

**DSB's Profit before tax was DKK 290 million for the 1st half of 2017.**

- Operator punctuality for Long-distance & Regional trains and S-trains satisfy contract targets.
- Passenger revenue and numbers were influenced by track works and border controls.
- The interest-bearing net debt was reduced by DKK 401 million.
- Sales of the cheaper and thereby very competitive Orange tickets have increased significantly
- The DSB decision paper for Trains of the Future has been politically approved
- Political agreement on expanded tender of Central and West Jutland rail traffic
- The Ministry of Transport, Building and Housing has published the sector analysis regarding the future organisation of the Danish railroad sector.

“DSB's employees have delivered an operator punctuality for the first half year that satisfies the contract targets. The financial results continue to develop in a satisfactory manner.”  
Peter Schütze, Chairman of the Board

**Robust finances**

For the first six months, DSB realised a profit before tax of DKK 286 million when adjusted for non-recurring items. This is an improvement of DKK 91 million over the same period in 2016. The improved result primarily relates to reduced depreciation on rolling stock and a reduction in financial costs. Net interest-bearing debt has been reduced by DKK 401 million compared with 31 December 2016 and stood at DKK 5,633 million as of 30 June 2017.

**The positive development in punctuality for Long-distance & Regional trains is maintained**

Operator punctuality for Long-distance & Regional trains - the number of trains on time for which DSB has sole responsibility - stands at 94.4 percent for 1st half of 2017, thus exceeding the Transport contract target of 93.9 percent.

It is positive that the sound development in operator punctuality was maintained in the 2nd quarter. This is a result, among other things, of the initiatives implemented by DSB to reduce the number of delay-causing rolling stock faults.

The common customer punctuality goal - number of customers arriving on time - for DSB and Banedanmark has improved in the 1st half of 2017 compared to 2016. Customer punctuality is still challenged and the actual 78.9 percent is below the Transport contract target of 82.4 percent. Banedanmark's activities related to infrastructure, tracks, and signals are some of the reasons for not reaching the target.

The vast majority of lines show a reasonable degree of punctuality. There are, however, significant challenges associated with the lines adjoining the borders with Germany respectively Sweden. Particularly in respect of Sweden it must be noted that track works in southern Sweden and ID control cause delays that is spreading to the Danish side of Øresund towards Kystbanen (the coastal line).

There is a strong focus on providing our customers with the highest possible punctuality throughout 2017, but it is also a fact that the essential track works carried out by Banedanmark across

the country represent a challenge to train traffic. DSB and Banedanmark collaborate on handling the traffic and communication implications of the track works and other infrastructure works.

### **Continued high level of punctuality in the S-train traffic**

The S-train operator punctuality of 98.5 percent exceeds the Traffic contract target of 97.5 percent. Customer punctuality for S-trains for the first six months has dropped to 92.0, close to the fixed target of 92.3 percent. The 300,000 daily customers on the Copenhagen S-trains have thus been able to arrive on time most of the time.

There are, however, customers on certain lines who have experienced unsatisfactory punctuality. The Jægersborg-Hillerød line is still not running as well as it could, due to the implementation by Banedanmark of a new signal system.

### **Cheaper and easier to be a customer**

During the first six months, DSB has seen a 1 percent decrease in the number of journeys relative to the same period last year. This is primarily due to a decrease in the number of S-train journeys. This is due to more rail track works, particularly on the City-section between Valby and Svanemøllen, which impacts the entire S-train network. Experiences from previous rail track works show that the decline in the number of journeys is not permanent.

Customer satisfaction for 2nd quarter 2017 was an overall 8.0, unchanged compared with 1st quarter 2017 but an increase compared with 2nd quarter 2016 where satisfaction was at 7.8. The largest satisfaction increases relative to 2nd quarter 2016 relate to trains matching time-schedule, travel times, number of departures, and the chance of finding a seat.

Customers appreciate DSB's Orange concept of selling cheap tickets on departures with empty seats outside rush hours. During the first six months of 2017, 840,000 Orange journeys were sold, compared with 495,000 for the same period last year. 80 percent of the Orange journeys sold are East/West journeys.

In June 2017, it again became possible for customers on most IC and fast trains to purchase a cup of coffee on-board the train as they travel across the Danish landscape. This new offer meets a great wish from the customers.

In April 2017, 10 minute operations were re-instated on Kastrupbanen between Copenhagen Central and Copenhagen Airport. This marks a noticeable improvement for customers.

As of 4 September, it will once more be possible to travel by IC and fast train all the way from Funen and Jutland to Copenhagen Airport. There was a direct connection in the opposite direction already on 7 August. Effective as of 4 September, four additional rush hour trains will be introduced from Sweden to Denmark in the morning and three additional departures to Sweden during the afternoon. In addition to more rush hour departures, the travel time from Copenhagen Central to Malmö shall drop to 38 minutes against 45 minutes today. These changes have become possible after the ID-controls for trains headed to Sweden is ceased.

### **The road ahead towards the Train of the Future**

In June 2017, DSB's decision paper for Phase 1.5 for acquisition of electrical trains was approved politically. The decision paper answers three key questions for the future work: Choice of train type, acquisition strategy, and organisation of the future process. The paper was prepared in

close collaboration with a range of external advisors and has been quality assured by the consultancy firms Struensee & Co. and McKinsey & Company following appointment by the Ministry of Transport, Building and Housing.

The paper sketches a number of recommendation which combined present how DSB, with the lowest possible risk, can acquire, take delivery of, and commission modern, electrical trains until 2030 and thereby ensure that the Danish railroads can serve increased passenger numbers in the future. The paper provides a substantial basis for releasing the gains made possible for public transportation in Denmark as a result of investment in electrification, lines, tracks and signals.

“The now approved decision paper is a natural extension of the renewal of the DSB ageing fleet of trains that has already been initiated and it is very pleasing that we can now carry on to the process of acquisition of electrical trains”

Flemming Jensen, CEO

### **Political agreement on expanded new tender for Central and West Jutland rail traffic**

In June, a political agreement was reached on an expanded new tender for Central and West Jutland rail traffic. In addition to the lines for which tender invitations have already been issued, it has been decided to offer additional lines which will not be serviced by DSB as of the 2021 time-schedule. This primarily relates to the lines Struer – Herning – Vejle, Struer – Thisted, Odense – Svendborg, and Aarhus – Langaa – Struer. The effects on DSB of the political agreement are described in detail in the interim report’s section on line accounts.

### **The future of the Danish railway sector**

In June, the Ministry of Transport, Building and Housing published sector analyses regarding the future of the Danish railroad sector. The following analyses can be found on the Ministry of Transport, Building and Housing website:

- Sektoranalyse for jernbanen
- DSB’s organisationsanalyse
- Stationsanalyse

The analyses discuss a range of different scenarios, describing both scenarios that can be characterised as an onward development of the current organisation with DSB as the primary provider and scenarios in which train traffic will be offered for tender to a higher degree. The intention is for a political debate of the future development of the railroad sector in the autumn.

In connection with the presentation of the analyses, the Minister for Transport, Building and Housing has made that point that S-trains could also become the subject of external tender. External tender of the S-train service would cause significant change in the DSB business basis. S-trains currently account for approx. 60 percent of DSB’s passenger numbers and approx. 28 percent of DSB’s total passenger revenue. If DSB were to no longer operate the S-trains, this would have significant consequences for the finances of DSB, primarily because the S-trains run at a profit. The effects of external tender of S-train operations are described in detail in the interim report’s section on line accounts.

Over the preceding year, DSB’s board has been working on a strategy for freeing DSB of subsidies by 2030, after the conclusion of the large track works, signal programmes, and electrification, and the acquisition of the new electrical trains. In connection with an external quality assurance of DSB’s organisation analysis, McKinsey & Company and Struensee & Co. have quality assured that

baseline with projection to 2030 is in line with the agreed presumptions and the results in the decision papers regarding the Trains of the Future, and that there is a correlation between DSB's organisation analysis and the sector analysis. McKinsey & Company and Struensee & Co. have additionally assessed that the majority of the measures described by DSB are realisable within the time frame to 2030. References is made to the following publication which can be found on the Ministry of Transport, Building and Housing website:

- Ektern kvalitetssikring – DSB's organisationsanalyse

The financial results of recent years demonstrate that DSB is capable of creating an increasingly efficient business. It is our assessment that by exploiting the economies of scale and the synergies of a unified DSB, it will be possible to create a market orientated DSB with a degree of efficiency that can compete with external tender scenarios indicated in the sector analysis. A condition for this is that DSB's current train operations are kept together in order that synergies can be exploited and profit-making traffic is not separated off. DSB would thereby be able to continue to benefit from the economies of scale and network synergies that form the basis of DSB as a modern company. At the same time, it is our view that the more than 500,000 customers travelling on a daily basis will be best serviced by a cohesive train operation, regardless of whether this is being run by DSB or another operator.

On this background, it is DSB's view that we shall also in the future be able to connect Denmark with traffic in a competitive and efficient manner.

Taastrup, 17 August 2017

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Peter Schütze  
Chairman of the Board

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Flemming Jensen  
CEO

**The first half year report 2017 is published in both a Danish and an English language version. In event of any discrepancies the Danish language version shall prevail.**



# Interim report 2017

## Key Financial and Operating Data

DSB Group	1st half		Increase		Total year
Amounts in DKK million	2017	2016	Abs.	%	2016
Net revenue <sup>1)</sup>	5,079	5,071	8	0	10,183
Total income <sup>2)</sup>	5,955	6,065	-110	-2	12,248
Of which, non-recurring items	2	67	-65	-97	193
Total expenses	4,722	4,749	-27	-1	9,503
Profit/loss before amortisation, depreciation and write-downs	1,233	1,316	-83	-6	2,745
Amortisation, depreciation and write-downs	879	1,632	-753	-46	4,634
Of which, non-recurring items	-2	709	-711	-	2,767
Operating profit/loss	354	-316	670	-	-1,889
Profit/loss before tax	290	-447	737	-	-2,193
Profit/loss before tax adjusted for non-recurring items	286	195	91	47	381
Profit/loss for the period	224	-350	574	-	-1,704
Balance sheet total	16,139	18,850	-2,711	-14	16,534
Total equity	5,568	6,459	-891	-14	5,338
Interest-bearing liabilities, net	5,633	6,587	-954	-14	6,034
Profit ratio (EBIT margin)*	7.0	-6.2	13.2	-	-18.6
Return on equity (ROE) p.a.*	8.2	-10.5	18.7	-	-27.8
Return on capital employed after tax (ROIC after tax) p.a.*	4.9	-3.7	8.6	-	-11.5
Gearing p.a.*	2.3	2.5	-0.2	-8	2.2
Equity ratio*	34.5	34.3	0.2	1	32.3
Interest coverage*	5.1	-2.2	7.3	-	-5.9
Number of full-time employees – end of period	7,392	7,344	48	1	7,239
Average number of full-time employees	7,338	7,291	47	1	7,285
<b>Productivity – (Danish activities)<sup>3)</sup></b>					
Passenger and transport contract revenue per seat kilometre (DKK 0.01/kilometre)	57	55	2	4	55
Passenger revenue per seat kilometre (DKK 0.01/kilometre)	32	31	1	3	31
Costs per seat kilometre, excluding non-recurring items (DKK 0.01/kilometre)	58	57	1	2	56
<b>Operator Punctuality<sup>4)</sup></b>					
Long-distance & Regional Trains (%)	94.4	91.9	2.5	3	92.0
S-train (%)	98.5	98.8	-0.3	0	98.4
<b>Passenger punctuality<sup>5)</sup></b>					
Long-distance & Regional Trains (%)	78.9	72.7	6.2	9	74.0
S-train (%)	92.0	94.1	-2.1	-2	92.6
<b>Customers</b>					
Customers in Denmark (million customers) <sup>6)</sup>	95.1	95.9	-0.8	-1	192.4
"Customer satisfaction for this journey" – (Danish activities)	8.0	7.9	0.1	1	7.9
<b>Reputation</b>					
Users of Long-distance & Regional Trains	49.5	51.1	-1.6	-3	49.7
Users of S-trains	54.8	57.0	-2.2	-4	55.6
Non-users of Long-distance & Regional Trains	39.9	43.6	-3.7	-8	41.5

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

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

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

<sup>4)</sup> Operator punctuality is the total punctuality, less any delays due to circumstances for which DSB is not responsible. Arrivals are considered punctual if they are less than three minutes delayed. Cancellations due to circumstances at DSB that are not notified 72 hours in advance are counted as a delay.

<sup>5)</sup> Customer punctuality for Long-distance & Regional Train traffic is defined as the number of passengers riding on punctual trains in relation to the total number of passengers. Customer punctuality for the S-train network is defined as the proportion of passengers which may arrive punctually on the basis of passengers' expected travel pattern and the operated train traffic. Arrivals are considered punctual if they are less than three minutes delayed. Cancellations which are not notified 72 hours in advance are counted as a delay.

<sup>6)</sup> Customers in Denmark in 2016 has been adjusted compared to previously published figures due to the final journey inventories, etc. calculated as the number of journeys. Furthermore, customers in Denmark for 2016 has been adjusted for the transfer of the Grenaa line.

\* Calculated pursuant to the definitions laid down in Definitions of key figures in DSB's annual report for 2016.

## Report - financial activities

In the first half of 2017, DSB had a result before tax of DKK 290 million, which is an improvement of DKK 737 million compared to the same period in 2016. The result before tax in the first half of 2016 was affected by write-downs of 5 IC4 train sets and the IC2 train sets.

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

DKK million	1st half	
	2017	2016
<b>Profit/loss before tax</b>	<b>290</b>	<b>-447</b>
Net gains on real estate, etc.	-2	-67
Write-down of 5 IC4 train sets and the IC2 train sets	-	673
Write-down single-person operation Kystbanen (Coastal line)	-	36
Reversed write-downs, net	-2	-
<b>Adjusted earnings before tax</b>	<b>286</b>	<b>195</b>

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

Adjusted for non-recurring items the Profit before tax is DKK 91 million higher than the corresponding profit for the first half of 2016 primarily due to lower depreciations of rolling stock and financial expenses. The development is also positively affected by compensation from the Swedish government for expenses related to the now ceased ID-control.

The balance sheet total was DKK 16,139 million compared to DKK 16,534 million as of 31 December 2016. The decrease in Total assets is primarily due to depreciation of Rolling stock. The decrease in Total equity and liabilities is due to reduced deferred tax liabilities and repayment of loans.

During the first six months of 2017, DSB invested DKK 401 million (DKK 418 million). Investments included heavy maintenance of Long-distance & Regional Trains and S-trains.

Net interest-bearing debt has been reduced by DKK 401 million compared to 31 December 2016 and totalled at DKK 5,633 million as of

30 June 2017. It is still mainly cash flows from operating activities that have made it possible to repay loans. The reduction of loans can especially be contributed to amortisation, depreciation and write-downs of the existing rolling stock substantially exceeding investments in new rolling stock.

By the end of the first half of 2017, Gearing amounted to 2.3 (2.5), Return on invested capital after tax was 4.9 (-3.7), and the Solvency ratio was 34.5 (34.3).

### Net revenue

The net revenue of the DSB Group was DKK 5,079 million during the first half of 2017 (DKK 5,071 million).

Passenger revenue is in line with the same period in 2016 and totalled to DKK 2,723 million.

The development in the Long-distance & Regional Trains is in the first half of 2017 affected by a lower average price per journey compared to the same period in 2016. To this is added a loss of passenger revenue as a result of the transfer of activities on the Grenaa line in August of 2016 as a consequence of the establishment of Aarhus Letbane.

During the period, S-trains have realised a higher average price per journey which has had a positive contribution on the passenger revenue. This is partly matched by 1.1 million less journeys in relation to the same period in 2016 which can mainly be explained as a result of several track works on the City lines in 2nd quarter 2017.

Revenue from traffic contracts decreased by DKK 13 million and amounted to DKK 2,193 million compared to the first half of 2016. The development can be explained by a lower activity in the Signal Programme in the first half of 2017 compared to the same period in 2016 and the transfer of activities on the Grenaa line in August 2016.

Sales of repairs and maintenance of rolling stock, etc. amounted to DKK 139 million and have increased by DKK 12 million compared to the first half of 2016.

Leasing of rolling stock amounted to DKK 24 million, which is an increase of DKK 19 million compared with the same period in 2016. This development is due to leasing of rolling stock for the Copenhagen-Hamburg line which was previously serviced with rolling stock from Deutsche Bahn.

Work performed by the enterprise and capitalised decreased by DKK 30 million and totalled DKK 304 million in the first half of 2017. This is mainly due to less kilometres based maintenance work having been performed on Long-distance & Regional Trains and S-trains.

Other operating income decreased by DKK 88 million and amounted to DKK 572 million. This development is primarily a result of a higher realisation of profits on the sale of properties during the first half of 2016. Other than this, Other operating income is negatively affected by reduced shop sales due to a temporary closing of the shop at Østerport.

### **Expenses**

Expenses totalled DKK 4,722 million in the first half of 2017 (DKK 4,749 million).

The expenses for raw materials and consumables amounted to DKK 901 million and have decreased by DKK 4 million. The development is affected by decreased expenses for energy for rail transport and consumption of shop inventory as a result of the temporary closing of the shop at Østerport. Conversely, there is an increase in spare parts costs to ongoing repair of the train sets.

Other external costs amounted to DKK 1,909 million, a decrease of DKK 21 million compared with the same period in 2016. The decrease can, among other things, be explained by the fact that during the first half of 2017, the Swedish government paid compensation for expenses related to the now ceased ID-

control and also reduced expenses for the leasing of rolling stock for the Copenhagen-Hamburg line which now, unlike previously, is mainly operated with IC3 train sets. This is partly matched by increased expenses for consultants developing new IT projects - including those support of new tariff reforms - and expenses for repair and maintenance of buildings.

Staff costs of DKK 1,912 million matches the first half of 2016 (DKK 1,914 million) despite the increase in the number of full-time employees in workshops and the general development in wages.

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

Amortisation, depreciation and write-downs totalled DKK 879 million compared to DKK 1,632 million for the same period in 2016. The decrease is mainly a result of the write-downs of 5 IC4 train sets and the IC2 train sets in the first half of 2016.

### **Financials**

Net financials equalled an expense of DKK 64 million (DKK 131 million). The decrease is primarily a result of remortgaging loans to an average lower interest rate on the net interest bearing debt in the first half of 2017 compared to the same period in 2016.

### **Outlook for 2017**

In 2017, DSB will continue to work on activities aimed at operational improvements with a view to increasing punctuality. This will, among other things, be achieved via a reduction in rolling stock faults causing delays.

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

## Productivity

**Table 2: Number of full-time employees**

	1st half		Increase	
	2017	2016	Abs.	%
Danish activities	7,202	7,159	43	1
Swedish activities	101	98	3	3
German activities <sup>1)</sup>	89	87	2	2
<b>Number of full-time employees – end of period</b>	<b>7,392</b>	<b>7,344</b>	<b>48</b>	<b>1</b>
<b>Average number of full-time employees in total</b>	<b>7,338</b>	<b>7,291</b>	<b>47</b>	<b>1</b>

<sup>1)</sup> Costs related to these full-time employees are recognised in Staff costs at a proportional rate of 50 percent.

The increase in the number of full-time employees in the Danish activities is a result of hiring more employees at the workshops in order to reduce the number of rolling stock faults causing delays.

This is partly offset by fewer employees as a result of the conversion of The Danish Railway Museum to a commercial foundation at the beginning of 2017, the transfer of activities on the Grenaa line in August 2016 and the single person operation of Lille Syd line (Roskilde-Næstved).

**Table 3: Productivity in the Danish train activities**

	1st half		Increase	
	2017	2016	Abs.	%
Costs per seat kilometre <sup>1)</sup> (0.01/kilometre)	58	57	1	2
Number of train kilometres per employee	5,885	5,977	-92	-2
Number of train journeys per employee <sup>2)</sup>	20,222	20,313	-91	0

<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. The calculation includes amortisation and depreciation, but excludes non-recurring items.

<sup>2)</sup> The number of train journeys per employee in 2016 has been adjusted with the decrease in the number of journeys as a result of the transfer of the Grenaa line.

Costs per seat kilometre are 2 percent higher than in the same period of 2016. The increase is primarily lower seat kilometres due to IC4

breakdowns and the implementation of the 2017 timetable (K17).

## Punctuality

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

Percent	1st half		Increase	
	2017	2016	Abs.	Percentage points
Long-distance & Regional Trains	94.4	91.9	2.5	3
S-trains	98.5	98.8	-0.3	0

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

Operator punctuality in Long-distance & Regional trains increased during the first half of 2017 to 94.4 percent from 91.9 percent during the same period last year. The operator punctuality of 94.4 percent is above the traffic contract target of 93.9 percent.

The operator punctuality in relation to the same period last year is improved due to a changed time table and reduced number of rolling stock faults causing delays.

The operator punctuality in S-trains has seen a marginal decrease in the first half of 2017 in comparison to the same period last year. The operator punctuality is still higher than the traffic contract target of 97.5 percent.

**Table 5: Customer punctuality<sup>1)</sup>**

Percent	1st half		Increase	
	2017	2016	Abs.	Percentage points
Long-distance & Regional Trains	78.9	72.7	6.2	9
S-trains	92.0	94.1	-2.1	-2

<sup>1)</sup> Customer punctuality for Long-distance & Regional train traffic is defined as the number of passengers riding on punctual trains in relation to the total number of passengers. Customer punctuality for the S-train network is defined as the proportion of passengers which may arrive punctually on the basis of passengers' expected travel

pattern and the operated train traffic. Arrivals are considered punctual if they are less than three minutes delayed. Cancellations which are not notified 72 hours in advance are counted as a delay.

The customer punctuality for Long-distance & Regional Trains increased in the first half of 2017 to 78.9 from 72.7 percent in the same period last year.

The new time table for 2017 (K17), that was introduced in December 2016, has meant that the customer punctuality in general has been improved. The number of delays and cancellations due to rolling stock faults has decreased compared to 2016.

The customer punctuality for S-trains in the first half of 2017 has fallen to 92.0 percent from 94.1 percent in the same period last year. The decrease is primarily due to an increase in the number of defects in security systems and defects in connection with infrastructure works, while the number of defects related to the new signalling system is at the same level as in 2016.

## Customers

During the first half of 2017, 95.1 million journeys were carried out by DSB in Denmark, compared to 95.9 million journeys during the same period last year. This amounts to a decrease of 1 percent, mainly caused by the decrease in the number of train journeys in S-trains in Q2.

**Table 6: Total number of customers (journeys)**

1,000 customers (journeys)	1st half		Increase	
	2017	2016 <sup>1)</sup>	Abs.	%
Long-distance & Regional Trains	37,673	37,294	379	1
East (Zealand)	25,839	25,650	189	1
West (Jutland and Funen)	7,373	7,335	38	1
East/West (across the Great Belt)	4,029	3,996	33	1
Others	432	313	119	38
S-trains	57,430	58,562	-1,132	-2

Denmark, total	95,103	95,856	-753	-1
Sweden, total	2,050	1,950	100	5
Germany, total	1,083	1,083	0	0
Total	98,236	98,889	-653	-1

<sup>1)</sup> Customers in Denmark (counted as numbers of journeys) in 2016 has been adjusted in relation to previously published figures as a result of the final counting of journeys, etc. 2016 has also been adjusted after the transfer of activities on the Grenaa line with approximately 0.4 million journeys in Western Denmark and Sweden has been reduced with 0.3 million journeys.

Long-distance & Regional Trains had 37.7 million journeys which is an increase of 1 percent compared with the same period in 2016.

The traffic in Eastern Denmark has seen an increase of 1 percent. The increase is a result of more travellers on Zealand outside of the capital region, where there has been fewer comprehensive rail track works in the first half of 2017 compared to the same period in 2016. At the same time, there has been more travellers on Kystbanen (the coastal line). Conversely, there have been fewer travellers on the Øresund line.

In Western Denmark, the number of journeys is on a level corresponding to the same period in 2016, which has been adjusted for the transfer of the activities on the Grenaa line in August of 2016 as a result of the construction of Aarhus Letbane. The number of journeys in the first half of 2017 is also negatively affected by the new travel regulations for Youth Cards, since the user payment for the most expensive Youth Cards has seen a significant increase.

The developments in East and West (number of journeys between the two parts of the country) has seen an increase of 1 percent. The number of journeys has been positively affected by an increase in the number of Orange-tickets sold. Despite this increase, DSB's market share has fallen by 0.3 percentage points compared to the same period in 2016. The new travel regulations for the Youth Card has also here had an impact, estimated to a decrease of 85,000 in the number of journeys.

The increase in Others is mainly due to more international journeys and journeys with IC Bornholm.

The S-trains had 57.4 million journeys in the first half of the year, which is a decrease of 2 percent compared to the same period of 2016. A large part of the decrease is due to more track work in Q2 2017, particularly on the City-line, which impacts the entire S-train network. Experiences from previous track work show that the decline in the number of journeys is not permanent.

Tariff Zealand has entered into force in January 2017. It is too soon to form any conclusions about the tariff reform's consequences for the number of journeys and passenger revenue.

In the first half of 2017 840,000 Orange-tickets was sold of which 80 percent were East/West journeys. The number of sold Orange-tickets was 495,000 in the same period last year.

Several measures in recent years have increased customer self-service – including the continued increase in the use of the travel card 'Rejsekort'. At the end of June 2017, there were 2.2 million active Rejsekort (travel cards), of which 297,000 were issued in the first half of 2017. Furthermore, the passenger revenue from the DSB App is still rising and is now the largest sales channel with 37 percent of passenger revenue. The average number of monthly users has risen to 270,000.

DSB continues to monitor the market share of long distance buses and recently noted that new actors have entered into the market. DSB has however not yet experienced that this has had an impact on passenger revenue.

## Rolling stock

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

Kilometres (1,000)	1st half		Increase	
	2017	2016	Abs.	%
IC4 train sets	3,078	3,065	13	0
IC3 train sets	15,628	15,193	435	3
IR4 train sets	4,353	4,468	-115	-3
Øresund train sets	4,493	4,397	96	2
Double-decker coaches	8,131	8,258	-127	-2
MR train sets	456	1,088	-632	-58
Desiro train sets	1,347	1,239	108	9
Diesel locomotives – ME	1,895	1,838	57	3
Electric locomotives (EA)	73	79	-6	-8
S-train sets	8,546	8,883	-337	-4

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

The IC4 production has seen a marginal increase in 2017 compared to the same period last year. However, the IC4 train sets have driven fewer litra-kilometres than planned due to a suspension of passenger operations in March 2017.

Operations with IC3 train sets in 2017 has been at a higher level than in the same period in 2016. This is, among other things, due to the fact that IC3 trains have been used for the Copenhagen-Hamburg line instead of, as previously, renting rolling stock from Deutsche Bahn.

The MR production in 2017 is, as planned, less than in the same period last year. The MR train sets have, however, covered fewer litra-kilometres than planned since on certain lines they have replaced the IC4 trains in the period where the IC4 train sets were not in operation.



In 2017, the Desiro train sets have been used more than in the same period last year. This is because the Desiro train sets have now been fully phased in on Lille Syd while at the same time they are operating as before on the Svendborg line.

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

Kilometres (1,000)	1st half		Increase	
	2017	2016	Abs.	%
IC4 train sets	4.3	3.6	0.7	19
IC3 train sets	47.3	29.2	18.1	62
IR4 train sets	12.6	9.7	2.9	30
Øresund train sets	21.7	19.8	1.9	10
Double-decker coaches	18.0	20.5	-2.5	-12
MR train sets	9.3	9.1	0.2	2
Desiro train sets	14.5	21.0	-6.5	-31
Diesel locomotives – ME	25.2	16.3	8.9	55
Electric locomotives (EA)	4.8	3.3	1.5	45
S-train sets	12.6	14.6	-2.0	-14

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

<sup>2)</sup> Number of kilometres between incidents was calculated with a delay criterion of 2:59 min. Comparison figures for 2016 have been adjusted.

In the autumn of 2016, DSB launched a series of initiatives based on an external investigation which were aimed at combating the suffering operational stability - including an expansion of the workshop capacity.

From an overall perspective, the development relative to the number of kilometres between incidents is positive in the first half of 2017 compared to the same period last year.

IC4 train sets have, in spite of the hydraulic pump incident that caused a suspension of passenger operations for a period of time, seen an increase in kilometres between incidents of 19 percent in 2017 when compared to the same period last year.

The IC3 train sets have seen very positive developments. Here, the number of kilometres between incidents has risen by 62 percent

which is due to a decline in the number of defects on motors and gears.

The Double-decker coaches and the Desiro train sets have been operating with fewer kilometres between incidents compared to the same period last year. For the Desiro train sets the decrease is, among other things, due to challenges with the doors.

The fall in number of kilometres between incidents for S-train sets is to a great extent due to the signalling system between Jægersborg and Hillerød which has necessitated the installation of new equipment in the S-train sets. These have been operated over 20,000 kilometres between incidents if one corrects for incidents due to the signalling system. This is unchanged in relation to the same period in 2016.

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

Kilometres (1,000)	1st half		Increase	
	2017	2016	Abs.	%
IC4 train sets	24.0	28.1	-4.1	-15
IC3 train sets	538.1	433.9	104.2	24
IR4 train sets	228.7	297.6	-68.9	-23
Øresund train sets <sup>2)</sup>	N/A	145.0	N/A	N/A
Double-decker coaches	138.8	190.4	-51.6	-27
MR train sets	35.1	32.0	3.1	10
Desiro train sets	39.6	53.9	-14.3	-27
Diesel locomotives – ME	99.6	61.2	38.4	63
Electric locomotives (EA)	18.1	15.8	2.3	15
S-train sets	37.9	51.4	-13.5	-26

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

<sup>2)</sup> Data is not available due to pool driving with the Swedish traffic.

Generally, the number of breakdowns required to significantly change the number of kilometres between breakdowns is not very high. This applies to all train sets - but the fewer kilometres that are operated, the greater the impact a breakdown has.

## Accounting policies applied

The half-year financial report for the independent public company DSB has been prepared in accordance with the provisions of the Danish Financial Statements Act for Class D Companies and the Act on DSB.

Revenue from sales of shop items is included under Other operating income where previously it was under Net revenue. Comparative figures have been adjusted. The half-year report otherwise follows the same accounting policies as Annual Report 2016.

## Events after 30 June 2017

Director of operations Anders Egehus has chosen to resign. Anders Egehus therefore leave DSB by latest at the end of January 2018.

As announced on April 17, 2015, DSB Ejendomsudvikling has entered a conditional agreement on the sale of an area at Dybbølsbro to IKEA. Sales are finalized in August 2017.

No other events have occurred after 30 June 2017 which in the opinion of the management have a significant impact on the assessment of this half-year report.

## Other matters

As announced on June 26, 2017, DSB has entered an agreement to sell 15 IC2 train sets with delivery of the first 3 train sets in July 2017. Delivery of the remaining 12 train sets is conditional on the buyer obtaining commissioning permission on the first 3 train sets.

As announced on August 10, 2017, DSB has entered a conditional agreement on the sale of DSB Uppland to Transdev Sverige AB at September 1, 2017.

# Statement

## Management Statement

The Board of Directors and the Executive Board have today discussed and approved the interim financial report for the period 1 January to 30 June 2017 for DSB.

The interim report, which has neither been audited nor reviewed by the company's Auditors, has been presented in accordance with the Danish Financial Statements Act and the Act on DSB. We consider the accounting policies to be appropriate. Accordingly, the first interim report provides a true and fair view of the Group's assets, liabilities and financial position as at 30 June 2017 and of the results of the Group's activities and cash flows for the period from 1 January to 30 June 2017.

It is also our view that the interim report contains a well-founded assessment of the development in the Group's activities and financial conditions, the profit for the period and the Group's financial position in general.

Taastrup, 17 August 2017

## Executive Board

Flemming Jensen  
CEO

Thomas Thellersen Børner  
CFO

Anders Egehus  
Director of Operations

Jürgen Müller  
Director of Strategy  
& Rolling Stock

## The Board of Directors

Peter Schütze  
Chairman

Annette Sadolin  
Vice-Chairman

Henrik Amsinck

Henriette Fenger Ellekrog

Carsten Gerner

Christina Grumstrup Sørensen

Hans Christian Kirketerp-Møller

Preben Steenholdt Pedersen

Birthe Østergaard Petersen







# Accounts

Income statement			
Group	1st half		Total year
Amounts in DKK million	2017	2016	2016
<b>Income</b>			
Net revenue	5,079	5,071	10,183
Work performed by the enterprise and capitalised	304	334	674
Other operating income	572	660	1,391
<b>Total income</b>	<b>5,955</b>	<b>6,065</b>	<b>12,248</b>
<b>Expenses</b>			
Expenses for raw materials and consumables	901	905	1,903
Other external expenses	1,909	1,930	3,864
Staff costs	1,912	1,914	3,736
<b>Total expenses</b>	<b>4,722</b>	<b>4,749</b>	<b>9,503</b>
<b>Profit/loss before amortisation, depreciation and write-downs</b>	<b>1,233</b>	<b>1,316</b>	<b>2,745</b>
Amortisation, depreciation and write-downs of intangible and tangible assets	879	1,632	4,634
<b>Operating profit/loss</b>	<b>354</b>	<b>-316</b>	<b>-1,889</b>
<b>Financials</b>			
Profit after tax in associated companies	0	0	0
Financial income	6	7	13
Financial expenses	70	138	317
<b>Net financials</b>	<b>-64</b>	<b>-131</b>	<b>-304</b>
<b>Profit/loss before tax</b>	<b>290</b>	<b>-447</b>	<b>-2,193</b>
Tax on profit/loss for the period	-66	97	489
<b>Profit/loss for the period</b>	<b>224</b>	<b>-350</b>	<b>-1,704</b>
<b>The profit/loss for the period is distributed as follows:</b>			
Company participant in DSB	224	-350	-1,704
Minority interests	-	0	0
<b>Profit/loss for the period</b>	<b>224</b>	<b>-350</b>	<b>-1,704</b>

## Balance sheet – assets

Group	1st half	Total year
Amounts in DKK million	2017	2016
<b>Intangible assets</b>		
Development projects	155	214
Intangible assets in progress and prepayments	70	63
<b>Total intangible assets</b>	<b>225</b>	<b>277</b>
<b>Tangible assets</b>		
Land and buildings	4,534	4,497
Rolling stock	8,222	11,014
Operating equipment, fixtures and fittings and other equipment	786	884
Tangible assets in progress and advance payments	182	137
<b>Total tangible assets</b>	<b>13,724</b>	<b>16,532</b>
<b>Investments</b>		
Equity investments in associated companies	0	0
Subordinated loan capital in associated companies	236	253
Other receivables	29	83
<b>Total investments</b>	<b>265</b>	<b>336</b>
<b>Total non-current assets</b>	<b>14,214</b>	<b>17,145</b>
<b>Inventories</b>	<b>498</b>	<b>472</b>
<b>Properties held for sale</b>	<b>183</b>	<b>96</b>
<b>Receivables</b>		
Trade receivables	794	637
Other receivables	224	250
Prepayments	165	177
<b>Total receivables</b>	<b>1,183</b>	<b>1,064</b>
<b>Cash at bank and in hand</b>	<b>61</b>	<b>73</b>
<b>Total current assets</b>	<b>1,925</b>	<b>1,705</b>
<b>Total assets</b>	<b>16,139</b>	<b>18,850</b>



## Balance sheet – liabilities and equity

Group	1st half		Total year
Amounts in DKK million	2017	2016	2016
<b>Equity</b>			
Contributed capital	4,760	4,760	4,760
Retained earnings	808	1,699	578
Proposed dividends	-	-	0
<b>Company participant in DSB's share of equity</b>	<b>5,568</b>	<b>6,459</b>	<b>5,338</b>
<b>Minority interests</b>	<b>-</b>	<b>0</b>	<b>0</b>
<b>Total equity</b>	<b>5,568</b>	<b>6,459</b>	<b>5,338</b>
<b>Provisions</b>			
Other provisions	55	91	64
Deferred tax liabilities	832	1,192	918
<b>Total provisions</b>	<b>887</b>	<b>1,283</b>	<b>982</b>
<b>Non-current liabilities</b>			
Long-term loans	3,881	5,578	4,609
Subordinated loan capital	-	2	2
Other non-current liabilities	466	617	591
Other liabilities	279	309	302
<b>Total non-current liabilities</b>	<b>4,626</b>	<b>6,506</b>	<b>5,504</b>
<b>Current liabilities</b>			
Current portion of non-current liabilities	1,010	790	229
Short-term loans	640	200	1,000
Credit institutions	104	159	199
Trade accounts payables	1,431	1,450	1,639
Corporation tax	160	121	63
Other liabilities	840	998	793
Prepayments	873	884	787
<b>Total current liabilities</b>	<b>5,058</b>	<b>4,602</b>	<b>4,710</b>
<b>Total liabilities</b>	<b>9,684</b>	<b>11,108</b>	<b>10,214</b>
<b>Total equity and liabilities</b>	<b>16,139</b>	<b>18,850</b>	<b>16,534</b>

## Statement of changes in equity

Group						
Amounts in DKK million	Contributed capital	Retained Profit/loss	Proposed dividends	Company participant in DSB's share of capital	Minority interests	Total equity
<b>Equity at 1 January 2016</b>	<b>4,760</b>	<b>1,998</b>	<b>173</b>	<b>6,931</b>	<b>0</b>	<b>6,931</b>
Paid dividends	-	-	-173	-173	-	-173
Profit/loss for the period	-	-350	-	-350	0	-350
Foreign currency translation adjustments	-	-1	-	-1	-	-1
Value adjustment of hedging instruments, 1 January	-	345	-	345	-	345
Value adjustment of hedging instruments, at end of period	-	-293	-	-293	-	-293
<b>Equity at 30 June 2016</b>	<b>4,760</b>	<b>1,699</b>	<b>0</b>	<b>6,459</b>	<b>0</b>	<b>6,459</b>
Contribution from the Ministry of Transport, Building and Housing	-	42	-	42	-	42
Profit/loss for the period	-	-1,354	-	-1,354	0	-1,354
Foreign currency translation adjustments	-	-1	-	-1	-	-1
Value adjustment of hedging instruments, 30 June	-	293	-	293	-	293
Value adjustment of hedging instruments, at end of period	-	-108	-	-108	-	-108
Other changes in equity, tax	-	7	-	7	-	7
<b>Equity at 31 December 2016</b>	<b>4,760</b>	<b>578</b>	<b>0</b>	<b>5,338</b>	<b>0</b>	<b>5,338</b>
Profit/loss for the period	-	224	-	224	-	224
Foreign currency translation adjustments	-	0	-	0	-	0
Value adjustment of hedging instruments, 1 January	-	108	-	108	-	108
Value adjustment of hedging instruments, at end of period	-	-102	-	-102	-	-102
<b>Equity at 30 June 2017</b>	<b>4,760</b>	<b>808</b>	<b>0</b>	<b>5,568</b>	<b>-</b>	<b>5,568</b>

## Cash flow statement

Group	1st half		Total year
Amounts in DKK million	2017	2016	2016
<b>Operating profit/loss</b>	<b>354</b>	<b>-316</b>	<b>-1,889</b>
<b>Adjustment for non-cash operating items</b>			
Amortisation, depreciation and write-downs of intangible and tangible assets	879	1,632	4,634
Change in other provisions, net	-9	-10	-37
<b>Other adjustments</b>			
Gain and loss on sale and scrapping of intangible and tangible assets	-3	-66	-189
Net financial items, paid	-67	-122	-366
Corporation tax, paid	-51	-94	-98
Change in working capital	-282	70	95
<b>Total cash flow from operating activities</b>	<b>821</b>	<b>1,094</b>	<b>2,150</b>
<b>Cash flows from investment activities</b>			
Acquisition of intangible and tangible assets, excluding capitalised interest	-401	-418	-1,147
Sale of intangible and tangible assets	24	77	253
Subordinated debt repayments	15	4	9
<b>Total cash flows from investment activities</b>	<b>-362</b>	<b>-337</b>	<b>-885</b>
<b>Cash flows from financing activities</b>			
Proceeds from raising of short-term loans	640	400	1,000
Repayment of and payment of instalments on long-term loans	-14	-393	-1,743
Repayment of and payment of instalments on short-term loans	-1,000	-450	-250
Change in credit institutions	-95	-110	-70
Paid dividends	0	-173	-173
<b>Total cash flow from financing activities</b>	<b>-469</b>	<b>-726</b>	<b>-1,236</b>
<b>Total change in cash and cash equivalents</b>	<b>-10</b>	<b>31</b>	<b>29</b>
Cash and cash equivalents at 1 January	71	42	42
<b>Cash and cash equivalents at end of period</b>	<b>61</b>	<b>73</b>	<b>71</b>

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

## Income statement by quarter

Group	2017		2016			
Amounts in DKK million	Q1	Q2	Q1	Q2	Q3	Q4
Passenger revenue	1,299	1,424	1,327	1,406	1,337	1,424
Revenue from transport contracts	1,098	1,095	1,093	1,113	1,089	1,099
Sale of repair and maintenance services of rolling stock, etc.	72	67	73	54	70	85
Leasing of rolling stock	16	8	3	2	8	0
<b>Net revenue</b>	<b>2,485</b>	<b>2,594</b>	<b>2,496</b>	<b>2,575</b>	<b>2,504</b>	<b>2,608</b>
Work performed by the enterprise and capitalised	155	149	179	155	141	199
Other operating income	261	311	341	319	359	372
<b>Total income</b>	<b>2,901</b>	<b>3,054</b>	<b>3,016</b>	<b>3,049</b>	<b>3,004</b>	<b>3,179</b>
Expenses for raw materials and consumables	464	437	455	450	478	520
Other external expenses	980	929	988	942	907	1,027
Staff costs	924	988	927	987	917	905
<b>Total expenses</b>	<b>2,368</b>	<b>2,354</b>	<b>2,370</b>	<b>2,379</b>	<b>2,302</b>	<b>2,452</b>
<b>Profit/loss before amortisation, depreciation and write-downs</b>	<b>533</b>	<b>700</b>	<b>646</b>	<b>670</b>	<b>702</b>	<b>727</b>
Amortisation, depreciation and write-downs	451	428	459	1,173	442	2,560
<b>Operating profit/loss</b>	<b>82</b>	<b>272</b>	<b>187</b>	<b>-503</b>	<b>260</b>	<b>-1,833</b>
Net financials	-34	-30	-71	-60	-56	-117
<b>Profit/loss before tax</b>	<b>48</b>	<b>242</b>	<b>116</b>	<b>-563</b>	<b>204</b>	<b>-1,950</b>
<b>Profit/loss for the period</b>	<b>39</b>	<b>185</b>	<b>88</b>	<b>-438</b>	<b>160</b>	<b>-1,514</b>
<b>Total equity</b>	<b>5,371</b>	<b>5,568</b>	<b>6,806</b>	<b>6,459</b>	<b>6,559</b>	<b>5,338</b>
EBITDA-margin	21.4	27.0	25.9	26.0	28.0	27.9
Return on equity (ROE) p.a.	2.9	13.5	5.1	-26.4	9.8	-101.8
Return on capital employed after tax (ROIC after tax) p.a.	2.3	7.4	4.2	-11.8	6.3	-46.8

# Line accounts, 1st half 2017

To ensure transparency regarding the economy and results related to train operations, DSB has in recent years developed a system for reporting the finances of DSB's railway services by activity area. Combined with a division of operator tasks by rail lines, this contributes to transparency regarding DSB's Danish train operations.

DSB uses these line accounts on an on-going basis to optimise the company, just as the distributions and results for the line accounts are used as input for Sector analysis for the railroad, prepared by McKinsey & Company and Struensee & Co. for The Ministry of Transport, Building and Housing.

In June, a political agreement was reached on an expanded tender for Central and West Jutland rail traffic. Additionally, the Minister for Transport, Building and Housing has indicated that the S-train traffic may also be the subject of invitation to tender. During the 1st half of 2017, S-trains have transported approx. 60 percent of DSB's passengers and contributed approx. 28 percent of DSB's total passenger revenue. The result of the S-train traffic for the 1st half of 2017 is DKK 63 million.

The following shall detail the activity area and line accounts for 1st half of 2017, followed by a review of the cost effect for DSB of firstly an expanded new external tender for Central and West Jutland rail traffic and secondly a potential tender for S-train traffic. Finally, S-train results shall be reviewed via an international comparison using international benchmark group ISBeRG.

The following can be emphasised:

- DSB InterCity/fast train traffic between Copenhagen and Aarhus/Aalborg and S-train traffic are profitable and thereby contribute to the financing of the loss-making traffic.
- The traffic between Copenhagen and Malmö shows a neutral result. The result of the 1st half of 2017 is negatively influence by the ID-controls in Copenhagen Airport. DSB expects that passengers will gradually return after the phasing-out of ID-controls and that the line's result for the year 2017 shall be positive.
- All other regional train lines are loss-making and require transfer of funds from the profit-making traffic and from the contract payments from the state.
- The profitability of lines is generally a factor of the extent of service - as determined by the contract with the state - in relation to demand spread out over the operational day.
- Expanding the tender of rail traffic in Central and West Jutland will only result in a limited amount of cost reduction for DSB. The direct, production-related costs shall be affected to a high degree, while distributed group costs will largely remain unaffected. This relates to the fact that loss of lines always result in synergy losses for DSB. DSB's service of the lines currently runs at a very high degree of punctuality, clearly in excess of the Traffic contract requirements.
- Any external tender of the S-train traffic would result in a significant reduction in DSB's production and would affect DSB's total business far more than would be the case with an expansion of the Central and West Jutland rail traffic. The direct, production-related costs shall be affected to a high degree, while distributed group costs shall be affected to some extent. The reason is that the S-train traffic, with 27 percent of DSB's total train kilometres and 23 percent of DSB's total passenger kilometres, constitutes a very significant share of DSB's total productivity. This means also that the loss of synergy benefits and economies

of scale would be similarly very significant if S-train operations were no longer a part of DSB. S-train traffic is also operated currently at very high levels of punctuality.

- Customer and operator punctuality for S-train traffic is placed as number 3-4 out of 14 metropolitan railways in the ISBeRG benchmark collaboration and is similarly well placed on the remaining measuring parameters. The 14 metropolitan railways encompass publicly as well as fully commercially run metropolitan railways across the globe, from New York over London to Hong Kong and Tokyo.

### Activity Area Accounts

Public services delivered by DSB pursuant to the Traffic contract are divided between Train Service, Train System, and General Obligations; as per table 1.

- Train Service relates to the operator task of operating trains
- Train System is a collective designation for the activities that support the task of 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 railway services, such as operation of the Railway Museum and extra costs regarding civil servants.

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 includes Sales Channels and Customer Service as well as Traffic Handling and shared functions.

DSB's income before leasing out of rolling stock for 1st half of 2017 is calculated as DKK 5,088 million.

The income finances the supplied Public services. In the line economy model, the total passenger revenue is distributed among Train services<sup>1</sup>, i.e. passenger transportation, while Train system tasks in the model are predominantly financed by income from the Traffic contract (hereinafter called contract payment).

The total contract payment for the six months is DKK 2,085 million, which finances - together with income from profit-making lines - on the one hand the loss-making train service, and on the other hand the other activity areas based on principles established in connection with DSB's Traffic contract with the state. The contract payment is accordingly divided into Stations reflecting a risk-adjusted return on invested capital (ROIC) of 3 percent, for Equipment and General Obligations reflects cost coverage without return, and for Systems & Channels reflects an overrun ratio of 5 percentage. The remaining contract payment will be allocated to trains.

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

Of the total income from leasing of rolling stock, 72 percent finances Train Service and 26 percent finances Train System tasks while the remaining 2 percent finances General Obligations.

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



**Table 1: Profit/loss divided into areas of activity, 1st half 2017**

Amounts in DKK million	Public services	Train Services			Train System			General Obligations	
		Long-Distance & Regional train traffic	S-train traffic	Øresund traffic	Stations	Rolling Stock	Systems & Channels <sup>1)</sup>	Historical <sup>2)</sup>	Non-recurring items <sup>3)</sup>
Passenger revenues	2,734	1,600	756	330	0	0	48	0	0
Revenue from transport contract	2,085	827	0	74	325	59	755	45	0
Other operating income <sup>4)</sup>	269	61	16	11	34	26	72	49	0
<b>Income before leasing of rolling stock</b>	<b>5,088</b>	<b>2,488</b>	<b>772</b>	<b>415</b>	<b>359</b>	<b>85</b>	<b>875</b>	<b>94</b>	<b>0</b>
Leasing out of rolling stock	808	0	0	0	0	808	0	0	0
<b>Total income</b>	<b>5,896</b>	<b>2,488</b>	<b>772</b>	<b>415</b>	<b>359</b>	<b>893</b>	<b>875</b>	<b>94</b>	<b>0</b>
Expenses for raw materials and consumables	306	225	48	30	0	0	3	0	0
Other external expenses	2,345	1,131	231	195	139	156	469	16	8
Staff costs	1,338	616	185	109	46	13	291	78	0
<b>Costs before leasing of rolling stock</b>	<b>3,989</b>	<b>1,972</b>	<b>464</b>	<b>334</b>	<b>185</b>	<b>169</b>	<b>763</b>	<b>94</b>	<b>8</b>
Leasing of rolling stock	808	491	239	78	0	0	0	0	0
<b>Total expenses</b>	<b>4,797</b>	<b>2,463</b>	<b>703</b>	<b>412</b>	<b>185</b>	<b>169</b>	<b>763</b>	<b>94</b>	<b>8</b>
<b>Profit/loss before amortisation, depreciation and write-downs</b>	<b>1,099</b>	<b>25</b>	<b>69</b>	<b>3</b>	<b>174</b>	<b>724</b>	<b>112</b>	<b>0</b>	<b>-8</b>
Amortisation, depreciation and write-downs	858	25	4	4	82	688	67	0	-12
<b>Operating profit/loss</b>	<b>241</b>	<b>0</b>	<b>65</b>	<b>-1</b>	<b>92</b>	<b>36</b>	<b>45</b>	<b>0</b>	<b>4</b>
Net financials	57	1	2	0	9	36	9	0	0
<b>Profit/loss before tax</b>	<b>184</b>	<b>-1</b>	<b>63</b>	<b>-1</b>	<b>83</b>	<b>0</b>	<b>36</b>	<b>0</b>	<b>4</b>
Tax	40								
<b>Profit/loss for the period</b>	<b>144</b>								
Allocation in percentage									
Revenue from transport contract		39%	0%	4%	16%	3%	36%	2%	0%
Income before leasing of rolling stock		49%	15%	8%	7%	2%	17%	2%	0%
Cost before leasing of rolling stock		50%	12%	8%	5%	4%	19%	2%	0%
Expenses, amortisation, depreciation, write-downs and net financials	5,713	2,489	709	415	276	893	840	95	-,4

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

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

<sup>3)</sup> General obligations (Non-recurring items) regarding net profit from sale of property in the parent company.

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

<sup>5)</sup> Profit/loss before tax is significantly affected by the distribution of the contract payment based on the assumptions about returns and profit rates for Statements and Systems & Channels, which were established in connection with the conclusion of the Traffic Contract with the State, cf. page 22.

The costs of Public services before leasing of rolling stock amounts to DKK 3,989 million for the 1st half of 2017. 70 percent hereof is used for Train Service, 28 percent for Train System and the remaining 2 percent 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 Service without any proceeds.

The breakdown of Train Services 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 DSB's Line Economy Model. This model divides DSB's profit and loss account into activities and calculates the economy of the individual line based on the activities required in the individual areas.

### **Line accounts**

The line accounts is a further break-down of the activity area Train Service by line.

Positive results reflect that the line operated at a profit and can therefore be operated without any state subsidies. Conversely, 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. Consequently, the S-train traffic has for the 1st half of 2017 generated a profit of DKK 63 million and therefore shall not receive contract payments.

### **Adjustments to the Line Economy Model in 2017**

In 2017, the following adjustments were incorporated into the Line Economy Model:

- New line definition in the Øresund region

It has been necessary to adjust the definitions for the lines Copenhagen - Elsinore and Copenhagen - Malmö. This specifically means that traffic between Copenhagen Central and Copenhagen Airport, has been moved from the line Copenhagen - Elsinore to Copenhagen - Malmö which provides a more true picture of the traffic.

**Table 2: Line accounts for Train Services, 1<sup>st</sup> half 2017 (Long-Distance and Regional West)**

Amounts in DKK million	Passen- ger revenues	Total revenues	Train staff	Main- tenan- ce of rolling stock	Energy	Replace- ment transport	Infra- struc- ture charges	Direct costs	Leasing of rolling stock (avg. costs)	Sup- porting function costs	Profit/los s on Train Services
Copenhagen – Aarhus – Aalborg	806	825	-176	-180	-53	-4	-147	-560	-155	-98	12
Copenhagen – Esbjerg	218	223	-53	-49	-15	-2	-53	-172	-45	-29	-23
<b>Long-Distance</b>	<b>1,024</b>	<b>1,048</b>	<b>-229</b>	<b>-229</b>	<b>-68</b>	<b>-6</b>	<b>-200</b>	<b>-732</b>	<b>-200</b>	<b>-127</b>	<b>-11</b>
Odense - Svendborg	19	20	-12	-18	-2	0	-3	-35	-7	-7	-29
Odense - Ringe	3	4	-4	-5	-1	0	-1	-11	-4	-2	-13
Aarhus - Langå - Aalborg	38	42	-33	-21	-6	0	-6	-66	-16	-18	-58
Skørping - Lindholm	2	2	-4	-9	-1	0	-1	-15	-2	-2	-17
Aalborg - Frederikshavn	33	34	-16	-18	-4	-1	-4	-43	-10	-9	-28
Aarhus - Hamborg	10	11	-11	-9	-3	-1	-2	-26	6	-6	-15
Aarhus - Fredericia - Esbjerg	42	44	-16	-45	-9	-1	-5	-76	-15	-10	-57
Aarhus - Fredericia	11	11	-3	-8	-1	0	-1	-13	-2	-2	-6
Odense - Fredericia	8	9	-8	-15	-3	0	-2	-28	-5	-5	-29
Fredericia - Flensborg	11	12	-7	-4	-1	0	-2	-14	-3	-4	-9
Fredericia - Sønderborg	18	19	-15	-9	-3	0	-3	-30	-8	-8	-27
Aarhus - Langå - Struer	0	0	-3	-2	-1	0	-1	-7	-2	-2	-11
Fredericia - Vejle - Struer	35	39	-33	-34	-7	-1	-6	-81	-17	-18	-77
Struer - Thisted	0	0	-2	-2	0	0	0	-4	-1	-1	-6
<b>Regional West</b>	<b>230</b>	<b>247</b>	<b>-167</b>	<b>-199</b>	<b>-42</b>	<b>-4</b>	<b>-37</b>	<b>-449</b>	<b>-86</b>	<b>-94</b>	<b>-382</b>

**Table 3: Financial statements of Train Services, 1<sup>st</sup> half 2017 (Regional East, Øresund and S-trains)**

Amounts in DKK million	Passen- ger revenues	Total revenues	Train staff	Main- tenan- ce of rolling stock	Energy	Replace- ment transport	Infra- struc- ture charges	Direct costs	Leasing of rolling stock (avg. costs)	Sup- porting function costs	Profit/los s on Train Services
Copenhagen - Kalundborg	52	55	-33	-45	-10	-1	-5	-94	-34	-19	-92
Copenhagen - Holbæk	63	66	-27	-36	-11	-1	-4	-79	-41	-16	-70
Copenhagen - Roskilde	5	5	-7	-3	-1	0	-1	-12	-2	-4	-13
Copenhagen - Ringsted	25	27	-16	-10	-3	0	-2	-31	-9	-9	-22
Copenhagen - Slagelse	30	31	-11	-12	-3	0	-3	-29	-12	-6	-16
Copenhagen - Nykøbing F - Rødby	113	119	-52	-75	-24	-4	-8	-163	-84	-30	-158
Copenhagen - Hamborg	39	41	-10	-13	-3	-1	-1	-28	-8	-6	-1
Roskilde - Køge - Næstved	16	19	-18	-23	-4	-1	-3	-49	-13	-10	-53
Copenhagen - Vstad	3	3	-3	-2	-1	0	-3	-9	-2	-2	-10
<b>Regional East</b>	<b>346</b>	<b>366</b>	<b>-177</b>	<b>-219</b>	<b>-60</b>	<b>-8</b>	<b>-30</b>	<b>-494</b>	<b>-205</b>	<b>-102</b>	<b>-435</b>
Copenhagen - Helsingør	151	159	-72	-51	-14	-4	-9	-150	-45	-39	-75
Copenhagen - Malmø	179	182	-32	-33	-10	-3	-55	-133	-33	-16	0
<b>Øresund</b>	<b>330</b>	<b>341</b>	<b>-104</b>	<b>-84</b>	<b>-24</b>	<b>-7</b>	<b>-64</b>	<b>-283</b>	<b>-78</b>	<b>-55</b>	<b>-75</b>
Central (Hellerup-Valby)	289	291	-35	-24	-7	-6	0	-72	-38	-17	164
Køge (Sydhavn - Køge)	93	96	-32	-37	-9	-1	0	-79	-56	-16	-55
Høje Taastrup (Danshøj - Høje Taastrup)	69	70	-13	-11	-3	-1	0	-28	-17	-7	18
Frederikssund (Langgade - Frederikssund)	86	89	-28	-30	-7	-1	0	-66	-45	-14	-36
Farum (Ryparken - Farum)	50	52	-17	-15	-4	-1	0	-37	-24	-8	-17
Hillerød (Bernstorffsvej - Hillerød)	88	91	-29	-25	-6	-1	0	-61	-38	-14	-22
Klampenborg (Charlottenlund- Klampenborg)	16	16	-5	-4	-1	0	0	-10	-6	-3	-3
Ringbanen (Ny Ellebjerg - Hellerup)	65	67	-18	-9	-2	-1	0	-30	-15	-8	14
<b>S-trains</b>	<b>756</b>	<b>772</b>	<b>-177</b>	<b>-155</b>	<b>-39</b>	<b>-12</b>	<b>0</b>	<b>-383</b>	<b>-239</b>	<b>-87</b>	<b>63</b>
<b>Train Services before Income from transport contract</b>	<b>2,686</b>	<b>2,774</b>	<b>-854</b>	<b>-886</b>	<b>-233</b>	<b>-37</b>	<b>-331</b>	<b>-2,341</b>	<b>-808</b>	<b>-465</b>	<b>-840</b>
<b>Calculated payment under transport contract</b>	<b>0</b>	<b>901</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>901</b>
<b>Train Services after Income from transport contract</b>	<b>2,686</b>	<b>3,675</b>	<b>-854</b>	<b>-886</b>	<b>-233</b>	<b>-37</b>	<b>-331</b>	<b>-2,341</b>	<b>-808</b>	<b>-465</b>	<b>61</b>

## New invitation to tender for train service in Central and West Jutland

### The political agreement of 9 June 2017

With the political agreement of 9 June 2017, it has been decided to re-invite to tender for the regional train traffic in Central and Western Jutland and, in this connection, provide additional lines currently run by DSB.

Starting from the time-schedule for 2021, DSB will no longer operate the lines of Struer - Herning - Vejle, Struer - Thisted, Odense - Svendborg and Aarhus - Langå - Struer. However, DSB must continue to operate 8 daily direct connections (4 train sets) between Copenhagen and Struer via Herning as "contractor driving" for the tender.

The consequence is that DSB will lose 7 percent of total Long-distance & Regional train traffic measured in train kilometers (2 percent measured in passenger kilometers). The line accounts shows that DSB can operate the lines with a contract payment of 136 million DKK in the 1st half of 2017, see table 4.

DSB's savings by transferring traffic will be significantly less than the current operating profit for the affected linrd. This is partly due to the fact that DSB loses economies of scale and synergies and that it has been suggested that the new operator receives part of the passenger revenues for the direct trains, which DSB must continue to run between Copenhagen and Struer, while DSB carries them Full costs.

Below, the consequences for DSB for the expanded tender in Central and Western Jutland are discussed in detail.

Contractor driving means that the lines are part of the winning operator's fulfillment of its traffic obligations, as well as the operator collects passenger revenue between Vejle and Struer. DSB is responsible for all costs of operating the line.

DSB is currently compensated by contract payment for contractor traffic, and this is presumed to remain the case in the future. This means that DSB's financial results for these lines shall be affected negatively as all passenger revenue goes to another operator who shall have no traffic costs, thus improving the financial results of this operator. This contributes to the state contract subsidy to DSB overestimating the actual subsidy requirement for DSB's train traffic, while the subsidy requirement for the other operator, currently Arriva Danmark, is, conversely, underestimated.

DSB currently has train service on these lines pursuant to the contractually determined service level. As the capacity utilisation on these lines is relatively low, including particularly at outlying times, they are run at a loss which is covered by the traffic contract.

It is a characteristic that the profitability of DSB's train service depends on the relationship between service level and customer basis.

Operator punctuality, the punctuality for which only DSB is liable, for the lines in question is in any case higher than the traffic contract requirements of DSB (93.9 percent).

Customer punctuality, the punctuality for which Banedanmark and DSB share liability, is close to or significantly above both the average (78.9 percent) for DSB's Long-distance & Regional train lines for 1st half of 2017 and the traffic contract targets for the year (82.4 percent). Customers on these lines, in conclusion, arrive on time in the vast majority of cases.

The fact that the lines are loss-making also means that losing these lines would reduce DSB's contract payment needs. The requirement for contractor traffic for the new external supply, meaning that DSB shall bear the cost of the traffic while the winning contract operator shall receive the passenger revenue, counts in the opposite direction.

DSB's traffic contract with the state determines that if the state terminates elements of the contract, the contract payment shall be adjusted based on the realised cost effect to DSB. In this connection it must be considered to what extent the various cost groups related to DSB's train service are actually capable of being influenced by carving out the referenced lines.

DSB operates the overall train traffic as integrated traffic. This enables the utilisation of network advantages and the ensuring of a cohesive optimisation of the use of workshops, rolling stock, and staff, as well as it ensures economies of scale in relation to necessary shared group costs for, among other things, IT. In other words, there will always be a synergy loss to DSB when lines are removed.

**Table 4: DSB lines with new invitations to tender in Central and West Jutland, 1st half 2017**

Amounts in DKK million

	Train Service Profit/loss	Operator punctuality	Customer punctuality	Train km in millions	Passenger km in millions
<b>H1 2017</b>					
Traffic contract targets		93.9	82.4		
Vejle-Herning-Struer	-77	94.9	79,8	1.11	45
Struer - Thisted	-6	98.4	94,8	0,06	1
Odense - Svendborg	-42	98,1	94,2	0,64	21
Aarhus - Langå - Struer	-11	98,0	93,2	0.11	2
<b>Total</b>	<b>-136</b>			<b>1,92</b>	<b>69</b>
Proportion of total DSB production					
				7 %	2 %



The below contains a short review of impact on DSB's train service costs in case of loss of the mentioned lines.

**Table 5: Train service costs for DSB lines with new invitations to tender in Central and West Jutland, 1st half 2017**

Amounts in DKK million		
	H1 2017	Impactable
<b>On-board staff</b>	<b>-54</b>	<b>Yes</b>
Staff costs	-47	Yes - to a high degree
Other expenses	-7	Yes - to some degree
<b>Rolling stock maintenance</b>	<b>-61</b>	<b>Yes - to some degree</b>
Purchases from DSB Vedligehold A/S	-47	Yes - to some degree
Purchase of train cleaning	-4	Yes
Staff costs for preparation (train driver)	-3	Yes
Other expenses	-7	Yes
Energy	-11	Yes - to some degree
Replacement transport	-1	Yes
Infrastructure charges	-11	Yes
<b>Total direct costs</b>	<b>-138</b>	
Leasing of rolling stock	-31	No
Support function costs	-30	On the whole, no
<b>Total expenses</b>	<b>-199</b>	

On-board staff counts both those covered by collective agreements and civil servants. As a result, there must be an explicit contingency for the management of DSB's civil servant, including the placing of availability and pension obligations. Irrespective of employment issues, DSB will not be able to adjust staff costs fully as a result of the synergy loss in planning and on-going adjustments to train staff time utilisation. For example, a train driver stationed in Fredericia is currently able to serve both Svendborgbanen and the line from Vejle to Struer and Thisted. This will not be the case with the new external supply situation.

Other on-board staff costs encompass costs for, e.g., uniforms, IT equipment, and staff facilities, etc., which to some degree will be affected. Obviously, only variable costs can be reduced. Uniforms and IT equipment can be depreciated, but it would take more detailed analysis to assess which staff facilities could be phased out.

The line Vejle-Herning-Struer has been serviced during the 1st half of 2017 by a mixture of IC3, IC4, and MR train sets, but shall in accordance with the political agreement be served in future by Desiro train sets. Capital, maintenance, and energy costs vary a great deal between rolling stock types. IC3 and IC4 train sets are substantially more costly to operate than the newer Desiro train sets. This means that service after the new invitation to tender shall be less costly with regard to rolling stock maintenance and energy for a new operator with a different type of train set than is currently used. At the same time, DSB shall be left with the older and more expensive diesel stock which will mean an increase in DSB's average costs.

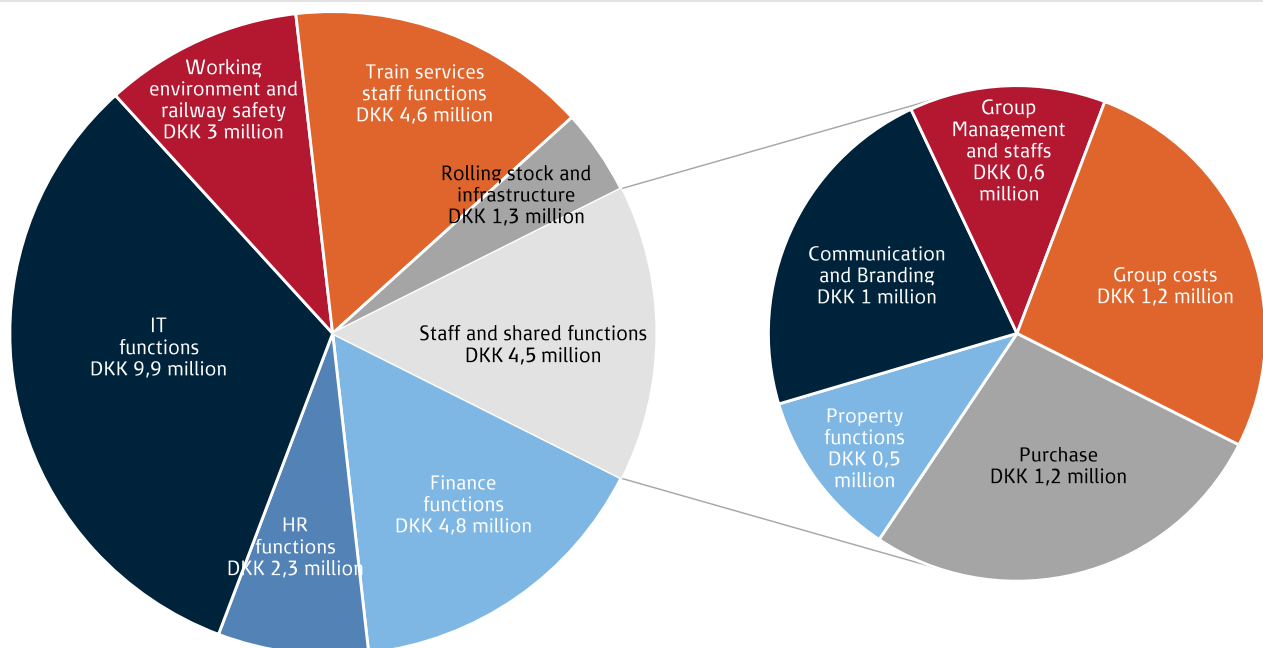
Only marginal costs will be available for reduction, i.e. the maintenance, cleaning, and energy costs that vary with the number of train kilometres covered. It will not be immediately possible to reduce fixed costs for workshop buildings and equipment as well as workshop management

etc. There will therefore also be a synergy loss in DSB Vedligehold relative to utilising capacity in individual workshops.

Infrastructure costs will be significantly reduced for DSB since DSB will only be paying fees for the required contractor service. Replacement service will disappear for DSB as it is presumed to become a requirement for the new operator of the lines to provide replacement buses in case of track works etc. as is the case for DSB today.

DSB's distributed group costs for support functions shall remain largely unaffected by the expansion of the new invitation to tender with the additional lines. In accordance with the accounting regulations, all DSB's costs must be distributed across activity areas and further on lines. Support functions therefore is an expression of common capacity costs that remain largely changed by service extent but are distributed on lines.

**Figure 1: Support function costs for lines with new invitations to tender in Central and West Jutland, 1st half 2017**



DSB's support function costs are tied to functions that are largely unrelated to productivity and therefore do not change in any significant way in case of a limited loss of traffic.

Working Environment and Railroad Safety are determined by legislation and are carried out at a general level. In recent years, for example, DSB has been working intensely on the establishing of a safety management system that describes and monitors procedures which influence safety. This work shall not be immediately affected by a change in the production basis.

DSB's IT functions shall be largely unaffected by a limited activity reduction since the systems are used across the train service and are not specific to a single line. The SAP business system used for the financial management of the company will not, for example, become any smaller or cheaper by there being fewer activities in DSB.

The Staff and Finance functions are capacity functions that handle cross-company tasks, the majority of which are not activity dependent. There will obviously be a few functions that will experience a fall in activity levels, such as payroll, but general finance management, accounting, working environment, salary negotiations, etc., shall not be affected.

Train service staff functions are general coordinating and planning functions which work on an ongoing basis on optimising the cross-company processes and procedures. This is true, for example, for the planning process between train service and maintenance which must balance and coordinate rolling stock maintenance and availability of rolling stock for daily train service. There is virtually no direct connection between the tasks handled in train service staff functions and the activity levels for individual lines.

It would be necessary to adjust especially management functions tied to on-board staff while general group management and common functions, capacity costs for, e.g., IT and accounting systems would only be affected marginally or not at all.

The Train System encompasses those activities that contribute to securing cohesion and efficient resource utilisation of the train service, in accordance with Table 6.

It is assessed that DSB's total train operating costs will only be affected to a very limited extent by the loss of the lines mentioned.

It is uncertain who has the responsibility for maintenance and cleaning etc. of stations on lines encompassed by the expansion, and therefore which costs would be lost by DSB.

Other train set costs, i.e. for planning and monitoring train traffic, traffic information, customer service, sales and distribution systems, and marketing, would only be affected in a very limited way by the loss of the lines mentioned.

**Table 6: Train System activities**

Impactable	
Stations	Uncertain
Systems & Channels	
Traffic Handling & Common Functions	
Traffic information	Very limited
Traffic support	Very limited
Traffic planning	Very limited
<b>Other expenses</b>	Very limited
Sales channels & Customer service	
<b>Sales channels</b>	
<b>Serviced sales</b>	Very limited
<b>Digital channels</b>	Very limited
<b>Rejsekort</b>	Very limited
<b>Customer service</b>	Very limited
<b>Marketing</b>	Very limited

These activities are handled by central functions across the country and the new external supply of DSB's current lines would only marginally affect the scope of tasks. As an example, DSB's traffic planning could not be measurably reduced as the result of the loss of such a limited proportion of the production as the expansion of the external supply covers. In the same way, the costs for running serviced sales at Copenhagen Central, Copenhagen Airport, Odense, and Aarhus would not be affected by the expansion, which would also not be the case for operations and development costs for the digital sales channels, including DSB's app.

Generally speaking, train system costs will increase with the number of operators. This is due to more interfaces and increased coordination needs. For example, DSB's customer service currently encompasses the DSB Call Centre that helps customers with information about their total journey, including connections to buses, metro, and trains run by other operators (Arriva, private lines, etc.). Adding more operators increases the complexity and therefore, all other things being

equal, the costs. The same is generally true with regard to the significant sector collaboration relative to coordinating timetables, cohesive traffic information, income sharing, etc.

### Financial effects of the proposal to invite to tender for S-train traffic

#### Proposal to outsource the S-train

The Minister of Transport, Building and Housing has suggested the possibility of outsourcing the S-train.

S-tog is an integral part of DSB's total business and represents a very significant part of DSB's activities. S-trains account for about 60 percent of DSB's passengers, which account for about 28 percent of DSB's total passenger revenue. Similarly, S-tog represents 27 percent of DSB's total production measured in train kilometers.

S-trains have had a positive result in the years from 2014 to 2017, despite the fact that the passenger turnover has been adversely affected by the metro double factor by the amount of 170 million. DKK annually. This means that the economic outcome of S-train driving is actually higher. The positive result has been rising during the period due to passenger growth and lower costs.

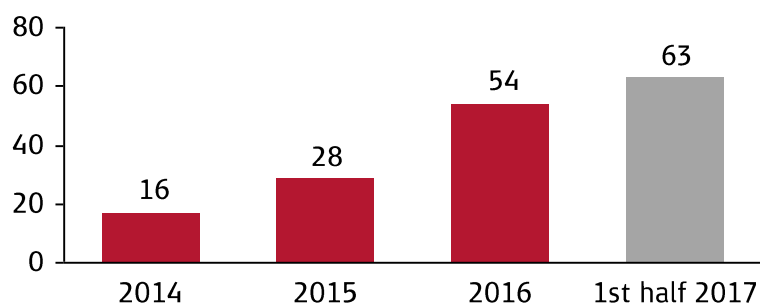
An excluding of S-trains will mean a radical change of DSB's business. It will therefore be necessary to restructure the organization as well as change systems and processes for the overall operation of DSB to operate the Long distance & Regional trains only. At the same time, an exclusion of S-trains will lead to a loss of economies of scale and synergy in the company, and there will be limited scope for reducing group-wide costs.

In the following, the impact of DSB's economy is assessed by the tender of a S-train.

The line accounts show a profit of DKK 63 million from DSB's S-train traffic for the 1st half of 2017. The result has been gradually improving over the years in keep with cost reductions and growing passenger numbers, see **Fejl! Henvisningskilde ikke fundet..** This development is expected to continue in keep with increasing passenger number growth and efficiency measures in DSB. At the same time, development between years has been influenced by adjustments of revenue distribution between trafficking companies in the Capital Region.

**Figure 2: Profit/loss from S-train traffic**

Amounts in DKK million



S-train results have been calculated without contribution from the traffic contract. The revenue side only shows passenger revenues. The passenger revenues should be seen in the light of the so-called metro double factor determined by regulation which means that a part of the passenger revenue from S-trains is transferred to Metroselskabet to co-finance operations of the Copenhagen metropolitan railway. It is assessed that this impacts the S-train result negatively in the order of DKK 170 million per annum. This means that the annual S-train traffic result is correspondingly better.

The impact of the metro double factor is balanced by a contract subsidy to DSB which means that the contract payment in reality overvalues DSB's actual financing needs.

Additionally, the impact on DSB's finances from losing the S-train traffic would be greater than what can be read out of the financial result. The reason for this is that DSB's costs associated with S-train traffic, including the distributed group costs etc., cannot be fully adjusted if the S-train traffic is externally supplied. S-trains are a very significant part of DSB's overall business and the synergy loss arising from separating off S-trains would therefore also be very significant.

S-train operator punctuality is 98.5 percent, i.e. exceeding the contract target, while customer punctuality is slightly below the contract target.

On most S-train lines, customers can be expected to arrive on time, but customer punctuality is affected in particular by Banedanmark's implementation of a new signalling system on the line between Jægersborg and Hillerød.

**Table 7: S-trains 1st half of 2017**

Amounts in DKK million

	Profit/loss from Train Services H1 2017	Operator punctuality	Customer punctuality	Train km in millions	Passenger km in millions
Traffic contract targets		97.5	92.3		
S-trains, achieved	63	98.5	92.0	7.64	673
Proportion of total DSB production				27 %	23 %

S-trains encompass a very significant part of DSB's production and customer service – 27 percent of total train kilometres and 23 percent of total person kilometres.

Table 8 shows the individual cost groups in the profit and loss statement for S-train traffic, with an assessment of how these would be affected by external supply.

Table 8: Train operation expenses for S-trains, 1st half of 2017		
Amounts in DKK million		
S-trains	Expenses	Impactable
<b>On-board staff</b>	<b>-177</b>	<b>Yes – to a high degree</b>
Staff costs	-161	Yes – to a high degree
Other expenses	-16	Yes
<b>Stock maintenance</b>	<b>-155</b>	<b>Yes – to a high degree</b>
Maintenance	-109	Yes – to a high degree
Train cleaning	-15	Yes
Preparation	-30	Yes
Other expenses	-1	Yes
Energy	-39	Yes
Replacement transport	-12	Yes
<b>Total direct expenses</b>	<b>-383</b>	
Leasing of rolling stock	-239	Yes
Support function costs	-87	Yes – to some degree
<b>Total expenses</b>	<b>-709</b>	

On-board staff costs would be affected to a significant extent. It is presumed that staff shall transfer to the new operator as part of a company transfer.

DSB's civil servants, however, must be considered separately. If the civil servants remain with DSB, DSB will be left with a cost of DKK 80 million (based on a calculated cost of DKK 40 million for 1st half of 2017). If the civil servants are borrowed by a new operator, and if availability and pension obligations etc. remain with DSB, this will incur a negative impact on DSB's finances in the long term, regardless of the fact that staff in question shall no longer be contributing positively to DSB's results. Other staff costs are presumed to be fully lost, among other things because staff facilities for S-train staff can be isolated to a high extent, meaning that a new operator would take over rent obligations etc.

In case of external supply, all costs for rolling stock maintenance are presumed to be transferred to a new operator as all agreements with DSB Maintenance are presumed to be transferred or terminated. In case of the latter, DSB Maintenance would experience a significant staff adjustment. It must also be assessed whether this would be a company transfer in which the staff is transferred to a new supplier. In this case, the same issue regarding civil servants arises as for on-board staff, although at a significantly smaller scale.

The responsibility and costs for train cleaning and preparation is presumed to be taken over completely by a new operator. Energy costs for driving trains and for replacement buses when train operations are halted due to Banedanmark's infrastructure works are similarly presumed to be transferred to the new operator.

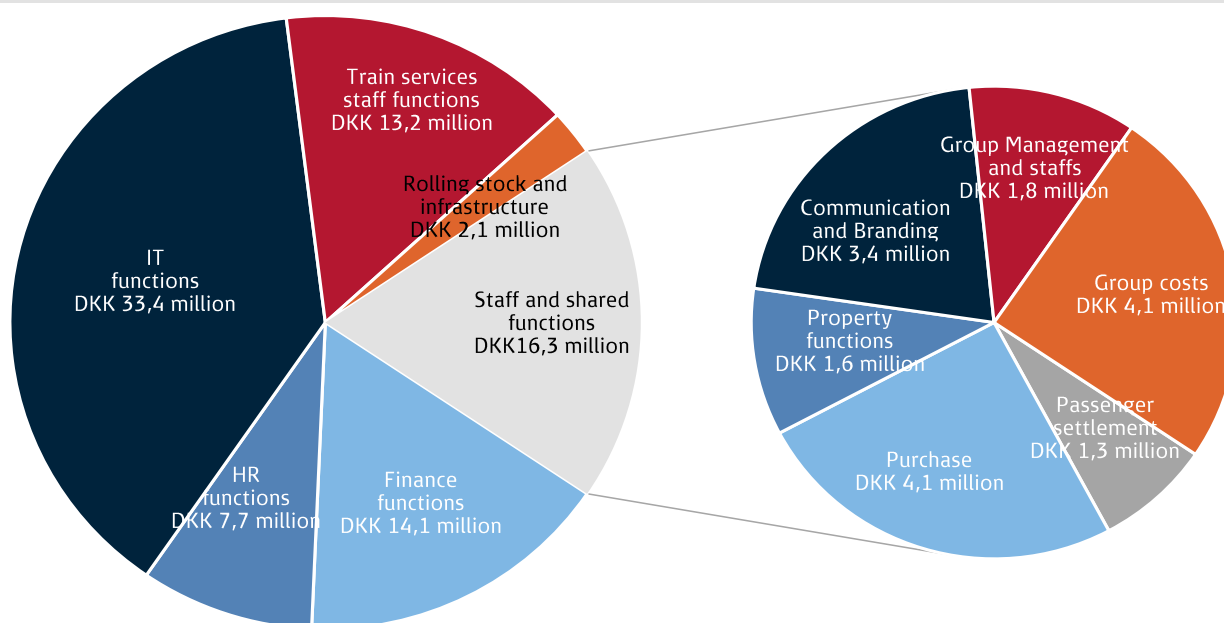
Leasing of rolling stock costs for S-train operations would be lost by DSB in case of external supply, but the accounting effect for DSB would depend on the placement of rolling stock ownership in connection with external supply. If DSB were to continue to own the rolling stock, depreciation



and interest costs would remain with DSB, but be balanced by leasing income from a potential new operator.

Support function costs for the line accounts encompass fully distributed costs for general group management and cross-group functions such as IT, HR, Finance & Accounting, and management functions related to the management of S-train staff. This includes capacity costs for, among other things, common group accounting and IT systems (sales, planning, etc.), see Figure 3.

**Figure 3: Support function Costs Train Service, S-trains, 1st half of 2017**



The loss of the on-board staff would reduce DSB's support function costs as the decentralised management of S-train staff would also be lost (as of 1st half of 2017 this sum is DKK 15 million including approx. DKK 4 million for civil servants). In case of a separation of the magnitude that would likely be the case, significant adjustment of a large part of DSB's support functions would be required which would be far from proportional with S-trains' share of DSB's productivity and revenues.

This is because the loss of the S-train production would result in a substantial loss of synergy and economies of scale in DSB. For example, costs for shared group IT support, support functions, etc. would only be reduced to a limited extent while the financing can be distributed across a much smaller earnings basis.

It is uncertain to what extent train system costs would be affected by external supply of S-trains. In contrast with the external supply in Central and West Jutland, S-trains constitute a very significant part of DSB's business. As a result, train system costs must be expected to drop of the activities were to go to other operators.

The train system contains customer-oriented activities, traffic operations, and station operations. Customer-oriented activities encompass ticket sale channels, customer service, marketing, and co-financing of Rejsekort. Traffic operations encompasses monitoring and management of train traffic in Denmark (in collaboration with Banedanmark), planning and on-going scheduling of staff and rolling stock, and traffic information.

The effect on DSB's finances would depend on the extent in which these activities were to continue with DSB, see Table 9.

Some functions would be naturally expected to be transferred, such as for example the planning and monitoring of S-train traffic, specific S-train traffic information for S-train customers, etc.

Regardless of which of all the aforementioned activities and costs would remain in DSB after a potential tender, a loss of synergy must be expected if activities are split up. In 2013, DSB S-tog a/s was merged with DSB SOV. In this connection, substantial synergy gains have been realised by DSB which would be lost in case of external supply of S-trains. In addition, DSB would be affected by potentially substantial preparation and transition costs in case of external supply, to include in connection with a new division of the company.

Introducing another operator to the public transport system would at the same time increase the coordination needs relative to, for example, cohesive traffic planning and traffic information, customer service, and revenue sharing across operators.

**Table 9: Train System activities**

	Impactable
Stations	Yes - to some degree
Systems & Channels	
Traffic Handling & Common Functions	
Traffic information	Yes
Traffic support	Yes - to some degree
Traffic planning	Yes
Other expenses	Yes - to some degree
Sales channels & Customer service	
Sales channels	
Digital channels	Yes - to some degree
Rejsekort	Yes
Customer service	Yes - to some degree
Marketing	Yes

## S-train placement in international benchmark

Since 2010, DSB has been part of the international benchmark group International Suburban Rail Benchmarking Group (ISBeRG). This group includes train companies operating metropolitan traffic in the USA, South America, Australia, South Africa, and Europe. There are currently 14 members located in 13 cities.

The overall purpose of ISBeRG is to identify and share best practice in a confidential environment. The group is owned and run by the members and is facilitated by Railway and Transport Strategy Centre (RTSC) at Imperial College London. The most recent ISBeRG findings are from 2015.

The line accounts form the basis of DSB's input to the ISBeRG collaboration, ensuring cohesion and transparency between line results and benchmark results.

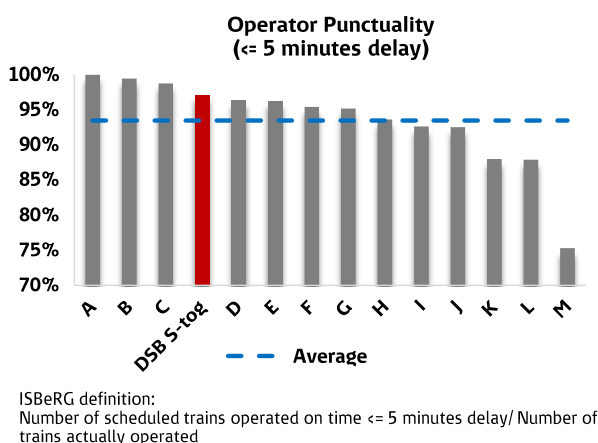
The ISBeRG results show that

S-trains are in the top 3-4 among the metropolitan railways mentioned, both in terms of Operator Punctuality and Customer punctuality, according to Figure 4.

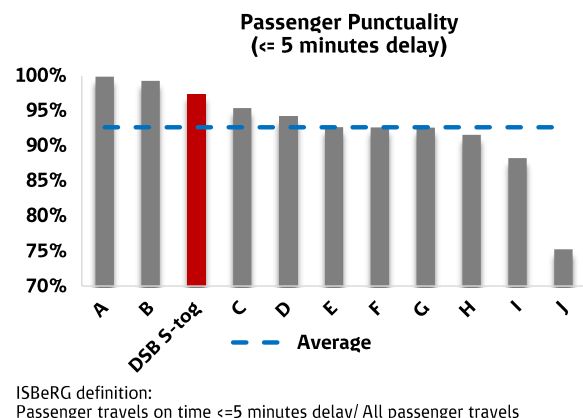
### ISBeRG members

Train company	City	Ownership
FGC Barcelona	Barcelona, Spain	Public
Queensland Rail	Brisbane, Australia	Public
DSB S-tog	Copenhagen, Denmark	Public
PRASA – Metrorail	Cape Town, South Africa	Public
Hong Kong MTR	Hong Kong, China	Public
London Overground	London, United Kingdom	Private, tender contract
Metro Trains Melbourne	Melbourne, Australia	Private, tender contract
S-Bahn München	Munich, Germany	Public
MTA Long Island Rail Road	New York, USA	Public
MTA Metro-North Railroad	New York, USA	Public
NSB (Norske Statsbaner)	Oslo, Norway	Public
Bay Area Rapid Transit (BART)	San Francisco, USA	Public
Sydney Trains	Sydney, Australia	Public
East Japan Railway Company (JR East)	Tokyo, Japan	Private

Figure 4: Results from ISBeRG - Operator Punctuality & Customer Punctuality 2015



Source: ISBeRG



Source: ISBeRG

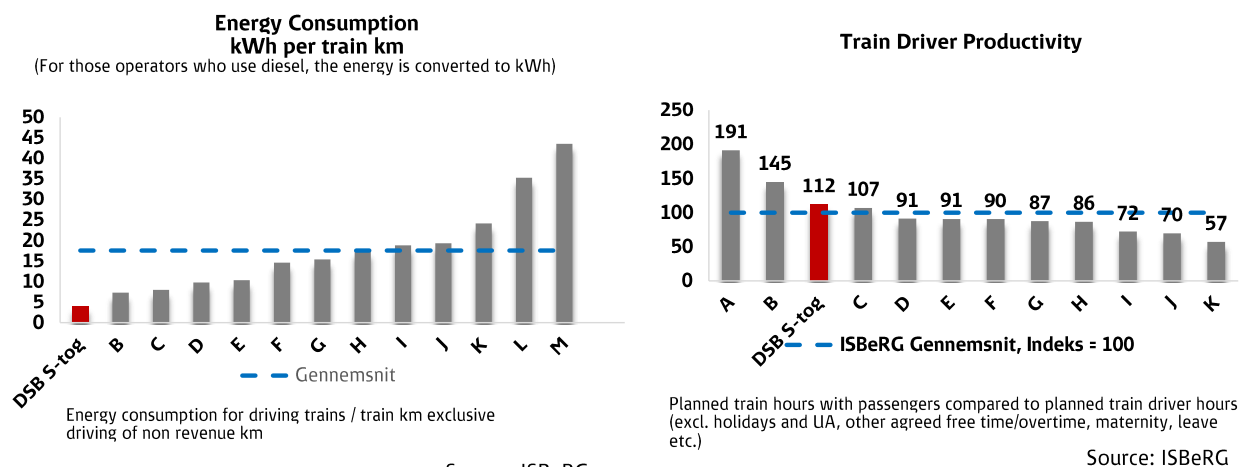
Operator Punctuality describes the proportion of trains that arrive at the station on time, while Customer Punctuality describes the proportion of passengers who arrive at the station on time. S-trains are number 4 for operator punctuality and number 3 for customer punctuality.

For both definitions it is a requirement that trains must be no more than 5 minutes delayed, a common criteria for the international benchmark collaboration. In DSB's traffic contract with the state, the punctuality targets are based on a maximum delay of 3 minutes.

Calculated in relation to the traffic contract punctuality requirements, S-trains show operator punctuality of 98.5 percent for 1st half of 2017 (the traffic contract requirement is 97.5 percent) while customer punctuality is 92.0 percent (the traffic contract requirement is 92.3 percent). The difference between operator punctuality and customer punctuality is due to circumstances outside DSB's control, such as for example delays due to infrastructure issues, which is the responsibility of Banedanmark, or other external issues, including for example effects from freight trains and disturbances from foreign traffic.

In ISBeRG, efficiency is measured partly via energy consumption per train kilometre, partly via train driver productivity. S-trains show the lowest energy consumption per train kilometre with S-trains consuming approximately a quarter of the energy per train kilometre used on average by the metropolitan railways participating, as per Figure 5.

**Figure 5: Results from ISBeRG - Energy Consumption & Train Driver Productivity 2015**

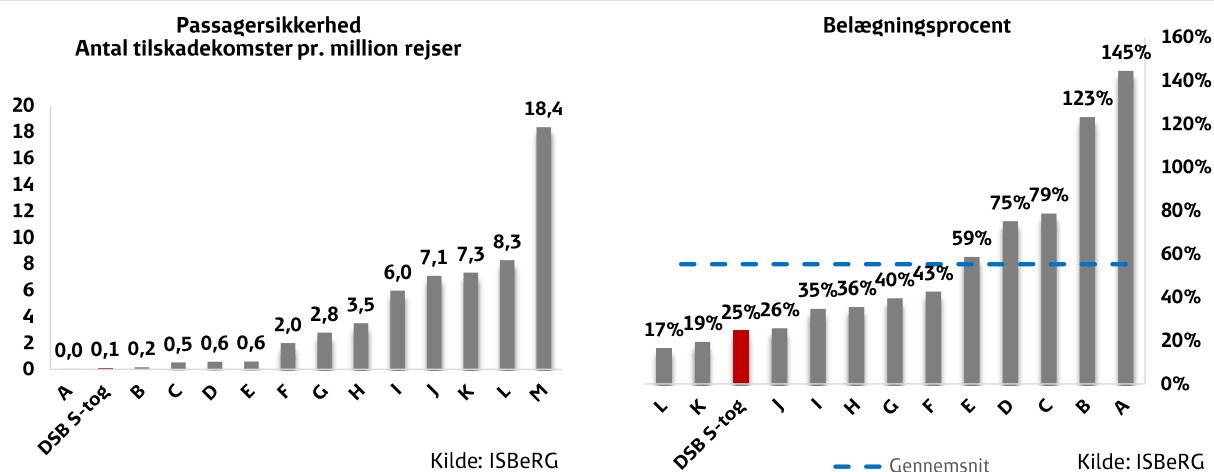


Train driver productivity for S-trains is at number 3 in ISBeRG, according to Figure 5. This shows that S-train drivers spend a relatively large portion of their working time on driving trains rather than any other activities when comparing with the other metropolitan railways.

The high train driver productivity contributes to a relatively high efficiency in the S-train operations when comparing with the other metropolitan railways. Other contributions to this stem from the fact that S-trains are operated by one person only and the relatively low number of station staff in the S-train system, among other things due to a lack of manned station gates and random ticket control.

In terms of Safety and Comfort, S-trains are 2nd respectively 3rd among the ISBeRG metropolitan railways, according to Figure 6.

Figure 6: Results from ISBeRG - Passenger Safety & Occupancy Factor 2015



Safety is measured in terms of frequency of injuries while comfort is measured in terms of average occupancy factor, which for S-trains is 25 percent.

The occupancy factor means that the number of customers on average occupy 25 percent of the seats on S-trains, while this is more than 100 percent for the metropolitan railways with the highest occupancy factor. The relative low occupancy factor is linked to the service extent, which is determined by the traffic contract, relative to the demand across a 24 hour period. A low occupancy factor equates to better comfort, all other things being equal, but also represents a financial challenge due to the relatively low capacity utilisation.

## Financial calendar

Expected publication of interim and annual reports, etc.:

3rd quarter 2017	8 November 2017
Annual Report 2017	6 February 2018
Corporate meeting	1st quarter 2018

## Publications

The interim report 2017 is available at [www.dsb.dk](http://www.dsb.dk)

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