CREDIT OPINION
5 May 2025

Update

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RATINGS

DSB

Domicile	Denmark
Long Term Rating	Aa1
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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DSB

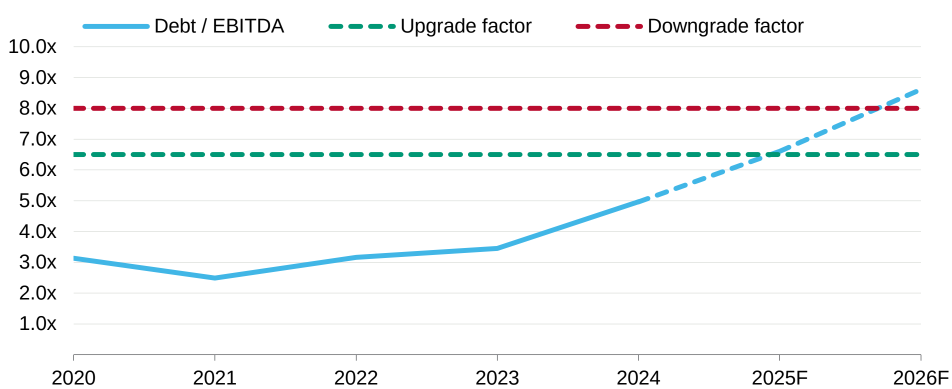
Update following affirmation of Aa1 issuer rating and downgrade of BCA to baa3

Summary

DSB's Aa1 long-term issuer rating factors in its baa3 Baseline Credit Assessment (BCA); our expectation of very high support from the Government of Denmark (Aaa stable) in times of need; and our assessment of a very high default dependence between the company and the government. This assessment is based on the government's very strong ability to provide support to DSB, given the sovereign's ample financial reserves, as reflected in its Aaa rating. Our assessment results in an eight-notch uplift to the company's BCA for a final issuer rating of Aa1.

DSB's baa3 BCA is supported by the company's robust market position as Denmark's national passenger railway operator, the stability and predictability of the legal framework and institutional strength in Denmark, and good liquidity. The rating is constrained by the expected high Moody's-adjusted leverage because of debt-financed capital spending, and its free cash flow (FCF), which will remain negative for at least the next 12-18 months.

Exhibit 1
We expect leverage to increase towards 8x over the next 12-18 months driven by debt-financed capital spending
Moody's-adjusted debt/EBITDA



All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

» Very high support from the Danish government

» Solid business profile as Denmark's national passenger railway operator

» Strong business profile, supported by a predictable operating environment because of the reliability of regulations and the consistent subsidies the company receives

Credit challenges

» Negative FCF because of an intense capex programme

» Significant increase in leverage expected over the next 18 months

» Cost savings dependent on the successful deployment of new rolling stock and upgrade of infrastructure, and will lag new investment

Rating outlook

The stable outlook is in line with the stable outlook on the Danish government's rating and reflects our expectation that the company's strategic importance to Denmark and very high support from the government, if and when needed, will remain intact for the foreseeable future. The stable outlook also reflects our expectation that the company's leverage - although expected to increase due to capex investments - will remain at around 8x over the next 12-18 months.

Factors that could lead to an upgrade

An upgrade is unlikely because DSB's rating is one notch lower than the sovereign rating, and we expect this gap to remain.

The BCA could be upgraded if DSB's Moody's-adjusted debt/EBITDA decreases to below 6.5x; its operating performance improves, illustrated by an increase in its Moody's-adjusted EBIT margin to the high single digits in percentage terms; and it achieves a positive FCF, all on a sustained basis.

Factors that could lead to a downgrade

A downgrade of Denmark's sovereign rating will result in a downgrade of DSB's ratings.

In addition, we could downgrade DSB's ratings if the likelihood of extraordinary support from the government decreases or if the BCA deteriorates and is not adequately compensated by stronger government support.

DSB's BCA could be downgraded if the company's: (1) Moody's-adjusted debt/EBITDA increases to above 8x on a sustained basis; (2) EBIT margin falls below 3%, or; (3) liquidity weakens.

Key indicators

Exhibit 2
DSB

(in DKK billions)	2020	2021	2022	2023	2024	2025F	2026F
Revenue	8.7	9.0	10.2	10.6	11.1	11.4	11.8
EBIT Margin	-1.4%	7.6%	4.7%	2.6%	7.3%	4.3%	4.8%
Debt / EBITDA	3.1x	2.5x	3.2x	3.5x	5.0x	6.6x	8.6x
EBITDA / Interest Expense	14.9x	22.6x	12.5x	11.1x	10.2x	6.0x	5.3x
RCF / Net Debt	36.5%	30.7%	51.6%	33.3%	21.8%	14.7%	9.7%
EBITDA Margin	16.8%	23.5%	16.7%	13.7%	18.1%	15.0%	15.5%
EBITA / Interest Expense	-0.5x	7.9x	3.8x	2.5x	4.4x	1.9x	1.8x
FCF / Debt	5.6%	-4.6%	-10.3%	-37.8%	-16.7%	-19.0%	-31.1%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

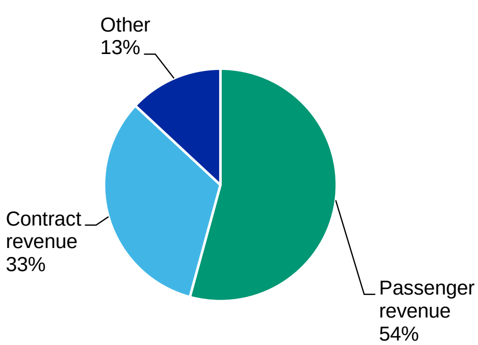
Profile

DSB (Danske Statsbaner) is Denmark's national passenger railway operator. The company employs around 6,000 people, and as a full-service provider of passenger transportation services, it transports around 463,000 passengers daily. DSB is also one of Denmark's largest land and property owners with 196 active railway stations. DSB was founded in 1885 and has a special legal status as a Danish SOV (independent public enterprise, which is a hybrid between an enterprise and a public authority) because of its long-standing ownership by the Danish state and its role as a public service provider, which involves receiving contract payments and other government support. Contract payments are made regularly to DSB to compensate for the cost of operating loss-making routes. DSB's main segments comprise:

1. Train operations (DSB's core business) including long-distance, regional train and S-train services, as well as repair and maintenance services
2. Service and retail: Responsible for service and catering in trains and at stations
3. Real estate management and property development: Creates value by developing areas that are no longer used for train operations

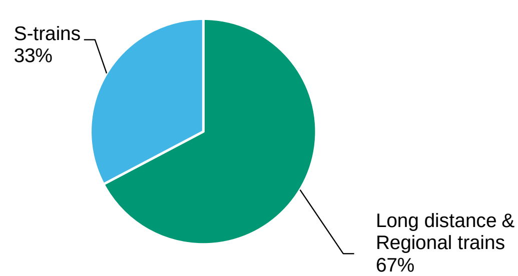
In 2024, DSB generated revenue of DKK11.1 billion, and EBITDA of DKK1.8 billion.

Exhibit 3
More than half of DSB's revenues come from the passenger segment
Revenue breakdown by segment for train operations (2024)



Source: Company

Exhibit 4
Long distance and regional trains contribute the bulk of DSB's revenue
Passenger revenue breakdown by type of train (2024)



Source: Company

Detailed credit considerations

Passenger volume increased in 2024 and will continue to grow over the next few years

Passenger volume continued to increase in 2024 as more people switched to rail, driving a 5.1% increase in total revenue compared with 2023. We expect passenger traffic to continue to grow, driven by strategic initiatives to encourage greener transport. Investments in the S-train (commuter train) will convert the line to operate more like an automated metro, and the opening of the Femern link — a short-cut from Denmark to Germany — will also drive volume in due course.

Although DSB's revenue is relatively stable because of government contract contributions, profit has historically been uneven, mainly because of one-off impairment charges and the time lag between inflation-related cost increases and the implementation of ticket price increases. Ticket price increases are permitted according to a formula set by the Danish Transport Authority based on certain price indexes; for 2024, it was set at 10.3%. The state provides the company with a top-up to compensate for these inflation-related lags, but the cash inflow from the state is subject to a time lag. On average, however, the company is profitable, with a 4.8% average EBIT margin over the last three years, which was relatively strong for its peer group. EBITDA improved in 2024 as cost savings measures came into effect, increasing to DKK2.0 billion from DKK1.4 billion in 2023 (on a Moodys-adjusted basis). We expect profitability to decline in the next couple of years as operating expenses increase to achieve medium term efficiencies in conjunction with the acquisition of new rolling stock. EBITDA will reduce to around DKK1.7 billion in 2025, then gradually improve during 2026-2027 to around DKK2.0 billion.

In December 2023, DSB renewed its 10-year traffic contract with the Minister of Transport to run the Danish railways service (valid until December 2033). Under the new contract, DSB will receive around DKK3.3 billion in revenue support from the government annually. The new contract requires DSB to improve its service, which includes shorter travel time, increased traffic volume (to be phased in from 2027 to 2032), increased investments to maintain train stations' safety and overall condition, phasing out of diesel trains, and increased compensation to passengers for lack of punctuality. Hence, our base case continues to capture our assumption of increase in capex.

This new contract will be the last under this model because recent EU legislation has introduced a requirement for future public rail services to be offered through a tender. However, DSB's competitive advantage will remain strong. A few operators, including GoCollective, Metro and Lokaltog, are already present, but DSB covers 89% of long-distance and regional train services and holds a 28% market share in international travel. DSB's controlling position in the national passenger railway segment is unlikely to be challenged significantly.

High capex plans are increasing leverage and lead to negative FCF

As is typical in the railway sector, DSB's capex and investment spending needs follow long-term cycles. The company has planned capex of DKK45 billion through 2038. These investments will help the company maintain its position as Denmark's national railway operator with high levels of customer satisfaction and as a leader in the transition to green transport in Denmark well into the future. The company has, for example, already signed a €2.6 billion contract with Alstom to purchase 100 fully electrified trains that will replace the remaining diesel fleet. DSB's modernisation will work hand in hand with Banedanmark, the railway infrastructure owner (also 100% state owned), as it progresses with the electrification of the remaining diesel lines in the Danish railway system. The programme involves 1,362 kilometres of tracks and all the lines that DSB operates on. As more lines are electrified, DSB can deploy more electric rolling stock. This is crucial to meeting DSB's target of being carbon neutral by 2030.

DSB's significant funding requirements for the coming decade will be sourced from operational cash flow, and senior bank debt and bonds. We expect leverage to reach around 6.6x in 2025 compared with 5.0x in 2024 driven by lower EBITDA, and in the following year to at least 8.0x, driven by the new debt the company will issue.

Solid business profile, supported by a stable and predictable operating environment

The operating environment in Denmark is stable and supports DSB's credit quality. Although Denmark is open to competition, DSB's small network makes it difficult for the company to generate profit without state support, which DSB has through its traffic contracts that subsidise routes that are making losses. Additionally, the country is too small to justify a high-speed network, which would attract more competition. Despite this, a few operators, including GoCollective, Metro and Lokaltog, maintain a presence. DSB maintains an 89% coverage in long-distance and regional trains, and a 28% market share in international travel as of 2024. The company's controlling position in the national passenger railway segment is unlikely to be challenged significantly. Additionally, we expect any market share captured by new operators to be more than offset by an increase in passenger numbers.

Denmark provides a stable and predictable operating environment for DSB, with its very high standard of living, high-quality legislative and executive institutions, strong civil society and high-quality judiciary. The company also benefits from the forward-looking nature of successive governments, and their sustained commitment and broad consensus to preserving strong public finances.

Key role in achieving the government's CO_2 reduction targets in the transportation sector in Denmark leads to strong support

In light of DSB's strategic role in providing a public rail service across Denmark, we expect the Danish government to provide timely support to DSB if the viability of the rail operations is at risk. In addition, the company is a key component of the government's climate action plan to significantly reduce pollution. DSB will become carbon neutral by 2030 in Scope 1 and 2 because of investments in transitioning its remaining diesel-powered rolling stock to electric.

The government has established a very strong track record of ongoing and extraordinary support for DSB. In 2020, in response to the pandemic-induced decline in travel to 120.1 million passengers (down 36% from 2019), DSB was granted DKK914 million in EU-approved governmental support to maintain the agreed level of train operations. As travel reduced further to 118 million passengers in 2021 (down 36% from 2019), the company received another DKK1,451 million in EU-approved governmental aid to maintain the agreed level of train operations. This also included DKK295 million as compensation for economic losses incurred during the pandemic from March 2020 to August 2020.

The Danish government has committed to provide state guarantees for debt over 2020-50 to finance capex, refinance maturing debt or cover cash flow shortfalls. Loan guarantees are administered by the Danish central bank on behalf of the Danish state.

Because of DSB's 100% ownership by the Danish government, we applied our Government-Related Issuers rating methodology to rate the company. Therefore, DSB's rating reflects a combination of the following inputs:

» the baa3 BCA

» the Aaa domestic-currency rating of Denmark

» the very high default dependence between DSB and the government

» the very high probability of support from the government

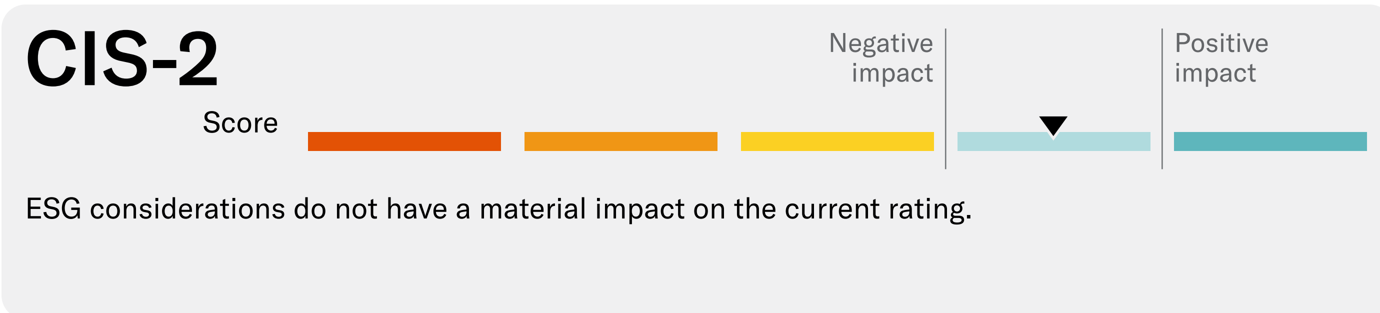
This assessment is based on the government's very strong ability to provide support to DSB; the Danish government's willingness to support the company, which it has consistently demonstrated with regular contractual payments (contract revenue) that are written into Finansloven, the country's finance act; and a commitment to provide state guarantees for borrowings at the company's discretion. Our assessment of the very high default dependence between DSB and the Danish government reflects the strong integration of railways into the international economy and trade flow.

Our expectation that the government will provide DSB with a very high level of support in case of need is based on its 100% state ownership; its explicit commitment to provide state guarantees for DSB's debt at the company's discretion; the strategic importance of a functioning, well-funded passenger railway for Denmark's economy; the overall strong political consensus regarding the public role of DSB; and DSB's dominant role as a regional transport provider, in addition to its quasi-monopoly in Denmark's national, regional and suburban passenger rail segments.

ESG considerations

DSB's ESG credit impact score is CIS-2

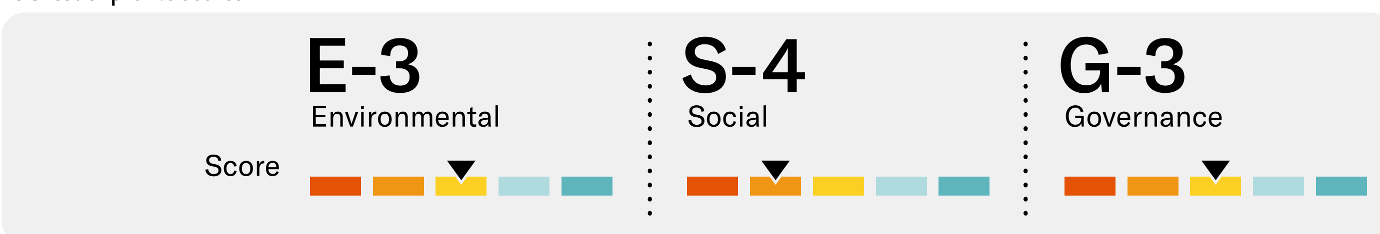
Exhibit 5
ESG credit impact score



Source: Moody's Ratings

DSB's Credit Impact Score reflects DSB's government ownership and high level of government support which offset the ESG risks identified for the company in the IPS scores. As a standalone entity without government support DSB's credit rating would be impacted by Environmental, Social and Governance risks.

Exhibit 6
ESG issuer profile scores



Source: Moody's Ratings

Environmental

DSB's Environmental Issuer Profile Score (**E-3**) reflects the company's exposure to carbon transition risk stemming from the requirement to replace diesel-run rolling stock with new electric trains. This is resulting in higher debt levels and increased leverage.

Social

DSB's social risk (**S-4**) is mainly driven by the company's high fixed cost base related to labour which is difficult to reduce or restructure quickly in line with revenue trends, and the risk of industrial action. DSB also has an element of exposure to health and safety due to the potential risk to employees working in maintenance functions and exposure to customer relations because of the requirement to safeguard confidential customer data.

Governance

DSB's governance risk (**G-3** issuer profile) mainly reflects its appetite for increasing levels of leverage to support its capital expenditure plans to modernize the company's rolling stock. The company also bears the governance risk of concentrated ownership, with the Danish government holding 100%.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

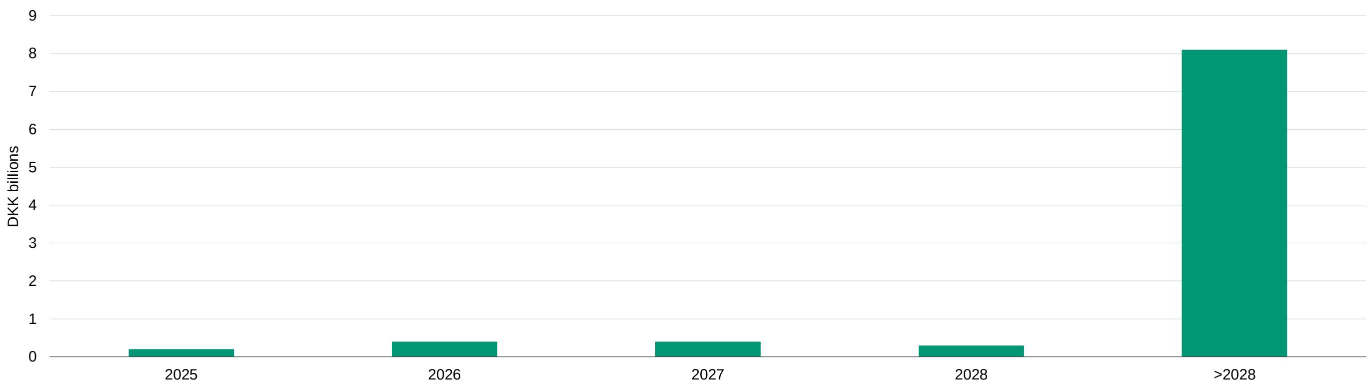
We expect DSB to have good liquidity over the next 12 months, supported by its cash position of DKK3.2 billion (including short-term securities) as of 31 of March 2025; its DKK3.5 billion undrawn committed facilities without covenants, and; its fully available committed and undrawn credit facilities without covenants (but with MAC clause) of DKK2.1 billion.

DSB's main cash need in the coming years will be for capital spending, which we estimate will be around DKK3.3 billion in 2025 and DKK6.2 billion in 2026, funded by cash on balance sheet and new debt issuance.

Exhibit 7

DSB has a long-dated debt maturity profile

Debt maturity profile



Source: Company

Methodology and scorecard

DSB's BCA of baa3 is two notches below the historical scorecard-indicated outcome of our Passenger Railways and Bus Companies rating methodology, reflecting the expected increase in leverage owing to the debt-financed capital spending plan. The BCA is in line with the forward-looking scorecard-indicated outcome.

Exhibit 8

Rating factors

DSB

Passenger Railways and Bus Companies Industry Scorecard [1][2]	Current FY 12/31/2024		Moody's 12-18 Month Forward View	
Factor 1 : Scale (15%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$1.6	Ba	$1.7	Ba
Factor 2 : Business Profile (25%)				
a) Regulatory Environment	Aaa	Aaa	Aaa	Aaa
b) Market Characteristics	Aa	Aa	Aa	Aa
c) Competitive Environment	Aa	Aa	Aa	Aa
Factor 3 : Profitability and Efficiency (10%)				
a) EBIT Margin	7.4%	Baa	4.6%	Ba
Factor 4 : Leverage and Coverage (35%)				
a) Debt / EBITDA	5.0x	Ba	7.6x	Caa
b) EBITDA / Interest Expense	10.2x	Aa	5.7x	A
c) RCF / Net Debt	21.9%	Baa	12.2%	Ba
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Ba	Ba	Ba	Ba
Rating:				
a) Scorecard-Indicated Outcome		Baa1		Baa3
b) Actual BCA Assigned				baa3
Government-Related Issuer	**Factor**			
a) Baseline Credit Assessment	baa3			
b) Government Local Currency Rating	Aaa Stable			
c) Default Dependence	Very High			
d) Support	Very High			
e) Actual Rating Assigned	Aa1 Stable			

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Moody's forecast are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 9
Peer comparison
DSB

	DSB			Deutsche Bahn AG			SNCF Réseau			Ceske drahy, a.s.		
	Aa1 Stable			Aa1 Stable			Aa3 Stable			Baa2 Stable		
	FY	FY	FY	FY	FY	LTM	FY	FY	LTM	FY	FY	LTM
(in $ millions)	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Jun-24	Dec-22	Dec-23	Jun-24	Dec-22	Dec-23	Jun-24
Revenue	1,447	1,531	1,608	54,894	48,869	48,133	8,702	9,602	9,986	1,898	2,215	2,201
EBITDA	242	210	291	5,319	2,687	1,640	4,194	3,986	3,731	479	723	721
EBITA Margin	5.1%	3.1%	7.8%	2.4%	-2.7%	-5.0%	29.3%	24.2%	20.0%	5.2%	13.7%	13.0%
EBITA / Average Assets	3.6%	2.2%	4.9%	1.7%	-1.6%	-2.9%	1.9%	1.6%	1.4%	2.0%	5.5%	5.1%
(FFO + Interest Expense) / Interest Expense	13.2x	12.5x	9.4x	9.7x	6.4x	4.4x	1.7x	1.7x	2.0x	5.0x	4.7x	4.7x
Total Debt / Capital	47.4%	44.5%	60.1%	74.1%	80.9%	76.6%	77.3%	76.2%	75.1%	65.1%	64.9%	67.5%
Debt / EBITDA	3.2x	3.5x	5.0x	7.9x	17.3x	29.0x	15.9x	16.3x	16.4x	6.1x	4.5x	5.0x
FCF / Debt	-10.3%	-37.8%	-16.7%	-2.3%	-13.2%	-17.5%	-0.3%	-0.6%	-0.4%	-22.3%	-6.2%	-7.4%
RCF / Net Debt	51.6%	33.3%	21.8%	16.3%	9.5%	7.0%	2.6%	2.7%	3.4%	13.8%	16.3%	15.3%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 10
Moody's-adjusted debt reconciliation
DSB

(in DKK millions)	2020	2021	2022	2023	2024
As reported debt	**3,802.0**	**4,677.0**	**4,676.0**	**4,317.0**	**9,205.0**
Operating Leases	774.0	600.0	729.0	678.0	762.0
Moody's-adjusted debt	**4,576.0**	**5,277.0**	**5,405.0**	**4,995.0**	**9,967.0**

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Exhibit 11
Moody's-adjusted EBITDA reconciliation
DSB

(in DKK millions)	2020	2021	2022	2023	2024
As reported EBITDA	**1,320.0**	**2,205.0**	**1,574.0**	**1,561.0**	**1,812.0**
Operating Leases	258.0	200.0	243.0	226.0	254.0
Unusual Items	(118.0)	(285.0)	(107.0)	(341.0)	(58.0)
Moody's-adjusted EBITDA	**1,460.0**	**2,120.0**	**1,710.0**	**1,446.0**	**2,008.0**

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Exhibit 12

Overview of select historical and forecast Moody's-adjusted financial data

DSB

(in DKK millions)	2020	2021	2022	2023	2024	2025F	2026F
INCOME STATEMENT							
Revenue	8,701	9,039	10,212	10,550	11,085	11,419	11,752
EBITDA	1,460	2,120	1,710	1,446	2,008	1,713	1,819
EBIT	(124)	690	482	271	815	490	566
Interest Expense	98	94	137	131	198	284	342
BALANCE SHEET							
Cash & Cash Equivalents	963	546	2,179	501	3,218	2,423	1,899
Total Debt	4,576	5,277	5,405	4,995	9,967	11,317	15,667
Net Debt	3,613	4,731	3,226	4,494	6,749	8,894	13,768
CASH FLOW							
Funds from Operations (FFO)	1,318	1,452	1,666	1,496	1,654	1,384	1,428
Cash Flow From Operations (CFO)	1,383	967	1,583	1,544	1,859	1,384	1,428
Capital Expenditures	(1,128)	(1,212)	(2,141)	(3,430)	(3,344)	(3,449)	(6,211)
Dividends					180	80	90
Retained Cash Flow (RCF)	1,318	1,452	1,666	1,496	1,474	1,304	1,338
RCF / Net Debt	36.5%	30.7%	51.6%	33.3%	21.8%	14.7%	9.7%
Free Cash Flow (FCF)	255	(245)	(558)	(1,886)	(1,665)	(2,145)	(4,874)
FCF / Debt	5.6%	-4.6%	-10.3%	-37.8%	-16.7%	-19.0%	-31.1%
PROFITABILITY							
% Change in Sales (YoY)	-8.9%	3.9%	13.0%	3.3%	5.1%	3.0%	2.9%
EBIT Margin	-1.4%	7.6%	4.7%	2.6%	7.3%	4.3%	4.8%
EBITDA Margin	16.8%	23.5%	16.7%	13.7%	18.1%	15.0%	15.5%
INTEREST COVERAGE							
(FFO + Interest Expense) / Interest Expense	14.5x	16.5x	13.2x	12.5x	9.4x	5.9x	5.2x
EBIT / Interest Expense	-1.3x	7.4x	3.5x	2.1x	4.1x	1.7x	1.7x
EBITDA / Interest Expense	14.9x	22.6x	12.5x	11.1x	10.2x	6.0x	5.3x
LEVERAGE							
Debt / EBITDA	3.1x	2.5x	3.2x	3.5x	5.0x	6.6x	8.6x
Net Debt / EBITDA	2.5x	2.2x	1.9x	3.1x	3.4x	5.2x	7.6x

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Ratings

Exhibit 13

Category	Moody's Rating
DSB	
Outlook	Stable
Issuer Rating -Dom Curr	Aa1
Senior Unsecured MTN	(P)Aa1
BACKED Senior Unsecured MTN (Foreign)	(P)Aaa

Source: Moody's Ratings

REPORT NUMBER 1445683