, DSB will be replacing the diesel rolling stock so that the entire train fleet in 2030 will consist of electric rolling stock.

DSB will also be reviewing its property portfolio, which is currently being heated by various sources. DSB will construct new and energy-efficient workshops and review the other properties with a focus on reducing energy consumption, which may also involve renovations being made to the buildings.

The target of zero particle emissions from the train engines is to be achieved via the new electric rolling stock, while the path towards meeting the other three targets is only partially charted.

DSB will conduct ongoing follow-ups on the progress in meeting the targets and launch additional initiatives to reach them.

Sustainability is something that we must all work on. Therefore, DSB will also focus on entering into value-creating partnerships to help meet both DSB's and Denmark's goals.

Working with sustainability issues, which is centrally anchored in the strategy, must go hand in hand with the continued focus on customer punctuality. In 2019, DSB has set up a team for sustainability, which will ensure a strong comprehensive effort, and DSB will internally develop new knowledge as it continues working with sustainability.

## Operating activities

### Productivity

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

	Increase			
	2019	2018	Abs.	Pct.
Danish activities	6,819	6,909	-90	-1
German activities <sup>1)</sup>	-	88	-88	-100
<b>Number of full-time employees – year-end</b>	<b>6,819</b>	<b>6,997</b>	<b>-178</b>	<b>-3</b>
<b>Average number of full-time employees in total</b>	<b>6,866</b>	<b>7,092</b>	<b>-226</b>	<b>-3</b>

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

The decrease in the number of full-time employees in the Danish activities is primarily due to the streamlining of the administration. On top of this, there are fewer full-time employees in the operations workshop.

The activities in Germany were sold off as of 1 January 2019.

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

	Increase			
	2019	2018	Abs.	Pct.
Passenger revenue per seat kilometre <sup>1)</sup> (DKK 0.01/km)	31.0	32.5	-1.5	-5
Costs per seat kilometre <sup>1,2)</sup> (DKK 0.01/km)	59.7	60.6	-0.9	-1

<sup>1)</sup> Seat kilometres are calculated as the number of seats contained in a litra unit multiplied by the number of litra kilometres travelled.

<sup>2)</sup> The calculation includes depreciation, but is adjusted for non-recurring items.

Passenger revenue per seat kilometre in 2019 declined by 5 percent compared with 2018. This is caused by a 2 percent fall in passenger revenue while the number of seat kilometres has risen by 3 percent. The increased number of seat kilometres should be viewed in the context of 2018 being affected by fewer seat kilometres due to axle problems on the ME-diesel locomotives and the closure of the Frederikssund Line.

Costs per seat kilometre declined by 1 percent compared with 2018. This is due to costs increasing by 1 percent while the number of seat kilometres increased by 3 percent.

## Punctuality

Table 3: Operator punctuality <sup>1)</sup>				
Percent			Increase	
	2019	2018	Abs.	Pct.
Long-distance & Regional Trains	94.9	94.4	0.5	1
S-trains	98.2	98.2	0.0	0

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

Operator punctuality for Long-distance & Regional trains of 94.9 percent has risen compared with 2018 and is generally stable as a result of a more robust time table and fewer interruptions in service incidents resulting from defects in rolling stock.

The operator punctuality of 94.9 percent exceeds the traffic contract's target of 94.3 percent.

The operator punctuality for S-trains was 98.2 percent in 2019, which is unchanged compared with 2018. Punctuality in 2019 has generally not been affected by interruptions in service for which DSB is responsible.

The operator punctuality of 98.2 percent exceeds the traffic contract's target of 97.5 percent.

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

Percent			Increase	
	2019	2018	Abs.	Pct.
Long-distance & Regional Trains	79.1	79.2	-0.1	0
S-trains	93.0	92.9	0.1	0

<sup>1)</sup> Customer punctuality for long-distance and regional train traffic is defined as the number of passengers riding on punctual trains in relation to the total number of passengers. Customer punctuality for the S-train network is defined as the proportion of passengers who may arrive punctually on the basis of passengers' expected travel pattern and the operated train traffic. Arrivals are considered punctual if they are less than 3 minutes delayed. Cancellations, which are not notified 72 hours in advance, are counted as delays.

Customer punctuality for Long-distance & Regional trains in 2019 fell to 79.1 percent from 79.2 percent in 2018. The lower punctuality is primarily a result of infrastructure works and delayed trains from Sweden. In addition, customer punctuality was affected by rolling stock defects and errors on tracks and signals. However, there were fewer rolling stock defects and errors on signals than in 2018.

At 79.1 percent, customer punctuality is below the traffic contract's target of 83.4 percent.

The customer punctuality for S-trains increased to 93.0 percent in 2019 from 92.9 in 2018. It is particularly errors on signals resulting from infrastructure works on and around the S-train lines that have caused irregularities in 2019.

At 93.0 percent, customer punctuality exceeds the traffic contract's target of 92.3.

### Punctuality, 4th quarter 2019

Operator punctuality for Long-distance & Regional trains was at 95.1 percent, while operator punctuality for S-trains was 98.2 percent. Both were thus above the targets of the traffic contract.

Customer punctuality for Long-distance & Regional trains was 79.1 percent and thus lower than the targets of the traffic contract. Customer punctuality was affected by defects in rolling stock, infrastructure errors and delayed

trains from Sweden, which affect the departures from Copenhagen Central Station. For S-trains, customer punctuality was 93.2 percent, which is above the targets of the traffic contract.

## Customers

In 2019, 187.2 million journeys were made with DSB, which is an increase of 0.5 million compared with 2018.

Table 5: Total journeys				
	1,000 journeys		Increase	
	2019	2018	Abs.	Pct.
Long-distance and Regional trains	75,299	75,676	-377	0
Øresund - bridge crossing	12,261	12,386	-125	-1
Zealand, including Kystbanen/The Coast Line and the Kastrup Line	41,374	41,757	-383	-1
West (Jutland and Funen)	13,131	13,252	-121	-1
East/West: (across the Great Belt)	7,844	7,644	200	3
Others	689	637	52	8
S-trains	111,917	111,067	850	1
<b>Total</b>	<b>187,216</b>	<b>186,743</b>	<b>473</b>	<b>0</b>

Long-distance & Regional Trains had 75.3 million journeys, which is 0.4 million fewer than in 2018. The effect of the strikes on 1 April in Long-distance & Regional trains is estimated at 0.1 million journeys.

Øresund crossings amounted to 12.3 million journeys in 2019, which is 1 percent lower than in 2018.

The number of journeys on Zealand including Kystbanen (the coastal line) and the Kastrup line was 41.4 million in 2019, which was negatively affected by track works on the lines between Roskilde and Korsør and between Ringsted and Nykøbing Falster/Rødby. The number of journeys in 2018 was negatively affected by ME-diesel locomotives being taken out of service and the track works on Kystbanen.

For West (Jutland and Funen), the number of journeys was 1 percent lower than in 2018, as the fare reform is considered to have resulted in the customers adopting a different travel pattern.

The number of East/West journeys (crossing the Great Belt) was 3 percent higher in 2019 compared with 2018. The comprehensive track works between Roskilde and Korsør on 24 March - 12 June involving a complete shut-down and reduced traffic has had a negative impact on the development. In response to the increasing competition and the loss of customers, more Orange and Orange Free tickets have been offered for sale. As a result, 2.7 million Orange and Orange Free tickets were sold for East/West journeys in 2019, compared with 1.7 million in 2018. Related hereto the average price per journeys the Great belt has decreased from DKK 206 in 2018 to DKK 184 in 2019 corresponding to a decline of 11 percent.

S-trains had 111.9 million journeys in 2019, which is 0.9 million more than in 2018. Track works in 2019 - mainly around Lyngby - have resulted in a decrease in the number of journeys of 1.5 million. At the same time, the labour strikes in April and June resulted in a decrease in the number of journeys of 0.4 million. 2018 was, however, affected by more comprehensive track works - mainly on the Frederikssund Line - which resulted in 3.5 million fewer journeys. Conversely, track works on Kystbanen (The Coastal Line) in 2018 led to an increase of 0.4 million in the number of journeys by S-train.

## Rising market shares

Since July, DSB has won market shares each month for Great Belt crossings.

The comprehensive track works between Roskilde and Korsør had a negative impact on market share in the period from March to June. The train customers have returned, however, and no major track works since June have directly affected the regional traffic. In the period July-December, DSB's market share for

Great Belt crossings has increased by 1.2 percentage points compared with the same period in 2018.

#### Orange and Orange Free

During 2019, DSB has been focused on Orange and Orange Free via offering more tickets, launching more campaigns, targeting offers to customer segments and the further development of the Revenue Optimizer management tool.

4.4 million Orange and Orange Free tickets were sold in 2019, which is an increase of 90% compared with 2018.

#### Digitalisation and self-service

Even more customers have used the digital self-service options in 2019, and the self-service rate is 90 percent at the end of 2019 - 1 percentage point higher than at the end of 2018. The revenue from the self-service channels represents 91 percent of the total passenger revenue.

From the digital channels, it is DSB App, Rejsekort and dsb.dk that are growing, while the other channels are stagnating or slightly declining.

In March, DSB launched a new app, and the turnover from this in 2019 amounted to DKK 993 million, the equivalent of an increase of 13 percent compared with the turnover from the previous app in 2018. Inter-county commuter passes and Orange Free tickets are the main source of growth on the DSB App, which has almost 400,000 unique users per month - an increase of more than 70,000 since its launch in March.

DOT's digital sales channels saw declining revenue in 2019, amounting to DKK 620 million, the equivalent of a 4 percent decrease compared with 2018. The decline is primarily a result of the phasing out of ticket coupons in the DOT App.

WiFi and mobile repeaters will significantly increase signal coverage in the train. Rail Net

Denmark and the tele-companies are not quite in place with better signal coverage along the rails, but expect to be in place during the first half of 2020, after which there will only be a few places without coverage along the rails.

#### Personal sales and customer service

Customer satisfaction with the service received in Customer Service Centres and Ticket Sales has grown despite the phasing out of cardboard commuter cards and the implementation of two major Apps - DSB App and DOT App, which faced some challenges during implementation. On average, customer satisfaction for 2019 was at 9.3 on a scale of 0 to 10.

The personal service still focuses on assisting customers via digital channels in order to maintain the high degree of self-service. However, there is still a need for personal assistance in connection with the sale of more complex products.

In 2019, there was an increase of 4 percent in the number of inquiries made via telephone - mainly from Rejsekort customers, as in 2019 26 percent more Rejsekort were issued than in 2018.

In connection with the increasing focus on sustainability, DSB has seen an increase of 17 percent in the number of inquiries made by telephone about international travel in 2019 compared with 2018. This trend is expected to continue in 2020.

Inquiries to the Customer Centre in 2019 has decreased by 5 percent. This is mainly due to the travel time guarantee cases declining by 18 percent compared with 2018.

Customer inquiries in 2019 were more complex than previously, and therefore took longer to process. Despite this, DSB managed to keep the response time for written inquiries below the 10 day target maximum.

In 2019, DSB has increased the use of robots in the Customer Centre, and this has led to increased efficiency.



## Customer satisfaction

Table 6: Customer satisfaction				
1,000 journeys (scale 0-10)			Increase	
	2019	2018 <sup>3)</sup>	Abs.	Pct.
Satisfaction with the journey (Long-distance & Regional trains)	8.0	7.8	0.2	3
Satisfaction with Long-distance & Regional trains in general	7.2	7.0	0.2	3
Satisfaction with the journey (S-trains)	8.1	8.1	0.0	0
Satisfaction with S-trains in general	7.8	7.8	0.0	0
Satisfaction with the journey (all of DSB)	8.0	8.0	0.0	0

The 2019 customer satisfaction total was 8.0, which is the same as in 2018.

For Long-distance & Regional trains, however, there has been increasing levels of satisfaction - particularly when it comes to trains arriving and departing on time.

### Campaigns

In 2019, DSB has run a number of campaigns targeted at different customer segments.

In the start of 2019, DSB launched the new communications platform Den Fælles Fortælling (Our Shared Story) as the strategic basis for the customer-oriented campaigns. The platform is unfolded via customer stories. Specifically, this has resulted in six different stories that have been shown on TV and in cinemas during 2019. Under the main message of "Life has many changes and a lot of tracks", DSB has demonstrated how the train can play a role in relation to the choices that people make in life, everyday situations and society.

In May, DSB launched a competition to find the best idea from customers and employees about how DSB could become greener. The competition was the start of a more long-term strategic environmental communication aimed at connecting DSB to the green agenda and, at the same time, contributing to DSB's environmental initiatives. DSB received 1,708

ideas from customers and 252 ideas from employees. The four winners were announced at an event at Copenhagen Central Station.

The inconveniences caused by the track works on the lines around Ringsted and Sydbanen have resulted in DSB losing commuters. DSB has introduced a pilot project that offered refunds of 30 days' on a commuter card if the commuters had bought at least 59 travel days on their commuter cards in August or September on one of the lines that were affected by the track works in question. The pilot project is continuing until 28 February 2020 and will be evaluated on an ongoing basis so that the solution, and therefore the customer experience, can be optimised. It is also being assessed whether this solution should be offered in connection with future comprehensive track works.

DSB has been focusing on increasing the use of S-trains, and in connection with the opening of the City Ring on 29 September, free trips were offered to all S-train passengers. The initiative resulted in 25,000 extra passengers, which was satisfactory.

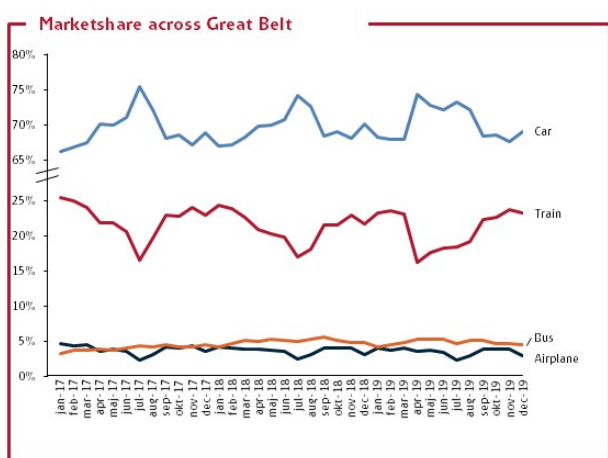
At the end of the year, DSB ran a Christmas campaign for the third year in a row with an increase in the number of available Orange and Orange Free tickets. Among other things, the campaign was aimed at improving DSB's reputation by building a positive association with DSB through its active presence in the Christmas season.

182,000 Orange and Orange Free tickets were sold for Saturdays and Sundays in the period from 2 November to 15 December. The Christmas campaign resulted in a turnover of DKK 15 million, which is DKK 2 million higher than the 2018 Christmas campaign.

### Customers, 4th quarter 2019

In the 4th quarter, 48.7 million journeys were completed, which is in line with the 4th quarter 2018.

East/west traffic was not directly affected by track works in the 4th quarter of 2019. Together with the commercial activities - Orange and Orange Free - this has resulted in DSB winning market shares for Great Belt traffic in the 4th quarter of 2019. DSB's market share has thus increased by 1.2 percentage points compared with the same period in 2018. This means that DSB has won market share in both the 3rd and 4th quarters.



## Rolling stock situation

### Rolling stock situation in 2019

DSB's rolling stock was, overall, in better shape in 2019 than in 2018, which was characterised by a lack of spare parts and waiting times for spare parts and also by the ME locomotive axle problems.

An increasing focus on improving maintenance of rolling stock and initiatives related to spare parts management has resulted in almost every litra type covering more kilometres between incidents despite the aging rolling stock increasingly challenge maintenance and operational stability.

The opening of the new line between Copenhagen and Ringsted via Køge Nord was met with some challenges, resulting in defects on rolling stock that needed to be adapted to the new line. At the same time, there were generally more defects on the rolling stock over the summer period. However, there were fewer defects in the summer of 2019 than in 2018,

which, among other things, is a result of the abovementioned focus on maintenance issues and targeted initiatives for the rolling stock. In the autumn, the rolling stock situation was once again characterised by an increasing number of kilometres between incidents.

### Rolling stock

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

Kilometre (1,000 )			Increase	
	2019	2018	Abs.	Pct.
IC4 train sets	7,353	7,535	-182	-2
IC3 train sets	28,769	29,110	-341	-1
IR4 train sets	9,917	10,623	-706	-7
Øresund train sets	7,803	7,099	704	10
Double-decker coaches <sup>2)</sup>	15,149	11,017	4,132	38
MR train sets	3	513	-510	-99
Desiro train sets	2,261	2,512	-251	-10
ME diesel locomotives	3,406	2,293	1,113	49
EA electric locomotives	223	265	-42	-16
S-train sets	17,975	17,386	589	3

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

<sup>2)</sup> Litra kilometres for double-decker coaches are calculated per coach, regardless of the fact that several coaches are usually connected.

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

Kilometre (1,000 )			Increase	
	2019	2018	Abs.	Pct.
IC4 train sets	8.1	4.7	3.4	72
IC3 train sets	35.0	28.9	6.1	21
IR4 train sets	17.5	12.4	5.1	41
Øresund train sets	22.5	21.0	1.5	7
Double-decker coaches	22.1	18.5	3.6	19
MR train sets	1.6	9.0	-7.4	-82
Desiro train sets	12.0	8.6	3.4	40
ME diesel locomotives	25.0	22.5	2.5	11
EA electric locomotives	4.2	5.8	-1.6	-28
S-train sets	16.9	14.2	2.7	19

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

The development in the reliability of the rolling stock, as seen in the table above, shows that for most litra there was an increasing number of kilometres between incidents.



### *IC4 train sets*

In 2019, the IC4 train sets travelled 7.4 million litra kilometres, which is 2 percent less than in 2018. The IC4 train sets have covered 18 percent of the total diesel operations in 2019. In 2019, the IC4 train sets were primarily utilised in regional rail traffic in Jutland and on Zealand, but also for selected departures in the long-distance rail traffic.

The IC4 train sets' operational stability has significantly improved compared with 2018. Number of kilometres travelled between incidents has increased by 72 percent. It is mainly a good framework for the management of errors and an optimisation of processes in the planning of the production that has resulted in significantly fewer errors in 2019 compared with previous years.

End of 2019 DSB has phased out 11 IC4 train sets. The phase-out is justified in a reduced need for reserve stock because of increased operational reliability for the IC4 train sets.

### *IC3 train sets*

In 2019, the IC3 train sets celebrated their 30th birthday in the train fleet, as the first IC3 train sets were delivered in 1989.

The IC3 train sets continue to constitute a very central part of the train fleet and account for a very large majority of the Long-distance & Regional train traffic.

The IC3 train sets travelled 28,8 million litra kilometres in 2019, which is 1 percent less than in 2018. The IC3 train sets represented 69 percent of the total travel with diesel trains.

The IC3 train sets have also had a positive development in terms of kilometres driven between incidents (mean distance between failures), which has risen by more than 21 percent compared with 2018. The initiatives launched in the second half of 2018 aimed at meeting the challenges with the rolling stock and spare parts areas have contributed to fewer errors in 2019.

Despite the advanced age of the IC3 train sets, it is still the most operationally stable train type with 35,000 kilometres covered between incidents in 2019.

DSB is in the process of extending the operational life of the IC3 train sets, both in terms of design and technical components.

### *IR4 train sets*

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

In 2019, the IR4 train sets have covered 7 percent less litra kilometres than in 2018, which is a result of the Esbjerg-Lunderskov Line being closed for electric train traffic during a period in the spring.

In 2019, the IR4 train sets have covered approximately 18,000 kilometres between incidents, which is an increase of 41 percent compared with 2018.

A number of initiatives have been implemented in the IR4 workshop and in operations which have resulted in the reduction of incidents. The installation of new toilet systems was completed in July.

### *Øresund train sets*

In cooperation with Swedish owners of rolling stock, DSB started an upgrade project of the Øresund train sets in 2017. The first upgraded train sets have been delivered and put into operation.

The Øresund train sets have travelled 10 percent more litra kilometres in 2019 compared with 2018. One of the reasons for this was that the trains were not in service on Kystbanen (the coastal line) during the summer of 2018 due to track work.

The number of kilometres travelled between incidents has increased by 7 percent in comparison with 2018. The Øresund train sets

thus travelled around 23,000 kilometres between incidents in 2019.

Increased monitoring and management of which train sets to call for repair and overhaul has resulted in fewer errors.

In 2019, the Øresund train sets have been challenged by a large number of disabled train sets and longer repair times. Several disabled train sets have been out of operation for over a year. In addition, the upgrading of the train sets has resulted in long periods with fewer trains than planned being operational.

In connection with the transfer of the Øresund traffic, the maintenance of the 77 Swedish-owned Øresund train sets will be transferred to the new supplier. This will take place in December 2020.

#### *Double-decker coaches*

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

In 2019, the double-decker coaches have travelled significantly more litra kilometres than in 2018. This is due to the fact that all ME diesel locomotives were taken out of service in January 2018 as a result of axle problems.

In 2019, the double-decker coaches have travelled 19 percent more kilometres between incidents than in 2018. This is mainly due to the double-decker coaches operating with few errors at the start of the year. There was a decrease in the number of kilometres travelled between incidents in connection with the use of the new track between Copenhagen and Ringsted, as the rolling stock had to be adapted to the new line. Assisted by a close dialogue between the train staff, however, the number of reported errors has decreased.

In 2019, several initiatives to improve the number of kilometres travelled between incidents have been implemented. Among other things, this has included the resetting of doors

and the replacement of connectors, cables and batteries.

#### *MR train sets*

The MR production has been significantly lower in 2019 than the year before, as the MR train sets only drove few kilometres in January 2019. MR train sets were hereafter no longer used by DSB.

#### *Desiro train sets*

In 2019, the Desiro train sets have operated on the Svendborg Line and Lille Syd between Roskilde and Næstved. In addition, they have been used in West Funen when there has been a shortage of other train sets. On these lines, they have travelled a total of 2.3 million litra kilometres in 2019.

In 2019, the Desiro train sets have increased the number of kilometres travelled between incidents by 40 percent compared with 2018.

The number of brake errors has also been a focus area in 2019, and the focus on reducing the number of errors will continue in 2020.

In 2019, WiFi has been installed on all train sets, and ECTS now only needs to be installed in the eight Desiro train sets that operate on the Svendborg Line.

#### *ME diesel locomotives*

The ME diesel locomotives have travelled significantly more kilometres in 2019 than in 2018, which is a result of DSB in the end of January 2018 temporarily suspending operations of all ME diesel locomotives after finding early fracture formation on two axles. The ME diesel locomotives have travelled 11 percent more kilometres between incidents in 2019 compared with 2018.

Particularly in the first half of 2019, the locomotives were challenged on this parameter as a result of the many electrical errors on the aging locomotives. Things have improved in the second half of the year, although there were some challenges in connection with

adapting the rolling stock to operation on the new line between Copenhagen and Ringsted.

DSB continues to work on a number of initiatives directed at ME diesel locomotives, including reconstructing the locomotives to reduce their environmental footprint until they are phased out. The phasing out is scheduled to begin from 2021 as new electric locomotives are commissioned.

#### *EA electric locomotives*

The EA electric locomotives have operated with less stability in 2019 compared with 2018, and the number of kilometres travelled between incidents has decreased by 28 per cent.

Several times during 2019, the EA electric locomotives have been completely taken out of service as a result of faults on the rolling stock. The number of litra kilometres travelled in 2019 is therefore lower than in 2018.

The EA electric locomotives are expected to be completely phased out in 2021.

#### *S-train sets*

The S-trains have travelled 18.0 million litra kilometres in 2019, which is an increase of 3 percent compared with 2018.

The number of kilometres travelled between incidents grew by 19 percent, as the S-train sets travelled around 17,000 kilometres between incidents in 2019.

The improvement is mainly caused by the CBTC security system, which in 2019 demonstrated the best operational reliability in many years.

In order to meet the great demand for bicycle capacity from customers, all of the short S-train sets have been reconfigured in 2019 so that they include a large and flexible space in the middle of the train.

#### *The signal programme*

There was a special focus on ensuring that the equipping of the relevant litra types in DSB's fleet would succeed, after the so-called Plan B on the immunisation of a number of electrified stretches of the rail net was abandoned in November 2018. The key milestone was that at least six IC3 train sets should be reconfigured by the end of 2019.

Another key milestone in 2019 was the operationalisation of the first ERTMS-equipped line in East Denmark - the line between Roskilde and Køge.

By the end of 2019, work or testing was in progress on three prototype trains: IR4 train sets, double-decker coaches and the Desiro train sets. There is a need for two additional prototype trains for the IC3 train sets and one for the double-decker coaches. As soon as this has been realised, the prototype installation in all of the litra types that will be reconfigured to the new signal system will have been completed.

#### *Long-distance & Regional Trains*

The serial installation process for the IC3 train sets was, as agreed, commenced on 3 June, and the target of having reconfigured six train sets was reached. By the end of year, a total of eight IC3 train sets had been reconfigured. The process was characterised by the supplier, Alstom, experiencing and continuing to experience challenges with its supply chain.

DSB's role in connection with the reconfiguring of the IC3 train sets is to ensure the quality of what is installed and to ensure that at no time there are more trains taken out of operation than agreed upon. In addition, DSB Vedligehold A/S is handling the installation work itself as a subcontractor of Alstom.

During the completion of the so-called RDT test on the first IC3 train set in the late summer, the train set's STM unit registered an unusual number of errors, several resulting in emergency brakes with the associated interruptions to services. The cause of the errors

was primarily that several ATC balises along the tracks were not working properly. During the autumn, in order to identify the malfunctioning balises, DSB made one of the reconfigured IC3 train sets available to be used for special monitoring trips along a large number of stretches. Several balises were subsequently replaced by Rail Net Denmark and more are expected to be replaced in the 1st quarter of 2020.

The serial installation in 12 Desiro train sets started in 2018 and was completed before the originally scheduled launch of the new signal system between Roskilde and Køge in May.

The reconfiguring of the first out of a total of eight Desiro train sets for the Svendborg Line was begun in September.

Currently, the first IR4 train set is being configured as well. The Minister for Transport is recommending to the relevant group of the Danish parliament that the remaining 43 train sets should also be reconfigured. The reconfiguration is expected to begin in August.

The final training of train drivers was completed in the months leading up to the opening of the line between Roskilde and Køge. A few weeks before the commissioning, the Ministry of Transport, Building and Housing inspected DSB and noted that all procedures, etc. were in place. The commissioning of the line went according to plan, and on 15 December the first DSB trains with passengers were in operation on an ERTMS-equipped rail line. Despite some initial problems - among other things, involving the management of overruns - punctuality on the line have stabilised.

The reconfiguration of the first double-decker coaches began on 23 April, and at the beginning of September, the operating permit and type permits were received. The serial installation is expected to begin at the end of March.

At the start of 2019, it was decided to phase out the remaining MR train sets - including the four train sets that were used as test trains for the infrastructure while testing the Signal Programme. It is expected that reconfigured train sets of other litra types can complete the remaining tests.

The Swedish train fleet owner have completed an independent tender process in 2019 for the Øresund train sets. A contract is expected to be signed in the 1st quarter.

#### *S-trains*

In May, the new signal system was implemented on yet another line. Thus, CBTC is now being used from Hillerød to Svanemøllen and from Hellerup to Ryparken. The implementation and subsequent operations have generally been handled well. Software changes have reduced the number of errors, but there is still a need to correct some known errors that impact operations.

All S-trains are equipped with the new system and all train drivers are trained in working with CBTC.

Rail Net Denmark expects to be ready for the next implementation in the 1st quarter of 2021. This implementation depends on solving the problem concerning slippery tracks, and this is only expected to be implemented in the summer of 2021.

#### **DSB Ejendomsudvikling A/S**

DSB has for a long time wanted to move further into the real estate project development value chain. DSB was given an opportunity to do so via an amendment to the DSB Act entering into force on 1 May 2019.

As per the DSB Act, commercial property development in DSB's associated companies is undertaken by DSB Ejendomsudvikling A/S. The projects are structured as joint ventures with external parties, where DSB Ejendomsudvikling as a general rule owns up to 50% of the equity. DSB Ejendomsudvikling contributes with the construction rights, and

the external party generally contributes with liquid assets.

This means that instead of selling construction rights, DSB can now (via DSB Ejendomsudvikling) enter into partnerships to realise real estate projects with high quality and focus on sustainability. DSB thus gains the opportunity to receive long-term cash flow in the form of rental income instead of proceeds from sales. In addition, DSB Ejendomsudvikling has rental income from the properties it rents out. The pre-tax earnings in 2019 of DSB Ejendomsudvikling amounted to DKK 35 million.

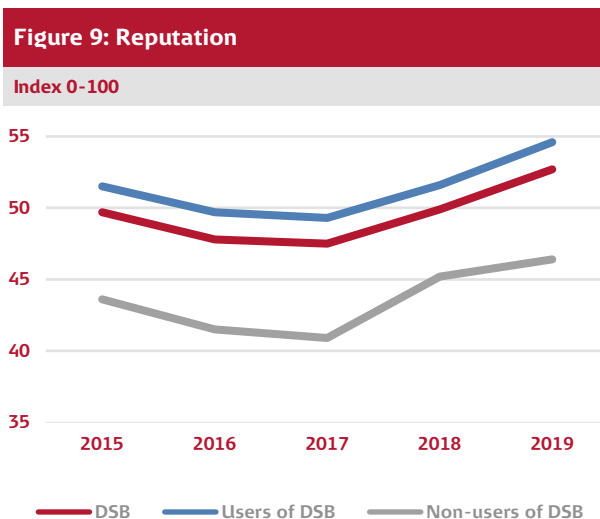
DSB has identified a number of real estate projects that are suitable for commercial property development. The pre-tax earnings for DSB Ejendomsudvikling are affected by the costs associated with the preparation of these projects, amounting to DKK 2 million.

The first commercial property development project will be DSB's building rights on Grønttorvet in Copenhagen, where a partnership will be established in 2020. The company that will support the project was founded in 2019. The founding of the company has no impact on the accounts for 2019.

## Reputation

DSB's reputation improved in 2019. Viewed as an average figure for the year, the reputation has improved in relation to last year by 2.8 points to 52.7. This improvement has occurred despite issues with Rail Net Denmark's necessary track works and the negative spillover effects on customer punctuality and operations.

It remains the case that users (54.1) have a significantly better view of DSB than non-users (47.1). For both groups, the reputation rating for the 4th quarter of 2019 is higher than for the 4th quarter of 2018.



## **Expectations for 2020**

In 2020, DSB expects a modest positive result before tax, adjusted for non-recurring items.

## **Events that have occurred after the balance sheet date**

No events have occurred after 31 December 2019 which, in the opinion of the management, have a significant impact on the assessment of the annual report for 2019.

## **Other matters**

There are no other events which, in the opinion of the management, have a significant impact on the assessment of the annual report for 2019.







# Consolidated annual accounts and annual accounts

## Management statement on the annual report and the independent auditors' report

### Management statement

The Board of Directors and the Executive Board have today discussed and approved the annual report for DSB for 2019.

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 2019 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 2019.

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 result for the year and the group's and the parent corporation's financial position in general and a description of the most important risks and uncertainty factors to which the group and the parent corporation are subject.

The annual report is recommended for approval by the annual meeting.

Taastrup, 6 February 2020

### Executive Board

Flemming Jensen  
CEO

Thomas Thellersen Børner  
CFO

Jan Sigurdur Christensen  
Director of Commercial

Jürgen Müller  
Director of Strategy  
& Rolling stock

Per Schrøder  
Director of Operations

### The Board of Directors

Peter Schütze  
Chairman

Annette Sadolin  
Vice Chairman

Henrik Amsinck

Hanne Blume

Carsten Gerner

Christina Grumstrup Sørensen

Preben Steenholdt Pedersen

Lone Riis

Morten Færgemann Sørensen



## **The independent auditors' report**

### **To the Minister for Transport**

#### **Auditor's report on the consolidated annual accounts and the annual account**

##### **Opinion**

We have audited the consolidated annual accounts and the annual accounts of the independent public corporation DSB for the financial year 1 January - 31 December 2019, 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 of the Danish Financial Statements Act and the 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 as of 31 December 2019 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 1 January - 31 December 2019 in accordance with the provisions of the Danish Financial Statements Act and the 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 good public auditing practice, as the audit is carried out on the basis of the provisions in the DSB Act. Our responsibility according to these standards and requirements is described in detail in the section "Auditor's responsibility for the consolidated annual accounts and the annual accounts". We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence**

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 independent public corporation DSB pursuant to international ethical rules for auditors (IESBA's ethical rules) and the additional requirements applicable in Denmark. We have both fulfilled our additional ethical obligations under these rules and requirements.

##### **The management's responsibility for the consolidated annual accounts and the annual accounts**

The management is responsible for the preparation of the consolidated annual accounts and annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act and the DSB Act. Management is also responsible for such internal controls as it deems 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 independent public corporation DSB's ability to continue operations, providing information on conditions regarding continued operation, if relevant, and prepar-

ing the consolidated annual accounts and the annual accounts based on the going concern accounting principle unless the management intends to liquidate the independent public corporation DSB, suspend operations or has no other realistic alternative than to do so.

### **The auditor's responsibility for the audit of the consolidated annual accounts and 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 audits and the additional requirements applicable in Denmark, as well as good public auditing practice, cf. the DSB Act, will always discover material misstatements when such are present. 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 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, cf. the DSB Act, we perform professional assessments and maintain professional scepticism during the audit. In addition:

- We identify and assess the risk of material misstatements 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 the disregarding of internal controls.
- 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 independent public corporation DSB'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 independent public corporation DSB'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 independent public corporation DSB being unable to continue operations.

- We evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the information in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events and thus present a true and fair view of these.
- We obtain sufficient and suitable audit evidence for the financial information for companies or business activities in the group for the purposes of expressing an opinion on the consolidated annual accounts. We are responsible for managing, overseeing and carrying out the group audit. We are solely responsible for our audit opinion.

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

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

The management is responsible for the management's review.

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

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

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

Based on the work performed, we find that the management's review is in accordance with the consolidated annual accounts and the annual accounts and has been prepared in accordance with the requirements of 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 covered by the financial reporting are in accordance with reported grants, legislation and other stipulations, as well as with agreements concluded and the usual practice. The management is also responsible for ensuring that due financial consideration is taken for the management of the funds and operations of the companies included in the annual accounts. In that context, the management is responsible for setting up systems and processes that promote frugality, productivity and efficiency.

In connection with our audit of the annual accounts, it is our responsibility to complete a legal-critical audit and a management audit of selected topics in accordance with good public accounting practice. During our legal-critical audit, we verify with a high degree of certainty for the selected topics whether the examined transactions covered by the financial reporting are in accord-

ance with the relevant provisions of grants, legislation and other stipulations in addition to concluded agreements and the usual practice. During our management 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 operations covered by the annual accounts.

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

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

Copenhagen, 6 February 2020

**Ernst & Young**

Authorised Limited Company of Accountants  
CVR no. 30700228

**The National Audit Office of Denmark**

CVR No. 77806113

Peter Gath

State-authorized public  
accountant  
mne19718

Michael N. C. Nielsen

State-authorized public  
accountant  
mne26738

Lone Lærke Strøm  
Auditor General

Malene Sau Lan Leung  
Head of Office

## Income statement

Parent corporation				Group	
2018	2019	Note	Amounts in DKK million	2019	2018
			<b>Income</b>		
9,302	9,275	2.1	Net revenue	9,546	9,684
62	35	2.2	Work performed by the entity and capitalised	480	578
1,043	790	2.3	Other operating income	1,359	1,593
<b>10,407</b>	<b>10,100</b>		<b>Total revenue</b>	<b>11,385</b>	<b>11,855</b>
			<b>Expenses</b>		
467	500	2.5	Expenses for raw materials and consumables	1,958	1,866
5,141	5,107	2.6, 2.7, 2.8	Other external expenses	3,677	3,883
2,550	2,685	2.9, 2.10	Staff costs	3,736	3,604
<b>8,158</b>	<b>8,292</b>		<b>Total expenses</b>	<b>9,371</b>	<b>9,353</b>
<b>2,249</b>	<b>1,808</b>		<b>Earnings before amortisation and depreciation</b>	<b>2,014</b>	<b>2,502</b>
1,749	3,609	3.1,3.2, 3.3	Amortisation, depreciation and write-downs of intangible and tangible assets	3,551	1,829
<b>500</b>	<b>-1,801</b>		<b>Operating profit/loss</b>	<b>-1,537</b>	<b>673</b>
			<b>Financials</b>		
119	202	4.3	Profit/loss after tax in group enterprises and associated undertakings	0	0
48	12	4.1	Financial income	7	34
128	108	4.1	Financial expenses	111	139
<b>39</b>	<b>106</b>		<b>Net financials</b>	<b>-104</b>	<b>-105</b>
<b>539</b>	<b>-1,695</b>		<b>Profit or loss before tax</b>	<b>-1,641</b>	<b>568</b>
-89	419	5.1	Tax on earnings for the year	365	-118
<b>450</b>	<b>-1,276</b>		<b>Earnings for the year</b>	<b>-1,276</b>	<b>450</b>
		4.2	<b>The earnings for the period are distributed as follows:</b>		
			Company participant in DSB	-1,276	450
			<b>Total</b>	<b>-1,276</b>	<b>450</b>
		4.2	<b>The parent corporation's result is proposed to be allocated as follows:</b>		
120	0		Dividend for the Ministry of Transport and Housing		
46	-32		Reserve for development costs		
284	-1,244		Retained earnings		
<b>450</b>	<b>-1,276</b>		<b>Total</b>		

## Balance sheet – assets

Parent corporation				Group	
2018	2019	Note	Amounts in DKK million	2019	2018
		3.1	<b>Intangible assets</b>		
132	137		Development projects	137	132
82	29		Intangible assets in progress and prepayments	33	82
<b>214</b>	<b>166</b>		<b>Total intangible assets</b>	<b>170</b>	<b>214</b>
		3.2	<b>Tangible assets</b>		
3,883	3,878		Land and buildings	4,217	4,233
6,762	4,096	3.3	Rolling stock	4,938	7,565
600	603		Operating equipment, fixtures and fittings and other equipment	750	759
247	154		Tangible assets in progress and advance payments	366	397
<b>11,492</b>	<b>8,731</b>		<b>Total tangible assets</b>	<b>10,271</b>	<b>12,954</b>
		4.3	<b>Investments</b>		
1,455	1,547		Equity investments in group and associated undertakings	0	0
645	584		Debt to group companies	-	-
199	165		Subordinated loan capital in associated companies	165	199
26	46		Other receivables	48	26
<b>2,325</b>	<b>2,342</b>		<b>Total investments</b>	<b>213</b>	<b>225</b>
<b>14,031</b>	<b>11,239</b>		<b>Total non-current assets</b>	<b>10,654</b>	<b>13,393</b>
<b>12</b>	<b>12</b>	6.1	<b>Inventories</b>	<b>463</b>	<b>396</b>
<b>0</b>	<b>2</b>	3.2	<b>Properties held for sale</b>	<b>15</b>	<b>17</b>
		6.2	<b>Receivables</b>		
350	350		Trade receivables	466	469
623	236		Receivables from group undertakings	-	-
30	25		Receivable joint taxation contribution	-	-
308	303		Other receivables	313	338
162	229	6.3	Prepayments	140	130
<b>1,473</b>	<b>1,143</b>		<b>Total receivables</b>	<b>919</b>	<b>937</b>
<b>40</b>	<b>8</b>		<b>Cash at bank and in hand</b>	<b>30</b>	<b>89</b>
<b>1,525</b>	<b>1,165</b>		<b>Total current assets</b>	<b>1,427</b>	<b>1,439</b>
<b>15,556</b>	<b>12,404</b>		<b>Total assets</b>	<b>12,081</b>	<b>14,832</b>

## Balance sheet – liabilities and equity

Parent corporation				Group	
2018	2019	Note	Amounts in DKK million	2019	2018
			<b>Equity</b>		
4,760	4,760		Contributed capital	4,760	4,760
138	106	2.2	Reserve for development costs	-	-
804	521		Retained earnings	-415	942
120	0		Proposed dividends	0	120
<b>5,822</b>	<b>4,345</b>		<b>Total equity</b>	<b>4,345</b>	<b>5,822</b>
			<b>Provisions</b>		
117	133	8.1	Other provisions	146	149
819	287	5.2	Deferred tax liabilities	248	755
<b>936</b>	<b>420</b>		<b>Total provisions</b>	<b>394</b>	<b>904</b>
			<b>Non-current liabilities</b>		
2,162	2,277	4.4	Long-term loans	2,277	2,162
377	407		Other non-current liabilities	407	377
259	327		Other liabilities	358	259
<b>2,798</b>	<b>3,011</b>		<b>Total non-current liabilities</b>	<b>3,042</b>	<b>2,798</b>
			<b>Current liabilities</b>		
961	484	4.4	Current portion of non-current liabilities	484	961
200	497		Short-term loans	497	200
640	185		Credit institutions	185	640
1,021	1,342		Trade accounts payables	1,631	1,379
1,288	814		Debt to group companies	-	-
212	83		Corporation tax	80	211
727	551		Other liabilities	719	914
951	672	6.4	Prepayments	704	1,003
<b>6,000</b>	<b>4,628</b>		<b>Total current liabilities</b>	<b>4,300</b>	<b>5,308</b>
<b>8,798</b>	<b>7,639</b>		<b>Total liabilities</b>	<b>7,342</b>	<b>8,106</b>
<b>15,556</b>	<b>12,404</b>		<b>Total equity and liabilities</b>	<b>12,081</b>	<b>14,832</b>
		1.1	Accounting policies applied		
		1.2	Significant accounting estimates		
		1.3	Materiality in financial reporting		
		2.4	Commercial property development		
		8.2	Contingent assets and liabilities, as well as other economic obligations		
		8.3	Related parties		
		8.5	Events after the balance sheet date		

## Statement of changes in equity

Amounts in DKK million

	Contributed capital	Reserve for development costs	Retained earnings	Proposed dividends	Total equity
<b>Parent corporation</b>					
<b>Equity at 1 January 2018</b>	<b>4,760</b>	<b>92</b>	<b>539</b>	<b>106</b>	<b>5,497</b>
Declared dividend	-	-	-	-106	-106
Funds allocated to Fonden Danmarks Jernbanemuseum. (extraordinary budget item)	-	-	-43	-	-43
Earnings for the year	-	46	284	120	450
Foreign currency exchange rate adjustments concerning group companies	-	-	-3	-	-3
Value adjustment of hedging instruments, 1 January	-	-	171	-	171
Value adjustment of hedging instruments, at end of year (note 7.6)	-	-	-142	-	-142
Equity movements in group companies	-	-	-2	-	-2
<b>Equity at 31 December 2018</b>	<b>4,760</b>	<b>138</b>	<b>804</b>	<b>120</b>	<b>5,822</b>
Declared dividend	-	-	-	-120	-120
Earnings for the year	-	-32	-1,244	0	-1,276
Foreign currency exchange rate adjustments concerning group companies	-	-	7	-	7
Value adjustment of hedging instruments, 1 January (note 7.6)	-	-	142	-	142
Value adjustment of hedging instruments, at end of year (note 7.6)	-	-	-220	-	-220
Equity movements in group companies	-	-	-10	-	-10
<b>Equity at 31 December 2019</b>	<b>4,760</b>	<b>106</b>	<b>-521</b>	<b>0</b>	<b>4,345</b>



## Equity statement (continued)

Amounts in DKK million

Group	Contributed capital	Retained earnings	Proposed dividends	Total equity
<b>Equity at 1 January 2018</b>	<b>4,760</b>	<b>631</b>	<b>106</b>	<b>5,497</b>
Declared dividend	-	-	-106	-106
Funds allocated to Fonden Danmarks Jernbanemuseum (extraordinary budget item)	-	-43	-	-43
Earnings for the year	-	330	120	450
Foreign currency translation adjustments	-	-3	-	-3
Value adjustment of hedging instruments, 1 January	-	161	-	161
Value adjustment of hedging instruments, at end of year (note 7.6)	-	-133	-	-133
Other changes in equity, tax	-	-1	-	-1
<b>Equity at 31 December 2018</b>	<b>4,760</b>	<b>942</b>	<b>120</b>	<b>5,822</b>
Declared dividend	-	-	-120	-120
Earnings for the year	-	-1,276	0	-1,276
Foreign currency translation adjustments	-	7	-	7
Value adjustment of hedging instruments, 1 January (note 7.6)	-	133	-	133
Value adjustment of hedging instruments, at end of year (note 7.6)	-	-220	-	-220
Other changes in equity, tax	-	-1	-	-1
<b>Equity at 31 December 2019</b>	<b>4,760</b>	<b>-415</b>	<b>0</b>	<b>4,345</b>

<b>Cash flow statement</b>			
		<b>Group</b>	
<b>Amounts in DKK million</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Operating profit/loss</b>		<b>-1,537</b>	<b>673</b>
<b>Adjustment for non-cash operating items</b>			
Amortisation, depreciation and write-downs of intangible and tangible assets	3.4	3,551	1,829
Change in other provisions, net	8.1	-3	-92
<b>Other adjustments</b>			
Gain and loss on sale and scrapping of intangible and tangible assets	8.4	-25	-340
Net financial items, paid	4.6	-94	-116
Corporation tax, paid	5.1	-252	-190
Change in working capital	6.5	-185	-269
<b>Total cash flow from operating activities</b>		<b>1,455</b>	<b>1,495</b>
<b>Cash flows from investment activities</b>			
Acquisition of intangible and tangible assets - excluding capitalised interest	3.1, 3.2	-858	-910
Sales of intangible and tangible assets	3.1, 3.2	49	457
Subordinated debt repayments	4.3	36	11
<b>Total cash flows from investment activities</b>		<b>-773</b>	<b>-442</b>
<b>Cash flows from financing activities</b>			
Proceeds from raising of long-term loans		500	0
Proceeds from raising of short-term loans		2,120	200
Repayment and payment of instalments on long-term loans		-966	-2,091
Repayment of, and payment of instalments on short-term loans		1,820	0
Change in credit institutions		-455	640
Paid dividends		-120	-115
<b>Total cash flow from financing activities</b>		<b>-741</b>	<b>-1,366</b>
<b>Changes to Cash in bank and in hand, total</b>		<b>-59</b>	<b>-313</b>
Cash in bank and in hand, 1 January		89	402
<b>Cash in bank and in hand, 31 December</b>		<b>30</b>	<b>89</b>

## Notes and accounting policies applied

### Section 1 Interpretation

The notes are separated by themes and based on materiality. The purpose is to ensure that the financial reporting reflects and is adapted to specific conditions based on materiality.

The notes are divided into eight groups according to theme:

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

This section contains the following notes:

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

### 1.1 Accounting policies applied

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

The annual report has been prepared according to the same accounting policies as the annual report for 2018.

#### Presentation

Commission income in connection with sale of tickets from other operators has been reclassified from net revenue to other operating income. Comparative figures have been adjusted.

#### Changes in accounting estimates

There have been no significant changes to accounting estimates in 2019.

#### Consolidated annual accounts

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

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

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

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

#### Business combinations

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

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

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

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

#### **Intragroup business combinations**

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

#### **Foreign currency translation**

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

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

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

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

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

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

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

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

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

The cash flow statement shows the cash flow divided into operating, investing and financing activity for the year,

changes in the cash in bank and in hand and the cash in 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 in 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 of non-current assets etc.

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

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

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

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

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

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

#### Section 2 - Operation

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

#### Section 3 - Operating equipment

- 3.1 Intangible assets
- 3.2 Tangible assets
- 3.3 Rolling stock
- 3.4 Amortisation, depreciation and write downs of intangible and tangible assets

#### Section 4 - Financing and capital structure

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

#### Section 5 - Taxation

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

#### Section 6 - Working capital

- 6.1 Inventories
- 6.2 Receivables
- 6.3 Prepayments (assets)
- 6.4 Prepayments (liabilities)
- 6.5 Change in working capital

#### Section 7 - Financial conditions

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

#### Section 8 - Other notes

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

## 1.2 Significant accounting estimates

### Rolling stock

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

In 2019, an impairment requirement has been identified for rolling stock operated on Long-distance & Regional train lines (excluding Kystbanen (the coastal line) and Kastrupbanen).

An impairment test has been performed to determine if the recoverable amount is lower than the carrying amount. The determination of the recoverable amount is based on significant estimates in relation to future financial earnings.

The impairment test performed and the estimates made are described in more detail in the note tangible assets (section 3), to which reference is made.

### Othe significant accounting estimates

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

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

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

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

## 1.3 Materiality in financial reporting

When preparing the annual report, there is an individual assessment of whether an item is material. This assessment is based on both qualitative and quantitative factors. If individual presentation in the income statement, balance sheet and notes is not assessed to be relevant for the reader's decisions the information is considered to be immaterial.

## Section 2 Operation

This section concerns items that are included in Operating profit.

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

The main events in 2019 are further detailed in Results - financial activities

This section contains the following notes:

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

### Note 2.1: Net revenue

Parent corporation		Amounts in DKK million	Group	
2018	2019		2019	2018
		<b>Passenger revenues distributed on business areas:</b>		
3,823	3,711	Long-distance & Regional Trains	3,690	3,802
1,483	1,483	S-trains	1,483	1,483
<b>5,306</b>	<b>5,194</b>	<b>Total passenger revenue</b>	<b>5,173</b>	<b>5,285</b>
3,941	4,025	Revenue from traffic contracts	4,025	4,051
10	6	Repair and maintenance of rolling stock etc.	298	303
45	50	Sale and leasing of rolling stock	50	45
<b>9,302</b>	<b>9,275</b>	<b>Total</b>	<b>9,546</b>	<b>9,684</b>

Parent corporation		Amounts in DKK million	Group	
2018	2019		2019	2018
		<b>Passenger revenue - effect from Metrodobbeltfaktor</b>		
3,871	3,770	Long-distance & Regional Trains, without effect from Metrodobbeltfaktor	3,749	3,850
48	59	Metrodobbeltfaktor *	59	48
<b>3,823</b>	<b>3,711</b>	<b>Long-distance &amp; Regional Trains</b>	<b>3,690</b>	<b>3,802</b>
1,627	1,650	S-trains, without effect from Metrodobbeltfaktor	1,650	1,627
144	167	Metrodobbeltfaktor*	167	144
<b>1,483</b>	<b>1,483</b>	<b>S-trains</b>	<b>1,483</b>	<b>1,483</b>

\*If the effect of Metrodobbeltfaktor stops, DSB's contract payments may be affected, cf. Supplemental agreement 19

Total passenger revenues in parent corporation and the Group include penalty fees of DKK 49 million (2018: DKK 53 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 sales and payments relating to the travel time guarantee schemes are deducted from the net revenue. Revenues from control fees are measured after the deduction of expected losses.

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

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

Revenues from the sale of rolling stock that has been acquired with the intent to sell are included when the delivery and transfer of risk has taken place.

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

In the parent company, the value of capitalised development projects that are covered by the rules of the Danish Financial Statements Act for binding of separate equity reserve amounts to DKK 25 million in 2019 (2018: DKK 82 million). The reserve as of 31 December 2019 amounts to DKK 106 million. (2018: DKK 138 million), and has been reduced with write-offs and deferred taxes.

### Accounting practices

This item includes work performed by the enterprise in connection with the carrying out of, for example, major maintenance inspections of train sets, which are capitalised. The value is measured based on registered expenses for the 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	
2018	2019	Amounts in DKK million	2019	2018
3	3	Sales from shops, etc.	823	813
156	155	Renting and leasing	202	199
311	10	Gain on sales of intangible and tangible assets	46	347
369	354	Intragroup revenues	-	-
204	268	Others	288	234
<b>1,043</b>	<b>790</b>	<b>Total</b>	<b>1,359</b>	<b>1,593</b>

In 2019, Other operating income in the group was affected by non-recurring items in the shape of income from selling properties, etc. with net DKK 21 million. (2018: DKK 340 million).

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

### Accounting practices

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

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



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

#### Note 2.4: Commercial property development

In 2019, a partnership agreement has been concluded concerning construction rights to approximately 29,000 m<sup>2</sup> of floor space in the development area Grønttorvet in Copenhagen. Additionally, the company Ejendomsselskabet Frugtmarkedet 11 ApS has been created.

#### Note 2.5: Expenses for raw materials and consumables

Parent corporation		Amounts in DKK million	Group	
2018	2019		2019	2018
433	476	Energy for train operation	477	434
21	24	Sales from shops, etc.	567	563
13	0	Spare parts and rolling stock, etc.	914	869
<b>467</b>	<b>500</b>	<b>Total</b>	<b>1,958</b>	<b>1,866</b>

The development in Spare parts and rolling stock, etc. in the group can also be attributed to a tight European market for spare parts and increased costs for repairs of an aging fleet and the costs for specially manufactured components for that aging fleet.

#### Accounting practices

Expenses for raw materials and consumables include the year's purchases and the year's change in the valuation of inventory of oil for train operation, Shop sales, etc. and Spare parts, etc.

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

#### Note 2.6: Other external expenses

Parent corporation		Amounts in DKK million	Group	
2018	2019		2019	2018
632	610	Infrastructure charges	610	685
1,993	2,210	Repair, maintenance and cleaning, etc.	748	848
446	607	Administrative expenses	651	497
130	117	Leasing of buildings and premises, etc.	183	212
384	427	Consultancy fees etc., including audit fee	425	377
221	216	Leasing of rolling stock	81	92
283	144	Replacement transport, etc.	144	284
-	-	Provision for onerous contracts etc., net	0	-11
299	291	Commissions, etc.	233	224
137	123	Sales and marketing	123	136
84	78	Staff-related costs	93	105
144	104	Payroll tax	138	153
4	21	Gain and loss on sale and scrapping of intangible and tangible assets	21	7
384	159	Other external expenses	227	274
<b>5,141</b>	<b>5,107</b>	<b>Total</b>	<b>3,677</b>	<b>3,883</b>

Other external expenses are in 2019 recorded with a higher level of specifications than in previous years. This has meant a changed distribution in the above specification.

### Accounting practices

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

#### Note 2.7: Consultancy fees excluding audit fees

Parent corporation		Amounts in DKK million	Group	
2018	2019		2019	2018
25	36	Lawyers	36	25
252	190	IT consultants	187	252
13	52	Management consultants	52	13
3	3	Tax, VAT and accounting assistance	3	4
51	63	Technical consultancy	63	43
34	77	Programme management	77	34
<b>378</b>	<b>421</b>	<b>Total</b>	<b>418</b>	<b>371</b>

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

Programme management is primarily related to the programmes Fremtidens Tog, Førerløse S-tog and Nye Værksteder.

#### Note 2.8: Audit fee

Parent corporation		Amounts in DKK million	Group	
2018	2019		2019	2018
		<b>Statutory audit:</b>		
3.9	3.8	Ernst & Young Godkendt Revisionspartnerselskab	4.5	4.6
0.6	0.1	The National Audit Office of Denmark	0.1	0.6
		<b>Other assurance statements:</b>		
0.8	0.9	Ernst & Young Godkendt Revisionspartnerselskab	1.0	0.8
		<b>Tax and VAT consultancy:</b>		
0.2	0.3	Ernst & Young Godkendt Revisionspartnerselskab	0.3	0.2
		<b>Other services:</b>		
0.2	1.3	Ernst & Young Godkendt Revisionspartnerselskab	1.3	0.2
<b>5.7</b>	<b>6.4</b>	<b>Total</b>	<b>7.2</b>	<b>6.4</b>

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

## Note 2.9: Remuneration for Board of Directors and Executive Board

Amounts in DKK 1,000	2019	2018
Remuneration for Board of Directors	2,518	2,284
Remuneration for committees	749	732
<b>Remuneration for board of directors, total</b>	<b>3,267</b>	<b>3,016</b>
Fixed remuneration	15,428	13,275
Pensions	1,557	1,285
Value of employee benefits	572	494
Performance-based salary	1,164	2,065
<b>Remuneration for Executive Board, total</b>	<b>18,721</b>	<b>17,119</b>
<b>Remuneration for Board of Directors and Executive Board, total</b>	<b>21,988</b>	<b>20,135</b>

The Executive Board has been extended from 4 members to 5 members in 2019. Remuneration for Board of Directors and Executive board is elaborated upon in "Vederlagsrapport 2019" (Remuneration Report 2019), which can be found at [www.dsb.dk](http://www.dsb.dk)

## Note 2.10: Staff costs

Parent corporation			Group	
2018	2019	Amounts in DKK million	2019	2018
2,305	2,376	Wages and salaries	3,307	3,246
216	266	Pensions	375	323
29	43	Other social security costs	54	35
<b>2,550</b>	<b>2,685</b>	<b>Total</b>	<b>3,736</b>	<b>3,604</b>
<b>4,667</b>	<b>4,586</b>	<b>Average number of full-time employees</b>	<b>6,866</b>	<b>7,092</b>

For Average number of full-time employees in 2019, the employees hired in pro rata consolidated companies number 0 (2018: 89).

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

In the 1st quarter of 2019, DSB decided to streamline its administration by downsizing by 58 positions. In December 2019, DSB decided to downsize by another approximately 40 positions. This has affected Wages and salaries and Pensions in 2019 by DKK 76 million.

Pension contributions paid to the state are recognised as an expense for civil servants. The pension contribution in 2019 amounted to 15% (2018: 15%) of the pensionable salary.

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

For other employees, pension contributions are expensed in accordance with collective and individual agreements.

The company has concluded agreements regarding performance-related salary with a number of executive employees (primarily managers). As a starting point, agreements regarding performance-related salary accounts for 10-20% for managers who are not part of the Corporate Management and 20-25% for members of the Corporate Management. At year-end 2019 the number of agreements regarding performance-related salary was 252, compared with 292 at year-end 2018.

## Section 3 Operating equipment

This section on operating equipment contains information on DSB's intangible and fixed assets.

The main events in 2019 are further detailed in Results - financial activities

This section contains the following notes:

- 3.1 Intangible assets
- 3.2 Tangible assets
- 3.3 Rolling stock
- 3.4 Amortisation, depreciation and write-downs of intangible and tangible assets

### Accounting practices

Staff expenses include wages, pension contributions, remuneration and other expenses for social security for the company's employees - including the Executive Board and the Board of Directors.

#### Note 3.1: Intangible assets

Amounts in DKK million

	Development projects	Intangible assets in progress and prepayments	Intangible assets total
<b>Parent corporation</b>			
<b>Cost price at 1 January 2019</b>	<b>1,461</b>	<b>82</b>	<b>1,543</b>
Additions	-	25	25
Retained	78	-78	0
Disposals	-52	-	-52
<b>Cost price at 31 December 2019</b>	<b>1,487</b>	<b>29</b>	<b>1,516</b>
<b>Depreciation, amortisation and write-downs at 1 January 2019</b>	<b>-1,329</b>	<b>0</b>	<b>-1,329</b>
Amortisation, depreciation and write-downs for the year	-73	-	-73
Write-downs for the year	-	-	-
Disposals	52	-	52
<b>Depreciation, amortisation and write-downs at 31 December 2019</b>	<b>-1,350</b>	<b>0</b>	<b>-1,350</b>
<b>Carrying amount at 31 December 2019</b>	<b>137</b>	<b>29</b>	<b>166</b>
Carrying amount at 31 December 2018	132	82	214

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

Amounts in DKK million

Group	Development projects	Intangible assets in progress and prepayments	Intangible assets total
<b>Cost price at 1 January 2019</b>	<b>1,533</b>	<b>82</b>	<b>1,615</b>
Additions	-	29	29
Retained	78	-78	0
Disposals	-108	-	-108
<b>Cost price at 31 December 2019</b>	<b>1,503</b>	<b>33</b>	<b>1,536</b>
<b>Depreciation, amortisation and write-downs at 1 January 2019</b>	<b>-1,401</b>	<b>0</b>	<b>-1,401</b>
Amortisation, depreciation and write-downs for the year	-73	-	-73
Write-downs for the year	-	-	-
Disposals	108	-	108
<b>Depreciation, amortisation and write-downs at 31 December 2019</b>	<b>-1,366</b>	<b>0</b>	<b>-1,366</b>
<b>Carrying amount at 31 December 2019</b>	<b>137</b>	<b>33</b>	<b>170</b>
Carrying amount at 31 December 2018	132	82	214

Additions in Development projects and Intangible assets in progress and advance payments primarily includes the addition of mobile sales channels and a new ticketing tool for the train personnel. Disposals is mainly comprised of costs for external consultants, direct salaries and purchased materials.

#### Accounting practices

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

Development projects are included as intangible assets if the cost price can be measured reliably and there is a sufficient degree of certainty that the future earnings can cover the sales and administration costs in addition to the development costs themselves. It is a prerequisite that the projects are clearly defined and identifiable, and that the technical feasibility, sufficient resources and a potential future market or development opportunity in the company can be indicated. 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 price less accumulated depreciation, amortisation and write-downs.

The cost price for development projects include costs - also staff costs and amortisation - that can be directly linked to the company's development activities. Interest and borrowing expenses on loans for financing of development projects are recognised in cost provided they relate to the development period. All other financing expenses are recognised in the income statement. After completion of the development work, development projects are amortised on a straight-line basis over their expected useful lives. The amortisation period is usually 3-10 years.

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

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

## Note 3.2: Tangible assets

Amounts in DKK million

Parent corporation	Land and buildings	Rolling stock	Operating equipment, fixtures and fittings and other equipment	Tangible assets in progress and advance payments	Total tangible assets
<b>Cost price at 1 January 2019</b>	<b>7,425</b>	<b>25,173</b>	<b>2,346</b>	<b>247</b>	<b>35,191</b>
Additions	39	504	-	265	808
Retained	177	88	93	-358	0
Disposals	-38	-1,644	-68	-	-1,750
<b>Cost price at 31 December 2019</b>	<b>7,603</b>	<b>24,121</b>	<b>2,371</b>	<b>154</b>	<b>34,249</b>
<b>Depreciation, amortisation and write-downs at 1 January 2019</b>	<b>-3,542</b>	<b>-18,411</b>	<b>-1,746</b>	<b>0</b>	<b>-23,699</b>
Amortisation, depreciation and write-downs for the year	-188	-1,389	-90	-	-1,667
Write-downs for the year	-15	-1,860	-	-	-1,875
Disposals	20	1,635	68	-	1,723
<b>Depreciation, amortisation and write-downs at 31 December 2019</b>	<b>-3,725</b>	<b>-20,025</b>	<b>-1,768</b>	<b>0</b>	<b>-25,518</b>
<b>Carrying amount at 31 December 2019</b>	<b>3,878</b>	<b>4,096</b>	<b>603</b>	<b>154</b>	<b>8,731</b>
Carrying amount at 31 December 2018	3,883	6,762	600	247	11,492
Capitalised interest is included in cost	4	291	11	0	306

### Note 3.2: Tangible assets (continued)

Amounts in DKK million

Group	Land and buildings	Rolling stock	Operating equipment, fixtures and fittings and other equipment	Tangible assets in progress and advance payments	Total tangible assets
<b>Cost price at 1 January 2019</b>	<b>8,155</b>	<b>25,949</b>	<b>2,992</b>	<b>397</b>	<b>37,493</b>
Additions	39	430	5	355	829
Retained	180	90	116	-386	0
Disposals	-56	-1,246	-68	-	-1,370
<b>Cost price at 31 December 2019</b>	<b>8,318</b>	<b>25,223</b>	<b>3,045</b>	<b>366</b>	<b>36,952</b>
<b>Depreciation, amortisation and write-downs at</b>					
<b>1 January 2019</b>	<b>-3,922</b>	<b>-18,384</b>	<b>-2,233</b>	<b>0</b>	<b>-24,539</b>
Amortisation, depreciation and write-downs for the year	-191	-1,419	-130	-	-1,740
Write-downs for the year	-25	-1,719	-	-	-1,744
Disposals	37	1,237	68	-	1,342
<b>Depreciation, amortisation and write-downs at 31 December 2019</b>	<b>-4,101</b>	<b>-20,285</b>	<b>-2,295</b>	<b>0</b>	<b>-26,681</b>
<b>Carrying amount at 31 December 2019</b>					
	<b>4,217</b>	<b>4,938</b>	<b>750</b>	<b>366</b>	<b>10,271</b>
Carrying amount at 31 December 2018	4,233	7,565	759	397	12,954
Capitalised interest is included in cost	4	291	11	0	306

The carrying amount for Land and buildings are affected by reclassification to Properties held for sale.

In 2019 an impairment requirement has been identified for rolling stock used for Long-distance & Regional lines (excluding The Coastal Line and the Kastруп Line). The need for impairment is justified by the expected development in number of journeys and the average price per journey – passenger revenues – for the period 2020-2024 is below the forecasts which was basis for DSB's traffic contract with the state.

Lines served by Long-distance & Regional trains are assessed to be the least cash flow generating units, since rolling stock does not generate stand alone cash flows. The impairment test is based on projected future earnings and the following key assumptions:

- Passenger revenue in the remaining period of the traffic contract until year end 2024
- The extent and timing of track works
- Total expenses – including execution of future cost reductions
- Life Cycle Cost
- Cost of capital
- The value of the rolling stock at year end 2024.

The impairment test is among other things carried out based on a budget for 2020 and a financial long term forecast for the years 2021-2024.

In connection with the completed impairment test a need for write-down of rolling stock which is used for Long-distance & Regional lines has been identified, since the recoverable amount is lower than the carrying amount. In total the impairment requirement is DKK 1,535 million for the Group and DKK 1,676 million pre-tax in the parent corporation.

Disposals for the year regarding Rolling stock can be attributed to major maintenance work, which is fully amortized, and which during the year has been replaced by the addition of similar new major maintenance work.

Pursuant to the agreement concluded between the Ministry of Transport, Building and Housing and the Danish Transport, Construction and Housing Authority, DSB has, upon request from the Danish Ministry of Transport, acquired 10 train sets for leasing to the Danish Transport and Building Agency for the operation of the Coastal Line/the Øresund traffic. In connection with the financing of the train sets of EUR 40.7 million, DSB has provided the 10 train sets with a carrying amount of DKK 285 million as security.

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

<b>Note 3.3: Rolling stock</b>				
<b>Specification of rolling stock</b>				
<b>Amounts in DKK million</b>				
<b>Group</b>	<b>Cost price at 31 December 2019</b>	<b>Depreciation, amortisation and write-downs at 31 December 2019</b>	<b>Carrying amount at 31 December 2019</b>	<b>Carrying amount at 31 December 2018</b>
IC2 train sets	0	0	0	0
IC3 train sets	3,587	-3,405	182	719
IC4 train sets	4,816	-4,770	46	1,256
IR4 train sets	2,436	-2,373	63	238
Øresund train sets	2,041	-1,578	463	553
Double-decker coaches	1,280	-370	910	996
Desiro train sets	193	-91	102	108
MR train sets	82	-82	0	0
ME diesel locomotives	435	-435	0	106
EA electric locomotives	100	-100	0	18
S-train sets	10,228	-7,052	3,176	3,573
Other trains	34	-29	5	7
Guarantees etc. set off	-9	0	-9	-9
<b>Carrying amount</b>	<b>25,223</b>	<b>-20,285</b>	<b>4,938</b>	<b>7,565</b>

<b>Note 3.4: Amortisation, depreciation and write-downs of intangible and tangible assets</b>				
<b>Parent corporation</b>			<b>Group</b>	
<b>2018</b>	<b>2019</b>	<b>Amounts in DKK million</b>	<b>2019</b>	<b>2018</b>
73	73	Development projects	73	75
222	203	Land and buildings	216	226
1,369	3,249	Rolling stock	3,138	1,403
91	90	Operating equipment, fixtures and fittings and other equipment	130	131
-6	-6	Set-off for received grants	-6	-6
<b>1,749</b>	<b>3,609</b>	<b>Total</b>	<b>3,551</b>	<b>1,829</b>

#### Accounting practices

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

Cost includes the purchase price and costs directly related to the purchase up to the time where the asset is ready for use. With regard to own produced assets (primarily major maintenance inspections (Life Cycle Cost (LCC) of capitalised train



sets), the cost covers direct and indirect costs for materials, components, subcontractors and wages/salaries as well as borrowing cost from specific and general borrowing in direct connection with the construction of the individual asset.

Costs for major maintenance inspections (LCC) of train sets are recognised separately and amortised over the useful life, which corresponds to the period until the next major maintenance inspection or when the trainset is phased out. Cost for major maintenance inspections concerning litra where the time for phasing out that litra is unknown is depreciated based on an individual assessment.

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

Buildings	30-60 years
Installations	10-15 years
Rolling stock	2-25 years
Operating equipment, fixtures and fittings and other equipment	3-25 years

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

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

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

### **Properties held for sale**

Properties held for sale include Land and buildings that have been sold or are expected to be sold - but where the transfer of risk is only expected to take place within 12 months.

Properties held for sale are stated at cost price. Properties held for sale that were previously classified as tangible assets are stated at cost price minus accumulated write-downs made before the reclassification from tangible asset to Property held for sale, after which no further write-downs are made.

### **Leasing**

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

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

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

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

## Section 4 Financing and capital structure

This section describes the financing of DSB's activities.

The interest-bearing net debt was reduced by DKK 540 million in 2019.

This section contains the following notes:

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

### Note 4.1 Financial income and expenses

Parent corporation		Financial income	Group	
2018	2019	Amounts in DKK million	2019	2018
15	5	Interest on balances with group companies	-	-
2	2	Interest on balances with associated companies	2	2
0	0	Foreign currency exchange gains, etc.	0	0
31	5	Others	5	32
<b>48</b>	<b>12</b>	<b>Total</b>	<b>7</b>	<b>34</b>

Parent corporation		Financial expenses	Group	
2018	2019	Amounts in DKK million	2019	2018
127	102	Interest on loans, debt to credit institutions etc.	105	135
1	6	Foreign currency exchange losses, etc.	6	4
<b>128</b>	<b>108</b>	<b>Total</b>	<b>111</b>	<b>139</b>

Financial income and expenses in 2018 were affected by income from interest on receivables from control fees that were sent to SKAT for collection.

#### Accounting practices

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

## Note 4.2 Allocation of the results

Parent corporation		Amounts in DKK million	Group	
2018	2019		2019	2018
<b>The earnings for the period are distributed as follows:</b>				
Company participant in DSB			-1,276	450
<b>Total</b>			<b>-1,276</b>	<b>450</b>
<b>The parent corporation's result is proposed to be allocated as follows:</b>				
120	0	Dividend for the Ministry of Transport, Building and Housing		
46	-32	Reserve for development costs		
284	-1,244	Retained earnings		
<b>450</b>	<b>-1,276</b>	<b>Total</b>		

## Note 4.3: Investments

Amounts in DKK million

Parent corporation	Equity invest-ments in group compa-nies	Equity invest-ments in as-sociated com-panies	Debt to group companies	Subordinated loan capital in associated companies	Other receiv-ables	Total invest-ments
<b>Cost price at 1 January 2019</b>	<b>1,931</b>	<b>413</b>	<b>645</b>	<b>199</b>	<b>26</b>	<b>3,214</b>
Foreign currency translation adjust-ments	0	-	-	-	-	0
Additions	-	-	-	2	24	26
Disposals	-142	-	-61	-36	-4	-243
<b>Cost price at 31 December 2019</b>	<b>1,789</b>	<b>413</b>	<b>584</b>	<b>165</b>	<b>46</b>	<b>2,997</b>
<b>Value adjustments at 1 January 2019</b>	<b>-476</b>	<b>-413</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-889</b>
Foreign currency translation adjust-ments	-1	-	-	-	-	-1
Earnings for the year	202	0	-	-	-	202
Received dividend	-39	-	-	-	-	-39
Disposals	82					82
Other adjustments	-10	-	-	-	-	-10
<b>Value adjustments at 31 December 2019</b>	<b>-242</b>	<b>-413</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-655</b>
<b>Carrying amount at 31 December 2019</b>	<b>1,547</b>	<b>0</b>	<b>584</b>	<b>165</b>	<b>46</b>	<b>2,342</b>
Carrying amount at 31 December 2018	1,455	0	645	199	26	2,325

### Note 4.3: Investments (continued)

#### Equity investments in group companies:

Amounts in DKK million

Name	Registered office	Equity interest	Share capital	Share of book value in parent company, 2019
DSB Ejendomsudvikling A/S	Denmark	100%	100 million DKK	392
- Frugtmarkedet 11 Holding ApS	Denmark	100%	DKK 40,000	-
- Ejendomsselskabet Frugtmarkedet 11 ApS	Denmark	100%	DKK 40,000	-
Kort & Godt A/S	Denmark	100%	DKK 5.5 million	53
DSB Vedligehold A/S	Denmark	100%	DKK 28.5 million	745
DSB Deutschland GmbH	Germany	100%	EUR 25,000	5
Selskabet af 23.12.2014 A/S	Denmark	100%	DKK 0.5 million	1
Selskabet af 23.05.2017 46DD A/S	Denmark	100%	DKK 1.5 million	168
Selskabet af 28.08.2017 67DD A/S	Denmark	100%	DKK 1.5 million	183
DOT - Din Offentlige Transport I/S <sup>1)</sup>	Denmark	33%	DKK 0.3 million	0
BSD ApS	Denmark	100%	DKK 125,000	0
<b>Total</b>				<b>1,547</b>

<sup>1)</sup> Associated companies are recognised based on 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 potential receivables from these companies are depreciated to the extent that the receivable is irrecoverable. To the extent that the parent company has a legal or actual obligation to cover a deficit exceeding the receivable, the remaining amount is recognised in Other Provisions.

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

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



### Note 4.3: Investments (continued)

Amounts in DKK million				
Group	Equity invest- ments in as- sociated com- panies	Subordinated loan capital in associated companies	Other receiv- ables	Total invest- ments
<b>Cost price at 1 January 2019</b>	<b>413</b>	<b>199</b>	<b>26</b>	<b>638</b>
Additions	0	2	26	28
Disposals	0	-36	-4	-40
<b>Cost price at 31 December 2019</b>	<b>413</b>	<b>165</b>	<b>48</b>	<b>626</b>
<b>Value adjustments at 1 January 2019</b>	<b>-413</b>	<b>0</b>	<b>-</b>	<b>-413</b>
Earnings for the year	0	-	-	0
<b>Value adjustments at 31 December 2019</b>	<b>-413</b>	<b>0</b>	<b>-</b>	<b>-413</b>
<b>Carrying amount at 31 December 2019</b>	<b>0</b>	<b>165</b>	<b>48</b>	<b>213</b>
Carrying amount at 31 December 2018	0	199	26	225

Equity investments in associated compa- nies					
Amounts in DKK million					
Name	Registered of- fice	Equity interest	Share capital	Share of book value in parent company, 2019	Group 2019
Rejsekort & Rejseplan A/S	Denmark	45.0%	122	0	0
<b>Total</b>				<b>0</b>	<b>0</b>

#### Accounting practices

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

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

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

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

#### Note 4.4: Borrowing and liquidity

Parent corporation			Group		
2018	2019	Amounts in DKK million	2019	2018	
3,000	2,063	Bonds issued	2,063	3,000	
640	185	Credit institutions	185	640	
200	497	Short-term loans	497	200	
335	304	Others	304	335	
<b>4,175</b>	<b>3,049</b>	<b>Total</b>	<b>3,049</b>	<b>4,175</b>	

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

In the parent corporation and the group, DKK 2,116 million of the debt portfolio was raised without state guarantee (2018: DKK 1,844 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 -439 million at 31 December 2019 (2018: DKK -467 million), of which DKK -270 million is recognised in equity (2018: DKK -164 million).

At 31 December 2019, derivative financial instruments with a positive and a negative fair value were DKK 39 million (2018: DKK 28 million) and DKK 473 million. (2018: DKK 523 million).

#### Accounting practices

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

Other financial liabilities are measured at amortised cost price.

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

	<b>Group</b>	
<b>Amounts in DKK million</b>	<b>2019</b>	<b>2018</b>
Long-term loans	2,277	2,162
Current portion of non-current liabilities	484	961
Short-term loans	497	200
Credit institutions	185	640
Others	110	212
<b>Interest-bearing liabilities</b>	<b>3,553</b>	<b>4,175</b>
Cash at bank and in hand	-30	-89
Deposits	-38	-27
Subordinated loan capital, receivable	-165	-199
<b>Interest-bearing assets</b>	<b>-233</b>	<b>-315</b>
<b>Total</b>	<b>3,320</b>	<b>3,860</b>

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

	<b>Group</b>	
<b>Amounts in DKK million</b>	<b>2019</b>	<b>2018</b>
Financial income	7	34
Financial expenses	-111	-139
Other - including financial instruments	10	-11
<b>Total</b>	<b>-94</b>	<b>-116</b>

## Section 5 Taxation

In 2019, Tax on earnings for the year amounted to a gain of DKK 419 million in the parent company and a gain of DKK 365 million in the group mainly due to the write down of rolling stock (see section 3).

This section contains the following notes:

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

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

Parent corporation			Group	
2018	2019	Amounts in DKK million	2019	2018
-182	-112	Tax on profit/loss for the year	-138	-212
91	530	Change in deferred tax regarding the profit/loss for the year	530	86
-	-	Tax regarding internal profit	-28	5
<b>-91</b>	<b>418</b>	<b>Tax on earnings for the year</b>	<b>364</b>	<b>-121</b>
2	1	Adjustment of tax relating to previous years	1	3
<b>-89</b>	<b>419</b>	<b>Total</b>	<b>365</b>	<b>-118</b>
<b>Reconciliation of tax rate:</b>				
22.0%	22.0%	Tax on earnings for the year	22.0%	22.0%
0.2%	0.1%	Tax effect of non-taxable income and non-deductible expenses	-1.5%	-0.6%
-4.9%	1.1%	Tax effect concerning group companies	-	-
-0.4%	0.0%	Adjustment of tax relating to previous years	0.0%	-0.6%
<b>16.9%</b>	<b>23.2%</b>	<b>Effective tax rate for the year</b>	<b>20.5%</b>	<b>20.8%</b>
<b>190</b>	<b>252</b>	<b>Tax paid for the year</b>	<b>252</b>	<b>190</b>

#### Accounting practices

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

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

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

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

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

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

<b>Note 5.2: Deferred tax liabilities</b>				
<b>Parent corporation</b>			<b>Group</b>	
<b>2018</b>	<b>2019</b>	<b>Amounts in DKK million</b>	<b>2019</b>	<b>2018</b>
<b>917</b>	<b>819</b>	<b>Deferred tax liabilities at 1 January</b>	<b>755</b>	<b>851</b>
-5	-1	Adjustment at 1 January	-4	-2
-2	-1	Adjustment regarding previous years	-1	-3
-	-	Change in deferred tax regarding group profit	-28	-5
-91	-530	Change in deferred tax regarding the profit/loss for the year	-530	-86
<b>819</b>	<b>287</b>	<b>Deferred tax liabilities at 31 December</b>	<b>248</b>	<b>755</b>
<b>Deferred tax concerns:</b>				
13	12	Intangible assets	10	8
915	384	Tangible assets	421	912
2	2	Current assets	-38	-31
-111	-111	Other provisions	-130	-129
-	-	Intragroup profits	-15	-5
<b>819</b>	<b>287</b>	<b>Deferred tax liabilities at 31 December</b>	<b>248</b>	<b>755</b>

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 80 million at 31 December 2019 (2018: (DKK 211 million). The group's Danish companies are jointly and severally liable for Danish withholding tax in the form of tax on dividend, royalty and interest. Any subsequent corrections of corporation and withholding taxes may increase the corporation's liability.

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

#### **Accounting practices**

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

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

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

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



## Section 6 Working capital

The most important items regarding working capital include inventories, receivables, prepayments, supplier debt and other debt.

This section contains the following notes:

- 6.1 Inventories
- 6.2 Receivables
- 6.3 Prepayments (assets)
- 6.4 Prepayments (liabilities)
- 6.5 Change in working capital

### Note 6.1: Inventories

Parent corporation		Amounts in DKK million	Group	
2018	2019		2019	2018
11	10	Fuel for train operation	10	11
0	0	Spare parts etc.	417	349
1	2	Sales from shops, etc.	36	36
<b>12</b>	<b>12</b>	<b>Total</b>	<b>463</b>	<b>396</b>

Spare parts, etc. are used for repairs and maintenance of rolling stock. For certain groups of Spare parts, etc. there is an element of uncertainty surrounding the time they are used, while emergency stockpiles are created for critical product groups with long delivery times.

At 31 December 2019, the inventory has been written down due to inventory obsolescence with a total of DKK 291 million. (2018: DKK 282 million), almost entirely related to Spare parts, etc.

#### Accounting practices

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

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

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

### Note 6.2: Receivables

Parent corporation		Amounts in DKK million	Group	
2018	2019		2019	2018
		<b>Trade receivables from sales and services have the following composition:</b>		
17	10	Receivables from issued control fees	10	17
115	123	Receivables, passenger revenue	123	115
88	80	Reimbursements from agencies	80	88
130	137	Others	253	249
<b>350</b>	<b>350</b>	<b>Total</b>	<b>466</b>	<b>469</b>

DSB is not significantly exposed to single customers, since receivables from sales and services are distributed across a significant number of customers, including private individuals, private companies and public institutions. There is no significant amount of collateral received for Trade receivables. Paid deposits are considered as collateral for receivables from leasing activities.

All Trade receivables are due for payment within 1 year.

#### Provision for losses on receivables

There is an ongoing assessment of indications for loss of value for Trade receivables.

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

At 31 December 2019, provisions for losses have not been made concerning Receivables from group undertakings, Receivable joint taxation contribution, Other receivables, Prepayment, Debt to group companies, or Subordinated loan capital in associated companies.

#### Accounting practices

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

<b>Note 6.3: Prepayments (assets)</b>					
<b>Parent corporation</b>			<b>Group</b>		
<b>2018</b>	<b>2019</b>	<b>Amounts in DKK million</b>	<b>2019</b>	<b>2018</b>	
116	185	Prepaid costs etc.	89	75	
7	6	Financial instruments	6	7	
39	38	Prepaid wages and salaries and pension contributions (civil servants)	45	48	
<b>162</b>	<b>229</b>	<b>Total</b>	<b>140</b>	<b>130</b>	

#### Accounting practices

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

## Note 6.4: Prepayments (liabilities)

Parent corporation			Group	
2018	2019	Amounts in DKK million	2019	2018
329	232	Tickets sold but not used	232	329
347	282	Pre-paid contract payment	282	347
84	77	Subsidies for facilities	77	84
6	11	Financial instruments	11	6
185	70	Others	102	237
<b>951</b>	<b>672</b>	<b>Total</b>	<b>704</b>	<b>1,003</b>
<b>Prepayments (liabilities) fall due in the following periods:</b>				
575	266	Within 1 year	298	627
376	406	After 1 year	406	376
<b>951</b>	<b>672</b>	<b>Total</b>	<b>704</b>	<b>1,003</b>

### Accounting practices

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

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

## Note 6.5: Change in working capital

Amounts in DKK million	Group	
	2019	2018
Total change in receivables	-1	96
Total change in inventories	-67	10
Change in trade payables and other liabilities, etc.	-117	-375
<b>Total</b>	<b>-185</b>	<b>-269</b>

## Section 7 Financial conditions

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

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

Interest rate risks are related to changes in financing interest rates.

The primary currency risks relate to oil purchases and trade with international counterparties in EUR and SEK, respectively.

Raw materials price risk occurs in connection with the purchase of electricity and oil.

Liquidity risks are related to the opportunities for ensuring liquidity.

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
7.6	Market values recognized in the equity

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

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

The purpose of the financial hedging is to limit and control the impact on profit caused by fluctuations in the financial markets. There are no significant changes in risk exposure or risk management compared with 2018.

### 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

	Remaining debt, local currency (million)	Remaining debt, DKK (million)	At variable interest rates	At fixed interest rates	Maturity term	Average effective interest rate	Duration (years)	Market value of currency and interest swaps
<b>At 31 December 2019</b>								
DKK	200	200	-	100%	0.1	0.0%	0.1	-
JPY	20,000	1,314	-	100%	20.6	4.4%	14.9	-322
SEK	924	749	-	100%	2.4	0.2%	2.5	-84
NOK	682	500	-	100%	1.4	-0.2%	1.5	22
EUR	41	302	-	100%	5.2	4.0%	4.8	-52
USD	44	300	-	100%	0.1	0.0%	0.1	-3
<b>Total</b>		<b>3,365</b>	<b>-</b>	<b>100%</b>	<b>9.3</b>	<b>2.1%</b>	<b>8.7</b>	<b>-439</b>
<b>At 31 December 2018</b>								
DKK	200	200	-	100%	0.5	0.2%	0.5	-
SEK	2,077	1,686	-	100%	1.9	0.4%	1.9	-156
JPY	20,000	1,314	-	100%	21.6	3.3%	14.9	-260
EUR	45	331	-	100%	5.7	3.3%	5.2	-51
<b>Total</b>		<b>3,531</b>	<b>-</b>	<b>100%</b>	<b>9.5</b>	<b>1.8%</b>	<b>8.3</b>	<b>-467</b>

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

Within a 12-month period, interest rate sensitivity must not exceed DKK 100 million (with a percentage point change in interest rates), the debt portfolio must have a duration of at least 15 years, and at least 25% of the liability portfolio must be at a fixed rate. Accordingly, the weighted average duration of gross debt is 8.7 years (2018: 8.3 years). Of the financial liabilities, 100% were converted to fixed rate with maturity of longer than one year (2018: 100%). Variable rate debt is adjusted regularly during the year.

### Note 7.2: Currency exchange rate risk

Currency risks in recognised financial assets and liabilities are hedged so that the risk is in DKK. In relation to the financial policy, 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 JPY, SEK, NOK, EUR and USD, which are hedged using derivative financial instruments. 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% on average, as calculated for a rolling 12-month period.

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

DSB is exposed to currency risks related to SEK as a result of a contract that has been signed to maintain the Swedish Øresund train sets and to EUR in connection to the purchase of rolling stock.

The net assets in equity investments in foreign group companies is affected by currency fluctuations when translating to DKK in the consolidated financial statements. This translation risk is not hedged.

DSB has no other significant currency risks.

The hypothetical impact on profit for the year and equity due to sensitivity to changes in exchange rates is as follows:							
	Nominal position in local currency (million)			Sensitivity in DKK million			
	Cash and cash equivalents, and receivables, total	Financial liabilities (non-derivative)	Derivative financial instruments for securing future cash flows	Total	Change in exchange rate	Hypothetical impact on Profit before tax	Hypothetical impact on equity before tax
<b>At 31 December 2019</b>							
JPY	0	-20,000	20,000	0	10.0%	0	0
SEK	28	-937	784	-125	10.0%	-9	58
NOK	0	-682	682	0	10.0%	0	52
EUR	1	-47	41	-5	0.5%	0	92
USD <sup>1)</sup>	-1	-76	75	-2	10.0%	-1	-138
<b>At 31 December 2018</b>							
USD	-2	-31	33	0	10.0%	0	117
SEK	35	-2,087	1,995	-57	10.0%	-4	-6
JPY	0	-20,000	20,000	0	10.0%	0	0
EUR	1	-53	45	-7	0.5%	0	0

<sup>1)</sup> The hypothetical impact on pre-tax equity is due to interest payments and loan repayments in JPY being paid in USD.

The position in SEK represents a hedging of future cash flow.

Conditions for sensitivity analysis:

- Unchanged price and interest rate level.
- Financial instruments which are recognised in the balance sheet at 31 December 2019 (2018).



### Note 7.3: Raw materials price risk

Amounts in DKK million	Nominal			Sensitivity		
	Market value of raw material price agreements	Next year's expected raw materials consumption	Raw material price agreements	Changes to raw material price	Hypothetical impact on Profit before tax	Hypothetical impact on equity before tax
<b>At 31 December 2019</b>						
Raw materials – oil	2	52,956 tons	48,000 tons	10.0%	0	19
Raw material – electricity	22	332,950 MWh	300,209 MWh	10.0%	0	8
<b>At 31 December 2018</b>						
Raw materials – oil	-46	52,186 tons	46,800 tons	10.0%	0	15
Raw material – electricity	22	328,655 MWh	287,934 MWh	10.0%	0	9

Conditions for sensitivity analysis:

· Financial instruments which are recognised in the balance sheet at 31 December 2019 (2018).

DSB uses oil and electricity in its operations and is therefore exposed to raw material price risks which are hedged. The hedging is ongoing throughout the year and is carried out through the conclusion of raw materials price agreements.

91% of the expected oil consumption in 2020 is hedged as of 31 December 2019 (2018: 90%). Similarly, 90% of the expected electricity consumption in 2020 is hedged as of 31 December 2019 (2018: 88%).

### Note 7.4: Liquidity risk

Amounts in DKK million	Carrying amount	Contractual cash flows, total			
Group			Within 1 year	Year 1-5	After 5 years
Long-term loans and Subordinated loan capital	2,761	2,865	484	847	1,534
Long-term loans and Subordinated loan capital - interest	383	2,276	1,069	202	1,005
Other financial instruments	10	6	5	1	-
Short-term loans and Credit institutions	682	682	682	-	-
Trade accounts payables	1,631	1,631	1,631	-	-
<b>In total, at 31 December 2019</b>	<b>5,467</b>	<b>7,460</b>	<b>3,871</b>	<b>1,050</b>	<b>2,539</b>

Amounts in DKK million	Carrying amount	Contractual cash flows, total			
Group			Within 1 year	Year 1-5	After 5 years
Long-term loans and Subordinated loan capital	3,123	3,331	961	769	1,601
Long-term loans and Subordinated loan capital - interest	372	2,334	1,050	211	1,073
Other financial instruments	7	14	12	2	-
Short-term loans and Credit institutions	840	840	840	-	-
Trade accounts payables	1,379	1,379	1,379	-	-
<b>In total, at 31 December 2018</b>	<b>5,721</b>	<b>7,898</b>	<b>4,242</b>	<b>982</b>	<b>2,674</b>

The positive liquidity has resulted in all due loans during 2019 being repaid.

DSB's policy is to always maintain sufficient cash reserves. 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 in bank and in hand plus access to drawing on bank facilities.

At 31 December 2019, agreements were concluded on revocable bank facilities of DKK 2,500 million and irrevocable bank facilities of DKK 1,750 million, with expiry during the period 2020-2024 (2018: revocable of DKK 2,500 million and irrevocable of DKK 1,750 million, with expiry during the period 2019-2023). Of these cash resources, DKK 3,069 million is not utilised. (2018: DKK 3.417 million).

#### Note 7.5: Counterparty risk

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

All Cash in bank and in hand and agreements on financial instruments are either placed in banks or as part of agreements with financial institutions that have a minimum of an A according to Standard & Poor's rating.

Receivables from derivative financial instruments, Cash in bank and at hand and deposits amount to a total of DKK 107 million as of 31 December 2019. (2018: DKK 164 million). If the access to offsetting exposure in financial contracts with financial counterparties is recognised, the receivables from these items as of 31 December 2019 instead amounts to DKK 2 million. (2018: DKK 27 million).

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

Parent corporation		Amounts in DKK million	Group	
2018	2019		2019	2018
-102	-212	Currency swaps	-212	-102
-62	-58	Interest swaps	-58	-62
22	-15	Electricity price swaps	-15	22
-46	2	Oil price swaps	2	-46
6	3	Foreign exchange contracts	3	17
40	60	Deferred tax	60	38
<b>-142</b>	<b>-220</b>	<b>Total</b>	<b>-220</b>	<b>-133</b>

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

## Section 8 Other notes

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

In 2019, the group has sold a number of properties, where the profits are recognised under Other operating income and losses are recognised under Other external expenses.

This section contains the following notes:

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

### Note 8.1: Other provisions

Amounts in DKK million

Parent corporation	Restructuring Staff	Other liabilities	Other provisions total
<b>Other provisions at 1 January 2019</b>	<b>0</b>	<b>117</b>	<b>117</b>
Provisions	67	17	84
Applied	-48	-13	-61
Reversed	-	-7	-7
<b>Other provisions at 31 December 2019</b>	<b>19</b>	<b>114</b>	<b>133</b>

Amounts in DKK million

Group	Onerous contracts	Restructuring Staff	Other liabilities	Other provisions total
<b>Other provisions at 1 January 2019</b>	<b>21</b>	<b>0</b>	<b>128</b>	<b>149</b>
Provisions	-	76	16	92
Applied	-	-51	-20	-71
Reversed	-21	-	-3	-24
<b>Other provisions at 31 December 2019</b>	<b>0</b>	<b>25</b>	<b>121</b>	<b>146</b>

In 2019, Restructuring - Staff covers the severance costs in connection with the streamlining of the administration.

Onerous contracts involved provisions for expected losses in the remaining contract period in VIAS GmbH. The activities in Germany were sold off as of 1 January 2019.

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

#### Accounting practices

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

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

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

Parent corporation		Amounts in DKK million	Group	
2018	2019		2019	2018
0	0	Contingent assets	0	0
174	44	Contingent liabilities	94	256
3,767	3,715	Other financial obligations	3,217	3,144

Contingent liabilities include guarantees of a total of DKK 13 million (147 mio. kr.) for associated business. This consists of an operating guarantee for deliveries under the Signal Programme for the S-train lines.

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 and has invested and borne the costs for operations totalling DKK 398 million (DKK 364 million).

DSB pays an ongoing pension contribution for civil servants, 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 expected pension age, wage development, 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.

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. On the balance sheet date, DSB has only recognised a liability for dismissed civil servants.

DSB terminated its contract in 2018 with DXC regarding data center services and SAP operations. In 2019, DSB has filed a claim against DXC. The final outcome and the financial consequences are subject to uncertainty. DSB has not recognized any compensation in 2019.

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

Other financial obligations includes the leasing of rolling stock at a total of DKK 29 million (DKK 60 million) which is due for payment in 2020 (DKK 30 million in 2019 and DKK 30 million in 2020).

As part of DSB's agreement with Rejsekort & Rejseplan A/S concerning the use of the Rejsekort system, DSB is obliged to pay an annual subscription fee up to the year 2028. The total liability amounts to DKK 1,677 million (DKK 1,427 million), of which DKK 185 is due for payment in 2020 (DKK 138 million in 2019) and DKK 744 is due in the period 2021-2024 (DKK 573 million in the period 2020-2023).

DSB has outsourced the majority of its IT operations covering IT services and operations of networks, telephony, data centres and systems. The total liability in this regard is DKK 292 million (DKK 130 million) of which DKK 144 million falls due in 2020 (DKK 70 million in 2019) and DKK 148 falls due in the period 2021-2024 (DKK 60 million in 2020).

DSB has signed a lease contract 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 total liability in this regard is DKK 147 million

(DKK 188 million) of which DKK 32 million falls due in 2020 (DKK 33 million in 2019) and DKK 92 million falls due in the period 2021-2024 (DKK 105 million in the period 2020-2023).

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

DSB is a partner in DOT - Din Offentlige Transport I/S and is jointly and severally liable to the partnerships total debts and liabilities. The other partners include the traffic company Movia and Metroselskabet I/S.

### Accounting practices

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

### Note 8.3: Related parties

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

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

Amounts in DKK million	Group	
	2019	2018
<b>Income</b>		
Income from transport contracts, net	4,025	3,941
Other rental and sale of repairs, goods and services	16	19
<b>Expenses, etc.</b>		
Infrastructure charges	610	634
Commission on guarantees	5	12
<b>Prepayments</b>		
Pre-paid traffic contract payment	282	347

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.

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

Amounts in DKK million	Group	
	2019	2018
Gain on sales of intangible and tangible assets	46	347
Gain and loss on sale and scrapping of intangible and tangible assets	-21	-7
<b>Total</b>	<b>25</b>	<b>340</b>

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

No events have occurred after 31 December 2019 which, in the opinion of the management, have a significant impact on the assessment of the annual report for 2019.

#### **Other matters**

There are no other events which, in the opinion of the management, have a significant impact on the assessment of the annual report for 2019.

## Supplemental key figures

<b>Total journeys (thousand)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
East (Øresund - over the bridge) <sup>1)</sup>	-	12,067	11,902	12,386	12,261
East (Zealand, including Kystbanen/The Coastal Line and the Kastrup Line) <sup>1)</sup>	53,586	40,828	41,539	41,757	41,374
West	15,604	15,154	13,810	13,252	13,131
East/West:	8,297	7,982	8,010	7,644	7,844
Other <sup>2)</sup>	1,091	728	667	637	689
<b>Long-distance &amp; Regional Trains</b>	<b>78,578</b>	<b>76,759</b>	<b>75,928</b>	<b>75,676</b>	<b>75,299</b>
S-trains	114,121	116,410	112,571	111,067	111,917
<b>Danish activities, total</b>	<b>192,699</b>	<b>193,169</b>	<b>188,499</b>	<b>186,743</b>	<b>187,216</b>
Upptåget <sup>3)</sup>	4,896	3,900	2,733	-	-
VIAS <sup>4)</sup>	4,289	2,165	2,165	2,165	-
<b>Total foreign activities</b>	<b>9,185</b>	<b>6,065</b>	<b>4,898</b>	<b>2,165</b>	<b>-</b>
<b>Total train journeys</b>	<b>201,884</b>	<b>199,234</b>	<b>193,397</b>	<b>188,908</b>	<b>187,216</b>

<b>Passenger kilometres (million)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
East (Øresund - over the bridge) <sup>1)</sup>	-	241	238	315	313
East (Zealand, including Kystbanen/The Coastal Line and the Kastrup Line) <sup>1)</sup>	1,730	1,496	1,480	1,479	1,428
West	943	932	902	808	828
East/West:	1,821	1,745	1,787	1,705	1,691
Other <sup>2)</sup>	158	116	102	102	112
<b>Long-distance &amp; Regional Trains</b>	<b>4,652</b>	<b>4,530</b>	<b>4,509</b>	<b>4,409</b>	<b>4,372</b>
S-trains	1,344	1,354	1,317	1,303	1,304
<b>Danish activities, total</b>	<b>5,996</b>	<b>5,884</b>	<b>5,826</b>	<b>5,712</b>	<b>5,676</b>
Upptåget <sup>3)</sup>	205	163	114	-	-
VIAS <sup>4)</sup>	127	64	64	64	-
<b>Total foreign activities</b>	<b>332</b>	<b>227</b>	<b>178</b>	<b>64</b>	<b>-</b>
<b>Total passenger kilometres</b>	<b>6,328</b>	<b>6,111</b>	<b>6,004</b>	<b>5,776</b>	<b>5,676</b>

<sup>1)</sup> Operation of DSB Øresund was transferred to DSB as of 13 December 2015. The number of journeys for 2015 included under East (Zealand, including Kystbanen/The Coastal Line and the Kastrup Line).

<sup>2)</sup> Other includes IC Bornholm until 9 December 2017 and International.

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

<sup>4)</sup> Operation of the Odenwald line ceased at the end of December 2015. The activities in Germany were sold off as of 1 January 2019.



<b>Supplemental key figures (continued)</b>					
<b>Total train kilometres (1,000 km)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
East <sup>1)</sup>	8,816	13,365	13,205	13,409	13,625
West	8,396	8,001	6,592	6,401	6,349
Long distance traffic <sup>2)</sup>	18,585	18,687	19,549	18,496	18,579
International trains <sup>3)</sup>	1,048	826	629	357	247
<b>Long-distance &amp; Regional Trains</b>	<b>36,845</b>	<b>40,879</b>	<b>39,975</b>	<b>38,663</b>	<b>38,800</b>
S-trains	15,840	15,595	15,149	14,916	15,329
DSB Øresund <sup>1)</sup>	4,540	-	-	-	-
<b>Danish activities, total</b>	<b>57,225</b>	<b>56,474</b>	<b>55,124</b>	<b>53,579</b>	<b>54,129</b>
Upptåget <sup>4)</sup>	2,991	2,992	1,995	-	-
VIAS <sup>5)</sup>	4,292	2,300	2,300	2,300	-
<b>Total foreign activities</b>	<b>7,283</b>	<b>5,292</b>	<b>4,295</b>	<b>2,300</b>	<b>-</b>
<b>Total train kilometres</b>	<b>64,508</b>	<b>61,766</b>	<b>59,419</b>	<b>55,879</b>	<b>54,129</b>

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

<sup>2)</sup> Long-distance traffic in Denmark includes IC Bornholm in Denmark until 9 December 2017.

<sup>3)</sup> International trains in Denmark, IC Bornholm in Sweden until 9 December 2017 and charter trains abroad.

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

<sup>5)</sup> Operation of the Odenwald line ceased at the end of December 2015. The activities in Germany were sold off as of 1 January 2019.

### Supplemental key figures (continued)

Rolling stock in operation <sup>1)</sup>	2015	2016	2017	2018	2019
IC4 train sets	82	77	77	75	63
IC3 train sets	96	96	96	96	96
IC2 train sets	23	-	-	-	-
IR4 train sets	44	44	44	44	44
Øresund train sets <sup>3)</sup>	111	111	111	111	111
Leased double-decker coaches	67	67	-	-	-
Double-decker coaches	46	46	113	113	113
MR train sets	35	30	12	12	-
Leased Desiro train sets	12	12	12	12	12
Desiro train sets	4	4	4	4	4
Desiro trainset borrowed/rented by the Ministry of Transport, Building and Housing <sup>2)</sup>	4	4	4	4	4
Leased ICE-TD train sets	13	4	-	-	-
ME diesel locomotives	33	33	33	32	29
EA electric locomotives	6	5	5	5	5
S-trains (eight coach train sets)	104	104	104	104	104
S-trains (four coach train sets)	31	31	31	31	31
Upptåget – Electric train sets <sup>4)</sup>	12	12	-	-	-
VIAS – Electric train sets <sup>5)</sup>	19	19	19	19	-
Shunting locomotives/tractors	15	14	14	14	14

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

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

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

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

<sup>5)</sup> The activities in Germany were sold off as of 1 January 2019.

### Supplemental key figures (continued)

Number of kilometres travelled between incidents <sup>1)</sup> (1,000 km)	2015	2016	2017	2018	2019
IC4 train sets	5.4	3.6	4.5	4.7	8.1
IC3 train sets	41.3	33.3	42.8	28.9	35.0
IR4 train sets	16.1	10.9	12.4	12.4	17.5
Øresund train sets	22.7	21.3	21.2	21.0	22.5
Double-decker coaches	30.5	19.7	18.2	18.5	22.1
MR train sets	10.8	9.7	10.2	9.0	1.6
Desiro train sets	32.9	17.6	14.1	8.6	12.0
ME diesel locomotives	22.8	16.4	26.4	22.5	25.0
EA electric locomotives	3.9	4.1	6.7	5.8	4.2
S-train sets	21.1	13.9	14.6	14.2	16.9

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

<b>Supplemental key figures (continued)</b>					
<b>Average number of full-time employees</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
DSB	3,836	4,059	4,045	3,977	3,901
- of which social chapter <sup>1)</sup>	144	128	82	86	78
S-trains	722	697	690	690	685
- of which social chapter <sup>1)</sup>	15	12	8	8	7
Kort & Godt A/S	614	636	605	575	550
- of which social chapter <sup>1)</sup>	15	12	12	13	12
DSB Vedligehold A/S	1,665	1,706	1,797	1,760	1,726
- of which social chapter <sup>1)</sup>	52	55	30	34	31
DSB Ejendomsudvikling A/S	4	1	1	1	4
- of which social chapter <sup>1)</sup>	-	-	-	-	-
DSB Øresund A/S <sup>2)</sup>	307	-	-	-	-
<b>Danish activities, total</b>	<b>7,148</b>	<b>7,099</b>	<b>7,138</b>	<b>7,003</b>	<b>6,866</b>
Upptåget <sup>3)</sup>	95	96	66	-	-
VIAS <sup>4)</sup>	195	90	88	89	-
<b>Total foreign activities</b>	<b>290</b>	<b>186</b>	<b>154</b>	<b>89</b>	<b>-</b>
<b>DSB Group, total</b>	<b>7,438</b>	<b>7,285</b>	<b>7,292</b>	<b>7,092</b>	<b>6,866</b>

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

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

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

<sup>4)</sup> Operation of the Odenwald line ceased at the end of December 2015. The activities in Germany were sold off as of 1 January 2019.

<b>Organisation entitled to negotiation (total employees – year-end)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
AC	462	509	508	499	488
Individual	213	212	236	247	251
DJ	3,659	3,545	3,522	3,464	3,448
FO DSB	1,069	1,118	1,162	1,186	1,127
HK	2,041	2,124	2,019	1,926	1,907
Others	45	49	42	49	35
<b>Total</b>	<b>7,489</b>	<b>7,557</b>	<b>7,489</b>	<b>7,371</b>	<b>7,256</b>

<b>Employee group – form of employment (total employees – year-end)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Contract staff	213	212	236	247	251
Collective agreement employees	5,079	5,295	5,383	5,424	5,443
Hourly-paid employees	33	44	20	22	17
Civil servants	2,164	2,006	1,850	1,678	1,545
<b>Total</b>	<b>7,489</b>	<b>7,557</b>	<b>7,489</b>	<b>7,371</b>	<b>7,256</b>

### Supplemental key figures (continued)

<b>Total operated railway stations (year-end)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Long-distance train stations including joint stations	159	144	144	135	140
S-train, including joint stations	85	85	85	85	86
S-train joint stations with Long-distance & Regional trains	-9	-9	-9	-9	-11
S-train, excluding joint stations	76	76	76	76	75
Stations in Sweden operated by Upptåget <sup>1)</sup>	17	17	-	-	-
Stations in Germany operated by VIAS <sup>2)</sup>	28	28	28	28	-
<b>Total operated railway stations</b>	<b>280</b>	<b>265</b>	<b>248</b>	<b>239</b>	<b>215</b>
<b>Km of track operated by DSB in Denmark</b>	<b>1,668</b>	<b>1,593</b>	<b>1,593</b>	<b>1,593</b>	<b>1,576</b>
<b>Km of track operated by DSB in Sweden<sup>1)</sup></b>	<b>180</b>	<b>180</b>	-	-	-
<b>Km of track operated by DSB in Germany<sup>2)</sup></b>	<b>504</b>	<b>504</b>	<b>504</b>	<b>504</b>	-

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

<sup>2)</sup> The activities in Germany were sold off as of 1 January 2019.

Income statement by quarter								
Group	2019				2018			
Amounts in DKK million	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Passenger revenue	1,251	1,297	1,263	1,362	1,245	1,367	1,248	1,425
Revenue from traffic contracts	985	1,057	994	989	1,013	1,012	1,011	1,015
Sale of repair and maintenance services of rolling stock, etc.	81	72	71	74	64	80	86	73
Sale and leasing of rolling stock	20	10	11	9	20	6	11	8
<b>Net revenue</b>	<b>2,337</b>	<b>2,436</b>	<b>2,339</b>	<b>2,434</b>	<b>2,342</b>	<b>2,465</b>	<b>2,356</b>	<b>2,521</b>
Work performed by the enterprise and capitalised	155	124	74	127	142	144	151	141
Other operating income	345	341	317	356	549	323	319	402
<b>Total revenue</b>	<b>2,837</b>	<b>2,901</b>	<b>2,730</b>	<b>2,917</b>	<b>3,033</b>	<b>2,932</b>	<b>2,826</b>	<b>3,064</b>
Expenses for raw materials and consumables	495	493	469	501	419	473	454	520
Other external expenses	931	909	902	935	873	1,004	996	1,010
Staff costs	956	977	899	904	889	948	912	855
<b>Total expenses</b>	<b>2,382</b>	<b>2,379</b>	<b>2,270</b>	<b>2,340</b>	<b>2,181</b>	<b>2,425</b>	<b>2,362</b>	<b>2,385</b>
<b>Earnings before amortisation and depreciation</b>	<b>455</b>	<b>522</b>	<b>460</b>	<b>577</b>	<b>852</b>	<b>507</b>	<b>464</b>	<b>679</b>
Amortisation, depreciation and write-downs of intangible and tangible assets	462	462	461	2,166	465	479	436	449
<b>Operating profit/loss</b>	<b>-7</b>	<b>60</b>	<b>-1</b>	<b>-1,589</b>	<b>387</b>	<b>28</b>	<b>28</b>	<b>230</b>
Net financials	-26	-26	-31	-21	-26	-45	-34	0
<b>Profit or loss before tax</b>	<b>-33</b>	<b>34</b>	<b>-32</b>	<b>-1,610</b>	<b>361</b>	<b>-17</b>	<b>-6</b>	<b>230</b>
<b>Pre-tax earnings adjust for non-recurring items</b>	<b>20</b>	<b>25</b>	<b>-43</b>	<b>82</b>	<b>114</b>	<b>16</b>	<b>-13</b>	<b>130</b>
<b>Net profit or loss for the period</b>	<b>-26</b>	<b>27</b>	<b>-24</b>	<b>-1,253</b>	<b>268</b>	<b>0</b>	<b>-5</b>	<b>187</b>
<b>Total equity</b>	<b>5,639</b>	<b>5,598</b>	<b>5,503</b>	<b>4,345</b>	<b>5,678</b>	<b>5,686</b>	<b>5,670</b>	<b>5,822</b>
EBITDA margin	19.5	21.4	19.7	23.7	36.4	20.6	19.7	26.9
Return on invested capital after tax (ROIC after tax) p.a.	-0.2	2.0	0.0	-59.5	11.3	1.4	0.9	7.8

## Key figure definitions

### Key figure definitions

Key figures and designations have been prepared in accordance with the below

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

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

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

**Gearing** = Interest-bearing debt, net / Earnings before amortisation, depreciation and write downs

**Equity ratio** = Equity x 100 / balance sheet total

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





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# Corporate issues

## Safety

In 2019, DSB has continued working with making safety management a natural part of everyday behaviour. The work has been supported by action plans. An internal maturity survey has once again shown improvements, and DSB is therefore maintaining the positive momentum.

The year has, of course, been impacted by the accident on the Great Belt bridge on 2 January 2019. The Accident Investigation Board Denmark has in its final report determined that DSB was neither responsible or co-responsible for the accident wherein eight people tragically died and 18 people were injured when loose cargo from a DB Cargo train collided with an IC4 train.

The follow-up on the accident in terms of emergency response, investigation and implementation and lessons learnt from the handling of the accident have been a natural part of DSB's work on the rail net safety area in 2019.

In connection with the accident, light panels fell down in the front train set, though no injuries were reported as a direct result. On that basis, the Accident Investigation Board Denmark recommends in a secondary element of the report that the Danish Transport, Building and Housing Authority ensures that DSB investigates the possibility of improving the fastening of light panels in IC4 train sets.

The Danish Transport, Building and Housing Authority carried out a review in 2019 in connection with changes to DSB's safety certificate as a result of the use of the new line between Copenhagen and Ringsted and the use of ETCS on Lille Syd between Køge and Roskilde. In both cases, following the review DSB received a revised safety certificate without conditions. During the authority's review, there was a focus on DSB's management of changes, risk assessments and management of changed and new operating conditions in the safety management system.

In addition, in 2019 DSB was granted an ad hoc permit from the authority to temporarily operate Tølløsebanen in connection with major track works.

As in previous years, DSB also worked with reducing the number of signal overruns and significant accidents in 2019 - and with a particular focus on accidents involving injuries to people.

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

Number	Increase			
	2019	2018 <sup>3)</sup>	Abs.	Pct.
<b>Significant accidents</b>	<b>10</b>	<b>10</b>	<b>0</b>	<b>0</b>
<b>Injuries</b>				
- Deaths	13	6	7	-
- Serious injuries	6	3	3	100
- Minor injuries	82	70	12	17
<b>Signal overruns</b>				
- Secured area (A-B-C)	217	163	54	33
- Unsecured area (D-E)	75	83	-8	-10
Of which signal overruns involving a high danger potential	19	7	12	-
<b>Defective wheel or axle</b>	<b>2</b>	<b>3</b>	<b>-1</b>	<b>-33</b>

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

<sup>2)</sup> The table does not include suicides and attempted suicides.

<sup>3)</sup> The figures for 2018 have changed in relation to previously published figures as a result of final calculations. Similarly, the figures for 2019 represent the status at the time of reporting, but may be changed at a later date in connection with the reporting for the annual safety report.

When tallying significant accidents, it is the nature of the incident which determines whether it is a significant accident. This is why the Great Belt Bridge accident is registered as one significant accident, despite its scope. The number of injuries to people in 2019 has naturally been significantly impacted by the number of dead and injured from this accident.

Taking that into account, in 2019 DSB has complied with the target for significant accidents. Unfortunately, we are still seeing that when it comes to significant accidents involving injuries to people, we are dealing with

people who were injured as a result of unauthorised movement and inappropriate behaviour in railway areas. DSB is aware of this and continues to focus on this issue by promoting good behaviour that will benefit both customers and staff.

This has unfortunately not been the case when it comes to compliance with the target for the number of signal overruns. Despite a significant focus on clarifying the causes for signal overruns and the launch of concrete activities, the number of signal overruns has increased throughout 2019.

DSB continues to work on this, and via an ongoing analysis and a focus on safety targets and concrete actions plans, it will aim to meet the safety targets for signal overruns, the safety targets for significant accidents and the qualitative safety target involving safety management being a natural part of everyday life at DSB.

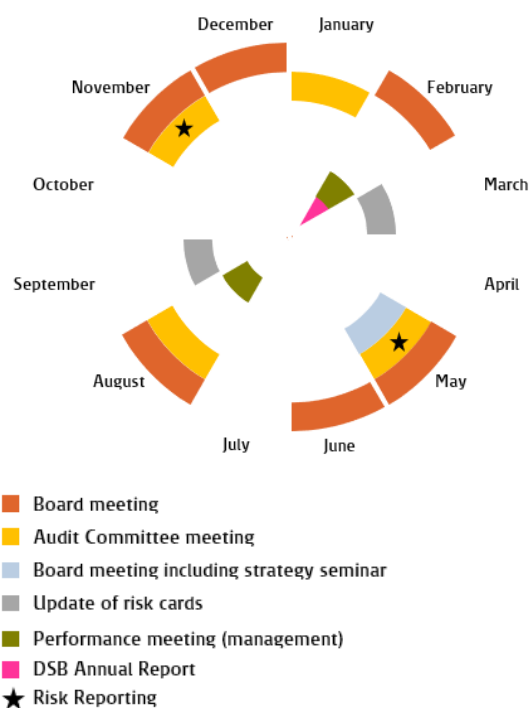
## Risk management

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

Risk management is aimed at preventing and preparing the company for incidents that interrupt operations, reducing uncertainty, taking advantage of opportunities and supporting the fulfilment of the strategic goals.

The Board of Directors has overall responsibility for the risk management process, while the ongoing monitoring and follow-ups on the process are handled by the Auditor Committee. Management is responsible for the ongoing updating and development of the process.

## Planning wheel - risk management



## Commercial risks

### Competition is increasing over the Great Belt

For Long-distance & Regional Trains, the reduction of the bridge tolls has increased the competitive situation for journeys crossing the Great Belt. This applies to both competition from cars and buses. Comprehensive track works between Roskilde and Korsør with total closures and reduced traffic in this period resulted in a decline of the market share for Great Belt crossings. However, after the track works were completed, the market share has been regained.

In order to respond to the loss of customers and the increasing competition in Long-distance & Regional Train traffic, DSB has increased the number of Orange and Orange Free tickets available. Since February 2019, 120,000 Orange and Orange Free tickets have been for sale each week, which is double the number compared to 2018. In addition, a simplification of prices and tickets for Great Belt crossings have made the pricing and ticket

system more transparent across the public transport network.

DSB is monitoring market developments in Long-distance & Regional train traffic closely and is working on an ongoing basis to develop a simplified price structure that will make it easier for customers to choose the right ticket for crossing the Great Belt.

### **S-train operations impacted by infrastructure works**

Infrastructure works have impacted S-train operations in 2019, and the comprehensive work on the light rail by Lyngby station has resulted in fewer passengers on the Hillerød line. In addition, the number of journeys has been negatively impacted by the rise in the number of newly registered cars sold in 2019.

DSB is continually working on improving operational stability, which is an important aspect of customer satisfaction, and initiatives to market the S-train as a relevant means of transportation to the City Ring have also been launched. The City Ring will bring the public transportation network of Metro, buses, S-trains and regional trains even closer together.

### **Simplification of price structure via harmonisation of fare and zone systems**

With the simplification of prices and tickets for Great Belt crossings, the last part of a countrywide harmonisation of fare systems across Denmark has been completed. In collaboration with the other traffic companies in Jutland and on Funen, DSB has harmonised prices on tickets for train journeys between East and West Denmark. The simplification of prices also results in a simplification of the tickets on offer, which has made the price and ticket system more transparent across the public transportation network.

## **Risks concerning rolling stock and infrastructure**

### **Changes to infrastructure works**

As an operator, DSB is to a significant degree dependent on investments in infrastructure works on the rail network being carried out according to the fixed schedules. Delays in the infrastructure projects, such as the signal and electrification programmes, mean that the scheduled operations are impaired, and this has major impacts on the customers.

In order to ensure that the customers get trains that arrive on schedule, DSB is continually working on improving agility in its planning in relation to rolling stock and the maintenance and deployment of personnel, and it also strives to ensure that planned track shutdowns are incorporated as soon as possible into the train time tables.

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

Ongoing maintenance of the train fleet is a crucial component in being able to deliver a good and safe product to customers. The purchase of spare parts and component repairs for the aging fleet is, however, prone to types of errors that lead to a need for new spare parts and components, as many of the parts are unique and no longer produced by the supplier. The consequence of this is that rolling stock is out of service for longer periods, and this impacts the ability to maintain a stable train operation.

In order to reduce the risk, there is a constant focus on development in operations - including workshop management, the purchase of spare parts and changes to traffic patterns.

### **Electric and standardised train fleet**

In the coming years, DSB will be massively investing in new electric trains that will replace the aging train fleet. A new standardised fleet is expected to help simplify operations and result in higher operational stability. The investments come with significant risks that in the

worst-case scenario can delay the deployment of the new electric trains as this depends on the plan for the deployment and completion of new infrastructure works being followed. A lack of operational permits can also delay the deployment.

The delivery is monitored during the contract's execution in order to reduce the risk of a delayed phase-in, and DSB will monitor the changes to the approval process in order to avert potential changes in relation to authorities and documentation.

### **Safety**

Safety precedes everything else at DSB, where accidents or breaches of safety regulations can have far-reaching consequences. The safety of customers and employees is therefore of the highest priority in the risk management process and in the carrying out of the daily work. In order to reduce risks, emergency response plans that aim to ensure the ability to handle unforeseen incidents at very short notice have been established, among other things. In addition, DSB is subject to a number of requirements from the authorities that are continually monitored and controlled by the Ministry of Transport and Housing.

### **IT-related risks**

#### **IT security**

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

Cybercrime is a real and serious threat, since viruses and internet crime can lead to operational disruptions that go far beyond the incident itself, and the customer's personal data can also be compromised.

Therefore, DSB focuses on protecting its IT systems and data, and it works in a targeted manner to develop a culture where the employees are conscious of IT security issues and the protection of personal data.

### **Increased growth through digitalisation**

The realisation of a market-oriented DSB requires a massive digitalisation effort across the company's core areas.

DSB wants digitalisation to contribute to creating growth through simplified and more competitive products in addition to contributing to an optimal utilisation of capacity. This digitalisation must also contribute to ensuring efficiency through the simplification and automation of processes across the business areas.

### **Other risks**

#### **Reputation**

DSB carries out an important societal function, and therefore it is of the utmost importance that DSB is perceived as a responsible company that runs its business operations with a focus on ethics and compliance with legislation, while at the same time, creating growth and value for society as a whole.

DSB is aware of the significance of having a good reputation, and it manages risk by having clear guidelines and policies aimed at ensuring that DSB's reputation is not harmed, but instead continually improves.

#### **Social and employee conditions**

DSB is focused on ensuring a good working environment. There is continued focus on local campaigns to minimise falling and stumbling accidents, and long-term campaigns are being worked on to prevent work-related injuries.

Furthermore, there is focus on ensuring that employees and customers are safe at the stations and on the trains, and at local level, there are several initiatives underway to teach employees conflict resolution skills.

#### **Environment**

With sustainability being high on the agenda and an increasing focus on the environmental impact and energy consumption of DSB's operations from neighbours, customers and employees, there is a risk of increasing external

and internal requirements for investments to reduce the environmental footprint. Furthermore, the requirements may involve operational changes at workshops and preparation centres, which may result in increased operating expenses.

DSB is monitoring the development and expects a marked improvement concurrently with the updating of the rolling stock and the 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 Policy". 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 complies with the recommendations to the extent that they are relevant.

The Committee for Corporate Governance has audited the committee's recommendations in November 2017. The revised recommendations have come into force as from and including the 2018 financial year and have been implemented at DSB. The Board of Directors has reviewed and taken into account the revised recommendations. The account of good corporate governance according to the "comply with or explain" principle has been published on [www.dsb.dk](http://www.dsb.dk).

## Openness and transparency

### Communication

DSB aims to make the dialogue between the corporation and its stakeholders (owner, customers, partners and employees) as open and broad as possible, and to ensure that communication is simple, factual and professionally correct.

### Customer ambassador

The customer ambassador processes customer complaints and considers cases on his/her own initiative. The customer ambassador must contribute to ensuring that customers receive the service that they are entitled to. The customer ambassador considers enquiries from customers who have previously had their case processed by DSB, but who do not feel that they have received a satisfactory reply to their inquiry. The customer ambassador prepares half-yearly status reports that are published on [www.dsb.dk](http://www.dsb.dk).

### Publication of material matters

DSB notifies the Danish Business Authority as soon as possible of all material matters relating to the corporation which may be presumed to be of importance to DSB's future, owner, creditors or employees.

### Annual and interim reports

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

The Board of Directors shall submit quarterly reports in accordance with the requirements of the Danish Financial Statement Acts. The quarterly reports are sent to the Minister for Transport and the Danish Business Authority.

DSB holds quarterly meetings with the Minister for Transport where, amongst others, the financial situation is discussed.

The Ministry of Transport and Housing lays down DSB's accounting regulations pursuant to 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. Amongst others, the report must include information on policies for corporate social responsibility and how these policies are put into practice. The report for 2019 is incorporated in the annual report under Corporate Social Responsibility.

### **Ethics**

DSB has prepared an ethics policy which all employees are required to comply with. The rules therein describe how DSB cooperates with external partners, how to deal with attempted bribery, DSB's views on gifts and events, the rules governing support to charity as well as the expectations with regard to the integrity and impartiality of all its employees.

The whistle-blower scheme is managed by the head of the internal audit function, who reports to the Auditing Committee. If the report concerns the Board of Directors, company directors or the internal audit, the case will be processed by an external attorney. The external attorney will sort all the reports before they are passed on to the administrator. Employees can use the whistle-blower scheme to anonymously report on suspicious or irregular behaviour such as, for example, violations of DSB's Code of Conduct or financial fraud. In 2019, three reports were submitted via the scheme. None of these cases were assessed as having material consequences for DSB.

### **Diversity**

The Board of Directors have set the target figures for the underrepresented gender on the Board of Directors. As an independent public corporation, DSB is subject to the provisions of the Gender Equality Act relating to public sector administration. These provisions state

that the company's Board of Directors should have a balanced composition in terms of gender. This target is met, as the gender distribution is equal on the current board (not including the employee representatives). The activities related to ensuring diversity at all management levels are described in the Diversity section under Corporate Social Responsibility.

### **Public access**

The ordinary annual meeting is held in accordance with the articles of association once per year before the end of April. The annual meeting, which corresponds to the annual general meeting in a limited liability company, is open to the press.

The articles of association and the annual report are published on [www.dsb.dk](http://www.dsb.dk).

According to the 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 will apply to cases concerning employees and the railway activities carried out as part of the provision of negotiated traffic.

### **DSB regulation**

DSB is governed by Consolidation Act no. 1184 of 12 October 2010 with the latest amendment being the Executive Order concerning The DSB Act of 7 May 2019 (The DSB Act). DSB's Articles of Association dated 15 May 2019 are issued pursuant to the DSB Act.



## The management

### Board meetings

In 2019, the Board of Directors has held 6 board meetings and one strategy seminar, wherein, among other things, the following subjects were dealt with:

- Overall strategy
- Annual report and interim reports
- Budget for the coming year
- The trains and workshops of the future
- Signal programme
- Electrification
- Rolling stock
- Driverless S-trains
- Digitalisation
- Fare adjustments
- Supplementary contracts to the traffic contract
- Compliance
- Corporate Governance
- Railway safety
- Significant policies
- Sustainability
- Punctuality
- Traffic information
- Commercial and operational activities
- Sector collaborations

### Management committees

The Board of Directors has established three management committees - the Audit Committee, the Remuneration Committee and the Rolling Stock Committee.

#### 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 mandate. By the end of 2019, the Audit Committee comprised the following members, all of whom are independent:

Carsten Gerner, chairman  
Annette Sadolin  
Henrik Amsinck

The Committee has held five meetings in 2019, at which, among other things, the following topics were dealt with:

- Annual report and interim reports
- Auditing standards and guidelines and reports from internal and external auditors
- Reports from the whistle-blower scheme
- External auditor's independence and delivery of non-audit services
- Risk management
- IT security - including, among other things, a maturity analysis of DSB's IT security and preparations for ISO 27001 certification
- Internal control structure
- Policies dealing with finances, tax and VAT.

#### Remuneration Committee

The remuneration committee assists the Board of Directors with the preparation of recommendations concerning remuneration policy and remuneration. The framework for the committee's work is set out in a mandate.

By the end of 2019, the Remuneration committee comprised the following members, all of whom are independent:

Annette Sadolin, chairman  
Peter Schütze  
Hanne Blume

The Committee has held four meetings in 2019, at which, among other things, the following topics were dealt with:

- Remuneration policy
- Remuneration of the Board of Directors
- Pay conditions for the Executive Board, Directors, those reporting directly to the CEO and highly paid employees
- Remuneration report
- Analysis and evaluation of salary developments and trend applying to all salaries



- Performance related pay, goal setting and calculation
- Targets for the underrepresented gender in top management.

### **Rolling Stock Committee**

The Rolling Stock Committee assists the Board of Directors in preparing arrangements regarding acquisitions, reinvestments and the sale of rolling stock. The framework for the committee's work is set out in a mandate.

At the end of 2019, the Rolling Stock Committee comprised the following members, of which two are independent:

Christina Grumstrup Sørensen, chairman  
 Peter Schütze  
 Preben Steenholdt Pedersen, elected by employees

The Committee has held seven meetings in 2019, at which, among other things, the following topics were dealt with:

- Long-term plan for rolling stock
- Signal programme (CBTC/ERTMS)
- Electrification
- ME-locomotive environmental upgrade
- The train of the future - status on the work with purchasing new locomotives, carriages and trains
- Operational status - including MDBF (mean distance between failures) and operator punctuality
- The future S-train
- Cosmetic upgrade
- Disposal of rolling stock.

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

The Board of Directors consists of both members selected by the Minister for Transport and also members elected by employees.

The members elected by the minister must be elected based on social, managerial and business considerations so that the Board of Di-

rectors as a whole has insight into traffic-related issues. Furthermore, the composition of the Board of Directors ensures insight into financial issues.

The board members elected by the employees are elected in accordance with the Danish Companies Act's provisions concerning the election of employee representatives.

The chairman of the board carries out an annual evaluation of the work in the Board of Directors and the Executive Board. In addition to complying with the recommendations on corporate governance, the aim is to ensure that the Board of Directors is constantly, via its composition and competences, supporting DSB as per DSB's objectives in the best possible manner.

The evaluation takes place as a group discussion and is supported by an electronic questionnaire-based survey. One-to-one discussions between the chairman of the board and the individual board members are also completed. In relation to the recommendations for good corporate governance, at a minimum every three years external assistance is brought in for the evaluation. External assistance has been involved in the evaluation of 2019. All board members have participated in the evaluation and it was concluded that the board included the required competencies.

The special competencies of the Board of Directors are described on [www.dsb.dk](http://www.dsb.dk). Members of the Board of Directors are elected for a period of one to two years. It is possible to be re-elected. The Minister for Transport may at any time during a general meeting remove the members selected by the minister.

### **Composition of the Board of Directors, 2019**

In 2019, the Board of Directors consisted of nine members, six of which were selected by the Ministry for Transport and three who were elected by the employees. An overview of the Board of Directors can be found in the section About DSB.

The members of the Board of Directors elected at the annual meeting are considered to be independent.

**The management's tasks and responsibilities**

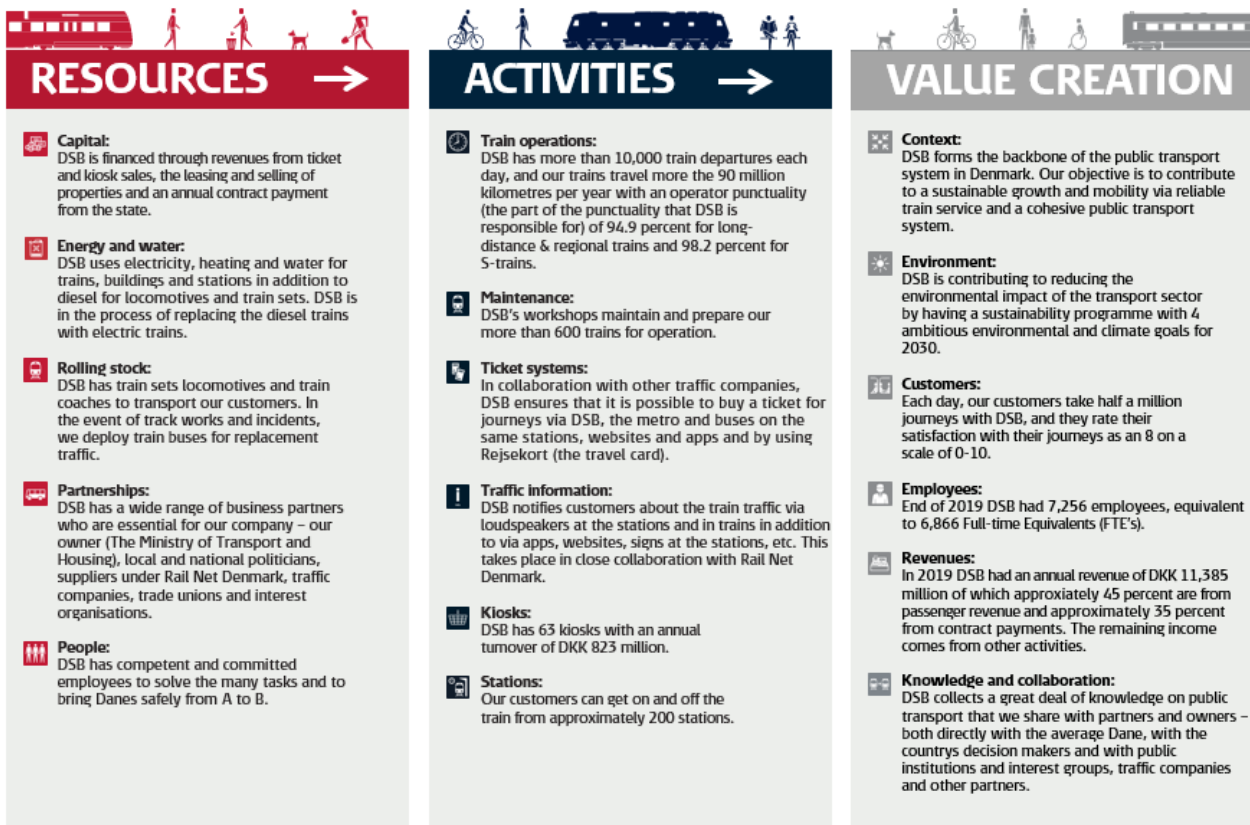
The Board of Directors is in charge of the general and strategic management of DSB's affairs. The Board of Directors employs and dismisses the Executive Board and specifies its terms of employment. The Articles of Association include a detailed description of the tasks of the Board of Directors.

The Executive Board consists of one or more members whose appointment is registered with the Danish Business Authority. The Executive Board is in charge of day-to-day management.

## Reporting on corporate social responsibility

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

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



DSB works towards actively reducing the company's climate impact and to promote our direct contribution towards allowing Denmark to reach its ambitious targets laid out in the binding climate act of December 2019. This part of DSB's work with social responsibility is described in more detail under Results - Sustainability.

DSB complies with the UN Global Compact's 10 universal principles, focusing on human rights and employee rights. The ethical rules require that our suppliers comply with national and international rules regarding child labour, health and safety at work, discrimination, use of forced or involuntary labour, corruption, bribery and the environment. DSB's ethical policy also includes a

whistle-blower scheme providing good opportunities for handling any irregularities as quickly as possible.

The environmental policy describes the work involved in actively reducing the company's climate impact and is described in more detail below under Environment and climate.

Additionally, DSB has a policy for working environment, diversity and communication and staff which creates the framework for proper and safe working conditions and open and honest communication. DSB also has an accessibility policy, which ensures that customers with disabilities can make use of DSB's services.

The procurement policy aims to ensure that DSB handles acquisitions in a professional manner and prevents bribery. Social responsibility is also expressed in the requirements that are made of suppliers. In connection with the signing of contracts with external suppliers, DSB ensures that they are familiar with the code of ethics to a relevant extent.

Safety and security is a human right. The combined expression of DSB's work in this context is reflected in the above policies and are documented through the activities below.

### **Collaboration and support**

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



In 2018, DSB entered into a 4-year strategic partnership with the UN's association for children, UNICEF. The purpose of the collaboration was to make it easy for DSB's customers and employees to get involved in helping the world's most vulnerable children, and in that manner contribute towards the creation of a more fair and sustainable future. The goal is to collect at least DKK 1 million per year in the period 2019-2021. In 2019, over DKK 1.5 million was collected for UNICEF's work.

Since 2008, DSB has collaborated with 'Natteravnene', a night watch group consisting of 4,000 adult volunteers who patrol the cities at night - including at stations and in trains - to create a safer environment. DSB provides financial support to Natteravnene. They can travel by all DSB trains free of charge when they carry out their volunteer work. In addition, DSB has added Natteravnene's logo and colours to two S-trains.

DSB collaborates with a number of aid organisations in Denmark by allowing them to collect donations for their charitable causes and to hand out material to 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.

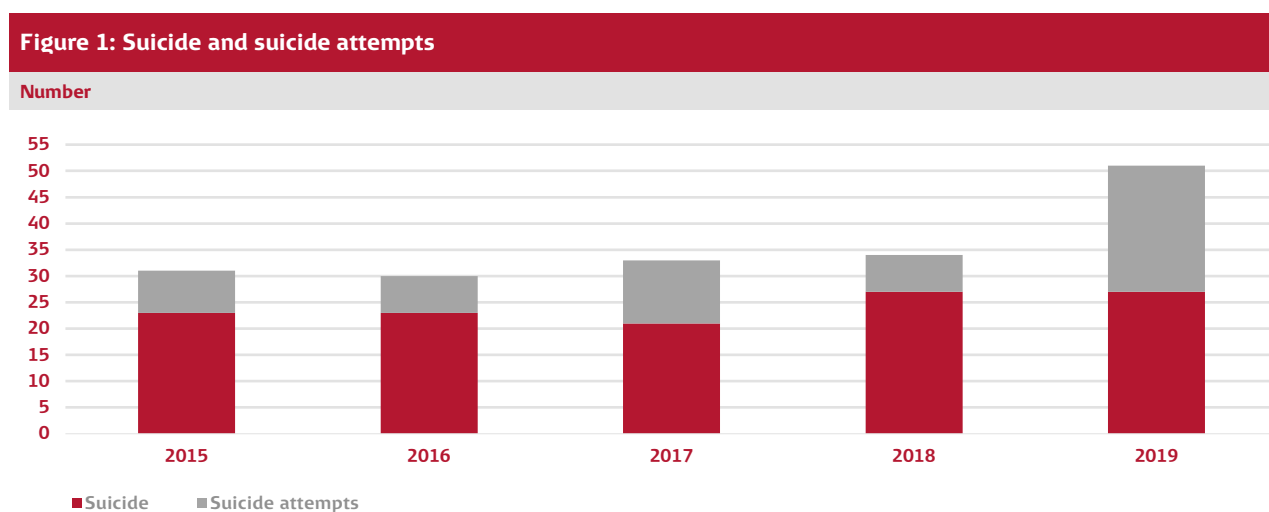
At election time in Denmark, DSB also supports the democratic process by permitting the political parties and their candidates to distribute material at the stations in the period leading up to the election.

## Safety and security

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

Surveillance in trains and at stations contributes to safety and security. At the end of 2019, over 2,000 cameras were installed at 143 stations and almost 4,000 cameras in S-trains. As an example, the camera surveillance is used to ensure that police and extra personnel are called in when the situation requires it, and also to help police solve crimes such as vandalism, violent assaults, pick-pocketing, etc.

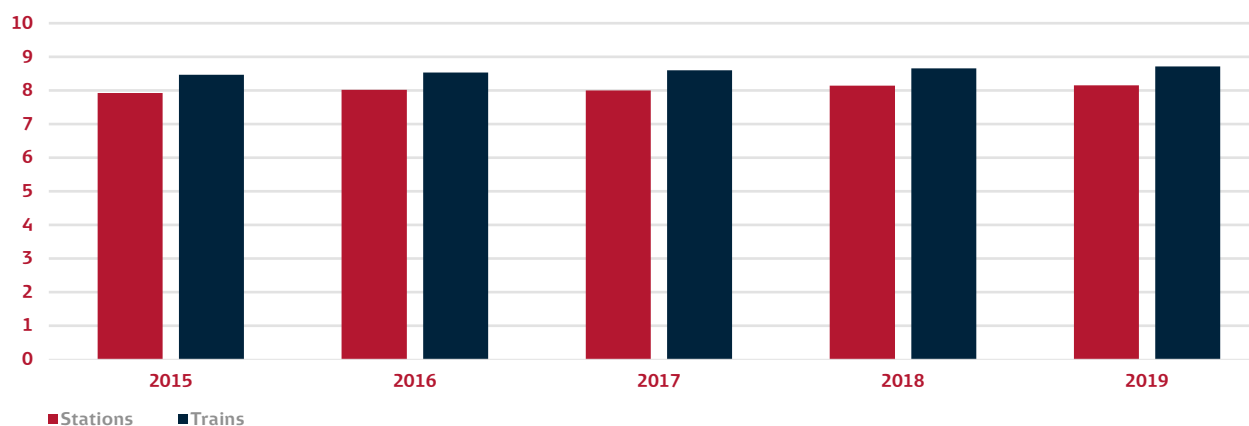
DSB has installed heart defibrillators in the trains and at certain stations, and additional heart defibrillators will be installed in 2020. In 2019, the heart defibrillators have been used in both stations and trains, and in several cases, this has helped save lives. In 2019, courses were held on how to use heart defibrillators. In 2020, there will also be a focus on training people how to use heart defibrillators.



Suicides and attempted suicides are, unfortunately, a recurring event. In addition to being a tragic event for the individuals and their families, it also impacts DSB's customers and employees in the form of train cancellations, delays and psychological scarring. In 2019, there were registered 27 suicides and 24 attempted suicides.

Figure 2: Customer satisfaction with security

Scale 0-10



In customer surveys, the customers' perception of security in trains and at stations is monitored on an ongoing basis. The results show that customers' perception of security in 2019 has been increasing compared to 2018 when it comes to feeling secure in a train. It is unchanged when it comes to perceptions of security in stations. The customer satisfaction levels for 2019 are

- Security in trains: 8.7
- Security in stations: 8.2

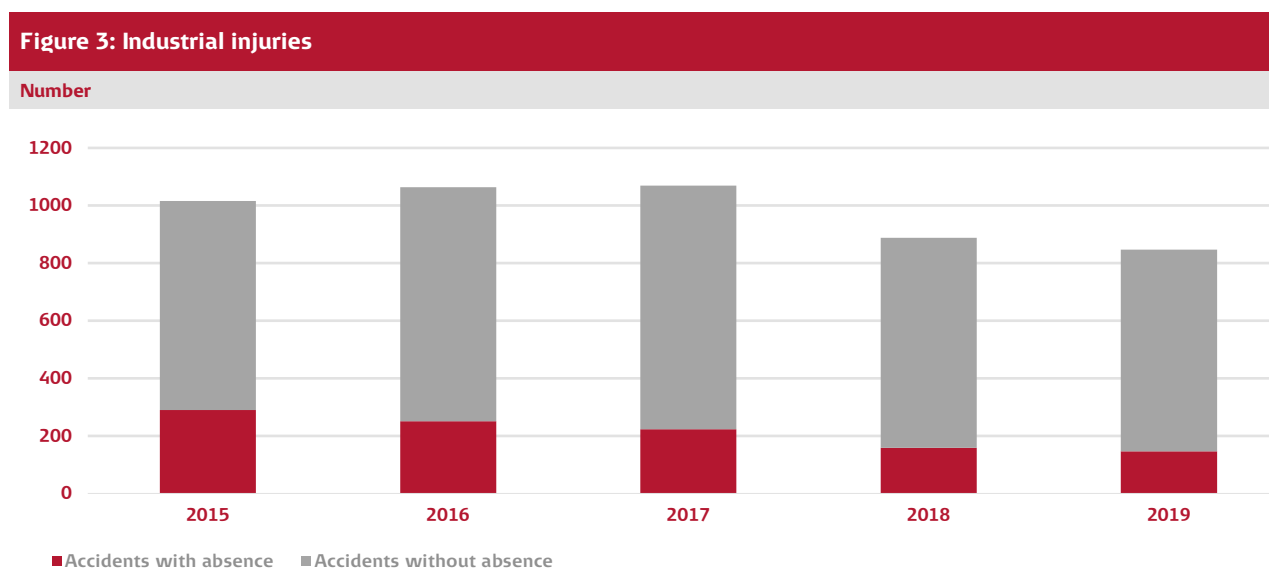
Overall, the reported satisfaction for this journey was 8.0 in 2019, which is at the same level as in 2018.

Every year, DSB spends large amounts to combat graffiti and to create attractive and safe environments for the customers in trains and on stations. This takes place via preventive efforts such as security guards, etc. and via targeted cleaning of trains and buildings. The targeted efforts are working. Thus, the anti-graffiti work is assessed at 8.3 on a scale of 0 to 10 in 2019.

DSB is also participating in the collaboration 'Tryg-By 2019' (Safe City 2019) with Copenhagen's police department and Copenhagen Municipality, and the campaign 'Pickpockets Love Distractions' has contributed to increasing the security levels around the ticket and payment machines and the ATMs in the Copenhagen area.

## Health and safety

Part of DSB's strategy involves being an attractive workplace, and DSB supports this by, among other things, a systematic approach to the working environment. DSB has therefore chosen to be certified in occupational health and safety, and once again in 2019 it was audited by the OHSAS 18001 standard for this.. In 2020, DSB will begin working with the new ISO45001 standard.



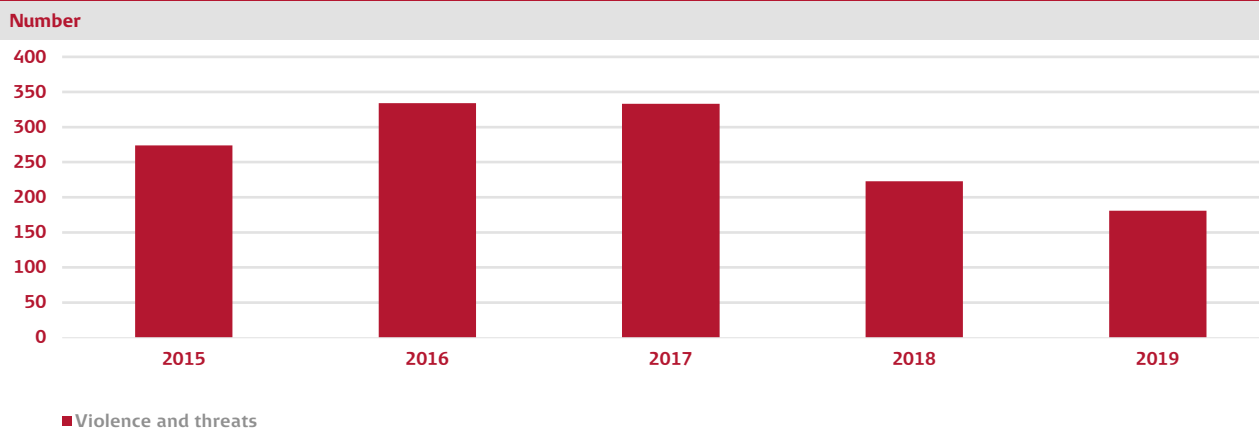
DSB is continually focused on creating a better working environment and reducing the number of work-related accidents and absences. Accidents with absences declined from 158 in 2018 to 143 in 2019. Work accidents that did not result in absences have decreased from 730 in 2018 to 708 in 2019. All together, work accidents have decreased from 888 in 2018 to 851 in 2019.

The decrease is the result of a strengthened systematic analysis of the causes and extent of work accidents in addition to a decrease in violence, threats and accidents involving falls resulting from a great focus and effort dedicated to these areas.

When many people are bunched together at stations, kiosks and in trains, and also when it comes to ticket controls, disagreements may occur that can escalate to threats and violence against employees. DSB makes every effort to become better at preventing and managing these situations. Amongst others, this is accomplished by training employees in conflict management and collaborating with the police. In 2019, DSB has been focused on working with the new guidelines from 2018 related to the prevention and management of violence and threats. The guidelines are focused on ensuring that the employees' health is always the top priority and that they receive support when violence and threats occur. The good results from 2018 are continuing. In 2019, a large decrease was also seen in the number of episodes involving violence and threats which led to work-related injuries.



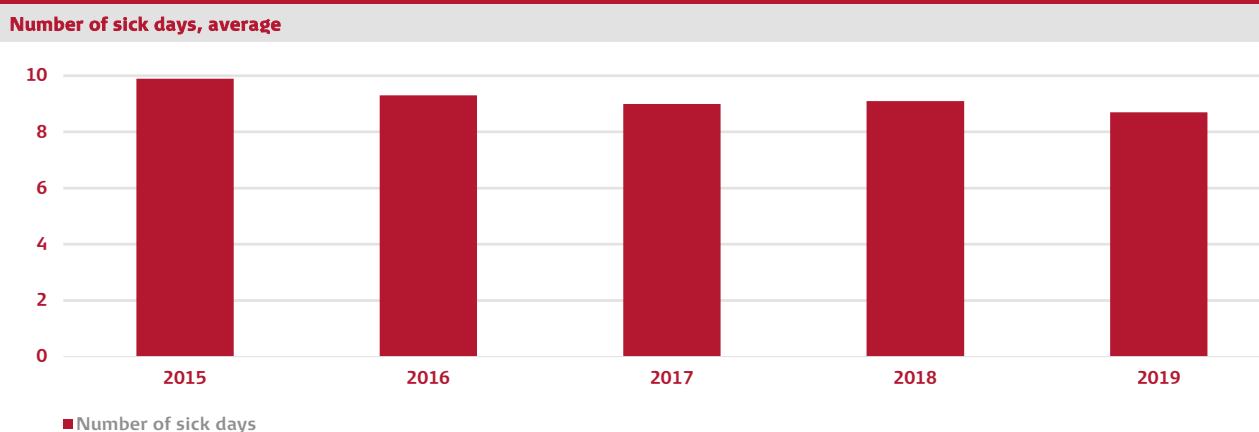
**Figure 4: Violence and threats against employees**



DSB has zero tolerance for abusive behaviour in all situations - both external and internal. This applies to sexual harassment, violence, threats or other abusive behaviour. DSB's annual workplace assessment includes a follow-up report on the extent of abusive behaviour internally in DSB, and this forms the basis for a management-level follow-up.

In 2019, DSB has also been working on reducing stress. This has taken place via information material, tools and courses for the managers. The proportion of employees who respond that they have experienced work-related stress was at 28 percent in the latest workplace assessment in 2018. Part of the action plans include a focus on preventing and dealing with stress.

**Figure 5: Absence due to sickness**



2019 has also had a focus on reducing general absence due to sickness. In 2019 an absence policy and guidelines for how to handle absences was introduced. After several years with an average absence due to sickness of over 9 days, this has been reduced to an average of 8.7 days in 2019, which was the goal for the year.

## **Accessibility**

DSB wants to ensure that it is easy for everyone to take the train - including those challenged by disabilities.

DSB offers assistance for the disabled, and it can be ordered around the clock - however, at least 12 hours before the planned start of the journey. Similarly, DSB has a companion scheme that allows for the disabled person to bring along a companion at a reduced price.

In 2019, DSB provided disabled assistance 18,000 times and sold 60,000 disability/disabled assistant tickets.

DSB 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 in which only the children have seat reservations. In 2019, over 16,000 tickets with children's guides were sold.

## **Diversity**

DSB wants to be an attractive workplace characterised by diversity, and it believes that a focused and prioritised effort will make the company stronger and increase its competitiveness. DSB therefore has a diversity policy with certain focus areas intended to strengthen this diversity heading towards 2020 - including how it relates to trainee positions, management, ethnicity and gender.

Since 2017, DSB has had about 100 refugees participate in brief job training courses (4 weeks) or industry learning courses (13 weeks). DSB continues working with these initiatives in 2020.

DSB has increased the number of traineeships for apprentices in 2019, and by the end of the year, there were 71 traineeship positions for apprentices at the workshops. In addition, in 2019 DSB was also focused on recruiting office trainees and there were 29 such trainee positions by the end of 2019.

Equal representation at management levels is an integral part of the staff policy. Among the Board of Directors, the gender distribution was 50/50 (not counting employee representatives), and the board's gender distribution thus meets the target of having a balanced gender composition.

At the end of 2019, the gender distribution in the director group was 29 percent female. This also applies when looking at all managers at DSB - where the gender distribution is at almost the same proportion as all employees, with 26 percent being women. DSB's goal is to have a balanced gender composition with at least 1/3 being of the underrepresented gender, which also is a part of the considerations made when recruiting for the company's 'green house' for those seeking to be managers. On this basis, it was decided that 2/3 of the participants should be women. The team which completed the course in 2018/19 thus consisted of 8 men and 13 women. So far, two of the participants from the team have been appointed to management positions - both of them women.

## **Bribery**

DSB does not tolerate corruption, and it has clear internal guidelines for receiving gifts. The guidelines are communicated to the employees via the intranet and e-learning courses and is also a topic in the introductory training for new employees.

DSB also has an acquisition policy with a Code of Conduct that all suppliers must adhere to. DSB trades with both Danish and international suppliers as an integrated part of maintenance works, the acquisition of new trains and other activities. DSB makes a very large proportion of its purchases from known suppliers.

Finally, DSB has a whistle-blower scheme that is administered by the head of internal auditing. DSB has recorded no instances of bribery taking place in 2019.

**Environment and climate**

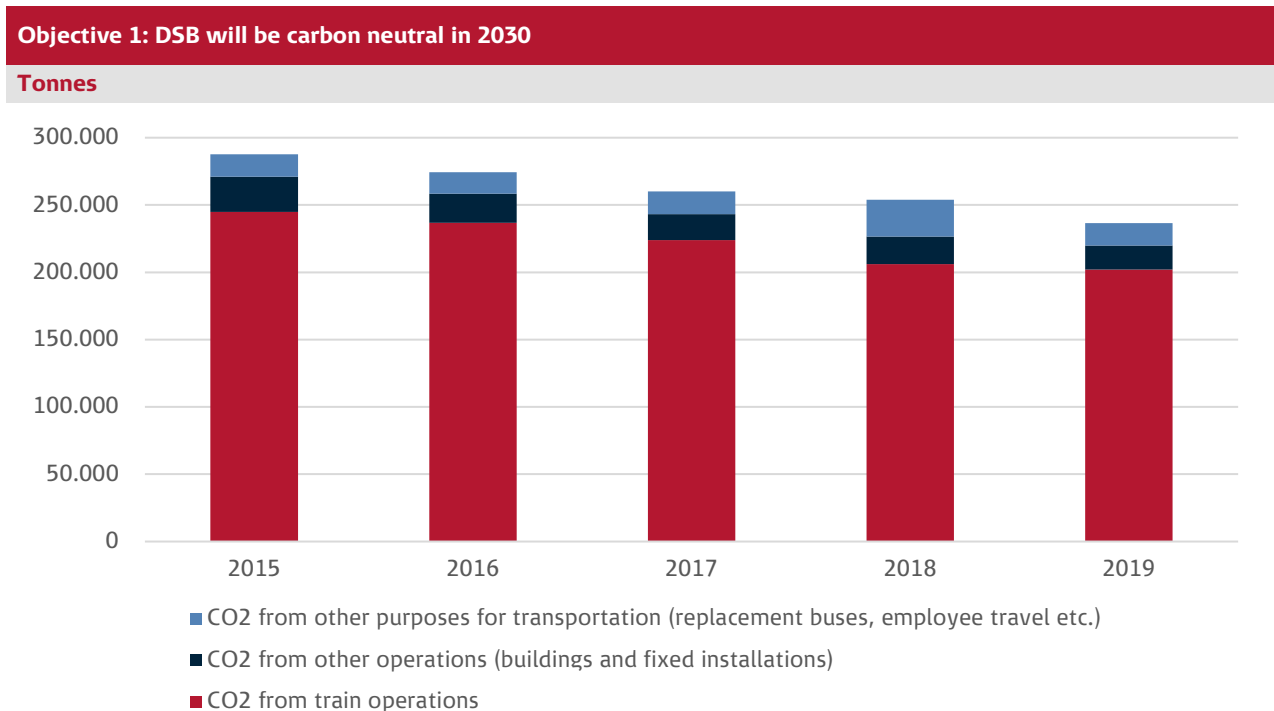
DSB would like to be part of transitioning Denmark towards a more sustainable future, and in 2019 it has prepared a sustainability programme with four ambitious environment and climate goals for 2030:

- Carbon neutral - all of DSB is to be supplied with renewable energy
- Reducing energy consumption by 50 percent - we will increase the efficiency of energy consumption throughout DSB
- No particle emissions from the train engines
- At least 90 percent of waste is to be recycled - i.e., turned into new resources.

CO<sub>2</sub> emissions

DSB’s objective is to be carbon neutral by 2030, making all trains and other operations supplied with renewable energy.

DSB’s future electrical locomotives and train sets will provide a significant contribution to reducing the CO<sub>2</sub> emissions. As the transition is made to electrical rolling stock, new and more energy-efficient workshops will be built and this will also have a positive effect.

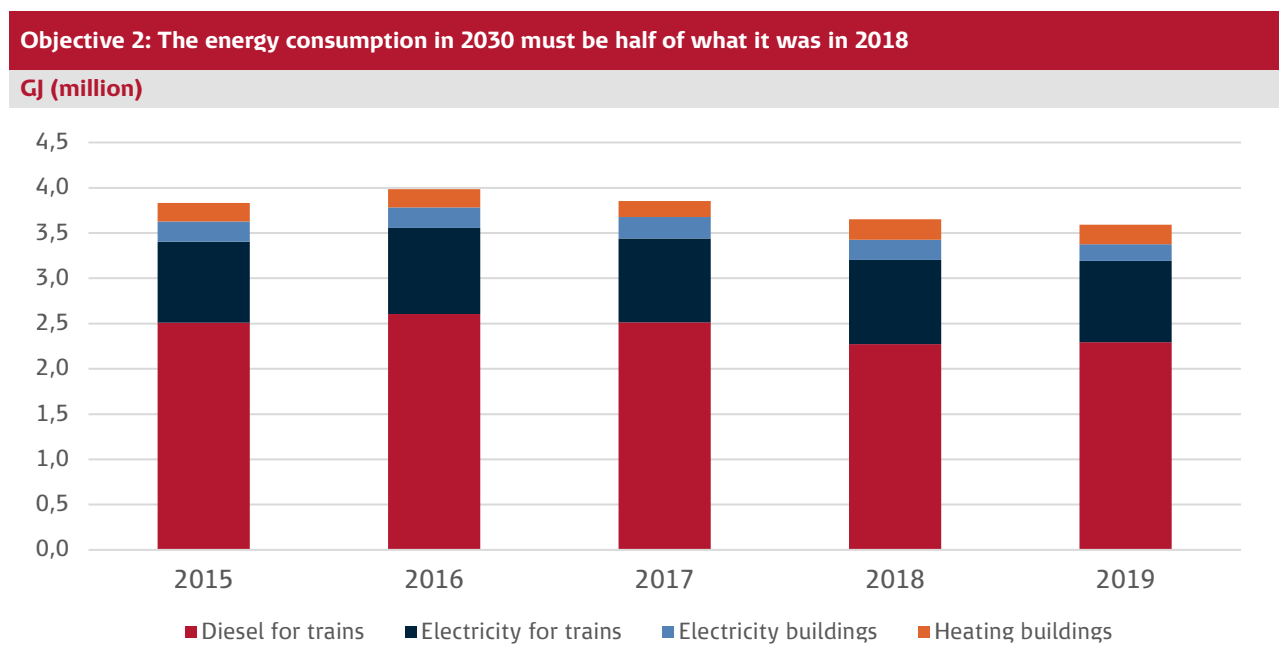


The total CO<sub>2</sub> emissions in 2019 have fallen by 7 percent compared to 2018. The development is impacted by a slight reduction in DSB's overall energy consumption together with a major reduction in the CO<sub>2</sub> emissions from electricity production in Denmark.

### Energy consumption

DSB's goal is for energy consumption in 2030 to be half of what it was in 2018. The future electrical locomotives and trains will play a major part in energy optimisation and so will the new and more energy-efficient workshops. At the same time, DSB will continue to optimise the use of energy in the general operations of workshops and other buildings.

Via the environmental policy and the certification of workshops and preparation centres, DSB is focusing on reducing both its impact on the local environment and reducing energy consumption.



89 percent of DSB's total energy consumption is used for train operations, which is a small increase compared to 2018.

The total energy consumption of train operations in 2019 is more or less unchanged compared to 2018. However, the energy consumption of diesel train traffic has increased by 1 percent while the consumption of electricity for train operations has decreased by 3 percent.

The energy consumption for purposes other than train operations has fallen by 11 percent in 2019 compared to 2018. The development in energy consumption levels is, among other things, due to a large decrease in the consumption of electricity. DSB is continually working towards reducing energy consumption in buildings and fixed installations.

In 2019, the following initiatives have had an impact on the development of energy consumption:

- Over the past few years, a number of DSB 7-Eleven stores have closed, and this has had a significant impact on, in particular, the electricity consumption for general operations. In 2019, an

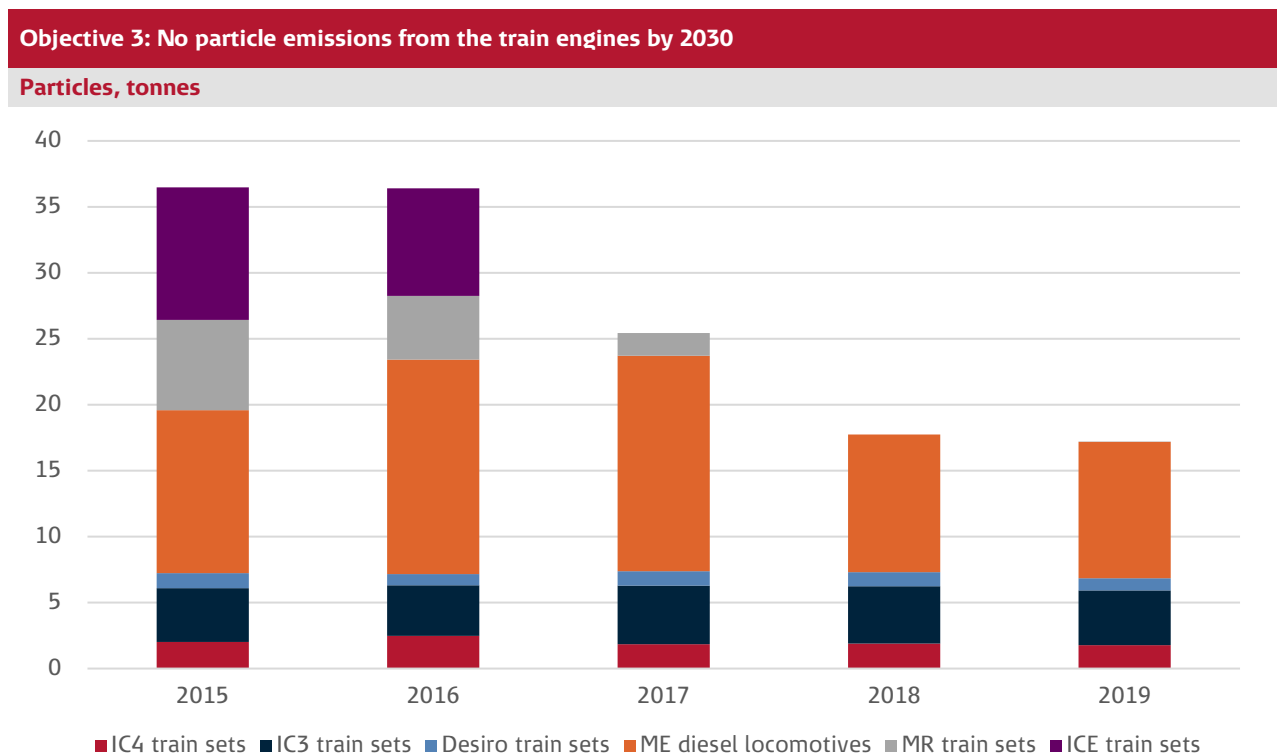
additional five DSB 7-Eleven stores have closed, and this has resulted in a reduction of around 3,600 GJ.

- Construction work at Copenhagen Central Station, where, among other things, the passenger tunnel has been newly renovated with LED lighting, has also resulted in a reduction of the consumption of electricity.
- Ongoing replacements of lights to LED lighting in workshops and in the administration buildings.
- Focus on optimising the operations regarding heating plants (better management, hot water containers, piping systems and valves) at the two major workshops in Copenhagen.

#### Particle emissions

DSB's objective is for no particles to be emitted from its train engines by 2030. This is to be achieved via using electrical rolling stock, though it requires that Rail Net Denmark continues its work on electrification.

Diesel trains make a local impact on air quality in the form of particles, NO<sub>x</sub>, etc. DSB's main focus is on a reduction of particles, including ultrafine particles.



The total emissions of particles (calculated by mass) from diesel trains was unchanged compared to 2018, but has declined by 30 percent since 2017. This is due to the reduced traffic with the ME-locomotives in the spring of 2018.

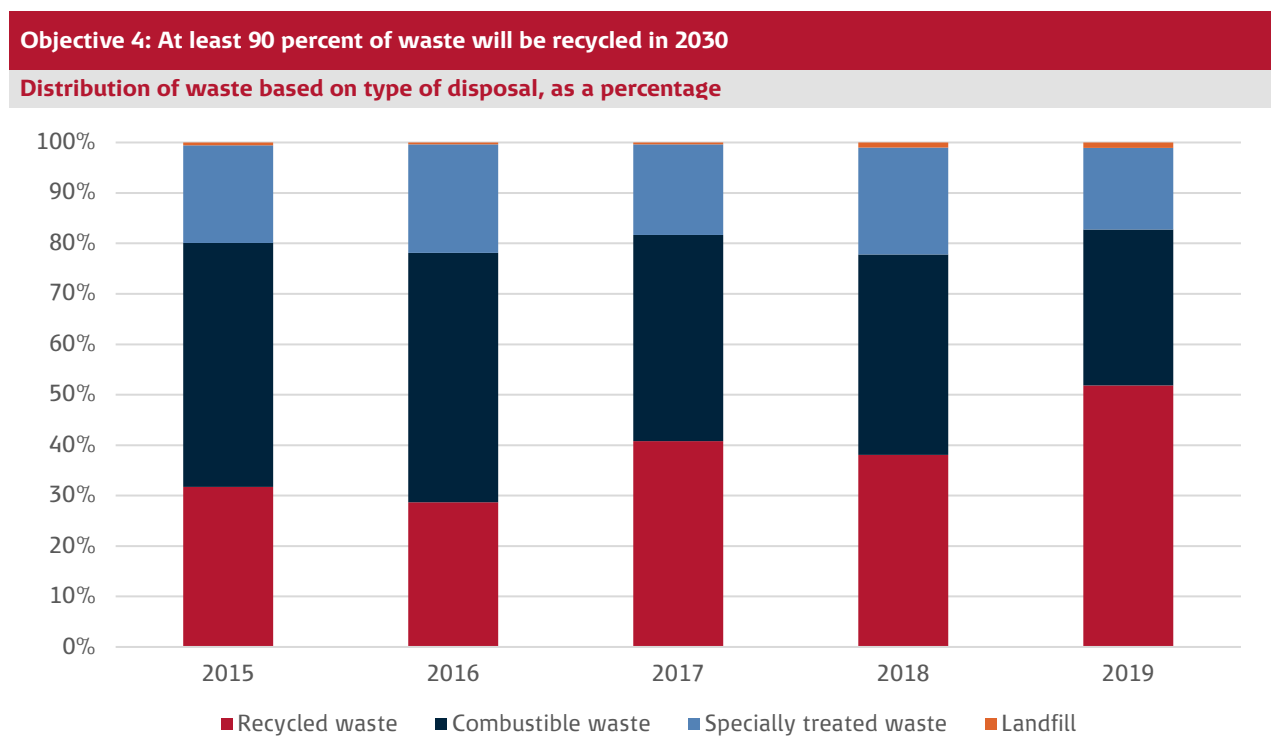
DSB continues to work with installing new cylinders and nozzles and changing the settings for the nozzles on the ME-locomotives. Altogether, this will result in a reduction of particle emissions of 50 percent, which is a significant decrease in the number of ultrafine particles, a reduction of the

use of lubricating oil and a small reduction in the consumption of diesel fuel. 24 out of the 29 ME-locomotives have had new cylinder units installed at the end of 2019.

### Waste

DSB's objective is for at least 90 percent of waste to be recycled in 2030. In order to reach this goal, DSB will be focusing on how waste management at workshops, when preparing the trains, at stations and in the administration can be optimised so that the amount of waste is reduced and waste is recycled to a higher degree than it currently is. The last 10 percent of the waste in 2030 will be waste that will require specialised treatment.

The customers will play a major role in helping to sort the waste that comes from trains and stations at the source into selected fractions.



In 2019, the overall recycle percentage was 52 percent. The increase from 38 percent in 2018 is mainly due to DSB having sold or scrapped several train sets in 2019.

In 2019, 47 MR train sets, 2 IC4 train sets and 3 ME-diesel locomotives have been sold or scrapped:

- 6 MR train sets and 3 ME-diesel locomotives have been sold and will still be used for train operations
- 2 MR train sets have been sold and will be used as restaurants
- 39 MR train sets and 2 IC4 train sets have been scrapped.

Two canteens have introduced a policy where employees can take food home with them based on the "too good to go" principle. That leads to a reduction of food waste and a reduction of waste in general.

#### Other environmental issues

##### *Oil spill by the supply facility in Nykøbing Falster*

At the end of 2018, diesel oil was found in a ditch. DSB was ordered to clean it up, and subsequently, it has removed the contaminated soil and water. In May 2019, DSB was also ordered by Guldborgsund Municipality to find out the cause of the oil spill. DSB has investigated the extent of the contamination and an oil separator at the supply plant will be replaced by mid 2020.

##### *Derailment of IC3 train set near Odense station*

On 10 January 2019, an IC3 train set was derailed during shunting. The derailment caused a diesel tank to leak, and around 600 litres of diesel oil was spilt. A small amount of oil was collected. DSB has subsequently completed an environmental technical investigation which shows that the extent of the oil contamination does not pose a risk to the current use of the area or to groundwater resources in the area.

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

8 February 2019  
DSB's annual report 2018

22 February 2019  
Notice convening the ordinary annual meeting,  
2019

21 March 2019  
Minutes of ordinary annual meeting of DSB

9 May 2019  
Interim report, Q1 2019

9 May 2019  
Notice convening the extraordinary annual  
meeting, 16 May 2019

22 June 2019  
Minutes of extraordinary annual meeting, 16  
May 2019

27 August 2019  
Interim report, Q2 2019

8 November 2019  
Interim report, Q3 2019



## Organization

### Board of Directors

The Board of Directors' directorships in Danish and foreign commercial enterprises. The special competencies of the Board of Directors are described on [www.dsb.dk](http://www.dsb.dk).



#### **Peter Schütze, Chairman**

Joined DSB's Board of Directors on 1 June 2011 (at the extraordinary annual meeting).

Re-elected Chairman on 8 March 2019 (ordinary annual meeting)

Term of office ends: 2021.

Chairman of:

- the Board of Directors of Falck A/S
- the Board of Directors of SimCorp A/S
- the Board of Directors of Nordea-fonden and Nordea Bank-fonden
- Investeringskomiteen - The Danish SDG Investment Fund
- Dronning Margrethe II's Arkæologiske Fond

Member of:

- Industrial Board Axcel and Axcel Future
- the Board of Directors of Lundbeckfonden
- the Board of Directors for Generalkonsul Gösta Enboms Fond
- Det Systemiske Risikoråd.



#### **Annette Sadolin, Vice Chairman**

Joined DSB's Board of Directors on 28 April 2009 (ordinary annual meeting)

Re-elected – elected Vice Chairman – on 8 March 2019 (ordinary annual meeting)

Term of office ends: 2021.

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 Blue Square Re. N.V.
- the Board of Directors of Ny Carlsberg Glyptotek
- the Board of Directors of KNI A/S, Greenland



### **Henrik Amsinck**

Joined DSB's Board of Directors on 19 May 2017 (at the extraordinary annual meeting).

Re-elected on 8 March 2019 (ordinary annual meeting)

Term of office ends: 2021.

Member of:

- the Board of Directors of LEGO GmbH
- the Board of Directors of LEGO India, Private Limited
- the Board of Directors of B4RESTORE A/S
- Entreprise 50 (CIO network)



### **Hanne Blume**

Joined DSB's Board of Directors on 29 June 2018 (at the extraordinary annual meeting).

Term of office ends: 2020.

Chairman of:

- the Board of Director of Insero Horsens

Member of:

- the Board of Directors of Nel ASA
- University College Syddanmark (UC Syd)



### **Carsten Gerner**

Joined DSB's Board of Directors on 24 April 2012 (ordinary annual meeting)

Re-elected on 5 March 2018 (ordinary annual meeting)

Term of office ends: 2020.

Member of:

- 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



### **Christina Grumstrup Sørensen**

Joined DSB's Board of Directors on 17 March 2015 (ordinary annual meeting).

Re-elected on 8 March 2019 (ordinary annual meeting)

Term of office ends: 2021.



**Preben Steenholdt Pedersen**

Joined DSB's Board of Directors on 27 April 2011 (elected by employees)

Re-elected on 8 March 2019 (elected by employees)

Locomotive operation instructor.

Chairman of:

Vejlekassen c/o Tjenestemændenes Forsikring

Vice Chairman of:

Dansk Jernbaneforbund.

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).



**Lone Riis**

Joined DSB's Board of Directors on 8 March 2019 (elected by employees).

Senior Traffic Controller

Local trade union representative

Chairman of constituency and vice chairman of:

- HK Trafik & Jernbane.



**Morten Færgemann Sørensen**

Joined DSB's Board of Directors on 8 March 2019 (elected by employees)

Train conductor

## Executive Board

The Executive Board's directorships in Danish and foreign commercial enterprises



### **Flemming Jensen, CEO**

Employed with DSB since 2015

Chairman of:

- Board of Directors, TP Aerospace.

Member of:

- the Board of Directors of Industriens Arbejdsgivere i København.
- 



### **Thomas Thellersen Børner, CFO**

Employed with DSB since 2013.



### **Jan Sigurdur Christensen, Director of Commercial**

Employed with DSB since 2014.

Chairman of:

- the Board of Directors of DOT I/S

Vice Chairman of:

- the Board of Directors of Rejsekort & Rejseplan A/S

Member of:

- the Board of Directors of DI Transport



### **Jürgen Müller, Executive Vice President, Strategy & Rolling Stock**

Employed with DSB since 2015



### **Per Schrøder, Director of Operations**

Employed with DSB since 2018.

## Management

The Management's directorships in Danish and foreign commercial enterprises.



**Mette Rosholm, Director of Purchases & Legal Affairs**

Employed with DSB since 2014.

Member of:

- the Board of Directors of Rejsekort & Rejseplan A/S
- the Board of Directors of M/S Museet for Søfart



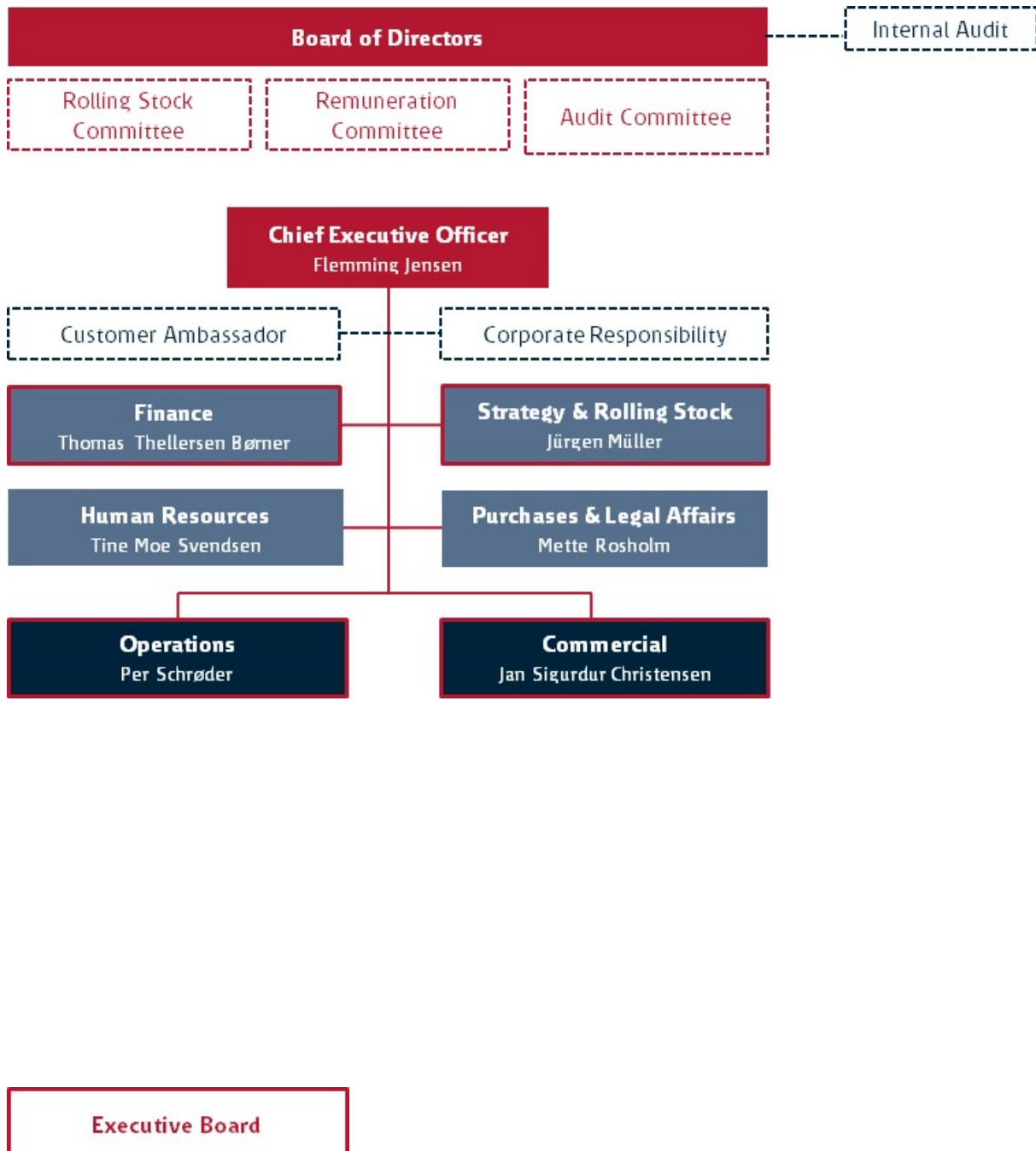
**Tine Moe Svendsen, HR Director**

Employed with DSB since 2015

Member of:

- the Board of Directors for Jernbanernes Arbejdsgiverforening

## Organisation



## Financial calendar 2020

Expected publication of quarterly and interim reports:

1st quarter 2020	20 May 2020
2nd quarter 2020	27 August 2020
3rd quarter 2020	5 November 2020

## Publications

Annual report for 2019 can be found at [www.dsb.dk](http://www.dsb.dk)

Environmental report for 2019 can be found at [www.dsb.dk](http://www.dsb.dk).

Remuneration report for 2019 can be found at [www.dsb.dk](http://www.dsb.dk).

## Company details

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[www.dsb.dk](http://www.dsb.dk)

CVR no. 25050053

### Municipality of domicile

Høje-Taastrup

### Ownership

DSB is an independent public corporation owned by the Ministry of Transport, Building and Housing

### Auditors

Ernst & Young  
Authorised Limited Company of Accountants  
CVR no. 30700228

The National Audit Office of Denmark

### Bank

Nordea Bank Danmark A/S

### Editors

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### Graphic design

Communication & Branding





# Line accounts

## Management Statement

DSB's management has considered and approved DSB's Line accounts for 2019.

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 and Housing.

It is our view that

- The Accounting Regulations have been respected in 2019, including making the necessary accounting breakdown, see 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, 6 February 2020

Flemming Jensen  
CEO

Thomas Thellersen Børner  
CFO



## Accounts

DSB has prepared reports on the finances of train operations and the results thereof divided into activity areas in order to promote transparency. Combined with a division of operator tasks by lines, this contributes to adding transparency to DSB's train operations in Denmark, and DSB is also continually using the line accounts to streamline operations.

The following can be emphasised:

- Long-Distance traffic have operated at a loss in 2019 and passenger revenue has decreased as a result of major track works in eastern Jutland and on Zealand, and this has also increased costs for replacement traffic. At the same time, the contract payments from the state have been reduced<sup>1</sup>
- Both the regional train lines in East and West are generally loss-making and therefore require a transfer of funds from the profit-making traffic and from the contract payments from the state. The profitability of individual lines is generally derived from the extent of the service – as determined by the contract with the state – in relation to demand spread over the operational day. The lines are also generally characterised by decreasing passenger revenue. Here, the result is also affected by the reduced traffic contract payments.
- In 2019, DSB's S-train traffic generated a profit of DKK 37 million and thus contributes towards financing lines operating at a loss. The S-train traffic has seen increasing passenger revenue compared to 2018 and also decreasing costs. In 2018, there were large costs associated with replacement traffic in connection with track works on the Frederikssund Line.
- Øresund traffic operated at a profit of DKK 10 million in 2019 without funds transferred from the traffic contract. There has been an influx of customers and thus increasing passenger revenue while costs have also decreased. Compared to 2018, where Øresund traffic received contract payments, the result has improved by DKK 84 million.

### Activity Area Accounts

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

- Train Service relates to the operator task of driving trains.
- Train System is a collective designation for the activities that support the task of driving 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 train operations, such as grants for extra costs regarding civil servants and leasing of special buildings on non-commercial terms.

Train Service is furthermore divided into Long-Distance & 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 Operations and Shared Functions.

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<sup>1</sup> Conditions for reducing DSB's contract payment in Supplementary Contract 19 from the Ministry of Transport and Housing. In 2019, the reduction amounted to DKK 250 million (2018: DKK 207 million).

For 2019, income before the leasing of rolling stock amounted to DKK 9,900 million. The income finances the delivered Public service traffic.

In 2019, passenger revenue amounted to DKK 5,194 million, and in the financial statements regarding lines this is distributed to the Train Services<sup>2)</sup>, i.e. the passenger traffic, while the Train System tasks in the model are almost entirely financed by the income from the traffic contract. Commission revenues from sale of tickets by other operators are distributed to Systems & Channels and amount to DKK 88 million of Other operating income.

Danish train passenger traffic is characterised by a strong desire for cohesion in the public transport, including an integrated and uniform customer experience for the entire journey. In order to deliver this, the public transport sector is characterised by a high degree of integration and collaboration across traffic companies and operators, in addition to shared and integrated commercial solutions such as, for example, Rejsekort, Rejseplanen, DOT and Bus & Tog. Passenger revenue has been calculated on the basis of the agreements that have been signed on revenue sharing between the traffic companies and operators.

DSB handles an integrating role in the Danish train passenger traffic by, for example, co-financing the development of other traffic companies' traffic systems and traffic offers. An example of this is the passenger revenue sharing in the Copenhagen area and the operation of contractor traffic services in central and western Jutland.

The current revenue allocation model in the Greater Copenhagen area means that Metroselskabet I/S receives a share of the total passenger revenues, which exceed the metro's share of the total amount of journeys in the Greater Copenhagen area. This over-proportional share (the so-called metro double factor of 1.49) has a negative effect on DSB's passenger revenues.

Similarly, agreements on the handling of contractor traffic for the operator of the traffic in central and western Jutland - Arriva Danmark. Contractor traffic means that DSB bears the costs for continuing to operate a number of departures in central and western Jutland to thereby ensure direct lines for the passengers to the rest of the country. The revenues from the contractor traffic accrue to Arriva Danmark, and DSB is compensated via contract payments from the state. Contractor traffic takes place on the three lines where DSB does not have a lot of production and thus not much passenger revenue, which then goes to Arriva instead of DSB, and the estimated amount is between DKK 3-4 million per year.

In 2019, the total revenue from traffic contracts amounts to DKK 4,025 million. These revenues finance the loss-making train traffic and other activity areas based on the principles determined in the traffic contract with the state. With the vision of a market-oriented DSB, DSB has presented an ambitious plan that, together with the state's investments in the railway infrastructure and DSB's investments in the Train of the Future, will result in a significant financial room for manoeuvre in DSB up to 2030. This can be either used to eliminate contract payments or to drastically reduce ticket prices for the benefit of passengers and society at large.

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<sup>2)</sup> This is an analytical decision, as the passenger revenues are in fact also used for co-financing for example 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.

Of the Income before leasing of rolling stock, Passenger revenue amounts to 52 percentage, Revenue from traffic contracts amounted to 41 percentage and Other operating income amounted to 7 percentage.

In accordance with the traffic contract, the contract payment is distributed such that for Stations it reflects a risk-calculated return on the invested capital (ROIC) of 3 percentage. For Material and General obligations it reflects a covering of costs without return and for Systems & Channels it reflects a profit margin of 5 percentage. The remaining contract payment falls to Train Services.

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

Of the total income from leasing of rolling stock, 71 percentage finances Train Services and 28 percentage finances Train System tasks while the remaining 1 percentage finances General Obligations.

**Table 1: The results of DSB's Train Operations divided into areas of activity 2019**

Amounts in DKK million	Public services	Train Services			Train System			General Obligations	
		Long-Distance and Regional train traffic	S-train traffic	Øresund traffic <sup>1)</sup>	Stations	Rolling Stock	Systems & Channels	Historical <sup>2)</sup>	Non-recurring items <sup>3)</sup>
Passenger revenues	5,194	2,956	1,484	754	0	0	0	0	0
Revenue from traffic contract	4,025	1,653	0	0	624	315	1,411	22	0
Other operating income <sup>4)</sup>	681	175	39	24	76	68	256	35	8
<b>Income before leasing of rolling stock</b>	<b>9,900</b>	<b>4,784</b>	<b>1,523</b>	<b>778</b>	<b>700</b>	<b>383</b>	<b>1,667</b>	<b>57</b>	<b>8</b>
Leasing out of rolling stock	1,492	0	0	0	0	1,492	0	0	0
<b>Total income</b>	<b>11,392</b>	<b>4,784</b>	<b>1,523</b>	<b>778</b>	<b>700</b>	<b>1,875</b>	<b>1,667</b>	<b>57</b>	<b>8</b>
Expenses for raw materials and consumables	500	370	95	31	0	0	4	0	0
Other external expenses	5,057	2,506	482	374	372	366	886	57	14
Staff expenses	2,677	1,230	436	234	109	42	597	0	29
<b>Expenses before leasing of rolling stock</b>	<b>8,234</b>	<b>4,106</b>	<b>1,013</b>	<b>639</b>	<b>481</b>	<b>408</b>	<b>1,487</b>	<b>57</b>	<b>43</b>
Leasing of rolling stock	1,492	872	485	135	0	0	0	0	0
<b>Total expenses</b>	<b>9,726</b>	<b>4,978</b>	<b>1,498</b>	<b>774</b>	<b>481</b>	<b>408</b>	<b>1,487</b>	<b>57</b>	<b>43</b>
<b>Profit before amortisation, depreciation and write-downs</b>	<b>1,666</b>	<b>-194</b>	<b>25</b>	<b>4</b>	<b>219</b>	<b>1,467</b>	<b>180</b>	<b>0</b>	<b>-35</b>
Amortisation, depreciation and write-downs	3,557	33	10	6	138	1,425	97	0	1,848
<b>Operating profit/loss</b>	<b>-1,891</b>	<b>-227</b>	<b>15</b>	<b>-2</b>	<b>81</b>	<b>42</b>	<b>83</b>	<b>0</b>	<b>-1,883</b>
Net financials	35	60	22	12	-24	-42	7	0	0
<b>Profit/loss before tax</b>	<b>-1,856</b>	<b>-167</b>	<b>37</b>	<b>10</b>	<b>57</b>	<b>0</b>	<b>90</b>	<b>0</b>	<b>-1,883</b>
Tax on profit/loss for the year	437								
<b>Profit/loss for the year</b>	<b>-1,419</b>								
Allocation in percentage									
Revenue from transport contract		40%	0%	0%	16%	8%	35%	1%	0%
Income before leasing of rolling stock		48%	15%	8%	7%	4%	17%	1%	0%
Cost before leasing of rolling stock		50%	12%	7%	6%	5%	18%	1%	1%
<b>Expenses, amortisation, depreciation, write-downs and financials</b>	<b>13,248</b>	<b>4,951</b>	<b>1,486</b>	<b>768</b>	<b>643</b>	<b>1,875</b>	<b>1,577</b>	<b>57</b>	<b>1,891</b>

<sup>1)</sup> Øresund traffic includes Øresund - crossing the bridge and Kystbanen and the Kastrup line.

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

<sup>3)</sup> General obligations (Non-recurring items) is for net profits from property sales in the parent company, write-downs of properties, regulation of lifetime of properties, regulation of civil servant pension contributions, severance costs, write-downs of 11 IC4 train sets and write-downs on rolling stock as a consequence of impairment test.

<sup>4)</sup> Other operating income includes fees, compensation, rent and income from Traffic-independent activities. Passenger revenues under Systems & Channels also covers commission income from sale of tickets from other operators.

In 2019, Expenses before leasing of rolling stock amount to DKK 8,234 million for Public services. Of this, 70 percentage are used for Train Services, 29 percentage for Train System and the rest for General obligations.

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

The breakdown of train operations on activity areas is based on Public Services, which is a statement of the activities carried out by DSB under the traffic contract.

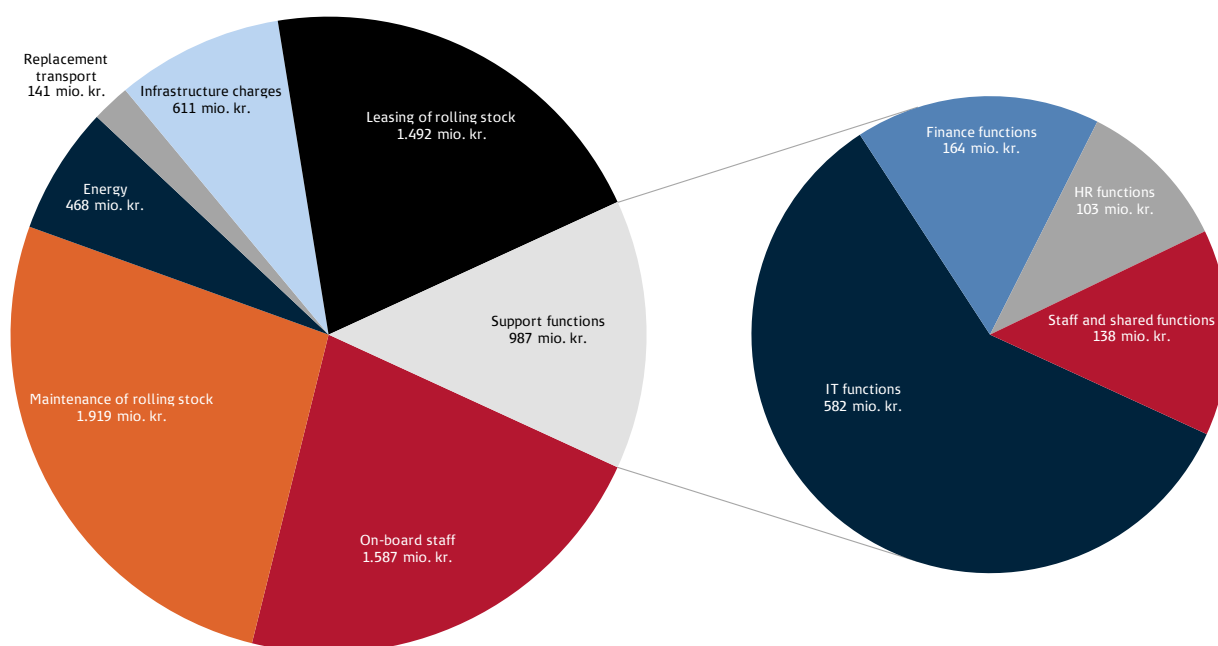
The basis for breaking down the activities this way is the Line Economy Model. This model divides the profit and loss account into activities and calculates the economy of the individual line based on an estimate of the activities required in the individual areas.

### Expenses for Train services

Most of DSBs' expenses including depreciation, amortisation and write-downs and financial income and expenses for 2019 cover Train Services (DKK 7,205 million), distributed on Long-Distance & Regional train traffic (DKK 4,951 million), S-train traffic (DKK 1,486 million) and Øresund traffic (DKK 768 million), see Table 1.

Maintenance of rolling stock and Leasing of rolling stock total DKK 3,411 million or 47 percentage of the total expenses for Train Services, while expenses for Onboard staff amount to DKK 1,587 million or 22 percentage, see Figure 1.

**Figure 1: Expenses for Train services 2019**  
Amounts in DKK million





In the coming years, a very large number of infrastructure works will be performed in Denmark. These works are absolutely essential, and once they have been completed, they will - together with the new electric trains - ensure a well-functioning and sustainable train operation that will benefit DSB's customers. During the infrastructure work, DSB's finances are impacted to a very significant degree. In particular, this is in the form of reduced passenger revenues as the customers opt out of taking the train and use other modes of transportation, but it is also in the form of increased costs for replacement traffic.

Banedanmark grants cover project costs for infrastructure works, while DSB pays the costs for replacement traffic when train operations are hindered by track closures. In 2019, DSB has spent DKK 141 million on replacement traffic. It is Rail Net Denmark that plans and carries out the infrastructure works.

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 987 million or 14 percentage of the Train Services costs. The support functions include cross-sector IT functions, staff and common functions, finance and staff functions. More than half of the costs for support functions are staff and consultancy costs. The remainder includes costs for software development, licences, outsourced IT operations centre, insurance, rent and costs for consumption, marketing and depreciation/amortisation etc.

Expenses for support 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 employees contribute directly as part of the train crew and indirectly in the workshops, carries a relatively large share of the expenses for supporting functions.

The expenses for support functions are only variable to a limited extent in relation to the extent of Train Services. The handover of traffic to other operators thus has no substantial effect on the costs for interdepartmental IT functions or other support functions.

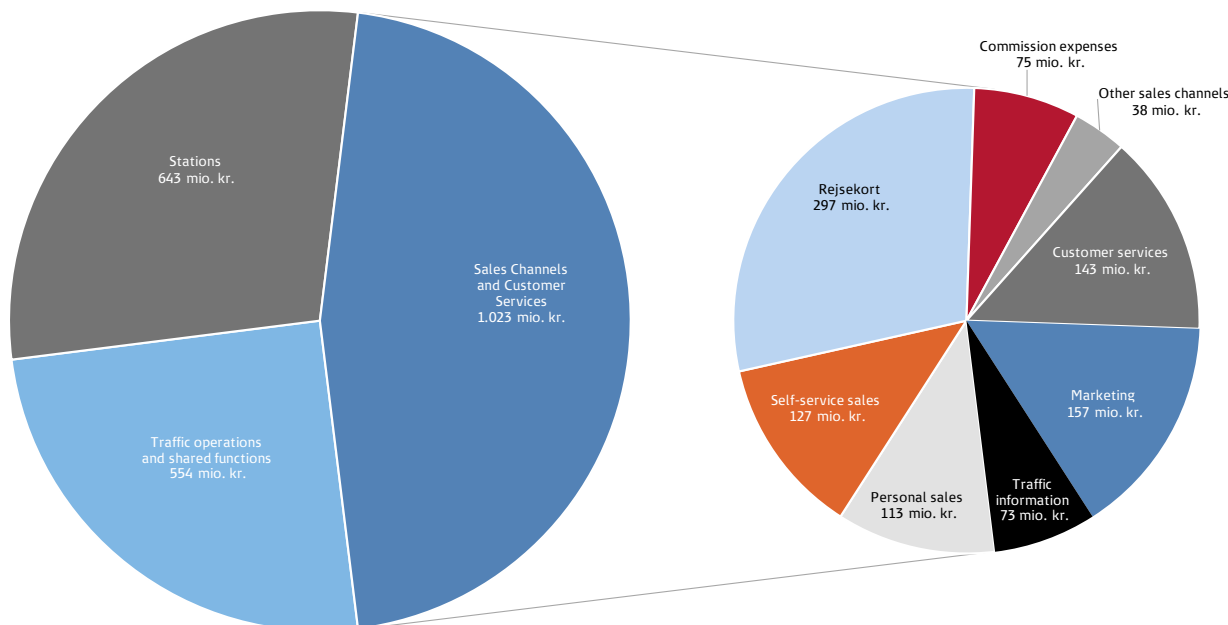
### **Expenses for Train System**

Expenses for the Train System, excluding rolling stock, which ensures coherence in train services in Denmark, are DKK 2,220 million in 2019 including depreciation, amortisation, write-downs and financial income and expenses, see Table 1. Systems & Channels, which consists of Traffic Operations & Shared Functions and Sales Channels & Customer Service, accounts for DKK 1,577 million or 71 percentage of this while Stations accounts for DKK 643 million or 29 percentage.

Sales Channels & Customer Service comprises customer-oriented activities such as ticket sales channels (personal service, digital sale and ticket vending machines), customer service, traffic information, Rejsekort (DSB's co-financing of the travel card system) and marketing. Traffic Operations & Shared Functions includes traffic-oriented activities such as staff, rolling stock and traffic planning, traffic training, safety, monitoring and control of train traffic at the operations centres run by DSB together with Banedanmark. In line with Train services, the figures for Train systems must be calculated with the fully allocated expenses and thus carry a share of DSB's total supporting functions.

**Figure 2: Expenses for Train System 2019**

Amounts in DKK million



### 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 individual items in the income statement and the balance sheet.

For 2019, the non-deductible proportion of incoming VAT amounts to a total cost of DKK 519 million. DSB and a number of group companies share a common VAT registration. The non-excluded VAT is distributed to the activity areas based on the relative VAT weighting of the relevant activities. Subsequently, the non-excluded VAT matches the actual costs via the distribution model.

Corporation tax is not allocated to the activity areas and lines. In the General Accounts, corporation tax is divided between Public services according to the negotiated contract and Competitive activities. The corporate tax related to Public services has been calculated as an income at DKK 437 million for 2019.

### Earnings for the year and statement of net contract payments

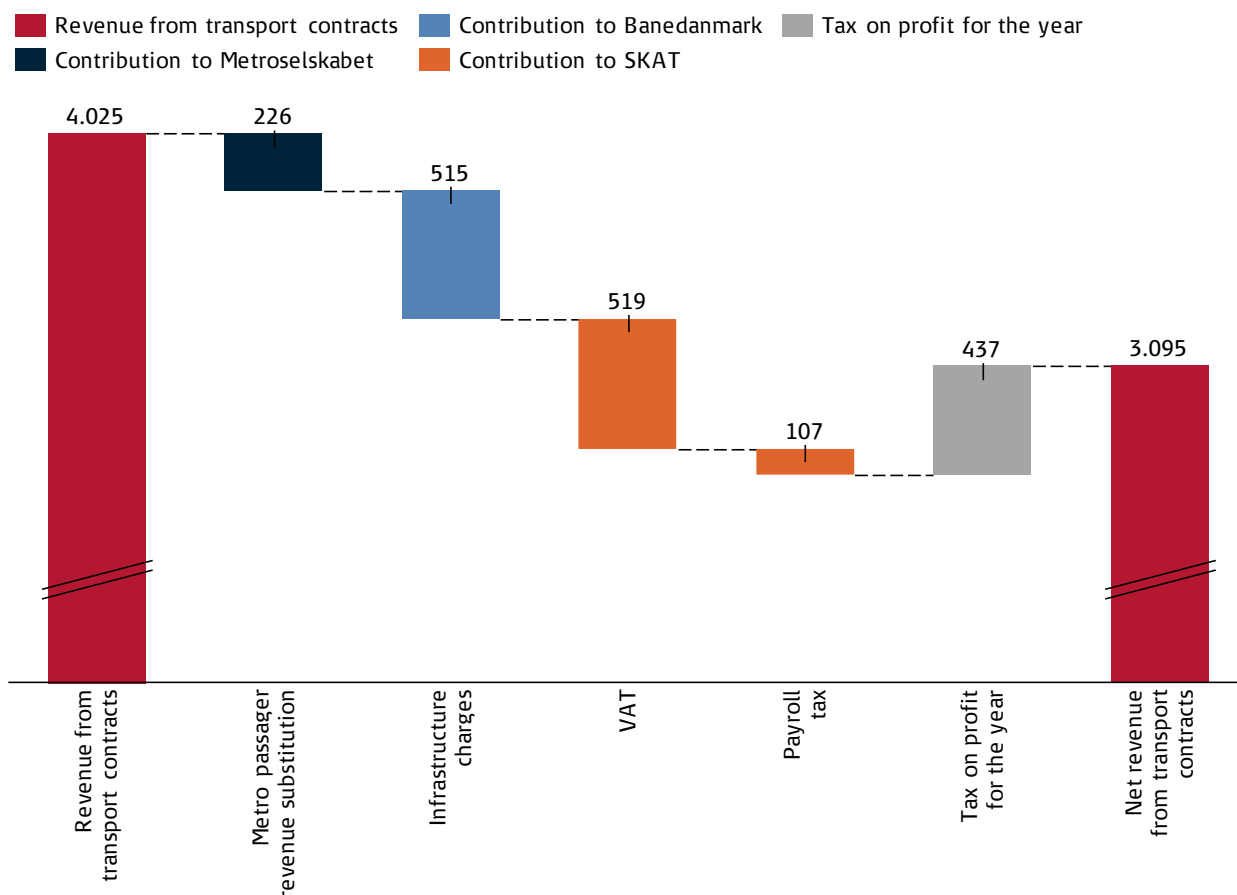
Earnings for the year for Public services has been calculated as a deficit of DKK 1,419 million. At a deficit the result is deducted from DSB's equity, and thus the owner's - the state's - value of DSB. In DSB's contract payments the various duties - tax, VAT and salaries - are deducted and returned to the state, just as DSB pays for the infrastructure costs of using the infrastructure - rail tracks and fixed connections - that DSB uses in train operations for Long-Distance & Regional trains.

Figure 3 calculates the state's net contract payment to DSB once these factors have been taken into account - in other words, when the contract payments have been deducted from the internal distribution of resources in the sector in addition to the redistribution to other state actors. The

net contract payment is thus an expression of the state's actual payment to DSB for Train operations.

**Figure 3: The state's net contract payments to DSB**

Amounts in DKK million



The net contract payments to DSB from the state thus amounts to DKK 3.1 billion.

### Line Accounts

The Line Accounts are primarily an internal analysis tool used by DSB to understand the correlations between operations and to analyse and optimise the financial structure of the individual lines. The information on the finances of train operations on individual lines provides a good overview of the societal priorities of Danish train operations.

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

However, the line accounts are not suited for direct financial comparison between operators, even if such comparison only focuses on the train operation activities. Furthermore, the line accounts cannot be used as reference with respect to adjustment of expenses in connection with giving up lines to other operators.

The reason for this is partly that the line accounts reflect absorption 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 the expenses are only vaguely or not at all correlated with the number of train or seat kilometres driven. Therefore, it applies that there is no noteworthy correlation between the extent of the train services and expenses for, e.g. sales and distribution channels, planning systems and operation centres. When DSB hands over train traffic, it means that DSB loses economies of scale and opportunities for inter-organisational synergy.

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

Positive results reflect that 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, costs for Train System for both Stations and Systems & Channels are broken down into lines in Table 4 and Table 5. In practice, this means the inclusion, for example, of expenses for operating stations, operating the Rejsekort system, ticket vending machines, traffic information and operations centres controlling traffic to limit delays, etc. The expenses have been broken down by lines, even though these activities do not have any direct connection with the actual economy of the train traffic on the individual line.

The key figures for Passenger revenues per seat kilometre and Expenses per seat kilometre provide the best indication of how the seat capacity is utilised on the individual lines, see Table 4 and Table 5. Seat kilometres take into account the number of seats available in the individual rolling stock class and the number of train sets/coaches coupled on a line. Train kilometres, which are often used as a key figure, do not take these differences into account. The statement of seat kilometres is associated with some uncertainty, as the statement of journeys, and thus how far the individual customer travels, is to a great extent based on passenger studies based on spot checks. For example, it cannot be stated precisely how often and how far a commuter with a season ticket travels, nor what line the commuter uses (see Figure 10).

### **Adjustments to the Line Economy Model in 2019**

In 2019, the following adjustments were incorporated into the Line Economy Model:

- New line definition in the Øresund region

It has proved necessary to revise the definition of the line Copenhagen – Malmö to the effect that the production on the Swedish side of the Øresund border has not been included. This is made to adhere to the definition in the initial traffic contract with the state.

**Table 2: Line accounts for Train Services Long-Distance, Regional West and East**

	Passenger revenues	Total revenues	On-board staff	Maintenance of rolling stock	Energy	Replacement transport	Infrastructure charges	Total direct costs	Leasing of rolling stock (avg. costs)	Supporting function costs	Profit/loss on Train Services
<b>Amounts in DKK million</b>											
Copenhagen - Aarhus - Aalborg (InterCityLyn)	816	848	160	194	60	32	102	548	154	88	58
Copenhagen - Aalborg (InterCity)	702	746	220	209	60	9	159	657	164	132	-207
Copenhagen - Esbjerg (InterCity)	431	454	101	92	23	5	92	313	78	61	2
<b>Long-Distance</b>	<b>1,949</b>	<b>2,048</b>	<b>481</b>	<b>495</b>	<b>143</b>	<b>46</b>	<b>353</b>	<b>1,518</b>	<b>396</b>	<b>281</b>	<b>-147</b>
Odense - Svendborg	38	41	20	45	5	2	5	77	20	13	-69
Odense - Ringe	6	7	8	15	2	1	2	28	7	5	-33
Aarhus - Fredericia - Esbjerg	83	89	43	155	21	1	13	233	33	27	-204
Aarhus - Fredericia	19	20	7	20	3	0	2	32	5	4	-21
Odense - Fredericia	16	19	18	49	6	0	4	77	11	12	-81
Aarhus - Fredericia - Flensborg	22	25	20	12	4	0	6	42	11	12	-40
Fredericia - Sønderborg	36	39	29	17	5	0	6	57	15	18	-51
Aarhus - Langå - Struer	0	1	7	4	1	0	1	13	3	4	-19
Aarhus - Langå - Aalborg	6	6	2	2	1	0	1	6	2	1	-3
Aarhus - Hamborg	58	60	14	22	7	0	6	49	-9	9	11
Fredericia - Vejle - Struer	71	79	59	89	18	1	13	180	32	36	-169
Struer - Thisted	0	1	4	2	1	0	1	8	2	3	-12
<b>Regional West</b>	<b>355</b>	<b>387</b>	<b>231</b>	<b>432</b>	<b>74</b>	<b>5</b>	<b>60</b>	<b>802</b>	<b>132</b>	<b>144</b>	<b>-691</b>
Copenhagen - Kalundborg	97	105	63	133	24	1	10	231	56	41	-223
Copenhagen - Holbæk	132	139	51	92	25	1	8	177	80	34	-152
Copenhagen - Roskilde	4	5	11	8	1	0	1	21	5	7	-28
Copenhagen - Ringsted	59	63	34	43	7	1	6	91	27	22	-77
Copenhagen - Slagelse	69	71	16	20	4	1	5	46	17	11	-3
Copenhagen - Nykøbing F - Rødby Færge	217	232	100	182	49	53	18	402	140	65	-375
Copenhagen - Hamborg	42	44	15	17	6	5	1	44	-6	10	-4
Roskilde - Køge - Næstved	32	37	32	59	9	5	6	111	25	21	-120
<b>Regional East</b>	<b>652</b>	<b>696</b>	<b>322</b>	<b>554</b>	<b>125</b>	<b>67</b>	<b>55</b>	<b>1,123</b>	<b>344</b>	<b>211</b>	<b>-982</b>
<b>Long-Distance and Regional trains</b>	<b>2,956</b>	<b>3,131</b>	<b>1,034</b>	<b>1,481</b>	<b>342</b>	<b>118</b>	<b>468</b>	<b>3,443</b>	<b>872</b>	<b>636</b>	<b>-1,820</b>

**Table 3: Line accounts for Train Services Øresund and S-trains**

Amounts in DKK million	Passenger revenues	Total revenues	On-board staff	Maintenance of rolling stock	Energy	Replacement transport	Infrastructure charges	Total direct costs	Leasing of rolling stock (avg. costs)	Supporting function costs	Profit/loss on Train Services
Copenhagen - Helsingør	321	338	142	87	20	4	18	271	72	88	-93
Copenhagen - Malmö	433	440	54	43	11	6	125	239	63	35	103
<b>Øresund</b>	<b>754</b>	<b>778</b>	<b>196</b>	<b>130</b>	<b>31</b>	<b>10</b>	<b>143</b>	<b>510</b>	<b>135</b>	<b>123</b>	<b>10</b>
Central (Hellerup-Valby)	577	588	95	59	16	4	0	174	109	61	244
Køge (Sydhavn - Køge)	195	202	63	69	22	2	0	156	98	40	-92
Høje Taastrup (Danshøj - Høje Taastrup)	133	135	26	22	7	1	0	56	33	17	29
Frederikssund (Langgade - Frederikssund)	166	172	49	51	17	2	0	119	73	31	-51
Farum (Ryparken - Farum)	100	103	34	29	9	2	0	74	48	22	-41
Hillerød (Bernstorffsvej - Hillerød)	164	169	45	45	14	1	0	105	66	28	-30
Klampenborg (Charlottenlund- Klampenborg)	31	32	11	9	3	0	0	23	14	7	-12
Ringbanen (Ny Ellebjerg - Hellerup)	118	122	34	24	7	1	0	66	44	22	-10
<b>S-trains</b>	<b>1,484</b>	<b>1,523</b>	<b>357</b>	<b>308</b>	<b>95</b>	<b>13</b>	<b>0</b>	<b>773</b>	<b>485</b>	<b>228</b>	<b>37</b>
<b>Train Services before Income from traffic contracts</b>	<b>5,194</b>	<b>5,432</b>	<b>1,587</b>	<b>1,919</b>	<b>468</b>	<b>141</b>	<b>611</b>	<b>4,726</b>	<b>1,492</b>	<b>987</b>	<b>-1,773</b>
Calculated payment under traffic contract	0	1,653	0	0	0	0	0	0	0	0	1,653
<b>Train Services after Income from traffic contracts</b>	<b>5,194</b>	<b>7,085</b>	<b>1,587</b>	<b>1,919</b>	<b>468</b>	<b>141</b>	<b>611</b>	<b>4,726</b>	<b>1,492</b>	<b>987</b>	<b>-120</b>

**Table 4: Line accounts for Train Operations Long-Distance, Regional West and East**

Amounts in DKK million	Train Services Passenger revenues	Train Services Other revenues	Train Services Costs	Profit/loss from Train Services	Other revenues	Other expenses	Train Operations Profit/loss	Passenger revenue per seat kilometres <sup>1)</sup>	Train Services Cost per seat kilometres <sup>1)</sup>	P/L Train Operations per passenger kilometres <sup>1)</sup>	Passenger kilometres Million units	Train kilometres Million units
Copenhagen - Aarhus - Aalborg (InterCityLyn)	816	32	790	58	26	174	-90	0.48	0.46	-0.09	995	5.13
Copenhagen - Aalborg (InterCity)	702	44	953	-207	32	208	-383	0.37	0.50	-0.45	844	7.15
Copenhagen - Esbjerg (InterCity)	431	23	452	2	17	112	-93	0.39	0.41	-0.18	510	3.24
<b>Long-Distance</b>	<b>1,949</b>	<b>99</b>	<b>2,195</b>	<b>-147</b>	<b>75</b>	<b>494</b>	<b>-566</b>	<b>0.41</b>	<b>0.46</b>	<b>-0.24</b>	<b>2,349</b>	<b>15.52</b>
Odense - Svendborg	38	3	110	-69	4	26	-91	0.32	0.92	-2.35	39	0.87
Odense - Ringe	6	1	40	-33	1	8	-40	0.16	1.08	-8.71	4	0.28
Aarhus - Fredericia - Esbjerg	83	6	293	-204	10	58	-252	0.18	0.63	-2.27	111	2.33
Aarhus - Fredericia	19	1	41	-21	2	12	-31	0.28	0.59	-1.22	26	0.37
Odense - Fredericia	16	3	100	-81	3	19	-97	0.11	0.65	-5.90	17	0.78
Aarhus - Fredericia - Flensborg <sup>2)</sup>	22	3	65	-40	2	14	-52	0.19	0.57	-2.10	25	0.71
Fredericia - Sønderborg	36	3	90	-51	4	22	-69	0.19	0.48	-1.48	46	1.02
Aarhus - Langå - Struer	0	1	20	-19	1	3	-21	0.00	0.64	-6.75	3	0.21
Aarhus - Langå - Aalborg	6	0	9	-3	1	4	-6	0.27	0.47	-0.81	8	0.14
Aarhus - Hamborg <sup>2)</sup>	58	2	49	11	3	17	-3	0.29	0.24	-0.06	59	0.86
Fredericia - Vejle - Struer	71	8	248	-169	8	46	-207	0.19	0.65	-2.17	95	2.22
Struer - Thisted	0	1	13	-12	0	2	-14	0.00	0.64	-13.14	1	0.13
<b>Regional West <sup>2)</sup></b>	<b>355</b>	<b>32</b>	<b>1,078</b>	<b>-691</b>	<b>39</b>	<b>231</b>	<b>-883</b>	<b>0.20</b>	<b>0.60</b>	<b>-2.03</b>	<b>434</b>	<b>9.92</b>
Copenhagen - Kalundborg	97	8	328	-223	9	63	-277	0.19	0.64	-2.19	126	1.71
Copenhagen - Holbæk	132	7	291	-152	14	99	-237	0.25	0.54	-1.42	167	1.32
Copenhagen - Roskilde	4	1	33	-28	1	6	-33	0.05	0.53	-8.13	4	0.23
Copenhagen - Ringsted	59	4	140	-77	7	55	-125	0.18	0.44	-1.65	75	0.99
Copenhagen - Slagelse	69	2	74	-3	6	46	-43	0.37	0.40	-0.46	94	0.52
Copenhagen - Nykøbing F - Rødby Færge	217	15	607	-375	17	111	-469	0.21	0.58	-1.50	312	3.03
Copenhagen - Hamborg <sup>2)</sup>	42	2	48	-4	2	12	-14	0.28	0.31	-0.30	43	0.68
Roskilde - Køge - Næstved	32	5	157	-120	6	37	-151	0.17	0.83	-3.67	42	1.11
<b>Regional East <sup>2)</sup></b>	<b>652</b>	<b>44</b>	<b>1,678</b>	<b>-982</b>	<b>62</b>	<b>429</b>	<b>-1,349</b>	<b>0.22</b>	<b>0.56</b>	<b>-1.56</b>	<b>863</b>	<b>9.59</b>
<b>Long-Distance and Regional trains <sup>2)</sup></b>	<b>2,956</b>	<b>175</b>	<b>4,951</b>	<b>-1,820</b>	<b>176</b>	<b>1,154</b>	<b>-2,798</b>	<b>0.31</b>	<b>0.52</b>	<b>-0.77</b>	<b>3,646</b>	<b>35.03</b>

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

<sup>2)</sup> Train production includes traffic in Germany



**Table 5: Line accounts for Train Operations Øresund and S-trains**

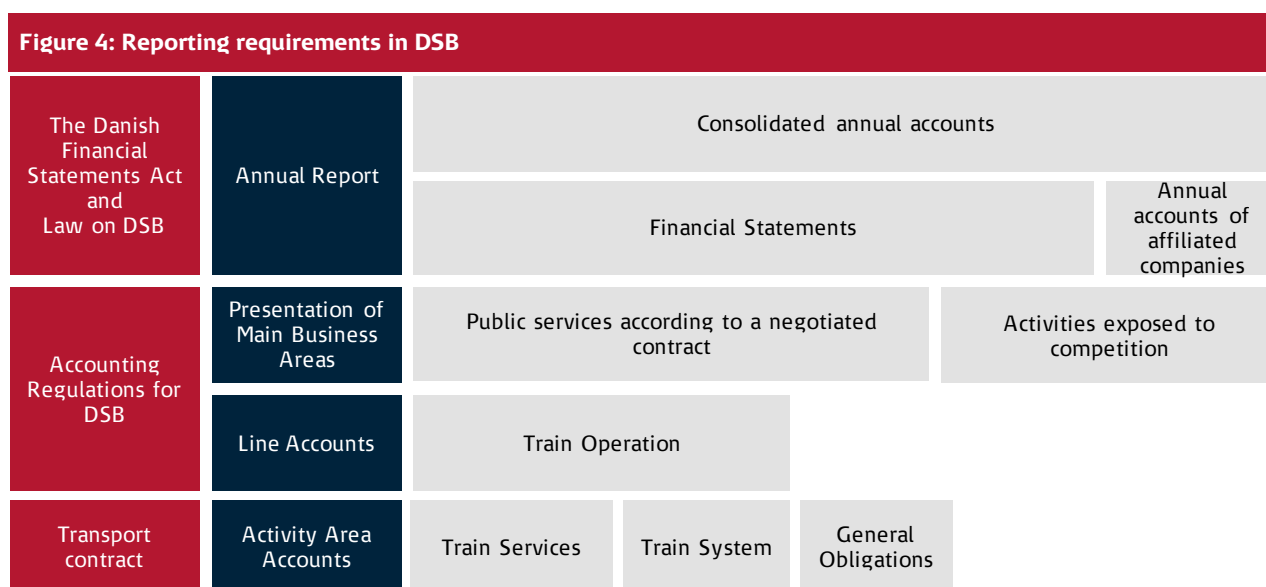
Amounts in DKK million	Train Services Passenger revenues	Train Services Other revenues	Train Services Costs	Profit/loss from Train Services	Other revenues	Other expenses	Train Operations Profit/loss	Passenger revenue per seat kilometres <sup>1)</sup>	Train Services Cost per seat kilometres <sup>1)</sup>	P/L Train Operations per passenger kilometres <sup>1)</sup>	Passenger kilometres Million units	Train kilometres Million units
Copenhagen - Helsingør	321	17	431	-93	34	232	-291	0.28	0.37	-0.87	334	3.17
Copenhagen - Malmö	433	7	337	103	41	315	-171	0.71	0.55	-0.49	345	1.57
<b>Øresund</b>	<b>754</b>	<b>24</b>	<b>768</b>	<b>10</b>	<b>75</b>	<b>547</b>	<b>-462</b>	<b>0.43</b>	<b>0.43</b>	<b>-0.68</b>	<b>679</b>	<b>4.74</b>
Central (Hellerup-Valby)	577	11	344	244	26	164	106	0.64	0.38	0.37	288	2.52
Køge (Sydhavn - Køge)	195	7	294	-92	11	71	-152	0.15	0.23	-0.61	251	3.46
Høje Taastrup (Danshøj - Høje Taastrup)	133	2	106	29	6	42	-7	0.34	0.27	-0.06	106	1.12
Frederikssund (Langgade - Frederikssund)	166	6	223	-51	8	64	-107	0.17	0.23	-0.56	189	2.76
Farum (Ryparken - Farum)	100	3	144	-41	5	35	-71	0.19	0.28	-0.54	135	1.53
Hillerød (Bernstorffsvej - Hillerød)	164	5	199	-30	8	55	-77	0.19	0.24	-0.35	223	2.22
Klampenborg (Charlottenlund- Klampenborg)	31	1	44	-12	1	11	-22	0.20	0.28	-0.43	49	0.46
Ringbanen (Ny Ellebjerg - Hellerup)	118	4	132	-10	6	42	-46	0.34	0.38	-0.78	60	1.26
<b>S-trains</b>	<b>1,484</b>	<b>39</b>	<b>1,486</b>	<b>37</b>	<b>71</b>	<b>484</b>	<b>-376</b>	<b>0.27</b>	<b>0.27</b>	<b>-0.29</b>	<b>1,301</b>	<b>15.33</b>
<b>Total lines <sup>2)</sup></b>	<b>5,194</b>	<b>238</b>	<b>7,205</b>	<b>-1,773</b>	<b>322</b>	<b>2,185</b>	<b>-3,636</b>	<b>0.31</b>	<b>0.43</b>	<b>-0.65</b>	<b>5,626</b>	<b>55.10</b>
<b>Public services <sup>2)</sup></b>	<b>5,194</b>	<b>238</b>	<b>7,205</b>	<b>-1,773</b>	<b>375</b>	<b>4,342</b>	<b>-5,740</b>	<b>0.31</b>	<b>0.43</b>	<b>-1.02</b>	<b>5,626</b>	<b>55.10</b>

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

<sup>2)</sup> Train production includes traffic in Germany

### Method used for preparation of line accounts

As a public undertaking, DSB must satisfy a number of reporting requirements, see Figure 4. The reporting requirements each have their own background and purpose and all aim at creating transparency and control related to DSB matters. However, the requirements consider the company from different perspectives, which makes it difficult to determine the connection between the individual reports and at the same time negatively affects transparency.



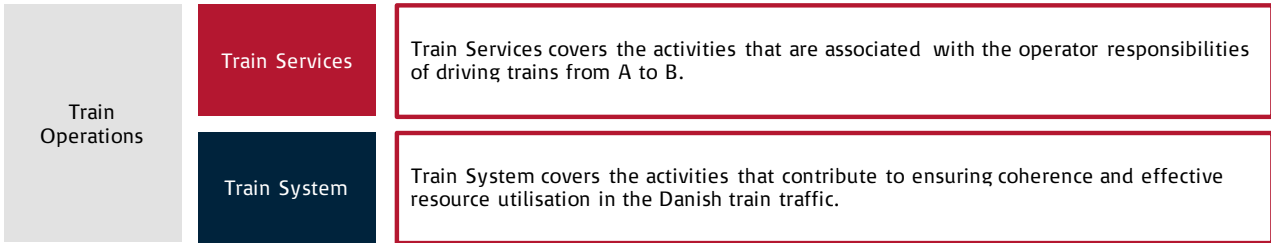
The Danish Financial Statements Act stipulates requirements for the drawing up of accounts, which cover the whole group and provide insight into the financial position of the whole company.

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 the General Accounts, which are reviewed by DSB's External Auditor, divides the parent company's result into Public Services under a negotiated contract and Competitive Activities.

The traffic contract covers only Public Services that are performed under the contract. These services represent a proportion of the independent public company DSB's services. This means, for example, 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. Kort & Godt A/S is also not covered by the Public Service obligation.

The line accounts are based on the General Accounts where Public Services are separated. The activity area accounts are an attempt to segment activities with reference to the split in the traffic contract. The line accounts are a breakdown of the train operations on the lines in accordance with DSB's Accounting Regulations.

**Figure 5: Elements of Train Operations**



DSB operates trains in Denmark as a total activity, but must, in connection with the traffic contract, prepare and implement a separation of the railway operations into activities related to the actual train movements (Train Operations), and activities related to the maintenance of the production apparatus (Train System), see Figure 5.

### **Financial model for lines**

The Line Economy Model provides a basis for DSB's General Accounts and Line accounts. This creates an unambiguous correlation and a complete transaction track between the individual accounts.

The model creates the General Accounts setup by dividing activities into Public Services under a negotiated contract and Competitive Activities, such as, for example, renting out properties to external customers.

Public Services are further divided 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 previous definition.

**Figure 6: Design of the Line Economy Model**

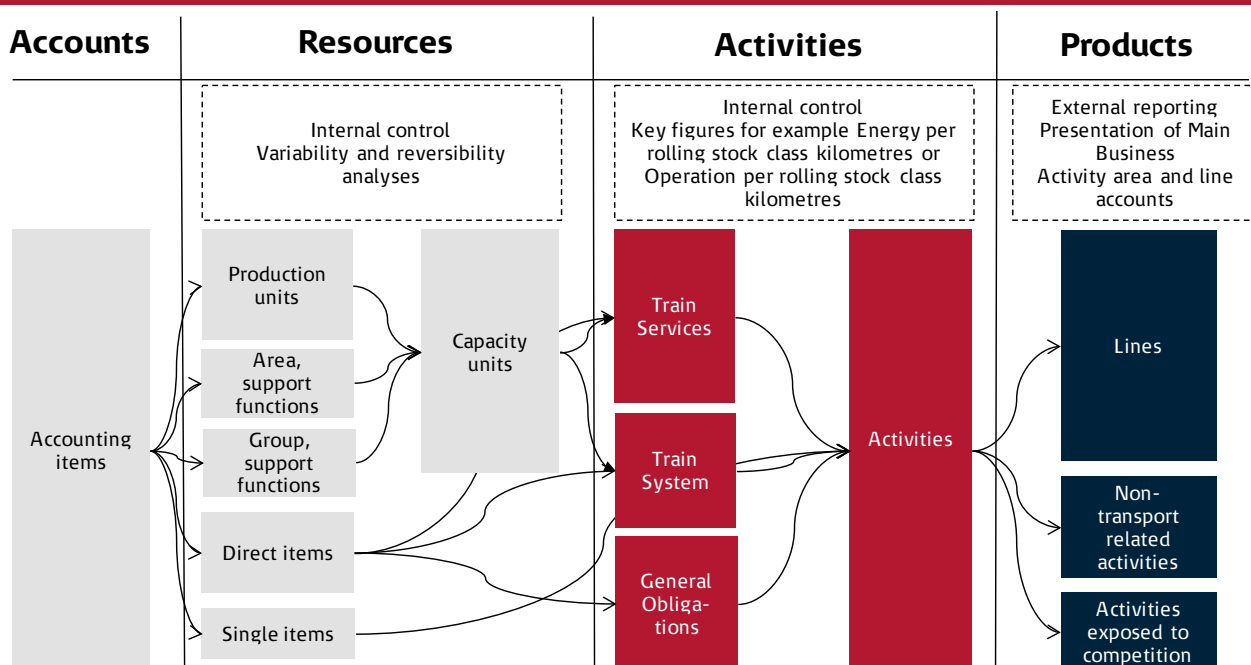


Figure 6 describes the in-principle method used in the Line Economy Model where the accounting entries are grouped and distributed via activities for lines. At the resources level, the accounts are grouped and classified according to production proximity, so that the supporting functions are distributed 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

Figure 7 shows the definitions used for the individual lines that have been adapted to the production and time table that DSB has used in 2019. The only changes compared to 2018 are that the Aalborg-Frederikshavn line transitioned to the new signal system in October 2018, and therefore it has not been possible for DSB to operate the traffic that it is committed to under the traffic contract. Instead, Nordjyske Jernbaner manages this traffic on behalf of DSB as a subcontractor.

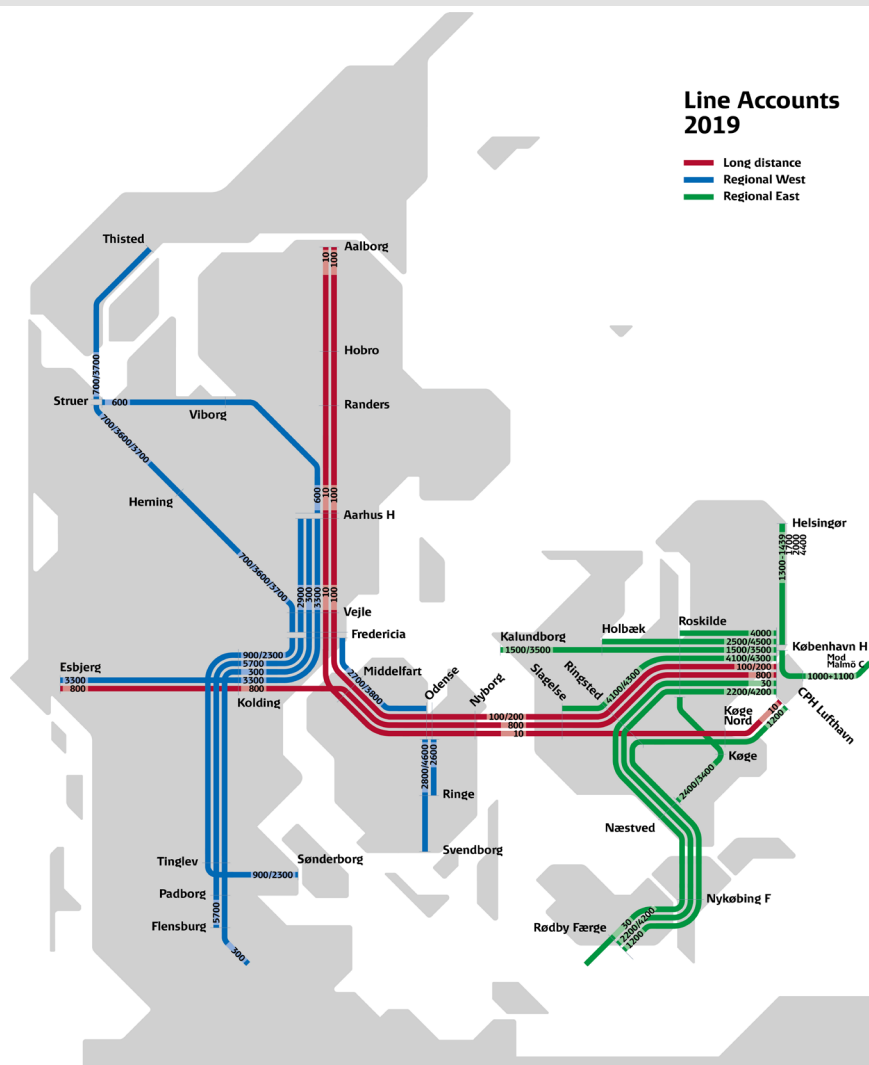
InterCity traffic between Copenhagen and Aalborg has been defined as an independent line and all InterCityLyn traffic between Copenhagen, Aarhus and Aalborg has been combined in one line. This has been defined as such due to the major track works taking place in east Jutland throughout all of 2019.

It has proved necessary to revise the definition of the line Copenhagen – Malmö to the effect that the production on the Swedish side of the Øresund border has not been included. This is made to adhere to the definition in the initial traffic contract with the state.

Due to the major track works around Ringsted station, it has also been necessary to add a line defined as Copenhagen - Ringsted, which mainly excludes the original Copenhagen - Slagelse line.

Figure 7: Line definitions 2019

Long-Distance & Regional Trains

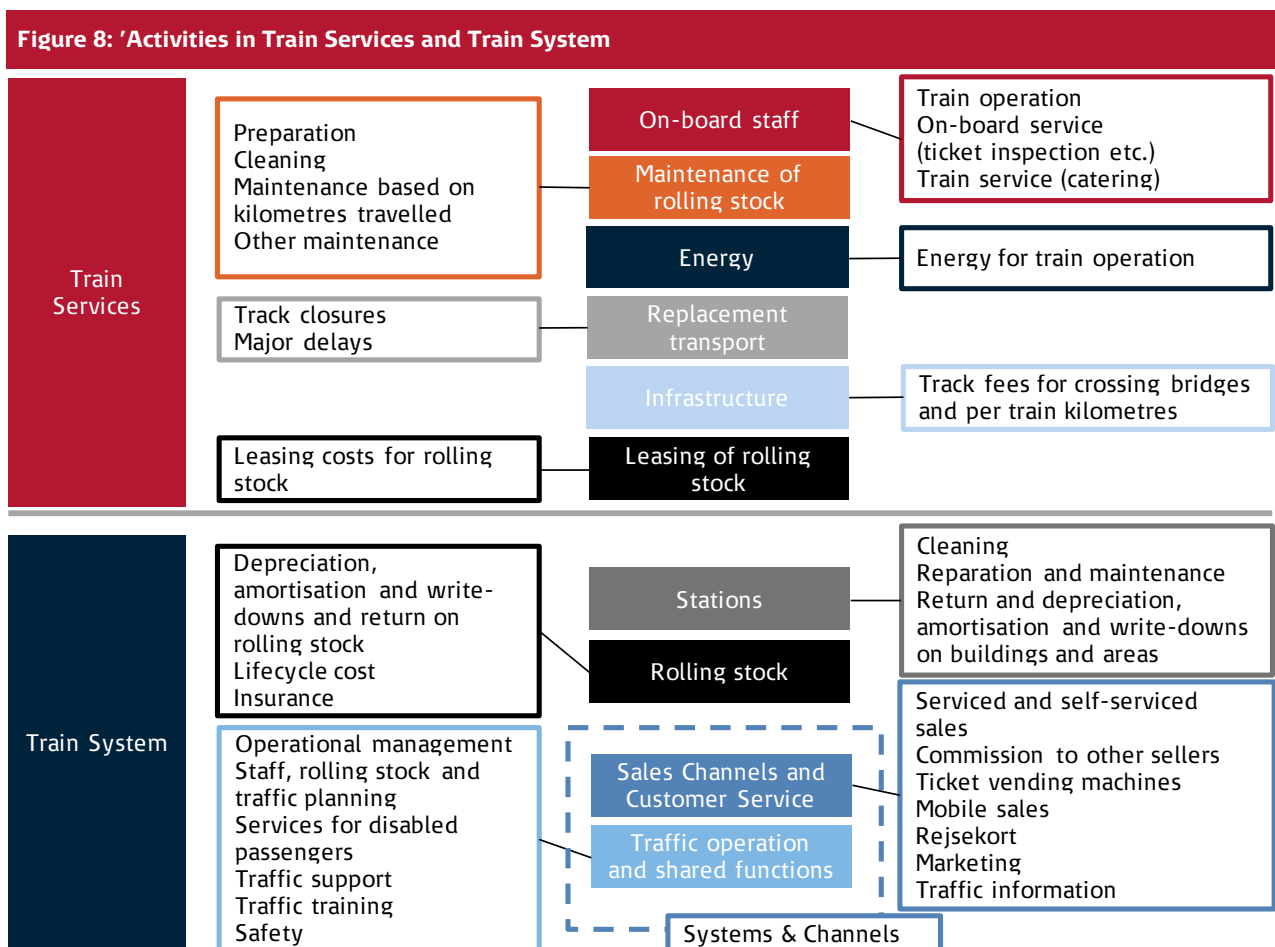


- Long-Distance trains are defined as trains crossing the Great Belt (the red lines), and these consist of the lines Copenhagen - Aarhus - Aalborg (InterCityLyn), Copenhagen - Aarhus (InterCity) and Copenhagen - Esbjerg (InterCity).
- The remaining InterCityLyn and InterCity lines are defined as regional trains, as in practice, this is regional train traffic as the trains stop at all stations (Aarhus - Langå - Struer - Fredericia - Vejle - Struer, Struer - Thisted (the tail end of the InterCityLyn line), Aarhus - Hamburg and Fredericia - Sønderborg).
- Aarhus - Langå - Struer and Struer - Thisted are viewed as a separate lines, as DSB has an obligation according to the traffic contract to operate the lines 6 times a day, but does not receive the associated passenger revenues.

- The Øresund traffic is divided into two lines (Copenhagen - Helsingør and Copenhagen - Malmö - only to the Øresund border).
- 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 train traffic.

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

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



The 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 combined reporting. 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 the 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 instead the activity is carried out in order to be able to run multiple lines, the costs will be distributed to lines in accordance with an appropriate production parameter.

**Figure 9: The main basis of allocation for Train Services in the Line Economy Model**

On-board staff	Time registrations by train drivers, conductors and the number of travellers
Maintenance of rolling stock	Rolling stock class hours and rolling stock class kilometres
Energy	Rolling stock class kilometres
Replacement transport	Partial journeys and directly attributed to specific lines
Infrastructure	Bridge crossings and per train kilometres
Leasing of rolling stock	Average

Figure 9 shows the main production-based basis of allocation used in the allocation of the train service activities to the individual lines. This can be illustrated by the examples below:

- The full costs of the train transport activity under on-board staff is distributed to the lines based on the locomotive driver's time registration that is connected to the individual line via the rolling stock.
- The full maintenance costs of, for example, IC3 train sets are distributed relative to the lines where IC3 train sets are used based on the number of litre kilometres that the IC3 train set has travelled.
- The infrastructure costs for crossing the Great Belt are allocated in proportion to the number of bridge crossings made on the individual line in addition to how many kilometres the individual train has travelled.

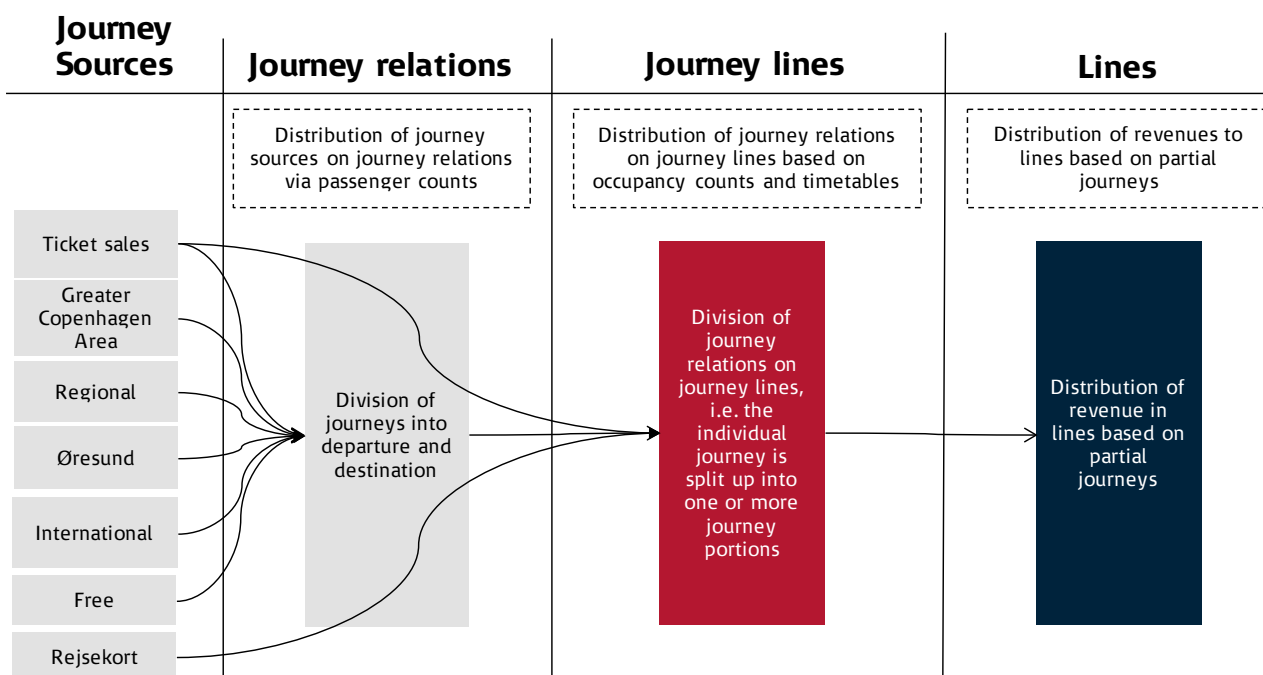
## Distribution of passenger revenue to the lines

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 made with the long distance train headed for Esbjerg, Aarhus or Aalborg. In addition, a journey can be made across multiple operators and lines. For example, a journey from Tisvildeleje to Aarhus involving the local train from Tisvildeleje to Hillerød,



S-train from Hillerød to Copenhagen H and regional train from Copenhagen to Aarhus can be made on the same ticket.

**Figure 10: The principles behind the allocation of passenger revenue to lines**



The calculation is further complicated by the fact that there are currently many ticket systems and fare zones that need to be coordinated between different operators.

For Long-Distance & Regional trains, DSB therefore uses a number of travel sources, see Figure 10, of which the most significant are DSB's own ticket sales and Greater Copenhagen area travels in addition to the Rejsekort. Among other things, the journeys are assessed by passenger counts in trains and the weighing of trains which is converted to customer numbers. 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. Among other things, this is done on the basis of passenger studies<sup>3)</sup> looking into travel patterns that provide a statistical weighting that can be used for travel sources. This means that the distribution comes with a certain statistical uncertainty relative to the size of the samples on the individual line and total population of travellers on that line.

When travel relationships are established, the journey's line must be determined - in other words, which of the possible lines have been used to travel between two destinations. Since a journey can be made over several lines, it must be shared relatively between the lines. Thus, a

<sup>3)</sup> The BRIK count in the Greater Copenhagen area and the Country count, carried out by COWI for Long-Distance & Regional trains.

trip can be divided into one or more partial journeys. Occupancy counts and timetables are used for dividing across travel lines.

Partial journeys are used to allocate passenger revenue 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. There is thus a certain amount of estimation involved in the passenger revenue linked to individual lines.

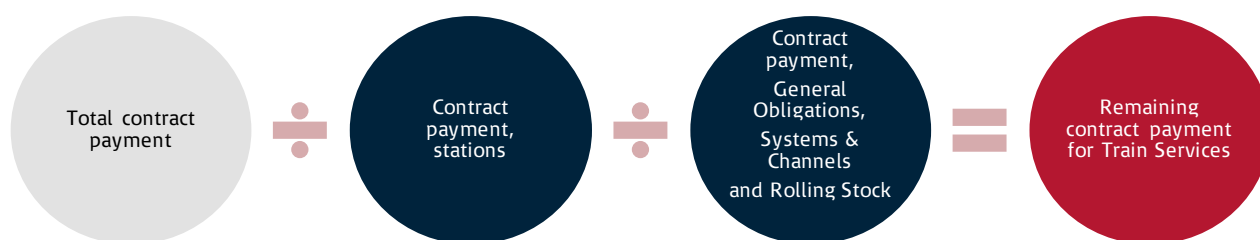
For S-trains, the line revenues are calculated in a separate passenger count system (APS), which allocates the passenger revenues for the eight main lines.

### 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 by 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 11: 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 percentage. 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 percentage, whereas the contract payment for Rolling stock covers all the project costs for preparation of the purchase of new electric trains for Denmark, the driverless S-trains and the future workshops, since rolling stock rental is charged to the train service activity. At the same time, the dedicated contract payment for improving the public transport network via the acquisition of double-decker coaches and improvements to EA locomotives and IR4 train sets<sup>4</sup> is allocated to Rolling stock.

The remaining contract payment accrues to Train Services where it is distributed such that the profit ratio is identical for Long-Distance & Regional train services, Øresund Traffic and S-train traffic. If a line generates a profit without contract payments, this payment is distributed only to the loss-making traffic areas.

<sup>4</sup> See the political agreement, "Fare reductions and investments in improving public transport" of 12 June 2012 and the political agreement "Acquisition of double-decker coaches" of 1 April 2014.

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 leasing of rolling stock**

All income and expenses as well as depreciation, amortisation, write-downs and financial income and expenses for rolling stock are collected in two pools, one for Long-Distance & Regional Trains (including Øresund) and one for S-trains. However, both pools exclude costs in regards to the projects on the future trains, the future driverless S-trains and the future workshops which are thus not included.

On the Long Distance & Regional train lines where dedicated rolling stock is used (Odense - Svendborg, Odense - Ringe, Aarhus - Hamburg, Copenhagen - Hamburg and Copenhagen - Malmö), the line costs are accounted directly with the specific rolling stock costs. The remaining rolling stock pool is regarded as a common pool and is therefore calculated as an average rolling stock lease using the travelled litre kilometres on the individual lines. Rolling stock leasing for S-trains is solely based on the actual costs for the rolling stock.

