Annual Report 2017

We move for all to grow

We move freight and passengers on ferry routes in Europe

● Ferry route ports and sales offices

We also provide transport and contract logistics solutions for manufacturers

- Logistics offices
- Container and sideport route ports
- Warehousing or other logistics operation
- Logistics office and port of call

We care – about the safety of our passengers and employees and about our impact on the environment.

Our more than 7,000 employees **partner and innovate** with customers to grow their business and the economy.

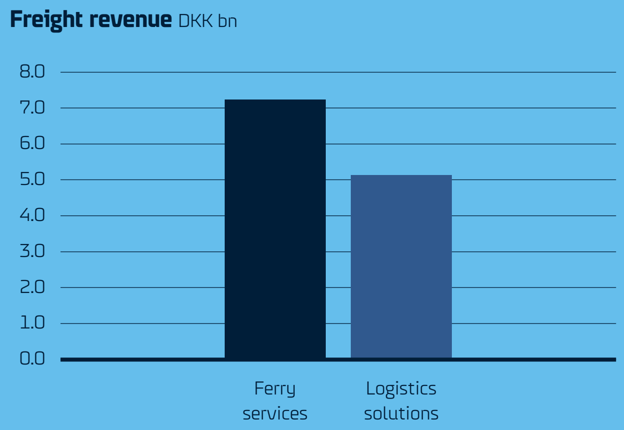
By moving freight and passengers **reliably and efficiently**, we provide vital services for trade and travel in Europe.

80% freight revenue

8,000 freight customers

Freight ferry services
Our route network carries a wide variety of goods for forwarders. We also carry heavy goods such as cars, paper and steel for manufacturers.

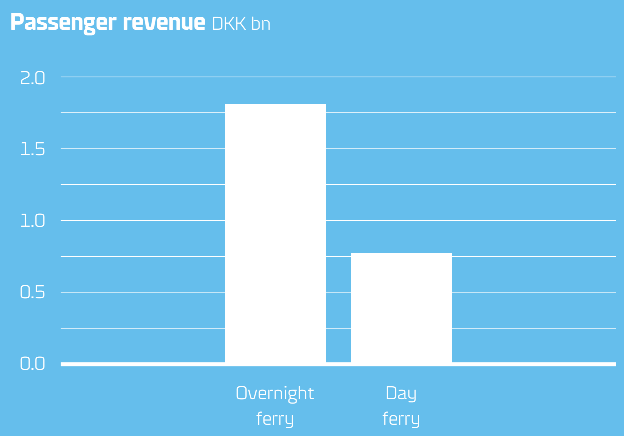
Transport and logistics solutions
Our key customers are manufacturers of industrial goods, food products, forest & paper products, consumer goods, and retailers. Many of the solutions are executed using our own ferry services.



20% passenger revenue

5.3m passengers

Passenger ferry services
People travelling by car is a key customer group as is people going on a mini cruise focused on enjoying a maritime experience and the on board facilities. Some routes also offer conference facilities on board.



Continuous improvement of **customer services and operational efficiency** are key drivers of sustainable, profitable growth for DFDS.

Development of **digital capabilities** is also key, and we are increasingly assessing and engaging with new business models and technologies.

We also pursue shareholder value by leveraging our strong European platform through **acquisitions**.

Key results 2017

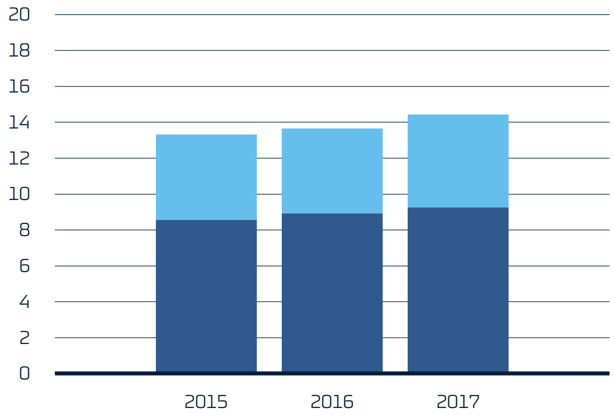
Revenue up **4%** to DKK 14.3bn

EBITDA[1] up **4%**to DKK 2.7bn

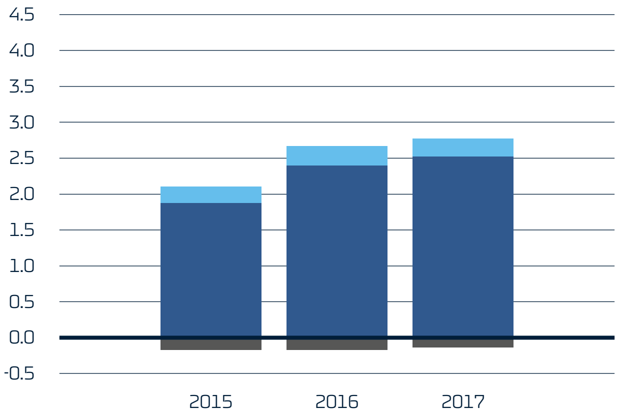
Return on invested capital[1] after tax increased to **19%**

DKK **1.7bn** distributed to shareholders

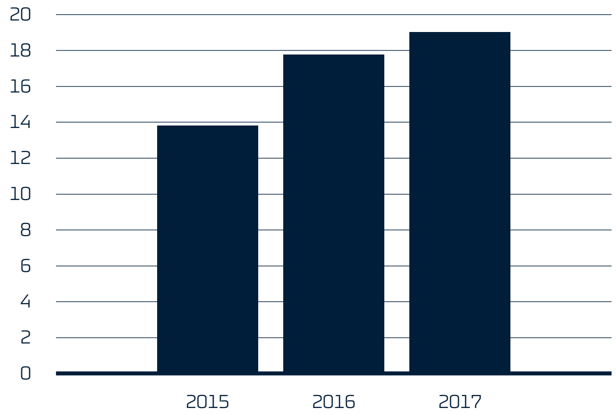
Revenue per division DKK bn



EBITDA per division[1] DKK bn



Return on invested capital (ROIC)[1] %



- Logistics Division
- Shipping Division
- Non-allocated items
- Group

[1] Before special items

"The financial strength allows us to both consider further growth opportunities from acquisitions as well as fleet renewals."

A strong company

Continuous improvements have been the hallmark of DFDS' Executive Management Team over the last five years, with the financial strength of DFDS further increasing on the background of the higher earnings level.

Remarkable results have been achieved across the organisation to the benefit of all stakeholders, not least our shareholders. DFDS is today a very strong and well consolidated company.

The financial strength allows us to both consider further growth opportunities from acquisitions as well as fleet renewals. In 2018, the focus of DFDS will be on the execution of our digital strategy to further enhance our efficiency and customer experience.

At the Annual General Meeting, Pernille Erenbjerg, who joined the Board in 2014, will step down. I would like to extend our great appreciation for the contribution Pernille Erenbjerg has made to the Board in general and to the development of our digital strategy and ambition in her tenure. Marianne Dahl Steensen, who joined the Board of Directors in 2017, will ensure the digital competencies in the Board are upheld. Furthermore, the Board will propose the election of Anders Götzsche as new Board member, further strengthening the business development and strategy competencies as well as securing the deep financial competencies.

On the Board of Directors, we continuously assess the capital structure to balance shareholder returns with investment opportunities to create future growth. Our commitment to return excess capital to shareholders is clear.

At the Annual General Meeting, the Board of Directors will therefore propose to increase the dividend by 10% based on the strong result achieved in 2017 and expectations of further future earnings growth.

On behalf of the Board, I would like to thank the DFDS management and everyone in the organisation for the dedication and contribution to the business optimisation and result improvements in 2017. The course is set for continuous improvement also in 2018.

Claus V. Hemmingsen
Chair of DFDS

Moving on from another strong result

DFDS has over the past five years achieved a considerably higher level of earnings.

We are strongly positioned in European markets and the return on invested capital has been raised to 19% compared to 4% in 2012. In the same period, the operating profit (EBITDA) has increased to DKK 2.7bn from DKK 1.1bn.

We now have a great platform for further development of our business. We are stepping up investment in our digital capabilities and increasingly assessing future opportunities offered by new business models and technologies.

The fundamental need for transport services will endure in a digital world as it has since DFDS' inception more than 150 years ago. Goods still need to be moved across sea and over land to end customers and people will increasingly be travelling. **We move for all to grow** – that is our Purpose that will guide us through the changes that lie ahead.

In 2018, we are investing in further development of digital capabilities, including people and systems, to enhance the customer experience and gain operational efficiencies. These investments go hand in hand with our planned investments in shipping capacity, efficiency and reliability for routes and logistics solutions.

"We move for all to grow – that is our Purpose that will guide us through the changes that lie ahead."

Our commitment to create value for our shareholders is unwavering. Digital solutions and new business models and technologies add opportunities as we continue to pursue new ways to enhance customer service, lessen our environmental impact, operate more efficiently and reduce costs.

Niels Smedegaard
President & CEO

Key figures

KEY FIGURES

DKK million	2017 EUR m[1]	2017	2016	2015	2014	2013
Income statement						
Revenue	1,925	14,328	13,790	13,473	12,779	12,097
• Shipping Division	1,329	9,892	9,468	9,071	8,733	8,530
• Logistics Division	693	5,160	4,930	5,034	4,625	4,183
• Non-allocated items and eliminations	-97	-724	-608	-631	-579	-616
Operating profit before depreciations (EBITDA) and special items	363	2,702	2,588	2,041	1,433	1,213
• Shipping Division	337	2,513	2,439	1,906	1,309	1,148
• Logistics Division	35	263	252	234	200	149
• Non-allocated items	-9	-74	-103	-99	-76	-84
Profit on disposal of non-current assets, net	1	7	8	5	9	6
Operating profit (EBIT) before special items	239	1,782	1,644	1,199	695	503
Special items, net	-5	-41	-13	-36	-70	-17
Operating profit (EBIT)	234	1,741	1,631	1,164	626	486
Financial items, net	-7	-55	-43	-121	-124	-136
Profit before tax	226	1,686	1,588	1,043	502	350
Profit for the year	217	1,618	1,548	1,011	434	327
Profit for the year excluding non-controling interest	217	1,617	1,548	1,011	435	325
Capital						
Total assets	1,788	13,308	13,004	12,646	12,249	12,311
DFDS A/S' share of equity	882	6,565	6,636	6,480	6,076	6,263
Equity	888	6,614	6,685	6,530	6,127	6,318
Net-interest-bearing debt[2]	316	2,352	2,424	1,773	2,467	2,189
Invested capital, end of period[2]	1,222	9,099	9,205	8,363	8,633	8,555
Invested capital, average[2]	1,233	9,178	9,037	8,535	8,578	8,633

KEY FIGURES

DKK million	2017 EUR m[1]	2017	2016	2015	2014	2013
Cash flows						
Cash flows from operating activities, before financial items and after tax	358	2,666	2,662	2,207	1,398	1,501
Cash flows from investing activities	-210	-1,564	-1,207	-571	-1,069	-943
Acquistion of enterprises and activities	0	0	-51	-7	-85	-99
Other investments, net	-210	-1,564	-1,156	-564	-984	-844
Free cash flow (FCFF)	148	1,102	1,455	1,637	329	558
Key operating and return ratios						
Average number of employees		7,235	7,065	6,616	6,363	5,930
Number of ships		64	63	54	53	57
Revenue growth, %		3.9	2.4	5.4	5.6	3.4
EBITDA margin, %		18.9	18.8	15.1	11.2	10.0
Operating margin, %		12.4	11.9	8.9	5.4	4.2
Revenue/invested capital average, (times)		1.6	1.5	1.6	1.5	1.4
Return on invested capital (ROIC), %		18.6	17.7	13.3	7.2	5.7
ROIC before special items, %		19.0	17.8	13.7	8.0	5.8
Return on equity, %		24.5	23.4	16.1	7.1	4.9
Key capital and per share ratios						
Equity ratio, %		49.7	51.4	51.6	50.0	51.3
Net-interest-bearing debt/EBITDA, times		0.9	0.9	0.9	1.7	1.8
Earnings per share (EPS), DKK		29.1	26.6	16.8	7.0	4.7
Dividend paid per share, DKK		10.0	6.0	5.4	2.8	2.8
Number of shares, end of period , '000		57,000	60,000	61,500	63,250	74,280
Weighted average number of circulating shares, '000		55,594	58,141	60,067	62,246	69,660
Share price, DKK		331.3	322.6	267.0	118.2	87.4
Market value, DKK m		18,106	18,405	15,840	7,177	5,559

[1] Applied exchange rate for euro as of 31 December 2017: 7.4449

[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.

Management review

Steady progress

Strong earnings in North Sea

Focus on new digital capabilities

Revenue up 4%
to DKK 14.3bn

EBITDA up 4%
to DKK 2.7bn

ROIC increased
to 19.0%

DKK 1.7bn
distributed to shareholders

Earnings level further improved

In 2017, the strong earnings level achieved in 2016 was further improved as operating profit (EBITDA) increased 4% to DKK 2,702m and profit before tax increased 8% to DKK 1,727m, both before special items.

Freight volumes continued to grow in northern Europe in line with the overall increase in activity in most of Europe. This benefited particularly the North Sea route network and the logistics activities in the Nordic and Continent business units.

Passenger volume growth was more subdued as the key UK and Norwegian markets were impacted by weaker currencies and a slowdown in growth.

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 4% in 2017 adjusted for acquisitions, currency changes, the divested Belfast activity and excluding revenue from bunker surcharges. Reported revenue likewise increased 4% to DKK 14.3bn.

The outlook for the full-year revenue growth included in the Q3 2017 report was 3%, excluding revenue from bunker surcharges. The realised revenue growth, likewise excluding revenue from bunker surcharges, was slightly below this growth expectation mainly due to currency changes.

Operating profit before depreciation (EBITDA) and special items increased 4% to DKK 2,702m. The result was thus in line with the latest outlook range for an EBITDA before special items of DKK 2,650-2,750m included in the Q3 2017 report.

The Shipping Division's EBITDA before special items increased 3% to DKK 2,513m while the Logistics Division's EBITDA before special items increased 4% to DKK 263m.

The Group's free cash flow was positive by DKK 1,102m after net investments of DKK 1,564m.

Financial leverage remained on level with 2016. 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 50% at year-end 2017 compared to 51% in 2016.

The average number of employees increased 2% to 7,235 in 2017. The increase was mainly due to the full-year impact of acquisitions, additional contract logistics activities and more employees in IT and digital functions.

Major events in 2017

The most important events of the year are listed on page 18, divided into three sections: business development and competition; operations and finance; and digital, people and environment.

Key figures for the DFDS Group

DKK m	2017	2016	2015
Revenue	14,328	13,790	13,473
EBITDA*	2,702	2,588	2,041
Profit before tax*	1,727	1,600	1,079
Free cash flow, FCFF	1,102	1,455	1,637
Invested capital, end of year	9,099	9,205	8,363
Net- interest-bearing debt/EBITDA*, times	0.9	0.9	0.9
Return on invested capital*, %	19.0	17.8	13.7
Number of employees, average	7,235	7,065	6,616

* Before special items

Business development and competition

Two new freight ships on UK-Netherlands route

Two freight new buildings were delivered and deployed between Vlaardingen (Rotterdam) and Immingham in June and October respectively. The larger capacity of the ships have increased efficiency as the route is now operated with three ships instead of previously four ships. 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.

The freight capacity of each ship is 4,076 lane metres, equal to around 260 trailers. The ships are bareboat-chartered for a five-year period, including options to purchase the ships.

Purchase of two Channel ferries completed

The purchase of two Channel ferries purpose built for the Dover Strait was completed on 23 June 2017. In June 2015, DFDS and Eurotunnel entered into long-term bareboat charter agreements for the two Channel ferries. A put option agreement was also entered into providing Eurotunnel with the right to require DFDS to purchase the ferries. This put option was exercised on 23 June 2017.

The purchase of the ferries amounted to DKK 739m. An additional amount of DKK 111m was paid to Eurotunnel and is subject to litigation due to a disagreement concerning the purchase price. DFDS is confident to be successful in the arbitration.

Order of two additional freight ships (ro-ro) to boost efficiency

To enable our freight customers to grow their business and to support trade and growth in Europe, two additional freight ship (ro-ro) new buildings were ordered in June 2017 for delivery in early 2020. Both ships are planned to be deployed in DFDS' route network on the North Sea.

The ships are similar to the two ships ordered in September 2016, for delivery in early 2019, and are likewise designed to each carry 6,700 lane metres of freight equivalent to around 450 trailers. The large size of the ships will decrease unit costs as well as the environmental impact per transported unit. The two ships will also be built by Jinling Shipyard in China.

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). Also included are scrubbers for the removal of sulphur, ballast water treatment systems and a number of energy efficiency initiatives.

The investment in the two ships totals around DKK 1.0bn to be paid during the period from ordering to delivery in early 2020. More than half of the payment is due on delivery.

Logistics activities in Belfast refocused

DFDS' logistics activities based in Belfast were refocused to improve the return on invested capital. Going forward the focus will be on door-door trailer solutions for ambient cargo, mainly covering Northern Ireland and England/Scotland and contract logistics for major retailers.

The growth and financial performance of the door-door reefer line-haul business between Ireland and Great Britain have in recent years not met expectations and was loss-making in 2017. This business was divested to Manfreight Ltd. effective from 1 November 2017, including more than 100 employees.

Customer satisfaction scores

	CSAT[1]		NPS[2]		SCALE
	2017	2016	2017	2016	
Freight shipping services	8.0	8.1	35	38	Very good
Transport and logistics solutions	7.8	7.9	25	25	Good
Passenger services	8.0	7.9	35	31	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 total annual revenue of activities included in the divestment was DKK 250m. A divestment cost of DKK 13m is reported under Special items in Q4 2017 in the UK & Ireland business unit.

The divestment is expected to lead to an earnings improvement for the Belfast activities in 2018.

Operations and finance

Customer Focus Initiative (CFI)

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

Through annual surveys customer satisfaction is monitored for three overall customer segments: freight shipping, transport and logistics solutions and passenger services.

As reported in the table on page 14, the scores for freight shipping services are at a high level although scores decreased somewhat in 2017. This was mainly due to capacity issues on the Gothenburg-Ghent route in the first half of the year and a delay in the introduction of an online booking app on the northern Baltic routes. Customer satisfaction continued to increase on the two routes out of Dover and the two routes out of Rotterdam.

The scores for transport and logistics solutions were on level with 2016. Adjusted for the addition of new locations in 2017, scores were below 2016 mainly due to activities in UK & Ireland where timely communication is becoming increasingly important to customers.

The number of freight locations that received a score of excellent (NPS of 50 or above) from customers increased to 33% while 17% received a score of very good (NPS of 30 or above).

On a scale from 1 to 10 passengers awarded a score of 8.0 points up from 7.9 in 2016 while the NPS-score increased to 35 from 31. The improvement was mainly due to higher scores from passengers on the Channel while scores for the two cruise routes were negatively impacted by changes in the on board entertainment.

Efficiency and improvement projects

The pursuit of continuous improvement through targeted efficiency and improvement projects will in 2018 focus on several projects:

- **Pricing & yield:** improve revenue growth through enhanced capacity utilisation on both freight and passenger routes
- **Starlight:** improve on board experience and performance of the two cruise ferry routes
- **Carpe Momentum:** completion of project to improve on board sales and spend per passenger on Channel routes
- **Italy** profit improvement project, Logistics.

NOK 1.25bn corporate bond issued

On 22 September, a NOK 1,250m senior unsecured bond was issued. The bond is due on 28 September 2022 with a coupon of 3-month Nibor +132 bps and priced at par. NOK was subsequently hedged against DKK and the interest rate was swapped into a floating Danish interest rate. The main purpose of the bond issue was to refinance existing bonds and extend debt maturity.

IT and digital development

2017 saw intense focus on the way of working with business development, digital developments and IT.
During the year decision-making processes were aligned and both the governance model and the working practice in this area were streamlined. There is continued focus both on the core transactional systems that support the business processes in IT, and on customer-facing experiences in Digital, and this is now underpinned by a significant push to develop a more agile architecture and increased cross-functional collaboration.

In 2018, some of the benefits are expected to be realised of this new operating model, which is geared to improving time to market, the ability to scale efforts and the management of a portfolio that balances internal process support, customer experience, smart data and innovation initiatives.

Planned investment in IT and Digital development continues to grow, with funds allocated primarily to architecture development, application portfolio renewals and IT & cyber security.

In addition, the annual strategy review in 2018 will focus on future customer requirements for digital capabilities and assess new technologies and business models.

IT development – getting the basics right

The basis for digital transformation is a foundation of modern and well-functioning core systems. Seabook for passengers and Velocity for Logistics have been rolled out across all business units, so a uniform IT platform is available everywhere. This enables provision of the same services across all routes and offices, while also allowing for process standardisation and best practice.
Development of core backend systems is a time-consuming task, compromising the efforts on improved time-to-market. To break that deadlock, the core systems are being broken up into smaller components, communicating both internally and externally via standardised API's (Application Programming Interface). This is a fundamental step towards working in ecosystems, rather than developing the full stack internally.

Both the concept of working in ecosystems via API's and the emerging IoT (Internet of Things) initiatives require improved connectivity and systems integration. Investments are therefore made in private 4G networks, radio links and other technologies to provide wifi capabilities on port terminals and ships. The system integrations team is strengthened, and software robots are used to bypass the need for manual steps.

DFDS is also involved in the Ferrygateway initiative that aims at standardising and simplifying the information flow between agents and ferry operators.

Customer experience, smart data and innovation

Independent benchmarking studies commissioned in 2016 and 2017 show DFDS getting ever closer to the goal of delivering a best-in-industry customer experience via the responsive web presence. New apps were launched to support shipping freight customers – making the check-in pro-

Paris 8:26 PM

Every year more than 15,000 truckloads of salmon and seafood pass through DFDS' transport centre in Larkhall to end up as a delicacy on the world's dinner tables. DFDS transports the fish from the coastal sea farms to Larkhall for refrigerated storage before transporting it to retailers and other customers in the UK and France - and to airports for onward transportation to Asia or the US.

cess at the terminal in Vlaardingen smoother and providing useful notifications for customers approaching the busy Channel ports.

Digital marketing efforts on web only have started to directly generate sales to shipping and logistics customers, while campaigns on web and social media to attract drivers and hauliers have supported delivery of road transport solutions.

Behind the scenes, digital teams have been developing a new customer experience management (CEM) platform in close collaboration with both IT and business stakeholders. This, in parallel with the reorganisation of the Passenger sales organisation, will enable more efficient support of a fully localized web presence across all business areas, and to automate more of the digital marketing effort.

During 2018 there will be a series of releases to establish the fully integrated web presence and the CEM platform. In combination with GDPR compliance (General Data Protection Regulation in EU), a new solution for user identity and access management is being implemented. This will over time provide customers with transparency on data collection. This will also support the full roll out and activation of the new MyDFDS solutions for freight and logistics customers.

A small, dedicated innovation team has been established to focus on radical technology and business model development. In parallel, a team of four data scientists are working on smart data solutions and experiments. For the past three years, development has been ongoing of competences and culture to be fit to adapt to a more digital future for our industry, and now it is time to be a part of shaping it. DFDS expects over time to become part of an emerging transport ecosystem, underpinned by automation, connectivity and alternative energies, and with real-time data transparency throughout the supply chain. We will develop our role and partnerships in this ecosystem as we continue to experiment with both new technologies and new business models.

People and environment

Reporting on people and environment is part of DFDS' CSR report. A summary of the report is included on page 37 and the full CSR Report for 2017 is available from this link: http://www.dfdsgroup.com/about/responsibility/.

Employees

DFDS' HR activities aim to support people and 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 Initiative (CFI)

Being easy to work with, fast communication and bringing solutions to customers are the cornerstones of customer focus in DFDS.

CFI builds on both operational and sales excellence. Firstly, we must deliver what we promise and should exceptions arise procedures are in place to handle such situations, for example in connection with weather delays. Secondly, we continue to improve on bringing value-adding solutions to customers that, for example, can reduce warehousing costs or improve supply chains in other ways.

Our way of selling focuses on understanding customer's pain points and exploiting DFDS' wide network and specialised competencies to provide solutions. In Gothenburg, a new joint way of approaching customers with solutions that combine shipping and logistics is being tested with good results.

Passenger sales is already digitised to a large extent as more than 80% of bookings are made on line. Freight sales is increasingly being digitised and in the future this will be supported by smart data analysis. This can, for example, recognise changes in behaviour patterns among customers that can be helpful with regard to retention and offering of solutions that match customer needs as they develop over time.

As part of the CFI, a sales training programme for all sales people, direct sales and customer service, has been developed and implemented from year-end 2013. At the end of 2017 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.

IMPORTANT EVENTS 2017

	BUSINESS DEVELOPMENT AND COMPETITION	OPERATIONS AND FINANCE	PEOPLE AND ENVIRONMENT
January	• New CRM system launched	• Kapellskär port facilities upgraded	
February	• Steel volumes from Acerinox in Spain to Immingham increased	• Project Carpe Momentum relaunched to improve on board spending on Channel routes • First KAPOW software robot introduced for use in Velocity logistics system	
March		• Fourth ship added to Gothenburg-Ghent route • King Seaways upgraded • Passenger booking system Seabook live on Copenhagen-Oslo route	• Claus V. Hemmingsen new chair of DFDS' board of directors and Marianne Dahl Steensen appointed new member • Digital grows to 30 employees in less than two years
April		• 860 new trailers and 200 containers ordered for delivery in 2017	
May	• New door-door service for un-accompanied trailers between Spain and UK & Ireland established		• Digital scout concept launched • 22 talents picked for Horizon development programme
June	• Major customer agreements renewed with steel manufacturers Arcelor Mittal and Outokumpu and paper manufacturer BillerudKorsnäs • Two additional new 6,700 lane meter freight buildings ordered from China shipyard Jinling for delivery early 2020 • Two Channel ferries acquired	• The Bridge – new intranet launched to digitise internal communication and sharing of best practice	• Bio-fuel used for 70 trucks in JIT-contract and 55 forklift trucks in cross-docking terminal in Gothenburg
July	• New logistics office in Vilnius starts operation	• New building Gardenia Seaways deployed on Rotterdam-Immingham	
August	• New bulk-potato contract agreed managed by Peterborough logistics office	• Damage to Rastatt tunnel disrupts north-south rail cargo flows • First steel plates cut for two freight new buildings ordered for delivery beginning 2019	
September	• New freight customer apps launched: DFDS Freight Ferry Alerts and DFDS Freight Terminals	• New operating model for digital and IT launched to enhance customer experience and accelerate time-to-market • Shortage of drivers in freight market becomes more pronounced and cost per kilometer increases • Corporate bond of NOK 1.25bn issued • 70 new 45-foot reefer containers delivered	• Group management conference with 170 participants focused on digital transformation of DFDS • Ballast water management plans submitted and approved for all ships
October	• Reefer line-haul buisness in Belfast sold to Manfreight Ltd. • New Smart Data department established	• New building Tulipa Seaways deployed on Rotterdam-Immingham • Migrants returned to Algeria after three months on board ship chartered out by DFDS on route in Black Sea • All routes calling Klaipeda moved to new Central Klaipeda Terminal	• New global passenger sales organisation introduced to align with digital transformation • DFDS first in recruiting maritime catering apprentices in UK
November	• Announcement of agreement to acquire Dutch logistics company Alphatrans • Tender for operation of Dieppe-Newhaven awarded to DFDS for next five years • Study confirms year-on-year improvement in digital customer experience	• Boston Consulting Group ranks DFDS no. 1 value creator in transportation and logistics for five-year period 2012-2017 • Scrubber fitted on Crown Seaways	• Fatal accident in port of Tunisia during unloading • Group wide employee survey Bearing launched (every second year) • DFDS participates in test by MAN of new Augmented Reality tool
December		• Esbjerg port services moved to Blue Water's terminal	• DFDS Purpose launched group-wide

Major events after 2017

European logistics network expanded with Alphatrans
To further expand and develop DFDS' European logistics services, the acquisition of 100% of the share capital of the Dutch company Alphatrans Group BV was completed on 3 January 2018 and will be consolidated in the DFDS Group per the same date.

Alphatrans provides transport solutions for customers with general and exceptional cargo using flatbed trailers and other specialised equipment. The fleet of 720 flatbed trailers and 125 trucks makes Alphatrans one of the largest flatbed trailer operators serving continental Europe, UK and Ireland.

In addition to UK and Netherlands, Alphatrans also has own haulage operations based in Hungary and Romania to support the customer solutions. Alphatrans has 197 employees and annual revenues of EUR 45m.

Alphatrans expands DFDS' activities between continental Europe and UK. It also adds Portugal to the network and provides access to haulage capacity and new customers.

DFDS has been developing traffic which specifically requires flatbed trailers, particularly between Sweden and the Baltics, and Alphatrans brings additional knowledge to enable further development across the DFDS network. Further operational synergies, including the combination of offices, are also expected.

Increased dividend and new share buyback
The Board of Directors proposed on 8 February 2018 to the 2018 annual general meeting (AGM) a dividend of DKK 4.00 per share. In addition, the Board of Directors plan to distribute a further dividend of DKK 7.00 per share in August 2018. The total dividend per share is thus expected to increase 10% to DKK 11.00 per share in 2018.

The total dividend payment in 2018 is expected to amount to around DKK 580m, excluding dividend for treasury shares.

In addition, a share buyback of DKK 400m was launched on 8 February 2018 for completion on 15 August 2018 at the latest.

Later in the first half of 2018, the Board of Directors will reassess the capital structure, including further share buybacks, in view of potential investments.

Baltic routes to be strengthened by investment in two new ships
The Baltic region is expected to continue to grow and prosper in the future. To improve our ability to support the growth of our freight customers and offer the best possible travel experience for passengers, the ordering of two combined freight and passenger new buildings (ro-pax) was announced on 12 February 2018 for delivery in Q1 and Q3 2021 respectively.

The ships are designed to each carry 4,500 lane metres of freight and passenger vehicles as well as 600 passengers. The two ships will be built by Guangzhou Shipyard International Co, Ltd. at their Nansha Yard in China.

Both ships are planned to be deployed on one of the routes connecting Lithuania with either Sweden or Germany. The deployment in 2021 is planned to be a catalyst for a reallocation of ships in the Baltic route network ultimately increasing the network's total freight capacity by around 30%.

The ships are built to the newest, environmental standard offering the lowest possible consumption and emissions. Scrubbers will also be installed on the ships.

Financial goals and capital structure

Return on invested capital (ROIC)

DFDS' financial performance goal is a minimum ROIC of 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 18.6% in 2017 compared to 17.7% in 2016. Before special items, the return was 19.0% in 2017 compared to 17.8% in 2016. At the start of 2017, DFDS' cost of capital after tax was calculated at 5.5%. The ROIC is likewise calculated after tax.

In the Shipping Division, the ROIC of all five business units were above the 10% goal, ranging from 16% in North Sea to 36% in France & Med.

In the Logistics Division, the ROIC of Nordic and Continent were well above 10% while UK & Ireland's ROIC was below 10%.

For several activities within the business units of both divisions, the ROIC was, however, below the 10% minimum goal in 2017. 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

The leverage of DFDS' capital structure is defined as the ratio of net interest-bearing debt (NIBD) to operating profit before depreciation (EBITDA). Target leverage is an NIBD/EBITDA-multiple of between 2.0 and 3.0. At the end of 2017, the NIBD/EBITDA-multiple was 0.9.

DFDS' Board of Directors continually assesses the capital structure in relation to the development in earnings and future investment requirements, including acquisitions.

The distribution policy and distribution in 2017 are reported on pages 43-44.

Return on invested capital (ROIC) 2017

	Average invested capital, DKK m	ROIC before special items, %
DFDS Group	**9,178**	**19.0**
Divisions & business units		
Shipping Division	**8,264**	**20.7**
North Sea	4,164	15.8
Baltic Sea	1,201	31.5
Channel	2,019	17.2
Passenger	678	26.6
France & Mediterranean	35	35.8
Non-allocated	167	79.6
Logistics Division	**1,128**	**13.1**
Nordic	359	16.8
Continent	351	15.3
UK & Ireland	418	8.2
Non-allocated	0	n.a.
Non-allocated items	-214	n.a.

From Calais, France, at 7:45 AM

Every year four million people and 1.2 million trucks cross the Channel on our ferries between France and Dover. With 54 daily departures, our staff and ferries bring families to their holiday destinations, people to their work places and trucks to their customers on a pleasant sea journey - with a purpose.

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 the Channel, trailers are likewise accompanied but no cabins are required due to the short duration of the crossing. 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.

Fleet overview and key figures 2017

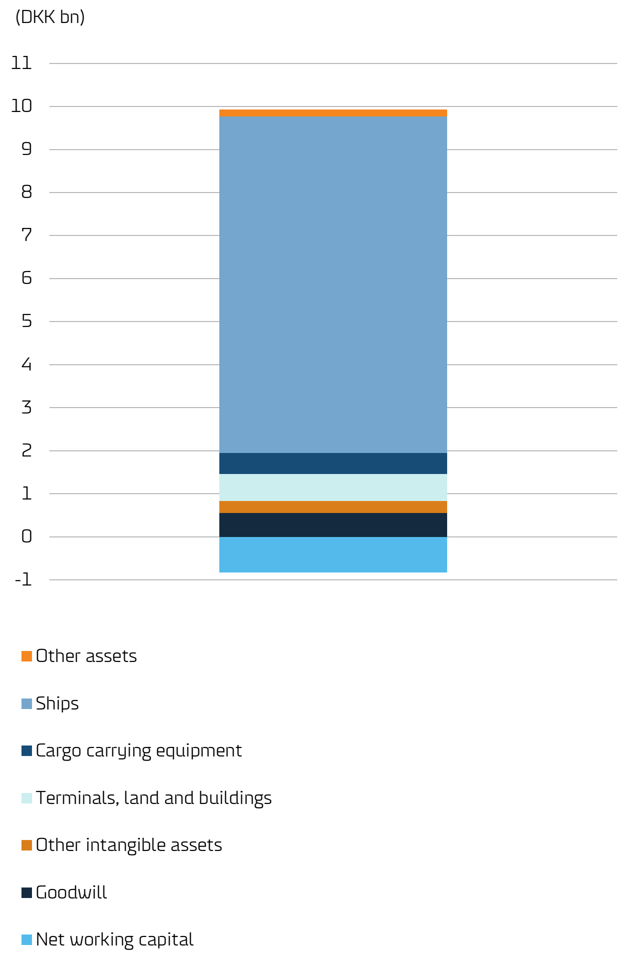
	Total ships	Ro-ro ships	Ro-pax ships	Passenger ships	Container and side-port ships	Ownership share, %	Average age of owned ships, yrs
DFDS Group	64	22	18	4	20	-	-
Shipping Division	40	22	14	4	-	-	-
North Sea	18	18	-	-	-	72	13
Baltic Sea[1]	9	2	7	-	-	67	16
Channel	6	-	6	-	-	100	15
Passenger	4	-	-	4	-	100	28
France & Mediterranean[1]	3	2	1	-	-	33	17
Logistics Division[1]	20	-	-	-	20	-	-
Nordic[1]	6	-	-	-	6	33	19
Continent[1]	14	-	-	-	14	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)

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, including on board facilities for passengers and drivers.

To provide transport and logistics solutions DFDS mainly deploys owned and leased trailers while most transport typically is 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 the contract logistics services.

Invested capital 2017 (end of year)



Assets and invested capital

At the end of 2017, the Shipping Division operated 40 ships in the route network of which 30 were owned and 10 ships were chartered in for varying periods.

The Shipping Division's ownership share of assets is determined by the degree of specialisation of ships required to match customer requirements on different routes. In addition, ferry companies with own route networks have in recent years increased their share of the ownership of ferries. Partly due to the specialisation and larger size of ships and partly due to fewer companies focused on a pure ship owner strategy in the ferry sector.

The specialisation of ro-ro- and ro-pax-ships is 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 2017, the total invested capital was DKK 9,099m, including a net working capital of DKK -826m defined as all non-interest bearing non-current and current assets and liabilities. 86% of the invested capital consisted of ships and 12% consisted of port terminals, land and buildings and cargo carrying equipment.

The Shipping Division's invested capital was DKK 8,160m at year-end 2017 while the Logistics Division's invested capital was DKK 1,109m. The invested capital of non-allocated items was negative by DKK 170m.

Outlook 2018

DFDS has over the past five years achieved a considerably higher level of earnings.

New customer agreements, continuous improvement projects and tailwind from European growth is expected to underpin and drive further earnings improvement.

On top of organic growth, acquisitions are also expected to increase earnings but are not included in the outlook.

In 2018, DFDS will invest in further development of digital capabilities to enhance the customer experience and gain operational efficiencies. This is expected to entail additional costs of around DKK 100m as well as increased investments.

The Passenger business unit is expected to remain challenged by weaker market trends in Norway and UK as well as higher bunker and other costs.

The outlook for two key income currencies, NOK and SEK, is also not favorable compared to 2017.

European real GDP growth looks set to continue at a level of around 2% in 2018. This includes growth projections for the UK economy of around 1%.

Outlook 2018

DKK m	Outlook 2018	2017
Revenue growth	2%	14,328
EBITDA before special items	2,650-2,850	2,702
Per division:		
Shipping Division	2,475-2,625	2,513
Logistics Division	275-325	263
Non-allocated items	-100	-74
Depreciation increase	4%	-933
Special items	-20	-41
Investments	-1,300	-1,564

Revenue outlook

The Group's revenue is expected to increase by around 2% driven by a mix of volume and price growth. The planned increase of the route network's capacity is overall limited for both freight and passengers, except for large increases on two freight routes.

Non-comparable revenue items in 2017 and 2018, divested activities and acquisitions, are on level and no adjustments are therefore included in the above growth outlook.

Freight volumes, particularly un-accompanied units, are expected to grow on most routes. Volume growth levels on routes calling the UK are expected to decline compared to 2017 due to expectations of a slowdown in UK GDP-growth to around 1%.

Passenger volumes are expected to be on level with 2017 as UK passenger volumes were normalised during 2017 following the depreciation of GBP since the Brexit vote in 2016.

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

EBITDA outlook

The Group's EBITDA before special items is expected to be within a range of DKK 2,650-2,850m (2017: DKK 2,702m).

The Shipping Division's EBITDA before special items is expected to be within a range of DKK 2,475-2,625m (2017: DKK 2,513m).

The Logistics Division's EBITDA before special items is expected to be within a range of DKK 275-325m (2017: DKK 263m).

Special items
Special items of DKK -20m are expected related to the award of shares to employees in connection with DFDS' 150^{th} anniversary.

Investments
Investments of around DKK 1.3bn are expected in 2018:

- Dockings and ship upgrades: DKK 350m
- Freight ship (ro-ro) new buildings: DKK 500m
- Port terminals: DKK 200m
- Cargo carrying equipment and warehouses, mainly related to the Logistics Division: DKK 150m
- Other investments, including IT and digital: DKK 100m.

A total of six new buildings are on order. Two freight ships (ro-ro) for delivery in the beginning of 2019 and another two for delivery in the beginning of 2020. Two combined freight and passenger ships (ro-pax) are on order for delivery in Q1 and Q3 2021 respectively.

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.

Risk factors are reviewed on pages 39-42 in this report.

Immingham 4:30 PM

Steel coils are stored in DFDS warehouses and transported across the sea on our ships. The reliable delivery of the steel keeps the production of machines, cars and other products running, maintaining local jobs and activities.

Shipping Division

Strong result despite headwind in some areas

High volume growth on North Sea

Head of division
Peder Gellert Pedersen

Share of DFDS Group revenue 2017
66%

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

- Revenue up 2%, adjusted
- EBIT up 7%
- ROIC of 21%

The Shipping Division's revenue increased 2% adjusted for the acquisition of a route and currency changes and excluding bunker surcharges while reported revenue increased by 4% to DKK 9,892m compared to 2016. EBIT before special items increased 7% to DKK 1,727m.

The return on invested capital, ROIC, before special items increased to 20.7% in 2017 from 19.6% in 2016. Average invested capital increased 1% to DKK 8,264m compared to 2016.

North Sea
Revenue increased 6% excluding bunker surcharges while reported revenue increased 10% to DKK 3,699m compared to 2016. EBIT before special items increased 30% to DKK 670m.

Freight volumes increased 7% supported by 4% higher shipping capacity, continued growth in trading between UK and the Continent and higher automotive volumes from Sweden. The growth was thus primarily driven by the routes between UK-Continent and Sweden-Continent. On the former, a fourth ship was deployed on one route for most of the first half-year and on the latter, a fourth ship was deployed for most of the second half-year.

Higher volumes through the port terminals in the UK and Benelux also improved earnings.

Shipping Division, DKK m	2017	2016	Δ	Δ %
Revenue	9,892	9,468	424	4.5%
EBITDA before special items	2,513	2,439	74	3.0%
Share of profit/loss of associates and joint ventures	6	-3	9	n.a.
Profit/loss on disposal of non-current assets, net	1	4	-4	-86.1%
Depreciation and impairment	-792	-828	36	-4.3%
EBIT before special items	1,727	1,613	114	7.1%
EBIT-margin before special items, %	17.5	17.0	0.4	n.a.
Special items, net	-7	-13	6	-44.3%
EBIT	1,720	1,600	120	7.5%
Invested capital, average	8,264	8,145	119	1.5%
ROIC before special items, %	20.7	19.6	1.1	n.a.
Lane metres, '000	37,782	37,783	-1	0.0%
Passengers, '000	5,349	5,329	20	0.4%

Baltic sea

Revenue decreased 1% adjusted for the acquisition of the Paldiski-Hanko route in October 2016 and excluding bunker surcharges. Reported revenue increased 9% to DKK 1,465m compared to 2016. EBIT before special items increased 5% to DKK 379m.

Freight volumes increased 13% while they decreased 1% adjusted for the addition of a new route, Paldiski-Hanko, in October 2016. Trading was overall stable in the Baltic region during the year, although some loss of market share was incurred between Sweden and Lithuania due to an extended docking period in the beginning of the year. From Q2, an additional ship was deployed following demand for more capacity.

Passenger volumes decreased 2% and by 3% adjusted for the addition of Paldiski-Hanko. The lower volumes were due to fewer passengers between Sweden and Estonia.

Channel

Revenue decreased 1% adjusted for currency changes and excluding bunker surcharges while reported revenue increased 1% to DKK 2,306m compared to 2016. EBIT before special items decreased 12% to DKK 350m.

Freight volumes decreased 6% while passenger volumes were on level with 2016. The lower freight volumes was primarily due to Dover-Dunkirk as the route was negatively impacted by transfer of volumes back to Calais following the closure of the migrant camp in Calais in Q4 2016. In addition, some market share loss was incurred as freight rate increases at the beginning of the year coincided with a sharp increase in the bunker surcharge. This market share loss was mostly regained over the course of the year.

Passenger volumes were likewise down on Dover-Dunkirk but this was offset by higher volumes on Dover-Calais. Revenue per passenger was negatively impacted by the depreciation of GBP.

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.

France & Mediterranean

Revenue increased 1% adjusted for currency changes and excluding bunker surcharges while reported revenue was on level with 2016. EBIT before special items increased 19% to DKK 13m.

Freight volumes decreased 5% and passenger volumes decreased 4%. The lower freight and passenger volumes were due to somewhat weaker market conditions in the Western Channel while volumes in the Mediterranean market increased. The concession agreement of the Newhaven-Dieppe route expired at the end of 2017 and was replaced with a new 5-year agreement running up to and including 2022.

Passenger

Revenue decreased 2% adjusted for currency changes and excluding bunker surcharges while reported revenue likewise decreased 2% to DKK 1,674m compared to 2016. EBIT before special items decreased 28% to DKK 183m.

Passenger volumes increased 3% driven by both routes. The Norwegian market weakened through the year, also due to depreciation of NOK in the second half of the year, while the inflow of overseas passengers continued to increase. The UK market stabilised through the year following the large depreciation of GBP in 2016. Continent markets remained robust in the year.

North Sea, DKK m	2017	2016	Δ	Δ %
Revenue	3,699	3,365	334	9.9%
EBIT before special items	670	515	155	30.1%
Invested capital, average	4,164	4,168	-5	-0.1%
ROIC before special items, %	15.8	12.1	3.7	n.a.
Lane metres, '000	12,611	11,770	841	7.1%

Baltic Sea, DKK m	2017	2016	Δ	Δ %
Revenue	1,465	1,349	116	8.6%
EBIT before special items	379	363	16	4.5%
Invested capital, average	1,201	1,203	-3	-0.2%
ROIC before special items, %	31.5	30.0	1.5	n.a.
Lane metres, '000	4,559	4,049	510	12.6%
Passengers, '000	205	209	-4	-2.0%

Channel, DKK m	2017	2016	Δ	Δ %
Revenue	2,306	2,288	18	0.8%
EBIT before special items	350	396	-47	-11.8%
Invested capital, average	2,019	1,937	82	4.3%
ROIC before special items, %	17.2	20.4	-3.1	n.a.
Lane metres, '000	19,073	20,325	-1,252	-6.2%
Passengers, '000	3,465	3,460	5	0.1%

France & Mediterranean, DKK m	2017	2016	Δ	Δ %
Revenue	480	481	-1	-0.1%
EBIT before special items	13	11	2	18.8%
Invested capital, average	35	-29	64	-219.7%
ROIC before special items, %	35.8	n.a.	n.a.	n.a.
Lane metres, '000	950	1,003	-53	-5.3%
Passengers, '000	339	353	-14	-4.0%

Passenger, DKK m	2017	2016	Δ	Δ %
Revenue	1,674	1,713	-40	-2.3%
EBIT before special items	183	253	-70	-27.8%
Invested capital, average	678	577	101	17.5%
ROIC before special items, %	26.6	43.1	-16.5	n.a.
Lane metres, '000	589	634	-45	-7.0%
Passengers, '000	1,341	1,307	34	2.6%

Non-allocated items, DKK m	2017	2016	Δ	Δ %
Revenue	478	488	-11	-2.2%
EBIT before special items	133	74	58	78.2%

The significant decrease in EBIT was mainly due to changes in the passenger mix that reduced on board sales, particularly on the Scandinavian route, and an increase in the bunker cost. In addition, freight volumes, that are mostly driver-accompanied, decreased 7%.

Non-allocated items
Non-allocated items primarily include activities related to external chartering of ships not deployed in the route network.

Revenue decreased 2% to DKK 478m compared to 2016. EBIT before special items increased 78% to DKK 133m as 2016 was negatively impacted by the reclassification of a ship from assets held for sale to continuing operations as well as costs related to preparation of the ship for an external charter. In addition, 2017 includes a one-off income from a settlement with a former bunker supplier's bankruptcy estate.

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 2017[1]	37%	15%	23%	5%	17%
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 • Kapellskär-Paldiski • Paldiski-Hanko	• Dover-Dunkirk • Dover-Calais	• Marseille-Tunis • Newhaven-Dieppe	• Copenhagen-Oslo • Amsterdam-Newcastle
Ships	• 18 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	• 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 • Finland • Germany • Russia • Sweden	• Continental Europe • UK	• Continental Europe • Tunisia • UK	• Benelux • Denmark • Germany • Norway • Overseas markets • Sweden • 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

Strong performance in Nordic and Continent

UK & Ireland impacted by divestment of Belfast reefer activity and depreciation of GBP

Head of division
Eddie Green

Share of DFDS Group revenue 2017
34%

Business areas
- Nordic
- Continent
- UK & Ireland

- Revenue up 8%, adjusted
- EBIT up 3%
- ROIC of 13%

The Logistics Division's full-year revenue increased 5% to DKK 5,160m and by 8% adjusted for currency changes, primarily depreciation of GBP, the acquisitions of Shetland Transport and Italcargo, in November and December 2016 respectively, and the divested Belfast activity in 2017. EBIT before special items increased 3% to DKK 166m.

The return on invested capital, ROIC, before special items decreased slightly to 13.1% in 2017 from 13.4% in 2016. Average invested capital increased 4% to DKK 1,128m.

Nordic
Revenue increased 18% to DKK 1,898m compared to 2016 and EBIT before special items increased 16% to DKK 62m.

Volumes and market conditions between Scandinavia and UK generally improved during the year, particularly for the Swedish activities. New contract logistics activities in Sweden also increased earnings as did the acquisition of Italcargo.

This was offset by higher operating costs in the rail, side-port shipping and Baltic activities that decreased margins.

Continent

Revenue increased 4% to DKK 2,035m compared to 2016 and EBIT before special items increased 36% to DKK 65m.

The improved result was mostly due to the forwarding activities in the Netherlands-UK and Belgium-Scandinavia corridors. Volumes and the share of solutions for valuable goods with higher margins were both increased. New contract logistics activities also added to the result.

The result for the German activities remained flat despite some loss of volumes. The Italian activities continued to be lossmaking in 2017 while the activities in the Czech Republic continued to grow strongly.

To further expand and develop DFDS' European logistics services, the acquisition of 100% of the share capital of the Dutch company Alphatrans Group BV was completed on 3 January 2018 and will be consolidated in the DFDS Group per the same date. See also page 19.

UK & Ireland

Revenue increased 6% adjusted for the acquisition of Shetland Transport in November 2016, the divested Belfast activity and currency changes. Reported revenue decreased 7% to DKK 1,388m compared to 2016. EBIT before special items decreased 34% to DKK 40m, including a negative currency impact of DKK 6m.

The growth and financial performance of the Belfast reefer activity became lossmaking in 2017 and was divested to Manfreight Ltd. effective from 1 November 2017. This amounted to just over half of the decrease in EBIT. Costs and write-downs of DKK 13m related to the sale of the reefer activity are reported under Special items.

The result for the continuing activities was positively impacted by the full-year effect of the acquisition of Shetland Transport in November 2016 and trading above 2016 for most activities. This was however more than offset by a lower operating margin for the acquaculture activities based in Grimsby following changes in the market. In addition, start-up costs related to a new refri-gerated distribution contract also reduced the result.

The performance of the acquaculture activities based in Scotland was stable in 2017.

Non-allocated items

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

Logistics Division, DKK m	2017	2016	Δ	Δ %
Revenue	5,160	4,930	230	4.7%
EBITDA before special items	263	252	11	4.3%
Profit/loss on disposal of non-current assets, net	5	4	1	29.2%
Depreciation and impairment	-102	-94	-7	7.8%
EBIT before special items	166	161	5	3.0%
EBIT-margin before special items, %	3.2	3.3	-0.1	n.a.
Special items, net	-13	0	-13	n.a.
EBIT	153	162	-8	-5.2%
Invested capital, average	1,128	1,084	45	4.1%
ROIC before special items, %	13.1	13.4	-0.3	n.a.
Tons, '000	400.4	427.2	-26.8	-6.3%
Units, '000	548.5	522.3	26.2	5.0%

Sunderland 2:30 AM

Our trailers arrive at the Nissan car plant in Sunderland every half hour 24 hours a day. The trucks deliver parts collected from German manufacturers to keep the assembly line running. We provide similar logistics services to Volvo in Gothenburg and Ghent, often using our own shipping routes for the sea transport.

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 manufacturers, 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.

Nordic, DKK m	**2017**	**2016**	**Δ**	**Δ %**
Revenue	1,898	1,613	286	17.7%
EBIT before special items	62	53	8	15.7%
Invested capital, average	359	319	40	12.5%
ROIC before special items, %	16.8	16.2	0.7	n.a.
Units, '000	135.2	119.4	15.7	13.2%
Tons, '000	400.4	427.2	-26.8	-6.3%

Continent, DKK m	**2017**	**2016**	**Δ**	**Δ %**
Revenue	2,035	1,957	78	4.0%
EBIT before special items	65	47	17	36.5%
Invested capital, average	351	339	11	3.4%
ROIC before special items, %	15.3	11.5	3.8	n.a.
Units, '000	228.7	223.0	5.7	2.6%

UK & Ireland, DKK m	**2017**	**2016**	**Δ**	**Δ %**
Revenue	1,388	1,494	-106	-7.1%
EBIT before special items	40	61	-21	-34.2%
Invested capital, average	418	426	-8	-1.9%
ROIC before special items, %	8.2	12.8	-4.6	n.a.
Units, '000	184.6	179.8	4.8	2.7%

Non-allocated items	**2017**	**2016**	**Δ**	**Δ %**
Revenue	216	201	15	7.4%
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, 2017[1]	37%	39%	27%
Main Activities			
Door-door full & part load solutions	• Sweden/Denmark/Norway-UK • Sweden/UK/Germany/Denmark/Norway-Baltic/Russia/CIS • Sweden-Italy	• Holland-UK/Ireland • Germany-UK/Italy • Belgium/France-UK • Belgium/France-Scandinavia • Italy-Scandinavia/Benelux/UK • Czech-UK/Ireland	• Northern Ireland-UK • UK-Continent • UK
Contract logistics	• Arendal, cross docking terminal • JIT haulage service (just in time)	• Ghent • 4PL contracts • JIT automotive • Warehousing UK & Italy	• UK/Ireland domestic • UK-Continent • Northern Ireland retail distribution • Dublin • Seafood distribution network • Warehousing • 4PL contracts
Sideport and container shipping	• Norway-Hamburg-Norway • Norway-Zeebrugge-Immingham-Norway		
Door-door container solutions	• Norway-UK • Norway-Continent	• Holland-UK/Ireland • Germany-UK/Norway/Italy • Italy-Benelux/UK/Ireland • Czech–UK/Ireland • Spain-UK/Ireland	• Ireland/UK-Spain
Door-door rail solutions	• Nordic-Italy • Sweden-Baltic/Russia/CIS	• Italy-Scandinavia/UK/Germany/Benelux	
Equipment (owned and leased) deployed across business units, except ships	• 5,627 trailers • 3,493 containers • 256 swap bodies • 503 trucks • 2 sideport ships		• 1 chartered container ship
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 • Vilnius	• 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	• Blue Water • DSV • Green Carrier • Lo-Lo, container & sideport carriers • NTEX • NTG • Schenker	• Cobelfret • European forwarders • Lo-Lo container carriers • LKW Walter • P&O Ferrymasters • Samskip	• ACS&T • DHL • MacAndrews • P&O Ferrymasters • XPO

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

CSR summary

Safety and security

People

Environment

At DFDS, we recognise that our role as a supplier of vital services to Europe's transport infrastructure entails a high level of responsibility. We seek to contribute to sustainability and safety by focusing on areas where our influence and impact matter the most.

Year in review

As signatories to the UN Global Compact we support the Compact as part of our CSR-approach. During 2017, we embedded the principles in our Code of Business Conduct, which provides guidance to our employees on behaviour and actions.

We strive to have a strong safety culture and continuously improve safety performance. Unfortunately, a fatality occurred in 2017 during the unloading of a freight ship in Tunisia. A full investigation into the accident has been conducted to avoid such accidents in the future.

With the exception of the above mentioned tragic accident, progress was in general made on safety in 2017. Both the accident frequency and the injury severity were lowered compared to 2016. Targets have been set to further improve safety performance both at sea and ashore. More information on safety performance is available in the full CSR Report.

As part of Europe's transport infrastructure, DFDS encounters migrants from the African continent and the Middle East. In 2017, a serious incident occurred when 12 migrants were forced to remain on board our ship Kaunas Seaways on the Black Sea for three months until a diplomatic solution was found.

The total consumption of bunker oil increased 4% in 2017 due to more sailings but the average consumption of oil and emissions continued to decrease per capacity unit per mile. Reductions in fuel consumption continue to be of importance from environmental, compliance and financial perspectives.

Looking ahead, we expect to launch an updated CSR-strategy in 2018 to improve on our contribution to sustainability for all our stakeholders. The strategy update is inspired by customers, industry leaders and the UN's 17 Sustainable Development Goals, and not least our purpose – we move for all to grow.

The full CSR Report for 2017 is available from this link: http://www.dfdsgroup.com/about/responsibility/

	CSR FOCUS AREAS	MAIN EVENTS 2017
Safety and security – ashore	Land-based activities include handling of freight units, mostly trailers and containers, in port terminals, ambient and temperature-controlled warehousing, haulage and offices	• Accident frequency decreased • Injury severity lowered • 3,605 employees used e-learning safety modules
Safety and security – at sea	DFDS is responsible for the safe operation of more than 40 ships. This is done by applying safety standards and by training and frequent drills on board the ships to continuously enhance ship crews' ability to protect people, goods and the ship against the consequences of incidents such as fire on board, collisions and other major incidents	• Injury frequency reduced • Quality of near-miss reporting improved as quantity remained above target • One fatality as a crew member lost his life during unloading of a ship in Tunisia • 12 migrants captive on ship deployed on the Black Sea for months while diplomatic solution was negotiated
People	In 2017, the average number of employees was 7,235 across 20 countries. The purpose of our HR activities is to support recruitment processes, employee and management development, retention, talent spotting, performance management, setting of remuneration and benefits, as well as organizational efficiency	• Participation in biannual employee engagement survey increased to 83% (79%) • Employee training portfolio now includes 14 recurring programmes
Environment	95% of DFDS' emissions are due to ship operations. The most important environmental goal is therefore to reduce the energy consumption of our ships	• Further reduction of bunker consumption per unit per mile • Ship-shore initiatives reduce turnaround time in ports • 80% of Swedish truck fleet used biofuel on a frequent basis
Customers	Around 80% of DFDS' annual revenue is generated by providing freight shipping services and transport and logistics solutions to around 8,000 customers. In 2017, we carried 5.3m passengers and more than one million truck drivers	• Freight customer journeys improved by digital solutions • More than 80% of passengers book online
Community involvement	Each year, we transport millions of freight units and passengers through communities close to port terminals and other facilities operated by DFDS. In many communities, we are part of local life and take an active interest in community issues, including job creation and support of community initiatives	• Pink initiatives against breast cancer supported • Four young criminals employed through the High:Five project • Christmas lunch for homeless people held for eighth consecutive year in Copenhagen and Oslo
Procurement	Our suppliers must accept to conform to the DFDS Supplier Code of Conduct and all applicable international conventions and national legislation in the country where production or services are performed	• Annual sourcing of goods and services for DKK 9bn from more than 15,000 suppliers • Increasing use of e-sourcing and e-auctions

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 higher for the Group's ferry shipping activities than 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 to enhance flexibility. DFDS aims to charter a share of the fleet on contracts of shorter duration with options for extension to provide opportunities for redelivery of ships at a few months' notice.

All passenger ferries in the fleet are owned by DFDS which limits 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 multiple-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 cannot be anticipated in annual profit forecasts.

Risks associated with business development and investment

DFDS' growth strategy entails business development and investment risks. This is related to both 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.

In the course of ordinary operations, 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 such equipment. 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.

Copenhagen 11:03 AM

DFDS has developed freight ferry and terminal apps for drivers and freight customers. Those are steps in a digital transformation of DFDS that will make it even easier for our customers to work with us via computers and mobile devices for booking, paying and planning round the clock. Next steps may include more automated functions, autonomous vessels and even new business models.

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 transport and 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 cyberattacks can have a significant negative impact on commercial operations and thereby earnings. The scope of such risks is reduced by increasing investment in cyber security measures, 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 the outcome of the Brexit-negotiations between UK and EU of which rules governing trade are most important for DFDS. Should UK leave the current customs union in March 2019 or after an extension period running until March 2021, then new trade rules could entail longer transit time in ports which could cause congestion and impact volumes. On the other hand, income from customs clearance services and tax free sales could mitigate possible negative effects.

Other possible changes concern taxation arrangements for staff at sea, 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 participation in industry organisations.

Bunker risk

The cost of bunker was DKK 1.3bn in 2017 equal to 11% of the Group's total costs. Around 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 the BAF. The remaining consumption is consumed on passenger routes and financially hedged as appropriate.

In 2018, the consumption of bunker in the Shipping Division is expected to amount to around 500,000 tons. Currently, around 20% of the bunker consumed on passenger routes is financially hedged. A price change of 1% compared to the price level at year-end 2017 is expected to impact operating profit by around DKK 1.7m in 2018.

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 4.1 on pages 91-93.

The DFDS share and shareholders

The total return on the DFDS share was 6%

DKK 1.7bn was distributed to shareholders equal to a distribution yield of 9%

Share capital
DFDS has one class of shares. The share capital was at the end of 2017 DKK 1,140m comprising 57,000,000 shares, each with a nominal value of DKK 20. In accordance with DFDS' share buyback programme 3.0m shares were cancelled on 21 April 2017.

Stock exchange trading
The DFDS share is listed on Nasdaq Copenhagen where 23.1m DFDS shares were traded in 2017 equal to an annual turnover of DKK 8.3bn compared to DKK 6.9bn in 2016. The average number of trades per day was 1,679 compared to 1,030 in 2016 and the average daily turnover was DKK 33m compared to DKK 26m in 2016. The DFDS share is part of the Large Cap index.

Share price development and yield
DFDS' share price rose 3% to DKK 331 in 2017. The market value at the end of 2017 was DKK 18.1bn, excluding treasury shares. By comparison, the Danish stock market's all-share index increased 15% in 2017.

The total distribution yield on the DFDS share was 9.2% in 2017 consisting of dividend yield and buyback of shares.

Distribution policy
Capital distribution to shareholders is based on a target leverage of an NIBD/EBITDA-multiple between 2.0 and 3.0.

Dividend is paid semi-annually to facilitate a faster return of capital to shareholders and to align payments with DFDS' seasonal cash flow that peaks during the third quarter, the high season for passenger travel.

After distribution of dividend, excess capital is determined based on the leverage target, including future investment requirements, and distributed through share buybacks.

Distribution to shareholders

DKK 1,661m was distributed to shareholders in 2017 of which DKK 555m was dividend paid in March and August with DKK 168m and DKK 387m respectively. DKK 1,106m was distributed through share buybacks, including an auction buyback in February 2017 of DKK 478m.

One new share buyback of DKK 400m was announced and launched on 8 February 2018.

Dividend proposal

The Board of Directors proposes to the 2018 annual general meeting (AGM) a dividend of DKK 4.00 per share. In addition, the Board of Directors plan to distribute a further dividend of DKK 7.00 per share in August 2018.

Shareholders

At the end of 2017, DFDS had 15,056 registered shareholders who owned 90% of the share capital. International shareholders owned 30% (2016: 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 2017.

Share related key figures

Share related key figures	2017	2016	2015	2014	2013
Share price, DKK					
Price at year-end	331.3	322.6	267.0	118.2	87.4
Price high	415.1	359.9	282.0	118.2	91.1
Price low	320.5	211.1	121.0	80.8	52.4
Market value year-end, DKK m	18,106	18,405	15,840	7,177	5,559
No. of shares year-end, m	57	60	62	63	74
No. of circulating shares year-end, m	55	57	59	61	64
Distribution to shareholders, DKK m					
Dividend paid per share, DKK	10.0	6.0	5.4	2.8	2.8
Total dividend paid ex. treasury shares	555	349	326	177	203
Buyback of shares	1,106	914	401	295	628
Total distribution to shareholders	1,661	1,263	727	472	831
FCFE yield, %	6.1	7.5	9.7	2.6	7.5
Total distribution yield, %	9.2	6.8	4.6	6.5	14.8
Cash payout ratio, %	150.7	91.4	47.0	253.8	197.2
Shareholder return					
Share price change, %	2.7	20.8	125.9	35.2	71.0
Dividend return, %	3.1	2.2	4.6	3.2	5.5
Total shareholder return, %	5.8	23.1	130.5	38.4	76.5
Share valuation					
Equity per share, DKK	120.7	116.3	105.4	100.0	98.5
Price/book value, times	2.7	2.8	2.5	1.2	0.8

Ownership structure, % end of 2017

Lauritzen Foundation	41.3
Institutional shareholders	37.6
Other registered shareholders	8.1
Treasury shares	3.4
Non-registered shareholders	9.5
Total	100.0

With reference to §38 in the Danish Capital Markets Act, 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	4,847	0.3
51-500	7,919	2.5
501-5000	1,920	4.2
5001-50000	272	7.6
50001-	98	75.9
Total*	15,056	90.5

* Total of registered shareholders

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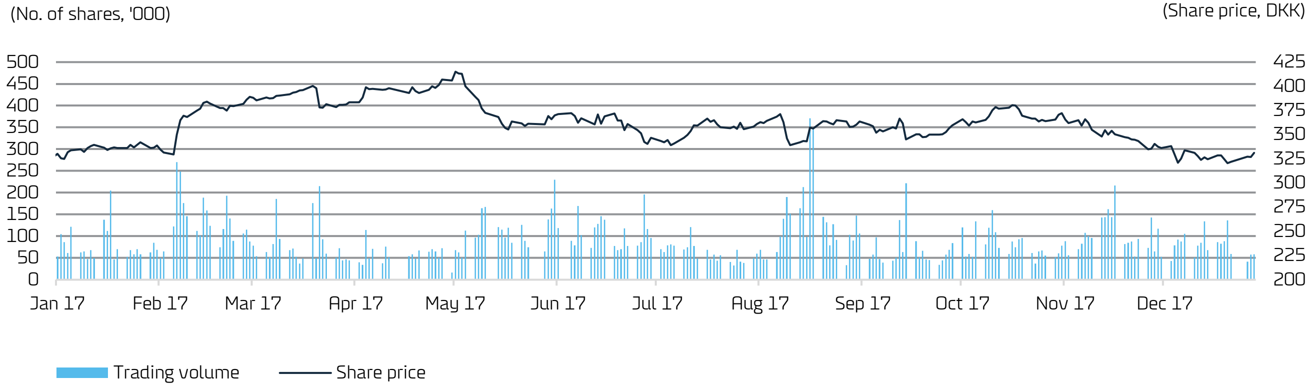
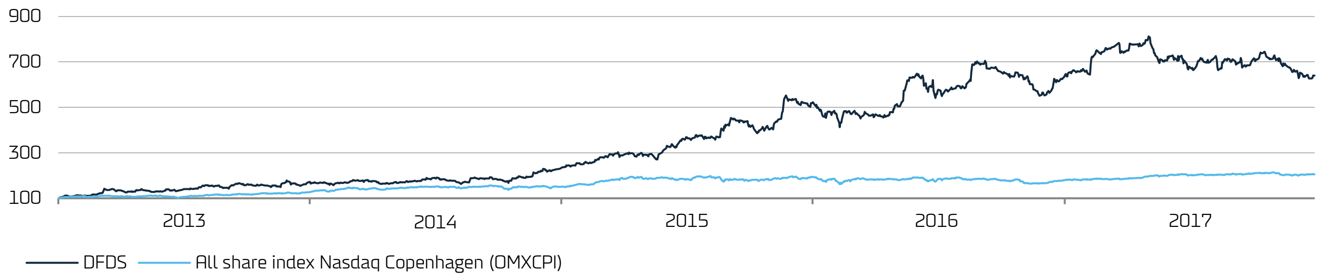
DFDS share price and trading volume, 2017



Share price performance relative to Copenhagen all share index 2013-2017



Company announcements 2017

DFDS released 81 company announcements in 2017, of which the most important are listed below. A complete list of announcements is available at www.dfdsgroup.com/investors/announcementsuk/

CHANGES TO PORT TERMINAL OPERATION IN ESBJERG	21/12/2017
DFDS A/S: FINANCIAL CALENDAR 2018	08/12/2017
DFDS A/S: INTERIM REPORT Q3 2017: ON TRACK FOR RECORD RESULT	14/11/2017
EUROPEAN LOGISTICS NETWORK EXPANDED WITH ALPHATRANS	14/11/2017
LOGISTICS ACTIVITIES IN BELFAST RESTRUCTURED	18/10/2017
TENDER OFFER RESULT FOR 2013 BONDS	22/09/2017
DFDS ISSUES NOK 1,250M SENIOR UNSECURED BONDS DUE 2022	22/09/2017
DFDS CONSIDERS REFINANCING TO REDUCE FINANCING COST AND EXTEND MATURITY	12/09/2017
CONTINUED DIGITISATION DRIVES NEW GLOBAL PASSENGER SALES ORGANISATION	06/09/2017
TERMS OF NEW SHARE BUYBACK	17/08/2017
DFDS A/S: INTERIM REPORT Q2 2017: STEADY PROGRESS	17/08/2017
SHARE BUYBACK WEEK 28 2017 AND COMPLETION OF BUYBACK	12/07/2017
PURCHASE OF TWO CHANNEL FERRIES COMPLETED	23/06/2017
TWO MORE FREIGHT SHIPS (RO-RO) ORDERED	16/06/2017
DFDS A/S: INTERIM REPORT Q1 2017 - Q1 ON TRACK	10/05/2017
DFDS A/S: SHARE CAPITAL AND VOTES PER 30 APRIL 2017	01/05/2017
DFDS A/S: MAJOR SHAREHOLDER ANNOUNCEMENT	21/04/2017
REDUCTION OF SHARE CAPITAL COMPLETED	21/04/2017
DFDS A/S: DFDS A/S - SUMMARY OF ANNUAL GENERAL MEETING, 21 MARCH 2017	21/03/2017
DFDS A/S: NOTICE CONVENING THE 2017 ANNUAL GENERAL MEETING OF DFDS A/S	23/02/2017
DFDS A/S: DFDS ANNUAL REPORT 2016	23/02/2017
DFDS A/S: MAJOR SHAREHOLDER ANNOUNCEMENT	22/02/2017
RESULT OF SHARE BUYBACK COMPLETED	22/02/2017
AWARD OF SHARE OPTIONS	21/02/2017
DFDS A/S: MAJOR SHAREHOLDER ANNOUNCEMENT	10/02/2017
TERMS FOR TWO NEW SHARE BUYBACKS OF UP TO DKK 800M	08/02/2017
DFDS A/S: LAUNCH OF TWO NEW SHARE BUYBACKS OF UP TO DKK 800M	07/02/2017
INTERIM REPORT Q4 AND YEAR-END 2016: SOLID Q4 AND STRONG 2016	07/02/2017
SHARE BUYBACK WEEK 5 AND 6 2017 AND COMPLETION OF BUYBACK	06/02/2017
MAJOR SHAREHOLDER ANNOUNCEMENT	09/01/2017
LOGISTICS EXPANDS SWEDEN-ITALY SERVICES	05/01/2017

Financial review

Earnings level further increased

Revenue increased 4% to DKK 14.3bn

EBITDA increased 4% to DKK 2.7bn

Reporting structure

DFDS' activities are organised in two divisions: the Shipping Division operating five business units and the Logistics Division operating three business units. The Group Non-allocated items consist of corporate costs not allocated to either division. Each of the divisions also have Non-allocated items which mainly include external charter activities in the Shipping Division and an equipment pool in the Logistics 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 as special items in the income statement.

Revenue

Reported revenue increased 3.9% to DKK 14,328m in 2017 and by 3.5% adjusted for currency changes, acquisitions, the divested Belfast reefer activity and excluding revenue from bunker surcharges.

The Shipping Division's revenue increased 4.5% to DKK 9,892m and by 1.9% adjusted for currency changes, primarily depreciation of GBP, acquistion of a route and excluding revenue from bunker surcharges. The growth was primarily driven by higher freight volumes in the North Sea business unit as revenue was on level with 2016 in the other business units when adjusted for the acquisition of a route and excluding bunker surcharges.

The Logistics Division's revenue increased 4.7% to DKK 5,160m and by 8.1% adjusted for currency changes, primarily depreciation of GBP, the acquisitions of Shetland

Transport and Italcargo, in November and December 2016 respectively, and the divested Belfast reefer activity. Revenue growth was boosted in the Nordic business unit by new contract logistics activities. Continued growth in trading between the Continent and UK supported growth in Continent while mostly new cold store contracts increased UK & Ireland's revenue excluding adjustments.

EBITDA before special items

Operating profit before depreciation, EBITDA, and special items increased 4% to DKK 2,702m.

The Shipping Division's EBITDA increased 3% to DKK 2,513m. The increase was mainly due to higher freight earnings in North Sea and Baltic Sea. The result for Non-allocated items, that relate to external charters, also increased. This was offset by lower passenger earnings in Channel and Passenger. Bunker costs also increased and reduced Passenger's result.

The Logistics Division's EBITDA increased 4% to DKK 263m. Earnings improved in the Nordic and Continent business units driven by the higher activity levels. The result for UK & Ireland decreased as the Belfast reefer activity became lossmaking and start-up costs were incurred for a new contract.

The Group cost of Non-allocated items decreased 29% to DKK -74m from DKK -103m in 2016.

Associates and profit on sale of assets

The share of profit in associates and joint ventures was DKK 6m, 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 7m.

Revenue

DKK m	2017	2016	Δ %	Δ
Shipping Division	9,892	9,468	4.5	424
Logistics Division	5,160	4,930	4.7	230
Eliminations etc.	-724	-608	19.2	-117
DFDS Group	**14,328**	**13,790**	**3.9**	**538**

EBITDA before special items

DKK m	2017	2016	Δ %	Δ
Shipping Division	2,513	2,439	3.0	74
Logistics Division	263	252	4.5	11
Non-allocated items	-74	-103	-28.4	29
DFDS Group	**2,702**	**2,588**	**4.4**	**114**
EBITDA-margin, %	18.9	18.8	n.a.	0.1

Depreciation, impairment and EBIT

Total depreciation and impairment decreased 2% to DKK 933m. A positive variance of DKK 24m was due to a one-off write-down on ship equipment in 2016 and a partial reversal of the write-down in 2017. Depreciations were otherwise mainly higher on software and IT-systems.

The Group's EBIT before special items increased 8% to DKK 1,782m.

Special items and EBIT

Special items in 2017 was a net cost of DKK 41m primarily due to costs related to the award of anniversary shares to all employees, closure of own port operations in Esbjerg and sale of the Belfast reefer activity. More information on special items is available in Note 2.6 on page 75.

Operating profit, EBIT, after special items was DKK 1,741m, an increase of 7%.

Financing

The net cost of financing was DKK 55m, a decrease of DKK 4m compared to 2016 after adjustment for one-off incomes of DKK 25m from the sale of shares in Danish Ship Finance in 2016 and DKK 10m from a settlement with a former bunker supplier's bankruptcy estate in 2017. The remaining positive variance was primarily due to lower net interest costs.

Jinling, China 2:25 PM

We are building four new ro-ro freight ships at the Jinling Shipyard in China. The ships will be delivered from 2019 onwards as the largest and 'greenest' ever to join our fleet. They will support the exchange of goods across the North Sea, which continued economic growth in the UK and the rest of Europe will be demanding even after Brexit.

Tax and the annual result

The profit before tax for 2017 was DKK 1,686m, an improvement of 6% compared to 2016 and an improvement of 8% adjusted for special items.

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 68m. This includes DKK -28m of tax for the year and DKK -39m of deferred taxes. Adjustments to previous years' taxes amounted to a cost of DKK 1m.

The net annual result was DKK 1,618m, an increase of 4% compared to 2016.

Investments

Net investments in 2017 amounted to DKK 1,564m, of which DKK 1,300m were related to ships. The main items were DKK 739m for the purchase of two Channel ferries previously held on finance lease, DKK 370m for ship upgrades and dockings and DKK 196m related to freight new buildings on order. The remaining net investments of DKK 259m were primarily related to cargo carrying equipment, acquisitions, IT system development and other items.

Assets, invested capital and return

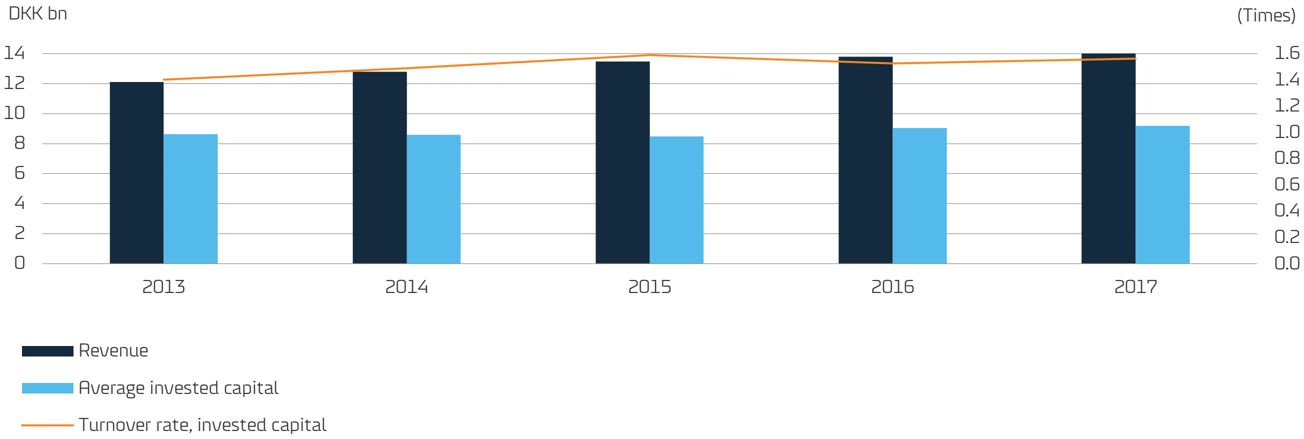
Total assets amounted to DKK 13,308m at the end of the year which was an increase of 2% compared to 2016.

Net working capital, defined as inventory and trade receivables minus trade payables, was further reduced from DKK 19m in 2016 to DKK -4m driven by the continued initiatives of the Light Capital project.

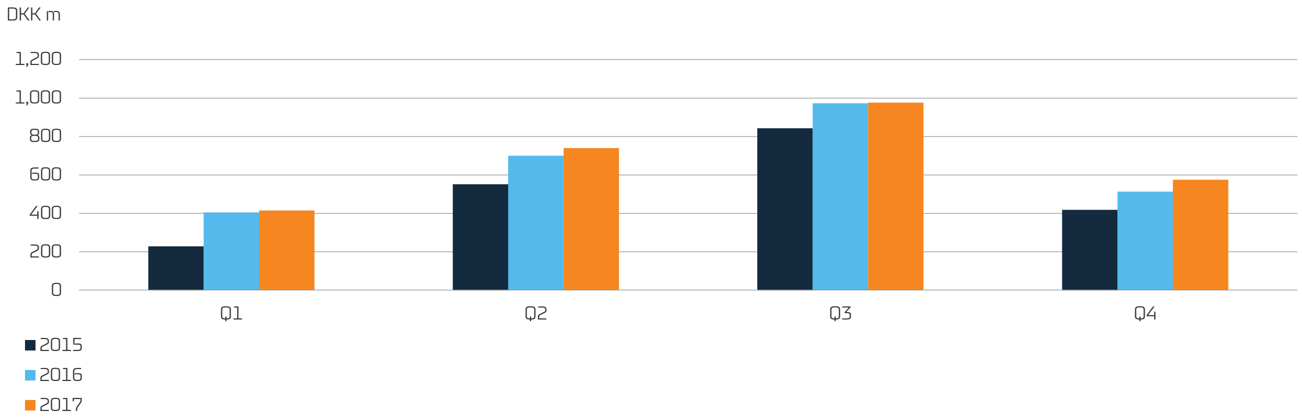
At year-end 2017, invested capital was DKK 9,099m, a decrease of 1% compared to 2016. Calculated as an average, invested capital was DKK 9,178m in 2017, a 2% increase compared to 2016.

The return on invested capital, ROIC, was 18.6% in 2017 and 19.0% adjusted for special items.

Revenue and invested capital



EBITDA before special items per quarter



Financing and capital structure

At year-end 2017, interest-bearing debt was DKK 3,275m compared to DKK 3,009m at year-end 2016. In 2017, corporate bonds amounted to 48% of interest-bearing debt and mortgaged ship loans 43%. The remainder primarily consisted of bank loans.

Net interest-bearing debt decreased 3% to DKK 2,352m. At year-end 2017, the ratio of net interest-bearing debt to EBITDA before special items was 0.9, on level with 2016.

Cash flow

The gross cash flow from operations increased only 1% to DKK 2,700m as higher earnings from operations was offset by a lower release of cash from working capital than in 2016.

Following a cash flow from investment activities of DKK -1,564m, the free cash flow (FCFF) was DKK 1,102m.

The cash flow from financing activities was DKK -720m in 2017. DKK 1,661m was distributed to shareholders while loan changes amounted to a positive cash inflow of DKK 985m, including proceeds from corporate bond financing.

The net cash flow of 2017 was DKK 338m and cash and cash equivalents increased to DKK 1,033m.

Impairment test

Based on the impairment tests performed in 2017 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 3.1.4 on pages 83-84.

Equity

Equity amounted to DKK 6,614m at year-end 2017, including non-controlling interests of DKK 49m. This was a decrease of DKK 71m compared to year-end 2016. Total comprehensive income for 2017 was DKK 1,510m while transactions with owners reduced equity by DKK 1,581m, including dividends of DKK 555m, share buybacks of DKK 1,106m and an income of DKK 55m from the sale of treasury shares related to the exercise of share options.

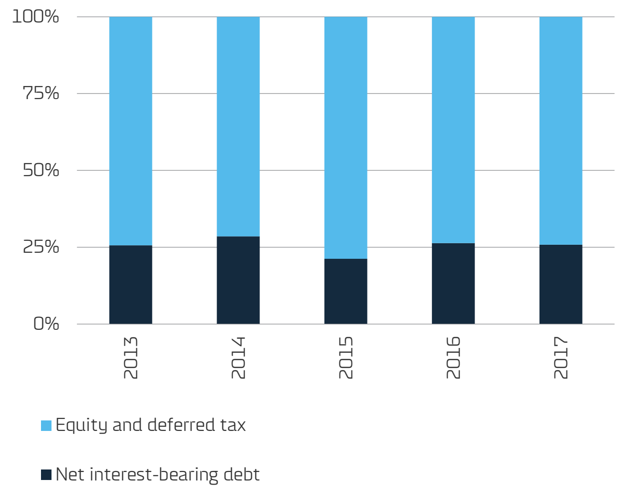
The equity ratio was 50% at year-end 2017 compared to 51% at year-end 2016.

Parent company key figures

The revenue of the parent company, DFDS A/S, was DKK 9,516m in 2017 and the profit before tax was DKK 1,880m. Total assets at year-end amounted to DKK 11,626m and the equity was DKK 4,962m.

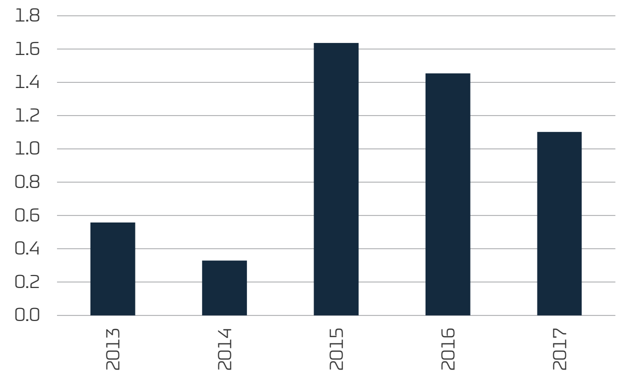
Capital structure

%-share of invested capital



Free cash flow, FCFF

DKK bn



Corporate governance summary

Board of Directors

The Board of Directors is made up of six directors appointed by the annual general meeting of shareholders, elected for a period of one year as well as three directors appointed by the employees, elected for a period of four years.

Five of the six directors appointed by the shareholders at the most recent annual general meeting are deemed independent according to the Danish recommendations on good corporate governance. Three of the six appointed directors are women.

The Board of Directors work in accordance with the company's articles of association, the rules of procedure of the Board of Directors as well as an established annual cycle of focus areas to ensure that all major governance aspects are reviewed at least once annually.

The chair of the Board of Directors undertakes an annual review of the performance of the Board of Directors. The composition of the Board of Directors is aimed at ensuring that competencies that are key to the company's performance are represented within the board. The Board held a total of seven meetings during 2017.

Board Committees

The Board of Directors has established an audit committee, a nomination committee and a remuneration committee. Each committee has three members. A description of the purpose of these committees as well as their recent activities is available on the company's website, www.dfds.com/group.

Remuneration

The members of the Board of Directors are paid according to an agreed, fixed annual fee together with fixed annual supplements for the Chair and the Deputy Chair of the Board, the Chair of the audit committee as well as members of the audit and the nomination committee. Members of the Board of Directors, including members of the committees, do not receive any incentive-based remuneration. The fees proposed to be paid to directors are presented for approval at the company's annual general meeting.

Recommendations on corporate governance

The company regularly assesses its performance in relation to corporate governance and produces an annual review of its compliance with the Danish recommendations on corporate governance. In the review comments are made as to the approach taken by the company which in general follows the recommendations.

For the year 2017 the company has decided not to follow certain recommendations and in the statement available on the company's website, www.dfds.com/group, the company sets out the reasons for not following recommendation 3.1.4 on retirement age and only partially following recommendations 2.1.6 concerning targets for diversity at the senior management level below the Board of Directors and 4.2.3 on information of salaries and other benefits at an individual level. See also CSR Report 2017 regarding diversity available from this link:
http://www.dfdsgroup.com/about/responsibility/

Business Ethics

A code of business conduct has been establised that sets out expectations to the behaviour of employees. In addition, a compliance line, operated by a third party, offers 'whistleblowers' the possibility to raise concerns on behaviour on a named as well as anonymous basis. A total of nine cases were reported within this system during 2017.

Rules and policies

DFDS A/S is subject to Danish law and listed on Nasdaq Copenhagen. DFDS' corporate governance 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/group:

- Statutory report on corporate governance, www.dfds.com/group/about/governance
- DFDS' statutes, www.dfds.com/group/about/governance
- 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

Board of Directors and Executive Board

Board of Directors

Claus V. Hemmingsen, Chair
2,453 shares
- Date of birth: 15 September 1962
- Joined the Board: 29 March 2012
- Re-elected: 2013-2017
- Period of office ends: 19 March 2018
- Member of Nomination and Remuneration Committees
- Position: Vice CEO, A.P. Møller-Mærsk A/S; CEO, Energy division
- Chair: Danish Shipping, Danish Chinese Business Forum
- Board member: Den A.P. Møllerske Støttefond, International Chamber of Shipping

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, Deputy Chair
0 shares
- Date of birth: 21 August 1967
- Joined the Board: 26 March 2014
- Re-elected: 2016-2017
- Period of office ends: 19 March 2018
- Chair of Audit Committee
- Position: CEO and President, TDC A/S
- Chair: GET AS
- Board member: Genmab A/S/Chair of Audit Committee, Nordea AB/Member of Audit Committee

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: 2016-2017
- Period of office ends: 19 March 2018
- Member of Audit Committee
- Position: CEO, Widex A/S; Managing director, JFJ Invest ApS
- Board member: Nordic Waterproofing Group AB/ Chair of Audit Committee

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: 19 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: 2002-2017
- Period of office ends: 19 March 2018
- 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: 2017
- Period of office ends: 19 March 2018
- Member of Nomination and Remuneration Committees
- Position: Managing director, Return ApS
- Chair: Dampskibsselskabet Norden A/S, A/S United Shipping & Trading, Bawat A/S, Oliver Group Aps and Chairman of The Investment Committee of Maritime Investment Fund I K/S
- Deputy Chair: Bunker Holding A/S, Uni-Tankers A/S, Uni-Chartering A/S
- Board member: 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.

Marianne Dahl Steensen, Board member
0 Shares

- Date of birth: 4 July 1974
- Joined the Board: 21 March 2017
- Re-elected: n.a.
- Period of office ends: 19 March 2018
- Member of the Nomination and Remuneration Committees
- Position: CEO, Microsoft Denmark A/S
- Board member: Confederation of Danish Industry (DI)/ The Central Board, DI's Committee on Business policy
- Other positions: Red Cross/Member of the Finance and Audit Committee

The Board of Directors is of the opinion that Marianne Dahl Steensen possesses the following special competences: International management experience and expertise within strategy, digitisation, product development and sales.

Lars Skjold-Hansen, staff representative
0 shares

- Date of birth: 23 August 1965
- Joined the Board: 22 March 2013
- Re-elected: 2014
- Period of office ends: 19 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: 19 March 2018
- Position: Commercial Head

Kent Vildbæk has no managerial or executive positions in other companies.

Executive Board

Niels Smedegaard, President & CEO
243,263 shares

- Date of birth: 22 June 1962
- Appointed: 1 January 2007
- Chair: The Bikuben Foundation, Kollegiefonden Bikuben
- Deputy Chair: Danish Shipping
- Board member: Interferry, TT Club, Falck A/S, FrederiksbergFonden, European Community Shipowners' Associations (ECSA), Nikolai og Felix Fonden

Torben Carlsen, EVP & CFO,
100,000 shares

- Date of birth: 5 March 1965
- Appointed: 1 June 2009
- Chair: Investment Committee of Copenhagen Infrastructure Partners, Investment, Committee of Gro Capital Fund I K/S
- Board member: CII K/S & CIII K/S, Dyal 1 Aps, Investering & Tryghed A/S, Crendo Holding AB, Investment Committee of Maritime Investment Fund I K/S, PPC Ejendomme A/S, P/S Dyal Investments
- Managing director: R1612 Aps, T1612 Aps

Board of Directors and Executive Board

Niels Smedegaard
President and CEO

Jørgen Jensen
Board Member

Claus Hemmingsen
Chair

Jill Lauritzen Melby
Board Member

Jens Otto Knudsen
Staff Representative

Kent Vildbæk
Staff Representative

Torben Carlsen
Executive Vice President and CFO

Pernille Erenbjerg
Deputy Chair

Klaus Nyborg
Board Member

Lars Skjold-Hansen
Staff Representative

Marianne Dahl Steensen
Board Member

Executive Management

Henrik Holck (1961)
Executive Vice President
People & Ships
MSc Psych
DFDS since 2007

Peder Gellert Pedersen (1958)
Executive Vice President
Shipping Division
Ship broker, HD (O)
DFDS since 1994

Niels Smedegaard (1962)
President & CEO
MSc (Finance)
DFDS since 2007

Eddie Green (1958)
Executive Vice President
Logistics Division
BA (Hons) Economics
DFDS since 2010

Torben Carlsen (1965)
Executive Vice President & CFO
MSc (Finance)
DFDS since 2009

Income statement

(1 January – 31 December)

DKK million	Note	2017	2016
Revenue	2.1, 2.2	14,327.8	13,790.4
Costs	2.3		
Ship operation and maintenance		-2,888.9	-2,585.6
Freight handling		-2,262.0	-2,197.2
Transport solutions		-3,128.4	-3,114.9
Employee costs	2.4	-2,660.7	-2,607.9
Cost of sales and administration		-685.4	-696.6
Total costs		*-11,625.5*	*-11,202.2*
Operating profit before depreciation (EBITDA) and special items		**2,702.3**	**2,588.2**
Share of profit/loss of associates and joint ventures		5.6	-3.0
Profit on disposal of non-current assets, net	3.1.3	7.0	8.5
Amortisation, depreciation, and impairment losses on intangible - and tangible assets	2.5	-933.2	-950.2
Operating profit (EBIT) before special items		**1,781.7**	**1,643.6**
Special items, net	2.6	-40.7	-12.8
Operating profit (EBIT)		**1,741.0**	**1,630.7**
Financial income	4.4	27.0	56.0
Financial costs	4.4	-81.7	-99.1
Profit before tax		**1,686.3**	**1,587.6**
Tax on profit	2.7	-68.3	-39.3
Profit for the year		**1,618.0**	**1,548.3**

DKK million	Note	2017	2016
Profit for the year is attributable to:			
Equity holders of DFDS A/S		1,616.7	1,548.1
Non-controlling interests		1.3	0.2
Profit for the year		**1,618.0**	**1,548.3**
Earnings per share	4.8		
Basic earnings per share (EPS) of DKK 20 in DKK		29.08	26.63
Diluted earnings per share (EPS-D) of DKK 20 in DKK		28.83	26.35
Proposed profit appropriation			
Proposed dividend, DKK 4.0 per share (2016: DKK 3.0 per share)			

Statement of comprehensive income

(1 January – 31 December)

DKK million	Note	2017	2016
Profit for the year		**1,618.0**	**1,548.3**
Other comprehensive income			
Items that will not subsequently be reclassified to the Income statement:			
Remeasurement of defined benefit pension obligations	3.2.4	57.9	-152.6
Items that will not subsequently be reclassified to the Income statement		**57.9**	**-152.6**
Items that are or may subsequently be reclassified to the Income statement:			
Value adjustment of hedging instruments:			
Value adjustment for the year		-132.7	77.1
Value adjustment transferred to operating costs		-9.6	8.7
Value adjustment transferred to financial costs		29.1	-6.1
Value adjustment transferred to non-current tangible assets		6.2	-3.8
Tax on items that will be reclassified to the Income statement	2.7	1.1	-10.4
Foreign exchange adjustments, subsidiaries		-60.1	-113.3
Unrealised value adjustment of securities		0.0	25.2
Realised value adjustment of securities transferred to financial income		0.0	-25.2
Items that are or may subsequently be reclassified to the Income statement		**-166.1**	**-47.8**
Total other comprehensive income after tax		**-108.2**	**-200.4**
Total comprehensive income		**1,509.8**	**1,347.9**
Total comprehensive income for the year is attributable to:			
Equity holders of DFDS A/S		1.508.5	1,347.9
Non-controlling interests		1.3	0.0
Total comprehensive income		**1,509.8**	**1,347.9**

Balance sheet 31 december

(Assets)

DKK million	Note	2017	2016
Goodwill		554.5	555.8
Other non-current intangible assets		29.4	37.5
Software		235.3	195.7
Development projects in progress		14.8	37.0
Non-current intangible assets	3.1.1	**834.0**	**826.1**
Land and buildings		148.8	161.8
Terminals		480.4	510.6
Ships		7,505.4	7,904.0
Equipment, etc.		615.7	542.7
Assets under construction and prepayments		307.8	135.9
Non-current tangible assets	3.1.2	**9,058.0**	**9,255.0**
Investments in associates, joint ventures and securities		42.8	38.1
Receivables	3.2.1	135.7	24.8
Deferred tax	2.7	63.6	94.6
Derivative financial instruments	4.2	0.0	34.5
Other non-current assets		**242.1**	**192.1**
Non-current assets		**10,134.1**	**10,273.1**
Inventories	3.2.2	155.8	139.2
Receivables	3.2.1	1,890.8	1,773.6
Prepaid costs		90.7	84.2
Derivative financial instruments	4.2	3.8	25.0
Cash		1,033.2	695.6
Current assets		**3,174.3**	**2,717.6**
Assets classified as held for sale	3.1.5	0.0	13.5
Total current assets		**3,174.3**	**2,731.1**
Assets		**13,308.4**	**13,004.3**

Balance sheet 31 december

(Equity and Liabilities)

DKK million	Note	2017	2016
Share capital	4.7	1,140.0	1,200.0
Reserves		-455.0	-299.7
Retained earnings		5,651.6	5,556.1
Proposed dividend		228.0	180.0
Equity attributable to equity holders of DFDS A/S		**6,564.6**	**6,636.4**
Non-controlling interests		49.0	48.2
Equity	4.6	**6,613.7**	**6,684.6**
Interest-bearing liabilities	4.5	2,931.6	2,100.9
Deferred tax	2.7	197.1	191.2
Pension and jubilee liabilities	3.2.4	378.6	460.2
Other provisions	3.2.5	42.4	54.9
Derivative financial instruments	4.2	94.8	145.6
Non-current liabilities		**3,644.5**	**2,952.8**
Interest-bearing liabilities	4.5	343.9	907.9
Trade payables		1,847.0	1,722.3
Other provisions	3.2.5	35.1	67.1
Corporation tax		23.8	30.2
Other payables	3.2.3	529.7	500.3
Derivative financial instruments	4.2	111.3	0.2
Prepayments from customers		159.3	138.9
Current liabilities		**3,050.2**	**3,366.9**
Liabilities		**6,694.7**	**6,319.7**
Equity and liabilities		**13,308.4**	**13,004.3**

Statement of changes in equity

(1 January – 31 December)

		Reserves								
DKK million	**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 2017	1,200.0	-279.6	38.8	0.1	-58.9	5,556.1	180.0	**6,636.4**	48.2	**6,684.6**
Comprehensive income for the year										
Profit for the year						1,616.7		**1,616.7**	1.3	**1,618.0**
Other comprehensive income										
Items that will not subsequently be reclassified to the Income statement: Remeasurement of defined benefit pension obligations						57.9		**57.9**		**57.9**
Items that will not subsequently be reclassified to the Income statement	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**57.9**	**0.0**	**57.9**	**0.0**	**57.9**
Items that are or may subsequently be reclassified to the Income statement:										
Value adjustments of hedging instruments for the year			-132.7					**-132.7**		**-132.7**
Value adjustment transferred to operating costs			-9.6					**-9.6**		**-9.6**
Value adjustment transferred to financial costs			29.1					**29.1**		**29.1**
Value adjustment transferred to non-current tangible assets			6.2					**6.2**		**6.2**
Tax on items that will be reclassified to the Income statement						1.1		**1.1**		**1.1**
Foreign exchange adjustments, subsidiaries		-60.2						**-60.2**	0.1	**-60.1**
Items that are or may subsequently be reclassified to the Income statement	**0.0**	**-60.2**	**-107.1**	**0.0**	**0.0**	**1.1**	**0.0**	**-166.1**	**0.1**	**-166.1**
Total other comprehensive income after tax	**0.0**	**-60.2**	**-107.1**	**0.0**	**0.0**	**59.0**	**0.0**	**-108.2**	**0.1**	**-108.2**
Total comprehensive income	**0.0**	**-60.2**	**-107.1**	**0.0**	**0.0**	**1,675.8**	**0.0**	**1,542.5**	**1.3**	**1,509.8**
Transactions with owners										
Acquisition, non-controlling interests						0.4		**0.4**	-0.5	**-0.2**
Dividend paid							-167.9	**-167.9**		**-167.9**
Dividend on treasury shares						12.1	-12.1	**0.0**		**0.0**
Proposed extraordinary dividend						-399.0	399.0	**0.0**		**0.0**
Extraordinary dividend paid							-387.5	**-387.5**		**-387.5**
Extraordinary dividend on treasury shares						11.5	-11.5	**0.0**		**0.0**
Proposed dividend at year-end						-228.0	228.0	**0.0**		**0.0**
Vested share-based payments						25.9		**25.9**		**25.9**
Cash from sale of treasury shares related to exercise of share options					12.6	42.7		**55.3**		**55.3**
Purchase of treasury shares					-60.6	-1,045.2		**-1,105.8**		**-1,105.8**
Reduction of share capital by cancellation of treasury shares	-60.0				60.0			**0.0**		**0.0**
Other adjustments						-0.6		**-0.6**		**-0.6**
Total transactions with owners 2017	**-60.0**	**0.0**	**0.0**	**0.0**	**12.0**	**-1,580.2**	**48.0**	**-1,580.2**	**-0.5**	**-1,580.7**
Equity at 31 December 2017	**1,140.0**	**-339.7**	**-68.4**	**0.1**	**-47.0**	**5,651.6**	**228.0**	**6,564.6**	**49.0**	**6,613.7**

The Parent Company's share capital, which is not divided into different classes of shares, is divided into 57,000,000 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)

		Reserves								
DKK million	**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**
Items that will not subsequently be reclassified to the Income statement	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-152.6**	**0.0**	**-152.6**	**0.0**	**-152.6**
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**
Tax on items that will not be reclassified to the Income statement						-10.4		**-10.4**		**-10.4**
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**	**-10.4**	**0.0**	**-47.6**	**-0.2**	**-47.8**
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**
Dividend paid							-175.4	**-175.4**		**-175.4**
Dividend on treasury shares						9.1	-9.1	**0.0**		**0.0**
Proposed extraordinary dividend						-180.0	180.0	**0.0**		**0.0**
Extraordinary dividend paid							-173.6	**-173.6**		**-173.6**
Extraordinary dividend on treasury shares						6.4	-6.4	**0.0**		**0.0**
Proposed dividend at year-end						-180.0	180.0	**0.0**		**0.0**
Vested share-based payments						7.5		**7.5**		**7.5**
Cash from sale of treasury shares related to exercise of share options					21.8	42.4		**64.2**		**64.2**
Purchase of treasury shares					-67.2	-846.8		**-914.1**		**-914.1**
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 cash flows

(1 January – 31 December)

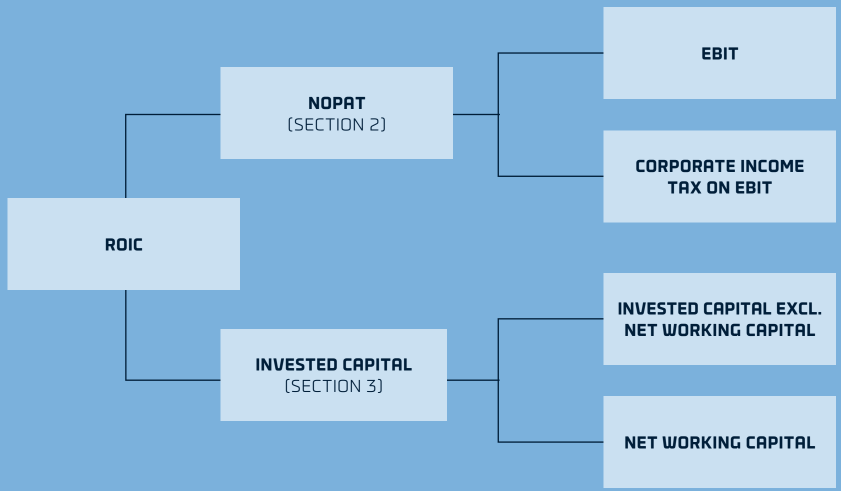
DKK million	Note	2017	2016
Operating profit before depreciation (EBITDA) and special items		**2,702.3**	**2,588.2**
Cash flow effect from special items related to operating activities		0.0	-2.6
Adjustments for non-cash operating items, etc.	5.4	18.8	14.3
Change in working capital	5.4	42.5	168.4
Payment of pension liabilities and other provisions		-63.7	-85.5
Cash flow from operating activities, gross		**2,699.9**	**2,682.7**
Interest received, etc.		118.7	108.7
Interest paid, etc.		-162.8	-182.2
Tax paid		-33.5	-20.4
Cash flow from operating activities, net		**2,622.2**	**2,588.8**
Investments in ships including dockings, rebuildings and ships under construction incl. settlement of forward exchange contracts related thereto		-1,299.8	-955.7
Investments in other non-current tangible assets		-214.4	-206.2
Sale of other non-current tangible assets		35.6	18.1
Investments in non-current intangible assets		-51.1	-52.4
Acquisition of enterprises, associates, joint ventures and activities	5.5	0.0	-50.9
Sale of activities etc,		0.0	5.0
Sale of securities	4.2	0.0	34.1
Other investing cash flows		-34.4	0.0
Dividend received from associates and joint ventures		0.0	0.8
Cash flow to/from investing activities, net		**-1,564.2**	**-1,207.2**
Cash flow before financing activities		**1,058.0**	**1,381.6**

DKK million	Note	2017	2016
Proceed from loans secured by mortgage in ships	4.3	671.6	0.0
Repayment and instalments on loans secured by mortgage in ships	4.3	-111.2	-298.7
Proceed from issuance of corporate bonds	4.3	990.5	0.0
Repayment of corporate bonds incl. settlement of cross currency swap	4.3	-504.9	-493.5
Change in other financial loans, net	4.3, 5.4	-23.6	-47.0
Payment of financial lease liabilities	4.3	-37.1	-87.5
Change in operating credits		0.0	-0.9
Acquisition of treasury shares	4.7	-1,105.8	-914.1
Other non-current receivables		-111.0	0.0
Cash received from exercise of share options		55.3	64.2
Government grants received related to purchase of assets		11.9	19.7
Other financing cash flows		-0.2	2.6
Dividends paid		-555.3	-349.0
Cash flow to/from financing activities, net		**-719.7**	**-2,104.3**
Net increase/(decrease) in cash and cash equivalents		**338.3**	**-722.7**
Cash and cash equivalents at 1 January		695.6	1,422.6
Foreign exchange and value adjustments of cash and cash equivalents		-0.7	-4.2
Cash and cash equivalents at 31 December[1]		**1,033.2**	**695.6**

[1] *At year-end 2017 DKK 0.6m (2016: DKK 0.0m) of the cash was deposited on restricted bank accounts.*

The statement of cash flows cannot directly be derived from the Income statement and the balance sheet.

Notes



NOTE SUMMARY

1. Basis of preparation of the Consolidated Financial Statements

1. Basis of preparation of the Consolidated Financial Statements

Reading guideline
In preparing the Annual report, DFDS focuses on ensuring that the content is relevant to the reader, and that the presentation is clear.

In 2017 the structure of the notes in the Consolidated Financial Statements have been restructured, and the notes have been divided into the below five sections:
1. Basis of preparation of the Consolidated Financial Statements
2. Net operating profit after tax (NOPAT)
3. Invested capital
4. Capital structure and finances
5. Other notes

The purpose is to provide a better overview of what drives performance. The structure of the notes reflect DFDS financial performance goal, ROIC, and the structure aims at providing an enhanced understanding of each accounting area, by describing relevant accounting policies and any significant accounting estimates and assessments related thereto in the end of each note.

In continuation hereof a more informative classification of revenue and costs has been made. Operating costs and Charter hire have been splitted into Ship operation and maintenance, Freight handling and Transport Solutions in the Income Statement. There is a further split of Ship operation and maintenance cost in the Costs note 2.3. The Revenue note 2.2 has been splitted further up in order to give a more transparent and informative structure. The comparative figures for 2016 has been adjusted accordingly.

The accounting policies have been made within the framework of the prevailing IFRS standards. The actual text of the standard is not repeated in the notes. The description of accounting policies in the notes form part of the overall description of DFDS accounting policies.

Basis of reporting
The 2017 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 22 February 2018, the Board of Directors and the Executive Board considered and approved the 2017 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 19 March 2018.

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 presented as held for sale are measured at the lower of the carrying amount before the changed presentation and the fair value less costs to sell.

The accounting policies set out below and in the notes 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 2017, the Group has adopted all relevant new and updated accounting standards. The adoption has not had any impact on recognition and measurement in the Financial Statements, but has resulted in further specifications in the notes.

The other accounting policies for the 2017 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 2017, 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 2017. The Group expects to adopt the Standards and Interpretations when they become mandatory.

IFRS 9: Financial instruments was issued in July 2014 and is effective for annual periods beginning on 1 January 2018. The Group has performed an assessment of IFRS 9, based on which the Group expects no significant impact on recognition and measurement.

IFRS 15: Revenue from Contracts with Customers establishes a comprehensive model for recognising revenue from customer contracts. The Group has performed a detailed assessment of IFRS 15. The Group expects the impact to be immaterial (less than 0.2% of the Group's revenue) and it is assessed that the current accounting policy for variable considerations, such as volume rebates, is consistent with IFRS 15.

Thus, the Group has assessed that IFRS 15 will not have a significant impact on the Group's recognition and measurement of revenue.

The standard is effective for annual periods beginning on 1 January 2018 and the Group plans to adopt IFRS 15 using the modified retrospective approach, which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

IFRS 16: Leases: The standard will be effective for annual periods beginning on or after 1 January 2019 and will replace existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under IFRS 16 an asset (right-of-use asset) and a financial liability to pay rentals are recognised.

The Group has carried out a preliminary assessment of the possible impact of IFRS 16 on the Consolidated Financial Statements. However, the actual impact of applying IFRS 16 on the Financial Statements in the period of initial application will depend on uncertain factors, such as the composition of the Group's lease portfolio and the Group's borrowing rates at 1 January 2019 and the Group's assessment of whether it will exercise any lease options.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of DKK 2,7bn (2016: DKK 2,7bn), on an undiscounted basis. Reference is made to note 5.7.

1. Basis of preparation of the Consolidated Financial Statements (continued)

The preliminary assesment indicates that these arrangements in essence will meet the definition of a lease under IFRS 16 and thereby be recognised on the balance sheet, however at discounted values.

Additionally IFRS 16 will also effect the Income statement since the lease payment will be split into interest and depreciation of the right-of-use asset contrary to the practice today, where the annual costs from operational leasing is recognised as one amount above EBITDA. Further the Group's cash flow will also be effected hence the lease payments from operational leases is presented as cash flows from operational activities where they according to IFRS 16 will be presented as payments related to financing activities.

No significant impact is expected for the Group's leases that already are categorised as finance leases.

Except from IFRS 16, none of the other standards and interpretations are expected to have a significant impact on recognition and measurement. However, all standards 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 note 2.6 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 2.6 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 Statements; 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. Accounting policies for Consolidated Financial Statements are described below, while accounting policies for the remaining areas are included in the notes to which they relate.

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, assessments and assumptions.

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 ships, including the assessment of useful life and scrap value; Defined benefit pension plans; Deferred tax assets; Leasing arrangements; Derivatives; Provisions and contingencies. Descriptions of the significant accounting estimates and assesments are included in the notes to which they relate.

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.

The Group's investments in associates and joint ventures are recognised in the Consolidated Financial Statements at the Group's 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.

1. Basis of preparation of the Consolidated Financial Statements (continued)

Non-controlling interests
In the Consolidated Financial Statements, the individual financial line items of subsidiaries are recognised in full. The non-controlling 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 non-controlling 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 non-controlling interests are not presented separately in the proposed profit appropriation and the statement of changes in equity.

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 at the beginning of the reporting period to 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.

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.

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.

2. Net Operating Profit After Tax (NOPAT)

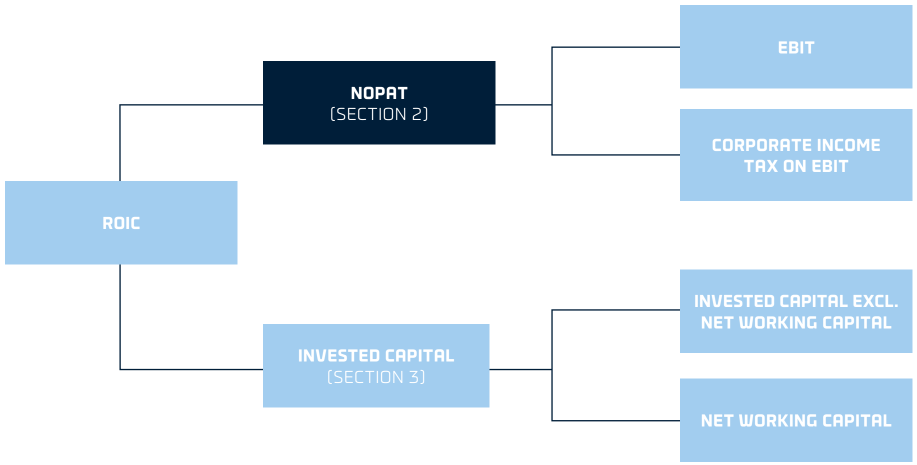
Return on invested capital (ROIC) is a strategic key ratio to DFDS when measuring the financial performance of our business. DFDS' financial performance goal is a ROIC of at least 10% over a business cycle.

This section provides the notes of the main components that forms the basis of the Net operating profit after tax (NOPAT), which is a measure of profit that excludes the costs and tax benefit of debt financing by measuring the earnings before interest and taxes (EBIT) adjusted for corporate income tax on EBIT.

Together with invested capital, NOPAT forms the basis of the ROIC calculation, reference is made to section 3.

DKK million	Note	2017	2016
Revenue	2.1, 2.2	14,327.8	13,790.4
Costs			
Ship operation and maintenance	2.3	-2,888.9	-2,585.6
Freight handling		-2,262.0	-2,197.2
Transport solutions		-3,128.4	-3,114.9
Employee cost	2.4	-2,660.7	-2,607.9
Cost of sales and administration	2.3	-685.4	-696.6
Total costs		*-11,625.5*	*-11,202.2*
Operating profit before depreciation (EBITDA) and special items		**2,702.3**	**2,588.2**
Share of profit/loss from associates and joint ventures		5.6	-3.0
Profit on disposal of non-current assets, net	3.1.3	7.0	8.5
Amortisation, depreciation and impairment losses on intangible assets and tangible assets	2.5	-933.2	-950.2
Operating profit (EBIT) before special items		**1,781.7**	**1,643.6**
Special items, net	2.6	-40.7	-12.8
Operating profit (EBIT)		**1,741.0**	**1,630.7**
Corporate income tax on EBIT [1]		-33.9	-32.3
Net Operating Profit After Tax (NOPAT)		**1,707.1**	**1,598.5**
Net Operating Profit After Tax (NOPAT) before special items		**1,747.8**	**1,611.3**
Return on invested capital (ROIC)		**18.6%**	**17.7%**
ROIC before special items		**19.0%**	**17.8%**

[1] *Corporate income tax is calculated for each entity within the Group following the tax legislation and current tax rate in each tax jurisdiction. The amount for each entity is then adjusted by the tax effect from financial items, calculated following the tax legislation and current tax rate in each tax jurisdiction, to get corporate income tax on EBIT. The amounts per entity are then consolidated.*



2.1 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.

Non-allocated costs reflect 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, Procurement, Communication, Finance Control, Digital 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 transport of freight on ro-ro and ro-pax ships, but also transport of passengers on ships. In addition, operation of terminals along with the Group's main routes are included. The freight customers 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 of freight, and also warehousing and logistics solutions for larger customers. In addition the division operates Lo-Lo tonnage and also transportation of freight on railway. The customers are primarily importers/exporters and manufacturers of industrial goods and consumables.

DKK million

2017	**Shipping Division**	**Logistics Division**	**Non-allocated**	**Total**
External revenue	9,163.5	5,139.7	24.6	14,327.8
Intragroup revenue	728.9	19.9	375.5	1,124.4
Revenue	9,892.4	5,159.7	400.1	15,452.2
Operating costs, external	-7,074.0	-4,119.2	-432.3	-11,625.5
Intragroup operating costs	-306.0	-777.2	-41.2	-1,124.4
Operating profit before depreciation (EBITDA) and special items	**2,512.5**	**263.3**	**-73.4**	**2,702.3**
Share of profit/loss of associates and joint ventures	5.9	-0.3	0.0	5.6
Profit on disposal of non-current assets, net	0.6	5.0	1.4	7.0
Depreciation of ships and other non-current assets	-801.4	-100.9	-39.4	-941.7
Impairment losses on ships and other non-current assets	9.3	-0.8	0.0	8.5
Operating profit (EBIT) before special items	**1,727.1**	**166.3**	**-111.7**	**1,781.7**
Special items, net	-7.2	-13.1	-20.4	-40.7
Operating profit (EBIT)	**1,719.9**	**153.2**	**-132.1**	**1.741.0**
Financial items, net				-54.7
Profit before tax				**1,686.3**
Tax on profit				-68.3
Profit for the year				**1,618.0**
Total assets	9,839.0	2,155.0	1,314.5	13,308.4
Investments in associates and joint ventures	33.3	0.0	0.0	33.3
Capital expenditures of the year	615.0	159.4	57.1	831.5
Liabilities	2,299.4	308.4	4,086.9	6,694.7

2.1 Segment information (continued)

DKK million

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 3.1.5	0.0	0.0	13.5	13.5
Liabilities	1,855.8	216.2	4,247.7	6,319.7

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

	North sea	Baltic sea	English Channel	Continent	Nordic	UK/ Ireland	Mediter-ranean	Total
2017								
Revenue	5,051.5	1,411.3	2,250.8	1,904.7	1,918.1	1,320.2	471.3	14,327.8
Non-current assets	5,056.8	1,793.1	2,171.4	550.1	184.2	305.6	72.9	10,134.1
2016								
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

ACCOUNTING POLICIES

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

2.2 Revenue

DKK million	2017	2016
Seafreight and shipping logistics solutions	5,590.4	5,151.9
Transport solutions	5,002.5	4,752.5
Passenger seafare and on board sales	2,640.1	2,727.2
Terminal services	390.0	439.1
Charters	387.1	405.9
Agency and other revenue[1]	317.7	313.8
Total revenue	**14,327.8**	**13,790.4**

[1] *Includes net income of DKK 8m (2016: DKK 0) from a special French lease arrangement entered into during 2017 for the financing of two vessels (fully consolidated). The income will accrue over the expected duration of the arrangement, currently until January 2023.*

ACCOUNTING POLICIES

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.

2.3 Costs

DKK million	2017	2016
Ship operation and maintenance		
Ship cost	1,015.2	1,022.1
Charter cost	601.6	564.5
Bunker	1,272.1	999.0
Total ship operation and maintenance	**2,888.9**	**2,585.6**

ACCOUNTING POLICIES

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.

Ship cost comprise costs of sales related to catering and maintenance and daily running costs of ships. Charter cost comprises costs related to bareboat and time charter agreements. Bunker consumption includes hedging.

Freight handling and Transport solutions are related to land-based activities - such as stevedoring, terminal and haulage costs - as well as impairments and realised losses on trade receivables are included.

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

2.4 Employee cost

DKK million	2017	2016
Wages, salaries and remuneration	2,123.2	2,087.3
Hereof capitalised employee costs	-33.0	-43.3
Defined contribution pension plans	107.0	106.9
Defined benefit pension plans, reference is made to note 3.2.4	0.3	3.2
Other social security costs	246.8	239.7
Share based payment, reference is made to note 5.3	7.5	7.5
Other employee costs	209.0	206.6
Total employee costs	**2,660.7**	**2,607.9**
Full time equivalents (FTE), average	7,235	7,065

Reference is made to note 3.2.4 for detailed information on pension plans, note 5.1 for detailed information on remuneration of Management and note 5.3 for detailed information on the Group's share option schemes and shares held by the Management.

ACCOUNTING POLICIES

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.

2.5 Amortisation, depreciation and impairment losses for the year

DKK million	2017	2016
Amortisation and depreciation for the year:		
Software	33.8	23.4
Other non-current intangible assets	4.4	3.5
Land & Buildings	5.7	7.4
Terminals	29.4	33.1
Ships	745.3	760.8
Equipment	123.9	106.9
Total amortisation and depreciation for the year	**942.5**	**935.1**
Impairment losses for the year:		
Land & Buildings	0.0	0.1
Ships	-9.3 [2]	15.0 [1]
Total impairment	**-9.3**	**15.1**
Total amortisation, depreciation and impairment losses for the year	**933.2**	**950.2**

[1] *Write down of installations on two ships (DKK 7.5m on each ship). Reference is made to note 3.1.4.*
[2] *Partly reversal of write-down of installations on two ships by DKK 9.3m due to settlement. Reference is made to note 3.1.4.*

ACCOUNTING POLICIES

Amortisation and depreciation for the year are recognized based on the amortisation and depreciation profiles of the underlying assets. Reference is made to note 3.1.1 and 3.1.2.

2.6 Special Items

DKK million	2017	2016
Adjustment of estimated earn-out to the sellers regarding the acquisition of the route Hanko-Paldiski acquired in 2016 and Kapellskär-Paldiski acquired in 2011; the acquisition of Quayside Group in 2014 (earn-out settled in 2016) and the activities of Beltrin s.r.o. in Czech Republic in 2015 (earn-out settled in 2016)	13.7	-12.1
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	-20.4	-0.7
Cost and impairments related to closure of the freight terminal in Esbjerg	-20.9	0.0
Accounting loss and costs related to the divestment of DFDS Logistics' loss making reefer activities in Belfast	-13.1	0.0
Special items, net	**-40.7**	**-12.8**
If special items had been included in the operating profit before special items, they would have been recognised and have effect as follows:		
Employee costs	-39.5	-0.7
Cost of sales and administration	-13.2	0.0
Operating profit before depreciation (EBITDA) and special items	**-52.7**	**-0.7**
Amortisation, depreciation, and impairment losses on intangible - and tangible assets	-1.7	0.0
Financial income/costs	13.7	-12.1
Special items, net	**-40.7**	**-12.8**

ACCOUNTING POLICIES

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 organisational 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.

2.7 Tax

DKK million	2017	2016
Tax in the Income statement:		
Current tax	-26.2	-23.4
Current joint tax contributions	-0.4	-12.1
Movement in deferred tax for the year	-39.7	-36.6
Adjustment to corporation tax in respect of prior years	-0.4	16.1
Adjustment to deferred tax in respect of prior years	-0.3	-23.5
Effect of change in corporate income tax rate	0.2	-10.1
Write-down of deferred tax assets	-3.2	0.0
Reversal of write-down of deferred tax assets [1]	2.8	39.9
Tax for the year	**-67.2**	**-49.7**
Tax for the year is recognised as follows:		
Tax in the Income statement	-68.3	-39.3
Tax in Other comprehensive income	1.1	-10.4
Tax for the year	**-67.2**	**-49.7**
Tax in the income statement can be specified as follows:		
Profit before tax	1,686.3	1,587.6
Of this, tonnage taxed income	-1,477.5	-1,366.1
Profit before tax (corporate income tax)	**208.8**	**221.5**
22.0% tax of profit before tax	-45.9	-48.7
Adjustment of calculated tax in foreign subsidiaries compared to 22.0%	-7.6	-5.4
Tax effect of:		
Non-taxable/-deductible items [2]	-11.0	-3.4
Tax asset for the year, not recognised	-1.1	-1.9
Utilisation of non-capitalised tax assets	0.6	0.1
Other adjustments of tax in respect of prior years	-0.9	22.4
Corporate income tax	**-65.9**	**-36.9**
Tonnage tax	-2.4	-2.4
Tax in the Income statement	**-68.3**	**-39.3**
Effective tax rate (%)	4.0	2.5
Effective tax rate before adjustment of prior years' tax (%)	4.0	3.9
Tax in Other comprehensive income can be specified as follows:		
Corporate income tax	1.1	-10.4
Movement in deferred tax	0.0	0.0
Total tax in Other comprehensive income	**1.1**	**-10.4**

[1] *2016: DKK 37m relates to tax losses carry forward in the Netherlands.*
[2] *2017: Primarily related to interest restriction rules in DFDS A/S.*

2.7 Tax (continued)

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 2017, the Group realised an effective tax rate of 4.0% (2016: 3.9%) combined and 31.1% (2016: 26.8%) 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.

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.

DKK million

Deferred tax 2017	Ships	Land and buildings, terminals and other equipment	Provisions	Tax loss carried forward	Other	Total
Deferred tax at 1 January	169.1	13.1	-46.6	-39.8	0.7	96.5
Foreign exchange adjustments	-5.4	-0.2	1.5	0.9	0.0	-3.2
Impact from change in corporate income tax rate	0.0	-0.3	0.0	0.1	0.0	-0.2
Recognised in the Income statement	16.2	-3.2	0.7	27.3	-1.4	39.7
Adjustment regarding prior years recognised in the Income statement	0.0	5.4	-1.9	-2.4	-0.8	0.3
Write-down of deferred tax assets	0.0	0.1	0.0	3.2	0.0	3.2
Reversal of write-down of deferred tax assets	0.0	0.0	0.0	-2.8	0.0	-2.8
Deferred tax at 31 December	**179.9**	**14.9**	**-46.3**	**-13.6**	**-1.5**	**133.5**

DKK million

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**

DKK million	2017	2016
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (assets)	-63.6	-94.6
Deferred tax (liabilities)	197.1	191.2
Deferred tax at 31 December, net	**133.5**	**96.5**

The Group has unrecognised tax losses carried forward of DKK 89m with a tax value of DKK 18m (2016: tax losses of DKK 160m, tax value of DKK 35m). The change in unrecognised tax losses compared to 2016 is driven by the development in UK and Norway.

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 402m (2016: DKK 390m) 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.

2.7 Tax (continued)

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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 taxable income in the foreseeable future which usually is within 3-5 years. Assessment is performed annually on the basis of forecasts, business initiatives and likely structural changes for the coming years.

ACCOUNTING POLICIES

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 carrying amount 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.

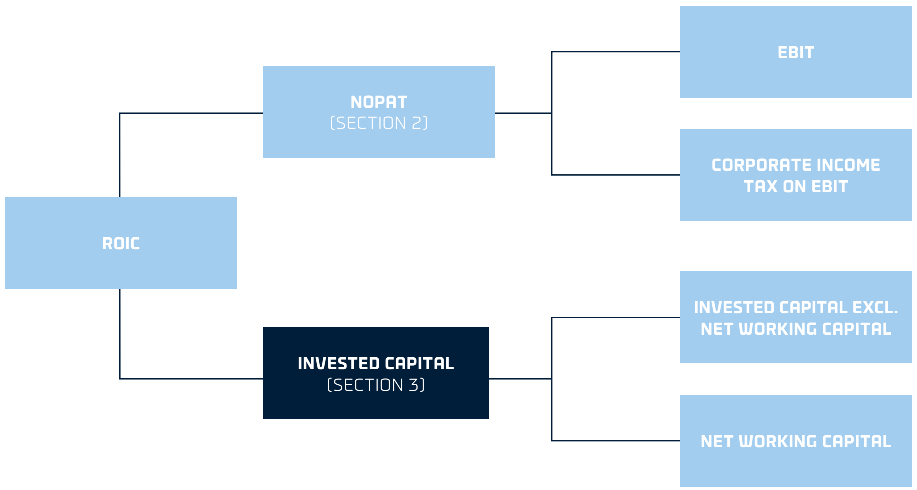
3. Invested Capital

Invested capital is a key component when calculating ROIC. Reference is made to section 2 for more details about ROIC.

The following section provides the notes of the main components that forms basis of the Invested capital being Non-current intangible and tangible assets and Net Working Capital being Net current assets (Non interest-bearing current assets minus Non interest-bearing current liabilities) minus Pension and Jubilee liabilities and Other provisions.

Furthermore, notes that are closely related to the Non-current intangible and tangible assets such as Impairment testing and Profit on disposal of non-current assets are also included in this section.

DKK million	Note	2017	2016
Invested capital excl. Net Working Capital:			
Non-current intangible assets	3.1.1	834.0	826.1
Non-current tangible assets	3.1.2	9,058.0	9,255.0
Investments in associates and joint ventures		33.3	28.6
Assets classified as held for sale	3.1.5	0.0	13.5
Invested capital excl. Net Working Capital		**9,925.3**	**10,123.2**
Net Working Capital:			
Receivables	3.2.1	2,001.7	1,773.4
Inventories	3.2.2	155.8	139.2
Prepaid costs		90.7	84.2
Derivatives, related to operating activities, financial assets measured at fair value	4.2	3.8	59.6
Derivatives, related to operating activities, financial liabilities measured at fair value	4.2	-62.4	-0.2
Pension and jubilee liabilities	3.2.4	-378.6	-460.2
Other provisions	3.2.5	-77.6	-122.0
Trade payables		-1,847.0	-1,722.3
Corporation tax		-23.8	-30.2
Other payables	3.2.3	-529.7	-500.3
Prepayments from customers		-159.3	-138.9
Net Working Capital		**-826.4**	**-917.7**
Invested capital		**9,098.9**	**9,205.5**
Average invested capital		**9,178.1**	**9,036.6**



3.1.1 Non-current intangible assets

DKK million

	Goodwill	Other non-current intangible assets	Software	Development projects in progress	Total
Cost at 1 January 2017	678.3	51.4	416.1	37.0	1,182.9
Foreign exchange adjustments	-9.5	-1.4	-0.1	0.0	-11.0
Addition on acquisition of enterprises/ previous period adjustments	6.3	-2.7	0.0	0.0	3.6
Additions	0.0	0.0	21.9	29.3	51.1
Transfers	0.0	0.0	51.6	-51.6	0.0
Cost at 31 December 2017	**675.1**	**47.4**	**489.5**	**14.8**	**1,226.7**
Amortisation and impairment losses at 1 January 2017	122.5	13.9	220.4	0.0	356.8
Foreign exchange adjustments	-1.9	-0.3	0.0	0.0	-2.2
Amortisation charge	0.0	4.4	33.8	0.0	38.2
Amortisation and impairment losses at 31 December 2017	**120.6**	**17.9**	**254.2**	**0.0**	**392.7**
Carrying amount at 31 December 2017	**554.5**	**29.4**	**235.3**	**14.8**	**834.0**

	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 5.5.
[2] Addition relates the acquisition of Haulage Shetland Ltd (DKK 9.4m) and acquisition of Italcargo Sweden AB (DKK 5.7m).

Recognised goodwill is attributable to the following cash generating units:

DKK million	2017	2016
Shipping:		
North Sea, Baltic Sea and France & Mediterranean	226.8	227.8
Logistics:		
Nordic [1]	66.9	65.0
Continent	150.2	151.4
UK & Ireland	110.6	111.6
Total	**554.5**	**555.8**

[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 3.1.4.

The carrying amount of completed software and development projects in progress primarily relates to a Passenger booking system, a Transport Management System to the Logistics Division, a procurement system, an onboard sales system and some digital products.

ACCOUNTING POLICIES

Non-current intangible assets
Generally the following applies unless otherwise stated:

- Assets are measured at cost less accumulated amortisation and impairment losses.
- The cost includes costs to external suppliers, materials and components, direct wages, salaries and interests paid as from the time of payment until the date when the asset is available for use.
- The basis for amortisation is determined as the cost less estimated residual value.
- The assets are amortised on a straight-line basis over the estimated useful life to the estimated residual value.
- The effect from changes in amortisation period or the residual value is recognised prospectively as a change in the accounting estimate.

3.1.1 Non-current intangible assets (continued)

ACCOUNTING POLICIES

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.

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 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.

3.1.2 Non-current tangible assets

DKK million

	Land and buildings	Terminals	Ships	Equipment etc.	Assets under construction and pre-payments	Total
Cost at 1 January 2017	192.9	829.7	14,193.3	1,294.1	135.9	**16,645.9**
Foreign exchange adjustments	-4.7	-7.4	-95.3	-11.2	-0.1	**-118.7**
Addition on acquisition of enterprises/previous period adjustments	0.0	0.0	0.0	-3.1	0.0	**-3.1**
Additions	6.8	0.9	37.7 [1]	189.1 [3]	545.4 [2]	**779.9**
Disposals	-9.1	-4.3	-243.4 [5]	-56.1	-0,1	**-313.1**
Transfers	-2.0	2.4	353.8 [4]	19.1	-373.3	**0.0**
Cost at 31 December 2017	**183.9**	**821.2**	**14,246.1**	**1,431.9**	**307.8**	**16,990.9**
Depreciation and impairment losses at 1 January 2017	31.1	319.1	6,289.3	751.5	0.0	**7,390.9**
Foreign exchange adjustments	-1.7	-4.8	-50.4	-11.3	0.0	**-68.1**
Depreciation charge	5.7	29.4	745.3	123.9	0.0	**904.3**
Reversal of impairment charge previous periods	0.0	0.0	-9.3 [6]	0.0	0.0	**-9,3**
Disposals	0.0	-2.9	-234.1 [5]	-48.0	0.0	**-285.0**
Depreciation and impairment losses at 31 December 2017	**35.1**	**340.9**	**6,740.7**	**816.2**	**0.0**	**7,932.9**
Carrying amount at 31 December 2017	**148.8**	**480.4**	**7,505.4**	**615.7**	**307.8**	**9,058.0**
Hereof assets held under finance leases	0.0	0.0	0.0 [1]	20.9	0.0	**20.9**

[1] Primarily related to addition of the two Channel ferries Côte des Dunes and Côte des Flandres, which DFDS acquired from Eurotunnel in June 2017. The two Channel ferries were held on a financial lease until the acquisition in June.
[2] Primarily related to addition of four new ships, where expected delivery is in the beginning of 2019 and beginning of 2020 and an upgrade of an existing ship, Calais Seaways.
[3] Primarily related to acquisition of new trailers and containers.
[4] Primarily related to upgrades of three ships DKK 71.9m, preparation of two new chartered ships DKK 18.4, dockings of ships DKK 221.0m and various other costs of DKK 42.5m.
[5] Related to dockings.
[6] Partly reversal of write-down of DKK 15.0m of installations on two ships in 2016. Reference is made to note 3.1.4.

3.1.2 Non-current tangible assets (continued)

DKK million

	Land and buildings	Terminals	Ships	Equip-ment 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	**2,025.2**
Disposals	-5.1	-1.9	-312.3	-131.7	0.0	**-450.9**
Transfers	45.7	10.7	1,535.8 [2]	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 5.5.*
[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 3.1.5.*
[4] *Write down of installations on two ships (DKK 7.5m on each ship). Reference is made to note 3.1.4.*
[5] *Relates to the two new Channel ferries Côte des Dunes and Côte des Flandres.*

On the basis of the impairment tests performed in 2017 there has been no impairment loss on ships (2016: DKK 0m). For further information regarding the impairment tests reference is made to note 3.1.4.

ACCOUNTING POLICIES

Generally the following applies unless otherwise stated:

- Assets are measured at cost less accumulated amortisation and impairment losses.
- The cost includes costs to external suppliers, materials and components, direct wages, salaries and 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.
- The basis for amortisation is determined as the cost less estimated residual value.
- The assets are 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 depreciation period or the residual value is recognised prospectively as a change in the accounting estimate.

3.1.2 Non-current tangible assets (continued)

ACCOUNTING POLICIES

Ships
The rebuilding/upgrade of ships is capitalised if the rebuilding/upgrade 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 expensed in the Income statement as incurred.

Docking costs are capitalised and depreciated on a straightline 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' or 'Special items' if the gain/loss is significant.

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/restaurants and shop areas.

Freight ships
The cost of freight ships is not divided into components as there is no material 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.

ACCOUNTING POLICIES

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.

3.1.3 Profit on disposal of non-current assets, net

DKK million	2017	2016
Gains and losses on disposal of intangible assets and property, plant and equipment	6.9	6.7
Gain on disposal of subsidiary	0.1	1.8
Total profit on disposal of non-current assets, net	**7.0**	**8.5**

ACCOUNTING POLICIES

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

3.1.4 Impairment testing

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 twelve 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.

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 2018 and business plans. Key parameters for the budget are trends in revenue, EBIT, 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 2018 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 2017 impairment test.

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 3.1.1.

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 recognised 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% (2016: 5.6%), 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:

	2017	2016
Shipping	7.7% - 9.2%	7.3% - 8.8%
Logistics	8.5% - 12.0%	8.4% - 11.9%

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 8.2% (2016: 7.8%) in 'North Sea, Baltic Sea and France & Mediterranean', 8.8% (2016: 8.9%) in 'Continent' and 8.5% (2016: 8.7%) 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.

3.1.4 Impairment testing (continued)

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.

Impairment tests 2017
On the basis of the impairment tests prepared at year end 2017 it is not deemed necessary to impair any of the cash-generating units in 2017 nor reverse any impairment losses recognised in prior years.

However, the write-down of DKK 15.0m made in 2016 has been partly reversed in 2017 by DKK 9.3m as an agreement was concluded with the owners of the two chartered ships where the equipment is installed. The reversed write-down is recognised under 'Amortisation, depreciation and impairment losses on intangible- and tangible assets'.

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 'Amortisation, depreciation and Impairment losses on intangible- and tangible assets'.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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, EBIT margin, future investments and growth expectations. These parameters are based on estimates of the future, which are inherently uncertain.

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.

ACCOUNTING POLICIES

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 at year-end. Additional impairment tests are performed, if indications of impairment occur in the period between the annual impairment tests.

3.1.5 Assets classified as held for sale

2017
During 2017 the former Norfolkline domicile in Scheveningen, with a carrying amount of DKK 13.5m, was sold. This resulted in an accounting gain of DKK 1.1m, which has been recognised under Profit on disposal of non-current assets, net in the Income Statement. At 31 December 2017 there are no assets presented as Assets classified as held for sale.

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.

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.

3.2.1 Receivables

DKK million	2017	2016
Other non-current receivables[1]	135.7	24.8
Total non-current receivables	**135.7**	**24.8**
Trade receivables	1,687.5	1,602.2
Receivables from associates and joint ventures	74.1	52.2
Corporation tax and joint taxation contribution, receivable, reference is made to note 2.7	5.0	4.9
Other receivables and current assets[2]	124.2	114.3
Total current receivables	**1,890.8**	**1,773.6**
Total current and non-current receivables[3]	**2,026.5**	**1,798.4**

[1] *In June 2017 DFDS acquired two channel ferries from Eurotunnel. DFDS paid an additional amount of DKK 111.1m which is now subject to arbitration due to a disagreement concerning the purchase price. DFDS is confident to be successful in the arbitration and has thus recognised the amount as a receivable.*
[2] *Hereof EU Grant of DKK 2m (2016: DKK 14m).*
[3] *Hereof interest bearing part of Receivables DKK 24.8m (2016: DKK 24.9m)*

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 2017 (2016: none). The collateral consists of bank guarantees with a fair value of DKK 10.0m (2016: DKK 9.5m).

DKK million	2017	2016
Receivables that are past due, but not impaired:		
Days past due:		
Up to 30 days	250.9	243.8
31-60 days	28.1	33.9
61-90 days	9.2	12.5
91-120 days	3.4	4.8
More than 120 days	5.4	0.0
Past due, but not impaired	**297.0**	**295.0**

DKK million	2017	2016
Movements in write-downs, which are included in the trade receivables:		
Write-downs at 1 January	46.9	66.7
Foreign exchange adjustment	-0.4	-0.9
Addition on acquisition of enterprises	0.0	0.2
Write-downs	12.8	12.7
Realised losses	-6.9	-4.2
Disposal of enterprises	0.0	-0.2
Reversed write-downs	-7.2	-27.4
Write-downs at 31 December	**45.2**	**46.9**

Age distribution of write-downs:		
Days past due:		
Up to 30 days	4.6	2.3
31-60 days	0.6	0.3
61-90 days	0.5	0.0
91-120 days	1.6	0.6
More than 120 days	37.9	43.7
Write-downs at 31 December	**45.2**	**46.9**

Write-downs and realised losses are recognised in ship operation and maintenance 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.

ACCOUNTING POLICIES

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.

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

3.2.2 Inventories

DKK million	2017	2016
Bunker	74.6	65.6
Goods for sale	82.7	76.0
Impairment of inventories end of year	-1.5	-2.4
Total inventories	**155.8**	**139.2**

The change in inventory write-downs for the year is DKK 0.9m (2016: DKK 1.6m)

ACCOUNTING POLICIES

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.

3.2.3 Other payables

DKK million	2017	2016
Holiday pay obligations, etc,	356.1	335.9
Public authorities (VAT, duty, etc.)	73.9	64.0
Other payables	53.7	66.9
Payables to associates and joint ventures	40.1	28.4
Accrued interests	5.9	5.1
Total other payables	**529.7**	**500.3**

ACCOUNTING POLICIES

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; accrued interest expenses; amounts owed in relation to defined contribution pension plans etc.

3.2.4 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 the Group has defined benefit plans. In addition there are minor defined benefit plans in the Netherlands, Norway, Belgium, Italy, Germany, Denmark and Sweden. The United Kingdom account for 92.6% (2016: 93.8%) of the total net liability and 80.8% (2016: 81.4%) of the funded and unfunded obligation. 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 the pension company 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 4.2m in 2017 (2016: DKK 3.9m). The collective funding ratio at Alecta amounts to 158% as per September 2017 (September 2016: 142%). For 2018 the contributions are expected to be DKK 4.7m. DFDS' share of the multi-employer plan is around 0.009% and the liability follows the share of the total plan.

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

DKK million	2017	2016
Present value of funded defined benefit obligations	1,404.4	1,449.7
Fair value of plan assets	-1,058.3	-1,021.9
Funded defined benefit obligations, net	**346.1**	**427.9**
Present value of unfunded defined benefit obligations	13.5	14.3
Recognised liabilities for defined benefit obligations	**359.6**	**442.2**
Provision for jubilee liabilities	19.0	18.0
Total actuarial liabilities, net	**378.6**	**460.2**

3.2.4 Pension and jubilee liabilities (continued)

DKK million	2017	2016
Movements in the net present value of funded and unfunded defined benefit obligations		
Funded and unfunded obligations at 1 January	1,464.1	1,360.4
Foreign exchange adjustments	-40.6	-151.4
Current service costs	0.3	3.0
Interest costs	31.2	41.3
Actuarial gain(-)/loss(+) arising from changes in demographic assumptions	-38.8	0.6
Actuarial gain(-)/loss(+) arising from changes in financial assumptions	49.2	277.2
Past service costs	0.0	-0.6
Benefits paid	-47.4	-41.5
Employee contributions	0.0	0.2
Disposal of enterprises	0.0	-0.3
Settlements and curtailments	0.0	-24.9
Funded and unfunded obligations at 31 December	**1,417.9**	**1,464.1**
Movements in the fair value of the defined benefit plan assets		
Plan assets at 1 January	-1,021.9	-1,015.4
Foreign exchange adjustments	26.3	106.0
Calculated interest income	-20.3	-30.4
Return on plan assets excluding calculated interest income	-72.4	-129.3
Costs of managing the assets	4.1	4.1
Administration costs paid from the plan assets	0.0	0.4
Employer contributions	-20.2	-22.5
Employee contributions	0.0	-0.2
Benefits paid	46.0	39.7
Settlements and curtailments	0.0	25.7
Plan assets at 31 December	**-1,058.3**	**-1,021.9**
Expenses recognised as employee costs in the Income statement:		
Current service costs	0.3	3.0
Past service costs	0.0	-0.6
Gain (-)/loss(+) on settlements and curtailments	0.0	0.8
Total included in employee costs regarding defined benefit plans	**0.3**	**3.2**

DKK million	2017	2016
Expenses included in administration costs:		
Administration costs paid from the plan assets	0.0	0.4
Total included in administration costs regarding defined benefit plans	**0.0**	**0.4**
Expenses recognised as financial costs in the Income statement:		
Interest costs	31.2	41.3
Interest income	-20.3	-30.4
Total included in financial costs regarding defined benefit plans	**10.9**	**10.9**
Total expenses for defined benefit plans recognised in the Income statement	**11.2**	**14.4**
Expenses recognised in Other comprehensive income:		
Remeasurements of plan obligations	10.4	277.8
Remeasurements of plan assets	-68.3	-125.2
Total included in Other comprehensive income regarding defined benefit plans	**-57.9**	**152.6**
Plan assets consist of the following:		
Listed shares (of this no DFDS A/S shares)	0.2	0.2
Corporate bonds	2.7	3.0
Cash and cash equivalents	9.4	1.2
Real estate	0.4	0.5
Blended investment funds [1]	804.1	775.7
Other assets (primarily insured plans)	241.5	241.3
Total plan assets	**1,058.3**	**1,021.9**

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

3.2.4 Pension and jubilee liabilities (continued)

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:

2017	United Kingdom	Others	Weighted average [1]
Discount rate	2.5%	0.5%-2.5%	2.4%
Social security rate [2]	0.0%	0.0%-2.3%	0.3%
Future salary increase [2]	0.0%	0.0%-4.5%	0.4%
Future pension increase	3.4%	0.0%-3.4%	2.8%
Inflation	2.6%	0.0%-2.6%	2.4%

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

[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%.*

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.

DKK million	**2017**	**2016**
Sensitivity analysis		
Reported obligation 31 December	1,417.9	1,464.1
Discount rate -0.5% point compared to assumptions	1,576.1	1,630.3
Discount rate +0.5% point compared to assumptions	1,280.5	1,320.5
Salary increase -0.5% point compared to assumptions	1,416.2	1,465.0
Salary increase +0.5% point compared to assumptions	1,419.7	1,468.5
Mortality -1 year compared with used mortality tables	1,353.8	1,411.4
Mortality +1 year compared with used mortality tables	1,470.6	1,518.1

Weighted average duration on the liabilities end of 2017 is 18.6 years (2016: 19.6 years).

The Group expects to make a contribution of DKK 20.9m to the defined benefit plans in 2018. The expected contribution for 2017 was DKK 24.4m, which turned out to be DKK 21.6m.

DKK million		
Maturity analysis of the obligations	**2017**	**2016**
0-1 year	26.9	27.6
1-5 years	127.5	148.0
After 5 years	1,263.5	1,288.5
Total obligations	**1,417.9**	**1,464.1**

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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.

ACCOUNTING POLICIES

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 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. 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 employee obligations include jubilee benefits, etc.

3.2.5 Other provisions

DKK million	2017	2016
Other provisions at 1 January	122.0	117.5
Foreign exchange adjustments	-0.5	-2.2
Addition from acquisition of enterprises	0.0	42.2
Provisions made during the year	10.3	26.4
Increase of discounted amounts arising from the passage of time	1.0	2.4
Used during the year	-40.4	-63.1
Reversal of unused provisions	-14.9	-1.2
Other provisions at 31 December	**77.6**	**122.0**
Other provisions are expected to be payable in:		
0-1 year	35.1	67.1
1-5 years	23.7	37.4
After 5 years	18.8	17.5
Other provisions at 31 December	**77.6**	**122.0**

Of the Group's provision of DKK 77.6m (2016: DKK 122.0m), DKK 12.9m (2016: DKK 10.3m) is estimated redelivery provision regarding leased operating equipment. DKK 30.2m (2016: DKK 78.4m) is estimated net present value of earn-out agreements regarding acquisitions and DKK 34.5m (2016: DKK 33.3m) is other provisions.

ACCOUNTING POLICIES

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 the obligation 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.

4. Capital structure and finances

This section shows how the activities of DFDS are financed. DFDS targets a financial leverage ratio between 2.0 and 3.0, where the ratio is measured as Net Interest-Bearing Debt to Operating profit before depreciation, amortisation and impairment losses.

The following section provides the notes of the main components that form basis of the Net Interest-Bearing Debt. Furthermore, the section includes information on Financial and operational risks, Financial instruments, Treasury shares and Earnings per share.

DKK million	Note	2017	2016
Interest-bearing liabilities	4.5	3,275.5	3,008.8
Derivative financial instruments, related to interest-bearing activities, net	4.2	143.7	145.6
Receivables, interest-bearing	3.2.1	-24.8	-24.9
Securities		-9,5	-9.5
Cash		-1,033.2	-695.6
Net Interest-Bearing Debt (NIBD)		**2,351.6**	**2,424.4**
Operating profit before depreciation (EBITDA) and special items		**2,702.3**	**2,588.2**
Financial leverage ratio (NIBD/EBITDA, times)		**0.9**	**0,9**

4.1 Financial and operational risks

DFDS' risk management policy
DFDS' risk management policy is governed by the DFDS Financial Policies and Strategies document, which is approved by the Board of Directors on an annual basis. The intention of the Financial Policies and Strategies is to manage the financial risks attached to operational and financial activities. DFDS does not enter into active speculation in financial risks. The most important financial risk factors for DFDS are 1) bunker price, 2) interest rate, 3) currency exchange, 4) liquidity and 5) credit. DFDS also manages its capital structure as described below.

Bunker risks
The cost of bunker fuel constitutes a specific and significant risk partly due to large fluctuations in bunker prices and USD and partly due to the total annual bunker costs of approximately DKK 1,272m or 8.9% of the Group's revenue in 2017 (2016: DKK 999m or 7.2% of the Group's revenue).

An increase in the bunker price of 10% compared to the actual bunker price during 2017 would, other things being equal, have increased bunker cost payments by DKK 13.2m for the Group in 2017 (2016: DKK 14.1m). A decrease in the bunker price would have had a similar positive effect.

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. DFDS 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 2.7m (2016: DKK 4.6m). A decrease in the bunker price would have had a similar negative effect.

Interest rate risks
DFDS is primarily exposed to interest rate risks through the loan portfolio and DFDS seeks to limit the negative effects from interest rate fluctuations. The DFDS strategy is 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) amounts to DKK 2,352m at year-end 2017 (2016: DKK 2,424m), of which debt with a fixed-rate amounts to DKK 1,140m at year-end 2017 (2016: DKK 1,281m.) The share of debt with fixed-rate is 40% at year-end 2017 (2016: 50%) including the effect of all interest rate swaps. When including the long-term charter agreements the share of debt with fixed-rate increases to 57% (2016: 55%).

An increase in the interest rate of 1%-point compared to the actual interest rates during 2017 would, other things being equal, have increased net interest payments by DKK 16.1m for the Group in 2017 (2016: DKK 10.2m). A decrease in the interest rates of 1%-point would have reduced the net interest payment by DKK 14.3m (2016: 10.2m)

The Group's total interest-bearing debt primarily consists of floating rate mortgages with security in the ships, unsecured corporate bonds and revolving facilities. The debt portfolio had an average time to maturity of 5.2 years (2016: 4.2 years). As part of the financial strategy, interest rate swaps with a principal amount totalling DKK 313m (2016: DKK 312m) 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 2 years (2016: 1.3 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 7.6m (2016: DKK 11.6m). A decrease would have had a similar negative effect.

Currency risks
Currency risks are monitored continuously to ensure compliance with the DFDS Financial Policies and Strategies. DFDS aims to actively reduce currency exposure by matching the currency positions and by directing all currency balance positions towards the Parent Company, DFDS A/S. The Group uses forward exchange contracts and currency swaps to hedge forecasted transactions in foreign currencies.

Approximately 87% of DFDS' revenues in 2017 were invoiced in foreign currencies (2016: 89%) with the most substantial net income being generated in EUR, SEK, GBP and NOK. USD was the most substantial net expense currency.

EUR is considered as minor risk bearing due to Denmark's fixed exchange rate policy. USD risk is reduced by entering into forward exchange contracts in connection with hedging of future bunker consumption and payments on shipbuilding contracts. The expected future cash flow in other currencies than USD is currently not hedged as they are within the limits accepted in the Financial Policy. The commercial currency cash flow is defined as the Group's consolidated net currency cash flows from revenue and operational costs and the table below shows the impact on the Group's operating profit from changes in the foreign exchange rate.

Commercial currency cash flow risk

DKK million	2017	2016
SEK, profit or loss effect, 10% strengthening	51.7	32.4
NOK, profit or loss effect, 10% strengthening	11.5	18.3
GBP, profit or loss effect, 10% strengthening	-3.0	1.9
USD, profit or loss effect, 10% strengthening	-13.4	-14.1

The Group's most significant currency balance positions are in EUR, SEK, GBP, NOK and USD relating to cash holdings, debt and investments. Changes in exchange rates at a given balance sheet date, will have currency gain/loss reported under financial items in the profit & loss statement and hence impact the Group equity. A strengthening of SEK, GBP, NOK and USD, as indicated below, against the DKK at 31 December 2017 balances, would have increased/decreased financial items in the income statement by the amounts presented below.

Currency balance risk

DKK million	2017	2016
SEK, equity and profit /loss effect, 10% strengthening	12.2	-3.6
GBP, equity and profit /loss effect, 10% strengthening	13.8	3.6
NOK, equity and profit / loss effect, 10% strengthening	2.6	1.8
USD, equity and profit /loss effect, 10% strengthening	-2.4	-10.2
USD, equity effect, 10% strengthening [1]	121.9	74.9

[1] *Change in fair value of FX forwards related to ships and future bunker consumption only affecting the equity. The development from 2016 to 2017 is affected by new forward exchange contracts related to investments in new ships.*

In addition to currency risks arising from operations, the need to translate foreign currency Financial Statements of subsidiaries into DKK in order to prepare Consolidated Financial Statements also represents a risk. The Group's most substantial translation risks are in SEK, GBP and NOK. The impact on net profit from an increase of the average exchange rates in 2017 is outlined in below table.

4.1 Financial and operational risks (continued)

DKK million	2017	2016
Translation risk		
SEK, equity and profit /loss effect, 10% strengthening	7.5	2.5
GBP, equity and profit /loss effect, 10% strengthening	0.4	2.7
NOK, equity and profit / loss effect, 10% strengthening	15.5	4.2

Liquidity risks
DFDS' policy is to secure adequate liquidity to meet financial and operational payment obligations by maintaining a minimum cash resource of DKK 400m. The cash resource at 31 December 2017 is DKK 2,633m (2016: DKK 2,296m), of which undrawn credit facilities amounts to DKK 1,600m (2016: DKK 1,600m).

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

DKK million

2017	0-1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial assets				
Cash	1,033.2	0.0	0.0	0.0
Trade receivables	1,687.5	0.0	0.0	0.0
Receivables from associates and joint ventures	74.1	0.0	0.0	0.0
Other receivables and current assets	124.2	111.3	24.4	0.0
Non-derivative financial liabilities				
Mortgages on ships	-172.7	-337.1	-325.1	-767.3
Issued corporate bonds	-149.1	-529.5	-967.9	0.0
Bank loans	-75.8	-97.7	-94.8	0.0
Other interest-bearing debt	-1.5	0.0	-24.4	0.0
Financial lease liabilities [1]	-3.4	-1.6	0.0	0.0
Trade payables	-1,847.0	0.0	0.0	0.0
Payables to associates and joint ventures	-40.1	0.0	0.0	0.0
Other payables	-53.7	0.0	0.0	0.0
Derivative financial assets				
Bunker contracts	3.8	0.0	0.0	0.0
Derivative financial liabilities				
Interest swaps	-2.5	-3.9	-1.7	0.0
Forward exchange contracts and currency swaps	-111.1	-29.9	-56.9	0.0
	465.9	**-888.4**	**-1,446.4**	**-767.3**

[1] *Eurotunnel has in June 2017 exercised their option to sell the two previsouly chartered ships Côte des Dunes and Côte des Flandres to DFDS.*

DKK million

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
	-290.3	**-1,500.1**	**-295.6**	**-511.5**

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

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 all 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 10.0m in 2017 (2016: DKK 9.5m), the fair value of the bank guarantees is DKK 10.0m (2016: DKK 9.5m).

4.1 Financial and operational risks (continued)

DFDS has credit risk with its financial counterparties when placing excess liquidity and entering into hedging contracts with these. Based on credit ratings from international credit rating agencies, monitored on a systematic and current basis, DFDS sets an upper limit for exposure for each financial counterpart. These limits are approved by the Board of Directors.

Capital structure
Capital distribution to shareholders is based on a target leverage of a NIBD/EBITDA multiple between 2.0 and 3.0. At year-end 2017 the NIBD/EBITDA multiple was 0.9 (2016: 0.9).

Dividend is paid semi-annually to facilitate a faster return of capital to shareholders and to align payments with DFDS' seasonal cash flow that peaks during the third quarter, the high season for passenger travel. After distribution of dividend, excess capital is determined based on the leverage target, including future investment requirements, and distibuted through share buybacks.

The Board of Directors proposes to the 2018 annual general meeting (AGM) a dividend of DKK 4.00 (2017: DKK 3.00). In addition, the Board of Directors plan to distribute an extraordinary dividend of DKK 7.00 (2017: DKK 7.00) in August 2018.

At year-end 2017, the Group´s cost of capital (WACC) was calculated at 5.5% (2016: 6.0%) and the return on invested capital (ROIC) before special items was 19.0% (2016: 17.8%).

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 2017 the NIBD/EBITDA multiple was 0.9 (2016: 0.9).

DKK million

2017				**Expected timing of recycling to profit and loss 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	312.7	-2.6	-3.8	-1.6	0.0	-8.1
Goods purchased	Oil contracts for forward delivery (tons)	0-1 years	22.6	3.8	0.0	0.0	0.0	3.8
Bond loans	Currency Swaps	0-5 years	1,358.4	-0.4	0.0	-4.0	0.0	-4.4
Ship investments[1]	Forward exchange contracts	0-2 years	1,223.7	-29.2	-29.9	0.0	0.0	-59.2
Sales and goods purchased	Forward exchange contracts	0-2 years	24.3	-0.3	-0.2	0.0	0.0	-0.5
				-28.8	**-34.0**	**-5.6**	**0.0**	**-68.4**

DKK million

2016				**Expected timing of recycling to profit and loss 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 instruments used to hedge ship investments the recycling from equity will be recognised under non-current tangible assets.*

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.

4.2 Information on financial instruments

DKK million	**2017**	**2016**
Carrying amount per category of financial instruments		
Derivatives, related to operating activities, financial assets measured at fair value	3.8	59.6
Loans, receivables and cash, assets measured at amortised cost	3,041.9	2,489.0
Financial assets available for sale	9.5	9.5
Derivatives, related to operating activities, financial liabilities measured at fair value	-62.4	-0.2
Derivatives, related to interest-bearing activities, financial liabilities measured at fair value	-143.7	-145.6
Financial liabilities measured at amortised cost	-5,652.1	-4,831.4
Total	**-2,803.0**	**-2,419.1**

4.2 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.

DKK million

2017	Level 1	Level 2	Level 3
Derivatives, financial assets	0.0	3.8	0.0
Derivatives, financial liabilities	0.0	-206.0	0.0
Total	**0.0**	**-202.2**	**0.0**

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) [1]	0.0	0.0	13.5
Derivatives, financial liabilities	0.0	-145.8	0.0
Total	**0.0**	**-86.3**	**13.5**

[1] *Assets held for sale (non-recurring fair value measurement) comprised the former Norfolkline domicile in Scheveningen which has been sold in Q1 2017. Reference is made to note 3.1.5 for further information on assets held for sale.*

Derivative financial assets and liabilities are all measured at level 2. Reference is made to note 4 .1 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 (2016: DKK 9.5m). 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 2016 the 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.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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.

ACCOUNTING POLICIES

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.

4.3 Changes in liabilities arising from financing activities

The table below discloses the cash as well as non-cash changes in interest-bearing liabilities and derivative financial instruments related to issued corporate bonds. The changes arising from cash flows form part of the cash flows from financing activities in the Statement of cash flows.

DKK million			Non-cash changes				
	31 Dec. 2016	**Cash flows**	**Additions from acquisitions/ previous period adjustments**	**Foreign exchange movements**	**Fair value changes**	**Other changes**	**31 Dec. 2017**
Changes in 2017							
Interest-bearing liabilities:							
Mortgage on ships	856.6	560.4		1.3		2.1	1,420.4
Issued corporate bonds	1,071.3	558.8		-70.7		7.7	1,567.0
Financial lease liabilities	774.4	-776.5 [1]	4.1	2.8			4.8
Bank loans	277.7	-20.8		0.4		0.2	257.5
Other liabilities	28.9	-2.8		-0.1		-0.1	25.9
	3,008.8	319.0	4.1	-66.2	-	9.8	3,275.5
Derivatives financial instruments:							
Derivatives related to issued corporate bonds	134.9	-73.2			73.8		135.6
Total liabilities from financing activities	**3,143.7**	**245.8** [1]	**4.1**	**-66.2**	**73.8**	**9.8**	**3,411.1**

[1] Includes DKK -739.5m which in the Statement of cash flows is presented under Investing activities as the payment relates to exercise of a put option requiring DFDS to purchase the two Channel ferries Côte des Dunes and Côte des Flandres previously held under finance lease.

4.4 Financial income and costs

DKK million	**2017**	**2016**
Financial income		
Interest income from banks, etc.	4.0	2.4
Realised gain on securities (transferred from equity)[1]	0.0	25.3
Foreign exchange gains, net[2]	20.1	25.0
Other dividends	2.8	3.2
Other financial income	0.1	0.1
Total financial income	*27.0*	*56.0*
Financial costs		
Interest expense to banks, credit institutions, corporate bonds, etc.	-63.9	-67.1
Defined benefit pension plans, reference is made to note 3.2.4	-10.9	-10.9
Other financial costs	-11.2	-21.5
Transfer to assets under construction[3]	4.3	0.4
Total financial costs	*-81.7*	*-99.1*
Financial items, net	**-54.7**	**-43.1**

[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 2017 amounts to DKK 250m (2016: DKK 277m) and foreign exchange losses amounts to DKK 230m (2016: DKK 252m) for the Group.
[3] Interest capitalised on four newbuildings (2016: two newbuildings). The interest was calculated by using a general interest rate of approximately 2.11% - 4.08% p.a (2016: 3.99% - 4.08% p.a.)

Except for interest income relating to interest swap agreements of DKK 2.4m (2016: DKK 0.5m) 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, premium on bond repurchase and an income of DKK 10m from a settlement with a former bunker supplier's bankrupcy estate.

ACCOUNTING POLICIES

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.

4.5 Interest-bearing liabilities

DKK million	2017	2016
Mortgage on ships	1,278.2	771.3
Issued corporate bonds	1,442.1	1,071.3
Financial lease liabilities[1]	1.5	2.1
Bank loans	185.4	231.4
Other non-current liabilities	24.4	24.9
Total interest-bearing non-current liabilities	**2,931.6**	**2,100.9**
Mortgage on ships	142.2	85.3
Issued corporate bonds	124.9	0.0
Financial lease liabilities[1]	3.3	772.3
Bank loans	72.1	46.3
Other current liabilities	1.5	4.0
Total interest-bearing current liabilities	**343.9**	**907.9**
Total interest-bearing liabilities	**3,275.5**	**3,008.8**

[1] *Eurotunnel has in June 2017 exercised their option to sell the two previsouly chartered Channel ships Côte des Dunes and Côte des Flandres to DFDS.*

In 2017 DFDS has issued a five-year corporate bond of NOK 1,250m, which run for the period 28 September 2017 until 28 September 2022. The bond is listed on the Oslo Stock Exchange. The five-year bond has been issued with a floating rate based on three month NIBOR + 1.32% margin in NOK, but swaped to CIBOR + 0.99% margin in DKK.

The fair value of the interest-bearing liabilities amounts to DKK 3,435.4m (2016: DKK 3,097m). 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 2017 and 2016, respectively.

DKK 596m of the interest-bearing liabilities in the Group fall due after five years (2016: DKK 476m). 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.

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 2017 and 2016, respectively.

Reference is made to note 4.1 for financial risks, etc.

DKK million	2017	2016
Allocation of currency, principal nominal amount		
DKK	958.6	993.6
EUR	1,243.1	1,432.7
NOK	1,067.5	572.1
GBP	3.6	10.4
SEK	2.7	0.0
Total interest-bearing liabilities	**3,275.5**	**3,008.8**

ACCOUNTING POLICIES

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.

4.6 Equity

ACCOUNTING POLICIES

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.

4.7 Treasury shares

Number of shares	2017	2016
Treasury shares at 1 January	2,946,498	2,174,610
Acquisition of treasury shares	3,030,754	3,361,898
Disposal of treasury shares due to exercise of share options	-628,365	-1,090,010
Cancellation of treasury shares	-3,000,000	-1,500,000
Treasury shares at 31 December	**2,348,887**	**2,946,498**
Market value of treasury shares at 31 December, DKK million	778.2	950.5

In accordance with the Annual General Meeting in March 2017 the Board of Directors is authorised – until 21 March 2022 – 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 2017 acquired treasury shares for a total payment of DKK 1,105.8m (2016: DKK 914.1m). Furthermore, DFDS A/S has during 2017 disposed treasury shares for a total consideration of DKK 55.3m (2016: DKK 64.2m) in connection with employees' exercise of share options.

The Parent Company's holding of treasury shares at 31 December 2017 is 2,348,887 shares of DKK 20 each (2016: 2,946,498 shares), corresponding to 4.12% (2016: 4.91%) 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 2017 it was decided to cancel 3,000,000 of the treasury shares. This resulted in a reduction of the Company's share capital by nominally DKK 60,000,000. The cancellation had legal effect from 21 April 2017.

4.8 Earnings per share

	2017	2016
Profit for the year (DKK million)	1,618.0	1,548.3
Attributable to non-controlling interests (DKK million)	-1.3	-0.2
Attributable to DFDS Group	**1,616.7**	**1,548.1**
Weighted average number of issued ordinary shares	57,904,110	60,540,984
Weighted average number of treasury shares	-2,309,680	-2,400,114
Weighted average number of circulating ordinary shares	55,594,430	58,140,870
Weighted average number of share options issued	476,251	603,161
Weighted average number of circulating ordinary shares (diluted)	**56,070,681**	**58,744,031**
Basic earnings per share (EPS) of DKK 20 in DKK	29,08	26.63
Diluted earnings per share (EPS-D) of DKK 20 in DKK	28,83	26.35

When calculating diluted earnings per share for 2017, 137,396 share options (2016: No share options) have been omitted as they are out-of-the-money, but potentially the share options might dilute earnings per share in the future.

5. Other notes

5.1 Remuneration to the Executive Board, Board of Directors, Audit Committee and Nomination Committee

DKK million	2017	2016
Remuneration to the Executive Board:		
Wages and salaries	11.0	10.2
Bonus	6.4	8.2
Defined contribution pension plans	1.1	1.0
Share based payment	3.6	3.5
Other employee costs	0.6	0.6
Total remuneration to Executive Board	**22.7**	**23.5**
Remuneration to the Board of Directors, Audit Committee and Nomination Committee		
Chairman	0.9	0.8
Deputy chairmen	0.6	0.6
Other members of the Board of Directors	2.3	2.2
Total remuneration to the Board of Directors, Audit Committee and Nomination Committe	**3.8**	**3.6**

Remuneration to the chairperson of the Audit Committee is DKK 200k (2016: DKK 100k) and remuneration to other members of the Audit Committee is DKK 100k (2016: DKK 50k) each. Remuneration to each of the three members of the Nomination Committee is DKK 50k (2016: DKK 0k). 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.

5.2 Fees to Auditors appointed at the Annual General Meeting

DKK million	2017	2016
Audit fees	5.2	5.7
Other assurance engagements	0.3	0.4
Tax and VAT advice	0.8	1.4
Non-audit services	0.0	1.4
Total fees	**6.3**	**8.9**

5.3 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 1.4% of the share capital (2016: 2.2%) 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 and 2017 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.

2017	Executive Board Number	Leading employees Number	Resigned employees Number	Total	Average exercise price per option DKK
Outstanding at 1 January	626,552	668,261	1,110	1,295,923	107.53
Granted during the year	64,815	72,581	0	137,396	390.00
Exercised during the year	-309,515	-317,740	-1,110	-628,365	88.03
Outstanding at 31 December	**381,852**	**423,102**	**0**	**804,954**	**210.43**
Of this exercisable at the end of the year	0	14,575	0	14,575	74.27
2016					
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

The share options granted in 2017 had a fair value of DKK 7.4m (2016: DKK 7.6m), equal to an average fair value per option of DKK 54.00 (2016: DKK 33.74).

5.3 Share options (continued)

628,365 share options have been exercised during 2017 (2016: 1,090,010). The average weighted market price per share exercised in 2017 is DKK 358.18 (2016: DKK 236.30).

Vesting of share options is expensed in the Income statement for 2017 with DKK 7.5m (2016: DKK 7.5m). The calculated fair values are based on the Black-Scholes formula for measuring share options. The outstanding options at 31 December 2017 have an average weighted time to maturity of 1.6 years (2016: 1.8 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
2017	390.00	377.40	28.66%	-0.56%	8.00	3 years	54.00
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

The expected volatility for 2013 to 2016 is based on the historic volatility for the past 4 years. The expected volatility for 2017 is based on the historic volatility for the past 3 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.

552 jubilee shares have been exercised during 2017 (2016: nil). The average weighted market price per share exercised in 2017 is DKK 337.50. Vesting of share options is expensed in the Income statement for 2017 with DKK 20.4m (2016: DKK 0.7m).

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

ACCOUNTING POLICIES

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 above in this note. 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.

5.4 Cash flow

DKK million	2017	2016
Non-cash operating items		
Change in provisions	9.1	2.3
Change in write-down of inventories for the year	-0.9	-1.6
Change in provision for defined benefit plans and jubilee obligations	3.2	6.1
Vesting of share option plans expensed in the Income statement	7.5	7.5
Non-cash operating items	**18.8**	**14.3**
Change in working capital		
Change in inventories	-15.7	-26.9
Change in receivables	-98.2	36.3
Change in current liabilities	156.4	159.0
Change in working capital	**42.5**	**168.4**
Change in other financial loans, net		
Proceed from other financial loans	-54.2	0.0
Instalments and repayments of other financial loans	30.6	-47.0
Change in other financial loans, net	**-23.6**	**-47.0**

ACCOUNTING POLICIES

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 related to pensions and other provisions, 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.

5.5 Acquisitions and sale of enterprises, activities and non-controlling interests

On 3 January 2018 the acquisition of the Dutch company Alphatrans Group BV headquartered in Rotterdam 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 Holding B.V. and the acquired company is after the acquisition included in the Continent Business Unit.

Even though the acquisition of Alphatrans is not consolidated in the Consolidated Financial Statements for 2017, it is still required to disclose the acquisition in the notes.

DFDS paid EUR 15.5m cash for the acquired company. In addition an earn-out agreement was entered into according to which seller is entitled to additional payment based on the Alphatrans Group's financial performance combined for 2017 and 2018. It is estimated that the earn-out will be EUR 2.7m.

The detailed work on preparing the purchase price allocation, including review of the opening balances of the Alphatrans Group's entities, will commence in February 2018.

Based on the preliminary high-level financial information received from Alphatrans Group the estimated purchase price exceed the preliminary net book value of the acquired net assets by EUR 4.1m, which is before review of the opening balances as well as before any purchase price allocations.

Alphatrans Group's estimated revenue for 2018 is EUR 47m. Transaction costs incurred were insignificant and have been expensed in 2017 as part of Administration costs.

Disposals
DFDS' Logistics loss making reefer activities in Belfast have been divested to Manfreight Ltd. for GBP 1. The divestment is effective as from 1 November 2017. The total annual revenue of activities included in the divestment is around DKK 250m and comprise more than 100 employees. The divestment result in an accounting loss in 2017 of around DKK 13m recognised under special items.

Acquisition of non-controlling interests
Acquisition of shares by DFDS A/S in AB DFDS Seaways during 2017 amounts to DKK 0.2m (2016: DKK 0.3m), equivalent to an ownership of 0.04% (2016: 0.07%) after which the company is owned 96.9% (2016: 96.8%). Badwill of DKK 0.4m (2016: DKK 1.0m) is recognised directly in the equity.

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.

5.5 Acquisitions and sale of enterprises, activities and non-controlling interests (continued)

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	**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. acqui-sition (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.

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.

5.5 Acquisitions and sale of enterprises, activities and non-controlling interests (continued)

ACCOUNTING POLICIES

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 sections 3.1.1 and 3.1.4.

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.

5.6 Guarantees, collateral and contingent liabilities

Guarantees amount to DKK 132.7m (2016: DKK 117.0m) 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 332.9m (2016: DKK 414.7m).

The Group is in 2017 as well as in 2016 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 June 2017 DFDS acquired two channel ferries from Eurotunnel. DFDS paid additional amount of DKK 111.1m which is now subject to arbitration due to a disagreement concerning the purchase price. DFDS is confident to be succesful in the arbitration and has thus recognised the amount as a receivable.

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 (2016: DKK 24.5m) on a bank account in DFDS' name to cover this.

Certain ships with a total carrying amount of DKK 2,228.9m (2016: DKK 1,343.8m) have been pledged as security for mortgage on ships with a total carrying amount of DKK 1,441.8m (2016: DKK 856.5m).

At year end 2017 DKK 0.6m (2016: DKK 0.0m) of the cash was deposited on restricted bank accounts as security for payment.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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.

5.7 Contractual commitments and operating lease

DKK million	2017	2016
Contractual commitments, term 0-1 year	328.4	166.2
Contractual commitments, term 1-5 years	1,037.6	906.5
Contractual commitments, term after 5 years	0.0	38.5
Contractual commitments (undiscounted)	**1,365.9**	**1,111.2**

Contractual commitments in 2017 mainly relates to the ordering of 4 new freight ships (ro-ro) where two was ordered in September 2016 and two in June 2017. The ships are to be delivered in the beginning of 2019 and beginning of 2020.

Contractual commitments in 2016 related to the ordering of 2 new freight ships (ro-ro) that was ordered in September 2016 and 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 expected to be delivered during June and September 2017 respectively.

Operating lease commitments (lessee)

DKK million	2017	2016
Minimum lease payments		
0-1 year	71.3	70.3
1-5 years	74.8	118.0
After 5 years	1.7	1.0
Total buildings	**147.8**	**189.3**
0-1 year	131.3	126.8
1-5 years	488.2	491.3
After 5 years	990.9	1,107.6
Total terminals	**1,610.4**	**1,725.7**
0-1 year	307.8	303.6
1-5 years	496.9	326.0
Total ships	**804.7**	**629.6**
0-1 year	72.6	71.4
1-5 years	81.3	80.1
After 5 years	2.9	0.6
Total equipment, etc.	**156.8**	**152.0**
Total minimum lease payments fall due as follows:		
0-1 year	583.0	572.0
1-5 years	1,141.2	1,015.3
After 5 years	995.5	1,109.2
Total minimum lease payments	**2,719.7**	**2,696.6**

The specified payments are not discounted.

Operating lease- and rent costs recognised in the Income statement amount to DKK 632.2m for 2017 (2016: DKK 710.2m) of which DKK 36.2m (2016: DKK 32.8m) 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 2-4 years remain at 31 December 2017. A further 2 leases were initially entered with a 5 year lease period, of which 2-4 years remain at 31 December 2017.

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 ro-ro freight ships Gardenia Seaways ,Tulipa Seaways and the ro-pax ship Regina Seaways, which the Group has chartered.

Operating lease commitments (lessor)

DKK million	2017	2016
Minimum lease payments (income)		
Ships		
0-1 year	152.2	183.6
1-5 years	282.6	462.6
Total ships	**434.8**	**646.2**

The specified minimum payments are not discounted. Operating lease- and rental income recognised in the income statement amount to DKK 192.5m in 2017 (2016: DKK 220.0m). The contracts are entered into on usual conditions.

Finance lease commitments (lessee)

DKK million

2017	Minimum lease payments	Hereof financing element	Carrying amount
0-1 year	3.4	-0.1	3.3
1-5 years	1.6	-0.1	1.5
Total	**1.0**	**-0.1**	**4.8**
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**

The finance lease commitments in 2016 primarily related to the lease of the ships Côte des Dunes and Côte des Flandres which were was purchased in June 2017.

5.7 Contractual commitments and operational lease (continued)

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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 finance or an operating leasing agreement.

ACCOUNTING POLICIES

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.

5.8 Related party transactions

Lauritzen Fonden, Copenhagen with a nominal shareholding of 41.3% 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 5.10.

Apart from intra-group balances and transactions (primarily charter hire, financing and commissions etc.), which are eliminated on consolidation, usual Executive Board and Board of Directors remuneration (reference is made to note 2.4 and 5.1), share options to the Executive Board and leading employees (reference is made to note 5.3) and the below transactions, no related-party transactions have been carried out during the year.

DKK million

2017	Sale of services	Purchase of services	Receivables	Liabilities	Impairment loss of receivables
Associates and joint ventures	45.2	249.7	74.1	40.1	4.0
2016					
Associates and joint ventures	31.4	225.5	52.2	28.4	0.0

5.9 Events after the balance sheet date

On January 3 2018 the acquisition of the Dutch company Alphatrans Group BV headquartered in Rotterdam 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.

On 8 February 2018, a share buyback programme of DKK 400m was launched to align DFDS capital structure to the targeted leverage. The programme of DKK 400m is to be completed on 15 August 2018 at the latest.

An order of two ro-pax ships new buildings was finalised on 12 February 2018. The order is part of DFDS' ongoing fleet renewal to accommondate the needs and demands of our freight customers, increase operational efficiency and reduce the environmental impact. The new ships are combined freight and passenger ships and the 130 metres long ships will each have a capacity of 4,500 lane metres and will be able to carry 600 pax. The two ships will be built by Guangzhou Shipyard International (GSI) in China for delievery in 2021. The two ships represents a total investment of around DKK 1.75 billion.

5.10 Company overview

Company	Ownership share 2017[1]	Country	City	Currency	Share Capital
Subsidiaries:					
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	1,140,000,000
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	96.88	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, 5]		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 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]	96.88	Lithuania	Klaipeda	EUR	96,438,756
UAB Krantas Travel	96.88	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

Company	Ownership share 2017[1]	Country	City	Currency	Share Capital
DFDS Polska Sp. Z.o.o.[2]		Poland	Poznan	PLN	5,000
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
Dunes Bail SNC[3]	0.00	France	Paris	EUR	1,000
Flandres Bail SNC[3]	0.00	France	Paris	EUR	1,000
Associates and Joint Ventures:					
DFDS Suardiaz Line Ltd.[2]	50.00	England	Immingham	GBP	145,000
Seafront Port Services	40.00	Norway	Oslo	NOK	100,000
Moss Stevedore AS	50.00	Norway	Moss	NOK	1,000,000
DFDS Logistics Iberica S.L.[2, 4]	51.00	Spain	Madrid	EUR	100,000
Bohus Terminal Holding AB[4]	65.00	Sweden	Gothenburg	SEK	50,000
21 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.
[3] Company is controlled by DFDS Group, but DFDS Group has no ownership in the companies.
[4] Due to minority protection in the shareholders' agreements the DFDS Group does not have a controlling interest.
[5] Relief in accordance with Sec. 264b German Commercial Code (HGB).

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 2017.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in 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 Group's and the Parent Company's assets, liabilities and financial position at 31 December 2017 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 2017.

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 adopted at the Annual General Meeting.

Copenhagen, 23 February 2018

EXECUTIVE BOARD

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

BOARD OF DIRECTORS

Claus Hemmingsen Chair	**Pernille Erenbjerg** Deputy Chair	**Jørgen Jensen**	**Jens Otto Knudsen**
Jill Lauritzen Melby	**Klaus Nyborg**	**Lars Skjold-Hansen**	**Marianne Dahl Steensen**
Kent Vildbæk			

Independent Auditors' Report

Statements to the shareholders of DFDS A/S

Opinion

We have audited the Consolidated Financial Statements and the Parent company Financial Statements (the "Financial Statements") of DFDS A/S for the financial year 1 January – 31 December 2017, pp. 59-130, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flow and notes, accounting policies, for the Group as well as for the Parent company. The 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 Financial Statements give a true and fair view of the financial position of the Group and the Parent company at 31 December 2017 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 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

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 "Auditors' responsibilities for the audit of the Financial Statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditors of DFDS A/S before 1995 and accordingly, we have to resign as auditor of the Company at the annual general meeting in 2021 at the latest. We have been re-appointed annually by resolution of the annual general meeting for a total consecutive period of more than 23 years up to and including the financial year 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the financial year 2017. These matters were addressed during our audit of the Financial Statements as a whole and in forming our opinion thereon. 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.

Independent Auditors' Report (continued)

We have fulfilled our responsibilities described in the "Auditors' responsibilities for the audit of the Financial Statements" section of our report, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the 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 Financial Statements.

Valuation of ships
DFDS operates 64 ships in its route network of which 35 is owned. Management's disclosures on the impairment testing of ships are included in note 3.1.4 to the Consolidated Financial Statements.

This area is significant to our audit due to the size of the carrying values of ships of DKK 7.505.4m at 31 December 2017 as well as the management judgment involved in the assessment of the values, including component accounting 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.

For details on the impairment tests performed by Management reference is made to note 3.1.4 in the Consolidated Financial Statements.

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

- Test of the component accounting 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 DFDS' Management and DFDS' 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 3.1.4 to the Consolidated Financial Statements.

Statement on the Management's review
Management is responsible for the Management's review, pp. 8-58.
Our opinion on the Financial Statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

Independent Auditors' Report (continued)

In connection with our audit of the 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 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 the work we have performed, we conclude that the Management's review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of 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 Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements unless Management either intends to liquidate the Group or the Parent company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance as to whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the Financial Statements.

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

- Identify and assess the risks of material misstatement of the 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.

Independent Auditors' Report (continued)

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are 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 Financial Statements, including the note disclosures, and whether the 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 2018

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

Torben Bender State Authorised Public Accountant MNE-no.: mne21332	Michael Groth Hansen State Authorised Public Accountant MNE-no.: mne33228

Parent Company Financial Statements

Income statement

(1 January – 31 December)

DKK million	Note	2017	2016
Revenue	1	9,515.9	9,037.1
Costs			
Ship operation and maintenance	2	-3,314.7	-3,007.6
Freight handling		-2,107.5	-2,020.9
Transport solutions		-374.0	-333.6
Employee costs	3	-1,076.1	-1,049.6
Cost of sales and administration	4	-827.1	-785.8
Total costs		*-7,699.3*	*-7,197.5*
Operating profit before depreciation (EBITDA) and special items		**1,816.6**	**1,839.6**
Profit on disposal of non-current assets, net		0.1	0.9
Amortisation, depreciation and impairment losses on intangible assets – and tangible assets	5	-486.7	-530.4
Operating profit (EBIT) before special items		**1,329.9**	**1,310.1**
Special items, net	6	94.1	-12.9
Operating profit (EBIT)		**1,424.0**	**1.297.2**
Financial income	7	571.7	414.4
Financial costs	7	-116.0	-180.5
Profit before tax		**1,879.7**	**1,531.1**
Tax on profit	8	-1.5	10.6
Profit for the year		**1,878.2**	**1,541.6**
Proposed profit appropriation			
Proposed dividend, DKK 4.0 per share (2016: DKK 3.0 per share)		228.0	180.0
Retained earnings		1,650.2	1,361.6
		1,872,2	**1,541.6**

Statement of comprehensive income

(1 January – 31 December)

DKK million	Note	2017	2016
Profit for the year		**1,878.2**	**1,541.6**
Other comprehensive income			
Items that are or may subsequently be reclassified to the Income statement:			
Value adjustment of hedging instruments:			
Value adjustment for the year		-132.7	77.1
Value adjustment transferred to operating costs		-9.6	8.7
Value adjustment transferred to financial costs		29.1	-6.1
Value adjustment transferred to non-current tangible assets		6.2	-3.8
Tax on items that will not be reclassified to the income statement		1.1	-10.4
Foreign exchange adjustments, goodwill		-1.2	-3.4
Foreign exchange adjustments, foreign branches		0.8	-0.3
Unrealised value adjustment of securities		0.0	25.2
Realised value adjustment of securities transferred to financial income		0.0	-25.2
Items that are or may subsequently be reclassified to the Income statement		**-106.4**	**61.8**
Total other comprehensive income after tax		**-106.4**	**61.8**
Total comprehensive income		**1,771.9**	**1,603.4**

Balance sheet 31 December

(Assets)

DKK million	Note	2017	2016
Goodwill		118.1	119.3
Software		234.3	195.0
Development projects in progress		14.8	37.0
Non-current intangible assets	9	**367.1**	**351.3**
Land and buildings		2.1	2.6
Terminals		28.3	33.3
Ships		3,855.9	5,022.1
Equipment, etc.		118.9	102.3
Assets under construction and prepayments		287.7	110.2
Non-current tangible assets	10	**4,292.9**	**5,270.4**
Investments in subsidiaries	11	3,950.9	3,892.1
Investments in associates, joint ventures and securities		9.9	9.9
Receivables	12	111.1	0.0
Derivative financial instruments	22	0.0	34.5
Other non-current assets		**4,072.0**	**3,936.5**
Non-current assets		**8,732.0**	**9,558.2**
Inventories	13	144.0	127.3
Receivables	12	1,758.9	1,346.5
Prepaid costs		49.3	39.2
Derivative financial instruments	22	3.8	25.0
Cash		937.6	603.1
Current assets		**2,893.6**	**2,141.1**
Assets		**11,625.5**	**11,699.3**

Balance sheet 31 December

(Equity and liabilities)

DKK million	Note	2017	2016
Share capital	16	1,140.0	1,200.0
Reserves		135.3	212.5
Retained earnings		3,458.2	3,157.8
Proposed dividend		228.0	180.0
Equity		**4,961.5**	**4,750.3**
Interest-bearing liabilities	19	2,313.9	2,074.1
Deferred tax	15	2.3	2.7
Pension and jubilee liabilities	17	7.6	7.7
Other provisions	18	20.3	34.8
Derivative financial instruments	22	94.8	145.6
Non-current liabilities		**2,438.8**	**2,264.8**
Interest-bearing liabilities	19	2,638.1	3,370.2
Trade payables		987.7	833.4
Other provisions	18	11.6	78.0
Corporation tax		3.5	11.2
Other payables	21	330.5	274.6
Derivative financial instruments	22	111.3	0.2
Prepayments from customers		142.7	116.5
Current liabilities		**4,225.2**	**4,684.2**
Liabilities		**6,664.0**	**6,949.1**
Equity and liabilities		**11,625.5**	**11,699.3**

Statement of changes in equity

(1 January – 31 December)

	Share capital	Reserves: Translation reserve	Hedging reserve	Revaluation of securities	Reserve for development costs	Treasury shares	Retained earnings	Proposed dividend	Total
Equity at 1 January 2017	1,200.0	-0.3	38.8	1.0	232.0	-58.9	3,157.8	180.0	**4,750.3**
Comprehensive income for the year									
Profit for the year							1,878.2		**1,878.2**
Other comprehensive income									
Items that are or may subsequently be reclassified to the Income Statement:									
Value adjustment of hedging instruments for the year			-132.7						**-132.7**
Value adjustment transferred to operating costs			-9.6						**-9.6**
Value adjustment transferred to financial costs			29.1						**29.1**
Value adjustment transferred to non-current assets			6.2						**6.2**
Tax on items that will not be reclassified to the income statement							1.1		**1.1**
Foreign exchange adjustments, goodwill							-1.2		**-1.2**
Foreign exchange adjustments, foreign branches		0.8							**0.8**
Items that are or may subsequently be reclassified to the Income statement	**0.0**	**0.8**	**-107.1**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.0**	**-106.4**
Total other comprehensive income after tax	**0.0**	**0.8**	**-107.1**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.0**	**-106.4**
Total comprehensive income	**0.0**	**0.8**	**-107.1**	**0.0**	**0.0**	**0.0**	**1,878.2**	**0.0**	**1,771.9**
Transactions with owners									
Dividend paid								-167.9	**-167.9**
Dividend on treasury shares							12.1	-12.1	**0.0**
Proposed dividend, extraordinary							-399.0	399.0	**0.0**
Extraordinary dividend paid								-387.5	**-387.5**
Extraordinary dividend on treasury shares							11.5	-11.5	**0.0**
Proposed dividend at year-end							-228.0	228.0	**0.0**
Vested regarding share-based payments							25.9		**25.9**
Purchase of treasury shares						-60.6	-1,045.2		**-1,105.8**
Cash from sale of treasury shares related to exercise of share options						12.6	42.7		**55.3**
Reduction of share capital by cancellation of treasury shares	-60.0					60.0			**0.0**
Exercise of share options recharged to subsidiaries							20.0		**20.0**
Capitalised development costs, additions					17.1		-17.1		**0.0**
Other adjustments							-0.7		**-0.7**
Total transactions with owners 2017	**-60.0**	**0.0**	**0.0**	**0.0**	**17.1**	**12.0**	**-1,577.7**	**48.0**	**-1,560.7**
Equity at 31 December 2017	**1,140.0**	**0.5**	**-68.4**	**1.0**	**249.1**	**-47.0**	**3,458.2**	**228.0**	**4,961.5**

The Company's share capital, which is not divided into different classes of shares, is divided into 57,000,000 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)

		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 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**
Tax on items that will not be reclassified to the income statement							-10.4		**-10.4**
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**	**-13.7**	**0.0**	**61.8**
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 at 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 cash flows

(1 January – 31 December)

DKK million	Note	2017	2016
Operating profit before depreciation (EBITDA) and special items		**1,816.6**	**1,839.6**
Adjustments for non-cash operating items, etc.	24	7.9	7.0
Change in working capital	25	142.8	104.8
Payment of pension liabilities and other provisions		-31.5	-49.8
Cash flow from operating activities, gross		**1,935.7**	**1,901.5**
Interest received, etc.		126.5	111.6
Interest paid, etc.		-128.3	-155.8
Tax paid		-8.5	0.0
Cash flow from operating activities, net		**1,925.3**	**1,857.3**
Investments in ships including dockings, rebuildings and ships under construction incl. settlement of forward exchange contracts related thereto		-1,115.5	-572.4
Sale of ships		1,041.0	0.0
Investments in other non-current tangible assets		-40.4	-56.6
Sale of other non-current tangible assets		1.0	1.9
Investments in non-current intangible assets		-50.5	-51.9
Sale of securities		0.0	34.1
Other investing cash flows		-16.2	0.0
Group internal acquisitions of enterprises and activities		0.0	-10.2
Group internal disposal of enterprises		182.5	0.0
Capital contributions to subsidiaries, etc.	11	-173.2	-4.1
Dividends received from subsidiaries		234.5	198.2
Cash flow to/from investing activities, net		**63.2**	**-461.0**
Cash flow before financing activities		**1,988.6**	**1,396.3**

DKK million	Note	2017	2016
Repayment and instalments on loans secured by mortgage in ships	20	-87.5	-207.2
Proceed from issuance of corporate bonds	20	990.5	0.0
Repayment of corporate bonds incl. settlement of cross currency swap	20	-504.9	-493.5
Change in other financial loans, net	20	-46.3	-46.3
Payment of financial lease liabilities	20	-31.6	-79.8
Change in Group internal financing, net	20	-262.6	-81.3
Acquisition of treasury shares		-1,105.8	-914.1
Other non-current receivables		-111.0	0.0
Cash received from exercise of share options		55.3	64.2
Government grants received related to purchase of assets		5.2	9.7
Other financing cash flows		0.0	4.0
Dividends paid		-555.3	-349.0
Cash flow to/from financing activities, net		**-1,654.1**	**-2,093.2**
Net increase/(decrease) in cash and cash equivalents		**334.5**	**-696.9**
Cash and cash equivalents at 1 January		603.1	1,300.0
Cash and cash equivalents at 31 December [1]		**937.6**	**603.1**

[1] *At year-end 2017 no cash (2016: no cash) was deposited on restricted bank accounts.*

The statement of cash flows cannot directly be derived from the Income statement and the Balance sheet.

Notes

NOTE SUMMARY

Note 1 Revenue

DKK million	2017	2016
Passenger seafare and on board sales	2,504.1	2,581.6
Seafreight and shipping logistics solutions	5,719.1	5,236.7
Terminal services	136.8	188.6
Charters	419.0	460.3
Transport solutions	527.1	381.2
Agency and other	209.8	188.6
Total revenue	**9,515.9**	**9,037.1**

Note 2 Ship operation and maintenance

DKK million	2017	2016
Ship costs	798.7	809.1
Charter costs	1,341.3	1,280.5
Bunker	1,174.7	918.0
Total ship operation and maintenance	**3,314.7**	**3,007.6**

Note 3 Employee costs

DKK million	2017	2016
Wages, salaries and remuneration	929.6	916.5
Hereof capitalised employee costs	-31.5	-35.0
Defined contribution pension plans	53.1	50.6
Other social security costs	41.5	33.3
Share based payment, reference is made to note 16	7.5	7.5
Other employee costs	75.8	76.6
Total employee costs	**1,076.1**	**1,049.6**
Full time equivalents (FTE), average	2,421	2,325

Reference is made to note 5.1 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.

Note 4 Fees to Auditors appointed at the Annual General Meeting

DKK million	2017	2016
Audit fees	1.2	1.0
Other assurance engagements	0.2	0.2
Tax and VAT advice	0.8	1.1
Non-audit services	0.2	0.5
Total fees	**2.4**	**2.8**

Note 5 Amortisation, depreciation and impairment losses for the year

DKK million	2017	2016
Software	33.5	23.0
Land & Buildings	0.5	0.5
Terminals	3.7	3.9
Ships	433.8	469.0
Equipment	24.5	18.9
Total amortisation, depreciation and impairment losses for the year	**496.0**	**515.4**
Impairment losses for the year:		
Ships	-9.3[2]	15.0[1]
Total impairment	**-9.3**	**15.0**
Total amortisation, depreciation and impairment losses for the year	**486.7**	**530.4**

[1] *Write down of installations on two ships (DKK 7.5m on each ship). Reference is made to note 3.1.4 of the Consolidated Financial Statements.*
[2] *Partly reversal of write-down of installations on two ships by DKK 9.3m due to settlement. Reference is made to note 3.1.4 of the Consolidated Financial Statements.*

Note 6 Special items, net

DKK million	2017	2016
Gain regarding group internal sale of the ro-ro freight ships Côte Des Dunes and Côte Des Flandres	107.0	0.0
Adjustment of estimated earn-out to the sellers regarding the acquisition of the route Hanko-Paldiski acquired in 2016 and Kapellskär-Paldiski acquired in 2011.	13.7	-12.7
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	-5.7	-0.2
Cost and impairments related to closure of the freight terminal in Esbjerg	-20.9	0.0
Special items, net	**94.1**	**-12.9**
If special items had been included in the operating profit before special items, they would have been recognised and have effect as follows:		
Employee costs	-23.1	-0.2
Cost of sales and administration	-2.1	0.0
Operating profit before depreciation (EBITDA) and special items	**-25.2**	**-0.2**
Profit on disposal of non-current assets, net	107.0	0.0
Amortisation, depreciation, and impairment losses on intangible - and tangible assets	-1.4	0.0
Financial income/costs	13.7	-12.7
Special items, net	**94.1**	**-12.9**

Note 7 Financial items

DKK million	2017	2016
Financial income		
Interest income from banks, etc.	3.2	1.8
Interest income from subsidiaries	35.8	35.5
Realised gain on securities (transferred from equity)[1]	0.0	25.2
Foreign exchange gains, net[2]	14.1	17.6
Reversal of impairment of receivables from subsidiaries[3]	131.3	6.3
Reversal of impairment of investments in subsidiaries[3]	150.0	126.6
Dividends received from subsidiaries	234.5	198.2
Other dividends	2.8	3.2
Total financial income	**571.7**	**414.4**
Financial costs		
Interest expense to banks, credit institutions, corporate bonds, etc.	-55.6	-65.6
Interest expense to subsidiaries	-0.1	-0.3
Impairment of receivables from subsidiaries[3]	0.0	-52.8
Impairment of investments in subsidiaries[3]	-94.9	-6.7
Reversal of provision regarding negative equity in subsidiary[5]	38.2	-38.2
Other financial costs	-7.9	-17.3
Transfer to assets under construction[4]	4.3	0.4
Total financial costs	**-116.0**	**-180.5**
Financial items, net	**455.7**	**233.9**

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 2017 amounts to DKK 218.1m (2016: DKK 245.1m) and foreign exchange losses amounts to DKK 204.0m (2016: DKK 227.5m).*
3 *Reference is made to note 30.*
4 *Interest capitalised on four newbuildings under construction (2016: two newbuildings). The interest is calculated by using a general interest rate of approximately 2.11% - 4.08% p.a (2016: 3.99% - 4.08% p.a).*
5 *2016 relates to a provision regarding negative equity in subsidiary.*

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 income relating to interest swap agreements of DKK 2.4m (2016: DKK 0.5m) 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, premium on bond repurchase and an income of DKK 10m from a settlement with a former bunker supplier's bankrupcy estate.

Note 8 Tax

DKK million	2017	2016
Current joint tax contributions	-0.4	-12.1
Movement in deferred tax for the year	0.1	2.0
Adjustment to corporation tax in respect of prior years	-0.4	9.7
Adjustment to deferred tax in respect of prior years	0.3	0.6
Tax for the year	**-0.4**	**0.2**
Tax for the year is recognised as follows:		
Tax in the Income statement	-1.5	10.6
Tax in Other comprehensive income	1.1	-10.4
Tax for the year	**-0.4**	**0.2**
Tax in the Income statement can be specified as follows:		
Profit before tax	1,879.7	1,531.1
Of this, tonnage taxed income	-1,466.8	-1,307.6
Profit before tax (corporate income tax)	**413.0**	**223.5**
22.0% tax of profit before tax	-90.9	-49.2
Adjustment of calculated tax in foreign branches compared to 22.0%	-0.1	0.0
Tax effect of:		
Non-taxable/-deductible items [1]	91.8	51.4
Tax asset for the year, not recognised	-0.2	0.0
Adjustments of tax in respect of prior years	-0.1	10.4
Corporate income tax	**0.6**	**12.6**
Tonnage tax	-2.1	-2.0
Tax in the Income statement	**-1.5**	**10.6**
Effective tax rate (%)	0.1	-0.7
Effective tax rate before adjustment of prior years' tax (%)	0.1	0.0

1 *2017: Primarily related to interest restriction rules, dividends from subsidiaries and reversal of impairment of investments in subsidiaries.*

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 2017 and 2016 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.

DFDS A/S and its Danish subsidiaries DFDS Stevedoring A/S and DFDS Germany ApS 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, DFDS Stevedoring A/S and DFDS Germany ApS are liable for their own corporate tax due whereas DFDS A/S, DFDS Stevedoring A/S and DFDS Germany ApS 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.

Note 9 Non-current intangible assets

DKK million

	Goodwill	Other non-current intangible assets	Software	Development projects in progress	Total
Cost at 1 January 2017	119.3	2.4	411.6	37.0	**570.3**
Foreign exchange adjustments	-1.2	0.0	0.0	0.0	**-1.2**
Additions	0.0	0.0	21.2	29.3	**50.5**
Transfers	0.0	0.0	51.6	-51.6	**0.0**
Cost at 31 December 2017	**118.1**	**2.4**	**484.4**	**14.8**	**619.6**
Amortisation and impairment losses at 1 January 2017	0.0	2.4	216.7	0.0	**219.0**
Amortisation charge	0.0	0.0	33.5	0.0	**33.5**
Amortisation and impairment losses at 31 December 2017	**0.0**	**2.4**	**250.1**	**0.0**	**252.5**
Carrying amount at 31 December 2017	**118.1**	**0.0**	**234.3**	**14.8**	**367.1**
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**

[1] *Addition of goodwill relates to the acquisition of the Hanko - Paldiski route. Reference is made to note 26.*

The Parent Company's carrying amount of Goodwill DKK 118.1m (2016: DKK 119.3m) 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 Passenger booking system, a new Transport Management System to the Logistics Division, a new procurement system, a new onboard sales system and digital initiatives in general.

Note 10 Non-current tangible assets

DKK million

	Land and buildings	Terminals	Ships	Equipment etc.	Assets under construction and pre-payments	Total
Cost at 1 January 2017	11.4	85.8	8,696.9	378.0	110.2	**9,282.4**
Foreign exchange adjustments	0.0	0.0	2.5	0.0	0.0	**2.5**
Additions	0.0	0.0	0.2	29.1 [3]	391.0 [2]	**420.3**
Disposals	0.0	-4.3	-1,147.1 [1]	-14.6	0.0	**-1,166.1**
Transfers	0.0	0.0	200.5 [4]	12.9	-213.5	**0.0**
Cost at 31 December 2017	**11.4**	**81.6**	**7,752.9**	**405.4**	**287.7**	**8,539.0**
Depreciation and impairment losses at 1 January 2017	8.8	52.5	3,674.9	275.7	0.0	**4,011.9**
Foreign exchange adjustments	0.0	0.0	1.5	0.0	0.0	**1.5**
Depreciation charge	0.5	3.7	433.8	24.5	0.0	**462.5**
Reversal of impairment charge previous year	0.0	0.0	-9.3 [5]	0.0	0.0	**-9.3**
Disposals	0.0	-2.9	-203.8	-13.8	0.0	**-220.5**
Depreciation and impairment losses at 31 December 2017	**9.3**	**53.3**	**3,897.0**	**286.5**	**0.0**	**4,246.1**
Carrying amount at 31 December 2017	**2.1**	**28.3**	**3,855.9**	**118.9**	**287.7**	**4,292.9**
Hereof assets held under finance leases	0.0	0.0	0.0 [1]	0.0	0.0	0.0

Note 10 Non-current tangible assets (continued)

DKK million						
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 [6]	**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	**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 [7]	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 [8]	0.0	0.0	**959.8**

[1] *Internal sale of the two ferries Côte des Dunes and Côte des Flandres, which DFDS acquired from Eurotunnel in June 2017.*
[2] *Primarily related to addition of four new ships, where expected delivery is in the beginning of 2019 and beginning of 2020.*
[3] *Primarily related to acquisition of new trailers and containers.*
[4] *Primarily related to docking of ships.*
[5] *Partly reversal of impairment of write-down of DKK 15.0m of installations on two ships in 2016. Reference is made to note 3.1.4.*
[6] *Primarily related to addition of the two Channel ferries Côte des Dunes and Côte des Flandres, the lengthening of Primula Seaways and new buildings.*
[7] *Write down of installations on two ships (DKK 7.5m on each ship). Reference is made note 3.1.4 of the Consolidated Financial Statements.*
[8] *Relates to the two new ferries Côte des Dunes and Côte des Flandres,*

On the basis of the impairment tests performed in 2017 there has been no impairment loss on ships (2016: DKK 0m). For further information regarding the impairment tests, reference is made to the Consolidated Financial Statements note 3.1.4.

Note 11 Investments in subsidiaries

DKK million	**2017**	**2016**
Cost at 1 January	4,446.8	4,433.8
Additions[1]	186.2	13.1
Disposals[2]	-324.0	0.0
Cost at 31 December	**4,309.0**	**4,446.8**
Accumulated impairment losses at 1 January	-554.8	-674.7
Impairment losses[3]	-94.9	-6.7
Reversal of prior year impairment losses	150.0	126.6
Reversal of impairment on disposal[2]	141.6	0.0
Accumulated impairment losses at 31 December	**-358,1**	**-554.8**
Carrying amount at 31 December	**3,950.9**	**3,892.1**

[1] *2017: Additions relates to a capital injection in DFDS Logistics SPA (DKK 4.8m), capital injection in DFDS Seaways SAS (DKK 148.8m), capital injection in DFDS Polska Sp Z.o.o (DKK 19.5m), acquisition of shares in AB DFDS Seaways (DKK 0.2m) and recharge of cost of jubilee shares to subsidiaries (DKK 13m).*
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).
[2] *Disposal relates to an internal sale of DFDS Logistics Container Line B.V.*
[3] *Reference is made to note 30.*

Reference is made to the Company Overview in the Consolidated Financial Statements note 5.10

The carrying amount of investments in subsidiaries is tested for impairment at least at year-end. The impairment tests for 2017 has led to recognition of impairment losses of DKK 94.9m (2016: DKK 6.7m) and reversal of prior year impairment losses of DKK 150.0m (2016: DKK 126.6m). Reference is made to note 30.

Note 12 Receivables

DKK million	2017	2016
Other non-current receivables[1]	111.1	0.0
Total non-current receivables	**111.1**	**0.0**
Trade receivables	688.7	648.0
Interest bearing receivables from subsidiaries[2]	806.5	455.7
Other non-interest bearing receivables from subsidiaries	156.9	159.2
Receivables from associates and joint ventures	53.4	49.8
Other receivables and current assets[3]	53.4	33.8
Total current receivables	**1,758.9**	**1,346.5**

[1] In June 2017 DFDS acquired two channel ferries from Eurotunnel. DFDS paid an additional amount of DKK 111.1m which is now subject to arbitration due to a disagreement concerning the purchase price. DFDS is confident to be successful in the arbitration and has thus recognised the amount as a receivable.

[2] 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 10.0m at 31 December 2017 (2016: DKK 312.7m). In 2017 a receivable from a subsidiary of DKK 171.4m has been waived.

[3] Hereof EU Grant of DKK 1m (2016: DKK 6m).

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 2017 (2016: none).
The collateral consists of bank guarantees with a fair value of DKK 0m (2016: DKK 0m).

DKK million	2017	2016
Receivables that are past due, but not impaired:		
Days past due:		
Up to 30 days	100.5	88.2
31-60 days	6.0	8.9
61-90 days	3.2	3.3
91-120 days	1.5	1.3
More than 120 days	3.5	0.0
Past due, but not impaired	**114.8**	**101.7**

Movements in write-downs, which are included in the trade receivables:		
Write-downs at 1 January	26.8	40.8
Write-downs	8.8	9.6
Realised losses	-5.6	-1.8
Reversed write-downs	-5.8	-21.8
Write-downs at 31 December	**24.3**	**26.8**

DKK million	2017	2016
Age distribution of write-downs:		
Days past due:		
Up to 30 days	4.0	0.5
31-60 days	0.1	0.0
61-90 days	0.2	0.0
91-120 days	0.3	0.0
More than 120 days	19.7	26.3
Write-downs at 31 December	**24.3**	**26.8**

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.

Note 13 Inventories

DKK million	2017	2016
Bunker	71.4	60.1
Goods for sale	74.1	69.6
Impairment of inventories end of year	-1.5	-2.4
Total inventories	**144.0**	**127.3**

The change in inventory write-downs for the year is DKK 0.9m (2016: DKK 1.6m)

Note 14 Treasury shares

Number of shares

Information regarding the Parent Company's and the Group's holding of treasury shares is identical. Reference is made to the Consolidated Financial Statements note 4.7.

Note 15 Deferred tax

DKK million

2017	Land and buildings, terminals and other equipment	Provisions	Tax loss carried forward	Total
Deferred tax at 1 January	2.1	0.8	-0.2	2.7
Recognised in the Income statement	1.1	-1.1	0.0	-0.1
Adjustment regarding prior years recognised in the Income statement	-0.5	0.0	0.2	-0.3
Deferred tax at 31 December, net	**2.6**	**-0.3**	**0.0**	**2.3**
2016				
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**

DKK million	2017	2016
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (assets)	0.0	0.0
Deferred tax (liabilities)	2.3	2.7
Deferred tax at 31 December, net	**2.3**	**2.7**

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 402m (2016: DKK 390m) 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 16 Share options

Information regarding share options for the Parent Company and the Group is equal. Reference is made to the Consolidated Financial Statements note 5.3.

Jubilee shares

Information regarding jubilee shares for the Parent Company and the Group is equal. Reference is made to the Consolidated Financial Statements note 5.3.

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.

60 jubilee shares have been exercised during 2017 (2016: nil). The average weighted market price per share exercised in 2017 is DKK 337.50. Vesting of share options is expensed in the Income statement for 2017 with DKK 5.7m (2016: DKK 0.2m).

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 17 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	2017	2016
Present value of unfunded defined benefit obligations	1.0	1.1
Recognised liabilities for defined benefit obligations	**1.0**	**1.1**
Provision for jubilee liabilities	6.6	6.5
Total actuarial liabilities	**7.6**	**7.7**

Note 18 Other provisions

DKK million	2017	2016
Other provisions at 1 January	112.8	76.2
Foreign exchange adjustments	0.0	-0.1
Addition from acquisition of activities	0.0	32.2
Provisions made during the year	0.9	53.9
Increase of discounted amounts arising from the passage of time	1.0	2.4
Used during the year	-30.6	-51.8
Reversal of unused provisions	-52.2	0.0
Other provisions at 31 December	**31.9**	**112.8**
Other provisions are expected to be payable in:		
0-1 year	11.6	78.0
1-5 years	15.9	24.9
After 5 years	4.4	9.9
Other provisions at 31 December	**31.9**	**112.8**

Of the Parent Company's provision of DKK 31.9m (2016: DKK 112.8m), DKK 1.9m (2016: DKK 1.9m) is estimated redelivery provision regarding leased operating equipment. DKK 25.6m (2016: DKK 68.8m) is estimated net present value of earn-out agreements regarding acquisitions, DKK 0.0m (2016: DKK 38.2) is provision for subsidiaries with negative equity and DKK 4.4m (2016: DKK 3.9m) is other provisions.

Note 19 Interest-bearing liabilities

DKK million	2017	2016
Mortgage on ships	686.4	771.3
Issued corporate bonds	1,442.1	1,071.3
Bank loans	185.4	231.4
Total interest-bearing non-current liabilities	**2,313.9**	**2,074.1**
Mortgage on ships	85.3	85.3
Issued corporate bonds	124.9	0.0
Financial lease liabilities [1]	0.0	768.8
Bank loans	46.3	46.3
Payables to subsidiaries[2]	2,381.4	2,469.8
Total interest-bearing current liabilities	**2,638.0**	**3,370.2**
Total interest-bearing liabilities	**4,951.9**	**5,444.2**

[1] *Eurotunnel has in 2017 exercised their option to sell the two previously chartered ferries, Côte des Dunes and Côte des Flandres, to DFDS.*
[2] *The carrying amount of Interest-bearing payables to subsidiaries relates to deposit facilities that are made available to subsidiaries.*

The Parent Company has issued a 5 year corporate bond. Reference is made to the Consolidated Financial Statements note 4.5.

The fair value of the interest-bearing liabilities amounts to DKK 5,039m (2016: DKK 5,532m). 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 2017 and 2016 respectively.

DKK 345m of the Interest-bearing liabilities in the Parent Company fall due after five years (2016: DKK 476m). 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 23 for financial risks, etc.

Allocation of currency, principal nominal amount

DKK million	2017	2016
DKK	958.8	994.0
EUR	2,330.8	3,061.2
SEK	145.0	400.9
NOK	1,159.7	675.9
GBP	357.7	308.0
USD	0.0	4.3
Total interest bearing liabilities	**4,951.9**	**5,444.2**

Note 20 Changes in liabilities arising from financing activities

The table below discloses the cash as well as non-cash changes in Interest-bearing liabilities, Derivative financial instruments related to issued corporate bonds and Payables to subsidiaries, non interest-bearing. The changes arising from cash flows form part of the cash flows from financing activities in the Statement of cash flows.

DKK million			Non-cash changes			
	31 Dec. 2016	**Cash flows**	**Foreign exchange movements**	**Fair value changes**	**Other changes**	**31 Dec. 2017**
Changes in 2017						
Interest-bearing liabilities:						
Mortgage on ships	856.6	-87.5	0.6		2.1	771.7
Issued corporate bonds	1 ,071.3	558.8	-70.7		7.7	1,567.0
Financial lease liabilities	768.8	-771.1[1]	3.0		-0.8	0.0
Bank loans	277.7	-46.3	0.4			231.7
Payables to subsidiaries, interest-bearing	2,469.8	-89.3[2]			0.9	2,381.4
	5,444.1	-435.5	-66.7	-	9.9	4,951.9
Derivative financial instruments:						
Derivatives related to issued corporate bonds	134.9	-73.2		73.8		135.6
Other:						
Payables to subsidiaries, non interest-bearing	85.1	41.3[2]				126.4
Total liabilities from financing activities	**5,664.1**	**-467.3**	**-66.7**	**73.8**	**9.9**	**5,213.9**
Receivables from subsidiaries		-214.7[2]				
Total cash flows		**-682.0[1]**				

[1] *Includes DKK -739.5m which in the Statement of cash flows is presented under Investing activities as the payment relates to exercise of a put option requiring DFDS to purchase the two Channel ferries Côte des Dunes and Côte des Flandres previously held under finance lease.*

[2] *Cash flows related to Payables to/Receivables from subsidiaries are presented net in the Statement of cash flows under Financing activities in the line "Change in Group internal financing, net" by DKK -262.6m.*

Note 21 Other payables

DKK million	2017	2016
Holiday pay obligations, etc.	149.1	155.7
Payables to subsidiaries	126.4	85.1
Other payables	32.4	24.6
Public authorities (VAT, duty, etc.)	18.7	4.7
Accrued interests	3.8	4.5
Total other payables	**330.5**	**274.6**

Note 22 Information on financial instruments

DKK million	2017	2016
Carrying amount per category of financial instruments		
Derivatives, related to operating activities, financial assets measured at fair value	3.8	59.6
Loans, receivables and cash, assets measured at amortised cost	2,807.6	1,949.6
Financial assets available for sale	9.5	9.5
Derivatives, related to operating activities, financial liabilities measured at fair value	-62.4	-0.2
Derivatives, related to interest-bearing activities, financial liabilities measured at fair value	-143.7	-145.6
Financial liabilities measured at amortised cost	-6,308.2	-6,391.8
Total	**-3,693.4**	**-4,518.9**

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			
2017	**Level 1**	**Level 2**	**Level 3**
Derivatives, financial assets	0.0	3.8	0.0
Derivatives, financial liabilities	0.0	-206.0	0.0
Total	**0.0**	**-202.2**	**0.0**
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**

Derivative financial assets and liabilities are all measured at level 2. Reference is made to note 4.2 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 (2016: DKK 9.5m). 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.

Note 23 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 4.1.

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 2017 would, other things being equal, have increased net interest payments by DKK 28m for the Parent Company in 2017 (2016: DKK 17m). A decrease in the interest rates would have had a positive effect of DKK 26m (2016: 16m).

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

DKK million

2017	0-1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial assets				
Cash	937.6	0.0	0.0	0.0
Trade receivables	688.7	0.0	0.0	0.0
Receivables from subsidiaries	963.5	0.0	0.0	0.0
Receivables from associates and joint ventures	53.4	0.0	0.0	0.0
Other receivables and current assets	53.4	0.0	0.0	0.0
Non-derivative financial liabilities				
Mortgages on ships	-102.7	-200.6	-193.4	-368.7
Issued corporate bonds	-149.1	-529.5	-967.9	0.0
Bank loans	-49.9	-97.7	-94.8	0.0
Trade payables	-987.7	0.0	0.0	0.0
Other payables	-32.4	0.0	0.0	0.0
Payables to subsidiaries	-2,507.8	0.0	0.0	0.0
Derivative financial assets				
Bunker contracts	3.8	0.0	0.0	0.0
Derivative financial liabilities				
Interest swaps	-2.5	-3.9	-1.7	0.0
Forward exchange contracts and currency swaps	-111.1	-29.9	-56.9	0.0
	-1,242.8	**-861.6**	**-1,314.7**	**-368.7**

[1] Eurotunnel has in June 2017 exercised their option to sell the two previously chartered Channel ferries Côte des Dunes and Côte des Flandres to DFDS.

Beside the contractual maturities the Parent Company has issued guarantees for DKK 427.5 m (2016: DKK 498.7m). These are not presented in the above table as the contractual maturity is not possible to predict. Reference is made to note 27.

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

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 susidiary	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 relates to the two Channel vessels chartered from Eurotunnel, where we expect that Eurotunnel will use their option to sell the ferries to DFDS during 2017.

Note 24 Non-cash operating items

DKK million	2017	2016
Change in provisions	0.6	-0.1
Change in write-down of inventories for the year	-0.9	-1.6
Change in provision for defined benefit plans and jubilee obligations	0.8	1.2
Vesting of share option plans expensed in the Income statement	7.5	7.5
Non-cash operating items	**7.9**	**7.0**

Note 25 Change in working capital

DKK million	2017	2016
Change in inventories	-15.8	-27.9
Change in receivables	-53.4	-49.9
Change in current liabilities	212.0	182.6
Change in working capital	**142.8**	**104.8**

Note 26 Acquisition and sale of enterprises, activities and non-controlling interests

Acquisition
2017
DFDS A/S made no acquisitions in 2017.

2016
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 5.5.

Disposals
2017
The wholly owned subsidiary DFDS Logistics Container Line B.V. has during 2017 been disposed to another DFDS Group entity.

Acquisition of non-controlling interests
For further details refererence is made to the Consolidated Financial Statements note 5.5.

Note 27 Guarantees, collateral and contingent liabilities

Issued guarantees amount to DKK 94.6m (2016: DKK 84.0m). 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 332.9m at 31 December 2017 (2016: DKK 414.7m).

The Parent Company has issued letter of support for certain Group companies with negative equity. In June 2017 DFDS acquired two channel ferries from Eurotunnel. DFDS paid additional amount of DKK 111.1m which is now subject to arbitration due to a disagreement concerning the purchase price. DFDS is confident to be succesful in the arbitration and has thus recognised the amount as a receivable.

The Parent Company is in 2017 as well as in 2016 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 1,290.2m (2016: DKK 1,348.8m) have been pledged as security for mortgage on ships with a total carrying amount of DKK 788.0m (2016: DKK 856.6m).

Note 28 Contractual commitments

DKK million	2017	2016
Contractual commitments, term 0-1 year	295.9	127.7
Contractual commitments, term 1-5 years	932.8	598.0
Total contractual commitments (undiscounted)	**1,228.8**	**725.7**

Contractual commitments in 2017 relates to the ordering of 4 new freight ships (ro-ro) whereas two was ordered in September 2016 and two in June 2017. The ships are to be delivered in the beginning of 2019 and beginning of 2020.

Contractual commitments in 2016 related to the ordering of 2 new freight ships (ro-ro) that was ordered in September 2016 and are to be delivered in the beginning of 2019.

Note 28 Contractual commitments (continued)

DKK million	2017	2016
Operating lease commitments (lessee)		
Minimum lease payments		
0-1 year	20.0	20.3
1-5 years	19.4	38.8
Total buildings	**39.4**	**59.2**
0-1 year	10.4	10.6
1-5 years	40.5	45.2
After 5 years	15.0	28.8
Total terminals	**65.9**	**84.7**
0-1 year[1]	844.2	641.7
1-5 years[1]	784.2	266.3
Total ships	**1,628.5**	**908.0**
0-1 year	18.6	25.1
1-5 years	19.6	31.2
After 5 years	2.6	0.5
Total equipment, etc.	**40.8**	**56.8**
Total minimum lease payments fall due as follows:		
0-1 year	893.3	697.8
1-5 years	863.7	381.6
After 5 years	17.6	29.3
Total minimum lease payments	**1,774.6**	**1,108.7**

The specified payments are not discounted.

[1] *The increase in the operating lease commitment for ships in 2017 versus 2016 is due to two new ro-ro freight ships leased from another DFDS Group entity.*

Operating lease- and rent costs recognised in the income statement amount to DKK 720.1m for 2017 (2016: DKK 756.6m).

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 2-4 years remain at 31 December 2017.

A further 1 lease was initially entered with a 5 year lease period, of which 3 years remain at 31 December 2017.

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.

Operating lease commitments (lessor)

DKK million	2017	2016
Minimum lease payments (income)		
Ships and equipment		
0-1 year	115.7	155.5
1-5 years	242.7	402.2
After 5 years	0.0	0.5
Total ships and equipment	**358.4**	**558.2**

The specified minimum payments are not discounted. Operating lease- and rental Income recognised in the Income statement amount to DKK 156.0m in 2017 (2016: DKK 194.0m). The contracts are entered into on usual conditions.

Note 28 Contractual commitments (continued)

Finance 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**

There is no finance lease commitments (lessee) for 2017.

The finance lease commitments in 2016 was primarily related to the lease of the ships Côte des Dunes and Côte des Flandres which was purchased during 2017.

Note 29 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 5.8.

DKK million

2017	**Sale of services**	**Purchase of services**	**Receivables**	**Impairment of receivables**	**Liabilities**	**Capital con-tributions**
Associates and joint ventures	35.1	221.1	53.4	4.0	0.2	0.0
Subsidiaries	787.9	2,337.9	963.5	10.0	2,507.8	173.1
2016						
Associates and joint ventures	23.4	194.3	49.8	0.0	0.1	0.0
Subsidiaries	799.2	1,941.8	614.9	312.7	2,555.8	3.7

Impairment losses recognised in the Income statement in 2017 amount to DKK 0.0m (2016: DKK 91.0m) and reversals of impairment losses amount to DKK 340.9m (2016: DKK 6.3m). Reference is made to note 30.

Receivables are unsecured and are related to trade receivables and cash pools.

Reference is made to note 27 for a description of guarantees issued by the Parent Company on behalf of subsidiaries.

Note 30 Impairment testing

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 3.1.4.

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 2017 and 2016 are shown in the table in the Consolidated Financial Statements note 3.1.4.

2017
In 2017 investments in subsidiaries have been impaired by DKK 94.9m in total. DFDS Logistics SPA has been impaired by DKK 4.9m, DFDS Poznan Sp Z.o.o has been impaired by DKK 10.0m and DFDS Seaways SAS has been impaired by DKK 80.0m as the calculated value in use of the individual investments is lower than the book value. Furthermore, in 2017 previous impairments have been reversed by DKK 150.0m regarding DFDS Seaways PLC The total impairment of net DKK 55.1m in 2017 is recognised under Financial items reference is made to note 7.

The Parent Company has issued letter of support to some subsidiaries 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 at 31 December 2017 amounts to DKK 10.0m. Further, write downs in previous years have been reversed by DKK 169.5m. The write downs and reversals are recognised under Financial items.

2016
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.

Note 31 Events after the balance sheet date

On 8 February 2018, a share buyback programme of DKK 400m was launched to align DFDS capital structure to the targeted leverage. The programme of DKK 400m is to be completed on 15 August 2018 at the latest.

An order of two ro-pax ships new buildings was finalised on 12 February 2018. The order is part of DFDS' ongoing fleet renewal to accommondate the needs and demands of our freight customers, increase operational efficiency and reduce the environmental impact. The new ships are combined freight and passenger ships and the 130 metres long ships will each have a capacity of 4,500 lane metres and will be able to carry 600 pax. The two ships will be built by Guangzhou Shipyard International (GSI) in China for delievery in 2021. The two ships represents a total investment of around DKK 1.75 billion.

Note 32 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 2017 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 1.

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 30, 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 that are material to the financial reporting, other than those disclosed in section 1 to the Consolidated Financial Statements.

Note 32 Accounting Policies (continued)

DESCRIPTION OF ACCOUNTING POLICIES
The Parent Company accounting policies are consistent with the accounting policies described in the Consolidated Financial Statements 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 Financial 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 Financial income and costs.

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 Financial 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 Consolidated Financial Statements, note 4.6.

Other information

Fleet list

Freight ships (ro-ro)

	Year built	GT	Lane meter	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	2014	33,313	3,000	342	Gothenburg-Brevik-Gent
Magnolia Seaways	2003/13	32,523	3,831		Gothenburg-Brevik-Immingham
Petunia Seaways	2004/13	32,523	3,831		Gothenburg-Brevik-Immingham
Primula Seaways	2004/14/16	37,985	4,650		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	Fredericia-Copenhagen-Klaipeda
Anglia Seaways	2000	13,073	1,680		Vlaardingen-Immingham
Botnia Seaways	2000	11,530	1,899	300	Marseille-Tunis
Finlandia Seaways	2000	11,530	1,899	300	Zeebrugge-Rosyth
Gardenia Seaways[1]	2017	32,336	4,076		Vlaardingen-Immingham
Tulipa Seaways[1]	2017	32,336	4,076		Vlaardingen-Immingham
Fionia Seaways[2,8]	2009	25,609	3,322		Esbjerg-Immingham
Jutlandia Seaways[2]	2010	25,609	3,322		Cuxhaven-Immingham
Stena Foreteller[2]	2002	24,688	3,000		Cuxhaven-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

Freight ships (ro-ro) for delivery

	Delivery	GT	Lane meter	TEU (4)	Deployment
JinLing NB 408	2019	n.a.	7,000	n.a.	n.a.
JinLing NB 409	2019	n.a.	7,000	n.a.	n.a.
JinLing NB 410	2020	n.a.	7,000	n.a.	n.a.
JinLing NB 411	2020	n.a.	7,000	n.a.	n.a.

Notes:
[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

Ro-pax ships[3]

	Year built	GT	Lane meter	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
Liverpool Seaways	1997	21,856	2,150	320	Paldiski-Kappelskär
Patria Seaways	1991	18,332	1,800	213	Kiel-Klaipeda
Dunkerque Seaways[5]	2005	35,923	2,900	780	Dover-Dunkirk
Delft Seaways[5]	2006	35,923	2,900	780	Dover-Dunkirk
Dover Seaways[5]	2006	35,923	2,900	780	Dover-Dunkirk
Calais Seaways[5]	1991/92/99	28,833	1,800	1,850	Dover-Calais
Côte Des Flandres[5]	2005	33,940	1,900	2,000	Dover-Calais
Côte Des Dunes[5]	2001	33,796	1,900	2,473	Dover-Calais
Côte d'Albâtre[1]	2006	18,940	1,270	600	Newhaven-Dieppe
Sailor[2]	1987	20,921	1,400	119	Paldiski-Hanko
Baie de Seine	2002/03	22,382	2,056	623	On charter
Kaunas Seaways	1989/94	25,606	1,539	235	On charter
Vilnius Seaways	1987/93	22,341	1,539	120	On charter
Seven Sisters[1]	2006	18,940	1,270	600	Laid-up

Ro-pax ships for delivery

	Delivery	GT	Lane meter	Passengers/ cabins	Deployment
GSI NB 009	2021	n.a.	4,500	600/250	n.a.
GSI NB 010	2021	n.a.	4,500	600/250	n.a.

Passenger ships

	Year built	GT	Lane meter	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

Fleet list

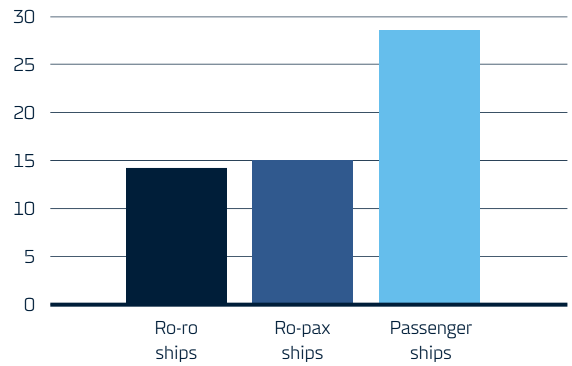
Sideport ships

	Year built	GT	TEU (4)	Deployment
Lysvik Seaways	1998/04	7,409	160	Oslo Fjord-Continent
Lysbris Seaways	1999/04	7,409	160	Oslo Fjord-Continent/UK

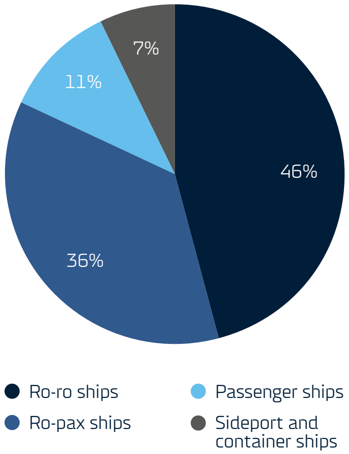
Container ships

	Year built	GT	TEU (4)	Deployment
Endeavor [2]	2005	7,642	750	Spain-UK-Ireland
Karin Scheppers [6]	2007	7,852	750	Spain-UK-Ireland
Enforcer [6]	2003	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
CMA CGM Goya [6]	2008	7,702	806	Spain-UK-Ireland
Spica J [6]	2007	8,246	962	Oslo Fjord-Rotterdam
Energizer [6]	2004	7,642	750	Oslo Fjord-Rotterdam
Pachuca [7]	2005	6,901	750	Oslo Fjord-Rotterdam
Spirit [7]	2007	7,713	809	Oslo Fjord-Rotterdam
Samskip Endeavour [6]	2011	7,852	812	Rotterdam-Ireland
Samskip Express [6]	2006	7,852	803	Rotterdam-Ireland
Phoenix J [7]	2010	10,585	1,286	Rotterdam-Ireland
Wes Gesa [7]	2012	10,585	1,286	Rotterdam-Ireland
Wes Carina [7]	2011	10,585	1,286	Rotterdam-Ireland
Elbcarrier [7]	2007	8,243	974	Rotterdam-Ireland
Elbtrader [7]	2008	8,246	974	Rotterdam-Ireland
Mirror [7]	2007	7,852	814	Rotterdam-Antwerp-Ireland

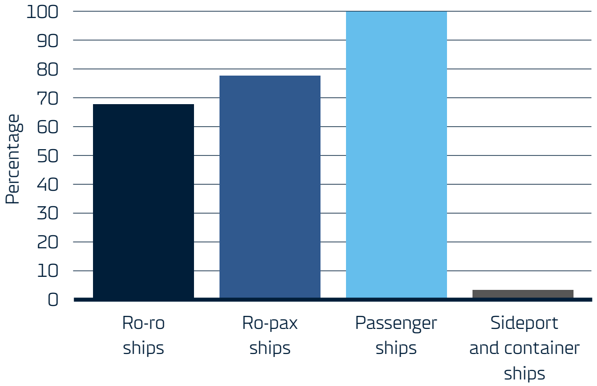
Owned ships deployed on own routes, average age end 2017



Fleet, owned and chartered ships, end 2017



Ownership shares of fleet, end 2017



Notes:
[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

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

Charter Lease of a ship for an agreed period

Charter-out Leasing of a ship to an external party for an agreed period

Door-door transport solution Transport of goods from customer pick up point to final destination by a freight forwarder. A freight forwarder typically uses third-party suppliers, for example hauliers, rail operators and ferry operators to carry out the transport

Ferry Ship carrying passengers and freight over reasonably short distances according to a fixed sailing schedule. Overnight ferries have passenger cabins while day ferries have no cabins

Intermodal Transport using several different modes of transport (road, rail, sea)

Lane metre An area on a ship deck one lane wide and one metre long. Used to measure freight volumes

Logistics solution Sea and land-based transport, storage and distribution and associated information processing of freight

Lo-lo Lift on-lift off: Type of ship for which cargo is lifted on and off, e.g. containers

MGO Marine gas oil, also known as marine diesel with sulphur content at or below 0.1%

Non-allocated items Corporate costs not allocated to divisions

Northern Europe The Nordic countries, Benelux, the United Kingdom, Ireland, France, Germany, Poland, the Baltic nations, Russia and other SNG countries

Ro-pax Combined ro-ro freight and passenger ship

Ro-ro Roll on-roll off: Type of ship for which freight is driven on and off, e.g. trailers

Short sea Shipping between destinations with a duration of typically 1-3 days. The converse is deep-sea shipping between continents with a duration of several weeks

Sideport ship Ship with ramps for loading/unloading 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, i.e. weight of ships

Trailer An unpowered vehicle for transport of freight pulled by a truck

Vessel Sharing Agreement/Slot charter Agreement between two or more parties on the distribution and use of a ship's freight-carrying capacity

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
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

Market value
Number of shares, ex. treasury shares, year-end times share price at year-end

No. of ships
Owned and chartered ships, including slot charter and vessel sharing agreements

Roundings may in general cause variances in sums and percentages in this report.

Moving for all to grow since 1866

C.F.Tietgen's initiative to merge four Danish steamship companies to DFDS (Det Forenede Dampskibs-Selskab) in 1866 had a strong purpose: The new company enabled trade that was growing exponentially in the wake of the industrialisation, creating growth for all.

Products and coal from the UK, the world's industrial locomotive at that time, were transported to the textile and energy demanding markets in Scandinavia and other countries. And in these countries, the steam ships conversely gave farmers access to the UK's rapidly growing market for food and raw materials.

DFDS developed quickly with the growth it helped create. Around 1900, DFDS steam ships connected farmers around the Black Sea with the new Russian industrial area around St. Petersburg. DFDS started routes to USA bringing back soya cake as feed to European farmers thus supporting their transformation from exporters of livestock to producers and exporters of processed products like butter and bacon. DFDS also connected Danish and Scandinavian cities with each other and with the world. All this was based on a fleet of more than 120 ships, among the largest in the world at the time.

DFDS transported immigrants who sought a better future in the USA. During the world wars, DFDS kept up supplies of critical food and coal to people in Europe who otherwise would have been starving and unable to heat their homes. Jobs and industry were kept alive.

After the war, DFDS' ships, many now powered by diesel engines, kept moving – products from USA to Europe, people between countries, goods between UK and mainland Europe, between the Mediterranean and Scandinavia and to and from Iceland. At the end of the sixties, DFDS were the first to develop a ro-ro service, paving the way for more efficient shipping of trucks and trailers carrying industrial cargo.

The logistics activities were developed from 1972 with the same purpose. Connecting people and businesses from door-to-door to make everyone grow. When DFDS acquired Dan Transport in 1998, the business area became one of the largest forwarding and logistics companies in Northern Europe. DFDS Dan Transport was sold in 2000 to focus the company's resources on shipping.

After the acquisition of Norfolkline in 2010 and several logistics acquisitions, DFDS has again transformed itself to become a unique European Shipping and Logistics Group providing vital infrastructure services in Europe.

Today, DFDS has set a firm course towards development of digital capabilities to continue fulfilling the purpose the company was born with: We move for all to Grow.

Financial calendar 2018

Annual General Meeting
19 March 2018 at 14:00
Radisson Blu Scandinavia Hotel Copenhagen,
Amager Boulevard 70, 2300 Copenhagen South, Denmark

Reporting 2018
Q1, 9 May
Q2, 16 August
Q3, 13 November

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