Annual Report 2016

DFDS

Contents

DFDS was **established in 1866.**

DFDS provides **ferry shipping services and transport solutions** in Europe.

Over 8,000 freight customers rely on our ferry and port terminal services as well as flexible transport and logistics solutions.

We also provide safe overnight and short sea ferry services to **seven million passengers,** many travelling in their own car.

We have **more than 7,000 employees** in 20 countries. DFDS is head-quartered in Copenhagen and listed on Nasdaq Copenhagen.

DFDS Group

Shipping Division
- Ferry services for freight and passengers
- Industry solutions
- Port terminal services

Logistics Division
- Door-door transport solutions
- Contract logistics

Financial calendar 2017

Annual General Meeting
21 March 2017 at 14:00
Radisson Blu Scandinavia Hotel Copenhagen,
Amager Boulevard 70,
2300 Copenhagen South, Denmark

Reporting 2017
Q1, 10 May
Q2, 17 August
Q3, 14 November

Key Results 2016

Revenue up **8%**[1] to DKK 13.8bn

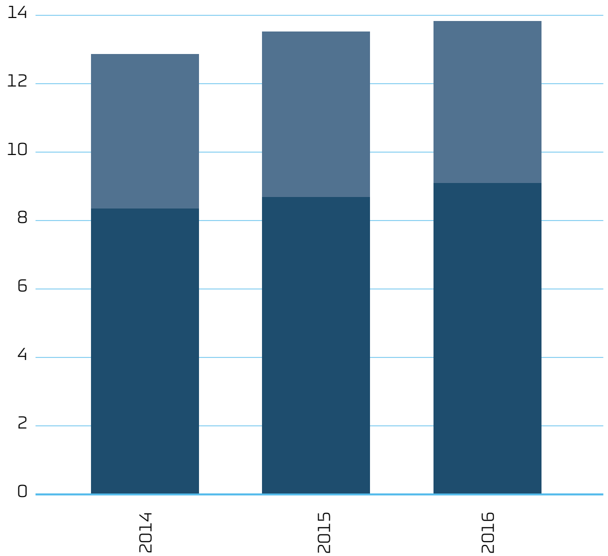
EBITDA[2] up **27%** to DKK 2.6bn

Return on invested capital[2] increased to **17.8%**

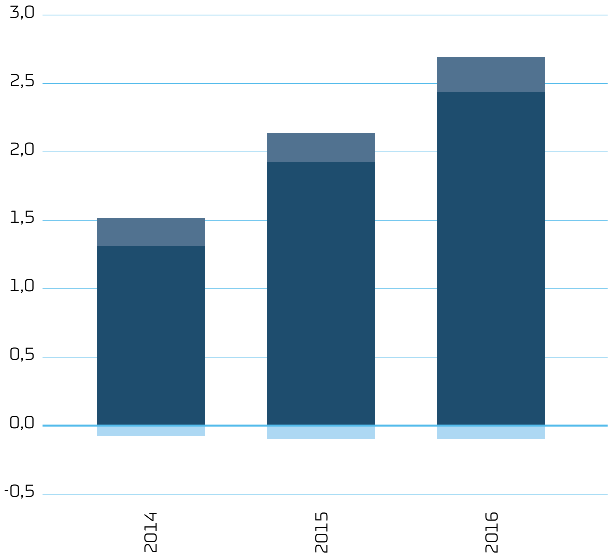
DKK **1.3bn** distributed to shareholders

[1] Growth adjusted for currency changes and revenue from bunker surcharges
[2] Before special items

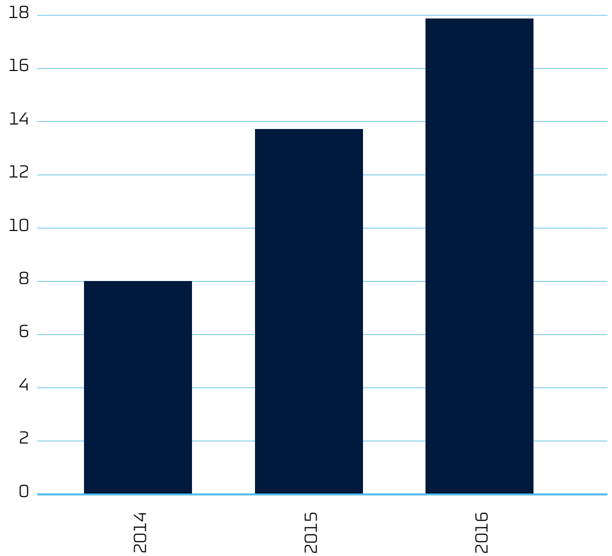
Revenue per division
DKK bn



EBITDA per division before special items
DKK bn



Return on invested capital (ROIC) before special items
(%)



Shipping Division Logistics Division Non-allocated items Group

DFDS' European Network

Freight shipping services and solutions

DFDS' routes are located to service the freight volumes of forwarders, hauliers and manufacturers of heavy industrial goods.

Our routes operate to fixed, frequent schedules, allowing customers to efficiently meet their transport service needs. Visibility is enhanced by access to online tracking of shipments.

We also develop and provide bespoke shipping logistics solutions in partnership with manufacturers of heavy goods such as automobiles, steel, paper and forest products, and chemicals.

Own port terminals are operated in strategic locations offering port terminal and warehousing services.

Transport and logistics solutions

We provide flexible, cost efficient and on-time, door-door transport solutions to producers of a wide variety of consumer and industrial goods.

Our solutions are supported by a European network of road, rail and container carriers and, not least, DFDS' network of ferry routes.

The main activity is solutions for full- and part-loads, both ambient and temperature-controlled.

In partnership with retailers and manufacturers, we develop and provide performance enhancing and cost efficient logistics solutions, including warehousing services and just-in-time concepts.

Passenger ferry services

DFDS' route network offers both overnight and short crossings. Passenger cars are transported on all routes.

The onboard facilities are adapted to each route's particular mix of passengers and their requirements for enjoying maritime travel.

Key facts 2016

- 80% of total revenues are generated by freight customers and 20% by passengers
- 38 million lane metres of freight carried
- 7 million passengers carried
- Our largest freight ships carry 320 trailers per sailing
- Our largest passenger ships carry 2,000 passengers per sailing

● Port of call and Shipping sales office

● Logistics sales office

○ Logistics operations

---- Rail transport

DFDS' Strategy is Based on Four Drivers

1 The DFDS Way: Customer focus and continuous improvement

2 Network strength: Expand network to leverage operating model

3 Integrated shipping and logistics operations: Working together to optimise capacity utilisation

4 Financial strength and performance: Reliable, flexible long-term partner

DFDS' goal for financial performance is a return on invested capital (ROIC) of **at least 10%** over a business cycle.

Our Priorities
in 2017

- Customer focus – growing the topline
- Continuous improvement: achieve benefits from projects; Toplight, Carpe Momentum, Haulage Drive and DFDS Way 2.0 (see p 11 for project information)
- Fleet renewal: deployment of two freight ship (ro-ro) new buildings and further decisions on fleet strategy
- Digital: significant spending boost in digital and IT capabilities
- Pursue M&A opportunities

Key Figures

DKK million	2016 EUR m [1]	2016	2015	2014	2013	2012
Income statement						
Revenue	1,855	13,790	13,473	12,779	12,097	11,700
• Shipping Division	1,274	9,468	9,071	8,733	8,530	8,015
• Logistics Division	663	4,930	5,034	4,625	4,183	4,259
• Non-allocated items and eliminations	-82	-608	-631	-579	-616	-574
Operating profit before depreciations (EBITDA) and special items	348	2,588	2,041	1,433	1,213	1,089
• Shipping Division	328	2,439	1,906	1,309	1,148	992
• Logistics Division	34	252	234	200	149	141
• Non-allocated items	-14	-103	-99	-76	-84	-44
Profit on disposal of non-current assets, net	1	8	5	9	6	6
Operating profit (EBIT) before special items	221	1,644	1,199	695	503	418
Special items, net	-2	-13	-36	-70	-17	-124
Operating profit (EBIT)	219	1,631	1,164	626	486	295
Financial items, net	-6	-43	-121	-124	-136	-149
Profit before tax	214	1,588	1,043	502	350	146
Profit for the year	208	1,548	1,011	434	327	143
Profit for the year excluding non-controling interest	208	1,548	1,011	435	325	144
Capital						
Total assets	1,749	13,004	12,646	12,249	12,311	12,313
DFDS A/S' share of equity	893	6,636	6,480	6,076	6,263	6,882
Equity	899	6,685	6,530	6,127	6,318	6,936
Net-interest-bearing debt [2]	326	2,424	1,773	2,467	2,189	1,929
Invested capital, end of period [2]	1,238	9,205	8,363	8,633	8,555	8,896
Invested capital, average [2]	1,216	9,037	8,535	8,578	8,633	9,207

DKK million	2016 EUR m [1]	2016	2015	2014	2013	2012
Cash flows						
Cash flows from operating activities, before financial items and after tax	358	2,662	2,207	1,398	1,501	905
Cash flows from investing activities	-162	-1,207	-571	-1,069	-943	239
Acquistion of enterprises and activities	-7	-51	-7	-85	-99	-5
Other investments, net	-156	-1,156	-564	-984	-844	244
Free cash flow	196	1,455	1,637	329	558	1,144
Key operating and return ratios						
Average number of employees		7,065	6,616	6,363	5,930	5,239
Number of ships		57	54	53	57	49
Revenue growth, %		2.4	5.4	5.6	3.4	0.6
EBITDA margin, %		18.8	15.1	11.2	10.0	9.3
Operating margin, %		11.9	8.9	5.4	4.2	3.6
Revenue/invested capital average, (times)		1.5	1.6	1.5	1.4	1.3
Return on invested capital (ROIC), %		17.7	13.3	7.2	5.7	3.4
ROIC before special items, %		17.8	13.7	8.0	5.8	4.5
Return on equity, %		23.4	16.1	7.1	4.9	2.1
Key capital and per share ratios						
Equity ratio, %		51.4	51.6	50.0	51.3	56.3
Net-interest-bearing debt/EBITDA, times		0.9	0.9	1.7	1.8	1.8
Earnings per share (EPS), DKK		26.6	16.8	7.0	4.7	2.0
Dividend paid per share, DKK		6.0	5.4	2.8	2.8	2.8
Number of shares, end of period, '000		60,000	61,500	63,250	74,280	74,280
Weighted average number of circulating shares, '000		58,141	60,067	62,246	69,660	72,517
Share price, DKK		322.6	267.0	118.2	87.4	51.1
Market value, DKK m		18,405	15,840	7,177	5,559	3,706

[1] Applied exchange rate for euro as of 31 December 2016: 7.4344

[2] As from 2015 the fair value of cross currency derivatives on bond loans forms part of Net-interest-bearing debt as these by nature are closely related to the interest-bearing debt. In previous years they formed part of non-interest-bearing items. The comparative figures have not been restated. The fair value of cross currency derivatives on bond loans in the comparative years are 2014: DKK -221m, 2013: DKK -138m, 2012: DKK 15m.

Management Report

DFDS fulfilled the aim of raising performance further in 2016. Customer focus, efficiency and digital development are strategic priorities in a changing world

- EBITDA increased by 27% to DKK 2,588m
- Route network's earnings increased driven by Channel and Baltic Sea
- Increasing share of contract logistics in Logistics Division
- ROIC increased to 17.8% for the Group
- Increasing distribution to shareholders

FINANCIAL PERFORMANCE FURTHER IMPROVED

All parts of DFDS' route network and key logistics activities contributed to increasing the profit before tax by 52% to DKK 1,588m in 2016. An all-time high for DFDS.

The further improvement in earnings reflects an agenda of continuous improvement and benefits from moderate economic growth, and thereby volume growth, in most of DFDS' key markets in northern Europe.

Revenue increased by 8% in 2016 adjusted for currency changes and excluding revenue from bunker surcharges. Reported revenue increased by 2% to DKK 13.8bn.

The route network carried 21% more freight volumes and 12% more passengers in 2016. The volume growth was boosted by a considerable expansion of ferry capacity in the Channel business unit during the year. Excluding Channel, the route network carried 6% more freight volumes and 1% more passengers in 2016.

The revenue growth was in line with the latest growth expectation of 4%, excluding revenue from bunker surcharges. Due mainly to the depreciation of the British pound during 2016, the growth was lower than the revenue growth outlook of 6% included in the Q4 and Year-end Report for 2015 released in February 2016.

Operating profit before depreciation (EBITDA) and special items increased by 27% to DKK 2,588m. The result was thus in line with the latest expectation of an EBITDA before special items of DKK 2,525-2,625m. Due to higher earnings in the Shipping Division, the EBITDA was higher than the EBITDA outlook of DKK 2.1-2.3bn included in the Q4 and Year-end Report for 2015 released in February 2016.

The Shipping Division's EBITDA before special items increased by 28% to DKK 2,439m while the Logistics Division's EBITDA before special items increased by 8% to DKK 252m.

KEY FIGURES FOR THE DFDS GROUP

DKK m	2016	2015	2014
Revenue	13,790	13,473	12,779
EBITDA*	2,588	2,041	1,433
Profit before tax*	1,600	1,079	571
Free cash flow, FCFF	1,455	1,637	329
Invested capital, end of year	9,205	8,363	8,633
Net- interest-bearing debt/EBITDA*, times	0.9	0.9	1.7
Return on invested capital*, %	17.8	13.7	8.0
Number of employees, average	7,065	6,616	6,363

* Before special items

The Group's free cash flow was positive by DKK 1,455m after net investments of DKK 1,207m.

Financial leverage remained on level with 2015 as the increase in EBITDA balanced an increase in debt. The leverage ratio of net-interest-bearing debt (NIBD) to operating profit (EBITDA) before special items was 0.9 at year-end. The equity ratio was 51% at year-end 2016 compared to 52% in 2015.

The average number of employees increased by 7% to 7,065 in 2016. The increase was mainly due to an expansion of shipping capacity on the Channel and additional contract logistics activities.

IMPORTANT EVENTS IN 2016

The most important events of the year are listed on page 13, divided into three sections: business development and competition; operations and finance; and people and environment.

Business development and competition

Large capacity increase on Dover-Calais

Two chartered Channel ferries were deployed on the Dover-Calais route on 9 February 2016 and 23 February 2016 respectively. The two ferries replaced a chartered ferry that subsequently was redelivered. Since February 2016, a total of six ferries were operated out of Dover to Calais and Dunkirk respectively, with three ferries on each route. The number of departures was doubled on Dover-Calais compared to 2015 and for both routes the number of departures increased by 37%.

Route network capacity boosted by two chartered new buildings
To accommodate the increasing freight volumes of customers in DFDS' route network, DFDS entered on 18 May 2016 into an agreement with the Siem Group to bareboat-charter two ro-ro freight new buildings for a five-year period. As part of the agreement, DFDS holds options to purchase the ships.

The two ships are being built by Flensburger Schiffbau-Gesellschaft that has previously delivered six ro-ro freight ships to DFDS. Delivery is expected in May and September 2017 respectively. The freight capacity of each ship is 4,076 lane metres, equal to around 260 trailers.

Both new buildings are planned to be deployed in DFDS' route network on the North Sea. The ships will add around 20% to capacity compared to the ships they are expected to replace. In addition to the extra capacity, the ships comply with the latest environmental design requirements and as such are more fuel efficient. They also require less handling when loading and unloading in port.

Baltic route network expanded
On 1 September 2016, DFDS entered into an agreement with the Estonian company Navirail OÜ to take over the company's freight and passenger route (ro-pax) between Paldiski, Estonia, and Hanko, Finland. The transaction includes a four-year time-charter agreement for one ro-pax ship and an earn-out agreement. The transaction had accounting effect from 1 October 2016.

The route has expanded DFDS' network in the northern part of the Baltic Sea and complements DFDS' existing route between Paldiski and Kapellskär that was acquired in 2011. Calling at the joint port of Paldiski entails some operational synergies, including an overlap of customers. Further synergies derive from access to DFDS' systems and sales organisation.

Order of two freight ships (ro-ro) to boost efficiency
An order of two freight ship (ro-ro) new buildings was finalised on 30 September 2016. The order is part of DFDS' ongoing fleet renewal to accommodate the growth of our freight customers, increase operational efficiency and reduce the environmental impact.

The two ships are being built by Jinling Shipyard in China for delivery in the beginning of 2019. DFDS has options for four additional ships. The new ships are designed to each carry 6,700 lane metres of freight equivalent to around 450 trailers. The larger size of the ships will significantly decrease unit costs as well as the environmental impact per transported unit.

Both new buildings are planned to be deployed in DFDS' route network on the North Sea.

CUSTOMER SATISFACTION SCORES

	CSAT[1]		NPS[2]		SCALE
	2016	2015	2016	2015	
Freight shipping services	8.1	7.9	38	35	Very good
Transport and logistics solutions	7.9	7.8	25	19	Good
Passenger services	7.9	7.6	31	23	Good

[1] CSAT asks customers "How would you rate the overall performance, products and services of DFDS?" and is measured on a 10-point scale (1-Not satisfied at all; 10-Fully satisfied)
[2] NPS asks customers "How likely would you be to recommend the products/services of DFDS?" on a 10-point scale (1-Not at all likely; 10-Extremely likely). The NPS is an aggregate score created by subtracting the percentage of detractors (those who gave scores from 1 to 6) from the percentage of promoters (those who gave scores of 9 and 10)

The ships represent a new generation of environmentally friendly ro-ro ships as they comply with the latest environmental rules of the new IMO-standard EEDI (Energy Efficiency Design Index).

Acquisition of Scottish transport company
To further develop DFDS' logistics services, DFDS acquired on 14 November 2016 100% of the share capital of Haulage Shetland Ltd. headquartered in Lerwick on Shetland, Scotland. The company trades under the name of Shetland Transport.

Since 1982, Shetland Transport has provided transport services to and from the islands of Shetland and Orkney to the UK mainland via Aberdeen. The primary activity is the transport of fresh fish under temperature-controlled conditions.

Shetland Transport's revenue was GBP 10m in 2015/2016 and the company has 55 employees. The company operates a warehouse and a workshop in Lerwick, distribution centres in Aberdeen and Coatbridge as well as a fleet of 128 trailers and 28 tractor units.

The transaction includes potential earn-out payments to the seller in 2017 and 2018. The transaction had accounting effect from 14 November 2016.

Logistics expands Sweden-Italy services
To further develop DFDS' logistics services between Sweden and Italy, DFDS acquired 100% of the share capital of the Swedish company Italcargo Sweden AB.

Italcargo provides road transport services between Sweden and Italy, including full loads, part loads and premium services. Equipment, mainly trailers, is leased and haulage is subcontracted externally.

Italcargo's revenue was SEK 65m in 2015/2016 and the company has five employees.

The transaction had accounting effect from 21 December 2016.

Operations and finance

Customer Focus Initiative (CFI)
The aim of DFDS' Customer Focus Initiative (CFI) is to increase customer satisfaction and grow revenues through improved customer spending, retention and acquisition.

The impact of CFI is measured by an annual survey of customer satisfaction as reported in the table on the previous page. Progress is tracked for three overall customer segments: freight shipping, transport and logistics solutions, and passenger services.

The score for freight shipping services increased driven by Baltic Sea where higher demand from freight customers was accommodated by adding capacity during the year. Scores on the French side of the Dover Strait also increased following more stable operations while scores for Dover were below last year due to some congestion issues during the year. In North Sea, most routes achieved higher scores.

The score for transport and logistics solutions also increased as higher scores were achieved in all three business units, mainly driven by improvement of unsatisfactory scores last year.

The number of freight locations that received a score of excellent (NPS of 50 or above) from customers increased to 29% from 26%, while 53% received a score of very good (NPS of 30 or above) up from 47%.

On a scale from 1 to 10 passengers awarded a score of 7.9 points up from 7.6 in 2015. 48% of the guests awarded top points 9-10 and are characterized as ambassadors. This was an increase of four percentage points compared to 2015 with the largest increases from passengers on the Channel.

The CFI continued in 2016 to provide valuable insights about where and how to improve customer services, making it an important part of DFDS' drive for continuous improvement.

Efficiency and improvement projects
The pursuit of continuous improvement through targeted efficiency and improvement projects was focused on the following projects in 2016:

- **Toplight:** simplification of rate structure and standardisation of freight shipping sales processes to prepare agencies and routes for further digitisation
- **Light Capital:** release of cash from working capital. Since 2013, DKK 600m has been released, including DKK 112m in 2016
- **Project 250:** procurement savings in excess of DKK 50m was achieved in 2016 to reach a total improvement of operating profit (EBIT) of more than DKK 250m since 2014
- **Haulage Drive:** project launched in 2016 to reduce the cost of haulage, including less empty running and other efficiencies
- **Carpe Momentum:** project launched in 2016 to improve the customer experience- and on board sales on the two Channel routes
- **DFDS Way 2.0:** further development and sharing of operating model and new intranet.

IT development
The creation of a single operations platform for each business area continued and forms a sound platform for the new digital initiatives. The implementation of the passenger booking and sales system, Seabook, started on Amsterdam-Newcastle and Copenhagen-Oslo in June 2016 and final migrations to the new system is expected to be completed in March 2017.

The new logistics system, Velocity, has been implemented for all locations providing unaccompanied trailer solutions: Copenhagen, Oslo, Gothenburg, Immingham, Rotterdam, Hamburg and Ghent. The system was also implemented for the Italian rail activities. Door-door container activities, Baltic logistics activities and acquired activities will follow in 2017. The entire Logistics Division is thus expected to run on the same platform during 2017. This will enhance the sharing of best practices and development of a common customer-facing experience layer.

The port operation system, GTMS, is being migrated to a modern platform which allows a uniform setup across all ports. The system is also used to support automotive logistics customers and the third-party port terminal in Klaipeda.

The Maritime Single Window is an attempt to streamline data reporting to authorities. In the first step, a master data platform will be created during 2017 holding all relevant sailing data. Integration to national authorities will follow in the second step, and is expected to be more time consuming as the different countries and ports decide on data contents and format.

Digital journey gathering pace
In response to a changing world and DFDS' commitment to customer focus, digital activities gained momentum in 2016 and further investments are going ahead in 2017.

A best-in-industry digital experience for customers and tangible business benefits for customers as well as DFDS is the vision governing the digital strategy. The core IT-system architecture is being adapted to support digital solutions and promote operational efficiencies. Digital awareness and business agility are being developed in the organisation to underpin the delivery of customer solutions and innovation of business models.

DFDS' website was unified and relaunched for both desktop and mobile users in 2016, along with a number of digital services aimed particularly at improving the customer experience for freight customers, both shipping and logistics.

The key digital development areas for freight include integrated online quotations, booking and payment facilities as well as notifications to customers and drivers of changes in schedules and deliveries, all available on mobile devices. The aim is also to provide freight shipping customers with more precise tracking information on trailers. A new logistics app was launched in 2016 aimed at drivers, including drivers working for DFDS. This app both enables track and trace for customers, and makes it easier and faster for drivers to confirm delivery.

Big data is being harnessed to improve the efficiency of port and route operations, including fuel efficiency and preventive maintenance in shipping. In logistics, predictive analytics using big data has potential to further optimise the entire supply chain to improve both the customer experience and operational efficiency.

Digital passenger services matured earlier than freight and a number of services and apps are already available. The key digital development areas for passengers are related to the boarding process, the on board experience and enhancing the relevance of sales and marketing initiatives aimed at individuals.

IMPORTANT EVENTS 2016

	BUSINESS DEVELOPMENT AND COMPETITION	OPERATIONS AND FINANCE	PEOPLE AND ENVIRONMENT
January	• Contract for shipping of paper for Norske Skog between Norway and Continent/UK renewed for three years		
February	• Start of operation of cold stores in Warrington and Lancaster for Magnavale Group • Russian-Polish deadlock over driver permits increases trailer volumes on Baltic routes	• Sales team for overseas passengers expanded • Two newly renovated ferries, Côte des Dunes and Côte des Flandres deployed on Dover-Calais	
March	• Rail capacity between Ballina and Waterford in Ireland doubled • New upgraded port terminal in Dunkirk opened		• Klaus Nyborg elected as new member of the Board of Directors to replace Vagn Sørensen
April	• New long-term logistics contract agreed with Marine Harvest in Scotland • New four-year ARK contract signed with Danish and German armed forces	• IT logistics system Velocity launched in Gothenburg, Immingham, Dublin, Oslo, Brevik and Copenhagen for unaccompanied trailers • Ro-pax ship added as third ship on Karlshamn-Klaipeda and weekly assist on Fredericia-Klaipeda	• New BI and Analytics team established
May	• Two ro-ro freight ship new buildings bareboat chartered for a five-year period. Delivery planned for May and September 2017 • Purchase option for ro-pax ship, Athena Seaways, exercised	• Repayment of a corporate bond	
June	• Warehousing capacity expanded in Port of Kiel	• Implementation of Seabook passenger booking system started on Amsterdam-Newcastle	
July	• Haulage partner JFM haulage acquired in Belfast	• Ro-ro freight ship, Primula Seaways, docked for lengthening • Project initiated to gather all office locations and routes from Klaipeda at Central Klaipeda Terminal • Implementation of Seabook passenger booking system started on Copenhagen-Oslo	
August			• Participation in mission to remove remaining chemical weapons from Libya
September	• Two ro-ro freight ship new buildings ordered from the Chinese yard Jinling Shipyard for delivery in 2019. Each new building will have a capacity of 6,700 lane metres freight	• New 'concierge' app launched for Copenhagen-Oslo route • Simplification of German legal structure	• Graduation of 22 participants in DFDS' Horizon talent development programme • Kasper Moos new head of the Channel business unit • Ballast water convention ratified to be effective in 12 months
October	• Ro-pax route Hanko-Paldiski operating with one ship between Finland and Estonia taken over		• Diversity programme launched at annual management conference • Global sulphur cap of 0.5% agreed to be effective from 2020
November	• Immigrant camp in Calais closed by French authorities • Shetland Transport, Scottish transporter of fresh fish, acquired	• Best customer satisfaction score recorded to date: net promoter score increased from 27 to 32 for DFDS as a whole	• Lowest bunker consumption per nautical mile recorded • Case against Danish International Ship Register overturned by High Court
December	• Swedish company Italcargo providing transport services between Italy and Sweden acquired	• DFDS named World's Leading Ferry Operator at World Travel Awards for sixth time	• DFDS celebrates 150^{th} anniversary • 30 shares awarded to each employee

People and environment

All DFDS' employees became shareholders
In recognition of the contribution made by DFDS' employees in recent years to the company's growth and to celebrate the company's 150 year anniversary, the Board of Directors awarded on 16 December 2016 30 shares to each full-time employee that was employed on 1 December 2016.

The total number of employees eligible for the award of shares exceeds 7,000 and the total fair value of awarded shares equals DKK 55m.

The award of shares was made as a Restricted Stock Unit Plan and is covered by DFDS A/S' holding of treasury shares and thus no new shares will be issued.

Employees
DFDS' HR activities aim to support people as well as business units in making the right decisions with regard to recruitment, retention, employee and management development, talent spotting, performance management, compensation and benefits as well as organisational efficiency. More information about employees and HR management is available from DFDS' CSR report, www.dfds.com/group/about/responsibility

Customer Focus – sales training and DFDS Way of Selling
As part of the Customer Focus Initiative, a sales training programme for all sales people, direct sales and customer service, was developed and implemented from year-end 2013. At the end of 2016 more than 350 sales people had completed the programme and started an 18 months certification included in the second phase of the programme. The certification ensures implementation of essential tools and tracking of documented sales accomplishments.

New shipping emission target
After previously achieving a 10% reduction of the bunker consumption over a five year period, a new target of a 5% reduction has been set to be achieved by 2017. Shipping emissions amount to 95% of DFDS' total direct emissions. More information on the environmental impact of DFDS' activities is available from DFDS' CSR report, www.dfds.com/group/about/responsibility

SIGNIFICANT EVENTS AFTER 2016

Increased distribution to shareholders
DFDS' Board of Directors decided on 7 February 2017 to increase the distribution to shareholders in light of the higher level of earnings and alignment of the financial leverage to the policy on capital structure and distribution.

The Board of Directors proposes to the 2017 annual general meeting (AGM) a dividend of DKK 3.00 per share. In addition, the Board of Directors plan to distribute a further dividend of DKK 5.00 per share in August 2017. The total dividend payment in 2017 is thus expected to amount to around DKK 450m, excluding dividend for treasury shares.

RETURN ON INVESTED CAPITAL (ROIC) 2016

	AVERAGE INVESTED CAPITAL, DKK M	ROIC BEFORE SPECIAL ITEMS, %
DFDS Group	9,037	17.8
Divisions & business units		
Shipping Division	8,145	19.6
North Sea	4,168	12.1
Baltic Sea	1,203	30.0
Channel	1,937	20.3
Passenger	577	43.1
France & Mediterranean	-29	n.a.
Non-allocated	288	26.7
Logistics Division	1,084	13.4
Nordic	319	16.2
Continent	339	11.5
UK & Ireland	426	12.8
Non-allocated	0	n.a.
Non-allocated items	-192	n.a.

In addition, two share buybacks totalling DKK 800m started on 8 February 2017.

The first buyback of up to DKK 500m was structured as an auction process and completed on 21 February 2017. A total of 1,280,515 shares was acquired for DKK 373 per share equal to DKK 478m.

The second buyback of DKK 300m will be completed on 15 August 2017 at the latest.

The Board of Directors consequently plan to distribute a total of DKK 1.25bn to shareholders in 2017. In addition, DKK 86m was already distributed in 2017 through a share buyback completed on 6 February 2017.

Share options
On 21 February 2017, 136,435 share options were awarded to the Executive Board and a number of key employees. The theoretical value of the share options is DKK 7.4m calculated according to the Black-Scholes model.

FINANCIAL GOALS AND CAPITAL STRUCTURE

Return on invested capital (ROIC)
DFDS' financial performance goal is a ROIC of at least 10% over a business cycle. A 10% return is also the threshold rate used for assessing investments and acquisitions.

The achievement of the ROIC goal is underpinned by DFDS' ROIC Drive programme covering around 90 business activities. The programme includes a simple ROIC-scorecard, high-level three-year business plans, local sparring sessions with top management and internal performance benchmarking.

The Group's ROIC, including special items, was 17.7% in 2016 compared to 13.3% in 2015. Before special items, the return was 17.8% in 2016 compared to 13.7% in 2015. At the start of 2017, DFDS' cost of capital after tax was calculated at 6.0%. The ROIC is likewise calculated after tax.

In the Shipping Division, the ROIC of four of five business units was above the 10% goal, ranging from 12% in North Sea to 43% in Passenger.

In the Logistics Division, the ROIC of all business units was likewise above 10% ranging from 11% in Continent to 16% in Nordic.

For a number of activities within the business units of both divisions, the ROIC was, however, below the 10% goal in 2016. Although there were fewer activities performing below 10% compared to 2015. A primary focus of the ROIC Drive programme is to contribute to improving the performance of such activities by encouraging and monitoring the implementation of business plans, supplemented by structural solutions if required.

Capital structure
DFDS' leverage is defined as the ratio of net-interest-bearing debt (NIBD) to operating profit before depreciation (EBITDA). The target leverage is a NIBD/EBITDA-multiple of between 2.0 and 3.0.

DFDS' Board of Directors continually assesses the capital structure in relation to the development in earnings and expectations regarding future investments, including strategic acquisitions. On this basis, excess capital is distributed to shareholders if the multiple is below 2.0 while distribution is reduced if the multiple exceeds 3.0. At the end of 2016, the NIBD/EBITDA-multiple was 0.9.

Distribution to shareholders: Share buybacks
A total of DKK 914m was distributed through three share buybacks in 2016 (2015: DKK 401m).

The first buyback of up to DKK 400m was structured as an auction process and completed on 24 February 2016. 1,600,000 shares were acquired for DKK 250 per share equal to DKK 400m.

The second buyback of DKK 250m started on 12 February 2016 and was completed on 16 August 2016. A third buyback of DKK 350m was started on 18 August 2016 and completed on 6 February 2017.

Distribution to shareholders: Dividends
A total of DKK 6.00 per share equal to DKK 349m was distributed through two dividends in 2016 (2015: DKK 326m). A dividend of DKK 3.00 per share equal to DKK 175m was distributed in April 2016 and a dividend of likewise DKK 3.00 per share equal to DKK 174m was distributed in August 2016.

Including share buybacks, the total distribution to shareholders was thus DKK 1,263m in 2016.

BUSINESS MODEL AND ASSETS

Business model
DFDS operates freight and passenger ferry routes as well as port terminal services supporting the routes. In addition, DFDS provides transport and logistics solutions that to a large extent are based on using DFDS' routes as part of the solution.

In total, around 80% of DFDS' revenue derives from freight activities and 20% derives from passenger activities.

To operate ferry routes and port terminals, including warehousing, a range of assets are deployed, mainly owned and chartered ships, leased and owned port terminals, and cargo carrying equipment.

The shipping of un- and accompanied trailers for forwarders and hauliers is the main activity of the route network. On the North Sea, trailers are mainly unaccompanied while trailers on the Baltic Sea mainly are accompanied requiring ro-pax ships with cabins to accommodate drivers on the crossings. On a number of routes, mostly from Scandinavia to the UK and the Continent, heavy industrial cargo is carried for manufacturers. This typically requires specialised equipment as well as port terminal and warehousing services.

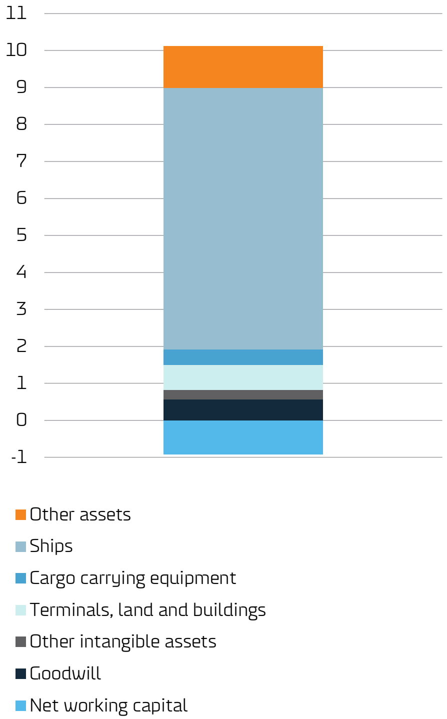
Combining freight and passengers is an option in many ferry markets and key to the business model. The requirements of both customer types are accommodated by deploying ships with different combinations of freight and passenger capacity as well as on board facilities for passengers and drivers.

The provision of transport and logistics solutions mainly deploys owned and leased trailers as most transports are subcontracted to a network of carriers, i.e. hauliers, rail operators, ferry operators and container shipping operators. DFDS deploys own drivers and trucks in some contract logistics and distribution activities. A number of warehouses are also operated as part of contract logistics services.

Assets and invested capital
At the end of 2016, the Shipping Division operated 41 ships in the route network of which 28 were owned and 13 ships were chartered in for varying periods.

INVESTED CAPITAL 2016 (END OF YEAR)

(DKK bn)



The Shipping Division's ownership share of assets is to a large extent determined by the degree of specialisation of ships required to match customer requirements.

FLEET OVERVIEW AND KEY FIGURES 2016

	TOTAL SHIPS	RO-RO SHIPS	RO-PAX SHIPS	PASSENGER SHIPS	CONTAINER AND SIDE-PORT SHIPS	OWNERSHIP SHARE, %	AVERAGE AGE OF OWNED SHIPS, YRS
DFDS Group	57	23	18	4	12	-	-
Shipping Division	41	23	14	4	-	-	-
North Sea	19	19	-	-	-	68	12
Baltic Sea[1]	9	2	7	-	-	67	15
Channel	6	-	6	-	-	67	14
Passenger	4	-	-	4	-	100	27
France & Mediterranean[1]	3	2	1	-	-	33	20
Logistics Division[1]	12	-	-	-	12	-	-
Nordic[1]	5	-	-	-	5	40	18
Continent[1]	7	-	-	-	7	0	-
Chartered out ships	3	-	3	-	-	100	23
Laid-up ships	1	-	1	-	-	0	-

[1] Includes VSAs (vessel sharing agreements) and SCAs (slot charter agreements)

The specialisation of ro-ro- and ro-pax-ships is mainly contingent on capacity requirements for passengers and freight, configuration of passenger areas, loading capacity, especially for heavy freight, hanging decks for cars, sailing speed, fuel efficiency and ramps, including requirements for the speed of turnaround in ports.

The lifespan of ro-ro-based freight and passenger tonnage is normally 30–35 years and the duration of port-terminal leases is typically 25–30 years.

At the end of 2016, total invested capital was DKK 9,205m, including a net working capital of DKK -918m defined as all non-interest bearing non-current and current assets and liabilities. 86% of the invested capital consisted of ships and 13% consisted of port terminals, land and buildings and cargo carrying equipment.

The Shipping Division's invested capital was DKK 8,202m at year-end 2016. The Logistics Division's invested capital was DKK 1,130m at year-end 2016. The invested capital of non-allocated items was negative by DKK 126m.

CORPORATE GOVERNANCE

DFDS A/S is subject to Danish law and is listed on Nasdaq Copenhagen. Corporate Governance in DFDS is based on Danish legislation and regulations, including the Danish Companies Act, the rules for listed companies on Nasdaq Copenhagen, the Danish recommendations for good corporate governance and the company's articles of association, as well as other relevant rules.

More information on DFDS' corporate governance is available from www.dfds.com

- Statutory report on corporate governance, www.dfds.com/group/about/governance
- DFDS' statutes, www.dfds.com/group/about/governance
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- Materials from DFDS' most recent AGM, www.dfds.com/group/investors/general-meetings
- Remuneration policy, www.dfds.com/group/about/governance
- Diversity policy, www.dfds.com/group/about/governance

CORPORATE RESPONSIBILITY (CR)

DFDS' CR activities aspire to create value for both society and our stakeholders as well as contribute to promoting DFDS as a preferred business partner. The framework and objectives for DFDS' CR activities are managed by the CR Committee, which reports to Executive Management. DFDS' CR report is available on www.dfds.com/group/about/responsibility

The report outlines strategy, objectives and policies, and reports on the activities and results of our CR focus areas.

Safety and security

The safety of our passengers, crew and freight, as well as the security of our ships and port facilities, are all of paramount importance to DFDS.

Our safety and security work is regulated by international and national conventions and legislation. Moreover, by the additional objectives and requirements managed through DFDS Safety Management Systems. As per International Safety Management (ISM) guidelines, all information regarding safety measures and conditions is regularly disseminated among all ships. This includes a significant reporting scheme from the ships in order to identify weak links and establish safeguards to mitigate the risk of these.

More information about safety and security is available from DFDS' CR report, www.dfds.com/group/about/responsibility

OUTLOOK 2017

DKK m	OUTLOOK 2017	2016
Revenue growth	4%[1]	13,790
EBITDA before special items	2,600-2,800	2,588
Per division:		
Shipping Division	2,450-2,600	2,439
Logistics Division	250-300	252
Non-allocated items	-100	-103
Depreciation, change	-2%	-950
Special items	-20	-13
Investments	-1,700	-1,207

[1] Excluding bunker surcharges

OUTLOOK 2017

The European growth outlook is supportive for DFDS' infrastructure of ferry routes and logistics operations.

The current moderate economic growth is expected to continue in DFDS' key market areas in northern Europe in 2017, albeit at different levels.

The highest level of growth is expected for the Baltic countries while the UK's growth is expected to slow down but remain positive in 2017.

The growth in Scandinavia and the most important continental economies for DFDS, primarily Benelux, Germany and France, is expected to continue on level with 2016.

Freight volumes are therefore expected to grow or remain on level with 2016 on most routes in DFDS' network in 2017. Capacity has been and will be expanded on several routes to accommodate expected growth.

Passenger volumes lost momentum during 2016 as travel was reduced following terrorist attacks and the depreciation of GBP in the wake of Brexit in June 2016. Moreover, migrant issues in Calais impacted travel negatively on the Dover Strait.

Passenger volumes in DFDS' route network are in 2017 expected to be on level or slightly below 2016, although a more favourable environment for passenger travel could emerge in 2017.

Pricing is expected to remain competitive in both freight and passenger markets.

The Group's revenue is expected to increase by around 4%, excluding revenue from bunker surcharges. The revenue growth is expected to be around 5% including bunker surcharges.

The Group's EBITDA before special items is expected to be within a range of DKK 2,600-2,800m (2016: DKK 2,588m).

The Shipping Division's EBITDA before special items is expected to be within a range of DKK 2,450-2,600m (2016: DKK 2,439m).

The Logistics Division's EBITDA before special items is expected to be within a range of DKK 250-300m (2016: DKK 252m).

Special items of DKK -20m are related to the award of shares to employees.

Investments are expected to amount to around DKK 1.7bn in 2017. This includes an expected payment of around DKK 750m for the purchase of two Channel-ferries in June 2017. The ferries were delivered in February 2016 on finance leases and were consequently capitalised at that time. The expected purchase will therefore not impact DFDS' financial leverage.

The remaining investments of DKK 950m comprise:

- Dockings and ship upgrades, DKK 350m
- Newbuildings, DKK 170m
- Port terminals, DKK 200m
- Cargo carrying equipment and warehousing, mainly related to the Logistics Division, DKK 150m
- Other investments, including development of IT-systems, DKK 80m.

A number of risks and uncertainties pertain to the outlook. The most important among these are possible major changes in the demand for ferry shipping and transport and logistics services. For DFDS, such demand is to a large extent linked to the level of economic activity in primarily Europe, especially northern Europe and in particular the UK following its decision to leave the EU, but also adjacent regions, as well as to competitor actions.

The outlook can also be impacted by political changes, first and foremost within the EU, as well as changes in economic variables, especially the oil price and exchange rates. Consequently, the future financial results may differ significantly from expectations.

DFDS' OPERATIONAL RISKS ARE REVIEWED ON PAGES 28-29 IN THIS REPORT.

Shipping Division

Shipping Division

Head of division
Peder Gellert Pedersen

Share of DFDS Group revenue 2016
69%

Business areas
- North Sea
- Baltic Sea
- Channel
- Passenger
- France & Mediterranean

- Channel's result boosted by capacity expansion
- Baltic route network adapted to meet higher demand
- Continued high volume growth between the UK and the Continent
- Bunker cost savings benefited passenger activities

The Shipping Division's revenue increased by 8% adjusted for currency changes and excluding bunker surcharges while reported revenue increased by 4% to DKK 9,468m compared to 2015. EBIT before special items increased by 37% to DKK 1,613m.

The return on invested capital, ROIC, before special items increased to 19.6% in 2016 from 14.9% in 2015. Average invested capital increased by 4% to DKK 8,145m compared to 2015.

SHIPPING DIVISION, DKK M	2016	2015	Δ	Δ %
Revenue	9,468	9,071	397	4.4%
EBITDA before special items	2,439	1,906	533	28.0%
Share of profit/loss of associates and joint ventures	-3	-11	9	n.a.
Profit/loss on disposal of non-current assets, net	4	1	3	n.a.
Depreciation and impairment	-828	-716	-112	15.7%
EBIT before special items	1,613	1,180	433	36.7%
EBIT-margin before special items, %	17.0	13.0	4.0	n.a.
Special items, net	-13	-39	26	-66.5%
EBIT	1,600	1,141	459	40.2%
Invested capital, average	8,145	7,799	346	4.4%
ROIC before special items, %	19.6	14.9	4.7	n.a.
Lane metres, '000	37,783	31,195	6,588	21.1%
Passengers, '000	6,964	6,194	770	12.4%

NORTH SEA
Revenue increased by 7% adjusted for currency changes and excluding bunker surcharges while reported revenue decreased by 1% to DKK 3,365m compared to 2015. EBIT before special items increased by 13% to DKK 515m.

Freight volumes increased by 5% while the overall freight rate level was somewhat above 2015. All routes contributed to the volume growth with the highest growth achieved by the UK-Continent routes and the Sweden-Continent route that carried more automotive volumes. Capacity was increased during the year by the deployment of a fourth ship on one route between the Continent and the UK and by deploying larger ships between Sweden and the Continent.

Higher volumes through the port terminals in the UK and Benelux also improved earnings although the result of the terminal in the UK was impacted by the depreciation of GBP.

BALTIC SEA
Revenue increased by 13% excluding bunker surcharges while reported revenue increased by 8% to DKK 1,349m compared to 2015. EBIT before special items increased by 57% to DKK 363m.

Freight volumes increased by 15% and by 11% adjusted for the addition of a new route, Paldiski-Hanko, in October 2016. The overall freight rate level was somewhat higher than in 2015. Volumes were in Q1 2016 boosted by a dispute regarding road permits between Poland and Russia

ACTIVITIES AND BUSINESS MODEL
DFDS' Shipping Division operates one of the largest networks of ferry routes in Northern Europe providing both freight and passenger services.

Freight shipping services
The routes are ideally located to service the freight volumes of forwarders, hauliers and manufacturers of heavy industrial goods. All routes operate on fixed, reliable schedules with a frequency adapted to customers' requirements.

Further visibility for customers is available by access to online tracking of shipments.

Bespoke shipping logistics solutions are developed in partnership with manufacturers of heavy goods such as automobiles, metals, paper and forest products, and chemicals.

To further enhance the efficiency of customer services, own port terminals are operated in strategic locations, including warehousing services.

Passenger ferry services
The route network offers both overnight and short crossings. Passenger cars are transported on all routes. The on board facilities are adapted to each route's particular mix of passengers and their requirements for enjoying maritime travel.

which led freight customers from road to sea. The capacity of the route between Germany and Lithuania was subsequently increased with larger ships and an additional weekly round-trip. From Q2, a third ship was deployed between Sweden and Lithuania following customer demand for more capacity.

The northern Baltic route between Sweden and Estonia continued to perform well driven by higher volumes with the Estonian market as the primary driver. In October 2016, a route between Paldiski in Estonia and Hanko in Finland was acquired. The conversion of the route between Germany and Russia to a space charter decreased volumes but eliminated the route's loss.

Passenger volumes increased by 7% and by 4% adjusted for the addition of Paldiski-Hanko. The German passenger market was the main growth driver in 2016.

CHANNEL
Revenue increased by 33% adjusted for currency changes and excluding bunker surcharges while reported revenue increased by 23% to DKK 2,288m compared to 2015. EBIT before special items increased by 99% to DKK 394m.

Freight volumes increased by 36% and passenger volumes increased by 18% driven by 37% more sailings. The growth was entirely driven by the Dover-Calais route as the number of sailings on Dover-Dunkirk decreased slightly in 2016. The increase in the number of sailings on Dover-Calais was due to the deployment of three ferries since February 2016 while the route was serviced by only one ferry in parts of 2015. The significant improvement of earnings was due to higher volumes and unit revenues more than offsetting the cost of deploying additional capacity.

The freight volumes of the total freight market on the Dover Strait increased by 5% compared to 2015 while the number of cars was 2% lower. The decrease in the number of passengers was higher at 4% due to fewer coaches.

FRANCE & MEDITERRANEAN
Revenue was flat adjusted for currency changes and excluding bunker surcharges while reported revenue decreased by 4% to DKK 481m compared to 2015. EBIT before special items increased by 119% to DKK 11m.

Freight volumes decreased by 2% and passenger volumes decreased by 3%. The lower volumes should be seen in context with the positive impact on volumes in 2015 from the disruptions on the Dover Strait. In addition, terrorist attacks and migrant issues in France also dampened the activity level during the year. The Tunisian freight market improved in 2016 and freight volumes increased by 6%.

The concession agreement of the Newhaven-Dieppe route runs until the end of 2017.

NORTH SEA, DKK M	**2016**	**2015**	**Δ**	**Δ %**
Revenue	3,365	3,402	-36	-1.1%
EBIT before special items	515	458	57	12.5%
Invested capital, average	4,168	4,368	-200	-4.6%
ROIC before special items, %	12.1	10.3	1.8	n.a.
Lane metres, '000	11,770	11,159	611	5.5%
BALTIC SEA, DKK M	**2016**	**2015**	**Δ**	**Δ %**
Revenue	1,349	1,254	95	7.6%
EBIT before special items	363	231	132	57.2%
Invested capital, average	1,203	1,148	55	4.8%
ROIC before special items, %	30.0	19.9	10.1	n.a.
Lane metres, '000	4,049	3,507	542	15.5%
Passengers, '000	373	349	25	7.0%
CHANNEL, DKK M	**2016**	**2015**	**Δ**	**Δ %**
Revenue	2,288	1,853	435	23.5%
EBIT before special items	394	198	196	98.8%
Invested capital, average	1,937	1,203	734	61.1%
ROIC before special items, %	20.3	16.4	3.8	n.a.
Lane metres, '000	20,325	14,923	5,402	36.2%
Passengers, '000	4,921	4,163	757	18.2%
FRANCE & MEDITERRANEAN, DKK M	**2016**	**2015**	**Δ**	**Δ %**
Revenue	481	501	-19	-3.9%
EBIT before special items	11	5	6	119.4%
Invested capital, average	-29	-36	6	-17.6%
ROIC before special items, %	n.a.	n.a.	n.a.	n.a.
Lane metres, '000	1,003	1,022	-19	-1.8%
Passengers, '000	353	362	-10	-2.7%
PASSENGER, DKK M	**2016**	**2015**	**Δ**	**Δ %**
Revenue	1,713	1,742	-29	-1.6%
EBIT before special items	253	219	35	15.9%
Invested capital, average	577	677	-100	-14.7%
ROIC before special items, %	43.1	31.3	11.8	n.a.
Lane metres, '000	634	586	48	8.2%
Passengers, '000	1,318	1,319	-1	-0.1%
NON-ALLOCATED ITEMS, DKK M	**2016**	**2015**	**Δ**	**Δ %**
Revenue	488	522	-33	-6.4%
EBIT before special items	77	69	7	10.6%

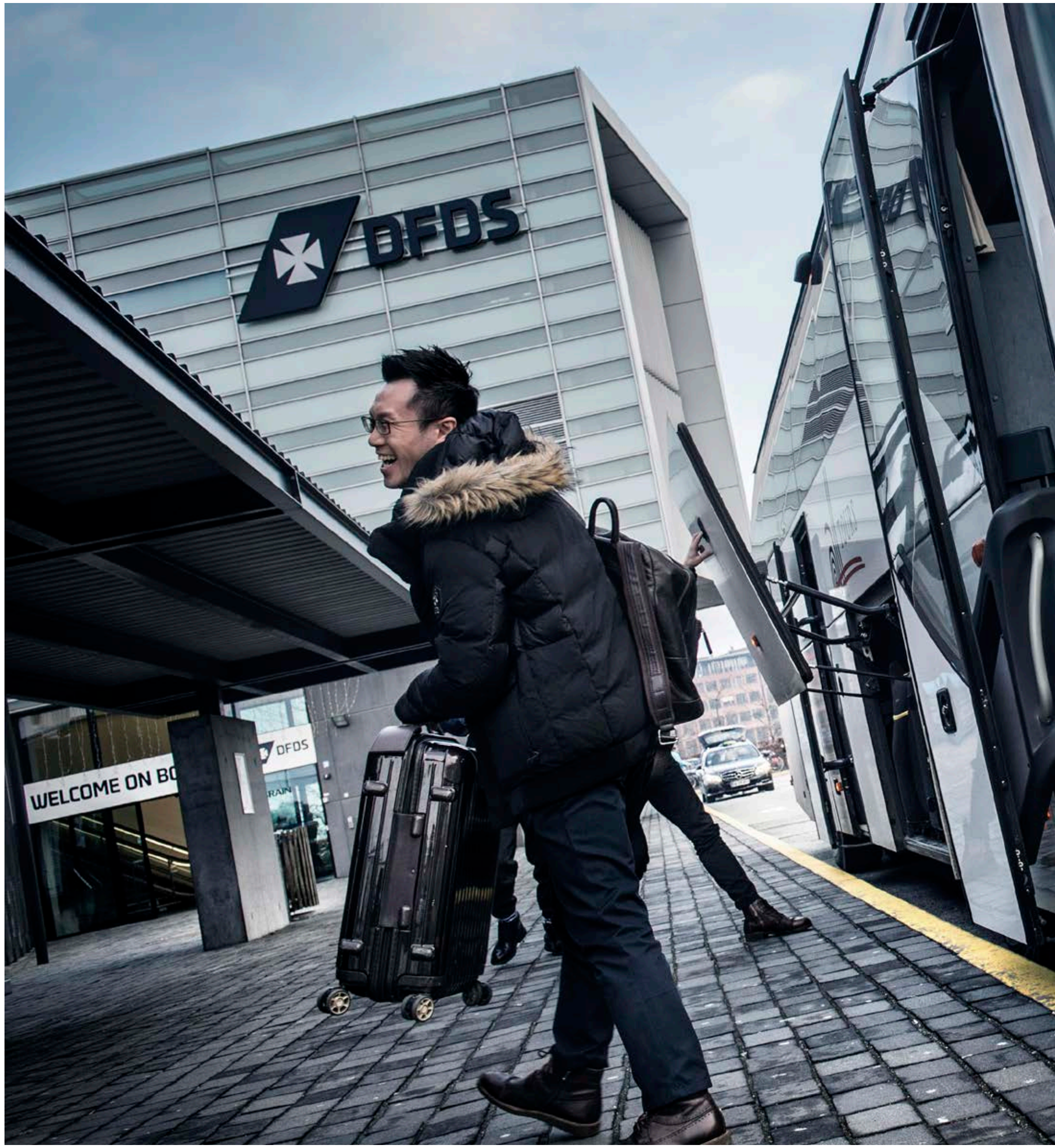
PASSENGER

Revenue was flat adjusted for currency changes and excluding bunker surcharges while reported revenue decreased by 2% to DKK 1,713m compared to 2015. EBIT before special items increased by 16% to DKK 253m.

Passenger volumes were on par with 2015 on both routes. On Copenhagen-Oslo, the passenger mix changed as the share of overseas passengers was increased to offset weaker demand from the Norwegian market. On Amsterdam-Newcastle, volume growth in the UK stalled following the depreciation of GBP in June 2016. This was, however, balanced by growth in the number of passengers from the Continent. Despite the limited growth in revenue, the overall result was improved by a considerable saving on bunker cost due to a lower oil price.

NON-ALLOCATED ITEMS

Non-allocated items primarily include activities concerning chartering out of ships not deployed in the route network, including defence charter contracts. Revenue decreased by 6% to DKK 488m compared to 2015 due to the transfer of a ship from external to internal deployment while EBIT before special items increased by 11% to DKK 77m mainly due to a provision for counterparty risk in 2015.



SHIPPING DIVISION ACTIVITY OVERVIEW

	NORTH SEA	BALTIC SEA	CHANNEL	FRANCE & MEDITERRANEAN	PASSENGER
Head of business unit	Kell Robdrup (South) Morgan Olausson (North)	Anders Refsgaard	Kasper Moos	Peder Gellert Pedersen	Brian Thorsted Hansen
Share of Division's revenue 2016[1]	36%	14%	24%	5%	18%
Routes	• Gothenburg-Brevik/Immingham • Gothenburg-Brevik/Ghent • Esbjerg-Immingham • Cuxhaven-Immingham • Vlaardingen-Felixstowe • Vlaardingen-Immingham • Rosyth-Zeebrugge	• Fredericia/Copenhagen-Klaipeda • Karlshamn-Klaipeda • Kiel-Klaipeda • Kiel-St. Petersburg/Ust Luga • Kapellskär-Paldiski • Paldiski-Hanko	• Dover-Dunkirk • Dover-Calais	• Marseille-Tunis • Newhaven-Dieppe	• Copenhagen-Oslo • Amsterdam-Newcastle
Ships	• 19 ro-ro ships	• 2 ro-ro ships • 7 ro-pax ships	• 6 short sea ferries	• 1 ro-ro ship • 2 ro-pax ships	• 4 passenger ships
Port terminals	• Esbjerg • Ghent • Gothenburg (joint venture) • Immingham • Vlaardingen		• Dunkirk		• Copenhagen
Main customer segments	• Forwarders & hauliers • Manufacturers of heavy industrial goods (automotive, forest and paper products, metals, chemicals) • RDF (refuse derived fuel)	• Forwarders & hauliers • Manufacturers of heavy industrial goods (automotive, forest products, metals) • Car passengers	• Forwarders & hauliers • Car passengers • Coach operators	• Forwarders & hauliers • Car passengers • Coach operators	• Mini Cruise passengers • Car passengers • Business conferences • Forwarders & hauliers
Main market areas	• Benelux • Denmark • Germany • Norway • Sweden • UK	• Baltic States • Denmark • Germany • Russia • Sweden	• Continental Europe • UK	• Continental Europe • Tunisia • UK	• Benelux • Denmark • Germany • Norway • Sweden • Overseas markets • UK
Main competitors	• Cobelfret • Container, road and rail transport • P&O Ferries • SOL • Stena Line	• Road and rail transport • Stena Line • Tallink Silja • Transrussia Express (Finnlines) • Transfennica	• Brittany Ferries • Eurotunnel • P&O Ferries	• Brittany Ferries • CMA-CGM • Cotunav • SNCM	• Airlines and road transport • Color Line • P&O Ferries • Stena Line

[1]Revenue shares do not add up to 100% as Non-allocated items and eliminations are not included in the table

Logistics Division

Logistics Division

Head of division
Eddie Green

Share of DFDS Group revenue 2016
36%

Business areas
- Nordic
- Continent
- UK & Ireland

- EBITDA increased by 8%
- Growth in contract logistics key driver of improvement
- More focus on premium services
- Depreciation of GBP reduced result
- Two acquisitions completed in Q4

LOGISTICS DIVISION, DKK M	2016	2015	Δ	Δ %
Revenue	4,930	5,034	-104	-2.1%
EBITDA before special items	252	234	18	7.8%
Profit/loss on disposal of non-current assets, net	4	4	0	2.4%
Depreciation and impairment	-94	-95	1	-0.7%
EBIT before special items	161	143	19	13.3%
EBIT-margin before special items, %	3.3	2.8	0.4	n.a.
Special items, net	0	9	-8	n.a.
EBIT	162	151	11	7.0%
Invested capital, average	1,084	1,104	-21	-1.9%
ROIC before special items, %	13.4	11.9	1.5	n.a.
Tons, '000	427.2	403.1	24.1	6.0%
Units, '000	522.3	453.9	68.4	15.1%

The Logistics Division's revenue increased by 2% adjusted for currency changes while reported revenue decreased by 2% to DKK 4,930m compared to 2015. EBIT before special items increased by 13% to DKK 161m.

The return on invested capital, ROIC, before special items increased to 13.4% in 2016 from 11.9% in 2015. Average invested capital decreased by 2% to DKK 1,084m.

NORDIC
Revenue decreased by 3% to DKK 1,613m compared to 2015 while EBIT before special items increased by 23% to DKK 53m.

The forwarding markets of the Scandinavia–UK corridors were in general challenging in 2016 with declining volumes and rates and higher imbalances. This was, however, offset by increasing activity in contract logistics. The Swedish activities were the main driver of the increase in earnings, including growth in automotive logistics contracts and premium door-door customer services. The Norwegian full-load and container activities also improved earnings while port terminals struggled with lower activity levels. The result of the Baltic activities improved driven by construction logistics contracts.

The focus on premium services was strengthened by the acquisition in December 2016 of Italcargo that provides express transit time in the market between Sweden and Italy.

CONTINENT
Revenue increased by 2% to DKK 1,957m compared to 2015 and EBIT before special items increased by 43% to DKK 47m.

The higher result was driven by higher volumes and further optimisation of the forwarding activities in both the Netherlands-UK and Belgium-Scandinavia corridors. Volumes and earnings also increased in the Germany-UK corridor driven by automotive logistics contracts and higher container volumes.

The door-door container volumes between Benelux and Ireland were on par with 2015 but earnings were reduced by increasing costs for charter hire. The result for the Italian activities was improved but is still not satisfactory. The activities in the Czech Republic continued to grow strongly.

ACTIVITIES AND BUSINESS MODEL

DFDS Logistics provides flexible, cost efficient and on-time, door-door transport solutions to producers of a wide variety of consumer and industrial goods.

The main activity is the transport of full- and part-loads, both ambient and temperature-controlled.

In close partnership with retailers and producers, performance enhancing and cost efficient logistics solutions are developed and provided, including warehousing services and just-in-time concepts.

All solutions are supported by a European network of road, rail and container carriers and, not least, DFDS' network of ferry routes.

In some business areas, the carrier network is supplemented with own drivers and trucks.

The business model ensures flexible solutions that fit customer requirements and allows for fast reactions to changes in market conditions.

UK & IRELAND

Revenue increased by 6% adjusted for currency changes while reported revenue decreased by 6% to DKK 1,494m compared to 2015. EBIT before special items decreased by DKK 5m or 8% to DKK 61m as the currency impact on EBIT was negative by DKK 10m due to the depreciation of GBP.

During the first half of the year the alignment into a country structure for the temperature-controlled seafood activities was completed. To further develop the temperature-controlled seafood activities, Shetland Transport, based in Lerwick, Shetland, was acquired in November 2016.

The contract logistics activities in mid-England expanded with two new cold store contracts and together with higher revenues from existing customers, earnings improved in 2016.

The forwarding activities based in Belfast improved results in the first half-year but this was offset by more challenging markets in the second half-year. Shortage of drivers continues to be a limiting factor and to mitigate this 25 own drivers were employed from July by taking over a supplier of haulage.

The service level of the rail activities between UK and Italy was considerably improved by the introduction of a new solution which resulted in a turnaround in earnings. The UK steel contracts suffered due to depressed volumes throughout the year following a downturn in the steel sector.

NON-ALLOCATED ITEMS

Revenue of non-allocated items is mainly related to an internal trailer and equipment pool.

NORDIC, DKK M	2016	2015	Δ	Δ %
Revenue	1,613	1,659	-46	-2.8%
EBIT before special items	53	43	10	23.3%
Invested capital, average	319	342	-22	-6.5%
ROIC before special items, %	16.2	12.2	3.9	n.a.
Units, '000	119.4	113.6	5.8	5.1%
Tons, '000	427.2	403.1	24.1	6.0%

CONTINENT, DKK M	2016	2015	Δ	Δ %
Revenue	1,957	1,918	39	2.0%
EBIT before special items	47	33	14	42.9%
Invested capital, average	339	326	13	4.1%
ROIC before special items, %	11.5	9.9	1.6	n.a.
Units, '000	223.0	212.1	10.9	5.2%

UK & IRELAND, DKK M	2016	2015	Δ	Δ %
Revenue	1,494	1,593	-98	-6.2%
EBIT before special items	61	66	-5	-8.0%
Invested capital, average	426	437	-11	-2.5%
ROIC before special items, %	12.8	13.0	-0.2	n.a.
Units, '000	179.8	128.2	51.6	40.3%

NON-ALLOCATED ITEMS	2016	2015	Δ	Δ %
Revenue	201	189	11	6.1%
EBIT before special items	0	0	0	n.a.

LOGISTICS DIVISION ACTIVITY OVERVIEW

	NORDIC	CONTINENT	UK & IRELAND
Head of business unit	Niklas Andersson	Jens Antonsen	Allan Bell / Steve Macaulay
Share of Logistics Division's revenue, 2016[1]	33%	40%	30%
Main Activities:	Door-to-door full & part load transport solutions: • Sweden/Denmark/Norway-UK • Sweden/UK/Germany/Denmark/Norway-Baltic/Russia/CIS	Door-to-door full & part load transport solutions: • Holland-UK/Ireland • Germany-UK/Italy • Belgium/France-UK • Belgium/France-Scandinavia • Italy-Scandinavia/Benelux/UK • Czech – UK/Ireland	Door-to-door full & part load transport solutions: • Northern Ireland-UK • UK-Continent • UK
	Paper shipping logistics, incl. containers: • Norway-Hamburg-Norway • Norway-Zeebrugge-Immingham-Norway	Door-to-door container transport solutions: • Holland-UK/Ireland • Germany-UK/Norway/Italy • Italy-Benelux/UK/Ireland • Czech-UK/Ireland • Spain-UK/Ireland	Logistics solutions: • UK/Ireland domestic • UK-Continent • Northern Ireland retail distribution • Seafood distribution network • Warehousing • 4PL Contracts
	Contract Logistics (Arendal) Haulage service (JIT: just in time)		
	Door-to-door container transport solutions: • Norway-UK • Norway-Continent	Door-to-door rail transport solutions: • Italy-Scandinavia/UK/Germany/Benelux	Door-to-door container transport solutions: • Ireland/UK-Spain
	Door-to-door rail transport solutions: • Nordic-Italy • Sweden-Baltic/Russia/CIS	Warehousing UK & Italy • 4PL contracts • Automotive (JIT) contracts	
Equipment	• Joint Nordic/Continent equipment pool: • 3,202 trailers • 3,099 containers • 319 swap bodies Outside equipment pool: • 194 trailers • 74 trucks • 2 sideport vessels	• Joint Nordic/Continent equipment pool: • 3,202 trailers • 3,099 containers • 319 swap bodies Outside equipment pool: • 29 trucks	Outside equipment pool: • 1,047 trailers • 299 trucks • 1 chartered container ship and vessel sharing agreements
Warehouses	• Gothenburg • Moss • Karlshamn • Ventspils • Liepaja • Brevik	• Fagnano (Milan) • Rotterdam • Ghent • Prague	• Peterborough • Immingham • Larkhall • Aberdeen • Belfast • Grimsby • Bellshill • Lerwick, Shetland
Sales offices	• Oslo • Gothenburg • Kotka • Copenhagen • Moss • Brevik • Fredericia • Karlshamn • Lilla Edet • Liepaja	• Hamburg • Ghent • Bruges • Rotterdam • Fagnano (Milan) • Prague • Bilbao • Valencia	• Aberdeen • Peterborough • Immingham • Larkhall • Bellshill • Belfast • Grimsby • Boulogne Sur Mer • Newlyn • Dublin • Lerwick, Shetland
Customer segments	• Manufacturers of heavy industrial goods (automotive, paper), consumer goods, chemicals and temperature controlled goods • Retailers • Third party container operators • Contract management	• Manufacturers of heavy industrial goods (automotive, paper), consumer goods, chemicals and temperature controlled goods • Retailers • Forwarders • Contract management	• Frozen, chill and ambient cargo for retailers/manufacturers • Aquaculture producers • Contract management
Primary competitors	• NTEX • DSV • Schenker • Blue Water • Lo-Lo, container & sideport carriers • Green Carrier	• Cobelfret • P&O Ferrymasters • LKW Walter • European forwarders • Samskip • Lo-Lo container carriers	• McBurney • MacAndrews • Sawyers Transport • ACS&T

[1]Revenue shares do not add up to 100% as Non-allocated items and eliminations are not included in the table.

Risk Factors

Risk management is an integral part of DFDS' management processes. Risks and opportunities are regularly reviewed and reported to the Board of Directors for appropriate responses and actions

GENERAL AND SPECIFIC OPERATIONAL RISKS

Macro-economic and market risks
Risks of major fluctuations in earnings caused by market changes and changes in economic growth are highest for the Group's shipping activities and lowest for the transport and logistics activities. The difference in risk profile is due to a high share of fixed costs in ferry shipping as opposed to a high share of variable costs in transport and logistics as the majority of transport services is subcontracted to external carriers. This entails more flexibility to adapt activities to changes in demand.

The demand for ferry shipping of freight and passengers is reflected in customer volumes, which in turn are impacted by the general state of the economy and changes in economic variables such as exchange rates. Decreasing demand can lead to overcapacity, which can be remedied by reducing frequency of departures, replacing incumbent ships with smaller ships or by removing a ship from a route or, ultimately, by route closure. Overcapacity tends to increase downward pressure on prices and, hence, entails a risk of lower profitability.

Partly in order to counteract cyclical demand risk, part of the freight fleet is chartered. DFDS aims to charter a share of the fleet on contracts of shorter duration with options for extensions as this facilitates opportunities for redelivery of ships at a few months' notice.

All passenger ferries in the fleet are owned by DFDS limiting the options for adapting passenger capacity in the short term. DFDS' container activities mainly deploy chartered ships through vessel sharing and slot charter agreements with container shipping companies, which provides flexibility. To a large extent, DFDS' logistics activities lease equipment.

DFDS' geographic diversification across mostly northern Europe, including activities related to Russia and adjacent countries, reduces dependence on individual markets. In addition, the diversified route network and logistics activities balance commercial risks, including opportunities for reallocation of ships between routes.

Freight and passenger shipping markets can, moreover, be impacted by changes in market conditions faced by competing transport modes such as road, rail and air – the latter mainly impacts the passenger sector.

In addition, markets are impacted by changes in local and regional competition, such as the opening or closing of competing routes and capacity increases on existing routes. On a few routes, a significant proportion of freight volumes are derived from a few industrial customers. Risks inherent in such relationships are mitigated by multi-ple-year customer contracts that also reflect investment requirements to service such contracts.

The shipping charter market and new buildings
DFDS charters mainly freight ships for varying periods. Such charters are subject to price risks (charter rates) and risks concerning availability of ships that fit operational requirements. Similar risks, including counterparty risks, are relevant when chartering out excess ships. In addition, there is a price risk related to the timing of acquiring or ordering ships. In connection with the ordering of ships, there is a default risk related to the shipyards constructing the ships, which can lead to additional costs, including delayed delivery.

Due to the ongoing process of replacing and renewing the fleet, the sale of ships or the cancellation of new building contracts may result in gains or losses and costs that are not anticipated in annual profit forecasts.

Risks associated with business development and investment
DFDS' growth strategy embodies business development and investment risks. This is both related to organic growth from investment in ships and growth driven by acquisition of companies and activities. The most important risk associated with organic growth is related to the expansion of capacity on a route by deployment of a larger ship(s).

The acquisition of companies and activities involves significant risks that are proportionate to the size of the investment and the complexity of a subsequent integration process. Risks associated with business development ventures are managed by thorough planning and decision-making processes governed by internal policies and guidelines for investment decisions, including a required rate of return on investments.

Operational, security and environmental risks
The main operational risks are associated with ships and port terminals. Technical problems and accidents may lead to unplanned periods in dock, interruption of sailing schedules, and loss of revenue. Replacement tonnage can usually be deployed at short notice through chartering. In order to minimise operational risks, DFDS has a systematic and comprehensive maintenance programme in place for all ships, including regular docking schedules. In addition, extreme weather conditions can cause delays and cancellations, and strikes in ports can also disrupt services.

DFDS deploys freight and passenger ships, port terminals, warehouses and cargo-carrying equipment, all of which are subject to the usual safety risks associated with equipment of this type. These risks are controlled and minimised partly through compliance with safety requirements and routines, as well as preventative work, and partly through insurance against risk.

More information on health and safety is available from
www.dfds.com/group/about/responsibility

Environmental and safety measures are based on DFDS' environmental and safety policies, as well as rules and regulations and customer requirements. Changes in these factors can increase costs. The Group is insured against personal injury and environmental risks in line with industry standards, and participates in preparatory legislative procedures through industry organisations.

More information on environmental risks is available from
www.dfds.com/group/about/responsibility

Digital disruption
New digital business models or platforms are emerging within the logistics industry. Such platforms primarily seek to digitise the intermediary role between manufacturers and end users that today is managed by freight forwarders. To compete with such platforms, DFDS is developing digital solutions for freight customers and monitoring changes in the business environment closely in order to protect activities and exploit business development opportunities.

There are no perceived imminent digital threats related to ferry route operations, although a number of digital solutions are being implemented and developed to enhance the customer experience for both freight customers and passengers.

IT risks
Disruptions to critical systems through breakdowns or virus and other cyber attacks can impact commercial operations negatively. The scope of such risks is reduced by constant monitoring of systems, installation of back-up systems and having proven procedures in place to restore functionality of systems.

Information security risks are related to the handling of data for passengers and freight customers. Such risks are mitigated by internal controls and adherence to rules and regulations governing information security.

POLITICAL AND LEGAL RISKS
DFDS' activities are impacted by changes in rules and regulations governing the shipping and transport sector, as well as changes in the overall conditions that impact Europe's infrastructure. In addition to political bodies, DFDS is subject to International Maritime Organization (IMO) conventions. The IMO is the UN body responsible for maritime issues, primarily safety and environment.

Changes in the above rules and regulations can have negative financial consequences, including higher costs and changes in the travel patterns of passengers and routing of freight, including the distribution between sea and land transport.

Other significant political risks concern changes to taxation arrangements for staff at sea, the outcome of the UK's Brexit-negotiations with the EU, the abolition of duty-free sales on ferry trips from Norway if the country were to join the EU, cancellation of applicable VAT exemptions and changes to tonnage tax schemes. DFDS actively monitors these issues, including by participating in industry organisations.

BUNKER RISK
The cost of bunker was DKK 1.0bn in 2016 equal to 9% of the Group's operating costs. 87% of the bunker consumption is commercially hedged through bunker clauses (BAF: bunker adjustment factor) in freight customer contracts. Hedging of USD is included in BAF. The remaining consumption is consumed on passenger routes and financially hedged as appropriate.

In 2017, the consumption of bunker is expected to amount to around 480,000 tons. Currently, around 35% of the bunker consumed on passenger routes is financially hedged. A price change of 1% compared to the price level at year-end 2016 is expected to impact operating profit by around DKK 1.5m in 2017.

FINANCIAL RISKS
DFDS is exposed to a range of financial risks related primarily to changes in exchange rates and interest rates. DFDS is also exposed to liquidity risks in terms of payments and counterparty risk. These risks are reported in Note 26 on p 56.

The DFDS Share and Shareholders

The total return on the DFDS share was 23% in 2016

Share capital
DFDS has one class of shares. At the end of 2016, the share capital was DKK 1,200m comprising 60,000,000 shares, each with a nominal value of DKK 20. In accordance with DFDS' share buyback programme 1.5m shares were cancelled on 11 May 2016.

Stock exchange trading
The DFDS share is listed on Nasdaq Copenhagen where 23.6m DFDS shares were traded in 2016 equal to an annual turnover of DKK 6.9bn compared to DKK 3.7bn in 2015. The average number of trades per day was 1,030 compared to 548 in 2015 and the average daily turnover was DKK 26m compared to DKK 15m in 2015. The DFDS share is part of the Large Cap index.

Share price performance and yield
DFDS' share price rose by 21% to DKK 323 in 2016. The total market value at the end of the year was DKK 18.4bn, excluding treasury shares. By comparison, the Danish stock market's all share index decreased by 8% in 2016.

The total yield on the DFDS share was 6.9% in 2016 consisting of a combination of dividend yield and buyback of shares.

Distribution policy
DFDS' distribution policy is to pay dividend semi-annually. This facilitates a faster return of capital to shareholders and aligns dividend payments with DFDS' seasonal cash flow cycle that peaks during the third quarter, which is the high season for passenger travel.

In addition, excess capital, as determined by the leverage target, can be distributed through share buybacks and/or dividends.

Leverage is defined by the ratio of net interest-bearing debt (NIBD) to operating profit before depreciation (EBITDA). The targeted leverage is a NIBD/EBITDA-multiple of between 2.0 and 3.0. The targets can be exceeded in connection with large investments, including acquisitions, and other strategic events.

Dividend proposal
The Board of Directors proposes to the 2017 annual general meeting (AGM) a dividend of DKK 3.00 per share. In addition, the Board of Directors plan to distribute a further dividend of DKK 5.00 per share in August 2017.

SHARE RELATED KEY FIGURES	2016	2015	2014	2013	2012
Share price, DKK					
Price at year-end	322.6	267.0	118.2	87.4	51.1
Price high	359.9	282.0	118.2	91.1	77.2
Price low	211.1	121.0	80.8	52.4	51.6
Market value year-end, DKK m	18,405	15,840	7,177	5,559	3,706
No. of shares year-end, m	60.0	61.5	63.3	74.3	74.3
No. of circulating shares year-end, m	57.1	59.3	60.7	63.6	72.5
Distribution to shareholders, DKK m					
Dividend paid per share, DKK	6.0	5.4	2.8	2.8	2.8
Total dividend paid ex. treasury shares	349	326	177	203	203
Buyback of shares	914	401	295	628	0
Total distribution to shareholders	1,263	727	472	831	203
FCFE yield, %	7.5	9.7	2.6	7.5	28.3
Total distribution yield, %	6.8	4.6	6.5	14.8	5.4
Cash payout ratio, %	91.4	47.0	253.8	197.2	19.1
Shareholder return					
Share price change, %	20.8	125.9	35.2	71.0	-28.0
Dividend return, %	2.2	4.6	3.2	5.5	3.9
Total shareholder return, %	23.1	130.5	38.4	76.5	-24.1
Share valuation					
Equity per share, DKK	116.3	105.4	100.0	98.5	95.0
Price/book value, times	2.77	2.53	1.18	0.76	0.52

OWNERSHIP STRUCTURE, END OF 2016	
Lauritzen Foundation	41.4
Institutional shareholders	41.4
Other registered shareholders	8.2
Treasury shares	4.9
Non-registered shareholders	4.1
Total	100.0

With reference to §29 in the Danish Securities Trading Act, the Lauritzen Foundation domiciled in Copenhagen, Denmark, has notified DFDS A/S that it holds more than 5% of the share capital and voting rights of the company.

SHAREHOLDER DISTRIBUTION

No. of shares	NO. OF SHAREHOLDERS	% OF SHARE CAPITAL
1-50	4,756	0.2
51-500	7,808	2.4
501-5000	2,028	4.4
5001-50000	311	8.8
50001-	107	80.1
Total*	15,010	95.9

* Total of registered shareholders

Distribution to shareholders
At the AGM in March 2016, the Board of Directors received a mandate to purchase treasury shares totalling a maximum of 10% of the share capital.

In 2016, DFDS distributed a total of DKK 1,263m to shareholders. DKK 914m was distributed through share buybacks, including a buyback in February 2016 of DKK 400m structured as an auction. Dividends totalled DKK 349m of which DKK 175m was paid in April and DKK 174m was paid in August.

Two new share buybacks totalling DKK 800m were announced on 7 February 2017.

Shareholders
At the end of 2016, DFDS had 15,010 registered shareholders who owned 96% of the share capital. International shareholders owned 31% (2015: 31%) of the total registered share capital.

The Lauritzen Foundation was the largest shareholder with a holding of 41% of the total share capital at the end of 2016.

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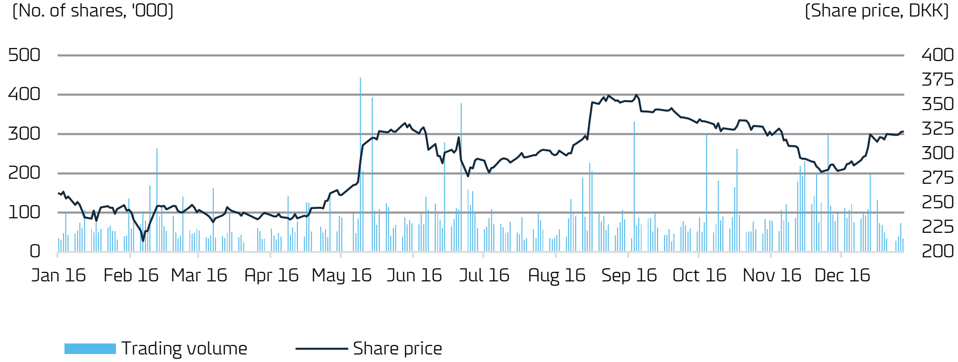
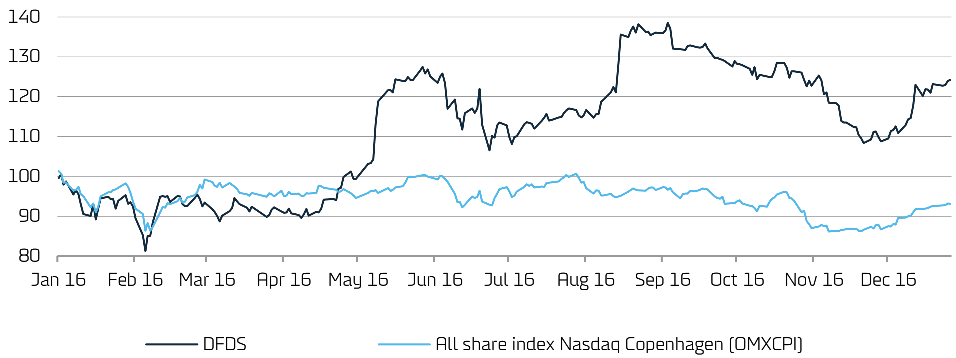
DFDS SHARE PRICE AND TRADING VOLUME, 2016



SHARE PRICE PERFORMANCE RELATIVE TO COPENHAGEN ALL SHARE INDEX 2016



COMPANY ANNOUNCEMENTS 2016

DFDS released 79 company announcements in 2016, of which the most important are listed below. A complete list of announcements is available at www.dfdsgroup.com/investors/announcementsuk/

ALL DFDS' EMPLOYEES BECOME SHAREHOLDERS	16/12/2016
FINANCIAL CALENDAR 2017	08/12/2016
INTERIM REPORT Q3 2016: EARNINGS FURTHER INCREASED IN Q3	15/11/2016
ACQUISITION STRENGHTENS LOGISTICS NETWORK IN SCOTLAND	14/11/2016
ORDER OF TWO FREIGHT SHIPS (RO-RO) BOOSTS EFFICIENCY	30/09/2016
ROUTE ACQUISITION APPROVED	28/09/2016
BALTIC ROUTE NETWORK EXPANDED	01/09/2016
NEW SHARE BUYBACK OF UP TO DKK 350M	18/08/2016
INTERIM REPORT Q2 2016	18/08/2016
SHARE BUYBACK WEEK 33 2016 AND COMPLETION OF PROGRAMME	16/08/2016
SHARE CAPITAL AND VOTES PER 31 MAY 2016	31/05/2016
OPTION EXERCISED FOR RO-PAX WITH STRONG FIT IN BALTIC ROUTE NETWORK	31/05/2016
ROUTE NETWORK CAPACITY BOOSTED BY TWO CHARTERED NEW BUILDINGS	18/05/2016
REPORTING OF TRANSACTIONS IN DFDS' SHARES AND ASSOCIATED SECURITIES BY SENIOR EMPLOYEES	13/05/2016
INTERIM REPORT Q1 2016	12/05/2016
MAJOR SHAREHOLDER ANNOUNCEMENT	11/05/2016
REDUCTION OF SHARE CAPITAL COMPLETED	11/05/2016
MAJOR SHAREHOLDER ANNOUNCEMENT	07/04/2016
DFDS A/S – SUMMARY OF ANNUAL GENERAL MEETING, 31 MARCH 2016	31/03/2016
REPORTING OF TRANSACTIONS IN DFDS' SHARES AND ASSOCIATED SECURITIES BY SENIOR EMPLOYEES AND THEIR RELATED PARTIES	26/02/2016
NOTICE CONVENING THE 2016 ANNUAL GENERAL MEETING OF DFDS A/S	26/02/2016
DFDS´ ANNUAL REPORT 2015	26/02/2016
AWARD OF SHARE OPTIONS	25/02/2016
RESULT OF SHARE BUYBACK COMPLETED ON 24 FEBRUARY 2016	25/02/2016
REPORTING OF TRANSACTIONS IN DFDS' SHARES AND ASSOCIATED SECURITIES BY SENIOR EMPLOYEES	16/02/2016
REPORTING OF TRANSACTIONS IN DFDS' SHARES AND ASSOCIATED SECURITIES BY SENIOR EMPLOYEES AND THEIR RELATED PARTIES	12/02/2016
LAUNCH OF TWO NEW SHARE BUYBACK PROGRAMMES OF UP TO DKK 650M	12/02/2016
REPORTING OF TRANSACTIONS IN DFDS' SHARES AND ASSOCIATED SECURITIES BY SENIOR EMPLOYEES	12/02/2016
INTERIM REPORT Q4 & YEAR-END 2015	12/02/2016

Financial Review

The earnings level was raised considerably in 2016. Revenue increased to DKK 13.8bn and EBITDA increased by 27% to DKK 2.6bn. Financial gearing was unchanged after a positive free cash flow of DKK 1.5bn

DFDS' activities are organised in two divisions: the Shipping Division, which operates five business units, and the Logistics Division, which operates three business units. Non-allocated items consist of corporate costs not allocated to either division.

In order to provide a more transparent view of income and expenses, larger items that are considered not to have a recurring nature are classified separately as special items in the income statement.

Revenue
Reported revenue increased by 2.4% to DKK 13,790m in 2016 and by 7.8% adjusted for currency changes and excluding revenue from bunker surcharges.

The Shipping Division's revenue increased by 4.4% to DKK 9,468m and by 7.7% adjusted for currency changes and excluding revenue from bunker surcharges. The growth was driven by 20.6% higher freight volumes while the number of passengers increased by 12.4%. On business unit level, the main driver of the revenue growth was the growth of 23.5% in Channel where revenue increased following an expansion of capacity following the addition of two ferries in February 2016. The other major growth area was Baltic Sea where capacity likewise was expanded during the year and a new route was acquired in October 2016.

The Logistics Division's revenue of DKK 4,930m decreased by 2.1% and increased by 2.4% adjusted for currency changes and excluding revenue from bunker surcharges. Nordic's revenue decreased mainly due to lower activity in forwarding which was partly offset by increased contract logistics revenue. Continent's revenue growth was mainly driven by the full-year impact of an automotive logistics contract. UK & Ireland's revenue increased in local currency primarily driven by additional contracts for cold store logistics.

EBITDA before special items
Operating profit before depreciation, EBITDA, and special items increased by 27% to DKK 2,588m.

The Shipping Division's EBITDA increased by 28% to DKK 2,439m. The increase was supported by higher earnings in all business units, particularly in Channel and Baltic Sea. The capacity increase and higher volumes in combination with improved unit revenues raised Channel's result. Capacity was likewise increased in Baltic Sea to accommodate higher volumes, including additional volumes in Q1 as Polish driving permits were restricted by a border conflict with Russia. The result of Passenger was helped by lower bunker costs.

REVENUE

REVENUE, DKK M	2016	2015	Δ %	Δ
Shipping Division	9,468	9,071	4.4	397
Logistics Division	4,930	5,034	-2.1	-104
Eliminations etc.	-608	-631	-3.8	24
DFDS Group	**13,790**	**13,473**	**2.4**	**317**

EBITDA BEFORE SPECIAL ITEMS

DKK M	2016	2015	Δ %	Δ
Shipping Division	2,439	1,906	28.0	533
Logistics Division	252	234	7.7	18
Non-allocated items	-103	-99	4.3	-4
DFDS Group	**2,588**	2,041	26.8	547
EBITDA-margin, %	18.8	15.1	n.a.	3.6

The Logistics Division's EBITDA increased by 8% to DKK 252m. Earnings improved in the Nordic and Continent business units while the depreciation of GBP reduced earnings in UK & Ireland. Higher earnings for contract logistics activities was a main driver of the increase in earnings but also forwarding activities contributed to the growth, especially the activities in the Netherlands and Belgium.

The cost of non-allocated items increased to DKK -103m from DKK -99m in 2015.

Associates and profit on sale of assets
The share of loss in associates and joint ventures was DKK -3m, an improvement of DKK 9m mainly related to the port terminal activity Gothenburg RoRo. Profit on the sale of non-current assets amounted to DKK 8m.

Depreciation, impairment and EBIT
Total depreciation and impairment increased by 14% to DKK 950m mainly due to higher ship depreciations from additional ferries on the Channel, the purchase of a ship and resumed depreciation on a ship that was previously held for sale.

The Group's EBIT before special items increased by 37% to DKK 1,644m.

Special items and EBIT
Special items in 2016 was a net cost of DKK 13m primarily related to adjustments of earn-out agreements. More information on special items is available in Note 7 on p 45.

Operating profit, EBIT, after special items was DKK 1,631m, an increase of 40%.

Financing
The net cost of financing was DKK 43m, a reduction of DKK 52m compared to 2015 adjusted for an income of DKK 25m from the sale of shares in Danish Ship Finance. The majority of the decrease was due to a positive variance between a net currency gain in 2016 and a net currency loss in 2015. Moreover, the net interest cost was lower.

Tax and the annual result
The profit before tax for 2016 was DKK 1,588m, an improvement of 52% compared to 2015.

The shipping activities of the DFDS Group are covered by tonnage tax schemes in Denmark, Norway, the Netherlands, Lithuania and France. The tax on the annual profit amounted to a total cost of DKK 39m. This includes DKK -25m of tax for the year and DKK -37m of deferred taxes. Adjustments to previous years' taxes amounted to a cost of DKK 7m and reversal of a write-down of deferred tax assets amounted to an income of DKK 40m. Changes to the rate of corporation tax generated a cost of DKK 10m.

The net annual result was DKK 1,548m, an increase of 53% compared to 2015.

Investments
Net investments in 2016 amounted to DKK 1,207m, of which DKK 956m were related to ships. The main items were DKK 296m for the exercise of a purchase option for a ro-pax ship, DKK 304m for ship upgrades, DKK 227m for dockings and DKK 128m related to newbuildings.

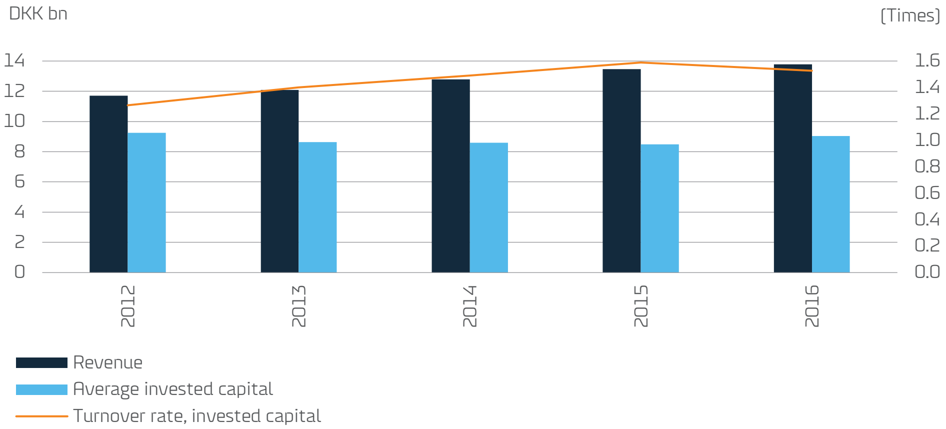
The remaining net investments of DKK 251m were primarily related to cargo carrying equipment, acquisitions and IT system development.

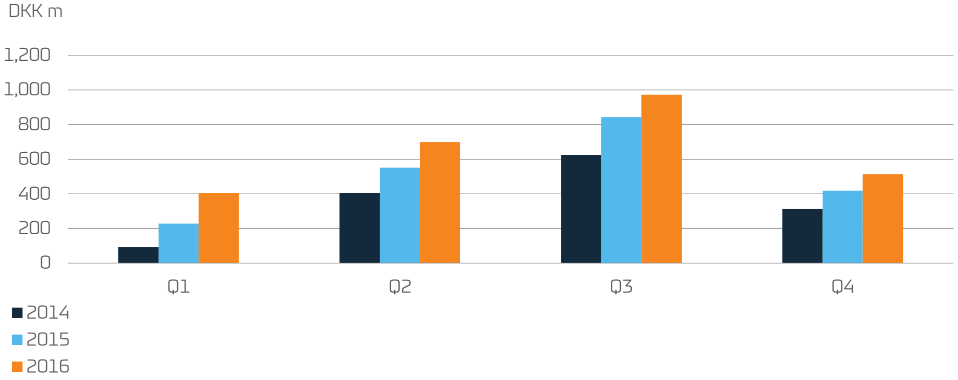
Assets, invested capital and return
Total assets amounted to DKK 13,004m at the end of the year which was an increase of 3% compared to 2015.

Net working capital, defined as inventory and trade receivables minus trade payables, was reduced from DKK 131m in 2015 to DKK 19m driven by the continued initiatives of the Light Capital project.

At year-end 2016, invested capital was DKK 9,205m, an increase of 10% compared to 2015. Calculated as an average, invested capital was DKK 9,037m in 2016, a 6% increase compared to 2015.

The return on invested capital, ROIC, was 17.7% in 2016 and 17.8% adjusted for special items.

REVENUE AND INVESTED CAPITAL


DFDS GROUP - EBITDA BEFORE SPECIAL ITEMS PER QUARTER


Financing and capital structure
At year-end 2016, interest-bearing debt was DKK 3,009m compared to DKK 2,952m at year-end 2015. Bonds constituted 36% of interest-bearing debt, mortgaged ship loans 28% and finance lease obligations 26%.

Net interest-bearing debt increased by 37% to DKK 2,424m. At year-end 2016, the ratio of net interest-bearing debt to EBITDA before special items was 0.9.

Cash flow
The gross cash flow from operations increased by 21% to DKK 2,683m due to higher earnings from operations and a further release of cash from working capital.

Following a cash flow from investment activities of DKK -1,207m, the free cash flow (FCFF) was DKK 1,455m.

The cash flow from financing activities was DKK -2,104m in 2016, of which DKK 1,263m was distributed to shareholders and DKK 493m was used for the repayment of a corporate bond.

The net cash flow of 2016 was DKK -723m and cash and cash equivalents decreased to DKK 696m.

Impairment test
Based on the impairment tests performed in 2016 of the Group's non-current intangible and tangible assets, no write-downs or reversals of prior years' write-downs are deemed necessary.

The impairment tests are described in greater detail in Note 35 on p 63.

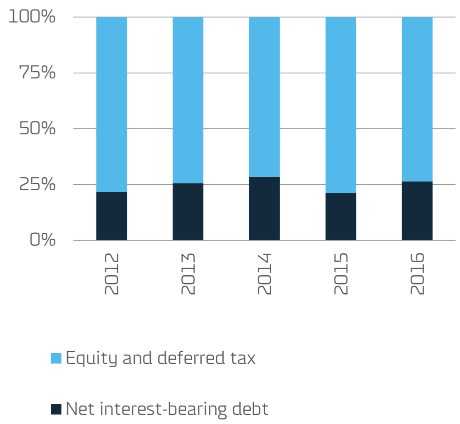
Equity
Equity amounted to DKK 6,685m at year-end 2016, including non-controlling interests of DKK 48m. This was an increase of DKK 155m compared to year-end 2015. Total comprehensive income for 2016 was DKK 1,348m while transactions with owners reduced equity by DKK 1,192m, including dividends of DKK 349m, share buybacks of DKK 914m and an income of DKK 64m from the sale of treasury shares related to the exercise of share options.

The equity ratio was 51% at year-end 2016 compared to 52% at year-end 2015.

Parent company key figures
The revenue of the parent company, DFDS A/S, was DKK 9,037m in 2016 and the profit before tax was DKK 1,531m. Total assets at year-end amounted to DKK 11,699m and the equity was DKK 4,750m.

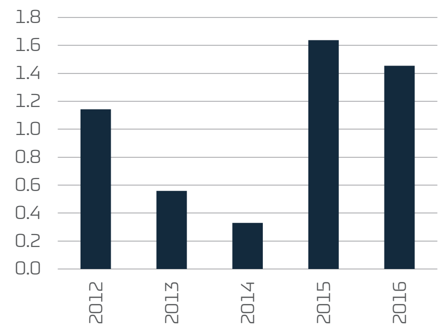
CAPITAL STRUCTURE

%-share of invested capital



FREE CASH FLOW, FCFF

DKK bn



Financial Statements

Consolidated

Income statement (1 January – 31 December)

DKK million

	Note	2016	2015
Revenue	1,2	13,790.4	13,473.5
Costs			
Operating costs	3	-7,333.2	-7,630.9
Charter hire		-564.5	-625.0
Employee costs	4	-2,607.9	-2,487.7
Cost of sales and administration	5	-696.6	-689.0
Total costs		*-11,202.2*	*-11,432.5*
Operating profit before depreciation (EBITDA) and special items		**2,588.2**	**2,041.0**
Share of profit/loss of associates and joint ventures	13	-3.0	-11.7
Profit on disposal of non-current assets, net	6	8.5	4.9
Depreciation, amortisation and impairment	11,12		
Depreciation ships		-760.8	-661.4
Depreciation other non-current assets		-174.3	-170.6
Impairment losses on ships and other non-current assets	12,35	-15.1	-2.8
Total depreciation and impairment		*-950.2*	*-834.8*
Operating profit (EBIT) before special items		**1,643.6**	**1,199.4**
Special items, net	7	-12.8	-35.5
Operating profit (EBIT)		**1,630.7**	**1,163.9**
Financial income	8	56.0	25.7
Financial costs	8	-99.1	-146.5
Profit before tax		**1,587.6**	**1,043.1**
Tax on profit	9	-39.3	-31.9
Profit for the year		**1,548.3**	**1,011.2**

DKK million

	Note	2016	2015
Profit for the year is attributable to:			
Equity holders of DFDS A/S		1,548.1	1,011.5
Non-controlling interests		0.2	-0.3
Profit for the year		**1,548.3**	**1,011.2**
Earnings per share	10		
Basic earnings per share (EPS) of DKK 20 in DKK		26.63	16.84
Diluted earnings per share (EPS-D) of DKK 20 in DKK		26.35	16.49
Proposed profit appropriation			
Proposed dividend, DKK 3.0 per share (2015: DKK 3.0 per share)			

Comprehensive income (1 January – 31 December)

DKK million

	Note	2016	2015
Profit for the year		**1,548.3**	**1,011.2**
Other comprehensive income			
Items that will not subsequently be reclassified to the Income statement:			
Remeasurement of defined benefit pension obligations	20	-152.6	-41.2
Tax on items that will not be reclassified to the Income statement	9	-10.4	8.4
Items that will not subsequently be reclassified to the Income statement		**-163.0**	**-32.9**
Items that are or may subsequently be reclassified to the Income statement:			
Value adjustment of hedging instruments:			
Value adjustment for the year		77.1	-70,0
Value adjustment transferred to operating costs		8.7	30.5
Value adjustment transferred to financial costs		-6.1	61.3
Value adjustment transferred to non-current tangible assets		-3.8	0.0
Foreign exchange adjustments, subsidiaries		-113.3	58.4
Unrealised value adjustment of securities		25.2	-1.4
Realised value adjustment of securities transferred to financial income		-25.2	0.0
Realised impairment of securities transferred to financial costs		0.0	1.1
Items that are or may subsequently be reclassified to the Income statement		**-37.5**	**80.0**
Total other comprehensive income after tax		**-200.4**	**47.1**
Total comprehensive income		**1,347.9**	**1,058.3**
Total comprehensive income for the year is attributable to:			
Equity holders of DFDS A/S		1,347.9	1,058.5
Non-controlling interests		0.0	-0.2
Total comprehensive income		**1,347.9**	**1,058.3**

Balance sheet 31 December (Assets)

DKK million

	Note	2016	2015
Goodwill		555.8	532.3
Other non-current intangible assets		37.5	29.3
Software		195.7	148.4
Development projects in progress		37.0	55.7
Non-current intangible assets	11	**826.1**	**765.6**
Land and buildings		161.8	124.8
Terminals		510.6	521.7
Ships		7,904.0	6,818.8
Equipment, etc.		542.7	494.4
Assets under construction and prepayments		135.9	222.7
Non-current tangible assets	12	**9,255.0**	**8,182.4**
Investments in associates and joint ventures	13	28.6	33.7
Receivables	14	24.8	25.0
Securities	15	9.5	18.4
Deferred tax	18	94.6	97.2
Derivative financial instruments	25	34.5	0.0
Other non-current assets		**192.1**	**174.2**
Non-current assets		**10,273.1**	**9,122.3**
Inventories	16	139.2	110.6
Receivables	14	1,773.6	1,840.4
Prepayments		84.2	86.0
Derivative financial instruments	25	25.0	4.5
Cash		695.6	1,422.6
Current assets		**2,717.6**	**3,464.1**
Assets classified as held for sale	31	13.5	59.2
Total current assets		**2,731.1**	**3,523.3**
Assets		**13,004.3**	**12,645.6**

Balance sheet 31 December (Equity and liabilities)

DKK million

	Note	2016	2015
Share capital	17	1,200.0	1,230.0
Reserves		-299.7	-247.0
Retained earnings		5,556.1	5,312.7
Proposed dividend		180.0	184.5
Equity attributable to equity holders of DFDS A/S		**6,636.4**	**6,480.2**
Non-controlling interests		48.2	49.5
Equity		**6,684.6**	**6,529.7**
Interest bearing liabilities	22	2,100.9	2,213.2
Deferred tax	18	191.2	156.9
Pension and jubilee liabilities	20	460.2	362.6
Other provisions	21	54.9	38.6
Derivative financial instruments	25	145.6	169.9
Non-current liabilities		**2,952.8**	**2,941.1**
Interest bearing liabilities	22	907.9	738.7
Trade payables		1,722.3	1,573.3
Other provisions	21	67.1	78.9
Corporation tax	24	30.2	25.3
Other payables	23	500.3	506.2
Derivative financial instruments	25	0.2	133.5
Prepayments from customers		138.9	111.7
Current liabilities		**3,366.9**	**3,167.6**
Liabilities relating to assets classified as held for sale	31	0.0	7.1
Liabilities		**6,319.7**	**6,115.9**
Equity and liabilities		**13,004.3**	**12,645.6**

Statement of changes in equity (1 January – 31 December)

DKK million

		Reserves								
	Share capital	**Translation reserve**	**Hedging reserve**	**Revaluation of securities**	**Treasury shares**	**Retained earnings**	**Proposed dividend**	**Equity attributable to equity holders of DFDS A/S**	**Non-controlling interests**	**Total**
Equity at 1 January 2016	1,230.0	-166.5	-37.0	0.1	-43.5	5,312.7	184.5	**6,480.2**	49.5	**6,529.7**
Comprehensive income for the year										
Profit for the year						1,548.1		**1,548.1**	0.2	**1,548.3**
Other comprehensive income										
Items that will not subsequently be reclassified to the Income statement:										
Remeasurement of defined benefit pension obligations						-152.6		**-152.6**		**-152.6**
Tax on items that will not be reclassified to the Income statement						-10.4		**-10.4**		**-10.4**
Items that will not subsequently be reclassified to the Income statement	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-163.0**	**0.0**	**-163.0**	**0.0**	**-163.0**
Items that are or may subsequently be reclassified to the Income statement:										
Value adjustments of hedging instruments for the year			77.1					**77.1**		**77.1**
Value adjustment transferred to operating costs			8.7					**8.7**		**8.7**
Value adjustment transferred to financial costs			-6.1					**-6.1**		**-6.1**
Value adjustment transferred to non-current tangible assets			-3.8					**-3.8**		**-3.8**
Foreign exchange adjustments, subsidiaries		-113.1						**-113.1**	-0.2	**-113.3**
Unrealised value adjustment of securities				25.2				**25.2**		**25.2**
Realised value adjustment of securities transferred to financial income				-25.2				**-25.2**		**-25.2**
Items that are or may subsequently be reclassified to the Income statement	**0.0**	**-113.1**	**75.8**	**0.0**	**0.0**	**0.0**	**0.0**	**-37.3**	**-0.2**	**-37.5**
Total other comprehensive income after tax	**0.0**	**-113.1**	**75.8**	**0.0**	**0.0**	**-163.0**	**0.0**	**-200.3**	**-0.2**	**-200.4**
Total comprehensive income	**0.0**	**-113.1**	**75.8**	**0.0**	**0.0**	**1,385.2**	**0.0**	**1,347.9**	**0.0**	**1,347.9**
Transactions with owners										
Acquisition, non-controlling interests						1.0		**1.0**	-1.3	**-0.3**
Proposed dividend, extraordinary						-180.0	180.0	**0.0**		**0.0**
Dividend paid							-175.4	**-175.4**		**-175.4**
Dividend on treasury shares						9.1	-9.1	**0.0**		**0.0**
Extraordinary dividend paid							-173.6	**-173.6**		**-173.6**
Extraordinary dividend on trasury shares						6.4	-6.4	**0.0**		**0.0**
Proposed dividend by year-end						-180.0	180.0	**0.0**		**0.0**
Vested share-based payments						7.5		**7.5**		**7.5**
Purchase of treasury shares					-67.2	-846.8		**-914.1**		**-914.1**
Cash from sale of treasury shares related to exercise of share options					21.8	42.4		**64.2**		**64.2**
Reduction of share capital by cancellation of treasury shares	-30.0				30.0			**0.0**		**0.0**
Other adjustments						-1.3		**-1.3**		**-1.3**
Total transactions with owners 2016	**-30.0**	**0.0**	**0.0**	**0.0**	**-15.4**	**-1,141.8**	**-4.5**	**-1,191.7**	**-1.3**	**-1,193.0**
Equity at 31 December 2016	**1,200.0**	**-279.6**	**38.8**	**0.1**	**-58.9**	**5,556.1**	**180.0**	**6,636.4**	**48.2**	**6,684.6**

The Parent Company's share capital, which is not divided into different classes of shares, is divided into 60,000,000 shares of DKK 20 each. All shares rank equally. There are no restrictions on voting rights. The shares are fully paid up.

Statement of changes in equity (1 January – 31 December)

DKK million

	Reserves									
	Share capital	Translation reserve	Hedging reserve	Revaluation of securities	Treasury shares	Retained earnings	Proposed dividend	Equity attributable to equity holders of DFDS A/S	Non-controlling interests	Total
Equity at 1 January 2015	1,265.0	-224.8	-58.9	0.3	-50.6	4,917.0	227.7	**6,075.8**	51.4	**6,127.2**
Comprehensive income for the year										
Profit for the year						1,011.5		**1,011.5**	-0.3	**1,011.2**
Other comprehensive income										
Items that will not subsequently be reclassified to the Income statement:										
Remeasurement of defined benefit pension obligations						-41.2		**-41.2**		**-41.2**
Tax on items that will not be reclassified to the Income statement						8.4		**8.4**		**8.4**
Items that will not subsequently be reclassified to the Income statement	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-32.9**	**0.0**	**-32.9**	**0.0**	**-32.9**
Items that are or may subsequently be reclassified to the Income statement:										
Value adjustments of hedging instruments for the year			-70.0					**-70.0**		**-70.0**
Value adjustment transferred to operating costs			30.5					**30.5**		**30.5**
Value adjustment transferred to financial costs			61.3					**61.3**		**61.3**
Foreign exchange adjustments. subsidiaries		58.3						**58.3**	0.1	**58.4**
Unrealised value adjustment of securities				-1.4				**-1.4**		**-1.4**
Realised impairment of securities transferred to the income statement				1.1				**1.1**		**1.1**
Items that are or may subsequently be reclassified to the Income statement	**0.0**	**58.3**	**21.8**	**-0.2**	**0.0**	**0.0**	**0.0**	**79.8**	**0.1**	**80.0**
Total other comprehensive income after tax	**0.0**	**58.3**	**21.8**	**-0.2**	**0.0**	**-32.9**	**0.0**	**47.0**	**0.1**	**47.1**
Total comprehensive income	**0.0**	**58.3**	**21.8**	**-0.2**	**0.0**	**978.6**	**0.0**	**1,058.5**	**-0.2**	**1,058.3**
Transactions with owners										
Acquisition. non-controlling interests						1.2		**1.2**	-1.7	**-0.4**
Proposed dividend during year						-113.9	113.9	**0.0**		**0.0**
Dividend paid							-325.8	**-325.8**		**-325.8**
Dividend on treasury shares						15.8	-15.8	**0.0**		**0.0**
Purchase of treasury shares					-45.2	-355.8		**-401.0**		**-401.0**
Proposed dividend by year-end						-184.5	184.5	**0.0**		**0.0**
Vested share-based payments						7.2		**7.2**		**7.2**
Cash from sale of treasury shares related to exercise of share options					17.3	45.4		**62.7**		**62.7**
Reduction of share capital by cancellation of treasury shares	-35.0				35.0			**0.0**		**0.0**
Other adjustments						1.6		**1.6**		**1.6**
Total transactions with owners 2015	**-35.0**	**0.0**	**0.0**	**0.0**	**7.1**	**-583.0**	**-43.2**	**-654.0**	**-1.7**	**-655.7**
Equity at 31 December 2015	**1,230.0**	**-166.5**	**-37.0**	**0.1**	**-43.5**	**5,312.7**	**184.5**	**6,480.2**	**49.5**	**6,529.7**

The Parent Company's share capital. which is not divided into different classes of shares. is divided into 61.500.000 shares of DKK 20 each. All shares rank equally.
There are no restrictions on voting rights. The shares are fully paid up.

Cash flow statement (1 January – 31 December)

DKK million

	Note	2016	2015
Operating profit before depreciation (EBITDA) and special items		**2,588.2**	**2,041.0**
Cash flow effect from special items related to operating activities		-2.6	-16.9
Adjustments for non-cash operating items, etc.	27	14.3	55.8
Change in working capital	28	168.4	198.7
Payment of pension liabilities and other provisions		-85.5	-57.6
Cash flow from operating activities, gross		**2,682.7**	**2,221.0**
Interest received, etc.		108.7	117.4
Interest paid, etc.		-182.2	-208.7
Tax paid		-20.4	-13.8
Cash flow from operating activities, net		**2,588.8**	**2,115.9**
Investments in ships including dockings, rebuildings and ships under construction incl. settlement of forward exchange contracts		-955.7	-422.6
Sale of ships including net compensation for ship declared total loss		0.0	108.3
Investments in other non-current tangible assets		-206.2	-181.7
Sale of other non-current tangible assets		18.1	10.8
Investments in non-current intangible assets		-52.4	-59.1
Acquisition of enterprises, associates, joint ventures and activities	30	-50.9	-6.8
Capital contribution to joint ventures		0.0	-20.7
Sale of activities		5.0	0.0
Sale of securities	15,25	34.1	0.0
Dividend received from associates and joint ventures	13	0.8	1.3
Cash flow to/from investing activities, net		**-1,207.2**	**-570.5**
Proceed from loans secured by mortgage in ships		0.0	120.9
Repayment and instalments on loans secured by mortgage in ships		-298.7	-176.9
Repayment of corporate bonds incl. settlement of cross currency swap		-493.5	0.0
Change in other non-current investments, net		0.0	12.6
Change in other financial loans, net	29	-47.0	-95.7
Payment of financial lease liabilities		-87.5	-20.8
Change in operating credits		-0.9	-30.2
Change in loan to associates and joint ventures		2.9	-1.2
Acquisition of non-controlling interests	30	-0.3	-0.4
Acquisition of treasury shares	17	-914.1	-401.0
Cash received from exercise of share options		64.2	62.7
Government grants related to purchase of assets		19.7	35.4
Dividends paid		-349.0	-325.8
Cash flow to/from financing activities, net		**-2,104.3**	**-820.2**
Net increase/(decrease) in cash and cash equivalents		**-722.7**	**725.1**
Cash and cash equivalents at 1 January		1,422.6	694.5
Foreign exchange and value adjustments of cash and cash equivalents		-4.2	2.9
Cash and cash equivalents at 31 December[1]		**695.6**	**1,422.6**

[1] At year-end 2016 DKK 0.0m (2015: DKK 85.4m) of the cash was deposited on restricted bank accounts as security for derivatives with negative fair values.
The cash flow statement cannot directly be derived from the income statement and the balance sheet.

Notes

Note 1 Segment information

The segments together with allocation of operating profit, assets and liabilities etc. are identical with the internal reporting structure of the Group. Management has defined the Groups business segments based on the reporting regularly presented to the Group Executive Management, which also forms the basis for management's decisions.

The costs of the segments are the directly registered costs including a few systematically allocated indirect costs, primarily concerning group functions.

The accounting policies regarding the preparation of the individual segment, including transactions between segments, are in accordance with the accounting policies of the Group. Non-allocated costs therefore reflects the general functions, which cannot reasonably be allocated to the segments. The costs consist primarily of costs concerning the Executive Board and Board of Directors but also parts of Group functions like IT, Treasury, Investor relation, Legal, Communication, Finance Control and depreciation on the Group's IT-systems etc. In addition the elimination of transactions between segments is included. Transactions between segments are concluded at arm's length terms.

Segment assets includes assets, which are directly related to the segment, including non-current intangible, non-current tangible and other non-current assets, inventories, receivables, prepayments, cash in hand and at bank of group enterprises and deposits at the Parent Company. Segment liabilities include current and non-current liabilities.

The Shipping Division's activities are divided into five business areas: North Sea, Baltic Sea, Channel, Passenger and France & Mediterranean.

The Shipping Division's activities are operation of ro-ro and ro-pax tonnage, but also operation of passenger ships. In addition, operation of terminals along with the Group's main routes are included. The customers for ro-ro and ro-pax tonnage are mainly transportation and shipping companies as well as manufacturers of heavy industrial goods with a high demand for sea transportation. The main customers for Passenger cover passengers with own cars, Mini Cruises, conferences and tour operators.

The Logistics Division's activities are divided into three business areas: Nordic, Continent and UK & Ireland.

The Logistics Division's activities are full- and part load transportation, and also warehousing and logistics solutions for larger customers. In addition the division operates Lo-Lo tonnage and also transportation on railway. The customers are primarily importers/exporters and manufacturers of heavy industrial goods.

DKK million

Note 1 Segment information (continued)

2016	Shipping Division	Logistics Division	Non-allocated	Total
External revenue	8,866.8	4,908.8	14.8	13,790.4
Intragroup revenue	601.3	21.2	325.2	947.8
Revenue	9,468.1	4,930.1	340.0	14,738.2
Operating costs, external	-6,756.5	-4,040.9	-404.8	-11,202.2
Intragroup operating costs	-272.4	-636.8	-38.7	-947.8
Operating profit before depreciation (EBITDA) and special items	**2,439.3**	**252.4**	**-103.5**	**2,588.2**
Share of profit/loss of associates and joint ventures	-2.6	-0.4	0.0	-3.0
Profit on disposal of non-current assets, net	4.2	3.9	0.5	8.5
Depreciation of ships and other non-current assets	-812.9	-94.4	-27.8	-935.1
Impairment losses on ships and other non-current assets	-15.1	0.0	0.0	-15.1
Operating profit (EBIT) before special items	**1,612.9**	**161.5**	**-130.8**	**1,643.6**
Special items, net	-12.2	0.1	-0.7	-12.8
Operating profit (EBIT)	**1,600.6**	**161.6**	**-131.5**	**1,630.7**
Financial items, net				-43.1
Profit before tax				**1,587.6**
Tax on profit				-39.3
Profit for the year				**1,548.3**
Total assets excluding assets held for sale	9,863.4	2,058.9	1,068.4	12,990.8
Investments in associates and joint ventures	28.4	0.2	0.0	28.6
Capital expenditures of the year	1,915.4	197.8	61.9	2,175.2
Assets held for sale, reference is made to note 31	0.0	0.0	13.5	13.5
Liabilities	1,855.8	216.2	4,247.7	6,319.7

DKK million

Note 1 Segment information (continued)

2015	Shipping Division	Logistics Division	Non-allocated	Total
External revenue	8,453.3	5,010.0	10.1	13,473.5
Intragroup revenue	617.7	23.7	301.9	943.3
Revenue	9,071.0	5,033.8	312.0	14,416.8
Operating costs, external	-6,909.9	-4,151.1	-371.5	-11,432.5
Intragroup operating costs	-255.3	-648.7	-39.3	-943.3
Operating profit before depreciation (EBITDA) and special items	**1,905.8**	**234.0**	**-98.8**	**2,041.0**
Share of profit/loss of associates and joint ventures	-11.5	-0.2	0.0	-11.7
Profit on disposal of non-current assets, net	1.1	3.8	0.0	4.9
Depreciation of ships and other non-current assets	-713.2	-94.9	-24.0	-832.0
Impairment losses on ships and other non-current assets	-2.6	-0.2	0.0	-2.8
Operating profit (EBIT) before special items	**1,179.6**	**142.5**	**-122.7**	**1,199.4**
Special items, net	-38.6	8.6	-5.5	-35.5
Operating profit (EBIT)	**1,141.0**	**151.1**	**-128.2**	**1,163.9**
Financial items, net				-120.8
Profit before tax				**1,043.1**
Tax on profit				-31.9
Profit for the year				**1,011.2**
Total assets excluding assets held for sale	8,866.6	2,037.5	1,682.4	12,586.4
Investments in associates and joint ventures	32.3	1.4	0	33.7
Capital expenditures of the year	391.3	157.3	61.6	610.1
Assets held for sale, reference is made to note 31	45.7	0.0	13.5	59.2
Liabilities relating to assets classified as held for sale	7.1	0.0	0.0	7.1
Liabilities excluding liabilities relating to assets classified as held for sale	2,153.0	221.0	3,734.8	6,108.8

Geographical breakdown

The Group does not have a natural geographic split on countries, since the Group, mainly Shipping Division, is based on a connected route network in Northern Europe, where the routes support each other with sales and customer services located in one country whereas the actual revenue is created in other countries. Consequently, it is not possible to present a meaningful split of revenues and non-current assets by country. The split is therefore presented by the sea and geographical areas, in which DFDS operates.

The adjusted split results in seven geographical areas: North sea, Baltic sea, English Channel, Continent, Nordic, UK/Ireland and Mediterranean. As a consequence of the Group's business model the routes do not directly own the ships, but solely charters the ships from a vessel pool. The ships are frequently moved within the Group's routes. It is therefore not possible to meaningfull estimate the exact value of the non-current assets per geographical area. Instead an adjusted allocation has been used.

DKK million

Note 1 Segment information (continued)

	North sea	Baltic sea	English Channel	Continent	Nordic	UK/ Ireland	Mediter-ranean	Total
2016								
Total revenue	4,855.8	1,303.3	2,236.0	1,914.6	1,569.8	1,425.3	485.6	13,790.4
Non-current assets	5,176.5	1,847.9	2,102.4	479.6	220.3	358.2	88.2	10,273.1
2015								
Total revenue	4,948.5	1,211.9	1,794.6	1,865.8	1,619.9	1,524.3	508.6	13,473.5
Non-current assets	5,366.1	1,582.4	1,193.0	398.5	208.8	372.7	0.8	9,122.3

DKK million

Note 2 Revenue	**2016**	**2015**
Sale of services	12,168.6	11,802.4
Sale of goods on board ships	1,184.0	1,205.7
Rental income from time charter and bareboat charter of ships and operating equipment	437.8	465.4
Total revenue	**13,790.4**	**13,473.5**

DKK million

Note 3 Consumable of bunker and goods	**2016**	**2015**
Consumable of bunker and goods included in operating costs	1,612.3	1,919.4
Change in inventory write-downs for the year	-1.6	0.9
Total consumable of bunker and goods	**1,610.7**	**1,920.3**

Consumable of bunker and goods consists of bunker and cost related to sales of goods and services on board.

DKK million

Note 4 Employee costs	2016	2015
Wages, salaries and remuneration	2,087.3	1,955.2
Hereof capitalised employee costs	-43.3	-26.7
Defined contribution pension plans	106.9	95.8
Defined benefit pension plans, reference is made to note 20	3.2	-2.1
Other social security costs	239.7	237.0
Share based payment, reference is made to note 19	7.5	7.2
Other employee costs	206.6	221.2
Total employee costs	**2,607.9**	**2,487.7**
Of this remuneration to the Executive Board:		
Wages and salaries	10.2	10.2
Bonus	8.2	8.2
Defined contribution pension plans	1.0	1.0
Share based payment	3.5	3.5
Other employee costs	0.6	0.6
Total remuneration to Executive Board	**23.5**	**23.5**
Remuneration to the Board of Directors and Audit Committee		
Chairman	0.8	0.8
Deputy chairmen	0.6	1.0
Other members of the Board of Directors	2.2	2.0
Total remuneration, Board of Directors and Audit Committee	**3.6**	**3.7**
Full time equivalents (FTE), average	7,065	6,616

Remuneration to the chairperson of the Audit Committee amounts to DKK 100k (2015: DKK 100k) and remuneration to other members of the Audit Committee amounts to DKK 50k (2015: DKK 50k) each. No remuneration is paid to members of other committees.

In connection with a change of control of the Group, the members of the Executive Board can - within the first 12 months of the event - trigger termination of their employment on similar terms as if the Company has terminated the employment of the members of the Executive Board, however, with an increased redundancy payment of up to 12 months salary.

DKK million

Note 5 Fees to Auditors appointed at the annual general meeting	2016	2015
Audit fees	5.7	5.4
Other assurance engagements	0.4	0.5
Tax and VAT advice	1.4	1.3
Non-audit services	1.4	1.4
Total fees	**8.9**	**8.6**

DKK million

Note 6 Profit on disposal of non-current assets, net	2016	2015
Gains and losses on disposal of intangible assets and property, plant and equipment	6.7	4.9
Gain on disposal of subsidiary	1.8	0.0
Total profit on disposal of non-current assets, net	**8.5**	**4.9**

DKK million

Note 7 Special items, net	2016	2015
Adjustment of estimated earn-out to the sellers regarding the acquisition of the route Kapellskär-Paldiski acquired in 2011; the acquisition of Quayside Group in 2014; and the activities of Beltrin s.r.o. in Czech Republic in 2015	-12.1	-19.8
Accrual of the total estimated costs (estimated fair value) related to the DFDS shares awarded to DFDS employees as a special one-off award in connection with DFDS' 150 years anniversary in December 2016. The costs will accrue from December 2016 to February 2020. Total fair value at date of awarding the shares is estimated at DKK 55m.	-0.7	0.0
Impairment of installations on a ship[1]	0.0	-22.5
Costs related to designing and implementing one group wide finance service centre. including advisor costs. redundancies etc.	0.0	-5.5
Gain regarding sale of the ro-ro freight ship Flandria Seaways	0.0	12.3
Special items. net	**-12.8**	**-35.5**
If special items had been included in the operating profit before special items, they would have been recognised as follows:		
Employee costs	-0.7	-2.9
Cost of sales and administration	0.0	-2.6
Operating profit before depreciation (EBITDA) and special items	**-0.7**	**-5.5**
Profit on disposal of non-current assets, net	0.0	12.3
Impairment losses on ships and other non-current assets	0.0	-22.5
Financial income/costs	-12.1	-19.8
Special items, net	**-12.8**	**-35.5**

[1] 2015: The value of the installations is zero and accordingly the net book value is written down to zero. Based on the Accounting Policy, the impairment is included under special items.

DKK million

Note 8 Financial items	2016	2015
Financial income		
Interest income from banks, etc.	2.4	5.9
Realised gain on securities (transferred from equity)[1]	25.3	0.1
Foreign exchange gains, net[2]	25.0	0.0
Other dividends	3.2	9.5
Other financial income	0.1	10.3
Total financial income	*56.0*	*25.7*
Financial costs		
Interest expense to banks, credit institutions, corporate bonds, etc.	-67.1	-86.7
Foreign exchange losses, net[2]	0.0	-34.3
Defined benefit pension plans, reference is made to note 20	-10.9	-10.7
Unrealised loss on loan receivable	0.0	-2.1
Impairment of securities (transferred from equity)	0.0	-1.1
Other financial costs	-21.5	-11.6
Transfer to assets under construction[3]	0.4	0.0
Total financial costs	*-99.1*	*-146.5*
Financial items, net	**-43.1**	**-120.8**

1 2016 includes a gain of DKK 25.2m from sale of shares in Danish Ship Finance (Danmarks Skibskredit A/S).
2 Foreign exchange gains in 2016 amounts to DKK 277m (2015: DKK 175m) and foreign exchange losses amounts to DKK 252m (2015: DKK 209m) for the Group.
3 2016: Interest capitalised on two newbuildings. The interest was calculated by using a general interest rate of approximately 3.99% - 4.08% p.a.

Except for interest expenses relating to interest swap agreements of DKK 3.9m (2015: DKK 5.6m) interest income and interest expenses relate to financial instruments measured at amortised cost.

Other financial costs contains bank charges, fees, early repayment fees, commitment fees, etc.

DKK million

Note 9 Tax	2016	2015
Current tax	-23.4	-23.4
Current joint tax contributions	-12.1	-0.8
Movement in deferred tax for the year	-36.6	-29.4
Adjustment to corporation tax in respect of prior years	16.1	19.8
Adjustment to deferred tax in respect of prior years	-23.5	4.4
Effect of change in corporate income tax rate	-10.1	-1.2
Write-down of deferred tax assets	0.0	-1.6
Reversal of write-down of deferred tax assets	39.9 [1]	8.6
Tax for the year	**-49.7**	**-23.5**
Tax for the year is recognised as follows:		
Tax in the Income statement	-39.3	-31.9
Tax in Other comprehensive income	-10.4	8.4
Tax for the year	**-49.7**	**-23.5**

1 DKK 37m relates to tax losses carry forward in Holland

DKK million

Note 9 Tax (continued)	2016	2015
Tax in the income statement can be specified as follows:		
Profit before tax	1,587.6	1.043.1
Of this, tonnage taxed income	-1,366.1	-804.3
Profit before tax (corporate income tax)	**221.5**	**238.8**
22.0% tax of profit before tax (2015: 23.5%)	-48.7	-56.1
Adjustment of calculated tax in foreign subsidiaries compared to 22.0% (2015: 23.5%)	-5.4	-1.7
Tax effect of:		
Non-taxable/-deductible items	-3.4	-6.1
Tax asset for the year, not recognised	-1.9	-5.4
Utilisation of non-capitalised tax assets	0.1	9.8
Tax risk accruals, net	0.0	20.8
Other adjustments of tax in respect of prior years	22.4	9.2
Corporate income tax	**-36.9**	**-29.5**
Tonnage tax	-2.4	-2.5
Tax in the Income statement	**-39.3**	**-31.9**
Effective tax rate (%)	2.5	3.1
Effective tax rate before adjustment of prior years' tax (%)	3.9	5.9
Tax in Other comprehensive income can be specified as follows:		
Corporate income tax	-10.4	0.0
Movement in deferred tax	0.0	8.4
Total tax in Other comprehensive income	**-10.4**	**8.4**

DFDS A/S and its Danish subsidiary DFDS Stevedoring A/S are subject to compulsory joint taxation with LF Investment ApS and J. Lauritzen A/S and these two enterprises' Danish controlled enterprises. LF Investment ApS is the administration company in the joint taxation and settles all payments of corporation tax due by the joint taxed enterprises with the tax authorities. In accordance with the Danish rules on joint taxation, DFDS A/S and DFDS Stevedoring A/S are liable for their own corporate tax due whereas DFDS A/S and DFDS Stevedoring A/S are only subsidiary and pro rata liable for the corporation tax liabilities towards the Danish tax authorities for all other enterprises that are part of the Danish joint taxation.

The majority of the shipping activities performed in the Danish, Lithuanian, Norwegian, Dutch and French enterprises in the Group are included in local tonnage tax schemes where the taxable income related to transportation of passengers and freight is calculated based on the tonnage deployed during the year and not the actual profits generated. Taxable income related to other activities is taxed according to the normal corporate income tax rules and at the standard corporate tax rates. In 2016, the Group realised an effective tax rate of 3.9% combined and 26.0% on income subject to normal corporate income tax.

Adjustment of prior years' tax in 2016 (DKK 22m) primarily relates to the final settlement and utilisation of tax losses between the English companies in the Group, between the Danish companies in the Group, revised calculation of deductible financial expenses in the Danish joint taxation and reversal of write-down of deferred tax assets, etc.

Adjustment of prior years' tax in 2015 (DKK 30m) primarily relates to the final settlement and utilisation of tax losses between the English companies in the Group, between the Danish companies in the Group, reversal of write-down of deferred tax assets, etc.

Note 10 Earnings per share	2016	2015
Profit for the year (DKK million)	1,548.3	1,011.2
Attributable to non-controlling interests (DKK million)	-0.2	0.3
Attributable to DFDS Group	**1,548.1**	**1,011.5**
Weighted average number of issued ordinary shares	60,540,984	62,880,822
Weighted average number of treasury shares	-2,400,114	-2,813,678
Weighted average number of circulating ordinary shares	58,140,870	60,067,144
Weighted average number of share options issued	603,161	1,284,311
Weighted average number of circulating ordinary shares (diluted)	**58,744,031**	**61,351,455**
Basic earnings per share (EPS) of DKK 20 in DKK	26.63	16.84
Diluted earnings per share (EPS-D) of DKK 20 in DKK	26.35	16.49

When calculating diluted earnings per share for 2016, no share options (2015: No share options) are omitted as they are all in-the-money.

DKK million

Note 11 Non-current intangible assets	Goodwill	Other non-current intangible assets	Software	Development projects in progress	Total
Cost at 1 January 2016	654.1	41.6	346.3	55.7	1,097.8
Foreign exchange adjustments	-21.3	-4.1	-0.3	0.0	-25.7
Addition on acquisition of enterprises	45.9 [1]	15.1 [2]	0.0	0.0	61.0
Additions	0.0	0.0	18.2	34.1	52.4
Disposals	-0.4	-1.3	-0.9	0.0	-2.6
Transfers	0.0	0.0	52.8	-52.8	0.0
Cost at 31 December 2016	**678.3**	**51.4**	**416.1**	**37.0**	**1,182.9**
Amortisation and impairment losses at 1 January 2016	121.8	12.3	198.0	0.0	332.1
Foreign exchange adjustments	1.1	-0.7	-0.3	0.0	0.1
Amortisation charge	0.0	3.5	23.4	0.0	26.9
Disposals	-0.4	-1.3	-0.7	0.0	-2.3
Amortisation and impairment losses at 31 December 2016	**122.5**	**13.9**	**220.4**	**0.0**	**356.8**
Carrying amount at 31 December 2016	**555.8**	**37.5**	**195.7**	**37.0**	**826.1**

[1] Addition of goodwill relates to the purchase of the route Hanko-Paldiski (DKK 32.2m), the acquisition of Haulage Shetland Ltd. (DKK 5.8m), the acquisition of Italcargo Sweden AB (DKK 7.4m) and the acquisition of JFM Haulage (DKK 0.5m). Reference is made to note 30.
[2] Addition relates the acquisition of Haulage Shetland Ltd (DKK 9.4m) and acquisition of Italcargo Sweden AB (DKK 5.7m).

DKK million

Note 11 Non-current intangible assets (continued)	Goodwill	Other non-current intangible assets	Software	Development projects in progress	Total
Cost at 1 January 2015	644.7	39.3	282.0	60.8	1,026.8
Foreign exchange adjustments	8.7	1.7	0.1	0.0	10.5
Addition on acquisition of enterprises	0.8 [1]	0.6	0.0	0.0	1.3
Additions	0.0	0.0	22.8	36.2	59.1
Transfers	0.0	0.0	41.3	-41.3	0.0
Cost at 31 December 2015	**654.1**	**41.6**	**346.3**	**55.7**	**1,097.8**
Amortisation and impairment losses at 1 January 2015	123.1	8.6	178.9	0.0	310.6
Foreign exchange adjustments	-1.3	0.2	0.0	0.0	-1.1
Amortisation charge	0.0	3.5	18.2	0.0	21.8
Transfers	0.0	0.0	0.9	0.0	0.9 [2]
Amortisation and impairment losses at 31 December 2015	**121.8**	**12.3**	**198.0**	**0.0**	**332.1**
Carrying amount at 31 December 2015	**532.3**	**29.3**	**148.4**	**55.7**	**765.6**

[1] Addition of goodwill relates to the purchase of activity in Beltrin s.r.o. (DKK 0.8m).
[2] Transferred DKK 0.9m from non-current tangible assets.

Recognised goodwill is attributable to the following cash generating units:

DKK million	2016	2015
Shipping:		
North Sea, Baltic Sea and France & Mediterranean	227.8	199.5
Logistics:		
Nordic [1]	65.0	60.2
Continent	151.4	151.3
UK & Ireland	111.6	121.3
Total	**555.8**	**532.3**

[1] Relates to the cash generating unit 'Nordic - comprising forwarding- and logistics activities in the Nordic and Baltic countries'.

Regarding impairment tests and impairment losses of goodwill, reference is made to note 35.

The carrying amount of completed software and development projects in progress primarily relates to a new Passenger booking system, a new Transport Management System to the Logistics Division, a new procurement system, a new point of sale system and new digital initiatives in general.

DKK million

Note 12 Non-current tangible assets

	Land and buildings	Terminals	Ships	Equipment etc.	Assets under construction and pre-payments	Total
Cost at 1 January 2016	159.5	852.0	12,621.1	1,270.2	222.7	**15,125.4**
Foreign exchange adjustments	-15.9	-41.6	-60.6	-52.3	-3.8	**-174.3**
Addition on acquisition of enterprises [1]	5.7	0.0	0.0	30.6	0.0	**36.4**
Additions	3.0	10.5	323.9	155.6	1,532.2 [2]	**2,025.2**
Disposals	-5.1	-1.9	-312.3	-131.7	0.0	**-450.9**
Transfers	45.7	10.7	1,535.8	23.0	-1,615.2	**0.0**
Disposal on sale of enterprises	0.0	0.0	0.0	-1.3	0.0	**-1.3**
Transferred from assets classified as held for sale [3]	0.0	0.0	85.4	0.0	0.0	**85.4**
Cost at 31 December 2016	**192.9**	**829.7**	**14,193.3**	**1,294.1**	**135.9**	**16,645.9**
Depreciation and impairment losses at 1 January 2016	34.6	330.3	5,802.2	775.8	0.0	**6,942.9**
Foreign exchange adjustments	-1.6	-25.0	-18.9	-28.5	0.0	**-74.1**
Depreciation charge	7.4	33.1	760.8	106.9	0.0	**908.1**
Impairment charge	0.1	0.0	15.0 [4]	0.0	0.0	**15.1**
Disposals	-2.2	-1.8	-309.6	-126.2	0.0	**-439.8**
Transfers	-7.2	-17.5	0.0	24.7	0.0	**0.0**
Disposal on sale of enterprises	0.0	0.0	0.0	-1.2	0.0	**-1.2**
Transferred from assets classified as held for sale [3]	0.0	0.0	39.8	0.0	0.0	**39.8**
Depreciation and impairment losses at 31 December 2016	**31.1**	**319.1**	**6,289.3**	**751.5**	**0.0**	**7,390.9**
Carrying amount at 31 December 2016	**161.8**	**510.6**	**7,904.0**	**542.7**	**135.9**	**9,255.0**
Hereof assets held under finance leases	0.0	0.0	959.8 [5]	26.8	0.0	**986.6**

[1] Addition on acqusition of Haulage Shetland Ltd. Reference is made to note 30.
[2] Primarily related to addition of the two Channel ferries Côte des Dunes and Côte des Flandres, the lengthening of Primula Seaways and new buildings.
[3] Reference is made to note 31.
[4] Write down of installations on two ships (DKK 7.5m on each ship). Reference is made to note 35.
[5] Relates to the two new Channel ferries Côte des Dunes and Côte des Flandres.

DKK million

Note 12 Non-current tangible assets (continued)

	Land and buildings	Terminals	Ships	Equipment etc.	Assets under construction and pre-payments	Total
Cost at 1 January 2015	156.2	826.7	12.387,2	1,121.0	290.6	**14,781.7**
Foreign exchange adjustments	5.7	17.9	36.5	37.7	-0.4	**97.4**
Addition on acquisition of enterprises [1]	0.0	0.0	0.0	5.8	0.0	**5.8**
Additions	0.6	0.0	63.4	120.6	359.4 [2]	**543.9**
Disposals	-3.0	0.0	-170.4	-21.3	-4.1	**-198.7**
Transfers	0.0	7.4	409.2	6.4	-423.0	**0.0**
Transferred to assets classified as held for sale [3]	0.0	0.0	-104.7	0.0	0.0	**-104.7**
Cost at 31 December 2015	**159.5**	**852.0**	**12,621.1**	**1,270.2**	**222.7**	**15,125.4**
Depreciation and impairment losses at 1 January 2015	31.9	285.0	5,292.6	660.8	0.0	**6,270.3**
Foreign exchange adjustments	0.6	9.7	6.6	25.4	0.0	**42.2**
Depreciation charge	5.1	35.5	661.4	108.2	0.0	**810.2**
Impairment charge	0.0	0.0	0.0	0.2	0.0	**0.2**
Impairment charge, part of special items	0.0	0.0	22.5	0.0	0.0	**22.5**
Disposals	-2.9	0.0	-152.5	-17.9	0.0	**-173.2**
Transfers [4]	0.0	0.0	0.0	-0.9	0.0	**-0.9**
Transferred to assets classified as held for sale [3]	0.0	0.0	-28.4	0.0	0.0	**-28.4**
Depreciation and impairment losses at 31 December 2015	**34.6**	**330.3**	**5,802.2**	**775.8**	**0.0**	**6,942.9**
Carrying amount at 31 December 2015	**124.8**	**521.7**	**6,818.8**	**494.4**	**222.7**	**8,182.4**
Hereof assets held under finance leases	0.0	0.0	0.0	38.3	0.0	**38.3**

[1] Addition on acqusition of entreprises relates to the purchase of minor logistics activities.
[2] Primarily relates to installation of scrubbers on several ships, rebuild of two ships Côte des Dunes and Côte des Flandres where charter agreements will commence in February 2016, and extension of warehouse in Larkhall.
[3] Reference is made to note 31.
[4] Transferred DKK 0.9m to non-current intangible assets.

On the basis of the impairment tests performed in 2016 there has been no impairment loss on ships (2015: DKK 0m). For further information regarding the impairment tests reference is made to note 35.

In 2015 EU awarded DFDS a grant of up to DKK 67m primarily related to installation of scrubbers on six freight ships and in 2014 EU awarded DFDS a grant up to DKK 47m primarily related to installation of scrubbers on five freight ships .

DKK million

Note 12 Non-current tangible assets (continued)			
The grants are recognised as follows in the financial statements:			
	Offset against relevant assets/costs	**Received in cash**	**Recognised as receivable**
31 December 2015	-86	44	42
Movement	9	19	-28
31 December 2016	**-77**	**63**	**14**

DKK million

	Offset against relevant assets/costs	**Received in cash**	**Recognised as receivable**
31 December 2014	-29	9	20
Movement	-57	35	22
31 December 2015	**-86**	**44**	**42**

DKK million

Note 13 Investments in associates and joint ventures	**2016**	**2015**
Cost at 1 January	23.3	1.9
Foreign exchange adjustment	-0.8	0.3
Additions	0.0	21.2
Disposals[1]	-1.7	0.0
Cost at 31 December	**20.8**	**23.3**
Value adjustments at 1 January	10.3	22.7
Foreign exchange adjustment	-0.5	0.6
Share of result for the year	-3.0	-11.7
Disposals[1]	1.7	0.0
Dividend received	-0.8	-1.3
Value adjustments at 31 December	**7.8**	**10.3**
Carrying amount at 31 December	**28.6**	**33.7**

[1]Disposal in 2016 relate to the liquidation of Oslo Container Terminal AS.

Additions in 2015 relates to the establishment of the joint ventures DFDS Logistics Ibérica S.L. and Moss Stevedore AS (DKK 0.5m) and capital injection in Bohus Terminal Holding AB (DKK 20.7m).

DKK million

Note 13 Investments in associates and joint ventures (continued)								**The Group's share**	
2016	**Domicile**	**Ownership**	**Revenue**	**Result for the year**	**Assets**	**Liabilities**	**Equity**	**Result for the year**	
Joint ventures:									
Moss Stevedore AS	Moss	50%	8.8	0.0	0.8	0.7	0.1	0.0	
Bohus Terminal Holding AB	Gothenburg	65% [1]	316.9	-4.0	236.0	192.4	28.4	-2.6	
DFDS Suardiaz Line Ltd.	Immingham	50% [2]	163.4	2.6	25.7	72.6	-23.5	1.3	
DFDS Logistics Ibérica S.L.	Madrid	51% [1+2]	14.9	-0.4	26.2	26.0	0.1	-0.2	
Associates:									
Seafront Port Services AS	Oslo	40%	37.4	-1.4	8.9	10.4	-0.6	-0.2	
							4.5	-1.7	
Of which investments in associates and joint ventures with negative value							24.1	-1.3	
							28.6	**-3.0**	

[1] Due to minority protection in the shareholders' agreements the DFDS Group does not have a controlling interest. The entities are classified as joint ventures.
[2] Owned by the Parent Company.

Comprehensive income for each associate and joint venture corresponds to the profit for the year.

							The Group's share	
2015	**Domicile**	**Ownership**	**Revenue**	**Result forthe year**	**Assets**	**Liabilities**	**Equity**	**Result for the year**
Joint ventures:								
Oslo Container Terminal AS	Oslo	50%	17.5	-0.1	1.6	0.0	0.8	-0.1
Moss Stevedore AS	Moss	50%	6.7	0.0	0.2	0.0	0.1	0.0
Bohus Terminal Holding AB	Gothenburg	65% [1]	289.1	-17.7	241.1	191.4	32.3	-11.5
DFDS Suardiaz Line Ltd.	Immingham	50% [2]	162.6	-0.8	22.8	72.6	-24.9	-0.4
DFDS Logistics Ibérica S.L.	Madrid	51% [1+2]	9.8	-0.1	15.9	15.2	0.3	0.0
Associates:								
Seafront Port Services AS	Oslo	40%	33.0	-0.2	7.5	7.1	0.2	-0.1
							8.7	-12.1
Of which investments in associates and joint ventures with negative value							24.9	0.4
							33.7	**-11.7**

[1] Due to minority protection in the shareholders' agreements the DFDS Group does not have a controlling interest. The entities are classified as joint ventures.
[2] Owned by the Parent Company.

Comprehensive income for each associate and joint venture corresponds to the profit for the year.

Note 13 Investments in associates and joint ventures (continued)	
Nature of business for associates and joint ventures	
Joint ventures:	**Nature of business:**
Moss Stevedore AS	Stevedoring services in the port of Moss, Norway
Bohus Terminal Holding AB	Operates a terminal in the port of Gothenburg through its 100% owned subsidiary Gothenburg Ro/Ro Terminal AB
DFDS Suardiaz Line Ltd.	Operates a LO/LO shipping line between Spain and UK
DFDS Logistics Ibérica S.L.	Agency activities involving door to door services between Spain/Portugal and UK.
Associates:	
Seafront Port Services AS	Operates several terminals in several ports in the southern part of Norway.

DKK million

Note 14 Receivables	2016	2015
Other non-current receivables	24.8	25.0
Total non-current receivables	**24.8**	**25.0**
Trade receivables	1,602.2	1,593.2
Receivables from associates and joint ventures	52.2	55.1
Corporation tax and joint taxation contribution, receivable, reference is made to note 24	4.9	2.7
Other receivables and current assets[1]	114.3	189.5
Total current receivables	**1,773.6**	**1,840.4**
Total current and non-current receivables	**1,798.4**	**1,865.5**

[1] Hereof EU Grant of DKK 14m (2015: DKK 42m). Reference is made to note 12.

The carrying amount of receivables is in all material respects equal to the fair value.

None of the trade receivables with collateral are overdue at 31 December 2016 (2015: none). The collateral consists of bank guarantees with a fair value of DKK 9.5m (2015: DKK 4.0m).

DKK million

Note 14 Receivables (continued)	2016	2015
Receivables that are past due, but not impaired:		
Days past due:		
Up to 30 days	243.8	268.4
31-60 days	33.9	62.9
61-90 days	12.5	12.4
91-120 days	4.8	4.3
More than 120 days	0.0	0.1
Past due, but not impaired	**295.0**	**348.2**
Movements in write-downs, which are included in the trade receivables:		
Write-downs at 1 January	66.7	52.8
Foreign exchange adjustment	-0.9	0.8
Addition on acquisition of enterprises	0.2	0
Write-downs	12.7	39.7
Realised losses	-4.2	-4.7
Disposal of enterprises	-0.2	0.0
Reversed write-downs	-27.4	-21.9
Write-downs at 31 December	**46.9**	**66.7**
Age distribution of write-downs:		
Days past due:		
Up to 30 days	2.3	2.8
31-60 days	0.3	4.8
61-90 days	0.0	4.0
91-120 days	0.6	1.8
More than 120 days	43.7	53.5
Write-downs at 31 December	**46.9**	**66.7**

Write-downs and realised losses are recognised in operating costs in the Income statement.
Write-downs on trade receivables are caused by customer bankruptcy or uncertainty about the customers ability and/or willingness to pay.

DKK million

Note 15 Securities	2016	2015
Other shares and equity investments	8.9	17.8
Other investments	0.6	0.6
Total non-current securities	**9.5**	**18.4**

Securities are assets classified as 'available for sale'.

Other shares and equity investments as well as other investments consist of some minor unlisted enterprises and holdings. These investments are not remeasured to fair value because the fair value cannot be measured reliably. Instead the securities are recognised at cost reduced by impairment, if any.

DFDS has in 2016 sold its shares in Danish Ship Finance (Danmarks Skibskredit A/S) resulting in a gain of DKK 25.2m.

DKK million

Note 16 Inventories	2016	2015
Bunker	65.6	42.9
Goods for sale	76.0	71.7
Impairment of inventories	-2.4	-4.0
Total inventories	**139.2**	**110.6**

Note 17 Treasury shares (number of shares)	2016	2015
Treasury shares at 1 January	2,174,610	2,531,240
Acquisition of treasury shares	3,361,898	2,257,770
Disposal of treasury shares due to exercise of share options	-1,090,010	-864,400
Cancellation of treasury shares	-1,500,000	-1,750,000
Treasury shares at 31 December	**2,946,498**	**2,174,610**
Market value of treasury shares at 31 December, DKK million	950.5	580.6

In accordance with the Annual General Meeting in March 2016 the Board of Directors is authorised – until 31 March 2021 – to acquire treasury shares equal to up to 10% of DFDS A/S' share capital. The price cannot deviate by more than 10% from the listed acquisition price on NASDAQ Copenhagen at the time of acquisition.

DFDS A/S has during 2016 acquired treasury shares for a total payment of DKK 914.1m (2015: DKK 401.0m). Furthermore, DFDS A/S has during 2016 disposed treasury shares for a total consideration of DKK 64.2m (2015: DKK 62.7m) in connection with employees' exercise of share options.

The Parent Company's holding of treasury shares at 31 December 2016 is 2,946,498 shares of DKK 20 each (2015: 2,174,610 shares), corresponding to 4.91% (2015: 3.54%) of the Parent Company's share capital. Treasury shares have been acquired for the share buy-back programme and to cover the share option scheme and restricted shares for employees.

On the Annual General Meeting in March 2016 it was decided to cancel 1,500,000 of the treasury shares. This resulted in a reduction of the Company's share capital by nominally DKK 30,000,000. The cancellation had legal effect from 12 May 2016.

DKK million

Note 18 Deferred tax

2016	Ships	Land and buildings, terminals and other equipment	Provisions	Tax loss carried forward	Other	Total
Deferred tax at 1 January	136.0	12.8	-62.2	-28.1	1.3	59.7
Foreign exchange adjustments	-6.6	0.2	8.6	0.5	0.0	2.7
Impact from change in corporate income tax rate	1.1	0.4	8.6	0.0	0.0	10.1
Addition on acquisition of enterprises	0.0	3.6	0.1	0.0	0.5	4.2
Recognised in the Income statement	13.3	-2.0	-0.6	26.3	-0.5	36.6
Utilised of tax losses between jointly taxed companies	0.0	0.0	0.0	-0.3	0.0	-0.3
Adjustment regarding prior years recognised in the Income statement	25.3	-2.0	-1.2	1.7	-0.5	23.5
Reversal of write-down of deferred tax assets	0.0	0.0	0.0	-39.9	0.0	-39.9
Deferred tax at 31 December	**169.1**	**13.1**	**-46.6**	**-39.8**	**0.7**	**96.5**
2015						
Deferred tax at 1 January	120.2	12.1	-58.6	-38.0	2.3	38.1
Foreign exchange adjustments	4.7	0.0	-3.4	-0.5	0.2	1.0
Impact from change in corporate income tax rate	1.7	-0.1	-0.3	-0.1	0.0	1.2
Recognised in the Income statement	12.7	-0.7	8.1	17.4	0.2	37.8
Recognised in Other comprehensive income	0.0	0.0	-8.4	0.0	0.0	-8.4
Utilised of tax losses between jointly taxed companies	0.0	0.0	0.0	1.4	0.0	1.4
Adjustment regarding prior years recognised in the Income statement	-3.4	1.4	0.4	-1.4	-1.4	-4.4
Write-down of deferred tax assets	0.0	0.0	0.0	1.6	0.0	1.6
Reversal of write-down of deferred tax assets	0.0	0.0	0.0	-8.6	0.0	-8.6
Deferred tax at 31 December	**136.0**	**12.8**	**-62.2**	**-28.1**	**1.3**	**59.7**

	2016	2015
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (assets)	-94.6	-97.2
Deferred tax (liabilities)	191.2	156.9
Deferred tax at 31 December, net	**96.5**	**59.7**

The Group has unrecognised tax losses carried forward of DKK 160m with a tax value of DKK 35m (2015: tax losses of DKK 348m, tax value of DKK 81m). The change in unrecognised tax losses compared to 2015 is driven by the development in the Netherlands, UK and Norway. Tax losses carried forward are recognised in deferred tax assets to the extent that the losses are expected to be utilised in the form of future taxable profits within 3 – 5 years.

By joining the tonnage taxation scheme, DFDS A/S is subject to the requirements of the scheme until 2021. During the period covered by the tonnage tax scheme vessels and other assets and liabilities related to the tonnage taxed activities owned by DFDS A/S is deemed maximum depreciated for tax purposes. Hence, if DFDS A/S withdraws from the tonnage taxation scheme, deferred tax liability in the amount of maximum DKK 390m (2015: DKK 300m) may be recognised.

DFDS A/S is not expected to withdraw from the scheme and consequently no deferred tax relating to assets and liabilities subject to tonnage taxation has been recognised.

Note 19 Share options

The decision to grant share options is made by the Board of Directors. Share options have been granted to the Executive Board and leading employees. Each share option gives the holder of the option the right to acquire one existing share in the Parent Company of nominal DKK 20. The share option schemes equals a right to acquire 2.2% of the share capital (2015: 3.6%) if the remaining share options are exercised.

Share options are granted in 2012-2015 at an exercise price equal to the average share price of the Parent Company's shares 20 days before the grant with an addition of 5%. Share options are granted in 2016 at an exercise price equal to the average share price of the Parent Company's shares 20 days before the grant with an addition of 10%.

Vesting is done on a straight line basis over three years from the date of grant. Special conditions apply regarding illness and death and if the capital structure of the Parent Company is changed.

The share options can be exercised when a minimum of 3 years and a maximum of 5 years have elapsed since the grant dates. The options can only be exercised within a period of 4 weeks after publication of annual or interim reports.

Share options granted can only be settled with shares. A part of the treasury shares is reserved for settling the outstanding share options.

2016	**Executive Board Number**	**Leading employees Number**	**Resigned employees Number**	**Total**	**Average exercise price per option DKK**
Outstanding at 1 January	1,077,195	1,130,365	6,110	2,213,670	83.93
Transferred between categories	0	-54,144	54,144	0	126.12
Granted during the year	98,122	113,475	14,810	226,407	248.71
Exercised during the year	-548,765	-521,435	-19,810	-1,090,010	58.87
Forfeited during the year	0	0	-54,144	-54,144	126.12
Outstanding at 31 December	**626,552**	**668,261**	**1,110**	**1,295,923**	**107.53**
Of this exercisable at the end of the year	0	19,685	1,110	20,795	61.38
2015					
Outstanding at 1 January	1,311,140	1,257,260	42,685	2,611,085	70.80
Granted during the year	218,915	249,530	0	468,445	136.00
Exercised during the year	-452,860	-376,510	-35,030	-864,400	75.55
Forfeited during the year	0	85	-1,545	-1,460	49.43
Outstanding at 31 December	**1,077,195**	**1,130,365**	**6,110**	**2,213,670**	**83.93**
Of this exercisable at the end of the year	0	7,350	0	7,350	76.32

The share options granted in 2016 had a fair value of DKK 7.6m (2015: DKK 7.5m), equal to an average fair value per option of DKK 33.74 (2015: DKK 15.98).

Note 19 Share options (continued)

1,090,010 share options have been exercised during 2016 (2015: 864,400). The average weighted market price per share exercised in 2016 is DKK 236.30 (2015: DKK 165.78).

Vesting of share options is expensed in the Income statement for 2016 with DKK 7.5m (2015: DKK 7.2m).

The calculated fair values are based on the Black-Scholes formula for measuring share options.

The outstanding options at 31 December 2016 have an average weighted time to maturity of 1.8 years (2015: 1.9 years).

Assumptions concerning the calculation of fair value at time of grant:

Year of grant	**Exercise price**	**Market price at grant date**	**Expected volatility**	**Risk-free interest rate**	**Expected dividend per share (DKK) at grant date**	**Expected term**	**Fair value per option at time of granting**
2016	262.00	246.70	27.18%	-0.21%	5.00	4 years	35.66
2015	136.00	132.20	24.75%	-0.49%	3.60	4 years	15.98
2014	88.60	85.20	26.01%	0.83%	2.80	4 years	11.31
2013	58.80	56.40	26.20%	0.60%	2.40	4 years	6.38
2012	69.20	65.20	27.95%	0.74%	2.40	4 years	8.50

The expected volatility for 2012 is based on the historic volatility for the past 3 years. The expected volatility for 2013 to 2016 is based on the historic volatility for the past 4 years. The risk free interest rate is based on 4 year Danish government bonds.

Jubilee shares

In recognition of the contribution made by DFDS' employees in recent years to the company's growth and to celebrate the company's 150 year anniversary, the Board of Directors has awarded 30 shares free of charge to each full time employee.

The shares are awarded as a Restricted Stock Unit Plan, which contains certain conditions to be eligible for the shares. Only employees that are employed as per 1 December 2016 and continuously work until 1 February 2020 will receive the shares. Employees working more than 24 hours per week will get 30 shares, if they work more than 12 hours and up to 24 hours per week they get 20 shares and if they work up to 12 hours per week they get 10 shares. If an employee retires or has to leave his job because of disability during the period until 1 February 2020 he is entitled to the full number of shares.

In total 7,751 employees are at award date entitled to the shares. Based on historical attrition rates for each country the total expected number of shares to be transferred to the employees is 187,235 with a total fair value of DKK 55m, which will be expensed under Special items over the vesting period.

Year of grant	**Exercise price**	**Market price at grant date**	**Expected volatility**	**Risk-free interest rate**	**Expected dividend per share (DKK) at grant date**	**Expected term**	**Fair value per share at time of granting**
Jubilee shares, December 2016	0.00	319.60	28.65%	-0.51%	8.00	3 years	295.45

Note 20 Pension and jubilee liabilities

The Group contributes to defined contribution plans as well as defined benefit plans. The majority of the pension plans are funded through payments of contributions to independent insurance companies responsible for the pension obligation towards the employees (defined contribution plans). In these plans the Group has no legal or constructive obligation to pay further contributions irrespective of the financial situation of these insurance companies. Pension costs from such plans are expensed in the Income statement when incurred.

In primarily the United Kingdom and the Netherlands the Group has defined benefit plans. In addition there are minor defined benefit plans in Norway, Belgium, Italy, Germany, Denmark and Sweden. The allocation of net liability is the United Kingdom 93.8% (2015: 92.2%) and the Netherlands 2.3% (2015: 2.6%). The allocation of the funded and unfunded obligation is the United Kingdom 81.4% (2015: 78.0%) and the Netherlands 17.0% (2015: 18.4%). The majority of the defined benefit plans are pension plans that yearly pay out a certain percentage of the employee's final salary upon retirement. The pensions are paid out as from retirement and during the remaining life of the employee. The percentage of the salary is dependent of the seniority of the employee except for the closed plans in the United Kingdom and some of the other minor plans. The defined benefit plans typically include a spouse pension and disability insurance.

Some of the pension plans in Sweden are multi-employer plans, which cover a large number of enterprises. The plans are collective and are covered through contributions paid to Alecta. The Swedish Financial Accounting Standards Council's interpretations committee (Redovisningsrådet) has defined this plan as a multi-employer defined benefit plan. Presently, it is not possible to obtain sufficient information from Alecta to assess the plans as defined benefit plans. Consequently, the pension plans are similar to prior years treated as defined contribution plans. The contributions are DKK 3.9m in 2016 (2015: DKK 3.2m). The collective funding ratio at Alecta amounts to 142% as per September 2016 (December 2015: 153%). For 2017 the contributions are expected to be DKK 4.3m. DFDS' share of the multi-employer plan is around 0.008% and the liability follows the share of the total plan.

Based on actuarial calculations the defined benefit plans show the following liabilities:

DKK million

	2016	2015
Present value of funded defined benefit obligations	1,449.7	1,345.0
Fair value of plan assets	-1,021.9	-1,015.4
Funded defined benefit obligations, net	**427.9**	**329.6**
Present value of unfunded defined benefit obligations	14.3	15.4
Recognised liabilities for defined benefit obligations	**442.2**	**345.0**
Provision for jubilee liabilities	18.0	17.6
Total actuarial liabilities, net	**460.2**	**362.6**

DKK million

Note 20 Pension and jubilee liabilities (continued)	2016	2015
Movements in the net present value of funded and unfunded defined benefit obligations		
Funded and unfunded obligations at 1 January	1,360.4	1,277.8
Foreign exchange adjustments	-151.4	58.4
Current service costs	3.0	3.6
Interest costs	41.3	43.6
Actuarial gain(-)/loss(+) arising from changes in demographic assumptions	0.6	-19.7
Actuarial gain(-)/loss(+) arising from changes in financial assumptions	277.2	53.4
Past service costs	-0.6	0.0
Benefits paid	-41.5	-42.8
Employee contributions	0.2	0.2
Disposal of enterprises	-0.3	0.0
Settlements and curtailments	-24.9	-14.2
Funded and unfunded obligations at 31 December	**1,464.1**	**1,360.4**
Movements in the fair value of the defined benefit plan assets		
Plan assets at 1 January	-1,015.4	-972.9
Foreign exchange adjustments	106.0	-41.6
Calculated interest income	-30.4	-32.9
Return on plan assets excluding calculated interest income	-129.3	5.5
Costs of managing the assets	4.1	2.0
Administration costs paid from the plan assets	0.4	0.4
Employer contributions	-22.5	-26.1
Employee contributions	-0.2	-0.2
Benefits paid	39.7	40.8
Settlements and curtailments	25.7	9.8
Plan assets at 31 December	**-1,021.9**	**-1,015.4**
Expenses recognised as employee costs in the Income statement:		
Current service costs	3.0	3.6
Past service costs	-0.6	0.0
Payments on settlements and curtailments	0.0	-1.2
Gain (-)/loss(+) on settlements and curtailments	0.8	-4.4
Total included in employee costs regarding defined benefit plans	**3.2**	**-2.1**

DKK million

Note 20 Pension and jubilee liabilities (continued)	2016	2015
Expenses included in administration costs:		
Administration costs paid from the plan assets	0.4	0.4
Total included in administration costs regarding defined benefit plans	**0.4**	**0.4**
Expenses recognised as financial costs in the Income statement:		
Interest costs	41.3	43.6
Interest income	-30.4	-32.9
Total included in financial costs regarding defined benefit plans	**10.9**	**10.7**
Total expenses for defined benefit plans recognised in the Income statement	**14.4**	**9.0**
Expenses recognised in Other comprehensive income:		
Remeasurements of plan obligations	277.8	33.8
Remeasurements of plan assets	-125.2	7.5
Total included in Other comprehensive income regarding defined benefit plans	**152.6**	**41.2**
Plan assets consist of the following:		
Listed shares (of this no DFDS A/S shares)	0.2	493.8
Corporate bonds	3.0	141.4
Government and mortgage bonds	0.0	97.0
Cash and cash equivalents	1.2	2.3
Real estate	0.5	31.4
Blended investment funds [1]	775.7	0.0
Other assets (primarily insured plans)	241.3	249.5
Total plan assets	**1,021.9**	**1,015.4**

[1] The pension schemes in the UK have during 2016 changed the investment strategy to invest in blended investment funds.

Actuarial calculations or roll forward calculations are performed annually for all defined benefit plans. Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in each country. The following significant assumptions have been used for the actuarial calculations:

Assumptions:

2016	United Kingdom	the Netherlands	Others	Weighted average [1]
Discount rate	2.7%	1.8%	0.5%-2.7%	2.5%
Social security rate [2]	0.0%	1.8%	0.0%-2.3%	0.3%
Future salary increase [2]	0.0%	2.0%	0.0%-4.5%	0.4%
Future pension increase	3.4%	0.0%	0.0%-3.4%	2.8%
Inflation	2.6%	1.8%	0.0%-2.6%	2.4%

2015	United Kingdom	the Netherlands	Others	Weighted average [1]
Discount rate	3.8%	2.1%	0.5%-3.8%	3.4%
Social security rate [2]	0.0%	2.0%	0.0%-3.3%	0.4%
Future salary increase [2]	0.0%	2.0%	0.0%-4.5%	0.5%
Future pension increase	3.3%	0.3%	0.0%-2.3%	2.6%
Inflation	2.4%	2.0%	0.0%-2.0%	2.3%

[1] All factors are weighted at the pro rata share of the individual actuarial obligation.
[2] Schemes closed for new members will have a social security rate and future salary increase of 0%.

DKK million

Note 20 Pension and jubilee liabilities (continued)

Significant actuarial assumptions for the determination of the retirement benefit obligation are discount rate, expected future remuneration increases and expected mortality. The sensitivity analysis below have been determined based on reasonably likely changes in the assumptions occurring at the end of the period.

	2016	2015
Sensitivity analysis		
Reported obligation 31 December	1,464.1	1,360.4
Discount rate -0.5% point compared to assumptions	1,630.3	1,504.7
Discount rate +0.5% point compared to assumptions	1,320.5	1,235.2
Salary increase -0.5% point compared to assumptions	1,465.0	1,359.1
Salary increase +0.5% point compared to assumptions	1,468.5	1,362.1
Mortality -1 year compared with used mortality tables	1,411,4	1,321.5
Mortality +1 year compared with used mortality tables	1,518.1	1,406.3

Weighted average duration on the liabilities end of 2016 is 19.6 years (2015: 19.3 years).

The Group expects to make a contribution of DKK 24.4m (expected for 2016: DKK 28.1m, which turned out to be DKK 22.5m) to the defined benefit plans in 2017.

Maturity analysis of the obligations

0-1 year	27.6	30.9
1-5 years	148.0	149.6
After 5 years	1,288.5	1,179.9

DKK million

Note 21 Other provisions	2016	2015
Other provisions at 1 January	117.5	80.5
Foreign exchange adjustments	-2.2	3.1
Addition from acquisition of enterprises	42.2	0.8
Provisions made during the year	26.4	71.6
Increase of discounted amounts arising from the passage of time	2.4	2.0
Used during the year	-63.1	-30.0
Reversal of unused provisions	-1.2	-10.4
Other provisions at 31 December	**122.0**	**117.5**
Other provisions are expected to be payable in:		
0-1 year	67.1	78.9
1-5 years	37.4	29.5
After 5 years	17.5	9.0
Other provisions at 31 December	**122.0**	**117.5**

Of the Group's provision of DKK 122.0m (2015: DKK 117.5m), DKK 10.3m (2015: DKK 19.6m) is estimated redelivery provision regarding leased operating equipment and DKK 0m (2015: DKK 18.5m) is relating to an onerous bare boat charter contract. DKK 78.4m (2015: DKK 49.3m) is estimated net present value of earn-out agreements regarding acquisitions and DKK 33.3m (2015: DKK 30.1m) is other provisions.

DKK million

Note 22 Interest-bearing liabilities	2016	2015
Mortgage on ships	771.3	859.8
Issued corporate bonds	1,071.3	1,040.9
Financial lease liabilities	2.1	7.8
Bank loans	231.4	278.7
Other non-current liabilities	24.9	25.9
Total interest bearing non-current liabilities	**2,100.9**	**2,213.2**
Mortgage on ships	85.3	295.2
Issued corporate bonds	0.0	387.9
Financial lease liabilities[1]	772.3	8.2
Bank loans	46.3	47.4
Other current liabilities	4.0	0.0
Total interest bearing current liabilities	**907.9**	**738.7**
Total interest bearing liabilities	**3,008.8**	**2,951.9**

[1] DKK 768.8m relates to the two Channel vessels chartered from Eurotunnel, where we expect that Eurotunnel will use their option to sell the vessels to DFDS during 2017.

The fair value of the interest-bearing liabilities amounts to DKK 3,097m (2015: DKK 2,951m). The fair value measurement is categorised within level 3 in the fair value hierarchy except for the part that relates to the corporate bonds for which the fair value measurement is categorised within level 1.

The fair value of the financial liabilities is determined as the present value of expected future repayments and interest rates. The Group's actual borrowing rate for equivalent terms is used as the discount rate. The fair value of the issued corporate bonds has been calculated based on the quoted bond price at year end 2016 and 2015, respectively.

DKK 476m of the interest-bearing liabilities in the Group fall due after five years (2015: DKK 608m). No unusual conditions in connection with borrowing are made. The loan agreements can be settled at fair value plus a small surcharge, whereas premature settlement of the corporate bonds requires a repurchase of the bonds.

Reference is made to note 26 for financial risks, etc.

DKK million

Allocation of currency, principal nominal amount	2016	2015
DKK	993.6	1,041.7
EUR	1,432.7	961.8
NOK	572.1	930.1
GBP	10.4	18.2
Other	0.0	0.1
Total interest bearing liabilities	**3,008.8**	**2,951.9**

DKK million

Note 23 Other payables	2016	2015
Payables to associates and joint ventures	28.4	30.8
Accrued interests	5.1	9.0
Public authorities (VAT, duty, etc.)	64.0	53.6
Holiday pay obligations, etc,	335.9	293.1
Other payables	66.9	119.8
Total other payables	**500.3**	**506.2**

DKK million

Note 24 Corporation tax	2016	2015
Corporation tax liabilities at 1 January	22.6	11.5
Foreign exchange adjustment	-1.2	0.2
Corporation tax receivables set off against non-corporation tax items / Opening adjustment regarding classification of due jointly taxation (transferred from other payables)	3.0	-1.2
Additions on acquisition of enterprises / sale of enterprises	2.0	0.0
Tax for the year recognised in the Income statement	25.1	24.2
Tax for the year recognised in Other comprehensive income	10.4	0.0
Adjustment, prior years recognised in the Income statement	-16.1	1.8
Corporation taxes paid during the year	-20.4	-13.8
Corporation tax liabilities at 31 December, net	**25.3**	**22.6**
Corporation tax is recognised in the balance sheet as follows:		
Corporation tax receivable (assets), reference is made to note 14	-4.9	-2.7
Corporation tax debt (liabilities)	30.2	25.3
Corporation tax liabilities at 31 December, net	**25.3**	**22.6**

DKK million

Note 25 Information on financial instruments	2016	2015
Carrying amount per category of financial instruments		
Derivatives, financial assets measured at fair value	59.6	4.5
Loans, receivables and cash, assets measured at amortised cost	2,489.0	3,285.3
Financial assets available for sale	9.5	18.4
Derivatives, financial liabilities measured at fair value	-145.8	-303.5
Financial liabilities measured at amortised cost	-4,831.4	-4,691.9
Total	**-2,419.1**	**-1,687.1**

DKK million

Note 25 Information on financial instruments (Continued)

Hierarchy of financial instruments measured at fair value
The table below ranks financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- **Level 1:** Quoted prices in an active market for identical type of instrument, i.e. without change in form or content (modification or repackaging).
- **Level 2:** Quoted prices in an active market for similar assets or liabilities or other valuation methods where all material input is based on observable market data.
- **Level 3:** Valuation methods where possible material input is not based on observable market data.

2016	**Level 1**	**Level 2**	**Level 3**
Derivatives, financial assets	0.0	59.6	0.0
Assets held for sale (non-recurring fair value measurement)	0.0	0.0	13.5
Derivatives, financial liabilities	0.0	-145.8	0.0
Total	**0.0**	**-86.3**	**13.5**

2015	**Level 1**	**Level 2**	**Level 3**
Derivatives, financial assets	0.0	4.5	0.0
Assets held for sale (non-recurring fair value measurement)	0.0	0.0	59.2
Derivatives, financial liabilities	0.0	-303.5	0.0
Total	**0.0**	**-298.9**	**59.2**

Derivative financial assets and liabilities are all measured at level 2. Reference is made to note 26 for description of the valuation method. Assets held for sale (non-recurring fair value measurement) comprise the former Norfolkline domicile in Scheveningen with a carrying amount of DKK 13.5m (2015: DKK 59.2m hereof Scheveningen 13.5m). Reference is made to note 31 for further information on assets held for sale. The fair value of the building is based on a valuation made by an independent real estate broker and advanced discussions with a potential buyer etc.

The ro-pax ship Vilnius Seaways has during the year been reclassified to non-current tangible assets. Reference is made to note 31.

Financial assets available for sale comprise other shares and equity investments as well as other investments of DKK 9.5m (2015: DKK 18.4m). These are some minor unlisted enterprises and holdings. They are measured at cost reduced by impairments, if any, and consequently, they are not included in the fair value hierarchy.

During the year financial assets available for sale measured at level 3 has included non-listed shares in Danish Ship Finance (Danmarks Skibskredit A/S). In prior years these shares have been measured at cost by DKK 8.8m and accordingly not been included in the fair value hierarchy. However, in September 2016 the majority of Danish Ship Finance's share capital was traded and consequently, DFDS' holding of these non-listed shares were measured at fair value based on the published price per share according to the transaction in September 2016 as this price was also offered to the remaining shareholders. In November 2016 DFDS sold its shareholding in Danish Ship Finance for DKK 34.1m, resulting in a gain of DKK 25.2m which is recognised in the income statement under financial income.

Note 26 Financial and operational risks

DFDS' risk management policy
The most important financial risk factors for DFDS are bunker prices, interest rates, currencies, investments and liquidity. It is the policy of the Group not to enter into active speculation in financial risks. The intention of the financial risk management of the Group is only to manage the financial risks attached to operational and financial activities.

The Board of Directors annually approves the financial risk management policy and strategy. In addition, DFDS Bunker Committee monitors hedging levels and market development on a monthly basis.

Financial risks
Currency risks
Financial currency risks arise from translation of net investments in foreign companies and from other investments, receivables or liabilities denominated in foreign currencies. Currency risks are monitored continuously to ensure compliance with the financial risk management policy.

DFDS aims to actively reduce currency exposure by matching the currency positions, obtaining multi-currency loans and by directing all currency balance positions towards the Parent Company, DFDS A/S. The Group uses forward exchange contracts, currency options and currency swaps to hedge forecasted transactions in foreign currencies.

Transaction risks
The Group's most substantial currency balance positions are in SEK, GBP, NOK, EUR and USD. A strengthening of SEK, GBP, NOK and USD, as indicated below, against the DKK at 31 December 2016 balances, would have increased/decreased equity and profit or loss by the amounts presented below. EUR is considered as minor risk bearing due to the close band between DKK and EUR.

DKK million

Hypothetical effect of reasonable possible change against DKK	**2016**	**2015**
SEK, equity and profit/loss effect, 10% strengthening	7.9	10.9
GBP, equity and profit/loss effect, 10% strengthening	18.5	19.9
NOK, equity and profit/loss effect, 10% strengthening	-6.6	-22.4
USD, equity and profit/loss effect, 10% strengthening	22.6	18.2
USD, equity effect, 10% strengthening[1]	74.9	5.2

[1] Change in fair value of cash flow hedges, which would only have affected equity. Hedging is only done in the Parent Company. The equity sensitivity is effected by new forward exchange contracts related to investments in two newbuildings.

The sensitivity analysis on currency risk has been prepared under the assumptions that the effect is calculated on the balance sheet items at the balance sheet date; the included hedges are 100% effective and based on the actual market situation and expectations to the development in the currencies. The analysis assumes that all other variables, in particular interest rates, remain constant.

Translation risks
Translation risks relate to translation of profit and loss and equity of foreign group enterprises into DKK. The Group's most substantial translation risks are GBP, SEK and NOK. An increase in these currencies of 10% compared to the average exchange rates for 2016 would in respect of GBP have affected the result for 2016 by DKK 2.7m (2015: DKK 5.4m), in respect of SEK by DKK 2.5m (2015: DKK 4.4m), and in respect of NOK by DKK 4.2m (2015: DKK 2.3m).

Note 26 Financial and operational risks (continued)

Interest rate risks

DFDS is primarily exposed to interest rate risks through the loan portfolio. The intention of the interest rate risk management is to limit the negative effects from interest rate fluctuations. It is DFDS' strategy that 40-70% of the loan portfolio must be fixed-rate loans when taking contracted interest rate swaps and long-term charter agreements into consideration.

The total net interest-bearing debt (including currency derivatives on bond loans and interest rate swaps) of the Group amounts to DKK 2,424m at year-end 2016 (2015: DKK 1,773m), of which debt with a fixed-rate amounts to DKK 1,281m at year-end 2016 (2015: DKK 1,108m.) The share of debt with fixed-rate is 50% at year-end 2016 (2015: 45%) including the effect of all interest rate swaps. When including the long-term charter agreements the share of debt with fixed-rate increases to 55% (2015: 54%).

An increase in the interest rate of 1%-point compared to the actual interest rates during 2016 would, other things being equal, have increased net interest payments by DKK 10.2m for the Group in 2016 (2015: DKK 9.5m). A decrease in the interest rates would have had a similar positive effect.

The Group's total interest-bearing debt except bank overdrafts had an average time to maturity of 4.2 years (2015: 5.3 years), and consists primarily of revolving facilities, floating rate bank loans with security in the ships and unsecured issued corporate bonds. The financing is obtained at the market interest rate with addition of a marginal rate reflecting DFDS' financial strength. As part of the financial strategy interest rate swaps with a principal amount totalling DKK 312m (2015: DKK 807m) have been entered into in order to change part of the floating-rate bank loans and issued corporate bonds to fixed rate bank loans and bonds. The duration of the Group's debt portfolio (including charter liabilities) is 1.3 years (2015: 1.4 years).

An increase in the interest rate of 1%-point compared to the actual interest rate at balance sheet date would, other things being equal, have had a hypothetical positive effect on the Group's equity reserve for hedging by DKK 11.6m (2015: DKK 17.3m). This is due to the interest rate swaps entered to hedge variable interest rate loans. A decrease in the interest rate would have had a similar negative effect. The sensitivity analysis is based on the assumption that the effectiveness of the hedges will stay unaffected by the change in the interest rate.

Bunker risks

DFDS Group uses bunker swaps to hedge the variability in bunker costs that are not commercially hedged through customer agreements.

An increase in the bunker price of 10% compared to the actual bunker price at balance sheet date would, other things being equal, have had a hypothetical positive effect on the Group's equity reserve for hedging of DKK 4.6m (2015: DKK 6.7m). This is due to the bunker contracts for future delivery entered to hedge the cost for bunkers. A decrease in the bunker price would have had a similar negative effect.

The sensitivity analysis on bunker contracts has been prepared under the assumptions that the effect is calculated all else being equal on the bunker contracts entered at the balance sheet date; the hedges are 100% effective and based on the actual market situation and expectations to the development in the bunker prices.

Liquidity risks

The Group aims to maintain a minimum cash resource of DKK 400m, which is regarded as sufficient for the current operation. The cash resources at 31 December 2016 are DKK 2,296m (2015: DKK 2,532m), of which undrawn credit facilities amounts to DKK 1,600m (2015: DKK 1,110m). The Group Treasury department manages excess liquidity and cash resources. Cash at bank and in hand are primarily placed in the short-term money market, and short-term debt to banks are drawn mostly on overdraft and revolving credit facilities.

The following are the contractual maturities of financial instruments, including estimated interest payments and excluding the impact of netting agreements:

DKK million

Note 26 Financial and operational risks (continued)

2016	**0-1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Non-derivative financial assets				
Cash	695.6	0.0	0.0	0.0
Trade receivables	1,602.2	0.0	0.0	0.0
Receivables from associates and joint ventures	52.2	0.0	0.0	0.0
Other receivables and current assets	114.3	0.0	24.8	0.0
Non-derivative financial liabilities				
Mortgages on ships	-104.4	-204.0	-196.9	-464.2
Issued corporate bonds	-26.8	-1,089.3	0.0	0.0
Bank loans	-50.5	-98.9	-96.1	-47.0
Other interest-bearing debt	-4.0	-0.4	-24.5	0.0
Financial lease liabilities[1]	-773.3	-2.4	0.0	0.0
Trade payables	-1,722.3	0.0	0.0	0.0
Payables to associates and joint ventures	-28.4	0.0	0.0	0.0
Other payables	-66.9	0.0	0.0	0.0
Derivative financial assets				
Forward exchange contracts and currency swaps	14.2	34.5	0.0	0.0
Bunker contracts	10.9	0.0	0.0	0.0
Derivative financial liabilities				
Interest swaps	-2.8	-4.7	-2.9	-0.3
Forward exchange contracts and currency swaps	-0.2	-134.9	0.0	0.0
	-290.2	**-1,500.1**	**-295.6**	**-511.5**

[1] DKK 768.8m relates to the two Channel vessels chartered from Eurotunnel, where we expect that Eurotunnel will use their option to sell the vessels to DFDS during 2017.

DKK million

2015	**0-1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Non-derivative financial assets				
Cash	1,422.6	0.0	0.0	0.0
Trade receivables	1,593.2	0.0	0.0	0.0
Receivables from associates and joint ventures	55.1	0.0	0.0	0.0
Other receivables and current assets	189.5	0.0	25.0	0.0
Non-derivative financial liabilities				
Mortgages on ships	-319.0	-211.1	-205.6	-563.9
Issued corporate bonds	-425.0	-588.5	-505.9	0.0
Bank loans	-52.3	-101.8	-99.0	-96.2
Other interest-bearing debt	0.0	-1.3	-25.3	0.0
Financial lease liabilities	-9.1	-8.7	0.0	0.0
Trade payables	-1,573.3	0.0	0.0	0.0
Payables to associates and joint ventures	-30.8	0.0	0.0	0.0
Other payables	-119.8	0.0	0.0	0.0
Derivative financial assets				
Forward exchange contracts and currency swaps	4.5	0.0	0.0	0.0
Derivative financial liabilities				
Interest swaps	-5.4	-4.0	-2.7	-1.1
Forward exchange contracts and currency swaps	-105.4	-169.9	0.0	0.0
Bunker contracts	-15.0	0.0	0.0	0.0
	609.8	**-1,085.2**	**-813.4**	**-661.2**

Beside the contractual maturities the Group has issued guarantees for DKK 531.7m (2015: DKK 606.3m). These are not presented in the above table as the contractual maturity is not possible to predict. Reference is made to note 32.

DKK million

Note 26 Financial and operational risks (continued)

Assumptions for the maturity table:
The maturity analysis is based on undiscounted cash flows including estimated interest payments. Interest payments are estimated based on existing market conditions.

The undiscounted cash flows related to derivative financial liabilities are presented at gross amounts unless the parties according to the contract have a right or obligation to settle at net amount.

Credit risks
DFDS' primary financial assets are trade receivables, other receivables, cash and derivative financial instruments. The credit risk is primarily attributable to trade receivables and other receivables.

The amounts in the balance sheet are stated net of write-downs on receivables, which have been estimated based on a specific assessment of the present economic situation for the specific customer.

DFDS' risks regarding trade receivables are not considered unusual and no material risk is attached to a single customer or cooperative partner. According to the Group's policy of undertaking credit risks, credit ratings of significant customers and other cooperative partners are performed at least once a year. A few counterparties have provided bank guarantees for payments for the benefit of DFDS. These guarantees amounts to DKK 9.5m in 2016 (2015: DKK 3.9m), the fair value of the bank guarantees is DKK 9.5m (2015: DKK 3.9m).

Internal credit ratings are also prepared on a systematic and current basis for all financial counterparties. The internal credit rating is based on ratings from international credit rating companies. On the basis of the internal credit rating the Board of Directors have approved general limits for exposure towards financial counterparties.

Capital management
The targeted financial leverage is a net interest-bearing debt (NIBD)/EBITDA multiple of between 2.0 and 3.0. The target can be suspended, for example in connection with large investments, including acquisitions, and other strategic initiatives. At year-end 2016 the NIBD/EBITDA multiple was 0.9 (2015: 0.9).

Dividend is distributed semi-annually to facilitate a faster return of capital to shareholders and better align dividend payments with DFDS' seasonal cash flow cycle that peaks during the third quarter, the high season for passenger travel. Further information on capital structure and distribution policy is available in the section on the DFDS share and shareholders in the Management report.

In line with a higher earnings level and alignment of the capital structure, the proposed dividend for 2017 is DKK 3.00 (2016: DKK 3.00) per share to be distributed after the annual general meeting in March and a planned DKK 5.00 (2016: DKK 2.00) per share to be distributed in August 2017. The total planned dividend for 2017 thus amounts to DKK 8.00 per share equal to 30% of the profits excluding non-controlling interests (2016: DKK 5.00 per share or 30% of the profits excluding non-controlling interests).

In 2016, the Group's cost of capital (WACC) was calculated at 6.0% (2015: 6.0%) and the return on invested capital (ROIC) before special items was 17.8% (2015: 13.7%). DFDS' target is a ROIC before special items of minimum 10% over a business cycle.

DKK million

Note 26 Financial and operational risks (continued)

2016				**Expected timing of recycling to income statement of gains/losses recognised in the equity**				
Expected future transactions	**Hedge instrument**	**Time to maturity**	**Notional principal amount**	**0-1 year**	**1-3 years**	**3-5 years**	**After 5 years**	**Fair value**
Interest	Interest swaps	0-6 years	312.2	-2.8	-4.7	-2.9	-0.3	-10.7
Goods purchased	Oil contracts for forward delivery (tons)	0-1 years	33.5	10.8	0.0	0.0	0.0	10.8
Bond loans	Currency Swaps	0-3 years	702.1	0.0	-5.5	0.0	0.0	-5.5
Ship investments[1]	Forward exchange contracts	0-2 years	646.8	7.8	34.5	0.0	0.0	42.3
Sales and goods purchased	Forward exchange contracts	0-1 years	33.9	1.9	0.0	0.0	0.0	1.9
				17.7	**24.3**	**-2.9**	**-0.3**	**38.8**

[1] For Ship Investment hedge instruments the recycling from equity will be recognised under non-current tangible assets.

DKK million

2015				**Expected timing of recycling to income statement of gains/losses recognised in the equity**				
Expected future transactions	**Hedge instrument**	**Time to maturity**	**Notional principal amount**	**0-1 year**	**1-3 years**	**3-5 years**	**After 5 years**	**Fair value**
Interest	Interest swaps	0-7 years	806.9	-5.4	-4.0	-2.7	-1.1	-13.2
Goods purchased	Bunker contracts (tons)	0-1 years	42.2	-15.0	0.0	0.0	0.0	-15.0
Bond loans	Currency swaps	0-3 years	1,200.0	1.3	-11.1	0.0	0.0	-9.8
Sales and goods purchased	Forward exchange contracts	0-1 years	51.0	1.0	0.0	0.0	0.0	1.0
				-18.2	**-15.0**	**-2.7**	**-1.1**	**-37.0**

The fair value of the interest swaps have been calculated by discounting the expected future interest payments. The discount rate for each interest payment is estimated on the basis of a swap interest curve, which is calculated based on market interest rates.

The fair value of forward exchange contracts and bunker contracts are calculated based on actual forward curves in DFDS' Treasury system.

Note 26 Financial and operational risks (continued)

Operational risks
Operational risks arise from the cash flow transactions. The size of the transactions made through the financial year is affected by the change in different market rates such as interest and foreign exchange rates. Currency risks are monitored continuously to ensure compliance with the financial risk management policy.

Currency cash flow risks
Approximately 89% of DFDS' revenues in 2016 were invoiced in foreign currencies (2015: 89%) with the most substantial net income currencies being EUR, SEK, GBP and NOK. USD was the most substantial net expense currency. EUR is considered as minor risk bearing due to the DKK's close band to the EUR. The table below shows the currency cash flow risk.

DKK million

Profit or loss effect of reasonable possible change against DKK	2016	2015
SEK, profit or loss effect, 10% weakening	-17.9	-17.2
NOK, profit or loss effect, 10% weakening	-8.2	-7.1
GBP, profit or loss effect, 10% weakening	-33.4	-35.5
USD, profit or loss effect, 10% strengthening[1]	-14.1	-19.0

[1] After effect of BAF clauses

Bunker risks
The cost of bunkers constitutes a specific and significant operational risk partly due to large fluctuations in bunker prices and USD and partly due to the total annual bunker costs of approximately DKK 999m or 7.2% of the Group's revenue in 2016 (2015: DKK 1,304m or 9.7% of the Group's revenue).

In the freight industry, bunker costs are primarily hedged by price-adjustment clauses (BAF) in freight customer contracts. In the passenger industry, fluctuations in the cost of bunkers are reflected in the ticket price to the extent possible. In addition, hedging transactions, primarily bunker swaps, are used to manage risk of the remaining bunker costs.

DKK million

Note 27 Non-cash operating items	2016	2015
Change in provisions	2.3	48.0
Change in write-down of inventories for the year	-1.6	0.9
Change in provision for defined benefit plans and jubilee obligations	6.1	-0.3
Vesting of share option plans expensed in the income statement	7.5	7.2
Non-cash operating items	**14.3**	**55.8**

DKK million

Note 28 Change in working capital	2016	2015
Change in inventories	-26.9	0.3
Change in receivables	36.3	77.1
Change in current liabilities	159.0	121.3
Change in working capital	**168.4**	**198.7**

DKK million

Note 29 Change in other financial loans, net	2016	2015
Instalments and repayments of loans	-47.0	-95.7
Change in other financial loans, net	**-47.0**	**-95.7**

Note 30 Acquisition and sale of enterprises, activities and non-controlling interests

Acquisitions 2016

Freight and passenger route Paldiski-Hanko
On 1 September 2016 DFDS entered into an agreement with the Estonian company Navirail OÜ to acquire the company's freight and passenger route (ro-pax) between Paldiski (Estonia) and Hanko (Finland). The transaction was approved by the Estonian Competition Authorities at 28 September 2016 and the route is consolidated with effect from 1 October 2016.

The route has been acquired 100% by DFDS A/S. The route expands DFDS' network in the northern part of the Baltic Sea and complements DFDS' existing route between Paldiski and Kapellskär (Sweden).

DFDS has not paid any upfront consideration. An earn-out agreement has been entered with the seller, according to which DFDS must pay 50% of the route's accumulated EBIT for six years. Based on the expectations to the route's earnings for the earn-out period the net present value of the earn-out is estimated at DKK 32.2m. The estimated yearly revenue is DKK 97m. Goodwill amount to DKK 32.2m.

Haulage Shetland Ltd.
On 14 November 2016 the acquisition of the Scottish company Haulage Shetland Ltd. was completed and the DFDS Group obtained control as from this date. After the acquisition the DFDS Group has 100% ownership of the acquired company and the acquired company is consolidated as from this date. The acquisition is 100% made by the subsidiary DFDS Logistics Ltd. and the acquired company is after the acquisition included in the UK & Ireland Business Unit.

DFDS paid DKK 55.4m for the acquired company and cash in the acquired company amounted to DKK 18.4m and accordingly the liquidity effect was DKK 37.0m. In addition, two earn-out agreements have been entered into according to which DFDS, based on the acquired company's financial performance for 2016/17 and 2017/18, may pay an additional cash consideration in the range of DKK 0-9.5m. in total.

Based on the acquired company's estimated earnings the earn-out agreements are estimated to DKK 9.5m. Consequently, the total purchase price is calculated at DKK 64.9m. The estimated yearly revenue amounts to DKK 84m.

Trade receivables have been recognised at the acquisition date at a fair value of DKK 16.4m which is DKK 0.2m less than their gross value.

Transaction costs were insignificant and have been expensed as part of administration costs. Goodwill amount to DKK 5.8m.

Italcargo Sweden AB
On 21 December 2016 the acquisition of the Swedish company Italcargo Sweden AB was completed and the DFDS Group obtained control as from this date. After the acquisition the DFDS Group has 100% ownership of the acquired company and the acquired company is consolidated as from this date. The acquisition is 100% made by the subsidiary DFDS Seaways Holding AB and the acquired company is after the acquisition included in the Nordic Business Unit.

DFDS paid DKK 19.3m (of which a payment of DKK 0.8m is deferred) for the acquired company and cash in the acquired company amounted to DKK 5.1m and accordingly, the liquidity effect in 2016 was DKK 13.4m. The estimated yearly revenue is DKK 50m.

Trade receivables have been recognised at the acquisition date at a fair value of DKK 5.2m which is DKK 0.0m less than their gross value.

Transaction costs were insignificant and have been expensed as part of administration costs. Goodwill amount to DKK 7.4m.

The goodwill in all three transactions represent the value of the assets whose fair value cannot be reliably measured, including the value of the staff and know-how taken over, expected synergies from combining the acquired companies/activities with the existing DFDS activities and network.

DKK million

Note 30 Acquisition and sale of enterprises, activities and non-controlling interests (continued)	
	Fair value at acquisition date
Acquisition Date	Haulage Shetland Ltd. Acquisition (as from 14/11-2016)
Non-current assets	43.8
Current assets	36.9
Assets	**80.7**
Non-current liabilities	4.2
Current liabilities	17.4
Liabilities	**21.6**
Fair value of acquired net assets	**59.1**
Total purchase price	
Cash consideration	55.4
Contingent consideration (estimated fair value of earn-out)	9.5
Fair value of the purchase price	**64.9**
Goodwill at acquisition	**5.8**

Of the Group's total revenue of DKK 13,790.4m for the period 1 January - 31 December 2016 DKK 19.7m relates to the Paldiski - Hanko acquisition (consolidated from 1 October 2016) and DKK 12.6m relates to the Haulage Shetland Ltd. acquisition (consolidated from 14 November 2016). Of the Group's profit before tax of DKK 1,587.6m for the period 1 January - 31 December 2016 DKK -1.7m relates to the Paldiski - Hanko acquisition and DKK 1.9m relates to the Haulage Shetland Ltd. acquisition.

Had the acquisitions occurred at the beginning of the financial year, the Group's total revenue for the period 1 January - 31 December 2016 would estimated amount to approximately DKK 13,869.8m.

Minor insignificant acquisitions
On 4 July 2016 the acquisition of haulage activities from the Northern Irish company JFM Haulage.was completed and the DFDS Group obtained control as from this date. DFDS paid DKK 0.5m for the acquired acitivities which is Goodwill. The haulage activities contains 35 drivers, has 27 trucks on operational lease. Total annual revenue is approx. DKK 26m and a result before tax of DKK 0.6m. As DFDS is the main customer, the acquisition will not have material impact on the DFDS Group's revenue and result before tax.

Acquisition of non-controlling interests
Acquisition of shares by DFDS A/S in AB DFDS Seaways during 2016 amounts to DKK 0.3m (2015: DKK 0.4m), equivalent to an ownership of 0.07% (2015: 0.11%) after which the company is owned 96.8% (2015: 96.8%). Badwill of DKK 1.0m (2015: DKK 1.2m) is recognised directly in the equity.

Acquisitions 2015
On 1 February 2015 the DFDS Group obtained control and 100% ownership of the logistics activities from Beltrin s.r.o. in Czech Republic. The activities are included in Business Unit Continent. 2 March 2015 the DFDS Group acquired certain logistics activities, including employees, certain operating assets and lease agreements of operating equipment, from Volvo Logistics Corporation in Sweden. The activities are included in Business Unit Nordic.

Estimated total yearly revenue of the two acquired activities is around DKK 100m. Total purchase price for the two activities is DKK 7m. The impact from the acquisitions on revenue and EBIT is insignificant. Transaction costs were insignificant and have been expensed as part of administration costs. Goodwill amounts to DKK 0.8m.

DKK million

Note 31 Assets held for sale	2016	2015
Non-current assets, former Norfolkline domicile in Scheveningen	13.5	13.5
Non-current assets, ro-pax ship Vilnius Seaways	0.0	45.7
Total assets held for sale	**13.5**	**59.2**

2016
At 31 December 2016 Assets held for sale (non-recurring fair value measurement) only comprise the former Norfolkline domicile in Scheveningen with a carrying amount of DKK 13.5m. DFDS is in advanced discussions with a potential buyer.

During 2016 the ro-pax ship Vilnius Seaways ceased to be classified as held for sale as management assessed that the criteria for being classified as held for sale was no longer met. Accordingly, the ship was moved back to Non-current tangible assets at the carrying amount the ship had before it was classified as held for sale, adjusted for depreciations etc, that would have been recognised had the ship not been classified as held for sale.

The variance between this adjusted carrying amount and the carrying amount recognised under held for sale at the time the ship ceased to be classified as held for sale has been expensed under Depreciation, ships by an amount of DKK 18.2m.

2015
DFDS countinues to search for a buyer to the former Norfolkline domicile in Scheveningen and is in discussions with a potential buyer. The domicile is expected to be sold during 2016. The global financial crisis, which has led to an increase in the selling time on the real estate market, is in DFDS' opinion one of the reasons that the building has not yet been sold. DFDS does not expect to involve the building in the company's future operation, thus the building's carrying amount is still expected to be recovered through a sale. The domicile is therefore still recognised as an asset held for sale.

DFDS countinues to search for a buyer for the ro-pax ship Vilnius Seaways, which is taken out of the route network and chartered out. The ship is expected to be sold during 2016. Consequently, the ship is still recognised as an asset held for sale, and the carrying amount at 31 December 2015 has, based on valuations from independent ship brokers, been impaired by DKK 2.6m to DKK 45.7m reflecting best estimate of fair value less costs of dispolsal. A dry docking on Vilnius Seaways was carried out in January 2016 at an estimated cost of DKK 9.7m. It is assessed that this dry docking will not increase the value of the ship and therefore the contracted dry docking is accounted for as an onerous contract. Of the DKK 9.7m in estimated costs, only DKK 7.1m are outstanding as of 31 December 2015 and are recognised as liabilities relating to assets classified as held for sale.

In Q1 2015, the ro-ro freight ship Flandria Seaways was reclassified to asset held for sale. The ship was sold in April 2015 and resulted in a gain of DKK 12.3m, which is recognised under special items, reference is made to note 7.

DKK million

Note 32 Guarantees, collateral and contingent liabilities

Guarantees amount to DKK 117.0m (2015: DKK 115.6m) for the Group. In addition, the Group has issued an unlimited guarantee to cover any obligations under a Payment Service Agreement for creditcard payments. The Group has issued letter of support to cover total underfundings in two defined benefit pension schemes in two English subsidiaries. The total underfunding amount to DKK 414.7m (2015: DKK 490.7m).

The Group is in 2016 as well as in 2015 part in various legal disputes. The outcome of these disputes is not considered likely to influence DFDS significantly, besides what is already recognised in the balance sheet.

In terms of the contaminated land in one of the Group companies discovered in 2005, there is still no obligation to clean the land. If such obligation should occur, the Group has the possibility to get the cost adjusted in the original purchase price for the company. The seller of the land has made a deposit of DKK 24.5m (2015: DKK 24.6m) on a bank account in DFDS' name to cover this. In 2016 the company has received a letter stating that the clean-up plan needs to be submitted by the end of August 2017.

Certain ships with a total carrying amount of DKK 1,343.8m (2015: DKK 1,952.2m) have been pledged as security for mortgage on ships with a total carrying amount of DKK 856.5m (2015: DKK 1,155.0m).

At year end 2016 DKK 0m (2015: DKK 85.4m) of the cash was deposited on restricted bank accounts as security for derivatives with negative fair values

Note 33 Contractual commitments	2016	2015
Contractual commitments, term 0-1 year	166.2	163.4
Contractual commitments, term 1-5 years	906.5	200.2
Contractual commitments, term after 5 years	38.5	541.7
Contractual commitments	**1,111.2**	**905.2**

Contractual commitments in 2016 relates to the order of 2 new freight ships (ro-ro) that are to be delivered in the beginning of 2019 as well as future charter payments relating to the ships Gardenia Seaways and Tulipa Seaways. These ships are currently being built and delivery is expected in May and September 2017 respectively.

Contractual commitments in 2015 relates to the developing of a terminal as well as the future charter payments relating to the lease of the ships Côte des Dunes and Côte des Flandres. The ships were deployed on the route Dover-Calais during February 2016 at which time the lease arrangement has commenced and the ships are recognised as a financial lease.

Operating lease commitments (lessee)	2016	2015
Minimum lease payments		
0-1 year	70.3	72.1
1-5 years	118.0	193.6
After 5 years	1.0	9.5
Total buildings	**189.3**	**275.2**
0-1 year	126.8	158.4
1-5 years	491.3	548.9
After 5 years	1,107.6	1,339.6
Total terminals	**1,725.7**	**2,046.9**
0-1 year	303.6	334.8
1-5 years	326.0	532.9
Total ships	**629.6**	**867.7**
0-1 year	71.4	86.5
1-5 years	80.1	114.3
After 5 years	0.6	1.7
Total equipment, etc.	**152.0**	**202.5**
Total minimum lease payments fall due as follows:		
0-1 year	572.0	651.8
1-5 years	1,015.3	1,389.7
After 5 years	1,109.2	1,350.8
Total minimum lease payments	**2,696.6**	**3,392.3**

The specified payments are not discounted.

Note 33 Contractual commitments (continued)

Operating lease- and rent costs recognised in the income statement amount to DKK 710.2m for 2016 (2015: DKK 796.9m) of which DKK 32.8m (2015: DKK 37.6m) are contingent lease payments. The contingent part of the lease costs relates to terminals and is based on the throughput of volumes in the terminals.

Operating lease contracts on ships are typically concluded with lease terms of up to 12 months, but where most of the lease contracts contain an option to extend the lease term.

However, 2 leases were initially entered with a 10 year lease period, of which 3-5 years remain at 31 December 2016. A further 2 leases were initially entered with a 5 year lease period, of which 3-5 years remain at 31 December 2016.

Lease contracts on other assets are normal lease contracts including a minimum lease term after which the lease term can be terminated by giving 1 to 12 months' notice.

DFDS has not entered any substantial agreements, which will be effected, changed nor expired, if the control over the Group is changed as a consequence of a takeover of the Group.

DFDS has a purchase option on the chartered ship Regina Seaways. Furthermore there are purchase options on the ro-ro freight ships Gardenia Seaways and Tulipa Seaways, which the Group has chartered. The 2 ships are new buildings and are expected to be delivered in May and September 2017 respectively.

DKK million

Operating lease commitments (lessor)	**2016**	**2015**
Minimum lease payments (income)		
Ships		
0-1 year	183.6	142.0
1-5 years	462.6	357.7
After 5 years	0.0	60.6
Total ships	**646.2**	**560.3**

The specified minimum payments are not discounted. Operational lease- and rental income recognised in the income statement amount to DKK 220.0m in 2016 (2015: DKK 192.7m). The contracts are entered into on usual conditions.

Financial lease commitments (lessee)

2016	**Minimum lease payments**	**Hereof financing element**	**Carrying amount**
0-1 year	773.3	-0.4	772.9
1-5 years	2.4	-0.2	2.2
Total	**775.7**	**-0.6**	**775.1**

2015	**Minimum lease payments**	**Hereof financing element**	**Carrying amount**
0-1 year	9.1	-0.9	8.2
1-5 years	8.7	-0.9	7.8
Total	**17.8**	**-1.8**	**16.0**

The financial leased commitments are primarily related to the lease of the ships Côte des Dunes and Côte des Flandres. The ships were deployed on the route Dover-Calais during February 2016.

Note 34 Related party transactions

Lauritzen Fonden, Copenhagen with a nominal shareholding of 41.4% exercises de facto control over DFDS A/S. Accordingly, the members of the Board of Directors and the Executive Board at Lauritzen Fonden as well as all companies owned by Lauritzen Fonden are related parties.

Furthermore, related parties comprise DFDS' Executive Board and Board of Directors, leading employees and close members of the family of those, DFDS' subsidiaries, associates and joint ventures, reference is made to note 39 and note 13.

Apart from intra-group balances and transactions (primarily charter hire, financing and commissions etc.), which are eliminated on consolidation, usual Executive Board remuneration and Board of Directors emoluments (reference is made to note 4), share options to the Executive Board and leading employees (reference is made to note 19) and the below transactions, no related-party transactions have been carried out during the year.

DKK million

2016	**Sale of services**	**Purchase of services**	**Receivables**	**Liabilities**	**Capital contributions**
Associates and joint ventures	31.4	225.5[1]	52.2	28.4	0.0
2015					
Associates and joint ventures	23.6	199.1[1]	55.1	30.8	21.2

[1] Primarily related to port terminal services

Note 35 Impairment tests

Introduction
DFDS has as in previous years decided to impairment test all non-current assets at least at year-end, or more frequent if there is any indication of impairment.

Definition of cash-generating units
The breakdown into cash-generating units takes its starting-point in the internal structure of the two segments, Shipping and Logistics, and their business areas, including the strategic, operational and commercial management and control of these, both separately and across business areas, and the nature of the customer services provided.

Based on this the following cash generating units have been identified:

Shipping:
- The business areas North Sea, Baltic Sea and France & Mediterranean
- Two ro-pax ships not operating in a route schedule where each ship is a separate cash-generating unit (2 units)
- The business area Channel
- The Copenhagen – Oslo route, which is part of the Passenger business area
- The Amsterdam – Newcastle route, which is part of the Passenger business area

Logistics:
- The business area Nordic – comprising two sideport ships operating in a route schedule
- The business area Nordic – comprising two terminals where each terminal is a separate cash-generating unit (2 units)
- The business area Nordic – comprising forwarding- and logistics activities in the Nordic and Baltic countries
- The business area Continent – forwarding- and logistics activities at the European continent
- The business area UK & Ireland – forwarding- and logistics activities in UK and Ireland

Non-current tangible and intangible assets are attributed to the above cash-generating units, unless this cannot be done with a reasonable degree of certainty. Software and other assets which cannot with reasonable certainty be attributed to one or more of the above cash-generating units are tested for impairment as a non-allocated Group asset, i.e. on the basis of Group earnings.

In 2015 the shipping business area France & Mediterranean formed its own cash-generating unit in which one owned ship was impairment tested. However, during 2016 the ship has also operated on various routes in the North Sea business area. Consequently, as from 2016 the business areas North Sea, Baltic Sea and France & Mediterranean will form one cash-generating, as the impairment tested ships are operated across the routes in the three business areas.

In 2016 the activity in one terminal has ceased and consequently, the number of cash-generating units in 'The business area Nordic – comprising terminals where each terminal is a separate cash-generating unit' is reduced.

Basis for impairment testing and calculation of recoverable amount
In the impairment test for cash-generating units, the recoverable amount of the unit is compared with its carrying amount. The recoverable amount is the higher value of its value in use and its fair value less costs of disposal. If the recoverable amount is less than the carrying amount, the latter is written down to the lower value.

The value in use is calculated as the discounted value of the estimated future net cash flows per cash-generating unit. Impairment testing (value in use) is performed on the basis of management-approved budgets for the year 2017 and business plans. Key parameters are trends in revenue, EBIT margin, future investments and growth expectations. These parameters are determined specifically for each individual cash-generating unit. No growth is incorporated in the impairment test for periods beyond 2017 if the value in use for the cash-generating unit exceeds the carrying amount of the tested assets without using growth, which is the case for all cash-generating units in the year-end 2016 impairment test.

Note 35 Impairment tests (continued)

The recoverable amount for cash-generating units containing goodwill is determined based on value in use calculations. For a breakdown of goodwill on cash-generating units, reference is made to note 11.

The fair value of the Group's main assets, ships, is determined on the basis of the average of several independent broker valuations less estimated costs of disposal. The task of the brokers is to assess the value of the individual ships in a 'willing buyer – willing seller' situation. The valuations have been obtained from the same recognized brokers as in previous years, and Management consider an average of these to be the best and most reasonable expression of the ships' fair value

Determination of discount rate
Management determines a discount rate for each cash-generating unit on the basis of a risk-free rate, plus a market risk premium and a risk premium associated with the individual cash-generating unit. The risk-free interest rate is based on a 10-year Danish risk-free rate at year-end. The market risk premium is calculated as a general equity market risk premium of 5.6% (2015: 5.0%), multiplied by the non-leveraged beta value of each cash-generating unit. Further, risk premium may be added if special conditions and/or uncertainties indicates a need hereto. Conversely, if the risk level for the individual cash-generating unit is considered to be lower than the general risk level, then the risk premium is reduced if special conditions indicates a need hereto.

The non-leveraged beta values are calculated by obtaining the non-leveraged beta values of peer-group companies for each business area via the Bloomberg database. The validity of each peer-group company's non-leveraged beta value is assessed in order to remove those with the lowest validity. There are generally few peer-group companies as values are available only for listed companies.

The pre-tax discount rates used in the two segments are within the following ranges:

	2016	2015
Shipping	7.3% - 8.8%	6.6% - 8.0%
Logistics	8.4% - 11.9%	7.6% - 12.1%

The applied discount rates in cash-generating units for which the carrying amount of goodwill forms a significant part of the Group's total goodwill are 7.8% (2015: 6.6%) in 'North Sea, Baltic Sea and France & Mediterranean', 8.9% (2015: 8.6%) in 'Continent' and 8.7% (2015: 7.6%) in 'UK & Ireland'.

Sensitivity analysis
As part of the preparation of impairment tests, sensitivity analyses are prepared on the basis of relevant risk factors and scenarios that Management can determine with reasonable reliability. Sensitivity analyses are prepared by altering the estimates within the range of probable outcomes. The sensitivities have been assessed as follows, all other things being equal:

- An increase in the discount rate of 0.5%-points.
- A decrease in EBIT of 10%.
- A decrease in broker valuations of 10%.

None of these calculations have given rise to adjustments of the results of the impairment tests prepared.

Order of recognising impairments
If a need for impairment is identified, goodwill is the first to be impaired, followed by the primary non-current tangible and intangible assets in the individual cash-generating units. Impairments are allocated to the respective assets according to the carrying amount of the assets, unless this results in an impairment to a value below the fair value less costs of disposal of the asset; below the assets value in use (if determinable), or zero.

Note 35 Impairment tests (continued)

Impairment tests 2016
On the basis of the impairment tests prepared at year end 2016 it is not deemed necessary to impair any of the cash-generating units in 2016 nor reverse any impairment losses recognised in prior years.

For two chartered ships it has been necessary to recognise a write-down of DKK 7.5m for each ship related to specific installations on the ships as these were technically not working as they shall and will thus not bring the anticipated benefits until redelivery of the ships. The total write-down of DKK 15.0m is recognised under 'Impairment losses, ships and other non-current assets'.

2015
On the basis of the impairment tests prepared at year end 2015 it is not deemed necessary to impair any of the fourteen above mentioned cash-generating units in 2015 nor reverse any impairment losses recognised in prior years.

For one ship it has - based on a specific assessment rather than based on the impairment test calculations prepared at year end 2015 as such - been necessary to recognise an impairment loss of DKK 22.5m related to specific installations on the ship. The specific assessment that has lead to the impairment loss is a concrete evaluation of the operationality of the installations. The impairment loss is recognised under 'Special items'.

The ship Vilnius Seaways is classified as held for sale and consequently, it has been measured individually at the lower of carrying amount and fair value less costs of disposal. Based on valuations from independent ship brokers Vilnius Seaways has been impaired by DKK 2.6m. The impairment of Vilnius Seaways is recognised under 'Impairment losses of ships and other non-current assets'.

Note 36 Events after the balance sheet date

On 8 February 2017, a share buyback programme of DKK 800m was launched comprising two programmes to align DFDS capital structure to the targeted leverage. The first programme of up to DKK 500m were structured as an auction process and completed on 21 February 2017. A total of 1.280.515 shares was acquired for DKK 373 per share, equal to DKK 478m. The second programme of DKK 300m started on 8 February 2017 and is to be completed on 15 August 2017 at the latest.

On 21 February 2017, DFDS awarded 136.435 share options to the Executive Board and a number of key employees. The theoretical value of the shares options is DKK 7.4m calculated according to the Black-Scholes-model.

Note 37 Significant accounting estimates and assessments

In the preparation of the consolidated financial statements, Management undertakes a number of accounting estimates and assessments, and makes assumptions which provide the basis for recognition and measurement of the assets, liabilities, revenues and expenses of the Group and the Parent Company. These estimates, assessments and assumptions are based on historical experience and other factors which the Management considers reasonable under the circumstances, but which by their nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unanticipated events or circumstances may occur, for which reason the actual results may deviate from the applied estimates and assessments. For a detailed description of the Group's accounting policies, reference is made to note 38.

In the opinion of Management, the following accounting estimates and assessments are significant in the preparation of the annual report.

Impairment testing of goodwill and other non-current intangible assets
Impairment testing of goodwill and other non-current intangible assets, which primarily relates to IT and customer portfolio, is undertaken at least once every year, and in case of indication of impairment. The impairment tests are based on the expected future cash flow for the cash-generating unit in question. The key parameters are trends in revenue, EBIT margin, future investments and growth expectations. These parameters are based on estimates of the future, which are inherently uncertain. For further description of impairment testing of goodwill and other non-current intangible assets, reference is made to note 35.

Impairment testing of ships, including the assessment of useful life and scrap value
Significant accounting estimates and assessments regarding ships include the allocation of the ship's cost price on components based on the expected useful life of the identified components; the ship's expected maximum useful life; the ship's scrap value; and impairment testing. The expected useful life of ships and their scrap values are reviewed and estimated at least once a year. Impairment tests are also carried out when there is an indication of impairment.

For further details of estimates and assessments relating to ships, please refer to the description of accounting policies in note 38 and note 35, which provides further information on impairment testing.

Note 37 Significant accounting estimates and assessments (continued)

Pensions and similar liabilities
The Group's defined benefit pension plans are calculated on the basis of a number of key actuarial assumptions, including discount rate, the anticipated returns on the plans' assets, the anticipated development in wages and pensions, anticipated mortality, etc. Even moderate alterations in these assumptions can result in significant changes in pension liabilities.

The value of the Group's defined pension benefit plans is based on calculations undertaken by external actuaries.

Deferred tax assets
Deferred tax assets, including the tax value of tax losses carried forward, are recognised to the extent that Management assesses that the tax asset can be utilised through positive income in the foreseeable future. Assessment is performed annually on the basis of forecasts, business initiatives and likely structural changes for the coming years.

Leasing agreements
The Group has entered into leasing/charter agreements for ships, buildings and other equipment, under usual terms and conditions for such agreements. At inception of each individual agreement, Management assess and determine whether the agreement is a financial or an operational leasing agreement.

Derivatives
When entering into agreements involving derivatives, Management assesses whether the derivative in question meets the requirement as to effective hedging, including whether the hedging relates to recognised assets and liabilities, projected future cash flows, or financial investments. Monthly effectiveness tests are carried out, and any inefficiency is recognised in the income statement.

Provisions and contingencies
Management assesses provisions and contingencies on an ongoing basis, as well as the likely outcome of pending or potential legal proceedings, etc. Such outcome depend on future events, which are inherently uncertain. In assessing the likely outcome of significant legal proceedings, tax issues, etc., Management uses external legal advisers as well as relevant case law.

Note 38 Accounting Policies

The 2016 consolidated financial statements and parent company financial statements of DFDS A/S have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

On 23 February 2017, the Board of Directors and the Executive Management Board considered and approved the 2016 annual report of DFDS A/S. The annual report will be presented to the shareholders of DFDS A/S for approval at the ordinary annual general meeting on 21 March 2017.

Basis for preparation
The consolidated financial statements and the parent company financial statements are presented in Danish Kroner (DKK) which is the Parent Company's functional currency.

The consolidated financial statements and the parent company financial statements are prepared according to the historical cost convention except that derivatives and financial instruments classified as available-for-sale are measured at fair value.

Non-current assets and assets held for disposal classified as held for sale are measured at the lower of the book value before the changed classification and the fair value less costs to sell.

The accounting policies set out below have been used consistently in respect of the financial year and to comparative figures.

Roundings
In general, roundings may cause variances in sums and percentages in the annual report.

New International Financial Reporting Standards and Interpretations
In 2016, the Group has adopted all relevant new and updated accounting standards. The adaptation has not had any impact on recognition and measurement in the financial statements.

The other accounting policies for the 2016 consolidated financial statements and parent company financial statements are unchanged compared with last year.

New standards and interpretations not yet adopted
The IASB has issued a number of new or amended standards and interpretations with effective date post 31 December 2016, some of which have not yet been endorsed by the EU The new and amended Standards and Interpretations are not mandatory for the financial reporting for 2016. The Group expects to adopt the Standards and Interpretations when they become mandatory.

We expect that IFRS 16: Leases will impact the financial reporting of the Group as the Group has significant operational lease commitments. The adoption of IFRS 16 will result in an increase of total assets and total liabilities. The adoption of the new standard will also result in higher EBITDA, however, this will partially or entirely be offset by increased depreciations. Furthermore, the classification in the Cash flow statement will also be affected. The standard is effective for annual periods beginning on 1 January 2019.

IFRS 15: Revenue from Contracts with Customers establishes a comprehensive model for recognising revenue from customer contracts. The Group has performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. The duration of the vast majority of the Group's transports of freight and passengers is within 1-2 days. Furthermore, variable considerations, such as volume rebates, are already taken into account when recognizing revenue. Accordingly, the standard is not expected to have material impact on the Group's recognition and measurement of revenue, however, it is expected that the standard will result in more extensive disclosures. The standard is effective for annual periods beginning on 1 January 2018.

IFRS 9: Financial Instruments was issued in July 2014 and is effective for annual periods beginning on 1 January 2018. The Group has performed a preliminary high-level assessment of IFRS 9, which is subject to changes arising from a more detailed ongoing analysis. Overall, the Group expects no significant impact on recognition and measurement.

None of the other standards and interpretations are expected to have a significant impact on recognition and measurement, but they will lead to further specifications in the Notes.

Application of materiality and relevance
DFDS' annual report is based on the concept of materiality and relevance, to ensure that the content is material and relevant to the user. This objective is pursued by providing relevant rather than generic descriptions and information.

When assessing materiality and relevance, due consideration is given to ensure compliance with applicable accounting legislation etc. and to ensure that the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at the balance sheet date and the operations and cash flows for the financial year.

The consolidated financial statements and the parent company financial statements consist of a large number of transactions. These transactions are aggregated into classes according to their nature or function and presented in classes of similar items in the financial statements and in the notes as required by IFRS. If items are individually immaterial, they are aggregated with other items of similar nature in the statements or in the notes. The disclosure requirements throughout IFRS are substantial and DFDS provides these specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or not relevant for the Group.

Subtotals and alternative performance measures
In the annual report DFDS presents certain financial performance measures such as subtotals and key figures which are not required or defined under IFRS. It is considered that these alternative measures provide relevant supplementary information for the stakeholders of DFDS.

Significant income and expenses which DFDS assesses not to be directly attributable to the operating activities or which are considered non-recurring are presented in the income statement in a separate line item labelled 'Special items' in order to distinguish these items from other income statement items. Reference is made to the section 'Special items' below for more details on special items. The income statement includes the subtotals 'Operating profit before depreciation (EBITDA) and special items' and 'Operating profit (EBIT) before special items' as these are assessed to provide a more transparent and comparable view of DFDS' recurring operating profit. In note 7 it is disclosed how the line items in the income statement would have been affected if the 'Special items' had not been presented in a separate line item.

For definitions of key figures please refer to the section 'Definitions'.

Significant accounting policies
Management considers the accounting policies for the following areas as the most important for the Group: consolidated financial statement; business combinations; non-current intangible assets; ships; defined benefit pension plans; deferred tax assets; operational lease versus financial lease; derivatives; special items; provisions and contingencies. The individual areas are described below, together with other applied accounting policies.

Significant estimates, assessments etc. in connection with the application of the Group's accounting policies are mentioned in Note 37.

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated financial statements
The consolidated financial statements include the financial statements of the Parent Company and the subsidiaries in which the Parent Company controls the financial and operational policies. Control is obtained when the Company directly or indirectly holds more than 50% of the voting rights in the enterprise (i.e. subsidiary) or if it, in some other way controls the enterprise. The Parent Company and these subsidiaries are referred to as the Group.

Enterprises, which are not subsidiaries, over which the Group exercises significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20% of the voting rights but less than 50% or by, according to agreement, jointly controlling the enterprise together with one or more other companies (joint venture).

The consolidated financial statements are based on the financial statements of the Parent Company and the subsidiaries and are prepared by combining items of a uniform nature and eliminating inter-company transactions, shareholdings, balances and unrealised inter-company gains and losses. The consolidated financial statements are based on financial statements prepared by applying the Group's accounting policies.

Investments in subsidiaries are eliminated against the proportionate share of the subsidiaries' net asset value at the acquisition date.

Note 38 Accounting Policies (continued)

The Group's investments in associates and joint ventures are recognised in the consolidated financial statements at the proportionate share of the associate's / joint venture's net asset value. Unrealised inter-company gains and losses from transactions with associates and joint ventures are eliminated by the Group's interest in the respective associate/jointly controlled enterprise.

Minority interests
In the consolidated financial statements, the individual financial line items of subsidiaries are recognised in full. The minority interests' share of the results for the year and of the equity of subsidiaries which are not wholly-owned are included in the Group's results and equity, respectively, but are presented separately in the proposed profit appropriation and the statement of changes in equity. If a minority interest has a put option to sell its ownership interest to DFDS, the fair value of the put option is recognised as an interest-bearing liability, which means that the results for the year and equity attributable to minority interests are not presented separately in the proposed profit appropriation and the statement of changes in equity.

Business combinations
Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed are recognised in the consolidated financial statements until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Business combinations where control is obtained by the DFDS Group are recognised using the acquisition method. The identifiable assets, liabilities and contingent liabilities of newly-acquired enterprises are assessed at their fair value on the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

The acquisition date is the date on which the DFDS Group obtains actual control over the acquired enterprise.

Positive differences (goodwill) between, on the one hand, the purchase price, the value of minority interests in the acquired enterprise and the fair value of any previously acquired shareholdings, and, on the other hand, the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised as goodwill under non-current intangible assets. Goodwill is not amortised, but is tested annually for impairment. The first impairment test is performed within the end of the acquisition year.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Allocation of goodwill to cash-generating units is described in notes 11 and 35.

Goodwill and fair value adjustments in connection with the acquisition of a foreign enterprise with a different functional currency than the DFDS Group's presentation currency are treated as assets and liabilities of the foreign enterprise, and are translated and converted at first recognition to the functional currency of the foreign enterprise at the exchange rate on the transaction date.

The purchase consideration of an enterprise is the fair value of the agreed payment in the form of assets transferred, liabilities assumed, and equity instruments issued to seller. If part of the consideration is contingent on future events or fulfilment of agreed conditions, this part of the consideration is recognised at fair value at the date of acquisition. Costs attributable to business combinations are recognised directly in the Income statement when incurred.

If, at acquisition date, uncertainty exist regarding the identification and measurement of acquired assets, liabilities or contingent liabilities, or determination of the purchase price, then initial recognition and measurement is done based on preliminary values. The preliminary values may be adjusted until 12 months from the acquisition date, provided that the initial recognition was preliminary or incorrect. Changes in estimates regarding contingent considerations are recognised in the Income statement as Special items.

Incremental acquisitions after control has been obtained, i.e. purchase of minority interests, are recognised directly in equity. Disposal of minority interests not resulting in loss of control is likewise recognised directly in equity.

Gains or losses on disposal of subsidiaries, associates and joint ventures are calculated as the difference between the disposal consideration and the book value of net assets at the date of disposal, including the book value of goodwill, accumulated exchange gains and losses previously recognised in the equity as well as anticipated disposal costs. Exchange rate adjustments attributable to the Group's ownership interest, and which previously were recognised directly in equity, are included in the calculation of the gain/loss. Any retained participating interests are measured at their fair value at the time at which the controlling influence was lost.

TRANSLATION OF FOREIGN CURRENCIES

Functional and presentation currency
Items included in the financial statements of each of the Group's enterprises are measured using the functional currency of the primary economic environment in which the enterprise operates. The consolidated financial statements are presented in Danish Kroner (DKK).

Translation of transactions and balances
On initial recognition, foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of transaction. Currency gains and losses resulting from the settlement of these transactions as well as from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement as Financial income or cost, except when deferred in equity as qualifying for cash flow hedges.

Currency gains and losses on non-monetary items recognised at fair value, such as securities 'available for sale', are recognised in the same line item as the fair value gain or loss.

Non-current assets acquired in foreign currency are translated at the exchange rate prevailing at the date of acquisition. Gains and losses on hedges relating to the acquisition of non-current assets are recognised as part of the value of the non-current asset on its initial recognition.

Translation of subsidiaries
In the consolidated financial statements, the income statement items of subsidiaries with a functional currency different from DKK are translated at the average exchange rate, while the balance sheet items are translated at the exchange rates at the end of the reporting period.

Foreign exchange differences arising on translation of such subsidiaries' equity beginning of the reporting period at the exchange rates at the end of the reporting period and on translation of the Income statements from average exchange rates to the exchange rates at the end of the reporting period, are recognised in Other comprehensive income and attributed to a separate translation reserve under equity. The exchange rate adjustment is allocated between the parent company's and the minority interests' shares of equity.

When disposing of 100%-owned foreign enterprises, exchange differences which have accumulated in equity via Other comprehensive income, and which are attributable to the enterprise, are transferred from Other comprehensive income to the Income statement together with any gains or losses associated with the disposal.

When disposing of partially-owned foreign enterprises, the part of the foreign currency translation reserve which relates to the minority interests is not transferred to the Income statement.

In the partial disposal of foreign subsidiaries without losing control, a proportionate share of the accumulated currency translation reserve recognised in Other comprehensive income is transferred from the Parent Company's equity share of equity to that of the minority shareholders.

In the partial disposal of associates and joint ventures, the proportionate share of the accumulated currency translation reserve recognised in Other comprehensive income is transferred to the Income statement.

Repayment of balances which accounting wise are considered part of the net investment is not considered a partial disposal of the subsidiary.

Derivative financial instruments
Derivative financial instruments are measured in the balance sheet at fair value as from the date where the derivative financial instrument is concluded. The fair values of derivative financial instruments are presented as Derivative financial instruments under current receivables if positive or under current liabilities if negative. Netting of positive and negative derivative financial instruments is only performed if the company is entitled to and has the intention to settle more derivative financial instruments as a net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Fair value hedge
Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the Income statement together with changes in the value of the hedged asset or liability based on the hedged proportion. Hedging of future cash flows according to agreements (firm commitments), except for foreign currency hedges, is treated as a fair value hedge of a recognised asset and liability.

Cash flow hedge
Changes of the fair value of derivative financial instruments designated as and qualifying for cash flow hedging and which effectively hedge changes in future cash flows, are recognised in Other comprehensive income. The change in fair value that relates to the effective portion of the cash flow hedge is recognised as a separate equity reserve until the hedged cash flow impacts the Income statement. At this point in time the related gains or losses previously recognised in Other comprehensive income are transferred to the Income statement into the same line item as the hedged item is recognised.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains or losses previously recognised in Other comprehensive income are transferred from equity and included in the initial measurement of the cost of the non-financial asset.

For derivative financial instruments that no longer qualify for hedge accounting, the hedge is dissolved prospectively. The accumulated fair value in equity is immediately transferred to the Income statement into the same line item as the hedged item is recognised.

Other derivative financial instruments
For derivative financial instruments that do not fulfil the requirements of being treated as hedge instruments, the changes in fair value are recognised successively in the Income statement as Financial income and cost.

Government grants
Government grants to investments are offset against the cost of the asset in question, and thereby reduce the depreciation base of the asset. Government grants are recognised when there is reasonable certainty that they will be received.

Rental and lease matters
For accounting purposes, leases are divided into finance and operating leases.

Leases are classified as finance leases if they transfer to lessee substantially all the risks and rewards incidental to ownership of the leased asset. All other leases are classified as operating leases.

The cost of assets held under finance leases is recognised at the lower of fair value of the assets and the net present value of the future minimum lease payments. For the calculation of the net present value, the interest rate implicit in the lease or the Group's incremental borrowing rate is used as discount rate. Assets held under finance leases are depreciated and impairment tested in accordance with the Group's accounting policies applying for similar owned non-current assets or maximum over the lease term, depending on the lease conditions. The corresponding lease obligation for assets held under finance leases is recognised in the balance sheet at an amount equal to the net present value of the remaining lease obligation. The calculated interest element of the lease payment is recognised in the Income statement under Financial expenses.

Lease payments regarding operating leases are recognised in the Income statement on a straight-line basis over the lease term unless another approach better reflects the utilisation of the asset. The remaining lease obligation for operating leases is disclosed as contingent liabilities in the Notes.

In respect of assets leased out on a finance lease, an amount equal to the net investment in the lease is recognised in the balance sheet as a receivable due from lessee. The asset leased out is derecognised, and any gain or loss arising from this is recognised in the income statement.

Lease income from assets leased out on an operating lease is recognised in the Income statement on a straight-line basis over the lease term.

Sale and leaseback
Gains or losses on 'sale and leaseback' transactions resulting in a finance lease are deferred and recognised over the lease term.

Gains on a 'sale and leaseback transaction' resulting in an operating lease are recognised in the Income statement immediately if the transaction is made at fair value or the selling price is below fair value. If the selling price exceeds the fair value, the difference between the selling price and the fair value is deferred and amortised proportionately to the lease payments over the lease term. Losses on a 'sale and leaseback transaction' resulting in an operating lease are recognised in the Income statement at the transaction date unless the loss can be compensated by future lease payments below fair value. In this case, the loss is to be deferred and amortised proportionally to the lease payments over the lease term.

Share option plans
The Group has set up equity-settled share option plans. Part of the Parent Company's holding of treasury shares is used for the share option plan.

The value of services received in exchange for granted share options is measured at the fair value of the share options granted.

The equity-settled share options are measured at the fair value at grant date and recognised in the Income statement under staff costs over the vesting period. The counter posting is recognised directly in equity as a shareholder transaction.

At initial recognition of the share options, an estimate is made over the number of share options that the employees will vest, cf. the service conditions described in Note 19. Subsequent to initial recognition, the estimate of share options to be vested is adjusted whereby the total recognition is based on the actual number of vested share options.

The fair value of the granted share options is calculated using the Black-Scholes option-pricing model. Terms and conditions for each grant are taken into account when calculating the fair value.

Key figures
Key figures are calculated in accordance with the Danish Finance Society' guidelines, 'Recommendations and Financial Ratios 2015'. The key figures stated in the overview with consolidated financial highlights are defined on the 'Definitions and Glossary' page.

INCOME STATEMENT

Revenue
Revenue from transport of passengers, freight and from rendering terminal and warehouse services etc, is recognised in the Income statement at the time of delivery of the service to the customer, which is the time where risks and rewards transfer to the customer. Revenue from sale of goods and services on board the ships is recognised when the services or goods are delivered to the customers. Revenue from chartering out ships is recognised straightline over the duration of the agreement.

Revenue is measured at fair value, excluding value added tax and after deduction of trade discounts.

Costs
When revenue from transport of passengers, freight and from rendering terminal and warehouse services etc is recognised as income, the related costs are recognised in the Income statement.

Operating costs
The operating costs comprise costs of sales related to catering; ship bunker consumption, including hedging; and maintenance and daily running costs of ships. Moreover, operating costs related to land-based activities as well as impairments and realised losses on trade receivables are included.

Charter hire
Charter hire comprise costs related to bareboat and time charter agreements.

Staff costs
Wages, salaries, social security contributions, pension contributions, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where the Group provides long-term employee benefits, the costs are accrued to match the rendering of the services by the respective employees.

Costs of sales and administration
Comprises costs of sales, marketing and administration.

Profit/loss on disposal of non-current assets
Profit/loss on disposal of non-current intangible and tangible assets is calculated as the difference between the disposal price and the book value of net assets at the date of disposal, including disposal costs.

Profit/loss from investments in associates and joint ventures
The Group's Income statement includes the proportionate share of the result in associates and joint ventures after tax and minority interests and after elimination of the proportionate share of inter-company profits/losses.

Special items
Special items include significant income and expenses not directly attributable to the Group's recurring operating activities, such as material structuring of processes and significant organizational restructurings/changes which are of significance over time. In addition, other non-recurring amounts are classified as special items, including impairment of goodwill; significant impairments of non-current tangible assets; significant transaction costs and integration costs in connection with large business combinations; changes to estimates of contingent considerations related to business combinations; gains and losses on the disposal of activities; and significant gains and losses on the disposal of non-current assets.

These items are classified separately in the income statement in order to provide a more transparent view of income and expenses that are considered not to have recurring nature.

Financial income and expenses
Financial income and costs comprise interest income and costs; realised and unrealised gains and losses on receivables, payables and transactions denominated in foreign currencies; realised gains and losses on securities; amortisation of financial assets and liabilities; interests on financial leasing agreements; bank charges and fees etc. Also included are realised and unrealised gains and losses on derivative financial instruments that are not designated as hedges.

Tax
Tax for the year comprises income tax, tonnage tax, and joint taxation contribution for the year of Danish subsidiaries as well as changes in deferred tax for the year. The tax relating to the profit/loss for the year is recognised in the Income statement, and the tax relating to amounts recognised in equity is recognised in equity. Additionally, adjustments to prior years are included.

The current payable Danish corporation tax is allocated by the settlement of a joint taxation contribution between the jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint taxation contributions from companies that have been able to utilise the tax losses to reduce their own taxable profit.

Tax computed on the taxable income and tonnage tax for the year is recognised in the balance sheet as tax payable or receivable or joint taxation contribution for Danish companies, taking into account on-account/advance payments.

Deferred tax is calculated on all temporary differences between the book value and the tax base of the assets and liabilities. However, deferred tax is not recognised on temporary differences relating to non tax deductible goodwill that arose on acquisition date without impacting the result or taxable income.

Deferred tax relating to assets and liabilities subject to tonnage taxation is recognised to the extent that deferred tax is expected to crystallise. Deferred tax assets are recognised at the value they expectedly can be utilised at in the foreseeable future.

Deferred tax is measured on the basis of the expected use and settlement of the individual assets and liabilities, and according to the tax rules and at the known tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the Income statement.

ASSETS

Current assets are defined as:

- Assets expected to be realised in, or are held for sale or utilisation in, the normal course of DFDS' operating cycle, or
- Assets held primarily for trading purposes or which are expected to be realised within twelve months post the reporting date, or
- Cash or cash equivalent that are not restricted in use.

All other assets are classified as non-current assets.
Non-current intangible and tangible assets
Generally the following applies unless otherwise stated:

- Non-current intangible and tangible assets are measured at cost less accumulated amortisation/depreciation and impairment losses.
- The cost for non-current intangible and tangible assets include costs to external suppliers, materials and components, direct wages and salaries.
- The cost includes interests paid as from the time of payment until the date when the asset is available for use. The cost price also comprises gains and losses on transactions designated as hedges of non-current tangible assets.
- The basis for amortisation/depreciation is determined as the cost less estimated residual value.
- Non-current intangible and tangible assets are amortised/depreciated on a straight-line basis over the estimated useful life to the estimated residual value.
- Estimated useful life and estimated residual values are reassessed at least once a year. In estimating the estimated useful life for ships it is taken into consideration that DFDS continuously is spending substantial funds on ongoing maintenance.
- The effect from changes in amortisation/depreciation period or the residual value is recognised prospectively as a change in the accounting estimate.

Goodwill
At initial recognition goodwill is recognised in the balance sheet at cost, as described in the section 'Business combinations'. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

An impairment test is performed at least once a year in connection with the presentation of next year's budget. The book value of goodwill is allocated to the Group's cash-generating units at the time of acquisition. Allocation of goodwill to cash-generating units is described in notes 11 and 35.

Software
IT software purchased or internally developed is measured at cost less accumulated amortisation and impairment losses.

Development projects in progress
Development projects in progress, primarily the development of IT software, are recognised as non-current intangible assets if the following criteria are met:

- the projects are clearly defined and identifiable;
- the Group intends to use the projects once completed;
- the future earnings from the projects are expected to cover the development and administrative costs; and
- the cost can be reliably measured.

The amortisation of capitalised development projects starts after the completion of the development project, and is recognised on a straight-line basis over the expected useful life, which normally is 3-5 years, but in certain cases up to 10-15 years (where the latter goes for significant internally developed commercial and operational systems).

Other non-current intangible assets
Other non-current intangible assets comprise the value of customer relations or similar identified as part of business combinations, and which have definite useful life. Other non-current intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over the expected useful life, which normally is 3-10 years.

Ships
The rebuilding of ships is capitalised if the rebuilding can be attributed to:

- Safety measures.
- Measures to extend the useful life of the ship.
- Measures to improve earnings.
- Docking.

Maintenance and daily running costs for the ships are recognised in the Income statement as incurred.

Docking costs are capitalised and depreciated on a straight-line basis until the ship's next docking. In most cases, the docking interval is 2 years for passenger ships and 2½ years for ro-pax and freight ships.

Gains or losses on the disposal of ships are calculated as the difference between sales price less sales costs and the book value at disposal date. Gains or losses on the disposal of ships are recognised when substantially all risks and rewards incident to ownership have transferred to the buyer, and are presented in the Income statement as 'Profit on disposal of non-current assets, net'. However, if the amount is significant, it is recognised in 'Special items'.

Passenger and ro-pax ships
Due to differences in the wear of certain components of passenger and ro-pax ships, the cost of these ships is divided into components with low wear, such as hull and engine, and components with high wear, such as parts of the hotel, catering and shop areas.

Freight ships
The cost of freight ships is not divided into components as there is no difference in the wear of the various components of freight ships.

Depreciation – expected useful life and residual value
Normally the depreciation period for components with low wear is 35 years for passenger ships and 30-35 years for ro-pax and freight ships from the year in which the ship was built. The residual value is calculated as the value of the ship's steel less estimated costs of scrapping.

Components with high wear are normally depreciated over 10-15 years down to a residual value of DKK 0.

Other non-current tangible assets
Other non-current tangible assets comprise buildings, terminals and machinery, tools and equipment and leasehold improvements.

The estimated useful lifetimes are as follows:	
Buildings	25-50 years
Terminals etc.	10-40 years
Equipment etc	4-10 years
Leasehold improvements	Max. depreciated over the term of the lease

Gains or losses arising from the disposal of other non-current tangible assets are calculated as the difference between the disposal price less disposal costs and the book value at the date of disposal. Gains or losses on the disposal of these non-current assets are recognised in the Income statement as 'Profit on disposal of non-current assets, net' or 'Special items' if the gain/loss is significant.

Investments in associates and joint ventures
Investments in associates and joint ventures are in the consolidated financial statements measured according to the equity method, whereby the investments in the balance sheet are measured at the proportionate share of the associates/joint ventures' equity, calculated in accordance with the accounting policies of the Group, with the addition of the book value of any goodwill, and after deduction or addition of the proportionate share of unrealised intra-group profits and losses. The financial information for associates and joint ventures reflect the amounts presented in the financial statements of the associate/joint venture.

Associates and joint ventures with negative equity are measured at DKK 0. If the Group has a legal or actual commitment to cover the associate's or joint venture's negative equity a corresponding provision is recognised.

Any receivables from the associates or joint ventures are written down to the extent the receivables are considered impaired.

Other assets
Other non-current assets and current assets are on initial recognition measured at cost. Subsequently these assets are measured as one of the following categories:

- Trading portfolio: the asset is measured at fair value and the change in value is recognised in the Income statement.
- Available-for-sale: the asset is measured at fair value and the change in value is recognised in Other comprehensive income and attributed to a separate reserve in equity.
- Receivables: the asset is measured at amortised cost and the change in value is recognised in the Income statement.

Impairment
The carrying amount of non-current intangible, tangible and financial assets are continuously assessed, at least once a year, to determine whether there is an indication of impairment. When such indication exists the recoverable amount of the asset is assessed. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. The value in use is calculated as the present value of the future net cash flow, which the asset is expected to generate either by itself or from the lowest cash-generating unit to which the asset is allocated.

Impairment tests (value in use) of goodwill are performed at least once a year. Management has also chosen that Impairment tests of all the Group's non-current assets are performed at least once a year, typically in December. Additional impairment tests are performed, if indications of impairment occur in the period between the annual impairment tests. Reference is made to note 35 for method description.

Securities
Securities held as part of the investment portfolio are designated as 'available-for-sale', and are measured at fair value at first recognition. The recognition is made on the trade date. The subsequent measurement is made at fair value, which for listed securities is equal to the quoted market price. Non-listed securities are recognised at cost less impairment losses when it is not considered possible with reasonable assurance to estimate fair value.

Unrealised value adjustments on securities are recognised in Other comprehensive income and attributed to a separate reserve (value adjustment of securities) in equity except for impairments, which are recognised in the income statement under 'Financial items'. When securities are disposed, then the accumulated value adjustment recognised in equity is transferred to 'Financial income or cost' in the Income statement.

Inventories
Inventories, which includes catering supplies, are measured at cost based on the weighted average cost method or the net realisable value where this is lower. Inventories, which include bunkers, are measured at cost based on the FIFO method or the net realisable value where this is lower. Other inventories are measured at cost based on the weighted average cost method or the net realisable value where this is lower.

Receivables
Receivables are recognised at amortised cost less impairment losses, where it is assessed that an objective indication of impairment has occurred. Impairment is performed on an individual basis.

Receivables comprise other trade receivables; calculated receivables on hedges; insurance receivables on loss or damage of ships; financial lease receivables; outstanding balances for chartered ships; interest receivable, etc.

Prepayments
The item includes costs incurred no later than at the balance sheet date, but which relates to subsequent periods, e.g. prepaid charters, rents, insurance premiums etc.

Assets held for sale
Assets held for sale comprise assets and disposal groups that are designated as being up for sale. Disposal groups are groups of assets subject to be sold or otherwise disposed of in a single transaction. Liabilities related to assets held for sale comprise liabilities directly attached to these assets and which will follow the assets when disposed. Assets are designated as 'held for sale' when the book value is primarily recovered by sale within 12 months in accordance with a formal plan, instead of through continued usage.

Assets or disposal groups 'held for sale' are measured at the lowest value of the book value at the time of being designated as 'held for sale' or the fair value less sales costs. Assets are not amortised/depreciated from the date they are designated as 'held for sale'.

Impairment losses that occur when initially being designated as 'held for sale', as well as gains and losses from subsequent measurement at the lowest value of the book value or the fair value less sales costs, are recognised in the Income statement.

Assets and associated liabilities are separated out of line items in the balance sheet, and the main items are specified in the notes. Comparative figures are not restated.

EQUITY

Dividends
Proposed dividend is recognised as liabilities at the date on which they are adopted at the annual general meeting (time of declaration). The expected dividend payment for the year is disclosed as a separate item in the equity.

Reserve for treasury shares
The reserve comprises the nominal value of treasury shares. The difference between the market price paid and the nominal value as well as dividend on treasury shares are recognised directly in equity under retained earnings. The reserve is a distributable reserve.

Currency translation reserve
The reserve comprises DFDS A/S shareholders' share of currency translation adjustments arising on the translation of net investments in enterprises with a functional currency other than DKK. The reserve is dissolved upon disposal of the entity.

Reserve for hedging
The hedging reserve comprises the fair value of hedging transactions that qualify for recognition as cash flow hedges and where the hedged transactions have not been realised. Hedge accounting ceases when the hedging instrument matures or if a hedge is no longer effective.

Reserve for value adjustment of securities
The reserve for value adjustment of securities comprises accumulated changes in the fair value of the securities classified as 'available-for-sale'. The reserve is dissolved and transferred to financial items in the Income statement when the securities are sold or impaired.

LIABILITIES

Current liabilities are:

- liabilities expected to be settled within the normal course of DFDS' operating cycle, or
- liabilities due to be settled within twelve months of the balance sheet date.

All other liabilities are classified as non-current liabilities.

Pension obligations and other non-current obligations
Contributions to defined contribution pension plans are recognised in the Income statement in the period in which they relate, and any payable contributions are accrued in the balance sheet as other payables.

As regards defined benefit pension plans, an actuarial valuation of the value in use of future benefits payable under the plan is made once a year. The value in use is calculated based on assumptions of future development in wage/salary levels, interest rates, inflation, mortality, etc. The value in use is only calculated for benefits to which the employees have become entitled to during their employment with the Group. The actuarial calculation of the value in use less the fair value of any assets under the plan is recognised in the balance sheet under pension obligations. Pension costs of the year are recognised in the Income statement based on actuarial estimates and finance expectations at the beginning of the year.

Note 38 Accounting Policies (continued)

The difference between the calculated development in pension assets and liabilities and the realised values are recognised in Other comprehensive income as actuarial gains and losses.
Changes in the benefits payable for employees' past service to the enterprise result in an adjustment of the actuarial calculation of the value in use, which is classified as past service costs. Past service costs are recognised in the Income statement immediately if the employees have already earned the right to the adjusted benefit. Otherwise, the benefits will be recognised in the Income statement over the period in which the employees earn the right to the adjusted benefits.

Other non-current personnel obligations include jubilee benefits, etc.

Other provisions
Provisions are recognised when, due to an event occurring on or before the reporting date, the Group has a legal or constructive obligation, and it is probable that the Group will have to give up future economic benefits to meet the obligation and that this can be reliably estimated. Provisions are recognised based on Management's best estimate of the anticipated expenditure for settling the relevant obligation and are discounted if deemed material.

Interest-bearing liabilities
Comprise amounts owed to mortgage/credit institutions and banks as well as amounts owed to owners of issued corporate bonds including liabilities arising from derivatives relating to issued corporate bonds. The amounts are initially recognised at fair value net of transaction expenses. Subsequently, the financial liability is measured at amortised cost, corresponding to the capitalised value using the effective interest method, so that the difference between the proceeds and the nominal value is recognised in the Income statement under 'financial costs' over the term of the loan.

Interest-bearing liabilities also include capitalised residual lease obligations on finance leases. Other liabilities are recognised at amortised cost, which corresponds to the net realisable value in all material respects.

Other payables
Other payables comprise amounts owed to staff, including wages, salaries and holiday pay; amounts owed to the public authorities, including payable tax, VAT, excise duties, real property taxes, etc.; amounts owed in connection with the purchase/disposal of ships, buildings and terminals; interest expenses; fair value of hedges; amounts owed in relation to defined contribution pension plans etc.

Deferred income
Includes payments received from customers no later than at the reporting date, but which relates to income in subsequent periods.

Cash flow statement
The cash flow statement has been prepared using the indirect method, and shows the consolidated cash flow from operating, investing, and financing activities for the year, and the consolidated cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisition and disposal of enterprises is shown separately in cash flows to/from investing activities.

Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flow from operating activities is calculated on the basis of the profit/loss before amortisation and depreciation (EBITDA) and special items adjusted for the cash flow effect of special items, non-cash operating items, changes in working capital, payments relating to financial items and corporation tax paid. Cash flow from investment activities includes payments in connection with the acquisition and disposal of enterprises and activities and of non-current intangible assets, tangible assets and investments. Cash flow from financing activities includes changes in the size or composition of the Group's share capital, payment of dividends to shareholders and the obtaining and repayment of mortgage loans and other long-term and short-term debt. Cash and cash equivalents comprise cash.

Segment information
The segment information has been compiled in conformity with the Group's accounting policies, and is in accordance with the internal management reports.

Note 39 Company overview

Company	Ownership share 2016 [1]	Country	City	Currency	Share Capital
Operating – and holding Companies:					
DFDS Seaways NV[2]		Belgium	Gent	EUR	62,000
DFDS Logistics NV[2]		Belgium	Gent	EUR	297,472
DFDS Logistics Services NV		Belgium	Brugge	EUR	1,996,503
DFDS Logistics s.r.o.[2]		Czech Republic	Prague	CZK	1,100,000
DFDS A/S		Denmark	Copenhagen	DKK	1,200,000,000
DFDS Germany ApS[2]		Denmark	Copenhagen	DKK	50,000
DFDS Stevedoring A/S[2]		Denmark	Esbjerg	DKK	502,000
DFDS Seaways Newcastle Ltd.		England	Immingham	GBP	8,050,000
DFDS Seaways Plc.[2]		England	Immingham	GBP	25,500,000
DFDS Logistics Ltd.[2]		England	Immingham	GBP	150,000
DFDS Logistics Services Ltd.[2]		England	Immingham	GBP	100
DFDS Seaways (Holdings) Ltd.[2]		England	Immingham	GBP	250,000
DFDS Logistics Contracts Ltd.		England	Immingham	GBP	2,571,495
DFDS Pension Ltd.		England	Immingham	GBP	165,210
DFDS Logistics Grimsby Holdings Ltd.		England	Immingham	GBP	1,166
DFDS Logistics Grimsby International Ltd.		England	Immingham	GBP	1
DFDS Logistics Property Ltd.		England	Immingham	GBP	250,000
Haulage Shetland Ltd.		England	Lerwick	GBP	10,000
DFDS Seaways OÜ	96.77	Estonia	Tallinn	EUR	3,800
DFDS Logistics OY		Finland	Kotka	EUR	58,866
DFDS Logistics SARL		France	Boulogne sur Mer	EUR	30,000
DFDS Seaways S.A.S.[2]		France	Dieppe	EUR	37,000
DFDS Germany ApS & Co. KG[2]		Germany	Hamburg	EUR	25,000
DFDS Logistics BV		the Netherlands	Vlaardingen	EUR	474,780
DFDS Seaways Terminals BV		the Netherlands	Vlaardingen	EUR	72,000
DFDS Seaways BV		the Netherlands	Vlaardingen	EUR	18,400
DFDS Holding BV		the Netherlands	Vlaardingen	EUR	40,000,000
DFDS Logistics Container Line BV[2]		the Netherlands	Vlaardingen	EUR	18,151
DFDS Seaways IJmuiden BV[2]		the Netherlands	IJmuiden	EUR	18,000
DFDS Logistics Contracts (Ireland) Ltd.		Ireland	Dublin	EUR	200
DFDS Logistics (Ireland) Ltd.[2]		Ireland	Dublin	EUR	3
DFDS Logistics S.p.A.[2]		Italy	Fagnano	EUR	140,400
DFDS Logistics Baltic SIA		Latvia	Liepaja	EUR	113,886
DFDS Seaways SIA[2]		Latvia	Riga	EUR	99,645
AB DFDS Seaways[2]	96.77	Lithuania	Klaipeda	EUR	96,438,756
UAB Krantas Travel	96.77	Lithuania	Klaipeda	EUR	115,848
NorthSea Terminal AS		Norway	Brevik	NOK	1,000,000
DFDS Logistics AS[2]		Norway	Lysaker	NOK	1,538,000
Moss Container Terminal AS		Norway	Moss	NOK	1,000,000
DFDS Logstics Rederi AS[2]		Norway	Oslo	NOK	49,980,000
DFDS Seaways AS[2]		Norway	Oslo	NOK	12,000,000
DFDS Polska Sp. Z.o.o.[2]		Poland	Poznan	PLN	5,000

Note 39 Company overview (continued)

Company	Ownership share 2016 [1]	Country	City	Currency	Share Capital
DFDS Logistics East		Russia	Kaliningrad	RUB	48,000
DFDS Seaways Ltd.[2]	99.99	Russia	St. Petersburg	RUB	6,134,121
DFDS Seaways AB		Sweden	Gothenburg	SEK	25,000,000
DFDS Logistics AB		Sweden	Gothenburg	SEK	500,000
DFDS Logistics Contracts AB		Sweden	Gothenburg	SEK	50,000
DFDS Seaways Holding AB[2]		Sweden	Gothenburg	SEK	100,000
DFDS Logistics Services AB[2]		Sweden	Gothenburg	SEK	1,100,000
Italcargo Sweden AB		Sweden	Lilla Edet	SEK	100,000
DFDS Logistics Karlshamn AB		Sweden	Karlshamn	SEK	1,800,000
Karlshamn Express AB		Sweden	Karlshamn	SEK	100,000
Karlshamn Express & Spedition AB		Sweden	Karlshamn	SEK	300,000
22 Dormant companies					

[1] Unless otherwise indicated, the companies are 100% owned by DFDS Group.
[2] Company is directly owned by the parent company DFDS A/S

Statements

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and approved the annual report of DFDS A/S for the financial year 1 January - 31 December 2016.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and danish disclosure requirements for listed companies.

In our opinion the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review includes a true and fair account of the development in the Group's and the parent company's operations and financial matters, of the result for the year and of the Group's and the parent company's financial position as well as a description of the most significant risks and elements of uncertainty facing the Group and the parent company.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 23 February 2017

EXECUTIVE BOARD

Niels Smedegaard President & CEO	**Torben Carlsen** Executive Vice President & CFO

BOARD OF DIRECTORS

Bent Østergaard Chairman	**Claus Hemmingsen** Deputy Chairman	**Pernille Erenbjerg**	**Jørgen Jensen**
Jens Otto Knudsen	**Jill Lauritzen Melby**	**Klaus Nyborg**	**Lars Skjold-Hansen**
Kent Vildbæk			

Independent Auditors' Report

To the shareholders of DFDS A/S

We have audited the consolidated financial statements and the parent company financial statements of DFDS A/S for the financial year 1 January – 31 December 2016, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flow and notes, including a summary of significant accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the Parent Company financial statements for the financial year 2016. These matters were addressed in the context of our audit of the consolidated financial statements and the Parent Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the Parent company financial statements", including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements and the Parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements and the Parent company financial statements.

Valuation of ships

DFDS operates 57 ships in its route network of which 33 is owned. In 2016, DFDS has recognized an impairment of DKK 15.0m regarding write down of installations on two ships. Management's disclosures on the impairment testing of ships are included in note 35 to the consolidated financial statements.

This area is significant to our audit due to the size of the carrying values of ships of DKK 7,904.0m at 31 December as well as the management judgment involved in the assessment of the values, including decomposing of the cost price, assessment of useful life and scrap values and accounting estimates and assessments involved in impairment testing.

Management prepares impairment tests for all ships at year-end, or more frequent if there is any indication of impairment. Impairment testing is based on the estimated recoverable amounts, which is the higher of fair value less estimated costs of disposal and value in use. Fair value of ships is for this purpose determined on the basis of the average of available independent broker valuations less estimated costs to sell. Value in use is calculated for the cash generating units determined by Management, which therefore means that the value in use of certain ships are tested together at the level of a business area or a route.

Independent Auditors' Report (Continued)

How our audit addressed the Key Audit Matter
Our audit procedures in relation to valuation of ships included:

- Test of the decomposing and comparison of the useful life and scrap values used with assessments made and data provided by DFDS technical department and other sources as well as inquiries to management and technical department.
- Examination of the value-in-use model prepared by Management, including consideration of the valuation methodology and challenging the reasonableness of key assumptions and input data based on our knowledge of the business and industry together with available supporting evidence such as available budgets and externally observable market data related to interest rates etc.
- Examination of fair value less costs to sell for ships calculated by Management, including comparison of carrying values of the ships with available valuations prepared by external and independent ship valuation experts.
- Review of the adequacy of disclosures about key assumptions and sensitivity in note 35 to the consolidated financial statements.

Statement on the Management's review
Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we concluded that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the consolidated financial statements and the parent company financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the Parent Company financial statements unless Management either intends to liquidate the Group or the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

Independent Auditors' Report (Continued)

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the Parent Company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 23 February 2017

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender State Authorised Public Accountant	Claus Tanggaard Jacobsen State Authorised Public Accountant

Financial Statements

Parent Company

Income statement (1 January – 31 December)

DKK million

	Note	2016	2015
Revenue	1	9,037.1	6,712.4
Costs			
Operating costs	2	-4,081.6	-3,375.3
Charter hire		-1,280.5	-952.7
Employee costs	3	-1,049.6	-745.1
Cost of sales and administration	4	-785.8	-583.7
Total costs		*-7,197.5*	*-5,656.7*
Operating profit before depreciation (EBITDA) and special items		**1,839.6**	**1,055.7**
Profit on disposal of non-current assets, net	5	0.9	-2.6
Depreciation, amortisation and impairment	9,10		
Depreciation ships		-469.0	-328.1
Depreciation other non-current assets		-46.4	-39.4
Impairment losses on ships and non-current assets		-15.0	0.0
Total depreciation and impairment		*-530.4*	*-367.4*
Operating profit (EBIT) before special items		**1,310.1**	**685.7**
Special items, net	6	-12.9	8.2
Operating profit (EBIT)		**1.297.2**	**693.9**
Financial income	7	414.4	102.3
Financial costs	7	-180.5	-282.8
Profit before tax		**1,531.1**	**513.4**
Tax on profit	8	10.6	-7.2
Profit for the year		**1,541.6**	**506.2**
Proposed profit appropriation			
Proposed dividend, DKK 3.0 per share (2015: DKK 3.0 per share)		180.0	184.5
Retained earnings		1,361.6	321.7
		1,541.6	**506.2**

Comprehensive income (1 January – 31 December)

DKK million

	Note	2016	2015
Profit for the year		**1,541.6**	**506.2**
Other comprehensive income			
Items that will not subsequently be reclassified to the Income statement:			
Remeasurement of defined benefit pension obligations		-10.4	0.0
Items that will not subsequently be reclassified to the Income statement		**-10.4**	**0.0**
Items that are or may subsequently be reclassified to the Income statement:			
Value adjustment of hedging instruments:			
Value adjustment for the year		77.1	-70.0
Value adjustment transferred to operating costs		8.7	30.5
Value adjustment transferred to financial costs		-6.1	61.3
Value adjustment transferred to non-current tangible assets		-3.8	0.0
Foreign exchange adjustments, goodwill		-3.4	1.4
Foreign exchange adjustments, foreign branches		-0.3	0.0
Unrealised value adjustment of securities		25.2	-1.4
Realised value adjustment of securities transferred to financial income		-25.2	0.0
Realised impairment of securities transferred to financial costs		0.0	1.1
Items that are or may subsequently be reclassified to the Income statement		**72.1**	**22.9**
Total other comprehensive income after tax		**61.8**	**22.9**
Total comprehensive income		**1,603.4**	**529.1**

Balance sheet 31 December (Assets)

DKK million

	Note	2016	2015
Goodwill		119.3	90.5
Software		195.0	147.4
Development projects in progress		37.0	55.7
Non-current intangible assets	9	**351.3**	**293.6**
Land and buildings		2.6	3.3
Terminals		33.3	20.6
Ships		5,022.1	4,059.6
Equipment, etc.		102.3	76.5
Assets under construction and prepayments		110.2	130.6
Non-current tangible assets	10	**5,270.4**	**4,290.7**
Investments in subsidiaries	11	3,892.1	3,759.1
Investments in associates and joint ventures	12	0.4	0.4
Securities	14	9.5	18.4
Derivative financial instruments	24	34.5	0.0
Other non-current assets		**3,936.5**	**3,777.8**
Non-current assets		**9,558.2**	**8,362.1**
Inventories	15	127.3	97.8
Receivables	13	1,346.5	1,458.5
Prepayments		39.2	38.0
Derivative financial instruments	24	25.0	4.5
Cash		603.1	1,300.0
Current assets		**2,141.1**	**2,898.8**
Assets		**11,699.3**	**11,260.9**

Balance sheet 31 December (Equity and liabilities)

DKK million

	Note	2016	2015
Share capital	16	1,200.0	1,230.0
Reserves		212.5	-79.5
Retained earnings		3,157.8	2,987.2
Proposed dividend		180.0	184.5
Equity		**4,750.3**	**4,322.2**
Interest bearing liabilities	21	2,074.1	2,179.5
Deferred tax	17	2.7	5.3
Pension and jubilee liabilities	19	7.7	7.5
Other provisions	20	34.8	25.4
Derivative financial instruments	24	145.6	169.9
Non-current liabilities		**2,264.8**	**2,387.6**
Interest bearing liabilities	21	3,370.2	3,268.7
Trade payables		833.4	724.7
Other provisions	20	78.0	50.8
Corporation tax	23	11.2	8.8
Other payables	22	274.6	315.5
Derivative financial instruments	24	0.2	133.5
Prepayments from customers		116.5	49.0
Current liabilities		**4,684.2**	**4,551.0**
Liabilities		**6,949.1**	**6,938.7**
Equity and liabilities		**11,699.3**	**11,260.9**

Statement of changes in equity (1 January – 31 December)

DKK million

		Reserves							
	Share capital	**Translation reserve**	**Hedging reserve**	**Revaluation of securities**	**Reserve for development costs**	**Treasury shares**	**Retained earnings**	**Proposed dividend**	**Total**
Equity at 1 January 2016	1,230.0	0.0	-37.0	1.0	0.0	-43.5	2,987.2	184.5	**4,322.2**
Development cost					203.1		-203.1		**0.0**
Adjusted Equity at 1 January 2016	**1,230.0**	**0.0**	**-37.0**	**1.0**	**203.1**	**-43.5**	**2,784.1**	**184.5**	**4,322.2**
Comprehensive income for the year									
Profit for the year							1,541.6		**1,541.6**
Other comprehensive income									
Items that will not subsequently be reclassified to the Income statement:									
Tax on items that will not be reclassified to the income statement							-10.4		**-10.4**
Items that will not subsequently be reclassified to the Income statement	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-10.4**	**0.0**	**-10.4**
Items that are or may subsequently be reclassified to the Income statement:									
Value adjustment of hedging instruments for the year			77.1						**77.1**
Value adjustment transferred to operating costs			8.7						**8.7**
Value adjustment transferred to financial costs			-6.1						**-6.1**
Value adjustment transferred to non-current assets			-3.8						**-3.8**
Foreign exchange adjustments, goodwill							-3.4		**-3.4**
Foreign exchange adjustments, foreign branches		-0.3							**-0.3**
Unrealised value adjustment of securities				25.2					**-25.2**
Realised value adjustment of securities transferred to financial income				-25.2					**25.2**
Items that are or may subsequently be reclassified to the Income statement	**0.0**	**-0.3**	**75.8**	**0.0**	**0.0**	**0.0**	**-3.4**	**0.0**	**72.1**
Total other comprehensive income after tax	**0.0**	**-0.3**	**75.8**	**0.0**	**0.0**	**0.0**	**-13.7**	**0.0**	**61.8**
Total comprehensive income	**0.0**	**-0.3**	**75.8**	**0.0**	**0.0**	**0.0**	**1,527.9**	**0.0**	**1,603.4**
Transactions with owners									
Proposed dividend, extraordinary							-180.0	180.0	**0.0**
Dividend paid								-175.4	**-175.4**
Dividend on treasury shares							9.1	-9.1	**0.0**
Extraordinary dividend paid								-173.6	**-173.6**
Extraordinary dividend on treasury shares							6.4	-6.4	**0.0**
Proposed dividend by year-end							-180.0	180.0	**0.0**
Vested regarding share-based payments							7.5		**7.5**
Purchase of treasury shares						-67.2	-846.8		**-914.1**
Cash from sale of treasury shares related to exercise of share options						21.8	42.4		**64.2**
Reduction of share capital by cancellation of treasury shares	-30.0					30.0			**0.0**
Exercise of share options recharged to subsidiaries							18.6		**18.6**
Capitalised development costs, additions					51.9		-51.9		**0.0**
Development costs, amotisation change					-23.0		23.0		**0.0**
Other adjustments							-2.5		**-2.5**
Total transactions with owners 2016	**-30.0**	**0.0**	**0.0**	**0.0**	**28.9**	**-15.4**	**-1,154.3**	**-4.5**	**-1,175.3**
Equity at 31 December 2016	**1,200.0**	**-0.3**	**38.8**	**1.0**	**232.0**	**-58.9**	**3,157.8**	**180.0**	**4.750,3**

The Company's share capital, which is not divided into different classes of shares, is divided into 60,000,000 shares of DKK 20 each. All shares rank equally.
There are no restrictions on voting rights. The shares are fully paid up.

Statement of changes in equity (1 January – 31 December)

DKK million

		Reserves					
	Share capital	**Hedging reserve**	**Revaluation of securities**	**Treasury shares**	**Retained earnings**	**Proposed dividend**	**Total**
Equity at 1 January 2015	1,265.0	-58.8	1.2	-50.6	3,199.2	227.7	**4,583.7**
Comprehensive income for the year							
Profit for the year					506.2		**506.2**
Other comprehensive income							
Items that will not subsequently be reclassified to the Income statement:							
Remeasurement of defined benefit pension obligations					0.0		**0.0**
Items that will not subsequently be reclassified to the Income statement	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Items that are or may subsequently be reclassified to the Income statement:							
Value adjustment of hedging instruments for the year		-70.0					**-70.0**
Value adjustment transferred to operating costs		30.5					**30.5**
Value adjustment transferred to financial costs		61.3					**61.3**
Foreign exchange adjustments. goodwill					1.4		**1.4**
Unrealised value adjustment of securities			-1.4				**-1.4**
Realised impairment of securities transferred to financial costs			1.1				**1.1**
Items that are or may subsequently be reclassified to the Income statement	**0.0**	**21.8**	**-0.2**	**0.0**	**1.4**	**0.0**	**22.9**
Total other comprehensive income after tax	**0.0**	**21.8**	**-0.2**	**0.0**	**1.4**	**0.0**	**22.9**
Total comprehensive income	**0.0**	**21.8**	**-0.2**	**0.0**	**507.6**	**0.0**	**529.1**
Transactions with owners							
Proposed dividend during year					-113.9	113.9	**0.0**
Dividend paid						-325.8	**-325.8**
Dividend on treasury shares					15.8	-15.8	**0.0**
Purchase of treasury shares				-45.2	-355.8		**-400.1**
Proposed dividend by year-end					-184.5	184.5	**0.0**
Vested regarding share-based payments					7.2		**7.2**
Cash from sale of treasury shares related to exercise of share options				17.3	45.4		**62.7**
Reduction of share capital by cancellation of treasury shares	-35.0			35.0			**0.0**
Group internal merger [1]					-139.5		**-139.5**
Other adjustments					5.7		**5.7**
Total transactions with owners 2015	**-35.0**	**0.0**	**0.0**	**7.1**	**-719.5**	**-43.2**	**-790.6**
Equity at 31 December 2015	**1,230.0**	**-37.0**	**1.0**	**-43.5**	**2.987.2**	**184.5**	**4,322.2**

[1] The directly owned New Channel Company A/S and it's 100% owned subsidiary New Channel Company A/S were per 18 November 2015 merged into DFDS A/S and the difference between cost price of the investment in the subsidiary and the net book value of the subsidiary's equity was recognised directly in DFDS A/S' equity.

The Company's share capital, which is not divided into different classes of shares, is divided into 61.500.000 shares of DKK 20 each. All shares rank equally.
There are no restrictions on voting rights. The shares are fully paid up.

Cash flow statement (1 January – 31 December)

DKK million

	Note	2016	2015
Operating profit before depreciation (EBITDA) and special items		**1,839.6**	**1,055.7**
Adjustments for non-cash operating items, etc.	26	7.0	34.4
Change in working capital	27	104.8	38.6
Payment of pension liabilities and other provisions		-49.8	-9.7
Cash flow from operating activities, gross		**1,901.5**	**1,119.0**
Interest received, etc.		111.6	124.8
Interest paid, etc.		-155.8	-152.6
Tax paid		0.0	-2.7
Cash flow from operating activities, net		**1,857.3**	**1,088.6**
Investments in ships including dockings, rebuildings and ships under construction incl. settlement of forward exchange contracts		-572.4	-455.7
Sale of ships		0.0	338.0
Investments in other non-current tangible assets		-56.6	-24.4
Sale of other non-current tangible assets		1.9	20.8
Investments in non-current intangible assets		-51.9	-58.9
Sale of securities	14,24	34.1	0.0
Group internal acquisitions of enterprises and activities		-10.2	0.0
Capital increases, etc.	11,12	-4.1	-0.8
Dividends received from subsidiaries		198.2	110.9
Cash flow to/from investing activities, net		**-461.0**	**-70.2**
Proceed from loans secured by mortgages in ships		0.0	120.9
Repayment of and instalments on loans secured by mortgage in ships		-207.2	-97.0
Repayment of corporate bonds incl. settlement of cross currency swap		-493.5	0.0
Change in other financial loans, net		-46.3	-46.3
Payment of financial lease liabilities		-79.8	0.0
Change in Group internal financing		-81.3	445.2
Change in loans to associates and joint ventures		4.0	-4.7
Cash received from internal mergers		0.0	4.0
Acquisition of treasury shares		-914.1	-401.0
Cash received from exercise of share options		64.2	62.7
Government grants related to purchase of assets		9.7	15.5
Dividends paid		-349.0	-325.8
Cash flow to/from financing activities, net		**-2,093.2**	**-226.5**
Net increase/(decrease) in cash and cash equivalents		**-696.9**	**791.9**
Cash and cash equivalents at 1 January		1,300.0	508.0
Cash and cash equivalents at 31 December[1]		**603.1**	**1,300.0**

[1] At year-end 2016 DKK 0.0m (2015: DKK 85.4m) of the cash was deposited on restricted bank accounts as security for derivatives with negative fair values.
The cash flow statement cannot directly be derived from the income statement and the balance sheet.

Notes

Notes to the Income statement

Notes to the balance sheet

Notes to the statement of cash flow

Notes – Additional information

DKK million

Note 1 Revenue	2016	2015
Sale of services	7,201.5	5,070.9
Sale of goods on board ships	1,163.3	887.8
Rental income from time charter and bareboat charter of ships and operating equipment	495.6	566.8
Other operating income [1]	176.7	186.8
Total revenue	**9,037.1**	**6,712.4**

[1] Primarily concerns invoicing of corporate functions to group entities.

DKK million

Note 2 Consumable of bunker and goods	2016	2015
Consumable of bunker and goods included in operating costs	1,471.8	1,325.3
Change in inventory write-downs for the year	-1.6	0.9
Total consumable of bunker and goods	**1,470.2**	**1,326.2**

Consumable of bunker and goods consists of bunker and cost related to sale of goods and services on board.

DKK million

Note 3 Employee costs	2016	2015
Wages, salaries and remuneration	916.5	641.1
Hereof capitalised employee costs	-35.0	-26.6
Defined contribution pension plans	50.6	43.1
Other social security costs	33.3	29.0
Share based payment, reference is made to note 18	7.5	7.2
Other employee costs	76.6	51.3
Total employee costs	**1,049.6**	**745.1**
Full time equivalents (FTE), average	2,325	1,719

Reference is made to note 4 of the consolidated financial statements for a description of the Parent Company's remuneration, etc. to the Executive Board and remuneration to the Board of Directors as these are the same for the Parent Company and the Group.

DKK million

Note 4 Fees to Auditors appointed at the annual general meeting	2016	2015
Audit fees	1.0	0.9
Other assurance engagements	0.2	0.2
Tax and VAT advice	1.1	1.1
Non-audit services	0.5	1.1
Total fees	**2.8**	**3.3**

DKK million

Note 5 Profit on disposal of non-current assets, net	2016	2015
Gains and losses on disposal of property, plant and equipment	0.9	-2.6
Total profit on disposal of non-current assets, net	**0.9**	**-2.6**

DKK million

Note 6 Special items, net	2016	2015
Gain regarding the sale of the ships Flandria Seaways and Sirena Seaways	0.0	36.6
Adjustment of estimated earn-out to seller regarding the route Kapellskär-Paldiski acquired in 2011	-12.7	-28.4
Accrual of the total estimated costs (estimated fair value) related to the DFDS shares awarded to DFDS employees as a special one-off award in connection with DFDS' 150 years anniversary in December 2016. The costs will accrue from December 2016 to February 2020. Total fair value at date of awarding the shares is estimated at DKK 16m.	-0.2	0.0
Special items, net	**-12.9**	**8.2**
If special items had been included in the operating profit before special items, they would have been recognised as follows:		
Employee costs	-0.2	0.0
Operating profit before depreciation (EBITDA) and special items	**-0.2**	**0.0**
Profit on disposal of non-current assets, net	0.0	36.6
Financial income/costs	-12.7	-28.4
Special items, net	**-12.9**	**8.2**

DKK million

Note 7 Financial items	2016	2015
Financial income		
Interest income from banks, etc.	1.8	4.6
Interest income from subsidiaries	35.5	44.3
Realised gain on securities (transferred from equity)[1]	25.2	0.0
Foreign exchange gains, net[2]	17.6	0.0
Reversal of impairment of receivables from subsidiaries[3]	6.3	2.9
Dividends received from subsidiaries	198.2	110.9
Impairment of investments in subsidiaries due to dividend pay out[3]	0.0	-110.0
Reversal of impairment of investments in subsidiaries[3]	126.6	40.0
Other dividends	3.2	9.5
Total financial income	**414.4**	**102.3**
Financial costs		
Interest expense to banks, credit institutions, corporate bonds, etc.	-65.6	-83.6
Interest expense to subsidiaries	-0.3	-0.8
Foreign exchange losses, net[2]	0.0	-6.7
Impairment of securities (transferred from equity)	0.0	-1.1
Impairment of receivables from subsidiaries[3]	-52.8	-123.8
Waiver of loan to subsidiary	0.0	-11.1
Impairment of investments in subsidiaries[3]	-6.7	-48.1
Provision regarding negative equity in subsidiary	-38.2	0.0
Other financial costs	-17.3	-7.6
Transfer to assets under construction[4]	0.4	0.0
Total financial costs	**-180.5**	**-282.8**
Financial items, net	**233.9**	**-180.5**

[1] 2016 includes a gain of DKK 25.2m from sale of shares in Danish Ship Finance (Danmarks Skibskredit A/S).
[2] Foreign exchange gains in 2016 amounts to DKK 245.1m (2015: DKK 142.2m) and foreign exchange losses amounts to DKK 227.5m (2015: DKK 148.9m).
[3] Reference is made to note 32.
[4] 2016: Interest capitalised on two newbuildings under construction. The interest is calculated by using a general interest rate of approximately (3.99% - 4.08% p.a).

DFDS A/S makes forward exchange transactions, etc., on behalf of all subsidiaries, and therefore foreign exchange gains and losses in DFDS A/S also consist of the Group's gross transactions. Transactions entered into, on behalf of subsidiaries, are transferred to the subsidiaries on back-to-back terms.

Except for interest expenses relating to interest swap agreements of DKK 3.9m (2015: DKK 5.6m) interest income and interest expenses relates to financial instruments measured at amortised cost.

Other financial costs contains bank charges, fees, early repayment fees, commitment fees, etc.

DKK million

Note 8 Tax	2016	2015
Current joint tax contributions	-12.1	-0.8
Movement in deferred tax for the year	2.0	-5.8
Adjustment to corporation tax in respect of prior years	9.7	-1.0
Adjustment to deferred tax in respect of prior years	0.6	0.0
Effect of change in corporate income tax rate	0.0	0.4
Tax for the year	**0.2**	**-7.2**
Tax for the year is recognised as follows:		
Tax in the Income statement	10.6	-7.2
Tax in Other comprehensive income	-10.4	0.0
Tax for the year	**0.2**	**-7.2**
Tax in the Income statement can be specified as follows:		
Profit before tax	1,531.1	513.4
Of this, tonnage taxed income	-1,307.6	-652.0
Profit before tax (corporate income tax)	**223.5**	**-138.6**
22.0% tax of profit before tax (2015: 23.5%)	-49.2	32.6
Tax effect of:		
Non-taxable/-deductible items	51.4	-37.0
Adjustments of tax in respect of prior years	10.4	-0.6
Corporate income tax	**12.6**	**-5.0**
Tonnage tax	-2.0	-2.1
Tax in the Income statement	**10.6**	**-7.2**
Effective tax rate (%)	-0.7	1.4
Effective tax rate before adjustment of prior years' tax (%)	0.0	1.3

DFDS A/S and its Danish subsidiary DFDS Stevedoring A/S are subject to compulsory joint taxation with LF Investment ApS and J. Lauritzen A/S and these two enterprises' Danish controlled enterprises. LF Investment ApS is the administration company in the joint taxation and settles all payments of corporation tax due by the joint taxed enterprises with the tax authorities. In accordance with the Danish rules on joint taxation, DFDS A/S and DFDS Stevedoring A/S are liable for their own corporate tax due whereas DFDS A/S and DFDS Stevedoring A/S are only subsidiary and pro rata liable for the corporation tax liabilities towards the Danish tax authorities for all other enterprises that are part of the Danish joint taxation.

The shipping activities performed are included in the Danish tonnage tax scheme where the taxable income related to transportation of passengers and freight is calculated based on the tonnage deployed during the year. Taxable income related to other activities is taxed according to the normal corporate income tax rules at the standard corporate tax rate of 22%.

Adjustment of prior years' tax in 2016 and 2015 for the Parent Company primarily relates to the final settlement and utilisation of tax losses and allocation of net financing expenses between the jointly taxed Danish entities.

DKK million

Note 9 Non-current intangible assets

	Goodwill	Other non-current intangible assets	Software	Devel-opment projects in progress	Total
Cost at 1 January 2016	90.5	2.4	341.1	55.7	**489.7**
Foreign exchange adjustments	-3.4	0.0	0.0	0.0	**-3.4**
Addition regarding acquisition of activities	32.2 [1]	0.0	0.0	0.0	**32.2**
Additions	0.0	0.0	17.7	34.1	**51.9**
Transfers	0.0	0.0	52.8	-52.8	**0.0**
Cost at 31 December 2016	**119.3**	**2.4**	**411.6**	**37.0**	**570.3**
Amortisation and impairment losses at 1 January 2016	0.0	2.4	193.7	0.0	**196.1**
Amortisation charge	0.0	0.0	23.0	0.0	**23.0**
Amortisation and impairment losses at 31 December 2016	**0.0**	**2.4**	**216.7**	**0.0**	**219.0**
Carrying amount at 31 December 2016	**119.3**	**0.0**	**195.0**	**37.0**	**351.3**
Cost at 1 January 2015	89.1	2.4	276.2	60.8	**428.5**
Foreign exchange adjustments	1.4	0.0	0.0	0.0	**1.4**
Addition on merger	0.0	0.0	0.9	0.0	**0.9**
Additions	0.0	0.0	22.7	36.2	**58.9**
Transfers	0.0	0.0	41.3	-41.3	**0.0**
Cost at 31 December 2015	**90.5**	**2.4**	**341.1**	**55.7**	**489.7**
Amortisation and impairment losses at 1 January 2015	0.0	2.4	175.1	0.0	**177.5**
Addition on merger	0.0	0.0	0.9	0.0	**0.9**
Amortisation charge	0.0	0.0	17.7	0.0	**17.7**
Amortisation and impairment losses at 31 December 2015	**0.0**	**2.4**	**193.7**	**0.0**	**196.1**
Carrying amount at 31 December 2015	**90.5**	**0.0**	**147.4**	**55.7**	**293.6**

[1] Addition of goodwill relates to the acquisition of the Hanko - Paldiski route. Reference is made to note 28.

The Parent Company's carrying amount of Goodwill DKK 119.3m (2015: DKK 90.5m) relates to the acquisition of two freight- and passenger routes in 2016 and 2011, respectively, and one freight route in 2005.

The carrying amount of completed software and development projects in progress primarily relates to a new Passenger booking system, a new Transport Management System to the Logistics Division, a new procurement system, a new point of sale system and new digital initiatives in general.

DKK million

Note 10 Non-current tangible assets

	Land and buildings	Terminals	Ships	Equipment etc.	Assets under construction and pre-payments	Total
Cost at 1 January 2016	11.8	69.3	7,416,8	336.4	130.6	**7,964.9**
Foreign exchange adjustments	0.0	0.0	-5.3	0.0	0.0	**-5.3**
Additions	0.0	2.9	14.9	36.1	1,438.3 [1]	**1,492.2**
Disposals	-0.4	0.0	-165.1	-3.9	0.0	**-169.4**
Transfers	0.0	13.8	1,435.5	9.4	-1,458.6 [1]	**0.0**
Cost at 31 December 2016	**11.4**	**85.8**	**8,696.9**	**378.0**	**110.2**	**9,282.4**
Depreciation and impairment losses at 1 January 2016	8.5	48.6	3,357.3	259.9	0.0	**3,674.2**
Foreign exchange adjustments	0.0	0.0	-1.4	0.0	0.0	**-1.4**
Depreciation charge	0.5	3.9	469.0	18.9	0.0	**492.4**
Impairment charge	0.0	0.0	15.0 [2]	0.0	0.0	**15.0**
Disposals	-0.2	0.0	-165.1	-3.1	0.0	**-168.3**
Depreciation and impairment losses at 31 December 2016	**8.8**	**52.5**	**3,674.9**	**275.7**	**0.0**	**4,011.9**
Carrying amount at 31 December 2016	**2.6**	**33.3**	**5,022.1**	**102.3**	**110.2**	**5,270.4**
Hereof assets held under finance leases	0.0	0.0	959.8 [3]	0.0	0.0	**959.8**
Cost at 1 January 2015	10.9	61.9	6,135.9	360.7	97.5	**6,666.9**
Foreign exchange adjustments	0.0	0.0	0.4	0.0	0.0	**0.4**
Addition on merger	0.9	0.0	1,412.3	0.4	11.2	**1,424.9**
Additions	0.0	0.0	279.2	14.9	144.9	**439.0**
Disposals	0.0	0.0	-421.4	-40.2	0.0	**-461.6**
Transfers	0.0	7.4	115.2	0.5	-123.1	**0.0**
Transferred to assets clasified as held for sale [4]	0.0	0.0	-104.7	0.0	0.0	**-104.7**
Cost at 31 December 2015	**11.8**	**69.3**	**7,416.8**	**336.4**	**130.6**	**7,964.9**
Depreciation and impairment losses at 1 January 2015	7.5	46.0	2,905.7	258.1	0.0	**3,217.3**
Foreign exchange adjustments	0.0	0.0	0.1	0.0	0.0	**0.1**
Addition on merger	0.3	0.0	348.1	0.2	0.0	**348.6**
Depreciation charge	0.7	2.6	328.1	18.3	0.0	**349.7**
Disposals	0.0	0.0	-196.3	-16.8	0.0	**-213.1**
Transferred to assets clasified as held for sale [4]	0.0	0.0	-28.4	0.0	0.0	**-28.4**
Depreciation and impairment losses at 31 December 2015	**8.5**	**48.6**	**3,357.3**	**259.9**	**0.0**	**3,674.2**
Carrying amount at 31 December 2015	**3.3**	**20.6**	**4,059.6**	**76.5**	**130.6**	**4,290.7**

[1] Primarily related to addition of the two Channel ferries Côte des Dunes and Côte des Flandres, the lengthening of Primula Seaways and new buildings.
[2] Write down of installations on two ships (DKK 7.5m on each ship). Reference is made to the consolidated financial statements note 35.
[3] Relates to the two new Channel ferries Côte des Dunes and Côte des Flandres,
[4] Reference is made to the consolidated financial statements note 31.

Note 10 Non-current tangible assets (continued)

On the basis of the impairment tests performed in 2016 there has been no impairment loss on ships (2015: DKK 0m). For further information regarding the impairment tests, reference is made to the consolidated financial statements note 35.

In 2015 EU awarded the Parent Company a grant of up to DKK 40m primarily related to installation of scrubbers on four freight ships and during 2014 EU awarded the Parent Company a grant up to DKK 17m primarily related to installation of scrubbers on two frieght ships.

The grants are recognised as follows in the financial statements:

DKK million

	Offset against relevant assets/costs	Received in cash	Recognised as receivable
31 December 2015	-49	24	25
Movement	9	10	-19
31 December 2016	**-40**	**34**	**6**

DKK million

	Offset against relevant assets/costs	Received in cash	Recognised as receivable
31 December 2014	-11	9	2
Movement	-38	15	23
31 December 2015	**-49**	**24**	**25**

DKK million

Note 11 Investments in subsidiaries	2016	2015
Cost at 1 January	4,433.8	4,798.9
Addition on merger	0.0	43.5
Additions[1]	13.1	0.4
Disposal on merger	0.0	-409.0
Disposals	0.0	-0.1
Cost at 31 December	**4,446.8**	**4,433.8**
Accumulated impairment losses at 1 January	-674.7	-922.2
Impairment losses[2]	-6.7	-158.1
Reversal of prior year impairment losses[2]	126.6	40.0
Addition on merger	0.0	-43.5
Disposal on merger	0.0	409.0
Accumulated impairment losses at 31 December	**-554.8**	**-674.7**
Carrying amount at 31 December	**3,892.1**	**3,759.1**

[1] 2016: Additions relates to acquisition of DFDS Seaways Baltic GmbH from AB DFDS Seaways (DKK 9.0m), a newly established entity DFDS Germany ApS (DKK 0.1m), a capital injection in DFDS Logistics SPA (DKK 3.7m) and acquisition of shares in AB DFDS Seaways (DKK 0.3m, 2015: DKK 0.4m).

[2] Reference is made to note 32.

Reference is made to the company overview in the consolidated financial statements note 39

Note 11 Investments in subsidiaries (continued)

In 2015 the disposal on merger relates to the merger of New Channel Holding A/S into DFDS A/S, where the disposal is DFDS A/S' investment in New Channel Holding A/S and the addition is the net book value of New Channel Company A/S' investment in a subsidiary that following the merger is directly owned by DFDS A/S. Additions relates to acquisition of non-controlling interests.

The carrying amount of investments in subsidiaries is tested for impairment at least at year-end. The impairment tests for 2016 has led to recognition of impairment losses of DKK 6.7m (2015: DKK 158.1m) and reversal of prior year impairment losses of DKK 126.6m (2015: DKK 40.0m). Reference is made to note 32.

DKK million

Note 12 Investments in associates and joint ventures	2016	2015
Cost at 1 January	0.4	0.0
Additions	0.0	0.4
Cost at 31 December	**0.4**	**0.4**
Accumulated impairment losses at 1 January and 31 December	**0.0**	**0.0**
Carrying amount at 31 December	**0.4**	**0.4**

The addition in 2015 relates to the establishment of the joint venture DFDS Logistics Ibérica S.L.

For specification of investments in associates and joint ventures reference is made to the consolidated financial statements note 13.

DKK million

Note 13 Receivables	2016	2015
Trade receivables	648.0	600.4
Interest bearing receivables from subsidiaries[1]	455.7	623.4
Other non-interest bearing receivables from subsidiaries	159.2	101.4
Receivables from associates and joint ventures	49.8	53.8
Other receivables and current assets[2]	33.8	79.5
Total current receivables	**1,346.5**	**1,458.5**

[1] The carrying amount of Interest bearing receivables from subsidiaries relates to current credit facilities that are made available to subsidiaries. Receivables from subsidiaries are impaired by DKK 312.7m at 31 December 2016 (2015: DKK 266.1m).

[2] Hereof EU Grant of DKK 6m (2015: DKK 25m).

The carrying amount of receivables is in all material respects equal to the fair value.

None of the trade receivables with collateral are overdue at 31 December 2016 (2015: none). The collateral consists of bank guarantees with a fair value of DKK 0m (2015: DKK 4m).

DKK million

Note 13 Receivables (continued)	2016	2015
Receivables that are past due, but not impaired:		
Days past due:		
Up to 30 days	88.2	97.7
31-60 days	8.9	21.2
61-90 days	3.3	0.0
91-120 days	1.3	0.0
More than 120 days	0.0	0.0
Past due, but not impaired	**101.7**	**118.8**

Movements in write-downs, which are included in the trade receivables:		
Write-downs at 1 January	40.8	9.1
Addition on merger	0.0	7.4
Write-downs	9.6	28.2
Realised losses	-1.8	-0.8
Reversed write-downs	-21.8	-3.1
Write-downs at 31 December	**26.8**	**40.8**

Age distribution of write-downs:		
Days past due:		
Up to 30 days	0.5	1.4
31-60 days	0.0	3.3
61-90 days	0.0	3.5
91-120 days	0.0	0.9
More than 120 days	26.3	31.8
Write-downs at 31 December	**26.8**	**40.8**

Write-downs and realised losses are recognised in operating costs in the Income statement.
Write-downs on trade receivables are caused by customer bankruptcy or uncertainty about the customers ability and/or willingness to pay.

DKK million

Note 14 Securities	2016	2015
Other shares and equity investments	8.9	17.8
Other investments	0.6	0.6
Total non-current securities	**9.5**	**18.4**

Securities are assets classified as 'available for sale'.

Other shares and equity investments as well as other investments consist of some minor unlisted enterprises and holdings. These investments are not remeasured to fair value because the fair value cannot be measured reliably. Instead the securities are recognised at cost reduced by impairment, if any.

DFDS has in 2016 sold its shares in Danish Ship Finance (Danmarks Skibskredit A/S) resulting in a gain of DKK 25.2m.

DKK million

Note 15 Inventories	2016	2015
Bunker	60.1	38.2
Goods for sale	69.6	63.6
Impairment of inventories	-2.4	-4.0
Total inventories	**127.3**	**97.8**

Note 16 Treasury shares (number of shares)

Information regarding the Parent Company's and the Group's holding of treasury shares is equal. Reference is made to the consolidated financial statements note 17.

DKK million

Note 17 Deferred tax

2016	Land and buildings, terminals and other equipment	Provisions	Tax loss carried forward	Total
Deferred tax at 1 January	1.5	4.0	-0.2	5.3
Recognised in the Income statement	1.1	-3.0	0.0	-2.0
Adjustment regarding prior years recognised in the Income statement	-0.5	-0.2	0.0	-0.6
Deferred tax at 31 December, net	**2.1**	**0.8**	**-0.2**	**2.7**
2015				
Deferred tax at 1 January	0.5	-0.5	-0.2	-0.1
Impact from change in corporate income tax rate	-0.0	-0.3	0.0	-0.4
Recognised in the Income statement	1.1	4.8	0.0	5.8
Deferred tax at 31 December, net	**1.5**	**4.0**	**-0.2**	**5.3**

	2016	2015
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (assets)	0.0	0.0
Deferred tax (liabilities)	2.7	5.3
Deferred tax at 31 December, net	**2.7**	**5.3**

By joining the tonnage taxation scheme, DFDS A/S is subject to the requirements of the scheme until 2021. During the period covered by the tonnage tax scheme vessels and other assets and liabilities related to the tonnage taxed activities owned by DFDS A/S is deemed maximum depreciated for tax purposes. Hence, if DFDS A/S withdraws from the tonnage taxation scheme, deferred tax liability in the amount of maximum DKK 390m (2015: DKK 300m) may be recognised.

DFDS A/S is not expected to withdraw from the scheme and consequently no deferred tax relating to assets and liabilities subject to tonnage taxation has been recognised.

Note 18 Share options

Information regarding share options for the Parent Company and the Group is equal. Reference is made to the consolidated financial statements note 19.

Jubilee shares
In recognition of the contribution made by DFDS' employees in recent years to the company's growth and to celebrate the company's 150 year anniversary, the Board of Directors has awarded 30 shares free of charge to each full time employee.

The shares are awarded as a Restricted Stock Unit Plan, which contains certain conditions to be eligible for the shares. Only employees that are employed as per 1 December 2016 and continuously work until 1 February 2020 will receive the shares. Employees working more than 24 hours per week will get 30 shares, if they work more than 12 hours and up to 24 hours per week they get 20 shares and if they work up to 12 hours per week they get 10 shares. If an employee retires or has to leave his job because of disability during the period until 1 February 2020 he is entitled to the full number of shares.

In total 2,469 employees are at award date entitled to the shares. Based on historical attrition rates for each country the total expected number of shares to be transferred to the employees is 53,300 with a total fair value of DKK 16m, which will be expensed under Special items over the vesting period.

Year of grant	Exercise price	Market price at grant date	Expected volatility	Risk-free interest rate	Expected dividend per share (DKK) at grant date	Expected term	Fair value per share at time of granting
Jubilee shares, December 2016	0.00	319.60	28.65%	-0.51%	8.00	3 years	295.45

Note 19 Pension and jubilee liabilities

The Parent Company contributes to defined contribution plans as well as defined benefit plans. The majority of the pension plans are funded through contributions to an independent insurance company responsible for the pension obligation towards the employees (defined contribution plans). In these plans the Parent Company has no legal or constructive obligation to pay further contributions irrespective of the financial situation of the insurance company. Pension costs from such plans are charged to the income statement when incurred.

The Parent Company has minor defined benefit plans. The defined benefit plans are pension plans that yearly pay out a certain percentage of the final salary the employee has when the employee retires. The pensions are paid out as from retirement and during the remaining life of the employee. The percentage of the salary is dependent of the seniority of the employees. The defined benefit plans typically include a spouse pension.

Based on actuarial calculations the defined benefit plans show the following liabilities:

DKK million

	2016	2015
Present value of unfunded defined benefit obligations	1.1	1.4
Recognised liabilities for defined benefit obligations	**1.1**	**1.4**
Provision for jubilee liabilities	6.5	6.1
Total actuarial liabilities	**7.7**	**7.5**

DKK million

Note 20 Other provisions	2016	2015
Other provisions at 1 January	76.2	25.0
Foreign exchange adjustments	-0.1	0.0
Addition on merger	0.0	3.8
Addition from acquisition of activities	32.2	0.0
Provisions made during the year	53.9	54.4
Increase of discounted amounts arising from the passage of time	2.4	2.0
Used during the year	-51.8	-9.0
Other provisions at 31 December	**112.8**	**76.2**
Other provisions are expected to be payable in:		
0-1 year	78.0	50.8
1-5 years	24.9	21.9
After 5 years	9.9	3.5
Other provisions at 31 December	**112.8**	**76.2**

Of the Parent Company's provision of DKK 112.8m (2015: DKK 76.2m), DKK 1.9m (2015: DKK 9.0m) is estimated redelivery provision regarding leased operating equipment and DKK 0 (2015: DKK 18.5m) is relating to an onerous bare boat charter contract. DKK 68.8m (2015: DKK 45.3m) is estimated net present value of earn-out agreements regarding acquisitions, DKK 38.2m (2015: DKK 0) is provision for subsidiaries with negative equity and DKK 3.9m (2015: DKK 3.4m) is other provisions.

DKK million

Note 21 Interest-bearing liabilities	2016	2015
Mortgage on ships	771.3	859.8
Issued corporate bonds	1,071.3	1,040.9
Bank loans	231.4	278.7
Total interest bearing non-current liabilities	**2,074.1**	**2,179.5**
Mortgage on ships	85.3	203.5
Issued corporate bonds	0.0	387.9
Financial lease liabilities [1]	768.8	0.0
Bank loans	46.3	46.5
Payables to subsidiaries[2]	2,469.8	2,630.9
Total interest bearing current liabilities	**3,370.2**	**3,268.7**
Total interest bearing liabilities	**5,444.2**	**5,448.2**

[1] DKK 768.8m relate to the two Channel vessels chartered from Eurotunnel, where we expect that Eurotunnel will use their option to sell the vessels to DFDS during 2017.

[2] The carrying amount of Interest bearing payables to subsidiaries relates to deposit facilities that are made available to subsidiaries.

Regarding the Parent Company's issue of corporate bonds reference is made to the consolidated financial statements note 22.

The fair value of the interest-bearing liabilities amounts to DKK 5,532m (2015: DKK 5,448m). The fair value measurement is categorised within level 3 in the fair value hierarchy except for the part that relates to the corporate bonds for which the fair value measurement is categorised within level 1.

The fair value of the financial liabilities is determined as the present value of expected future repayments and interest rates. The Parent Company's actual borrowing rate for equivalent terms is used as the discount rate. The fair value of the issued corporate bonds has been calculated based on the quoted bond price at year end 2016 and 2015 respectively.

DKK 476m of the interest bearing liabilities in the Parent Company fall due after five years (2015: DKK 608m). No unusual conditions in connection with borrowing are made. The loan agreements can be settled at fair value plus a small surcharge, whereas settlement of the corporate bonds requires a repurchase of the bonds.

Reference is made to note 25 for financial risks, etc.

DKK million

Allocation of currency, principal nominal amount	2016	2015
DKK	994.0	1,047.1
EUR	3,061.2	2,592.3
SEK	400.9	200.5
NOK	675.9	1,007.8
GBP	308.0	600.5
USD	4.3	0.0
Total interest bearing liabilities	**5,444.2**	**5,448.2**

DKK million

Note 22 Other payables	2016	2015
Payables to subsidiaries	85.1	88.0
Accrued interests	4.5	8.3
Public authorities (VAT, duty, etc.)	4.7	8.1
Holiday pay obligations, etc.	155.7	148.6
Other payables	24.6	62.5
Total other payables	**274.6**	**315.5**

DKK million

Note 23 Corporation tax	2016	2015
Corporation tax liabilities at 1 January	8.8	2.7
Addition on merger	0.0	7.1
Tax for the year recognised in the Income statement	1.7	0.8
Tax for the year recognised in Other comprehensive income	10.4	0.0
Adjustment, prior years recognised in the Income statement	-9.7	1.0
Corporation taxes paid during the year	0.0	-2.7
Corporation tax liabilities at 31 December, net	**11.2**	**8.8**
Corporation tax is recognised in the balance sheet as follows:		
Corporation tax receivable (assets)	0.0	0.0
Corporation tax debt (liabilities)	11.2	8.8
Corporation tax liabilities at 31 December, net	**11.2**	**8.8**

DKK million

Note 24 Information on financial instruments	2016	2015
Carrying amount per category of financial instruments		
Derivatives, financial assets measured at fair value	59.6	4.5
Loans, receivables and cash, assets measured at amortised cost	1,949.6	2,758.5
Financial assets available for sale	9.5	18.4
Derivatives, financial liabilities measured at fair value	-145.8	-303.5
Financial liabilities measured at amortised cost	-6,391.8	-6,331.7
Total	**-4,518.9**	**-3,853.8**

Hierarchy of financial instruments measured at fair value

The table below ranks financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- **Level 1:** Quoted prices in an active market for identical type of instrument, i.e. without change in form or content (modification or repackaging).
- **Level 2:** Quoted prices in an active market for similar assets or liabilities or other valuation methods where all material input is based on observable market data.
- **Level 3:** Valuation methods where possible material input is not based on observable market data.

DKK million

Note 24 Information on financial instruments (Continued)

2016	Level 1	Level 2	Level 3
Derivatives, financial assets	0.0	59.6	0.0
Derivatives, financial liabilities	0.0	-145.8	0.0
Total	**0.0**	**-86.3**	**0.0**

2015	Level 1	Level 2	Level 3
Derivatives, financial assets	0.0	4.5	0.0
Derivatives, financial liabilities	0.0	-303.5	0.0
Total	**0.0**	**-298.9**	**0.0**

Derivative financial assets and liabilities are all measured at level 2. Reference is made to note 26 in the consolidated financial statements for description of the valuation method.

Financial assets available for sale comprise other shares and equity investments as well as other investments of DKK 9.5m (2015: DKK 18.4m). These are some minor unlisted enterprises and holdings. They are measured at cost reduced by impairments, if any, and consequently, they are not included in the fair value hierarchy.

During the year financial assets available for sale measured at level 3 has included non-listed shares in Danish Ship Finance (Danmarks Skibskredit A/S). In prior years these shares have been measured at cost by DKK 8.8m and accordingly not been included in the fair value hierarchy. However, in September 2016 the majority of Danish Ship Finance's share capital was traded and consequently, DFDS' holding of these non-listed shares were measured at fair value based on the published price per share according to the transaction in September 2016 as this price was also offered to the remaining shareholders. In November 2016 DFDS sold its shareholding in Danish Ship Finance for DKK 34.1m, resulting in a gain of DKK 25.2m which is recognised in the income statement under Financial income.

Note 25 Financial and operational risks

DFDS' risk management policy

The description of DFDS' risk management policy, financial risks and capital management is equal for the Group and the Parent Company. Reference is made to the consolidated financial statements note 26.

The following specifications for the Parent Company are different to the similar specifications for the Group.

Financial risks

Interest rate risks

An increase in the interest rate of 1%-point compared to the actual interest rates in 2016 would, other things being equal, have increased net interest payments by DKK 10m for the Parent Company in 2016 (2015: DKK 9m). A decrease in the interest rates would have had a similar positive effect.

Liquidity risks

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

DKK million

2016	0-1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial assets				
Cash	603.1	0.0	0.0	0.0
Trade receivables	648.0	0.0	0.0	0.0
Receivables from subsidiaries	614.9	0.0	0.0	0.0
Receivables from associates and joint ventures	49.8	0.0	0.0	0.0
Other receivables and current assets	33.8	0.0	0.0	0.0
Non-derivative financial liabilities				
Mortgages on ships	-104.4	-204.0	-196.9	-464.2
Issued corporate bonds	-26.8	-1,089.3	0.0	0.0
Bank loans	-50.5	-98.9	-96.1	-47.0
Financial lease liabilities [1]	-768.8	0.0	0.0	0.0
Trade payables	-833.4	0.0	0.0	0.0
Other payables	-24.6	0.0	0.0	0.0
Payables to subsidiaries	-2,555.8	0.0	0.0	0.0
Derivative financial assets				
Forward exchange contracts and currency swaps	14.2	34.5	0.0	0.0
Bunker contracts	10.9	0.0	0.0	0.0
Derivative financial liabilities				
Interest swaps	-2.8	-4.7	-2.9	-0.3
Forward exchange contracts and currency swaps	-0.2	-134.9	0.0	0.0
	-2,392.6	**-1,497.3**	**-295.9**	**-511.5**

[1] DKK 768.8m relate to the two Channel vessels chartered from Eurotunnel, where we expect that Eurotunnel will use their option to sell the vessels to DFDS during 2017.

DKK million

Note 25 Financial and operational risks (continued)				
2015	**0-1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Non-derivative financial assets				
Cash	1,300.0	0.0	0.0	0.0
Trade receivables	600.4	0.0	0.0	0.0
Receivables from subsidiaries	724.8	0.0	0.0	0.0
Receivables from associates and joint ventures	53.8	0.0	0.0	0.0
Other receivables and current assets	79.5	0.0	0.0	0.0
Non-derivative financial liabilities				
Mortgages on ships	-227.2	-211.1	-205.6	-563.9
Issued corporate bonds	-425.0	-588.5	-505.9	0.0
Bank loans	-52.3	-101.8	-99.0	-96.2
Trade payables	-724.7	0.0	0.0	0.0
Other payables	-62.5	0.0	0.0	0.0
Payables to subsidiaries	-2,718.9	0.0	0.0	0.0
Derivative financial assets				
Forward exchange contracts and currency swaps	4.5	0.0	0.0	0.0
Derivative financial liabilities				
Interest swaps	-5.4	-4.0	-2.7	-1.1
Forward exchange contracts and currency swaps	-105.4	-169.9	0.0	0.0
Bunker contracts	-15.0	0.0	0.0	0.0
	-1,573.4	**-1,075.2**	**-813.2**	**-661.2**

Beside the contractual maturities the DFDS A/S has issued guarantees for DKK 498.7m (2015: DKK 698.0m). These are not presented in the above table as the contractual maturity is not possible to predict. Reference is made to note 29.

Assumptions for the maturity table:
The maturity analysis is based on undiscounted cash flows including estimated interest payments. Interest payments are estimated based on existing market conditions.

The undiscounted cash flows related to derivative financial liabilities are presented at gross amounts unless the parties according to the contract have a right or obligation to settle at net amount.

DKK million

Note 26 Non-cash operating items	2016	2015
Change in provisions	-0.1	26.0
Change in write-down of inventories for the year	-1.6	0.9
Change in provision for defined benefit plans and jubilee obligations	1.2	0.3
Vesting of share option plans expensed in the income statement	7.5	7.2
Non-cash operating items	**7.0**	**34.4**

DKK million

Note 27 Change in working capital	2016	2015
Change in inventories	-27.9	6.8
Change in receivables	-49.9	85.3
Change in current liabilities	182.6	-53.5
Change in working capital	**104.8**	**38.6**

Note 28 Acquisition and sale of enterprises, activities and non-controlling interests

2016

Acquisition

On 1 September 2016 DFDS A/S entered into an agreement with the Estonian company Navirail OÜ to acquire the company's freight and passenger route (ro-pax) between Paldiski (Estonia) and Hanko (Finland). For further details of this acquisition reference is made to the consolidated financial statements note 30.

Acquisition of non-controlling interests

For further details refererence is made to the consolidated financial statements note 30.

2015

Group Internal Merger

As of 18 November 2015 New Channel Holding A/S (formerly a 100% subsidiary of DFDS A/S) and its 100% owned subsidiary New Channel Company A/S were both merged into DFDS A/S. 2016 comprise full-year impact of the above mergers, which explains most of the developments from 2015 to 2016.

Note 29 Guarantees, collateral and contingent liabilities

Issued guarantees amount to DKK 84.0m (2015: DKK 207.3m). In addition, the Parent Company has issued an unlimited guarantee on behalf of a subsidiary to cover any obligations under a Payment Service Agreement for creditcard payments. The company has issued letter of support to cover total underfundings in two defined benefit pension schemes in two English subsidiaries. The underfunding amount to DKK 414.7m at 31 December 2016 (2015: DKK 490.7m).

The Parent Company has issued letter of support for certain Group companies with negative equity.

The Parent Company is in 2016 as well as in 2015 part in various legal disputes. The outcome of these disputes is not considered likely to influence the Parent Company significantly, besides what is already recognised in the balance sheet.

Certain ships with a total carrying amount of DKK 1,343.8m (2015: DKK 1,737.6m) have been pledged as security for mortgage on ships with a total carrying amount of DKK 856.6m (2015: DKK 1,063.3m).

At year end 2016 DKK 0.0m (2015: DKK 85.4m) of the cash was deposited on restricted bank accounts as security for derivatives with negative fair values.

DKK million

Note 30 Contractual commitments	2016	2015
Contractual commitments, term 0-1 year	127.7	163.4
Contractual commitments, term 1-5 years	598.0	200.2
Contractual commitments, term after 5 years	0.0	541.7
Total contractual commitments	**725.7**	**905.2**

Contractual commitments in 2016 primarily relates to the order of 2 new freight ships (RoRo) that are to be delivered in the beginning of 2019.

Contractual commitments in 2015 relates to the developing of a terminal as well as the future charter payments relating to the lease of the ships Côte des Dunes and Côte des Flandres. The ships were deployed on the route Dover-Calais during February 2016 at which time the lease arrangement has commenced and the ships are recognised as a financial lease.

Operating lease commitments (lessee)	2016	2015
Minimum lease payments		
0-1 year	20.3	19.9
1-5 years	38.8	58.2
Total buildings	**59.2**	**78.0**
0-1 year	10.6	10.4
1-5 years	45.2	44.1
After 5 years	28.8	40.5
Total terminals	**84.7**	**95.1**
0-1 year	641.7	780.7
1-5 years	266.3	680.6
Total ships	**908.0**	**1,461.3**
0-1 year	25.1	26.2
1-5 years	31.2	50.2
After 5 years	0.5	1.6
Total equipment, etc.	**56.8**	**78.0**
Total minimum lease payments fall due as follows:		
0-1 year	697.8	837.3
1-5 years	381.6	833.1
After 5 years	29.3	42.1
Total minimum lease payments	**1,108.7**	**1,712.5**

The specified payments are not discounted.

Note 30 Contractual commitments (continued)

Operating lease- and rent costs recognised in the income statement amount to DKK 756.6m for 2016 (2015: DKK 851.9m).

Operating lease contracts on ships are typically concluded with lease terms of up to 12 months, but where most of the lease contracts contain an option to extend the lease term.

However, 2 leases were initially entered with a 10 year lease period, of which 3-5 years remain at 31 December 2016. A further 1 lease was initially entered with a 5 year lease period, of which 3-5 years remain at 31 December 2016.

Lease contracts on other assets are normal lease contracts including a minimum lease term after which the lease term can be terminated by giving 1 to 12 months' notice.

The Parent Company has not entered any substantial agreements, which will be effected, changed nor expired, if the control over the Group is changed as a consequence of a takeover of the Group.

The Parent Company has purchase options on the ro-ro freight ships Gardenia Seaways and Tulipa Seaways, which the is chartered. The 2 ships are new buildings and are expected to be delivered in May and September 2017 respectively.

DKK million

Operating lease commitments (lessor)	2016	2015
Minimum lease payments (income)		
Ships and equipment		
0-1 year	155.5	132.0
1-5 years	402.2	284.8
After 5 years	0.5	62.2
Total ships and equipment	**558.2**	**479.0**

The specified minimum payments are not discounted. Operational lease- and rental income recognised in the income statement amount to DKK 194.0m in 2016 (2015: DKK 295.0m). The contracts are entered into on usual conditions.

Financial lease commitments (lessee)

2016	Minimum lease payments	Hereof financing element	Carrying amount
0-1 year	768.8	0.0	768.8
Total	**768.8**	**0.0**	**768.8**

The financial leased commitments are primarily related to the lease of the ships Côte des Dunes and Côte des Flandres. The ships were deployed on the route Dover-Calais during February 2016.

DKK million

Note 31 Related party transactions

Description of the Parent Company's related parties is equal to the description for the Group. Reference is made to the consolidated financial statements note 34.

2016	Sale of services	Purchase of services	Sale of assets	Purchase of assets	Receivables	Impairment of receivables	Liabilities	Capital contributions
Associates and joint ventures	23.4	194.3	0.0	0.0	49.8	0.0	0.1	0.0
Subsidiaries	799.2	1,941.8	0.0	0.0	614.9	312.7	2,555.8	3.7
2015								
Associates and joint ventures	15.3	187.9	0.0	0.0	53.8	0.0	0.0	0.4
Subsidiaries	776.3	1,361.5	232.1	278.4	724.8	266.1	2,718.9	0.0

Receivables from four subsidiares (2015: three subsidaries) are impaired. Impairment losses recognised in the income statement in 2016 amount to DKK 91.0m (2015: DKK 123.8m) and reversals of impairment losses amount to DKK 6.3m (2015: DKK 2.9m).

Receivables are unsecured and are related to trade receivables and cash pools.

Reference is made to note 29 for a description of guarantees issued by the parent company on behalf of subsidiaries.

Note 32 Impairment tests

Introduction

DFDS has in previous years decided to impairment test all non-current assets at least at year-end, or more frequent if there is any indication of impairment.

For a description of the definition of cash-generating units, basis for impairment testing and calculation of recoverable amount reference is made to the consolidated financial statements note 35.

Impairment tests of investments in subsidiaries, associates and joint ventures

Impairment tests are carried out for each subsidiary, associates and joint ventures in the Parent Company if there is indication of impairment. The individual companies are regarded as the lowest cash-generating units.

The estimated value in use is based on cash flows according to management approved budget for the coming financial year. Expectations towards the cash flows are adjusted for uncertainty on the basis of historical results, and take into account expectations towards possible future fluctuations in cash flows.

The Parent Company uses a discount rate determined for each subsidiary, associate or joint venture, according to the business area to which it belongs. The applied discount rates for 2016 and 2015 are shown in the table in the consolidated financial statements note 35.

In 2016 investments in subsidiaries have been impaired by DKK 6.7m in total. DFDS Logistics SPA has been impaired by DKK 3.7m and DFDS Seaways Holding Ltd. has been impaired by DKK 3.0m and as the calculated value in use of the individual investment is lower than the book value. Furthermore, in 2016 previous impairments have been reversed by DKK 60.0m regarding DFDS Logistics NV, DKK 50.0m regarding DFDS Logistics Rederi, DKK 10.0m regarding DFDS Logistics AS, DKK 5.8m regarding DFDS Seaways GmbH, DKK 0.8m regarding DFDS Seaways Ltd. The total impairment of net DKK 119.9m in 2016 is recognised under Financial items reference is made to note 7.

The Parent Company has issued letter of support to some subsidaries and associates with negative equity. Consequently, the investment in these subsidiaries and associates are written down to zero, and any receivables due from the subsidiaries and associates are written down by amounts equal to the respective negative equities. Total write down of receivables in 2016 amounts to DKK 52.8m. A provision of DKK 38.2m relating to a negative equity in a subsidary was also recognised in 2016. Further, write downs in previous years have been reversed by DKK 6.3m. The write downs and reversals are recognised under Financial items.

2015

In 2015 investments in subsidiaries have been impaired by DKK 158.1m in total. DFDS Logistics Rederi AS has been impaired by DKK 110.0m due to dividend payout, DFDS Seaways AS has been impaired by DKK 25.0m, DFDS Logistics AS has been impaired by DKK 10.0m, DFDS Logistics [Ireland] Ltd.Ltd has been impaired by DKK 10.0m, DFDS Logistics S.p.A has been impaired by DKK 2.3m and DFDS Seaways Ltd. has been impaired by DKK 0.8m as the calculated value in use of the individual investment were lower than the book value. Furthermore, in 2015 previous impairments have been reversed by DKK 40.0m regarding DFDS Logistics Container Line BV. The total impairment of net DKK 118.1m in 2015 is recognised under Financial items reference is made to note 7.

The Parent Company has issued letter of of support to some subsidaries and associates with negative equity. Consequently, the investment in these subsidiaries and associates are written down to zero, and any receivables due from the subsidiaries and associates are written down by amounts equal to the respective negative equities. Total write down in 2015 amounts to DKK 123.8m. Further, write downs in previous years have been reversed by DKK 2.9m. The write downs and reversals are recognised under Financial items.

Note 33 Events after the balance sheet date

On 8 February 2017, a share buyback programme of DKK 800m was launched comprising two programmes to align DFDS capital structure to the targeted leverage. The first programme of up to DKK 500m was structured as an auction process and completed on 21 February 2017. A total of 1.280.515 shares were acquired for DKK 373 per share, equal to DKK 478m. The second programme of DKK 300m started on 8 February 2017 and is to be completed on 15 August 2017 at the latest.

On 21 February 2017, DFDS awarded 136.435 share options to the Executive Board and a number of key employees. The theoretical value of the shares options is DKK 7.4m calculated according to the Black-Scholes-model.

Note 34 Accounting Policies

The Parent Company financial statements are prepared pursuant to the requirements of the Danish Financial Statements Act concerning preparation of separate parent company financial statements for companies reporting under IFRS.

The 2016 financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Change in accounting policies
Reference is made to the consolidated financial statements note 38.

Critical accounting estimates and assessments
In the process of preparing the Parent Company financial statements, a number of accounting estimates and judgements have been made that affect assets and liabilities at the balance sheet date and income and expenses for the reporting period. Management regularly reassesses these estimates and judgements, partly on the basis of historical experience and a number of other factors in the given circumstances.

Impairment testing of investments in subsidiaries
Impairment testing of investments in subsidiaries is carried out if there is indication of impairment. The impairment tests are based on the expected future cash flows for the tested subsidiaries. For further details of estimates and assessments relating to investments in subsidiaries reference is made to note 32, which mention impairment testing.

Management is of the opinion that, except for impairment testing of investments in subsidiaries, no accounting estimates or judgements are made in connection with the presentation of the Parent Company financial statements applying the Parent Company accounting policies that are material to the financial reporting, other than those disclosed in note 39 to the consolidated financial statements.

DESCRIPTION OF ACCOUNTING POLICIES
The Parent Company accounting policies are consistent with the accounting policies described in the consolidated financial statements note 38, with the following exceptions:

Business combinations
In the Parent Company common control acquisitions (and disposals) of enterprises and activities are measured and recognised in accordance with the 'book value method' by which differences, if any, between purchase price and book value of the acquired/sold enterprise/activity are recognised directly in equity.

Translation of foreign currencies
Foreign exchange adjustments of balances accounted for as part of the total net investment in enterprises that have a functional currency other than DKK are recognised in profit for the year as finance income and costs in the parent company financial statements. Likewise, foreign exchange gains and losses on the portion of loans and derivative financial instruments that has been entered into to hedge the net investment in these enterprises are recognised directly in the profit for the year as finance income and costs.

Note 34 Accounting Policies (continued)

Dividends from investments in subsidiaries, associates and joint ventures
Dividends from investments in subsidiaries, associates and joint ventures are recognised in the Parent Company's Income statement for the year in which the dividends are declared. If distributions exceed the subsidiary's, the associate's or the joint venture's comprehensive income for the period, an impairment test is carried out.

Investments in subsidiaries, associates and joint ventures
Investments in subsidiaries, associates and joint ventures are measured at cost in the Parent Company's balance sheet. Impairment testing is carried out if there is any indication of impairment. The carrying amount is written down to the recoverable amount whenever the carrying amount exceeds the recoverable amount. The impairment loss is recognised as finance cost in profit for the year unless it qualifies as a special item. If the Parent Company has a legal or constructive obligation to cover a deficit in subsidiaries, associates and joint ventures, a provision for this is recognised.

Equity
Reserves for development costs
The reserve for development costs comprise of DFDS' development costs corresponding to the capitalized development cost in the balance sheet. The reserve is non distributable and cannot be used to cover deficit. The reserve is dissolved upon disposal of the development cost either by sale or if the development cost is no longer part of the entity's operation. The reserve will then be transferred to the distributable reserves. The reserve will be reduced and the distributable reserves increased concurrently with either depreciations or write-downs.

For a description of the Hedging reserve, Revaluation of securities and Treasury shares, reference is made to DFDS Group Accounting policies, note 38.

Fleet List

per 31.12.2016

Freight ships (ro-ro)

	Year built	Gross tons	Lanemeter	TEU[4]	Deployment
Ficaria Seaways	2006/09/11	37,939	4,731		Gothenburg-Brevik-Immingham
Freesia Seaways	2005/09/14	37,939	4,731		Gothenburg-Brevik-Gent
Begonia Seaways	2004/09/14	37,939	4,731		Gothenburg-Brevik-Gent
Ark Dania [8]	2014	33,313	3,000	342	Esbjerg-Immingham
Ark Germania [8]	2014	33,313	3,000	342	Esbjerg-Immingham
Magnolia Seaways	2003/13	32,523	3,831		Gothenburg-Brevik-Immingham
Petunia Seaways	2004/13	32,523	3,831		Gothenburg-Brevik-Immingham
Primula Seaways	2004/14	32,523	3,831		Gothenburg-Brevik-Gent
Selandia Seaways	1998/13	24,803	2,772		Vlaardingen-Felixstowe
Suecia Seaways	1999/11/14	24,613	2,772	180	Vlaardingen-Felixstowe
Britannia Seaways	2000/11/14	24,613	2,772	180	Vlaardingen-Felixstowe
Ark Futura	1996/00	18,725	2,308	246	Marseille-Tunis
Anglia Seaways	2000	13,073	1,680		Vlaardingen-Immingham
Botnia Seaways	2000	11,530	1,899	300	Fredericia-Copenhagen-Klaipeda
Finlandia Seaways	2000	11,530	1,899	300	Zeebrugge-Rosyth
Corona Seaways [2]	2008	25,609	3,322		Vlaardingen-Immingham
Hafnia Seaways [2]	2008	25,609	3,322		Cuxhaven-Immingham
Fionia Seaways [2]	2009	25,609	3,322		Vlaardingen-Immingham
Jutlandia Seaways [2]	2010	25,609	3,322		Cuxhaven-Immingham
Pauline Russ [2]	1999	10,488	1,624		Vlaardingen-Immingham
Finnmaster[2]	1998	12,422	1,775		Vlaardingen-Immingham
Finnsun, Finnmill, Finnpulp[7]	2012/2002/2002	25,654	3,245/2,681		Russia-Germany
Mont Ventoux [6]	1996	18,469	2,025		Marseille-Tunis

Ro-pax ships[3]

	Year built	Gross tons	Lanemeter	Passengers	Deployment
Victoria Seaways	2009/14	25,675	2,500	600	Kiel-Klaipeda
Regina Seaways [1]	2010/15	25,666	2,500	600	Kiel-Klaipeda
Athena Seaways	2007/15	26,141	2,593	462	Karlshamn-Klaipeda
Optima Seaways	1999	25,263	2,300	336	Karlshamn-Klaipeda
Baie de Seine (ex Sirena Seaways)	2002/03	22,382	2,056	623	On charter
Liverpool Seaways	1997	21,856	2,150	320	Paldiski-Kapelskär
Patria Seaways	1991	18,332	1,800	213	Karlshamn-Klaipeda
Kaunas Seaways	1989/94	25,606	1,539	235	On charter
Vilnius Seaways	1987/93	22,341	1,539	120	On charter
Dunkerque Seaways [5]	2005	35,293	2,900	780	Dover-Dunkirk
Delft Seaways [5]	2006	35,293	2,900	780	Dover-Dunkirk
Dover Seaways [5]	2006	35,293	2,900	780	Dover-Dunkirk
Calais Seaways [5]	1991/92/99	28,833	1,800	1,850	Dover-Calais
Côte Des Flanders (ex Berlioz) [1,5]	2005	33,940	1,900	2,000	Dover-Calais
Côte Des Dunes (ex Rodin) [1,5]	2001	33,796	1,900	2,473	Dover-Calais
Côte d'Albâtre [1]	2006	18,425	1,270	600	Newhaven-Dieppe
Seven Sisters [1]	2006	18,940	1,270	600	Laid-up
Sailor [2]	1987	20,921	1,400	119	Paldiski-Hanko

1 Chartered (bareboat charter)
2 Chartered (time charter)
3 Ro-pax: Combined ro-ro and passenger ship
4 TEU: 20 foot container unit
5 Short-sea day ferry
6 VSA: Vessel sharing agreement with owner/charterer
7 SCA: Slot charter agreement with owner/charterer
8 SCA: Slot charter agreement with DFDS

Passenger ships

	Year built	Gross tons	Lanemeter	Passengers	Deployment
Pearl Seaways	1989/01/05/14	40,231	1,482	2,168	Copenhagen-Oslo
Crown Seaways	1994/05/14	35,498	1,370	2,044	Copenhagen-Oslo
King Seaways	1987/93/06	31,788	1,410	1,534	Amsterdam-Newcastle
Princess Seaways	1986/93/06	31,356	1,410	1,364	Amsterdam-Newcastle

Sideport ships

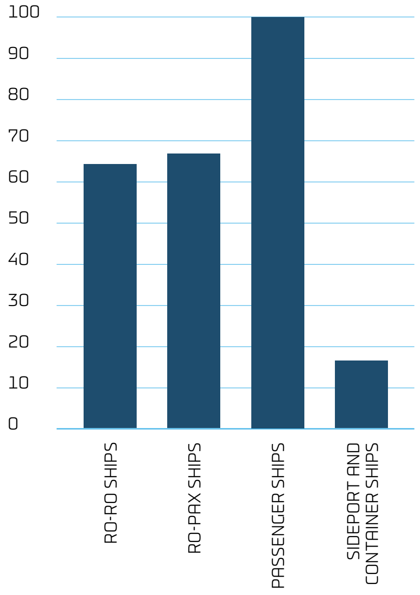
	Year built	Gross tons	TEU[4]	Deployment
Lysvik Seaways	1998/04	7,409	160	Oslo Fjord-Continent
Lysbris Seaways	1999/04	7,409	160	Oslo Fjord-Continent/UK

Container ships

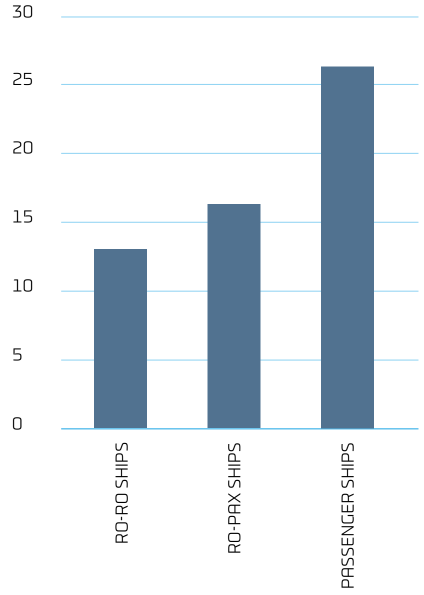
	Year built	Gross tons	TEU[4]	Deployment
Endeavor[2]	2005	7,642	750	Spain-UK-Ireland
Encounter[6]	2004	7,642	750	Spain-UK-Ireland
Vega Philipp[6]	2008	8,971	917	Spain-UK-Ireland
Pollux[6]	2009	9,983	1,025	Spain-UK-Ireland
CMA CGM Goya[6]	2008	7,702	806	Spain-UK-Ireland
Spica J[7]	2007	8,246	962	Oslo Fjord-Rotterdam
Energizer[7]	2004	7,642	750	Oslo Fjord-Rotterdam
Astrorunner[7]	2007	7,720	809	Oslo Fjord-Rotterdam
Samskip Endeavour[6]	2011	7,852	812	Rotterdam-Ireland
Samskip Express[6]	2006	7,852	803	Rotterdam-Ireland

[1] Chartered (bareboat charter)
[2] Chartered (time charter)
[3] Ro-pax: Combined ro-ro and passenger ship
[4] TEU: 20 foot container unit
[5] Short-sea day ferry
[6] VSA: Vessel sharing agreement with owner/charterer
[7] SCA: Slot charter agreement with owner/charterer
[8] SCA: Slot charter agreement with DFDS

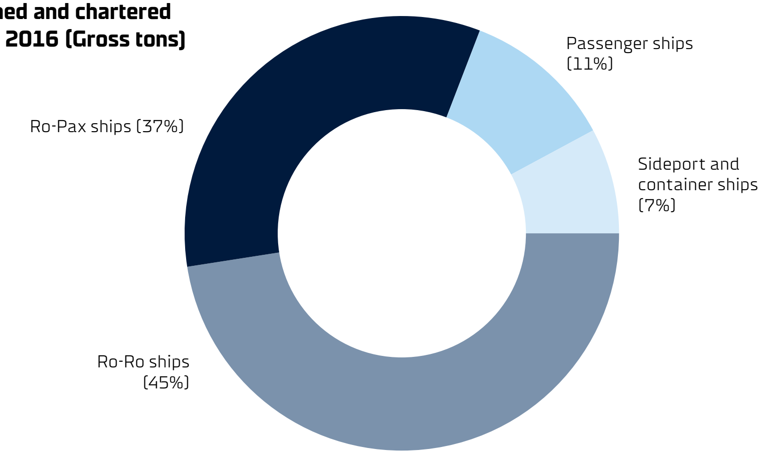
Ownership shares of fleet, end 2016 (%)



Owned ships, average age, end 2016



Fleet, owned and chartered ships, end 2016 (Gross tons)



Board of Directors and Executive Board

Bent Østergaard, Chair, 14,165 shares

- Date of birth: 5 October 1944
- Joined the Board: 1 April 2009
- Re-elected: 2010-2016
- Period of office ends: 21 March 2017
- Chair of Nomination and Remuneration Committee
- Position: CEO, Lauritzen Fonden, & LF Investment ApS
- Chair: Frederikshavn Maritime Erhvervspark A/S, NanoNord A/S, Cantion A/S, Lauritzen Ship Owner A/S, Meabco Holding A/S, Meabco A/S
- Board member: Mama Mia Holding A/S, With Fonden, Durisol UK, Desmi A/S, Commotive A/S

The Board of Directors is of the opinion that Bent Østergaard possesses the following special competences: International management experience, board experience from international and listed companies, and expertise in shipping and finance.

As a result of his executive functions for the company's principal shareholder, Lauritzen Foundation, Bent Østergaard cannot be considered independent according to the recommendations on corporate governance.

Claus V. Hemmingsen, Deputy Chair, 2,453 shares

- Date of birth: 15 September 1962
- Joined the Board: 29 March 2012
- Re-elected: 2013-2016
- Period of office ends: 21 March 2017
- Member of Nomination and Remuneration Committee
- Position: Group Vice CEO, A.P. Møller-Mærsk A/S, and CEO, Energy division
- Chair: Danish Shipowners' Association, Danish Chinese Business Forum
- Board member: Egyptian Drilling Company

The Board of Directors is of the opinion that Claus V. Hemmingsen possesses the following special competences: International management experience and expertise in offshore activities and shipping.

Pernille Erenbjerg, Board member, 0 shares

- Date of birth: 21 August 1967
- Joined the Board: 26 March 2014
- Re-elected: 2015-2016
- Period of office ends: 21 March 2017
- Chair of Audit Committee
- Position: CEO and President, TDC A/S
- Chair: GET AS
- Board member and Chair of Audit Committee: Genmab A/S

The Board of Directors is of the opinion that Pernille Erenbjerg possesses the following special competences: International management experience and expertise in finance and accounts.

Jørgen Jensen, Board member, 0 shares

- Date of birth: 21 March 1968
- Joined the Board: 24 March 2015
- Re-elected: 2016
- Period of office ends: 21 March 2017
- Member of Audit Committee
- Position: CEO, Widex A/S; Managing director, JFJ Invest ApS
- Board member and Chair of Audit Committee: Nordic Waterproofing Group AB

The Board of Directors is of the opinion thatJørgen Jensen possesses the following special competences: International management experience and expertise in strategy, global supply chain, production processes and M&A.

Jens Otto Knudsen, staff representative, 0 shares

- Date of birth: 8 August 1958
- Joined the Board: 13 April 2011
- Re-elected: 2014
- Period of office ends: 24 March 2018
- Position: Captain

Jens Knudsen has no managerial or executive positions in other companies.

Jill Lauritzen Melby, Board member,
4,735 shares

- Date of birth: 6 December 1958
- Joined the Board: 18 April 2001
- Re-elected: 2002-2016
- Period of office ends: 21 March 2017
- Member of Audit Committee
- Position: Team Leader Finance, BASF A/S

The Board of Directors is of the opinion that Jill Lauritzen Melby possesses the following special competences: Expertise in financial control.

Due to family relations to the company's principal shareholder, Lauritzen Fonden, Jill Lauritzen Melby cannot be considered independent according to the recommendations on corporate governance.

Klaus Nyborg, Board member,
0 shares

- Date of birth: 16 November 1963
- Joined the Board: 31 March 2016
- Re-elected: n.a.
- Period of office ends: 21 March 2017
- Member of Nomination and Remuneration Committee
- Position: Managing director, Return ApS
- Chair: Dampskibsselskabet Norden A/S, A/S United Shipping & Trading, Bawat A/S
- Deputy Chair: Bunker Holding A/S, Uni-Tankers A/S, Uni-Chartering A/S
- Board member: Norient Product Pool ApS, Karin og Poul F. Hansens Familiefond, Odfjell SE, X-Press Feeders Ltd.

The Board of Directors is of the opinion that Klaus Nyborg possesses the following special competences: International management and board experience from i.a. listed shipping companies and suppliers to the shipping industry and expertise in strategy, M&A and risk management.

Lars Skjold-Hansen, staff representative,
300 shares

- Date of birth: 23 August 1965
- Joined the Board: 22 March 2013
- Re-elected: 2014
- Period of office ends: 24 March 2018
- Position: Captain

Lars Skjold-hansen has no managerial or executive positions in other companies.

Kent Vildbæk, staff representative,
0 shares

- Date of birth: 15 February 1964
- Joined the Board: 13 April 2011
- Re-elected: 2014
- Period of office ends: 24 March 2018
- Position: Commercial Head

Kent Vildbæk has no managerial or executive positions in other companies.

EXECUTIVE BOARD

Niels Smedegaard, President & CEO,
214,168 shares

- Date of birth: 22 June 1962
- Appointed: 1 January 2007
- Chair: The Bikuben Foundation, ECSA (European Community Shipowners´ Association), Kollegiefonden Bikuben
- Deputy Chair: Danish Shipowners' Association
- Board member: Interferry, TT Club, Denmark-America Foundation, Falck A/S, FrederiksbergFonden

Torben Carlsen, EVP & CFO,
99,698 shares

- Date of birth: 5 March 1965
- Appointed: 1 June 2009
- Chair: Copenhagen Offshore Partners A/S, SEM Invest A/S, SEM Steel Industry A/S (SEM Stålindustri A/S), Investment Committee in Copenhagen Infrastructure II K/S and GRO Fund I K/S
- Board member: Copenhagen Infrastructure II GP Aps, Crendo Fastighetsförvaltning AB, Investment and Safety (Investering & Tryghed), PPC Ejendomme A/S
- Other positions: Director at R1612 Aps

Board of Directors

Bent Østergaard
Chair

Claus Hemmingsen
Deputy Chair

Pernille Erenbjerg
Board Member

Jørgen Jensen
Board Member

Jens Otto Knudsen
Staff Representative

Jill Lauritzen Melby
Board Member

Klaus Nyborg
Board Member

Lars Skjold-Hansen
Staff Representative

Kent Vildbæk
Staff Representative

From left to right: Niels Smedegaard, Jørgen Jensen, Claus Hemmingsen, Jill Lauritzen Melby, Jens Otto Knudsen, Kent Vildbæk, Torben Carlsen, Pernille Erenbjerg, Klaus Nyborg, Lars Skjold-Hansen and Bent Østergaard.

Executive Management

Niels Smedegaard (1962)
President & CEO
MSc (Finance)
Employed by DFDS since 2007

Torben Carlsen (1965)
Executive Vice President & CFO
MSc (Finance)
Employed by DFDS since 2009

Peder Gellert Pedersen (1958)
Executive Vice President, Shipping Division
Ship broker, HD (O)
Employed by DFDS since 1994

Eddie Green (1958)
Executive Vice President, Logistics Division
BA (Hons) Economics
Employed by DFDS since 2010

Henrik Holck (1961)
Executive Vice President, People & Ships
MSc Psych
Employed by DFDS since 2007

From left to right: Henrik Holck, Peder Gellert Pedersen, Niels Smedegaard, Eddie Green, Torben Carlsen.

Glossary

BAF: Bunker adjustment factor, surcharge for price changes in bunker

Bareboat charter: Lease of a ship without crew for an agreed period

Bunker: Oil-based fuel used in shipping

Chartering: Lease of a ship

Chartering-out: Leasing out of a ship

Door-to-door transport: Transportation of goods from origin to final destination by a freight forwarder. A freight forwarder typically uses third-party suppliers, for example a haulier, to carry out the transport

Intermodal: Transport using several different types of transport (road, rail and sea)

Lane metre: An area on a ship deck one lane wide and one metre long. Used to measure freight volumes

Logistics: Sea and land-based freight transport, storage and distribution, and associated information processing

Lo-lo: Lift on-lift off: Type of ship for which cargo is lifted on and off

MGO: Marine gas oil, also known as marine diesel

Non-allocated items: Central costs which are not distributed to divisions

Northern Europe: The Nordic countries, Benelux, the United Kingdom, Ireland, Germany, Poland, the Baltic nations, Russia and other SNG countries

Production partnership (Vessel Sharing Agreement): Agreement between two or more parties on the distribution and use of a ship's freight-carrying capacity

Ro-pax: Combined ro-ro freight and passenger vessel

Ro-ro: Roll on-roll off: Type of ship for which freight is driven on and off

Short sea: Shipping between destinations within a defined geographic area. The converse is deep-sea shipping, i.e. sailing between continents

Sideport vessels: Ship with loading/unloading takes place via ports in the ship's side

Space charter: Third-party lease of space on a ship deck

Stevedoring: Activities related to loading and unloading of ships in a port terminal

Time charter: Lease of a ship with crew for an agreed period

Tonnage tax: Taxation levied on ships according to ship tonnage

Trailer: An unpowered vehicle for transport of goods pulled by a powered vehicle.

Definitions

Operating profit before depreciation (EBITDA)	Profit before depreciation and impairment on non-current assets
Operating profit (EBIT)	Profit after depreciation and impairment on non-current assets
Operating profit margin	Operating profit (EBIT) before special items x 100 / Revenue
Net operating profit after taxes (NOPAT)	Operating profit (EBIT) minus tax on EBIT
Invested capital	Non-current intangible and tangible assets plus investment in associates and net current assets (non-interest bearing current assets minus non-interest bearing current liabilities) minus pension and jubilee liabilities and other provisions
Return on invested capital (ROIC)	Net operating profit after taxes (NOPAT) x 100 / Average invested capital
Weighted average cost of capital (WACC)	Average capital cost for net interest-bearing liabilities and equity, weighted according to the capital structure
Free cash flow, FCFF	Cash flow from operating activities, net, excluding interest etc. received and paid minus cash flow from investing activities
Return on equity p.a.	Profit for the year excluding non-controlling interests x 100 / Average equity excluding non-controlling interests
Equity ratio	Equity x 100 / Total assets

Net interest-bearing debt	Interest-bearing non-current and current liabilities minus interest-bearing non-current and current assets
Earnings per share (EPS)	Profit for the year excluding non-controlling interests / Weighted average number of circulating shares
P/E ratio	Share price at year-end / Earnings per share (EPS)
FCFE yield	FCFF including interest etc. received and paid x 100 / Market value at year-end plus non-controlling interests
Total distribution yield	Total distribution to shareholders x 100 / Market value at year-end plus non-controlling interests
Cash payout ratio	Total distribution to shareholders x 100 / Cash flow from operating activities, net
Dividend return	Paid dividend per share / Share price at beginning of year
Equity per share	Equity excluding non-controlling interests at year-end / Number of circulating shares at year-end
Price/book value	Share price at year-end / Equity per share at year-end

The History of DFDS

DFDS was founded in 1866 as a result of an initiative by C.F. Tietgen to merge the three largest Danish steamship companies of the day.

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In the beginning, DFDS was active in domestic as well as international shipping, carrying both freight and passengers. The international services covered the North Sea and the Baltic, later expanding to the Mediterranean. Towards the end of the 19th century, routes were established to the USA and South America. The passenger routes to the USA were closed in 1935.

As land-based transport volumes increased, forwarding and logistics became part of DFDS' strategy. From the mid-60s, considerable forwarding and logistics activities were developed in extension to the route network.

In 1982, a passenger route was opened between New York and Miami. The route failed, however, to live up to expectations and was discontinued at great cost in 1983. Subsequently, the DFDS Group was restructured, including divestment of activities in the Mediterranean and routes to the USA and South America.

The forwarding and logistics activities were developed organically and by acquisitions. Following the acquisition of Dan Transport in 1998, the business area became one of the largest forwarding and logistics companies in northern Europe.

To focus the Group's resources, a new strategy was adopted with emphasis on shipping and the forwarding and logistics activities, DFDS Dan Transport, were divested in 2000.

DFDS' route network for passengers and freight has continuously been developed via organic capacity growth and acquisitions. Following a number of smaller acquisitions, a transformational acquisition was made in 2010 when Norfolkline was acquired. This acquisition included a number of transport and logistics activities that primarily supported the route network and these activities have since been expanded through organic growth and several smaller acquisitions.

Today, DFDS is northern Europe's largest company combining ferry shipping and logistics.