



DSB Annual Report 2007

Financial highlights

DSB Group	2003	2004	2005	2006	2007	Relative changes 2006-2007
Profit and loss account in DKK million						
Passenger revenues	3,888	4,052	4,164	4,264	4,391	3.0%
Revenue from transport contracts	4,147	3,968	4,326	4,342	4,247	-2.2%
Shop sales etc.	936	932	917	928	902	-2.8%
Net turnover	8,971	8,952	9,407	9,534	9,540	0.1%
Other operating income, etc.	941	963	1,127	1,131	1,144	1.1%
Total income	9,912	9,915	10,534	10,665	10,684	0.2%
Total expenses	7,362	7,182	7,647	7,792	7,940	1.9%
Profit before depreciation, amortisation and write-downs (EBITDA)	2,550	2,733	2,887	2,873	2,744	-4.5%
Depreciation and write-downs	1,298	1,483	1,569	1,492	1,444	-3.2%
Operating profit	1,252	1,250	1,318	1,381	1,300	-5.9%
Net financial items	-255	-303	-325	-373	-446	19.6%
Profit before tax	997	947	993	1,008	854	-15.3%
Profit for the year	697	664	745	726	767	5.6%
Balance sheet in DKK million						
Balance sheet total	20,060	22,364	24,427	24,645	24,778	0.5%
Fixed assets	17,863	19,833	21,216	21,571	21,820	1.2%
Current assets	2,197	2,531	3,211	3,074	2,958	-3.8%
Equity	7,852	7,701	7,673	7,771	7,898	1.6%
Minority interests	-	-	0	7	9	28.6%
Provisions	1,693	1,634	1,742	2,039	2,114	3.7%
Liabilities	10,515	13,029	15,012	14,828	14,757	-0.5%
Cash flows in DKK million						
Cash flow - operating activities	2,042	2,404	2,331	2,121	1,905	-10.2%
Cash flow - investing activities	-3,086	-3,407	-2,777	-1,691	-1,500	-11.3%
Cash flow - financing activities	812	1,415	521	-451	-968	114.6%
Cash at bank and in hand at 31 December	751	1,163	1,238	1,217	654	-46.3%
Key figures						
Operating profit margin (EBITDA margin)	28.4	30.5	30.7	30.1	28.8	-4.6%
Profit ratio (EBIT margin)	14.0	14.0	14.0	14.5	13.6	-5.9%
Return on equity	8.9	8.5	9.7	9.4	9.8	4.8%
ROCE	8.5	7.6	7.2	7.3	7.5	1.6%
Interest cover	4.9	4.1	4.1	3.7	2.9	-21.3%
Solvency ratio	39.1	34.4	31.4	31.6	31.9	1.1%
Further information						
Average number of full-time employees	8,413	8,783	9,078	9,207	9,196	-0.1%
Train journeys (in thousands of journeys)	157,864	160,472	163,555	166,395	168,273	1.1%
Passenger km (million)	5,512	5,629	5,651	5,770	5,851	1.4%
Train km (in thousands of train km)	55,293	55,013	57,341	58,375	56,730	-2.8%

Definition of key figures

The key ratios and denominations have been prepared according to The Danish Society of Financial Analysts' guidelines.

Operating profit margin (EBITDA margin) = profit before depreciation, amortisation and write-downs x 100 / net turnover

Profit ratio (EBIT margin) = operating profit x 100 / net turnover

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

ROCE = (operating profit + financial income) x 100 / (average equity + average interest-bearing liabilities)

Interest cover = operating profit / net financials

Solvency ratio = equity x 100 / balance sheet total

DSB Annual Report 2007

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Contents

6 2007 – a turning point

8 Financial review

13 DSB's future expectations

14 The New DSB

▾ Responsibility

18 DSB takes responsibility

20 Green, Greener, Greenest

24 S-trains go green

26 Free newspapers for recycling

28 With micro organisms at work

30 Teamwork pays off at workshops

31 Health checks for everyone

32 The trend is reversed

33 Employees of the future should be secured now

34 The working environment is given the seal of approval

37 DSB Døgnet

37 Asbestos agreement in place

38 Safe link

39 Binding agreements for ethical practices

▾ Customers and market

42 Spotlight on the customer

44 Short articles

46 S-train customers more satisfied than last year

48 DSB services other rail operators' trains

49 Going on-line on the train

50 DSB's punctuality and reliability

51 Short articles

52 S-trains – the pulse of the city

56 Operations Centre provides overview

58 DSBFirst is ready to take on Øresund

60 The Swedish success

62 IC4 on track

▾ Tracking 2007

68 Tracking 2007

▾ Annual Accounts

70 Management statement and auditors' report

74 Corporate Governance

77 Risk Management

83 Accounting policies

89 Profit and loss account

90 Balance sheet

92 Equity statement

93 Cash flow statement

94 Notes to the accounts

▾ Other information

115 Other key figures

116 Annual accounts for business areas

119 DSB's Board of Directors and Executive Board

120 DSB's organisation

122 Line map

2007 – a turning point

In many respects, 2007 was a turning point for DSB which will become more and more evident for our customers over the coming years

Trains on time

2007 was the year when we pushed forward on all fronts to address the poor punctuality to which our customers have been exposed since mid-2005. A broad range of measures concerning traffic information and operational optimisation, initiated in 2006, were fully implemented in 2007. A joint operations centre with Rail Net Denmark, better customer information, a new timetable that alleviates the problems with the track network all contributed to improved punctuality in 2007. The enhanced quality was reflected in increased customer satisfaction and a better image in 2007. While progress has been made, there is still some way to go before we are satisfied. Consequently, punctuality and traffic information will continue to be major focus areas in 2008. Combined with the planned improvements to the track network, we, therefore, expect to deliver an even better product in 2008.

Øresund and Roslagsbanan

2007 was also the year when we, together with First-Group plc, won the tender for transport in the Øresund Region on both the Danish and Swedish sides. Operations on the Swedish side proved even more extensive than originally expected, which means that from 2009, we shall operate just as many trains in Sweden as we do in Jutland. We also retained Roslagsbanan in Stockholm for a further five years. Overall, we will be the second largest train operator in Sweden and the largest in Scandinavia. Our future Øresund operations and our activities in Stockholm are described in more detail later in this Annual Report.

IC4

On June 25, 2007, we commissioned the first IC4 train set in test runs with passengers on the section between Århus and Lindholm. At present four train sets have been approved for operation with passengers on the Lindholm - Aalborg - Århus - Fredericia - Padborg line. Customers have expressed great satisfaction with the IC4 in surveys. Next phase in the approval process is a factual type

approval of the IC4 for commissioning in single operating train sets in national traffic. On 4 March 2008, AnsaldoBreda submitted an application for approval with Trafikstyrelsen. In this connection, further test runs must be carried out before type approval can be issued.

These test runs have been initiated and the first train set is ready to be commissioned for service in national traffic when the approval has been given by the authorities.

A responsible company

DSB is a responsible organisation. We have a large number of employees and interface not only with our customers, but also with our neighbours, partners and stakeholders. Consequently, we are committed to ensuring that we demonstrate our responsibilities in terms of how our activities impact on society around us, our customers, employees and the environment. 2007 was the year when major climate challenges and issues rose to the top of the agenda. With our train product, DSB wishes to play an active part in finding solutions to these global problems. As the Infrastructure Commission's report highlighted in its conclusions, we believe that future focus on public transport must be one of the cornerstones in the solution to our century's environmental challenges. We look forward to playing our part.

"We must become more commercial, more efficient and that we must focus on being a responsible company with strong focus on the environment, social responsibility and ethics"



One example of our activities in the environmental area is that in 2007, in partnership with Rail Net Denmark, we signed a contract with DONG Energy to purchase CO₂-free power for our electrified train operations in 2008 and 2009. As a result, DSB's electrified train operations in 2008 and 2009 will run on CO₂-free power. While DSB acknowledges that the contract will not, in the short-term, result in additional production of sustainable energy, the contract signifies that our target is to impact on energy production in the long-term.

New organisation

In 2007, Søren Eriksen was appointed CEO and in April, changes to the organisation were introduced. A new Corporate Management team was established and expanded to include an HR Director and a Commercial Director. The criteria for the new organisational structure is greater focus on operations, enhanced commercialisation and business development and the elimination of overlaps. The new organisation is an element in the creation of The New DSB.

The New DSB

In 2007, we worked on the development of what we call The New DSB. The New DSB means that we must become more commercial, more efficient and that we must focus on being a responsible company with strong focus on the environment, social responsibility and ethics. The New DSB must be a strongly customer-focused organisation with a highly competitive approach to the market. This must be reflected in our image and, not least, in our customer satisfaction ratings. In turn, this will ensure that DSB has the strength to maintain and build on our position in the market, also internationally. In 2008, we will continue to create the foundation upon which The New DSB will be based, including the roll-out of a programme of change aimed at making the organisation more efficient and better prepared for engaging with our customers.

The future structure of the rail sector

In 2007, the Minister of Transport initiated an analysis which, in 2009, will result in a draft proposal for a competitive rail transport market aimed at providing better public transport to cover users' requirements. DSB is looking forward to making a constructive contribution to clarifying the company's future structure. In this respect, it will be crucial for DSB to maintain its strengths as a key operator able to meet the major challenges facing the sector in the years ahead. Consequently, it is imperative that during this process no further sections are offered for tender in order for DSB's value to be maintained.

A satisfactory financial result

With profits before tax of DKK 854 million, DSB's financial position is robust. The total number of passengers rose by 1.9 million to 168.3 million in 2007 largely owing to the positive trend in travel across the Øresund waterway. We must, however, maintain our focus on efficiency and operational improvements to ensure our ongoing development. Moreover, we must expend our resources on customers and on improving our product while at the same time considering ways to further streamline our processes and business procedures. The New DSB, therefore, will be our major challenge for 2008.

Mogens Granborg
Chairman

Søren Eriksen
CEO

Financial review

Pre-tax profits totalled DKK 854 million

The DSB Group's profits before tax were DKK 854 million against DKK 1,008 million in 2006. The fall in profits can mainly be attributed to lower revenue from transport contracts and a rise in financial expenses. In addition, increased costs were incurred for a range of customer-oriented initiatives.

Adjusted for the profit on the sale of fixed assets, profit before tax for 2007 equates to the forecast published in the 3rd Quarter 2007 report of DKK 650 million.

Rising passenger revenues compared to 2006

Revenue in 2007 amounted to DKK 10,684 million, which is a rise of DKK 19 million compared to last year (DKK 10,665 million). Passenger revenues totalled DKK 4,391 million equating to a rise of DKK 127 million. This is owing to a rise in the number of passengers on long-distance and regional sections, primarily on the section across Øresund. By contrast, the number of S-train passengers fell on the year.

Revenue from transport contracts totalled DKK 4,247 million, i.e. DKK 95 million less than last year (DKK 4,342 million). This reduction is owing to efficiency requirements which were integrated into the transport contracts agreed with the Minister of Transport. As a consequence, the revenue from transport contracts was reduced. The tightening apply to long-distance, regional as well as S-trains.

Sales from shops etc. totalled DKK 902 million, which represents a fall of DKK 26 million compared to 2006 (DKK 928 million). This is largely owing to the closure of cafés and minibars.

Other operating income etc. rose by DKK 13 million and totalled DKK 1,144 million compared to the previous year (DKK 1,131 million). The rise can be attributed to increased sales to external customers of preparation and maintenance services as well as the profit on the sale of fixed assets.

Rising expenses

Total expenses in 2007 increased by DKK 148 million to DKK 7,940 million (DKK 7,792 million). During the year

under review, a range of customer-oriented initiatives were carried out which incurred increased costs. These initiatives included a new, more robust timetable and other measures to improve punctuality as well as increased customer service.

Other specific customer-oriented initiatives include information stands at Copenhagen Central Station, the recruitment of platform guards and the installation of information screens on Kystbanen. By contrast, costs relating to accidents in 2006 led to a higher cost level in 2006. Finally, efficiency measures had a positive impact on cost levels compared to 2006.

Changes in expenses

Amounts in DKK million

Total expenses for 2006	7,792
General fare increases and improvements to punctuality and customer service	291
Accidents in 2006	-53
Other, including efficiency measures	-90
Total expenses for 2007	7,940

Employee numbers on a par with 2006

The average number of full-time employees totalled 9,196, i.e. a decline of 11 employees compared to 2006 owing to two factors: first, the implementation of the new timetable and a range of customer-oriented initiatives to improve punctuality and customer information created a need for a further 123 employees – including train drivers and train personnel. Secondly, by contrast, efficiency measures within other areas led to an overall reduction of 134 employees.

Business areas

Long-distance and regional trains

Passenger revenues rose by 3 per cent to DKK 3,364 million (DKK 3,263 million). This increase derives primarily from the highly positive development in the Øresund traffic.

Revenue from transport contracts in 2007 was DKK 2,610 million, i.e. a fall of DKK 102 million compared to the previous year (DKK 2,712 million). This is owing to the integrated efficiency requirements in the transport contract with the Ministry of Transport.

Profit before depreciation, amortisation and write-downs fell by DKK 101 million. This is largely owing to reduced revenue from the transport contract and increased costs for customer-oriented initiatives. This has resulted in a fall in the profit ratio from 25.4 per cent in 2006 to 23.8 per cent in 2007.

Train kilometre production totalled 39.3 million km, equating to a fall of 3 per cent compared to 2006 (40.6 million km). The fall results from the planned track work on Kystbanen, which began in May 2007, and the resulting cancellations. Moreover, in 2007 embankment work was carried out at Sønderborg. As a consequence of these cancellations, customers were offered replacement buses. This and other customer-oriented initiatives coupled with the fact that the new timetable requires more personnel are the main reasons why the reduction in production volume did not result in a corresponding fall in costs.

The total number of journeys undertaken by long-distance and regional trains developed positively compared to 2006, i.e. a growth of 5 per cent to 69.4 million journeys (66.2 million journeys). Øresund traffic increased by 26 per cent owing to the ongoing integration of the region. The East segment, including journeys to Copenhagen airport, showed growth of 2 per cent, while West posted a rise of 3 per cent.

International journeys saw a 12 per cent advance on the year primarily from campaigns and new train journeys to Hamburg and Berlin.

Journeys between East and West Denmark saw a rise of 2 per cent compared to the previous year. This is in part due to the larger number of journeys on DSB 1' and the autumn's problems with SAS' Q400 (Dash 8) aircraft which caused passengers to switch to trains.

Long-distance and regional trains ¹⁾

	Amounts in DKK million		Change	
	2007	2006	Abs.	Rel.
Net turnover	6,494	6,499	-5	0%
Passenger revenues	3,364	3,263	101	3%
Transport contract	2,610	2,712	-102	-4%
Shops	520	524	-4	-1%
Profit before depreciation, amortisation and write-downs (EBITDA)	1,548	1,649	-101	-6%
Operating profit margin (EBITDA margin)	23.8%	25.4%	-1.4%	-6%
No. of journeys (1,000)	69,423	66,188	3,235	5%
East	37,060	36,401	659	2%
West	13,925	13,537	388	3%
East/West across Storebælt	8,103	7,939	164	2%
Øresund (incl. IC-Bornholm)	9,407	7,486	1,921	26%
International journeys	928	825	103	12%
Train km (1,000 km)	39,328	40,631	-1,303	-3%
Train punctuality	89.6%	83.5%	6.1%	7%

¹⁾ The figures in the table correspond to the parent corporation DSB.

S-trains

Passenger revenues for DSB S-tog rose by 3 per cent to DKK 1,055 million (DKK 1,027 million) despite fewer S-train journeys in 2007. Moreover, in 2007, a new agreement on the distribution of passenger revenue in the Greater Copenhagen area had a negative impact on passenger revenue. Despite these factors passenger revenue rose owing to the fact that in 2006, an amount relating to a so far unresolved dispute with Movia was provided for. Adjusted for this, there has been a fall in passenger revenues from 2006 to 2007.

Revenue from the transport contract totalled DKK 1,422 million, which is on a par with 2006 (DKK 1,428 million). This comprises a number of opposing factors: on the one hand, the integrated efficiency requirement and on the other, the revised revenue distribution of passenger revenue in the Greater Copenhagen area for which S-tog is compensated in the contract payment and the lapse of the transport contract with Movia concerning the operation of Lille Nord.

Profit before depreciation, amortisation and write-downs (EBITDA) totalled DKK 1,178 million equating to a fall of DKK 29 million (DKK 1,207 million). This is primarily owing to increased costs for sales promotional and customer-oriented activities. For this reason, the profit ratio fell by 1.4 percentage points and amounts to 42.3 per cent against 43.7 per cent the previous year.

The number of S-train journeys was down 2 per cent compared to 2006. This is partly owing to the fact that Lille Nord was taken over by Lokalbansen. In 2006, there were approx. 0.9 million passengers on this section. Adjusted for this, the outcome was a fall of approx. 1 per cent in passenger numbers compared to 2006.

Train journeys on the S-train network

Million train journeys

Number of train journeys in 2006	90.4
Lille Nord taken over by Lokalbansen	-0,9
Track work on the Køge Bugt section	-1,4
The Høje Taastrup section	-0,5
Ringbanen	1,0
Number of train journeys in 2007	88.6

2007 also saw extensive track work on the Køge Bugt section which had a negative impact on passenger numbers (-1.4 million train journeys). Furthermore, there was a fall on the Høje Taastrup section which, owing to track work for the long-distance and regional train network in 2006, caused many passengers to opt for the S-trains in that year. By contrast, the new Ringbane showed a significant increase in passenger numbers (+ 1.0 million train journeys).

It is expected that the new S-train timetable, introduced in September 2007, coupled with a range of customer-oriented and sales promotional initiatives, will attract more passengers. Evidence of this is reflected in the passenger figures for the fourth quarter 2007, which are at the same level as the previous year.

S-tog saw a fall in the number of train kilometres from 15.5 million km in 2006 to 14.9 million km in 2007. This can primarily be attributed to Lille Nord (0.5 million train km). Track work on the Køge Bugt section, which meant that customers were offered replacement buses, also

contributed to the negative effect. This, combined with S-tog's generally increased sales promotional and punctuality improvements, meant that costs did not fall proportionally with the decline in production volumes.

S-train

Amounts in DKK million

	2007	2006	Change	
			Abs.	Rel.
Net turnover	2,783	2,759	24	1%
Passenger revenues	1,055	1,027	28	3%
Transport contracts	1,422	1,428	-6	0%
Shops	306	304	2	1%
Profit before depreciation, amortisation and Write-downs (EBITDA)	1,178	1,207	-29	-2%
Operating profit margin (EBITDA)	42.3%	43.7%	-1.4%	-3%
No. of journeys (1,000)	88,615	90,407	-1,792	-2%
Train km (1,000 km)	14,947	15,538	-591	-4%
Punctuality	91.6%	89.2%	2.4%	3%

Abroad

DSB currently operates two activities in Sweden - Roslagståg AB and DSB Tågvärdsbolag AB. In 2005, the aggregate turnover generated by these two activities was DKK 214 million in 2007 against DKK 212 million in 2006.

In 2007, DSB and its partner, Svenska Tågkompaniet AB's contract for Roslagsbanan in Stockholm was extended by a further five years.

The Øresund tender

On January 11, 2008, contracts for the Øresund traffic were finally signed. Øresund traffic comprises a very substantial proportion of rail traffic in the Øresund Region so that DSB will be Sweden's second largest train operator and the largest in Scandinavia. DSBFirst, a partnership between DSB and the British transport operator First-Group plc, will commence operations on January 11, 2009.

Status on IC4

At present four train sets have been approved for operation with passengers on the Lindholm - Aalborg - Århus - Fredericia - Padborg line. The customers have expressed

great satisfaction with the IC4 in surveys. Next phase in the approval process is a factual type approval of the IC4 for commissioning in single operating train sets in national traffic. On 4 March 2008, AnsaldoBreda submitted an application for approval with Trafikstyrelsen. In this connection, further test runs must be carried out before type approval can be issued. These test runs have been completed and the first train set is ready to be commissioned for service in national traffic when the approval has been given by the authorities.

Depreciation, amortisation and write-downs, net financials and key ratios

Less depreciation and amortisation

Depreciation, amortisation and write-downs fell by DKK 48 million to DKK 1,444 million in 2007 (DKK 1,492 million) primarily because a revaluation of the remaining useful life of the IR4 train, which resulted in less depreciation.

Fewer investments than in 2006

In 2007, DSB invested DKK 1,864 million in fixed assets, which is DKK 107 million less than the year before (DKK 1,971 million). This is primarily owing to lower pre-payments on new IC2 and IC4 train sets and the fact that the delivery of new S-trains was completed in 2006. By contrast, there were further investments in the renovation of Copenhagen Central Station.

Key investments in 2007

Amounts in DKK million

Refurbishment and replacement of engines in the IC3 train sets	249
Upgrading of Copenhagen Central Station	230
IC4 and IC2 train set	180

The most significant investments are in the IC4 and IC2 train sets and in improvements to DSB's rolling stock – including the refurbishment and replacement of IC3 train sets. The upgrading of Copenhagen Central Station continues with investments in buildings, stations and heavy maintenance of trains.

Increased financial expenses

In 2007, net financials amounted to DKK 434 million, which is an increase of DKK 65 million compared to 2006 (DKK 369 million). During 2006, DSB converted a large proportion of its loans to fixed-rate loans, thus reducing interest rate exposure. In addition, general interest rates for the remaining floating rate loans have increased, as has the average interest-bearing debt.

Fall in corporation tax

In June, the reduction in the corporation tax rate from 28 to 25 per cent resulted in an adjustment of deferred tax by DKK 121 million. This means that, combined with the lower result in 2007, the year's tax amounted to an expense of just DKK 87 million (DKK 282 million).

Development in key ratios

The key ratios were affected by the lower EBIT (earnings before interest and tax).

As a consequence, the operating profit margin fell from 30.1 in 2006 to 28.8 in 2007. Correspondingly, the profit ratio fell from 14.5 to 13.6 in 2007. The development is primarily owing to lower revenue from transport contracts and costs of customer-oriented initiatives.

Return on equity rose from 9.4 in 2006 to 9.8 in 2007 resulting from the increase in the year's profits owing to the substantial adjustment for deferred tax.

Return on invested capital (ROCE) rose from 7.3 per cent in 2006 to 7.5 per cent in 2007 because of a reduction in the average invested capital owing to the development in currency swaps.

As financial expenses rose in 2007, this resulted in a fall in interest cover from 3.7 in 2006 to 2.9 in 2007.

Balance sheet

Balance sheet total increased

At December 31, 2007, the Group's balance sheet stood at DKK 24,778 million compared to DKK 24,645 million at year end 2006. The rise of DKK 133 million stems from a rise in land and buildings and other receivables where

the latter is owing to the value adjustment of hedging instruments. By contrast, there was a substantial fall in liquid assets as a result of the dividend payment in June 2007 and repayment of existing loans.

Equity increased owing to value adjustment of hedging instruments

As at December 31, 2007, equity stood at DKK 7,898 million, which is a rise of DKK 127 million compared to year end 2006. The rise is owing to the value adjustment of hedging instruments as a result of a positive development in DSB's interest rate swaps.

Solvency increased

The solvency ratio of 31.9 increased compared to year end 2006 (31.6) because of the rise in equity and the reduced debt.

Extraordinary dividend to the Ministry of Transport

The Board of Directors proposes that the dividend for the Ministry of Transport be set at DKK 655 million. In part the dividend comprises an ordinary dividend of 50 per cent of the year's profit, DKK 383 million, and in part an extraordinary dividend of DKK 272 million.

Dividend for 2007 to the Ministry of Transport

	Amounts in DKK million
Ordinary dividend	383
Extraordinary dividend	283
Revenue distribution in Greater Copenhagen	-11
Total dividend	655

The extraordinary dividend was set in 2003 based on a political agreement relating to transport. At the time

of the agreement, it was assumed that, in addition to the ordinary dividend, DSB would pay an extraordinary dividend of DKK 1.6 billion between 2004 and 2008, of which DKK 283 million in 2007. In connection with the change of the revenue distribution in the Greater Copenhagen area, an adjustment of the extraordinary dividend related to 2007 of DKK 11 million was subsequently made.

Provisions increased

Provisions increased by DKK 75 million to DKK 2,114 million (DKK 2,039 million) which is largely owing to a rise in deferred tax liabilities.

Fall in liabilities

As at December 31, 2007, liabilities totalled DKK 14,757 million, a fall of DKK 71 million compared to year end 2006 (DKK 14,828 million). This, in part, covers a fall in the interest bearing debt as a result of repayments and a fall in the market value of the debt. By contrast, there was a rise in other liabilities as a result of the value adjustment of hedging instruments.

DSB's future expectations

Over the next few years, DSB must adapt to increased competition and be prepared for new initiatives in international markets. Consequently, a strong commercial mindset must imbue the entire organisation. Efficiency must match – or exceed – that of the foremost rail operators in Europe. The international portfolio must prove its competitiveness abroad with private partners, and DSB's image must be sustainable and competitive as well as customer-oriented and result-focused, i.e. the image of The New DSB. To achieve this objective, DSB must be close to its customers, be competitive in Denmark as well as international markets and match – or exceed – the best operators in Europe in terms of efficiency.

The first phase of the process was taken with the implementation of the new organisation in 2007. DSB, therefore, is now ready for the next challenges where strategic focus will be directed towards increasing the number of customers, improving efficiency and simplifying processes. Through enhanced commercial focus, DSB will be better geared to serve its customers. Based on a sustainable train product, service improvements will be initiated and new customer-focused products developed. Internal administrative and customer-directed processes will be optimised to enhance business solutions and to create lasting efficiency throughout DSB's value chain. At the same time, work will continue on the strategy and the new strategic focus for DSB providing for adjustments to customer requirements and products of a high quality.

DSB and customers in 2008

On the backdrop of the current challenges, DSB launched a range of punctuality improvement and passenger promoting activities in 2007. The purpose of these initiatives is to improve our product in order to achieve a better match with our customers' requirements. Likewise, a further aim is to handle track work and the resulting consequences for customers more expediently than before. The successful customer-oriented initiatives and the work to achieve a better balance with customers will continue in 2008 with a range of initiatives, including an expanded timetable.

Expectations for 2008

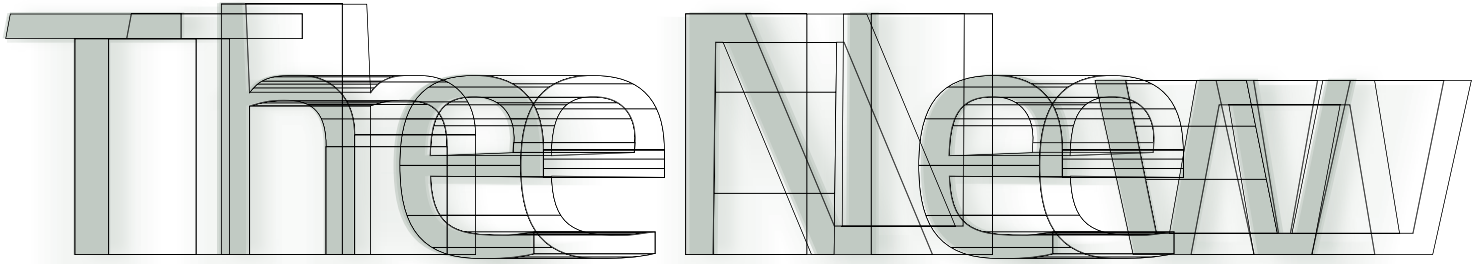
Profits before tax are expected to be in the region of DKK 600 million for 2008, which is below 2007 profit levels. This is mainly because profits for 2007 include the profit on the sale of fixed assets of DKK 205 million. In addition, 2008 will incur increased interest expenses and higher energy costs as well as higher depreciation and amortisation. By contrast, profit forecasts are affected by positive expectations with regard to the development in the number of passengers for both S-trains and long-distance and regional train traffic. A range of new customer and product initiatives are planned for 2008 which, together with greater focus in society on climate and sustainability, are expected to attract more customers.

With regard to long-distance and regional transport, a rise in production is expected compared to 2007. This rise is primarily owing to the expansion of high-speed rail traffic and operations on Sydbanen in connection with the new 2008 timetable.

The S-train network is expected to see a rise in production as a result of the full-year effect of the new timetable, introduced in September 2007, in part because of fewer cancellations and line blockings than in 2007. For both segments, a general improvement in punctuality is expected in 2008.

Events after December 31, 2007

No events affecting the assessment of the statement of accounts have occurred between the balance sheet date and March 31, 2008.



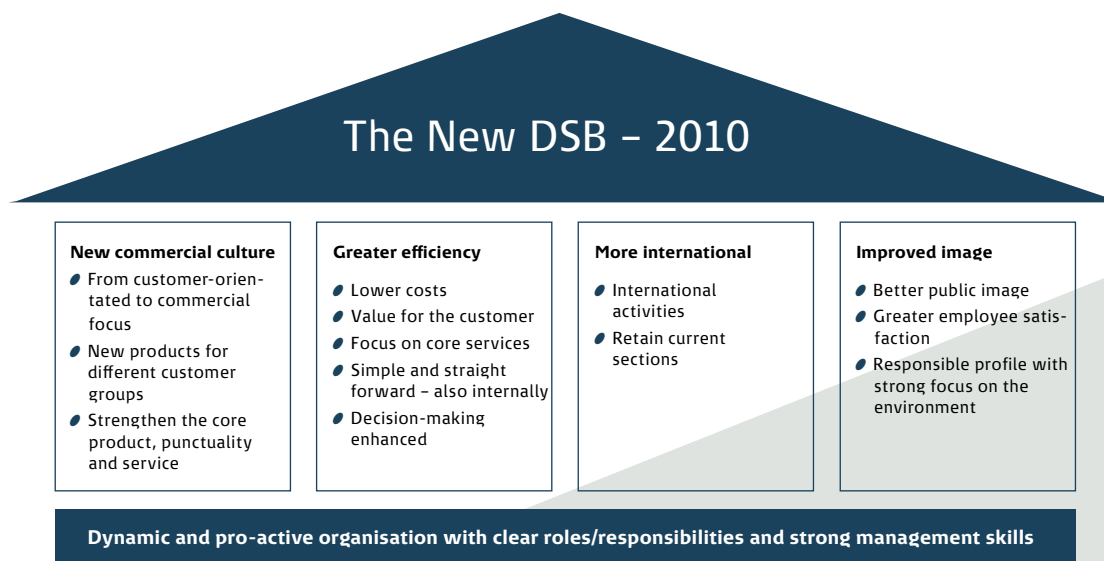
DSB is charting a course towards four new benchmarks in the coming years, says DSB's CEO Søren Eriksen. He dubs the vision as The New DSB

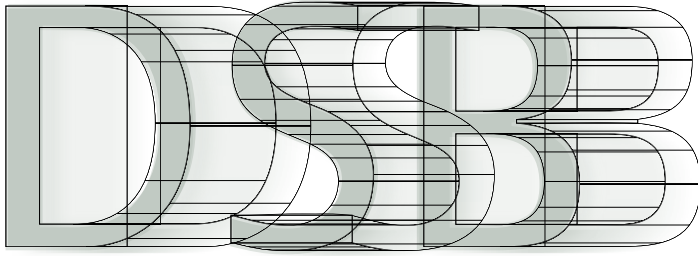
DSB must change from a transport company to a modern, commercial and service based business with international perspectives and a strong reputation – among customers as well as employees. With this vision for The New DSB, CEO Søren Eriksen is setting a number of benchmarks for DSB's development over the next three to five years. The benchmarks have already resulted in certain changes to DSB's organisation of which the most significant is the appointment of a Commercial Director with responsibility for products

"We're moving up a gear because we have to attract substantially more customers. You can draw a parallel with the airlines or phone operators"

and international development. "We're moving up a gear because we have to attract substantially more customers," says Søren Eriksen. "You can draw a parallel with the airlines or phone operators. Like them, we intend to focus on products aimed at specific target groups, a precise marketing strategy and more differentiated prices to achieve a larger sales ratio on our products."

A number of new products were launched in 2007, e.g. a more flexible version of DSB Orange with different fares for the same journey and internet access on the trains.





"We have to approach our customers and our product in a new way," adds Søren Eriksen. "We don't just supply transport from A to B. We sell environmental-friendly transport – "a good conscience" you could say. A well-deserved rest after a long day of meetings or time to work, time with the family for those customers who use us during their free time. Our customers have noted that new products have been launched and they will soon see more of the same. In the longer-term, they will also see that DSB is improving its product in general because we want to put more investment into it. Our business should be based on a competitive performance on market terms and not because of a past as a state-run railway."

Growth, well-being and a better image

The funds for investing more in new products will derive from further efficiency and cost reducing measures. "This will not necessarily mean fewer employees, but perhaps some will do something different from what they're doing now," says Søren Eriksen. He is confident that employees will thrive by being part of a company geared for growth and further development. "They will see additional activities that will offer new opportunities and experience a DSB where we put action behind words and make decision-making more straightforward – with respect for everyone. We will introduce changes with forethought. And it is always more enjoyable to be part of a dynamic, growth-oriented business." In addition to a stronger commercial approach, DSB also intends to expand its already extensive international activities. DSB, for example, is set to become Sweden's second largest long-distance and regional operator and efforts will be directed at gaining more customers abroad.



"Winning the Øresund tender is a good example of our international development potential," explains Søren Eriksen. "Our competitors in the Øresund tender are the same as in other markets and we won because of our experience and expertise. At the same time, as we learn from other markets, our product in Denmark will also improve." Søren Eriksen believes that the DSB of the future will achieve a better image and that this will come automatically once the benchmarks are in place – commercially, internationally and in terms of business efficiency. "We're working to change our culture and procedures," he says. "Our image reflects the other factors and consequently, I'm also confident that we will automatically acquire a significantly different and better image within three to five years once we have reached our targets."



Responsibility





DSB takes responsi- bility

DSB is a large company. We have many employees and are in daily contact with many people. We are also a company with a strong presence in the surrounding environment. A company that generates sound and noise and consumes resources such as diesel and electricity

For many years, DSB has been engaged in a wide range of activities and initiatives involving Corporate Social Responsibility (CSR). We have worked committedly with the environment and diversity and, for many years, have enjoyed a fruitful dialogue with many of our customers, such as members of commuter clubs. Our partnerships and dialogue with organisations for the disabled also function well. In many areas, we have worked actively to take responsibility for the impact our product and company have on the world around us.

In 2007, we took yet another step when DSB's Corporate Management initiated a process aimed at formulating a real CSR strategy for the company. Concurrently, we decided to reformulate our environmental strategy in order to be even more ambitious and pro-active. The aim is to strengthen DSB's efforts in the social and environmental areas and to be acknowledged as the environmental-friendly company we are. We have a product that can help to solve many of society's challenges and, therefore, wish to take responsibility for how our activities impact on the world around us, on our customers and employees and on the environment. For DSB, CSR means that we shall dedicate more effort to social, ethical and environmental issues.

In this Annual Report, we have chosen to highlight some focus areas in our current CSR-related work, including the environment. These are described in more detail in the following pages.

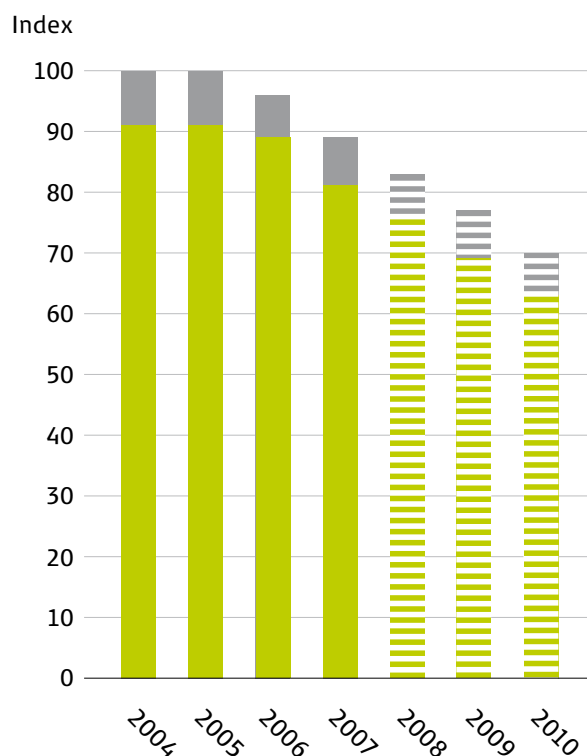


Green Greener

If it's good for the environment, it's good for the company and DSB is, indeed, committed to caring for the environment. In 2007, we signed contracts for the supply of power from sustainable energy sources and a reduction in electricity consumption as well as initiated a campaign to reduce CO₂ emissions. It's common sense to think and behave in an environmentally considerate way



The development in environmental impact from air pollution per passenger km from all DSB's activities



DSB's environmental policy

DSB's aim is to promote and exploit the benefits of rail travel as an environmental-friendly form of transport and wishes to actively contribute to reducing the transport sector's environmental impact per passenger km. This will be achieved by providing competitive transport with minimum environmental impact. All activities relating to DSB's operations are planned and conducted with consideration for the individual and for the environment.

DSB's overall environmental target is to reduce environmental impact from air pollution per passenger km by 30 per cent between 2004 to 2010.

DSB's environmental impact

DSB uses the EDIP method (Environmental Design of Industrial Product) to assess the contribution of our air pollution from carbon dioxide (CO₂), carbon monoxide (CO), nitrogen dioxide (NO_x), sulphur dioxide (SO₂) and hydrocarbons (HC) as well as particles and noise, to the greenhouse effect, acidification, photo chemical ozone creation (smog) and nutrient salt load. The EDIP method was developed for the Danish Environmental Protection Agency.

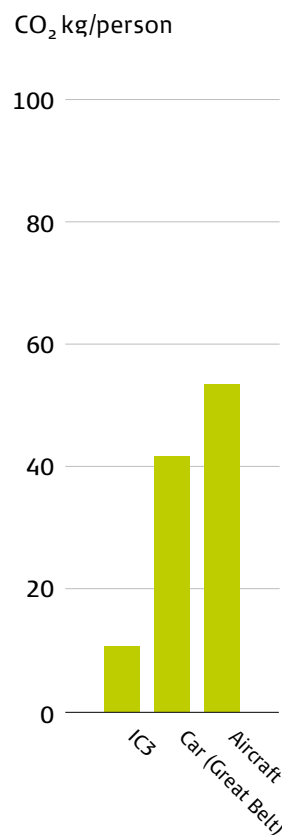
Other activities (grey) Trains (yellow)

Greenest

Climate policy has become part of society's agenda and, increasingly, also at DSB where thinking and acting in an environmentally responsible manner has long been part of the strategy. This is only natural, says DSB's Environmental Manager Jesper Mølgaard. "The train is fundamentally an environmental friendly means of transport compared to, for example, aircraft and cars. Politicians and the media are currently focusing on the environment and we should all demonstrate responsible behaviour in

terms of the climate threat." Jesper Mølgaard sees several opportunities for increasing the train's benefits as an environmental-friendly means of transport, e.g. by giving more attention to trains' energy consumption in relation to consumption and sourcing. In 2007, DSB signed a contract with Rail Net Denmark and DONG Energy that ensures that all power supplied to DSB from 2008 will come from sustainable energy sources. This means that DSB's electricity powered trains can run without emitting CO₂.

CO₂ emissions for one person on a journey between Copenhagen and Århus



The train compared to other forms of transport

A car journey produces three to five times more CO₂ emissions than a train journey. In Greater Copenhagen, a car journey produces ten times more CO₂ emissions than if a similar journey was made by S-train.

Comparative figures are based upon the average occupancy in Danish cars and DSB's actual occupancy for 2007 (c.f. Theme 2000 Ministry of Transport).

Read more in DSB's environmental report at dsb.dk

The decision to purchase power from sustainable energy sources only was, in part, taken to send a clear signal to the market: "We're showing that we value the environment and that we're calling for more sustainable electricity production," says Jesper Mølgaard. "At the same time, we hope that even more customers will see the benefits of using the train as an environmental-friendly alternative. DSB realises that its procurement of green power does not, in the short-term, mean more wind turbines. However, this will be the case if more people and organisations follow DSB's example and demand power generated from sustainable energy sources. Our approach, therefore, will impact on energy production in the longer term. Over the next few years, the power that DSB uses at its facilities, such as workshops and administrative buildings, will also derive from sustainable energy sources. "Caring for the environment is imperative for us," emphasises Jesper Mølgaard. "Consequently, it's not just the trains, but the entire organisation that will become more environmental-friendly."

Green technology

A further important focus area for DSB is to reduce harm-

ful substances emitted to air. In this respect, new and improved technology offers a number of opportunities. "We're currently replacing all engines in IC3 trains and we expect particle emissions to be at least 70 per cent lower and that CO2 emissions will have fallen by 60 per cent per IC3 train set/km when all engines have been replaced," says Jesper Mølgaard. "This corresponds to a fall in our overall environmental impact of 10 per cent. Finally, we're looking into installing catalytic converters on our MR train set to reduce particle emissions further. DSB has come two-thirds of the way towards equipping all IC3 trains with new engines. In 2007, DSB operated 40 per cent of its IC3 production with the 64 train sets that have new engines - one of the reasons why we have emitted 17 per cent fewer particles from our diesel trains than in 2005. The IC4 trains will also help lower the impact on the environment because they will replace older rolling stock such as diesel engines and the MR trains."

Partnerships

In 2007, DSB signed a so-called "curve breaker contract" with the Danish Electricity Savings Trust, which commits us to reducing electricity consumption. The target is a

10 per cent reduction per passenger km until 2020. "The good thing about such agreements is that we put ourselves under pressure while supporting a good initiative and highlighting energy consumption," says Jesper Mølgaard. "The 10 per cent is measured per passenger km as we want a relative target. As we want more customers, we could paradoxically end up by using more energy overall. But in a societal perspective, higher energy consumption for trains would be an environmental advantage if it leads to a slower rise in car traffic - or even a fall." A significant proportion of the savings will derive from train operations - driving, maintenance and station operations, but we're also looking at our administration. To further reduce electricity consumption, DSB has launched a campaign targetted at the company's administrative functions. Intended to run for two to three years, the campaign is about encouraging employees to apply the

"The train offers a great opportunity for everyone who wants to reduce his/her share of emissions to switch from cars to trains, for instance"

same commonsense about electricity consumption at work as they would at home, e.g. switching off lights, computers etc. In 2007, DSB demonstrated its commitment to the environment by joining the Ministry of the Environment's campaign "1 ton less". Our message is "Take the train - reduce your CO₂ emissions". At [dsb.dk/CO₂](http://dsb.dk/CO2), you can see how to save 1 ton CO₂ in one year. "If every Dane saves 1 ton CO₂ it equates to around 10 per cent of the Danes' overall consumption," says Jesper Mølgaard. "We're in this to maintain focus on the campaign's message: that CO₂ emissions must be reduced. The train offers a great opportunity for everyone who wants to reduce his/her share of emissions to switch from cars to trains, for instance."



10 percent less electricity before 2010

In 2007, DSB signed a so-called "Curve breaker contract" with the Danish Electricity Savings Trust, which commits DSB to saving 10 per cent per passenger kilometer up to 2010.

Energy consumption will be reduced on trains, at stations and in our administration. The Environmental Plan 2010 focuses on the following

- Energy efficient driving
- Taking energy into account in timetabling
- Reduction in energy consumption for heating trains by regulating temperature and air circulation according to need
- Energy marking of buildings and close follow-up via an energy management database.
- Office campaign focusing on how each employee can help reduce energy consumption.

S-trains go green

DSB S-tog employees have developed a tool for environmental-friendly S-train operations. By driving in accordance with recommended speeds, engine drivers can help save power

For DSB's engine drivers, it's all about getting from station to station on time. But a number of employees are now adding an extra dimension – how to accomplish this in the most environmental-friendly way. By measuring power consumption in relation to speed, a tool has been developed which tells the driver the optimum speed/power consumption ratio in order to reach his/her destination on time. Via a small screen, the system enables drivers to “see” the upcoming station and the recommended speed. “This is good for the environment. It's cheaper and it doesn't impact on the timetable,” says driver Asmus Walther Sørensen, who is a member of the power group, a DSB S-tog environmental group. He has worked for DSB since 1988 and has, over the past ten years, been involved in environmental-friendly initiatives. “It's exciting and a good opportunity to put your own stamp on things,” says Asmus Walther Sørensen who, together with his colleagues, has test-driven sections in the S-train network to identify the recommended speeds to minimise power consumption.

Recommended speed

The power from the catenary system above the S-train tracks comes from two sources: from an electricity company and from the power generated by the S-trains' braking system which is then returned to the catenary

system. Other S-trains can use this power, but only if they have a simultaneous need for power and are in the vicinity. The power that is returned in lines cannot be retained for subsequent use. “It's up to the individual driver whether they follow the recommended speeds. We urge them to do so, but if they are running late, they are obliged to make up time. Our aim

is to get more people to drive according to the guidelines – and my impression is that most of them are aware of them,” says Asmus Walther Sørensen, who believes that good

“This is good for the environment. It's cheaper and it doesn't impact on the timetable”

progress has been made by setting realistic targets and gradually introducing the changes. DSB S-tog will maintain its dialogue with drivers in 2008.

Greater comfort

Energy efficient driving offers customers certain benefits over and above the knowledge that they're driving “green” “The most important aspect for customers is, of course, to know that they will arrive at their destination on time, but it's clearly more pleasant to drive at an even speed with smooth braking,” says Asmus Walther Sørensen adding that the power group is mainly concerned with the environment. “We hope that our knowledge will contribute to reducing CO₂ emissions.”



"We hope that our knowledge will contribute to reducing CO₂ emissions"

Free newspapers for recycling

Every day, tons of free newspapers are discarded without being recycled. This is detrimental to the environment. Consequently, in 2007, DSB set up recycling bins at S-train stations and provided more information to customers

More than half the waste collected at Lyngby Station consists of free newspapers. Georg Føns, who has been responsible for cleaning at the station for the past 21 years, is well aware of the impact caused by the introduction of free newspapers. "Every day, almost one hour of my time is spent clearing away newspapers so they take up quite a lot of my working day," he says. A quick look around Lyngby Station one morning after the rush hour shows why. Newspapers have been left almost everywhere around the station – even if the situation has improved significantly since DSB set up recycling bins at the station in early 2007. Notices on board the trains ask customers to take their newspapers with them when they leave the train and deposit them in the recycling bins. Many passengers comply so that 145 tons of free newspapers were collected from the bins in 2007. In addition, 585 tons were collected by DSB's employees themselves. The newspapers are then sent for recycling. Besides the obvious environmental benefits of recycling newspapers rather than them ending up as ordinary waste for incineration, there are also other advantages. DSB is committed to solving the waste problem caused by free newspapers. Jesper Wind, Head of Processes and Environment for DSB S-tog comments: "As a company we

are, of course, committed to clearing and sorting waste properly. But when it comes to free newspapers, they also create a highly visible waste problem. They're scattered all over the stations and in the trains which should be kept clean and orderly for our customers."

Recycling at all stations

"People leaving free newspapers on trains creates a number of working environment problems," adds Jesper Wind. "One is that personnel at the preparation centres have to remove them, which involves a lot of unhealthy bending and lifting. Consequently, there are working environmental benefits to removing the newspapers before the trains reach the depots." So far, the recycling bins are a standard model with a sticker indicating their use: Free newspapers for recycling. The solution is not

permanent, but functions temporarily until DSB finds a lasting alternative. The future design of the free newspaper containers is not ready yet and suppliers are tendering for the task through an EU tender. The selected container model will probably be ready for implementation at the end of 2008. "The temporary solution is not perfect. It is rather difficult to stuff the newspapers through the slot which must be designed especially for newspapers. But besides collecting a huge amount of newspapers

"Almost one hour of my time every day is spent clearing away the newspapers. They take up quite a lot of my working day"



for recycling, the temporary solution has also provided us with better knowledge of what our requirements are, how many containers we need, how often they should be emptied, where to place them, etc," says Jesper Vind. Since January 2008, recycling bins have been put up at all S-train stations. Before long, they will be found at all stations across Denmark.

It should be easy

One of the pre-conditions for the successful collection of free newspapers is that recycling bins must be easy to use. It has been discovered, for instance, that many train customers abide by the request to take their newspaper with them. But not everyone puts them in the right place. Some leave them on a bench or on any flat surface. Others put them on top of the containers instead of inside them. "People rush to and from work. If customers find it inconvenient to dispose of their newspapers, they won't do so."



With micro organisms at work

At the preparation centre at Kastrup, employees work with micro organisms. As they can remove oil from machine parts, these micro organisms negate the use of harmful substances

To the naked eye, it's just a tank full of liquid, but for the employees at Kastrup preparation centre, this represents a clear improvement to the working environment. Through a microscope, billions of micro organisms can be seen breaking down oil. This is what makes the environmentally certified cleaning tank, used since the summer of 2007, so ingenious. The machine parts are hosed and brushed with the liquid before the liquid and dirt are piped back into the tank where the micro organisms are responsible for entire regenerative process. "We used to use organic solvents, such as petroleum, to degrease machine parts. As the liquid in the cleaning tank is completely harmless to humans and to nature, there is

no chemical effect," explains engineer Søren Hein, who introduced the new cleaning method.

Environmental friendly cleaning methods

Following a test period, the tank has become part of the standard equipment at the centre and Søren Hein is currently sharing his experience with others in DSB. At the same time, efforts are being made to find similar methods for other processes. "We're working on removing the poisons and integrating environmentally correct cleaning methods," says Søren Hein. "This is also important for the employees who know that it is harmless so they don't mind using it because there's no need to use masks



and other protective equipment. Gloves are enough and should any liquid get on to the skin, all you have to do is rinse the area with water. It's far safer to work with. And the more green initiatives so much the better." The cleaning tank contains 100 litres liquid and can turn over half litre of oil per day. This is a lot because, in general, not many drops of oil are removed from the parts. The process produces water

"The liquid in the cleaning tank is harmless to humans and to nature so we avoid any chemical effect"

and some CO₂. After two years, the liquid from the tanks is sent for rendering. "Although there will be some heavy metals in the liquid, it's certainly far better for the environment than if we had to dispose of 100 litres petroleum," says Søren Hein.



Teamwork pays off at workshops

Influencing your own work helps to create a good working environment at DSB's workshops where small groups of employees plan and manage their own work

The El-Teknik workshops at Otto Busses Vej in Copenhagen carry out a whole raft of assignments as more or less all train parts are sent here for repair. While the employees at one workshop work with heavy, oiled machine parts, colleagues at another workshop use tiny electronic components or computers. It's not only DSB's own components that are serviced here. Several other train companies purchase services from El-Teknik workshop.

All in all, the workshops contain more than 2,000 components. For many years, the approx. 70 craftsmen have worked in autonomous groups, i.e. divided into smaller groups that organise their own work schedules. The

groups consist of between three to ten individuals who specialise in different components. "Everyone is very pleased to work in autonomous groups because of the freedom and independence. We help and support each other within - and between - the individual groups and across them and when we have a rush job on, we organise overtime," says Erik Rothe Møller, a craftsman and shop steward at El-Teknik. Having worked for DSB for 26 years, he remembers the time when a supervisor handed him a written note detailing the next job. "And when that job was over, you got another note," adds Erik Rothe Møller who says that today's craftsmen have a far greater insight into their duties and budgets.

Key factor

The groups determine the time the various jobs will take and alert the supervisors if deadlines are exceeded. The craftsmen also prepare estimates for new assignments. "It all helps to create a sense of ownership. We can make sure that hours are allocated correctly and we can organise our work better. We are also challenged as employees. We have to be good at saying "stop" if

we find that we can't manage everything," says Erik Rothe Møller who points out that job satisfaction is linked to the physical and psychological working environment. Quality assurance, therefore, has been introduced and the workshop has been environmentally

accredited. But although the autonomous groups are only one of several factors that create satisfied employees, they are clearly important.

"Members of the groups know each other well - it's almost like being married. Of course, we have to clear the air sometimes and we're always busy with new tasks, but we enjoy our work and communicate well together."

"Everyone is very pleased to work in autonomous groups because of the freedom and independence"

Health checks for everyone

DSB is to place even greater emphasis on the health of its employees

In 2007, it was decided to offer all DSB and DSB S-tog employees a health check at Lægernes Sundhedscenter. This involves a basic medical examination (blood pressure and pulse checks, blood and urine tests and lung function). Lægernes Sundhedscenter then prepares an individual report for each employee along with recommendations for a healthier lifestyle. "Every employee is given an overview of the state of their health and an action plan if necessary," says Malene Bresson, HR manager at DSB. The health check offer will continue in 2008 and it will take around 18 months to carry out checks on all employees. DSB, in partnership with Lægernes Sundhedscenter, will then spend six months reviewing the statistics and analyses to determine how DSB can help prevent health problems among its employees. Employees will be offered a second health check in two years' time and again at two-year intervals. "We do not have access to individual employees' private data, but the material will provide us with an opportunity to target certain areas. This is a unique chance for us to gain an insight into our employees' health and help prevent illness."





The trend is reversed

Employee satisfaction and well-being are fundamental to DSB's performance. While, in recent years, satisfaction has been declining, 2007 marked a reversal of the downward trend. In many respects, 2007 proved to be a successful year for DSB. IC4 came into operation. DSB won the Øresund tender. Employees worked hard to provide the Danish population with punctual train services, succeeding in improving punctuality. The many successes are reflected in the Employee Satisfaction survey which, for the first time in five years, was at the same level as the previous year.

Good result despite organisational changes

Job satisfaction was on a par with last year, which should be considered satisfactory in view of the fact that DSB underwent major organisational changes in 2007. Impacting on many employees' working lives, the changes created some uncertainty. Nevertheless, job satisfaction stayed at 2006 levels.

Employees want influence

75 per cent of all DSB's employees took part in the Employee Satisfaction survey – 2 per cent higher than last year. The very high level of participation is a clear

signal that employees want to have influence on their daily work and on DSB's future.

A better image

A major challenge for DSB in 2007 was to improve the organisation's public image and significant efforts were successfully made towards achieving this. In 2007, employees' assessment of DSB rose by 3.2 index points probably as a result of increased punctuality, the Øresund tender and IC4 trains.

Excellent result compared to the Danish labour market

In 2007, job satisfaction in the Danish labour market fell by an average of slightly more than 1 index point. Maintaining last year's level, DSB performed above the Danish labour market in general. This occurred on the backdrop of a pressurised labour market where businesses are competing for skilled manpower and where employees' expectations are high.

Employees of the future should be secured now

Society is experiencing a serious shortage of labour. DSB, therefore, works proactively and innovatively to secure the best workforce.

Radio commercials on The Voice and Radio 100 FM, advertisements designed as bank notes, scooters in streets and interactive films on the website. These are some of the methods employed over the past year to recruit train drivers. Twice during the year, largescale campaigns have appealed to young people – and job applications have been arriving in large numbers.

“Previously, we only advertised on-line and in the newspaper, The Sunday Paper, but we’ve realised that we have to do something different to attract applicants,” says Karina Holm, Head of Department, HR Service, the Personnel Centre. Winning the tender for Kystbanen and the Øresund Region, DSBFirst has a significant need to recruit train drivers and attract more applicants. “The

interest is there, but the demands on future drivers are high,” explains Karina Holm. “The qualifications of many applicants do not meet the educational requirements. The two campaigns generated around 1,100 applicants and we recruited enough people to cover our requirements until 2009. But generally speaking, we’re up against tough odds.”

Lacking the X-factor

To a large extent, the campaigns focused on attracting new groups of applicants, e.g. women. But, in Karina Holm’s experience, this is a difficult group to get hold of. Although more women are now applying, driving trains remains very much a male preserve. Train drivers, therefore, will continue to be a key recruitment area, but DSB must also attract employees in many other areas – including academics. Participating in job fairs, therefore, has high priority as well as presentations to interested candidates. One aim is to make economic graduates aware of the opportunities at DSB. “Applicants are always positively surprised when we tell them about the conditions and career opportunities. They imagine DSB to be an old-fashioned company with a hierarchical structure. This is why we’re very keen to change this image,” says Karina Holm. The battle for skilled labour will be tough. With record low unemployment, companies have to do their utmost to attract the best applicants. And, as the year’s recruitment campaigns have demonstrated, new initiatives are needed to recruit qualified personnel to take DSB forward. Some people may, perhaps, feel that the old state railways has become slightly too clever, but for Karina Holm, the approach is obvious: “It’s all about showing that we’re a modern company and that we do things differently. All companies are looking to recruit more employees so we have to stand out from the crowd. If we are to meet our targets and strategies, we must have the right employees on board.”



The working environment is given the seal of approval

More than 4,500 DSB's employees work in a certified working environment. 2007 saw the beginning of a process to extend certification throughout the entire company so that care for the working environment is integrated into daily working life

Consideration for the working environment must become a natural part of everyday life - like brushing your teeth. This is the reason why, in 2007, DSB took the initial steps towards certifying the physical and psychological working environment throughout the company in order for all employees to work within a framework in which the working environment is integrated into daily planning and execution.

"Certification is not a goal in itself," explains

Malene Bresson. "The aim is to create a good and secure working environment. Certification is a tool for measuring that things are being done properly." The trigger behind the certification of all workplaces is DSB's working environment declaration which was completed in December 2007. The leading players within DSB, the Corporate Management, the main Safety Committee and the Working Environment Council, are all committed to releasing the necessary resources. "Our ambition is for the whole company to reach a level where we're ready to be certified in 2010. We have to recognise that this will take some time," says Malene Bresson. "Although the task is substantial, it's certainly not insurmountable." The working environment is already certified in all units under DSB Train Maintenance and Engineering. "This is a special conceptual universe but many employees in our production departments handle it extremely well, so they are a good role model for the company."


Change for leaders

Certification means that products, services, processes, systems etc. are analysed on the basis of a whole raft of

internationally recognised quality standards. Once certification has been awarded, the unit receives a document confirming that it complies with the standards. When DSB initiates the certification process for the working environment, staff at management level and the safety representatives will be the first to note the increased



focus, Malene Bresson believes. Courses and seminars will be organised and a cultural change process will be set in motion. "Initially, we'll have to take a rather mechanical approach and ensure that the working environment figures prominently on every agenda," says Malene Bresson, who expects the most significant changes to be at management level. "So far, the working environment has been embedded in the safety organisations. Now leaders must, to a greater extent, help to ensure that things happen, and they must be aware of the risks and procedures relating to the working environment. As a leader I have a duty to demand action if I discover, for example, a loose floor board in my department.



It's not enough to wait for the safety representative to solve it just because I have delegated responsibility to him or her. As a leader I must also know what I should do if an employee is suffering from stress, which is a risk for them. It can sound rather trite, but it's not," says Malene Bresson, who does not think that individual employees will notice any significant change. "But they will discover that there is a systematic approach to the working environment and that there is consistency throughout the organisation and that we can document our efforts." In addition, the external consultants will not just visit every couple of years to verify the certification process and measure DSB's progress. DSB will establish an internal body of auditors who will check working environment

processes on an ongoing basis and report to management when they have conducted an audit. "Their work will be summed up in an annual report which will serve as a management tool for praising where praise is due."

"Our ambition is for the whole company to reach a level where we're ready to be certified in 2010. We have to recognise that this will take some time"



Industrial injuries in 2007

Industrial injuries in DSB declined from 32 per million working hours in 2006 to 27 per million working hours in 2007.

The figure encompasses differences within the organisation. For several years, the number of accidents has been falling at DSB S-tog a/s, DSB's sales areas and in the group's staff functions. In 2007, this trend also included train personnel and DSB train drivers.

The explanation for the fall in the number of industrial injuries among train personnel and engine drivers can be found in the work currently being carried out in this area in these two groups. Following last year's significant rise, the safety organisation in both employee groups increased its focus on the occurrence of injuries. However, as both areas still account for a significant proportion of the total, industrial injuries will continue to be a focus area over the next few years.



DSB Døgnet

In 2007, DSB repeated its success from the previous year with a discounted ticket day – DSB Døgnet.

Held on May 18, 2007, DSB Døgnet offered customers the opportunity to buy discounted DSB Døgn tickets as well as a range of other offers, including guided tours of stations and workshops, special offers at DSB travel agency, Rejsebureau, and Kort & Godt shops as well as breakfast at 45 large stations. DSB also initiated a scheme for special guided tours on the day for eight major companies. DSB Døgnet 2007 enabled customers to travel across Zealand or throughout Funen/Jutland for DKK 49, cross the Great Belt for DKK 99 and travel to Bornholm for DKK 149. Two new tickets were also made available for Sweden allowing customers to travel from Zealand to Malmø for DKK 99 and from Zealand to Skåne for DKK 149. A total of 66,648 DSB Døgnet tickets were sold and although this represented a fall of 21,759 tickets on the year, the day remains the second largest travelling day in DSB's history.



Asbestos agreement in place

At the end of 2007, DSB, the rail union Dansk Jernbaneforbund, HK Trafik and Dansk Metal signed an agreement for compensation for all employees that have been affected by working with asbestos. Both former and current employees are covered by the agreement which applies to all cases where the National Board of Industrial Injuries confirms an asbestos-related illness. The compensation for asbestos-affected employees is one and a half times larger than the amount they have been awarded or will be awarded by the National Board of Industrial Injuries. Early in 2008, DSB will launch an

information campaign for the approx. 30,000 former and current employees who have worked with, or have been in close contact with, asbestos. Although asbestos-related diseases cannot be currently diagnosed before the onset of illness, in future all affected employees will be contacted if methods for discovering asbestos-related conditions at an early stage become available. Provisionally, there are 23 former and current DSB employees who will receive compensation for becoming ill as a result of working with asbestos.



Safe link

Good safety culture, a code of practice, inspections and follow-up make Denmark one of Europe's safest countries for rail travel

Travelling by train in Denmark is one of the safest means of transport available. Not only is train safety higher than road safety, Denmark is also one of the countries in Europe with the best rail accident record. As demonstrated in The National Rail Authority's report on rail safety from 2006, this is largely down to DSB's focused approach. "All safety-related changes to rolling stock and processes are subject to a risk analysis after which it is assessed whether the change is acceptable," explains Jacob Schmidt, Deputy Director, DSB, who is responsible for Risk Management. "We also operate a comprehensive code of practice which consists of requirements from the authorities as well as requirements that we impose on ourselves. Ongoing and systematic inspections based on the regulations are carried out so as to ensure a prompt response in the event of deviations. Moreover, we have an inspection department which conducts thorough follow up – not just on accidents, but also on any incident that could lead to an accident." Follow up on incidents and accidents handled by DSB's internal investigation department provides detailed

"We have sensible employees in the front line who also help prevent accidents. The human factor and good judgement are also important"

knowledge of the underlying causes and, therefore, offers opportunities for initiating activities that address errors and risks. This helps DSB to ensure effective prevention of injuries to passengers, personnel and damage to rolling stock. "In each case, we go back into the system to see how we can avoid it happening again. And we can see that it works preventatively. But it's not just the regulations etc. that create a high safety level. There

is also a strong safety culture among the personnel with responsibility for daily operations. We have sensible employees in the front line who also help prevent accidents. The human factor and good judgement are also important," says Jacob Schmidt, who points out

that DSB does not have sole responsibility for safety. The company also works closely with Rail Net Denmark and other train operators in Denmark as well as with the emergency and traffic authorities. "In Scandinavia, there is a good safety culture which we have refined and systematised over many years. We want this to continue," says Jacob Schmidt.

Binding agreements for ethical practices

In 2007, DSB launched a set of ethical rules for all purchasing and trading contracts. Suppliers must confirm in writing that they and their sub-contractors will comply with the regulations covering e.g. child labour or the environment

Behave ethically – or you're out. This is the uncompromising instruction given to all external suppliers. Since May 2007, DSB's purchasing and trading contracts have included a binding Code of Conduct. "We cannot accept our suppliers not living up to our ethical requirements," says Jakob Rønberg, DSB's Head of Purchasing. "Traditionally, we have focused on the conditions applying to first-line suppliers. In general, however, there are at least three or four sub-contractors whose conditions we don't have an insight into," he says. This is why DSB's Code of Practice must involve more than just documenting terms and conditions. Words must be followed by action. Consequently, DSB operates an auditing system to ascertain that the requirements are complied with. DSB has already come across suppliers who are reluctant to sign a binding agreement on ethical rules because the suppliers do not always know the conditions applying to products

"We cannot accept our suppliers not living up to our ethical requirements"

supplied by the sub-contractor. "And this is a pity," says Jakob Rønberg. "We've had instances when we've had to find another supplier because our Code of Conduct prevents us from signing a contract or entering into some other partnership. So if we discover that our Code of Conduct has been breached, we take action," says Jakob Rønberg who points out that working to implement ethical rules and following up on them is a natural extension of DSB's values. "It would be irresponsible not to," Jakob Rønberg believes.



Extracts from DSB's Code of Conduct which requires suppliers to:

- Comply with all relevant international conventions and national regulations concerning child labour
- Comply with all prevailing rules concerning safety and the working environment in the country where the product is manufactured or the service is provided. As a minimum, the supplier must – irrespective of the country of origin – comply with the International Labour Organisation's so-called "Declaration on Fundamental Principles and Rights at Work" (incl. conventions and guidelines).
- Avoid discriminating against employees, directly or indirectly, on the basis of race, religion, age, nationality, sexual orientation, or sex
- Avoid using forced or involuntary labour
- Avoid corruption or bribery and direct your sub-contractors and partners to do the same
- Follow all prevailing environmental regulations applying in the country where the product is manufactured or the service performed.





Customers and market



DSB's new commercial director, Mogens Jønck, has a wide vision. DSB must become even more competitive. Focus should be on how DSB can enhance its profile and adopt a commercial approach to train operations

54-year-old Mogens Jønck may be new to DSB, but with his background as Managing Director of Carlsberg in Malaysia, Executive Director of Kilroy Travels International and Executive Director of Carlsberg Denmark, he brings wide experience to his appointment as Commercial Director and member of the Corporate Management. Mogens Jønck is tasked with ensuring that DSB focuses even more on the commercial side of the business. Being more commercial: what does this really mean? "As I see it, DSB is on a journey. We have moved away from being a highly production-oriented organisation, our DNA if you like, to a situation where focus is increasingly on our customers. We now have to take the final step and make sure that the commercial mindset extends outwards from the Corporate Management to the entire company. All employees in DSB must think commercially. Fundamentally, it's all about understanding what consumers demand and supplying them with the product in a way

that is economically viable," says Mogens Jønck. But don't DSB's customers simply want trains – and trains that run on time? "Of course that's the key. The basic product must be in place. But over and above this, it is crucial to understand that customers are not all the same. We have different requirements when we

Spotlight on t



"As I see it, DSB is on a journey. We have moved away from being a highly production-oriented organisation, our DNA if you like, to a situation where focus is increasingly on our customers"

travel. The art is to understand customers' requirements and meet them. What are the different types of requirements? "Let me give

use the train for studying – a place where you can get things done while getting to where you want to go. Because other people want to sit undisturbed and read the newspaper or sleep, we have introduced "quiet zones", most recently on S-trains." And other examples of the new commercial approach? "We must never forget that we are a service company where the customer takes centre stage. In other words: we should not see ourselves as a production company, but as a service company. Take, for example, a visit to a restaurant. It's no good if the service is satisfactory, but the food bad. It's the

same with DSB. What characterises a good service company is cohesion. What the customer buys from us is a chain of service experiences: booking a ticket, downloading the ticket from the internet or collecting it from the ticket machine, waiting on the platform, trains arriving on time,

an enjoyable journey where everything runs on schedule and proper information during the journey." How great is DSB's development potential? "I would say that the sky is the limit when it comes to new ideas that can make customers more satisfied. Besides supplying a transport service, we have half a million customers who spend a considerable amount of time with us every day. Our customer focus, therefore, must be on supplying a good and efficient transport service combined with a service offer related to the time the customer spends with us. Within this context, everything is theoretically possible."

a couple of examples. Over the past year, we have done much to make DSB 1' even more attractive and now we're launching internet access in all our trains," explains Mogens Jønck. "We must be clear about how we can best service our business customers when they travel from A to B. We must ensure that it is attractive and efficient for business travellers to take the train. In the same way, we should enable students to

Even more orange

DSB's famous mascot, Harry, heralds the launch of a new and innovative pricing structure. With DSB's new orange tickets the most flexible customers get the cheapest fares. The aim is to attract new rail customers

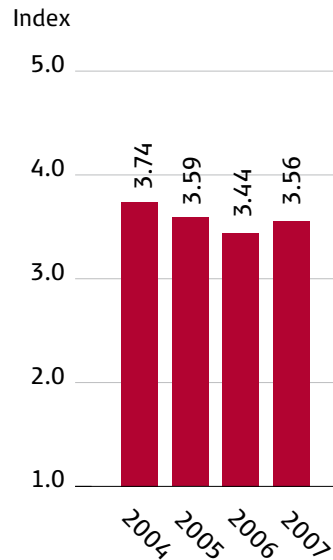
We're all familiar with the internet systems used by the airlines. You're looking for a specific departure and the system comes up with several different price options. If you change your departure a couple of hours – or even a day – your ticket could be significantly cheaper. Flexibility is the key word – and now the Orange concept has joined the fray. For each departure, customers can find fares that depend on how far in advance they book and how flexible their departure times are. "This is a clear improvement," says Mogens Jønck. User friendliness and accessibility are paramount in the new system which also makes DSB more competitive. The new initiative not only offers customers greater flexibility, but DSB too. "It means that we can better utilise capacity on off-peak departures and offer a price that may persuade new customers to try an environmental-friendly form of transport," says Mogens Jønck.



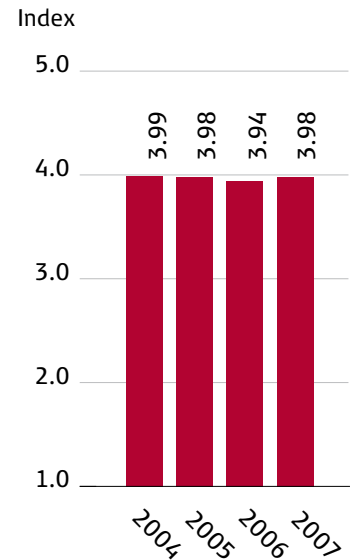
Customer barometer 2007

The Customer Barometer survey, carried out twice a year among the approx. 10,000 regional and inter-city passengers, has shown that customer satisfaction with DSB has been rising since 2006. On a scale from 1-5 where 1 equates to "very unsatisfied" and 5 "highly satisfied", travelling with DSB scored 3.56 in 2007 against 3.44 in 2006. Satisfaction with train personnel remains high at 3.98 for 2007

Satisfaction with the journey



Satisfaction with train personnel



Passengers in 2007

The total number of journeys increased by 1 per cent on the year. For long-distance and regional trains, the growth was 5 per cent, i.e. 69.4 million journeys against 66.2 million journeys the previous year. Øresund travel shows a significant rise of 26 per cent owing to the increased integration of the region. The East segment, including journeys to Copenhagen Airport, shows 2 per cent growth, while West recorded an increase of 3 per cent. International journeys show an advance of 12 per cent on 2006 which is primarily attributable to the campaigns promoting journeys to Berlin and Hamburg. Journeys between East and West Denmark recorded a rise of 2 per cent compared to the previous year. This is, in part, owing to a greater number of travellers on DSB 1'. By contrast, the number of S-train passengers declined by 2 per cent on the year. This can be attributed to Lokalbanelens take over of Lille Nord in North Zealand. In 2007, there was also major track work on the Koge Bugt section, which had a negative impact on passenger numbers. By contrast, the newly extended Ringbane showed a significant increase in passengers over the period.

Number of journeys (1,000 journeys)

	2007	2006	Change
East*	37,060	36,401	2%
West*	13,925	13,537	3%
East/West	8,103	7,939	2%
Øresund*	9,407	7,486	26%
International	928	825	12%
Long-distance and regional transport	69,423	66,188	5%
Transport abroad	10,235	9,800	4%
S-trains*	88,615	90,407	-2%
Total number of journeys	168,273	166,395	1%

* 2006 passenger figures from the 2006 Annual Report have been restated in accordance with the final count



New luxury train direct to Hamburg and Berlin

In December 2007, DSB launched new direct services from Copenhagen and Århus to Hamburg and Berlin. As a result, train passengers can settle back in their comfortable seats and watch fields and cities whizz by without changing trains and get from city centre to city centre easily and comfortably. "With the new trains, we're raising the standard of our international train journeys considerably. We have an advantage over air transport because there's no need for train passengers to spend time and energy on queuing and waiting for transport to and from the airport. At the same time, the trains are comfortable and roomy enough to work or relax in," says Søren Eriksen, CEO, DSB. He points out that the direct trains to Hamburg and Berlin are also competitive on price with single fares from DKK 299 on weekdays. With the new German luxury ICE TD trains and the new direct connections, traffic between Denmark and Germany is expected to exceed one million passengers per year from 2008 against the current numbers of around 900,000. The journey time is 6 hours and 54 minutes from Copenhagen to Berlin and 6 hours and 31 minutes from Århus to Berlin.

S-train customers more satisfied than last year

Customers were slightly more satisfied with S-trains in 2007 than the year before. They were also generally satisfied with the journey itself

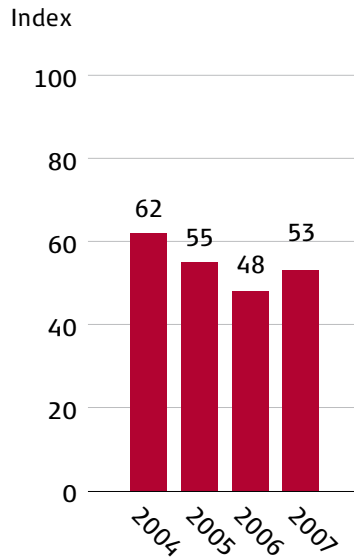
When it comes to the actual journey, i.e. the journey during which they were handed the questionnaires, customers were generally more positive than in their overall assessment of S-trains. In 2006, customers rated their journey at 75 on a scale from 1 to 100, where 1 is the lowest rating and 100 the highest. In 2007, the figure was 79. While the trend is upwards, there is room for improvement with regard to overall satisfaction level. On a scale from 1 to 100, customers rate S-trains at 53,

although this represents a rise on the year. In other words: customers rank the actual journey at 79, while the overall evaluation of S-trains is rated at 53. "This indicates that there is a gap between customers' actual experience of the journey and what they remember having heard," says Gert Frost, CEO, S-tog. "Bad experiences and stories stay in customers' mind and affect their verdict, even if they are currently having a good experience."

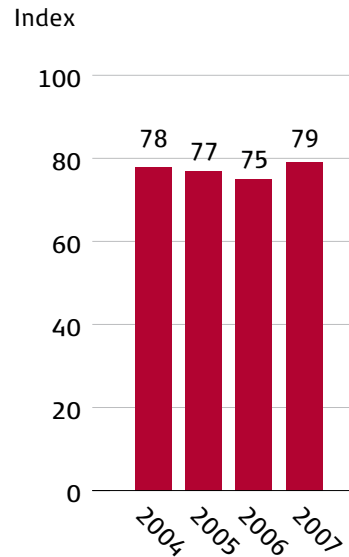




Overall satisfaction with S-trains



Overall impression with the actual journey



Customer rating on a scale from 1 to 100; 1 being the poorest and 100 the best of score

Praise for employees

By contrast, customers are satisfied with the service they receive from DSB S-tog's employees. In the customer survey, employees once again achieved a high score, 69, or a one point increase compared to 2006. This has, however, remained fairly stable since the first customer survey of this

type was introduced in 2002. "I am, of course, very pleased with the result," says Gert Frost, CEO, S-tog. "Our employees carry significant responsibility – both when things go well and not so well."

DSB services other rail operators' trains

In 2007, DSB recorded a turnover of around DKK 250 million from maintenance services of other operators' trains, including some that chose DSB as the best qualified following open competition

That DSB carries out a range of train maintenance tasks will hardly come as a surprise. Some people, however, may not realise that DSB also undertakes such tasks on behalf of other operators. Last year, DSB recorded a turnover of around DKK 250 million from external customers who chose to outsource their maintenance requirements to DSB. These typically include preparation and operational maintenance of trains, servicing train components and upgrading of trains and engines. "They are customers who choose us in open competition because we supply a good product," says Bent Pilgaard from DSB Train Maintenance. "In fact, we are market leaders in the maintenance area. This is not only a good business for us,

but we also gain huge experience and stronger competencies at the workshops. We monitor developments and the experience we gain also comes in useful when servicing our own trains." In 2007, customers included

AnsaldoBreda Transporti, Irish Rail, Siemens, Statens Järnvägar and Arriva. Having advertised its knowledge and experience within this area, DSB has succeeded in winning further orders. In 2007, a

six-person delegation attended the 3-day Nordic Rail exhibition which attracted 5,000 visitors. As part of its marketing, DSB also produces films and brochures about its workshops which highlight DSB's expertise to the external market.

"We monitor developments. This is also important when it comes to servicing our own trains"





Facts

DSB Train Maintenance consists of a number of specialised workshops, which carry out maintenance of components and renovation and repairs to rolling stock. Such expertise not only enables DSB to service its own rolling stock, but also to perform a variety of tasks for Danish and foreign companies. The core products are:

- Maintenance of train components
- Upgrading of rolling stock
- Maintenance of rolling stock
- Sales of used rolling stock

Going on-line on the train

DSB's passengers have expressed a long held wish to have internet access on trains. In the autumn 2007, this was made possible on a trial section. For 50 øre a minute, passengers can access the internet wirelessly on 15 daily departures on the Copenhagen - Korsør section as a result of a pilot project run in conjunction with TDC Hotspot. In the longer term, the plan is for all passengers on the Copenhagen - Århus line to be able to logon. The new initiative, therefore, enables passengers to work or be entertained during their journey through Denmark. Internet access also gives the trains a competitive edge compared to other forms of transport such as aircraft, cars and buses.



Facts

- TDC Hotspot solution
- 8 IR4 train sets
- Copenhagen H – Korsør section
- 15 daily departures

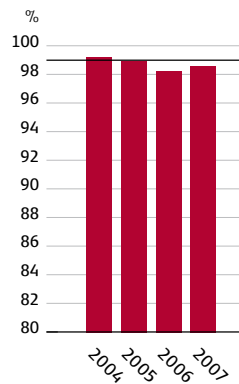


DSB's punctuality and reliability

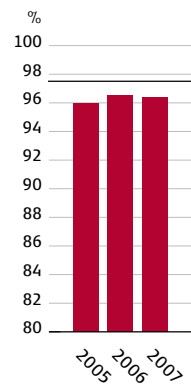
In 2007, DSB implemented a number of initiatives aimed at improving its punctuality. These have had a positive effect compared to previous years. The new timetable for long-distance and regional trains and the newly established operations centre have made a positive impact on both punctuality and customer information.

Consequently, the punctuality of long-distance and regional trains was 89.6 per cent in 2007, i.e. 6.1 percentage points up on 2006. Punctuality on the S-train network was 91.6 per cent in 2007, 2.4 percentage points up on 2006.

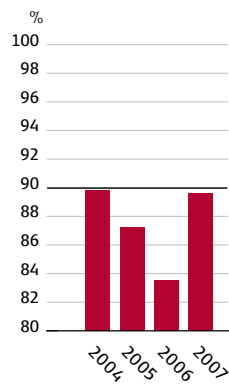
Long distance and regional trains Reliability (target 99%)



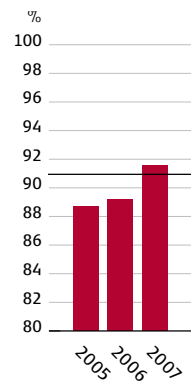
S-trains Reliability (target 97.5%)



Long-distance and regional trains Punctuality within 5.59 mins. (target 90%)



S-trains Punctuality within 2.29 mins. (target 2007: 90.9%)



Before 2005, DSB S-trains' reliability and punctuality were assessed on aggregate. As a result, there are no comparable figures for pre-2005.



The card makes travelling easier

The travel card of the future means an end to different types of tickets and clip cards in various parts of Denmark. The travel card offers Danes a practical, multi-use card which provides access to nearly all public transport in Denmark with 85 per cent of all Danish transport companies, including DSB, supporting the scheme. The first trials began in practice in December 2007 on the Roskilde-Tølløse section with 50 "pioneer" customers and employees from DSB and Movia taking part. The card is expected to become operational in mid-2008 at DSB's Taastrup - Holbæk section and in Movia buses in Roskilde and Holbæk. Over the next few years, the scheme will be rolled out on Zealand and subsequently throughout the country. Customers with travel cards do not need to buy a ticket prior to departure, but simply ensure that there is money in the card. The scheme calculates the cost of the journey and the more frequently the card is used, the higher the discount. The Travel Card will gradually replace 10 trip cards and season tickets although cash tickets will still be available. Read more at rejsekort.dk.

Travel Plan scooped Digitalisation award

The Travel Plan won the Citizens' Service category at this year's Digitalisation awards. With over 200,000 visitors per day, the Travel Plan is Danes' preferred portal for public transport. Three out of four Danish internet users find train and bus times through Rejseplanen, the outcome of a year-long collaboration between Danish rail and bus companies. The jury gave Rejseplanen the award in recognition of the portal's success among users. Highly user friendly, the Travel Plan is being continually developed and was recently launched as a mobile phone service. The portal can now justifiably take pride in providing the best digital service for users.

The Digitalisation award 2007 is a joint initiative by the Ministries of Science and Finance, Danish Regions, KL, KMD, Rambøll Management and HP.

Rejseplanen A/S is owned by Denmark's transport companies. DSB owns 50 per cent of the shares.





S-trains

2007 was an eventful year for S-tog. A new timetable, quiet zones, TV screens, a magazine and a plan for advertising campaigns on the familiar red trains were all rolled out over the year. All designed to help improve the quality and service of S-trains

It's a busy time at Østerport station on this particular Sunday morning in December. Trains arrive and depart and passengers disembark and alight. We're at a buzzing station on one of the three Sundays in December when the S-train is free! We'll return to the hows and whys later.

First, however, we're embarking on a journey that not only takes us from A to B, but also offers an insight into the year's new initiatives aimed at future proofing S-trains. As the train leaves the platform it strikes us that our mystery tour did not require any preparation because the new timetable means that there are 5 minute services on Ringbanen and stops at all stations. What's more, there are 10 minute services on almost all other lines. In brief, there are shorter intervals between almost all services. The new timetable is based on detailed surveys of customer priorities. As Timetable Manager,

Joachim Bach, explains: "Customers wanted faster trains on the long routes and trains all the time on the central routes. We've done our best to achieve this. The new timetable makes it easier for customers in two important respects. The old timetable contained many odd timings and frequencies. The new timetable is much easier to remember partly because we have introduced 10-minute services on longer journeys so that customers are no longer so dependant on the timetable. They just take the first train that arrives. And if they miss it, there's not long to wait before the next train." The new S-trains run at speeds of 120 km per hour compared to the previous 100 km per hour – although not on the short journey between Østerport and Nørreport Stations. Nevertheless, there's time to pick up a copy of Byens Puls, the new magazine for S-train passengers, a free magazine, like DSB's Ud & Se, which is edited by Carina Frederiksen. "A large proportion of S-train passengers are what



– the pulse of the city

we call “urbanites”, young Copenhageners. We want to provide them with some reading material that focuses on what the S-trains offer, the destinations served and what the city can provide,” says Carina Frederiksen. The title “Byens Puls” (The Pulse of the City) evokes the right

association, she thinks.

“This is an old S-train concept that conveys city life and movement. The pulse can be high or low, but it’s crucial for life, including life in the city.” Quiet zones for customers who want peace and quiet to read are other new options – as are compartments for customers who want to chat on their mobile phones.

TV on board

Watching TV is yet another option. As we leave Nør-report Station, we spot a flat screen, 2007 being the year when the first TV screens were installed in S-trains. They broadcast traffic information, entertainment and news. Although the service is still in its infancy, customer reaction has been positive. In 2008, S-tog will decide

“They just take the first train that arrives. And if they miss it, there’s not long to wait before the next train”

whether to install screens in all trains. Once a decision has been made, hardware and software requirements will be put out for tender and contracts signed with one or more content suppliers for e.g. traffic information, news and entertainment. Further work will

be directed towards creating a mix that will appeal to a broad range of passengers. Johnny Kaagard, S-train Project Manager explains: “Our surveys reveal that customers rate this type of media, which is seen as professional and business-oriented. The

younger the passengers the more enthusiastic they are. There have been a few critical voices from customers who find it too intrusive. Of course, we listen to what they say and we’re working on developing and adjusting the concept.”

The voice of the S-train

One person whose voice resounds far and wide is Lita Emilie Krafft. Perhaps the name isn’t so familiar to S-train passengers, but her voice certainly is. It breaks through the chit-chat and the rhythmic movement of

the train as it heads for Copenhagen Station. Lita Emilie Krafft is the voice of the S-train. She announces approaching stations and asks passengers to take their newspapers with them when leaving the train and to stand aside when the train stops. "I was selected from 15 candidates," she says. "I was a ticket inspector before and it's fun when my old colleagues recognise my voice. Several have said that they remember what I say. That's great because this is what makes the journey easier for everyone.

Colour Power

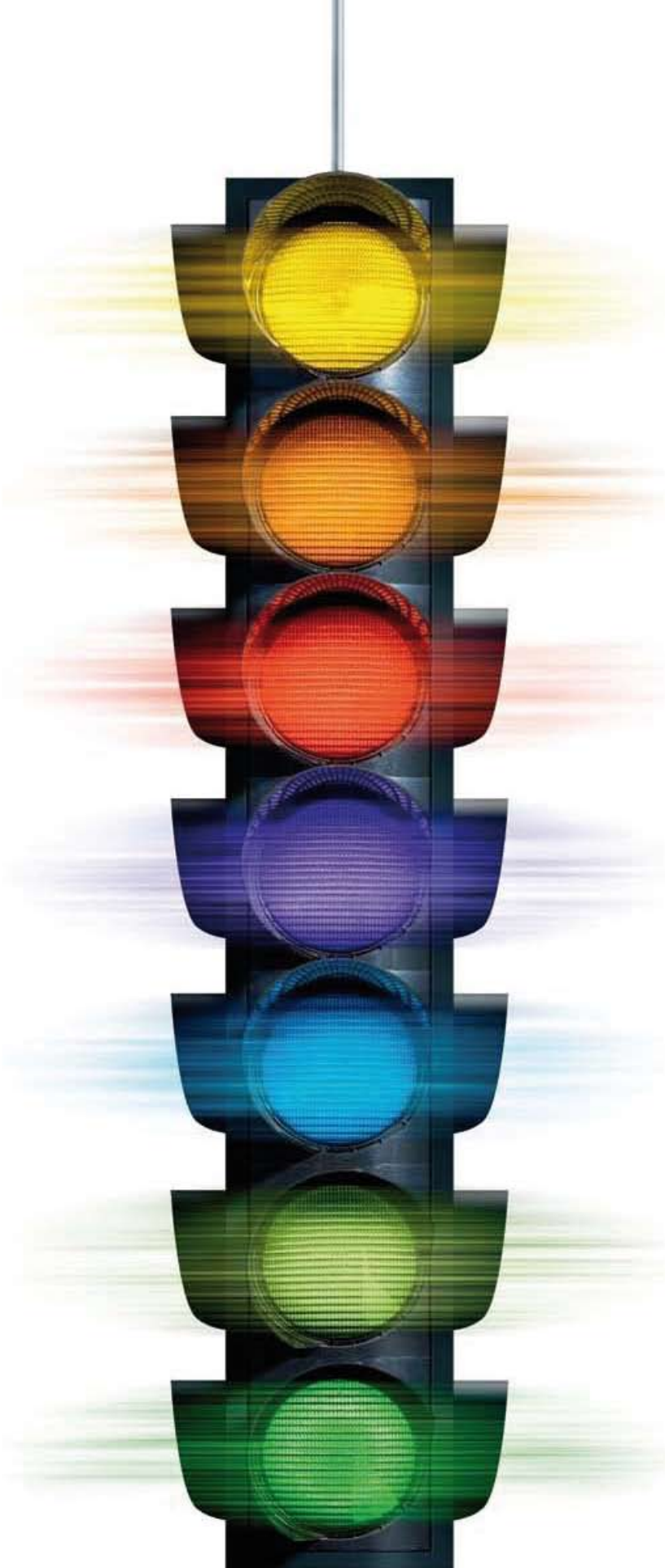
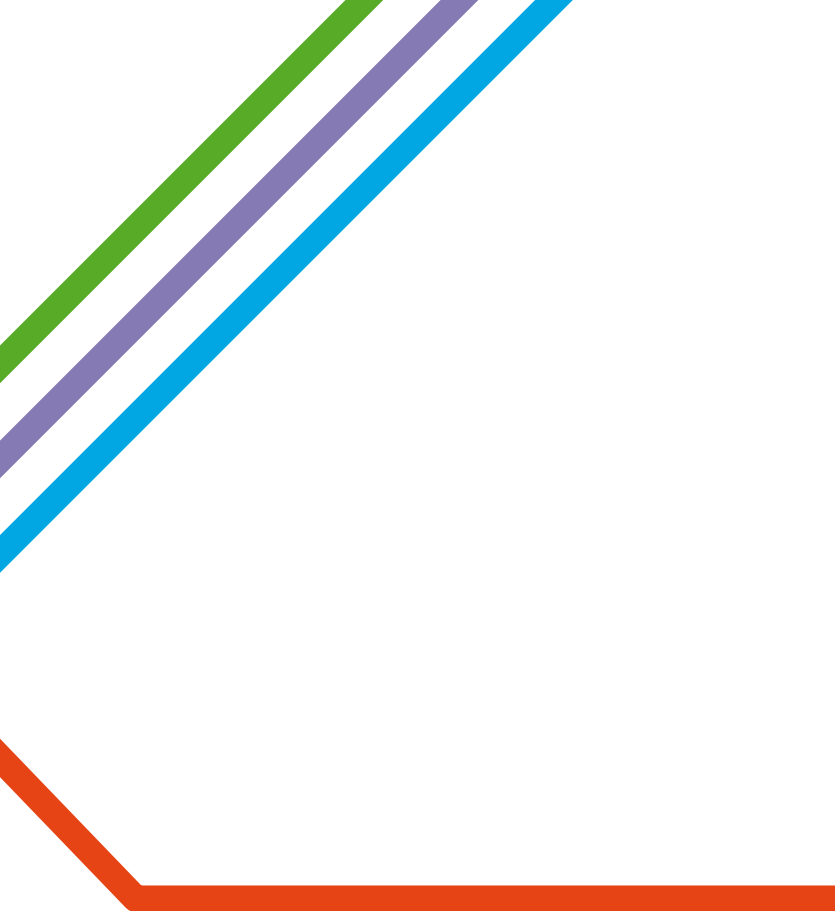
When we continue from Copenhagen Station, we spot a multi-coloured S-train on another track. The train is part of the "ColourPower" campaign which promotes using the sides of trains for advertising. This is an eye-catching initiative, not least because S-trains have been more or less always red ever since the first trains came into service in 1934. S-tog's CEO Gert Frost explains the thinking behind the project: "We want to develop the S-trains to take on a more modern look so that customers can feel the creative energy that produces fun things through colours and shapes. We hope that this will enhance S-train's appeal.



"We believe that the initiative will generate revenue that can be used to develop our product for the benefit of our customers and create a positive awareness of public transport," adds Gert Frost. "Specifically, it means that S-trains are equipped with a type of foil which can be replaced as customers start buying space for advertising campaigns for their products." We're now coming to the end of our journey. What have we seen and learned?

Gert Frost sums it up. "S-tog's vision is to have satisfied customers – and more of them. The way to achieving this is to improve our punctuality and image and consistently offer customers new products

and options that make the journey easier." Just one thing before we get off: Why can you travel on S-trains on the three Sundays in December for free? The answer is simple: S-tog has such a strong belief in its product that the company is confident that if people who normally don't take the train can travel for free, some of them will opt for the train instead of the car next time. As Gert Frost says: "It's like sampling products at a supermarket – we do the same with our product."



S-tog's focus areas

Every day, S-trains link the metropolitan area together, serving 90 million customers a year. Despite good initiatives, S-trains have, however, failed to achieve the anticipated customer growth. Consequently, the company intends to focus on four strategic challenges going forward: more customers, punctual trains, a better image and efficiency. To attract more customers, S-tog aims to find out more about its customers and their travel patterns and will work on improving its image and ensuring that more trains run on time. Efficiency and decision-making processes will also be strengthened.



Operations Centre

A number of new initiatives aimed at improving punctuality and ensuring that train operations can quickly return to normal following disruption were adopted in 2007

With its joint operations centre for long-distance and regional train transport at Copenhagen Central Station, DSB has an efficient tool for improving punctuality. Although the rail network presented a number of challenges in 2007, in most instances traffic returned to normal within an acceptable time frame. "The new operations centre enables us to make quick operational decisions," says Traffic Manager Erling Weber, DSB. "Previously different actors were spread across the country which meant additional time spent on co-ordination. As all decision-makers from DSB and Rail Net Denmark now share the same premises, we can quickly get together to draw up a strategy for individual incidents. This means that services can return to normal once an operational fault has been rectified." Besides the operations team, the centre also accommodates information personnel from both DSB and Rail Net Denmark. From here they can rapidly convey decisions to train drivers, train personnel and colleagues providing information to the public.

Unpredictability

The need for a common operations centre arose as track work and the rail network's poor quality led to extensive planned or emergency speed restrictions. "We must face the fact that there'll be many speed restrictions over the next few years," says Erling Weber. "Some of these we can plan for, but if we are to avoid delays entirely, we would have to plan in such detail that it would affect operations too much."

The challenge for DSB, therefore, is to become better at tackling unforeseen situations arising from worn track. "Previously, tracks were simply there and things always worked. But now DSB is experiencing greater uncertainty about train operating conditions and this will remain the case for many years to come. This impacts on DSB because we have to address the changing conditions all the time," says Transport Quality Manager Thomas Gordon Clausen, DSB.



provides overview

Following the establishment of the operations centre, DSB has implemented a range of other initiatives to improve punctuality. One is the so-called "principal plans", where recurring problems are handled through an action plan. This means that rather than dealing with one train at a time, a fixed, pre-determined pattern is followed. "Besides the fact that procedures are speeded up when everyone knows what they have to do, the principal plans are also easier to communicate both internally and externally," explains Thomas Gordon Clausen.

Round-the-clock meetings

Yet another initiative is the introduction of regular operations meetings. Three times a day, the decision-makers meet up at the operations centre to discuss all aspects

of the next eight hours of operations – from personnel to rolling stock to infrastructure. At the same time, a debriefing takes place during which the previous eight

hours are reviewed, and errors and processes addressed. "This has particular relevance to how well we re-establish services after a problem. We cannot prevent situations that lead to delays, but we've been able to cut the time from when an error has been identified until we're operating normally again."

"This has particular relevance to how well we re-establish services after a problem. We cannot prevent situations that lead to delays, but we've been able to cut the time from when an error has been identified until we're operating normally again"

says Erling Weber, adding that as head of the centre, he knows that everything is running smoothly when the centre is quiet. "Then we know that trains are running on time. Even when they're not, the operations centre makes everything easier."

DSBFirst

is ready to take on Øresund



In the summer of 2007, DSBFirst won the tender for operating trains on Kystbanen and in the Øresund Region. Customers can justifiably have high expectations from DSBFirst when operations begin in January 2009

There was rejoicing all round when DSBFirst won the tender to operate Kystbanen and trains across the Øresund Region. The long and extensive preparations for the tender were followed by the equally demanding task of planning operations.

"One of our main tasks is to recruit the right personnel. From the start, our main focus has been on recruiting train drivers because it takes some time to train new ones. Fortunately, interest has been overwhelming," says

Takeover and Project Manager Esben Riishøjgaard Norup. Much work has also gone into solving the operational challenges relating to the rolling stock and finding the right premises for the company in Malmø, adjacent to the central station. Customers will certainly notice when DSBFirst begins operations, Esben Riishøjgaard Norup believes. "First and foremost, punctuality will be sig-

"First and foremost, punctuality will be significantly improved. Moreover, we will provide better information and enhance the whole experience on board the train as well as at the station"

nificantly improved. Moreover, we will provide better information and enhance the whole experience on board the train as well as at the station," he says. Besides service-oriented front-line personnel, customers will

generally experience cleaner trains and stations. There will be more life and activity at the stations as the 7-eleven stores will open for longer and even round-the-clock at some larger stations.

Small company with muscle

The significant improvements stem from the fact that operations will be conducted by one operator. "As there will no longer be two operators working together across Øresund, we have an opportunity to remove many of the inconveniences that caused delays and to offer customers fast and accurate information when delays occur. Our services will be run in one integrated system," says Esben Riishøjgaard Norup who describes DSBFirst as



In January 2008, DSBFirst appointed a new CEO. Jarl Samuelsson is widely experienced within the rail industry and has, over the past twenty years, worked for SJ AB, Linx AB and, most recently, Green Cargo AB. For the past five and a half years, he was Regional Manager of the Swedish rail company, Green Cargo in Gothenburg.

“a small company with considerable muscle.” The approx. 600 employees will have a common base at the head office in Malmø. Administration will be relatively limited, and the management style focused on daily operations and creating the shortest possible distance between concept and action. DSBFirst, therefore, will offer employees considerable influence on their work with the aim of creating a positive and flexible working environment which, in the final analysis, will benefit customers. On the backdrop of the successful bid, Esben Riishøjgaard Norup believes that not only DSBFirst, but the whole of DSB has been given a big motivational incentive. “This has boosted the confidence of the whole organisation and promotes job satisfaction. We have proved that we can rise to the challenge and I’m seeing a strong interest in the initiatives we have set in motion.”



Facts

DSBFirst is the name of the partnership between DSB and FirstGroup plc and comprises the legal entities, Kystbanen A/S and Øresundstrafiken AB. The companies are run as one under one management team. In accordance with the transport contracts, the main tasks are:

- Operating trains, providing services to customers on board and running transport services
- Preparing, cleaning and servicing trains
- To be responsible for ticket sales and station operations at 12 Danish stations on the Øresund section.

DSBFirst will operate trains between Helsingør and Copenhagen and across the Øresund Bridge to Malmø and on to Gothenborg, Kalmar and Karlskrona. After delays relating to complaints from SJ AB, the contracts on both sides of Øresund were finally signed on January 11, 2008

The Swedish success

Everything is going well for DSB in Stockholm where a new five-year contract for the local Roslagsbanan will ensure that the success continues



DSB and its partner, Svenska Tågkompaniet AB, have been successfully operating the Roslagsbanan in Stockholm since 2003. This year, the contract was extended for a further five years thus ensuring the continued success of the characteristic blue trains which bring commuters to and from Östre Station in Stockholm. Here, they can switch to the Tunnelbanan, Stockholm's metro, and be in the city centre in a few minutes. Östre Station is also home to Roslagsbanan's management and employees, including the CEO's office, the operations centre and the staff recreation room. The 250 employees enjoy a good working relationship and have considerable influence on their own work. "We're a small unit with just eight people in the administration and a varied workload that we share between us," says Roslagståg's Director Ingemar Nilsson. "Our main focus is on getting things to function in the best way possible, which is fairly simple in that we're close together so when we make decisions we can act quickly. Everything works well." His view is not only based on his own observations, but also on figures and surveys

"It's fairly simple. We're close together, so when we make decisions we can act quickly"

which show that both employee and customer satisfaction have risen since Roslagståg took over. Currently, the line is operating at 97 per cent punctuality. With around 300 daily departures and 38,000 customers per day, Ingemar Nilsson and his employees are proud of the service. "We're a small company, but as far as we're concerned, size is synonymous with quality. We have a good team who have chosen to be here because of the cohesion. And everyone is committed to making the business a success. When things go well, we make sure that people are told. We also have a procedure for preventing mistakes based on people speaking out," explains Ingemar Nilsson who, in 2008, will take on yet another area of responsibility when Roslagståg assumes responsibility for train maintenance and preparation. The added responsibility underlines the fact that Roslagståg has chosen the right strategy. "When we say that we have a local railway, we don't mean simply that. We also mean that proximity is important – between management, employees and customers," says Ingemar Nilsson.



About Roslagsbanan

DSB owns 60 per cent and Svenska Tågkompaniet AB 40 per cent of Roslagståg AB. The contract with SL (Stockholms Lokaltrafik) for Roslagsbanan has been extended to 2013. In 2008, Roslagståg will assume responsibility for maintenance and preparation of the train carriages.

Roslagståg carries in the region of 10 million passengers per year and comprises 39 stations and 65 km track. Annual turnover is around 200 million Swedish kroner.

IC4 on track

The delivery and implementation of the new IC4 trains has presented DSB with considerable challenges. The good news is that in 2007 the IC4 started carrying passengers



DSB's new train - the IC4 - was commissioned in 2007 after a delay of several years. The supplier of the train - AnsaldoBreda - has unfortunately not been able to live up to the terms of delivery in accordance with the contract.

In the second half of the year, three train sets carried passengers on the Lindholm - Aalborg - Århus - Fredericia - Padborg line. During the monitored test operations, specially trained personnel and engineers were present on the journeys. The first team of IC4 personnel included train driver Johnny Brandt: "Our IC3 trains are very modern so the upgrade to IC4 will hardly be regarded as ground-breaking by someone like me. But for pas-

sengers, all the small improvements will make IC4 a more pleasant experience," says Johnny Brandt who believes that "a more enjoyable train experience" sums up the factors that make IC4 trains better and different. "As the IC4 train is heavier, it rests better on the track and does not jolt from side to side. The movements are smoother," he explains as the IC4 leaves Fredericia Station towards Northern Jutland. Asked for their feedback on the new train, passengers gave a positive response. Customers like the spacious, reclinable seats and the foot rest. "We see that many passengers use the journey to take a nap, so they're pleased," adds Johnny Brandt pointing out that the added space contributes to a better working environment. "Because IC4 trains are light and



open, you have a sense of airiness because they are both wider and higher than our other trains. They're extremely pleasant."

Small, but important, features

The new trains also provide better conditions for train personnel. Train stewards have more space for their refreshment trolleys and can manoeuvre them in and out of the train through special doors without getting in the customers' way. "This is a great improvement," says Johnny Brandt. "There is also more room for bicycles and for prams and the special areas for disabled passengers have been enlarged as well as made more user-friendly through the installation of alarm buttons and radio panels built into the tables. Another significant improvement is access to the train.

"As the IC4 train is heavier, it rests better on the track and does not jolt from side to side. The movements are smoother"

Each train set contains a so-called low section enabling passengers to get directly from the platform to the train without using steps. Most customers will probably also welcome the fact that the bottom step in the higher carriages extends over the platform edge, eliminating the gap between train and platform. As every seat is equipped with its own electricity socket, passengers can use their computers.

All in all, these small, but important changes are what make the IC4 such a good train. Johnny Brandt is sure that more DSB employees and customers will value the small details when the IC4 is integrated into part of Denmark's transport system. "You can't put your finger on any one feature and say that this is what makes the difference. It's just good to be here," he says as the train pulls out of Århus station.



Facts about the IC4

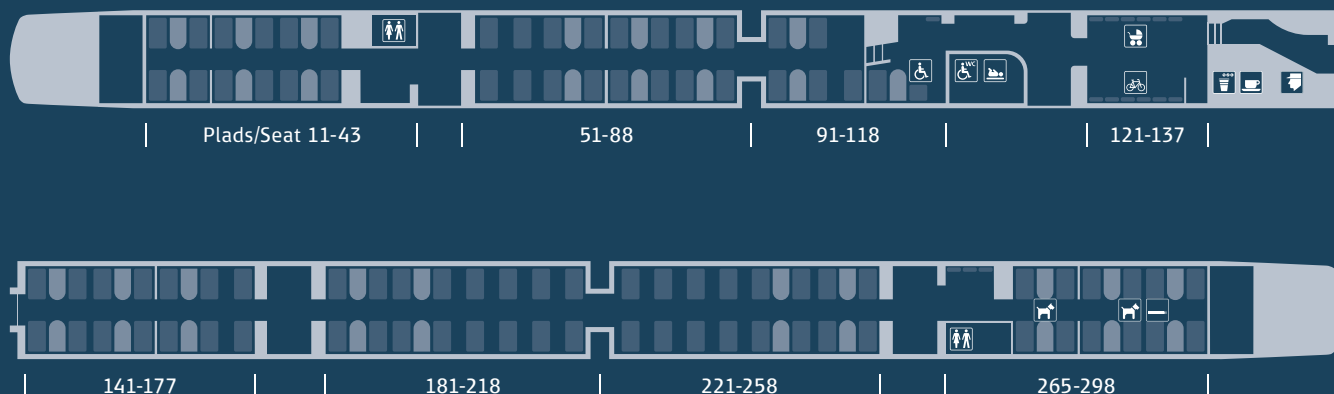
Number of trains	83
Number of wagons per train set	4
Length	86 metres
Width	3.15 metres
Weight	160 tons
Floor height	1.29 metres (0.6 metres in the low floor section)
Door width (external doors)	1.4 metres
Number of seats	185+ 18 folding seats
Total	203 seats
Seat layout	2 + 2
Number of vestibules	4
Number of toilets	3 of which 1 disabled toilet
Maximum speed	200 km/hr
Maximum train size	4 train sets
Number of engines	4

Monitored test operations

Since June 25, 2007, DSB has monitored IC4 test runs, first between Århus and Aalborg and subsequently between Århus and Frederica. The purpose is to test the train under operating conditions, start training personnel and receive customer feedback. Moreover, experience of working methods and routines – both on the train and with regard to preparation and ongoing maintenance – has to be gathered. Operating instructions and guidance must be tested in practice and working practices and routines optimised wherever possible. Once all train sets have been introduced, more than 2,000 employees will be working in or around these trains.

IC4s have covered more than 60,000 km during the monitored test operations.

DSB has conducted a survey of the initial customers' impressions of the train. This ranks IC4 at the top of DSB's rolling stock/trains, particularly in terms of comfort and appearance/design. Specific points of criticism relating to ventilation and sound level can fortunately be addressed.





Tracking 2007



Tracking 2007



No smoking at stations

From January 7, 2007, smoking becomes a thing of the past at Denmark's train stations. The new smoking rules coincide with a no smoking ban on trains and at DSB workplaces.



DSB allies itself with successful train operator

DSB partners the UK's most successful train operator, FirstGroup plc, to win the Øresund tender.

New CEO for DSB

Søren Eriksen becomes the new CEO of DSB. An Executive Director since 2002, Søren Eriksen was appointed CEO designate in September 2006 following the death of Keld Sengeløv.

TV in S-train

S-tog installs a TV screen inside an S-train to provide passengers with news and entertainment. The initiative stems from a partnership with Danmarks Radio and ClearChannel.

DSB Døgnnet – a repeat success

For the second year running, DSB Døgnnet proves to be an success.

January

March

May

February

April

June



Stowaways under the Central Station

During renovation work at Copenhagen Central Station, workmen discover an old ventilation room, which had been converted into accommodation. It turns out that two street artists had set up home at the station to put their own stamp on Copenhagen.



IC4 operates in mixed traffic

Trafikstyrelsen gives permission for IC4 trains to operate in mixed traffic without passengers. Consequently, IC4 begins testing the train on the Århus-Aalborg section.



New organisation

DSB begins to establish its new organisation. A new Executive Director for HR & Organisation, Lone Lindsby, is assigned overall responsibility for planning the new structure.

Finance Director appointed

Bartal Kass is appointed Finance Director. Besides financial matters, he is responsible for property, purchasing and logistics.

Great Belt celebrates 10 years

On June 1, 2007, Denmark celebrates the greatest rail achievement in modern times.

A historic day for DSB

DSBFirst wins both the Danish and the Swedish part of the Øresund tender and will become responsible for train traffic in the Øresund Region between 2009 and 2015. As a result, DSB becomes the biggest train operator in Scandinavia.

DSB appoints Commercial Director

DSB appoints Mogens Jønck to the new position of Commercial Director.

High spirits on IC4 virgin journey

At the end of June, DSB invites retired DSB employees and media representatives on an IC4 test run through the East Jutlandian landscape.





United front against football hooligans

To combat football hooliganism on trains, Rigspolitiet is involving DSB in its risk assessment of football matches. In this way, DSB can make appropriate preparations when trouble is expected.

DSB Live – a great party

More than 5,000 employees party when the two-day DSB Live was held at the Bella Centre in Copenhagen. They were entertained by musicians Nik and Jay, the 80s hit One Two, the entertainer Joker, rock singer Sanne Salomonsen, international jazz star Niels Lan Doky and Big Fat Snake.

Internet on trains

From November, customers on the Copenhagen-Korsør section can connect to the internet for a three month trial period. If the pilot project proves successful, the service is expected to be rolled out nationwide.

New director for long-distance and regional trains

Frank Olesen is DSB's new director for long-distance and regional trains.

July

September

November

August

October

December

1,300 DSB properties checked for asbestos

From early September, several thousand DSB offices and other areas are checked for asbestos by professionals from DSB Ejendomme.



DSB extends contract in Sweden

DSB's contract for the Roslagsbanan in Stockholm is extended by a further five years. DSB took over operations on the Swedish section in 2003 from Connex.

New CEO for S-tog

After eight months as CEO designate, Gert Frost is appointed CEO of DSB S-tog a/s.



New luxury trains between Denmark and Germany

On December 7, DSB and the German DB celebrate the inauguration of the German ICE TD train as part of the EuroCity transport between Denmark and Germany. The festivities are held at Copenhagen Central Station where Copenhagen's Mayor Ritt Bjerregaard names the first train set "København".



Management statement and auditors' report

Management statement

The Executive Board and the Board of Directors have today discussed and adopted DSB's Annual Report for 2007.

The Annual Report is presented in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Act on the Independent Public Corporation DSB and on DSB S-tog A/S. We consider the accounting

polities applied to be appropriate. Accordingly, the Annual Report gives a true and fair view of the Group and company's assets, liabilities and financial position at 31 December 2007 and the results of the Group and company's activities and cash flows for the Group for the financial year January 1-December 31, 2007.

The Annual Report is presented for approval at the Annual Meeting.

Copenhagen, March 31, 2008

Executive Board



Søren Eriksen
CEO

Board of Directors



Mogens Granborg
Chairman



Steen Gede
Deputy Chairman



Gunhild Lange Skovgaard



Ulrik Salmonsén



Lone Fønss Schrøder



Andreas Hasle



Lars Andersen



Flemming Rasmussen

To the Board of Directors

Auditors' report

We have, with the exception of page 116 regarding the Annual Accounts for the Business Areas, audited the Annual Report of the Independent Public Corporation DSB for the financial year January 1-December 31, 2007, comprising the management statement, management report, accounting policies, profit and loss account, balance sheet, equity statement, cash flow statement for the Group and the notes. The Annual Report has been presented in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Act on the Independent Public Corporation DSB and on DSB S-tog A/S.

The Board of Directors' and Executive Board's responsibility for the Annual Report

The Board of Directors and the Executive Board are responsible for preparing and presenting an annual report which gives a true and fair view in accordance with Danish Financial Statements Act, Danish Accounting Standards and the Act on the Independent Public Corporation DSB and on DSB S-tog A/S. Such responsibility comprises the design, implementation and maintenance of internal controls relevant to preparing and presenting an annual report which gives a true and fair view free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report on the basis of our audit. We have conducted our audit in accordance with Danish Auditing Standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the annual report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement in the Annual Report, whether due to fraud or error.

In making those risk assessments, the auditors consider internal controls relevant to the company's preparation and fair presentation of the Annual Report in order

to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and Executive Board, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's and parent company's assets, liabilities and financial position at December 31, 2007 and of the results of the Group's and parent company's operations and consolidated cash flows for the financial year January 1 - December 31, 2007 in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Act on the Independent Public Corporation DSB and on DSB S-tog A/S.

Copenhagen, March 31, 2008

Internal Auditing



Leif Frandsen
Group Internal Auditor

The independent auditors' report

To the Minister of Transport

Auditors' report

We have, with the exception of page 116 regarding the Annual Accounts for the Business Areas, audited the Annual Report of the Independent Public Corporation DSB for the financial year January 1-December 31, 2007, comprising the management statement, management report, accounting policies, profit and loss account, balance sheet, equity statement and the Notes for the Group and the parent company and the consolidated cash flow statement. The Annual Report has been presented in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Act on the Independent Public Corporation DSB and on DSB S-tog A/S.

The Board of Directors' and Executive Board's responsibility for the Annual Report

The Board of Directors and the Executive Board are responsible for preparing and presenting an annual report which gives a true and fair view in accordance with Danish Financial Statements Act, Danish Accounting Standards and the Act on the Independent Public Corporation DSB and on DSB S-tog A/S. Such responsibility comprises the design, implementation and maintenance of internal controls relevant to preparing and presenting an annual report which gives a true and fair view free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. In addition, it is the management's responsibility that the operations covered by the annual report comply with the Transport Contract, legislation and other rules and regulations as well as with current agreements and usual practice.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report on the basis of our audit. We have conducted our audit in accordance with Danish Auditing Standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the annual report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement in the Annual Report, whether due to fraud or error. In making those risk assessments, the auditors consider

internal controls relevant to the company's preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and Executive Board, as well as evaluating the overall presentation of the Annual Report. The audit also comprises an assessment of whether transactions covered by the annual report are in accordance with the Transport Contract, legislation and other rules and regulations as well as with current agreements and usual practice.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's and parent company's assets, liabilities and financial position at December 31, 2007 and of the results of the Group's and parent company's operations and consolidated cash flows for the financial year January 1 - December 31, 2007 in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Act on the Independent Public Corporation DSB and on DSB S-tog A/S. It is also our opinion that the transactions covered by the Annual Report are in accordance with the Transport Contract, legislation and other rules and regulations as well as with current agreements and usual practice.

Copenhagen, March 31, 2008

KPMG C.Jespersen

Statsautoriseret Revisionsinteressentskab



Kurt Gimsing
State Authorised
Public Accountant

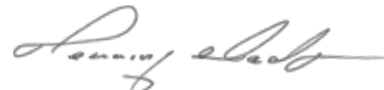


Torben Kristensen
State Authorised
Public Accountant

The National Audit Office of Denmark



Henrik Otbo
Auditor General



Henning Madsen
Head of Department

The independent auditors' report

To the Minister of Transport

Statement regarding the performance audit

In connection with the financial audit of DSB's Annual Report for 2007, we have carried out an assessment of the parent company DSB as to the extent to which proper financial consideration has been taken in respect of DSB's administration of selected areas and whether the information given in the annual report with regard to targets and results has been documented and is adequate for the parent company, DSB's activities in 2007.

Management's responsibility for administration

DSB's management is responsible for establishing guidelines and procedures that ensure that appropriate financial consideration is taken in respect of DSB's administration and that the information in the annual report with regard to targets and results has been documented and is adequate for the parent company, DSB's activities in 2007.

The auditors' responsibility and the performance audit

In accordance with best practice public auditing standards, c.f. promulgation of the Act on the Audit of State accounts etc., we have, for selected administrative areas, examined whether DSB has established business procedures that, to the greatest possible extent, ensure financially expedient administration. Moreover, we have random checked the information contained in the report concerning targets and results for the parent company DSB. Our work has been conducted with a view to achieving limited security that the administration of the selected areas has been carried out in a financially sound

way and that the information in the Annual Report concerning the achievement of the profit targets has been documented and is adequate for the parent company DSB's activities in 2007.

Opinion

During the performance audit, we have not become aware of any issues that give us reason to conclude that the performance audit in 2007 in the areas we examined have not been conducted in a financially sound way or that the information in the report concerning targets and results has not been documented and is adequate for the parent company DSB's activities in 2007.

Copenhagen, March 31, 2008

KPMG C.Jespersen

Statsautoriseret Revisionsinteressentskab



Kurt Gimsing
State Authorised
Public Accountant



Torben Kristensen
State Authorised
Public Accountant

The National Audit Office of Denmark



Henrik Otbo
Auditor General



Henning Madsen
Head of Department

Corporate Governance

Legislation

DSB is an independent public company and consequently wholly owned by the Danish state. The Danish Minister of Transport and the Danish Parliament undertake the role of DSB's owner. The state's ownership must be executed with due regard for the Board of Directors and the Executive Board's powers of decision-making. DSB's Board of Directors oversee the company's results, management and organisation on behalf of the Minister of Transport while the Executive Board is responsible for day-to-day operations. The Public Limited Companies Act, the Act on Ministerial Responsibility, The Act on the Independent Public Corporation DSB and on DSB S-tog A/S (The DSB Act) and other relevant legislation form the legal framework for the overseeing and management of DSB. Like other companies wholly or partially owned by the State, DSB is subject to The Public Limited Companies Act and The Financial Statements Act. DSB's objectives, management and tasks are regulated by The DSB Act. With regard to financial reporting, DSB is subject to The Financial Statements Act, Danish Accounting Guidelines and The DSB Act. In addition, DSB must prepare annual accounts for business areas subject to the accounting regulations applying to DSB and, in relation to this, competitive legal conditions for DSB. The Act, the Articles of Association, the Board of Directors' rules of procedure and the Executive Board's brief reflect DSB's responsibility, as a state-owned company, to exercise good corporate governance in all respects.

Recommendations

In part as a result of the Nørby Committee's work, which in August 2005, resulted in a number of recommendations adopted by the Copenhagen Stock Exchange in October 2005 as "Recommendations for Good Corporate Governance in 2005", considerable attention has recently been given to Good Corporate Governance. The recommendations specify that it is just as legitimate to explain as to follow a specific recommendation ("follow - or - explain" principle) as the most important aim is to create transparency in corporate management. Moreover, the State has also worked with Good Corporate Governance with some ministries publishing the State as Shareholder report in 2004. The report puts forward recommendations for exercise of ownership and Good Corporate Governance in state-owned companies. DSB closely monitors the Government's work with regard to competition in the rail sector,

including the extent to which a potential decision to convert DSB to a limited company with the state as the main shareholder would affect DSB's current work on corporate governance. DSB strives to ensure that the company's objectives as well as its general principles and structures that regulate the interaction between the owner, management bodies and the company's other stakeholders comply with the recommendations for Good Corporate Governance at any given time. DSB provides information about attitudes and activities relating to Corporate Governance in its Annual Reports and on its website.

Communication

DSB's aim is to make communication between the Company and its stakeholders (owner, customers and partners) as easy and efficient as possible. Using the internet for communication is an integral part of this. DSB follows approved and published corporate communication policies which set out detailed guidelines for DSB's internal and external communication. The communications policy also covers DSB's values and, through this, sets out the framework for the company's communications with internal and external stakeholders.

The Annual Meeting

The company's supreme body, the Annual Meeting, is comparable to the annual general meeting of limited companies. The Minister of Transport can be compared to a sole shareholder and exercises authority at the Annual Meeting similar to that which the Public Limited Companies' Act and the Financial Statements Act assign to shareholders. The Minister of Transport, the Board of Directors, the Executive Board and also the auditors attend the Annual Meeting which is presided over by a Chairman appointed by the Minister of Transport. The Meeting is open to the press. The company's Articles of Association can only be changed by the Minister of Transport following discussions with the Board of Directors. Changes to the Articles of Association must be formally approved at the Annual Meeting. In addition to the Annual Report, which is adopted at the Ordinary Annual Meeting before the end of April, accounts for the corporation's primary business areas are presented in accordance with the Accounting Regulations. These are subject to the Competition Law Guidelines.

The Board of Directors

DSB is governed by a Board of Directors consisting of nine members. Six, including the Chairman and Deputy Chairman, are appointed by the Minister of Transport. In keeping with the provisions of the Public Limited Companies Act concerning election of employee representatives, the employees elect three members to the Board. The Chairman cannot perform tasks for DSB that are not a natural part of the Chairman's responsibilities. An exception can be made in the case of single tasks which the Chairman is asked to perform by and on behalf of the Board of Directors. DSB is not currently imposing any age limit on members of the Board of Directors. Board members are elected for a period of two years. The Chairman and Deputy Chairman, however, are elected for one year at a time. Board members can be re-elected. The Minister of Transport may remove directors appointed by her at any time. Directors appointed by the Minister must be selected from a broad social, managerial and business background so that the Board of Directors as a whole has experience with transport issues. Public servants, who are subject to ministerial authority, cannot be members of the Board in this connection, DSB's status equals that of a state-owned limited company.

The Chairmanship. The Minister of Transport appoints the Chairman and Deputy Chairman at the Annual Meeting. The Chairman and the Deputy Chairman constitute the company's chairmanship. As is also the case with other directors elected at the Annual Meeting the Chairman and the Deputy Chairman cannot be employees of the company. The chairmanship's duties are governed by the rules of procedure of the Board of Directors.

The functions of the Board of Directors DSB's business procedure determines the guidelines for the Board's work which includes overseeing the company's organisation, day-to-day management and result. The Board of Directors employs and dismisses the corporation's Executive Board and determines the terms of the Executive Board's employment. The Board ensures that the Executive Board regularly submits financial information, budgets and other important information relevant to the development of the corporation and its subsidiaries. The Board reviews the quarterly accounts and budgets and any deviations. During the year, the Board of Directors addresses the following issues:

- An examination of the Annual Report and the announcement of the annual accounts.

- At least once annually considers whether DSB's organisation, including, in particular, the structure of DSB's accounting functions, internal controls and it-organisation system, is reliable and whether control procedures are in place to safeguard against misuse.
- Once a year the Board of Directors submits a proposal to the Minister of Transport concerning the appointment of the state authorised public accountant at the Annual Meeting.
- Each quarter the Board of Directors reviews the quarterly accounts for the preceding quarter.
- Once a year the Board of Directors reviews the DSB Group's insurance cover, including the extent to which the insurance cover is provided in accordance with the insurance policy laid down by the Board of Directors.
- Once a year the budget for the coming year and a budget forecast for the subsequent two financial years are approved.
- Each quarter a report is prepared, which as a minimum covers DSB's liquidity, financing issues, passenger development, punctuality and other relevant quality targets, important transactions, cash flows and special risks.

Board meetings Four board meetings must be held per year. In 2007, five ordinary and three extraordinary board meetings were held. In conjunction with one of the year's board meetings, a seminar is held for the Board of Directors. The Board of Directors considers all issues relating to DSB's general development at the board meetings.

Evaluation The Board of Directors carries out an annual evaluation of its work, results and composition and its relations with the Executive Board. The Board of Directors will consider the extent to which earlier strategic objectives and plans have been accomplished. The Chairman of the Board of Directors is in charge of the evaluation which is carried out by way of personal interviews between the Chairman and the directors. The outcome will subsequently be considered by the full Board.

The Executive Board

The Executive Board is responsible for the day-to-day management of DSB and for ensuring that DSB's accounting complies with relevant legislation and that DSB's asset management is carried out satisfactorily. The Board of Directors determines the guidelines under which the Executive Board operates, including guidelines for the allocation of tasks between the Board of Directors and the Executive Board and the Executive Board's competence with regard to financial issues. The instructions are submitted to the Minister of Transport for approval.

The Executive Board's salary, bonuses and other terms are set out in the annual accounts.

Briefing the Minister of Transport

The Chairman and Deputy Chairman are obliged to brief the Minister of Transport on matters of material importance. For instance, such briefings take place at quarterly meetings where the Minister is briefed on developments which may be of material financial or political importance. In addition, the Minister is briefed on the company's and its affiliated companies' insurance cover, including the extent of any excess for the individual insurance policies. Moreover, the Minister of Transport is presented with the annual accounts for business areas prepared in accordance with the Competition Law Guidelines.

Investments The DSB Act and DSB's Articles of Association stipulate that if DSB or DSB's affiliated companies wish to make investments in excess of DKK 100 million, this must be submitted to the Parliamentary Finance Committee for approval. The limit is set out in the company's Articles of Association and can be changed following approval by the Finance Committee. DSB's foreign operations are regulated in accordance with article 5 of the Articles of Association.

Loans The framework for the company's and its affiliated companies' raising of loans for operational as well as investment purposes is, in accordance with the DSB Act, determined by the Minister of Transport. The framework for loans for investment purposes must be approved by the Finance Committee. The current framework for loans for operational purposes and the principles for raising loans for investment purposes are set out in the Articles of Association.

Auditing

As stipulated in the Financial Statements Act, DSB's annual accounts are audited by a state authorised public accountant and by the Office of the Auditor General of Denmark. The state authorised public accountant is appointed by the Minister of Transport at the Annual Meeting following a recommendation by the Board of Directors. The appointment is for one year at a time and reappointment is possible.

The auditors also audit DSB's accounts in accordance with the regulations in the Act on the Audit of State Accounts, etc. On presentation of the annual accounts, the state authorised public accountant must declare whether the requirements in the Accounting Regulations and the Competition Law Guidelines have been complied with. DSB also has an internal auditing department, which also covers DSB's Danish affiliated companies. The Internal Chief Auditor reports directly to the Board of Directors.

Announcements sent to the Danish Commerce and Companies Agency

22 March 2007	Announcement concerning changes to Executive Board
29 March 2007	Preliminary statement of annual accounts
11 April 2007	Notice of DSB Annual Meeting
16 May 2007	Filing of minutes of Annual Meeting
21 May 2007	Filing of quarterly accounts
27 August 2007	Filing of Interim Report
20 November 2007	Filing of quarterly accounts

Risk Management

As DSB faces a number of challenges, the organisation must be able to evaluate and handle risks. DSB has established a process for identifying, managing and reporting business risks.

Risk management aims to prevent negative risks and to ensure that any damage is kept at a minimum. DSB's risk management aims to:

- strengthen the company's reputation as a safe and responsible train operator
- maintain stable earnings
- ensure the company achieves its short and long-term goals.

DSB's strategy planning and follow-up are operationalised through the work with Balanced Scorecard, which links our mission, vision and strategies and the execution and follow-up of specific tasks. Balanced Scorecard reporting ensures management focus and pro-active handling of DSB's known risk factors.

The identified risks are reviewed in the following:

Market conditions

Market structure

The passenger transport market is influenced by a range of factors. Rising energy prices, general economic trends and employment levels all contribute towards attracting more passengers. By contrast, car ownership can have a negative impact. Good accessibility in the form of satisfactory parking facilities at the stations can result in a rise in passenger numbers.

By contrast, easy road accessibility and good parking facilities in the cities have a negative effect on passenger numbers. The market is also affected by various authorities through taxes, levies and subsidies, which all impact on the transport sector. Adjustments to toll charges and changes in the operating conditions for long-distance bus services and domestic flights have the biggest impact on the railway sector. In addition, the quality of public transport in general is important for DSB. Moreover, the quality of the entire public transport system is important for DSB.

Consequently, DSB conducts its relations with buses and the Metro as partners, and only to a limited extent regards them as competitors.

Prices and adjustments

From and including 2007, responsibility for fare policy in Greater Copenhagen and the rest of Denmark is divided between the traffic operators, although the joint fare system remains in force in Greater Copenhagen and most of Denmark. By agreement with the parties, new fares have been determined for 2008. The sharing of competencies will impose new demands on the co-operation between transport operators in Greater Copenhagen. Differences in the operators' management principles can result in disagreements on pricing policy.

Based on the Act on Traffic Operators, an order determining the distribution of traffic revenue in the Greater Copenhagen area was drawn up towards the end of 2006. The order stipulates that, from and including 2007, Metro-selskabet will receive a larger share of passenger revenues at the cost of DSB and DSB S-tog a/s. The DSB Group's resulting loss of revenue was compensated for through an accessory contract to the current transport contract.

Negotiations between the transport companies regarding the financial basis for revenue sharing in Greater Copenhagen are currently taking place. This applies both to DSB S-tog's train passenger numbers and to Movia's bus passenger figures. There is a certain amount of uncertainty, therefore, as to the outcome and consequences of this dispute and how it will affect future revenue distribution.

Electronic travel card

In a comprehensive partnership, most of the public transport operators in Denmark, Rejsekort A/S, owned by the transport companies, have signed a contract regarding the acquisition and implementation of an electronic travel card system to replace most of the existing ticket and card systems. Under the auspices of Rejsekort A/S, a formalised follow-up of risks and risk management is undertaken at the supplier and at the transport companies. As the travel card affects key aspects of the transport companies' activities, the risks relate to a broad range of issues concerning customer relations, technology, finance, law and organisation.

Transport contracts

DSB is the main operator of passenger transport services in Denmark. Measured in terms of passenger revenues, DSB accounts for more than 50 per cent of these services.

The Ministry of Transport has signed two ten-year contracts with DSB for the provision of passenger transport on long-distance, regional and S-train lines. The contracts constitute an important part of DSB's total revenue base. Accessory contracts covering various aspects are regularly agreed with the Ministry of Transport.

Competitors

Over the period 2005-2014, train services corresponding to at least one-third of DSB's current train km production (not including long-distance traffic between the regions and S-train traffic) will be put up for public tender. Accordingly, DSB, together with its partner, FirstGroup plc, won the Kystbanen tender with operations commencing in January 2009. In 2008, the central and west Jutlandian section will be put out for tender – again with operations commencing in January 2011. The section is currently operated by Arriva.

Two complaints lodged with the EU Commission in which the Danish Government is accused of extending illegal state subsidies to DSB are currently pending. One concerns a complaint from the Gråhundbus company about the contracts between the Ministry of Transport and DSB concerning rail services between Copenhagen and Vstad ("IC Bornholm"). The other case originates from a complaint from the industry association, DKT, claiming that DSB has received excessive payments from the Ministry of Transport in connection with the transport contracts. Both complaints are being considered by the EU Commission and when this report went to print, it remained unclear whether and when the Commission will decide to institute a case against the Danish Government or to reject the complaints. DSB believes that the contracts with the Ministry and DSB's other business terms fall within the regulations covering state subsidies.

Committed to ensuring that its domestic bids are on the same high level as its foreign bids, DSB is determined to win those bids that will contribute to the continued development of DSB's business areas – nationally as well as internationally.

Employee conditions

Access to, and retention of, qualified employees

The Danish labour market enjoys a historically high employment level and competition for labour is becoming tougher all the time. This poses ever-increasing demands on companies, including DSB, in respect of attracting and retaining skilled and committed staff. As a consequence, DSB works systematically with those conditions and factors that determine DSB position as an attractive workplace. DSB wishes to recruit a broad and diverse workforce while recognising the fact that skills and talents do not necessarily depend on age, gender, religion or nationality. Employees are increasingly placing demands on their workplace in connection with their recruitment. DSB, therefore, actively promotes the company's image through targeted communication and marketing, both internally and externally, in order to present DSB as an attractive workplace. This aims to ensure that DSB continues to be a workplace that attracts employees with the appropriate skills.

DSB wishes to enhance its attractiveness as an employer through activities within skills development, value-based management, employee involvement and measures to improve recruitment and employment conditions. If the above initiatives and measures fail to have the desired effect so that DSB finds itself with a shortage of manpower, the risk could be that the planned production cannot be implemented, i.e. that timetables would be based on available employees and not on customers' requirements, with a consequent reduction in the contract payment.

Operational factors

Train deliveries

DSB has signed contracts for the delivery of IC4 and IC2 train sets with AnsaldoBreda. The contracts were based on detailed requirement specifications as well as delivery and payment terms and at a fixed price in Danish kroner. The financial risks relating to the supplier are seen as relatively modest as the supplier provides bank guarantees for all prepayments. A guarantee has also been given by AnsaldoBreda's parent company, Finmeccanica.

Quality

Good infrastructure is key pre-requisite for DSB supplying punctual trains – tracks, points, signals and catenary. Rail Net Denmark is DSB's main supplier of infrastructure. DSB has signed an operator contract with Rail Net Denmark which regulates DSB's use of the infrastructure, including the agreed track quality, along with penalties and bonuses.

In 2007, DSB's business was also affected by poor infrastructure quality, namely defective track and signals as well as track improvement work. In the 2007 timetable, running times were extended particularly for IC and Express trains to take into account possible speed restrictions. This resulted in an improvement to punctuality of around 6 percentage points.

In addition are the matters on which DSB has a direct influence, i.e. rolling stock. Some of DSB's most important priority areas are quality management and improvement to procedures with a view to minimising the number of delays and cancellations. DSB currently prepares statements of delays and cancellations, including the number of delays/cancellations for which DSB is responsible.

Objectives have been set with a view to minimising the number of such delays/cancellations, and in co-operation with Rail Net Denmark DSB tries to reduce delays.

Co-operation with Rail Net Denmark intensified in 2007 with regard to the joint operations centre. DSB's operational stability is crucial to passenger growth. To reduce adverse customer reaction, DSB, in co-operation with the Ministry of Transport, The Danish Consumer Council and Arriva, has set up a travel time guarantee, which became effective on October 1, 2006. This ensures that customers affected by delays are compensated. Moreover, from January 1, 2007, regular commuters are also offered travel time guarantees. These customers are compensated when disruptions occur on the sections in question.

Safety and contingency

In 2007, the DSB Group's safety, contingency and insurance areas were combined into Risk Management with responsibility for supporting the business in all safety issues arising from train operations.

The merger of the Group's safety competencies has enhanced overall safety work through the following:

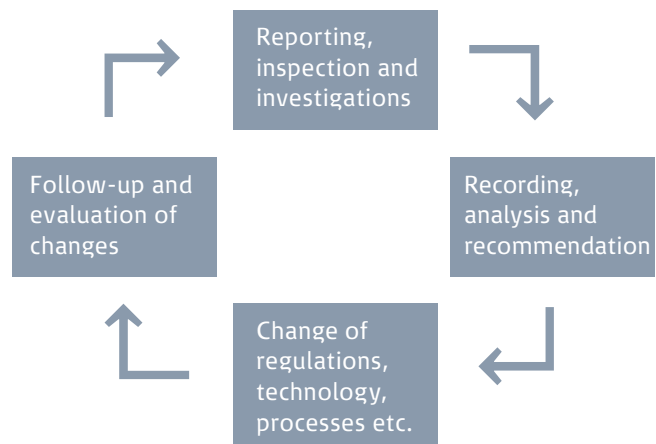
- A more holistic prioritisation of resources within the safety area
- Stronger opportunities for achieving consistently high safety levels for the Group as a whole
- The opportunity to develop and maintain a higher level of specialisation.

DSB strives to prevent safety-related incidents and continually seeks to identify safety-related issues through reporting incidents and "near misses" by monitoring safety-critical processes and reporting safety lapses from train operations.

The circumstances relating to safety-related incidents are analysed and the causes identified. A thorough understanding of the causes is one of the pre-conditions for ensuring effective prevention of injury to passengers, employees and rolling stock.

The information, which through investigations, supervisions or reports is channelled to those responsible for safety, is registered and analysed in order to assess to what extent the existing regulations, processes and technical conditions can be improved. These assessments are undertaken on the basis of a risk analysis, which is also used in situations where safety-related changes have to be approved by The Danish National Rail Authority.

The resulting changes are monitored daily along with other train operations. The monitoring of safety levels is illustrated in the figure below.



A strong risk prevention process is necessary for DSB to continue to be seen as a safe and responsible train operator.

DSB's Executive Board receives quarterly reports on developments in the risk management area while the Board of Directors receives an annual status report. Aims, strategy and policy regarding Risk Management are considered by the Board of Directors once a year.

In cases where safety incidents cause disruption to operations, DSB's risk management is supported by comprehensive contingency planning. Contingency measures were tested on various occasions in 2007 and were put into practice during minor traffic incidents.

External contingency to ensure the safety of our customers was called into action on June 12, 2007 when a catenary fell on to a platform at Copenhagen Central Station. Some of the contingency activities were also tested in connection with the nationwide emergency exercise and during the annual contingency exercise at the Great Belt.

Insurable risks

DSB's risk management is supplemented by efficient risk cover policies. An insurance policy has been drawn up in which all insurable risks are identified, quantified and evaluated in order to minimise the overall cost of insurance and damage cover. DSB's insurance renewals are handled by the Board of Directors.

Terror prevention

DSB's terror prevention activities are managed on the basis of a terror prevention catalogue whose purpose is to protect and prevent terror activity against DSB's values and activities.

Adjustments to DSB's terror prevention policies and activities are conducted on the basis of an evaluation carried out by the Police Intelligence Service, PET. Moreover, DSB has benefited from its exchange of experience with London Underground. In general, DSB works with PET as well as with the police, Rail Net Denmark and Movia with regard to terror prevention. One result is PET's awareness meetings for new employees. Two meetings were held in 2007.

Environment

DSB's most significant risks in relation to environmental issues relate to the introduction of new environmental requirements for DSB's diesel rolling stock.

Changing environmental requirements can involve substantial costs in connection with the installation of post treatment equipment on rolling stock. Another significant factor relates to soil pollution and the decontamination of polluted soil.

Every year, DSB incurs considerable costs for decontaminating polluted soil and our experience with soil polluted sites is registered and collected in DSB's Geographical Information System (GIS).

IT security

IT plays a crucial role in DSB's daily operations. External threats are increasing in line with the development and expansion of IT systems. DSB, therefore, takes appropriate contingency measures to counter known, diverse risks. Central installations are protected against power cuts, fire and other accidents and the IT operations centre is duplicated. The internet also carries an increasing variety of risks (SPAM, viruses, hackers etc.).

This requires special attention in order to prevent attacks on DSB's systems with resulting disruption to operations. Safeguarding against such risks does not merely rest on a central effort, but is also dependent on the individual employee's due care in their daily work. A folder setting out DSB's IT policy has been distributed to all employees in order to promote sound sense and due care in their day-to-day tasks.

Financial risks

The financial risks are managed centrally by DSB's Treasury Department. The use of financial instruments is reviewed annually through DSB's financial policy which determines the framework for the use of financial instruments in relation to hedging as well as to counterparts and risk profiles. The Board of Directors approve the financial policy each year.

Scenario analyses

Scenario analyses are used actively in a range of risk contexts and DSB continually carries out scenario analyses for optimising the interest-rate guarantee on the loan portfolio and for hedging DSB's energy prices.

DSB's oil consumption is part of an overall approach where the scenario analysis aims to involve the oil prices' effect on revenue. As DSB's competitive situation is improved when oil prices rise, the increased passenger revenue to some extent offsets cost increases on the energy side.

The scenario analysis is not merely used as a tool for the net financials of day-to-day operations. The method is also used actively when DSB needs to test whether new projects are financially robust. Both large projects forming part of DSB's current development as well as bids for projects abroad must be able to withstand unexpected fluctuations in costs and revenues

Market risks

DSB's financial risks are managed individually within individual market segments, although in terms of risk they are regarded as a whole. A Value At Risk (VAR) target is used to create a relative risk relation. The illustration shows how the risk is apportioned across the following areas: interest rate, foreign exchange, oil and electricity risks. DSB's use of financial instruments to limit financial risk means that the risk is reduced to 36 per cent of its original size. This is shown in the figure below which gives the relative apportionment.

Interest rate risks

Interest rate risks arise in connection with interest-bearing assets and liabilities. Interest rate fluctuations have an impact on DSB's balance sheet and current net financials. The interest rate risk is managed through a duration target which gives the typical interest-rate guarantee on the loan portfolio. The aim is to achieve a duration target of 3-7 years. At the end of 2007, this was 4.3 years. A change of one percentage point in the average interest rate on DSB's interest-bearing net liabilities will have an impact on profits before tax of around DKK 14 million. DSB's financial policy prescribes that at least 33 per cent of the loan portfolio must carry fixed interest. However, not less than

50 per cent of the loan portfolio must be hedged by fixed interest or interest rate caps. At the end of 2007, 87 per cent of the loan portfolio carried fixed interest. The aim of interest rate risk management is to hedge risks relating to assets and revenues by symmetrical cover of liabilities and expenses. The indexing of financing expenses, interest rate hedging and contracts for reducing fluctuations in financing expenses are examples of financial instruments which are used for this purpose.

Exchange risks

Exchange rate fluctuations primarily impact on costs. Within a given financial year, the aim is to hedge the effect of exchange rate changes primarily by forward exchange transactions. The EBIT exposure is greatest against the Euro and the US dollar. DSB's policy is to hedge foreign exchange exposure through a combination of forward exchange contracts, currency swaps and options. The exchange risk is managed through currency swaps in connection with the raising of foreign exchange loans. Loans raised by DSB in currencies other than DKK, including Euro, have all been translated into Danish kroner via currency swaps. Exchange risks related to investments in foreign subsidiaries are hedged as deemed appropriate. DSB continually hedges some of its future oil purchases in order to reduce short-term price fluctuations. Long-term oil purchase contracts are also entered into.

In addition, purchasing agreements for electricity prices have been signed with the purpose of minimising seasonal price fluctuations. Energy price fluctuations also have market-related consequences as increasing petrol prices have a positive impact on passenger numbers, since, to

Apportionment of risk types as at December 31, 2007



a certain extent, more people tend to take the train instead of the motor car if petrol prices are high.

Credit risks

The credit risk relating to financial instruments is calculated on the basis of net market values and is regulated by DSB's financial policy. The credit risk can arise in connection with swaps and placement of excess liquidity. As maximum limits for exposure to individual counterparts have been established, DSB has no significant concentration of credit risks.

Accounting policies

The Annual Report for the Independent Public Corporation DSB was prepared in accordance with the provisions of the Danish Financial Statements Act for Class D companies, Danish Accounting Standards and the Act on the Independent Public Corporation DSB and on DSB S-tog A/S.

The Annual Report has been prepared in accordance with the same accounting policies as stated in the annual report for 2006.

General comments on recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will accrue to the Group and the value of the assets can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured. Initial recognition of assets and liabilities is made at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as the initial cost minus any principal repayments and plus/minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the profit and loss account as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, write-downs and provisions as well as reversals as a result of changes in accounting estimates.

Consolidated annual accounts

The consolidated annual accounts comprise the parent corporation DSB and the affiliated companies in which the DSB Group controls more than 50 per cent of the voting rights (affiliated companies). Companies that are not affiliated companies, but in which the DSB Group holds 20 per cent or more of the voting rights and exercises a significant influence on the operational and financial management of these companies are associated companies.

The consolidated annual accounts are prepared on the basis of the annual accounts for DSB and the affiliated companies by combining accountings items of a similar nature and subsequently eliminating intra-group income and expenses, intra-group balances and dividends and profits and losses on transactions.

Acquisitions of new companies are accounted for using the purchase method, according to which the identifiable assets and liabilities newly acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired companies. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the profit and loss account based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired companies, is recognised in the balance sheet as provisions and recognised in the profit and loss account as the losses or costs are realised or transferred to Other provisions as the provisions become identifiable and can be reliably stated.

Goodwill and negative goodwill from acquired companies can be adjusted until the end of the year after the acquisition.

DSB's investments in affiliated companies are offset by the affiliated companies' net asset value at the time of acquisition (the past equity-method). The affiliated companies' accounts used for consolidation are prepared in accordance with the Group's accounting policies.

Investments in associated companies are valued according to the equity method at the Group's share of the equity of the company. Intra-group profits and losses are eliminated proportionally. The proportionate shares of the associated companies' profits/losses before tax are included in the profit and loss account.

Newly acquired companies are included in the consolidated annual accounts with effect from the time of acquisition and companies sold are included until the time of divestment.

Comparative figures are not restated for newly acquired, sold or divested companies or activities.

Gains or losses related to the sale or closure of affiliated and associated companies are stated as the difference between the sales price or settlement price and the book value of net assets at the time of sale, including non-amortised goodwill and expected costs of sale or closure.

The affiliated companies' accounting items are fully recognised. Minority interests' proportional share of the affiliated companies' profit and equity is stated as separate items under the Profit and Loss account and Balance Sheet.

Foreign currency translation

Transactions denominated in foreign currencies are translated on initial recognition using the exchange rate on the transaction date. Differences between the exchange rate on the transaction date and the exchange rate on the payment day are recognised in the profit and loss account under Financial income and expenses.

Receivables, liabilities and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rate at the balance sheet date. The difference between the exchange rate at the balance sheet date and the rate when the account receivable or liability occurred or was included in the latest annual report is recognised in the profit and loss account under Financial income and expenses.

With regard to the recognition of foreign affiliated and associated companies, these are considered independent

units. Their profit and loss accounts are translated using the average exchange rate and their balance sheet items are translated using the closing rate. Exchange rate differences arising from the translation of foreign affiliated companies' equity at the beginning of the year to the closing rate and in connection with the translation of the profit and loss accounts from average exchange rates to the closing rate are taken directly to equity.

Derivatives

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

Changes in the fair value of derivatives which are classified as and meet the criteria for hedging of the fair value of a recognised asset or recognised liability are recognised in the profit and loss account together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivatives which are classified as and meet the conditions for the hedging of future assets or liabilities are taken directly to equity. Income and costs relating to such hedging transactions are transferred from the equity on realisation of the hedged position and recognised in the same accounting item as the hedged position.

In respect of derivatives which do not meet the conditions for handling as hedging instruments, the changes in the fair value are recognised in the profit and loss account on an ongoing basis.

The profit and loss account

Net turnover

Revenues from train services are recognised at the time of transport. Provision is made in respect of the value of tickets sold that have not been used/expired at the balance sheet date. Discounts in connection with the sale and payments relating to the Travel Guarantee Scheme are deducted from the net turnover.

Revenue from transport contracts in respect of production obligations is recognised as income in the period to which it relates.

Other goods and services are recognised as income at the time of delivery

Other operating income

Other operating income includes operating income of a secondary nature in relation to the railway business.

VAT

DSB has a right to deduct part of the purchase VAT because the corporation carries out activities which are both subject to and not subject to VAT. The non-deductible part of the purchase VAT is included in the profit and loss account and in balance sheet items.

Costs of raw materials and consumables

Costs of raw materials and consumables include the year's purchases and the year's change in stocks of raw materials and consumables and cost of goods sold in shops and trains, etc.

Other external expenses

Other external expenses primarily include expenses of a primary nature in relation to the railway business.

Staff expenses

Staff expenses include wages and salaries, remuneration, pension contributions and other staff expenses relating to the corporation's employees, including the Executive Board and the Board of Directors.

DSB pays pension contributions for public servants to the government, which has the pension obligation. The pension obligation for other employees is covered by pension schemes.

Profit/loss of affiliated and associated companies

The proportionate share of the profit before tax of the individual affiliated companies is included in the profit and loss account of the parent corporation after elimination of the share of intra-group profits/losses and deduction of amortisation of goodwill. The share of the affiliated companies' tax and extraordinary items is recognised as tax on the ordinary profit for the year or the extraordinary profit after tax, respectively.

The proportionate share of the profit before tax of the associated companies is included in the profit and loss account of both the parent corporation and the Group after elimination of the share of intra-group profits/losses and deduction of amortisation of goodwill. The share of the associated companies' tax and extraordinary items is

recognised as tax on the ordinary profit for the year or the extraordinary profit after tax, respectively.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, exchange gains and losses relating to securities, liabilities and transactions in foreign currencies and amortisation of financial assets and liabilities, financial income and expenses are recognised with the amounts that relate to the financial year.

Tax on the profit for the year

DSB is covered by the Danish rules on compulsory joint taxation of the Danish corporation/companies in the Group. Subsidiaries are included in the joint taxation from the time at which they are included in the consolidation in the consolidated accounts and until they are excluded from the consolidation.

The corporation manages the joint taxation and consequently makes all corporation tax payments to the tax authorities.

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

The tax for the year which comprises current tax, the year's joint taxation contribution and changes in deferred tax, including as a consequence of changed tax rates, is included in the profit and loss account with the share related to the profit for the year and taken directly to equity in so far as the share related to items entered directly in equity are concerned.

Balance sheet

Intangible fixed assets

Intangible fixed assets comprise terminal and development projects, including software and goodwill.

Development costs comprise costs, wages and amortisation which directly or indirectly can be attributed to the corporation's development activities.

Development projects which are clearly defined and

identified, where the technical utilisation rate, sufficient resources and a potential future market or development potential in the corporation can be proven and where it is expedient to produce, market or use the project, are recognised as intangible fixed assets if the cost can be reliably determined and there is sufficient security that future earnings can cover production, sales and administrative expenses and the development costs themselves. Other development costs are recognised as costs in the profit and loss account, as the costs are incurred.

Capitalised intangible fixed assets are measured at cost deducting accumulated amortisation or at recoverable value, if this is lower. Capitalised intangible fixed assets are amortised on a straight line basis after completion over the assessed economic useful life.

The expected useful lives are

Development projects, Including software	3 - 5 years
Group goodwill	5 - 10 years

Additions during the financial year are amortised proportionately according to the time of use.

Intangible assets are written down to the recoverable amount if this is lower than the carrying amount. Impairment tests are conducted annually of each individual asset or group of assets.

Profits and losses in respect of disposals are calculated as the difference between the sales price less sales costs and the book value at the time of sale. Profits and losses are recognised in the profit and loss account under Other operating income or Other external expenses.

Tangible fixed assets

Land and buildings are measured at cost less accumulated depreciation and write downs.

Rolling stock, operating plant, fixtures and fittings, etc. are measured at cost less accumulated depreciation and write-downs.

Tangible fixed assets in progress are measured at cost. Substantial changes and improvements adding to the value of tangible fixed assets are capitalised.

The cost comprises the original cost and costs directly related to the original cost until the time when the asset

is ready for use. With regard to own produced assets, the cost covers direct and indirect costs for equipment, components, sub-contractors and wages/salaries. Furthermore, financing costs are recognised which can be attributed to the cost. Grants for investments are offset against the cost of the assets for which grants are received.

Depreciation is calculated on a straight-line basis over the expected useful life based on the following assessment of the assets' expected useful lives

Land	not depreciated
Buildings	30 - 60 years
Installations	10 years
Rolling Stock	2 - 25 years
Operating plant, fixtures and fittings, etc.	3 - 20 years

Additions during the financial year are depreciated proportionately according to the time of use.

Expenses for heavy maintenance are recognised in the cost of the acquisition of rolling stock as a separate fixed asset, which is depreciated over the useful life, i.e. the period until the next inspection. In respect of the original acquisition of the tangible fixed asset, account is taken of the shorter useful life of part of the asset, which is why this part, already at the time of acquisition, in terms of effects on the accounts, is treated as a separate asset with a shorter useful life and thus shorter period of depreciation.

Tangible fixed assets are written down to the recoverable amount if this is lower than the carrying amount. Impairment tests are conducted annually of each individual asset or group of assets.

Prepayments on rolling stock not yet delivered are capitalised.

Interest and loan costs relating to loans raised to fund prepayments on rolling stock not yet delivered are capitalised as a part of the purchase price of the tangible fixed assets. If the delivery time is extended, recognition of interest and borrowing costs in the cost of acquisition ceases.

Gains and losses on the disposal or scrapping of tangible fixed assets are determined as the difference between the sales price less disposal costs and the carrying

amount at the date of disposal or scrapping. The gains and losses are recognised in the profit and loss account as Other operating income or Other operating expenses.

Financial fixed assets

Investments in affiliated and associated companies are measured according to the equity method.

Investments in affiliated and associated companies are measured in the balance sheet at the proportionate share of the companies' equity calculated according to the accounting policies of the parent corporation less or plus unrealised intra-group profits and losses.

Net revaluation of investments in affiliated and associated companies is transferred to the net revaluation reserve according to the equity method in equity to the extent that the carrying amount exceeds the acquisition cost.

Loans to associated companies and Other investments are measured at fair value if the asset is expected to be disposed of before maturity. If the asset is retained to maturity, it is measured at the amortised cost. All fair value adjustments (apart from instalments) are recognised in the profit and loss account.

Stocks

Spare parts are measured at cost according to the average cost method including the cost of raw materials and consumables plus any processing costs and other costs directly or indirectly attributable to the individual spare parts.

Goods for resale, consumables and ancillary materials are measured at cost.

Outdated and obsolete spare parts are written down to the net realisable value.

The net realisable value for stocks is calculated as the sales amount less completion costs and costs incurred to effectuate the sale and is determined with due regard to marketability, obsolescence and development in the expected sales price.

Receivables

Receivables are measured at amortised cost less provisions for expected losses.

Securities

Securities recognised under current assets are measured at fair value at the balance sheet date. All fair value adjustments (apart from instalments) are recognised in the profit and loss account under Financial income and expenses.

Equity

Proposed dividend is recognised as a liability at the time of adoption at the Ordinary Annual Meeting (the declaration date). Dividend expected to be paid for the year is shown as a separate item under equity.

Provisions

In connection with the establishment of the corporation in 1999, DSB was founded with a number of provisions relating to expected future losses or expenses which were identified in the acquired corporation's plans for the acquisition, but which were not identifiable obligations on the balance sheet date. Some of these provisions did not meet the definition of a provision according to the current Financial Statements Act and Danish Accounting Standard No, 17 and were consequently reclassified as negative goodwill on 1 January 2002.

Negative goodwill

Negative goodwill under Provisions comprises a part of previous provisions for environment, expenses in connection with job exchange, availability pay and pension. Negative goodwill is recognised in the profit and loss account as the losses or costs are realised or transferred to Other provisions as the obligation becomes identifiable and can be reasonably estimated.

Other provisions

Other provisions are recognised when the DSB Group has a legal or constructive obligation as a result of a previous event and when it is likely that the corporation will have to give up financial benefits to meet the obligation.

Corporation tax and deferred tax

Current tax due and receivable is included in the balance sheet as calculated tax on the taxable income for the year adjusted for tax on the taxable income for previous years and tax paid on account.

Payable and receivable joint taxation contributions are included in the balance sheet under Debt to affiliated companies and Receivables from affiliated companies respectively.

Deferred tax is measured using the balance sheet liability method on all timing differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on timing differences relating to goodwill which is not deductible for tax purposes and on office premises and other items, where timing differences, apart from business acquisitions, arise at the date of acquisition without affecting either the profit/loss for the year or the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised under other long-term assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction. An adjustment is made of the deferred tax concerning elimination of unrealised intra-group profits and losses.

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

DSB is covered by the Danish rules on compulsory joint taxation of the Danish corporation/companies in the Group. Subsidiaries are included in the joint taxation from the time at which they are included in the consolidation in the consolidated accounts and until they are excluded from the consolidation.

Liabilities

Amounts owed to credit institutions are recognised at the date of borrowing: at the net proceeds received after deduction of transaction costs paid. In subsequent periods, the financial liabilities are measured at the amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the profit and loss account over the term of the loan.

Other liabilities, which comprise trade payables, affiliated and associated companies as well as other debt are measured at amortised cost.

Accruals and deferred income

Accruals and deferred income included under liabilities

comprise payments received relating to income in subsequent years.

Contingent liabilities and other financial commitments

Contingent liabilities and other financial commitments comprise events or situations that exist at the balance sheet date but whose effect on the accounts cannot be finally determined until the outcome of one or more uncertain future events is known.

Cash flow statement

The cash flow statement is prepared according to the indirect method based on the operating profit. The cash flow statement shows the cash flows for the year and the cash at bank and in hand at the beginning and end of the year.

Cash flow from operating activities

Cash flow from operating activities is calculated as the operating profit adjusted for non-cash operating items, financial and extraordinary items paid, corporation tax paid and working capital changes. The working capital comprises current assets less current liabilities exclusive of items included in cash at bank and in hand. Changes in working capital are adjusted for changes that have no effect on liquidity.

Cash flow to investing activities

Cash flow to investing activities includes purchases and sales of fixed assets.

Cash flow from financing activities

Cash flow from financing activities comprises proceeds from raising loans, instalments on debt, capitalised interest and dividend received and paid.

Cash at bank and in hand

Cash at bank and in hand comprises cash less short-term bank debt payable on demand and listed securities and investments.

Segmental Information

DSB submits segmental information for the business segments in accordance with the breakdown into material legal entities. The segment reporting adheres to the Group's accounting policies, risks and internal financial management.

Profit and loss account

Parent company		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
Revenue					
6,499	6,494	1	Net turnover	9,540	9,534
925	940	2	Other operating income	792	779
273	290		Work performed by the enterprise and capitalised	352	352
7,697	7,724		Total income	10,684	10,665
Expenses					
1,013	989	3	Costs of raw materials and consumables	1,463	1,496
2,341	2,420	4,5	Other external expenses	2,796	2,720
2,694	2,773	6	Staff expenses	3,687	3,578
-	-6	7	Reversal of provisions	-6	-2
6,048	6,176		Total expenses	7,940	7,792
1,649	1,548		Profit before depreciation, amortisation and write-downs	2,744	2,873
815	747	8	Depreciation, amortisation and write-downs on intangible and tangible fixed assets	1,444	1,492
834	801		Operating profit	1,300	1,381
Net financials					
251	196		Result before tax in affiliated companies	-	0
0	0		Result before tax in associated companies	-12	-4
59	53	9	Financial income	71	62
140	199	10	Financial expenses	505	431
170	50		Total net financials	-446	-373
1,004	851		Profit before tax	854	1,008
Tax					
277	90	11	Tax on the profit for the year	91	283
4	-4		Adjustment of tax relating to previous years	-4	-1
281	86		Total tax	87	282
723	765		Profit for the year	767	726
The profit for the year is proposed for allocation as follows:					
DSB				765	723
Minority interest				2	3
Profit for the year				767	726
The parent company's profit is proposed for allocation as follows:					
Dividend to the Ministry of Transport				655	
Transferred to equity:					
- Net revaluation according to the equity method				152	
- Retained earnings				-42	
Total				765	

Balance sheet - Assets

Parent company		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		12	Intangible fixed assets		
-	-		Group goodwill	2	2
19	43		Rights and development projects etc.	43	19
103	123		Projects in progress	123	103
122	166		Total intangible fixed assets	168	124
		13	Tangible fixed assets		
4,066	4,242		Land and buildings	5,380	5,180
2,687	2,862		Rolling stock	10,409	10,680
607	680		Operating equipment, fixtures and fittings and other equipment	1,077	941
4,108	4,251		Tangible fixed assets in progress and prepayments	4,365	4,305
11,468	12,035		Total tangible fixed assets	21,231	21,106
		14	Financial fixed assets		
1,772	2,038		Investments in affiliated companies	-	4
0	0		Investments in associated companies	86	36
-	-		Subordinate loan capital in associated company	163	129
172	172		Other investments	172	172
1,944	2,210		Total financial fixed assets	421	341
13,534	14,411		Total fixed assets	21,820	21,571
143	166	15	Stocks	280	238
			Receivables		
203	280		Trade receivables	349	259
0	54		Receivables, affiliated companies	-	-
867	948	16	Other receivables	1,276	1,126
206	190	17	Prepayments and accrued income	191	234
1,276	1,472		Total receivables	1,816	1,619
100	199		Securities	199	100
1,022	536		Cash at bank and in hand	663	1,117
2,541	2,373		Total current assets	2,958	3,074
16,075	16,784		Total assets	24,778	24,645

Balance sheet - Equity and Liabilities

Parent company		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
			Equity		
4,761	4,761		Contributed capital	4,761	4,761
799	1,028		Net revaluation reserve according to the equity method	0	0
1,436	1,454		Retained earnings	2,482	2,235
775	655		Proposed dividend	655	775
7,771	7,898		Total equity	7,898	7,771
		18	Minority interests	9	7
7,771	7,898		Total equity and minority interests	7,907	7,778
			Provisions		
250	226	19	Negative goodwill	229	254
587	553	20	Other provisions	615	658
270	295	21	Deferred tax liability	1,270	1,127
1,107	1,074		Total provisions	2,114	2,039
			Non-current liabilities		
3,962	2,885	22	Long-term loans	8,409	10,031
3,962	2,885		Total non-current liabilities	8,409	10,031
			Current liabilities		
566	1,871	22	Current portion of long-term liabilities	1,950	1,197
-	208		Financial institutions	208	-
727	673		Trade accounts payable	818	851
274	220		Debt to affiliated companies	-	-
1,399	1,722	23	Other liabilities	2,982	2,331
269	233	24	Accruals and deferred income	390	418
3,235	4,927		Total current liabilities	6,348	4,797
7,197	7,812		Total liabilities	14,757	14,828
16,075	16,784		Total equity and liabilities	24,778	24,645
		13	Collaterals, mortgaging and public grants		
		25	Derivatives for the Group		
		26	Contingent liabilities and other financial commitments		
		27	Related parties		

Equity statement

Amounts in DKK million

Parent company	Contributed capital	Net revaluation according to the equity method	Retained earnings	Proposed dividend	Total equity
Equity at 1 January 2006	4,761	566	1,451	895	7,673
Dividend paid	-	-	-	-895	-895
Profit for the year	-	58	-110	775	723
Value adjustment of hedging instruments at 1 Jan	-	-	138	-	138
Value adjustment of hedging instruments at 31 Dec	-	-	-43	-	-43
Change in equity in subsidiary *	-	175	-	-	175
Equity at 31 December 2006	4,761	799	1,436	775	7,771
Dividend paid	-	-	-	-775	-775
Profit for the year	-	152	-42	655	765
Value adjustment of hedging instruments at 1 Jan	-	-	43	-	43
Value adjustments of hedging instruments at 31 Dec	-	-	17	-	17
Change in equity in subsidiary *	-	77	-	-	77
Equity at 31 December 2007	4,761	1,028	1,454	655	7,898

* Change in equity in subsidiary relates to a value adjustment of hedging instruments in DSB S-tog a/s.

Group	Contributed capital	Net revaluation according to the equity method	Retained earnings	Proposed dividend	Total equity
Equity at 1 January 2006	4,761	0	2,017	895	7,673
Dividend paid	-	-	-	-895	-895
Profit for the year	-	0	-52	775	723
Value adjustment of hedging instruments at 1 Jan	-	-	356	-	356
Value adjustment of hedging instruments at 31 Dec	-	-	-86	-	-86
Equity at 31 December 2006	4,761	0	2,235	775	7,771
Dividend paid	-	-	-	-775	-775
Profit for the year	-	0	110	655	765
Value adjustment of hedging instruments at 1 Jan	-	-	86	-	86
Value adjustment of hedging instruments at 31 Dec	-	-	51	-	51
Equity at 31 December 2007	4,761	0	2,482	655	7,898

Cash flow statement

Amounts in DKK million	Group	
	2007	2006
Operating profit	1,300	1,381
Adjustment for non-cash operating items etc.		
Depreciation, amortisation and write-downs on intangible and tangible fixed assets	1,444	1,492
Change in negative goodwill and other provisions net	-68	-88
Profit on the sale of intangible and tangible fixed assets	-205	-159
Net financials, paid	-442	-483
Corporation tax, paid	-4	-7
Cash flow from operating activities before change in working capital	2,025	2,136
Change in working capital:		
Change in receivables	-74	-202
Change in stocks	-42	-15
Change in trade accounts payable and other liabilities, etc.	-4	202
Total cash flow from operating activities	1,905	2,121
Acquisition of intangible and tangible fixed assets, excl. capitalised interest	-1,772	-1,846
Sale of intangible and tangible fixed assets, etc.	364	280
Investment in associated companies	-58	-1
Investment in subordinate loan capital in associated company	-34	-124
Total cash flow from investing activities	-1,500	-1,691
Proceeds from long-terms loans	1,059	588
Repayment of and instalments on long-term loans	-1,254	-148
Capitalised interest	0	-1
Dividend received	5	5
Dividend paid	-778	-895
Total cash flow from financing activities	-968	-451
Total change in cash at bank and in hand	-563	-21
Cash at bank and in hand 1 January	1,217	1,238
Cash at bank and in hand 31 December	654	1,217
Cash can be specified as follows:		
Liquid funds	663	1,117
Securities (publicly listed)	199	100
Financial institutions	-208	-

The cash flow statement cannot be derived directly from the balance sheet and profit and loss account

Notes to the Annual Accounts

Parent company		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		1	Net turnover		
			Specification by business areas:		
2,990	3,058		Long-distance and regional train services	3,058	2,990
-	-		S-trains	960	945
273	306		Other	373	329
3,263	3,364		Total passenger revenue	4,391	4,264
2,712	2,610		Revenue from transport contracts	4,247	4,342
5,975	5,974		Total train operations	8,638	8,606
524	520		Shop sales, etc.	902	928
6,499	6,494		Total	9,540	9,534
			Passenger revenues include fines to passengers travelling without a valid ticket of DKK 10 million (2006: DKK 13 million) for the parent company. For the Group, the amount was DKK 52 million (2006: DKK 45 million).		
		2	Other operating income		
177	172		Renting and leasing	189	180
180	216		Profit on the sale of intangible and tangible fixed assets	216	180
568	552		Miscellaneous	387	419
925	940		Total	792	779
		3	Costs of raw materials and consumables		
394	377		Energy costs	486	496
248	242		Spare parts, etc.	334	351
371	370		Cost of goods sold in shops etc.	643	649
1,013	989		Total	1,463	1,496
		4	Other external expenses		
54	67		Purchase of transport	72	56
449	462		Infrastructure charges	495	477
400	356		Repairs, maintenance and cleaning etc.	416	469
368	406		Non-deductible VAT	489	461
18	4		Loss on sale of intangible and tangible fixed assets	11	21
1,052	1,125		Other external expenses	1,313	1,236
2,341	2,420		Total	2,796	2,720
		5	Fees to external auditors are included in Other external expenses with		
			Audit of consolidated accounts and annual report:		
1.1	1.0		KPMG	1.7	2.3
0.4	0.4		The National Audit Office of Denmark	0.4	0.4
			Other services:		
10.9	9.0		KPMG	9.1	11.3
12.4	10.4		Total	11.2	14.0

The fees are inclusive of non-deductible VAT.

Parent company		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		6	Staff expenses		
2	2		Fees to the Board of Directors	3	2
6	5		Fees to the Executive Board	5	6
2,340	2,438		Wages and salaries	3,264	3,145
334	314		Pensions	397	410
12	14		Other social security costs	18	15
2,694	2,773		Total	3,687	3,578

Fees for the Board of Directors total DKK 1,763 thousand (2006: DKK 1,500 thousand). Of which for the Chairman DKK 469 thousand (2006: DKK 375 thousand), Deputy Chairman DKK 288 thousand (2006: DKK 250 thousand) and the other seven members DKK 1,006 thousand (2006: DKK 875 thousand).

The Executive Board receives a fixed salary and a performance-related salary linked to agreed individual targets. For 2007, the remuneration totalled:

	Fixed salary	Performance related salary etc.
CEO	3.1	2.1

Performance related salary etc. includes a bonus.

Severance pay for the Executive Board and senior executives in connection with dismissal by DSB not owing to misconduct or the like on the part of the employee does not exceed 12 months' salary. The general provisions of the Danish Public Servants' Act apply to the public servants.

In 2007, 458 of the Group's senior managers and executives including the Executive Board (2006: 318) agreed performance-related contracts. Performance-related salaries for 2007 are expected to total DKK 16 million (2006: DKK 15 million).

Pension contributions paid to the government in respect of public servants are 19.6 per cent for DSB and 19.4 per cent for DSB S-tog a/s of the pensionable salary. For other employees, pension contributions are expensed in accordance with collective and individual agreements.

6,693	6,815		Average number of employees*	9,162	9,144
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* The average number of employees, exclusive employees transferred to the job exchange, totalled 34 for the Group (2006: 63), as staff expenses for these are covered by provisions.

Parent company		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		7	Reversal of provisions		
-	-5		Reversal of negative goodwill	-5	-1
-	-1		Reversal of Other provisions	-1	-1
-	-6		Total	-6	-2
See also note 19, Negative goodwill and note 20, Other provisions.					
		8	Depreciation, amortisation and write-downs of intangible and tangible fixed assets		
-	-		Group goodwill	0	1
20	9		Intangible fixed assets	9	20
189	191		Land and buildings	252	244
446	408		Rolling stock	974	1,014
160	139		Operating plant, fixtures and fittings	209	213
815	747		Total	1,444	1,492
		9	Financial income		
0	0		Interest from affiliated companies	-	0
0	0		Interest from associated companies	7	7
51	45		Interest on bank deposits, bonds etc. .	56	51
7	7		Dividend	7	7
1	1		Currency exchange gains etc.	1	2
59	53		Total	71	62
		10	Financial expenses		
1	6		Interest from affiliated companies	-	-
123	176		Interest on loans, bank debt etc.	485	415
16	17		Currency exchange losses, etc.	20	16
140	199		Total	505	431
The Group's financial expenses totalled DKK 561 million (2006: DKK 514 million) including DKK 0 million (2006: DKK 1 million) capitalised as financial interest under Tangible Fixed Assets. Furthermore, DKK 56 million paid by AnsaldoBreda S.p.A. as interest compensation was recognised in 2007 (2006: DKK 82 million)					
		11	Tax for the year		
24	5		Tax provision on the profit for the year	0	5
20	62		Change in deferred tax on the profit for the year	215	279
168	95		Joint tax contribution	-	-
-	-26		Adjustment of deferred tax from 28% to 25%	-121	-
65	-46		Tax in affiliated companies	-	-
0	0		Tax in associated companies	-3	-1
277	90		Tax on profit for the year	91	283
4	-4		Adjustment relating to previous year	-4	-1
281	86		Total tax for the year	87	282
			Reconciliation of tax rate		
28%	25%		Danish corporation tax rate	25%	28%
-	-3%		Adjustment of deferred tax from 28% to 25%	-12%	-
0%	0%		Adjustment relating to previous year	0%	-
28%	22%		Effective tax rate for the year	13%	28%
0	0		Tax paid during the year	4	7

Note Amounts in DKK million

12 Intangible fixed assets

Parent company	Rights and development projects etc.	Projects in progress	Total intangible fixed assets
Cost at 1 January 2007	62	103	165
Additions for the year	-	53	53
Transferred	33	-33	0
Cost at 31 December 2007	95	123	218
Amortisation and write-downs at 1 January 2007	-43		-43
Amortisation and write-downs for the year	-9		-9
Amortisation and write-downs at 31 December 2007	-52		-52
Net book value at 31 December 2007	43	123	166
Net book value at 31 December 2006	19	103	122

Group	Group goodwill	Rights and development projects etc.	Projects in progress	Total intangible fixed assets
Cost at 1 January 2007	4	62	103	169
Additions for the year	-	-	53	53
Transferred	-	33	-33	0
Cost at 31 December 2007	4	95	123	222
Amortisation and write-downs at January 1 2007	-2	-43		-45
Amortisation and write-downs for the year	0	-9		-9
Amortisation and write-downs at 31 December 2007	-2	-52		-54
Net book value at 31 December 2007	2	43	123	168
Net book value at 31 December 2006	2	19	103	124

13 Tangible fixed assets

Parent company	Land and buildings	Rolling stock	Operating equipment, fixtures and fittings and other equipment	Tangible fixed assets in progress and prepayments	Total tangible fixed assets
Cost at 1 January 2007	5,398	6,577	1,653	4,108	17,736
Additions for the year	235	0	2	1,218	1,455
Transferred	281	583	211	-1,075	0
Disposals for the year	-169	-243	-5	-	-417
Cost at 31 December 2007	5,745	6,917	1,861	4,251	18,774
Depreciation and write-downs at 1 January 2007	-1,332	-3,890	-1,046		-6,268
Depreciation for the year	-190	-408	-139		-737
Write-downs for the year	-1	-	-		-1
Depreciation, disposals for the year	20	243	4		267
Depreciation and write-downs at 31 December 2007	-1,503	-4,055	-1,181		-6,739
Net book value at 31 December 2007	4,242	2,862	680	4,251	12,035
Net book value at 31 December 2006	4,066	2,687	607	4,108	11,468

Prepayments include a total of DKK 45 million (2006: DKK 45 million) representing capitalised interest concerning the financing of new train sets.

No information concerning the public property valuations of Land and buildings is given as a large proportion of the corporation's properties are not publicly valued.

Prepayments of DKK 3,008 million (2006: DKK 3,188 million) on non-delivered rolling stock are included in the book value.

Supplier	Rolling stock	DKK million
AnsaldoBreda S.p.A,	IC2-train sets	408
AnsaldoBreda S.p.A,	IC4-train sets	2,600
Total		3,008

No mortgage or other form of security has been given in Tangible fixed assets.

No public subsidy for capital investments has been received.

Note Amounts in DKK million

13 Tangible fixed assets
(continued)

Group	Land and buildings	Rolling stock	Operating equipment, fixtures and fittings and other equipment	Tangible fixed assets in progress and prepayments	Total tangible fixed assets
Cost at 1 January 2007	6,747	16,952	2,240	4,305	30,244
Additions for the year	235	0	2	1,482	1,719
Transferred	367	705	350	-1,422	0
Disposals for the year	-171	-319	-35	0	-525
Cost at 31 December 2007	7,178	17,338	2,557	4,365	31,438
Depreciation and write-downs at 1 January 2007	-1,567	-6,272	-1,299		-9,138
Depreciation for the year	-251	-974	-209		-1,434
Write-downs for the year	-1	-	-		-1
Depreciation, disposals for the year	21	317	28		366
Depreciation and write-downs at 31 December 2007	-1,798	-6,929	-1,480		-10,207
Net book value at 31 December 2007	5,380	10,409	1,077	4,365	21,231
Net book value at 31 December 2006	5,180	10,680	941	4,305	21,106

Prepayments and cost of rolling stock include a total of DKK 235 million (2006: DKK 235 million) representing capitalised interest concerning the financing of new train sets.

No information concerning the public property valuations of Land and buildings is given as a large proportion of the corporation's properties are not publicly valued.

Pre-payments of DKK 3,011 million (2006: DKK 3,190 million) on non-delivered rolling stock are included in the book value:

Supplier	Rolling stock	DKK million
AnsaldoBreda S.p.A,	IC2-train sets	408
AnsaldoBreda S.p.A,	IC4-train sets	2,600
Alstom-LBH/Siemens	S-train sets	3
Total		3,011

No mortgage or other form of security has been given in Tangible fixed assets.

No public subsidy for capital investments has been received.

14 Financial fixed assets

Parent company	Investments in affiliated companies	Investments in associated companies	Other invest- ments	Total financial fixed assets
Cost at 1 January 2007	969	0	172	1,141
Additions for the year	38	-	-	38
Disposals for the year	-1	-	-	-1
Cost at 31 December 2007	1,006	0	172	1,178
Value adjustments at 1 January 2007	803	0	0	803
Profit for the year	242	0	-	242
Changes in equity	77	-	-	77
Dividend received	-90	-	-	-90
Value adjustment at fair value	-	-	0	0
Adjustment relating to previous year	0	-	-	0
Value adjustments at 31 December 2007	1,032	0	0	1,032
Net book value at 31 December 2007	2,038	0	172	2,210
Net book value at 31 December 2006	1,772	0	172	1,944

Until 15 April, 2008 DSB has a put option for selling the investments in Railion GmbH to DB AG at DSB's cost price.

Investments in affiliated companies:

Share of equity

Name	Domicile	Ownership	Share capital	Parent company 2007
DSB S-tog a/s	Denmark	100%	500 million DKK	1,909
Kort & Godt A/S (previously DSB Detail A/S)	Denmark	100%	5 million DKK	41
DSB Rejskort A/S *)	Denmark	50%	25 million DKK	58
Kystbanen A/S **)	Denmark	98%	533,333 DKK	1
Öresundståg ApS	Denmark	70%	135,000 DKK	0
- Öresundstrafiken AB	Sweden	100%	100,000 SEK	-
DSB Sverige AB	Sweden	100%	5 million SEK	26
- DSB Tågvärdsbolag AB	Sweden	100%	1 million SEK	-
- Roslagståg AB	Sweden	60%	200,000 SEK	-
DSB Norge AS	Norway	100%	100,000 NOK	3
DSB UK Ltd.	England	100%	40,000 GBP	0
DSB Deutschland GmbH	Germany	100%	25,000 EUR	0
BSD ApS	Denmark	100%	125,000 DKK	0
Total				2,038

*) The subsidiary DSB S-tog a/s owns the remaining 50 per cent of the share capital of DSB Rejskort A/S.

***) In connection with the capitalisation of the company at the signing of the contract for the Øresund tender in early 2008, the ownership share changed to 75 per cent to DSB and 25 per cent to Öresundståg ApS.

Note Amounts in DKK million

14 Financial fixed assets
(continued)

Investments in associated companies:

Name	Domicile	Ownership	Share capital	Parent company 2007	Group 2007
Rejsekort A/S	Denmark	52%	29,723 t.DKK	-	86
Rejseplanen A/S	Denmark	50%	1 million DKK	0	0
T-Banabolaget Stockholm AB	Sweden	50%	100,000 SEK	-	0
London Railways Limited	England	49%	1,000 GBP	-	0
Total				0	86

Group	Investments in affiliated companies	Investments in associated companies	Subordinate loan capital in associated company	Other investments	Total financial fixed assets
Cost at 1 January 2007	5	40	129	172	346
Reclassified	-5	-	-	-	-5
Additions for the year	-	58	34	-	92
Cost at 31 December 2007	-	98	163	172	433
Value adjustments at 1 January 2007	-1	-4		0	-5
Reclassified	1	-		-	1
Profit for the year	-	-8		-	-8
Value adjustment at fair value	-	-		0	0
Value adjustments at 31 December 2007	-	-12		0	-12
Net book value at 31 December 2007	-	86	163	172	421
Net book value at 31 December 2006	4	36	129	172	341

Parent company		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		15	Stocks		
57	55		Fuel for trains	55	57
58	77		Spare parts	175	133
28	34		Goods for sale in shops, etc.	50	48
143	166		Total	280	238
		16	Other receivables		
553	534		Receivables relating to sale of properties	534	553
32	25		Receivables relating to passenger revenue and contract payment	90	78
43	173		Value adjustment of financial instruments	328	208
239	216		Other receivables	324	287
867	948		Total	1,276	1,126
A significant proportion of receivables relating to sales of properties is secured in escrow accounts.					
		17	Prepayments and accrued income		
77	63		Prepaid expenses etc.	64	105
5	8		Financial income	8	5
124	119		Prepaid salaries and pension contributions (public servants)	119	124
206	190		Total	191	234
		18	Minority interests		
			Minority interests at 1 January	7	0
			Reclassified	-	4
			Share of profit for the year	2	3
			Minority interests at 31 December	9	7
		19	Negative goodwill		
278	250		Negative goodwill at 1 January	254	284
-25	-18		Transferred to Other provisions	-18	-25
-3	-1		Provisions utilised during the year	-2	-4
-	-5		Reversed	-5	-1
250	226		Negative goodwill at 31 December	229	254

Negative goodwill is primarily used to cover costs relating to public servants made redundant as part of efficiency measures which will be necessary in the next few years within the passenger area.

The negative goodwill is recognised in accordance with the Act on the Independent Public Corporation DSB and on DSB S-tog A/S and is expected to be used over the next 3-5 years.

Note	Amounts in DKK million			
20	Other provisions			
		Restructuring	Company formation	Other obligations
				Total other provisions
	Parent company			
	Other provisions at 1 January 2007	475	14	98
	Transferred from Negative goodwill	18	-	-
	Provisions made during the year	23	-	18
	Provisions utilised during the year	-83	-1	-8
	Reversed	0	-1	-
	Other provisions at 31 December 2007	433	12	108
	Group			
	Other provisions at 1 January 2007	518	15	125
	Transferred from Negative goodwill	18	-	-
	Provisions made during the year	31	-	19
	Provisions utilised during the year	-94	-1	-11
	Reversed	0	-2	-3
	Other provisions at 31 December 2007	473	12	130

The provision for restructuring costs covers expenses for public servants and other employees employed under collective agreements made redundant. The provision is expected to be significantly utilised over the next 10-15 years.

Company formation covers costs related to the establishment of the independent public corporation DSB and the foundation of DSB S-tog a/s. The costs include entry of properties into the land register etc. The provisions are expected to be utilised within the next 3 years.

Other obligations cover provision for compensations, etc.

Parent company		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		21	Deferred tax liability		
207	270		Deferred tax liability at 1 January	1,127	742
5	-30		Adjustment re. previous year	2	1
-	-26		Adjustment of deferred tax at 1 January from 28% to 25%	-121	-
20	62		Change in deferred tax relating to the profit for the year	215	279
38	19		Change relating to financial instruments	47	105
270	295		Deferred tax liability at 31 December	1,270	1,127
			Deferred tax relates to the following items:		
19	2		Intangible fixed assets	2	19
412	417		Tangible fixed assets	1,708	2,034
26	25		Current assets	68	45
-234	-196		Provisions	-229	-255
47	47		Current liabilities	47	47
-	-		Tax loss carried forward	-326	-763
270	295		Deferred tax liability as at 31 December	1,270	1,127

Parent company		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		22	Long-term loans		
4,528	4,756		Long-term loans	10,359	11,228

Primary financial instruments:

Lender/type	Principal amounts in million	Currency	Interest rate % p.a.	Expires	Back value	Principal amount after conversion
						to DKK
Parent company:						
EIB	40	GBP	Floating	2009	406	501
EIB	100	USD	Floating	2010	508	564
EIB	100	USD	Floating	2014	508	608
Bond loan	100	USD	Floating	2008	487	551
Bond loan	100	USD	Floating	2008	493	508
EMTN issue	200	CHF	2.00	2008	891	1,012
EMTN issue	168	NOK	6.18	2010	160	171
EMTN issue	200	NOK	5.49	2013	187	189
EMTN issue	500	NOK	4.57	2014	446	428
EMTN issue	400	NOK	5.50	2016	374	378
EMTN issue	340	NOK	4.53	2016	296	300
Total for parent company					4,756	5,210

DSB S-tog a/s:

EIB	15	GBP	Floating	2009	152	188
EIB	50	GBP	Floating	2011	508	600
EIB	33	GBP	Floating	2015	338	360
EIB	30	GBP	Floating	2015	308	390
EIB	37	USD	Floating	2010	187	240
EIB	103	USD	Floating	2011	524	589
EIB	93	USD	Floating	2012	472	570
EIB	44	USD	Floating	2013	223	292
EIB	50	USD	Floating	2014	254	304
EIB	154	USD	Floating	2018	781	936
Bond loan	200	NOK	6.33	2011	193	188
Bond loan	400	NOK	3.95	2015	338	382
Bond loan	3,000	JPY	2.15	2016	139	203
EMTN issue	400	NOK	5.48	2009	372	377
EMTN issue	330	SEK	5.25	2011	265	267
EMTN issue	375	SEK	6.75	2014	328	300
EMTN issue	50	CHF	3.00	2015	221	253
Total for DSB S-tog a/s					5,603	6,439

Group total

10,359 11,649

The market value of the debt portfolio totalled DKK 10,359 million (2006: DKK 11,228 million). Of this value DKK 1,950 million falls due in 2008. The amount is recognised as current liabilities. All foreign exchange loans were converted to DKK via currency swaps. The total principal sum after conversion to DKK amounts to DKK 11,649 million (2006: DKK 11,845 million).

Repayment of loans granted by the European Investment Bank (EIB) maturing in 2015 began in 2004. All other loans are bullet loans. The interest rate on the floating rate loans varied between 5.2 and 6.7 per cent during the year. Apart from the bond loans in respect of the parent company, all loans are guaranteed by the Danish government to which a guarantee commission is paid.

Parent company		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		22	Long-term loans		
		(continued)			
			The total principal amount after conversion to DKK falls due in the following period:		
588	2,071		Within 1 year	2,165	1,254
1,012	501		2 years	1,160	1,106
1,236	735		3-5 years	3,471	3,968
1,903	1,903		After 5 years	4,853	5,517
4,739	5,210		Total	11,649	11,845
		23	Other liabilities		
500	540		Staff related liabilities etc.	679	634
307	600		Value adjustment of financial instruments	1,531	929
592	582		Other liabilities	772	768
1,399	1,722		Total	2,982	2,331
		24	Accruals and deferred income		
115	118		Sold, but not used tickets	178	174
41	67		Financial expenses	167	119
113	48		Miscellaneous	45	125
269	233		Total	390	418

Note Amounts in DKK million

25 Derivatives for the Group

To cover interest rate risks and currency exchange risks, the DSB Group has concluded a number of financial contracts. The Group has concluded currency swap agreements to cover currency exchange rate risks related to loans raised in foreign currencies. For further details, see the section Management of risks in the management's report. In addition, the Group has concluded interest swap agreements to manage the interest rate risk related to the loans.

Currency swap agreements (million)

Receiver	GBP	NOK	SEK	USD	JPY	CHF	Pays DKK	Market value	Expiry
Parent company:									
	40						501	-95	2009
		168					171	-11	2010
		200					189	-1	2013
		500					428	19	2014
		400					378	-5	2016
		340					300	-4	2016
				100			551	-65	2008
				100			508	-15	2008
				100			564	-56	2010
				100			608	-99	2014
						200	1,012	-121	2008
Total for parent company	40	1,608	-	400	-	200	5,210	-453	
DSB S-tog a/s:									
	30						390	-82	2008
	15						188	-35	2009
	50						600	-93	2011
	33						360	-21	2015
		400					377	-5	2009
		200					188	5	2011
		400					382	-44	2015
			330				267	-2	2011
			375				300	27	2014
				44			292	-69	2009
				37			240	-53	2010
				103			589	-64	2011
				93			570	-98	2012
				50			304	-50	2014
				154			936	-155	2018
					3,000		203	-65	2016
						50	253	-31	2015
Total for DSB S-tog a/s	128	1,000	705	481	3,000	50	6,439	-835	
Group total	168	2,608	705	881	3,000	250	11,649	-1,288	

The market value of the currency swap agreements totals DKK -1.288 million (2006: DKK -618 million). This market value consists of DKK 75 million (2006: DKK 104 million) deriving from contracts with a positive market value which are included in Other receivables and DKK -1,363 million (2006: DKK -722 million) from contracts with a negative market value included in Other liabilities.

Note **Amounts in DKK million**

25 **Derivatives for the Group**
(continued)

Interest rate agreements, nominal principal amounts in DKK million

	Pays fixed interest	Expiry year
Parent company:		
	735	2010
	739	2013
	486	2014
	678	2016
	1,540	2017
Total for parent company	4,178	
DSB S-tog a/s:		
	1,115	2009
	240	2010
	1,344	2011
	482	2012
	602	2013
	300	2014
	635	2015
	203	2016
	403	2017
	230	2018
Total for DSB S-tog a/s	5,554	
Group total	9,732	

The market value of interest swap agreements is DKK 48 million (2006: DKK -112 million). This market value consists of DKK 203 million (2006: DKK 81 million) deriving from contracts with a positive market value, which is recognised in Other receivables and DKK -155 million (2006: DKK -193 million) from contracts with a negative market value which are recognised in Other liabilities. Value adjustment of interest swaps are taken directly to equity.

Note **Amounts in DKK million**

**25 Derivatives for the Group
(continued)**

In addition to the above-mentioned interest swap agreements, interest rate ceiling agreements have been concluded:

Interest rate agreements, nominal principal amounts in DKK million

Pays fixed interest	Interest rate % p.a.	Fixed interest rate ceiling, nominal	Expiry year
Parent company:	3.88	241	2008
Total for parent company		241	
DSB S-tog a/s:	3.88	301	2008
Total for DSB S-tog a/s		301	
Group total		542	

The market value of interest rate ceiling agreements totals DKK 2 million (2006: DKK 14 million), which is recognised in Other receivables. In addition to the above-mentioned interest swap agreements, swap agreements aimed at stabilising funding costs have been concluded. These have principals totalling 50 million EUR (2006: 50 million EUR), and their market value is DKK -4 million (2006: DKK -5 million), which is recognised in Other liabilities. Furthermore, swap agreements assuring the market value of loans raised by DSB against changes in the swap spread have been entered into. These agreements have a principal of 214 million EUR (2006: 214 million EUR), and their market value is DKK 19 million (2006: DKK 7 million), which is recognised in Other receivables. In addition, interest rate swaps that optimise the floating portion of the debt with a principal of DKK 872 million (2006: DKK 0 million) have been entered into. The market value of these transactions amounts to DKK 0 million (2006: DKK 0 million). The value adjustment is taken directly in the profit and loss account.

Forward exchange contracts and energy price hedging contracts etc.

DSB has entered into forward exchange contracts to cover USD in connection with the purchase of diesel oil for trains. The contracts cover a total of USD 28 million (2006: USD 24 million) and had a market value of DKK -6 million (2006: DKK -5 million) at 31 December 2007, which is recognised in Other liabilities. The forward exchange contracts all fall due in 2008 and mean that 69 per cent of DSB's USD exposure for 2008 is hedged.

DSB and DSB S-tog have entered into electricity price hedging contracts to cover 63 per cent of consumption in 2008. In addition, DSB has entered into electricity price hedging contracts with regard to the electricity price risk on the successful Øresund traffic contract. As at December 31, 2007, the electricity price contracts had a market value of DKK 14 million (2006: DKK -20 million), which is recognised in Other receivables.

In addition to the above financial instruments, DSB has entered into oil price hedging contracts to cover 50 per cent of consumption in 2008. At 31 December 2007, the oil price hedging contracts had a market value of DKK 12 million (2006: DKK 0 million), of which DKK 15 million (2006: DKK 3 million) is recognised in Other receivables and DKK -3 million (2006: DKK -3 million) is included in Other liabilities.

The value adjustment of contracts for oil and electricity price hedging and forward currency exchange contracts is taken directly to equity, apart from DKK 2 million which is recognised in the profit and loss account.

Parent company		Note	Amounts in DKK million	Group	
2006	2007			2007	2006
		26	Contingent liabilities and other financial commitments		
9.1	8.9		Contingent liabilities	8.9	9.1
2.5	2.2		Purchase obligations	2.4	2.8

Contingent liabilities mainly include costs in connection with DSB's obligations under section 32 of the Danish Public Servants Act concerning severance of availability pay, which DSB is liable to pay in accordance with the Act on the Independent Public Corporation DSB and on DSB S-tog A/S. The maximum liability amounts to approx. DKK 8.4 billion (2006: DKK 8.7 billion) for public servants employed by DSB.

Contingent liabilities also include a guarantee given by DSB and Tågkompaniet AB jointly and severally to AB Stockholms Lokaltrafik for Roslagståg AB's obligations under the contract for Roslagsbanan's operations and a guarantee given by DSB to Skånnetrafiken for DSB Sverige AB's obligations.

Total commitments relating to leasing of rolling stock totals DKK 447 million (2006: DKK 147 million), of which DKK 112 million falls due in 2008.

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

Purchase obligations mainly relate to contracts on rolling stock acquisitions. As at 31 December 2007, the obligation to purchase new IC2 and IC4-train sets amounted to DKK 1.6 billion (2006: DKK 1.7 billion).

The Group's Danish companies are jointly and severally liable for tax on the consolidated taxable income up to and including 2004. When, as the administration company, DSB receives payment from the jointly taxed companies in the Group, DSB assumes liability for this.

DSB, DSB S-tog a/s and Kort & Godt A/S are jointly VAT registered and are jointly and severally liable for payment of the Danish companies' aggregate VAT liabilities.

DSB is party to a small number of pending lawsuits. The outcome of these is not expected individually or together to have a significant effect on the corporation's financial position.

Note	Amounts in DKK million	Group	
		2007	2006
27	Related parties		
		Basis	
	The Ministry of Transport	100% owner	
	Board of Directors and Executive Board	Management control	
	The DSB Group's transactions with the Ministry of Transport and related agencies and institutions (primarily Rail Net Denmark) comprise:		
	Sales etc.		
	Revenue from transport contracts	4,032	4,138
	Punctuality penalty to Ministry of Transport *)	-	-16
	Traffic revenues	9	5
	Rental income and sale of repair work, goods and other services	48	29
	Purchases etc.		
	Infrastructure charges	597	580
	Punctuality penalty to/from Rail Net Denmark	4	-4
	Dividend paid	775	895
	Purchase of energy, repairs and maintenance, telecommunications capacity/telephone services	251	231
	Purchase of services for construction projects etc.	83	56
	Guarantee commission to the Danish state	16	18

*) The punctuality penalty has been replaced by the travel time guarantee scheme, which is paid directly to customers.

The above purchase of services is stated inclusive of the non-deductible share of purchase VAT.

Transactions with related parties took place at arm's length, including on a cost allocation basis.

The DSB Group was not involved in any other material transactions with related parties in the current financial year.

28 Segment information - primary segment

Segmental information is provided for business segments corresponding to the breakdown into major legal entities. Others include other affiliated and associated companies.

	DSB	DSB S-tog a/s	Others	DSB Group
2007				
Net turnover	6,494	2,783	343	9,540
Total operating income	7,724	2,899	375	10,684
Total operating expenses	6,176	1,721	357	7,940
Profit before depreciation, amortisation and write-downs	1,548	1,178	18	2,744
Depreciation, amortisation and write-downs	747	694	2	1,444
Net financials	50	-296	9	-446
Profit before tax	851	188	7	854
Profit for the year	765	237	2	767
Fixed assets	14,411	9,251	257	21,820
Current assets	2,373	835	130	2,958
Total assets	16,784	10,086	387	24,778
Equity	7,898	1,909	191	7,898
Minority interests	-	-	5	9
Provisions	1,074	1,038	2	2,114
Non-current liabilities	2,885	5,509	133	8,409
Current liabilities	4,927	1,630	56	6,348
Total equity and liabilities	16,784	10,086	387	24,778
2006				
Net turnover	6,499	2,759	372	9,534
Total operating income	7,697	2,886	387	10,665
Total operating expenses	6,048	1,679	371	7,792
Profit before depreciation, amortisation and write-downs	1,649	1,207	16	2,873
Depreciation, amortisation and write-downs	815	675	2	1,492
Net financials	170	-291	7	-373
Profit before tax	1,004	241	21	1,008
Profit for the year	723	179	15	726
Fixed assets	13,534	9,656	169	21,571
Current assets	2,541	824	109	3,074
Total assets	16,075	10,480	278	24,645
Equity	7,771	1,685	107	7,771
Minority interests	-	-	7	7
Provisions	1,107	939	0	2,039
Non-current liabilities	3,962	6,068	116	10,031
Current liabilities	3,235	1,788	48	4,797
Total equity and liabilities	16,075	10,480	278	24,645

Other key figures

	2003	2004	2005	2006	2007
Passenger services (in thousands of journeys)					
East	34,065	34,369	35,512	36,401	37,060
West	12,080	12,321	12,854	13,537	13,925
East-West	7,557	7,848	7,840	7,939	8,103
Øresund traffic 1)	5,222	5,776	6,303	7,486	9,407
International trains 2)	886	883	790	825	928
Long-distance and regional transport	59,810	61,197	63,299	66,188	69,423
Roslagsbanan	9,680	9,700	9,800	9,800	10,235
S-trains incl. Lille Nord (2003-2006)	88,374	89,575	90,456	90,407	88,615
Total number of train journeys 3)	157,864	160,472	163,555	166,395	168,273

Note 1: The Øresund fare co-operation incl. IC-Bornholm.

Note 2: International trains are excl. Øresund traffic and IC Bornholm.

Note 3: A journey involving both S-trains and long-distance and regional trains is counted as two journeys.

Passenger km (million)					
East	1,326	1,337	1,365	1,399	1,420
West	755	780	803	835	836
East-West	1,831	1,890	1,889	1,921	1,941
Øresund traffic 1)	153	168	182	215	264
International trains 2)	190	178	153	157	174
Long-distance and regional transport	4,255	4,353	4,392	4,527	4,635
Roslagsbanan 3)	115	115	117	117	123
S-trains incl. Lille Nord (2003-2006)	1,142	1,161	1,142	1,126	1,093
Total number of passenger km	5,512	5,629	5,651	5,770	5,851

Note 1: The Øresund fare co-operation incl. IC-Bornholm.

Note 2: International trains are excl. Øresund traffic and IC Bornholm.

Note 3: The number of passenger km has been adjusted compared to the 2006 Annual Report.

Production (in thousands of train km)					
Regional traffic - East 1)	11,322	11,379	12,183	12,016	11,249
Regional traffic - West	7,296	6,575	7,163	9,490	9,419
Long-distance trains 2)	18,146	18,257	18,701	17,879	17,434
International trains 3)	1,172	1,221	1,215	1,246	1,226
Long-distance and regional transport	37,936	37,432	39,262	40,631	39,328
Roslagsbanan	2,293	2,466	2,486	2,206	2,455
S-trains incl. Lille Nord (2003-2006)	15,064	15,115	15,593	15,538	14,947
Total train km	55,293	55,013	57,341	58,375	56,730

Note 1: Including Øresund trains in Denmark.

Note 2: Long-distance transport in Denmark incl. IC-Bornholm in Denmark.

Note 3: International trains in Denmark, IC Bornholm in Sweden and charter trains abroad.

	2003	2004	2005	2006	2007
Rolling stock in operation ¹⁾					
IC4 (train sets)	-	-	-	-	3
IC3 (train sets)	96	96	96	96	96
IR4 (train sets)	44	44	44	44	44
Øresund train sets	24	24	24	24	24
MR (train sets)	57	57	64	64	65
Leased Desiro train sets	12	12	12	12	12
Diesel locomotives – ME	37	37	37	36	36
Electric locomotives – EA	12	12	12	12	6
S-trains (train sets) ²⁾	71	51	27	5	-
New S-trains (train sets) ³⁾	83	92	114	119	119
ML/FL (train sets – Lille Nord)	12	12	12	12	-
Leased Roslagståg (train sets)	29	29	29	29	29
Shunting locomotives/tractors	14	14	14	14	14
Leased double-decker coaches	67	67	67	67	67
Passenger coaches	161	164	136	136	122
Couchette coaches	8	8	8	8	8

Note 1: Rolling stock owned by DSB and used in current operations, i.e. excl. leased MR train sets and Øresund trains owned by other operators

Note 2: Counted as four-coach train sets

Note 3: Counted as eight-coach train sets.

Railway stations operated ¹⁾	300	298	305	306	301
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Note 1: The number of railway stations is defined as stopping places listed in DSB's timetable and serviced by DSB as operator, including stations abroad with seasonal stops.

Km line operated by DSB in Denmark	1,717	1,717	1,729	1,730	1,711
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	2003	2004	2005	2006	2007
Average number of full-time employees					
DSB	5,956	6,477	6,630	6,744	6,846
- of this social commitment ¹⁾	143	147	171	166	168
DSB S-tog a/s	1,844	1,862	1,892	1,885	1,829
- of this social commitment ¹⁾	19	16	21	25	22
DSB Detail A/S	436	245	211	195	159
Roslagståg AB	177	178	183	192	192
DSB Sverige AB ^{2) +3)}		21	162	191	170
Total for DSB Group	8,413	8,783	9,078	9,207	9,196

Note 1: The social commitment includes schemes such as flex jobs, light jobs, rehabilitation, semi-retirement and voluntary early retirement pay which were introduced in 1996 to promote employment in the labour market for persons with reduced earnings capacity.

Note 2: Comprises Tågvärdsbolag AB.

Note 3: Tågvärdsbolag AB is only included with effect from 1 November in the annual average for 2004.

Annual accounts for business areas

According to the Accounting Regulations and the Competition Law Guidelines for DSB issued by the Ministry of Transport, DSB is required to prepare annual accounts for its main business areas in an aggregated form. For the parent corporation, annual accounts are prepared for the main business areas "Rail passenger traffic carried out as public service according to a negotiated contract" corresponding to the activities under the transport contract with the Ministry of Transport and "Other business areas".

The accounts for the business areas are prepared according to an adjusted full-cost allocation method using Activity Based Costing methods as a principle for allocating income and expenses.

Principles and methods for allocation of income and expenses must be based on the individual product's use of the overall capacity facilities. The presentation of annual accounts for main business areas must be based partly on income and expense records and partly on allocations according to key ratios based on statistical data.

DSB's annual accounts by main business areas appear overleaf. According to these, DSB recorded a profit before tax including revenue from transport contracts of DKK 724 million for rail passenger traffic carried out as public service according to a negotiated contract and a profit before tax of DKK 127 million for Other business areas.

As required by Section 9(7) of the Accounting Regulations, DSB's state authorised public accountant must issue a statement to DSB as to whether the policies and methods applied in the 2007 annual accounts for business areas are in accordance with the requirements of Section 9(1)-(6) of the Accounting Regulations.

According to Section 12(5) of the Accounting Regulations, DSB's state authorised public accountant is required to issue a separate statement as to whether DSB's bookkeeping and conduct of business are in accordance with the Accounting Regulations, and the Competitive Law Guidelines for DSB.

Consequently, the annual accounts for the business areas are not covered by the auditors' reports for DSB's Annual Report.

With regard to the disclosure requirements stated in section 2.5 of the Competition Law Guidelines for DSB regarding provisions, balance sheet and the development in changes in and specification of equity, please refer to the annual accounts.

Amounts in DKK million	Rail passenger traffic carried out as public service	Other business areas	Total for DSB parent company
Net turnover, excl, revenue from transport contract	3,362	522	3,884
Revenue from transport contract	2,610	0	2,610
Other operating income	442	498	940
Work performed by the enterprise and capitalised	288	2	290
Total revenue	6,702	1,022	7,724
Cost of raw materials and consumables	590	399	989
Other external expenses	2,196	224	2,420
Staff expenses	2,576	197	2,773
Reversal of provisions	-5	-1	-6
Total expenses	5,357	819	6,176
Depreciation, amortisation and write-downs on tangible and intangible fixed assets	696	51	747
Operating profit	649	152	801
Total net financials	75	-25	50
Profit before tax	724	127	851
Profit for the year	670	95	765

DSBs Board of Directors



Mogens Granborg, Chairman



Steen Gede, Deputy Chairman



Gunhild Lange Skovgaard



Lone Fønss Schrøder



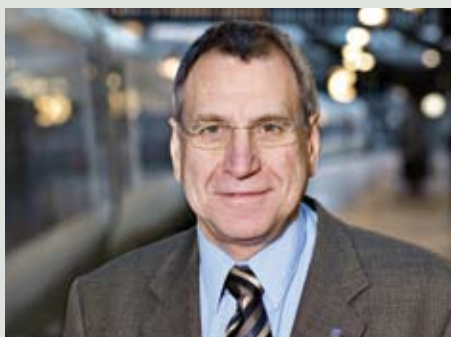
Lars Andersen



Ulrik Salmonsén



Andreas Hasle



Flemming Rasmussen

DSBs Corporate Management



Søren Eriksen
CEO



Mogens Jønck
Commercial Director



Frank Olesen
Director, Long-distance and
regional trains



Gert Frost
CEO, DSB S-tog a/s



Bartal Kass
Finance Director



Lone Lindsby
Director, HR & Organisation

DSB's organisation

Address

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1349 Copenhagen K
Denmark
Tel. +45 33 14 04 00
dsb@dsb.dk
www.dsb.dk
CVR no. 25050053

Ownership

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

Municipality of domicile

Copenhagen

Financial calendar 2008

Annual Meeting: 24 April 2008

Expected publication of quarterly and interim reports:

1st quarter:	19 May, 2008
Interim report:	28 August, 2008
3rd quarter:	19 November, 2008

Auditors

KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab

The National Audit Office of Denmark

Bank

Nordea

DSB's Board of Directors

The Board of Directors and the Directors' directorships in other Danish and foreign companies.

Mogens Granborg, Chairman.

Executive Vice President and member of the Executive Board of Danisco A/S. CEO, Danisco Sugar A/S. Chairman of the Boards of Directors of Monberg & Thorsen A/S, Dyrup A/S, Fødevareindustrien and The Confederation of Danish Industries. Member of The Danish Academy of Technical Sciences. Member of the main board of The Confederation of Danish Industries. Joined DSB's Board of Directors on 27 May, 2002.

Steen Gede, Deputy Chairman.

Director, Sgups Holding A/S. Chairman of the Boards of Directors of Elsparefonden, Forenede Service A/S, Brandhouse A/S and Unicare Nordic A/S with four subsidiaries. Deputy Chairman of Sanistål A/S. Member of the Boards of Directors of Søndagsavisen a/s, Gumlink A/S and F.A. Thiele A/S. Joined DSB's Board of Directors on 24 May, 2000.

Gunhild Lange Skovgaard

Professor, Doctor of Medicine, University of Copenhagen. Director of Arresødal Private Hospital. Member of the Board of Directors of CARE Danmark and Unicare Nordic A/S. Joined DSB's Board of Directors on 25 June, 1999.

Lone Fønss Schrøder

CEO and President of Wallenius Lines AB. Director of Schrøder Consult Aps. Chairman of Bioneer A/S and Elite Miljø A/S. Deputy Chairman of Aker ASA (Norway). Member of the Boards of Directors of Vattenfall AB (Sweden), Yara International ASA (Norway) and LD Invest. Joined DSB's Board of Directors on 21 April, 2004

Lars Andersen

Director of the Economic Council of the Labour Movement. Member of the Boards of Directors of IndustriPension Holding A/S, Industriens Pensionsforsikring A/S and Naesborg A/S. Joined DSB's Board of Directors on 25 June, 1999.

Svend Aage Kristensen: Deceased 22 January, 2008. DSB Board member, Svend Aage Kristensen, died on January 22, 2008 after a short illness. He joined the Board of Directors in 2004 and was only 60 years old.

Ulrik Salmonsén

Engine Instructor.
Chairman of Danske Jernbaneforbund. Chairman of the Boards of Directors of Dan Kantine Service A/S and Dan Ejendomsservice A/S. Member of the Board of Directors of Lån & Spar Bank A/S and STK-BYG A/S. Joined DSB's Board of Directors on 25 June, 1999.

Andreas Hasle

Traffic Inspector.
Chairman of HK Trafik & Jernbane. Member of the Board of Directors of Dan Kantine Service A/S and Dan Ejendomsservice A/S. Joined DSB's Board of Directors on 25 June, 1999.

Flemming Rasmussen,

Mechanic.
National Chairman of FO-Jernbanedrift. Deputy Chairman of Dansk Metal Århus and Dan Kantine Service A/S. Member of the Board of Directors of Dan Ejendomsservice. Joined DSB's Board of Directors on 27 May, 2003.

DSB's Executive Board

DSB's Executive Board and members of the Executive Board's directorships in other Danish and foreign companies

Søren Eriksen, CEO

Chairman of the Boards of Directors of DSB S-tog a/s, Kystbanen A/S, DSB Rejsekort A/S, Öresundstrafiken AB, Öresundståg ApS and DSB Sverige AB.

DSB's Corporate Management

Mogens Jønck, Commercial Director

Chairman of Kort & Godt A/S, member of the Board of Directors of Rejsekort A/S.

Frank Olesen, Director, Long-distance and regional trains

Member of the Board of Directors of Mark Information A/S.

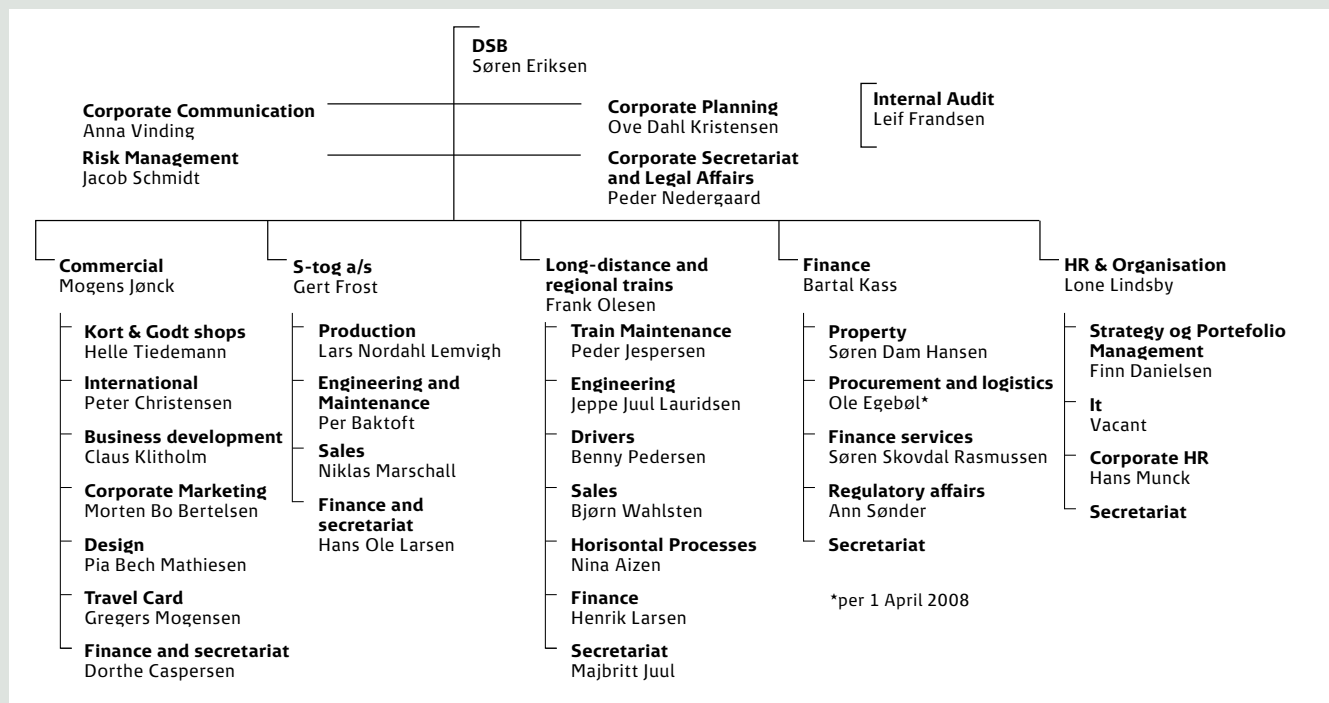
Lone Lindsby, Director, HR & Organisation

Bartal Kass, Finance Director

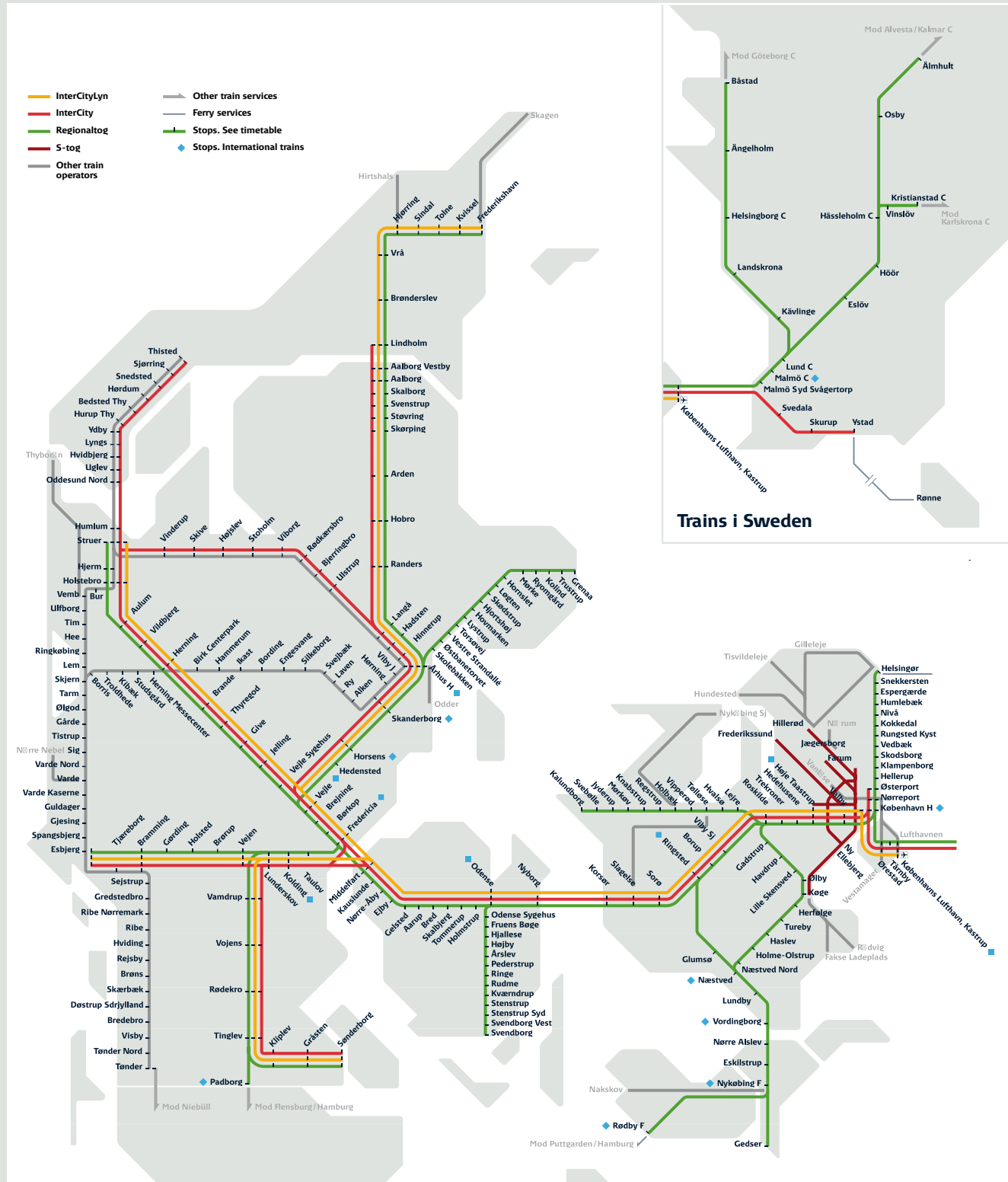
Member of the Board of Directors of Roslagståg AB, Kystbanen A/S, Øresundstrafiken AB and Øresundståg ApS.

Gert Frost, CEO, DSB S-tog a/s

Chairman of Pack Tech A/S, member of the Board of Directors of DSB Rejsekort A/S, Jens Holst Blomster A/S, A/S A.P. Botved, Magdalenas APS and Shark House ApS.



Rail network in Denmark



The S-train network



