DFDS 2018

We move for all to grow

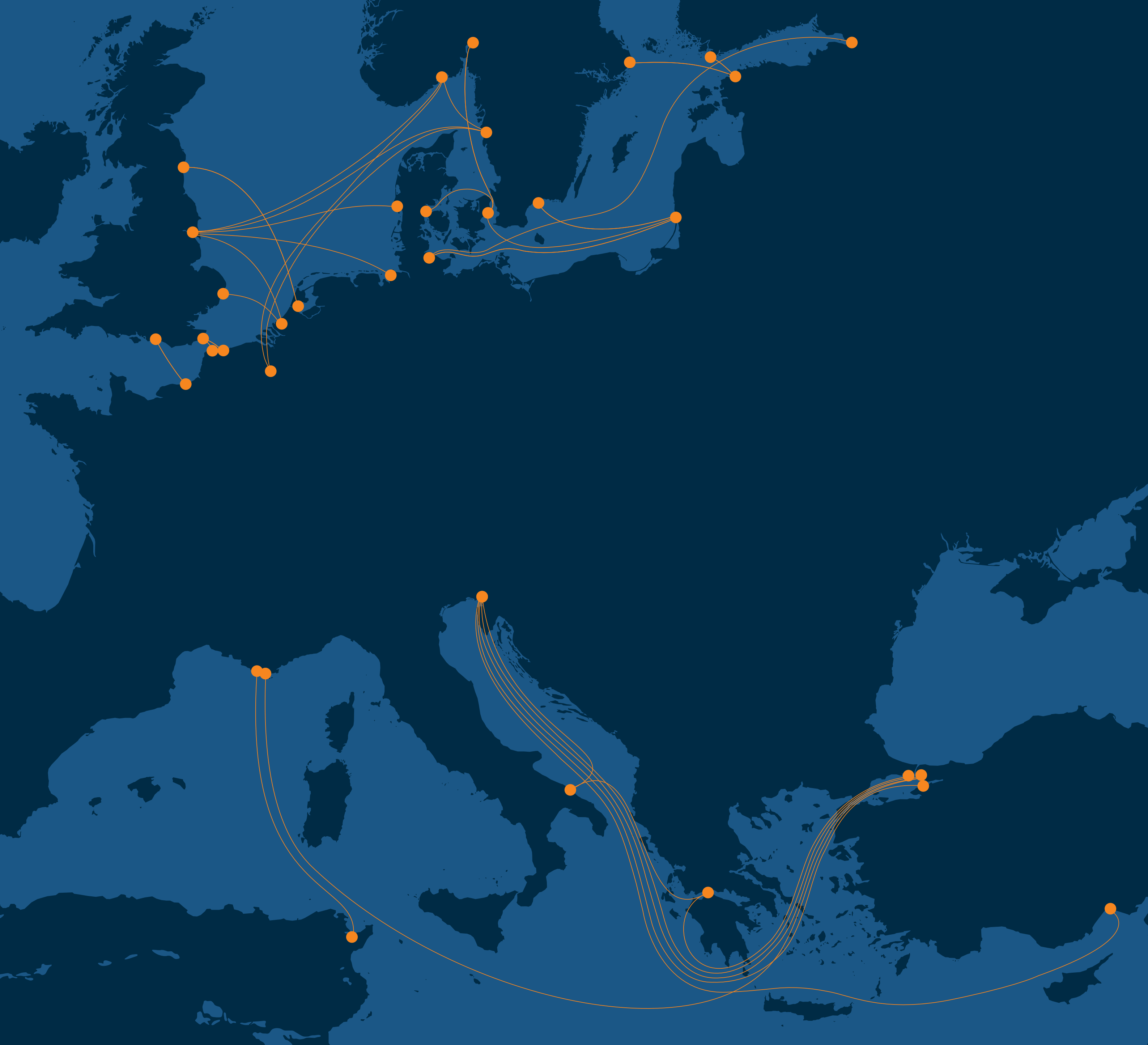
Annual Report

We move freight and passengers on 24 ferry routes in Europe

5,300
employees

55
ferries

30,375
sailings



We also provide logistics solutions to a wide range of businesses

1,900

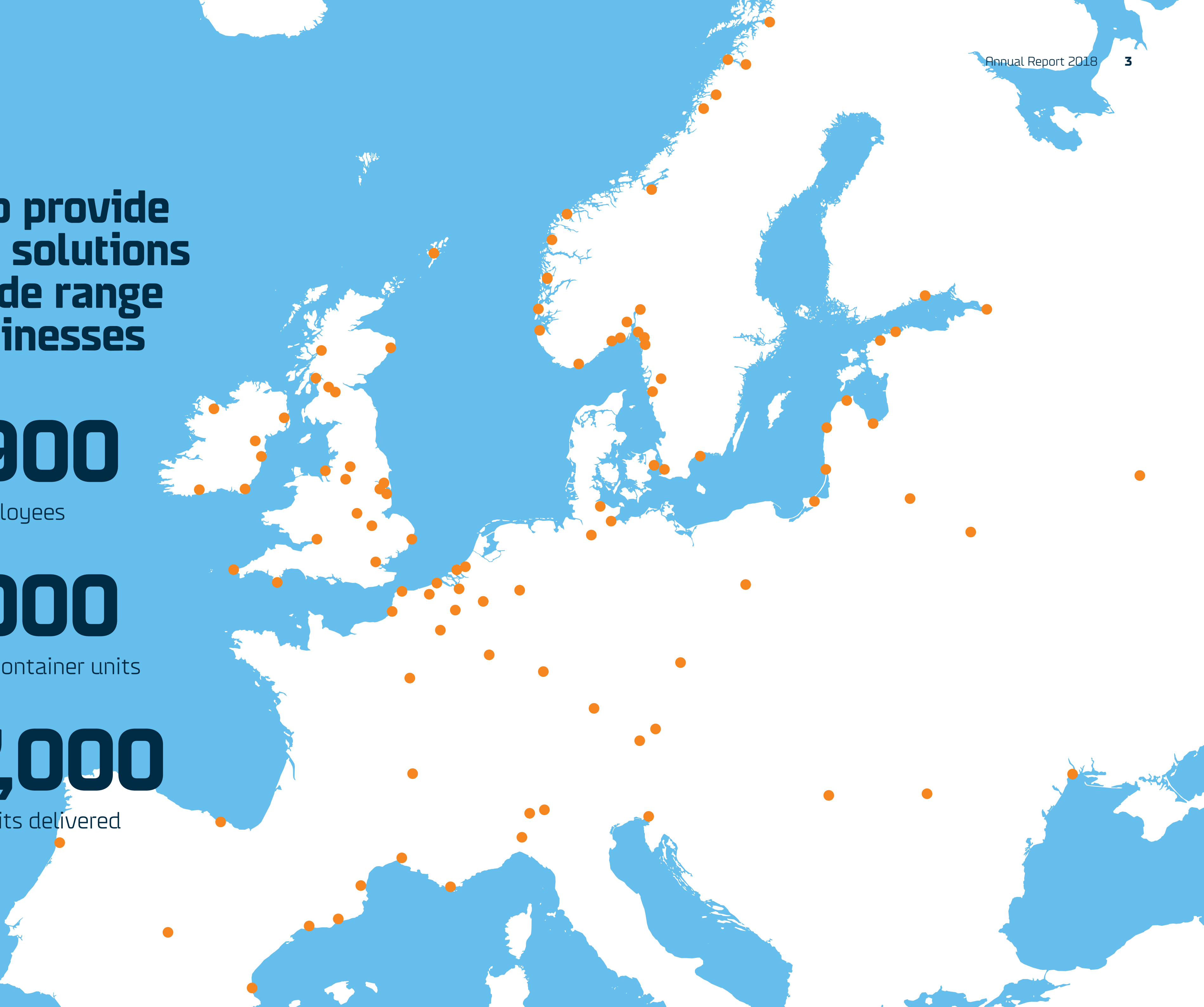
employees

9,000

trailer and container units

567,000

freight units delivered

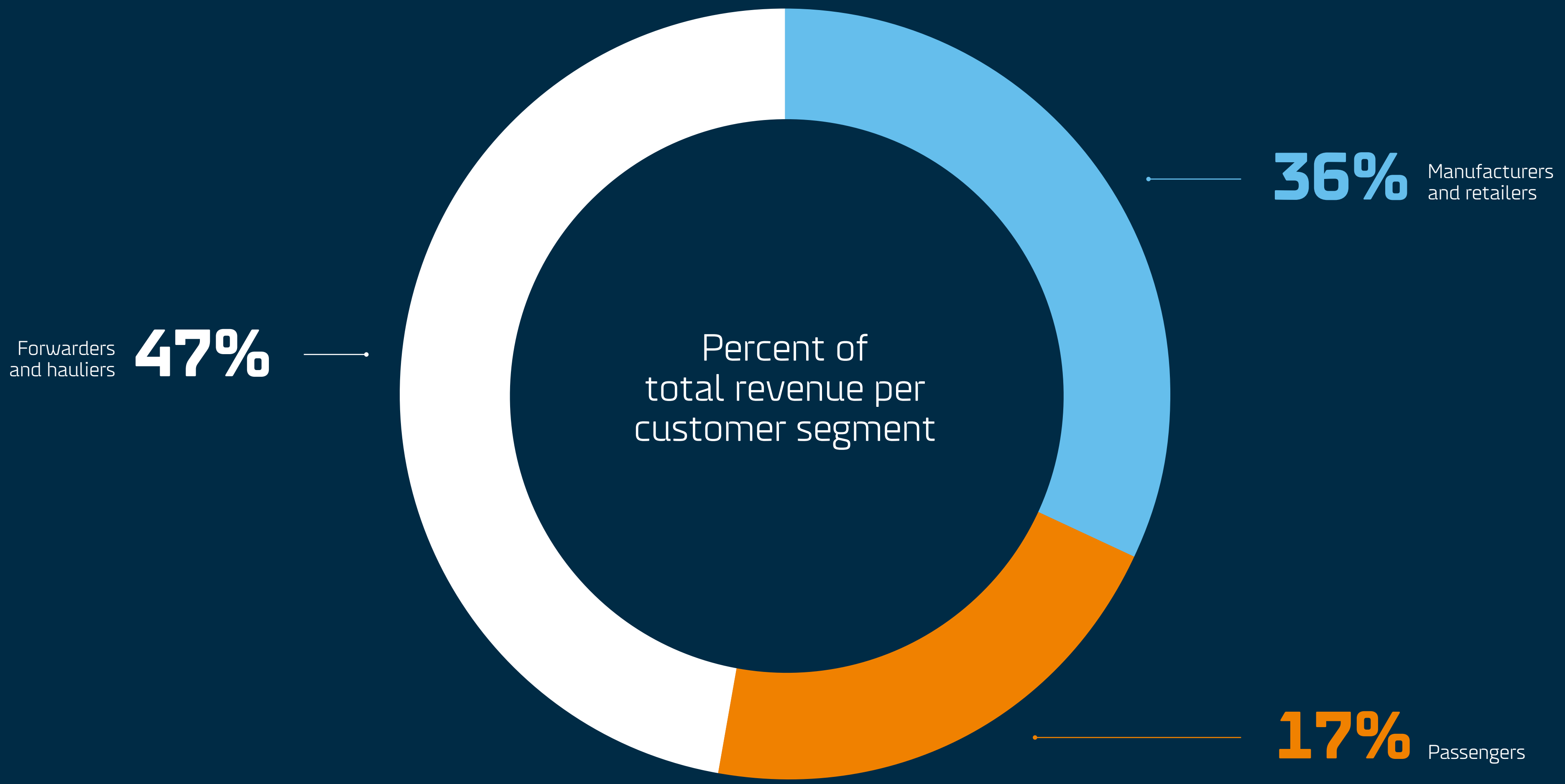


Our customers

Forwarders and hauliers
Our ferry routes mainly carry trailers for forwarders and hauliers. This is typically fast moving freight destined for delivery within days.

Manufacturers and retailers
The key customers of our logistics and ferry solutions are manufacturers of automotives, fresh and frozen foods, forest & paper products and other industrial goods as well as retailers.

Passengers
The key passenger groups are people travelling in their own car and mini cruise passengers enjoying a maritime experience and the on board facilities.



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

We move for all to grow

We care – about the safety of our passengers and employees and about our environmental footprint.

We seek to partner and innovate with customers to grow their business and the economy.

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

We pursue shareholder value by leveraging our strong network through **acquisitions**.

Ferry & Logistics

Digital capabilities are moving to the centre of our strategy, and we are increasingly engaging with new business models and technologies.

Key results 2018

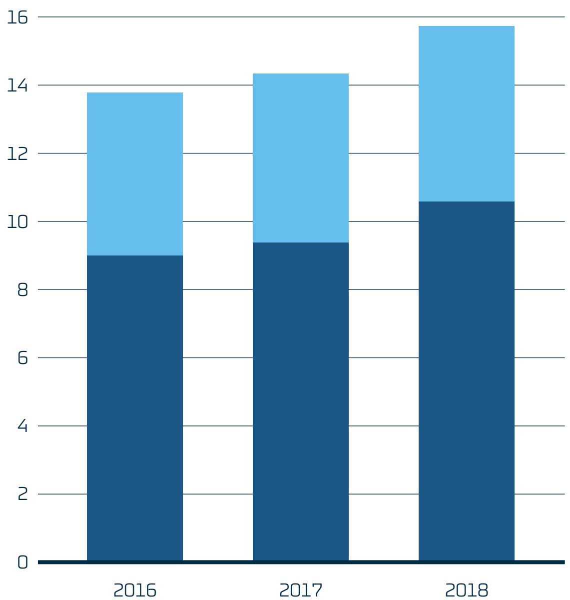
Revenue up **10%** to DKK 15.7bn

EBITDA[1] up **11%** to DKK 3.0bn

Return on invested capital[1] after tax of **13.5%**

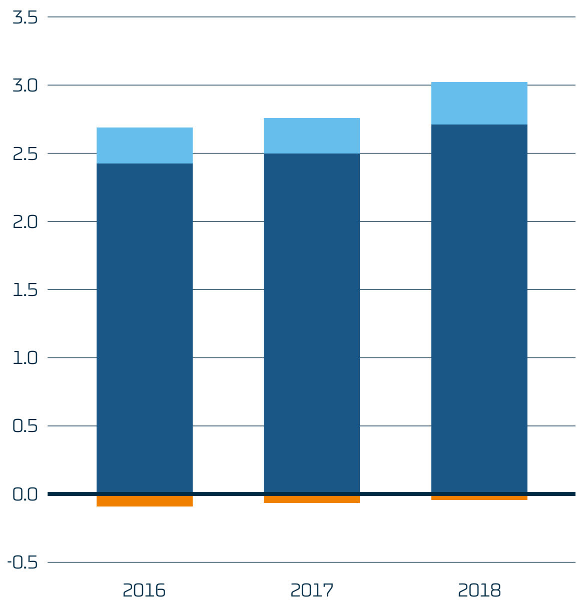
Revenue per division

DKK bn



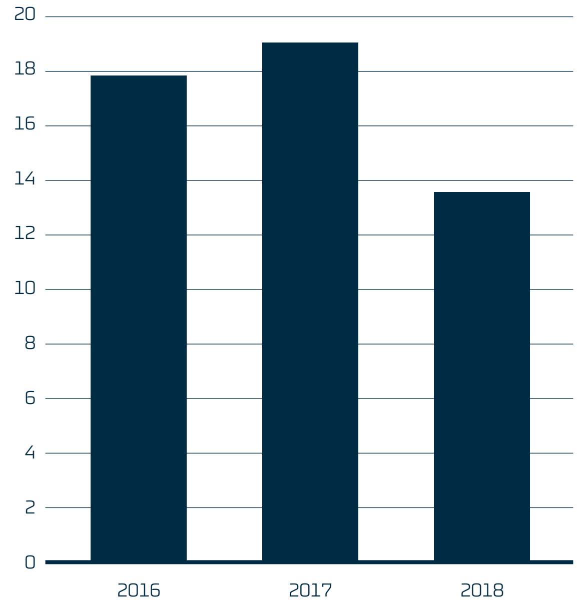
EBITDA per division[1]

DKK bn



Return on invested capital (ROIC)[1]

%



- Logistics Division
- Ferry Division
- Non-allocated items
- DFDS Group

[1] Before special items

An expanding company

At the heart of DFDS' purpose and strategy lies an ambition to grow and create value for all stakeholders and in 2018 a door opened for expanding into the Mediterranean with the acquisition of Turkey's largest freight ferry company, U. N. Ro-Ro.

The operation of freight ferry routes enabling trade between Europe and Turkey is now a new key business area for DFDS. Trading between Europe and Turkey has grown vigorously in recent decades and we expect this will continue in the future – greatly assisted by our routes and people.

To allow our freight customers to grow their business, we have in recent years laid the foundation for expanding the ferry network capacity by ordering eight new-buildings. Three new-buildings will be deployed in 2019, two of them between Europe and Turkey. We are also investing in expanding our digital capabilities to enhance the ease of doing business with DFDS for our customers, and to increase operational efficiency.

CSR is another area where progress was made in 2018. A new CSR strategy and organisation have been formed dedicated to reducing our environmental footprint and being a caring employer.

We retained DFDS' financial flexibility by making a successful share issue in connection with the acquisition of U. N. Ro-Ro. This allows the company to continue its growth, should further opportunities arise. In the Board of Directors, we continuously assess the capital structure to balance distribution with value creating investments. Our commitment to return excess capital to shareholders is clear.

The Board of Directors therefore proposes to the Annual General Meeting to resume the dividend in line with the growth expected for 2019.

At the Annual General Meeting, Jørgen Jensen, who joined the Board in 2015, will step down. I would like to extend our great appreciation for the contribution Jørgen Jensen has made in the Board during the last four years. The Board of Directors intends to propose the election of a new Board member at the Annual General Meeting in March.

2019 is set to be another exciting and busy year for DFDS and on behalf of the Board, I would like to thank DFDS' shareholders for your continued support and to thank DFDS' management and everyone in the organisation for your efforts in a year that saw strategic expansion and a new all-time high result.

Claus V. Hemmingsen
Chair of DFDS

Growth set to continue in 2019

A new all-time high result was achieved in 2018 and growth in both revenue and earnings is set to continue in 2019 on the back of our recent expansion in the Mediterranean driven by the transformational acquisition of U. N. Ro-Ro.

This has strengthened our ferry business as the greater geographical coverage of the route network offers more services to customers and the larger scale offers operational advantages.

Our logistics business was also strengthened by an acquisition at the beginning of the year and delivered a strong result as the EBITDA grew by 25% in 2018.

We are, moreover, growing our customer base organically. The three largest additions in 2018 to our customer portfolio was Ekol Logistics, Turkey's largest logistics provider, Norske Skog, Norwegian paper manufacturer, and Birds Eye, UK producer of frozen foods. These customer wins reflect both our growing market coverage and our ability to provide solutions for diverse sectors such as freight forwarding and logistics, manufacturers of heavy industrial goods and food producers requiring cold chain logistics.

The return on invested capital was lowered to 14% in 2018 by the acquisition of U. N. Ro-Ro.

Operating profit (EBITDA), on the other hand, increased 11% to DKK 3.0bn from DKK 2.7bn in 2017.

Asset investments are expected to peak in 2019 with DKK 2.5bn of which the majority will be used for increasing the route network's capacity and efficiency through the delivery of three freight new buildings. Further new buildings are planned for delivery in 2020 and 2021. We are also investing in expansion of port terminals and development of digital capabilities to enhance the customer experience and gain operational efficiencies.

An important milestone in 2019 will be the full integration of U. N. Ro-Ro, including the operational optimisation of the addition of considerable new volumes from Ekol Logistics. 2019 will hopefully also bring clarity to Brexit which should improve the market environment. Our pursuit of shareholder value creation, innovation of customer services, reduction of our environmental footprint and being a caring employer will all continue in 2019.

Niels Smedegaard
President and CEO

Key figures

DKK million	2018 EUR m [1]	2018	2017	2016	2015	2014
Income statement						
Revenue	2,109	15,717	14,328	13,790	13,473	12,779
• Ferry Division	1,492	11,117	9,892	9,468	9,071	8,733
• Logistics Division	714	5,324	5,160	4,930	5,034	4,625
• Non-allocated items and eliminations	-97	-724	-724	-608	-631	-579
Operating profit before depreciations (EBITDA) and special items	401	2,988	2,702	2,588	2,041	1,433
• Ferry Division	364	2,713	2,513	2,439	1,906	1,309
• Logistics Division	44	330	263	252	234	200
• Non-allocated items	-7	-55	-74	-103	-99	-76
Profit on disposal of non-current assets, net	1	7	7	8	5	9
Operating profit (EBIT) before special items	256	1,909	1,782	1,644	1,199	695
Special items, net	-7	-49	-41	-13	-36	-70
Operating profit (EBIT)	249	1,859	1,741	1,631	1,164	626
Financial items, net	-22	-165	-55	-43	-121	-124
Profit before tax	227	1,694	1,686	1,588	1,043	502
Profit for the year	220	1,637	1,618	1,548	1,011	434
Profit for the year excluding non-controling interest	219	1,630	1,617	1,548	1,011	435
Capital						
Total assets	2,964	22,132	13,308	13,004	12,646	12,249
DFDS A/S' share of equity	1,229	9,174	6,565	6,636	6,480	6,076
Equity	1,239	9,255	6,614	6,685	6,530	6,127
Net-interest-bearing debt [2]	1,140	8,513	2,352	2,424	1,773	2,467
Invested capital, end of period [2]	2,398	17,908	9,099	9,205	8,363	8,633
Invested capital, average [2]	1,845	13,778	9,178	9,037	8,535	8,578

DKK million	2018 EUR m [1]	2018	2017	2016	2015	2014
Cash flows						
Cash flows from operating activities, before financial items and after tax	337	2,516	2,666	2,662	2,207	1,398
Cash flows from investing activities	-643	-4,802	-1,564	-1,207	-571	-1,069
Acquistion of enterprises and activities	-487	-3,635	0	-51	-7	-85
Other investments, net	-156	-1,167	-1,564	-1,156	-564	-984
Free cash flow (FCFF)	-306	-2,286	1,102	1,455	1,637	329
Key operating and return ratios						
Average number of employees		7,791	7,235	7,065	6,616	6,363
Number of ships		70	64	63	54	53
Revenue growth, %		9.7	3.9	2.4	5.4	5.6
EBITDA margin, %		19.0	18.9	18.8	15.1	11.2
Operating margin, %		12.1	12.4	11.9	8.9	5.4
Revenue/invested capital average, (times)		1.1	1.6	1.5	1.6	1.5
Return on invested capital (ROIC), %		13.1	18.6	17.7	13.3	7.2
ROIC before special items, %		13.5	19.0	17.8	13.7	8.0
Return on equity, %		20.7	24.5	23.4	16.1	7.1
Key capital and per share ratios						
Equity ratio, %		41.8	49.7	51.4	51.6	50.0
Net-interest-bearing debt/EBITDA, times		2.8	0.9	0.9	0.9	1.7
Earnings per share (EPS), DKK		29.0	29.1	26.6	16.8	7.0
Dividend paid per share, DKK		4.0	10.0	6.0	5.4	2.8
Number of shares, end of period, '000		58,632	57,000	60,000	61,500	63,250
Weighted average number of circulating shares, '000		56,204	55,594	58,141	60,067	62,246
Share price, DKK		262.2	331.3	322.6	267.0	118.2
Market value, DKK m		14,990	18,106	18,405	15,840	7,177

[1] Applied exchange rate for euro as of 31 December 2018: 7.4532 (Average) and 7.4673 (End)

[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.

Management review

Expansion to new markets in Mediterranean

Future growth supported by ferry new building program

Lower visibility on Brexit slowed growth in second half of 2018

Revenue up 10%
to DKK 15.7bn

EBITDA up 11%
to DKK 3.0bn

ROIC of 13.5%

Equity ratio at 42%

All-time high result driven by Mediterranean expansion

After continued growth of freight volumes in the first half of 2018, freight volumes slowed in the second half of the year as uncertainty about the outcome of Brexit increased over the summer. The passenger market was more resilient with stable volumes through the year. Growth in revenue and earnings thus slowed for DFDS' northern European activities in the second half of the year.

Earlier in the year, activities in the Mediterranean were significantly expanded with the acquisition of the Turkish freight ferry operator U. N. Ro-Ro, announced 12 April and completed 7 June 2018. This was followed by further growth as the cooperation with Ekol Logistics was greatly expanded towards the end of the year, announced 21 December. Volumes are expected to increase by around 30% between Turkey and Italy in 2019 from this cooperation.

The result for the logistics activities was boosted in the first half-year by a large logistics contract covering supply chains between Sweden and Belgium. The contract also ensured substantial ferry volumes in the same corridor. The integration of Special Cargo, acquired 3 January 2018, was sucessfully completed during the year and the result was further improved through efficiency and improvement projects as well as the divestment and closure of loss-making activities in Q4 2017 and April 2018, respectively.

DFDS' operating profit (EBITDA) before special items increased in 2018 by 11% to DKK 2,988m compared to 2017, mainly driven by acquisitions, while profit before tax was up 1%, both before special items. The latter was reduced by depreciations and finance costs related to the acquisition of U. N. Ro-Ro and Special Cargo. Revenue increased 10% in 2018 to DKK 15,717m, also mainly driven by acquisitions.

The outlook for the full-year revenue growth included in the Q3 2018 report was around 10% and this was in line with the realised revenue growth. The EBITDA before special items was likewise in line with the low end of the latest EBITDA outlook range of DKK 3,000-3,100m, also from the Q3 2018 report.

On a divisional level, Ferry Division's EBITDA before special items increased 8% to DKK 2,713m driven by the acquisition of U. N. Ro-Ro. The Logistics Division's EBITDA before special items increased 25% to DKK 330m driven by further growth in contract logistics, an acquisition and a positive impact from the closure of lossmaking activities.

The Group's free cash flow was negative by DKK 2.3bn after net investments of DKK 4.8bn, including DKK 3.6bn for acquisitions. The free cash flow was positive by DKK 1.3bn excluding acquisitions.

Financial leverage increased due to the acquisition of U. N. Ro-Ro. The leverage ratio of net interest-bearing debt (NIBD) to operating profit (EBITDA) before special items was 2.8 at year-end up from 0.9 at the end of 2017. The equity ratio was 42% at year-end 2018 compared to 50% in 2017.

DFDS Group, key figures

DKK m	2018	2017	2016
Revenue	15,717	14,328	13,790
EBITDA*	2,988	2,702	2,588
EBIT	1,859	1,741	1,631
Profit before tax*	1,743	1,727	1,600
Profit for the period	1,637	1,618	1,548
Free cash flow, FCFF	-2,286	1,102	1,455
Invested capital, end of year	17,908	9,099	9,205
Net- interest-bearing debt/EBITDA*, times	2.8	0.9	0.9
Return on invested capital*, %	13.5	19.0	17.8
Number of employees, average	7,791	7,235	7,065

* Before special items

The average number of employees increased 8% to 7,791 in 2018. 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 2018

The major events of the year are listed on page 19, divided into three sections: business development and competition; operations and finance; and digital, people and environment. The most important of these events are reviewed in this section.

Business development and competition

Completion of Alphatrans logistics acquisition

To further expand and develop DFDS' European logistics services, the acquisition of 100% of the share capital of the Dutch company Alphatrans Group BV (renamed Special Cargo) was completed on 3 January 2018 and consolidated in the DFDS Group per the same date.

Freight fleet efficiency further bolstered by two new freight ferry orders (ro-ro)

To enable freight customers to grow their business on DFDS' routes and to support trade and growth in Europe, two additional freight ferry (ro-ro) new buildings were ordered in June and August, respectively for delivery in 2020.

The ferries are similar to the four ferries ordered previously in 2016 and 2017 of which three will be delivered in 2019. The first of these new buildings was delivered beginning January and is expected to be deployed between Turkey and Europe in March 2019. Each of the new buildings can carry 6,700 lane metres of freight equivalent to around 450 trailers, an increase of around 80% compared to the ferries they are expected to replace. The new ferries will thus decrease unit costs and the environmental impact per transported unit. All six ferries are being built by Jinling Shipyard in China.

The ferries represent a new generation of environmentally friendly freight ferries that 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.

Baltic route network to be strengthened by two new ferries (ro-pax) in 2021

To improve the ability to support freight customers' growth in the Baltic region and improve the travel experience for passengers, two combined freight and passenger new buildings (ro-pax) were ordered in February for delivery in Q1 and Q3 2021, respectively.

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

Channel to be strengthened by one new ferry (ro-pax) in 2021

To ensure capacity for reliably moving freight and passengers on the Channel, a 10-year bareboat charter agreement was entered into for a new ferry (ro-pax) for delivery in early 2021. The agreement includes a purchase option. The ferry will be tailored to DFDS' requirements for deployment on the Channel.

The new ferry will have a considerably higher freight capacity of 3,100 lane meters and will accommodate around 1,000 passengers with room on board to offer a wide range of passenger services during the crossing.

Italian logistics activities restructured

The restructuring in April included closure of the door-door rail solutions between Italy and Sweden/Denmark/UK, of which the Danish activity was sold. At the end of Q3, the warehousing and distribution activities in Fagnano also ceased. The door-door rail solutions provided between Italy and Benelux/Ireland/Norway continued under management from Oslo and Rotterdam.

The restructuring reduced the revenue of the Italian logistics activities in 2018 by around DKK 225m compared to 2017. 34 employees in Italy, Sweden, UK and Denmark were made redundant. The restructuring entailed a one-off cost of DKK 12m recognised under Special items.

Impact from changes in Belfast in 2018

The logistics activities in Belfast were refocused in November 2017 when the lossmaking reefer activity was divested, including more than 100 employees. The total annual revenue of activities included in the divestment was DKK 250m in 2017.

Route network expanded in Mediterranean by acquisition of U.N. Ro-Ro

On 7 June 2018, DFDS acquired 98.8% of U.N. Ro-Ro, Turkey's largest operator of freight ferry routes connecting Europe and Turkey with an annual revenue of around DKK 1.7bn. The price of the shares was DKK 3.6bn corresponding to an enterprise value of DKK 7.1bn.
U.N. Ro-Ro operates five freight shipping routes in the Mediterranean between Turkey and EU: four routes connect to Italy and one to France. 12 freight ferries (ro-ro) with an average age of 12 years are deployed on the routes. In addition, port terminals are operated in Istanbul and Trieste and intermodal solutions are offered for distribution in Europe. The company had around 600 employees at the time of the acquistion.

The routes carry only freight, primarily trailers, and the business model is identical to the North Sea with only unaccompanied freight units.

The integration process was started immediately after the completion of the transaction in June. The integration plan included three focus areas with a total of 18 workstreams, including:

- Commercial: Sales and customers, development of transport solutions for joint network, branding
- Platforms: IT and digital, fleet, port terminals and marine standards
- Support: Finance, procurement and HR.

The integration was completed by the end of 2018. Synergies are developing with respect to enhanced fleet allocation flexibility and the first freight ferry new buildings will be deployed between Turkey and Italy. The implementation of scrubber installations across the Mediterranean fleet is also supported by procurement benefits as well as extensive knowhow in DFDS' organisation with regard to both contracting and operation.

Performance issues closed Rosyth-Zeebrugge

The freight route between Rosyth in Scotland and Zeebrugge in Belgium was closed in April 2018 due to continued financial performance below expectations.

Sale of two ferries

In July 2018, a sale to Ukrferry of two combined freight and passenger ferries, Kaunas Seaways and Vilnius Seaways, built in 1989 and 1987, respectively, was completed. The ferries have been on time charter to Ukrferry for several years for deployment on routes in the Black Sea. The sale of the ferries entailed a profit of DKK 27m included under Special items.

Award of contract from UK Department for Transport

DFDS has entered into a contract with the UK Department for Transport to provide additional freight ferry capacity in the event of a no-deal Brexit for six months from 29 March 2019. The potential revenue of the contract is up to EUR 47m contingent on the amount of capacity that is called for.

DFDS has agreed to provide additional capacity on the following three freight ferry routes: Immingham-Cuxhaven, Rotterdam-Immingham and Rotterdam-Felixstowe.

The additional capacity will primarily be provided by extra departures and reallocation of capacity from DFDS' route network.

Customer satisfaction scores

	CSAT[1]		NPS[2]		SCALE
	2018	2017	2018	2017	
Freight ferry services	8.3	8.2	42	42	Very good
Transport and logistics solutions	7.8	7.8	23	25	Good
Passenger ferry services	7.9	8.0	31	35	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)

Operations and digital

Environmental compliance for Mediterranean routes

On 11 September 2018, an investment was announced to install hybrid scrubbers on 12 freight ferries deployed on freight routes in the Mediterranean between Turkey, Italy, Greece and France. The investment ensures compliance with the new global rules that from 2020 aim to reduce sulphur emissions through limiting sulphur content in marine fuel oil to 0.5% or through other means, such as scrubbers, with at least a similar environmental effect.

The investment decision is based on the scrubber strategy that was applied in 2015 for the transition to the 0.1% sulphur content limit for DFDS' ferry route network in northern Europe. This strategy has proven to be a success from both an environmental, operational and business perspective. By applying DFDS' extensive experience of procuring, installing and operating scrubber systems both operational and financial synergies are expected to be achieved.

Customer Focus

The overriding aim of DFDS' Customer Focus program 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 ferry services, transport and logistics solutions and passenger ferry services.

As reported in the table above, the scores for freight ferry services were stable at a high level in 2018. This was mostly driven by higher scores for the Gothenburg routes as capacity was maintained at a high level through the year.

The CSAT score for transport and logistics solutions was stable while a decline in the NPS score mostly were related to carrier capacity issues in Netherlands while scores were improved in Belfast and for some cold chain activities in England following restructuring and improvement projects, respectively.

Scores for passenger ferry services were slightly below 2017 mainly due to lower scores for the Channel market while satisfaction was slightly up for markets in Scandinavia and the Baltic region.

Improvement and efficiency projects

Continuous improvement is a key part of DFDS' strategy. This is supported by targeted projects that in 2018 covered pricing and yield management, Starlight: improvement of on board experience on cruise routes and Carpe Momentum: improvement of on board spend on Channel routes. In addition, a profit improvement project for logistics activities in Italy included closure of activities, sale of an activity and continued operation under a new management structure for other activities.

In 2019, targeted projects are expected to achieve a net profit run rate of around DKK 100m. Projects include yield management, procurement, boost projects for two Logistics activities and projects related to utilising artificial intelligence and smart data.

Digital moving to centre of DFDS' strategy

In line with the strategy and outlook for 2018, additional investments were made in digital and IT initiatives during the year.

Major elements of the IT foundation are thus now in place, including a governance model designed for effective cooperation between IT and business functions, and a greatly improved online customer experience.

Focus has now shifted to further develop the ability to seamlessly acquire and transact business in digital channels, automate key business processes, and optimise these through the use of machine learning and other smart data techniques.

This is reflected in three focus areas: the way we **go-to-market**, especially towards smaller and spot customers, digitising our **core operating functions**, and being at the forefront of digital developments through **innovation and partnerships.**

Digital go-to-market

During 2018, a new CEM (Customer Experience Management) platform was developed and several new applications were launched, including Marketing Automation. The web presence for the freight ferry and logistics activities is now localised, giving customers better access to information and tools, as well as increasing our visibility in search engines. Work has started to integrate the entire passenger web presence into DFDS.com, and remaining local sites will be migrated during 2019.

Focus increased on the digital customer experience that supports small and spot freight ferry customers, who do not benefit from the same system integrations that larger customers have, and for whom it can be cumbersome to become a customer online. In October 2018, a freight ferry product was made available to buy online for the Channel routes, where spot customers can now buy a "no fuss" ticket between Dover and either Calais or Dunkirk. There is an extensive roadmap of planned developments in this area and also for logistics customers during 2019. Customers with an account continue to be onboarded to the growing array of apps and tools that support them to book, check in, and manage bookings from the device of their choice.

Digitising the Core, Innovation & Partnerships

Transport and logistics has one of the highest potentials of impact from AI (Artificial Intelligence) and digitising the core is based on three objectives:

- Improve decision making through data
- Optimise operations through automation
- Prepare for autonomy through innovation and partnerships.

Value is already being delivered from past and current use cases. A portfolio of use cases is currently in place, for example:

- Data Delivery Platform initiative started to consolidate data and enable real-time data streaming
- Automated logistics quotations successfully launched, roll-out to all offices ongoing
- Cargo balance initiative for logistics rolled out to five locations
- Passenger upsell resulting in 33% higher upsell on certain segments and routes

- Innovation portfolio established with idea list and running use case list
- First roadmap for autonomous ships, autonomous trucks, and autonomous port terminals created.

The IT foundation

The digital capabilities rely on the IT foundation – both infrastructure and software. As more of the core operating functions and customer experience are digitised, **cybersecurity** is a growing imperative and several initiaves were completed during 2018: outhousing of data centres to ensure a higher level of security and resilience, implementation of improvements to ensure GDPR compliance, more extensive monitoring and multi-factor authentication.

Following the acquisition of U. N. Ro-Ro, a **new IT development centre in Istanbul** was established to access a highly competent pool of IT talent. The centre has started with three teams working with integration, mobile app development and warehousing/cross-dock software development.

Work continues on the core transactional systems to break down the monoliths in the journey towards a more **composable architecture**. For passengers, the Seabook system is well on the way towards componentization, whilst any new services, especially those that go across the application stack – such as tracking for logistics – are being built according to the new architectural principles. These new services, as well as all of our customer-facing web presence, are built as serverless applications on AWS (Amazon Web Services) or other cloud services, which lowers time-to-market and increases flexibility, supporting our commitment to agile software development.

2018 has seen many other developments: Office 365 was rolled out to all office-based staff, as the backbone of our **digital workplace**. Sourcing of a new **ERP** (Enterprise Resource Planning) system is in the final stages, with implementation expected to begin in 2019. A new version of the **EPOS** (electronic point of sale) system was rolled out in the Baltics, and will next be installed on the Copenhagen-Oslo and Amsterdam-Newcastle routes. **Velocity Live Planning** (Velocity being the core system for logistics), enabling smarter use of data for more efficient and transparent logistics operations, has been rolled out to many locations, with remaining locations due in the first half of 2019. Moreover, a new .Net version of our terminals system, **GTMS**, was launched and is running in Immingham, with Vlaardingen and Gothenburg to follow.

To enhance cross-functional cooperation and further accelerate developments, over 200 attendants joined an annual conference, comprising employees from IT and digital along with key business area stakeholders.

Reporting changes following acquisition of U.N. Ro-Ro

In Q2, a new business unit named 'Mediterranean' was established comprising all Mediterranean ferry activities, including the existing route between Marseille and Tunis.

The business unit France & Mediterranean was discontinued and the other route of this business unit between Newhaven and Dieppe was transferred to the Channel business unit.

People, environment and finance

Reporting on people and environment is included in DFDS' CSR report. A CSR summary is included in this report on pages 38-40. The full CSR Report 2018 is available here: **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**

Mediterranean expansion

With the acquisition of U.N. Ro-Ro in June 2018, DFDS entered the freight ferry market facilitating trade between Turkey and Europe. This has already opened a door to new opportunities as a major, new customer agreement was made at the end of 2018. DFDS now has a platform to develop from in a market that has grown vigorously for decades.

IMPORTANT EVENTS 2018

	BUSINESS DEVELOPMENT AND COMPETITION	OPERATIONS AND DIGITAL	PEOPLE, ENVIRONMENT AND FINANCE
January	• Acquisition of Dutch company Alphatrans completed (flatbed logistics operator, renamed Special Cargo) • Dieppe-Newhaven route concession extended for five years		
February	• Two freight and passenger ferries (ro-pax) ordered for delivery in 2021 for deployment in Baltic Sea		• Share buyback of DKK 300m initiated on 17 August 2017 completed • New share buyback of DKK 400m initiated
March		• Primula Seaways out of service for five weeks due to collision	• Annual general meeting (AGM) • Anders Götzsche elected by AGM as new board member
April	• U. N. Ro-Ro acquisition announced • One freight and passenger ferry (ro-pax) new building chartered for 10 years for deployment on Channel from 2021	• Rosyth-Zeebrugge freight route closed • Rail logistics activities in Italy closed • Finlandia out of operation until November due to engine breakdown	• Graduation of 21 talents in the Horizon programme • Share capital reduced by 1,000,000 shares following share buyback programs • Share byuback initiated 8 February and dividend planned for August cancelled due to acquisition of U. N. Ro-Ro
May			• Extraordinary general meeting to approve share capital increase to maintain financial flexibility after acquisition of U. N. Ro-Ro • Share capital increased by 2,631,578 shares equal to approximately DKK 1.0bn in private placement
June	• Fifth new freight ferry with 6,700 lane meter capacity ordered from Chinese shipyard Jinling for delivery in 2020 • U. N. Ro-Ro acquisition completed	• Business units restructured: New business unit Mediterranean includes U. N Ro-Ro and Marseille-Tunis. Channel expanded with Newhaven-Dieppe. France & Mediterranean business unit discontinued	• GDPR (General Data Protection Regulation) compliance completed
July	• Two older freight and passenger ferries (ro-pax) sold	• Start of calls at Patras, Greece	
August	• Sixth new freight ferry with 6,700 lane meter capacity ordered from Chinese shipyard Jinling for delivery in 2020	• Capacity of freight ferry UN Karadeniz deployed in Mediterranean increased by lengthening	• DFDS receives award for Europe's best ferry operator
September	• New automotive logistics contract agreed with Volvo	• Scrubber investment program for 12 freight ferries in Mediterranean announced	• External truck driver in fatal accident in connection with picking up a trailer at the Immingham port terminal
October	• Cooperation with Norske Skog expanded to cover 6-700,000 tons of paper starting 1 January 2019	• Additional freight ferry deployed on Klaipeda-Kiel and Klaipeda-Karlshamn to accommodate higher freight volumes in Q4	• Group management strategy conference with almost 200 participants on board Pearl Seaways
November		• Vlaardingen port terminal expanded 92,000 m2 by acquisition of adjacent terminal giving room for 650 additional trailers • Logistics warehousing capacity in Ghent doubled to 20,000m^2	• IT conference for more than 200 participants on board Pearl Seaways
December	• Cooperation with Turkish logistics company Ekol Logistics expanded significantly • New port terminal lease agreement in Turkey • New logistics contract with Birds Eye started in UK	• Pilot freight booking app for smaller customers launched on Channel routes • Award of contract from UK Department for Transport to provide additional freight ferry capacity in case of a 'hard' Brexit	• 45 talents selected for assessment in Horizon development programme

Major events after 2018

There are no major events to report after 2018.

IFRS 16 restatement of 2018

On 18 January 2019, a pro forma and unaudited restatement of the first three quarters of 2018 was released and a full restatement for 2018 was included in the Q4 2018 report released on 7 February 2019.

The main impacts of the pro forma and unaudited restatement for 2018 are:

- EBITDA before special items is raised DKK 601m to DKK 3,589m
- Invested capital at the end of the year is raised DKK 2.6bn to DKK 20.4bn
- Financial leverage, as measured by NIBD/EBITDA, is raised 0.3 to 3.1.
- ROIC before special items is lowered 1.7 ppt to 11.8%.

Financial goals and capital structure

Financial goal and performance

DFDS' financial performance goal is a minimum ROIC (return on invested capital) of 10% after tax over a business cycle.

Although DFDS' ROIC in recent years have exceeded 10%, the goal is maintained as investments yielding 10% or more are considered to be value enchancing, given that DFDS' weighted average cost of capital is around 5.0%.

Financial performance is underpinned by a ROIC Drive programme covering all profit generating businesses equal to around 90 activities. The program includes a simple ROIC-scorecard, high-level three-year business plans, multiple annual sparring sessions between local and top management held at business locations and internal performance benchmarking.

The Group's ROIC, including special items, was 13.1% in 2018 compared to 18.6% in 2017. Before special items, the return was 13.5% in 2018 compared to 19.0% in 2017.

The decrease in ROIC in 2018 was mainly due to the acquisition of U. N. Ro-Ro effective from June 2018. The goal for the acquisition is to increase the return to around 10% within three to four years.

The ROIC of Ferry Division was 14% down from 21% in 2017 following the acquisition of U. N. Ro-Ro in 2018. The acquired company is part of the Mediterranean business unit which in addition includes a freight route between Marseille and Tunis.

The ROIC of Ferry Division's other four business units were all above 10%, ranging from 17% in North Sea to 29% in Baltic Sea.

The ROIC of Logistics Division increased in 2018 to 14% from 13% in 2017. The ROIC of Nordic increased to 23% while Continent achieved 11% down from 15% in 2017 and UK & Ireland improved to 10% from 8% in 2017.

There are a number of activities within the business units of both divisions that performed below 10% in 2018. 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 2018, the NIBD/EBITDA-multiple was 2.8 and 2.6 on a pro forma basis that includes a full year of EBITDA for U. N. Ro-Ro.

In connection with the announcement of the U. N. Ro-Ro acquisition on 12 April 2018, the Board of Directors cancelled the share buyback launched on 8 February 2018 and the planned dividend of DKK 7.00 in August 2018.

To maintain DFDS' financial flexibility, in view of planned fleet renewals in both DFDS and U.N. Ro-Ro as well as potential other investment opportunities, a share issue of 2,631,578 shares, equal to proceeds of approximately DKK 1.0bn, was completed on 15 May 2018.

DFDS' Board of Directors continuously assess the capital structure in relation to current and expected future earnings as well as future investment requirements, including acquisitions.

The capital distribution policy and distribution in 2018 are reported on page 47.

Return on invested capital (ROIC) 2018

	Average invested capital, DKK m	ROIC before special items, %
DFDS Group	13,778	13.5
Divisions & business units		
Ferry Division	12,648	14.1
North Sea	3,805	16.7
Baltic Sea	1,237	29.1
Channel	1,854	21.3
Mediterranean	4,574	3.9
Passenger	633	17.9
Non-allocated	545	19.0
Logistics Division	1,204	14.2
Nordic	342	23.1
Continent	496	10.9
UK & Ireland	365	10.3
Group Non-allocated items	-74	n.a.

Business model and assets

Business model

DFDS moves freight and passengers on ferry routes in and around Europe. In addition, transport and logistics solutions are provided to a wide range of businesses using the ferry routes as part of the solution whenever that is the most efficient choice.

In total, around 85% of DFDS' revenue derives from freight activities and 15% derives from passenger activities.

Ferry activities

DFDS' ferry routes aim to provide reliable and efficient services for trade and travel, as such the routes are part of Europe's infrastructure.

The location and capacity of DFDS' ferry routes is determined by demand from businesses and consumers. Some routes link regions with a high level of manufacturing activity and carry only freight, and some routes serve freight and passenger markets at the same time. Two routes in the network connect attractive city destinations and carry mainly passengers.

Port terminals are operated in key hubs to ensure access and efficiency, and also to offer additional services to freight customers, for example warehousing and storage.

All routes operate according to fixed schedules with capacity determined by the number and size of ferries deployed on each route, given the frequency of the schedule.

Different ferry types are deployed on the routes according to customer requirements. Freight ferries (ro-ro) are deployed on routes carrying only freight, combined freight and passenger ferries (ro-pax) are deployed on routes where the demand for freight capacity exceeds passenger demand. Passenger cruise ferries are deployed on routes that predominantly carry passengers and have a wide range of on board facilities to make the journey itself an attractive experience.

The purpose of ferries is to carry freight units and cars that are rolled on and off, hence the 'ro-ro' abbreviation. Around 85% of the freight carried on DFDS' ferry routes is trailers that contain a wide variety of goods mostly for fast delivery within a few days. Forwarders and hauliers are the main freight customers of the routes.

Trailers can be accompanied by a truck driver throughout a crossing or the trailer can be unaccompanied, i.e. it is delivered to the port and loaded on the ferry as part of port operations. On most longer routes the trailers are not accompanied by a driver and vice versa on short crossings. Between Turkey and Europe all trailers are unaccompanied, the North Sea is mainly an unaccompanied market while trailers on the Baltic Sea are mostly accompanied which requires ferries with cabins to accommodate drivers. On the Channel, all trailers are 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.

Apart from the location of the route, key elements of the value proposition to freight customers are schedules that match market requirements, capacity allowing customers to grow their business, reliability and being easy to work with. The latter includes both digital solutions and relationships.

For passengers, a key element of the value proposition is likewise the route location. Moreover, the ability to bring a car, the on board facilities, reliability, high season capacity and an easy booking process are all important.

To operate ferry routes and port terminals, including warehouses, a range of assets are deployed that are both owned and leased. Information on the fleet is reported on p 23 and more details are available in the Fleet Overview on p 140-141.

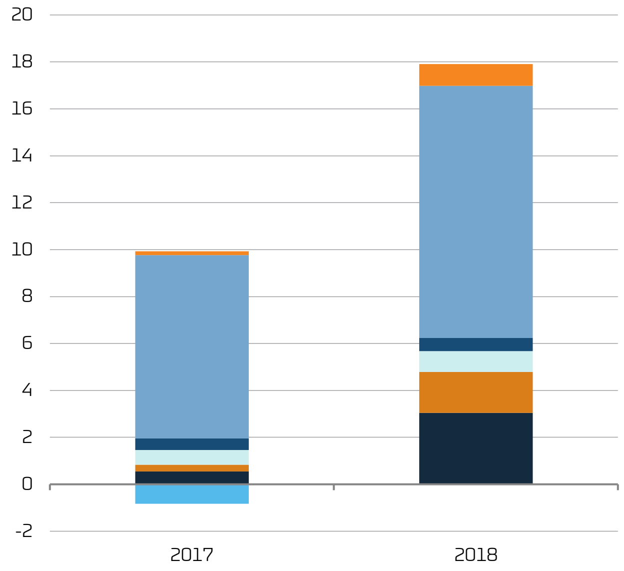
Logistics activities

DFDS provides transport and logistics solutions that to a large extent uses DFDS' route network as part of the solutions. The business model aims to provide flexible solutions that fit customer requirements and allows for fast reactions to changes in market conditions.

The main activity is transport solutions for full- and part-loads in both ambient and temperature-controlled trailers. Another large activity is logistics solutions that are developed in partnership with customers, including manufacturers and retailers. Such solutions can include warehousing and cross-docking services, freight management contracts and just-in-time/sequence deliveries.

Invested capital (end of year)

(DKK bn)



- Other assets
- Ships
- Cargo carrying equipment
- Terminals, land and buildings
- Other intangible assets
- Goodwill
- Net working capital

Fleet overview and key figures 2018

	Total fleet	Freight ferries	Freight & passenger ferries	Cruise ferries	Sideport and container ships	Ownership share, %	Average age of owned ships, yrs
DFDS Group	70	35	16	4	15	-	-
Ferry Division	53	35	14	4	-	-	-
North Sea	17	17	-	-	-	76	14
Baltic Sea[1]	9	2	7	-	-	67	17
Channel	7	-	7	-	-	86	16
Mediterranean[1]	16	16	-	-	-	81	12
Passenger	4	-	-	4	-	100	29
Logistics Division	15	-	-	-	15	-	-
Nordic[1]	5	-	-	-	5	40	20
Continent[1]	7	-	-	-	7	0	-
UK & Ireland[1]	3	-	-	-	3	0	-
Chartered out ships	1	-	1	-	-	100	16
Laid-up ships	1	-	1	-	-	0	-

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

DFDS deploys a mix of owned and leased trailers while most transports are subcontracted to a network of carriers: Hauliers, rail operators, ferry operators and container shipping operators. Own drivers and trucks are deployed in some contract logistics and distribution activities. A number of warehouses are also operated as part of contract logistics activities.

Assets and invested capital

The ferry routes deployed 53 ferries at the end of 2018, of which 42 were owned and 11 were chartered in for varying periods.

The ownership share of ferries is to a large extent determined by the degree of specialisation of the ferry required to match customer needs on different routes. In addition, ferry operators have in recent years in general increased their share of ownership, partly due to the specialisation and growing size of ferries and partly due to fewer companies focused on owning and chartering out ferries.

The degree of specialisation of freight ferries (ro-ro, ro-pax) is linked to capacity requirements for freight and passengers, configuration of passenger areas, deck strength for loading of heavy freight, hanging decks for cars, sailing speed, fuel efficiency and ramps, including requirements for turnaround speed in ports.

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

The assets deployed in Logistics mainly include cargo carrying equipment such as trailers and containers. It also includes warehouses and storage facilities.

At the end of 2018, the total invested capital was DKK 17.9bn, including a net working capital of DKK -4m defined as all non-interest bearing non-current and current assets and liabilities. 60% of the invested capital consisted of ferries and other ships and 8% consisted of port terminals, land and buildings and cargo carrying equipment. 27% of the invested capital was goodwill and other intangible assets.

Ferry Division's invested capital was DKK 16.4bn at year-end 2018 while Logistics Division's invested capital was DKK 1.3bn.

Outlook 2019

The outlook for 2019 builds on a combination of market growth prospects and five key DFDS performance drivers.

Market growth prospects

The visibility on Europe's growth path, particularly in northern Europe, is currently reduced by the still unknown outcome of Brexit. A 'soft' Brexit is expected to support growth while a 'hard' Brexit is likely to reduce growth.

The development in global trade and growth will also impact European growth prospects.

Trading between Europe and Turkey has become an important driver for DFDS. The Turkish economy is currently rebalancing following the extraordinary TRY depreciation in August 2018 and faces a period with limited domestic growth.

It is, however, expected that Turkish exports will grow through the year and contribute to a recovery of Turkey's overall growth. The level of growth in Turkish exports is contingent on continued demand in Europe for industrial and other goods that are manufactured or assembled in Turkey.

The current consensus estimates for European real GDP growth in 2019 are positive and around 1.0-1.5%. Turkey's real GDP is expected to be flat in 2019.

Outlook 2019

DKK m	Outlook 2019	*IFRS 16 re-stated 2018	2018
Revenue growth	10-12%	15,717	15,717
EBITDA before special items	3,800-4,000	3,589	2,988
Per division:			
Ferry Division	3,425-3,600	3,179	2,713
Logistics Division	425-450	431	330
Non-allocated items	-50	-21	-55
Depreciation increase (vs IFRS 16)	4%	-1,624	-1,087
Special items	-20	-49	-49
Investments	-2,500	-4,802	-4,802

*Pro forma and unaudited

5 key DFDS performance drivers

There are five key performance drivers that are expected to positively impact the outlook:

- Growth from Mediterranean expansion
- Well prepared for Brexit
- Route network strengthened by new freight ferries
- Digital business projects to go live
- Improvement and efficiency projects.

In combination, these drivers are expected to be the main contributors to growth in revenue and earnings in 2019.

Revenue outlook

The Group's revenue is expected to increase by around 10-12% driven by the full-year impact of the expansion of activities in Mediterranean as well as other new customer contracts and market growth.

EBITDA outlook

The EBITDA outlook is based on the new accounting standard on leases, IFRS 16.

DFDS will also in 2019 invest in further development of digital capabilities to enhance the customer experience and operational efficiency. This is expected to entail additional costs of up to DKK 100m.

The Group's EBITDA before special items is expected to be within a range of DKK 3,800-4,000m (2018 restated: DKK 3,589m). See the outlook table above for a divisional split.

Special items

Special items of DKK -20m are expected related to the award of shares to employees in connection with DFDS' 150th anniversary in 2016.

Investments

Investments of around DKK 2.5bn are expected in 2019:

- Freight ferry (ro-ro) new buildings: DKK 1,150m
- Combined freight and passenger ferry (ro-pax) new buildings: DKK 250m
- Scrubbers: DKK 250m
- Dockings and ferry upgrades: DKK 350m
- Port terminals and other equipment: DKK 250m
- Cargo carrying equipment and warehouses, mainly related to the Logistics Division: DKK 150m
- Other investments, including IT and digital: DKK 100m.

A total of eight new buildings are on order. In 2019, three freight ferries (ro-ro) are scheduled for deployment in March, June and November, respectively. Another three freight ferries are scheduled for delivery in 2020. Two combined freight and passenger ferries (ro-pax) are on order for delivery in Q1 and Q3 2021.

A number of risks and uncertainties pertain to the outlook.

The most important among these are possible major changes in the demand for ferry 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 but also adjacent regions including Turkey, as well as to competitor actions.

The outlook can also be impacted by political changes, first and foremost within EU and Turkey. In that regard Brexit represents an important risk.

The outlook can also be impacted by changes in economic variables, especially the oil price and exchange rates. Future financial results may therefore differ significantly from expectations.

Risk factors are reviewed on pages 41-44 in this report.

Route network strengthened by new large freight ferries

DFDS has ordered six of our largest freight ferries ever from Jinling Shipyard in China. Each ferry can carry 450 trailers that cover 11 kilometres when driving on the road. An efficient design ensures a port turnaround in just six hours. The first two will be deployed on routes between Turkey and either Italy or France.

Freight ferry specifications:

Lane metres:	**6,700**
Trailer capacity:	**450**
Length, metres:	**237**
Speed, knots:	**21.0**
Passengers:	**12**

Ferry Division

Route network significantly expanded in Mediterranean

Market growth in northern Europe slowed through the year as visibility on Brexit decreased

Head of division
Peder Gellert Pedersen

Share of DFDS Group revenue 2018
68%

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

- Revenue up 12% to DKK 11.1bn
- EBIT up 5% to DKK 1.8bn
- ROIC of 14%

Ferry Division's revenue increased 12% to DKK 11,117m compared to 2017. Most of the increase was driven by the acquisition of U.N. Ro-Ro that was completed on 7 June 2018. EBIT before special items increased 5% to DKK 1,809m and after special items EBIT increased 6%.

The return on invested capital, ROIC, before special items decreased to 14.1% in 2018 from 20.7% in 2017 due to the acquisition of U.N. Ro-Ro. Average invested capital increased 53% to DKK 12,648m compared to 2017.

North Sea
Revenue increased 1% to DKK 3,734m compared to 2017 and EBIT before special items decreased 3% to DKK 651m. Both revenue and EBIT were negatively impacted by the depreciation of SEK in 2018.

Freight volumes increased 1% adjusted for the closure of Rosyth-Zeebrugge in April 2018. Growth was positive in the first half-year but slowed during the second half-year as visibility on Brexit declined and trading between UK and the rest of Europe slowed.

In Esbjerg, the route was moved to another port terminal at the beginning of the year. Planning and investments in higher port terminal capacity in Belgium, Netherlands and UK continued through the year.

Ferry Division, DKK m	2018	2017	Δ	Δ %
Revenue	11,117	9,892	1,225	12.4%
EBITDA before special items	2,713	2,513	200	8.0%
Share of profit/loss of associates and joint ventures	2	6	-4	-71.4%
Profit/loss on disposal of non-current assets, net	1	1	1	127.1%
Depreciation and impairment	-907	-792	-115	14.5%
EBIT before special items	1,809	1,727	82	4.7%
EBIT-margin before special items, %	16.3	17.5	-1.2	n.a.
Special items, net	17	-7	24	n.a.
EBIT	1,826	1,720	106	6.2%
Invested capital, average	12,648	8,264	4,384	53.1%
ROIC before special items, %	14.1	20.7	-6.6	n.a.
Lane metres, '000	40,077	38,418	1,659	4.3%
Passengers, '000	5,439	5,349	90	1.7%

Baltic Sea

Revenue increased 3% to DKK 1,509m compared to 2017 mainly due to an increase in bunker surcharges while EBIT before special items decreased 5% to DKK 361m.

Freight volumes were on level with 2017. Trading was overall stable in the Baltic region during the year, although some loss of volume was incurred in the Estonian corridors due to increasing competition. This was offset by volume growth on the routes in the southern part of the Baltic Sea.

Passenger volumes increased by 9% driven by a positive contribution from all routes.

Channel

Revenue increased 4% to DKK 2,803m compared to 2017 and EBIT before special items increased 12% to DKK 397m.

Freight volumes decreased 0.7% and by 0.3% adjusted for Newhaven-Dieppe while passenger volumes were up 1.2% compared to 2017. Volumes in the total Dover Strait freight market decreased 1.2% in 2018 and DFDS' market share was thus increased in the year, particularly in the first half-year. During the second half-year the increase in bunker surcharges resulted in some loss of market share for the ferry routes compared to the tunnel.

The growth in passenger volumes was in line with the overall market. Passenger yields improved through the year, and especially in the high season, as a result of more effective pricing models.

Activities and business model

DFDS' Ferry Division operates one of the largest networks of ferry routes in and around Europe providing both freight and passenger services.

Freight ferry services

The routes are strategically 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 customer requirements.

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

Bespoke 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.

Mediterranean

In 2017, the Mediterranean business unit included only the freight ferry route between Marseille and Tunis. Revenue increased to DKK 1,124m from DKK 103m in 2017 following the acquisition of U. N. Ro-Ro with effect from 7 June 2018. EBIT before special items increased to DKK 180m from DKK 9m in 2017, likewise due to the acquisition.

The development in trading between Turkey and Europe was negatively impacted by the extraordinary depreciation of TRY at the beginning of August as this led to a slowdown in the Turkish economy for the rest of the year.

Towards the end of 2018, the customer agreement with Ekol Logistics, a leading Turkish logistics provider, was significantly expanded. A new route between Turkey and Italy was thus opened at the very end of 2018 to accommodate the extra volumes.

2019 will thus be positively impacted by the full-year impact of the acquisition of U. N. Ro-Ro and the new, expanded customer agreement.

Passenger

Revenue increased 3% to DKK 1,728m compared to 2017 while EBIT before special items decreased 37% to DKK 116m.

Passenger volumes increased 1.8% driven by growth on Amsterdam-Newcastle as activity on all three main markets — UK, Netherlands and Germany — were higher. In Scandinavia, the Norwegian market decreased in the year. The result was negatively impacted by an increase in the

North Sea, DKK m	**2018**	**2017**	**Δ**	**Δ %**
Revenue	3,734	3,699	35	0.9%
EBIT before special items	651	670	-20	-2.9%
Invested capital, average	3,805	4,164	-359	-8.6%
ROIC before special items, %	16.7	15.8	0.9	n.a.
Lane metres, '000	13,077	13,218	-141	-1.1%
Baltic Sea, DKK m	**2018**	**2017**	**Δ**	**Δ %**
Revenue	1,509	1,465	44	3.0%
EBIT before special items	361	379	-18	-4.8%
Invested capital, average	1,237	1,201	36	3.0%
ROIC before special items, %	29.1	31.5	-2.4	n.a.
Lane metres, '000	4,575	4,585	-10	-0.2%
Passengers, '000	224	205	19	9.3%
Channel, DKK m	**2018**	**2017**	**Δ**	**Δ %**
Revenue	2,803	2,683	120	4.5%
EBIT before special items	397	353	44	12.4%
Invested capital, average	1,854	1,956	-102	-5.2%
ROIC before special items, %	21.3	18.0	3.3	n.a.
Lane metres, '000	19,663	19,796	-133	-0.7%
Passengers, '000	3,850	3,803	47	1.2%
Mediterranean, DKK m	**2018**	**2017**	**Δ**	**Δ %**
Revenue	1,124	103	1,021	n.a.
EBIT before special items	180	9	171	n.a.
Invested capital, average	4,574	99	4,475	n.a.
ROIC before special items, %	3.9	9.3	n.a.	n.a.
Lane metres, '000	2,206	229	1,977	n.a.
Passenger, DKK m	**2018**	**2017**	**Δ**	**Δ %**
Revenue	1,728	1,674	54	3.3%
EBIT before special items	116	183	-67	-36.6%
Invested capital, average	633	678	-46	-6.7%
ROIC before special items, %	17.9	26.6	-8.7	n.a.
Lane metres, '000	556	589	-33	-5.6%
Passengers, '000	1,365	1,341	24	1.8%
Non-allocated items, DKK m	**2018**	**2017**	**Δ**	**Δ %**
Revenue	481	478	4	0.8%
EBIT before special items	105	133	-28	-21.1%

bunker cost of 32%, most of which was not recovered through higher pricing. In addition, the operating cost of the ferries increased due to upgrades and maintenance.

Non-allocated items

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

Revenue increased 1% to DKK 481m compared to 2017 while EBIT before special items decreased 21% to DKK 105m as 2017 was positively impacted by a one-off income from a settlement with a former bunker supplier's bankruptcy estate. In addition, there was less charter activity related to the ARK-project.

FERRY DIVISION ACTIVITY OVERVIEW

	NORTH SEA	BALTIC SEA	CHANNEL	MEDITERRANEAN	PASSENGER
Head of business unit	Kell Robdrup (South) Morgan Olausson (North)	Anders Refsgaard	Kasper Moos	Selcuk Boztepe	Brian Thorsted Hansen
Share of Division's revenue 2018[1]	34%	14%	25%	10%	16%
Routes	• Gothenburg-Brevik/Immingham • Gothenburg-Brevik/Ghent • Esbjerg-Immingham • Cuxhaven-Immingham • Vlaardingen-Felixstowe • Vlaardingen-Immingham • Rosyth-Zeebrugge (discontinued April 2018)	• Fredericia/Copenhagen-Klaipeda • Karlshamn-Klaipeda • Kiel-Klaipeda • Kiel-St. Petersburg • Kapellskär-Paldiski • Paldiski-Hanko	• Dover-Dunkirk • Dover-Calais • Newhaven-Dieppe	• Istanbul-Trieste/Bari/Patras • Istanbul-Toulon • Mersin-Trieste • Marseille-Tunis	• Copenhagen-Oslo • Amsterdam-Newcastle
Ferries	• 17 freight	• 2 freight • 7 freight and passenger	• 6 freight and passenger, short sea • 1 freight and passenger	• 16 freight	• 4 passenger cruise
Port terminals (owned and/or own operations)	• Ghent • Gothenburg (joint venture) • Immingham • Vlaardingen		• Dunkirk	• Istanbul, Pendik • Trieste	• 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	• 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 • Turkey	• Benelux • Denmark • Germany • Norway • Overseas markets • Sweden • UK
Main competitors	• CLdN • 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	• Alternative Transport • CMA-CGM • Container, road and rail transport • Cotunav • Ulusoy	• 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

Amsterdam
Netherlands

1 day
Transit time

Heathrow
United Kingdom

DFDS Direct – virtual freight forwarder start-up
Andrias Justinussen is heading a brand new start-up company within DFDS: A virtual freight forwarding business model for full-load solutions is expected to go live in Q2 2019. Since 2015 DFDS has invested in building digital expertise, and now we are taking a further step into a digital future with DFDS Direct, that Andrias has been part of since its very inception.

Logistics Division

Strong result for Nordic

Growth of cold chain logistics in UK & Ireland

Continent stable but impact from rising carrier costs

Head of division
Eddie Green

Share of DFDS Group revenue 2018
32%

Business areas
- Nordic
- Continent
- UK & Ireland

- Revenue up 3% to DKK 5.3bn
- EBIT up 23% to DKK 204m
- ROIC of 14%

Logistics Division's full-year revenue increased 3% to DKK 5,324m and EBIT before special items increased 23% to DKK 204m and after special items EBIT increased 26%.

The return on invested capital, ROIC, before special items increased to 14.2% in 2018 from 13.1% in 2017. Average invested capital increased 7% to DKK 1,204m.

Nordic

Revenue decreased 2% to DKK 1,866m compared to 2017 while EBIT before special items increased 43% to DKK 88m.

Market growth was positive for most activities in the first half-year while activity slowed through the second half-year as visibility on Brexit declined. The result was improved by a high level of activity for specialised transportation, improved efficiency in contract logistics and volume growth for the Norwegian shipping logistics. The performance of door-door solutions was held back by a lag in the recovery of rising carrier costs. There was a positive impact from the closure of lossmaking Italian rail activities in April 2018.

Continent

Revenue increased 21% to DKK 2,458m compared to 2017 and EBIT before special items increased 3% to DKK 67m.

Revenue and EBIT was increased by the acquisition of Special Cargo with effect from 3 January 2018. In Netherlands, the forwarding activities in the UK corridor continued to focus on high-margin solutions for valuable goods and the container activity to Ireland increased volumes. The activities in the Czech Republic continued to grow in 2018.

This was, however, offset by a considerable reduction in the result for Belgium that was negatively impacted by imbalances that were partly related to the cessation of a large logistics contracts in Q2 and the start-up of a new large contract beginning Q4. Lags in the recovery of rising carrier costs also reduced the result. Germany's margin was likewise negatively impacted by rising carrier costs. There was a positive impact from the closure of activities in Italy in April 2018.

UK & Ireland

Revenue decreased 17% to DKK 1,154m compared to 2017 due to the divestment of the Belfast reefer activity in Q4 2017. EBIT before special items increased 23% to DKK 49m, including a positive impact from the divestment as the activity was lossmaking in 2017.

Performance improved for most activities in UK and Ireland during the year. The refocusing of the continuing activities in Belfast on the retail and ambient sectors performed in line with expectations. The growing cold chain business in England expanded activity with existing customers, turned contracts that were not performing well around and at the end of the year a substantial new contract was initiated for Birds Eye, a UK producer of frozen foods. The aquaculture activities in Grimsby improved results with further improvements expected in 2019 and in Scotland results remained stable, although salmon volumes were slightly below 2017.

Logistics Division, DKK m	2018	2017	Δ	Δ %
Revenue	5,324	5,160	164	3.2%
EBITDA before special items	330	263	67	25.4%
Profit/loss on disposal of non-current assets, net	5	5	0	5.6%
Depreciation and impairment	-132	-102	-30	29.5%
EBIT before special items	204	166	38	22.8%
EBIT-margin before special items, %	3.8	3.2	0.6	n.a.
Special items, net	-11	-13	2	n.a.
EBIT	193	153	40	25.9%
Invested capital, average	1,204	1,128	76	6.7%
ROIC before special items, %	14.2	13.1	1.1	n.a.
Tons, '000	417.3	400.4	17.0	4.2%
Units, '000	567.0	548.5	18.5	3.4%

Non-allocated items

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

Activities and business model

DFDS' Logistics Division 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 transport solutions for 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/sequence 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 aims to provide flexible solutions that fit customer requirements and fast reactions to changes in market conditions.

Nordic, DKK m	**2018**	**2017**	**Δ**	**Δ %**
Revenue	1,866	1,898	-32	-1.7%
EBIT before special items	88	62	27	43.1%
Invested capital, average	342	359	-17	-4.7%
ROIC before special items, %	23.1	16.8	6.3	n.a.
Units, '000	134.6	135.2	-0.5	-0.4%
Tons, '000	417.3	400.4	17.0	4.2%
Continent, DKK m	**2018**	**2017**	**Δ**	**Δ %**
Revenue	2,458	2,035	422	20.8%
EBIT before special items	67	65	2	3.3%
Invested capital, average	496	351	146	41.6%
ROIC before special items, %	10.9	15.3	-4.4	n.a.
Units, '000	261.8	228.7	33.1	14.5%
UK & Ireland, DKK m	**2018**	**2017**	**Δ**	**Δ %**
Revenue	1,154	1,388	-235	-16.9%
EBIT before special items	49	40	9	22.8%
Invested capital, average	365	418	-53	-12.7%
ROIC before special items, %	10.3	8.2	2.1	n.a.
Units, '000	170.5	184.6	-14.1	-7.6%
Non-allocated items	**2018**	**2017**	**Δ**	**Δ %**
Revenue	244	216	28	13.1%
EBIT before special items	0	0	0	n.a.

LOGISTICS DIVISION ACTIVITY OVERVIEW

	NORDIC	CONTINENT	UK & IRELAND
Head of business unit	Niklas Andersson	Niklas Andersson	Allan Bell
Share of Logistics Division's revenue, 2018[1]	35%	46%	22%
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	• 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 (incl. VSA & SCA)	• 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		
Equipment (owned/leased) deployed across all business units, except ships	• 5,963 trailers • 3,312 containers • • 596 trucks • 2 sideport ships		• 1 chartered container ship
Warehouses	• Gothenburg • Karlshamn • Ventspils • Liepaja • Brevik	• Rotterdam • Ghent • Prague	• Peterborough • Immingham • Larkhall • Aberdeen • Belfast • Grimsby • Bellshill • Lerwick, Shetland
Sales offices	• Oslo • Gothenburg • Kotka • Copenhagen • Brevik • Karlshamn • Lilla Edet • Liepaja • Vilnius	• Hamburg • Ghent • Bruges • Rotterdam • Prague • Bilbao • Valencia • Boulogne Sur Mer	• Aberdeen • Peterborough • Immingham • Larkhall • Stallingborough • Belfast • Grimsby • Coventry • Dublin • Lerwick, Shetland • +8 operational sites
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	• CLdN • Container carriers • European forwarders • LKW Walter • P&O Ferrymasters • Samskip	• ACS&T • DHL • Yearsley • XPO

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

CSR summary

New CSR strategy developed in view of increasing need to take care of the environment and contribute to local communities

Environmental Footprint and Caring Employer are key strategic themes

Fulfilment of our purpose and strategy depends on the support of our employees and the communities in which we are active. A new CSR strategy is launched with the aim of embedding it in our way of thinking so it can strongly influence the way we act throughout DFDS.

The CSR Strategy details areas of special opportunities and therefore special responsibilities to make a difference for our staff, the environment and the communities we are able to influence. Actions include reducing our impact on the climate and marine environment, caring for people, being good neighbours and giving something back to business and local communities. The CSR strategy is therefore a key enabler for developing our business sustainably.

Our ambitions are high knowing that the ideal state keeps evolving and may be a long way off. A new CSR team has been created and the management structure strengthened to ensure implementation of the strategy and achievement of our goal to take steps every day and every year on the journey toward sustainability.

The CSR report reflects our commitment to move for all to grow and to the principles of the UN Global Compact and the UN Sustainable Development Goals. At DFDS, we recognise that our role as a supplier of vital services to Europe's transport infrastructure entails a high level of responsibility.

The full CSR Report for 2018 is available from this link:
http://www.dfdsgroup.com/about/responsibility/

Environmental Footprint

Ambition

Support marine environment

Responsible neighbour

Improve air quality

UN Sustainable Development Goals

We care for our environment and our strategic theme, Environmental Footprint, supports three of the 17 UN Sustainable Development Goals (SDGs). Our work independently and with partners focusing on SDG 13, 14 and 17 will address our impact on the climate and life under water. In view of the SDGs and our business strategy, we seek to:

Support the marine environment

Operating ferries across Europe, it is natural for us to support ocean life, reduce emissions into the sea and support research and education focusing on the marine environment.

Be a responsible neighbour

Seeking to be good neighbours and reduce pollution, waste, noise and light in the communities in which we operate terminals, warehouses and offices is essential. We contribute to a cleaner environment by implementing greener alternatives.

Improve air quality

Reducing emissions of CO_2 from our fleet of ferries and trucks by operating in a more environmentally friendly and efficient way is a necessity, as is the reduction of emissions of NO_x, sulphur and other particles. We support and promote knowledge and products that can help improve air quality.

Caring Employer

Ambition

Well-being for all employees

Inclusive workplace

Opportunities to do good

UN Sustainable Development Goals

We care for our employees and our strategic theme, Caring Employer, supports SDG 3 and SDG 5. We believe we can create a better future for DFDS and our employees by improving health, well-being and gender equality. In view of the SDGs and our business strategy, we seek to:

Ensure well-being for all employees

We see our employees as valued people and not only employees. Thus, we support their physical and mental health – i.e. their overall well-being. We want our employees to be happy when they go to work and when they go home.

Be an inclusive workplace

Employing a multicultural workforce, we seek inclusivity encompassing differences in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking styles, experience and education. We believe diverse groups and teams make better decisions.

Provide opportunities to do good

We cherish the idea of engaging the company, individuals and groups of colleagues at DFDS to take initiatives to do good and to care about each other in the local communities where we operate.

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 ferry activities than for the transport and logistics activities. The difference in risk profile is due to a high share of fixed costs in ferry operations as opposed to a high share of variable costs in transport and logistics operations as the majority of haulage and other services are subcontracted to external carriers. This entails more flexibility to adapt activities to changes in demand.

The demand for freight and passenger ferry services is reflected in volumes, which in turn are linked to the general level of activity in economies and regions that DFDS operates in. Changes in economic variables such as exchange rates can also impact demand. Decreases in demand can lead to overcapacity, which can be remedied by reducing frequency of departures, replacing incumbent ferries with smaller ferries or by removing a ferry from a route or, ultimately, by route closure. Overcapacity tends to increase price pressure and, hence, entail risks 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 ferries at few months' notice.

The four passenger ferries in the fleet are owned by DFDS which limits the options for adapting capacity in the short term. DFDS' container activities mainly operate 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 northern Europe, including activities related to Russia and adjacent countries, and in the Mediterranean reduces dependence on individual markets. In addition, the large and diversified route network provides opportunities to reallocate ferry capacity among routes.

Freight and passenger ferry markets can, moreover, be impacted by changes in market conditions of 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 single customer. Risks inherent in such customer relationships are mitigated by multiple-year customer agreements that also reflect investment requirements to service such agreements.

The ferry charter market and new buildings

DFDS charters mainly freight ferries for varying periods. Such charters are subject to price fluctuations (charter rates) and risks concerning availability of ferries that fit route requirements. Similar risks, including counterparty risks, are relevant when chartering out excess capacity. In addition, there is a price risk related to the timing of acquiring or ordering ferries. In connection with the ordering of ferries, there is a default risk related to the yards constructing the ferries, which can lead to additional costs, including delays.

Due to the ongoing process of replacing and renewing the fleet, the sale of ferries 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 investments

DFDS' growth strategy entails business development and investment risks. This is related to both organic growth from investment in ferries 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 larger ferries.

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 ferries and other ships, port terminals as well as road transport of freight. Technical incidents and accidents may lead to unplanned periods in dock for ships, 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 the fleet, 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 ferries, 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.

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

Digital and technology 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 and transport service providers. To compete with such platforms, DFDS is developing digital solutions for freight customers, particularly smaller customers, and monitoring changes in the business environment closely in order to protect activities and exploit business development opportunities.

Platforms for booking of ferry trips by consumers are operating today. Commissions are paid to such platforms for bookings. To compete with such platforms, DFDS is further developing digital solutions for passenger bookings 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 and logistics operations as such. In the longer term, DFDS' current business model could be disrupted by new, evolving technologies for autonomous vehicles, vessels and terminals, as well as artificial intelligence (AI), internet of things (IoT) and automation.

DFDS has in recent years invested in in-house capabilities in such technologies, partly to monitor and counter risks posed by such new technologies and business models, and partly to be able to exploit business opportunities related to such technologies.

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 investments 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 ferry, shipping and transport sectors, as well as changes in conditions that impact Europe's and Turkey'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 volume distribution between sea and land transport.

Another significant political risk concerns the outcome of Brexit which is still pending. Should UK leave without a deal with EU — a so called hard Brexit — the UK economy could be disrupted and trading with EU could be considerably reduced which in turn could lower volumes in DFDS' route network, and hence reduce earnings. A so called soft Brexit would entail an extension period of currently two years. During the transition period, the specific terms of a leave agreement would be negotiated and trading would continue under the same rules as today. This does not, however, exclude that continued uncertainty could prevail and negatively impact trading in such a transition period.

DFDS has prepared for Brexit by, among other things, ensuring extra space in port terminals to accommodate a slower transit of freight units through the terminals, implemented processes and systems for customs clearance services, including interactions with relevant authorities, trained and hired staff for customs clearance services and initiated dialogue with customers to prepare them for a possible new set of trading rules and processes. DFDS has been awarded AEO (Authorised Economic Operator) status in a number of jurisdictions and expect to have most jurisdictions in place ahead of the current Brexit date, 29 March 2019. These measures, along with a possible introduction of duty-free sales on passenger ferry routes, are expected to somewhat mitigate the possible negative impact of a hard Brexit.

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 monitors these issues actively, including participation in industry organisations.

Bunker risk

The cost of bunker was DKK 1.9bn in 2018 and DKK 1.3bn net of income from bunker surcharges. Around 90% 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 BAF coverage lags the actual cost by 1-2 months as the surcharge is adjusted on a monthly basis through the year. The remaining consumption is consumed on passenger routes and financially hedged as appropriate.

In 2019, the consumption of bunker by the ferry fleet is expected to amount to around 700,000 tons. Currently, around 60% of the bunker consumption on passenger routes is financially hedged. A price change of 1% compared to the price level at year-end 2018 is expected to impact operating profit by around DKK 0.6m in 2019.

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 95-98.

European rail services connect south and north
Combining ferry and rail services reduces trucks on the road. Turkish goods can be loaded directly on rail when arriving in Trieste, Italy, that links to European markets – including Scandinavia via our Ghent-Gothenburg route. Our Ghent port terminal is also linked by rail to Lyon that services our Toulon-Turkey route. And from spring 2019, a new link from Ghent to Boulou just north of the Spanish border will open.

The DFDS share and shareholders

Distribution to shareholders suspended from April 2018 due to acquisition of U. N. Ro-Ro

Dividend proposed resumed in 2019

Share capital
DFDS has one class of shares. The share capital at the end of 2018 was DKK 1,173m comprising 58,631,578 shares, each with a nominal value of DKK 20.

Two changes were made to the share capital during 2018. Firstly, 1.0m shares were cancelled on 18 April in accordance with DFDS' share buyback programme. Secondly, to maintain financial flexibility following the acquisition of U. N. Ro-Ro announced on 12 April, the share capital was increased with 2,631,578 shares on 17 May corresponding to proceeds of approximately DKK 1.0bn.

Stock exchange trading
The DFDS share is listed on Nasdaq Copenhagen where 32.1m DFDS shares were traded in 2018 equal to an annual turnover of DKK 11.0bn compared to DKK 8.3bn in 2017. The average number of trades per day was 1,848 compared to 1,679 in 2017 and the average daily turnover was DKK 44m compared to DKK 33m in 2017. The DFDS share is part of the Large Cap index.

Share price development and yield
DFDS' share price declined 21% to DKK 262 in 2018. The market value at the end of 2018 was DKK 15.0bn, excluding treasury shares. By comparison, the Danish stock market's all-share index decreased 10% in 2018.

The total distribution yield on the DFDS share was 2.7% in 2018 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, when required, 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.

To maintain financial flexibility after the acquisition of U. N. Ro-Ro was announced in April 2018, both the ongoing share buyback program and the second dividend planned for distribution in August were suspended.

Distribution to shareholders

DKK 409m was distributed to shareholders in 2018 of which DKK 219m was dividend paid in March and DKK 190m was distributed through share buybacks.

Dividend proposal

The Board of Directors proposes to the 2019 annual general meeting (AGM) a dividend of DKK 4.00 per share.

Shareholders

At the end of 2018, DFDS had 16,741 registered shareholders who owned 93% of the share capital. International shareholders owned 32% (2017: 30%) of the total registered share capital. The Lauritzen Foundation was the largest shareholder with a holding of 42% of the total share capital at the end of 2018.

Share related key figures	2018	2017	2016	2015	2014
Share price, DKK					
Price at year-end	262.2	331.3	322.6	267.0	118.2
Price high	421.2	415.1	359.9	282.0	118.2
Price low	239.4	320.5	211.1	121.0	80.8
Market value year-end, DKK m	14,990	18,106	18,405	15,840	7,177
No. of shares year-end, m	59	57	60	62	63
No. of circulating shares year-end, m	57	55	57	59	61
Distribution to shareholders, DKK m					
Dividend paid per share, DKK	4.00	10.00	6.00	5.40	2.80
Total dividend paid ex. treasury shares	219	555	349	326	177
Buyback of shares	190	1,106	914	401	295
Total distribution to shareholders	409	1,661	1,263	727	472
FCFE yield, %	-15.2	6.1	7.5	9.7	2.6
Total distribution yield, %	2.7	9.2	6.8	4.6	6.5
Cash payout ratio, %	-17.9	150.7	91.4	47.0	253.8
Shareholder return					
Share price change, %	-20.9	2.7	20.8	125.9	35.2
Dividend return, %	1.2	3.1	2.2	4.6	3.2
Total shareholder return, %	-19.6	5.8	23.1	130.5	38.4
Share valuation					
Equity per share, DKK	160.5	120.7	116.3	105.4	100.0
Price/book value, times	1.6	2.7	2.8	2.5	1.2

Ownership structure, end of 2018

Lauritzen Foundation	41.6
Institutional shareholders	39.7
Other registered shareholders	9.2
Treasury shares	2.4
Non-registered shareholders	7.2
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, end of 2018

No. of shares	No. of shareholders	% of share capital
1-50	5,106	0.3
51-500	8,962	3.1
501-5000	2,318	5.4
5001-50000	266	7.5
50001-	90	83.7
Total*	16,742	100.0

* Total of registered shareholders

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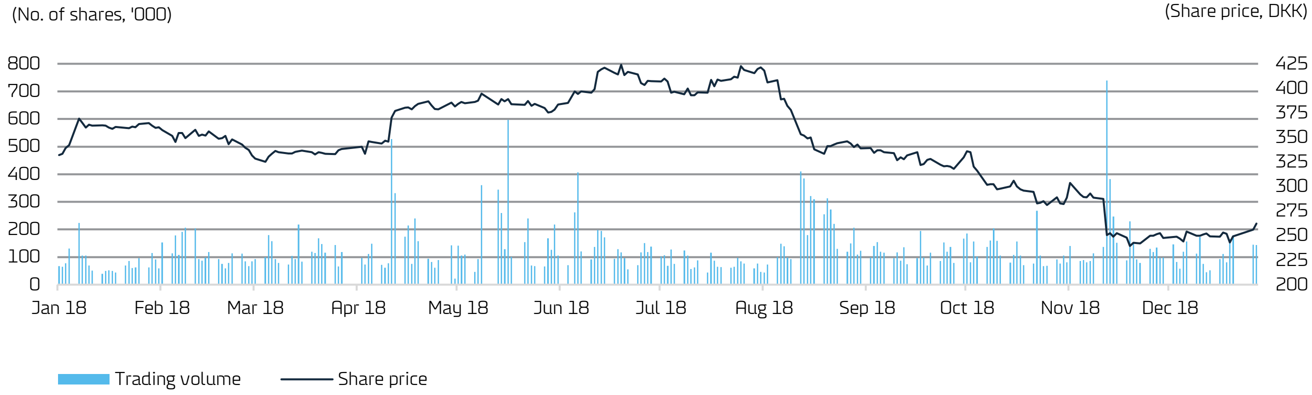
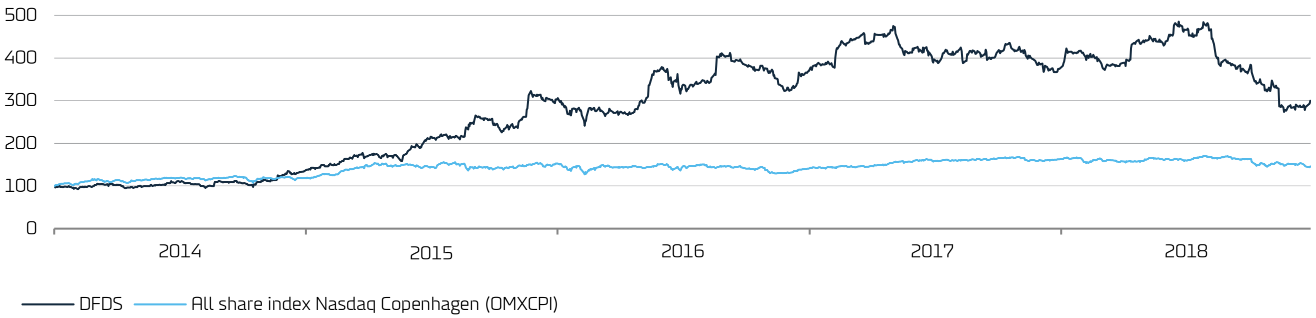
DFDS share price and trading volume, 2018



Share price performance relative to Copenhagen all share index 2014-2018



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Financial review

Revenue increased 10% to DKK 15.7bn

EBITDA increased 11% to DKK 3.0bn

Investments of DKK 4.8bn included DKK 3.6bn for acquisition of U. N. Ro-Ro

Reporting structure

DFDS' activities are organised in two divisions: Ferry Division operates five business units and Logistics Division operates three business units. Group Non-allocated items consist of corporate costs not allocated to either division. Each division also has Non-allocated items which mainly include external charter activities in Ferry Division and an equipment pool in 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 9.7% to DKK 15,717m in 2018. The increase was mainly driven by the acquisition of U. N. Ro-Ro that was completed on 7 June 2018.

Ferry Division's revenue increased 12.4% to DKK 11,117m. The growth was primarily driven by the acquisition of U. N. Ro-Ro as freight volumes for the northern European activities overall were on level with 2017. Passenger volumes increased 1.7%.

Logistics revenue increased 3.2% to DKK 5,324m. Compared to 2017, revenue was increased by the acquisition of Special Cargo that was completed on 3 January 2018 but decreased by the closure of activities in Belfast and Italy in 2017 and 2018, respectively.

EBITDA before special items

Operating profit before depreciation, EBITDA, and special items increased 11% to DKK 2,988m.

Ferry Division's EBITDA increased 8% to DKK 2,713m. The increase was primarily driven by the acquisition of U. N. Ro-Ro and a higher result for Channel that to a large extent was due to the passenger activity. Results for the other three business units were below 2017, particularly for Passenger that was negatively impacted by higher bunker and ferry operating costs.

Logistics' EBITDA increased 25% to DKK 330m as results for all three business units improved. In the first half-year earnings were boosted by a large logistics contract operated jointly by Nordic and Continent. There was a positive impact through the year from the acquisition of Special Cargo and the closure of lossmaking activities.

The Group cost of Non-allocated items decreased to DKK -55m from DKK -74m in 2017.

Depreciation, impairment and EBIT

Total depreciation and impairment increased 16% to DKK 1,087m. The increase was mainly due to the acquisitions of U. N. Ro-Ro and Special Cargo.

The Group's EBIT before special items increased 7% to DKK 1,909m.

Special items and EBIT

Special items in 2018 was a net cost of DKK 49m, including a cost of DKK 52m related to the acquisition of U N. Ro-Ro. More information on special items is available in Note 2.6 on page 79.

The Group's EBIT after special items was DKK 1,859m, an increase of 7%.

Financing

The net cost of financing was DKK 165m, an increase of DKK 110m compared to 2017 of which DKK 42m was due to a net currency loss on customer receivables in TRY following the extraordinary depreciation of this currency in August 2018. The remainder of the cost increase is primarily related to the acquisition of U .N. Ro-Ro.

Tax and the annual result

The profit before tax for 2018 was DKK 1,694m which was on level with 2017 and an improvement of 1% adjusted for special items.

The ferry activities of the DFDS Group are covered by tonnage tax schemes in Denmark, Norway, the Netherlands, Lithuania, France and Turkey. The tax on the annual profit amounted to a total cost of DKK 57m. This includes DKK -39m of tax for the year and DKK -28m of deferred taxes.

The net annual result was DKK 1,637m, an increase of 1% compared to 2017.

Revenue

DKK m	2018	2017	Δ %	Δ
Ferry Division	11,117	9,892	12.4	1,225
Logistics Division	5,324	5,160	3.2	164
Eliminations etc.	-724	-724	-0.0	0
DFDS Group	**15,717**	**14,328**	**9.7**	**1,389**

EBITDA before special items

DKK m	2018	2017	Δ %	Δ
Ferry Division	2,713	2,513	8.0	200
Logistics Division	330	263	25.4	67
Non-allocated items	-55	-74	-25.2	19
DFDS Group	**2,988**	**2,702**	**10.6**	**286**
EBITDA-margin, %	**19.0**	18.9	n.a.	0.1

Investments

Net investments in 2018 amounted to DKK 4,802m, of which DKK 3,635m were related to acquisitions. The other main item was investment in ships of DKK 934m that included DKK 555m related to ferry new buildings on order and DKK 379m for upgrades and dockings. Moreover, sale of ships amounted to proceeds of DKK 84m. The remaining net investments of DKK 317m were primarily related to cargo carrying equipment, IT system and digital development and other items.

Assets, invested capital and return

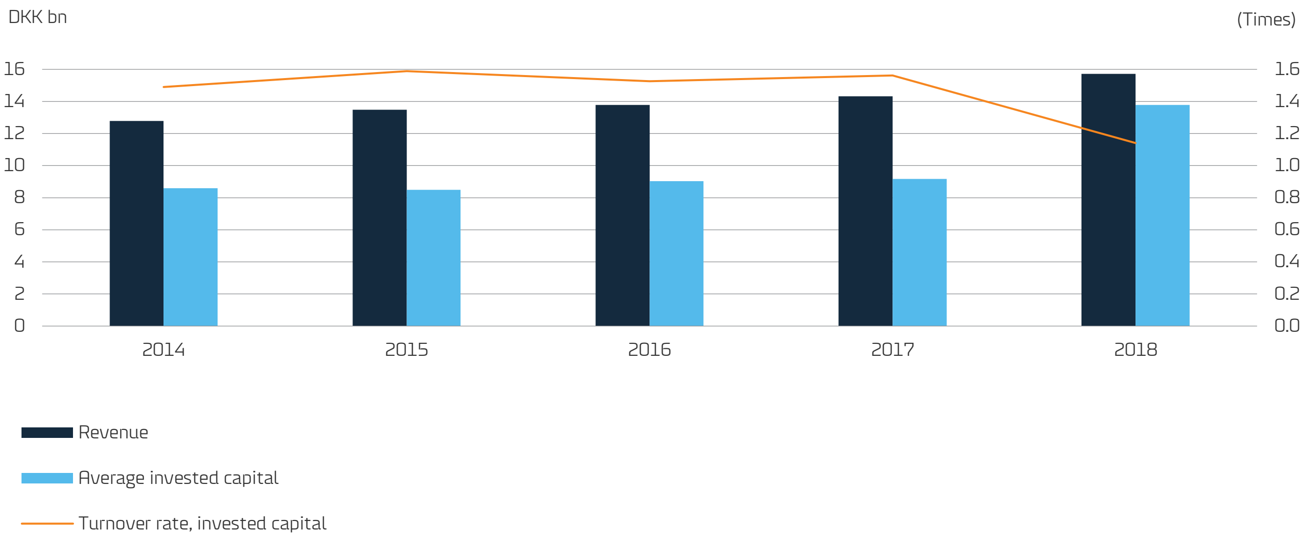
Total assets amounted to DKK 22.1bn at the end of the year which was an increase of 66% compared to 2017. The increase was primarily due to the acquisition of U. N Ro-Ro that was acquired for an enterprise value of DKK 7.1bn equal to an equity value of DKK 3.6bn.

Net working capital, defined as inventory and trade receivables minus trade payables, was DKK -19m at the end of 2018 compared to DKK -4m at the end of 2017.

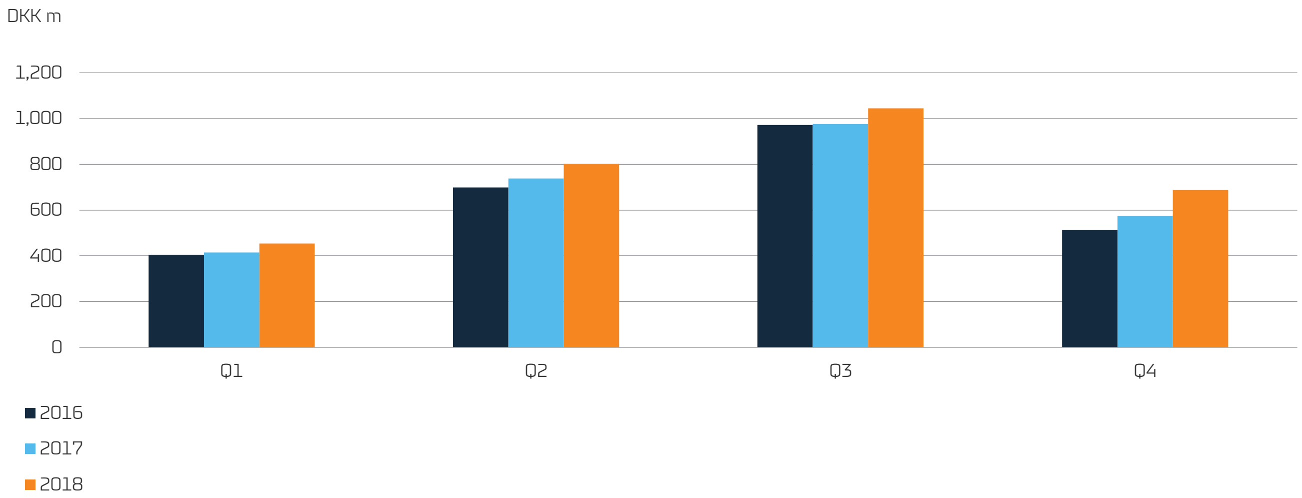
At year-end 2018, the invested capital almost doubled to DKK 17.9bn mainly due to the acquisition of U. N. Ro-Ro. In addition, the capital was increased at year-end by a port terminal finance lease agreement in Turkey that was entered into to accommodate volumes from a new, expanded customer agreement. Calculated as an average, invested capital was DKK 13,8bn in 2017, a 50% increase compared to 2017.

The return on invested capital, ROIC, was 13.1% in 2018 and 13.5% adjusted for special items.

Revenue and invested capital



EBITDA before special items per quarter



Financing and capital structure

At year-end 2018, interest-bearing debt was DKK 9.3bn compared to DKK 3.3bn at year-end 2017. In 2018, bank loans and mortgaged ship loans amounted to 81% of interest-bearing debt and corporate bonds amounted to 15%. The remainder primarily consisted of financial lease liabilities.

Net interest-bearing debt increased to DKK 8.5bn from DKK 2.4bn driven by the acquisition of U. N. Ro-Ro. At year-end 2018, the ratio of net interest-bearing debt to EBITDA before special items was 2.8 compared to 0.9 at the end of 2017.

Cash flow

The gross cash flow from operations decreased 4% to DKK 2,585m as higher earnings from operations was offset by a negative impact from working capital related to mainly timing differences from the customer agreement with Ekol Logistics. In addition, special items reduced the cash flow.

Following a cash flow from investment activities of DKK -4,802m, the free cash flow (FCFF) was negative by DKK 2,286m. Excluding acquisitions, the free cash flow (FCFF) was positive by DKK 1,349m, an increase of 26% compared to 2017.

The cash flow from financing activities was positive by DKK 2,242m in 2018 following cash inflows from loan financing and a share issue to finance the acquisition of U. N. Ro-Ro. DKK 409m was distributed to shareholders during the year.

The net cash flow of 2018 was DKK -272m and cash and cash equivalents decreased to DKK 761m.

Impairment test

Based on the impairment tests performed in 2018 of the Group's non-current intangible and tangible assets, no write-downs are deemed necessary. There was a reversal of prior years' write-down of DKK 24m on two passenger cruise ferries. The income is recognised under special items. The impairment tests are described in greater detail in Note 3.1.4 on pages 87-88.

Equity

Equity amounted to DKK 9,255m at year-end 2018, including non-controlling interests of DKK 80m. This was an increase of DKK 2,641m compared to year-end 2017. Total comprehensive income for 2018 was DKK 1,937m while transactions with owners increased equity by DKK 673m, including proceeds of DKK 1,000m from a share issue while dividends and share buybacks amounted to DKK 219m and DKK 190m, respectively.

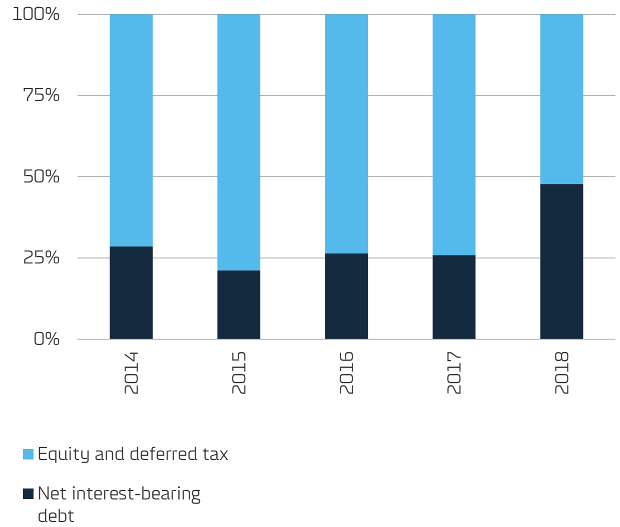
The equity ratio was 42% at year-end 2018 compared to 50% at year-end 2017.

Parent company key figures

The revenue of the parent company, DFDS A/S, was DKK 9,854m in 2018 and the profit before tax was DKK 2,540m. Total assets at year-end amounted to DKK 13,887m and the equity was DKK 8,417m.

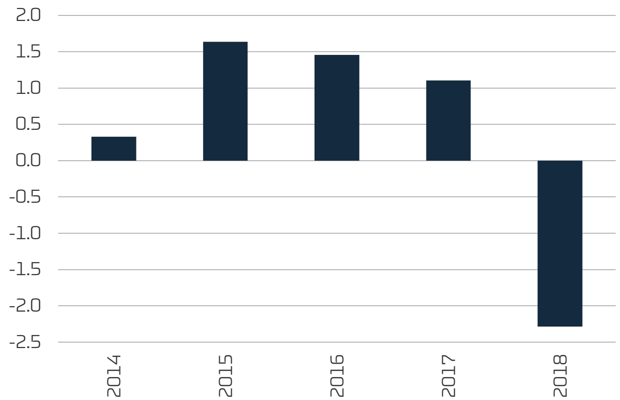
Capital structure

%-share of invested capital



Free cash flow, FCFF

DKK bn



Channel app makes life easier for freight customers

Freight units can now be booked and paid on our Channel routes with a few clicks, and that also goes for customers without an account at DFDS. This will make life easier for many drivers that turn up at the terminal to pay with cash or a credit card, which can be time consuming. The app will now be further developed to cover more ticket types, value-added services and/or access to more routes.

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 employees, elected for a period of four years.

Five of the six directors appointed by shareholders at the most recent annual general meeting are deemed independent according to the Danish recommendations on good corporate governance. Two 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 aims to ensure that competencies that are key to the company's performance are represented. Twelve board meetings were held in 2018.

Board committees

The Board of Directors has established an audit committee, a nomination committee and a remuneration committee. Each committee has three members. The purposes of these committees as well as recent activities are available on 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 DFDS' annual general meeting.

Recommendations on corporate governance

Performance in relation to corporate governance is regularly assessed and a review of compliance with the Danish recommendations on corporate governance is reported annually. The report reviews the approach to all items of the recommendations.

DFDS is compliant with all recommendations except for one recommendation that is partially followed. In the report — available on www.dfds.com/ group — reasons are stated for being partially compliant regarding recommendation 4.2.3 concerning disclosure of remuneration.

Business ethics

DFDS has a code of business conduct that sets out expectations for employee behaviour and actions. In addition, a compliance line, operated by a third party, offers 'whistleblowers' the possibility to raise concerns on behaviour by name or anonymously. A total of 18 cases were reported during 2018.

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

Prepared for Brexit: More space at terminals

As part of our Brexit preparations, we are expanding terminal space in our busy port terminals to accommodate trailers and other freight units that may face a longer transit for customs clearance, and to prepare for future growth. Additional space has been acquired in Immingham, Dunkirk and in Vlaardingen, Rotterdam, where the newly acquired area is marked on the photo.

Board of Directors and Executive Board

As per 22 February 2019

Board of Directors

Claus V. Hemmingsen, Chair
2,453 shares

Born: 1962
Position: Vice CEO, A.P. Møller-Mærsk A/S and CEO, Energy division
Joined the Board: 29 March 2012
Re-elected: 2013-2018
Period of office ends: 26 March 2019

Chair of the Nomination and Remuneration Committees.

Board meeting participation: 12/12
Committee participation: 5/5
Chair: Danish Chinese Business Forum
Deputy Chair: Danish Shipping
Board member: Den A.P. Møllerske Støttefund, International Chamber of Shipping, International Chamber of Commerce (ICC), EU-Hong Kong Business Coordination Committee.

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 ships.

Klaus Nyborg, Vice Chair
0 shares

Born: 1963
Position: Managing director, Return ApS
Joined the Board: 31 March 2016
Re-elected: 2017-2018
Period of office ends: 26 March 2019

Member of the Nomination and Remuneration Committees.

Board meeting participation: 12/12
Committee participation: 5/5
Chair: Dampskibsselskabet Norden A/S, A/S United Shipping & Trading, Bawat A/S, Investment Committee 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, X-Press Feeders Ltd, Moscord Pte Ltd., Singapore.

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, finance and risk management.

Marianne Dahl Steensen, Board member
0 shares

Born: 1974
Position: CEO, Microsoft Denmark A/S
Joined the Board: 21 March 2017
Re-elected: 2018
Period of office ends: 26 March 2019

Member of the Nomination and Remuneration Committees.

Board meeting participation: 10/12
Committee participation: 5/5
Board member: The Central Board/Confederation of Danish Industry (DI), DI's Committee on Business Policy.
Other positions: Member of the Finance and Audit Committee, Red Cross.

The Board of Directors is of the opinion that Marianne Dahl Steensen possesses the following special competences: International management experience, including management expertise in IT and digital sector.

Anders Götzsche, Board member
1,300 shares

Born: 1967
Position: Executive Vice President and CFO, H. Lundbeck A/S
Joined the Board: 19 March 2018
Period of office ends: 26 March 2019

Chair of the Audit Committee.

Board meeting participation: 6/8
Committee participation: 2/2
Chair: Rosborg Møbler A/S
Board member and Chair of Audit Committee: Veloxis Pharmaceuticals A/S.

The Board of Directors is of the opinion that Anders Götzsche possesses the following special competences: International management and board experience, expertise in finance and accounting as well as M&A.

Jørgen Jensen, Board member
0 shares

Born: 1968
Position: CEO, Widex A/S; Managing director, JFJ Invest ApS.
Joined the Board: 24 March 2015
Re-elected: 2016-2018
Period of office ends: 26 March 2019

Member of the Audit Committee.

Board meeting participation: 9/12
Committee participation: 4/4
Board member and Chair of the Audit Committee: Nordic Waterproofing Group AB.

The Board of Directors is of the opinion that Jørgen Jensen possesses the following special competences: International management experience and expertise in strategy, global supply chain, production processes and M&A.

Jens Otto Knudsen, Board member (staff representative)
0 shares

Born: 1958
Joined the Board: 13 April 2011
Re-elected: 2012-2018
Period of office ends: 19 March 2022
Board meeting participation: 12/12

Jens Otto Knudsen has no managerial or executive positions in other companies.

Jill Lauritzen Melby, Board member
4,735 shares

Born: 1958
Position: Team Leader Finance, BASF A/S
Joined the Board: 18 April 2001
Re-elected: 2002-2018
Period of office ends: 26 March 2019

Member of the Audit Committee.

Board meeting participation: 12/12
Committee participation: 4/4

Jill Lauritzen Melby has no managerial or executive positions in other companies.

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.

Jesper Hartvig Nielsen, Board member (staff representative)
0 shares

Born: 1975
Joined the Board: 19 March 2018
Period of office ends: 19 March 2022
Board meeting participation: 8/8

Jesper Hartvig Nielsen has no managerial or executive positions in other companies.

Lars Skjold-Hansen, Board member (staff representative)
300 shares

Born: 1965
Joined the Board: 22 March 2013
Re-elected: 2014-2018
Period of office ends: 19 March 2022
Board meeting participation: 12/12

Lars Skjold-Hansen has no managerial or executive positions in other companies.

Executive Board

Niels Smedegaard, President & CEO,
143,263 shares

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

Torben Carlsen, EVP & CFO,
123,820 shares

Born: 1965
Appointed: 1 June 2009
Chair: Investment Committee of Copenhagen Infrastructure Partners, CII K/S & CIII K/S and Gro Capital Fund I K/S.
Board member: Fondsmæglerselskabet Investering & Tryghed A/S.
Other positions: Managing director, R1612 ApS and T1612 ApS; Member, Investment Committee Maritime Investment Fund I K/S.

Board of Directors and Executive Board

Jesper Hartvig Nielsen,
Board member
(staff representative)

Marianne Dahl Steensen
Board Member

Torben Carlsen
EVP and CFO

Jill Lauritzen Melby
Board Member

Anders Götzsche
Board member

Claus Hemmingsen
Chair

Niels Smedegaard
President and CEO

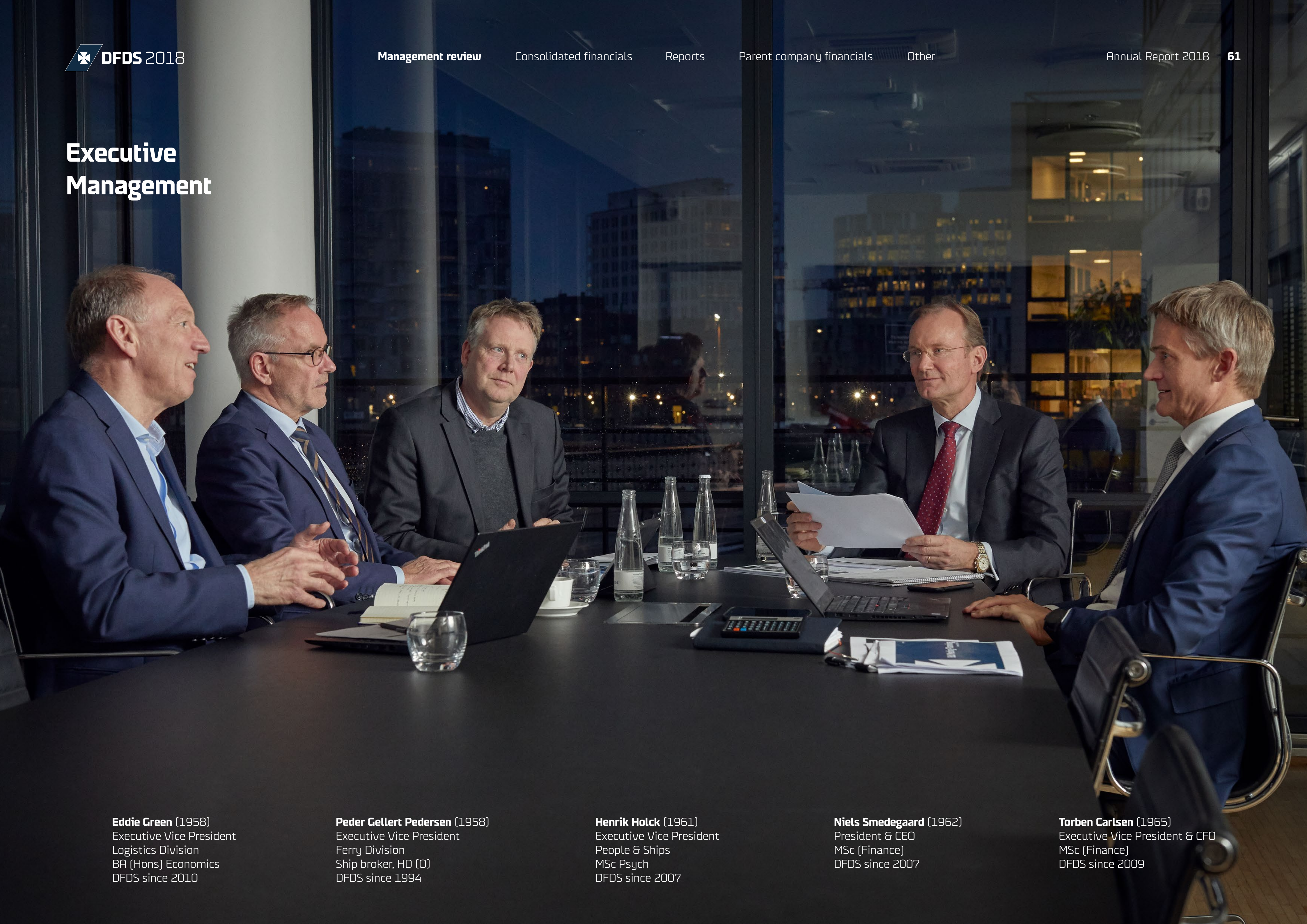
Klaus Nyborg
Vice Chair

Jørgen Jensen
Board Member

Jens Otto Knudsen
Board member
(staff representative)

Lars Skjold-Hansen
Board member
(staff representative)

Executive Management



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

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

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

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

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

Consolidated Financial Statements

Reports

Income statement

(1 January – 31 December)

DKK million	Note	2018	2017
Revenue	2.1, 2.2	15,717.1	14,327.8
Costs	2.3		
Ferry and other ship operation and maintenance		-3,583.3	-2,888.9
Freight handling		-2,447.1	-2,262.0
Transport solutions		-3,191.0	-3,128.4
Employee costs	2.4	-2,796.4	-2,660.7
Cost of sales and administration		-711.6	-685.4
Operating profit before depreciation (EBITDA) and special items		**2,987.8**	**2,702.3**
Share of profit/loss of associates and joint ventures		0.8	5.6
Profit on disposal of non-current assets, net	3.1.3	6.6	7.0
Amortisation, depreciation, and impairment losses on intangible - and tangible assets	2.5	-1,086.6	-933.2
Operating profit (EBIT) before special items		**1,908.6**	**1,781.7**
Special items, net	2.6	-49.4	-40.7
Operating profit (EBIT)		**1,859.2**	**1,741.0**
Financial income	4.4	5.6	27.0
Financial costs	4.4	-170.9	-81.7
Profit before tax		**1,693.9**	**1,686.3**
Tax on profit	2.7	-56.7	-68.3
Profit for the year		**1,637.2**	**1,618.0**

DKK million	Note	2018	2017
Profit for the year is attributable to:			
Equity holders of DFDS A/S		1,629.5	1,616.7
Non-controlling interests		7.7	1.3
Profit for the year		**1,637.2**	**1,618.0**
Earnings per share	4.8		
Basic earnings per share (EPS) of DKK 20 in DKK		28.99	29.08
Diluted earnings per share (EPS-D) of DKK 20 in DKK		28.87	28.83
Proposed profit appropriation			
Proposed dividend, DKK 4.0 per share (2017: DKK 4.0 per share)			

Statement of comprehensive income

(1 January – 31 December)

DKK million	Note	2018	2017
Profit for the year		**1,637.2**	**1,618.0**
Other comprehensive income			
Items that will not subsequently be reclassified to the Income statement:			
Remeasurement of defined benefit pension obligations	3.2.4	121.7	57.9
Items that will not subsequently be reclassified to the Income statement		**121.7**	**57.9**
Items that are or may subsequently be reclassified to the Income statement:			
Value adjustment of hedging instruments:			
Value adjustment for the year		321.2	-132.7
Value adjustment transferred to operating costs		-7.1	-9.6
Value adjustment transferred to financial costs		-47.8	29.1
Value adjustment transferred to non-current tangible assets		-21.2	6.2
Tax on items that are or may be reclassified to the Income statement	2.7	-0.7	1.1
Foreign exchange adjustments, subsidiaries		-58.5	-60.1
Items that are or may subsequently be reclassified to the Income statement		**185.9**	**-166.1**
Total other comprehensive income after tax		**307.6**	**-108.2**
Total comprehensive income		**1,944.8**	**1,509.8**
Total comprehensive income for the year is attributable to:			
Equity holders of DFDS A/S		1.937,0	1.508.5
Non-controlling interests		7.8	1.3
Total comprehensive income		**1,944.8**	**1,509.8**

Balance sheet 31 december

(Assets)

DKK million	Note	2018	2017
Goodwill		3,337.0	554.5
Other non-current intangible assets		1,205.2	29.4
Software		244.6	235.3
Development projects in progress		1.6	14.8
Non-current intangible assets	3.1.1	**4,788.4**	**834.0**
Land and buildings		162.7	148.8
Terminals		1,434.2	480.4
Ferries and other ships		9,731.1	7,505.4
Equipment, etc.		740.4	615.7
Assets under construction and prepayments		1,021.0	307.8
Non-current tangible assets	3.1.2	**13,089.4**	**9,058.0**
Investments in associates, joint ventures and securities		43.3	42.8
Receivables	3.2.1	137.6	135.7
Deferred tax	2.7	70.0	63.6
Derivative financial instruments	4.2	175.0	0.0
Other non-current assets		**425.9**	**242.1**
Non-current assets		**18,303.7**	**10,134.1**
Inventories	3.2.2	200.5	155.8
Receivables	3.2.1	2,459.1	1,890.8
Prepaid costs		350.9	90.7
Derivative financial instruments	4.2	56.6	3.8
Cash		760.7	1,033.2
Current assets		**3,827.8**	**3,174.3**
Assets		**22,131.5**	**13,308.4**

(Equity and Liabilities)

DKK million	Note	2018	2017
Share capital	4.7	1,172.6	1,140.0
Reserves		-250.9	-455.0
Retained earnings		8,018.6	5,651.6
Proposed dividend		234.5	228.0
Equity attributable to equity holders of DFDS A/S		**9,174.8**	**6,564.6**
Non-controlling interests		79.7	49.0
Equity	4.6	**9,254.5**	**6,613.7**
Interest-bearing liabilities	4.5	8,388.9	2,931.6
Deferred tax	2.7	210.7	197.1
Pension and jubilee liabilities	3.2.4	263.5	378.6
Other provisions	3.2.5	17.0	42.4
Derivative financial instruments	4.2	74.3	94.8
Non-current liabilities		**8,954.3**	**3,644.5**
Interest-bearing liabilities	4.5	868.5	343.9
Trade payables		2,296.4	1,847.0
Other provisions	3.2.5	49.9	35.1
Corporation tax		23.4	23.8
Other payables	3.2.3	493.5	529.7
Derivative financial instruments	4.2	20.4	111.3
Prepayments from customers		170.6	159.3
Current liabilities		**3,922.7**	**3,050.2**
Liabilities		**12,877.1**	**6,694.7**
Equity and liabilities		**22,131.5**	**13,308.4**

Statement of changes in equity

(1 January – 31 December)

DKK million	Share capital	Reserves: Translation reserve	Reserves: Hedging reserve	Reserves: Revaluation of securities	Reserves: Treasury shares	Retained earnings	Proposed dividend	Equity attributable to equity holders of DFDS A/S	Non-controlling interests	Total
Equity at 1 January 2018	1,140.0	-339.7	-68.4	0.1	-47.0	5,651.6	228.0	**6,564.6**	49.0	**6,613.7**
Change in accounting policies*				-0.1		0.1		**0.0**		**0.0**
Restated Equity at 1 January 2018	1,140.0	-339.7	-68.4	0.0	-47.0	5,651.7	228.0	**6,564.6**	49.0	**6,613.7**
Comprehensive income for the year										
Profit for the year						1,629.5		**1,629.5**	7.7	**1,637.2**
Other comprehensive income										
Items that will not subsequently be reclassified to the Income statement: Remeasurement of defined benefit pension obligations						121.7		**121.7**		**121.7**
Items that will not subsequently be reclassified to the Income statement	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**121.7**	**0.0**	**121.7**	**0.0**	**121.7**
Items that are or may subsequently be reclassified to the Income statement:										
Value adjustments of hedging instruments for the year			321.2					**321.2**		**321.2**
Value adjustment transferred to operating costs			-7.1					**-7.1**		**-7.1**
Value adjustment transferred to financial costs			-47.8					**-47.8**		**-47.8**
Value adjustment transferred to non-current tangible assets			-21.2					**-21.2**		**-21.2**
Tax on items that are or may be reclassified to the Income statement						-0.7		**-0.7**		**-0.7**
Foreign exchange adjustments, subsidiaries		-58.7						**-58.7**	0.2	**-58.5**
Items that are or may subsequently be reclassified to the Income statement	**0.0**	**-58.7**	**245.1**	**0.0**	**0.0**	**-0.7**	**0.0**	**185.8**	**0.2**	**185.9**
Total other comprehensive income after tax	**0.0**	**-58.7**	**245.1**	**0.0**	**0.0**	**121.0**	**0.0**	**307.5**	**0.2**	**307.6**
Total comprehensive income	**0.0**	**-58.7**	**245.1**	**0.0**	**0.0**	**1,750.5**	**0.0**	**1,937.0**	**7.8**	**1,944.8**
Transactions with owners										
Acquisition, non-controlling interests						1.2		**1.2**	6.2	**7.3**
Addition related to acquisition, non-controlling interests								**0.0**	16.7	**16.7**
Dividend paid							-218.9	**-218.9**		**-218.9**
Dividend on treasury shares						9.1	-9.1	**0.0**		**0.0**
Proposed dividend at year-end						-234.5	234.5	**0.0**		**0.0**
Vested share-based payments						25.1		**25.1**		**25.1**
Purchase of treasury shares					-11.0	-179.1		**-190.2**		**-190.2**
Cash from sale of treasury shares related to exercise of share options					8.8	50.5		**59.2**		**59.2**
Reduction of share capital by cancellation of treasury shares	-20.0				20.0			**0.0**		**0.0**
Increase of Capital	52.6					947.4		**1,000.0**		**1,000.0**
Other adjustments						-3.2		**-3.2**		**-3.2**
Total transactions with owners 2018	**32.6**	**0.0**	**0.0**	**0.0**	**17.7**	**616.3**	**6.5**	**673.2**	**22.8**	**696.0**
Equity at 31 December 2018	**1,172.6**	**-398.4**	**176.8**	**0.0**	**-29.3**	**8,018.6**	**234.5**	**9,174.8**	**79.7**	**9,254.5**

The Parent Company's share capital, which is not divided into different classes of shares, is divided into 58,631,578 shares of DKK 20 each. All shares rank equally.
There are no restrictions on voting rights. The shares are fully paid up.
* According to the new IFRS 9 changes in Fair value of securities are recognised via the Income Statement.
Due to immaterial effects from implementing IFRS 9 and IFRS 15, the 1 January 2018 Equity has not been restated except for DKK 0.1m which has been reclassified within the Equity.

Statement of changes in equity

(1 January – 31 December)

DKK million	Share capital	Reserves: 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 are or may 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 cash flows

(1 January – 31 December)

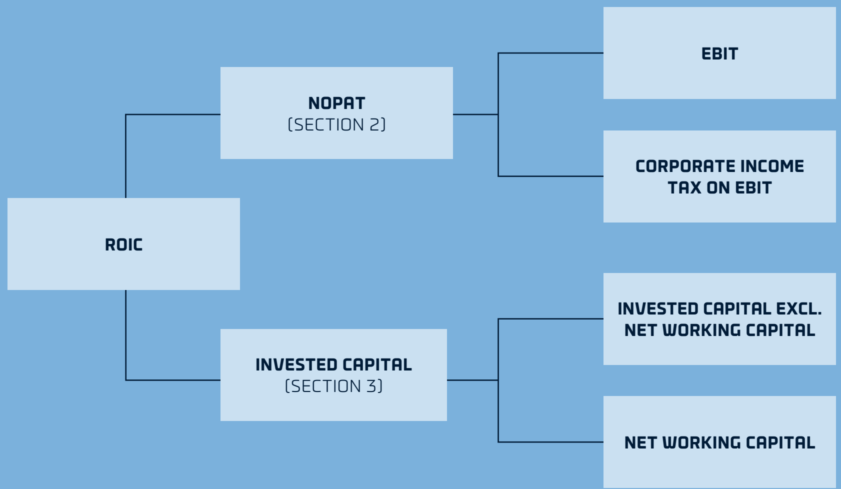
DKK million	Note	2018	2017
Operating profit before depreciation (EBITDA) and special items		**2,987.8**	**2,702.3**
Cash flow effect from special items related to operating activities		-99.5	0.0
Adjustments for non-cash operating items, etc.	5.4	20.1	18.8
Change in working capital	5.4	-282.8	42.5
Payment of pension liabilities and other provisions		-40.7	-63.7
Cash flow from operating activities, gross		**2,584.9**	**2,699.9**
Interest received, etc.		145.9	118.7
Interest paid, etc.		-373.4	-162.8
Taxes paid		-68.8	-33.5
Cash flow from operating activities, net		**2,288.6**	**2,622.2**
Investments in ferries and other ships including dockings, rebuildings and ferries under construction (incl. settlement of forward exchange contracts related thereto)		-934.0	-1,299.8
Sale of ferries		83.7	0.0
Investments in other non-current tangible assets		-306.3	-214.4
Sale of other non-current tangible assets		16.4	35.6
Investments in non-current intangible assets		-29.5	-51.1
Acquisition of enterprises, associates, joint ventures and activities	5.5	-3,635.2	0.0
Sale of activities etc.		1.9	0.0
Other investing cash flows		1.1	-34.4
Cash flow to/from investing activities, net		**-4,801.9**	**-1,564.2**
Cash flow before financing activities, net		**-2,513.3**	**1,058.0**

DKK million	Note	2018	2017
Proceed from bank loans and loans secured by mortgage in ferries and other ships	4.3	6,278.8	702.2
Repayment and instalments on bank loans and loans secured by mortgage in ferries and other ships	4.3	-1,290.4	-165.4
Proceed from issuance of corporate bonds	4.3	0.0	990.5
Repayment of corporate bonds incl. settlement of cross currency swap	4.3	-202.8	-504.9
Change in other non-current investments, net		0.4	0.0
Payment of loan in acquired entity	4.3	-2,756.3	0.0
Payment of financial lease liabilities	4.3	-452.8	-37.1
Acquisition of treasury shares	4.7	-190.2	-1,105.8
Other non-current receivables		0.0	-111.0
Cash received from exercise of share options		59.2	55.3
Government grants received related to purchase of assets		7.3	11.9
Other financing cash flows		7.3	-0.2
Proceeds from increase of share capital		1,000.0	0.0
Dividends paid		-218.9	-555.3
Cash flow to/from financing activities, net		**2,241.7**	**-719.7**
Net increase/(decrease) in cash and cash equivalents		**-271.6**	**338.3**
Cash and cash equivalents at 1 January		1,033.2	695.6
Foreign exchange and value adjustments of cash and cash equivalents		-0.9	-0.7
Cash and cash equivalents at 31 December[1]		**760.7**	**1,033.2**

[1] *At 31 December 2018 DKK 43.3m (2017: DKK 0.6m) 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

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

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.

The accounting policies have been made within the framework of the prevailing IFRS standards as adopted by the EU. 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 2018 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 2019, the Board of Directors and the Executive Management Board considered and approved the 2018 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 26 March 2019.

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 "Fair value through profit loss" (FVTPL) are measured at fair value.

Non-current assets 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 2018, the Group has adopted all relevant new and updated accounting standards.

Implementation of new or changed accounting standards and interpretations
DFDS has adopted IFRS 9 – "Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities" and IFRS 15 – "Revenue from Contracts with Customers" and all other new, amended or revised accounting standards and interpretations (IFRSs) endorsed by the EU effective for the accounting period beginning on 1 January 2018. Comparative figures are not restated due to either no impact or insignificant impact on the financial statements or due to the transitional provisions in the newly adopted standards.

IFRS 9 Financial Instruments
IFRS 9 introduces a new impairment loss model for financial assets by replacing IAS 39's "incurred loss model" approach with a more forward-looking "expected credit loss model". Under the new model it is no longer necessary that a credit event has occurred before a credit loss is recognised. For DFDS the new credit loss model primarily apply to trade receivables. In recent years DFDS' realised losses on trade receivables have been insignificant, and the implementation of the new credit loss model has not had any significant impact on DFDS' credit loss provisions and accordingly, no restatement of equity is made as of 1 January 2018.

Under IFRS 9, investments in equity instruments are measured at FVTPL, or alternatively at "Fair value through Other comprehensive income without recycling to profit loss" provided that the equity instrument is not held for trading. DFDS' present holding of securities, comprising a minor holding of equity instruments in unlisted enterprises and other investments, was under the replaced IAS 39 classified as "Available for sale" implying that unrealised value adjustments were recognised in Other comprehensive income and attributed to a separate reserve in equity. Following the adoption of IFRS 9 DFDS will from 1 January 2018 recognise its present holding of securities at FVTPL, which implies that the "Revaluation of securities" reserve under equity will be transferred to "Retained earnings".

IFRS 15 Revenue from contracts with customers
On January 2018, the IFRS 15, "Revenue from Contract with Customers", which replaces IAS 11, IAS 18 and associated interpretations, were implemented. The standard is applied using the modified retrospective approach.

The most important changes resulting from IFRS 15 are:
- the model for recognition of revenue is changed from having been based on the transfer of the risks and rewards of ownership of a product or service to being based on the transfer of control of the product or services transferred to the customer
- more detailed guidelines for how elements in a contract of sale are identified, and how the individual components will be recognised and measured
- more detailed guidance for recognition of revenue over time.

The change in the recognition of revenue from transfer of the risks and rewards to the transfer of control, and the additional guidelines for how elements in the contracts are identified and how the individual components will be recognised and measured has only had an insignificant effect. The Group has concluded that the impact is insignificant and it is assessed that the current accounting policy for variable considerations, such as volume rebates, is consistent with IFRS 15.

In conclusion the adoption of IFRS 9, IFRS 15 and all other new, amended or revised accounting standards and interpretations (IFRSs) have either had no impact or insignificant impact on the Group's Financial Statements and accordingly, the equity as of 1 January 2018 has not been restated, except for the revaluation of securities, which has been transferred from "Revaluation of securities" under equity to "Retained earnings". However, the new standards have led to additional disclosures in the Consolidated Financial Statements.

The other accounting policies for the 2018 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 2018, 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 2018. The Group expects to adopt the Standards and Interpretations when they become mandatory.

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.

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

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 classification in the Statement of cash flows will also be effected hence the lease payments from operational leases is under the current lease standard IAS 17 presented as cash flows from operating activities whereas these lease payments according to IFRS 16 will be presented as repayment of financial lease liabilities under Financing activities and interest paid under Operating activities, respectively.

The Group has carried out an assessment of the impact of IFRS 16 on the Consolidated Financial Statements based on the figures 31 December 2018. Reference is made to the "Q4 interim and Full-year Report", which was released 7 February 2019. To provide comparable figures for 2019, a pro forma unaudited restatement of the full year and the quarters for 2018 for the DFDS Group, divisions and business units was carried out. Based thereon assets and liabilities at 1 January 2019 are estimated to increase by around DKK 2,581m. The estimated impact on the consolidated Income statement for 2018 was an estimated increase in operating profit before amortisation, depreciation and special items (EBITDA) of around DKK 601m, and an estimated increase in operating profit before special items (EBIT) of around DKK 56m. Reported cash flow from operating activities, net is estmated to increase but will be offset by an increased cash flow from financing activites, and, accordingly there will be no change in total cash flow for the year. Based on the estimates of 2018 figures, Group invested capital, average, DKK 13,778.0m is estimated to increase by DKK 2,432.0m to DKK 16,210.0m. Net interest bearing debt of DKK 8,513.0m is estimated to increase by DKK 2,732.0m to DKK 11,251.0m.

The Group plans to implement IFRS 16 by applying the so-called modified retrospective approach according to which comparative figures are not restated. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17, and the Group will therefore not apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17. Further, the Group will elect to use the exemption proposed by the standard on short term leases (lease term up to 12 months) for all classes of underlying assets except for ferries and other ships, and the exemption for lease contracts where the underlying asset is of low value will be applied for all classes of underlying assets. Finally, in terms of non-lease components (often referred to as "service element") the Group will for all classes of underlying assets - except from terminals - elect to use the practial expedient in the standard according to which, it can be elected not to separate non-lease components from lease components, implying that the lease component and non-lease component will be accounted for as a single component and thereby form part of the right-of-use asset and financial lease liability recognised at the balance sheet.

There are no significant impact for the Group's leases that already are categorised as finance leases.

Except for IFRS 16, none of the other standards and interpretations are expected to have a significant impact on recognition and measurement. However, further specifications in the notes are expected.

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; Ferries; Defined benefit pension plans; Deferred tax assets; Operational lease versus financial lease; Derivatives; Special items; Provisions and contingencies. Accounting policies for Basis of consolidation, Non-controlling interests and Translation of foreign currencies are described below, while accounting policies for the remaining areas are included in the notes to which they relate.

Significant estimates

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 ferries, including the assessment of useful life and scrap value; Purchase Price Allocation in connection with acquisitions; 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.

Alignment of expected useful life of the Group's freight- and freight and passenger ferries (ro-ro and ro-pax)

Following the acquisition of U.N. Ro-Ro on 7 June 2018, the Group has reassessed the useful life of its freight- and freight and passenger ferries as U.N. Ro-Ro applied 35 years whilst DFDS applied 30 years for most of its freight- and freight and passenger ferries and 35 years for some.

Based on our general high level of maintenance of the fleet; our historical experience with the fundamental components of the ferries (hull and machinery); the realised accounting gains when selling ferries etc., we have concluded to align the useful life of all the Group's freight- and freight and passenger ferries to 35 years – unless specific circumstances require a shorter useful life. Further, we have aligned U.N. Ro-Ro's methodology for calculating the ferries' scrap values to the methodology applied by the DFDS Group, where the scrap values are reassessed at least on a yearly basis to reflect the development in steel prices from ship yards etc.

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

The extension of the useful life of the Group's freight- and freight and passenger ferries result in a decrease of the yearly depreciations while the alignment and update of the methodology for calculating the ferries' scrap values resulted in an increase of the yearly depreciations.

The above alignments were implemented with accounting effect as from 1 July 2018. The impact is a net decrease of the Group's depreciations by DKK 36m in 2018.

DESCRIPTION OF ACCOUNTING POLICIES

Basis of consolidation
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.

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 measured ar FVTPL, 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 are not considered a partial disposal of the subsidiary.

KEY FIGURES
Key figures are calculated in accordance with the latest version of the Danish Finance Society' guidelines, 'Recommendations and Financial Ratios'. 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.

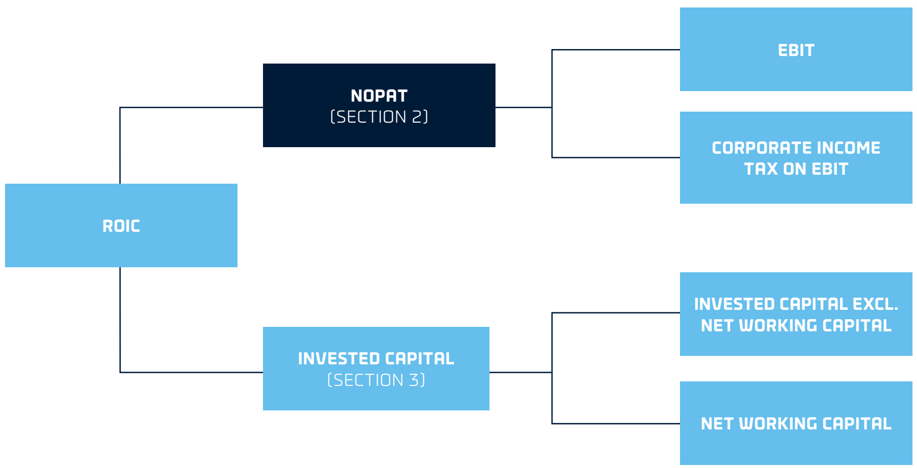
This section provides the notes of the main components that forms the basis of the Net operating profit after tax (NOPAT), which is a measure of profit that excludes the costs and tax benefit of debt financing by measuring the earnings before interest and taxes (EBIT) adjusted for corporate income tax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

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

DKK million	Note	2018	2017
Revenue	2.1, 2.2	15,717.1	14,327.8
Costs			
Ferry and other ship operation and maintenance	2.3	-3,583.3	-2,888.9
Freight handling		-2,447.1	-2,262.0
Transport solutions		-3,191.0	-3,128.4
Employee cost	2.4	-2,796.4	-2,660.7
Cost of sales and administration	2.3	-711.6	-685.4
Operating profit before depreciation (EBITDA) and special items		**2,987.8**	**2,702.3**
Share of profit/loss from associates and joint ventures		0.8	5.6
Profit on disposal of non-current assets, net	3.1.3	6.6	7.0
Amortisation, depreciation and impairment losses on intangible assets and tangible assets	2.5	-1,086.6	-933.2
Operating profit (EBIT) before special items		**1,908.6**	**1,781.7**
Special items, net	2.6	-49.4	-40.7
Operating profit (EBIT)		**1,859.2**	**1,741.0**
Corporate income tax on EBIT[1]		-52.1	-33.9
Net Operating Profit After Tax (NOPAT)		**1,807.1**	**1,707.1**
Net Operating Profit After Tax (NOPAT) before special items		**1,856.5**	**1,747.8**
Return on invested capital (ROIC)[2]		**13.1%**	**18.6%**
Return on invested capital (ROIC) before special items[2]		**13.5%**	**19.0%**

[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] The decrease in ROIC compared to 2017 is primarily related to the increase in invested capital following the acquisition of U.N. Ro-Ro. Reference is made to note 5.5



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 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 Group functions such as 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 include 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 Ferry Division's activities are divided into five business areas: North Sea, Baltic Sea, Channel, Passenger and Mediterranean.

Ferry Division operates ferry routes in and around Europe transporting freight units, mainly trailers, and passengers. The routes deploy a mix of freight ferries, freight and passenger ferries as well as passenger cruise ferries. In addition, port terminals are owned and/or operated at strategic hubs of the route network. The freight customers are mainly forwarders and hauliers as well as manufacturers of heavy industrial goods. The main passenger customer groups are passengers travelling with own cars, mini cruise passengers, tour operators and business conferences.

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

Logistics Division provides transport solutions for full- and part loads as well as contract logistics solutions, including warehousing. In addition, sideport and container ships, including vessel sharing agreements with other container operators, are operated. The customers are primarily manufacturers of industrial goods, and consumables as well as retailers.

DKK million

2018	Ferry Division	Logistics Division	Non-allocated	Total
External revenue	10,398.1	5,294.8	24.3	15,717.1
Intragroup revenue	719.3	28.9	448.1	1,196.3
Revenue	11,117.4	5,323.7	472.4	16,913.4
Operating costs, external	-8,029.2	-4,199.9	-500.3	-12,729.3
Intragroup operating costs	-375.6	-793.4	-27.1	-1,196.1
Operating profit before depreciation (EBITDA) and special items	**2,712.6**	**330.4**	**-55.2**	**2,987.8**
Share of profit/loss of associates and joint ventures	1.7	0.3	-1.2	0.8
Profit on disposal of non-current assets, net	1.3	5.3	0.0	6.6
Depreciation of non-current assets	-906.2	-131.6	-48.2	-1,086.0
Impairment losses on non-current assets	-0.5	-0.1	0.0	-0.6
Operating profit (EBIT) before special items	**1,808.9**	**204.1**	**-104.5**	**1,908.6**
Special items, net	16.8	-11.3	-55.0	-49.4
Operating profit (EBIT)	**1,825.8**	**192.9**	**-159.5**	**1,859.2**
Financial items, net				-165.3
Profit before tax				**1,693.9**
Tax on profit				-56.7
Profit for the year				**1,637.2**
Total assets	18,807.8	2,208.4	1,115.3	22,131.5
Investments in associates and joint ventures	33.8	0.0	0.0	33.8
Capital expenditures of the year	8,827.5	269.5	47.0	9,143.9
Liabilities	8,874.5	579.9	3,422.7	12,877.1

2.1 Segment information (continued)

DKK million

2017	Ferry 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 non-current assets	-801.4	-100.9	-39.4	-941.7
Impairment losses on 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

Geographical breakdown
The Group does not have a natural geographic split on countries, since the Group, mainly Ferry Division, is based on a connected route network in primarily Northern Europe and Mediterranean, 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 geographical split of revenue is shown in the revenue note. Reference is made to note 2.2.

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 ferries, but solely charters the ferries from a vessel pool. The ferries are frequently moved within the Group's routes. It is therefore not possible to meaningfully 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
2018								
Non-current assets	5,488.8	1,791.2	2,065.0	690.6	138.5	293.1	7,836.7	18,303.7
2017								
Non-current assets	5,056.8	1,793.1	2,171.4	550.1	184.2	305.6.	72.9	10,134.1

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	Ferry Division	Logistics Division	Non-allocated	Total
	2018			
Geographical markets				
North Sea	5,090.8	0.0	0.0	5,090.8
Baltic Sea	1,427.8	0.0	0.0	1,427.8
English Channel	2,435.4	0.0	0.0	2,435.4
Mediterranean	1,444.0	0.0	0.0	1,444.0
Continent	0.0	2,369.9	0.0	2,369.9
Nordic	0.0	1,850.9	0.0	1,850.9
UK/Ireland	0.0	1,073.9	0.0	1,073.9
Other	0.0	0.0	24.3	24.3
Total	**10,398.1**	**5,294.8**	**24.3**	**15,717.1**
Product and services				
Seafreight and shipping logistics solutions	6,559.7	98.1	0.0	6,657.8
Transport solutions	15.5	5,135.4	0.0	5,150.9
Passenger seafare and on board sales	2,728.9	0.0	0.0	2,728.9
Terminal services	466.1	36.1	0.2	502.4
Charters including related income	378.2	0.0	0.0	378.2
Agency and other revenue [1]	249.6	25.3	24.0	298.8
Total	**10,398.1**	**5,294.8**	**24.3**	**15,717.1**

On board sales (7.3% of total revenue) is recognised at "a point in time".

Revenue from leasing activities (2.6% of total revenue) is not within the scope of IFRS 15, however, the leasing revenue is insignificant and is therefore not excluded in the above table.

2.2 Revenue (continued)

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 the control is transferred and when each separate performance obligation in the customer contract is fulfilled following the "over-time principle". Some of the ferry and freight transports have a series of performance obligations, but as the duration of these transports are short term the impact from splitting these contract into "distinct services" will not have material impact.

Most transports carried out by the Ferry Division are charaterised by short delivery time (Most sailings are less than 30 hours while sailings to/from Turkey are up to 60 hours). Transports carried out by Logistics Division can take delivery over a longer period.

Revenue from chartering out ferries is recognised straightline over the duration of the agreement.

On board sales is recognised at a "point in time".

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

Trade receivables are not adjusted for any financing component when recognised. The general credit terms are overall short and are following market terms.

Accounting estimates and judgements are made in order to determine time of delivery and accrue for relevant income along with evaluation of pricing. These accounting estimates and judgements are based on experience and historical sales figures, along with a continious follow-up on service delivered.

The change in accounting policy compared to last year, did not have material effect, and the accounting policy for 2017 for revenue have therefore not been disclosed. Reference is made to the annual report from 2017.

2.3 Costs

DKK million	2018	2017
Ferry and other ship operation and maintenance		
Ferry and other ship cost	1,119.0	1,015.2
Charters including related cost	604.1	601.6
Bunker	1,860.1	1,272.1
Total ferry and other ship operation and maintenance	**3,583.3**	**2,888.9**

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.

Ferry and other ship cost comprise costs of sales related to catering and maintenance and daily running costs of ferries and other ships. Charter cost comprises costs related to bareboat and time charter agreements. Bunker consumption includes hedging.
Impairments and realised losses on trade receivables are included in ferry and other ship operation and maintenance.

Freight handling and Transport solutions are related to land-based activities - such as stevedoring, terminal and haulage costs.

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

2.4 Employee cost

DKK million	2018	2017
Wages, salaries and remuneration	2,217.1	2,123.2
Hereof capitalised employee costs	-24.8	-33.0
Defined contribution pension plans	113.2	107.0
Defined benefit pension plans, reference is made to note 3.2.4	1.6	0.3
Other social security costs	273.9	246.8
Share based payment, reference is made to note 5.3	7.4	7.5
Other employee costs	208.0	209.0
Total employee costs	**2,796.4**	**2,660.7**
Full time equivalents (FTE), average	7,791	7,235

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	2018	2017
Amortisation and depreciation for the year:		
Software	43.8	33.8
Other non-current intangible assets [1]	48.2	4.4
Land & Buildings	7.6	5.7
Terminals	36.4	29.4
Ferries and other ships [2]	790.0	745.3
Equipment	160.1	123.9
Total amortisation and depreciation for the year	**1,086.0**	**942.5**
Impairment losses for the year:		
Ferries and other ships	0.5	-9.3 [3]
Equipment	0.1	0.0
Total impairment	**0.6**	**-9.3**
Total amortisation, depreciation and impairment losses for the year	**1,086.6**	**933.2**

[1] The increase in amortisation of other non-current intangible assets compared to 2017 is primarily related to the acquisition of U.N. Ro-Ro.

[2] The increase in depreciation of ferries and other ships compared to 2017 is primarily related to the acquisition of U.N. Ro-Ro offset by the allignment of the expected useful life of DFDS's freight and passenger ferries. Reference is made to note 1.

[3] Partly reversal of write-down of installations on two freight ferries by DKK 9.3m (write-down of DKK 15m in 2016) due to settlement. Reference is made to note 3.1.4.

ACCOUNTING POLICIES

Amortisation and depreciation for the year are recognised 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	2018	2017
Gain on sale of two freight and passenger ferries, Kaunas Seaways and Vilnius Seaways	27.0	-
Reversal of impairment of two passenger cruise ferries in the business unit Passenger	24.0	-
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 (earn-out settled in 2018) as well as Alphatrans Group B.V. acquired in 2018	17.2	13.7
Accounting loss and costs related to the divestment of DFDS Logistics' loss making reefer activities in Belfast (2018: release of over-accrued)	3.1	-13.1
Cost and impairments related to closure of the freight terminal in Esbjerg	-0.5	-20.9
Accounting gain and cost, net related to divestment of Italian rail business.	-11.6	-
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	-18.3	-20.4
Consultancy costs in connection with strategy development and implementation, as well as redundancy costs related to restructuring of headquarter functions	-38.6	0.0
Costs related to the acquisition and subsequent integration of U.N. Ro-Ro	-51.7	0.0
Special items, net	**-49.4**	**-40.7**
If special items had been included in the operating profit before special items, they would have been recognised and have effect as follows:		
Operating costs	-4.3	0.0
Employee costs	-36.4	-39.5
Cost of sales and administration	-76.9	-13.2
Operating profit before depreciation (EBITDA) and special items	**-117.7**	**-52.7**
Profit on disposal of non-current assets, net	27.0	0.0
Amortisation, depreciation, and impairment losses on intangible - and tangible assets	24.0	-1.7
Financial income/costs	17.2	13.7
Special items, net	**-49.4**	**-40.7**

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	2018	2017
Tax in the Income statement:		
Current tax	-46.0	-26.2
Current joint tax contributions	-1.4	-0.4
Movement in deferred tax for the year	-27.8	-39.7
Adjustment to corporation tax in respect of prior years	3.4	-0.4
Adjustment to deferred tax in respect of prior years	2.5	-0.3
Effect of change in corporate income tax rate	12.7	0.2
Write-down of deferred tax assets	-0.8	-3.2
Reversal of write-down of deferred tax assets	0.0	2.8
Tax for the year	**-57.4**	**-67.2**
Tax for the year is recognised as follows:		
Tax in the Income statement	-56.7	-68.3
Tax in Other comprehensive income	-0.7	1.1
Tax for the year	**-57.4**	**-67.2**
Tax in the income statement can be specified as follows:		
Profit before tax	1,693.9	1,686.3
Of this, tonnage taxed income	-1,518.8	-1,477.5
Profit before tax (corporate income tax)	**175.0**	**208.8**
22.0% tax of profit before tax	-38.5	-45.9
Adjustment of calculated tax in foreign subsidiaries compared to 22.0%	-4.0	-7.6
Tax effect of:		
Non-taxable/-deductible items [1]	0.7	-11.0
Tax asset for the year, not recognised [2]	-30.8	-1.1
Utilisation of non-capitalised tax assets	0.5	0.6
Other adjustments of tax in respect of prior years	17.8	-0.9
Corporate income tax	**-54.2**	**-65.9**
Tonnage tax	-2.5	-2.4
Tax in the Income statement	**-56.7**	**-68.3**
Effective tax rate (%)	3.3	4.0
Effective tax rate before adjustment of prior years' tax (%)	4.4	4.0
Tax in Other comprehensive income can be specified as follows:		
Corporate income tax	-0.7	1.1
Total tax in Other comprehensive income	**-0.7**	**1.1**

[1] *2017: Primarily related to interest restriction rules in DFDS A/S.*
[2] *2018: Primarily related to tax losses in holding companies.*

2.7 Tax (continued)

The majority of the ferry activities performed in the Danish, Turkish, French, Lithuanian, Norwegian and Dutch 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 2018, the Group realised an effective tax rate of 4.4% (2017: 4.0%) combined and 41.2% (2017: 31.1%) on income subject to normal corporate income tax.

Adjustment of prior years' tax in 2018 (DKK 18m) primarily relates to reduction of the future Swedish tax rate, revised calculations of taxable income and write-down of deferred tax assets.

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 and 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 2018	Ferries and other ships	Land and buildings, terminals and other equipment	Provisions	Tax loss carried forward	Other	Total
Deferred tax at 1 January	179.9	14.9	-46.3	-13.6	-1.5	133.5
Foreign exchange adjustments	-7.4	-0.2	0.5	0.2	0.0	-7.0
Impact from change in corporate income tax rate	-12.5	-0.8	0.4	0.0	0.2	-12.7
Addition on acquisition of enterprises	0.0	5.8	0.0	-4.5	-0.6	0.6
Recognised in the Income statement	16.6	-1.5	8.1	2.4	2.1	27.8
Utilised of tax losses between jointly taxed companies	0.0	0.0	0.0	0.1	0.0	0.1
Adjustment regarding prior years recognised in the Income statement	-0.7	-0.7	-1.5	-0.5	0.9	-2.5
Write-down of deferred tax assets	0.0	0.0	0.7	0.1	0.0	0.8
Deferred tax at 31 December	**175.8**	**17.6**	**-38.1**	**-15.8**	**1.1**	**140.6**

DKK million

Deferred tax 2017	Ferries and other 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	2018	2017
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (assets)	-70.0	-63.6
Deferred tax (liabilities)	210.7	197.1
Deferred tax at 31 December, net	**140.6**	**133.5**

The Group has unrecognised tax losses carried forward of DKK 92m with a tax value of DKK 18m (2017: tax losses of DKK 89m, tax value of DKK 18m).

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 ferries and other ships 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 441m (2017: DKK 402m) 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

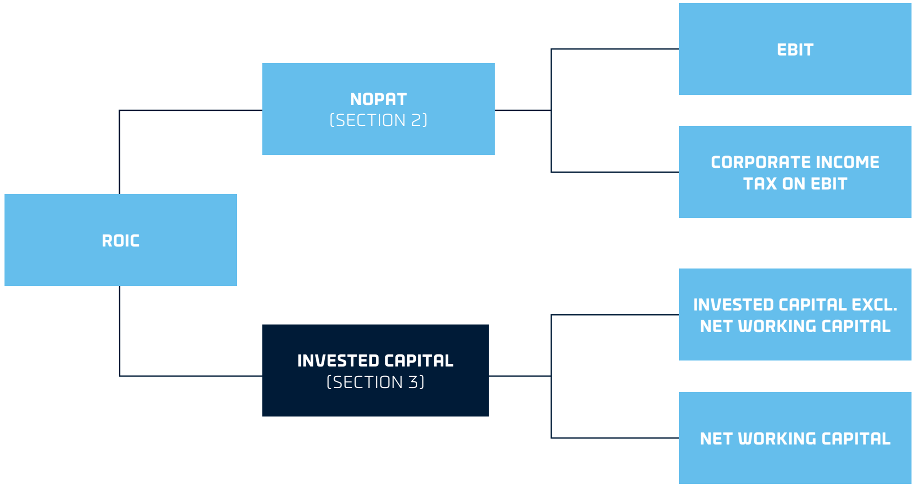
Invested capital is a key component when calculating ROIC. Reference is made to section 2 for more details about ROIC.

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	2018	2017
Invested capital excl. Net Working Capital:			
Non-current intangible assets	3.1.1	4,788.4	834.0
Non-current tangible assets	3.1.2	13,089.4	9,058.0
Investments in associates and joint ventures		33.8	33.3
Invested capital excl. Net Working Capital		**17,911.5**	**9,925.3**
Net Working Capital:			
Receivables (excluding interest-bearing receivables)[1]	3.2.1	2,572.6	2,001.7
Inventories	3.2.2	200.5	155.8
Prepaid costs		350.9	90.7
Derivatives, related to operating activities, financial assets measured at fair value	4.2	209.0	3.8
Derivatives, related to operating activities, financial liabilities measured at fair value	4.2	-22.5	-62.4
Pension and jubilee liabilities	3.2.4	-263.5	-378.6
Other provisions	3.2.5	-67.0	-77.6
Trade payables [1]		-2,296.4	-1,847.0
Corporation tax		-23.4	-23.8
Other payables	3.2.3	-493.5	-529.7
Prepayments from customers		-170.6	-159.3
Net Working Capital		**-3.8**	**-826.4**
Invested capital		**17,907.7**	**9,098.9**
Average invested capital		**13,777.6**	**9,178.1**

[1] *Increase relates to the acquisition of U.N. Ro-Ro . Reference is made to note 5.5*



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 2018	675.1	47.4	489.5	14.8	1,226.7
Foreign exchange adjustments	0.0	1.3	0.0	0.0	1.3
Addition on acquisition of enterprises	2,782.6 [1]	1,222.1 [2]	10.1 [3]	0.0	4,014.8
Additions	0.0	0.2	3.1	26.2	29.5
Disposals	0.0	-2.6	-1.5	0.0	-4.0
Transfers	0.0	0.0	39.8	-39.4	0.5
Cost at 31 December 2018	**3,457.7**	**1,268.4**	**541.0**	**1.6**	**5,268.7**
Amortisation and impairment losses at 1 January 2018	120.6	17.9	254.2	0.0	392.7
Foreign exchange adjustments	0.0	-0.3	0.0	0.0	-0.3
Amortisation charge	0.0	48.2	43.8	0.0	92.0
Disposals	0.0	-2.6	-1.5	0.0	-4.0
Amortisation and impairment losses at 31 December 2018	**120.6**	**63.2**	**296.5**	**0.0**	**480.3**
Carrying amount at 31 December 2018	**3,337.0**	**1,205.2**	**244.6**	**1.6**	**4,788.4**

[1] *Addition of goodwill relates to the acquisition of U.N. Ro-Ro (DKK 2,765m) and Alphatrans Group (DKK 18m). Reference is made to note 5.5*
[2] *Primarily relates to the acquisition of U.N. Ro-Ro (DKK 1,215m). Reference is made to note 5.5*
[3] *Primarily relates to the acquisition of U.N. Ro-Ro (DKK 9m). Reference is made to note 5.5*

	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**

Recognised goodwill is attributable to the following cash generating units:

DKK million	2018	2017
Ferry:		
North Sea, Baltic Sea and Mediterranean	2,995.7	226.8
Logistics:		
Nordic (*comprising forwarding- and logistics activities in the Nordic and Baltic countries.)*	64.2	66.9
Continent	167.9	150.2
UK & Ireland	109.2	110.6
Total	**3,337.0**	**554.5**

Regarding impairment tests, 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, an onboard sales system and some digital products.

Impairment test conclusion:
On the basis of the impairment tests performed in 2018 there has been no impairment (2017: no impairment).

For further information regarding the impairment tests reference is made to note 3.1.4.

ACCOUNTING POLICIES

Non-current intangible assets - Other than goodwill
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 note 5.5 '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 itogether with other non-current asstes of the Group. 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. However, acquired port concession rights are determined to have 30 years of useful life.

3.1.2 Non-current tangible assets

DKK million

	Land and buildings	Terminals	Ferries and other ships	Equipment etc.	Assets under construction and pre-payments	Total
Cost at 1 January 2018	183.9	821.2	14,246.1	1,431.9	307.8	**16,990.9**
Foreign exchange adjustments	-1.9	0.1	-57.1	-6.1	-1.2	**-66.2**
Addition on acquisition of enterprises	16.0 [3]	267.4 [3]	2,703.2 [1]	176.9 [3]	45.5 [3]	**3,208.9**
Additions	2.3	721.7	25.3	83.4	1,058.0 [2]	**1,890.7**
Disposals	-0.7	-17.5	-376.4 [4]	-107.9	0.0	**-502.5**
Transfers	4.9	0.0	343.0	39.5	-389.1	**-1.7**
Cost at 31 December 2018	**204.6**	**1,792.9**	**16,884.1**	**1,617.5**	**1,021.0**	**21,520.2**
Depreciation and impairment losses at 1 January 2018	35.1	340.9	6,740.7	816,2	0.0	**7,932.9**
Foreign exchange adjustments	-0.2	-1.8	-31.1	-5.4	0.0	**-38.5**
Depreciation charge	7.6	36.4	790.0	160.1	0.0	**994.0**
Impairment charge	0.0	0.0	0.5	0.1	0.0	**0.6**
Reversal of impairment charge previous periods	0.0	0.0	-24.0	0.0	0.0	**-24.0**
Disposals	-0.7	-16.8	-323.0 [4]	-93.8	0.0	**-434.3**
Depreciation and impairment losses at 31 December 2018	**41.9**	**358.6**	**7,153.1**	**877.1**	**0.0**	**8,430.9**
Carrying amount at 31 December 2018	**162.7**	**1,434.2**	**9,731.1**	**740.4**	**1,021.0**	**13,089.4**
Hereof assets held under finance leases	0.0	711.0 [5]	0.0	40.9	0.0	**751.9**

[1] *Primarily related to addition of twelve new ferries through the acquisition of U.N. Ro-Ro. Reference is made to note 5.5.*
[2] *Primarily related to the large new-building program. A total of eight new buildings are on order. In 2019, three freight ferries (ro-ro) are scheduled for deployment in March, June and November, respectively. Another three freight ferries are scheduled for delivery in 2020. Two freight and passenger ferries (ro-pax) are on order for delivery in Q1 and Q3 2021. Further, there is a lengthening of a ferry.*
[3] *Primarily related to acquisition of the Alphatrans Group and U.N. Ro-Ro. Reference is made to note 5.5.*
[4] *Relates to old dry-dockings (DKK 182.2m) and the sale of the two freight and passenger ferries, Kaunas Seaways and Vilnius Seaways (DKK 160.7m.).*
[5] *This is the financial lease agreement with the Yalova port terminal in Turkey, entered into in December 2018.*

3.1.2 Non-current tangible assets (continued)

DKK million

	Land and buildings	Terminals	Ferries and other ships	Equip-ment 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	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 ferries, where expected delivery is in the beginning of 2019 and beginning of 2020 and an upgrade of an existing frieght and passenger ferry, Calais Seaways.*
[3] *Primarily related to acquisition of new trailers and containers.*
[4] *Primarily related to upgrades of three ferries DKK 71.9m, preparation of two new chartered ferries DKK 18.4, dockings of ferries DKK 221.0m and various other costs of DKK 42.5m.*
[5] *Related to old dry-dockings.*
[6] *Partly reversal of write-down of DKK 15.0m of installations on two ferries in 2016. Reference is made to note 3.1.4.*

Impairment test conclusion:
On the basis of the impairment tests performed in 2018 there has been no impairment (2017: no impairment). The impairment test has resulted in reversal of a previous impairment on two passenger cruise ferries by DKK 24m (2017: 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 ferries and other 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 (CONTINUED)

Ferries and other ships
The rebuilding/upgrade of ferries and other ships is capitalised if the rebuilding/upgrade can be attributed to:
- Safety measures.
- Measures to extend the useful life of the ferries and other ships.
- Measures to improve earnings.
- Docking.

Maintenance and daily running costs for the ferries and other ships are expensed in the Income statement as incurred.

Docking costs are capitalised and depreciated on a straightline basis until the ferry's or ship's next docking. In most cases, the docking interval is 2 years for passenger cruise ferries and 2½ years for freight and passenger and freight ferries.

Gains or losses on the disposal of ferries and other 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 ferries and other 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 cruise- and Freight and passenger (ro-pax) ferries
Due to differences in the wear of certain components of passenger cruise- and Freight and passenger ferries, the cost of these ferries 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 ferries (ro-ro)
The cost of freight ferries is not divided into components as there is no material difference in the wear of the various components of freight ferries.

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

Components with high wear are normally depreciated over 5-15 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', unless they qualify to be a special item, reference is made to note 2.6.

3.1.3 Profit on disposal of non-current assets, net

DKK million	2018	2017
Gains and losses on disposal of intangible assets and property, plant and equipment	4.7	6.9
Gain on disposal of enterprises, associates and joint ventures	1.9	0.1
Total profit on disposal of non-current assets, net	**6.6**	**7.0**

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, Ferry 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 eight cash generating units have been identified:

Ferry:
- The business areas North Sea, Baltic Sea and Mediterranean
- 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 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 assigned 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 assigned 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.

The cash-generating unit prevsiouly named 'North Sea, Baltic Sea and France & Mediterranean' is now named 'North Sea, Baltic Sea and Mediterranean'. In 2018 the aquired entity U.N. Ro-Ro has been added to this cash-generating unit. The reason for this is that the main drivers behind the acquisition of U.N. Ro-Ro was to expand the DFDS network's customer offerings to existing customers, to attract new customers and to increase flexibility in the fleet. The activity conducted by U.N. Ro-Ro is predominantly transportation of unaccompanied trailers and other Ro-Ro cargo, which is carried out by use of twelve Ro-Ro ferries. Overall the U.N. Ro-Ro ferries are interchangeable with the vast majority of the Ro-Ro ferries already owned/operated by DFDS in this cash-generating unit. It is centrally decided where and how the entire fleet of ferries are deployed on the various routes in the cash-generating unit. Revenue generation is impacted by the capacity that the shipping lines deploy on the different routes. Management has therefore concluded that the interdependency between the three business units North Sea, Baltic Sea and Mediterranean in respect of taking decision on capacity is of such extent that cash inflows are not largely independent from each other.

The business unit 'France & Mediterranean' has been discontinued during 2018 and the two routes in this business unit was moved to 'Channel' and 'Mediterranean', respectively, as one route operates at the Channel (Dieppe - New Haven) and the other route (Marseille - Tunis) operates in the Mediterranean.

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 2019 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 2019 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 2018 impairment test, except for the cash-generating unit "Nordic - comprising two sideport ships operating in a route schedule" where DFDS for the years following 2019 have applied concrete improvements in EBITDA related to a large long-term customer agreement entered into in 2019, where certain start up costs will be incurred.

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, ferries and other ships, is determined on the basis of the average of two to three independent broker valuations per ship 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 6.0% (2017: 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:

	2018	2017
Ferry Division	7.9% - 9.4%	7.7% - 9.2%
Logistics Division	8.3% - 10.8%	8.5% - 12.0%

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 8.4% (2017: 8.2%) in 'North Sea, Baltic Sea and Mediterranean', 9.0% (2017: 8.8%) in 'Continent' and 8.8% (2017: 8.5%) in 'UK & Ireland'.

3.1.4 Impairment testing (continued)

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

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

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

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

Impairment tests 2018
On the basis of the impairment tests prepared at year end 2018 it is not deemed necessary to impair any of the cash-generating units in 2018. However, the impairment test prepared at year end 2018 for the cash-generating unit 'The Amsterdam - Newcastle route', shows a need to reverse the impairment losses recognised in prior years related to the two passenger ferries in the cash-generating unit. In prior years impairment losses of DKK 39.0m and DKK 48.0m have been recognised for the two passenger ferries, repectively. At year end 2018 both the value in use and the broker valuations obtained for the two passenger ferries significantly exceeded the passenger ferries carrying amount and consequently, it is deemed necessary to reverse the remaining part of the previously recognised impairments, which is DKK 12.3m and DKK 11.7m, respectively. The reversals are recognised under 'Special items'.

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 ferries where the equipment is installed. The reversed write-down 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; acquired port concession rights; and acquired customer portfolios, 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 ferries and other ships, including the assessment of useful life and scrap value
Significant accounting estimates and assessments regarding ferries and other ships include the allocation of the ferry's cost price on components based on the expected useful life of the identified components; the ferry's expected maximum useful life; the ferry's scrap value; and impairment testing. The expected useful life of ferries and other 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.

3.2.1 Receivables

DKK million	2018	2017
Other non-current receivables[1]	137.6	135.7
Total non-current receivables	**137.6**	**135.7**
Trade receivables[2]	2,007.5	1,599.9
Work in progress services	69.5	87.6
Receivables from associates and joint ventures	85.6	74.1
Corporation tax and joint taxation contribution, receivable, reference is made to note 2.7	28.6	5.0
Other receivables and current assets	267.9	124.2
Total current receivables	**2,459.1**	**1,890.8**
Total current and non-current receivables[3]	**2,596.7**	**2,026.5**

[1] *In June 2017 DFDS acquired two channel ferries from Eurotunnel. DFDS paid an additional amount of EUR 14.9m 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 increase compared to 2017 is primarily related to the acquisition of U. N. Ro-Ro.*
[3] *Hereof interest bearing part of Receivables of DKK 24.1m (2017: DKK 24.8m)*

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 2018 (2017: none). The collateral consists of bank guarantees with a fair value of DKK 20.0m (2017: DKK 10.0m).

3.2.1 Receivables (continued)

DKK million	2018	2017
Trade receivables that are past due, but not impaired:		
Days past due:		
Up to 30 days	405.4	250.9
31-60 days	103.9	28.1
61-90 days	24.9	9.2
91-120 days	12.2	3.4
More than 120 days	14.8	5.4
Past due, but not impaired	**561.2**	**297.0**

DKK million	2018	2017
Movements in write-downs, which are included in the trade receivables:		
Write-downs at 1 January	45.2	46.9
Foreign exchange adjustment	0.6	-0.4
Addition on acquisition of enterprises	29.4	0.0
Write-downs	35.8	12.8
Realised losses	-11.9	-6.9
Reversed write-downs	-19.1	-7.2
Write-downs at 31 December	**80.0**	**45.2**
Age distribution of write-downs:		
Days past due:		
Up to 30 days	18.6	4.6
31-60 days	3.3	0.6
61-90 days	0.5	0.5
91-120 days	1.4	1.6
More than 120 days	56.2	37.9
Write-downs at 31 December	**80.0**	**45.2**

There has not been any changes in allowances for write-downs as of 1 January 2018 following the adoption of IFRS 9.

The latest five years DFDS' realised credit losses on trade receivables have been insignificant and the loss rate has not exceeded 0.2% of the revenue in any of the respective years. Accordingly, at year-end 2018 the expected credit losses on trade trade receivables calculated under the simplified expected credit loss model is based on the average historical loss rate for the latest five years of 0.1% plus adjustments for forward-looking factors where considered relevant.

ACCOUNTING POLICIES

Receivables are recognised at amortised cost less expected credit losses.

DFDS' risks regarding trade receivables are not considered unusual and no material risk is attributable to a single customer or group of customers. According to the Group's policy of undertaking credit risks, credit ratings of significant customers are performed at least once a year.

Write-downs on trade receivables are based on the simplified expected credit loss model. Credit loss allowances on individual receivables are provided for when objective indications of credit losses occurs such as customer bankruptcy and uncertainty about the customers' ability and/or willingness to pay, etc. In addition to this, allowances for expected credit losses are made on the remaining trade receivables based on a simplified approach.

Contract assets comprise work in progress services where the customer has not been invoiced yet. Work in progress services is measured based on the value of the of the work performed as of the balance sheet date.

Write-downs and realised losses on trade receivables and work in progress services are recognised in ferry and other ship operation and maintenance costs in the Income statement.

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

In 2017 the incurred loss model was used however the transition to expected credit losses model did not have a significant effect. Reference is made to note 1.

The change in accounting policy compared to last year, did not have material effect, and the accounting policy for 2017 for receivables have therefore not been disclosed. Reference is made to the Annual Report for 2017.

3.2.2 Inventories

DKK million	2018	2017
Bunker	112.0	74.6
Goods for sale	90.8	82.7
Impairment of inventories end of year	-2.3	-1.5
Total inventories	**200.5**	**155.8**

The change in inventory write-downs for the year is DKK -0.8m (2017: DKK 0.9m)

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	2018	2017
Holiday pay obligations, etc,	332.3	356.1
Public authorities (VAT, duty, etc.)	68.1	73.9
Other payables	58.7	53.7
Payables to associates and joint ventures	23.7	40.1
Accrued interests	10.7	5.9
Total other payables	**493.5**	**529.7**

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 ferries and other 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 Norway, Belgium, Italy, Turkey, Lithuania, France, Germany, Denmark and Sweden. The United Kingdom account for 83.9% (2017: 92.6%) of the total net liability and 95.4% (2017: 80.8%) 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 4.5m in 2018 (2017: DKK 4.2m). The collective funding ratio at Alecta amounts to 159% as per September 2018 (September 2017: 158%). For 2019 the contributions are expected to be DKK 4.4m. DFDS' share of the multi-employer plan is around 0.0053% and the liability follows the share of the total plan.

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

DKK million	2018	2017
Present value of funded defined benefit obligations	926.2	1,404.4
Fair value of plan assets	-718.9	-1,058.3
Funded defined benefit obligations, net	**207.3**	**346.1**
Present value of unfunded defined benefit obligations	36.0	13.5
Recognised liabilities for defined benefit obligations	**243.3**	**359.6**
Provision for jubilee liabilities	20.2	19.0
Total actuarial liabilities, net	**263.5**	**378.6**

3.2.4 Pension and jubilee liabilities (continued)

DKK million	2018	2017
Movements in the net present value of funded and unfunded defined benefit obligations		
Funded and unfunded obligations at 1 January	1,417.9	1,464.1
Foreign exchange adjustments	-16.7	-40.6
Addition on acquisition of enterprises	11.0	0.0
Transfers	14.1	0.0
Current service costs	3.6	0.3
Interest costs	28.7	31.2
Actuarial gain(-)/loss(+) arising from changes in demographic assumptions	-7.3	-38.8
Actuarial gain(-)/loss(+) arising from changes in financial assumptions	-196.2	49.2
Past service costs	9.6	0.0
Benefits paid	-51.6	-47.4
Settlements and curtailments	-250.9	0.0
Funded and unfunded obligations at 31 December	**962.1**	**1,417.9**
Movements in the fair value of the defined benefit plan assets		
Plan assets at 1 January	-1,058.3	-1,021.9
Foreign exchange adjustments	11.7	26.3
Calculated interest income	-20.2	-20.3
Return on plan assets excluding calculated interest income	78.2	-72.4
Costs of managing the assets	3.5	4.1
Employer contributions	-19.8	-20.2
Benefits paid	46.5	46.0
Settlements and curtailments	239.4	0.0
Plan assets at 31 December	**-718.9**	**-1,058.3**
Plan assets consist of the following:		
Listed shares (of this no DFDS A/S shares)	0.3	0.2
Corporate bonds	2.5	2.7
Cash and cash equivalents	3.3	9.4
Real estate	0.3	0.4
Blended investment funds	710.3	804.1
Other assets (primarily insured plans)	2.3	241.5
Total plan assets	**718.9**	**1,058.3**

DKK million	2018	2017
Expenses recognised as employee costs in the Income statement:		
Current service costs	3.6	0.3
Past service costs	9.6	0.0
Gain (-)/loss(+) on settlements and curtailments	-11.5	0.0
Total included in employee costs regarding defined benefit plans	**1.6**	**0.3**
Expenses recognised as financial costs in the Income statement:		
Interest costs	28.7	31.2
Interest income	-20.2	-20.3
Total included in financial costs regarding defined benefit plans	**8.5**	**10.9**
Total expenses for defined benefit plans recognised in the Income statement	**10.1**	**11.2**
Expenses recognised in Other comprehensive income:		
Remeasurements of plan obligations	-203.4	10.4
Remeasurements of plan assets	81.7	-68.3
Total included in Other comprehensive income regarding defined benefit plans	**-121.7**	**-57.9**

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:

2018	United Kingdom	Others	Weighted average [1]
Discount rate	2.5%	0.5%-5.0%	2.9%
Social security rate [2]	0.0%	0.0%-2.5%	0.0%
Future salary increase [2]	0.0%	0.0%-4.5%	0.1%
Future pension increase	3.4%	0.0%-3.4%	3.3%
Inflation	2.6%	0.0%-9.1%	2.6%

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%

[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	2018	2017
Sensitivity analysis		
Reported obligation 31 December	962.1	1,417.9
Discount rate -0.5% point compared to assumptions	1,057.0	1,576.1
Discount rate +0.5% point compared to assumptions	879.0	1,280.5
Salary increase -0.5% point compared to assumptions	960.8	1,416.2
Salary increase +0.5% point compared to assumptions	963.7	1,419.7
Mortality -1 year compared with used mortality tables	927.6	1,353.8
Mortality +1 year compared with used mortality tables	1,003.3	1,470.6

Weighted average duration on the liabilities end of 2018 is 19.8 years (2017: 18.6 years).

The Group expects to make a contribution of DKK 26.6m to the defined benefit plans in 2019. The expected contribution for 2018 was DKK 20.9m, which turned out to be DKK 24.9m.

DKK million		
Maturity analysis of the obligations	**2018**	**2017**
0-1 year	22.9	26.9
1-5 years	85.6	127.5
After 5 years	853.7	1,263.5
Total obligations	**962.1**	**1,417.9**

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	2018	2017
Other provisions at 1 January	77.6	122.0
Foreign exchange adjustments	-0.1	-0.5
Addition from acquisition of enterprises	20.5	0.0
Provisions made during the year	35.3	10.3
Increase of discounted amounts arising from the passage of time	0.1	1.0
Used during the year	-55.5	-40.4
Reversal of unused provisions	-26.1	-14.9
Transfers[1]	15.1	0.0
Other provisions at 31 December	**67.0**	**77.6**
Other provisions are expected to be payable in:		
0-1 year	49.9	35.1
1-5 years	9.9	23.7
After 5 years	7.1	18.8
Other provisions at 31 December	**67.0**	**77.6**

[1] *Relate to transfers to pension liabilities (DKK -12.9m) and transfer from other payables relating to restructuring provisions (DKK 28.0m)*

Of the Group's provision of DKK 67.0m (2017: DKK 77.6m), DKK 11.9m (2017: DKK 12.9m) is estimated redelivery provision regarding leased operating equipment; DKK 21.9m (2017: DKK 30.2m) is estimated net present value of earn-out agreements regarding acquisitions; DKK 3.8m is estimated restructuring provision; and DKK 29.4m (2017: DKK 34.5m) 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 (EBITDA) and special items.

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**	**2018**	**2017**
Interest-bearing liabilities[1]	4.5	9,257.4	3,275.5
Derivative financial instruments, related to interest-bearing activities, net	4.2	49.6	143.7
Receivables, interest-bearing	3.2.1	-24.1	-24.8
Securities		-9.5	-9,5
Cash		-760.7	-1,033.2
Net Interest-Bearing Debt (NIBD)		**8,512.7**	**2,351.6**
Operating profit before depreciation (EBITDA) and special items		**2,987.8**	**2,702.3**
Financial leverage ratio (NIBD/EBITDA, times)		**2.8**	**0.9**

[1] *The increase compared to 2017 primarily relates to the acquisition of U.N. Ro-Ro. Reference is made to note 5.5*

4.1 Financial and operational risks

DFDS' risk management policy
DFDS' risk management policy is governed by the DFDS Financial Policy, which is approved by the Board of Directors on an annual basis. The Financial Policy sets out the framework, key policies, limits and guidelines for financial risk management of DFDS. DFDS do not enter into speculation. The most important risk factors managed financially in DFDS are 1) bunker price, 2) interest rate, 3) currency exchange, 4) liquidity and 5) credit exposure. DFDS manages its capital structure as described below.

Bunker risk
In 2018 DFDS total bunker cost was DKK 1,860m or 12% of Group revenue (DKK 1,272m or 9% in 2017). As such the fluctuations in the bunker price denominated in USD constitute a significant risk due to the corresponding exchange rate risk of USD/DKK (currency exchange rate risk is described separately below).

In the freight industry it is customary to pass through the risk of fluctuations in bunker price and corresponding currency exchange rate risk to freight customers via bunker adjustment factor (BAF). In the passenger industry, fluctuations in the cost of bunker is reflected in the ticket price to the extent possible.

On group level approximately 90% of DFDS bunker price exposure and corresponding currency risk is passed through to freight customers via BAF agreements. The remaining bunker price exposure is financially hedged up to six quarters ahead in accordance with DFDS' Treasury Policy.

An increase in the bunker price of 10% compared to the actual bunker price during 2018 would have increased bunker cost by DKK 16.2m for the Group in 2018 all else equal (2017: DKK 13.2m). A decrease in the bunker price would have had a similar but positive effect.

An increase in the bunker price of 10% compared to the actual bunker price at balance sheet date would have had a positive effect on the Group's equity reserve for hedging of DKK 8.6m all else equal (2017: DKK 2.7m). A decrease in the bunker price would have had a similar but negative effect.

Interest rate risk
DFDS is primarily exposed to interest rate risk through funding. According to DFDS Financial Policy the interest rate on 40-70% of the loan portfolio including long-term charter agreements must be fixed with a weighted average duration of 9-36 months. DFDS enter into interest rate swaps and caps to comply with this policy.

The total net interest-bearing debt (including currency swaps on bonds) amounts to DKK 8,513m at year-end 2018 (2017: DKK 2,352m). The Group's total interest-bearing debt primarily consists of partly secured credit facilities, unsecured corporate bonds and floating rate mortgages with security in ferries and other ships. The debt portfolio had an average time to maturity of 4.3 years (2017: 5.2 years).

As part of the financial strategy, interest rate swaps and caps with a principal amount of DKK 2,394m (2017: DKK 313m) have been established in order to comply with DFDS Financial Policy. The share of fixed-rate debt including interest rate derivatives was 39% at year-end 2018 (2017: 40%). Including long-term charter agreements the share of fixed-rate debt is 41% (2017: 57%). The duration of the Group's debt portfolio (including charter liabilities) is 1.6 years (2017: 2 years).

An increase in the interest rate of 1%-point compared to the actual interest rates during 2018 would have increased net interest payments by DKK 35.5m for the Group in 2018 all else equal (2017: DKK 16.1m). A decrease in the interest rates of 1%-point would have reduced the net interest payment by DKK 11.9m (2017: 14.3m).

An increase in the interest rate of 1%-point compared to the actual interest rate at balance sheet date would have had a hypothetical positive effect on the Group's equity reserve for hedging of DKK 46.1m all else equal (2017: DKK 7.6m). A decrease would have had a negative effect of DKK -43.4m (2017: DKK -7.6m).

Currency risk
Approximately 88% of DFDS' revenues in 2018 were invoiced in foreign currencies (2017: 87%) with the most substantial net income being generated in EUR, SEK, GBP and NOK. USD was the most substantial net expense currency. Following the acquisition of U.N. Ro-Ro in June 2018, DFDS has been exposed to the exchange rate development of TRY. Historically U.N. Ro-Ro customers were quoted in EUR, invoiced in EUR, but with a right to pay the invoice in TRY whereby there is risk on the receivable in TRY. From 2019 U.N. Ro-Ro's invoicing has changed thereby gradually reducing the TRY currency balance risk. U.N. Ro-Ro net commercial TRY cash flow expenses are limited to salary- and certain port operation costs while most other cash flows are in currencies other than TRY, e.g. bunker. As a result, the TRY exposure is primarily related to currency balance risk on outstanding receivables.

Currency exchange risk is monitored continuously and actively hedged in accordance with DFDS Financial Policy. The aim is to actively reduce currency exposure using forward exchange contracts and currency swaps. EUR is considered a minor risk 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, charter agreements and payments under ferrybuilding 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 revenues and operational costs and the table below shows the impact on the Group's Operating profit before depreciation (EBITDA) and special items from changes in the foreign exchange rate.

Commercial currency cash flow risk

DKK million	2018	2017
SEK, profit or loss effect, 10% strengthening	60.3	51.7
NOK, profit or loss effect, 10% strengthening	8.2	11.5
GBP, profit or loss effect, 10% strengthening	11.6	-3.0
TRY, profit or loss effect, 10% strengthening	-8.1	-
USD, profit or loss effect, 10% strengthening	-16.2	-13.4

The Group's most significant currency balance positions are in EUR, SEK, GBP, NOK, TRY and USD relating to cash, investments and accounts payable. All else equal a strengthening of SEK, GBP, NOK, TRY and USD against DKK at balance sheet date, would have increased/decreased balance sheet items by the amounts presented below.

Currency balance risk

DKK million	2018	2017
SEK, equity and profit /loss effect, 10% strengthening	5.2	12.2
GBP, equity and profit /loss effect, 10% strengthening	-2.5	13.8
NOK, equity and profit / loss effect, 10% strengthening	6.2	2.6
TRY, equity and profit /loss effect, 10% strengthening	28.6	-
USD, equity and profit /loss effect, 10% strengthening	-2.2	-2.4
USD, equity effect, 10% strengthening [1]	268.8	121.9

[1] *Change in fair value of FX forwards related to ferries and future bunker consumption only affects equity.*

In addition to currency risk arising from operations, the need to translate foreign currency Financial Statements of subsidiaries into DKK 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 2018 is outlined in the table below.

4.1 Financial and operational risks (continued)

DKK million	2018	2017
Translation risk		
SEK, equity and profit /loss effect, 10% strengthening	102.3	7.5
GBP, equity and profit /loss effect, 10% strengthening	16.2	0.4
NOK, equity and profit / loss effect, 10% strengthening	17.1	15.5

Liquidity risks
DFDS Financial 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 2018 is DKK 2,361m (2017: DKK 2,633m), of which undrawn committed and uncommitted credit facilities amounts to DKK 1,600m (2017: DKK 1,600m).

DFDS contractual maturities of financial instruments, including estimated interest payments and excluding the impact of netting agreements are stated in the table below:

DKK million

2018	0-1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial assets				
Cash	760.7	-	-	-
Trade receivables including work in progress services	2,077.0	0.0	0.0	0.0
Receivables from associates and joint ventures	85.6	0.0	0.0	0.0
Other receivables and current assets	267.9	111.6	26.1	0.0
Non-derivative financial liabilities				
Bank loans and mortgage on ferries and other ships	-458.4	-873.9	-6,144.2	-609.8
Issued corporate bonds	-519.5	-25.0	-942.8	0.0
Other interest-bearing debt	0.0	0.0	-24.1	0.0
Financial lease liabilities	-40.6	-74.4	-66.4	-150.4
Trade payables	-2,296.4	0.0	0.0	0.0
Payables to associates and joint ventures	-23.7	0.0	0.0	0.0
Other payables	-58.7	0.0	0.0	0.0
Derivative financial assets				
Bunker contracts	1.6	0.0	0.0	0.0
Interest swaps & caps	5.1	10.2	7.3	0.0
Forward exchange contracts and currency swaps	50.0	112.6	0.0	44.9
Derivative financial liabilities				
Bunker contracts	-18.7	-2.1	0.0	0.0
Interest swaps & caps	-3.6	-5.5	-1.0	0.0
Forward exchange contracts and currency swaps	-18.2	-33.1	-12.4	0.0
Total	**-189.9**	**-779.6**	**-7,157.5**	**-715.3**

DKK million

2017	0-1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial assets				
Cash	1,033.2	-	-	-
Trade receivables including work in progress services	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				
Bank loans and mortgage on ferries and other ships	-248.5	-434.8	-419.9	-767.3
Issued corporate bonds	-149.1	-529.5	-967.9	0.0
Other interest-bearing debt	-1.5	0.0	-24.4	0.0
Financial lease liabilities	-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
Total	**465.9**	**-888.4**	**-1,446.4**	**-767.3**

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 risk
DFDS' credit risk is primarily attributable to trade- and other receivables and cash. The receivables including work in progress services are stated in the balance net of write-downs. Reference is made to note 3.2.1 for a further information on write-downs on trade receivables and work in progress services.

DFDS' risks regarding trade receivables are not considered unusual and no material risk is attributable 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. Some customers have provided bank guarantees for payments for the benefit of DFDS. These guarantees amount to DKK 20.0m in 2018 (2017: DKK 10.0m), the fair value of the bank guarantees is DKK 20.0m (2017: DKK 10.0m). Prepayment guarantees regarding DFDS' newbuilding- and scrubber program amount to DKK 768.6m (2017: DKK 212.3m).

4.1 Financial and operational risks (continued)

DFDS credit risk with financial counterparties primarily relates to cash on bank accounts and positive market values of derivatives. Credit limits on financial counterparties are calculated in accordance with DFDS Financial Policy based on credit ratings from international credit rating agencies. Credit ratings and resulting credit limits are monitored continuously.

Capital structure
Capital distribution to shareholders is based on a target leverage of a NIBD/EBITDA multiple between 2.0 and 3.0. The target can be suspended, e.g. in connection with large investments, including acquisitions, and other strategic initiatives. At year-end 2018 the NIBD/EBITDA multiple was 2.8 (2017: 0.9). After distribution of dividend, excess capital is determined based on the leverage target, including future investment requirements, and distributed through share buybacks.

At year-end 2018, the Group's cost of capital (WACC) was calculated at 5.0% (2017: 5.5%) and the return on invested capital (ROIC) before special items was 13.5% (2017: 19.0%).

DKK million

2018						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**	**Fair value assets**	**Fair value liabilities**	**0-1 year**	**1-3 years**	**3-5 years**	**After 5 years**	**Fair value recognised on hedging reserve in equity**
Interest	Interest swaps	0-4 years	1,199.1	0.0	-10.1	-3.6	-5.5	-1.0	0.0	-10.1
Interest	Caps	0-5 years	1,194.8	22.6	0.0	0.0	0.0	0.0	0.0	0.0
Goods purchased	Oil contracts for forward delivery (tons)	0-1 years	112.8	1.6	-20.8	-17.1	-2.1	0,0	0,0	-19.2
Bond loans	Currency swaps	0-4 years	935.9	0.0	-62.1	0,0	0,0	0,8	0,0	0.8
Ferry investments & ferry charter [1]	Forward exchange contracts	0-12 years	3,398.4	204.8	-0.3	47.1	112.6	0.0	44.9	204.5
Sales and goods purchased	Forward exchange contracts	0-2 years	520.3	2.6	-1.4	0,8	0,1	0,0	0,0	0.9
Total				**231.6**	**-94.7**	**27.2**	**105.1**	**-0.2**	**44.9**	**176.8**

[1] *For instruments used to hedge ferry investments the recycling from equity will be recognised under non-current tangible assets.*

4.1 Financial and operational risks (continued)

DKK million

2017

Expected future transactions	Hedge instrument	Time to maturity	Notional principal amount	Fair value assets	Fair value liabilities	Expected timing of recycling to profit and loss of gains/losses recognised in the equity: 0-1 year	1-3 years	3-5 years	After 5 years	Fair value recognised on hedging reserve in equity
Interest	Interest swaps	0-6 years	312,7	0.0	-8.1	-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	3,8	0,0	0,0	0,0	3,8
Bond loans	Currency swaps	0-5 years	1.358,4	0.0	-135.6	-0,4	0,0	-4,0	0,0	-4,4
Ferry investments[1]	Forward exchange contracts	0-2 years	1.223,7	0.0	-59.7	-29,2	-29,9	0,0	0,0	-59,2
Sales and goods purchased	Forward exchange contracts	0-2 years	24.3	0.0	-2.7	-0,3	-0,2	0,0	0,0	-0,5
Total				**3.8**	**206.0**	**-28,8**	**-34,0**	**-5,6**	**0,0**	**-68,4**

[1] *For instruments used to hedge ferry investments the recycling from equity will be recognised under non-current tangible assets.*

In 2017 and 2018 no financial hedges were deemed inefficient and as such no profit or loss was recognised on the Income statement in 2018.

The fair value of the interest swaps has 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	2018	2017
Carrying amount per category of financial instruments		
Financial assets measured at fair value:		
Derivatives, related to operating activities	209.0	3.8
Derivatives, related to interest-bearing activities	22.6	0.0
Financial assets measured at amortised cost:		
Trade receivables, receivables from associates and joint ventures, other receivables and cash	3,328.6	3,041.9
Financial assets measured at fair value through profit or loss:		
Securities	9.5	9.5
Financial liabilities measured at fair value:		
Derivatives, related to operating activities	-22.5	-62.4
Derivatives, related to interest-bearing activities	-72.2	-143.7
Financial liabilities measured at amortised cost:		
Interest-bearing liabilities, trade payables, payables to associates and joint ventures, and other payables	-12,047.2	-5,652.1
Total	**-8,572.2**	**-2,803.0**

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

2018	Level 1	Level 2	Level 3
Derivatives, financial assets	0.0	231.6	0.0
Securities, financial assets[1]	0.0	0.0	9.5
Derivatives, financial liabilities	0.0	-94.7	0.0
Total	**0.0**	**136.9**	**9.5**

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**

[1] *In 2017 securities were measured at cost reduced by write-downs, if any, and consequently, they were not included in the fair value hierarchy. Following the implementation of IFRS 9 the securities must be measured at fair value.*

Derivative financial assets and liabilities are all measured at level 2. Reference is made to note 4 .1 for description of the valuation method.

Securities, financial assets measured at fair value through profit or loss comprise other shares and equity investments as well as other investments of DKK 9.5m (2017: DKK 9.5m). These are some minor unlisted enterprises and holdings.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

Derivatives
When entering into agreements involving derivatives, Management assesses whether the derivative in question meets the criteria for hedge accounting, including whether the hedging relates to recognised assets and liabilities, projected future cash flows, or financial investments. 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. 2017	**Cash flows**	**Additions from acquisi-tions**	**Foreign exchange move-ments**	**New leases**	**Fair value changes**	**Other changes**	**31 Dec. 2018**
Changes in 2018								
Interest-bearing liabilities:								
Bank loans and mortgage on ferries and other ships	1,677.8	2,182.5 [1]	3,613.3 [2]	21.6	0.0	0.0	12.5	7,507.7
Issued corporate bonds	1,567.0	-129.3	0.0	-5.4	0.0	0.0	1.0	1,433.3
Financial lease liabilities	4.8	-452.8 [3]	21.3 [2]	0.5	718.6 [3]	0.0	0.0	292.3
Other liabilities	25.9	-0.4	0.0	0.1	0.0	0.0	-1.4	24.1
	3,275.5	1,599.9	3,634.6	16.8	718.6	0.0	12.0	9,257.4
Derivatives financial instruments:								
Derivatives related to issued corporate bonds	135.6	-73.5	0.0	0.0	0.0	-0.1	0.0	62.1
Total liabilities from financing activities	**3,411.1**	**1,526.5** [1]	**3,634.6**	**16.8**	**718.6**	**-0.1**	**12.0**	**9,319.5**

[1] Includes DKK -50.0m related to transaction costs from obtaining loans, which in the statement of cash flows is presented as Interest paid, etc under Operating activities.
[2] Relates to the acquisition of U.N. Ro-Ro and Alphatrans Group BV.
[3] DKK 709.6m relates to a port terminal agreement with Yalova port terminal that accounting wise is a finance lease, where EUR 60m (DKK 449m) was paid at inception of the agreement.

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:							
Bank loans and Mortgage on ferries and other ships	1,134.2	539.6	0.0	1.7	0.0	2.3	1,677.8
Issued corporate bonds	1,071.3	558.8	0.0	-70.7	0.0	7.7	1,567.0
Financial lease liabilities	774.4	-776.5 [1]	4.1	2.8	0.0	0.0	4.8
Other liabilities	28.9	-2.8	0.0	-0.1	0.0	-0.1	25.9
	3,008.8	319.0	4.1	-66.2	0.0	9.8	3,275.5
Derivatives financial instruments:							
Derivatives related to issued corporate bonds	134.9	-73.2	0.0	0.0	73.8	0.0	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	2018	2017
Financial income		
Interest income from banks, etc.[1]	4.6	4.0
Foreign exchange gains, net[2]	0.0	20.1
Realised gain on securities	0.1	0.0
Other dividends	0.6	2.8
Other financial income	0.1	0.1
Total financial income	*5.6*	*27.0*
Financial costs		
Interest expense to banks, credit institutions, corporate bonds, etc.[1]	-137.1	-63.9
Foreign exchange loss, net[2]	-25.7	0.0
Defined benefit pension plans, reference is made to note 3.2.4	-8.5	-10.9
Other financial costs	-12.0	-11.2
Transfer to assets under construction[3]	12.4	4.3
Total financial costs	*-170.9*	*-81.7*
Financial items, net	**-165.3**	**-54.7**

[1] *Primarily related to financial assets/liabilities measured at amortised cost. Income for interest swap is DKK 12.0m (2017: DKK 2.4m).*
[2] *Foreign exchange gains in 2018 amounts to DKK 386m (2017: DKK 250m) and foreign exchange losses amounts to DKK 412m (2017: DKK 230m) for the Group.*
[3] *Interest capitalised on eight newbuildings (2017: four newbuildings). The interest was calculated by using a general interest rate in the range of 2.30% - 2.60% p.a. (2017: 2.11% - 4.08% p.a.)*

Other financial costs contains bank charges, fees, early repayment fees, commitment fees and creditline fee.

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	2018	2017
Bank loans and mortgage on ferries and other ships[1]	7,174.5	1,463.6
Issued corporate bonds	933.4	1,442.1
Financial lease liabilities	256.9	1.5
Other non-current liabilities	24.1	24.4
Total interest-bearing non-current liabilities	**8,388.9**	**2,931.6**
Bank loans and mortgage on ferries and other ships[1]	333.1	214.3
Issued corporate bonds	499.9	124.9
Financial lease liabilities	35.5	3.3
Other current liabilities	0.0	1.5
Total interest-bearing current liabilities	**868.5**	**343.9**
Total interest-bearing liabilities	**9,257.4**	**3,275.5**

[1] *In June 2018 acquisition loans of DKK 5,525.8m were obtained for the acquisition of U.N. Ro-Ro*

In 2018 DFDS has in connection with the acquisition of U. N. Ro-Ro obtained two new loans for a total amount of EUR 740m, which run for the period 7 June 2018 until 7 June 2023. The credit facility is EURIBOR based and as a protection against potential interest rate increases. Interest rate caps of EUR 160m has been established to cap the base rate at 0% until maturity.

In December 2018 DFDS has entered into a financial lease agreement with the Yalova port terminal with a net present value of DKK 709.6m, of which DKK 449m was paid at inception. The remaining DKK 261m is classified as Financial lease liabilities. The agreement runs for a ten-year period.

The fair value of the interest-bearing liabilities amounts to DKK 9,366.7m (2017: DKK 3,435.4m). 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 the beginning of 2018 and 2019, respectively (2017: Year end 2017 and 2016, respectively).

DKK 652m of the interest-bearing liabilities in the Group fall due after five years (2017: DKK 596m). No unusual conditions in connection with the borrowings are made. The loan agreements can be settled at fair value plus a small surcharge, whereas premature settlement of the corporate bonds requires a repurchase of the bonds.

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

4.5 Interest-bearing liabilities (continued)

DKK million	2018	2017
Allocation of currency, principal nominal amount		
DKK	909.5	958.6
EUR	7,391.8	1,243.1
NOK [1]	933.4	1,067.5
GBP	0.0	3.6
USD	20.1	0.0
SEK	2.6	2.7
Total interest-bearing liabilities	**9,257.4**	**3,275.5**

[1] *In 2017 DFDS has issued a five-year corporate bond of NOK 1,250m, which runs 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 swapped to CIBOR + 0.99% margin in DKK.*

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.

4.7 Treasury shares

Number of shares	2018	2017
Treasury shares at 1 January	2,348,887	2,946,498
Acquisition of treasury shares	551,931	3,030,754
Disposal of treasury shares due to exercise of share options	-437,565	-628,365
Cancellation of treasury shares	-1,000,000	-3,000,000
Treasury shares at 31 December	**1,463,253**	**2,348,887**
Market value of treasury shares at 31 December, DKK million	383,7	778.2

In accordance with the Annual General Meeting in March 2018 the Board of Directors is authorised – until 19 March 2023 – 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 2018 acquired treasury shares for a total payment of DKK 190.2m (2017: DKK 1,105.8m). Furthermore, DFDS A/S has during 2018 disposed treasury shares for a total consideration of DKK 59.2m (2017: DKK 55.3m) in connection with employees' exercise of share options.

The Parent Company's holding of treasury shares at 31 December 2018 is 1,463,253 shares of DKK 20 each (2017: 2,348,887 shares), corresponding to 2.50% (2017: 4.12%) 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 stock unit plan for employees.

On the Annual General Meeting in March 2018 it was decided to cancel 1,000,000 of the treasury shares. This resulted in a reduction of the Company's share capital by nominally DKK 20,000,000. The cancellation had legal effect from 18 April 2018.

4.8 Earnings per share

	2018	2017
Profit for the year (DKK million)	1,637.2	1,618.0
Attributable to non-controlling interests (DKK million)	-7.7	-1.3
Attributable to DFDS Group	**1,629.5**	**1,616.7**
Weighted average number of issued ordinary shares	57,944,196	57,904,110
Weighted average number of treasury shares	-1,740,032	-2,309,680
Weighted average number of circulating ordinary shares	56,204,164	55,594,430
Weighted average number of share options issued	229,445	476,251
Weighted average number of circulating ordinary shares (diluted)	**56,433,609**	**56,070,681**
Basic earnings per share (EPS) of DKK 20 in DKK	28.99	29.08
Diluted earnings per share (EPS-D) of DKK 20 in DKK	28.87	28.83

When calculating diluted earnings per share for 2018, 383,906 share options (2017: 137,396 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 Executive Board, Board of Directors, Audit Committee and Nomination Committee

DKK million	2018	2017	2016
Remuneration to Executive Board:			
Wages and salaries	11.0	11.0	10.2
Bonus	8.8	6.4	8.2
Defined contribution pension plans	1.1	1.1	1.0
Share based payment	3.5	3.6	3.5
Other staff cost	0.7	0.6	0.6
Total remuneration to Executive Board	**25.1**	**22.7**	**23.5**

The termination period for the Executive Board is 12 months plus 12 months redundancy payment. 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 – terminate their employment with a 6 months termination period and receive a redundancy payment of 18 months salary.

DKK '000	2018	2017	2016
Board:			
Claus V. Hemmingsen	750.0	675.0	450.0
Klaus Nyborg	412.5	300.0	225.0
Jørgen Jensen	300.0	300.0	300.0
Anders Götzsche (joined in March 2018)	225.0	-	-
Marianne Dahl Steensen (joined in March 2017)	300.0	225.0	-
Jill Lauritzen Melby	300.0	300.0	300.0
Lars Skjold-Hansen	300.0	300.0	300.0
Jens Otto Knudsen	300.0	300.0	300.0
Jesper Hartvig Nielsen (joined in March 2018)	225.0	-	-
Pernille Erenbjerg (resigned in March 2018)	112.5	412.5	300.0
Kent Vildbæk (resigned in March 2018)	75.0	300.0	300.0
Bent Østergaard (resigned in March 2017)	-	187.5	750.0
Vagn Sørensen (resigned in March 2016)	-	-	112.5
Total remuneration to the Board	**3,300.0**	**3,300.0**	**3,337.5**
Audit Committee:			
Anders Götzsche (joined in March 2018)	150.0	-	-
Jørgen Jensen	100.0	87.5	50.0
Jill Lauritzen Melby	100.0	87.5	50.0
Pernille Erenbjerg (resigned in March 2018)	50.0	175.0	100.0
Total remuneration to the Audit Committee	**400.0**	**350.0**	**200.0**
Nomination Committee:			
Claus V. Hemmingsen	50.0	37.5	-
Klaus Nyborg	50.0	37.5	-
Marianne Dahl Steensen	50.0	37.5	-
Total remuneration to the Nomination Committee	**150.0**	**112.5**	**-**
Total	**3,850.0**	**3,762.5**	**3,537.5**

Remuneration to the chairperson of the Audit Committee is DKK 200k (2017: DKK 200k) and remuneration to other members of the Audit Committee is DKK 100k (2017: DKK 100k) each. Remuneration to each of the three members of the Nomination Committee is DKK 50k (2017: DKK 50k). No remuneration is paid to members of other committees.

5.2 Fees to Auditors appointed at the Annual General Meeting

DKK million	2018	2017
Audit fees	5.8	5.2
Other assurance engagements	0.2	0.3
Tax and VAT advice	0.8	0.8
Non-audit services	0.5	0.0
Total fees	**7.3**	**6.3**

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 1.0% of the share capital (2017: 1.4%) if the remaining share options are exercised.

Share options are granted in 2013-2015 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 2016-2018 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.

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

2018	Executive Board Number	Leading employees Number	Resigned employees Number	Total	Average exercise price per option DKK
Outstanding at 1 January	381,852	423,102	0	804,954	210.43
Transferred between categories	0	-6,042	6,042	0	311.14
Granted during the year	114,830	133,453	0	248,283	383.00
Exercised during the year	-218,915	-218,650	0	-437,565	134.76
Forfeited during the year	0	0	-1,846	-1,846	380.66
Outstanding at 31 December	**277,767**	**331,863**	**4,196**	**613,826**	**333.66**
Of this exercisable at the end of the year	0	24,340	0	24,340	121.27

5.3 Share options (continued)

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

The share options granted in 2018 had a fair value of DKK 7.6m (2017: DKK 7.4m), equal to an average fair value per option of DKK 30.48 (2017: DKK 54.00).

437,565 share options have been exercised during 2018 (2017: 628,365). The average weighted market price per share exercised in 2018 is DKK 349.25 (2017: DKK 358.18).

Vesting of share options is expensed in the Income statement for 2018 with DKK 7.4m (2017: DKK 7.5m). The calculated fair values are based on the Black-Scholes formula for measuring share options. The outstanding options at 31 December 2018 have an average weighted time to maturity of 1.5 years (2017: 1.6 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
2018	383.00	331.60	27.87%	-0.20%	11.00	3 years	30.48
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

The expected volatility for 2014 to 2016 is based on the historic volatility for the past 4 years. The expected volatility for 2017 and 2018 is based on the historic volatility for the past 3 years. The risk free interest rate is for 2014 to 2016 based on 4 year Danish government bonds and for 2017 and 2018 based on 3 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.

1,999 Jubilee shares have been transferred during 2018 (2017: 552). The average weighted market price per share exercised in 2018 is DKK 352.22. Vesting of Jubilee shares is expensed in the Income statement for 2018 with DKK 18.3m (2017: DKK 20.4m).

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	2018	2017
Non-cash operating items		
Change in provisions	8.1	9.1
Change in write-down of inventories for the year	0.7	-0.9
Change in provision for defined benefit plans and jubilee obligations	3.9	3.2
Vesting of share option plans expensed in the Income statement	7.4	7.5
Non-cash operating items	**20.1**	**18.8**
Change in working capital		
Change in inventories	-9.7	-15.7
Change in receivables	-271.1	-98.2
Change in current liabilities	-2.1	156.4
Change in working capital	**-282.8**	**42.5**

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 investing 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, purchase of treasury shares, cash received from exercise of share options and the obtaining and repayment of bank loans and mortgage loans and other long-term and short-term debt. Payment of finance lease liablities is included under financing activities and the related interest is included as a financial item under operating activities.

Cash and cash equivalents comprise cash.

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

Acquisition - U.N. Ro-Ro

On 7 June 2018 the acquisition of the Turkish company U.N. Ro-Ro headquartered in Istanbul was completed and the DFDS Group obtained control as from this date. After the acquisition the DFDS Group has 98.8% ownership of the acquired company and the acquired company is consolidated as from this date.

The acquisition is 100% made by the newly established subsidiary DFDS Turkey Denizcilik ve Tasi Yati AS and the acquired company is after the acquisition included in the Mediterranean Business Unit.

DFDS paid DKK 3,760.9m for the acquired company. Cash in the acquired company amounted to DKK 209.4m. U.N. Ro-Ro's estimated revenue for full year 2018 is DKK 1,726.0m. Trade receivables have been recognised at the acquisition date at a fair value of DKK 352.1m which is DKK 29.4m less than their gross value.

In connection with the acquisition DFDS has measured identifiable intangible assets i.e access to ports etc. which are recognised in the acquisition balance sheet at their fair value. The fair value is calculated to DKK 1,213m at acquisition date.

Following recognition of acquired identifiable assets and liabilities at their fair value, the goodwill related to the acquisition is measured at DKK 2,762.3m. Goodwill relates to Business Unit Mediterranean. The goodwill represents primarily the value of purchasing the unique and integrated operating platform of the clear market leader of sea-based transport of Ro-Ro cargo between Turkey and Europe; the value of 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 Group with the existing DFDS activities and network. The goodwill is not deductible for tax purposes.

The Group has elected to measure the non-controlling interests in the acquiree at their proportionate share of the acquired net assets.

Transaction and integration costs amounts to DKK 51.7m which are included under Special items.

The below purchase price allocation is preliminary. Accordingly, changes may occur as the purchase price allocation are not considered final until 12 months after acquisition.

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

DKK million	Preliminary fair value at acquisition date
Non-current intangible assets	1,221.9
Freight ferries	2,699.7
Other non-current tangible assets	382.6
Deferred tax	5.2
Non-current assets	**4,309.4**
Trade receivables including work in progress services	352.1
Other receivables	78.1
Cash at hand and in bank	209.4
Current assets	**639.6**
Total assets	**4,949.0**
Interest bearing debt	3,181.0
Non-interest bearing debt	11.2
Non-current liabilities	**3,192.2**
Trade payables	284.1
Interest bearing debt	421.3
Other current liabilities	36.1
Current liabilities	**741.5**
Total liabilities	**3,933.7**
Non-controlling interests' share of acquired net assets	16.7
Fair value of acquired net assets	**998.6**
Preliminary goodwill at acquisition	2,762.3
Total purchase price	**3,760.9**
Acquired cash at hand and in bank	209.4
Net outflow of cash from acquisition	**3,551.5**

Acquisition - Alphatrans Group BV

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.

DFDS paid DKK 115.9m for the acquired company of which DKK 13.6m was a deferred payment. Cash in the aquired company amounted to DKK 32.3m and accordingly the liquidity effect in 2018 was DKK 83.6m. 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.

Transaction costs incurred were insignificant and were expensed in 2017 as part of Administration costs.

DKK million	Fair value at acquisition date
Non-current assets	133.7
Current assets	98.3
Total assets	**232.0**
Non-current liabilities	45.7
Current liabilities	67.6
Total liabilities	**113.3**
Fair value of acquired net assets	**118.7**
Total purchase price	
Cash consideration	102.3
Deferred consideration	13.6
Estimated value of earn-out	20.4
Total purchase price	**136.4**
Goodwill at acquisition	**17.7**

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

Of the Group's total revenue of DKK 15,717.1m for the period 1 January - 31 December 2018 DKK 128.9m relates to the Alphatrans acquisition (consolidated from 3 January 2018) and DKK 1,008.7m relates to the U.N. Ro-Ro acquisition (consolidated from 7 June 2018). Of the Group's profit before tax of DKK 1,693.9m for the period 1 January - 31 December 2018 DKK 7.4m relates to the Alphatrans acquisition and DKK 9.9m relates to the U.N. Ro-Ro acquisition.Had the acquisitions of U.N. Ro-Ro occurred at the beginning of the financial year, the Group's total revenue for the period 1 January - 31 December 2018 would estimated amount to approximately DKK 16,434.4m.

Acquisition of non-controlling interests

Acquisition of shares by DFDS A/S in AB DFDS Seaways during 2018 amounts to DKK 0.4m (2017: DKK 0.2m), equivalent to an ownership of 0.1% (2017: 0.04%) after which the company is owned 97.0% (2017: 96.9%). Badwill of DKK 1.6m (2017: DKK 0.4m) is recognised directly in the equity.

Acquisitions and disposals 2017

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.

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 445.4m (2017: DKK 132.7m) for the Group. The Group has issued a 10 year guarantee for a terminal agreement. 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 204.2m (2017: DKK 332.9m). The Group has also issued letter of support for certain associated companies with negative equity.

The Group is in 2018 as well as in 2017 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 EUR 14.9m 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.

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 24.1m (2017: DKK 24.5m) on a bank account in DFDS' name to cover this.

Certain ferries and trucks with a total carrying amount of DKK 5,513.0m (2017: DKK 2,228.9m) have been pledged as security for mortgage on ferries, trucks and bank loans with a total carrying amount of DKK 3,340.5m (2017: DKK 1,441.8m).

At year end 2018 DKK 43.3m (2017: DKK 0.6m) of the cash was deposited on restricted bank accounts.

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	2018	2017
Contractual commitments, term 0-1 year	1,799.4	328.4
Contractual commitments, term 1-5 years	1,832.2	1,037.6
Contractual commitments, term after 5 years	581.9	0.0
Contractual commitments (undiscounted)	**4,213.5**	**1,365.9**

Contractual commitments in 2018 mainly relates to a total of eight new buildings on order. In 2019, three freight ferries (ro-ro) are scheduled for deployment in March, June and November, respectively. Another three freight ferries are scheduled for delivery in 2020. Two freight and passenger ferries (ro-pax) are on order for delivery in Q1 and Q3 2021.
DFDS has in 2018 entered into a 5 year concession agreement in France regarding the Dieppe-Newhaven route. Further, contractual commitments includes a Vessel Share Agreement in Holland.

Operating lease commitments (lessee)

DKK million	2018	2017
Minimum lease payments		
0-1 year	66.8	71.3
1-5 years	24.8	74.8
After 5 years	0.8	1.7
Total buildings	**92.4**	**147.8**
0-1 year	172.8	131.3
1-5 years	662.0	488.2
After 5 years	1,452.8	990.9
Total terminals	**2,287.6**	**1,610.4**
0-1 year	343.7	307.8
1-5 years	242.3	496.9
Total ferries	**586.0**	**804.7**
0-1 year	85.0	72.6
1-5 years	79.3	81.3
After 5 years	1.7	2.9
Total equipment, etc.	**166.0**	**156.8**
Total minimum lease payments fall due as follows:		
0-1 year	668.3	583.0
1-5 years	1,008.4	1,141.2
After 5 years	1,455.3	995.5
Total minimum lease payments	**3,132.0**	**2,719.7**

The specified payments are not discounted.
[1] *The increase in lease commitments for terminals compared to 2017 is primarily related to the acquisition of U.N. Ro-Ro in 2018. and a lease-agreement of a terminal in Belgium.*

5.7 Contractual commitments and operational lease (continued)

Operating lease- and rent costs recognised in the Income statement amount to DKK 608.2m for 2018 (2017: DKK 632.2m) of which DKK 37.7m (2017: DKK 36.2m) 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 ferries 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 1-2 years remain at 31 December 2018. A further 2 leases were initially entered with a 5 year lease period, of which 1-2 years remain at 31 December 2018.

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 freight ferries (ro-ro) Gardenia Seaways ,Tulipa Seaways and the freight and passenger ferry (ro-pax) Regina Seaways, which the Group has chartered.

Operating lease commitments (lessor)

DKK million	2018	2017
Minimum lease payments (income)		
Ferries		
0-1 year	134.7	152.2
1-5 years	148.2	282.6
Total ferries	**282.9**	**434.8**

The specified minimum payments are not discounted. Operating lease- and rental income recognised in the Income statement amount to DKK 170.8m in 2018 (2017: DKK 192.5m). The contracts are entered into on normal conditions.

Finance lease commitments (lessee)

DKK million

2018	Minimum lease payments	Hereof financing element	Carrying amount
0-1 year	40.6	-6.5	34.1
1-5 year	140.8	-18.0	122.8
After 5 years	150.5	-17.9	132.6
Total	**331.9**	**-42.4**	**289.5**
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	**5.0**	**-0.2**	**4.8**

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

Leasing agreements
The Group has entered into leasing/charter agreements for ferries, 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 41.6% 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

2018	**Sale of services**	**Purchase of services**	**Sale of assets**	**Receivables**	**Liabilities**	**Impairment loss of receivables**
Associates and joint ventures	46.5	211.5	2.2	85.6	23.7	5.8
2017						
Associates and joint ventures	45.2	249.7	0.0	74.1	40.1	4.0

5.9 Events after the balance sheet date

On 8 February 2019, DFDS awarded 252,792 share options to the Executive Board and a number of key employees. The theoretical value of the share options is DKK 8.6m calculated according to the Black-Scholes-model.

5.10 Company overview

Company	Ownership share 2018[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	1,172,631,560
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 Property Ltd.		England	Immingham	GBP	1
Alphatrans Thames Ltd.		England	Gravesend	GBP	2
Alphatrans Humber Ltd.		England	Killingholme	GBP	400
DFDS Seaways OÜ		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
Dunes Bail SNC[3]		France	Paris	EUR	1,000
Flandres Bail SNC[3]		France	Paris	EUR	1,000
DFDS Germany ApS & Co. KG[2, 5]		Germany	Cuxhaven	EUR	25,000
Alphatrans-Szállitás Kft		Hungary	Gyula	HUF	3,000,000
DFDS Logistics Contracts (Ireland) Ltd.		Ireland	Dublin	EUR	200
DFDS Logistics (Ireland) Ltd.[2]		Ireland	Dublin	EUR	3
Martin Bos Ltd.		Ireland	Dublin	EUR	100
Samer seaports & terminals SRL	60.00	Italy	Trieste	EUR	2,800,000
DFDS Logistics Baltic SIA		Latvia	Liepaja	EUR	113,886
DFDS Seaways SIA[2]		Latvia	Riga	EUR	99,645
AB DFDS Seaways[2]	96.97	Lithuania	Klaipeda	EUR	96,438,756
UAB Krantas Travel	96.97	Lithuania	Klaipeda	EUR	115,848
NorthSea Terminal AS		Norway	Brevik	NOK	1,000,000
DFDS Logistics AS[2]		Norway	Lysaker	NOK	1,538,000
DFDS Logstics Rederi AS[2]		Norway	Oslo	NOK	49,980,000
DFDS Seaways AS[2]		Norway	Oslo	NOK	12,000,000
Moss Container Terminal AS		Norway	Moss	NOK	1,000,000
DFDS Polska Sp. Z.o.o.[2]		Poland	Poznan	PLN	5,000
DFDS Special Cargo Unipessoal LDA		Portugal	Porto	EUR	125,000
Romania Transport Group SRL		Romania	Tibod	RON	1,000
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
DFDS Logistics Karlshamn AB		Sweden	Karlshamn	SEK	1,800,000
DFDS Logistics Partners AB	85.00	Sweden	Gothenburg	SEK	1,000,000
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
Alphatrans Group BV		the Netherlands	Rotterdam	EUR	13,062,332
DFDS Logistic Special Cargo BV		the Netherlands	Rotterdam	EUR	18,000
Alphatrans International Trucking BV		the Netherlands	Brielle	EUR	18,000
DFDS Turkey Denizcilik ve Tasi Yati AS		Turkey	Istanbul	EUR	247,000,000
U.N. Ro-Ro Isletmeleri A.S.	98.80	Turkey	Istanbul	EUR	369,967,159
Trieste Newholdco Denizcilik ve Tasımacılık A.S.		Turkey	Istanbul	EUR	461,635,380
Trieste Holdco Denizcilik ve Tasımacılık A.S.		Turkey	Istanbul	EUR	464,440,121
Trieste Midco Denizcilik ve Tasımacılık A.S.		Turkey	Istanbul	EUR	475,242,795
Associates and Joint Ventures:					
DFDS Suardiaz Line Ltd.[2]	50.00	England	Immingham	GBP	145,000
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
11 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 company.
[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 2018.

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 2018 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 2018.

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, 22 February 2019

EXECUTIVE BOARD

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

BOARD OF DIRECTORS

Claus V. Hemmingsen Chair	**Klaus Nyborg** Vice Chair	**Anders Götzsche**	**Jørgen Jensen**
Jens Otto Knudsen	**Jill Lauritzen Melby**	**Jesper Hartvig Nielsen**	**Lars Skjold-Hansen**
Marianne Dahl Steensen			

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 2018, pp. 62-138, which comprise income statement, statement of comprehensive income, statement of financial position, 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 2018 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 2018 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 24 years up to and including the financial year 2018.

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 2018. 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.

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.

Independent Auditors' Report (continued)

Valuation of ferries
DFDS operates 70 ferries in its route network of which 45 are owned. Management's disclosures on the impairment testing of ferries 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 ferries of DKK 9,731 million at 31 December 2018 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 ferries 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 ferries 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 ferries 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 ferries 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 ferries calculated by Management, including comparison of carrying values of the ferries 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.

Accounting for the acquisition of U.N. Ro-Ro in the consolidated financial statements
On 7 June 2018, the U.N. Ro-Ro Group was acquired by the Group for a total consideration of DKK 3,760.9 million. Management has assessed the fair value of assets and liabilities acquired in the business combination. As there is a significant level of judgement involved in estimating the fair value of especially the intangible assets and ferries, we considered the fair value assessment of most significance in our audit.

For details on the acquisition reference is made to note 5.5 in the consolidated financial statements.

Independent Auditors' Report (continued)

How our audit addressed the Key Audit Matter
Our audit procedures in relation to the acquisition included:

- Assessment of the assumptions and methodology used by Management to calculate the value of intangible assets against normally applied valuation methodologies. We considered the approach taken by Management, assessed key assumptions and obtained corroborative evidence for the explanations provided by comparing key assumptions to market data, where available, underlying accounting records, past performance of the acquired business, our past experience of similar transactions and Management's forecasts supporting the acquisition.
- Examination of the fair value of the ferries acquired as part of the acquisition of the U.N. Ro-Ro Group against external valuations. We compared the carrying values of the ferries with available valuations prepared by external and independent ship valuation experts.
- Considering the adequacy of the disclosures provided by Management related to the acquisition U.N. Ro-Ro Group, including the fair value of acquired intangible assets and ferries, compared to applicable accounting standards.

Statement on the Management's review
Management is responsible for the Management's review, pp. 8-61.

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

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.

Independent Auditors' Report (continued)

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 judgment 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.
- 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 auditors' 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 auditors' 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 relationferries and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditors' Report (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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, 22 February 2019

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

Torben Bender	Michael Groth Hansen
State Authorised	State Authorised
Public Accountant	Public Accountant
mne21332	mne33228

Parent Company Financial Statements

Income statement

(1 January – 31 December)

DKK million	Note	2018	2017
Revenue	1	9,854.3	9,515.9
Costs			
Ferry and other ship operation and maintenance	2	-3,663.5	-3,314.7
Freight handling		-2,166.9	-2,107.5
Transport solutions		-402.0	-374.0
Employee costs	3	-1,133.0	-1,076.1
Cost of sales and administration	4	-818.6	-827.1
Operating profit before depreciation (EBITDA) and special items		**1,670.3**	**1,816.6**
Profit on disposal of non-current assets, net		2.5	0.1
Amortisation, depreciation and impairment losses on intangible– and tangible assets	5	-475.1	-486.7
Operating profit (EBIT) before special items		**1,197.7**	**1,329.9**
Special items, net	6	-3.9	94.1
Operating profit (EBIT)		**1,193.8**	**1,424.0**
Financial income	7	1,488.6	571.7
Financial costs	7	-142.6	-116.0
Profit before tax		**2,539.9**	**1,879.7**
Tax on profit	8	-2.4	-1.5
Profit for the year		**2,537.5**	**1,878.2**
Proposed profit appropriation			
Proposed dividend, DKK 4.0 per share (2017: DKK 4.0 per share)		234.5	228.0
Retained earnings		2,303.0	1,650.2
		2,537.5	**1,878,2**

Statement of comprehensive income

(1 January – 31 December)

DKK million	Note	2018	2017
Profit for the year		**2,537.5**	**1,878.2**
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		321.2	-132.7
Value adjustment transferred to operating costs		-7.1	-9.6
Value adjustment transferred to financial costs		-47.8	29.1
Value adjustment transferred to non-current tangible assets		-21.2	6.2
Foreign exchange adjustments, goodwill		-1.6	-1.2
Foreign exchange adjustments, foreign branches		-6.8	0.8
Tax on items that are or may be reclassified to the income statement		-0.7	1.1
Items that are or may subsequently be reclassified to the Income statement		**236.0**	**-106.4**
Total other comprehensive income after tax		**236.0**	**-106.4**
Total comprehensive income		**2.773,5**	**1,771.9**

Balance sheet 31 December

(Assets)

DKK million	Note	2018	2017
Goodwill		116.5	118.1
Other non-current intangible assets		0.0	0.0
Software		233.1	234.3
Development projects in progress		1.6	14.8
Non-current intangible assets	9	**351.2**	**367.1**
Land and buildings		1.6	2.1
Terminals		24.7	28.3
Ferries and other ships		3,667.9	3,855.9
Equipment, etc.		120.8	118.9
Assets under construction and prepayments		836.2	287.7
Non-current tangible assets	10	**4,651.2**	**4,292.9**
Investments in subsidiaries	11	5,862.2	3,950.9
Investments in associates, joint ventures and securities		9.5	9.9
Receivables	12	111.4	111.1
Derivative financial instruments	22	157.5	0.0
Other non-current assets		**6,140.7**	**4,072.0**
Non-current assets		**11,143.1**	**8,732.0**
Inventories	13	151.0	144.0
Receivables	12	1,908.5	1,758.9
Prepaid costs		52.4	49.3
Derivative financial instruments	22	51.5	3.8
Cash		580.6	937.6
Current assets		**2,744.0**	**2,893.6**
Assets		**13,887.2**	**11.625.5**

(Equity and liabilities)

DKK million	Note	2018	2017
Share capital	16	1,172.6	1,140.0
Reserves		403.7	135.3
Retained earnings		6,505.6	3,458.2
Proposed dividend		234.5	228.0
Equity		**8,416.7**	**4,961.5**
Interest-bearing liabilities	19	1,674.7	2,313.9
Deferred tax	15	3.3	2.3
Pension and jubilee liabilities	17	8.0	7.6
Other provisions	18	4.7	20.3
Derivative financial instruments	22	74.3	94.8
Non-current liabilities		**1,765.0**	**2,438.8**
Interest-bearing liabilities	19	2,076.8	2,638.1
Trade payables		1,111.5	987.7
Other provisions	18	2.0	11.6
Corporation tax		3.5	3.5
Other payables	21	365.6	330.5
Derivative financial instruments	22	20.4	111.3
Prepayments from customers		125.7	142.7
Current liabilities		**3,705.5**	**4,225.2**
Liabilities		**5,470.5**	**6,664.0**
Equity and liabilities		**13,887.2**	**11,625.5**

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 2018	1,140.0	0.5	-68.4	1.0	249.1	-47.0	3,458.2	228.0	**4,961.5**
Change in accounting policies*				-1.0			1.0		**0.0**
Restated Equity at 1 January 2018	1,140.0	0.5	-68.4	0.0	249.1	-47.0	3,459.2	228.0	**4,961.5**
Comprehensive income for the year									
Profit for the year							2,537.5		**2,537.5**
Other comprehensive income									
Items that are or may subsequently be reclassified to the Income Statement:									
Value adjustment of hedging instruments for the year			321.2						**321.2**
Value adjustment transferred to operating costs			-7.1						**-7.1**
Value adjustment transferred to financial costs			-47.8						**-47.8**
Value adjustment transferred to non-current assets			-21.2						**-21.2**
Tax on items that are or may be reclassified to the income statement							-0.7		**-0.7**
Foreign exchange adjustments, goodwill							-1.6		**-1.6**
Foreign exchange adjustments, foreign branches		-6.8							**-6.8**
Items that are or may subsequently be reclassified to the Income statement	**0.0**	**-6.8**	**245.2**	**0.0**	**0.0**	**0.0**	**-2.3**	**0.0**	**236.0**
Total other comprehensive income after tax	**0.0**	**-6.8**	**245.2**	**0.0**	**0.0**	**0.0**	**-2.3**	**0.0**	**236.0**
Total comprehensive income	**0.0**	**-6.8**	**245.2**	**0.0**	**0.0**	**0.0**	**2,535.2**	**0.0**	**2,773.5**
Transactions with owners									
Dividend paid								-218.9	**-218.9**
Dividend on treasury shares							9.1	-9.1	**0.0**
Proposed dividend at year-end							-234.5	234.5	**0.0**
Vested share-based payments							25.1		**25.1**
Purchase of treasury shares						-11.0	-179.1		**-190.2**
Cash from sale of treasury shares related to exercise of share options						8.8	50.5		**59.2**
Reduction of share capital by cancellation of treasury shares	-20.0					20.0			**0.0**
Increase of capital	52.6						947.4		**1.000**
Exercise of share options recharged to subsidiaries							9.7		**9.7**
Capitalised development costs, additions					-14.4		14.4		**0.0**
Other adjustments							-3.2		**-3.2**
Total transactions with owners 2018	**32.6**	**0.0**	**0.0**	**0.0**	**-14.4**	**17.7**	**639.2**	**6.5**	**681.7**
Equity at 31 December 2018	**1,172.6**	**-6.3**	**176.8**	**0.0**	**234.7**	**-29.3**	**6,633.7**	**234.5**	**8,416.7**

The Company's share capital, which is not divided into different classes of shares, is divided into 58,631,578 shares of DKK 20 each. All shares rank equally.
There are no restrictions on voting rights. The shares are fully paid up.
* According to the new IFRS 9 changes in Fair value of securities are recognised via the Income Statement.
Due to immaterial effects from implementing IFRS 9 and IFRS 15, the 1 January 2018 Equity has not been restated except for DKK 0.1m which has been reclassified within the Equity.

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 are or may 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 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 cash flows

(1 January – 31 December)

DKK million	Note	2018	2017
Operating profit before depreciation (EBITDA) and special items		**1,670.3**	**1,816.6**
Cash flow effect from special items related to operating activities		-40,2	0.0
Adjustments for non-cash operating items, etc.	24	9.3	7.9
Change in working capital	25	48.5	142.8
Payment of pension liabilities and other provisions		-8.5	-31.5
Cash flow from operating activities, gross		**1,679.3**	**1,935.7**
Interest received, etc.		136.0	126.5
Interest paid, etc.		-140.9	-128.3
Taxes paid		-2.1	-8.5
Cash flow from operating activities, net		**1,672.3**	**1,925.3**
Investments in ferries and other ships including dockings, rebuildings and ferries under construction (incl. settlement of forward exchange contracts related thereto)		-733.8	-1,115.5
Sale of ferries		0.0	1,041.0
Investments in other non-current tangible assets		-104.3	-40.4
Sale of other non-current tangible assets		6.5	1.0
Investments in non-current intangible assets		-26.2	-50.5
Other investing cash flows		-4.2	-16.2
Group internal disposal of enterprises		0.0	182.5
Capital contributions to subsidiaries, etc.	11	-1,815.4	-173.2
Dividends received from subsidiaries		1,255.2	234.5
Cash flow to/from investing activities, net		**-1,422.3**	**63.2**
Cash flow before financing activities, net		**250.1**	**1,988.6**

DKK million	Note	2018	2017
Repayment and instalments on bank loans and loans secured by mortgage in ferries and other ships	20	-133.9	-133.9
Proceed from issuance of corporate bonds	20	0.0	990.5
Repayment of corporate bonds incl. settlement of cross currency swap	20	-202.8	-504.9
Payment of financial lease liabilities	20	0.0	-31.6
Change in Group internal financing, net	20	-927.3	-262.6
Acquisition of treasury shares		-190.2	-1,105.8
Other non-current receivables		0.0	-111.0
Cash received from exercise of share options		59.2	55.3
Government grants received related to purchase of assets		6.9	5.2
Proceeds from increase of share capital		1,000.0	0.0
Dividends paid		-218.9	-555.3
Cash flow to/from financing activities, net		**-607.0**	**-1,654.1**
Net increase/(decrease) in cash and cash equivalents		**-356.9**	**334.5**
Cash and cash equivalents at 1 January		937.6	603.1
Cash and cash equivalents at 31 December		**580.6**	**937.6**

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

Notes

NOTE SUMMARY

Note 1 Revenue

	2018			
DKK million	**Ferry Division**	**Logistics Division**	**Non-allocated**	**Total**
Geographical markets				
North Sea	5,318.5	0.0	0.0	5,318.5
Baltic Sea	1,448.4	0.0	0.0	1,448.4
English Channel	2,440.7	0.0	0.0	2,440.7
Continent	0.0	334.4	0.0	334.4
Nordic	0.0	276.0	0.0	276.0
Other	0.0	0.0	36.3	36.3
Total	**9,207.5**	**610.4**	**36.3**	**9,854.3**
Product and services				
Seafreight and shipping logistics solutions	5,947.8	0.0	0.0	5,947.7
Transport solutions	6.9	525.4	0.0	532.3
Passenger seafare and on board sales	2,587.8	0.0	0.0	2,587.7
Terminal services	169.2	0.0	0.2	169.4
Charters including related income	372.5	0.0	0.0	372.5
Agency and other revenue	123.4	85.2	36.1	244.7
Total	**9,207.5**	**610.4**	**36.3**	**9,854.3**

On board sales (11.4% of total revenue) is recognised at "a point in time".

Revenue from leasing activities (4.2% of total revenue) is not within the scope of IFRS 15, however, the leasing revenue is insignificant and is therefore not excluded in the above table.

Note 2 Ferry and other ship operation and maintenance

DKK million	**2018**	**2017**
Ferry and other ship costs	818.6	798.7
Charter including related cost	1,364.2	1,341.3
Bunker	1,480.6	1,174.7
Total ferry and other ship operation and maintenance	**3,663.5**	**3,314.7**

Note 3 Employee costs

DKK million	**2018**	**2017**
Wages, salaries and remuneration	974.8	929.6
Hereof capitalised employee costs	-24.8	-31.5
Defined contribution pension plans	57.5	53.1
Other social security costs	45.2	41.5
Share based payment, reference is made to note 16	7.4	7.5
Other employee costs	72.9	75.8
Total employee costs	**1,133.0**	**1,076.1**
Full time equivalents (FTE), average	2,537	2,421

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	2018	2017
Audit fees	1.2	1.2
Other assurance engagements	0.2	0.2
Tax and VAT advice	0.8	0.8
Non-audit services	0.4	0.2
Total fees	**2.6**	**2.4**

Note 5 Amortisation, depreciation and impairment losses for the year

DKK million	2018	2017
Software	40.5	33.5
Land & Buildings	0.5	0.5
Terminals	3.3	3.7
Ferries and other ships	404.1	433.8
Equipment	26.2	24.5
Total amortisation, depreciation and impairment losses for the year	**474.6**	**496.0**
Impairment losses for the year:		
Ferries and other ships	0.5	-9.3[1]
Total impairment	**0.5**	**-9.3**
Total amortisation, depreciation and impairment losses for the year	**475.1**	**486.7**

[1] *Partly reversal of write-down of installations on two freight ferries by DKK 9.3m (write-down of DKK 15m in 2016) due to settlement. Reference is made to note 3.1.4 of the Consolidated Financial Statements.*

Note 6 Special items, net

DKK million	2018	2017
Reversal of impairment of two passenger cruise ferries in the business unit Passenger	24.0	-
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 (earn-out settled in 2018)	18.2	13.7
Accounting gain and cost, net related to divestment of Italian rail business	0.7	-
Cost and impairments related to closure of the freight terminal in Esbjerg	-0.5	-20.9
Costs related to the acquisition and subsequent integration of U.N. Ro-Ro	-2.4	-
Accrual of the total estimated costs (estimated fair value) related to the DFDS shares awarded to DFDS employees as a special one-off award in connection with DFDS' 150 years anniversary in December 2016. The costs will accrue from December 2016 to February 2020	-5.4	-5.7
Consultancy costs in connection with strategy development and implementation, as well as redundancy costs related to restructuring of headquarter functions	-38.6	-
Gain regarding group internal sale of the Channel ferries Côte Des Dunes and Côte Des Flandres	0.0	107.0
Special items, net	**-3.9**	**94.1**
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	-16.2	-23.1
Cost of sales and administration	-29.8	-2.1
Operating profit before depreciation (EBITDA) and special items	**-46.0**	**-25.2**
Profit on disposal of non-current assets, net	0.0	107.0
Amortisation, depreciation, and impairment losses on intangible - and tangible assets	24.0	-1.4
Financial income/costs	18.2	13.7
Special items, net	**-3.9**	**94.1**

Note 7 Financial items

DKK million	2018	2017
Financial income		
Interest income from banks, etc.	2.0	3.2
Interest income from subsidiaries	32.9	35.8
Foreign exchange gains, net[1]	11.6	14.1
Realised gain on securities	0.1	0.0
Reversal of impairment of receivables from subsidiaries[2]	2.6	131.3
Reversal of impairment of investments in subsidiaries[2]	183,5	150.0
Dividends received from subsidiaries	1,255.2	234.5
Other dividends	0.6	2.8
Total financial income	**1,488.6**	**571.7**
Financial costs		
Interest expense to banks, credit institutions, corporate bonds, etc.	-42.8	-55.6
Interest expense to subsidiaries	-0.5	-0.1
Impairment of investments in subsidiaries[2]	-100.1	-94.9
Reversal of provision regarding negative equity in subsidiary	0.0	38.2
Impairment of investments and provision regarding negative equity in associate	-1.5	0.0
Other financial costs	-10.2	-7.9
Transfer to assets under construction[3]	12.4	4.3
Total financial costs	**-142.6**	**-116.0**
Financial items, net	**1,346.0**	**455.7**

[1] *Foreign exchange gains in 2018 amounts to DKK 337.8m (2017: DKK 218.1m) and foreign exchange losses amounts to DKK 326.2m (2017: DKK 204.0m).*

[2] *Reference is made to note 30.*

[3] *Interest capitalised on eight newbuildings under construction (2017: four newbuildings). The interest is calculated by using a general interest rate in the range 2.30% - 2.60% p.a. (2017: 2.11% - 4.08% p.a.).*

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

Except for interest income relating to interest swap agreements of DKK 12.0m (2017: DKK 2.4m) 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 and creditline fee.

Note 8 Tax

DKK million	2018	2017
Current joint tax contributions	-2.1	-0.4
Movement in deferred tax for the year	0.6	0.1
Adjustment to corporation tax in respect of prior years	0.0	-0.4
Adjustment to deferred tax in respect of prior years	-1.6	0.3
Tax for the year	**-3.1**	**-0.4**
Tax for the year is recognised as follows:		
Tax in the Income statement	-2.4	-1.5
Tax in Other comprehensive income	-0.7	1.1
Tax for the year	**-3.1**	**-0.4**
Tax in the Income statement can be specified as follows:		
Profit before tax	2,539.9	1,879.7
Of this, tonnage taxed income	-1,198.6	-1,466.8
Profit before tax (corporate income tax)	**1,341.3**	**413.0**
22.0% tax of profit before tax	-295.1	-90.9
Adjustment of calculated tax in foreign branches compared to 22.0%	0.0	-0.1
Tax effect of:		
Non-taxable/-deductible items [1]	296.5	91.8
Tax asset for the year, not recognised	-0.1	-0.2
Adjustments of tax in respect of prior years	-1.6	-0.1
Corporate income tax	**-0.2**	**0.6**
Tonnage tax	-2.1	-2.1
Tax in the Income statement	**-2.4**	**-1.5**
Effective tax rate (%)	0.1	0.1
Effective tax rate before adjustment of prior years' tax (%)	0.0	0.1

[1] *2018: Primarily related to dividends from subsidiaries and impairment and reversal of impairment of investments in subsidiaries.*
2017: Primarily related to interest restriction rules, dividends from subsidiaries and reversal of impairment of investments in subsidiaries.

The ferry 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 2018 and 2017 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 and 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 2018	118.1	2.4	484.4	14.8	**619.6**
Foreign exchange adjustments	-1.6	0.0	0.0	0.0	**-1.6**
Additions	0.0	0.0	0.0	26.2	**26.2**
Disposals	0.0	-2.4	0.0	0.0	**-2.4**
Transfers	0.0	0.0	39.3	-39.3	**0.0**
Cost at 31 December 2018	**116.5**	**0.0**	**523.7**	**1.6**	**641.8**
Amortisation and impairment losses at 1 January 2018	0.0	2.4	250.1	0.0	**252.5**
Amortisation charge	0.0	0.0	40.5	0.0	**40.5**
Disposals	0.0	-2.4	0.0	0.0	**-2.4**
Amortisation and impairment losses at 31 December 2018	**0.0**	**0.0**	**290.6**	**0.0**	**290.6**
Carrying amount at 31 December 2018	**116.5**	**0.0**	**233.1**	**1.6**	**351.2**
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**

The Parent Company's carrying amount of Goodwill DKK 116.5m (2017: DKK 118.1m) 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 onboard sales system and digital initiatives in general.

Impairment test conclusion:
On the basis of the impairment tests performed in 2018 there has been no impairment (2017: no impairment).

For further information regarding the impairment tests reference is made to note 3.1.4.

Note 10 Non-current tangible assets

DKK million

	Land and buildings	Terminals	Ferries and other ships	Equipment etc.	Assets under construction and pre-payments	Total
Cost at 1 January 2018	11.4	81.6	7,752.9	405.4	287.7	**8,539.0**
Foreign exchange adjustments	0.0	0.1	4.3	0.0	0.1	**4.4**
Additions	0.0	0.0	0.0	21.4	748.6 [1]	**770.0**
Disposals	-0.7	-17.2	-113.1	-42.6	0.0	**-173.6**
Transfers	0.0	0.0	189.7	10.3	-200.1	**0.0**
Cost at 31 December 2018	**10.7**	**64.5**	**7,833.8**	**394.5**	**836.2**	**9,139.8**
Depreciation and impairment losses at 1 January 2018	9.3	53.3	3,897.0	286.5	0.0	**4,246.1**
Foreign exchange adjustments	0.0	0.0	1.4	0.0	0.0	**1.4**
Depreciation charge	0.5	3.3	404.1	26.2	0.0	**434.1**
Impairment charge	0.0	0.0	0.5	0.0	0.0	**0.5**
Reversal of impairment charge previous year	0.0	0.0	-24.0	0.0	0.0	**-24.0**
Disposals	-0.7	-16.8	-113.1	-39.0	0.0	**-169.6**
Depreciation and impairment losses at 31 December 2018	**9.2**	**39.8**	**4,165.9**	**273.7**	**0.0**	**4,488.5**
Carrying amount at 31 December 2018	**1.6**	**24.7**	**3,667.9**	**120.8**	**836.2**	**4,651.2**

[1] *Primarily related to the large new-building program. A total of eight new buildings are on order. In 2019, three freight ferries (ro-ro) are scheduled for deployment in March, June and November, respectively. Another three freight ferries are scheduled for delivery in 2020. Two freight and passenger ferries (ro-pax) are on order for delivery in Q1 and Q3 2021. Further, there is a lengthening of a ferry.*

Note 10 Non-current tangible assets (continued)

DKK million

	Land and buildings	Terminals	Ferries and other 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 [1]	-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**

[1] Internal sale of the two Channel ferries Côte des Dunes and Côte des Flandres, which DFDS acquired from Eurotunnel in June 2017.
[2] Primarily related to addition of four new ferries, 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 ferrries.
[5] Partly reversal of impairment of write-down of DKK 15.0m of installations on two freight ferries in 2016. Reference is made to note 3.1.4.

Impairment test conclusion:
On the basis of the impairment test performed in 2018 there has been no impairment losses (2017: No impairment losses). The impairment test has resulted in reversal of a previous impairment on two passenger cruise ferries by DKK 24m (2017: 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	2018	2017
Cost at 1 January	4,309.0	4,446.8
Additions[1]	1,827.8	186.2
Disposals[2]	-10.9	-324.0
Cost at 31 December	**6,125.9**	**4,309.0**
Accumulated impairment losses at 1 January	-358.1	-554.8
Impairment losses[3]	-100.1	-94.9
Reversal of prior year impairment losses	183.5	150.0
Reversal of impairment on disposal[2]	10.9	141.6
Accumulated impairment losses at 31 December	**-263.7**	**-358,1**
Carrying amount at 31 December	**5,862.2**	**3,950.9**

[1] 2018: Additions relates to capital increase in DFDS Logistics AS (DKK 1,815.0m), acquisition of minority shares in AB DFDS Seaways (DKK 0.4m) and recharge of cost of jubilee shares to subsidiaries (DKK 12.4m). 2017: Additions relate 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 minority shares in AB DFDS Seaways (DKK 0.2m) and recharge of cost of jubilee shares to subsidiaries (DKK 13m).
[2] 2018: Disposal relates to liquidation of DFDS Logistics SPA. 2017: 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 2018 have led to recognition of impairment losses of DKK 100.1m (2017: DKK 94.9m) and reversal of prior year impairment losses of DKK 183.5m (2017: DKK 150.0m). Reference is made to note 30.

Note 12 Receivables

DKK million	2018	2017
Other non-current receivables[1]	111.4	111.1
Total non-current receivables	**111.4**	**111.1**
Trade receivables	741.1	688.7
Interest bearing receivables from subsidiaries[2]	760.4	806.5
Other non-interest bearing receivables from subsidiaries	220.7	156.9
Receivables from associates and joint ventures	70.2	53.4
Other receivables and current assets	116.1	53.4
Total current receivables	**1,908.5**	**1,758.9**

[1] In June 2017 DFDS acquired two channel ferries from Eurotunnel. DFDS paid an additional amount of EUR 14.9m 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 0.0m at 31 December 2018 (2017: DKK 10.0m).

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 2018 (2017: none). The collateral consists of bank guarantees with a fair value of DKK 4.3m (2017: DKK 0m).

DKK million	2018	2017
Trade receivables that are past due, but not impaired:		
Days past due:		
Up to 30 days	105.9	100.5
31-60 days	11.4	6.0
61-90 days	5.1	3.2
91-120 days	3.9	1.5
More than 120 days	2.1	3.5
Past due, but not impaired	**128.4**	**114.8**

Movements in write-downs, which are included in the trade receivables:		
Write-downs at 1 January	24.3	26.8
Write-downs	23.7	8.8
Realised losses	-10.4	-5.6
Reversed write-downs	-12.8	-5.8
Write-downs at 31 December	**24.8**	**24.3**

DKK million	2018	2017
Age distribution of write-downs:		
Days past due:		
Up to 30 days	5.8	4.0
31-60 days	0.0	0.1
61-90 days	0.0	0.2
91-120 days	1.0	0.3
More than 120 days	18.0	19.7
Write-downs at 31 December	**24.8**	**24.3**

Write-downs and realised losses are recognised in Operating costs in the Income statement.

Reference is made to note 4.1 in the Consolidated Financial Statements for a description of Credit risks.

Note 13 Inventories

DKK million	2018	2017
Bunker	74.1	71.4
Goods for sale	79.2	74.1
Impairment of inventories end of year	-2.3	-1.5
Total inventories	**151.0**	**144.0**

The change in inventory write-downs for the year is DKK -0.8m (2017: DKK 0.9m)

Note 14 Treasury 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

2018	Land and buildings, terminals and other equipment	Provisions	Tax loss carried forward	Total
Deferred tax at 1 January	2.6	-0.3	0.0	2.3
Recognised in the Income statement	-0.6	0.0	0.0	-0.6
Adjustment regarding prior years recognised in the Income statement	1.7	-0.1	0.0	1.6
Deferred tax at 31 December, net	**3.7**	**-0.4**	**0.0**	**3.3**
2017				
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**

DKK million	2018	2017
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (assets)	0.0	0.0
Deferred tax (liabilities)	3.3	2.3
Deferred tax at 31 December, net	**3.3**	**2.3**

By joining the tonnage taxation scheme, DFDS A/S is subject to the requirements of the scheme until 2021. During the period covered by the tonnage tax scheme ferries and other ships, 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 441m (2017: DKK 402m) 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.

30 Jubilee shares have been transferred during 2018 (2017: 60). The average weighted market price per share exercised in 2018 is DKK 331.52. Vesting of Jubilee shares is expensed in the Income statement for 2018 with DKK 5.4m (2017: DKK 5.7m).

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

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	2018	2017
Present value of unfunded defined benefit obligations	0.9	1.0
Recognised liabilities for defined benefit obligations	**0.9**	**1.0**
Provision for jubilee liabilities	7.1	6.6
Total actuarial liabilities	**8.0**	**7.6**

Note 18 Other provisions

DKK million	2018	2017
Other provisions at 1 January	31.9	112.8
Provisions made during the year	6.7	0.9
Increase of discounted amounts arising from the passage of time	0.1	1.0
Used during the year	-14.4	-30.6
Reversal of unused provisions	-17.7	-52.2
Other provisions at 31 December	**6.7**	**31.9**
Other provisions are expected to be payable in:		
0-1 year	2.0	11.6
1-5 years	0.5	15.9
After 5 years	4.2	4.4
Other provisions at 31 December	**6.7**	**31.9**

Of the Parent Company's provision of DKK 6.7m (2017: DKK 31.9m), DKK 2.1m (2017: DKK 1.9m) is estimated redelivery provision regarding leased operating equipment. DKK 0.4m (2017: DKK 25.6m) is estimated net present value of earn-out agreements regarding acquisitions and DKK 4.2m (2017: DKK 4.4m) is other provisions.

Note 19 Interest-bearing liabilities

DKK million	2018	2017
Bank loans and mortgage on ferries and other ships	741.3	871.8
Issued corporate bonds	933.4	1,442.1
Total interest-bearing non-current liabilities	**1,674.7**	**2,313.9**
Bank loans and mortgage on ferries and other ships	131.9	131.6
Issued corporate bonds [2]	499.8	124.9
Payables to subsidiaries[1]	1,445.0	2,381.4
Total interest-bearing current liabilities	**2,076.8**	**2,638.0**
Total interest-bearing liabilities	**3,751.5**	**4,951.9**

[1] The carrying amount of Interest-bearing payables to subsidiaries relates to deposit facilities that are made available to subsidiaries.
[2] The Parent Company has issued two 5 year corporate bond loans; one in 2017 and one in 2014 respecitively. Reference is made to the Consolidated Statements note 4.5.

The fair value of the interest-bearing liabilities amounts to DKK 3,809m (2017: DKK 5,039m). 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 beginning of 2018 and 2019 respectively.

DKK 259.9m of the Interest-bearing liabilities in the Parent Company fall due after five years (2017: DKK 345m). 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	2018	2017
DKK	918.2	958.8
EUR	1,473.2	2,330.8
SEK	90.3	145.0
NOK	942.9	1,159.7
GBP	326.9	357.7
Total interest bearing liabilities	**3,751.5**	**4,951.9**

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. 2017	**Cash flows**	**Foreign exchange movements**	**Fair value changes**	**Other changes**	**31 Dec. 2018**
Changes in 2018						
Interest-bearing liabilities:						
Bank loans and mortgage on ferries and other ships	1,003.5	-133.9	1.5	0.0	2.2	873.2
Issued corporate bonds	1,567.0	-129.3	-5.4	0.0	1.0	1,433.3
Payables to subsidiaries, interest-bearing	2,381.4	-936.4[1]	0.0	0.0	0.0	1,445.0
	4,951.9	-1,199.7	-3.9	0.0	3.1	3,751.5
Derivative financial instruments:						
Derivatives related to issued corporate bonds	135.6	-73.5	0.0	-0.1	0.0	62.1
Other:						
Payables to subsidiaries, non interest-bearing	126.4	14.6[1]	0.0	0.0	0.0	141.0
Total liabilities from financing activities	**5,213.9**	**-1,258.5**	**-3.9**	**-0.1**	**3.1**	**3,954.6**
Receivables from subsidiaries		-5.4[1]				
Total cash flows		**1,263.9**				

[1] *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 -927.3m.*

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:						
Bank loans and mortgage on ferries and other ships	1,134.2	-133.9	1.0	0.0	2.1	1,003.5
Issued corporate bonds	1 ,071.3	558.8	-70.7	0.0	7.7	1,567.0
Financial lease liabilities	768.8	-771.1[1]	3.0	0.0	-0.8	0.0
Payables to subsidiaries, interest-bearing	2,469.8	-89.3[2]	0.0	0.0	0.9	2,381.4
	5,444.1	-435.5	-66.7	0.0	9.9	4,951.9
Derivative financial instruments:						
Derivatives related to issued corporate bonds	134.9	-73.2	0.0	73.8	0.0	135.6
Other:						
Payables to subsidiaries, non interest-bearing	85.1	41.3[2]	0.0	0.0	0.0	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	**2018**	**2017**
Holiday pay obligations, etc.	152.8	149.1
Payables to subsidiaries	141.0	126.4
Other payables	26.6	32.4
Public authorities (VAT, duty, etc.)	42.9	18.7
Accrued interests	2.3	3.8
Total other payables	**365.6**	**330.5**

Note 22 Information on financial instruments

DKK million	2018	2017
Carrying amount per category of financial instruments		
Financial assets measured at fair value:		
Derivatives, related to operating activities	209.0	3.8
Financial assets measured at amortised cost:		
Trade receivables, receivables from subsidiaries, receivables from associates and joint ventures, other receivables and cash	2,600.6	2,807.6
Financial assets measured at fair value through profit or loss:		
Securities	9.5	9.5
Financial liabilities measured at fair value:		
Derivatives, related to operating activities	-22.5	-62.4
Derivatives, related to interest-bearing activities	-72.2	-143.7
Financial liabilities measured at amortised cost:		
Interest-bearing liabilities, trade payables, payables to subsidiaries, payables to associates and joint ventures and other payables	-5,034.0	-6,308.2
Total	**-2,309.6**	**-3,693.4**

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

2018	Level 1	Level 2	Level 3
Derivatives, financial assets	0.0	209.0	0.0
Securities, financial assets[1]	0.0	0.0	9.5
Derivatives, financial liabilities	0.0	-94.7	0.0
Total	**0.0**	**114.3**	**9.5**

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**

[1] *In 2017 securities were measured at cost reduced by write-downs, if any, and consequently, they were not included in the fair value hierarchy. Following the implementation of IFRS 9 the securities must be measured at fair value.*

Derivative financial assets and liabilities are all measured at level 2. Reference is made to note 4.1 in the Consolidated Financial Statements for description of the valuation method.

Securities, financial assets measured at fair value through profit or loss comprise other shares and equity investments as well as other investments of DKK 9.5m (2017: DKK 9.5m). These are some minor unlisted enterprises and holdings.

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 2018 would, other things being equal, have increased net interest payments by DKK 22m for the Parent Company in 2018 (2017: DKK 28m). A decrease in the interest rate of 1%-point compared to the actual interest rates in 2018 would, other things being equal, have had a positive effect of DKK 15,4m (2017: DKK 26m).

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

DKK million

2018	0-1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial assets				
Cash	580.6	-	-	-
Trade receivables including work in progress services	741.1	0.0	0.0	0.0
Receivables from subsidiaries	981.2	0.0	0.0	0.0
Receivables from associates and joint ventures	70.2	0.0	0.0	0.0
Other receivables and current assets	116.1	111.4	0.0	0.0
Non-derivative financial liabilities				
Bank loans and mortgages on ferries and other ships	-150.2	-293.4	-237.0	-275.0
Issued corporate bonds	-519.5	-25.0	-942.8	0.0
Trade payables	-1,111.5	0.0	0.0	0.0
Other payables	-0.9	0.0	0.0	0.0
Payables to subsidiaries	-1,586.0	0.0	0.0	0.0
Financial guarantees	-25.7	0.0	0.0	0.0
Derivative financial assets				
Bunker contracts	1.6	0.0	0.0	0.0
Forward exchange contracts and currency swaps	50.0	112.6	0.0	44.9
Derivative financial liabilities				
Bunker contracts	-18.7	-2.1	0.0	0.0
Interest swaps & caps	-3.6	-5.5	-1.0	0.0
Forward exchange contracts and currency swaps	-18.2	-33.1	-12.4	0.0
Total	**-893.5**	**-135.1**	**-1,193.2**	**-230.1**

Note 23 Financial and operational risks (continued)

Beside the contractual maturities the Parent Company has issued guarantees for DKK 6,772.8m (2017: DKK 427.5m). 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

2017	0-1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial assets				
Cash	937.6	-	-	-
Trade receivables including work in progress services	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				
Bank loans and mortgages on ferries and other ships	-152.6	-298.3	-288.2	-368.7
Issued corporate bonds	-149.1	-529.5	-967.9	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**

Note 24 Non-cash operating items

DKK million	2018	2017
Change in provisions	0.1	0.6
Change in write-down of inventories for the year	0.8	-0.9
Change in provision for defined benefit plans and jubilee obligations	1.0	0.8
Vesting of share option plans expensed in the Income statement	7.4	7.5
Non-cash operating items	**9.3**	**7.9**

Note 25 Change in working capital

DKK million	2018	2017
Change in inventories	-7.8	-15.8
Change in receivables	-56.4	-53.4
Change in current liabilities	112.6	212.0
Change in working capital	**48.5**	**142.8**

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

Acquisition and disposals

DFDS A/S made no acquisitions or disposals in 2018 or 2017.

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 6,568.6m (2017: DKK 94.6m). The Parent Company has is connection with the acquisition of U.N. Ro-Ro issued guarantees for loans made by subsidiaries of DKK 6,123.2m. Further, the Parent Company has issued a 10 year guarantee for a terminal agreement entered into by a subsidiary. 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 204.2m at 31 December 2018 (2017: DKK 332.9m). The Parent Company has also issued letter of support for certain associated companies with negative equity. 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 EUR 14.9m 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.

The Parent Company is in 2018 as well as in 2017 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 ferries with a total carrying amount of DKK 1,670.2m (2017: DKK 1,290.2m) have been pledged as security for mortgage on ferries with a total carrying amount of DKK 701.7m (2017: DKK 788.0m).

Note 28 Contractual commitments

DKK million	2018	2017
Contractual commitments, term 0-1 year	1635.0	295.9
Contractual commitments, term 1-5 years	1744.3	932.8
Contractual commitments, term after 5 years	581.9	0.0
Total contractual commitments (undiscounted)	**3,961.2**	**1,228.8**

Contractual commitments in 2018 mainly relates to a total of eight new buildings on order. In 2019, three freight ferries (ro-ro) are scheduled for deployment in March, June and November, respectively. Another three freight ferries are scheduled for delivery in 2020. Two freight and passenger ferries (ro-pax) are on order for delivery in Q1 and Q3 2021.

Note 28 Contractual commitments (continued)

DKK million	2018	2017
Operating lease commitments (lessee)		
Minimum lease payments		
0-1 year	22.0	20.0
1-5 years	2.4	19.4
Total buildings	**24.4**	**39.4**
0-1 year	10.4	10.4
1-5 years	39.1	40.5
After 5 years	6.0	15.0
Total terminals	**55.5**	**65.9**
0-1 year	706.6	844.2
1-5 years	461.4	784.2
Total ferries	**1,168.0**	**1,628.5**
0-1 year	19.8	18.6
1-5 years	14.2	19.6
After 5 years	1.6	2.6
Total equipment, etc.	**35.6**	**40.8**
Total minimum lease payments fall due as follows:		
0-1 year	758.8	893.3
1-5 years	517.1	863.7
After 5 years	7.6	17.6
Total minimum lease payments	**1,283.5**	**1,774.6**

The specified payments are not discounted.

Note 28 Contractual commitments (continued)

Operating lease- and rent costs recognised in the Income statement amount to DKK 879.4m for 2018 (2017: DKK 720.1m).

Operating lease contracts on ferries 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 1-2 years remain at 31 December 2018.

A further 1 lease was initially entered with a 5 year lease period, of which 1 year remain at 31 December 2018.

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 freight ferries (ro-ro) Gardenia Seaways and Tulipa Seaways.

Operating lease commitments (lessor)

DKK million	2018	2017
Minimum lease payments (income)		
Ferries and equipment		
0-1 year	98.6	115.7
1-5 years	144.9	242.7
Total ferries and equipment	**243.5**	**358.4**

The specified minimum payments are not discounted. Operating lease- and rental Income recognised in the Income statement amount to DKK 134.7m in 2018 (2017: DKK 156.0m). The contracts are entered into on usual conditions.

There is no finance lease commitments (lessee) for 2018 and 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

2018	Sale of services	Purchase of services	Sale of assets	Receivables	Impairment of receivables	Liabilities	Capital contributions
Associates and joint ventures	36.0	184.8	2.2	70.2	5.8	0.9	0.0
Subsidiaries	778.1	2,121.9	0.0	981.2	0.0	1,586.0	1.815,0
2017							
Associates and joint ventures	35.1	221.1	0.0	53.4	4.0	0.2	0.0
Subsidiaries	787.9	2,337.9	0.0	963.5	10.0	2,507.8	173.1

Impairment losses recognised in the Income statement in 2018 amount to DKK 1.8m (2017: DKK 4.0m) and reversals of impairment losses amount to DKK 10.0m (2017: DKK 340.9m). 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 2018 and 2017 are shown in the table in the Consolidated Financial Statements note 3.1.4.

2018
In 2018 investments in subsidiaries have been impaired by DKK 100.1m in total as the calculated value in use of the individual investments is lower than the book value. Furthermore, in 2018 previous impairments have been reversed by DKK 183.5m. The total impairment of net DKK 83.5m in 2018 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 2018 amounts to DKK 5.8m. Further, write downs in previous years have been reversed by DKK 10.0m. The write downs and reversals are recognised under Financial items.

2017
In 2017 investments in subsidiaries have been impaired by DKK 94.9m in total 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. 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 14.0m. Further, write downs in previous years have been reversed by DKK 169.5m. The write downs and reversals are recognised under Financial items.

Note 31 Events after the balance sheet date

On 8 February 2019, DFDS awarded 252.792 share options to the Executive Board and a number of key employees. The theoretical value of the shares options is DKK 8.6m calculated according to the Black-Scholes-model.

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 2018 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.

Alignment of expected useful life of the Parent Company's freight ferries
Following the acquisition of U.N. Ro-Ro on 7 June 2018, the Parent Company has reassessed the useful life of its freight ferries as U.N. Ro-Ro applied 35 years whilst the Parent Company applied 30 years for most of its freight ferries and 35 years for some.

Based on our general high level of maintenance of the fleet; our historical experience with the fundamental components of the ferries (hull and machinery); the realised accounting gains when selling ferries etc., we have concluded to align the useful life of all the Parent Company's freight ferries to 35 years – unless specific circumstances require a shorter useful life. Further, we have aligned U.N. Ro-Ro's methodology for calculating the ferries' scrap values to the methodology applied by the Parent Company, where the scrap values are reassessed at least on a yearly basis to reflect the development in steel prices from ship yards etc.

The extension of the useful life of the Parent Company's freight ferries result in a decrease of the yearly depreciations while the alignment and update of the methodology for calculating the ferries' scrap values resulted in an increase of the yearly depreciations. The above alignments were implemented with accounting effect as from 1 July 2018. The impact is a net decrease of the Parent Company's depreciations by DKK 10.0m in 2018.

Other information

Fleet list

Freight ferries (ro-ro)

Freight ferries (ro-ro)	Year built	GT	Lanemeter	TEU[3]	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[7]	2014	33.313	3.000	342	Esbjerg-Immingham
Ark Germania	2014	33.313	3.000	342	Esbjerg-Immingham
Magnolia Seaways	2003/13	32.523	3.831		Gothenburg-Brevik-Immingham
Petunia Seaways	2004/13	32.523	3.831		Gothenburg-Brevik-Gent
Primula Seaways	2004/14/16	37.985	4.650		Gothenburg-Brevik-Gent
Selandia Seaways	1998/13	24.803	2.772		Gothenburg-Gent
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	Laid-up Halden
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		Toulon
Jutlandia Seaways[2]	2010	25.609	3.322		Cuxhaven-Immingham
Stena Foreteller[2]	2002	24.688	3.000		Cuxhaven-Immingham
Finnsun, Finnmill, Finnpulp, Finnsky[6]	2012/02/02/12	25.654	3,245/ 2,681		Russia-Germany
Mont Ventoux[5]	1996	18.469	2.025		Marseille-Tunis
Alf Pollak[2]	2018	32.887	4.076		Pendik-Bari-Patras-Trieste
UN Istanbul	2013	31.540	4.094		Pendik-Bari-Patras-Trieste
Cemil Bayülgen	2010/19	34.215	4.350		Drydock
Cuneyt Solakoglu	2009/17	34.182	4.350		Pendik-Bari-Patras-Trieste
UN Akdeniz	2008/17	34.182	4.350		Pendik-Toulon
Saffet Ulusoy	2005	29.004	3.726		Pendik-Bari-Patras-Trieste
UN Karadeniz	2008/18	34.182	4.350		Pendik-Bari-Patras-Trieste
UN Marmara	2005	29.004	3.726		Pendik-Toulon
UN Pendik	2005	29.004	3.726		Pendik-Bari-Patras-Trieste
UN Trieste	2006	29.004	3.726		Pendik-Bari-Patras-Trieste
UND Atilim	2002	26.469	3.214		Pendik-Bari-Patras-Trieste
UND Birlik	2002	26.469	3.214		Pendik-Bari-Patras-Trieste
UND Ege	2001	26.469	3.214		Mersin-Trieste

Freight and passenger ferries (ro-pax)

Freight and passenger ferries (ro-pax)	Year built	GT	Lanemeter	Passengers	Deployment
Victoria Seaways	2009/14	25.675	2.500	600	Kiel-Klaipeda
Regina Seaways[1]	2010/15	25.666	2.500	600	Karlshamn-Klaipeda
Athena Seaways	2007/15	26.141	2.593	462	Kiel-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	Karlshamn-Klaipeda
Dunkerque Seaways[4]	2005	35.923	2.900	780	Dover-Dunkirk
Delft Seaways[4]	2006	35.923	2.900	780	Dover-Dunkirk
Dover Seaways[4]	2006	35.923	2.900	780	Dover-Dunkirk
Calais Seaways[4]	1991/92/99	28.833	1.800	1.850	Dover-Calais
Côte Des Flandres[4]	2005	33.940	1.900	2.000	Dover-Calais
Côte Des Dunes[4]	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
Seven Sisters[1]	2006	18.940	1.270	600	Laid-up Dunkerque

Passenger cruise ferries

Passenger cruise ferries	Year built	GT	Lanemeter	Passengers	Deployment
Pearl Seaways	1989/01/05/14	40.231	1.482	2.168	Copenhagen-Oslo
Crown Seaways	1994/05/14	35.498	1.370	2.044	Copenhagen-Oslo
King Seaways	1987/93/06	31.788	1.410	1.534	Amsterdam-Newcastle
Princess Seaways	1986/93/06	31.356	1.410	1.364	Amsterdam-Newcastle

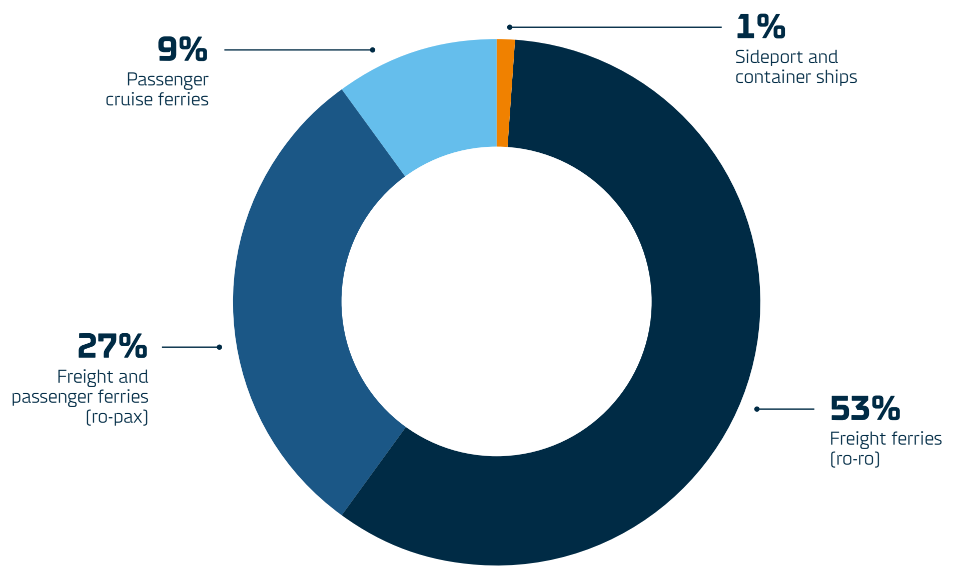
Notes:
[1] Chartered (bareboat charter)
[2] Chartered (time charter)
[3] TEU: 20 foot container unit
[4] Short-sea day ferry
[5] VSA: Vessel sharing agreement with owner/charterer
[6] SCA: Slot charter agreement with owner/charterer
[7] SCA: Slot charter agreement with DFDS

Fleet list

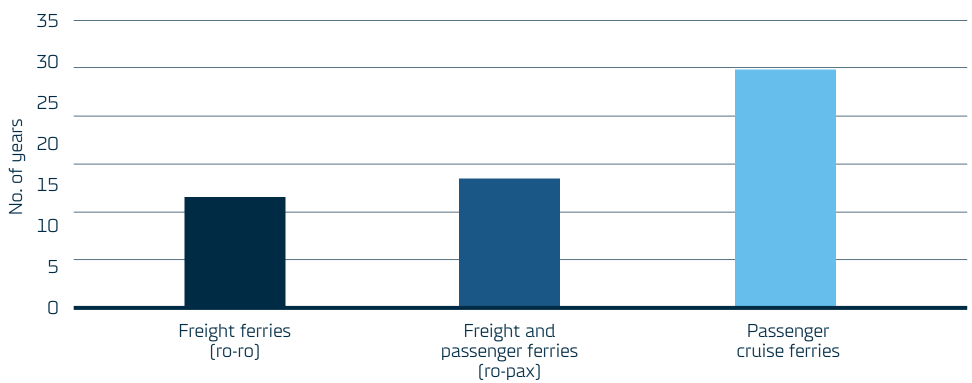
Sideport ships	Year built	GT	TEU³	Deployment
Lysvik Seaways	1998/04	7.409	160	Oslo Fjord-Continent
Lysbris Seaways	1999/04	7.409	160	Oslo Fjord-Continent/UK

Container ships	Year built	GT	TEU³	Deployment
Endeavor[2]	2005	7.642	750	Spain-UK-Ireland
Encounter[5]	2004	7.642	750	Spain-UK-Ireland
Aries J[5]	2010	10.585	1.036	Spain-UK-Ireland
Spica J[5]	2007	8.246	962	Oslo Fjord-Rotterdam
Energizer[5]	2004	7.642	750	Oslo Fjord-Rotterdam
Sven D[6]	2005	7.720	809	Oslo Fjord-Rotterdam
Samskip Endeavour[5]	2011	7.852	812	Rotterdam-Ireland
Samskip Express[5]	2006	7.852	803	Rotterdam-Ireland
JSP Rider[6]	2006	9.340	804	Rotterdam-Ireland
BG Diamond[6]	2017	12.831	1.004	Rotterdam-Ireland
Elbcarrier[6]	2007	8.243	974	Rotterdam-Ireland
Elbtrader[6]	2008	8.246	974	Rotterdam-Ireland
Mirror[6]	2007	7.852	814	Rotterdam-Ireland

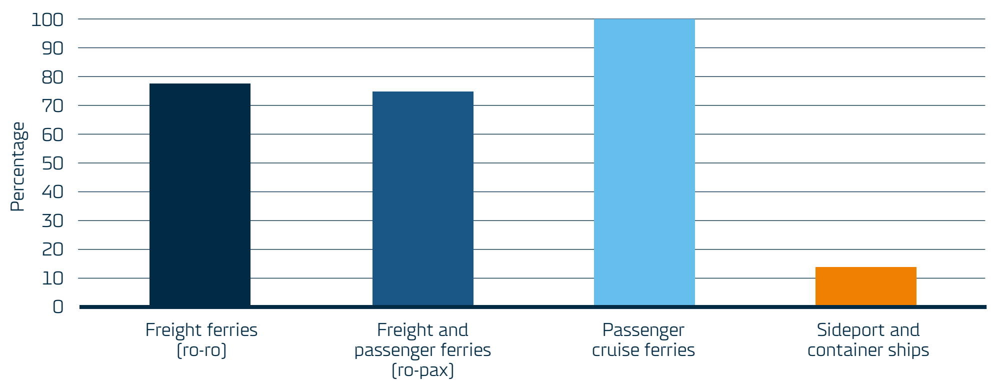
Gross tons fleet distribution, end 2018



Average age of owned ships in route network, end 2018



Ownership shares of fleet, end 2018



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 between typically two ports, and hence over reasonably short distances, on a fixed sailing schedule. Overnight ferries have passenger cabins while day ferries have no cabins

Intermodal:
Transport solution 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 ferry

Ro-ro:
Roll on-roll off - Freight ferry on 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

$$\frac{\text{Operating profit (EBIT) before special items x 100}}{\text{Revenue}}$$

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)

$$\frac{\text{Net operating profit after taxes (NOPAT) x 100}}{\text{Average invested capital}}$$

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 tax minus cash flow from investing activities

Return on equity

$$\frac{\text{Profit for the year excluding non-controlling interests x 100}}{\text{Average equity excluding non-controlling interests}}$$

Equity ratio

$$\frac{\text{Equity x 100}}{\text{Total assets}}$$

Net interest-bearing debt
Interest-bearing non-current and current liabilities minus interest-bearing non-current and current assets

Earnings per share (EPS)

$$\frac{\text{Profit for the year excluding non-controlling interests}}{\text{Weighted average number of circulating shares}}$$

P/E ratio

$$\frac{\text{Share price at year-end}}{\text{Earnings per share (EPS)}}$$

FCFE yield

$$\frac{\text{FCFF including interest etc. received and paid x 100}}{\text{Market value at year-end plus non-controlling interests}}$$

Total distribution yield

$$\frac{\text{Total distribution to shareholders x 100}}{\text{Market value at year-end plus non-controlling interests}}$$

Cash payout ratio

$$\frac{\text{Total distribution to shareholders x 100}}{\text{Cash flow from operating activities, net}}$$

Dividend return

$$\frac{\text{Paid dividend per share}}{\text{Share price at beginning of year}}$$

Equity per share

$$\frac{\text{Equity excluding non-controlling interests at year-end}}{\text{Number of circulating shares at year-end}}$$

Price/book value

$$\frac{\text{Share price at year-end}}{\text{Equity per share at year-end}}$$

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

No. of ships
Owned and chartered ferries and other 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

For the purpose of enabling trade, that was growing exponentially in the wake of the industrialisation, C.F.Tietgen merge four Danish steamship companies to become DFDS (Det Forenede Dampskibs-Selskab) in 1866.

Goods and coal from UK, the world's industrial locomotive at the time, were carried to Scandinavia and other countries where markets for textiles and energy were developing. And for these countries, the links that the new shipping lines created conversely gave farmers access to UK's rapidly growing market for food and raw materials.

DFDS quickly developed in line with the growth it was helping create. Around 1900, DFDS' steam ships connected farmers around the Black Sea with the new Russian industrial area around St. Petersburg. Routes were launched to USA bringing back soya cake as feed to European farmers which supported their transformation from exporters of livestock to producers and exporters of processed products like butter and bacon. DFDS also started new routes to connect 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 also transported immigrants who sought a better future in 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, on DFDS' routes ships, many now powered by diesel engines, kept moving: Goods 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 roll-on-roll-off service, paving the way for more efficient shipping of freight units such as trailers carrying industrial cargo.

The logistics activities were developed from 1972 with the same purpose. Connecting people and businesses from door-to-door to facilitate trade. When Dan Transport was acquired in 1998, this business area became one of the largest forwarding and logistics companies in northern Europe.

The merged company, DFDS Dan Transport, was sold in 2000 to focus the company's resources on further developing the freight and passenger ferry route network.

This strategy was accelerated by the acquisition of Norfolkline in 2010 and, in addition, the logistics arm was developed focused on trades that overlapped with the route network. In 2018, DFDS again expanded into the Mediterranean through the acquisition of Turkey's largest freight ferry operator, U. N. Ro-Ro.

Today, DFDS is one of Europe's largest combined ferry and logistics companies with a clear purpose of moving for all to grow.

Financial calendar 2019

Annual General Meeting
26 March 2019 at 14.00
Radisson Blu Scandinavia Hotel Copenhagen,
Amager Boulevard 70, 2300 Copenhagen South, Denmark

Reporting 2019
9 May
Q1 report

13 August
Q2 report

12 November
Q3 report

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