

### **In the first six months, DSB obtained a profit of DKK 1 million. High punctuality for S-trains, whereas the punctuality of Long-distance and Regional trains is challenged**

- The profit for the first six months is in line with the expectations for a break-even for the year.
- The number of journeys sold is 1% lower than for the same period in 2018
- Increase at 38% in the sale of Orange and Orange Free tickets
- Customer satisfaction levels are stable despite challenges associated with infrastructure work and rolling stock
- Opening of the new electrified high-speed line between Copenhagen and Ringsted
- The acquisition of new electric locomotives, new train coaches and new electric train sets is still on schedule
- Strategic initiatives that contribute to a greener, uncrowded Denmark

### **Finances**

In the first half of 2019, DSB had a profit before tax of DKK 1 million, which is DKK 343 million less than for the same period of 2018. In the first half of 2019, the profit/loss before tax is negatively impacted by the severance payments at DKK 51 million in connection with the reduction of administrative jobs in March, while the first half of 2018 was positively impacted by profit on real estate at DKK 267 million from the sale of DSB's office property at Kalvebod Brygge 32 in Copenhagen.

Corrected for items of a non-recurring nature, the result for the first six months shows a profit of DKK 45 million before tax. This is DKK 85 million less than in the same period of 2018 where the result adjusted for non-recurring items amounted to DKK 130 million.

The result for the first six months is characterised by stagnating revenue and increasing costs. The passenger number and the revenue are highly affected by Rail Net Denmark's necessary work with tracks, signals and electrification and the inconveniences entailed for the customers. Infrastructure works that in the long term will contribute to safeguarding the basis for Denmark having a modern, effective and climate-friendly railroad – but which right now and for the next couple of years will be inconvenient to the rail travellers for long periods.

Preparation of future purchases of trains and implementation of a multi-year digitalisation plan contribute to increasing DSB's costs. To this should be added increased costs for spare parts for the ageing rolling stock, rising energy prices and the general development in wages and prices.

The passenger revenue is declining in relation to the first half of 2018 as a result of fewer trips and lower average prices. As mentioned, the many infrastructure works, increased competition in general and lower average price per journey among other things due to an increased offer of Orange and Orange Free tickets are contributory.

For the second quarter of 2019, the profit before tax adjusted for non-recurring items is DKK 25 million, which is DKK 9 million better than in the second quarter of 2018.

The interest-bearing debt amounted to DKK 3,793 as at 30 June 2019 and has been reduced by DKK 67 million compared with 31 December 2018 and by DKK 179 million compared with 30 June 2018.

### **Customers – fewer trips, but stable customer satisfaction**

In the first half of the year, 86.7 million journeys were made with DSB in Denmark excluding journeys for 'Øresund – crossing the bridge'. This is a decline of 0.5 million journeys, equivalent to 1% compared to the same period last year. The fall is primarily owing to a decrease in the number of S-train journeys.

Many of our customers have been negatively affected by the fact that in the first half of 2019, there were a couple of strikes in contravention of the collective agreements among some of DSB's onboard staff. As regards the S-trains, the strikes have resulted in a loss of about 0.4 million trips, whereas the loss for Long-distance & Regional Trains was about 0.1 million trips.

For the number of journeys across the Great Belt there is a fall of 2% compared with the same period of last year. The train line has been affected by extensive track work for almost three months between Roskilde and Korsør, with complete track closure and reduced traffic. That also shows in the market share across the Great Belt, which has fallen by 1.8 percentage points.

In the first six months, DSB has introduced the new Orange Free ticket, which is far less expensive than a standard ticket. We have doubled the number of inexpensive Orange and Orange Free tickets, meaning that each week there are now 120,000 low-priced tickets for sale on many more journeys crossing the Great Belt. The new Orange Free ticket can be purchased up to the time of departure, and the ticket can be refunded up to 30 minutes before the train leaves, and this provides the customer with plenty of time to plan – and to change plans. The customers have welcomed DSB's introduction of extra many inexpensive tickets outside rush hours. Thus, sales set record in June at about 414,000 sold Orange/Orange Free tickets.

The combined customer satisfaction score for the first half of 2019 (on a scale from 0-10) is 8.1, which is an increase compared to 2018 year-end when the score was 8.0.

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

In May, the new electrified high-speed line between Copenhagen and Ringsted opened. It is a central line for the Long-distance and Regional traffic, and therefore a boost to the public transport which must be instrumental in meeting the transport requirements of the future. In the long term, the new line will connect Zealand and the rest of Denmark better, while at the same time the line relieves the very busy line between Copenhagen and Roskilde.

As a result of delays in connection with the rebuilding of Ringsted Station, the line was not opened with the functionality initially expected which was six trains an hour in both directions. Immediately after the opening, only one train per hour travelled in each direction and with a limited speed of 120 km/h. At the beginning of July, the frequency was increased to two departures an hour – and DSB was also granted permission that the speed could be increased to 180 km/h. In December, it is expected to be possible to have three or four trains an hour use the line in both directions.

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

### **The train has already become the climate-friendly mode of transportation – but we want more than that**

Today, the train is already the climate-friendly mode of transportation, and it will be even greener when DSB commissions electric locomotives and new electric train sets over the coming years. DSB has ambitious targets to contribute significantly to a greener, uncrowded Denmark. The work is embedded in a sustainability programme that formulates DSB’s four targets in the sustainability area towards 2030: We want to be completely CO2 neutral, we will reduce our energy consumption by 50%, we will not emit particles from the train engines, and we will reuse 90% of our waste.

DSB will actually be working with translating the sustainability programme into initiatives across the enterprise in the coming time.

As part of our strategic work with the environment and sustainability, DSB launched an ideas competition for a greener DSB in May. The competition received much attention, and we received far more suggestions from the customers than we had hoped. We received about 1,700 ideas for how to make DSB greener.

We have collected all the received suggestions in a bank of ideas which will be reviewed by our environment department. Here, we will assess which ideas can make sense implementing now and which can provide inspiration for future environmental efforts.

*“Today, the train is already the climate-friendly mode of transportation. The planned electrification of the railroad and the purchase of new electric trains will strengthen this position, but our ambitions go further than that. The entire DSB must be CO2 neutral in 2030, so that the customers know that they contribute directly to making Denmark greener each time they take the train”*  
Flemming Jensen, CEO

### **Merger of Rejsekortet and Rejseplanen**

In February, the Danish parliament adopted an amendment to the Danish Act on Transport Authorities and the Danish Railroad Act. Among other things, the amendment concerned a merger of Rejsekort A/S and Rejseplanen A/S. The aim is that the two companies can use synergies and develop new, innovative digital mobility services. The two organisations have worked with the merger over the first half of the year, and the formal merger did not take place until on 1 July.

The new company which is now Rejsekort & Rejseplan A/S, is going to ensure the overall setting of priorities of development initiatives for the functions of the travel card and the travel plan in one digital mobility service – included an integral app.

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

For S-train traffic, the high punctuality from 2018 has continued in the first half of 2019. Both the customer punctuality – the shared target with Rail Net Denmark of a punctuality of 3 minutes – and the operator punctuality - the part of punctuality that DSB is solely responsible for – are at

93.0% and 98.7%, respectively, above the contract targets defined by the state. The 300,000 daily Copenhagen S-train customers have thus arrived on time in the vast majority of cases.

However, a number of our customers have been negatively impacted by the fact that also in the first half of 2019 some infrastructure works have been performed. We have close collaboration with Rail Net Denmark on the planning of the replacement traffic which is meant to ensure that the customers can still reach their destinations when S-trains are not running. Many of our customers have also been negatively affected by the above strikes in contravention of the collective agreements among some of DSB's onboard staff.

### **Customer punctuality for Long-distance & Regional Trains under pressure**

The customer punctuality for Long-distance and Regional trains in Q2 2019 has been declining. In the first quarter of 2019, the customer punctuality met the contract targets with the state. But the result of 76.1% in isolation for the second quarter of 2019, the total customer punctuality ends at 79.8% for the first six months. This is below the contract target with the state of 83.4%.

The decline is attributable to i.a. infrastructure works and defects in the rolling stock. Further, there are delays from trains arriving at the Copenhagen Central Station from Sweden and provide derived delays in the entire long-distance and regional traffic. At the same time, our customers in Long-distance and Regional traffic have been negatively affected by the above strikes in contravention of the collective agreements.

The operator punctuality for Long-distance & Regional trains was at 94.8% in the first half of 2019 and thus exceeded the contract target with the state at 93.4%.

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

It is our goal to replace the ageing 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 railways moving towards 2030.

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

The acquisition of both new coaches and electric train sets was put out to tender in 2018.

As regards new coaches, we have held meetings about the received indicative offers of negotiations from Siemens and Talgo, respectively. On that basis, we have published the final and revised tender material to the bidders in July 2019. The project still follows the time schedule, and the award of the contract is expected to take place in December 2019. It is expected that the new carriages will be deployed for passenger operations in 2022.

As regards the new electric train sets, meetings have also been held on the received indicative offers of negotiations from Alstom, Bombardier, Siemens and Stadler, respectively. On that basis, we expect to publish the final and revised tender material to the bidders in the autumn of 2019. The project is on schedule, and it is expected that the contract will be awarded at the end of

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.

### Commercial property development

The Danish Parliament has adopted an amendment on the DSB Act. The amended act gives DSB Ejendomsudvikling A/S, which is a subsidiary of DSB, the possibility in partnerships with one or more private investors, to manage development of DSB's properties by setting up projects whose intention is to construct buildings that can subsequently be either rented or sold. The amendment to the act entered into force on 1 May 2019.

With the amended act, we expect that the total profit from properties can be increased. This renders the possibility to reduce the contract payment from the state to DSB.

The private investors may e.g. be pension funds, property companies, property developers or other types of investor of real property or combinations thereof. DSB Ejendomsudvikling A/S' equity interests may not exceed 50%.

### Dansk Jernbaneforbund (Danish Railway Workers' Union) and DSB agree on local agreements

In May, Dansk Jernbaneforbund and DSB agreed on an entire agreement on local agreements which will supplement the railroad collective agreement. Thus, agreement was reached i.a. on working hour rules, pay and pension terms, training and trade union representation for the rolling staff of DSB. An adjustment agreement has also been negotiated for the station staff.

The negotiations were conducted and completed with Fagbevægelsens Hovedorganisation (FH – Danish Trade Union Confederation) and Dansk Arbejdsgiverforening (Confederation of Danish Employers) followed the process closely.

*“We have had a tough, but also constructive negotiation process. I would like to thank the negotiators of the employees. And it is very satisfactory that we have now had a set of agreements in place to the benefit of our customers, our employees and DSB.”*  
Flemming Jensen, CEO

Taastrup, 27 August 2019

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Peter Schütze  
Chairman of the Board

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Flemming Jensen  
CEO

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

## Key Financial and Operating Data

DSB Group	1st half		Increase		The entire year
	2019	2018	Abs.	Pct.	2018
<b>Amounts in DKK million</b>					
Net revenue <sup>1)</sup>	4,773	4,807	-34	-1	9,684
Total revenue <sup>2)</sup>	5,738	5,965	-227	-4	11,855
Of which non-recurring items	28	275	-247	-90	347
Total expenses	4,761	4,606	-155	-3	9,353
Of which non-recurring items	64	-	64	-	-35
Earnings before amortisation and depreciation	977	1,359	-382	-28	2,502
Amortisation, depreciation and write-downs of intangible and tangible assets	924	944	-20	-2	1,829
Of which non-recurring items	8	61	-53	-87	61
Operating profit/loss	53	415	-362	-87	673
Profit or loss before tax	1	344	-343	-	568
Profit/loss before tax adjusted for non-recurring items	45	130	-85	-65	247
Net profit or loss for the period	1	268	-267	-	450
Balance sheet total	14,283	15,459	-1,176	-8	14,832
Total equity	5,598	5,686	-88	-2	5,822
Interest-bearing liabilities, net	3,793	3,972	-179	-5	3,860
Profit ratio (EBIT margin)*	1.1	8.6	-7.5	-87	6.9
Return on equity p.a. (ROE)*	0.0	9.6	-9.6	-	8.0
Return on invested capital after tax (ROIC after tax) p.a.*	0.9	6.5	-5.6	-86	5.3
Gearing p.a.*	1.9	1.5	0.4	27	1.5
Equity ratio*	39.2	36.8	2.4	7	39.3
Interest cover*	1.0	5.8	4.8	-83	5.1
Number of full-time employees – at year-end	6,857	7,096	-239	-3	6,997
Average number of full-time employees	6,901	7,090	-189	-3	7,092
<b>Productivity – (Danish activities)<sup>3)</sup></b>					
Passenger revenue per seat kilometre (DKK 0.01/ km)	31	32	-1	-3	33
Costs per seat kilometre, corrected for non-recurring items (DKK 0.01/kilometre)	61	60	1	2	61
<b>Operator Punctuality<sup>4)</sup></b>					
Long Distance & Regional Trains (%)	94.8	94.6	0.2	0	94.4
S-trains (%)	98.7	98.4	0.3	0	98.2
<b>Passenger punctuality<sup>5)</sup></b>					
Long Distance & Regional Trains (%)	79.8	78.7	1.1	1	79.2
S-trains (%)	93.0	93.0	0.0	0	92.9
<b>Customers</b>					
Customers in Denmark (million trips) <sup>6)</sup>	86.7	87.2	-0.5	-1	174.4
"Customer satisfaction for this journey" – (Danish activities)	8.1	8.1	0.0	0	8.0
<b>Reputation</b>					
DSB	53.5	50.6	2.9	6	49.9
Users of DSB	55.6	52.0	3.6	7	51.6
Non-users DSB	46.8	46.6	0.2	0	45.2

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

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

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

<sup>4)</sup> Operator punctuality is the total punctuality, 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 counted as a delay.

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

<sup>6)</sup> Customers in Denmark in 2018 have been adjusted compared with previously published figures due to the final journey inventories etc. calculated as the number of trips. Number of trips are calculated excluding Øresund - crossing the bridge.

\* Calculated pursuant to the definitions laid down in Definitions of key figures in DSB's annual report for 2018.

## Report - financial activities

The profit/loss before tax for the first half of 2019 amounted to a profit of DKK 1 million, which is DKK 343 million lower than for the same period in 2018. The first half of 2019 was negatively affected by severance pay, whereas the first half of 2018 was positively affected by profit in connection with the sale of DSB's former office property at Kalvebod Brygge in Copenhagen.

The pre-tax profit/loss for the second quarter of 2019 showed profit of DKK 34 million.

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

DKK million	1st half	
	2019	2018
<b>Profit/loss before tax</b>	<b>1</b>	<b>344</b>
Profit on real estate, net	-15	-275
Write-down, real estate	8	30
Write-down of 2 IC4 train sets	-	31
Severance costs	51	-
<b>Adjusted pre-tax profit/loss</b>	<b>45</b>	<b>130</b>

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

Adjusted for non-recurring items, the profit before tax was DKK 45 million in the first six months of 2019, which is DKK 85 million lower than the corresponding profit for the first half of 2018. This is primarily due to falling passenger revenue and increased costs of raw materials and consumables.

For the second quarter of 2019, the profit before tax adjusted for non-recurring items is DKK 25 million.

The balance sheet total was DKK 14,283 million as at 30 June 2019 as against DKK 14,832 million as at 31 December 2018.

In the first 6 months of 2019, DSB has invested DKK 402 million (DKK 416 million). The investments were mostly in heavy maintenance of long-distance and regional trains and S-trains.

Net interest-bearing debt has been reduced by DKK 67 million against 31 December 2018 and amounted to DKK 3,793 million as at 30 June 2019.

At the end of the first half of 2019, return on invested capital after tax (ROIC) was 0.9 (6.5) per annum, gearing per annum was 1.9 (1.5) and the solvency ratio was 39.2 (36.8). The negative development in the result was the main cause of the large decline of ROIC and the increase in gearing.

### Net revenue

The net revenue amounted to DKK 4,773 million in the first half of 2019 (DKK 4,807 million).

For the second quarter 2019, the net revenue was DKK 2,436 million.

Passenger revenue amounted to DKK 2,548 million, which is DKK 64 million lower than in the first half of 2018. The reduction is due to fewer journeys as result of the effect of intensive infrastructure work and increased competition in general.

For the second quarter 2019, the passenger revenue was DKK 1,297 million. In the second quarter, the number of journeys in the regional train traffic increased, whereas the number of journeys in S-trains are affected by a reduction which is due to, among other things, Easter in 2019 being in the second quarter as opposed to the first quarter in 2018.

The development in passenger revenue for long-distance and regional trains is impacted by a decline in regional traffic. The decline is due to fewer journeys, among other things, due to extensive track maintenance work at the line between Roskilde and Korsør. Also, the journeys are made at a lower average price per journey, in that DSB, to counter the stricter competitive situation, has chosen to increase the offer of Orange and Orange Free-tickets considerably. In the first half of 2019, the sale of Orange and Orange Free-tickets was DKK 1.1 million in the traffic between

east and west. (0.8 million). The decline in passenger revenue in the regional traffic is only to a limited extent counterbalanced by increasing revenue in the regional traffic.

In the first half of 2019, S-trains have had 0.3 million fewer trips in comparison to the same period of 2018, which is the reason for a negative development in passenger revenue for S-trains.

Revenue from traffic contracts amounted to DKK 2,042 million and increased by DKK 17 million compared to the first half of 2018. The conclusion of "Supplementary contract 25" on compensation for work performed in the period 2012 to April 2019 in connection with the new signal and train control system (ERTMS) on the long-distance lines has resulted in an increase in revenue from traffic contracts of DKK 70 million. However, this is partially counterbalanced by the termination of traffic contract payment as a result of sale of activities in Germany. In addition, the traffic contract payment for the first half of 2019 has been reduced as a result of the signing of "Supplementary contract 19". The reduction is DKK 19 million larger than in the same period of 2018.

For the second quarter of 2019, revenue from traffic contracts amounted to DKK 1,057 million. The second quarter is affected by the conclusion of "Supplementary contract 25", see above.

Sales of repairs and maintenance of rolling stock, etc. amounted to DKK 153 million and have increased by DKK 9 million compared to the first half of 2018.

For the second quarter of 2019, sales of repair and maintenance of rolling stock, etc. amounted to DKK 72 million.

Sales and leasing of rolling stock amounted to DKK 30 million, which is DKK 4 million more than the first half of 2018.

For the second quarter of 2019, leasing of rolling stock was DKK 10 million.

Work performed by the entity and capitalised decreased by DKK 7 million and totalled DKK 279 million in the first half of 2019. The decline is due to fewer IT projects having been capitalised.

For the second quarter of 2019, work performed by the entity and capitalised under assets amounted to DKK 124 million. Fewer major overhauls have been made in the second quarter.

Other operating income decreased by DKK 186 million and amounted to DKK 686 million. The decline is primarily attributable to the fact that the first half of 2018 included profit from the sale of DSB's former office property at Kalvebod Brygge in Copenhagen.

Other operating income was DKK 341 in the second quarter of 2019 and was affected by DKK 20 million concerning profit from sale of properties.

### **Expenses**

Expenses totalled DKK 4,761 million in the first half of 2019 (DKK 4,606 million).

For the second quarter, total expenses amounted to DKK 2,379 million.

Costs for raw materials and consumables amounted to DKK 988 million and rose by DKK 96 million compared to the first half of 2018. The development is affected by the increased costs for spare parts for the ageing rolling stock and higher energy prices.

For the second quarter of 2019, expenses for raw materials and consumables amounted to DKK 493 million. The increase in expenses for spare parts has stagnated in the second quarter.

Other external costs amounted to DKK 1,840 million, a decrease of DKK 37 million compared with the same period in 2018. The de-

crease is primarily attributable to the sale of the activities in Germany and lower costs for replacement traffic. The decline is partially counterbalanced by increased costs for consultants in connection with the multi-year digitalisation plan and preparations for purchasing new rolling stock.

For the second quarter 2019, other external expenses amounted to DKK 909 million. The quarter has been affected by fewer expenses for infrastructure charges, in particular fees related to crossing the Great Belt bridge, and increased costs for replacement traffic.

Staff costs amounted to DKK 1,933 million in the first half of 2019 and increased by DKK 96 million compared with the same period in 2018. The development is due to severance pay of DKK 51 million in connection with efficiency improvements of the administration and the general wage increases. By contrast, staff costs have fallen as a result of a reduced number of full-time employees in Danish activities and sale of the German activities.

Staff costs were DKK 977 million for the second quarter of 2019, which is affected by general wage development.

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

Amortisation, depreciation and write-downs amounted to DKK 924 million (DKK 944 million). The fall is primarily due to the first half of 2018 being affected by write-downs on properties and two IC4 train sets, which is, however, partially counterbalanced by increased depreciation on rolling stock in the first half of 2019.

For the second quarter of 2019, amortisation, depreciation and write-downs amounted to DKK 462 million, and the quarter is also affected by depreciation on rolling stock.

#### **Financials**

Net financials amounted to an expense of DKK 52 million (DKK 71 million). The first half of

2018 was negatively affected by foreign currency translation adjustment.

For the second quarter of 2019, the net financials amounted to an expense of DKK 26 million, which is on level with the first quarter of 2019.

#### **Outlook for 2019**

DSB expects a break-even before taxes and non-recurring items, as the year will be characterised by declining passenger revenues as a result of major track maintenance works and growing competition. In addition increased costs due to ageing rolling stock.

## Productivity

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

	1st half		Increase	
	2019	2018	Abs.	Pct.
Danish activities	6,857	7,010	-153	-2
German activities <sup>1)</sup>	-	86	-86	-100
<b>Number of full-time employees – at end of period</b>	<b>6,857</b>	<b>7,096</b>	<b>-239</b>	<b>-3</b>
<b>Average number of full-time employees</b>	<b>6,901</b>	<b>7,090</b>	<b>-189</b>	<b>-3</b>

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

The decrease in the number of full-time employees in the Danish activities is primarily due to a completed streamlining of the administration. There are also ceased activities in the form of closing of kiosks and fewer full-time employees in operations.

The activities in Germany were sold as at 1 January 2019.

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

	1st half		Increase	
	2019	2018	Abs.	Pct.
Passenger revenue per seat kilometre <sup>1)</sup> (DKK 0.01/km)	31	32	-1	-3
Costs per seat kilometre <sup>1,2)</sup> (DKK 0.01/km)	61	60	1	2

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

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

Passenger revenue per seat kilometre has fallen by DKK 0.01 compared to the same period last year. This is caused by a 2% fall in passenger revenue while the number of seat kilometres have risen by 1%. The increase in the number of seat kilometres should be viewed in the context of the first half of 2018 having less seat kilometres due to the axle problems with the ME diesel locomotives.

The costs per seat kilometre have increased by DKK 0.01 in the first half of 2019 as against

the first half of 2018. This is due to the rise in costs of 2% while the number of seat kilometres have risen by 1%.

## Punctuality

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

Percent	1st half		Increase	
	2019	2018	Abs.	Pct.
Long-distance & Regional Trains	94.8	94.6	0.2	0
S-trains	98.7	98.4	0.3	0

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

In the first half of 2019, the operator punctuality for long-distance and regional trains was 94.8 against 94.6 in the same period of 2018. The operator punctuality has risen compared to the same period last year and is generally stable as a result of a more robust time table and fewer defects on rolling stock.

For the second quarter of 2019, the operator punctuality was 93.5. The punctuality was affected by events owing to defective rolling stock and traffic-related challenges, among other things in connection with the major track maintenance work.

The operator punctuality of 94.8% exceeds the traffic contract's target of 94.3%.

The operator punctuality for S-trains has risen from 98.4% to 98.7%. Among other things, this development is due to the winter weather having only a limited impact on operations in 2019.

For the second quarter of 2019, the operator punctuality was 98.5. The operator punctuality was affected by few operating disturbances for which DSB is responsible.

The operator punctuality of 98.7% exceeds the traffic contract's target of 97.5%.

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

Percent	1st half		Increase	
	2019	2018	Abs.	Pct.
Long-distance & Regional Trains	79,8	78,7	1,1	1
S-trains	93,0	93,0	0,0	0

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

Customer punctuality for long-distance and regional trains has increased from 78.7% in the first half of 2018 to 79.8 in the same period of 2019. The new time table for 2019 has resulted in an improvement of customer punctuality in the first quarter. This means that in general the first six months have better customer punctuality than for the same period in 2018.

Customer punctuality was 76.1 for the second quarter of 2019. The many infrastructure works in the second quarter of 2019 have resulted in more delays. Also, the customer punctuality was affected by the period being characterised by many incidents and delays as a result of more defects in infrastructure and rolling stock.

At 79.8%, customer punctuality is below the traffic contract's target of 83.4%.

Customer punctuality for S-trains was at 93.0 in both the first half of 2019 and 2018.

Customer punctuality was 91.5 for the second quarter of 2019. The punctuality was affected by incidents that were due to defects to infrastructure and external circumstances.

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

## Customers

In the first half of 2019, 86.7 million journeys were made with DSB in Denmark, compared with 87.2 million journeys in the same period last year. The figures are determined exclusive of the number of journeys in the Øresund region - crossing the bridge. The decline of 1% is primarily due to a decline in the number of S-train journeys.

**Table 6: Number of journeys**

1,000 journeys	1st half		Increase	
	2019	2018 <sup>1)</sup>	Abs.	Pct.
Long-distance and Regional trains	30,970	31,103	-133	0
Øresund - crossing the bridge <sup>2)</sup>	-	-	-	-
(Zealand, including Kystbanen/the Coast Line and the Kastrup Line)	20,506	20,525	-19	0
Jutland and Funen	6,440	6,483	-43	-1
East/West: (across the Great Belt)	3,705	3,797	-92	-2
Others	319	298	21	7
S-trains	55,770	56,117	-347	-1
<b>Total</b>	<b>86,740</b>	<b>87,220</b>	<b>-480</b>	<b>-1</b>

<sup>1)</sup> Journeys in Denmark in 2018 have been adjusted compared with previously published figures due to the final journey inventories etc.

<sup>2)</sup> Number of journeys for Øresund - crossing the bridge, have been omitted for 2018 and 2019, because in July DSB received a statement of number of journeys from Skånetrafikken which is not comparable to the former basis.

Long-distance and regional trains had (ex the number of journeys for Øresund - crossing the bridge) 31.0 million journeys against 31.1 million journeys in the same period in 2018. The effect of the strikes 1 April is estimated at 0.1 million journeys.

In the first half of 2018, the number of journeys on Zealand, including Kystbanen and the Kastrup Line, were negatively affected by the ME diesel locomotives being taken out of service. In the first half of 2019, the number of journeys have been negatively affected by track maintenance work on the lines between Roskilde and Korsør and between Ringsted and Nykøbing Falster/Rødby.

For Jutland and Funen, the number of journeys are 1% lower than in the first half of 2018, in that the price reform is assessed at having entailed that the customers have adopted another travel pattern.

The number of journeys in East/West (across the Great Belt) have fallen by 2% compared with the same period of last year. This is in line with the market share for journeys crossing the Great Belt having declined by 1.8 percentage points for the half year. There has been extensive track maintenance work between Roskilde and Korsør in the period from 24 March to 12 June with complete track closure and reduced traffic in the period. In response to the increasing competition and the loss of customers, more Orange products have been offered for sale. Thus, in the first half of 2019, 1.1 million Orange and Orange Free-tickets were sold for East/West journeys as against 0.8 million in the same period of 2018.

S-trains had 55.8 million journeys in the first half of 2019 and fell by 0.3 million journeys corresponding to 1% as against the same period of 2018. In the first half of 2018, there were extensive track maintenance work, primarily at the Frederikssund line, which meant a drop in journeys of 1.5 million. In 2019 there was a substantially smaller drop in the number of journeys as a result of track maintenance work (0.6 million). Strikes in April and June have entailed a loss of journeys totalling 0.4 million. The development in the figures shows an underlying decline in the number of journeys of 0.8 million.

In May, DSB launched an ideas competition for a greener DSB as part of long-term strategic work with the environment and sustainability. DSB received 1,708 ideas from customers and 252 ideas from employees. DSB has an attractive service in the work for a green transition of Denmark, and the competition received much attention.

On 31 May, DSB and Banedanmark opened the new Ringsted line in an event where,

among others, His Royal Highness Crown Prince Frederik was present.

The extensive track maintenance work between Ringsted and Nykøbing Falster/Rødby is still ongoing, whereas the three-month track maintenance work between Korsør and Roskilde has been completed. The inconveniences in connection with the track maintenance work entail that DSB loses commuters, for which reason DSB offers, as a pilot project, reimbursement of 30-day commuter cards if during the track maintenance work the commuters have purchased travel documents for at least 59 days in August and September. The pilot project will be evaluated on an ongoing basis for the purpose of assessing whether this solution should be offered in connection with future track maintenance work.

The day after Ascension Day is generally characterised by low travel activity. To meet this, 26,000 Orange Free tickets were offered for sale at a ticket price of DKK 25. The offer was well-received by the customers, and the sale of tickets exceeded expectations.

In June, the new DOT app was launched. The app replaces DOT Mobile commuter card and DOT mobile tickets, as in particular the mobile commuter app has needed updating. The new app makes it possible, among other things, to buy bicycle tickets for journeys of more than 8 zones.

## Rolling stock

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

Kilometres (1,000)	1st half		Increase	
	2019	2018	Abs.	Pct.
IC4 train sets	3,724	3,888	-164	-4
IC3 train sets	13,928	14,860	-932	-6
IR4 train sets	4,867	5,245	-378	-7
Øresund train sets	3,840	3,769	71	2
Double-decker coaches <sup>2)</sup>	7,627	4,200	3,427	82
MR train sets	3	237	-234	-99
Desiro train sets	1,022	1,310	-288	-22
ME diesel locomotives	1,690	821	869	106
EA electric locomotives	134	123	11	9
S-train sets	8,807	8,195	612	7

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

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

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

Kilometres (1,000)	1st half		Increase	
	2019	2018	Abs.	Pct.
IC4 train sets	7.8	4.2	3.6	86
IC3 train sets	33.8	34.9	-1.1	-3
IR4 train sets	17.5	11.5	6.0	52
Øresund train sets	21.3	20.8	0.5	2
Double-decker coaches	21.9	13.0	8.9	68
MR train sets	1.6	7.2	-5.6	-78
Desiro train sets	10.6	8.8	1.8	20
ME diesel locomotives	24.5	24.2	0.3	1
EA electric locomotives	4.6	4.6	0.0	0
S-train sets	16.9	14.5	2.4	17

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

In the first half of 2019, the IC4 production was lower than in the same period of 2018. This is, among other things, due to the fact that in 2018 the IC4 train sets were used to replace the ME diesel locomotives and double-decker coaches in the regional traffic on Zealand, and thus they travelled more litra kilometres in 2018. The IC4 train sets have travelled substantially more kilometres between incidents in the first half of 2019 compared with the same period in 2018. Over the

last year, DSB has also continued working on the structural issues and launched initiatives related to the planning of the maintenance of IC4 train sets - these initiatives have included software upgrades.

The IC3 production was 6% lower than in the first half of 2018, and the IC3 train sets also travelled fewer kilometres between incidents in the first half of 2019. Two of the reasons are clutch issues and errors on the passenger information screens.

The IR4 production was 7% lower than in the first half of 2018, whereas IR4 train sets have travelled substantially more kilometres between incidents in the first half of 2019 than in the same period last year. A number of initiatives have been implemented in the IR4 workshop and in operations which have resulted in the reduction of incidents.

Both the litra kilometres and the number of kilometres between incidents for the Øresund train sets were in the first half of 2019 comparable to the same period in 2018.

The double-decker coaches and ME diesel locomotives have travelled substantially more kilometres in the first half of 2019 than in the same period in 2018. This is due to the fact that all ME diesel locomotives were taken out of service in January 2018 as a result of axle problems. The increase in the number of kilometres travelled between incidents for the double-decker coaches can be attributed to more work being done to prevent faults on the doors.

The MR production was significantly lower in the first half of 2019 than in the same period last year, as only few kilometres were travelled in January 2019. No operations have been planned with MR train sets in 2019, and the remaining MR train sets have been phased out.

The Desiro train sets have travelled fewer litra kilometres in the first half of 2019 than in the same period last year, as some of the train

sets have been out of operation due to scheduled major overhauls and installation of equipment for travelling with the new signalling system. The increase in the number of travelled kilometres between incidents in 2019 in relation to the same period in 2018 is due to extraordinarily many technical challenges in 2018.

The S-train production and the number of kilometres travelled between incidents increased in the first half of 2019 as compared with the first half of 2018. The increase in the number of travelled kilometres is primarily a result of the first half of 2018 being affected by track closures - primarily the Frederikssund line. The increase in the number of kilometres travelled between incidents is mainly attributed to there having been fewer errors caused by the new signal system. In addition, there has been a small decrease in the number of technical incidents, but this is mainly attributed to the mild winter weather.

## **Accounting policies**

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

The interim report follows the same accounting policies as the Annual Report 2018.

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

## **Events after 30 June 2019**

No events have occurred after 30 June 2019 which in the opinion of the management have a significant impact on the assessment of this half-year report.

## **Other matters**

There are no other matters.

# Statement

## Management's statement

The Board of Directors and the Executive Board have today discussed and approved the half-year financial report for the period 1 January - 30 June 2019 for DSB.

The half-year report, which has neither been audited nor reviewed by the company's auditors, has been presented in accordance with the Danish Financial Statements Act and the DSB Act. We consider the accounting policies to be appropriate. Accordingly, the first half-year report provides a true and fair view of the group's assets, liabilities and financial position as at 30 June 2019 and of the results of the group's activities and cash flows for the period from 1 January to 30 June 2019.

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

Taastrup, 27 August 2019

## Executive Board

Flemming Jensen  
CEO

Thomas Thellersen Børner  
CFO

Jan Sigurdur Christensen  
Director of Commercial

Jürgen Müller  
Director of Strategy  
& Rolling stock

Per Schrøder  
Director of Operations

## The Board of Directors

Peter Schütze  
Chairman

Annette Sadolin  
Vice-Chairman

Henrik Amsinck

Hanne Blume

Carsten Gerner

Christina Grumstrup Sørensen

Preben Steenholdt Pedersen

Lone Riis

Morten Færgemann Sørensen



# Accounts

<b>Income statement</b>			
<b>Group</b>	<b>1st half</b>		<b>The entire year</b>
<b>Amounts in DKK million</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
<b>Income</b>			
Net revenue	4,773	4,807	9,684
Work performed by the entity and capitalised	279	286	578
Other operating income	686	872	1,593
<b>Total revenue</b>	<b>5,738</b>	<b>5,965</b>	<b>11,855</b>
<b>Expenses</b>			
Expenses for raw materials and consumables	988	892	1,866
Other external expenses	1,840	1,877	3,883
Staff costs	1,933	1,837	3,604
<b>Total expenses</b>	<b>4,761</b>	<b>4,606</b>	<b>9,353</b>
<b>Earnings before amortisation, depreciation and write-downs</b>	<b>977</b>	<b>1,359</b>	<b>2,502</b>
Amortisation, depreciation and write-downs of intangible and tangible assets	924	944	1,829
<b>Operating profit/loss</b>	<b>53</b>	<b>415</b>	<b>673</b>
<b>Financials</b>			
Profit after tax in associated companies	0	0	0
Financial income	1	1	34
Financial expenses	53	72	139
<b>Net financials</b>	<b>-52</b>	<b>-71</b>	<b>-105</b>
<b>Profit/loss before tax</b>	<b>1</b>	<b>344</b>	<b>568</b>
Tax on profit for the period	0	-76	-118
<b>Profit for the period</b>	<b>1</b>	<b>268</b>	<b>450</b>

## Balance sheet – assets

Group	30,6		31.12
Amounts in DKK million	2019	2018	2018
<b>Intangible assets</b>			
Development projects	161	122	132
Intangible assets in progress and prepayments	35	88	82
<b>Total intangible assets</b>	<b>196</b>	<b>210</b>	<b>214</b>
<b>Tangible assets</b>			
Land and buildings	4,149	4,333	4,233
Rolling stock	7,148	7,962	7,565
Operating equipment, fixtures and fittings and other equipment	741	784	759
Tangible assets in progress and advance payments	391	283	397
<b>Total tangible assets</b>	<b>12,429</b>	<b>13,362</b>	<b>12,954</b>
<b>Investments</b>			
Equity investments in associated companies	0	0	0
Subordinated loan capital in associated companies	183	198	199
Other receivables	24	24	26
<b>Total investments</b>	<b>207</b>	<b>222</b>	<b>225</b>
<b>Total non-current assets</b>	<b>12,832</b>	<b>13,794</b>	<b>13,393</b>
<b>Inventories</b>	<b>432</b>	<b>402</b>	<b>396</b>
<b>Properties held for sale</b>	<b>13</b>	<b>22</b>	<b>17</b>
<b>Receivables</b>			
Trade receivables	589	499	469
Other receivables	208	207	338
Prepayments	155	124	130
<b>Total receivables</b>	<b>952</b>	<b>830</b>	<b>937</b>
<b>Cash at bank and in hand</b>	<b>54</b>	<b>411</b>	<b>89</b>
<b>Total current assets</b>	<b>1,451</b>	<b>1,665</b>	<b>1,439</b>
<b>Total assets</b>	<b>14,283</b>	<b>15,459</b>	<b>14,832</b>

## Balance sheet – liabilities and equity

Group	30,6		31.12
Amounts in DKK million	2019	2018	2018
<b>Equity</b>			
Contributed capital	4,760	4,760	4,760
Retained earnings	838	926	942
Proposed dividends	0	0	120
<b>Total equity</b>	<b>5,598</b>	<b>5,686</b>	<b>5,822</b>
<b>Provisions</b>			
Other provisions	117	134	149
Deferred tax liabilities	685	793	755
<b>Total provisions</b>	<b>802</b>	<b>927</b>	<b>904</b>
<b>Non-current liabilities</b>			
Long-term loans	2,160	2,540	2,162
Other non-current liabilities	507	500	377
Other liabilities	235	281	259
<b>Total non-current liabilities</b>	<b>2,902</b>	<b>3,321</b>	<b>2,798</b>
<b>Current liabilities</b>			
Current portion of non-current liabilities	469	1,787	961
Short-term loans	1,170	-	200
Credit institutions	75	-	640
Trade accounts payables	1,600	1,584	1,379
Corporation tax	30	317	211
Other liabilities	954	898	914
Prepayments	683	939	1,003
<b>Total current liabilities</b>	<b>4,981</b>	<b>5,525</b>	<b>5,308</b>
<b>Total liabilities</b>	<b>7,883</b>	<b>8,846</b>	<b>8,106</b>
<b>Total equity and liabilities</b>	<b>14,283</b>	<b>15,459</b>	<b>14,832</b>

## Statement of changes in equity

Group				
Amounts in DKK million	Contributed capital	Retained earnings	Proposed dividends	Total equity
<b>Equity at 1 January 2018</b>	<b>4,760</b>	<b>631</b>	<b>106</b>	<b>5,497</b>
Declared dividend	-	-	-106	-106
Funds allocated to Fonden Danmarks Jernbanemuseum (extraordinary)	-	-43	-	-43
Profit for the period	-	268	-	268
Foreign currency translation adjustments	-	-4	-	-4
Value adjustment of hedging instruments, at the beginning of year	-	161	-	161
Value adjustment of hedging instruments, end of period	-	-87	-	-87
<b>Equity as at 30 June 2018</b>	<b>4,760</b>	<b>926</b>	<b>0</b>	<b>5,686</b>
Profit for the period	-	62	120	182
Foreign currency translation adjustments	-	1	-	1
Value adjustment of hedging instruments, at the beginning of period	-	87	-	87
Value adjustment of hedging instruments, at year-end	-	-133	-	-133
Other changes in equity, tax	-	-1	-	-1
<b>Equity at 31 December 2018</b>	<b>4,760</b>	<b>942</b>	<b>120</b>	<b>5,822</b>
Declared dividend	-	-	-120	-120
Profit for the period	-	1	-	1
Foreign currency translation adjustments	-	7	-	7
Value adjustment of hedging instruments, at the beginning of year	-	133	-	133
Value adjustment of hedging instruments, end of period	-	-245	-	-245
<b>Equity at 30 June 2019</b>	<b>4,760</b>	<b>838</b>	<b>0</b>	<b>5,598</b>

## Cash flow statement

Group	1st half		The entire year
	2019	2018	2018
<b>Amounts in DKK million</b>			
<b>Operating profit</b>	<b>53</b>	<b>415</b>	<b>673</b>
<b>Adjustment for non-cash operating items</b>			
Amortisation, depreciation and write-downs of intangible and tangible assets	924	944	1,829
Change in other provisions, net	-32	-107	-92
<b>Other adjustments</b>			
Gain and loss on sale and scrapping of intangible and tangible assets	-13	-275	-340
Net financial items, paid	-47	-74	-116
Corporation tax, paid	-222	-11	-190
Change in working capital	-121	47	-269
<b>Total cash flow from operating activities</b>	<b>542</b>	<b>939</b>	<b>1,495</b>
<b>Cash flows from investment activities</b>			
Acquisition of intangible and tangible assets - excluding capitalised interest	-402	-416	-910
Sales of intangible and tangible assets	32	378	457
Subordinated debt repayments	17	10	11
<b>Total cash flows from investment activities</b>	<b>-353</b>	<b>-28</b>	<b>-442</b>
<b>Cash flows from financing activities</b>			
Proceeds from raising of short-term loans	1,170	-	200
Repayment and payment of instalments on long-term loans	-509	-796	-2,091
Repayment of, and payment of instalments on short-term loans	-200	-	-
Change in credit institutions	-565	-	640
Paid dividends	-120	-106	-115
<b>Total cash flow from financing activities</b>	<b>-224</b>	<b>-902</b>	<b>-1,366</b>
<b>Total change in cash and cash equivalents</b>	<b>-35</b>	<b>9</b>	<b>-313</b>
Cash and cash equivalents as at 1 January	89	402	402
<b>Cash and cash equivalents end of period</b>	<b>54</b>	<b>411</b>	<b>89</b>

## Income statement by quarter

Group	2019		2018			
	1st quarter	2nd quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
<b>Amounts in DKK million</b>						
Passenger revenue	1,251	1,297	1,245	1,367	1,248	1,425
Revenue from traffic contracts	985	1,057	1,013	1,012	1,011	1,015
Sale of repair and maintenance services of rolling stock etc.	81	72	64	80	86	73
Sale and leasing of rolling stock	20	10	20	6	11	8
<b>Net revenue</b>	<b>2,337</b>	<b>2,436</b>	<b>2,342</b>	<b>2,465</b>	<b>2,356</b>	<b>2,521</b>
Work performed by the entity and capitalised	155	124	142	144	151	141
Other operating income	345	341	549	323	319	402
<b>Total revenue</b>	<b>2,837</b>	<b>2,901</b>	<b>3,033</b>	<b>2,932</b>	<b>2,826</b>	<b>3,064</b>
Expenses for raw materials and consumables	495	493	419	473	454	520
Other external expenses	931	909	873	1,004	996	1,010
Staff costs	956	977	889	948	912	855
<b>Total expenses</b>	<b>2,382</b>	<b>2,379</b>	<b>2,181</b>	<b>2,425</b>	<b>2,362</b>	<b>2,385</b>
<b>Earnings before amortisation, depreciation and write-downs</b>	<b>455</b>	<b>522</b>	<b>852</b>	<b>507</b>	<b>464</b>	<b>679</b>
Amortisation, depreciation and write-downs of intangible and tangible assets	462	462	465	479	436	449
<b>Operating profit/loss</b>	<b>-7</b>	<b>60</b>	<b>387</b>	<b>28</b>	<b>28</b>	<b>230</b>
Net financials	-26	-26	-26	-45	-34	0
<b>Profit or loss before tax</b>	<b>-33</b>	<b>34</b>	<b>361</b>	<b>-17</b>	<b>-6</b>	<b>230</b>
<b>Profit or loss before tax adjusted for non-recurring items</b>	<b>20</b>	<b>25</b>	<b>114</b>	<b>16</b>	<b>-13</b>	<b>130</b>
<b>Profit or loss for the period</b>	<b>-26</b>	<b>27</b>	<b>268</b>	<b>0</b>	<b>-5</b>	<b>187</b>
<b>Total equity</b>	<b>5,639</b>	<b>5,598</b>	<b>5,678</b>	<b>5,686</b>	<b>5,670</b>	<b>5,822</b>
EBITDA margin	19.5	21.4	36.4	20.6	19.7	26.9
Return on equity (ROE) p.a.	-1.8	1.9	19.2	0.0	-0.4	13.0
Return on invested capital after tax (ROIC after tax) p.a.	-0.2	2.0	11.3	1.4	0.9	7.8

# 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 route accounts to streamline operations.

The following can be emphasised:

- Long-distance trains have been loss-making in the first half of 2019, which is mainly due to major track maintenance work in Himmerland and on Zealand, which has entailed falling production and thus operating expenses, but also falling passenger revenue and increasing costs for replacement traffic. By contrast, the result of DSB's ongoing efficiency improvements in the administration and supporting functions is effected.
- Both the regional train lines in East and West are loss-making and therefore require transfer of funds from the profit-making traffic and from the contract payments from the state. The profitability of individual lines is generally derived from the extent of service – as determined by the contract with the state – in relation to demand spread out over the operational day.
- In the first half of 2019, Øresund traffic generated a profit of DKK 4 million and thus contributes towards financing lines operating at a loss. There has been influx of customers and thus increasing passenger revenue. At the same time, the result of DSB's ongoing efficiency improvements in DSB's administration and supporting functions is also effected.
- In the first half of 2019, S-train traffic generated a profit of DKK 1 million and also contributes towards financing lines operating at a loss. S-train traffic has seen a falling number of customers and thus also falling passenger revenue as compared to the first half of 2018. At the same time, S-train traffic has constituted a greater share of DSB's overall production compared to the first half of 2018, and thus it also bears a greater proportion of the fixed costs in the first half of 2019. Both circumstances contribute to explaining the smaller profit for S-train traffic.

## Activity Area Accounts

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

- Train Service relates to the operator task of driving trains
- Train System is a collective designation for the activities that support the task of driving trains, from operation of stations, provision of rolling stock, timetable planning and monitoring, to traffic information and sale of tickets.
- General obligations are activities that are independent of the train operations, such as grants for extra costs regarding civil servants and leasing of special buildings on non-commercial terms.

Train Service is furthermore divided into long-distance and regional train traffic, S-train traffic and Øresund traffic. Train System is divided into Stations, Rolling Stock and Systems & Channels. Systems & Channels include Sales Channels and Customer Service as well as Traffic Handling and Shared Functions.

For the first half of 2019, income before the leasing of rolling stock amounts to DKK 4,951 million. The income finances the public service traffic delivered.

For the first half of 2019, passenger revenue amounts to DKK 2,559 million, and in the financial statements regarding lines this is distributed to the Train Services<sup>1)</sup>, i.e. the passenger traffic, while the Train System tasks in the model are almost entirely financed by the income from the traffic contract. Commission revenues from sale of tickets by other operators are distributed to Systems & Channels and amount to DKK 47 million of other operating income.

Danish train passenger traffic is characterised by a strong desire for cohesion in the public transport, including an integrated and uniform customer experience for the entire journey. In order to deliver this, the public transport sector is characterised by a high degree of integration and collaboration across traffic companies and operators, in addition to shared and integrated commercial solutions such as, for example, Rejsekort, 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 handles an integrating role in the Danish train passenger traffic by, for example, co-financing the development of other traffic companies' traffic systems and traffic offers. An example of this is the passenger revenue sharing in the Copenhagen area and the carrying out of contractor traffic in central and western Jutland.

In connection with the split of the passenger revenue in the metropolitan area, there is a so-called Metro double factor of 1.49. It implies that a passenger travelling with Metroselskabet, is weighted more than a passenger who travels with DSB when the income in the metropolitan area is to be split. In the net revenue, DSB includes the effect of the current revenue split model in the Copenhagen area, which means that Metroselskabet I/S receives an over-proportional share of the total passenger revenues in the metropolitan area (metro double factor). In the agreement from 2006 on revenue sharing in the metropolitan area, it was stipulated that DSB should be compensated for the expected loss of ticket revenue. This compensation was continued in DSB's traffic contract for the period 2015-2024 but does not include the effect of a growing number of journeys by the metro during the period. Thus, the contract does not take into account the opening of Cityringen in the fall of 2019 with an increased financial burden on DSB from the metro double factor.

Similarly, agreements on the handling of contractor traffic for the operator of the traffic in central and western Jutland - Arriva Danmark. Contractor traffic means that DSB bears the costs for continuing to operate a number of departures in central and western Jutland to thereby ensure direct lines for the passengers to the rest of the country. The revenues from the contractor traffic accrue to Arriva Danmark, and DSB is compensated via contract payments from the state. Contractor traffic takes place in the three lines where DSB does not have much production and thus not much passenger revenue, which goes to Arriva instead of DSB; the estimated amount is between DKK 2-3 million per six months.

For the first half of 2019 the total contract payments amount to DKK 2,042 million. This finances the non-profitable train operations and other areas of activity on the basis of principles laid down

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

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 state's investments in the railway infrastructure and DSB's investments in the Train of the Future, will result in a significant financial room for manoeuvre in DSB up to 2030. This room for manoeuvre can either be used to eliminate the contract payments or to drastically reduce ticket prices for the benefit of passengers and society at large.

Of total income before leasing of rolling stock passenger revenue is 52%, income from traffic contracts is 41% and other income from operations are 7% of the total income before leasing of rolling stock.

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

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, 71% finance Train Services and 29% finance Train System tasks.

**Table 1: The results of Train Operations divided into areas of activity, first half of 2019**

Amounts in DKK million	Public services	Train Service			Train System			General obligations	
		Long-distance and Regional Trains	S-train traffic	Øresund traffic <sup>4)</sup>	Stations	Rolling stock	Systems & Channels	Historical <sup>1)</sup>	Non-recurring items <sup>2)</sup>
Passenger revenue	2,559	1,445	742	372	0	0	0	0	0
Revenue from traffic contracts	2,042	860	0	0	383	124	675	0	0
Other operating income <sup>3)</sup>	350	50	15	9	38	89	137	9	3
<b>Income from leasing of rolling stock</b>	<b>4,951</b>	<b>2,355</b>	<b>757</b>	<b>381</b>	<b>421</b>	<b>213</b>	<b>812</b>	<b>9</b>	<b>3</b>
Leasing of rolling stock	712	0	0	0	0	712	0	0	0
<b>Total revenue</b>	<b>5,663</b>	<b>2,355</b>	<b>757</b>	<b>381</b>	<b>421</b>	<b>925</b>	<b>812</b>	<b>9</b>	<b>3</b>
Expenses for raw materials and consumables	264	198	40	25	0	0	1	0	0
Other external expenses	2,487	1,233	239	177	216	176	429	2	15
Staff costs	1,387	623	225	119	54	17	295	7	47
<b>Costs before leasing of rolling stock</b>	<b>4,138</b>	<b>2,054</b>	<b>504</b>	<b>321</b>	<b>270</b>	<b>193</b>	<b>725</b>	<b>9</b>	<b>62</b>
Leasing of rolling stock	712	413	246	53	0	0	0	0	0
<b>Total expenses</b>	<b>4,850</b>	<b>2,467</b>	<b>750</b>	<b>374</b>	<b>270</b>	<b>193</b>	<b>725</b>	<b>9</b>	<b>62</b>
<b>Earnings before amortisation and depreciation</b>	<b>813</b>	<b>-112</b>	<b>7</b>	<b>7</b>	<b>151</b>	<b>732</b>	<b>87</b>	<b>0</b>	<b>-59</b>
Amortisation and depreciation	856	17	6	3	69	716	45	0	0
<b>Operating profit/loss</b>	<b>-43</b>	<b>-129</b>	<b>1</b>	<b>4</b>	<b>82</b>	<b>16</b>	<b>42</b>	<b>0</b>	<b>-59</b>
Profit/loss after tax in group enterprises and associated undertakings	6	0	0	0	0	6	0	0	0
Net financials	-45	-1	0	0	-9	-22	-13	0	0
<b>Profit or loss before tax</b>	<b>-82</b>	<b>-130</b>	<b>1</b>	<b>4</b>	<b>73</b>	<b>0</b>	<b>29</b>	<b>0</b>	<b>-59</b>
Tax on profit for the period	21								
<b>Net profit or loss for the period</b>	<b>-61</b>								
Allocation in %									
Revenue from traffic contract		42%	0%	0%	19%	6%	33%	0%	0%
Income from leasing of rolling stock		48%	15%	8%	9%	4%	16%	0%	0%
Costs before leasing of rolling stock		50%	12%	8%	7%	5%	17%	0%	1%
Costs, depreciation, amortisation, write-downs and net financials	5,745	2,485	756	377	348	925	783	9	62

<sup>1)</sup> General obligations (historical) cover civil servants on loan, own surplus civil servants, special buildings leased out on non-commercial terms as well as elimination items.

<sup>2)</sup> General obligations (Non-recurring items) concern net profits from the sale of real estate in the parent company and severance pay.

<sup>3)</sup> Other operating income includes fees, compensation, rent, lease of rolling stock and income from traffic-independent activities, and specifically for systems and channels, it covers the commission income from sale of tickets from other operators.

<sup>4)</sup> Øresund traffic includes Øresund crossing the bridge and Kystbanen and the Kastrup line.

For the first half year of 2019 costs before leasing of rolling stock amount to DKK 4,138 million for public services. Of this, 70% are used for Train Service, 29% 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 financial statements regarding 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 return.

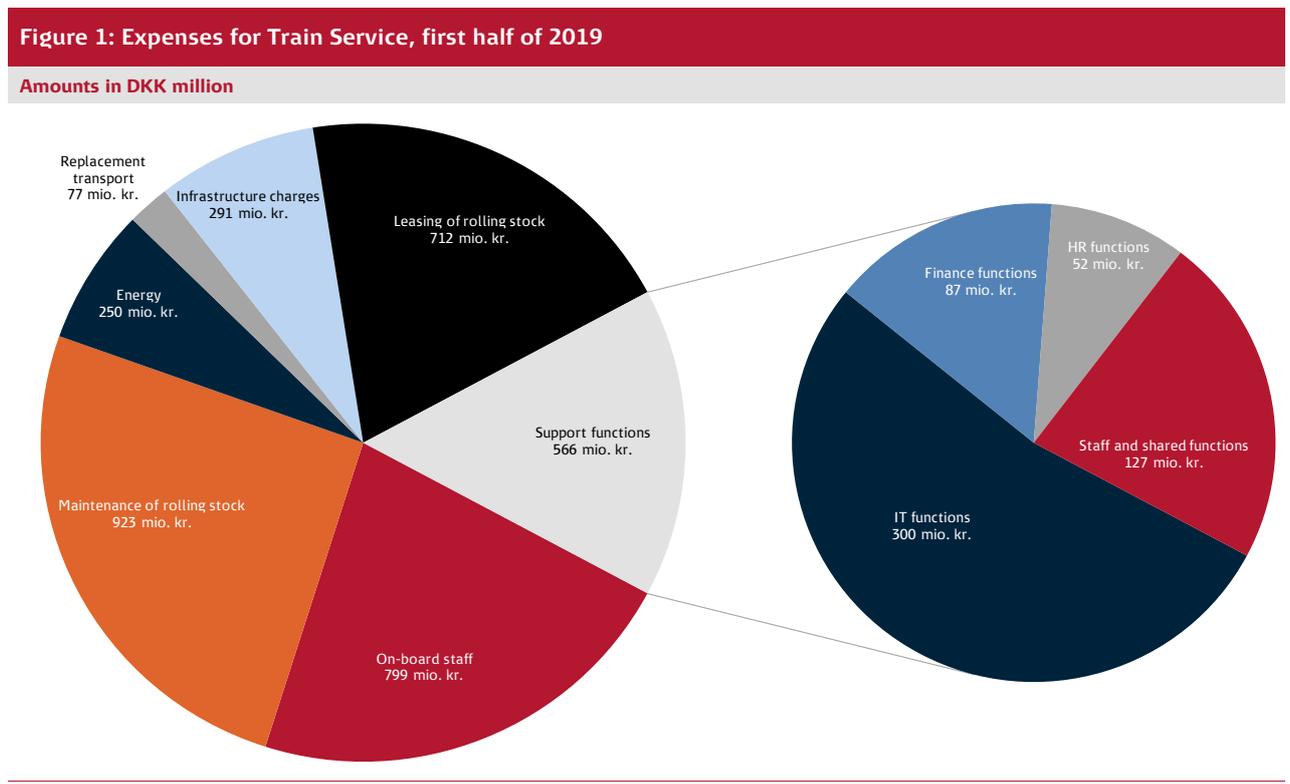
The breakdown of train operations on activity areas is based on Public Services, which is a statement of the activities carried out by DSB under the traffic contract.

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

### Expenses for Train Service

Most of DSBs' expenses including depreciation, amortisation and write-downs and financial income and expenses for the first half of 2019 cover Train Services (DKK 3,618 million), distributed on Long-distance & Regional Trains (DKK 2,485 million), S-train traffic (DKK 756 million) and Øresund traffic (DKK 377 million), see Table 1.

Maintenance of rolling stock and leasing of rolling stock total DKK 1,635 million or 45% of the total expenses for Train Services, while expenses for onboard staff amount to DKK 799 million or 22%, see Figure 1.



In the coming years, a very large number of infrastructure works will be performed in Denmark. These 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. During the infrastructure work, DSB's finances are effected to a very significant degree. In particular, this is in the form of reduced passenger revenues as the customers opt out of taking the train and use other modes of transportation, but it is also in the form of increased costs for replacement traffic.

Banedanmark's grants cover project costs for infrastructure works, while DSB pays the costs for replacement traffic when train operations are hindered by track closures. In the first half of 2019, DSB paid DKK 77 million for 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 part of the supporting functions, which constitute DKK 566 million or 16% of the train service costs. The support functions include cross-sectoral IT functions, staff and common functions, finance and staff functions. More than half of the costs for support functions are staff and consultancy costs. The remainder include costs for software development, licences, outsourced IT operations centre, insurance, rent and costs for consumption, marketing and depreciation/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 substantial effect on the costs for interdepartmental IT functions or other support functions.

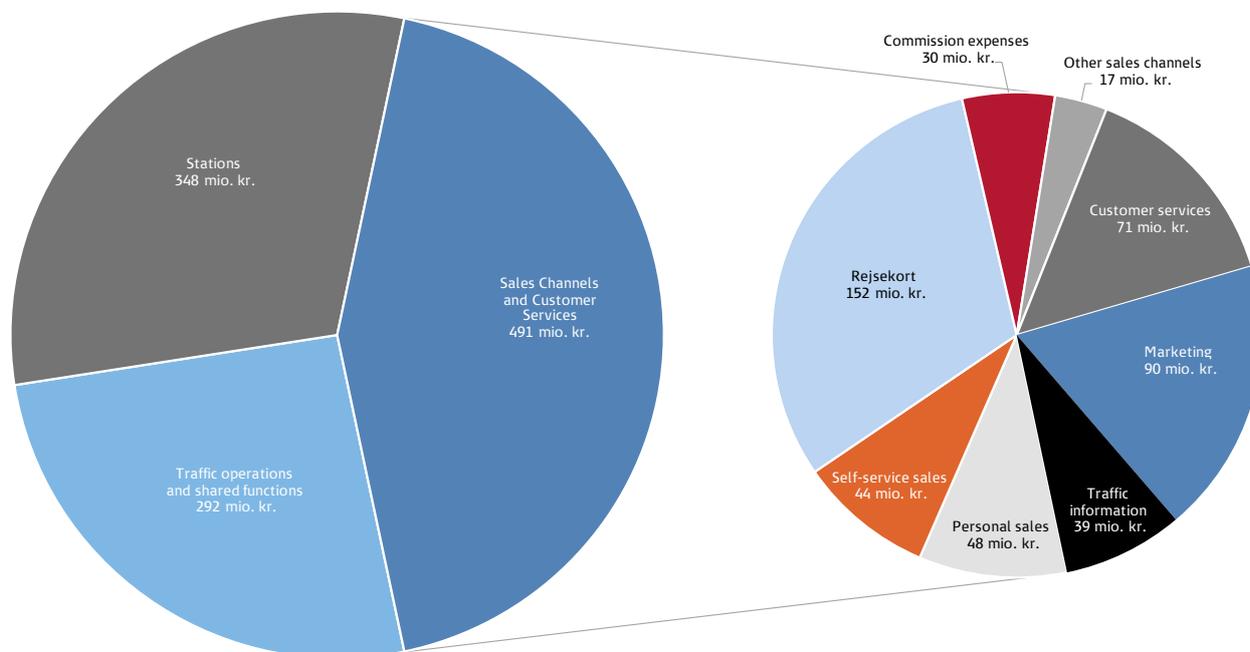
### **Expenses for Train System**

Expenses for the Train System, excluding rolling stock, which ensures coherence in train services in Denmark are DKK 1,131 million including amortisation, depreciation, write-downs and financial income and expenses, see Table 1. Systems & Channels, which consists of Traffic Handling & Common Functions and Sales Channels & Customer Service, accounts for DKK 783 million or 69 per cent of this, while Stations accounts for DKK 348 million or 31 per cent.

Sales Channels & Customer Service comprises customer-oriented activities such as ticket sales channels (personal service, digital and ticket vending machines), customer service, rejsekort (DSB's co-financing of the travel card system) and marketing. Traffic Handling & Common Functions includes traffic-oriented activities such as staff and traffic planning, traffic information, safety and security, monitoring and control of train traffic at the operations centres etc. run by DSB together with Banedanmark. 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, first half of 2019

Amounts in DKK million



### Financial statements regarding lines

The financial statements regarding lines 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 routes provides a good overview of the societal priorities of Danish train operations.

In a broader perspective, the financial statements regarding lines are suited for demonstrating the significant extent of DSB's activities outside the train service activities, which range from planning and monitoring of traffic, customer service and distribution systems to station operation. These are tasks that DSB also attend to on behalf of and in collaboration with the other players in the public transport in general.

However, the financial statements regarding lines are not suited for direct financial comparison between operators, even if such comparison only focuses on the train operation activities. Furthermore, the financial statements regarding lines cannot be used as reference with respect to adjustment of expenses in connection with surrender of lines.

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

The financial statements regarding lines are based on the activity area Train Services reflecting the costs of operating train services. The costs are allocated to the routes in relation to their use of activities and the supporting functions are allocated to the routes 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.

### **Adjustments to the Line Economy Model in 2019**

In 2019, the following adjustments were incorporated into the Line Economy Model:

- New line definition in the Øresund region

It has proved necessary to revise the definition of the line Copenhagen – Malmö to the effect that the production on the Swedish side of the Øresund border has not been included. This is made to adhere to the definition in the initial traffic contract with the state.

**Table 2: The financial statements of Train Service for long-distance trains, Regional West and East, first half of 2019**

Amounts in DKK million	Passenger revenue	Total revenue	Onboard staff	Rolling stock maintenance	Energy	Replacement transport	Infrastructure taxes and duties	Total direct costs	Leasing of rolling stock (avg. costs)	Supporting function costs	Profit/loss
København - Aarhus - Aalborg (InterCityLyn)	300	307	-73	-86	-26	-17	-40	-242	-66	-51	-52
København - Aalborg (InterCity)	413	424	-112	-103	-32	-6	-79	-332	-80	-77	-65
Copenhagen - Esbjerg (InterCity)	243	247	-53	-51	-18	-3	-46	-171	-43	-37	-4
<b>Long-distance trains</b>	<b>956</b>	<b>978</b>	<b>-238</b>	<b>-240</b>	<b>-76</b>	<b>-26</b>	<b>-165</b>	<b>-745</b>	<b>-189</b>	<b>-165</b>	<b>-121</b>
Odense - Svendborg	18	19	-10	-26	-3	-2	-2	-43	-10	-7	-41
Odense - Ringe	3	4	-4	-9	-1	-1	-1	-16	-4	-3	-19
Aarhus - Fredericia - Esbjerg	44	46	-22	-75	-11	0	-7	-115	-16	-15	-100
Aarhus - Fredericia	6	6	-4	-10	-2	0	-1	-17	-3	-2	-16
Odense - Fredericia	9	9	-10	-25	-4	0	-2	-41	-6	-7	-45
Aarhus - Fredericia - Flensborg	9	10	-10	-7	-2	0	-3	-22	-5	-7	-24
Fredericia - Sønderborg	18	19	-15	-8	-3	0	-3	-29	-7	-10	-27
Aarhus - Langå - Struer	0	0	-4	-2	-1	0	-1	-8	-1	-2	-11
Aarhus - Langå - Aalborg	2	2	-1	-1	0	0	0	-2	-1	-1	-2
Aarhus - Hamburg	21	22	-6	-9	-3	0	-2	-20	8	-4	6
Fredericia - Vejle - Struer	35	39	-30	-42	-9	0	-6	-87	-15	-21	-84
Struer - Thisted	0	0	-2	-1	0	0	0	-3	-1	-2	-6
<b>Regional West</b>	<b>165</b>	<b>176</b>	<b>-118</b>	<b>-215</b>	<b>-39</b>	<b>-3</b>	<b>-28</b>	<b>-403</b>	<b>-61</b>	<b>-81</b>	<b>-369</b>
Copenhagen - Kalundborg	46	49	-33	-62	-13	0	-5	-113	-27	-24	-115
Copenhagen - Holbæk	63	66	-26	-42	-14	0	-3	-85	-38	-20	-77
Copenhagen - Roskilde	2	3	-6	-5	-1	0	-1	-13	-3	-4	-17
Copenhagen - Ringsted	38	40	-18	-27	-6	0	-3	-54	-15	-13	-42
Copenhagen - Slagelse	30	31	-6	-7	-2	-1	-2	-18	-7	-4	2
Copenhagen - Nykøbing F - Rødby Ferry	110	114	-46	-75	-23	-29	-8	-181	-63	-34	-164
Copenhagen - Hamburg	18	19	-8	-9	-3	-2	-1	-23	8	-6	-2
Roskilde - Køge - Næstved	17	19	-19	-38	-7	-4	-4	-72	-18	-14	-85
<b>Regional East</b>	<b>324</b>	<b>341</b>	<b>-162</b>	<b>-265</b>	<b>-69</b>	<b>-36</b>	<b>-27</b>	<b>-559</b>	<b>-163</b>	<b>-119</b>	<b>-500</b>
<b>Long-Distance &amp; Regional train traffic</b>	<b>1,445</b>	<b>1,495</b>	<b>-518</b>	<b>-720</b>	<b>-184</b>	<b>-65</b>	<b>-220</b>	<b>-1,707</b>	<b>-413</b>	<b>-365</b>	<b>-990</b>

**Table 3: Financial statements of Train Service Øresund and S-trains, first half of 2019**

Amounts in DKK million	Passenger revenue	Total revenue	Onboard staff	Rolling stock maintenance	Energy	Replacement transport	Infrastructure taxes and duties	Total direct costs	Leasing of rolling stock (avg. costs)	Supporting function costs	Profit/loss
Copenhagen - Elsinore	170	176	-72	-37	-17	-2	-9	-137	-35	-49	-45
Copenhagen - Malmø	202	205	-28	-18	-9	-2	-62	-119	-18	-19	49
<b>Øresund traffic</b>	<b>372</b>	<b>381</b>	<b>-100</b>	<b>-55</b>	<b>-26</b>	<b>-4</b>	<b>-71</b>	<b>-256</b>	<b>-53</b>	<b>-68</b>	<b>4</b>
Central (Hellerup-Valby)	289	293	-48	-28	-7	-2	0	-85	-55	-35	118
Køge (Sydhavn - Køge)	96	99	-32	-32	-9	-1	0	-74	-49	-24	-48
Høje Taastrup (Danshøj - Høje Taastrup)	66	67	-13	-10	-3	-1	0	-27	-17	-10	13
Frederikssund (Langgade - Frederikssund)	82	84	-25	-25	-7	-1	0	-58	-37	-18	-29
Farum (Ryparken - Farum)	49	50	-17	-15	-4	-2	0	-38	-24	-13	-25
Hillerød (Bernstorffsvej - Hillerød)	85	86	-23	-22	-6	-1	0	-52	-34	-17	-17
Klampenborg (Charlottenlund- Klampenborg)	15	16	-5	-4	-1	0	0	-10	-6	-3	-3
Ringbanen (Ny Ellebjerg - Hellerup)	60	62	-18	-12	-3	0	0	-33	-24	-13	-8
<b>S-train traffic</b>	<b>742</b>	<b>757</b>	<b>-181</b>	<b>-148</b>	<b>-40</b>	<b>-8</b>	<b>0</b>	<b>-377</b>	<b>-246</b>	<b>-133</b>	<b>1</b>
<b>Train Services excl. income from traffic contacts</b>	<b>2,559</b>	<b>2,633</b>	<b>-799</b>	<b>-923</b>	<b>-250</b>	<b>-77</b>	<b>-291</b>	<b>-2,340</b>	<b>-712</b>	<b>-566</b>	<b>-985</b>
<b>Calculated payment under traffic contract</b>	<b>0</b>	<b>860</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>860</b>
<b>Train service incl. income from transport contacts</b>	<b>2,559</b>	<b>3,493</b>	<b>-799</b>	<b>-923</b>	<b>-250</b>	<b>-77</b>	<b>-291</b>	<b>-2,340</b>	<b>-712</b>	<b>-566</b>	<b>-125</b>

## Financial calendar

Expected publication of interim and annual reports, etc.:

1st to 3rd quarter 2019	7 November 2019
Annual Report 2019	6 February 2020
Corporate meeting	10 March 2020

## Publications

Interim report 2019 is available at [www.dsb.dk](http://www.dsb.dk)

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### Municipality of domicile

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### Ownership

DSB is an independent public corporation owned by the Ministry of Transport and Housing

### Auditors

Ernst & Young  
Authorised Limited Company of Accountants  
CVR no. 30700228

The National Audit Office of Denmark

### Bank

Nordea Bank Danmark A/S

### Editors

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