

ANNUAL REPORT 2018

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The management's review

In 2018, DSB achieved a profit before tax of DKK 568 million and will pay a dividend of DKK 120 million.

- There was high punctuality for S-trains, but customer punctuality for Long-distance & Regional trains was challenged by the many infrastructure works and an aging rolling stock
- Significant growth of 40 percent compared to 2017 in the sale of Orange tickets
- Customer satisfaction levels are stable despite challenges associated with track works and rolling stock
- Traffic contract payments in 2018 were reduced by DKK 207 million, as per agreement with the Ministry of Transport, Building and Housing
- The purchase of new electric locomotives, new train coaches and new electric train sets is proceeding as planned.

"Internationally, Denmark is considered one of the safest countries in the world when it comes to train operations. The accident on the 2nd of January does not change that.

Our customers need to be able to take safety for granted - but we must never do so."

Flemming Jensen, CEO

Even if this annual report is for 2018, it would seem inappropriate not to mention that we had a serious accident in the beginning of 2019. On 2 January at 7:35 a.m., a fast train with 131 passengers was hit by parts of a freight train moving in the opposite direction. Eight passengers lost their lives and 16 were injured.

This is the worst accident in over 30 years, and it has naturally had a deep impact on everyone in and around DSB. We would once again like to thank the train staff, the first responders and all the emergency response teams for the work they did during and after the accident.

We would also like to express our sympathy to our passengers and the families of the deceased and stress that we are, of course, doing everything we can to help the authorities in their continued investigation of the chain of events leading up to the accident. It is still - even with the accident - safe to travel by train. Our customers need to be able to take safety for granted - but we must never do so.

Finances

In 2018, DSB achieved a profit before tax of DKK 568 million compared to DKK 274 in 2017. This improvement is due to non-recurring items - see table 1 in the financial management's review, which illustrates this in detail.

Adjusted for non-recurring items, the result amounts to DKK 247 million, which is DKK 301 million lower than in 2017. The most important factor in this lower result is the reduced contract payment of DKK 207 million less. In December 2017, the Ministry of Transport, Building and Housing and DSB signed a supplementary contract to the current 10-year traffic contract. The

supplementary contract reduces the contract payments by a total of DKK 2.3 billion for the remaining period of the traffic contract, from 2018 to 2024.

In addition, there were more expenses of DKK 137 million for replacement traffic in connection with track works. Passenger revenue has decreased by DKK 93 million. Conversely, the result is positively impacted by lower Staff costs - among other things, due to a streamlining of the administration wherein approximately 100 positions were eliminated.

The net interest bearing debt has been reduced by DKK 942 million compared to 2017, and at 31 December 2018, it amounted to DKK 3,860 million. DSB is in a good financial position ahead of the coming years' rolling stock acquisitions.

For Q4 itself, DSB came out with a profit of DKK 130 million when adjusted for non-recurring items, which is DKK 21 million lower than Q4 of 2017. The result for the quarter was negatively impacted by the reduced contract payment and lower passenger revenue, though this was counterbalanced by lower operating costs.

"This is a DSB in a good financial shape that is ready to battle buses and cars for market shares. In so doing, we must do our part to reduce congestion in traffic and promote a climate-friendly means of transport."

Flemming Jensen, CEO

Customers - decline in the number of journeys and passenger revenue - stable customer satisfaction levels

In 2018, 186.7 million journeys were taken with DSB in Denmark, which is a decline of 1.1 million journeys compared to 2017, equivalent to a decline of 0.6 percent. The overall decline includes an increase in the number of journeys by Long-distance & Regional trains by 0.4 million, while journeys by S-train have decreased by 1.5 million. The decline in the number of journeys by S-train is primarily due to major track works - particular on the Frederikssund Line. Traffic in the East (Øresund - crossing the bridge) has increased by 4 percent, mainly a result of the cessation of the ID control. The increase in the rest of the East is at 1 percent and is mainly a result of more travellers on Zealand in the Copenhagen area. The number of journeys in the West (Jutland and Funen) is similar to 2017. The development in the number of journeys crossing the Great Belt has seen a decline of 5 percent.

The decline in the traffic over the Great Belt is a result of an increased competitive situation wherein cars in particular are winning market shares. Furthermore, the reduction of the bridge toll across the Great Belt in 2018 has increased the pressure that trains face from competitors even more. The bus traffic between the regions of the country is also increasing.

In order to deal with the increased competition, among other things, in May we decided to reduce the prices for commuter cards over the Great Belt by 15 percent, and we have also offered more Orange tickets on departures with empty seats outside rush hours. These initiatives have paid off, as we can see increased sales compared to 2017. With an Orange ticket starting at DKK 99 for a

journey between Aarhus and Copenhagen, customers have the opportunity to travel between regions at a competitive price. In 2018, 1.7 million Orange tickets crossing the Great Belt have been sold, equivalent to an increase in 31 percent.

The combined customer satisfaction score for the year is 8.0 (on a scale of 0-10), which is an increase since 2017 when the number was 7.9. In 2018, we have worked intensively on new initiatives aimed at providing good and timely traffic information, and we are therefore pleased to see that the satisfaction levels with traffic information shows an improvement, with the result for the year being 7.5 compared to 7.2 in 2017.

We continue to work on developing and launching simplified and commercially attractive ticket products with a customer-oriented focus. As part of that work, a major simplification of the total product range and price hierarchy will start in 2019.

In the summer of 2018 we launched a comfort and design-related upgrade of the current train fleet. The upgrade is to ensure that our trains will still be appealing to customers and provide them with a comfortable travel experience. This will take place on an ongoing basis in the coming years.

For the benefit of our customers and the environment, we have also continually over the last few years completed initiatives to reduce the particle emissions from the aging ME locomotives. Together, these initiatives have turned out to have a great impact, and with the latest initiatives completed in 2018, it has been possible to reduce the number of ultrafine particles in the train by a total of 80 percent. From 2021, DSB will begin receiving the new more environmentally friendly electric locomotives that will be replacing the aging ME locomotives.

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

With customer punctuality at 92.9 percent, DSB achieved the contract targets with the state. This is an improvement compared to 2017 of 1.1 percentage points, and the over 300,000 daily customers in the S-trains of Copenhagen have therefore reached their destinations on time in 93 out of 100 cases. Operator punctuality - the part of punctuality that DSB is solely responsible for - is at 98.2 percent and thus above the agreed contract target with the state.

Despite the generally high punctuality for S-trains, it cannot be avoided that some customers and lines for some periods will be negatively impacted by Rail Net Denmark's comprehensive infrastructure works. Over the summer, for example, there has been a 3-month long total closure of the line between Frederikssund and Valby. DSB has tested a number of new concepts aimed at providing better bus service and traffic information during track works and also to better compensate customers for the longer travel times. Based on our ongoing customer satisfaction surveys, it looks like these initiatives have been well-received by the customers.

The punctuality of Long-distance & Regional trains has been challenged by the many infrastructure works and an aging rolling stock

Customer punctuality for Long-distance & Regional trains in 2018 was at 79.2 percent, and is thus below the contract target of 82.9 percent. The lower customer punctuality is due to problems

with the tracks and signals and aging rolling stock. On top of this, the many delays from Sweden impact the trains that depart from Copenhagen Central Station to destinations across Denmark.

The operator punctuality for Long-distance & Regional trains - the part of punctuality that DSB is solely responsible for - is at 94.4 percent in 2018, and thus above the contract target of 94.1 percent.

Our customers on the Coast Line (Kystbanen) have been particularly hard hit by unsatisfactory operations in 2018. The Coast Line has been partially closed due to track renovations and other works, and there has also been problems with the rolling stock. On top of this, there are the mentioned delays from Sweden. We are paying close attention to the challenges, and together with Rail Net Denmark and the Swedish operators, we have been completing initiatives on an ongoing basis aimed at improving punctuality on the Coast Line.

New modern trains will streamline and stabilise train operations

It is our goal to replace the aging diesel trains with a modern and uniform electric train fleet with the benefits that this provides to the customers.

This is a comprehensive renewal of the train fleet that is necessary in order to realise the societal, operational budget-related and environmental gains from the electrification of the railroad moving towards 2030.

In 2018, DSB and Siemens signed an agreement to deliver 42 new Vectron electric locomotives. The new electric locomotives will be put into operation on an ongoing basis for the regional traffic in Zealand from 2021.

After political approval, both the acquisition of new train coaches and new electric train sets have been called for tenders in 2018.

In connection with the tender for new train coaches, it is expected that the final offer from the manufacturers will be received in the middle of 2019. The acquisition will be in the form of a framework agreement that includes 8 passenger train carriage groups with at least 440 passengers per group, and including the option to acquire further train carriage groups or individual coaches.

In addition, a spare parts agreement will be signed wherein the supplier will commit themselves to supplying spare parts for the carriages for 16 years and with the option to extend for up to 30 years. The carriages will mainly be used in the international traffic to Hamburg and will be pulled by the new electric Vectron locomotives. The new carriages will, however, also contribute towards reducing the reliance on IC4 trains and they will be able to support the aging train fleet in general. It is expected that the new carriages will be deployed for passenger operations in 2022.

The tender for new electric trains includes at least 100 trains. It is expected that the manufacturer who wins the tender will be awarded the contract in 2020. The first train sets are expected to be

deployed from 2024, but the final deployment date in addition to the pace of delivery will only be known once the contract is signed in 2020.

The purchase of rolling stock has been planned to fit neatly with the current plans for Rail Net Denmark's roll-out of the Signal Programme and the electrification of the main lines. The completion of these large infrastructure projects on time is a critical factor for being able to put the rolling stock that we are investing in into operation as soon as possible to benefit the customers. We are in close dialogue with Rail Net Denmark concerning the major projects and our opportunities for contributing towards an effective execution.

As the future train operations will be electric, it has been decided to optimise the workshop facilities to fit this new reality. The current locomotive workshop on Otto Buses Vej in central Copenhagen will therefore be moving to Næstved. This applies to primary functions such as maintenance and repair of electric locomotives, double-decker coaches and the new train carriages. It is expected that the newly constructed locomotive and train coach workshop will be ready in 2025. The move away from Otto Buses Vej will be a gradual process. Over time, the old DSB area in Copenhagen will be developed and be prepared for other purposes. DSB will participate actively in that process and we are engaging in a dialogue with Copenhagen Municipality in this regard.

Admission to the Confederation of Danish Industry

Effective as of the turn of the year 2017/18, DSB was admitted to the Confederation of Danish Industry. This happened based on a desire to become part of a large industry association and to collaborate with other Danish companies in Denmark's largest and leading trade organisation. At the same time, this means switching to the Railroad Collective Agreement that also covers the employees of the other traffic companies, Metroselskabet and the light rail operators. In some areas, however, there will be a need for local agreements side by side with the collective agreement.

Negotiations have been underway with Dansk Jernbaneforbund (Danish Railway Union) concerning new local agreements, and there is agreement concerning the content of local agreements for the following areas: The number of union representatives, working hours for S-trains and the working hours for train staff of Long-distance & Regional trains. The agreements will be formally signed at a later date once decisions have been made on other local agreements, but the agreement on the content of the agreements has been added to the record. At the end of the year, there was still no agreement for engine drivers in Long-distance & Regional trains, which is the last personnel group lacking an agreement on working hours.

DSB is focused on ensuring that all employees will have the framework of the future work clarified as quickly as possible. With the working hours agreement for engine drivers in S-trains and train staff in Long-distance & Regional trains, it has been ensured that there will be proper conditions for employees in the frameworks of the new collective agreement.

Taastrup, 7 February 2019

Peter Schütze
Chairman of the Board

Flemming Jensen
CEO

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



The financial management's review

Financial highlights						
DSB Group (DKK million)	2014	2015	2016	2017	2018	Pct. change
Net revenue ¹⁾	10,574	10,331	10,183	10,087	9,779	-3
Total revenue ²⁾	12,772	12,258	12,248	12,092	11,855	-2
Of these, non-recurring items	282	85	193	284	347	22
Total expenses	9,323	9,332	9,503	9,831	9,353	-5
Of these, non-recurring items	-	-	-	479	-35	-
Earnings before amortisation and depreciation	3,449	2,926	2,745	2,261	2,502	11
Amortisation, depreciation and write-downs of intangible and tangible assets	2,247	2,023	4,634	1,854	1,829	-1
Of these, non-recurring items	323	127	2,767	79	61	-23
Operating profit/loss	1,202	903	-1,889	407	673	65
Profit/loss before tax	670	580	-2,193	274	568	-
Profit/loss before tax adjusted for non-recurring items	624	622	381	548	247	-55
Earnings for the year	482	446	-1,704	211	450	-
Balance sheet total	21,947	20,369	16,534	16,305	14,832	-9
Total equity	6,301	6,931	5,338	5,497	5,822	6
Interest-bearing liabilities, net	9,314	7,162	6,034	4,802	3,860	-20
Profit ratio (EBIT margin)*	11.4	8.7	-18.6	4.0	6.9	73
Return on equity (ROE)*	7.9	6.7	-27.8	3.9	8.0	-
Return on invested capital after tax (ROIC after tax)*	5.4	4.7	-11.5	2.9	5.3	83
Gearing*	2.7	2.4	2.2	2.1	1.5	-29
Equity ratio*	28.7	34.0	32.3	33.7	39.3	17
Interest coverage*	3.1	2.7	-5.9	2.7	5.1	89
Number of full-time employees – year-end	7,351	7,302	7,239	7,132	6,997	-2
Average number of full-time employees	7,564	7,438	7,285	7,292	7,092	-3
Productivity – (Danish activities)³⁾						
Passenger and transport contract revenue per seat kilometre (DKK 0.01/km)	-	56	55	56	57	2
Passenger revenue per seat kilometre (DKK 0.01/ km)	-	29	31	32	33	3
Costs per seat kilometre, corrected for non-recurring items (DKK 0.01/kilometre)	-	58	56	57	61	7
Operator Punctuality⁴⁾						
Long Distance & Regional Trains (%)	95.5	94.4	92.0	94.4	94.4	0
S-trains (%)	98.9	99.0	98.4	98.6	98.2	0
Passenger punctuality⁵⁾						
Long Distance & Regional Trains (%)	82.6	78.5	74.0	79.4	79.2	0
S-trains (%)	93.6	95.0	92.6	91.8	92.9	1
Customers						
Customers in Denmark (million customers) ⁶⁾	189.1	192.7	193.2	188.5	186.7	-1
"Customer satisfaction with this journey" – (Danish activities)	8.0	8.0	7.9	7.9	8.0	1
Reputation						
Users of Long-distance & Regional Trains	51.1	51.5	49.7	49.3	51.6	5
Users of S-trains	56.1	59.1	55.6	52.6	53.8	2
Non-users of Long-distance & Regional trains	46.0	43.6	41.5	40.9	45.2	11

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

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

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

⁴⁾ Operator punctuality is the total punctuality, minus any delays due to circumstances for which DSB is not responsible. Arrivals are considered punctual if they are less than 3 minutes delayed. Cancellations due to circumstances at DSB that are not notified 72 hours in advance are calculated as delays. In 2015, with the signing of a new traffic contract, the calculation method has changed. From 2016, Øresund is included in Long-distance & Regional Trains. Operator punctuality for Long-distance & Regional trains has in 2017 and 2018 been corrected for operational problems that the Ministry of Transport, Building and Housing has approved. Operator punctuality for S-trains has in 2018 been corrected for operational problems that the Ministry of Transport, Building and Housing has approved.

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

⁶⁾ Customers in Denmark in 2014, 2015, 2016 and 2017 have been adjusted compared to previously published figures due to the final journey inventories, etc. calculated as the number of journeys.

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

Financial Activities

The pre-tax earnings amounted to DKK 568 million, which is DKK 294 million higher than in 2017. The improvement is due to non-recurring items - including major profits from the sale of properties and the adjustment of pension contributions for civil servants in 2018, in addition to the fact that 2017 was negatively impacted by risk purchases of part of the future pension contributions for civil servants and severance costs in connection with streamlining the administration. The pre-tax earnings for the 4th quarter amounted to a profit of DKK 230 million, compared to a loss of DKK 321 million for the 4th quarter of 2017.

Table 1: Pre-tax earnings adjusted for non-recurring items¹⁾

DKK million	2018	2017
Profit/loss before tax	568	274
Gains on real estate, net	-340	-254
Write-downs, real estate	30	81
Profit foreign activities, net	-	-16
Risk purchase of civil servant pensions at a fixed 15 percent	-	388
Adjustment of pension contributions for civil servants	-50	-
Severance costs	8	77
Write-downs of IC4 train sets	31	-
Reversed write-downs, net	-	-2
Adjusted earnings before tax	247	548

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

Adjusted for non-recurring items, the Pre-tax earnings amounted to DKK 247 million, which is DKK 301 million less than the corresponding result for 2017. The lower result is mainly due to lower revenues from traffic contracts and increased expenses for replacement traffic. On top of this lower passenger revenue of DKK 93 million which is, however, more than counteracted by lower costs Staff costs. In the 4th quarter, the profits adjusted for non-recurring items amounted to DKK 130 million compared to DKK 151 million in 2017. The result for the 4th quarter is impacted by reduced contract payments and lower passenger revenue,

which is, however, counteracted by lower costs.

The balance sheet total amounted to DKK 14,832 million at the end of 2018, compared to DKK 16,305 million on 31 December 2017. The decline in Total assets is mainly due to amortisation, depreciation and write-downs of Rolling stock. In addition, cash in bank and in hand has been reduced. The decline in Total equity and liabilities is due to the paying off of debt, partially counteracted by an increase in Equity. Equity is negatively impacted by a paid out dividend for 2017 of DKK 106 million, in addition to an allocation to Fonden Danmarks Jernbanemuseum of DKK 43 million.

In 2018, DSB has invested DKK 910 million (DKK 1,482 million). Investments were mostly in heavy maintenance of Long-distance and Regional trains and S-trains. In addition to this, there are investments in the reconstruction of Østerport Station and a prepayment for electric locomotives. The development in comparison to 2017 is impacted by DSB's acquisition of 67 double-decker coaches in October 2017.

Interest bearing debt, net has been reduced by DKK 942 million compared to 31 December 2017, and amounted to DKK 3,860 million on 31 December 2018. Cashflows from operating activities and the sale of properties has been the most significant factors in the decline of interest bearing debt, net. Cash in bank and in hand has been reduced in connection with the paying off of interest-bearing debt, while the cash resources remains unchanged.

In 2018, Return on invested capital after tax amounted to 5.3 (2.9), Gearing was 1.5 (2.1) and Equity ratio 39.3 (33.7).

Net revenue

The Net revenue amounted to DKK 9,779 million in 2018, which is DKK 308 million lower than in 2017. This is primarily due to the reduction of the traffic contract payment by DKK 207 million, cf. "Supplemental contract 19", entered into with the Ministry of Transport,

Building and Housing and lower passenger revenue - including the handover of regional traffic in North Jutland and the shutting down of IC Bornholm. In addition to this, there is the sale of DSB Uppland.

In Net revenue, DSB includes the effect of the current revenue model in the Copenhagen area (Metro double factor), which means that Metroselskabet I/S receives an oversized proportion of the total passenger revenues in the Copenhagen area. In return, the state's traffic contract payment compensates DSB for this with DKK 177 million.

Passenger revenue amounted to DKK 5,380 million, which is DKK 93 million lower than in 2017.

The development in Long-distance & Regional trains in 2018 has been impacted by a loss of passenger revenue as a result of the transfer of the regional train traffic in North Jutland in August 2017 and the shutting down of IC Bornholm in December 2017. The reduction of bridge tolls over the Great Belt has increased the competitive situation for regional traffic. This applies both to the competition from car and bus traffic. In addition, the number of journeys by Long-distance & Regional trains remain challenged by the changed transport rules for Ungdomskort (Youth Card), which for some customers results in them having to pay a significantly greater amount despite DSB having reduced the price in 2018. In 2018 there was an increase in passenger revenue for 'Øresund - journeys over the bridge' as a result of the cessation of ID controls. In addition, 2017 was negatively impacted by refunds for ten-journey tickets.

The S-train passenger revenue is impacted by there being 1.5 million fewer journeys, which is mainly due to the after-effects of the track works in 2017 and the summer's track shut-down on the Frederikssund Line.

Revenues from traffic contracts amounted to DKK 4,051 million, and have declined by DKK 235 million compared to 2017. This decline is

primarily due to the signing of "Supplemental contract 19" concerning a reduction in the traffic contracts payments in the period 2018-2024. The effect for 2018 of the supplemental contract is DKK 207 million. On top of this, there are traffic handovers and the sale of DSB Uppland in 2017. This is partially counteracted by ordinary index price regulation of traffic contract payments.

The external sale of Repair and maintenance of rolling stock etc. amounted to DKK 303 million and have increased by DKK 15 million compared to 2017.

External Sales and leasing of rolling stock amounted to DKK 45 million and is on the same level as 2017 (DKK 40 million).

Work performed by the enterprise and capitalised amounted to DKK 578 million and has decreased by DKK 31 million compared to 2017. The decline is primarily due to IT projects being completed.

Other operating income has increased by DKK 102 million, and amounted to DKK 1,498 million. The increase can mainly be attributed to greater profits from the selling of properties in 2018 - including the selling of DSB's former office space property on Kalvebod Brygge 32 in Copenhagen.

Expenses

Total expenses amounted to DKK 9,353 million. The costs are DKK 478 million lower than in 2017 as a result of lower Staff costs, as 2017 was impacted by the agreement to buy the risk of part of the future civil servant pension contribution in addition to the severance costs in connection with the implemented streamlining of the administration. 2018 is positively impacted by an adjustment of the pension contributions for civil servants.

Expenses for raw materials and consumables amounted to DKK 1,866 million and have increased by DKK 111 million. This development is impacted by there being more expenses for spare parts. This is partially counteracted by

fewer expenses for energy for train operations and less consumption of kiosk inventory.

Other external expenses amounted to DKK 3,883 million, a decrease of DKK 41 million compared to 2017. The development can mainly be attributed to significantly increased expenses for replacement traffic - mainly as a result of the shutdown of the tracks on the Frederikssund Line. In addition to this, there are increased costs for repairs, maintenance, cleaning, etc. Among other things, in connection with the renovation of Copenhagen Central Station and Østerport Station. This is partially counteracted by the ending of lease payments for the 67 double-decker coaches that were purchased in October 2017.

Staff costs amounted to DKK 3,604 million, and have fallen by DKK 630 million in comparison to 2017. The development is due to lower pension costs in 2018 for civil servants as a result of the agreement entered into in December 2017 on the buying of the risk of part of the future pension contributions. In addition to this, there is an adjustment of the pension contributions for civil servants and lower salary costs as a result of fewer employees. 2017 was negatively impacted by the purchase of risk and the severance costs in connection with the streamlining of the administration. Finally, the development is impacted by activities that have ceased or been sold - including the transfer of domestic traffic to other operators and cessation of international traffic.

Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs amounted to DKK 1,829 million compared to DKK 1,854 million in 2017. Amortisation, depreciation and write-downs is impacted by the scrapping of 2 IC4 train sets which were not active in train operations, and it is also impacted by the acquisition of 67 double-decker coaches in 2017. Conversely, the write-downs on properties are lower than in 2017.

Financials

Net financials amounted to an expense of DKK 105 million (DKK 133 million). The reduction is mainly due to income from interest on receivables from control fees that were sent to SKAT for collection.

Dividend for the Ministry of Transport, Building and Housing

The Board of Directors recommends that the Annual Meeting adopts a resolution that a dividend of DKK 120 million be paid out for 2018.

Claw Back

The statement of any adjustment pursuant to the contract between the Ministry of Transport and DSB regarding traffic provided as a public service in the period 2015-2024 (Claw Back) did not give rise to an adjustment of the revenue from the transport contract.

Outlook for 2019

DSB expects to break even before taxes and non-recurring items in the light of major track works with the associated increased expenses for replacement traffic and declining passenger revenue, in addition to generally increased competition.

Events that have occurred after the balance sheet date

No events have occurred after 31 December 2018, which in the opinion of the management have a significant impact on the assessment of the annual report for 2018.

Other matters

In December 2018, DSB has cancelled the contract with DXC concerning data centre and SAP operations. Financial consequences, if any, of the cancellation of this contract have not been included in the annual report for 2018.

There are no other events that, in the opinion of the management, have a significant impact

on the assessment of the annual report for 2018.

Management statement and the independent auditors' reports

Management Statement

The Board of Directors and the Executive Board have today discussed and approved the annual report for DSB for 2018.

The Annual Report is presented in accordance with the Danish Financial Statements Act and the Danish DSB Act. We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of the group's and the parent corporation's assets, liabilities and financial position at 31 December 2018 and of the results of the group's and the parent corporation's operations and the group's cash flows for the financial year from 1 January to 31 December 2018.

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

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

Taastrup, 7 February 2019

Executive Board

Flemming Jensen
CEO

Thomas Thellersen Børner
CFO

Jürgen Müller
Director of Strategy
& Rolling stock

Per Schrøder
Director of Operations

The Board of Directors

Peter Schütze
Chairman

Annette Sadolin
Vice-Chairman

Henrik Amsinck

Hanne Blume

Carsten Gerner

Christina Grumstrup Sørensen

Klaus Skafte Nielsen

Preben Steenholdt Pedersen

Birthe Østergaard Petersen

The independent auditors' report

To the Minister of Transport, Building and Housing

Auditor's report on the consolidated annual accounts and the annual accounts

Conclusion

We have audited the consolidated annual accounts and the annual accounts of the independent public corporation DSB for the financial year 1 January - 31 December 2018, comprising income statement, balance sheet, equity statement and notes, including accounting policies, for the group as well as for the parent corporation and the consolidated cash flow statement. The consolidated annual accounts and the annual accounts are presented in accordance with the provisions of Danish Financial Statements Act and the DSB Act.

In our view the consolidated annual accounts and annual accounts give a true and fair view of the group's and the independent public corporation DSB's assets, liabilities and financial position as of 31 December 2018 and of the result of the group's and the independent public corporation DSB's activities and the group's cash flows for the financial year 1 January - 31 December 2018 in accordance with the provisions of the Danish Financial Statements Act and the DSB Act.

Basis of opinion

We have conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark as well as good public auditing practice, as the audit is carried out on the basis of the provisions in the DSB Act. Our responsibility according to these standards and requirements is described in detail in the section "Auditor's responsibility for the consolidated annual accounts and the annual accounts". We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

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

In the preparation of the consolidated annual accounts and the annual accounts, the management is responsible for assessing the independent public corporation DSB's ability to continue operations, providing information on conditions regarding continued operation, if relevant, and prepar-

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

The auditors responsibility for the audit of the consolidated annual accounts and the annual account

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

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

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

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

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

Statement on the management's review

The management is responsible for the management's review.

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

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

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

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

Declaration pursuant to other legislation and other regulation

Statement on legal-critical audit and performance audit

The management is responsible for ensuring that the transactions covered by the financial reporting are in accordance with reported grants, legislation and other rules and regulations, as well as with agreements concluded and the usual practice. The management is also responsible for ensuring that due financial consideration is taken for the management of the funds and operations of the companies included in the annual accounts. In that context, the management is responsible for setting up systems and processes that promote frugality, productivity and efficiency.

In connection with our audit of the annual accounts, it is our responsibility to complete a legal-critical audit and a management audit of selected topics in accordance with good public accounting practice. During our legal-critical audit, we verify with a high degree of certainty for the se-

lected topics whether the examined transactions covered by the financial reporting are in accordance with the relevant provisions of grants, legislation and other rules and regulations in addition to concluded agreements and the usual practice. During our management audit, we assess with a high degree of certainty whether the systems, processes or transactions examined support the appropriate financial considerations applied to the administration of the funds and operations covered by the annual accounts.

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

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

Copenhagen, 7 February 2019

Ernst & Young

Authorised Limited Company of Accountants
CVR no. 30700228

The National Audit Office of Denmark

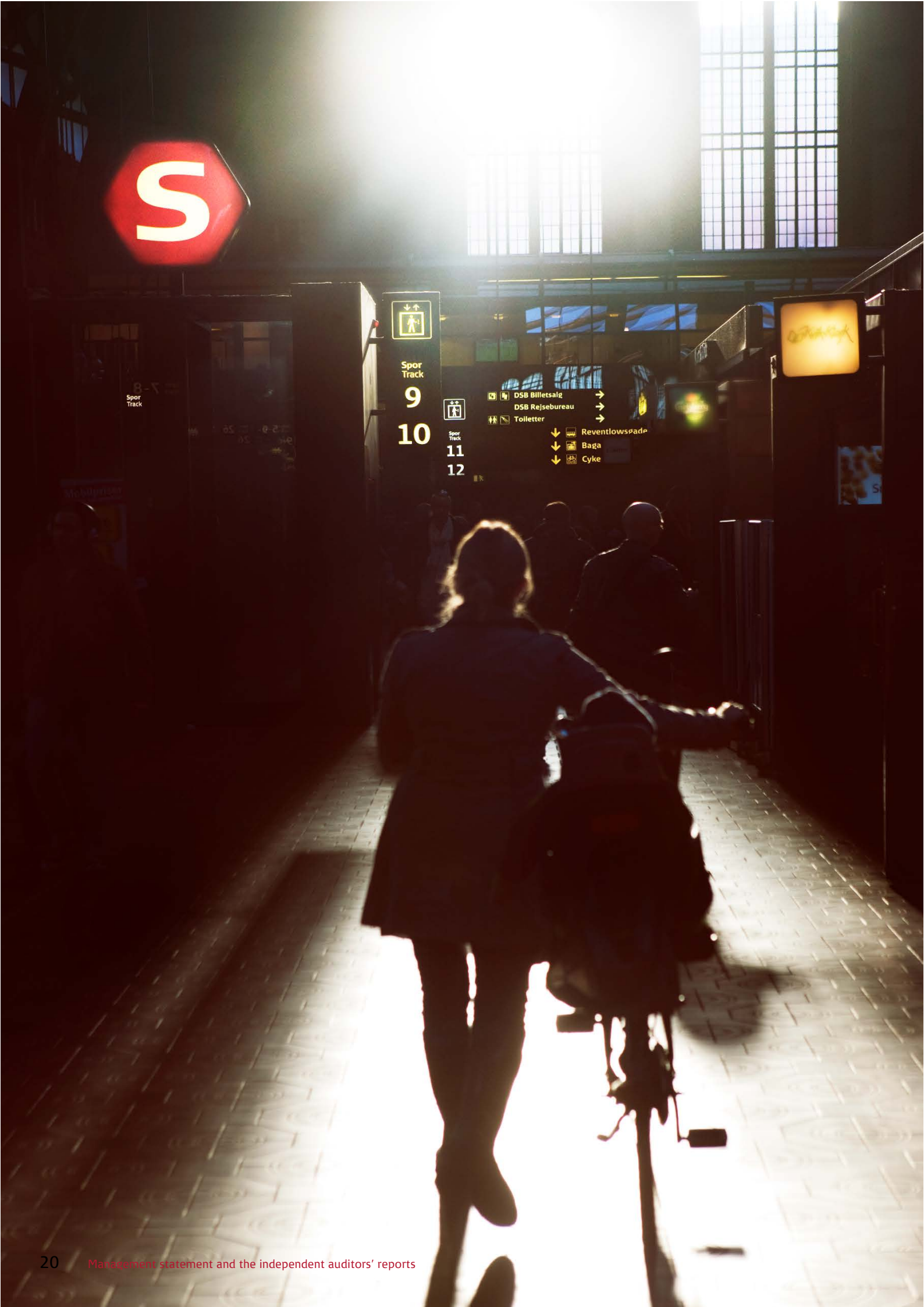
CVR No. 77806113

Jesper Koefoed
State-authorized
public accountant
MNE-number:
mne11689

Peter Gath
State-authorized
public accountant
MNE-number:
mne19718

Lone Lærke Strøm
Auditor General

Malene Sau Lan Leung
Head of Office



Consolidated annual accounts and annual accounts

Income statement					
Parent corporation				Group	
2017	2018	Note	Amounts in DKK million	2018	2017
			Income		
10,238	9,397	2.1	Net revenue	9,779	10,087
83	62	2.2	Work performed by the enterprise and capitalised	578	609
579	948	2.3	Other operating income	1,498	1,396
10,900	10,407		Total revenue	11,855	12,092
			Expenses		
1,179	467	2.4	Expenses for raw materials and consumables	1,866	1,755
4,742	5,141	2.5,2.6, 2.7	Other external expenses	3,883	3,842
3,115	2,550	2.8,2.9	Staff costs	3,604	4,234
9,036	8,158		Total expenses	9,353	9,831
1,864	2,249		Earnings before amortisation, depreciation and write-down	2,502	2,261
1,848	1,749	3.1,3.2, 3.3	Amortisation, depreciation and write-downs of intangible and tangible assets	1,829	1,854
16	500		Operating profit/loss	673	407
			Financials		
303	119	4.3	Profit/loss after tax in group enterprises and associated undertakings	0	0
25	48	4.1	Financial income	34	30
150	128	4.1	Financial expenses	139	163
178	39		Net financials	-105	-133
194	539		Profit/loss before tax	568	274
17	-89	5.1	Tax on earnings for the year	-118	-63
211	450		Earnings for the year	450	211
		4.2	The earnings for the year are distributed as follows:		
			Company participant in DSB	450	211
		4.7	Minority interests	-	0
			Total	450	211
			The parent corporation's result is proposed to be allocated as follows:		
106	120		Dividend for the Ministry of Transport, Building and Housing		
17	46		Reserve for development costs		
88	284		Retained earnings		
211	450		Total		

Balance sheet – assets					
Parent corporation				Group	
2017	2018	Note	Amounts in DKK million	2018	2017
		3.1	Intangible assets		
112	132		Development projects	132	114
93	82		Intangible assets in progress and prepayments	82	93
205	214		Total intangible assets	214	207
		3.2	Tangible assets		
4,078	3,883		Land and buildings	4,233	4,446
7,498	6,762		Rolling stock	7,565	8,408
612	600		Operating equipment, fixtures and fittings and other equipment	759	767
211	247		Tangible assets in progress and advance payments	397	290
12,399	11,492		Total tangible assets	12,954	13,911
		4.3	Investments		
1,710	1,455		Equity investments in group and associated undertakings	0	0
707	645		Debt to group companies	-	-
207	199		Subordinated loan capital in associated companies	199	207
26	26		Other receivables	26	26
2,650	2,325		Total investments	225	233
15,254	14,031		Total non-current assets	13,393	14,351
13	12	6.1	Inventories	396	406
91	0	3.2	Properties held for sale	17	109
		6.2	Receivables		
565	350		Trade receivables	469	704
152	623		Receivables from group undertakings	-	-
55	30		Receivable joint taxation contribution	-	-
203	308		Other receivables	338	233
83	162	6.3	Prepayments	130	100
1,058	1,473		Total receivables	937	1,037
370	40		Cash in bank and in hand	89	402
1,532	1,525		Total current assets	1,439	1,954
16,786	15,556		Total assets	14,832	16,305

Balance sheet – liabilities and equity

Parent corporation				Group	
2017	2018	Note	Amounts in DKK million	2018	2017
			Equity		
4,760	4,760		Contributed capital	4,760	4,760
92	138	2.2	Reserve for development costs	-	-
539	804		Retained earnings	942	631
106	120		Proposed dividends	120	106
5,497	5,822		Company participant in DSB's share of equity	5,822	5,497
-	-	4.7	Minority interests	-	0
5,497	5,822		Total equity	5,822	5,497
			Provisions		
193	117	8.1	Other provisions	149	241
917	819	5.2	Deferred tax liabilities	755	851
1,110	936		Total provisions	904	1,092
			Non-current liabilities		
3,030	2,162	4.4	Long-term loans	2,162	3,030
-	-		Subordinated loan capital	0	0
558	377		Other non-current liabilities	377	558
265	259		Other liabilities	259	265
3,853	2,798		Total non-current liabilities	2,798	3,853
			Current liabilities		
2,071	961	4.4	Current portion of non-current liabilities	961	2,071
0	200		Short-term loans	200	0
0	640		Credit institutions	640	0
1,131	1,021		Trade accounts payables	1,379	1,452
1,054	1,288		Debt to group companies	-	-
169	212		Corporation tax	211	173
990	727		Other liabilities	914	1,206
911	951	6.4	Prepayments	1,003	961
6,326	6,000		Total current liabilities	5,308	5,863
10,179	8,798		Total liabilities	8,106	9,716
16,786	15,556		Total equity and liabilities	14,832	16,305
		1.1	Accounting policies applied		
		1.2	Significant accounting estimates		
		1.3	Materiality in financial reporting		
		8.2	Contingent assets and liabilities, as well as other economic obligations		
		8.3	Related parties		

Statement of changes in equity

Amounts in DKK million

	Contributed capital	Reserve for development costs	Retained earnings	Proposed dividends	Total equity
Parent corporation					
Equity at 1 January 2017	4,760	75	503	0	5,338
Earnings for the year	-	17	88	106	211
Foreign currency exchange rate adjustments concerning group companies	-	-	-1	-	-1
Value adjustment of hedging instruments, 1 January	-	-	107	-	107
Value adjustment of hedging instruments, at end of period (note 7.6)	-	-	-171	-	-171
Equity movements in group companies	-	-	11	-	11
Other changes in equity, tax	-	-	2	-	2
Equity at 31 December 2017	4,760	92	539	106	5,497
Paid dividends	-	-	-	-106	-106
Fonden Danmarks Jernbanemuseum.	-	-	-43	-	-43
Earnings for the year	-	46	284	120	450
Foreign currency exchange rate adjustments concerning group companies	-	-	-3	-	-3
Value adjustment of hedging instruments, 1 January (note 7.6)	-	-	171	-	171
Value adjustment of hedging instruments, at end of period (note 7.6)	-	-	-142	-	-142
Equity movements in group companies	-	-	-2	-	-2
Equity at 31 December 2018	4,760	138	804	120	5,822

Equity statement (continued)

Amounts in DKK million

Group	Contributed capital	Retained earnings	Proposed dividends	Company participant in DSB's share of equity	Minority interests	Total equity
Equity at 1 January 2017	4,760	578	0	5,338	0	5,338
Earnings for the year	-	105	106	211	0	211
Foreign currency translation adjustments	-	-1	-	-1	-	-1
Value adjustment of hedging instruments, 1 January	-	108	-	108	-	108
Value adjustment of hedging instruments, at end of period (note 7.6)	-	-161	-	-161	-	-161
Other changes in equity, tax	-	2	-	2	-	2
Equity at 31 December 2017	4,760	631	106	5,497	0	5,497
Paid dividends	-	-	-106	-106	-	-106
Fonden Danmarks Jernbanemuseum.	-	-43	-	-43	-	-43
Earnings for the year	-	330	120	450	-	450
Foreign currency translation adjustments	-	-3	-	-3	-	-3
Value adjustment of hedging instruments, 1 January (note 7.6)	-	161	-	161	-	161
Value adjustment of hedging instruments, at end of period (note 7.6)	-	-133	-	-133	-	-133
Other changes in equity, tax	-	-1	-	-1	-	-1
Equity at 31 December 2018	4,760	942	120	5,822	-	5,822

Cash flow statement			
		Group	
Amounts in DKK million	Note	2018	2017
Operating profit/loss		673	407
Adjustment for non-cash operating items			
Amortisation, depreciation and write-downs of intangible and tangible assets	3.1, 3.2, 3.3	1,829	1,854
Change in other provisions, net	8.1	-92	177
Other adjustments			
Gain and loss on sale and scrapping of intangible and tangible assets	8.4	-340	-266
Net financial items, paid	4.6	-116	-144
Corporation tax, paid	5.1	-190	-6
Change in working capital		-269	351
Total cash flow from operating activities		1,495	2,373
Cash flows from investment activities			
Acquisition of intangible and tangible assets - excluding capitalised interest	3.1, 3.2	-910	-1,482
Sales of intangible and tangible assets	3.1, 3.2	457	413
Subordinated debt repayments	4.3	11	46
Total cash flows from investment activities		-442	-1,023
Cash flows from financing activities			
Proceeds from raising of long-term loans		0	409
Proceeds from raising of short-term loans		200	640
Repayment and payment of instalments on long-term loans		-2,091	-229
Repayment of, and payment of instalments on short-term loans		0	-1,640
Change in credit institutions		640	-199
Paid dividends		-115	0
Total cash flow from financing activities		-1,366	-1,019
Changes to Cash in bank and in hand, total		-313	331
Cash in bank and in hand, 1 January		402	71
Cash in bank and in hand, 31 December		89	402

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

Notes and accounting policies applied

Section 1 Interpretation

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

The notes are divided into eight groups according to theme:

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

This section contains the following notes:

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

1.1 Accounting policies applied

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

The annual report has been prepared according to the same accounting policies as the annual report for 2017.

Presentation

Capitalised costs for the repair of rotatable parts that are not yet in service have in 2018 been reclassified from Inventories to Tangible assets in progress and advance payments. Comparative figures have been adjusted.

Changes in accounting estimates

There have been no significant changes to accounting estimates in 2018.

Consolidated annual accounts

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

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

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

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

Business combinations

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

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

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

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

Intragroup business combinations

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

Foreign currency translation

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

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

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

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

Non-deductible VAT

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

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

Equity

Reserve for development costs

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

Dividends

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

Cash flow statement

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

changes in the cash in bank and in hand and the cash in bank and in hand at the beginning and end of the year.

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

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

Total cash flow from operating activities

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

Cash flows from investment activities

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

Cash flows from financing activities

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

Cash in bank and in hand

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

Other accounting policies applied

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

Section 2 - Operation

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

Section 3 - Operating equipment

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

Section 4 - Financing and capital structure

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

Section 5 - Taxation

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

Section 6 - Working capital

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

Section 7 - Financial conditions

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

Section 8 - Other notes

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

1.2 Significant accounting estimates

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

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

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

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

Valuation of rolling stock

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

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

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

1.3 Materiality in financial reporting

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

Section 2 Operation

This section concerns items that are included in Operating profit.

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

The main events in 2018 are further detailed in Managements statement, financial - Financial activities.

This section contains the following notes:

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

Note 2.1: Net revenue

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
		Passenger revenues distributed on business areas:		
3,977	3,918	Long-distance & Regional Trains	3,897	3,955
1,518	1,483	S-trains	1,483	1,518
5,495	5,401	Total passenger revenue	5,380	5,473
4,109	3,941	Revenue from traffic contracts	4,051	4,286
8	10	Repair and maintenance of rolling stock etc.	303	288
626	45	Sale and leasing of rolling stock	45	40
10,238	9,397	Total	9,779	10,087

Total passenger revenue in parent corporation and the Group include penalty fares of DKK 53 million (2017: DKK 30 million)

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

Accounting practices

Passenger revenues are recognised at the time of transport. Provision is made in respect of the value of tickets sold that have not been used at the balance sheet date. Discounts in connection with sales and payments relating to the travel time guarantee schemes are deducted from the net revenue. Revenues from control fees are measured after the deduction of expected losses.

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

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

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

Note 2.2: Work performed by the enterprise and capitalised

In the parent company, the value of capitalised development projects that are covered by the rules of the Danish Financial Statements Act for binding of separate equity reserve amounts to DKK 82 million in 2018 (2017: DKK 79 million). The reserve as of 31 December 2018 amounts to DKK 138 million. (2017: DKK 92 million), and has been reduced with depreciation and deferred taxes.

Accounting practices

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

Note 2.3: Other operating income

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
2	3	Sales from shops, etc.	813	821
153	156	Renting and leasing	199	193
18	311	Gain on sales of intangible and tangible assets	347	276
356	369	Intragroup revenues	-	-
50	109	Others	139	106
579	948	Total	1,498	1,396

In 2018, Other operating income in the group was impacted by non-recurring items in the shape of property advances from selling properties, etc. with net DKK 340 million. (2017: DKK 254 million)

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

Accounting practices

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

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

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

Note 2.4: Expenses for raw materials and consumables

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
453	433	Energy for train operation	434	458
22	21	Sales from shops, etc.	563	574
704	13	Spare parts and rolling stock, etc.	869	723
1,179	467	Total	1,866	1,755

Spare parts in rolling stock, etc. in the parent company was in 2017 impacted by the acquisition of 67 double-decker coaches intended for selling on to a group company.

The development in Spare parts and rolling stock, etc. in the group can also be attributed to a tight European market for spare parts and increased costs for repairs of an aging fleet, which is also reflected in the number of kilometres travelled between incidents.

Accounting practices

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

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

Note 2.5: Other external expenses

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
672	632	Infrastructure charges	685	715
1,629	1,993	Repair, maintenance and cleaning, etc.	848	780
391	446	Administrative expenses	497	438
136	130	Leasing of buildings and premises, etc.	212	214
405	384	Consultancy fees etc., including audit fee	377	393
193	221	Leasing of rolling stock	92	156
134	283	Replacement transport, etc.	284	147
-2	-	Provision for onerous contracts etc., net	-11	33
297	299	Commissions, etc.	224	210
136	137	Sale and marketing	136	136
100	84	Staff-related costs	105	123
141	144	Payroll tax	153	131
8	4	Gain and loss on sale and scrapping of intangible and tangible assets	7	10
502	384	Other external expenses	274	356
4,742	5,141	Total	3,883	3,842

Accounting practices

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

Note 2.6: Consultancy fees excluding audit fees

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
29	25	Lawyers	25	30
228	252	IT consultants	252	228
16	13	Management consultants	13	19
1	3	Tax, VAT and accounting assistance	4	3
40	51	Technical consultancy	43	21
83	34	Programme management	34	83
397	378	Total	371	384

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

Note 2.7: Audit fee

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
		Statutory audit:		
4.0	3.9	Ernst & Young Godkendt Revisionspartnerselskab	4.6	4.7
1.8	0.6	The National Audit Office of Denmark	0.6	1.8
		Other assurance statements:		
1.1	0.8	Ernst & Young Godkendt Revisionspartnerselskab	0.8	1.1
		Tax and VAT consultancy:		
0.3	0.2	Ernst & Young Godkendt Revisionspartnerselskab	0.2	0.3
		Other services:		
1.3	0.2	Ernst & Young Godkendt Revisionspartnerselskab	0.2	1.3
8.5	5.7	Total	6.4	9.2

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

Note 2.8: Remuneration for Board of Directors and Executive Board

Amounts in DKK 1,000	2018	2017
Remuneration for Board of Directors	2,284	2,152
Remuneration for committees	732	673
Remuneration for board of directors, total	3,016	2,825
Fixed remuneration	13,275	13,714
Pension	1,285	1,278
Value of personnel benefits	494	505
Performance-based salary	2,065	2,538
Remuneration for Executive Board, total	17,119	18,035
Remuneration for Board of Directors and Executive Board, total	20,135	20,860

Remuneration for Board of Directors and Executive board is elaborated upon in the section Remuneration report.

Note 2.9: Staff costs

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
2,303	2,305	Wages and salaries	3,246	3,285
786	216	Pensions	323	908
26	29	Other social security costs	35	41
3,115	2,550	Total	3,604	4,234
4,736	4,667	Average number of full-time employees	7,092	7,292

The Average number of employees in 2018 includes employees in pro rata consolidated companies, of which there are 89 (2017: 88).

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

In 2017, DSB decided to streamline the administration by eliminating approximately 100 positions in 2018. This has impacted Wages and salaries and Pensions in 2017 by DKK 77 million.

Pension contributions paid to the state are recognised as an expense for civil servants. The pension contribution in 2018 amounted to 15 percent (2017: 26 percent) of the pensionable salary. In 2017, DSB signed an agreement to purchase the risk of pension contributions for civil servants, which impacted Pensions in 2017 with a total of DKK 388 million. The future pension contribution thus amounts to a fixed 15 percent of the pensionable salary. The general provisions of the Danish Civil Servants Act apply to civil servants, and the agreement signed with the state does not alter this.

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

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

The company has concluded agreements regarding performance-related salary with a number of executive employees (primarily managers). As a starting point, agreements regarding performance-related salary accounts for 10-20 percent for managers who are not part of the Corporate Management and for 20-25 percent for members of the Corporate Management. At year-end 2018 the number of agreements regarding performance-related salary was 292, compared to 312 at year-end 2017.

Accounting practices

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

Section 3 Operating equipment

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

The main events in 2018 are further detailed in Managements statement, financial – Financial Activities.

This section contains the following notes:

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

Note 3.1: Intangible assets

Amounts in DKK million

	Development projects	Intangible assets in progress and prepayments	Intangible assets total
Parent corporation			
Cost price at 1 January 2018	1,389	93	1,482
Additions	-	82	82
Retained	93	-93	0
Disposals	-21	-	-21
Cost price at 31 December 2018	1,461	82	1,543
Amortisation and write-downs at 1 January 2018	-1,277	0	-1,277
Amortisation for the year	-68	-	-68
Write-downs for the year	-5	-	-5
Disposals	21	-	21
Amortisation and write-downs at 31 December 2018	-1,329	0	-1,329
Carrying amount at 31 December 2018	132	82	214
Carrying amount at 31 December 2017	112	93	205

Note 3.1: Total intangible assets (continued)

Amounts in DKK million

Group	Development pro- jects	Intangible assets in progress and prepayments	Intangible assets total
Cost price at 1 January 2018	1,461	93	1,554
Additions	-	82	82
Retained	93	-93	0
Disposals	-21	-	-21
Cost price at 31 December 2018	1,533	82	1,615
Amortisation and write-downs at 1 January 2018	-1,347	0	-1,347
Amortisation for the year	-70	-	-70
Write-downs for the year	-5	-	-5
Disposals	21	-	21
Amortisation and write-downs at 31 December 2018	-1,401	0	-1,401
Carrying amount at 31 December 2018	132	82	214
Carrying amount at 31 December 2017	114	93	207

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

Accounting practices

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

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

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

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

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

Note 3.2: Tangible assets

Amounts in DKK million

Parent corporation	Land and buildings	Rolling stock	Operating equipment, fixtures and fittings and other equipment	Tangible assets in progress and advance payments	Total tangible assets
Cost price at 1 January 2018	7,417	24,783	2,271	211	34,682
Additions	-	592	-	194	786
Retained	38	42	78	-158	0
Disposals	-30	-244	-3	-	-277
Cost price at 31 December 2018	7,425	25,173	2,346	247	35,191
Depreciation and write-downs at 1 January 2018	-3,339	-17,285	-1,659	0	-22,283
Depreciation for the year	-186	-1,339	-90	-	-1,615
Write-downs for the year	-36	-31	-	-	-67
Disposals	19	244	3	-	266
Depreciation and write-downs at 31 December 2018	-3,542	-18,411	-1,746	0	-23,699
Carrying amount at 31 December 2018	3,883	6,762	600	247	11,492
Carrying amount at 31 December 2017	4,078	7,498	612	211	12,399
Capitalised interest is included in cost	4	291	11	0	306

Note 3.2: Tangible assets (continued)

Amounts in DKK million

Group	Land and buildings	Rolling stock	Operating equipment, fixtures and fittings and other equipment	Tangible assets in progress and advance payments	Total tangible assets
Cost price at 1 January 2018	8,163	25,633	2,873	290	36,959
Additions	-	519	2	307	828
Retained	38	41	121	-200	0
Disposals	-46	-244	-4	-	-294
Cost price at 31 December 2018	8,155	25,949	2,992	397	37,493
Depreciation and write-downs at 1 January 2018	-3,717	-17,225	-2,106	0	-23,048
Depreciation for the year	-189	-1,372	-130	-	-1,691
Write-downs for the year	-37	-31	-1	-	-69
Disposals	21	244	4	-	269
Depreciation and write-downs at 31 December 2018	-3,922	-18,384	-2,233	0	-24,539
Carrying amount at 31 December 2018	4,233	7,565	759	397	12,954
Carrying amount at 31 December 2017	4,446	8,408	767	290	13,911
Capitalised interest is included in cost	4	291	11	0	306

In pursuance of the agreement concluded between the Ministry of Transport, Building and Housing and the Danish Transport, Construction and Housing Authority, DSB has, upon request from the Danish Ministry of Transport, acquired 10 train sets for leasing to the Danish Transport and Building Agency for the operation of the Coastal Line/the Øresund traffic. In connection with the financing of the train sets of EUR 43.6 million, DSB has provided the 10 train sets with a carrying amount of DKK 329 million as security.

In 2017, in connection with the creation of the City Ring, DSB received a grant in the form of six elevators at Copenhagen Central Station from Metroselskabet I/S. The value of the grant will be recognised over the life of the assets through a reduction of the monthly depreciation of the assets.

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

The carrying amount for Land and buildings is impacted by a reclassification to Properties held for sale.

Note 3.2: Tangible assets (continued)

Specification of rolling stock				
Amounts in DKK million				
Group	Cost price at 31 December 2018	Depreciation and write-downs at 31 December 2018	Carrying amount at 31 December 2018	Carrying amount at 31 December 2017
IC2 train sets	0	0	0	0
IC3 train sets	3,338	-2,619	719	744
IC4 train sets	5,172	-3,916	1,256	1,422
IR4 train sets	2,445	-2,207	238	329
Øresund train sets	2,147	-1,594	553	649
Double-decker coaches	1,264	-268	996	1,087
Desiro train sets	189	-81	108	103
MR train sets	111	-111	0	1
ME diesel locomotives	582	-476	106	120
EA electric locomotives	100	-82	18	27
S-train sets	10,575	-7,002	3,573	3,933
Other trains	35	-28	7	6
Guarantees etc. set off	-9	0	-9	-13
Carrying amount	25,949	-18,384	7,565	8,408

Note 3.3: Amortisation, depreciation and write-downs of intangible and tangible assets

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
117	73	Development projects	75	118
270	222	Land and buildings	226	274
1,348	1,369	Rolling stock	1,403	1,315
113	91	Operating equipment, fixtures and fittings and other equipment	131	147
-	-6	Set-off for received grants	-6	-
1,848	1,749	Total	1,829	1,854

Accounting practices

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

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

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

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

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

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

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

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

Properties held for sale

Properties held for sale include Land and buildings that were not originally acquired with the intent to sell that have been sold or are expected to be sold - but where the transfer of risk is only expected to take place within 12 months.

Properties held for sale are valued at cost price minus accumulated amortisations made before the reclassification from tangible assets to Properties held for sale.

Leasing

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

Impairment of non-current assets

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

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

Section 4 Financing and capital structure

This section describes the financing of DSB's activities.

The positive liquidity generation has resulted in Interest bearing debt, net being reduced by DKK 942 million in 2018.

This section contains the following notes:

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

Note 4.1 Financial income and expenses

Parent corporation		Financial income	Group	
2017	2018	Amounts in DKK million	2018	2017
3	15	Interest on balances with group companies	-	-
3	2	Interest on balances with associated companies	2	3
10	0	Foreign currency exchange gains, etc.	0	11
9	31	Others	32	16
25	48	Total	34	30

Parent corporation		Financial expenses	Group	
2017	2018	Amounts in DKK million	2018	2017
150	127	Interest on loans, debt to credit institutions etc.	135	163
-	1	Foreign currency exchange losses, etc.	4	-
150	128	Total	139	163

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

Accounting practices

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

Note 4.2 Allocation of the results

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
		The earnings for the period are distributed as follows:		
		Company participant in DSB	450	211
		Minority interests	-	0
		Total	450	211
		The parent corporation's result is proposed to be allocated as follows:		
106	120	Dividend for the Ministry of Transport, Building and Housing		
17	46	Reserve for development costs		
88	284	Retained earnings		
211	450	Total		

Note 4.3: Investments

Amounts in DKK million

Parent corporation	Equity invest- ments in group compa- nies	Equity invest- ments in as- sociated com- panies	Debt to group companies	Subordinated loan capital in associated companies	Other receiv- ables	Total invest- ments
Cost price at 1 January 2018	1,937	413	707	207	26	3,290
Foreign currency translation adjust- ments	-6	-	-	-	-	-6
Additions	-	-	0	3	6	9
Disposals	-	-	-62	-11	-6	-79
Cost price at 31 December 2018	1,931	413	645	199	26	3,214
Value adjustments at 1 January 2018	-227	-413	0	0	-	-640
Foreign currency translation adjust- ments	3	-	0	-	-	3
Earnings for the year	119	0	-	-	-	119
Approved dividend	-369	-	-	-	-	-369
Other adjustments	-2	-	-	-	-	-2
Value adjustments at 31 December 2018	-476	-413	0	0	-	-889
Carrying amount at 31 December 2018	1,455	0	645	199	26	2,325
Carrying amount at 31 December 2017	1,710	0	707	207	26	2,650

Note 4.3: Investments (continued)

Equity investments in group companies:

Amounts in DKK million

Name	Registered office	Equity interest	Share capital	Share of book value in parent company, 2018
DSB Ejendomsudvikling A/S	Denmark	100%	100 million DKK	365
Kort & Godt A/S	Denmark	100%	5.5 million DKK	57
DSB Vedligehold A/S	Denmark	100%	28.5 million DKK	615
DSB Sverige AB under liquidation ¹⁾	Sweden	100%	SEK 5.1 million	62
- DSB Småland AB under liquidation ¹⁾²⁾	Sweden	100%	SEK 1.1 million	-
DSB Deutschland GmbH	Germany	100%	EUR 25,000	4
- VIAS GmbH ³⁾	Germany	50%	EUR 25,000	-
- VIAS Logistik GmbH ³⁾	Germany	50%	EUR 25,000	-
Selskabet af 23.12.2014 A/S	Denmark	100%	DKK 0.5 million	1
Selskabet af 23.05.2017 46DD A/S	Denmark	100%	DKK 1.5 million	168
Selskabet af 28.08.2017 67DD A/S	Denmark	100%	DKK 1.5 million	183
DOT - Din Offentlige Transport I/S ³⁾	Denmark	33%	DKK 0.3 million	0
BSD ApS	Denmark	100%	DKK 125,000	0
Total				1,455

¹⁾ The companies are under liquidation.

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

³⁾ Associated companies are recognised based on the principles of proportional consolidation.

Accounting practices

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

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

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

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

Note 4.3: Investments (continued)

Amounts in DKK million

Group	Equity invest- ments in as- sociated com- panies	Subordinated loan capital in associated companies	Other receiv- ables	Total invest- ments
Cost price at 1 January 2018	413	207	26	646
Additions	0	3	6	9
Disposals	0	-11	-6	-17
Cost price at 31 December 2018	413	199	26	638
Value adjustments at 1 January 2018	-413	0	-	-413
Earnings for the year	0	-	-	0
Value adjustments at 31 December 2018	-413	0	-	-413
Carrying amount at 31 December 2018	0	199	26	225
Carrying amount at 31 December 2017	0	207	26	233

Equity investments in associated compa- nies

Amounts in DKK million

Name	Registered of- fice	Equity interest	Share capital	Share of book value in parent company, 2018	Group 2018
Rejsekort A/S	Denmark	45.0%	114	0	0
Rejseplanen A/S	Denmark	48.4%	1	0	0
Total				0	0

Accounting practices

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

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

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

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

Note 4.4: Borrowing and liquidity

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
5,063	3,000	Bonds issued	3,000	5,063
0	640	Credit institutions	640	0
0	200	Short-term loans	200	0
360	335	Others	335	360
5,423	4,175	Total	4,175	5,423

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

In the parent corporation and the group, DKK 1,844 million of the debt portfolio was raised without state guarantee (2017: DKK 1,897 million). The remaining loans are all guaranteed by the Danish state, to which a guarantee commission is payable.

The fair value of derivative financial instruments used for hedging of foreign exchange and interest rate risks associated with the above Borrowing and liquidity is DKK -467 million at 31 December 2018 (2017: DKK -827 million), of which DKK -164 million is recognised in equity (2017: DKK -240 million).

At 31 December 2018, derivative financial instruments with a positive and a negative fair value were DKK 28million (2017: DKK 51 million) and DKK 523 million. (2017: DKK 845 million).

Accounting practices

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

Other financial liabilities are measured at amortised cost price.

Note 4.5: Interest-bearing liabilities, net

	Group	
Amounts in DKK million	2018	2017
Long-term loans	2,162	3,030
Current portion of non-current liabilities	961	2,071
Short-term loans	200	0
Credit institutions	640	0
Others	212	322
Interest-bearing liabilities	4,175	5,423
Cash in bank and in hand	-89	-402
Deposits	-27	-12
Subordinated loan capital, receivable	-199	-207
Interest-bearing assets	-315	-621
Total	3,860	4,802

Note 4.6: Net financial items, paid

	Group	
Amounts in DKK million	2018	2017
Financial income	34	30
Financial expenses	-139	-163
Other - including financial instruments	-11	-11
Total	-116	-144

Note 4.7: Minority interests

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

Accounting practices

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

Section 5 Taxation

In 2018, Tax on earnings for the year amounted to an expense of DKK 89 million in the parent company and DKK 118 in the group.

This section contains the following notes:

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

Note 5.1: Tax on earnings for the year

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
-137	-182	Tax on profit/loss for the year	-212	-192
154	91	Change in deferred tax regarding the profit/loss for the year	86	128
-	-	Tax regarding internal profit	5	1
17	-91	Tax on earnings for the year	-121	-63
0	2	Adjustment of tax relating to previous years	3	0
17	-89	Total	-118	-63
Reconciliation of tax rate:				
22.0%	22.0%	Tax on earnings for the year	22.0%	22.0%
3.6%	0.2 %	Tax effect of non-taxable income and non-deductible expenses	-0.6%	0.9%
-34.4%	-4.9%	Tax effect concerning group companies	-	-
0.0%	-0.4%	Adjustment of tax relating to previous years	-0.6%	0.0%
-8.8%	16.9%	Effective tax rate for the year	20.8%	22.9%
6	190	Tax paid for the year	190	6

Accounting practices

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

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

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

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

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

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

Note 5.2: Deferred tax liabilities

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
1,010	917	Deferred tax liabilities at 1 January	851	918
61	-5	Adjustment at 1 January	-2	62
0	-2	Adjustment regarding previous years	-3	0
-	-	Change in deferred tax regarding group profit	-5	-1
-154	-91	Change in deferred tax regarding the profit/loss for the year	-86	-128
917	819	Deferred tax liabilities at 31 December	755	851
Deferred tax concerns:				
1	13	Intangible assets	8	-5
1,043	915	Tangible assets	912	1,034
4	2	Current assets	-31	-26
-131	-111	Other provisions	-129	-151
-	-	Intragroup profits	-5	-1
917	819	Deferred tax liabilities at 31 December	755	851

The group's Danish companies are jointly and severally liable for tax on the consolidated taxable income etc. The total corporation tax liability is DKK 211 million at 31 December 2018 (2017: DKK 173 million). The group's Danish companies are jointly and severally liable for Danish withholding tax in the form of tax on dividend, royalty and interest. Any subsequent corrections of corporation and withholding taxes may increase the corporation's liability.

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

Accounting practices

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

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

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

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

Section 6 Working capital

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

This section contains the following notes:

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

Note 6.1: Inventories

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
12	11	Fuel for train operation	11	12
0	0	Spare parts etc.	349	357
1	1	Sales from shops, etc.	36	37
13	12	Total	396	406

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

At 31 December 2018, the inventory has been written down due to inventory obsolescence with a total of DKK 282 million. (2017: DKK 230 million), almost entirely related to Spare parts, etc.

Accounting practices

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

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

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

Note 6.2: Receivables

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
		Trade receivables from sales and services have the following composition:		
76	17	Receivables from issued control fees	17	76
265	115	Receivables, passenger revenue	115	265
102	88	Reimbursements from agencies	88	102
122	130	Others	249	261
565	350	Total	469	704

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

All Trade receivables are due for payment within 1 year.

Receivables from issued control fees has in 2018 decreased as a result of DSB receiving payment for control fees that have been sent to SKAT for collection.

Provision for losses on receivables

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

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

At 31 December 2018, provisions for losses have not been made concerning Receivables from group undertakings, Receivable joint taxation contribution, Other receivables, Prepayment, Debt to group companies, or Subordinated loan capital in associated companies.

Accounting practices

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

Note 6.3: Prepayments (assets)

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
28	116	Prepaid costs etc.	75	35
8	7	Financial instruments	7	8
47	39	Prepaid wages and salaries and pension contributions (civil servants)	48	57
83	162	Total	130	100

Accounting practices

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

Note 6.4: Prepayments (liabilities)

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
320	329	Tickets sold but not used	329	320
393	347	Pre-paid contract payment	347	393
90	84	Subsidies for facilities	84	90
16	6	Financial instruments	6	16
92	185	Others	237	142
911	951	Total	1,003	961
Prepayments (liabilities) fall due in the following periods:				
505	575	Within 1 year	627	555
406	376	After 1 year	376	406
911	951	Total	1,003	961

Accounting practices

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

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

Section 7 Financial conditions

DSB defines risk as an uncertainty associated with future targets that can have wide ranging impacts on security, punctuality, reputation and finances. Financial risks include interest rates, foreign exchange rates, raw material prices, liquidity and counterparties.

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

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

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

Liquidity risks are related to the opportunities for ensuring liquidity - not least in a situation where the financial markets are in a state of crisis.

Counterparty risk arises when counterparties fail to fulfil their obligations.

This section contains the following notes:

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

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

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

The purpose of the financial hedging is to limit and control the impact on profit caused by fluctuations in the financial markets. There are no significant changes in risk exposure or risk management compared with 2017.

Accounting practices

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

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

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

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

Note 7.1: Interest risk

	Remaining debt, local currency (million)	Remaining debt, DKK (million)	At variable interest rates	At fixed in- terest rates	Maturity term	Average ef- fective in- terest rate	Duration (years)	Market value of currency and inter- est swaps
At 31 December 2018								
DKK	200	200	-	100%	0.5	0.2 %	0.5	-
SEK	2,077	1,686	-	100%	1.9	0.4%	1.9	-156
JPY	20,000	1,314	-	100%	21.6	3.3%	14.9	-260
EUR	45	331	-	100%	5.7	3.3%	5.2	-51
Total		3,531	-	100%	9.5	1.8%	8.3	-467
At 31 December 2017								
NOK	800	781	-	100%	0.5	1.1%	0.5	-182
SEK	3,330	2,745	-	100%	2.1	0.4%	2.1	-173
JPY	20,000	1,314	-	100%	22.5	3.3%	15.3	-406
EUR	78	583	-	100%	4.0	2.6%	3.8	-66
Total		5,423	-	100%	7.0	1.4%	6.4	-827

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

Within a 12-month period, interest rate sensitivity must not exceed DKK 50 million (with a percentage point change in interest rates), the debt portfolio must have a duration of at least 10 years, and at least 50 percent of the liability portfolio must be at a fixed rate. Accordingly, the weighted average duration of gross debt is 8.3 years (2017: 6.4 years). Of the financial liabilities, 100 percent were converted to fixed rate with maturity of longer than one year (2017: 100 percent). Variable rate debt is adjusted regularly during the year.

Note 7.2: Currency exchange rate risk

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

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

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

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

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

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

DSB has no other significant currency risks.

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

	Nominal position in local currency (million)				Sensitivity in DKK million		
	Cash and cash equivalents, and receivables, total	Financial liabilities (non-derivative)	Derivative financial instruments for securing future cash flows	Total	Change in exchange rate	Hypothetical impact on Profit before tax	Hypothetical impact on equity before tax
At 31 December 2018							
USD ¹⁾	-2	-31	33	0	10.0%	0	117
SEK	35	-2,087	1,995	-57	10.0%	-4	-6
JPY	0	-20,000	20,000	0	10.0%	0	0
EUR	1	-53	45	-7	0.5%	0	0
At 31 December 2017							
NOK	0	-800	800	0	10.0%	0	0
USD ¹⁾	0	-28	27	-1	10.0%	-1	116
SEK	97	-3,349	3,021	-231	10.0%	-17	-17
JPY	0	-20,000	20,000	0	10.0%	0	0
EUR	4	-83	78	-1	0.5%	0	0

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

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

Conditions for sensitivity analysis:

- Unchanged price and interest rate level.
- Financial instruments which are recognised in the balance sheet at 31 December 2018 (2017).

Note 7.3: Raw materials price risk

Amounts in DKK million	Nominal			Sensitivity		
	Market value of raw material swaps	Next year's expected raw materials consumption	Raw material price agreements	Changes to raw material price	Hypothetical impact on Profit before tax	Hypothetical impact on equity before tax
At 31 December 2018						
Raw materials – oil	-46	52,186 tons	46,800 tons	10.0%	0	15
Raw material – electricity	22	328,655 mWh	287,934 mWh	10.0%	0	9
At 31 December 2017						
Raw materials – oil	27	55,670 tons	49,200 tons	10.0%	0	18
Raw material – electricity	2	323,677 mWh	276,779 mWh	10.0%	0	7

Conditions for sensitivity analysis:

· Financial instruments which are recognised in the balance sheet at 31 December 2018 (2017).

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

90 percent of the expected oil consumption in 2019 is hedged as of 31 December 2018 (2017: 88 percent). Similarly, 88 percent of the expected electricity consumption in 2019 is hedged as of 31 December 2018 (2017: 86 percent).

Note 7.4: Liquidity risk

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

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

The positive liquidity has resulted in all due loans during 2018 were repaid.

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

At 31 December 2018, agreements were concluded on revocable bank facilities of DKK 2,500 million and irrevocable bank facilities of DKK 1,750 million, with expiry during the period 2019-2023 (2017: revocable of DKK 1,850 million and irrevocable of DKK 2,150 million, with expiry during the period 2018-2022). Of these cash resources, DKK 3,417 million is not utilised. (2017: DKK 4.346 million).

Note 7.5: Counterparty risk

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

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

Receivables from derivative financial instruments, Cash in bank and at hand and deposits amount to a total of DKK 164 million as of 31 December 2018. (2017: DKK 527 million). If the access to offsetting exposure in financial contracts with financial counterparties is recognised, the receivables from these items as of 31 December 2018 instead amounts to DKK 27 million. (2017: DKK 66 million.).

Note 7.6: Market values calculated in the equity

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
-157	-102	Currency swaps	-102	-157
-83	-62	Interest swaps	-62	-83
2	22	Electricity price swaps	22	2
27	-46	Oil price swaps	-46	27
-8	6	Foreign exchange contracts	17	5
48	40	Deferred tax	38	45
-171	-142	Total	-133	-161

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

Section 8 Other notes

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

In 2018, the group has sold a number of properties, where the profits are recognised under Other operating income and losses are recognised under Other external expenses.

This section contains the following notes:

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

Note 8.1: Other provisions

Amounts in DKK million

Parent corporation	Restructuring Staff	Other liabilities	Other provisions total
Other provisions at 1 January 2018	68	125	193
Provisions	-	10	10
Applied	-68	-	-68
Reversed	-	-18	-18
Other provisions at 31 December 2018	0	117	117

Amounts in DKK million

Group	Onerous contracts	Restructuring Staff	Other liabilities	Other provisions total
Other provisions at 1 January 2018	32	77	132	241
Provisions	-	-	14	14
Applied	-11	-77	-	-88
Reversed	-	-	-18	-18
Other provisions at 31 December 2018	21	0	128	149

In 2017, Restructuring - Staff covers the layoff costs in connection with the streamlining of the administration.

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

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

Accounting practices

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

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

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

Parent corporation			Group	
2017	2018	Amounts in DKK million	2018	2017
0	0	Contingent assets	0	0
202	174	Contingent liabilities	256	308
3,414	3,767	Other financial obligations	3,144	2,527

Contingent liabilities include guarantees of a total of DKK 147 million. (2017: DKK 146 million) for group companies. These consist of operating guarantees to the contracting authorities, as well as guarantees to the lessor in connection with the lease of trains.

In 2009, via a supplementary agreement with the Danish Ministry of Transport, DSB committed to invest up to DKK 1,000 million in parking facilities, etc. in order to ensure effective access to and from rail traffic to increase the number of passengers over the period of 2009 to 2020. Investments and the related operation are financed through the sale of vacant land and commercial properties and through any applicable public or private co-financing. DSB has pledged funding of DKK 720 million. As of 31 December 2018, DSB has sold vacant land, etc. at a total profit of DKK 1,072 million (2017: DKK 1.040 million) and has invested and incurred operating costs totalling DKK 364 million. (2017: DKK 325 million).

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

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

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

Other financial obligations includes the leasing of rolling stock at a total of DKK 60 million. (2017: DKK 112 million), of which DKK 30 million falls due for payment in 2019 (2017: DKK 41 million) and DKK 30 million on 2020 (2017: DKK 71 million in the period 2019-2020).

As part of DSB's agreement with Rejsekort A/S concerning the use of the Rejsekort system, DSB is obliged to pay an annual subscription fee up to the year 2028. The total liability amounts to DKK 1,427 million (2017: DKK 1,565 million), of which DKK 138 falls due for payment in 2019 (2017: DKK 138 million) and DKK 573 million falls due in the period 2020-2023 (2017: DKK 567 million in the period 2019-2022).

DSB has outsourced the majority of its IT operations covering IT services and operations of networks, telephony, data centres and systems. The total liability in this regard is DKK 130 million. (2017: DKK 108 million), of which DKK 70 million falls due for payment in 2019 (2017: DKK 67 million) and DKK 60 million falls due in 2020 (2017: DKK 41 million in 2019).

DSB has signed a lease contract for Telegade 2 in Taastrup. The lease is non-terminable by DSB for the period until 2021 for parts of the premises and 2026 for other parts of the premises. The total liability in this regard is DKK 188 million. (2017: DKK 219 million), of which DKK 33 million falls due for payment in 2019 (2017: DKK 33 million) and DKK 105 million falls due in the period 2020-2023 (2017: DKK 114 million in the period 2019-2022).

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

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

Accounting practices

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

Note 8.3: Related parties

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

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

	Group	
Amounts in DKK million	2018	2017
Income		
Income from transport contracts, net	3,941	4,109
Other rental and sale of repairs, goods and services	19	29
Expenses, etc.		
Infrastructure charges	634	670
Commission on guarantees	12	17
Prepayments		
Pre-paid traffic contract payment	347	393

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

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

	Group	
Amounts in DKK million	2018	2017
Gain on sales of intangible and tangible assets	347	276
Gain and loss on sale and scrapping of intangible and tangible assets	-7	-10
Total	340	266

Note 8.5: Events after the balance sheet date

No events have occurred after 31 December 2018, which in the opinion of the management have a significant impact on the assessment of the annual report for 2018.

Other matters

In December 2018, DSB has cancelled the contract with DXC concerning data centre and SAP operations. Financial consequences, if any, of the cancellation of this contract have not been included in the annual report for 2018.

Safety and risk management

Safety

On 14 December 2017, DSB had its safety certificate for the operation of a railway business renewed. The certificate is valid until 31 December 2021. The work with the safety management system in 2018 has been driven by the objective of ensuring that the safety management system is a natural part of the daily work at DSB.

Crucial management-level focus and a systematic approach towards the maintenance and development of the continuously high level of railroad safety at DSB have been demonstrated. In 2018, steps have been taken towards more concrete steps in the work on developing the safety culture and the maturation of the railroad safety work.

The Transport, Construction and Housing Authority has completed one of the inspections scheduled for 2018 of DSB's safety management system.

During the inspection, the authority was focused on traceability and the systematic nature of monitoring in DSB's central management tools. Among other things, this dealt with data management, the top management team's basis for working with the control of the railroad safety level and the launching of activities and ongoing follow-ups. The results of the inspection were satisfactory, and it acknowledged the results that DSB has achieved and its current work.

As in 2017, 2018 has also seen DSB working to reduce the number of signal overruns and significant accidents, in particular accidents that result in injuries to people.

The positive trend seen in signal overruns in 2017 was maintained in the first half of 2018. Despite a number of specific activities, the number of signal overruns increased in the second half of the year, however, and it was not possible to meet the safety targets for the year. By continuing analysis and focus on safety targets and specific action plans, work

will continue on reducing the number of signal overruns in 2019.

Table 2: Incidents^{1,2)}

Number	Increase			
	2018	2017 ³⁾	Abs.	Pct.
Material accidents	12	15	-3	-20
Injuries				
- Deaths	6	5	1	20
- Serious injuries	3	5	-2	-40
- Minor injuries	68	98	-30	-31
Signal overruns				
- Secured area (A-B-C)	163	145	18	12
- Unsecured area (D-E)	79	86	-7	-8
Hereof signal overruns involving a high danger potential	13	20	-7	-35
Defective wheels or axles	3	4	-1	-25

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

²⁾ The table does not include suicide and suicide attempts.

³⁾ The numbers for 2017 have been revised in relation to previously published numbers as a result of final calculations.

The number of personal injuries showed a negative trend in the fall of 2018. Inappropriate and unauthorised walking about in and around the railway areas remains the primary cause of these injuries.

DSB is aware of every one of these incidents and is continually engaging in dialogue with its partners to ensure that everyone is working together to continue the preventive work that needs to be done to deal with inappropriate passenger behaviour. In order to generate awareness of this and promote good and safe behaviour, DSB has also been working in 2018 with initiatives on and by the train doors such as safety posters and rules of conduct at the stations. However, the results for 2018 show that there is still much work to be done in changing the behaviour of the customers.

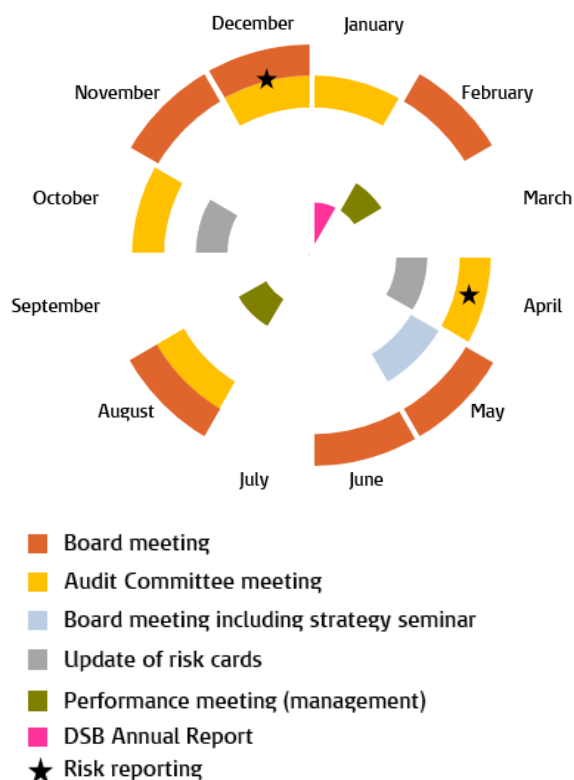
Risk management

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

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

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

Planning disc - risk management



Commercial risks

Competition is increasing over the Great Belt

For Long-distance & Regional trains, the reduction of the bridge toll has stiffened the competitive situation on journeys across the Great Belt. DSB is challenged by car traffic and Regional bus traffic. In the North Denmark Region, the number of passengers has declined as a result of the transfer of the regional traffic to Nordjyske Jernbaner in August 2017.

In order to deal with the competition in Long-distance & Regional traffic, DSB has, among other things, reduced the price for commuter cards by 15 percent across the Great Belt and has also offered more Orange tickets on departures with spare seats outside of rush hour. DSB is monitoring the market developments in Long-distance & Regional train traffic closely and is working on an ongoing basis to develop a simplified price structure that will make it easier for customers to select the right ticket for crossing the Great Belt.

Fewer journeys by S-train

Track and infrastructure works have impacted S-train operations in 2018, and the summer's comprehensive track shutdowns on Frederikssundsbanen (The Frederikssund Line) have resulted in fewer passengers. The number of journeys is negatively impacted by growing sales of newly registered cars, which have become cheaper.

DSB is continually working towards improving operational stability, which is an important aspect of customer satisfaction, and initiatives to market the S-train as a relevant means of transportation to the Metro City Ring which will open in 2019 have also been launched.

Simplification of price structure via harmonisation of fare and zone systems

With the new structure for fares in Western Denmark (Fare West), the harmonisation of fare systems across Denmark has been completed. In cooperation with the other traffic companies in Jutland and on Funen, DSB now

has uniform prices for tickets and this has simplified the price and ticket system across the public transport system.

Risks concerning rolling stock and infrastructure

Changes to infrastructure works

As an operator, DSB is to a significant degree dependent on investments in infrastructure works on the rail network being carried out according to the fixed schedules. Delays in the infrastructure projects, such as the signal and electrification programmes, mean that the scheduled operations are impaired, and this has major impacts on the customers. In order to ensure that the customers get trains that arrive on schedule, DSB is continually working on improving agility in its planning in relation to rolling stock and the maintenance and deployment of personnel, and it also strives to ensure that planned track shutdowns are incorporated as soon as possible into the train time tables.

Delivery of spare parts and components for an aging train fleet

Ongoing maintenance of the train fleet is a crucial component in being able to deliver a good and safe product to the customers. The purchase of spare parts and component repairs for the aging fleet is, however, sensitive to types of errors that lead to a need for new spare parts and components, as many of the parts are unique and no longer produced by the supplier. The consequence of this is that rolling stock is out of service for longer periods, and this impacts the ability to maintain a stable train operation. In order to reduce the risk, there is a constant focus on development in operations - including workshop management, the purchase of spare parts and changes to traffic patterns.

Electric and standardised train fleet

In the coming years, DSB will be massively investing in new electric trains that will replace the aging train fleet. A new standardised fleet is expected to help simplify operations and re-

sult in higher operational stability. The investments come with significant risks that in the worst-case scenario can delay the deployment of the new electric trains as this depends on the plan for the deployment and completion of new infrastructure works being followed. A lack of operational permits can also delay the deployment. The delivery is monitored during the contract's execution in order to reduce the risk of a delayed phase-in, and DSB will monitor the changes to the approval process in order to avert potential changes in relation to authorities and documentation.

Safety

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

IT-related risks

IT security

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

Cybercrime is a real and serious threat, since viruses and internet crime can lead to operational disturbances that go far beyond the incident itself, and the customer's personal data can also be compromised. Therefore, DSB focuses on protecting its IT systems and data, and it works in a targeted manner to develop a culture where the employees are conscious of IT security issues and the protection of personal data.

Increased growth through digitisation

The realisation of a market-oriented DSB requires a massive digitisation effort across the company's core areas. DSB wants digitalisation to contribute to creating growth through simplified and more competitive products in addition to contributing to an optimal utilisation of capacity. The digitalisation must also contribute to ensuring efficiency through the simplification and automation of processes across the business areas. To support these significant changes that DSB is facing, the framework tool 'Scaled Agile Framework' ('SAFe') will be implemented to support the business units in supplying new products, services and solutions with the highest quality and value possible.

Other risks

Reputation

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

Social and employee conditions

DSB is focusing on ensuring a good working environment. Local campaigns have been launched to minimise falling and stumbling accidents, and long-term campaigns are being worked on to prevent work-related injuries. Furthermore, there is a great focus on ensuring that employees and customers are safe at the stations and on the trains, and at the local level, there are several initiatives underway to teach employees conflict resolution skills.

Corporate governance

Recommendations for corporate governance

As an independent public corporation, DSB follows the state's recommendations for corporate governance as they appear in "The State as Shareholder Policy". The policy contains guidelines for the management of state corporations, including requirements, expectations and recommendations for corporate governance.

In addition, DSB follows the recommendations of the Committee for Corporate Governance. DSB complies with the recommendations to the extent that they are relevant.

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

Openness and transparency

Communication

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

Customer ambassador

The customer ambassador processes customer complaints and considers cases on his/her own initiative. The customer ambassador must contribute to ensuring that customers receive the service that they are entitled to. The customer ambassador considers enquiries from customers who have previously had their case processed by DSB, but who do not feel that they have received a satisfactory reply to their

inquiry. The customer ambassador prepares half-yearly status reports that are published on www.dsb.dk.

Publication of important matters

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

Annual and interim reports

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

The Board of Directors shall prepare quarterly and interim reports in accordance with the requirements of the Danish Financial Statement Acts. The quarterly and interim reports must be submitted to the Minister for Transport, Building and Housing and to the Danish Business Authority.

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

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

Reporting on corporate social responsibility

Pursuant to the Danish Financial Statements Act, DSB is required, as an independent public corporation, to publish a report on the corporation's approach to corporate social responsibility. Among other things, the report must include information on policies for corporate social responsibility and how these policies are put into practice. The report for 2018 is incorporated in the annual report under Corporate Social Responsibility. DSB also prepares a separate environmental report which is published on www.dsb.dk.

Ethics

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

The whistleblower scheme is managed by the head of the internal audit function, who reports to the Auditing Committee. If the report concerns the Board of Directors, company directors or the internal audit, the case will be processed by an external attorney. The external attorney will sort all the reports before they are passed on to an administrator. Employees can use the whistleblower scheme to anonymously report on suspicious or irregular behaviour such as, for example, violations of DSB's Code of Conduct or financial fraud. In 2018, three reports were submitted via the scheme. None of these cases were assessed as having material consequences for DSB.

Diversity

The Board of Directors have set the target figures for the underrepresented gender on the Board of Directors. As an independent public company, DSB is subject to the provisions of the Gender Equality Act relating to public sector administration. These provisions state that the company's Board of Directors should have a balanced composition in terms of gender. This target is met, as the gender distribution is equal on the current board (not including the employee representatives). The activities related to ensuring diversity at all management levels are described in the Diversity section under Corporate Social Responsibility.

Public access

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

meeting in a limited liability company, is open to the press.

The articles of association and the annual report are published on www.dsb.dk.

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

DSB regulation

DSB is governed by Consolidation Act no. 1184 of 12 October 2010 with later amendments concerning DSB (The DSB Act). DSB's Articles of Association dated 17 December 2015 were issued pursuant to the DSB Act.

Board meetings

In 2018, the Board of Directors has held 6 board meetings and one strategy seminar, wherein, among other things, the following subjects were dealt with:

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

Management committees

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

Audit Committee

The Audit Committee assists the Board of Directors with an independent assessment of whether the company's financial reporting, internal control, risk management and statutory audit are organised appropriately in the light of the company's and the group's size and complexity. The framework for the work of the Committee is defined in a mandate.

By the end of 2018, the Audit Committee comprised the following members, of which two are independent:

Carsten Gerner, chairman
Annette Sadolin
Birthe Østergaard Petersen, elected by employees

In 2018, the Committee has held five meetings at which, among other things, the following topics were dealt with:

- Annual report and interim reports
- Auditing standards and guidelines and reports from internal and external auditors
- Reports from the whistleblower scheme
- External auditor's independence and delivery of non-audit services
- Risk management
- IT security
- Internal control structure

Remuneration Committee

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

By the end of 2018, the Remuneration committee comprised the following members, all of whom are independent:

Annette Sadolin, chairman
Peter Schütze

The Committee has held four meetings in 2018, at which, among other things, the following topics were dealt with:

- Remuneration policy
- Remuneration of the Board of Directors
- Pay conditions for the Executive Board, Directors, those reporting directly to the CEO and highly paid employees
- Remuneration report
- Analysis and evaluation of salary developments and trends in the entirety of salaries
- Performance related pay, goal setting and calculation
- Employment contracts.

Rolling Stock Committee

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

At the end of 2018, the Rolling Stock Committee comprised the following members, of which two are independent:

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

The Committee has held six meetings in 2018, at which, among other things, the following topics were dealt with:

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

The Board of Directors, election and eligibility

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

The members elected by the minister shall be elected based on social, managerial and business considerations so that the Board of Directors as a whole has insight into traffic-related issues. Furthermore, the composition of the Board of Directors ensures insight into financial issues.

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

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

The evaluation takes place as a group discussion and is supported by an electronic questionnaire-based survey. One-on-one discussions between the chairman of the board and the individual board members are also conducted. All board members have participated in the evaluation and it was concluded that the board contained the required competencies.

The special competencies of the Board of Directors are described on www.dsb.dk.

Members of the Board of Directors are elected for a period of one to two years. It is possible to be re-elected. The Minister of Transport, Building and Housing may at any time remove the members selected by the minister at an annual meeting.

Composition of the Board of Directors, 2018

In 2018, the Board of Directors consisted of nine members, six of which were elected by the Minister of Transport, Building and Housing and three who were elected by the employees. An overview of the Board of Directors can be found in the section About DSB.

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

The management's tasks and responsibilities

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

Statements to the Danish Business Authority

6 February 2018
DSB's Annual Report 2017

19 February 2018
Notice convening the ordinary annual meeting,
2018

13 March 2018
Minutes of ordinary annual meeting of DSB

8 May 2018
Interim report, Q1 2018

22 June 2018
Notice convening the extraordinary annual
meeting

29 June 2018
Minutes of extraordinary annual meeting of
DSB

23 August 2018
Interim report 2018

8 November 2018
Interim report, Q3 2018

Remuneration report

Remuneration policy

The remuneration policy is to support DSB's strategies and objectives. At the same time, the basis for salary and employment conditions must be protected. The remuneration committee assists the Board of Directors with the preparation of recommendations concerning remuneration policy and remuneration. The framework for the committee's work is set out in a mandate.

DSB follows the state's ownership policy and recommendations for good corporate governance, taking into consideration DSB's special circumstances and ownership. DSB's compliance with good corporate governance is published on www.dsb.dk.

In the terms of the state's ownership policy, the following applies:

"When fixing the remuneration for the Board of Directors, one must take into account the workload, the remuneration in other state-owned companies and the remuneration in comparable privately owned companies. The objective is for the remuneration of board work to be competitive without being overly high.

The salary and employment conditions for directors must be competitive in order to attract competent individuals, but companies that are partly or wholly owned by the state should not have overly high salaries compared to similar private companies."

As an independent public corporation, DSB has a special obligation to ensure that wage determination is based on integrity and openness. Remuneration is provided in return for work that is carried out.

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

Board of Directors and Management Committees

The remuneration for the Board of Directors is approved at the Annual Meeting. Remuneration for the chairman and vice chairman amount to, respectively, 3 and 2 times the fixed board member remuneration. The Board of Directors only receives fixed remuneration; thus, no variable remuneration is paid. The committee remuneration is set by the Board of Directors in accordance with the guidelines of the remuneration policy.

Annual remuneration for the Board of Directors and the board committees

Amounts in DKK 1,000	2018	2017	2016
Board of Directors			
Chairman	579	558	545
Vice-Chairman	386	372	325
Member	193	186	165
Audit Committee			
Chairman	160	160	160
Member	80	80	80
Remuneration Committee			
Chairman	110	110	110
Member	55	55	55
Rolling Stock Committee			
Chairman	110	110	110
Member	55	55	55

Remuneration paid out to the Board of Directors

Amounts in DKK 1,000	Board of Directors	Audit Committee	Remuneration Committee	Rolling Stock Committee	Total 2018	Total 2017	Total 2016
Peter Schütze	579	-	55	55	689	668	655
Annette Sadolin	386	53	110	-	549	482	435
Henrik Amsinck (Joined 19 May 2017)	193	-	-	-	193	115	-
Hanne Blume (Joined 29 June 2018)	97	-	-	-	97	-	-
Henriette Fenger Ellekrog (Joined 19 May 2017, left 2 May 2018).	63	27	-	-	90	122	-
Carsten Gerner	193	160	-	-	353	346	325
Christina Grumstrup Sørensen	193	-	-	110	303	296	238
Lars Andersen (Left 1 March 2017)	-	-	-	-	-	44	246
Helge Israelsen (Left 1 March 2017)	-	-	-	-	-	31	238
Hans Christian Kirketerp-Møller (Left 29 June 2018)	97	-	27	-	124	241	220
Klaus Skafte Nielsen (Joined 29 June 2018)	97	-	-	-	97	-	-
Preben Steenholt Pedersen	193	-	-	55	248	241	220
Birte Østergaard Petersen (Joined 1 October 2016)	193	80	-	-	273	239	41
Andreas Hasle (Left 1 October 2016)	-	-	-	-	-	-	184
Total	2,284	320	192	220	3,016	2,825	2,802

Executive Board

Structure of the remuneration policy for the Executive Board

Remuneration component	Purpose	Remuneration level	Performance target
Fixed remuneration	Attract and keep top managers with the right competences	Competitive salary level, based on the relevant market for the position. DSB has no desire to be market-leading in salaries	Not relevant
Pension	Attract and keep top managers with the right competences	The pension contribution amounts to 10 percent of the fixed remuneration, excluding variable salary components	Not relevant
Performance-based salary	To ensure a sense of ownership of DSB's value creation and a connection between overall performance and salary	Payment of up to 25 percent of the fixed remuneration. When targets are fulfilled, 50 percent of the framework of the performance-based salary is paid, while payments above this level require extraordinary results.	The targets are measured on DSB's KPIs for the year in question and are similar for all members of the Executive Board.

Fixed remuneration

The fixed remuneration should attract and keep top managers with the required qualifications. The remuneration is assessed every year.

Personnel benefits

The Executive Board's personnel benefits

Personnel benefits for the Executive Board	Car grants	Work tools
CEO	A monthly car grant equivalent to the tax value of a car selected by the CEO, at a maximum purchase price of DKK 750,000. (DKK 13,500)	Free newspapers, free landline, free mobile phone, home connection to internet and tablet
Other members of the Executive Board	Monthly car grant of DKK 9,000	Free newspapers, free landline, free mobile phone, home connection to internet and tablet

Performance-based salary

The performance-based salary agreements are set up in such a way that the whole Executive Board supports DSB's short- and long-term value creation.

The targets for the performance-based salary are determined by the chairmanship once per year and must cover the coming financial year - and since 2017, the targets have been set as the same for all members of the Executive Board. The targets are based on DSB's KPIs for the year in question - including DSB's contract targets. DSB's KPIs are typically set after a 3-year target of meeting prioritised strategic goals - for example, on punctuality or in terms of the EBIT margin.

When the targets are met, 50 percent of the framework of the performance-based salary is paid out, while payments in excess of 50 percent of the performance-based salary require extraordinary results. When results are significantly below the targets, there may be no payments at all.

The performance-based salary cannot exceed more than 25 percent of the annual fixed remuneration. The performance-based salary is paid out once per year after the Annual Meeting.

The Executive Board's performance-based salary for 2018

KPI	Weight
EBIT margin	25%
Ticket revenue East/West	15%
Operator punctuality (Long-distance & Regional trains and S-trains)	25%
Customer satisfaction, Traffic information	15%
Optimal transformation towards driverless S-trains	10%
MTAPV - Satisfaction DSB	10%

The Executive Board's performance-based salary for 2019

KPI	Weight
EBIT margin	50%
Operator punctuality (Long-distance & Regional trains and S-trains)	50%

For 2019, there can only be paid out more than 50 percent of the total performance-based salary framework if both operator punctuality targets (Long-distance & Regional trains) have been met.

Share-based wages

The Executive Board does not have the option to receive share-based wages, as DSB is an independent public corporation.

Severance pay

No severance pay has been negotiated with the Executive Board. The notice period for resignations is 12 months for the Executive Board.

Remuneration paid out to the Executive Board

Amounts in DKK 1,000	Fixed remuneration	Pension ¹⁾	Value of personnel benefits	Performance-based salary	Total 2018	Total 2017	Total 2016
Flemming Jensen	4,958	501	169	813	6,441	6,102	5,675
Thomas Thellersen Børner (joined 1 January 2016)	2,769	279	111	374	3,533	3,436	3,368
Jürgen Müller (Joined 1 February 2017)	2,768	279	112	372	3,531	3,178	-
Per Schröder (Joined 1 March 2018)	1,939	204	93	-	2,236	-	-
Anders Egehus (Joined 1 January 2016, left 31 January 2018)	841	22	9	506	1,378	3,523	4,079
Susanne Mørch Koch (Joined 1 January 2016, left 31 January 2017)	-	-	-	-	-	1,796	3,521
Total	13,275	1,285	494	2,065	17,119	18,035	16,643

¹⁾Pension includes social security costs.

Remuneration is not paid to the Executive Board for management positions in group companies.

A retention agreement has been signed with the Director of Strategy & Rolling Stock wherein he is assigned a payment of 12 months salary if he remains in his job until 31 December 2020. The contract for The Train of the Future must be ready to be signed before the end of 2020, and it is therefore important that the Director of Strategy & Rolling Stock stays in the role at least until this date.

Operating activities

Productivity

Table 1: Number of full-time employees

	Increase			
	2018	2017	Abs.	Pct.
Danish activities	6,909	7,041	-132	-2
German activities ¹⁾	88	91	-3	-3
Number of full-time employees – year-end	6,997	7,132	-135	-2
Average number of full-time employees in total	7,092	7,292	-200	-3

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

The decrease in the number of full-time employees in the Danish activities is, among other things, due to the completed reduction of administrative roles that was decided upon at the end of 2017. In addition to this, there are fewer employees in 2018 as a result of ki-
osk closures.

Table 2: Productivity in the Danish train activities

	Increase			
	2018	2017	Abs.	Pct.
Costs per seat kilometre ¹⁾ (DKK 0.01/km)	61	57	4	7
Number of train kilometres per employee	11,660	11,809	-149	-1
Number of train journeys per employee ²⁾	40,641	40,234	407	1

¹⁾ 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 depreciation, but is adjusted for non-recurring items.

²⁾ The number of train journeys per employee in 2017 has been adjusted with the reduction in the number of journeys resulting from the transference of the regional train traffic in North Jutland and the shutting down of IC Bornholm.

Number of train kilometres per employee has fallen by 1 percent. The reason for this is fewer train kilometres in Long-distance & Regional traffic among other things due to transfer of train traffic, which is not counterbalanced by an equivalent fall in the number of employees.

The number of train journeys per employee has risen by 1 percent. The increase can be attributed to the fact that journeys are completed with fewer employees.

Punctuality

Table 3: Operator punctuality¹⁾

	Increase			
Percent	2018	2017	Abs.	Pct.
Long-distance & Regional Trains ²⁾	94.4	94.4	0.0	0
S-trains ³⁾	98.2	98.6	-0.4	0

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

²⁾ Operator punctuality for Long-distance & Regional trains has in 2018 been corrected for operational problems that the Ministry of Transport, Building and Housing has approved.

³⁾ Operator punctuality for S-trains has in 2018 been corrected for operational problems that the Ministry of Transport, Building and Housing has approved.

The operator punctuality for Long-distance & Regional trains in 2018 ended at the same level as in 2017, at 94.4 percent. The train schedule for 2018 (K18) that entered into force in December 2017 has, generally speaking, proven to be a robust schedule. The operator punctuality of 94.4 exceeds the traffic contract's target for the year.

Operator punctuality for S-trains has fallen by 0.4 percentage points to 98.2 percent for 2018. Operator punctuality remains above the traffic contract's target of 97.5 percent.

Table 4: Customer punctuality ¹⁾				
Percent			Increase	
	2018	2017	Abs.	Pct.
Long-distance & Regional Trains ²⁾	79.2	79.4	-0.2	0
S-trains ³⁾	92.9	91.8	1.1	1

¹⁾ 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 who may arrive punctually on the basis of passengers' expected travel pattern and the operated train traffic. Arrivals are considered punctual if they are less than 3 minutes delayed. Cancellations which are not notified 72 hours in advance are counted as delays.

²⁾ Customer punctuality for Long-distance & Regional trains has in 2018 been corrected for operational problems that the Ministry of Transport, Building and Housing has approved.

³⁾ Customer punctuality for S-trains has in 2018 been corrected for operational problems that the Ministry of Transport, Building and Housing has approved.

Customer punctuality for Long-distance & Regional trains has fallen by 0.2 percentage points to 79.2 percent in 2018. The decline in customer punctuality is, among other things, due to there generally having been more delays and cancellations in 2018 than in 2017 due to rolling stock problems, track problems and delays from Sweden.

For S-trains, customer punctuality rose by 1.1 percentage points to 92.9 percent in 2018 compared to 2017. Customer punctuality thus exceeds the traffic contract's target of 92.3 percent. Among other things, the increase is in general due to fewer delays resulting from signal errors and infrastructure issues.

Customers

In 2018, 186.7 million journeys were carried out with DSB in Denmark. This is a decrease of 1 percent, which is mainly caused by a decrease in the number of journeys by S-train.

Table 5: Total journeys				
1,000 journeys			Increase	
	2018	2017 ¹⁾	Abs.	Pct.
Long-distance & Regional trains	75,676	75,249	427	1
East (Øresund – over Øresund bridge)	12,386	11,902	484	4
East (Sealand incl. Kastrup Line and the Coast Line)	41,757	41,539	218	1
West (Jutland and Funen)	13,252	13,194	58	0
East/West: (across the Great Belt)	7,644	8,010	-366	-5
Others	637	604	33	5
S-trains	111,067	112,571	-1,504	-1
Denmark, total	186,743	187,820	1,077	-1
Sweden, total	-	2,733	-2,733	-
Germany, total	2,165	2,165	0	0
Total number of customers	188,908	192,718	-3,810	-2

¹⁾ Customers in Denmark (counted as numbers of journeys) in 2017 has been adjusted in relation to previously published figures as a result of final counts of travels, etc. 2017 figures are also adjusted with the handover of the regional traffic in North Jutland by 0.6 million journeys in the West and the shutdown of IC Bornholm with 0.1 million journeys in Other.

Long-distance & regional trains had 75.7 million journeys in 2018 compared to 75.2 million journeys in 2017. The increase is driven by more journeys in the East (Zealand).

The traffic in the East (Øresund – over Øresund bridge) has increased by 4 percent due to the termination of the ID control. The increase in East (Zealand) is 1 percent and is mainly due to more travellers on Zealand in the Copenhagen region. This is partially counteracted by fewer journeys as a result of the ME diesel locomotives being taken out of operations in January 2018 due to initial crack formation on the axles. This led to changes to the train schedule which reduced the number of seats and departures.

In the West (Jutland and Funen) the number of journeys in 2018 is on a similar level to 2017.

The development in the number East/West journeys (interregional) shows a decrease of 5 percent. DSB's market share of Great Belt crossings is 1 percent lower in 2018 than in 2017. This is due to the effect of the changed transport rules for Ungdomskortet (the Youth Card) and the increased competitive situation. The number of journeys has been positively affected by an increase in the number of Orange-tickets sold. In 2018, 1.7 million Orange-tickets were sold for East/West journeys compared to 1.3 million in 2017.

S-trains had 111.1 million journeys in 2018, which is a decrease of 1 percent. A large part of this is due to more rail track works in 2018 compared to 2017 – particularly on the Fredrikssund line, which impacts the entire S-train network. The ongoing work on the new signal system and minor unplanned track works have also had a negative impact on the number of journeys.

The decrease in Swedish activities is due to the sale of DSB Uppland to Transdev Sverige in September 2017.

Customer satisfaction

Until April 2017, customer satisfaction levels were measured on a quarterly basis, but in order to be able to monitor them more closely, surveys are now taken on a monthly basis. DSB focuses on the customers' experience of the current journey as well as their more general perception of a journey with DSB. The questionnaires are distributed on a basis that reflects the actual distribution of journeys. This means that more questionnaires are distributed on lines with many journeys than on lines with fewer journeys. The responses are also representative of the actual distribution of journeys by travel time of day and week-day/weekend.

Based on these surveys, DSB has identified six areas that are important in achieving high customer satisfaction levels. The six parameters appear below in the order of the parameter's importance for the customer.

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

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

Table 6: Customer satisfaction

Score (1-10)	Increase			
	2018	2017	Abs.	Pct.
Satisfaction with the journey (Long-distance & Regional Trains)	7.8	7.8	0.0	0
Satisfaction with Long-distance & Regional Trains in general	7.0	6.9	0.1	1
Satisfaction with the journey (S-trains)	8.1	8.0	0.1	1
Satisfaction with S-trains in general	7.8	7.6	0.2	3
Satisfaction with the journey (all of DSB)	8.0	7.9	0.1	1
Satisfaction with DSB in general	7.5	7.3	0.2	3

For all of DSB, the satisfaction with the journey is 8.0 in 2018, and thus an increase of 0.1 points compared to 2017. Satisfaction with DSB in general has risen by 0.2 points.

Satisfaction with the journey is unchanged for Long-distance & Regional trains. For Long-distance & Regional trains, satisfaction generally has risen compared to 2017.

The underlying data indicates that there has been a general increase during 2018. The largest increases can be seen in the following areas:

- The trains' compliance with the schedule in general
- Traffic information in the event of delays - how quickly it was provided
- Traffic information in general on the train
- Connections to other means of public transportation.

The customer satisfaction for S-trains has risen in many areas, but the largest increases are seen in:

- The trains' compliance with the schedule in general.
- The number of departures on the line
- Price compared to quality
- Internet on the trains

Kort & Godt (DSB 7-Eleven)

In October-November 2018, DSB has carried out a customer satisfaction survey in 10 selected 7-Eleven stores. The survey has been carried out in the form of an exit interview immediately after a customer has visited a 7-Eleven, and this represents a change in methodology compared to the 'Customer compass' survey.

Satisfaction levels have been measured on a scale of 0-10, where 0 is 'not at all satisfied' and 10 is 'extremely satisfied'. Among other things, the survey asks how satisfied a customer was with the service they received in the store, and this score is at 9.6 for the average level of satisfaction. The customers visiting DSB's 7-Eleven find that there is a good atmosphere in the store, that it appears in a nice and presentable state and that the waiting times are acceptable. However, satisfaction levels are not so high when it comes to the customers feeling that they get value for their money - here the average satisfaction score is 8.3.

Digitisation and self-service

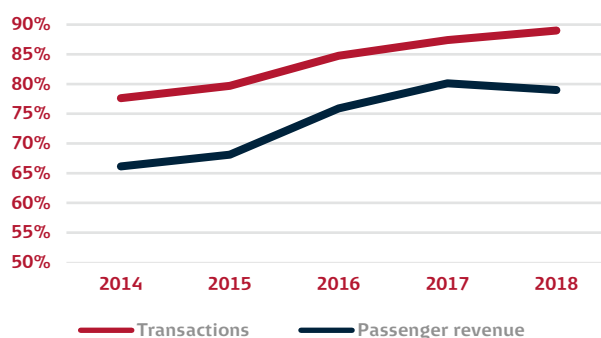
Even more customers have used the digital self-service options in 2018, and the self-service rate is 89 percent at the end of 2018 - i.e., 1.5 percentage points higher than at the end of 2017. The revenue from the self-service channels represents 79 percent of the total passenger revenue.

From the digital channels, it is DSB App and Rejsekort that are growing, while the other channels have been declining slightly. In the DSB App, revenue in 2018 has risen to DKK 852 million, equivalent to an increase of 12 percent compared to 2017. The Fare West reform has meant that DSB App is now selling more train tickets and commuter cards for journeys in Jutland.

In DOT's digital sales channels, revenue in 2018 fell to DKK 660 million, equivalent to a decrease of 10 percent compared to 2017. The decline is primarily a result of a decline in the commuter card revenue, which has moved to DSB App and Rejsekort/commuter card.

Figure 1: Self-service

Share in %



Sales and customer service

Customer satisfaction with the service in both the Customer Centre and Ticket Sales remain at their previous level at 9.0 on a score of 0-10. The number of customers who contact Ticket Sales have fallen by 15 percent in comparison to 2017. This is a natural decline as a

result of DSB's digitisation strategy. The personal service is therefore focused on helping customers on the digital channels. However, there is still a need for personal service on the more complex products, including international journeys and products that have not yet been digitalised.

Customers contacting the Customer Centre in 2018 via both phones and the back office remain at the same levels as in 2017. Cases related to guaranteed travel times have, however, increased by 15 percent compared to 2017. This is due, among other things, a generally better knowledge of the Travel Time Guarantee, which is communicated in several places - both before, during and after the journey. In addition, in 2018 there have been several unplanned track work and collective breach of work among the train staff.

The merger of the Customer Centre with Ticket Sales under the same management have helped to reduce the waiting times in 2018 when calling in by phone.

In 2018, DSB has increased the use of robots in the Customer Centre. At the end of 2018, robots were solving almost 6 percent of the tasks.

DSB's social media witnessed impressive gains in 2018. During the year, DSB's Facebook page has received 117,000 enquiries and comments. The percentage of comments that were negative (comments that, for example, include swear words or statements that the system ranked as negative) was at 14 percent in 2018. In 2017, this number was at 32 percent. The primary cause for the decline in negative comments is that DSB in 2018 created an extra Facebook page dedicated to traffic information. Here the users can actively choose to get traffic information. On DSB's primary page on Facebook, communication is now targeted even further and this is where our attractive products and campaigns are presented to the customers.

Campaigns

In 2018, DSB has run about 50 campaigns that cover a lot of ground and are targeted towards young people, older people, businesses and international journeys. The work with the campaigns have had the overall purpose of creating more relevance while also increasing the focus on the customers.

DSB (like other businesses) has found that it has become more difficult to reach the young target group due to it having so many options and such a widespread presence. Therefore, DSB has made a targeted effort with a price-adapted campaign for young people.

DSB has offered the young target group and the 65+ target group extra discounts on Orange tickets outside of peak travel times. The campaign ran in the 4th quarter of 2018 and it was part of the East/West simplification process. The concept will be extended more widely in 2019 and is viewed as an important part of achieving DSB's commercial targets in 2019.

With the commercial campaign, DSB has taken some unorthodox steps by sending a 'business box' in November 2018 to, in the first round, 500 companies. The box has included things such as a so-called 'train test' which will help companies reflect on their own travel patterns and how they manage journeys. The other items in the box communicated the administrative and financial advantages of selecting to go by train instead of the car.

The commercial campaign has been well-received by our customers, and at the present, 72 users have completed the train test (amounting to 14 percent). The objective of having 12 percent complete the test has therefore been reached.

Orange

During 2018, DSB has continued to develop the Orange concept through an increase in offered tickets and sales, campaigns, offers tar-

geted at customer segments and a further development of the management tool, Revenue Optimizer.

The sale of Orange tickets amounted to 2.4 million journeys in 2018, equivalent to an increase of 40 percent compared to 2017.

The Frederikssund track works

In the summer of 2018, Rail Net Denmark carried out track works on the line Frederikssund and Valby which led to an almost 3-month shutdown of the line, 200 daily train buses and over two million minutes of extra travel time on the S-trains between lines C and H.

The app "Få tiden tilbage" ("Recover your time") was developed for this track work as a pilot project, and it allowed users to quickly have the opportunity to save up minutes and spend these on future journeys. The initial evaluations of "Få tiden tilbage" reveal that the pilot project was well-received by the customers. 84 percent of those asked in a customer survey have ranked the app as "very good" or "good".

Traffic information

Satisfaction levels with traffic information show an increase from 2017 to 2018, with a result for the year of 7.5 (on a scale of 0-10) - the result in 2017 was at 7.2. In relation to information on delays, the target for the year is met, even if the level here is still too low in relation to the ambition for the coming years.

In 2018, work has been done on the prerequisites for providing good traffic information to the customers, and direct customer-facing services via the app Ping and the online service dinstation.dk ('Your station') have also been launched.

With Ping, the customers have the opportunity to plug in their daily journeys and receive a status in the mornings and an immediate notification when changes are made, in addition to information on alternate routes. With Rail Net Denmark's 'Din station', which has been developed in the joint unit for traffic

information between DSB and Rail Net Denmark and for the inter-regional rail tracks, the customers will have an easy and simple overview of departures and arrivals from their station. The service also provides information on the individual trains - where they will arrive at the station, their stop patterns and onboard services.

Fare reforms

In 2017 and 2018, traffic companies have carried out reforms of the fare structure and products on Zealand and Western Denmark based on an ambition to simplify products and services. The simplifications are intended to create a clear price hierarchy between the standard tickets, single tickets, Rejsekort and period cards, and the ambition is to simplify things and make it easy for our customers to get an overview.

The purpose of the fare reforms is to offer many customers more cheap tickets on departures with available seats.

In 2019, DSB continues to simplify the fare system for journeys across the Great Belt. At the same time that our standard products are being simplified, there is a further development of our commercial offers on the East/West market.

Rolling stock situation

The rolling stock situation faced challenges in 2018

In 2018, DSB has in particular faced challenges from the spare parts situation on the European market. There has been an increasing pressure in the market as a result of the financial upswing that can be felt both for train components and for components for many other industries. This has resulted in DSB being challenged by long waiting times for spare parts needed to maintain train sets and locomotives. With the aging train fleet and therefore an increasing demand for spareparts this is an increasing challenge.

At the end of January 2018, DSB temporarily suspended 33 ME diesel locomotives from operations after finding initial crack formations on two axles. The reduced operation of ME diesel locomotives and double decker carriages in 2018 has had a negative impact on the number of kilometres travelled between incidents for several types of rolling stock, as the operation has had to be replaced by other types of rolling stock that has had to operate more intensely to replace the ME locomotives.

DSB has launched a number of initiatives to deal with the situation concerning spare parts and the other challenges related to the rolling stock situation, for example IC3 and Desiro train sets, which have been particularly challenged in 2018, but there has been an improvement in the number of kilometres travelled between incidents from the 3rd quarter to the end of the year.

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

Rolling stock

Table 7: Litra kilometres¹⁾

Kilometre (1,000)	Increase			
	2018	2017	Abs.	Pct.
IC4 train sets	7,535	6,488	1,047	16
IC3 train sets	29,110	30,985	-1,875	-6
IR4 train sets	10,623	9,135	1,488	16
Øresund train sets	7,099	8,342	-1,243	-15
Double-decker coaches	11,017	15,958	-4,941	-31
MR train sets	513	691	-178	-26
Desiro train sets	2,512	2,589	-77	-3
ME diesel locomotives	2,293	3,724	-1,431	-38
EA electric locomotives	265	154	111	72
S-train sets	17,386	17,344	42	0

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

Table 8: Number of kilometres travelled between incidents^{1) 2)}

Kilometre (1,000)	Increase			
	2018	2017	Abs.	Pct.
IC4 train sets	4.7	4.5	0.2	4
IC3 train sets	28.9	42.8	-13.9	-33
IR4 train sets	12.4	12.4	0.0	0
Øresund train sets	21.0	21.2	-0.2	-1
Double-decker coaches	18.5	18.2	0.3	2
MR train sets	9.0	10.2	-1.2	-12
Desiro train sets	8.6	14.1	-5.5	-39
ME diesel locomotives	22.5	26.4	-3.9	-15
EA electric locomotives	5.8	6.7	-0.9	-14
S-train sets	14.2	14.6	-0.4	-3

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

The development in the reliability of the rolling stock, shown in the tables above, reveals with a few exceptions a declining level of reliability for number of kilometres travelled between incidents.

IC4 train sets

In 2018, the IC4 train sets travelled 7.5 million litra kilometres, which is 16 percent more than in 2017. Overall, the IC4 train sets have travelled 18 percent of the total diesel operations in 2018. In 2018, the IC4 train sets were primarily utilised in regional rail traffic in Jutland and on Zealand, but also selected departures in the long-distance rail traffic.

The IC4 train sets' operational stability has improved compared to 2017. The number of kilometres travelled between incidents has increased by 4 percent in comparison to 2017. Good solutions for workshops and operations, in addition to a uniform workshop structure are a major part of the reasons for the improved performance.

IC3 train sets

The IC3 train sets continue to make up a very central part of the train fleet, despite the fact that it is almost 30 years since the IC3 trains were delivered.

The IC3 train sets travelled 29.1 million litra kilometres in 2018, which is 6 percent less

than in 2017. The IC3 train sets represented 69 percent of the total travel with diesel trains.

The IC3 train sets have had a negative development in the number of kilometres travelled between incidents, and it has fallen by 32 percent from 2017. In 2018, IC3 has been impacted by challenges on the market dealing with the delivery of spare parts - in particular, spare parts of the engines. This has led to a lower number of kilometres travelled between incidents, as the disengaged engines in operations lead to vulnerabilities in terms of stability. DSB has launched a number of initiatives to deal with the spare parts situation and other challenges with IC3, and this has resulted in an improvement in the 4th quarter of 2018. Despite the challenges, the IC3 train sets remain the most reliable rolling stock in terms of operations.

DSB has started investing in lifetime extension work on the IC3 train sets. The plan is for the IC3 train sets to only be phased out in the lead up to 2029.

IR4 train sets

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

In 2018, the IR4 train sets have travelled 16 percent more litra kilometres and in 2018 they had the same number of kilometres travelled between incidents as in 2017.

DSB continues to work on improving customer comforts in the IR4 train sets. In 2018, the last train sets completed their cosmetic overhauls and the construction of new toilet systems began, and is expected to be completed by the end of 2019.

Øresund train sets

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

In 2018, the Øresund train sets have travelled 7.1 million litra kilometres, which is a decline of 1.2 million compared to 2017. The decline in the number of kilometres travelled is, among other things, due to fewer operations as a result of track works on Kystbanen (The Coast Line), the upgrade project and the general situation with spare parts.

Double-decker coaches

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

In 2018, the double-decker coaches have seen a decline in the number of litra kilometres travelled, and this is in particular a result of the reduced operation of ME locomotives.

MR train sets

As planned, the MR train sets are being phased out and therefore they travelled fewer litra kilometres in 2018. However, the MR train sets travelled more litra kilometres than planned in 2018, as for certain periods they were acting as replacements for IC4 rolling stock, for example, while the IC4 trains were used as replacements during the reduced operation of the ME locomotives.

As in 2018 no operations have been scheduled with the MR train sets in the train schedule for 2019, but DSB ensures that a number of MR train sets are ready to be put into operation if there should appear an acute operational need for them.

Desiro train sets

In 2018, the Desiro train sets have operated on the Svendborg line and Lille Syd between Roskilde and Næstved. On these two lines, they have travelled a total of 2.5 million litra kilometres in 2018.

In 2018, the Desiro train sets have seen a decrease of 39 percent in kilometres travelled between incidents compared to 2017. In particular, it has been errors with the braking system that caused the decrease in the number of

kilometres travelled between incidents. There has been extra focus on the braking system, and we have seen a positive development in the 4th quarter of 2018.

ME diesel locomotives

The ME diesel locomotives have travelled significantly fewer kilometres in 2018 than in 2017, which is a result of DSB in the end of January 2018 temporarily suspending operations of 33 ME diesel locomotives after finding initial crack formation on two axles. The ME diesel locomotives have been put back into operation on an ongoing basis as they were inspected for cracks in the axles and, if relevant, repaired.

In 2018, the ME locomotives have had a negative development in the number of kilometres travelled between incidents, with a decline of 15 percent compared to 2017 - however, a positive development can be seen after most of the locomotives have been put back into operation.

There is still a focus on environmental initiatives and improvements on the ME locomotives. For the last five years, DSB has implemented a number of initiatives and, among other things, started a refitting of the locomotives to reduce their environmental impact. DSB expects to have refitted the entire ME locomotive fleet by the end of 2019, so the environmental impact will be reduced in the period leading up to the complete phase out.

EA electric locomotives

In 2018, EA electric locomotives had a lower level of operational stability than in 2017. The EA electric locomotives travelled 13 percent fewer kilometres between incidents than in 2017. The lower operational stability is primarily a result of errors found in the controls between the locomotive and the carriages.

S-train sets

The S-train sets have travelled 17.4 million kilometres in 2018, which is the same level as in 2017.

In 2018, the S-trains have travelled fewer kilometres between incidents than in 2017. The delay-causing incidents are very much a result of the new signal system (CBTC), where errors on signal equipment on the train leads to delays.

Signal Programme

In 2018, the focus in the Signal Programme for Long-distance & Regional Trains have been on living up to the rollout strategy that was introduced in November 2017. The strategy took the form of a so-called "rolling stock-based rollout plan", and this plan significantly reduced the number of train types and train sets in DSB's fleet which was to be equipped to be able to drive on the new ERTMS system. So far, the plan includes a refit of the IC3 train sets and Desiro train sets and control carriages for the double-deckers. Compared to previously, there has been an extra focus on advancing the work in equipping the trains. In particular, there has been, and will continue to be, a focus on the IC3 trains. This is because Rail Net Denmark, concurrently with equipping the rolling stock, has worked on the so-called 'Plan B' which concerns an immunisation of electrified lines.

The rolling stock-based rollout plan was fleshed out in a working group at the start of the year which included participants from the ministry, Rail Net Denmark and DSB.

In order to better manage DSB's part of the Signal Programme, a reorganisation of the project was carried out at the start of 2018. This mainly consisted of creating a so-called "core team" for the Long-distance & Regional train part which had stronger competences and more focus from senior management as the main changes.

Long-distance & Regional Trains

The work with refitting the IC3 trains has also led to very significant challenges in 2018. The installations in the first IC3 train set were completed in March 2018. In the new plan from November 2017, it was decided to focus

strongly on having the so-called 'permit for operations' secured in September 2018. The permit for operations that was secured in October 2018 contained some limitations, among them, that the first train set was not allowed to carry passengers or go through tunnels. The plan to have serial installation work begin during 2018 was not realised.

In November it was clear that Plan B concerning immunisation was no longer a viable option. In other words, equipping the IC3 fleet has to be a success, and in order to make the plans more robust a task force was set up for the IC3 which included management-level participants from Rail Net Denmark, DSB and the supplier, Alstom. Expectations are now that the serial installation work will commence in the middle of 2019 and that over the course of 2019 it will be possible to install equipment in at least six more train sets. The installation work is managed by DSB Vedligehold (DSB Maintenance) which entered into a contract with Alstom for this in September 2018.

The serial installation work in the Desiro trains was commenced in July 2018. At the end of 2018, a total of four train sets were refitted and of those, three were put into operations on the Roskilde-Køge-Næstved line. However, the refitted trains have suffered from various errors related to both the STM equipment and the ECTS equipment, and this has placed an inordinately large burden on operations.

In the 2nd quarter of 2019, it is expected that the new signal facility will be put into use on the Roskilde-Køge line, which will then become the first line equipped with ERTMS in Eastern Denmark.

The design of the installation work on the double-decker carriages was completed in November 2018, and it is expected that the first carriages will begin to be equipped in the 1st quarter of 2019.

For the Øresund trains, the Swedish owners decided to have an independent tender process for the ECTS equipment and fitment. The equipping of the 34 trains that are owned by DSB will be included in this tender as an option.

In 2018, there has been discussions between Rail Net Denmark, DSB and the ministry concerning the refit of IR4. DSB still sees a strong need to have the IR4 trains equipped, not least in order to be able to operate the new line between Copenhagen and Ringsted after this begins using ERTMS by 2024 at the latest. Among other things, the final decision depends on the extent to which funding can be secured for the refit, but the experiences gained from the refit of IC3 will also be a factor in the decision. The discussions continue, including about whether DSB can assume a greater role in connection with the internal fitting of IR4 compared to the other litra types.

S-trains

The Jægersborg-Hillerød stretch is the first to use the new signal system. All S-trains have been equipped with the new system. Both trains and the system on the line have received software updates removing a number of errors in 2018. However, work is still being done to fix certain errors and functional limitations.

According to Rail Net Denmark's most recent plan, the next rollout is scheduled for the 2nd quarter of 2019.

Rail Net Denmark and DSB are currently discussing which errors and limitations that need to be resolved before the next rollouts can proceed as planned.

Reputation

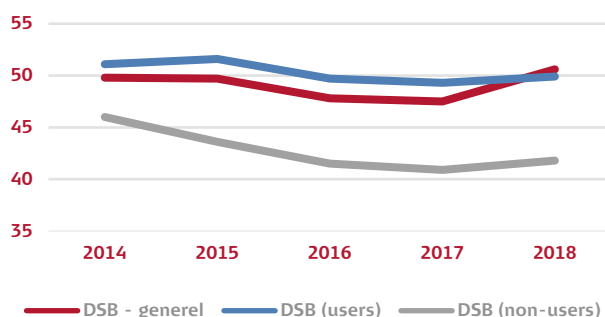
DSB's reputation stabilised in 2018 at a level of around 50. Viewed as an average figure for the year, the reputation has improved in relation to last year by 2.3 points to 49.9. This improvement has occurred despite issues with Rail Net Denmark's necessary track works and the spillover effects on customer punctuality and operations. At the end of the year, the pulse score – defined in the traffic contract – was 48.4, which is slightly higher than the same period last year.

The trend throughout the year has been the same for both users and non-users. It remains the case that users (50.6) have a significantly better view of DSB than non-users (41.8).

The reputation of S-trains has continued to improve in 2018. It has increased from 50.5 to 54.1 when comparing the 4th quarter with the same period last year.

Figure 2: Reputation

Indeks 0-100



Supplemental key figures					
Total journeys (thousand)	2014	2015	2016	2017	2018
East (Øresund – over Øresund bridge) ¹⁾	-	-	12,067	11,902	12,386
East (Sealand incl. Kastrup Line and the Coast Line)	51,367	53,586	40,828	41,539	41,757
West	16,172	15,604	15,154	13,810	13,252
East/West:	8,629	8,297	7,982	8,010	7,644
Other ²⁾	982	1,091	728	667	637
Long-distance & Regional Trains	77,150	78,578	76,759	75,928	75,676
S-trains	111,967	114,121	116,410	112,571	111,067
Danish activities, total	189,117	192,699	193,169	188,499	186,743
Krösatåg ³⁾	207	-	-	-	-
Upptåget ⁴⁾	4,848	4,896	3,900	2,733	-
VIAS ⁵⁾	4,246	4,289	2,165	2,165	2,165
Total foreign activities	9,301	9,185	6,065	4,898	2,165
Total journeys	198,418	201,884	199,234	193,397	188,908

Passenger kilometres (million)	2014	2015	2016	2017	2018
East (Øresund – over Øresund bridge) ¹⁾	-	-	241	238	315
East (Sealand incl. Kastrup Line and the Coast Line)	1,656	1,730	1,496	1,480	1,479
West	968	943	932	902	808
East/West:	1,928	1,821	1,745	1,787	1,705
Other ²⁾	136	158	116	102	102
Long-distance & Regional Trains	4,688	4,652	4,530	4,509	4,409
S-trains	1,319	1,344	1,354	1,317	1,303
Danish activities, total	6,007	5,996	5,884	5,826	5,712
Krösatåg ³⁾	16	-	-	-	-
Upptåget ⁴⁾	203	205	163	114	-
VIAS ⁵⁾	125	127	64	64	64
Total foreign activities	344	332	227	178	64
Total passenger kilometres	6,351	6,328	6,111	6,004	5,776

¹⁾ Operation of DSB Øresund was transferred to DSB as of 13 December 2015. Total journeys for 2014 and 2015 are included in East (Sealand incl. Kastrup Line and the Coast Line).

²⁾ Other includes IC Bornholm until 9 December 2017 and International.

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

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

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

Supplemental key figures (continued)

Total train kilometres (1,000 km)	2014	2015	2016	2017	2018
East ¹⁾	8,128	8,816	13,365	13,205	13,409
West	8,318	8,396	8,001	6,592	6,401
Long distance traffic ²⁾	20,338	18,585	18,687	19,549	18,496
International trains ³⁾	1,240	1,048	826	629	357
Long-distance & Regional Trains	38,024	36,845	40,879	39,975	38,663
S-trains	15,936	15,840	15,595	15,149	14,916
DSB Øresund ¹⁾	4,657	4,540	-	-	-
Danish activities, total	58,617	57,225	56,474	55,124	53,579
Krösatåg ⁴⁾	394	-	-	-	-
Upptåget ⁵⁾	2,990	2,991	2,992	1,995	-
VIAS ⁶⁾	4,400	4,292	2,300	2,300	2,300
Total foreign activities	7,784	7,283	5,292	4,295	2,300
Total train kilometres	66,401	64,508	61,766	59,419	55,879

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

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

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

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

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

⁶⁾ Operation of the Odenwald line ceased at the end of December 2015.

Supplemental key figures (continued)					
Rolling stock in operation ¹⁾	2014	2015	2016	2017	2018
IC4 train sets	82	82	77	77	75
IC3 train sets	96	96	96	96	96
IC2 train sets	23	23	-	-	-
IR4 train sets	24	44	44	44	44
MR train sets	53	35	30	12	12
Leased Desiro train sets	12	12	12	12	12
Desiro train sets	4	4	4	4	4
Desiro train sets on loan/leased from the Ministry of Transport, Building and Housing. ²⁾	4	4	4	4	4
Leased ICE-TD train sets	13	13	4	-	-
Øresunds train sets ³⁾	111	111	111	111	111
DSB Øresund, IR4 train sets	20	-	-	-	-
ME diesel locomotives	33	33	33	33	32
EA electric locomotives	6	6	5	5	5
S-trains (eight coach train sets)	104	104	104	104	104
S-trains (four coach train sets)	31	31	31	31	31
Upptåget – Electric train sets ⁴⁾	12	12	12	-	-
VIAS – Electric train sets ⁵⁾	45	19	19	19	19
Ranger locomotives/tractors	14	15	14	14	14
Leased double-decker coaches	67	67	67	-	-
Double-decker coaches	46	46	46	113	113

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

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

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

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

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

Supplemental key figures (continued)					
Number of kilometres travelled between incidents ¹⁾ (1,000 km)	2014	2015 ²⁾	2016 ²⁾	2017 ²⁾	2018 ²⁾
IC4 train sets	6.5	5.4	3.6	4.5	4.7
IC3 train sets	54.3	41.3	33.3	42.8	28.9
IR4 train sets	25.4	16.1	10.9	12.4	12.4
Øresund train sets	36.6	22.7	21.3	21.2	21.0
Double-decker coaches	-	30.5	19.7	18.2	18.5
MR train sets	21.2	10.8	9.7	10.2	9.0
Desiro train sets	26.6	32.9	17.6	14.1	8.6
ME diesel locomotives	32.2	22.8	16.4	26.4	22.5
EA electric locomotives	-	3.9	4.1	6.7	5.8
S-train sets	-19.9	21.1	13.9	14.6	14.2

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

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

Supplemental key figures (continued)

Average number of full-time employees	2014	2015	2016	2017	2018
DSB, including Property Development	3,943	3,840	4,060	4,046	3,978
- of which social chapter ¹⁾	161	144	128	82	86
S-trains	711	722	697	690	690
- of which social chapter ¹⁾	17	15	12	8	8
Kort & Godt A/S	649	614	636	605	575
- of which social chapter ¹⁾	14	15	12	12	13
DSB Vedligehold A/S	1,647	1,665	1,706	1,797	1,760
- of which social chapter ¹⁾	44	52	55	30	34
DSB Øresund A/S ²⁾	319	307	-	-	-
Danish activities, total	7,269	7,148	7,099	7,138	7,003
Krösatåg ³⁾	17	-	-	-	-
Upptåget ⁴⁾	92	95	96	66	-
VIAS ⁵⁾	186	195	90	88	89
Total foreign activities	295	290	186	154	89
DSB Group, total	7,564	7,438	7,285	7,292	7,092

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

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

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

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

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

Organisation entitled to negotiation (total employees – year-end)	2014	2015	2016	2017	2018
AC	427	462	509	508	499
Individual	210	213	212	236	247
DJ	3,776	3,659	3,545	3,522	3,464
FO DSB	1,055	1,069	1,118	1,162	1,186
HK	2,087	2,041	2,124	2,019	1,926
Others	58	45	49	42	49
Total	7,613	7,489	7,557	7,489	7,371

Employee group – form of employment (total employees – year-end)	2014	2015	2016	2017	2018
Contract staff	210	213	212	236	247
Collective agreement employees	5,004	5,079	5,295	5,383	5,424
Hourly-paid employees	35	33	44	20	22
Civil servants	2,364	2,164	2,006	1,850	1,678
Total	7,613	7,489	7,557	7,489	7,371

Supplemental key figures (continued)					
Total operated railway stations (year-end)	2014	2015	2016	2017	2018
Long-distance train stations, including joint stations ¹⁾	158	159	144	144	135
S-train, including joint stations	85	85	85	85	85
S-train joint stations with Long-distance & Regional trains	-9	-9	-9	-9	-9
S-train, excluding joint stations	76	76	76	76	76
Stations in Sweden operated by Upptåget ²⁾	17	17	17	-	-
Stations in Germany operated by VIAS ³⁾	63	28	28	28	28
Total operated railway stations	314	280	265	248	239
Km of track operated by DSB in Denmark	1,668	1,668	1,593	1,593	1,593
Km of track operated by DSB in Sweden²⁾	180	180	180	-	-
Km of track operated by DSB in Germany³⁾	964	504	504	504	504

¹⁾ Operations of 15 stations on the Grenaa line were transferred in August 2016.

²⁾ The operations have been transferred to Transdev Sverige as of 1 September 2017.

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

Income statement by quarter

	2018				2017			
Amounts in DKK million	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Passenger revenue	1,268	1,388	1,272	1,452	1,299	1,424	1,286	1,464
Revenue from traffic contracts	1,013	1,012	1,011	1,015	1,098	1,095	1,076	1,017
Sale of repair and maintenance services of rolling stock, etc.	64	80	86	73	72	67	67	82
Sale and leasing of rolling stock	20	6	11	8	16	8	10	6
Net revenue	2,365	2,486	2,380	2,548	2,485	2,594	2,439	2,569
Work performed by the enterprise and capitalised	142	144	151	141	155	149	137	168
Other operating income	526	302	295	375	261	311	529	295
Total revenue	3,033	2,932	2,826	3,064	2,901	3,054	3,105	3,032
Expenses for raw materials and consumables	419	473	454	520	464	437	424	430
Other external expenses	873	1,004	996	1,010	980	929	934	999
Staff costs	889	948	912	855	924	988	933	1,389
Total expenses	2,181	2,425	2,362	2,385	2,368	2,354	2,291	2,818
Earnings before amortisation, depreciation and write-down	852	507	464	679	533	700	814	214
Amortisation, depreciation and write-downs of intangible and tangible assets	465	479	436	449	451	428	480	495
Operating profit/loss	387	28	28	230	82	272	334	-281
Net financials	-26	-45	-34	0	-34	-30	-29	-40
Profit/loss before tax	361	-17	-6	230	48	242	305	-321
Profit/loss before tax adjusted for non-recurring items	114	16	-13	130	48	238	111	151
Profit for the period	268	0	-5	187	39	185	234	-247
Total equity	5,678	5,686	5,670	5,822	5,371	5,568	5,803	5,497
EBITDA margin	36.0	20.4	19.5	26.6	21.4	27.0	33.4	8.3
Return on equity (ROE) p.a.	19.2	0.0	-0.4	13.0	2.9	13.5	16.5	-17.5
Return on capital employed after tax (ROIC after tax) p.a.	11.4	1.4	0.9	7.8	2.3	7.4	9.5	-8.3

Key figure definitions

Key figure definitions

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

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

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

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

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

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

Equity ratio = Equity x 100 / balance sheet total

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

Line Accounts

To ensure transparency regarding the finances of the train operations and its results, DSB has in recent years developed a system for reporting the finances of train operations divided into activity areas. Combined with a division of operator tasks by lines, this contributes to adding transparency to DSB's train operations in Denmark, and DSB is also continually using the line accounts to streamline operations.

The following can be emphasised:

- In 2018, DSB's S-train traffic was generating a loss of DKK 17 million. The S-train traffic has been negatively impacted by costs for replacement transport as a result of track works on the Frederikssund Line. If this is adjusted for, the profits from the S-train operations were DKK 111 million for 2018, which is similar to 2017.
- DSB's Long-Distance traffic has been operating at a loss in 2018, which is mainly due to declining passenger revenue and reduction in contractual payments from the Danish state¹. This is only partly counteracted by reduced infrastructure costs as a result of the reduction of the bridge toll for crossing the Great Belt, reduced reinvestments in rolling stock and DSB's ongoing streamlining in the administration and support functions.
- All other regional train lines are loss-making and require the transfer of funds from the state's contract payment. The profitability of the lines is generally a factor of the extent of service - as determined by the contract with the state - in relation to passenger demand spread out over the operational day.

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 driving trains
- Train System is a collective designation for the activities that support the task of driving trains, from operation of stations, provision of rolling stock, timetable planning and monitoring, to traffic information and sale of tickets.
- General Obligations are activities that are independent of the train operations, such as operation of the Danish 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 include Sales Channels and Customer Service, as well as Traffic Operations and Shared Functions, see Figure 8.

Revenue from transport contracts

For 2018, income before the leasing of rolling stock amounts to DKK 10,157 million. The income finances the Public service traffic delivered.

¹ Conditions for reduction of DSB's contractual payment in Supplementary Contract 19 from the Ministry of Transport, Building and Housing. In 2018, the reduction alone amounted to DKK 207 million.

For 2018, passenger revenue amounts to DKK 5,401 million, and in the Line Economy Model this is distributed to the Train Services²⁾, i.e. the passenger transport, while the Train System tasks in the model are almost entirely financed by the income from the traffic contract (hereinafter referred to as the 'contract payments'. Commission revenues from the selling of tickets by other operators is distributed to Systems & Channels and amounts to DKK 95 million of the total passenger revenue.

Danish train passenger traffic is characterised by a strong desire for cohesion in the public transport, including an integrated and uniform customer experience for the entire journey. In order to deliver this, the public transport sector is characterised by a high degree of integration and collaboration across traffic companies and operators, in addition to shared and integrated commercial solutions such as, for example, Rejsekort, Rejseplan, DOT and Bus & Tog. Passenger revenue has been calculated on the basis of the agreements that have been signed on revenue sharing between the traffic companies and operators.

DSB works in an integrating capacity in the Danish train passenger traffic by, for example, co-financing the development of other traffic companies' traffic systems and traffic offers. An example of this is the passenger revenue sharing in the Copenhagen area and the carrying out of contractor traffic in middle and western Jutland.

In connection with the passenger revenue distribution in the Capital Area, there is a so-called Metro factor of 1.49, which means that a passenger travelling with Metroselskabet weighs more than a passenger travelling with DSB when the revenue in the Capital Area is distributed. DSB includes the effect of the current revenue model in the Copenhagen area (Metro double factor), which means that Metroselskabet I/S receives an oversized proportion of the total passenger revenues in the Copenhagen area. In return, the state's traffic contract payment compensates DSB for this with DKK 177 million.

Similarly, agreements on the handling of contractor traffic have been signed for the operator of the traffic in middle and west Jutland, Arriva Danmark. Contractor traffic means that DSB bears the costs for continuing to operate a number of departures in middle and west Jutland in order to thereby ensure direct lines for passengers to the rest of the country. The revenues from the contractor traffic goes to Arriva Danmark, and DSB is instead compensated via contract payments from the state. Contractor traffic takes place on three lines, where DSB does not have a lot of production and thus not a lot of passenger revenues, which then go to Arriva instead of DSB, and the estimated amount is between DKK 6-7 million per year.

The total contract payments amount to DKK 3,941 million, and this partially finances the train operations that are not profitable and partially also other areas of activity on the basis of principles laid out in connection with the traffic contract with the state. With the vision of a market-oriented DSB, DSB has presented an ambitious plan that, together with the investments in the railway infrastructure and the Train of the Future, will result in a significant financial room for manoeuvre in DSB up to 2030. This room for manoeuvre can either be used to eliminate the contract payments or to considerably reduce ticket prices for the benefit of passengers and society at large.

²⁾ 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.

Of the total revenues before the leasing of rolling stock, passenger revenue amounts to 53 percentage, contract payments from the state amount to 39 percentage and 8 percentage are from other operating income.

In accordance with the traffic contract, the contract payment is thus distributed so that for Stations, it reflects a risk-calculated yield on the invested capital (ROIC) of 3 percentage. For Material and General obligations it reflects a covering of costs without yield and for Systems & Channels it reflects a profit ratio of 5 percentage. The remaining contract payment falls to Train Service, see Figure 11.

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

Of the total income before leasing of rolling stock, 70 percentage finances Train Services and 26 percentage finances Train System tasks while the remaining 4 percentage finances General Obligations.

Table 1: The results of DSB's Train Operations divided into areas of activity 2018

Amounts in DKK million	Public services	Train Service			Train System			General Obligations	
		Long-Distance & Regional train traffic	S-train traffic	Øresund traffic	Stations	Rolling stock	Systems & Channels ¹⁾	Historical ²⁾	Non-recurring items ³⁾
Passenger revenue	5,401	3,113	1,470	723	0	0	95	0	0
Revenue from traffic contracts	3,941	1,562	19	64	582	211	1,494	9	0
Other operating income ⁴⁾	815	77	27	15	82	58	183	62	311
Income from leasing of rolling stock	10,157	4,752	1,516	802	664	269	1,772	71	311
Leasing of rolling stock	1,468	0	0	0	0	1,468	0	0	0
Total revenue	11,625	4,752	1,516	802	664	1,737	1,772	71	311
Expenses for raw materials and consumables	458	343	74	33	1	0	7	0	0
Other external expenses	5,089	2,404	585	416	405	316	929	32	2
Staff costs	2,541	1,172	387	209	90	26	639	60	-42
Costs before leasing of rolling stock	8,088	3,919	1,046	658	496	342	1,575	92	-40
Leasing of rolling stock	1,468	844	474	150	0	0	0	0	0
Total expenses	9,556	4,763	1,520	808	496	342	1,575	92	-40
Earnings before amortisation and depreciation	2,069	-11	-4	-6	168	1,395	197	-21	351
Amortisation and depreciation	1,689	45	12	4	116	1,373	108	-30	61
Operating profit/loss	380	-56	-16	-10	52	22	89	9	290
Profit/loss after tax in group enterprises and associated undertakings	13	0	0	0	0	13	0	0	0
Net financials	75	2	1	0	6	35	21	10	0
Profit/loss before tax	318	-58	-17	-10	46	0	68	-1	290
Tax on earnings for the year	64								
Earnings for the year	254								
Allocation in percentage									
Revenue from traffic contract		40%	0%	2%	15%	5%	38%	0%	0%
Income from leasing of rolling stock		47%	15%	8%	6%	3%	17%	1%	3%
Costs before leasing of rolling stock		48%	13%	8%	6%	4%	20%	1%	0%
Costs, depreciation, amortisation, write-downs and net financials	11,307	4,810	1,533	812	618	1,737	1,704	72	21

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

²⁾ General obligations (historical) covers grants to the Danish Railway Museum, civil servants on loan, own surplus civil servants, special buildings leased out on non-commercial terms as well as elimination items.

³⁾ General obligations (Non-recurring items) is for net profits from property sales in the parent company, write-downs of properties, regulation of civil servant obligations, layoff costs and write-downs of IC4 train sets.

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

Costs before leasing of rolling stock amounts to DKK 8,088 million for Public services. Of this, 69 percentage are used for Train Service, 30 percentage for Train System and the rest for General obligations.

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

The breakdown of train operations on activity areas is based on Public Services, which is a statement of the activities carried out by DSB under the traffic contract.

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

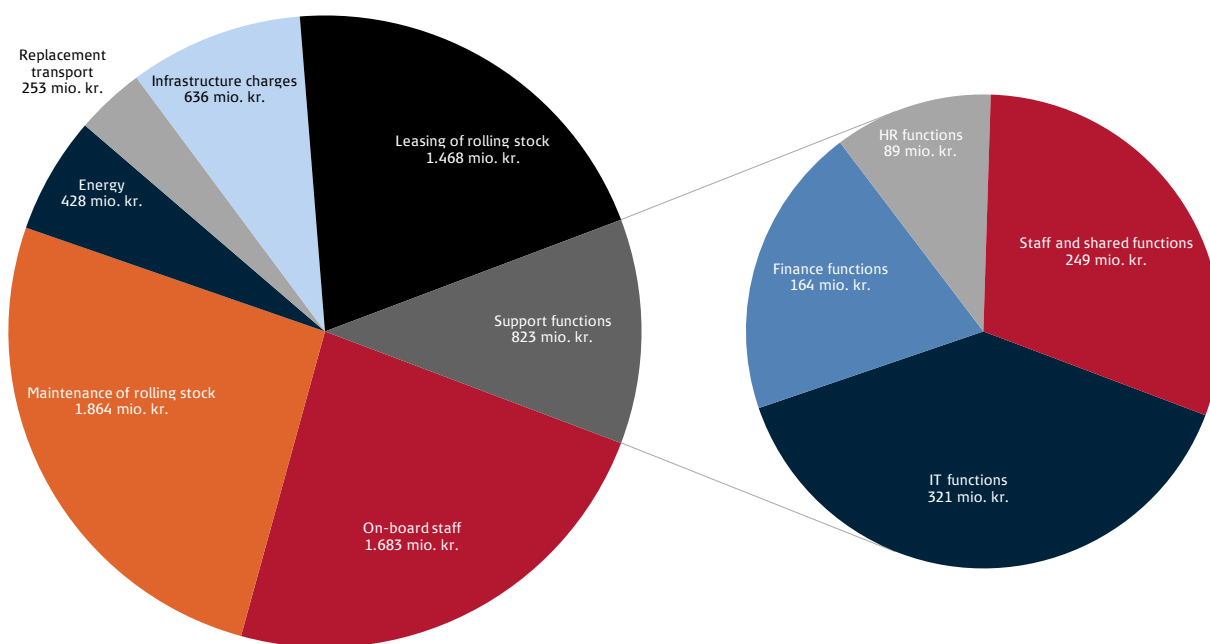
Train operation expenses

Most of DSBs' expenses including depreciation, amortisation and write-downs and financial income and expenses cover Train Services (DKK 7,155 million), distributed on Long-Distance & Regional train traffic (DKK 4,810 million), S-trains traffic (DKK 1,533 million) and Øresund train traffic (DKK 812 million) in 2018, see Table 1.

Maintenance of rolling stock and leasing of rolling stock total DKK 3,332 million of 47 per cent of the total expenses for Train Services while expenses for onboard staff amount to DKK 1,683 million or 24 per cent, see Figure 1.

Figure 1: Expenses for Train Service 2018

Amounts in DKK million



In the coming years, there will be carried out a large number of infrastructure works in Denmark. These infrastructure works are absolutely necessary, and once they have been completed, they will - together with the new electrical trains - ensure a well-functioning and sustainable train operation that will benefit DSB's customers. While the infrastructure works are carried out, the works will impact DSB's finances significantly. In particular, this is in the form of reduced passenger revenues as the customers opt out of taking the train and use other modes of transportation, but it is also in the form of increased costs for replacement transport.

Banedanmark grants cover project costs for infrastructure works, while DSB bears the costs for replacement transport when train operations are hindered by track closures due to infrastructure works. In 2018, DSB has spent DKK 253 million on replacement traffic. It is Banedanmark that plans and carries out the infrastructure works.

In accordance with the Accounting Regulations, DSB must allocate the complete costs to the activities and thereby also a part of the supporting functions, which constitute DKK 823 million or 12 percentage of the Train Service costs. The supporting functions include multidisciplinary IT functions, staff and shared functions, finance and HR functions as well as working environment and railway safety etc. Half of the supporting function costs comprise payroll and consultancy expenses while the remaining part includes expenses for software development, licences, out-sourced data operation centre, insurance, rent and consumption expenses, branding of DSB and amortisation etc.

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

The expenses for supporting functions are only variable to a limited extent in relation to the extent of Train Services. The handover of traffic to other operators thus has no influence of note on the costs for interdepartmental IT functions or other support functions.

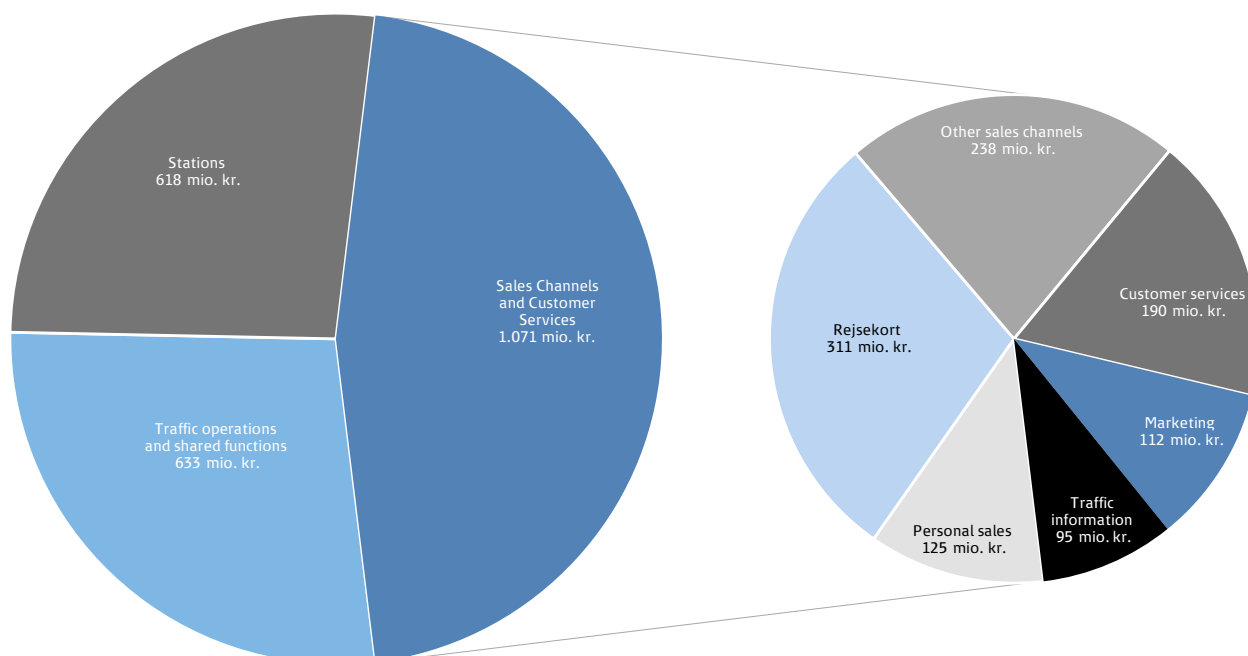
Expenses for Train System

Expenses for the Train System, excluding rolling stock, which ensures coherence in Train Services in Denmark are DKK 2,322 million including depreciation, amortisation, write-downs and financial income and expenses, see Table 1. Systems & Channels, which consists of Traffic Operations & Shared Functions and Sales Channels & Customer Service, accounts for DKK 1,704 million or 73 percentage of this while Stations accounts for DKK 618 million or 27 percentage.

Sales Channels & Customer Service comprises customer-oriented activities such as ticket sales channels (personal service, digital sale and ticket vending machines), customer service, traffic information, rejsekort (DSB's co-financing of the travel card system) and marketing. Traffic operations and shared functions includes traffic-oriented activities such as staff, rolling stock and traffic planning, traffic training, safety, monitoring and control of train traffic at the operations centres run by DSB together with Banedanmark etc., see Figure 2. In line with train service, the figures for the train system must be calculated at the fully allocated expenses and thus carry a share of DSB's total supporting functions.

Figure 2: Expenses for Train System 2018

Amounts in DKK million



VAT and tax

DSB has partial right of deduction of incoming VAT, since the group has both VAT-liable and VAT-free activities. The non-deductible proportion of incoming VAT is included in the individual items in the income statement and the balance sheet.

For 2018, the non-deductible VAT amounts to a total expense of DKK 383 million. DSB and part of the group companies share a common VAT registration. VAT is allocated the activity areas according to the relative VAT of the relevant activities. VAT costs then follow the actual costs through the allocation model.

Corporation tax will not be allocated to activity areas and lines. In the General Accounts, corporation tax is divided between Public services according to the negotiated contract and Competitive Activities. The corporate tax related to public services has been calculated at DKK 64 million for 2018.

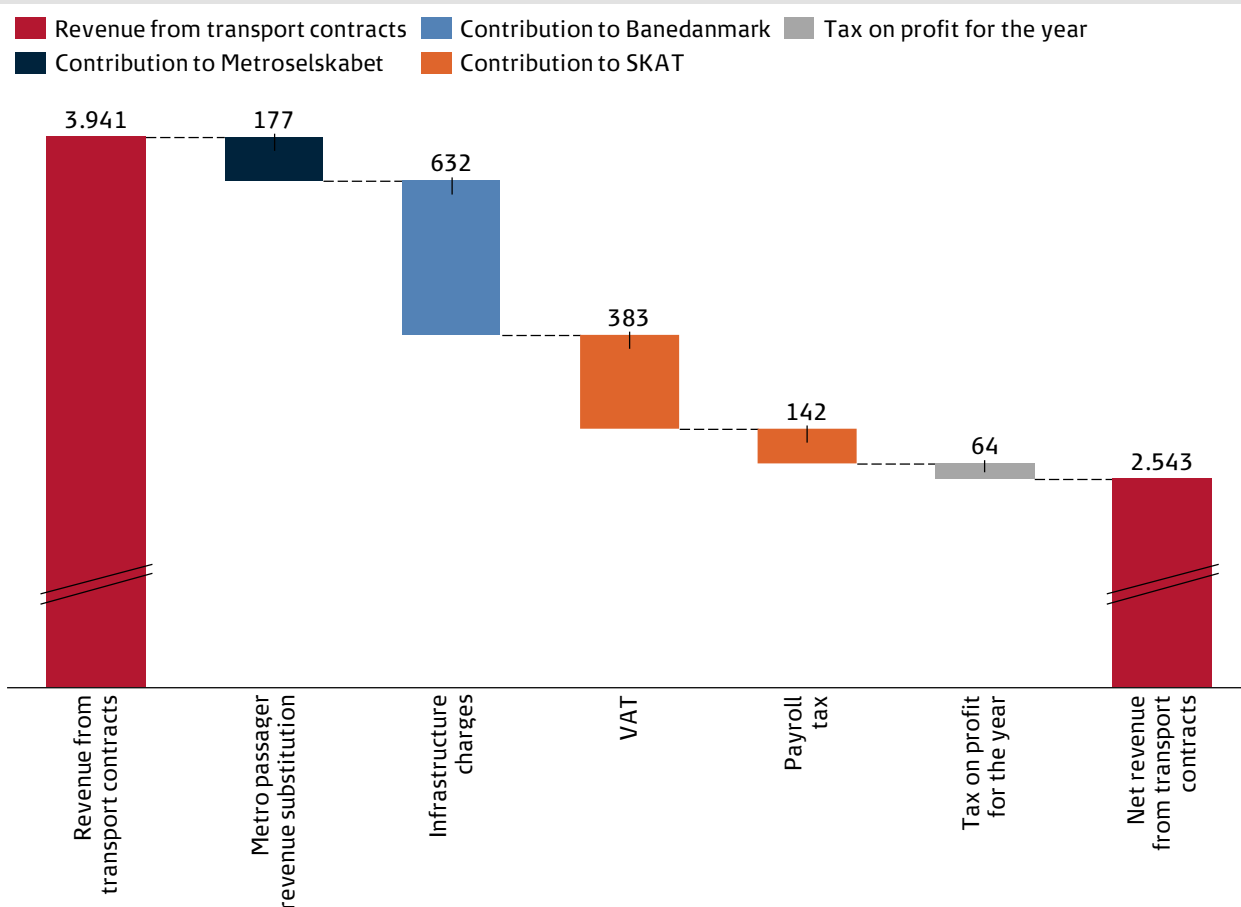
Earnings for the year and statement of net contract payments

Earnings for the year for Public services has been calculated to be DKK 254 million. The earnings for the year are allocated to DSB's equity, and thus the owner's - the state's - value of DSB increases in line with the earnings for the year. DSB's Board of Directors can choose for the earnings - or part of the earnings - to be granted to the state as dividends. In both cases, part of DSB's contract payments return to the state. Similarly, the various duties - tax, VAT and payroll tax - return to the state, just as DSB pays infrastructure charges of using the infrastructure - rail tracks and fixed connections - that DSB uses in train operations for Long-Distance & Regional train traffic.

Figure 3 shows the state's net contract payment to DSB once these factors have been taken into account - in other words, when the contract payments have been deducted from the internal distribution of resources in the sector in addition to the redistribution to other state actors. The net contract payment is thus an expression of the state's actual payment to DSB for Train operations.

Figure 3: The state's net contract payments to DSB

Amounts in DKK million



The state's net subsidy to DSB amounts to DKK 2.5 billion.

Line accounts

The Line Accounts are primarily an internal analysis tool used by DSB to understand the correlations between operations and to analyse and optimise the financial structure of the individual lines. The information on the finances of train operations on individual lines provide a good overview of the societal priorities of Danish train operations.

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

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

The reason for this is partly that the line accounts reflect absorption costing and partly that DSB's expenses, like all other companies' expenses, are variable to different degrees depending on the production volume. This means that parts of the expenses are only vaguely or not at all correlated with the number of train or seat kilometres driven. Therefore it is the case that there is no noteworthy correlation between the extent of the train services and expenses for, for example, sales and distribution channels, planning systems and surveillance centres. When DSB hands over train traffic, it means that DSB loses economies of scale and opportunities for inter-organisational synergy.

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

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

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

The key figures for Passenger revenues per seat kilometre and Expenses per seat kilometre provide the best indication of how the seat capacity is utilised on the individual lines, see Table 4 and Table 5. Seat kilometres take into account the number of seats available in the individual rolling stock class and the number of train sets/coaches coupled on a line. Train kilometres, which are often used as a key figure, do not take these differences into account. The statement of seat kilometres are associated with some uncertainty, as the statement of journeys, and thus how far the individual customer travels, is to a great extent based on passenger studies based on spot checks and passenger counts. For example, it cannot be stated precisely how often and how far a commuter with a season ticket travels, nor what line the commuter uses (see Figure 10).

Table 2: Line accounts for Train Services 2018 (Long-Distance and Regional West)

	Passen- ger revenues	Total revenues	On- board staff	Mainte- nance of rolling stock	Energy	Replace- ment transport	Infra- structure charges	Direct costs	Leasing of rolling stock (avg. costs)	Support- ing func- tion costs	Profit/los- s on Train Services
Amounts in DKK million											
Copenhagen – Aarhus - Aalborg	1,594	1,619	368	382	122	26	271	1,169	311	183	-44
Copenhagen – Esbjerg	403	410	100	81	23	2	94	300	71	47	-8
Long-Distance	1,997	2,029	468	463	145	28	365	1,469	382	230	-52
Odense – Svendborg	39	40	21	47	6	0	5	79	14	10	-63
Odense - Ringe	8	9	8	15	2	0	2	27	5	4	-27
Aarhus - Langå - Aalborg	77	81	54	31	10	6	9	110	25	26	-80
Aalborg - Frederikshavn	17	18	6	6	2	6	2	22	4	3	-11
Aarhus - Hamburg	41	42	21	19	6	0	6	52	-8	11	-13
Aarhus - Fredericia - Esbjerg	95	98	43	118	23	1	13	198	33	22	-155
Aarhus - Fredericia	11	12	5	12	3	0	1	21	4	2	-15
Odense - Fredericia	17	18	17	37	7	0	5	66	11	9	-68
Fredericia - Flensborg	17	18	13	8	3	0	4	28	7	5	-22
Fredericia - Sønderborg	39	41	31	17	4	0	6	58	15	14	-46
Aarhus - Langå - Struer	0	0	7	4	1	0	1	13	3	3	-19
Fredericia - Vejle - Struer	76	80	61	58	19	0	13	151	32	30	-133
Struer – Thisted	0	0	4	3	1	0	1	9	2	2	-13
Regional West	437	457	291	375	87	13	68	834	147	141	-665

Table 3: Line accounts for Train Services 2018 (Regional East, Øresund and S-trains)

Amounts in DKK million	Passenger revenues	Total revenues	On-board staff	Maintenance of rolling stock	Energy	Replacement transport	Infrastructure charges	Direct costs	Leasing of rolling stock (avg. costs)	Supporting function costs	Profit/loss on Train Services
Copenhagen - Kalundborg	92	96	69	117	19	1	9	215	51	34	-204
Copenhagen - Holbæk	124	128	52	96	11	2	7	168	58	27	-125
Copenhagen - Roskilde	4	5	12	8	1	0	1	22	6	5	-28
Copenhagen - Slagelse	143	148	64	62	12	1	12	151	50	31	-84
Copenhagen - Nykøbing F - Rødby	226	234	118	212	33	4	19	386	129	60	-341
Copenhagen - Hamborg	55	56	19	25	8	13	2	67	5	10	-26
Roskilde - Køge - Næstved	35	37	30	55	6	4	6	101	16	15	-95
Regional East	679	704	364	575	90	25	56	1,110	315	182	-903
Copenhagen - Helsingør	323	333	134	74	17	38	16	279	63	61	-70
Copenhagen - Malmø	400	405	68	72	16	4	131	291	87	31	-4
Øresund	723	738	202	146	33	42	147	570	150	92	-74
Long-Distance and Regional trains	3,836	3,928	1,325	1,559	355	108	636	3,983	994	645	-1,694
Central (Hellerup-Valby)	569	577	95	58	12	6	0	171	109	46	251
Køge (Sydhavn - Køge)	191	195	65	70	17	2	0	154	96	33	-88
Høje Taastrup (Danshøj - Høje Taastrup)	135	137	27	24	6	1	0	58	35	14	30
Frederikssund (Langgade - Frederikssund)	147	150	39	40	10	131	0	220	55	19	-144
Farum (Ryparken - Farum)	101	103	34	29	7	1	0	71	44	17	-29
Hillerød (Bernstorffsvej - Hillerød)	173	177	53	52	13	3	0	121	77	26	-47
Klampenborg (Charlottenlund - Klampenborg)	32	33	9	7	2	0	0	18	11	5	-1
Ringbanen (Ny Ellebjerg - Hellerup)	122	125	36	25	6	1	0	68	47	18	-8
S-trains	1,470	1,497	358	305	73	145	0	881	474	178	-36
Train Services before income from traffic contacts	5,306	5,425	1,683	1,864	428	253	636	4,864	1,468	823	-1,730
Calculated payment under traffic contract	0	1,645	0	0	0	0	0	0	0	0	1,645
Train service after income from transport contacts	5,306	7,070	1,683	1,864	428	253	636	4,864	1,468	823	-85

Table 4: Line accounts for Train Operations 2018 (Long-Distance and Regional West)

Amounts in DKK million	Train Services Passenger revenues	Train Services Other revenues	Train Services Costs	Profit/loss from Train Services	Other revenues	Other expenses	Train Operations Profit/loss	Passenger revenue per seat kilometres ⁽¹⁾	Train Services Cost per seat kilometres ⁽¹⁾	Profit/loss from Train Operations per passenger kilometres ⁽¹⁾	Passenger kilometres Million units	Train kilometres Million units
Copenhagen – Aarhus - Aalborg	1,594	25	1,663	-44	67	354	-331	0.45	0.47	-0.19	1,779	10.84
Copenhagen – Esbjerg	403	7	418	-8	21	113	-100	0.41	0.42	-0.22	449	3.12
Long-Distance	1,997	32	2,081	-52	88	467	-431	0.44	0.46	-0.19	2,228	13.96
Odense – Svendborg	39	1	103	-63	5	29	-87	0.33	0.89	-2.19	40	0.94
Odense - Ringe	8	1	36	-27	2	11	-36	0.23	1.01	-5.55	6	0.29
Aarhus - Langå - Aalborg	77	4	161	-80	8	38	-110	0.29	0.60	-0.99	112	1.51
Aalborg - Frederikshavn	17	1	29	-11	2	12	-21	0.42	0.72	-0.78	28	-0.27
Aarhus - Hamburg	41	1	55	-13	3	15	-25	0.24	0.31	-0.59	42	0.96
Aarhus - Fredericia - Esbjerg	95	3	253	-155	12	64	-207	0.21	0.55	-1.66	124	2.29
Aarhus - Fredericia	11	1	27	-15	2	8	-21	0.23	0.54	-1.48	15	0.25
Odense - Fredericia	17	1	86	-68	4	21	-85	0.11	0.53	-4.87	17	0.78
Fredericia - Flensborg	17	1	40	-22	2	10	-30	0.24	0.57	-1.73	18	0.43
Fredericia - Sønderborg	39	2	87	-46	5	25	-66	0.18	0.41	-1.43	46	1.03
Aarhus - Langå - Struer	0	0	19	-19	1	4	-22	0.00	0.60	-3.69	6	0.21
Fredericia - Vejle - Struer	76	4	213	-133	10	51	-174	0.22	0.61	-1.76	98	2.21
Struer – Thisted	0	0	13	-13	0	2	-15	0.00	0.62	-5.86	2	0.13
Regional West	437	20	1,122	-665	56	290	-899	0.22	0.56	-1.62	554	11.30

¹⁾ Calculated financial ratios are not rounded off.

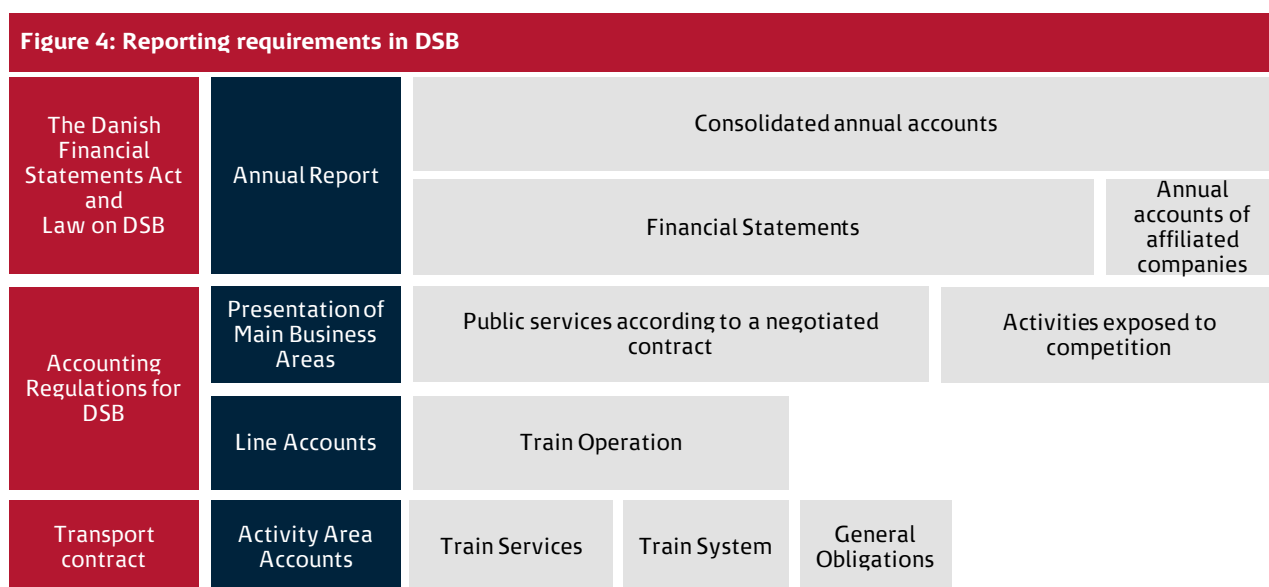
Table 5: Line accounts for Train Operations 2018 (Regional East, Øresund and S-trains)

Amounts in DKK million	Train Services Passenger revenues	Train Services Other revenues	Train Services Costs	Profit/loss from Train Services	Other revenues	Other expenses	Train Operations Profit/loss	Passenger revenue per seat kilometres ⁽¹⁾	Train Services Cost per seat kilometres ⁽¹⁾	Profit/loss from Train Operations per passenger kilometres ⁽¹⁾	Passenger kilometres Million units	Train kilometres Million units
Copenhagen - Kalundborg	92	4	300	-204	12	65	-257	0.19	0.62	-2.04	126	1.65
Copenhagen - Holbæk	124	4	253	-125	16	97	-206	0.29	0.59	-1.29	160	1.16
Copenhagen - Roskilde	4	1	33	-28	1	7	-34	0.07	0.53	-6.18	5	0.23
Copenhagen - Slagelse	143	5	232	-84	19	109	-174	0.25	0.40	-0.90	193	1.75
Copenhagen - Nykøbing F - Rødby	226	8	575	-341	23	130	-448	0.21	0.54	-1.31	342	3.21
Copenhagen - Hamburg	55	1	82	-26	2	13	-37	0.25	0.38	-0.66	57	0.73
Roskilde - Køge - Næstved	35	2	132	-95	8	44	-131	-0.27	1.03	-2.96	45	1.04
Regional East	679	25	1,607	-903	81	465	1,287	0.23	0.54	-1.39	928	9.77
Copenhagen - Helsingør	323	10	403	-70	44	227	-253	0.32	0.40	-0.71	357	2.75
Copenhagen - Malmø	400	5	409	-4	48	262	-218	0.40	0.41	-0.65	335	2.47
Øresund	723	15	812	-74	92	489	-471	0.36	0.41	-0.68	692	5.22
Long-Distance and Regional trains	3,836	92	5,622	-1,694	317	1,711	-3,088	0.33	0.49	-0.70	4,402	40.25
Central (Hellerup-Valby)	569	8	326	251	10	181	80	0.64	0.37	0.27	297	2.51
Køge (Sydhavn - Køge)	191	4	283	-88	10	103	-181	0.15	0.22	-0.61	298	3.52
Høje Taastrup (Danskø - Høje Taastrup)	135	2	107	30	2	56	-24	0.34	-0.27	-0.21	112	1.14
Frederikssund (Langgade - Frederikssund)	147	3	294	-144	3	81	-222	0.20	0.40	-1.34	166	2.10
Farum (Ryparken - Farum)	101	2	132	-29	2	52	-79	0.19	0.25	-0.74	108	1.55
Hillerød (Bernstorffsvej - Hillerød)	173	4	224	-47	3	84	-128	0.19	0.25	-0.51	251	2.40
Klampenborg (Charlottenlund- Klampenborg)	32	1	34	-1	1	18	-18	0.25	-0.27	-1.32	14	0.39
Ringbanen (Ny Ellebjerg - Hellerup)	122	3	133	-8	2	47	-53	0.34	0.37	-0.83	65	1.31
S-trains	1,470	27	1,533	-36	33	622	-625	0.28	0.29	-0.48	1,311	14.92
Total lines	5,306	119	7,155	-1,730	350	2,333	-3,713	0.32	0.43	-0.65	5,713	55.17
Public services	5,306	119	7,155	-1,730	733	2,511	-3,508	0.32	0.43	-0.61	5,713	55.17

¹⁾ Calculated financial ratios are not rounded off.

Method used for preparation of line accounts

As a public undertaking, DSB must fulfil a number of reporting requirements, see Figure 4. The reporting requirements each have their own background and purpose and all aim at creating transparency and a check of DSB's conditions. However, the requirements consider the company from different perspectives, which makes it difficult to determine the connection between the individual reports and it can also impair the transparency.



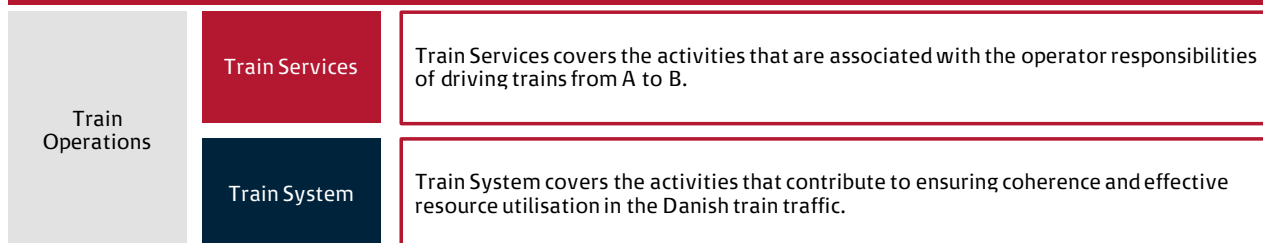
The Danish Financial Statements Act stipulates requirements for the drawing up of accounts, which cover the whole group and provide insight into the financial position of the whole company.

DSB's Accounting Regulations are designed to separate Public Services from Competitive Activities in order to provide an insight into the activities that are subject to contract payment and ensure that there is no illegal state support. The presentation of the General Accounts, which are reviewed by DSB's External Auditor, divides the parent company's result into Public Services under a negotiated contract and Competitive Activities.

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

The line accounts are based on DSB's General Accounts where Public Services are separated. The activity area accounts are an attempt to segment activities with reference to the split in the traffic contract. The line accounts are a breakdown of the train operations on the lines in accordance with DSB's Accounting Regulations.

Figure 5: Elements of Train Operations



DSB operates trains in Denmark as a total activity, but shall, in connection with the traffic contract, prepare and implement a separation of the railway operations into activities related to the actual train movements (Train Operations), and activities related to the maintenance of the production apparatus (Train System), see Figure 5.

Financial model for lines

The Line Economy Model provides a basis for DSB's General Accounts and line accounts. This creates a unique correlation and a complete transaction track between the individual accounts.

The model creates the General Accounts setup by dividing activities into Public Services under a negotiated contract and Competitive Activities, such as, for example, renting out properties to external customers.

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

Figure 6: Design of the Line Economy Model

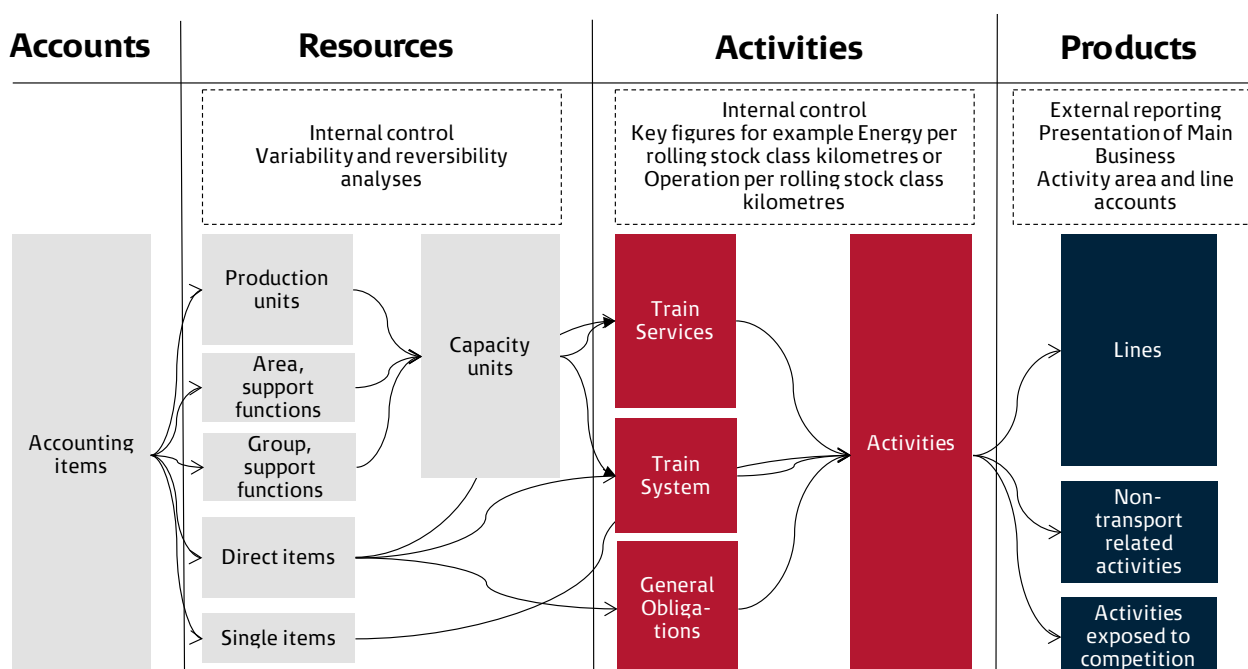


Figure 6 describes the principle method used in the Line Economy Model where the accounting entries are grouped and distributed via activities for lines. At the resources level, the accounts are grouped and classified according to production proximity, so that the supporting functions are distributed according to the capacity unit's relative use of resources. The model makes use primarily of objective and systematic basis of allocation based on production information.

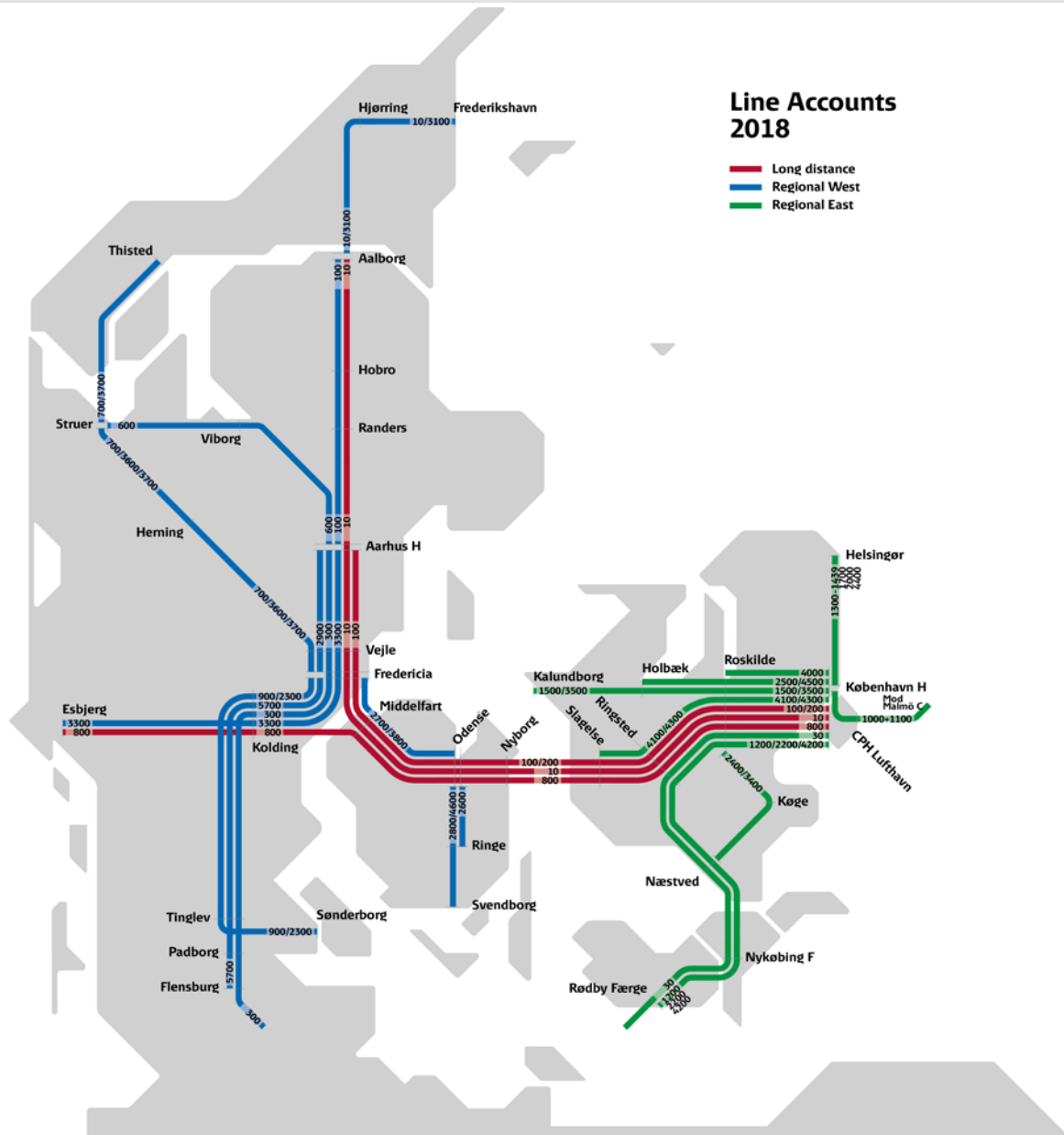
The Line Economy Model is based on a combination of "full cost allocation" and "activity-based cost allocation". The full cost allocation results from the Accounting Regulations requirement that all costs are allocated to the lines.

Definition of lines

Figure 7 shows the definitions used for the individual lines that have been adapted to the production and timetable that DSB has used in 2018. The only changes compared to 2017 are that Nordjyske Jernbaner as of 6 August 2017 took over regional traffic in North Jutland, that the line going to Ystad was taken over by Öresundståg as of 10 December 2017 and that the Copenhagen - Ringsted line was extended to Slagelse.

Figure 7: Line definitions 2018

Long-Distance & Regional Trains



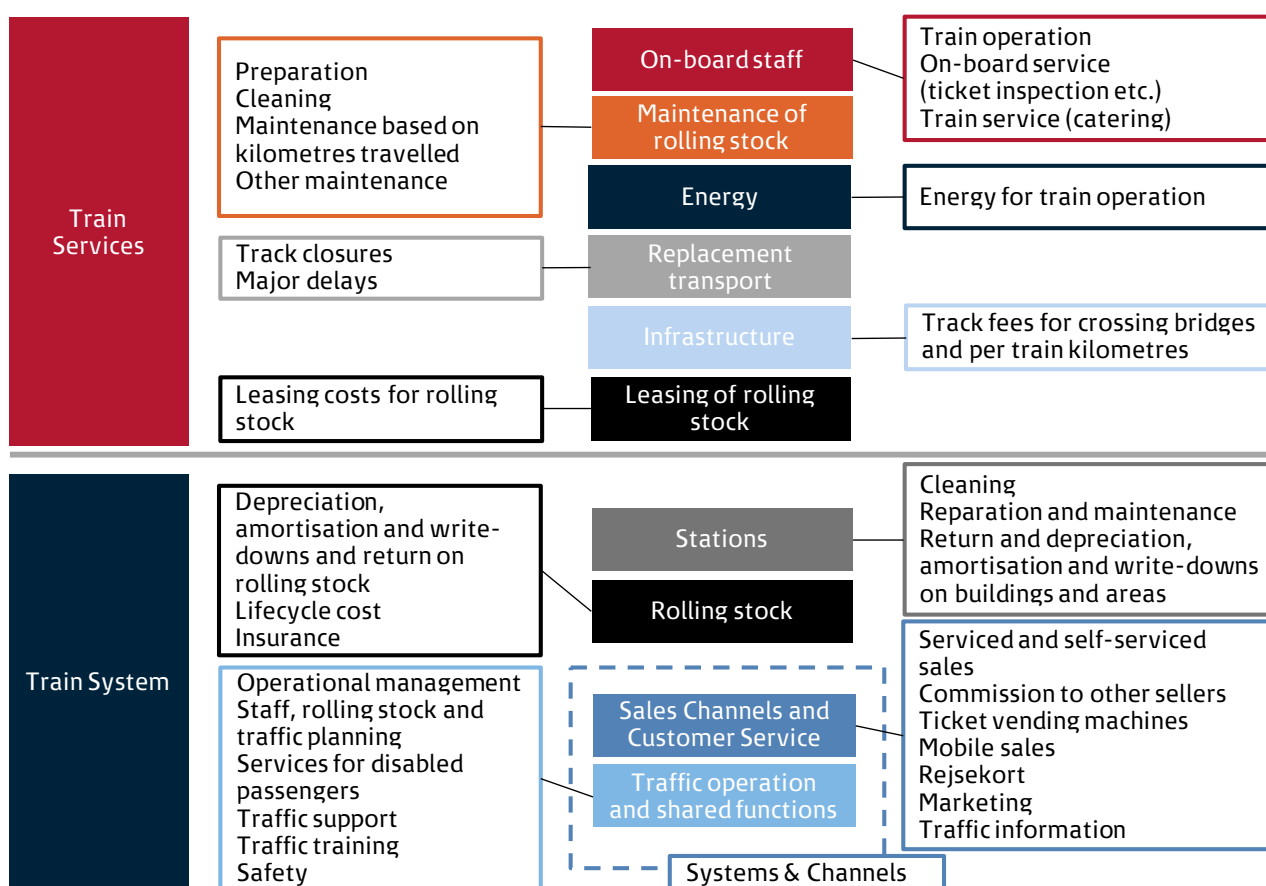
- Long-Distance trains are defined as train crossing the Great Belt (the red lines) and these consist of the lines Copenhagen - Aarhus - Aalborg and Copenhagen - Esbjerg.
- The remaining InterCityLyn and InterCity lines and "the tails" of InterCityLyn from Aalborg to Frederikshavn and InterCity from Aarhus to Aalborg are defined as regional trains as this is, in fact, regional train traffic as the trains stop at every station. (Aarhus - Langå - Struer, Fredericia - Vejle - Struer, Struer - Thisted (tail of InterCityLyn), Fredericia - Sønderborg, Aalborg - Frederikshavn (tail of InterCityLyn), Aarhus - Langå - Aalborg (tail of InterCity)).

- Struer – Thisted is viewed as a separate line, as DSB has an obligation according to the traffic contract to operate the line 6 times a day, but does not receive the associated passenger revenues.
- The Øresund traffic is divided into two lines (Copenhagen – Helsingør and Copenhagen – Malmø).
- The train categories Regional East and Regional West follow the underlying train production.
- International train systems, used to a great extent by local travellers on Zealand and in Jutland are defined as regional rail traffic.

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

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

Figure 8: Activities in Train Services and Train System



The basic accounting registrations do not directly support a division of the train services in accordance with the activity area perception in the traffic contract. The basic registrations are aimed at supporting the company's current organisation and thus the most effective total train business. That is why the reports on activity areas are based on the basis of allocation of the Line Economy Model.

Basis of allocation

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

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

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

Figure 9: The main basis of allocation for Train Services in the Line Economy Model

On-board staff	Time registrations by train drivers, conductors and ticket inspectors
Maintenance of rolling stock	Rolling stock class hours, rolling stock class kilometres and seat kilometres
Energy	Rolling stock class kilometres
Replacement transport	Partial journeys and directly attributed to specific lines
Infrastructure	Bridge crossings and per train kilometres
Leasing of rolling stock	Average

Figure 9 shows the main production-based basis of allocation used in the allocation of the train service activities to the individual lines. This can be illustrated by the examples below:

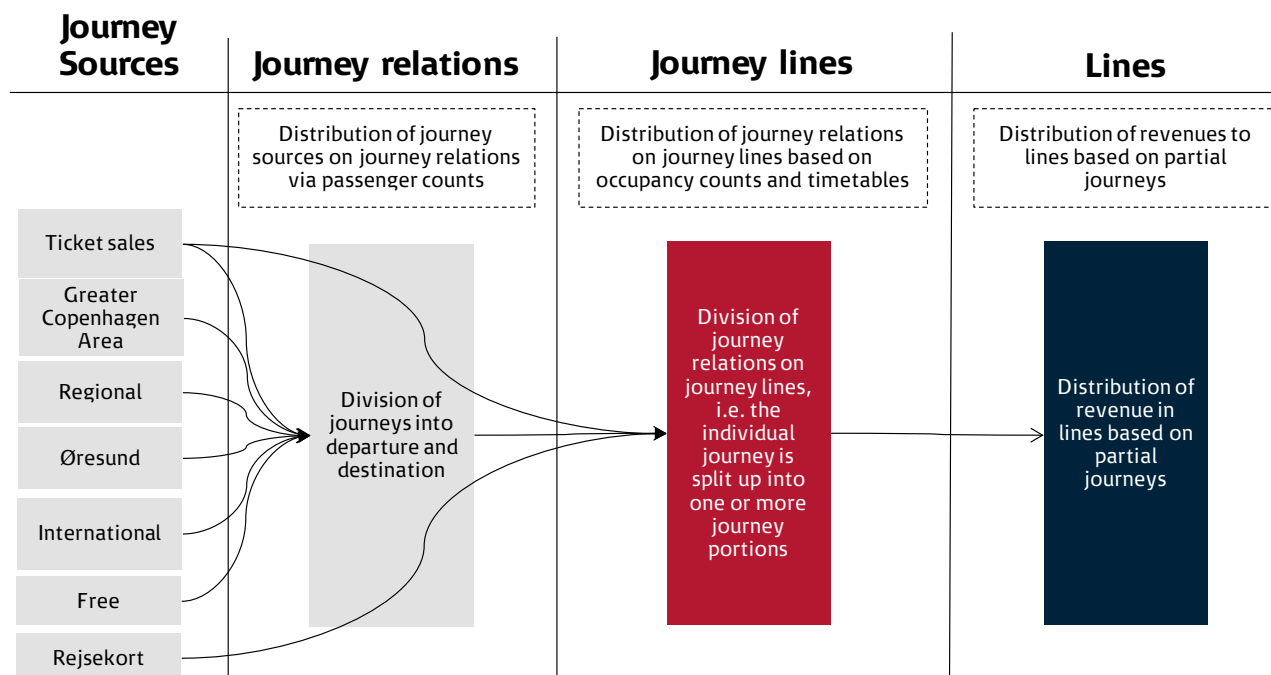
- The full costs of the train transport activity under on-board staff is distributed to the lines based on the locomotive driver's time registration that is connected to the individual line via the rolling stock.
- The full maintenance costs of IC3 train sets are distributed relative to the lines where IC3 train sets are used based on the litre kilometres that the IC3 train set has travelled.
- The infrastructure costs for crossing the Great Belt are allocated in proportion to the number of bridge crossings made on the individual line in addition to how many kilometres the individual train has travelled.

Distribution of passenger revenue to lines

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

The calculation is further complicated by the fact that there are currently many ticket systems and fare zones that need to be coordinated between different operators.

Figure 10: The principles behind the allocation of passenger revenue to lines



For Long-Distance & Regional trains, DSB therefore uses a number of journey sources, see Figure 10, of which the most significant are DSB's own ticket sales and Greater Copenhagen area travels in addition to the rejsekort. Among other things, the journeys are assessed by passenger counts in trains and the weighing of trains which is converted to customer numbers. The methods may vary from journey source to journey source and are agreed with the other operators in a given tariff area.

The trips must then be divided into travel relationships that show from where and to where the journey is made. Among other things, this is done on the basis of passenger studies³⁾ looking into travel patterns that provide a statistical weighting that can be used for travel sources. This means that the distribution comes with a certain statistical uncertainty relative to the size of the samples on the individual line and total population of travellers on that line.

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

³⁾ The BRIK count in the Greater Copenhagen area and the Country count, as carried out by COWI for Long-distance & Regional trains.

Partial journeys are used to allocate passenger revenue to lines in the overall travel revenue model. In the Line Economy Model, this input is used as a basis for distributing the registered passenger revenue. There is thus a certain amount of estimation involved in the passenger revenue linked to individual lines.

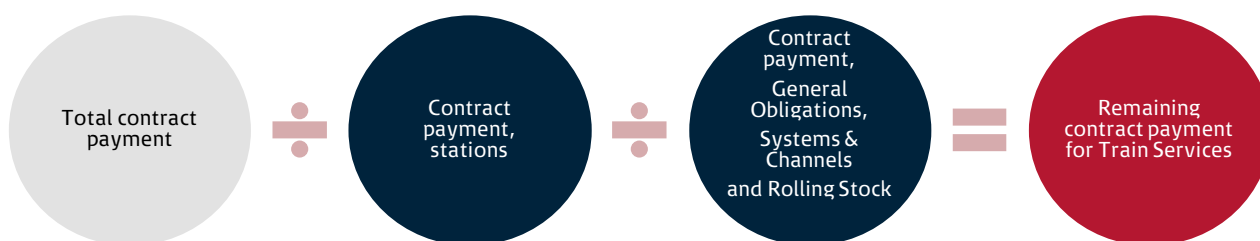
For S-trains, the line revenues are calculated in a separate passenger count system (APS), which allocates the revenues for the eight main lines.

Distribution of income from the traffic contract to areas of activity

The Line Economy Model will not be broken down into the contract payment on lines, since there is no unique activity-based method on which to allocate the contract payment.

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

Figure 11: Principles for allocating revenues from the traffic contract to activity areas



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

The remaining contract payment accrues to Train Services where it is distributed such that the profit ratio is identical for Long-Distance & Regional train traffic, Øresund train traffic and S-train traffic. If a line generates a profit without contract payments, this payment is distributed only to the loss-making traffic areas.

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

Distribution of rolling stock rental to Train Service

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

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

Management Statement

DSB's management has considered and approved DSB's Line accounts for 2018.

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

It is our view that

- The Accounting Regulations have been respected in 2018, including making the necessary accounting breakdown, see the Section 2 of the Accounting Regulation, such that DSB can account for the need for grants for the passenger traffic.
- The model instrument and the basis of allocation used are documented in accordance with the Section 3 of the Accounting Regulations so that DSB can account for financial allocation to lines.

Taastrup, 7 February 2019

Flemming Jensen
CEO

Thomas Thellersen Børner
CFO

Corporate Social Responsibility (CSR)

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

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



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

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

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

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

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

Collaboration and support

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



In 2018, DSB entered into a 4-year strategic partnership with UN's association for children, UNICEF. The purpose of the collaboration was to make it easy for DSB's customers and employees to get involved in helping the world's most vulnerable children, and in that manner contribute towards the creation of a more fair and sustainable future. DSB has chosen to focus on the four of the 17 UN SDGs mentioned below : Ending hunger, ensuring clean water and sanitation, quality education and industry, innovation and infrastructure. In 2018, DSB collected donations of DKK 575,000 to UNICEF's work, and the ambition for the coming three years is to collect 1 million each year.

Since 2008, DSB has collaborated with 'Natteravnene', a night watch group consisting of 4,000 volunteers who patrol the cities at night - including at stations and in trains. DSB provides financial support to Natteravnene. They can travel by all DSB trains free of charge when they carry out their volunteer work. In addition, DSB has added Natteravnene's logo and colours to 2 S-trains.

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

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

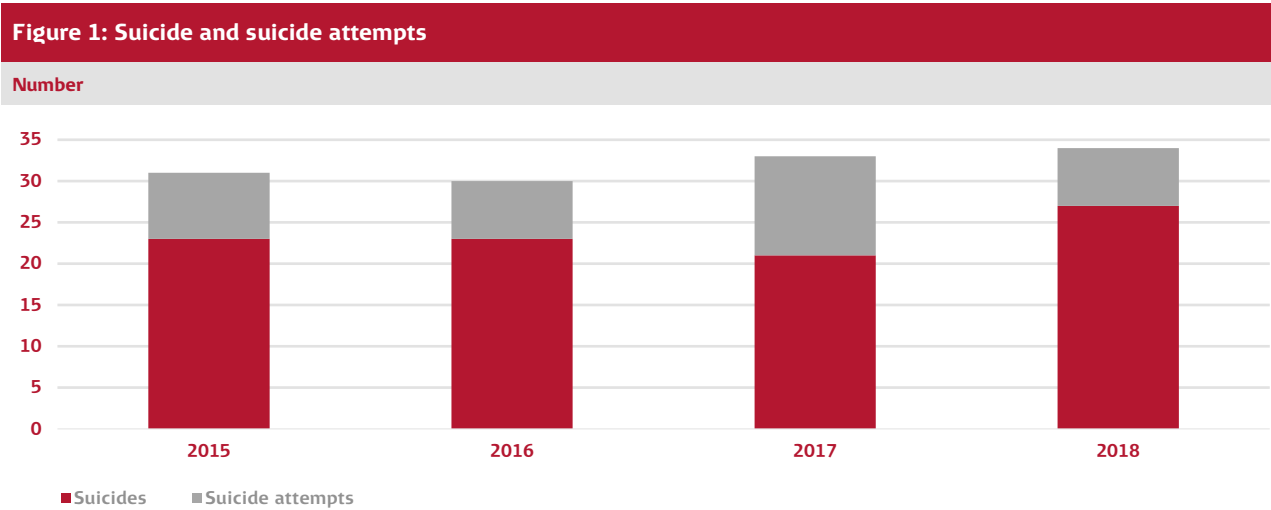
Safety and security

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

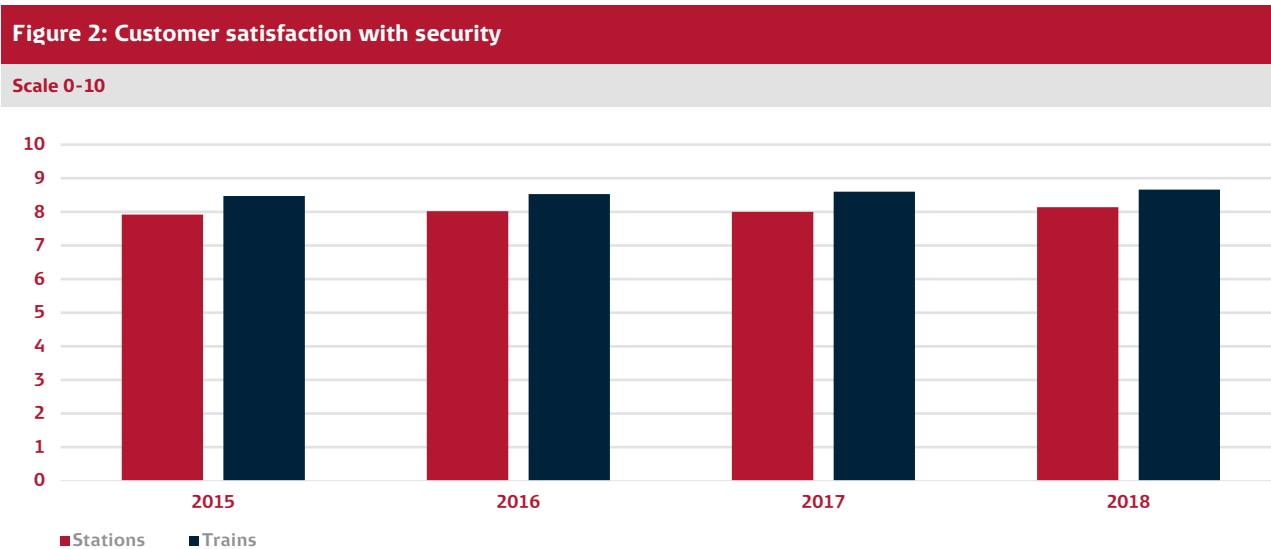
Surveillance in trains and at stations contributes to safety and security. At the end of 2018, over 2,000 cameras at 143 stations and almost 4,000 cameras in S-trains were installed. As an example, the camera surveillance is used to ensure that police and extra personnel are called in when the situation requires it, and also to help police solve crimes such as vandalism, violent assaults, pick-pocketing, etc.

In all DSB's trains and at selected stations, heart defibrillators have been installed that once again in 2018 have been used several times to save lives. In 2018, DSB continued working with Trygfonden to hold courses for DSB's staff in the use of defibrillators.

Suicides and attempted suicides are, unfortunately, a recurring event. These are tragic events for the individuals hit by trains and their families, but it also impacts the customers and employees in the form of train cancellations, delays and psychological scarring. In 2018, 27 suicides and 7 attempted suicides were registered (21 and 12, respectively, in 2017).



In customer surveys, the customers' perception of security in trains and at stations is monitored on an ongoing basis. The survey reveals that the customers' perception of security in 2018 improved in both areas compared to 2017.



Every year, DSB spends large amounts to combat graffiti and to create attractive and safe environments for the customers in trains and on stations. This takes place via preventive efforts such as security guards, etc. and via the cleaning of trains and buildings.

Homeless people who stay at stations and on trains are contributing towards an unsafe environment for the customers. In the winter of 2017/2018, DSB has set up a collaboration with Copenhagen Municipality's Homeless Unit to help the homeless at stations move on. Among other things, this collaboration has resulted in employees contacting the Homeless Unit when they encounter homeless people in need of help. With the assistance of the Homeless Unit, DSB has also produced a map with a list of overnight shelters that can be handed out by employees.

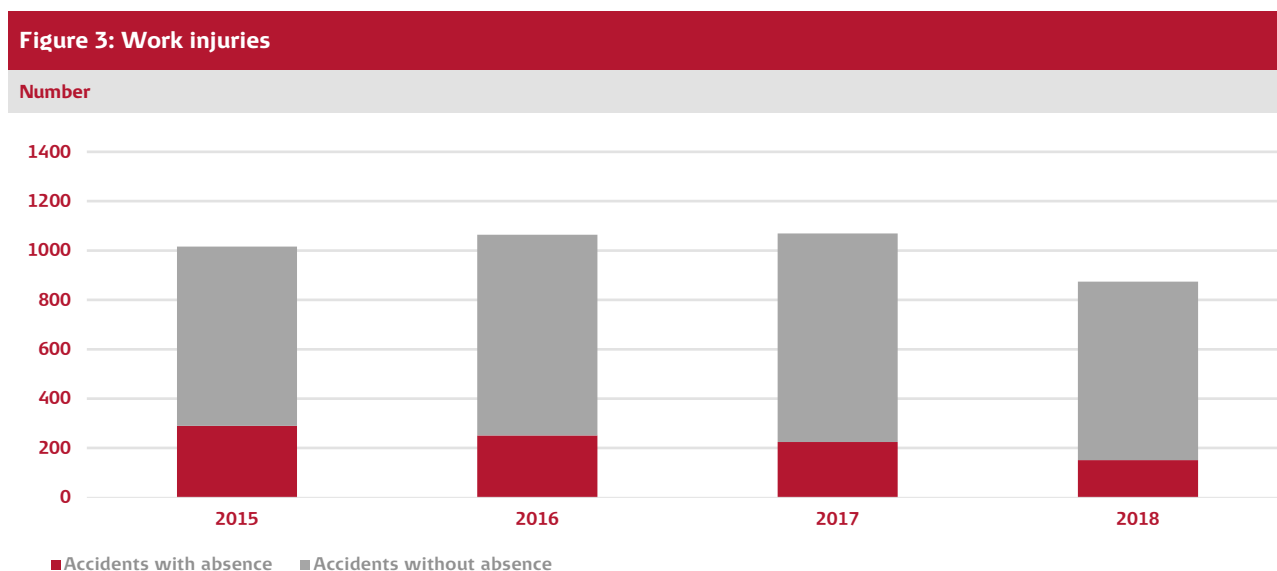
In addition, DSB has been participating in the collaboration 'Tryk-By 18' (Safe City 18) with Copenhagen's police department and Copenhagen Municipality, and the campaign 'Pickpockets Love Distractions' has contributed to increasing the security levels around the ticket and payment machines and the ATMs in the Copenhagen area.

Occupational health and safety

Part of DSB's strategy is to be an attractive place to work. DSB has a systematic approach towards the working environment, and in 2018 the working environment was once again audited by the OHSAS 18001 standard. In addition, it was decided that in 2020 DSB will transition to using the new ISO45001 standard.

In 2018, it was once again a goal to reduce the number of work accidents and absences in general. Accidents with absences declined from 224 in 2017 to 151 in 2018. The decrease is a result of a strengthened systematic analysis of the causes and extent of work accidents in addition to a decrease in violence, threats and accidents involving falls as a result of a great focus and effort dedicated to these areas.

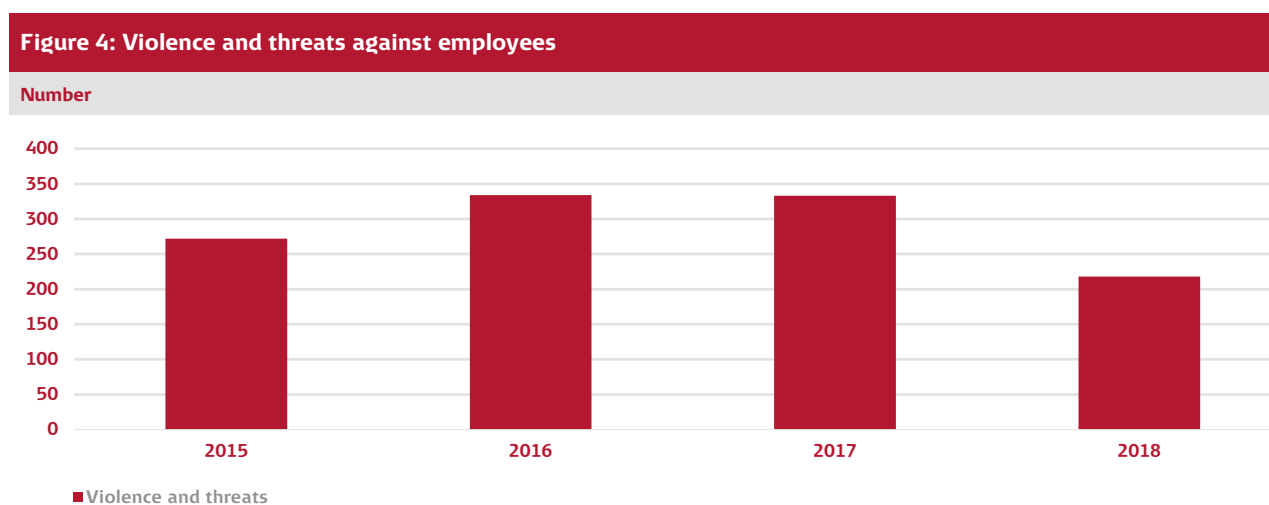
Work accidents that did not result in absences have decreased from 845 in 2017 to 723 in 2018. One of the reasons for the decrease is a changed registration procedure, resulting in some incidents now being registered as 'Run-up to an accident'. All together, work accidents have decreased from 1,069 in 2017 to 874 in 2018.



2018 has also had a focus on reducing the general sickness absence. However, this has not yielded the desired effects, as the absences have increased from 9.1 days on average in 2017 to 9.2 days in 2018.

In 2018, DSB has also worked to reduce stress. This has been accomplished via informational material, tools and courses for top managers. The proportion of employees who respond that they have experienced work-related stress in 2018 was at 28 percent. Part of the action plans include a focus on preventing stress.

When many people are gathered together at stations and in trains, and also when it comes to ticket controls, disagreements may occur that can escalate to threats and violence against customers and employees. DSB makes every effort to become better at preventing and managing these situations. Among other things, this is done via the training of employees in conflict management, by collaborating with the police and via a dialogue with the customers. In 2018, DSB also introduced new guidelines for preventing and managing violence and threats, and the focus was on ensuring that the health of the employees is always the top priority. Furthermore, they are guaranteed to have support available when violence and threats have taken place. Over a 3-month period, there has been run an external campaign with the message that DSB will not accept violence and threats, and that DSB will report such incidents to the police. This resulted in a major decrease of the number of violent and threatening incidents faced by the employees in 2018.



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

Accessibility

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

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

In 2018, DSB provided disability assistance 18,000 times and sold 58,000 companion tickets.

In 2018, DSB has signed a subcontractor agreement with Region North Denmark. The agreement means that Nordjyske Jernbaner is currently operating all trains north of Aalborg. DSB will receive the orders and handle the assistance aspect of journeys by train with Nordjyske Jernbaner. Likewise, DSB continues to provide disability assistance to customers who take the train between Copenhagen and Ystad.

DSB makes a special effort for children who are part of a family living in separate parts of the country. DSB has trained 70 children's guides who care for the children during the journey in a separate coach to which only the children have seat reservations. In 2018, over 17,000 were sold of these tickets with children's guides.

Diversity

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

Since the middle of 2017, DSB has had 80 refugees participate in brief job training courses (4 weeks) or industry learning courses (13 weeks). DSB continues working with these initiatives in 2019.

DSB has increased the number of traineeships for apprentices, and at the end of the year, there were 50 traineeship positions for apprentices at the workshops. In addition, in 2018 DSB was also focused on recruiting office trainees and there were 17 such trainee positions by the end of 2018.

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

At the end of 2018, the gender distribution on the director level was 29 percent female - this is also the case for all managers at DSB - and it is almost the same as the proportion of female employees, which is at 26 percent. DSB's goal is to have a balanced gender composition with at least 1/3 being of the underrepresented gender, which also is a part of the considerations made when recruiting for the company's 'green house' for managers and those aiming for the management levels.

Bribery

DSB does not tolerate corruption, and it has clear internal guidelines for receiving gifts. The guidelines are communicated to the employees via the intranet and e-learning courses and is also a topic in the introductory training for new employees. DSB also has an acquisition policy with a Code of Conduct that all suppliers must adhere to. DSB trades with both Danish and international suppliers as an integrated part of maintenance works, the acquisition of new trains and other activities. DSB makes a very large proportion of its purchases from known suppliers. In addition, purchases are subject to EU rules for tenders, which helps reduce the commercial risks. Finally, DSB has a whistle blower scheme that is administered by the head of internal audit. DSB has recorded no instances of bribes taking place in 2018.

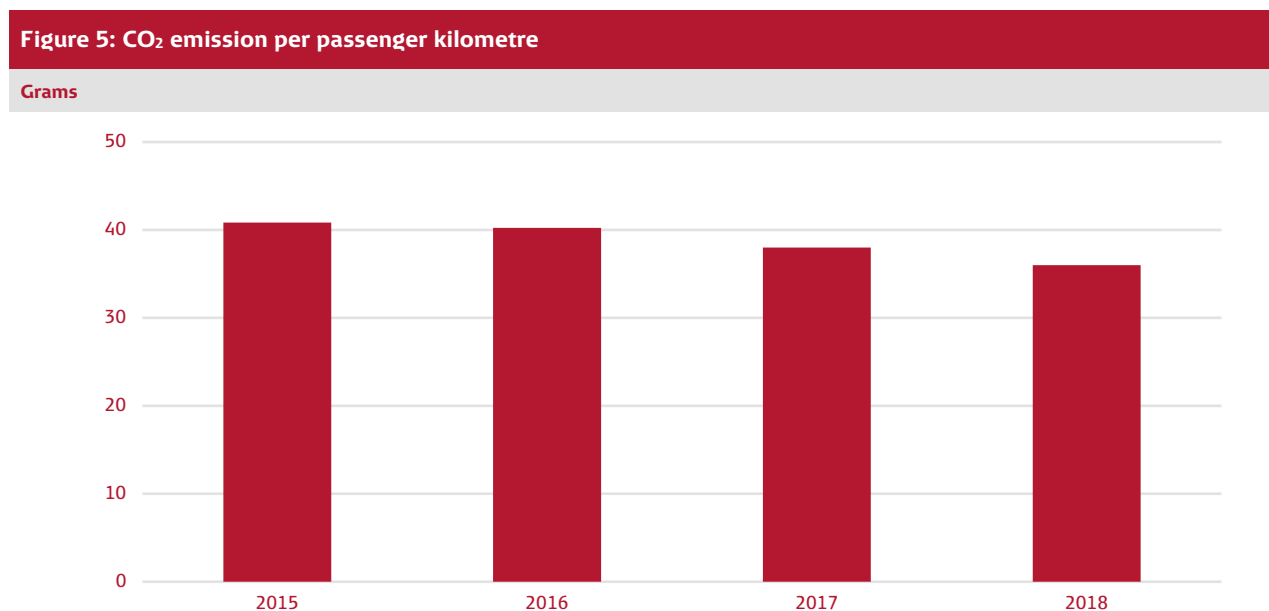
Environment and climate

The most significant risks from an environment and climate point of view are assessed to be air-borne emissions from train operations and noise pollution from train operations, workshops and the preparation of trains.

DSB Vedligehold A/S is environmentally certified according to the ISO 14001 standard and was recertified in 2018 and in that connection received a certification based on the new version of the standard (ISO 14001: 2015).

CO₂ emissions

The total CO₂ emissions in 2018 have fallen by 2 percent compared to 2017. This is due to a significant decline in the consumption of diesel for train operations, a substantial increase in CO₂ emissions from train-busses and unchanged emissions from building and workshops.



DSB has set a strategic measuring point for sustainability, defined as the emission of grams of CO₂ from train operations per passenger kilometre. The figure above shows the results from recent years.

It shows a reduction of CO₂ emissions per passenger kilometre of 5 percent compared to 2017. A CO₂ emission of 36 grams per passenger kilometre makes the train, from a climate point of view, highly competitive in relation to other means of transportation, as cars and planes both emit more than 100 grams of CO₂ per passenger kilometre while busses emit 80 grams.

The next steps towards the electrification of DSB have been taken. After some initial issues, the line between Lunderskov and Esbjerg is now working well. This has meant that the line now uses electricity instead of diesel, and this results in decreased energy consumption and CO₂ emissions. As a result of errors in Rail Net Denmark's operational electrical power unit on the line, it was not possible to use electric rolling stock for three months of 2018, and thus the full impact of the electrification will only be completely evident in the consumption figures for 2019.

With the purchase of electric locomotives for the regional traffic on Zealand, DSB has taken the next step towards the reduction of energy consumption and emissions. With the imminent purchase of The Train of the Future, the next steps towards electric trains being in operation on all DSB's lines will be taken.

The total energy consumption for trains in 2018 has decreased by 7 percent compared to 2017. The energy consumption of the diesel train traffic has decreased by 10 percent, which is in part due to the electrification of the Lunderskov - Esbjerg line that opened in the fall of 2017 and in part due to the reduced operation of ME locomotives as a result of axle issues in 2018. The total energy consumption for electric trains (S-trains and Long-distance & Regional trains) is unchanged compared to 2017.

Table 1: Development in energy consumption and CO₂ emissions

Change from 2017 to 2018	Energy consumption per seat kilometre	Energy consumption per passenger kilometre	CO ₂ emission per passenger kilometre
Long-distance & Regional Trains			
- Diesel trains	-2%	2%	2%
- Electric trains	-3%	-3%	-4%
S-trains	3%	-1%	-2%

The CO₂ emission per passenger kilometre for electric trains has decreased. This is due to an increased use of S-trains and the fact that the share of electric trains used for regional traffic has been increasing. Conversely, the CO₂ emissions per passenger kilometre for diesel trains has increased due to them representing a lower proportion of regional traffic.

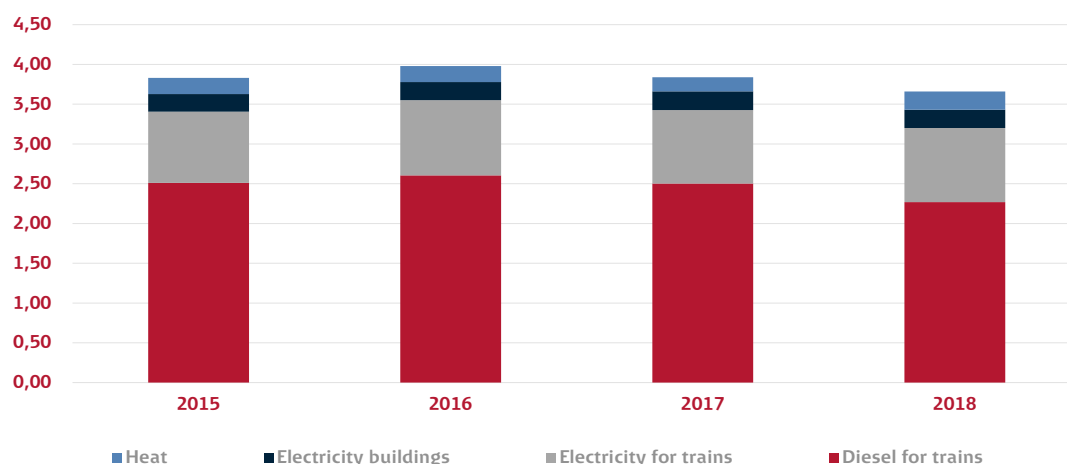
Energy consumption

88 percent of DSB's total energy consumption is used for train operations, which is a small decrease compared to 2017. The energy consumption for things other than train operations has increased by 8 percent in 2018 compared to 2017. In total, this represents a small decrease in the electricity consumption and a larger increase in the consumption of heat, which mainly relates to an increased production in the workshop facilities in Aarhus.

The total energy consumption and the composition thereof is shown in the illustration below.

Figure 6: Energy consumption

GJ (million)



Through its environmental policy and the environmental certification of workshops and preparation centres, DSB is focused both on reducing its impact on the surrounding environment and on contributing to the transport sector's overall restructuring and the reduction of its climate impact.

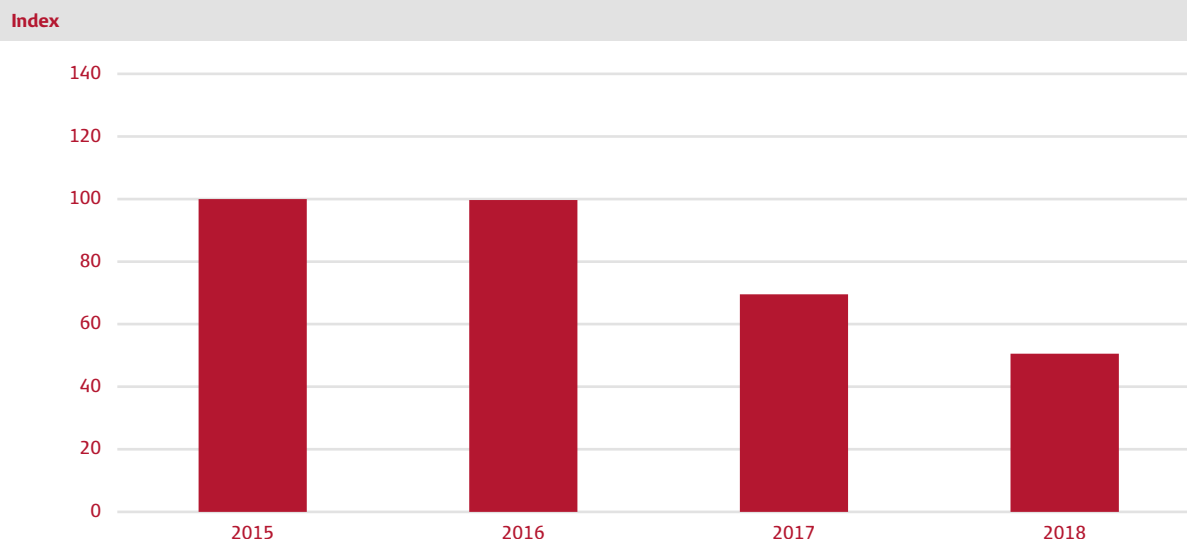
DSB is continuing efforts to reduce energy consumption in buildings and fixed installations. In 2018, the following initiatives have had an impact on the development in electricity and heat consumption:

- The closure of four DSB 7-Eleven stores has resulted in a reduction of approximately 700 MWh
- The sale of Kalvebod Brygge and the final emptying of the building has reduced both the energy and water consumption
- Ongoing replacement of traditional lighting with LED lighting.

Particle emissions

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

Figure 7: Particle emissions



The total emission of particles, calculated by mass, from diesel trains has fallen by 27 percent in 2018 compared to 2017 and by 49 percent compared to 2015. The decrease is a result of a reduced use of MR train sets and the installation of catalytic converters in the MR train sets.

DSB has found a solution which results in significant reductions of emissions from the ME diesel locomotives. It has been decided to install new cylinder units and nozzles and to change the settings on the nozzles. In total, this leads to a reduction of particle emissions of 50 percent, a reduction in the consumption of lubricating oil and a small reduction in the consumption of diesel oil. 15 ME diesel locomotives have been changed by the end of 2018 and at the end of 2019, the initiatives will be implemented on all locomotives that are still used for passenger traffic.

Complaints and enquiries regarding environmental issues

The number of noise and smoke complaints submitted by neighbours and customers increased from 130 in 2017 to 140 in 2018.

Complaints and enquiries, by category:

- Noise: 88
- Smoke: 8
- Noise and smoke: 25
- Air quality: 19.

It is still the ME diesel locomotives which are the primary cause of the complaints and enquiries. This applies to both enquiries from neighbours regarding turn tracks/prep areas and from neighbours to the tracks in Valby and Østerport.

In two cases, a municipality has been involved (Fredericia and Aarhus). All the cases were about noise, and they have been resolved. In Aarhus, the municipality has ordered that DSB must reduce

the noise from the workshop in Sonnesgade to such an extent that the Danish Environmental Protection Agency's guidelines for noise in current residential areas are complied with by no later than 2028.

DSB has succeeded in solving the part of the noise issue that concerns workshop activities, and the remaining noise issue is due to shunting by the workshop's exterior areas. With the coming electrification of train operations, DSB expects that noise from shunting will be significantly reduced and that the noise issues will thus be within the allowable limits.



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About DSB

Board of Directors

The Board of Directors' directorships in Danish and foreign commercial enterprises. The special competencies of the Board of Directors are described on www.dsb.dk.



Peter Schütze, Chairman

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

Re-elected - elected as Chairman, 28 February 2017 (at the ordinary annual meeting)

Term of office ends: 2019.

Chairman of:

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

Vice Chairman of:

- the Board of Directors of SimCorp A/S.

Member of:

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



Annette Sadolin, Vice Chairman

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

Re-elected – elected as Vice Chairman on 28 February 2017 (ordinary Annual Meeting)

Term of office ends: 2019.

Chairman of:

- the Board of Directors of Østre Gasværk Teater

Member of:

- the Board of Directors of DSV A/S
- the Board of Directors of Topdanmark Forsikring A/S
- the Board of Directors of Ratios AB, Sweden
- the Board of Directors of Blue Square Re. N.V.
- the Board of Directors of Ny Carlsberg Glyptotek
- the Board of Directors of KNI A/S, Greenland



Henrik Amsinck

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

Term of office ends 2019.

Member of:

- the Board of Directors of LEGO GmbH
- the Board of Directors of B4RESTORE A/S
- the Board of Directors of Destination AARhus
- Entrepriise 50 (CIO network)



Hanne Blume

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

Term of office ends 2020.

Member of:

- the Board of Directors, University College Syddanmark (UC Syd)
- the Board of Directors, Insero, Shareholder's Committee
- the Board of Directors, Ørsted Salg & Service A/S
- the Board of Directors, Ørsted Sales & Distribution A/S
- the Board of Directors, Ørsted Wind Power Holding A/S
- the Board of Directors, Ørsted Bioenergy & Thermal Power A/S
- the Board of Directors, Ørsted Services A/S
- the Board of Directors, Ørsted Wind Power A/S
- the Board of Directors, Ørsted Wind Power Denmark A/S
- the Board of Directors, Orsted (UK) Ltd.
- the Board of Directors, EM El Holding A/S
- the Board of Directors, Energigruppen Jylland El Holding A/S



Carsten Gerner

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

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

Term of office ends: 2020.

Member of:

- the Board of Directors of Ib Andresen Industri A/S
- the Board of Directors of IAI Holding A/S
- the Board of Directors of Boligfonden DTU



Christina Grumstrup Sørensen

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

Re-elected on 28 February 2017 (ordinary annual meeting)

Term of office ends: 2019.

Member of:

- the Board of Directors, Terma A/S

**Klaus Skafte Nielsen**

Joined DSB's Board of Directors on 29 June 2018 (elected by employees).

Environmental Consultant.

Chairman of:

- AC DSB
- Djøf DSB

**Preben Steenholdt Pedersen**

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

Re-elected on 2 march 2015 (elected by employees)

Locomotive operation instructor.

Chairman of:

- Vejlekassen c/o Tjenestemændenes Forsikring

Vice Chairman of:

- Dansk Jernbaneforbund.

Member of:

- the Board of Directors of Dan Ejendomsservice A/S
- the Board of Directors of Tjenestemændenes Forsikring
- the Board of Directors of Interesseforeningen
- the Board of Directors of Forsikringsagenturforeningen afd. 1
- the Board of Directors of Transporterhvervets Uddannelser (TUR).

**Birthe Østergaard Petersen**

Joined DSB's Board of Directors on 1 October 2016 (elected by employees).

Working environment specialist.

Executive Board

The Executive Board's directorships in Danish and foreign commercial enterprises



Flemming Jensen, CEO

Employed with DSB since 2015

Chairman of:

- Board of Directors of TP Aerospace.

Member of:

- Board of Directors, Industriens Arbejdsgivere i København



Thomas Thellersen Børner, CFO

Employed with DSB since 2013.



Jürgen Müller, Executive Vice President, Strategy & Rolling Stock

Employed with DSB since 2015



Per Schrøder, Director of Operations

Employed with DSB since 2018.

Management

The Management's directorships in Danish and foreign commercial enterprises.



Jan Sigurdur Christensen, Director of Commercial

Employed with DSB since 2014.

Member of:

- Board of Directors of Rejsekort A/S.



Mette Rosholm, Director of Purchases & Legal Affairs

Employed with DSB since 2014.

Member of:

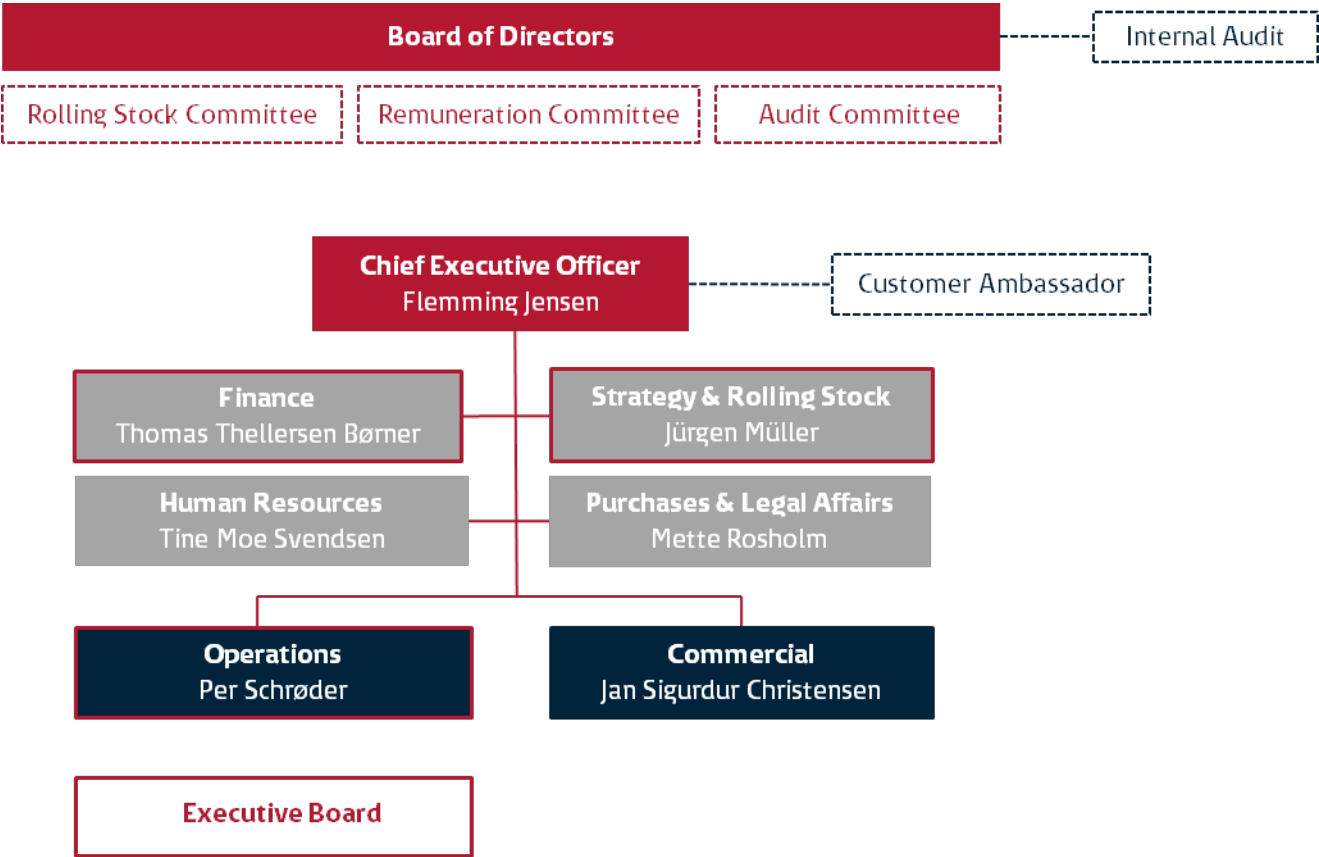
- Board of Directors of Rejsekort A/S.



Tine Moe Svendsen, HR Director

Employed with DSB since 2015

Organisation



Financial calendar 2019

Expected publication of quarterly and interim reports:

1st quarter 2019	10 May 2019
Interim report 2019	27 August 2019
1st - 3rd quarter 2019	7 November 2019

Publications

Annual report for 2018 can be found at www.dsb.dk

Environmental report for 2018 can be found at www.dsb.dk

Company details

Address

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

www.dsb.dk

CVR No. 25050053

Municipality of domicile

Høje-Taastrup

Ownership

DSB is an independent public corporation owned by the Ministry of Transport, Building and Housing

Auditor

Ernst & Young
Authorised Limited Company of Accountants
CVR No. 30700228

The National Audit Office of Denmark

Bank

Nordea Bank Danmark A/S

Editors

Marianne Holmbjerg
Martin Buchtrup Larsen
Anders Reinholt
Niels-Otto Fisker

Graphic design

Communication & Branding

