Financial Statements

Consolidated

Income statement (1 January – 31 December)

DKK million

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

DKK million

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

Comprehensive income (1 January – 31 December)

DKK million

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

Balance sheet 31 December (Assets)

DKK million

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

Balance sheet 31 December (Equity and liabilities)

DKK million

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

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

DKK million

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

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

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

DKK million

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

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

Cash flow statement (1 January – 31 December)

DKK million

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

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

Notes

DKK million

Note 1 Segment information

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

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

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

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

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

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

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

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

Note 1 Segment information (continued)

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

DKK million

Note 1 Segment information (continued)

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

Geographical breakdown

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

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

DKK million

Note 1 Segment information (continued)

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

DKK million

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

DKK million

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

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

DKK million

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

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

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

DKK million

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

DKK million

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

DKK million

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

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

DKK million

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

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

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

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

DKK million

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

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

DKK million

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

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

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

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

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

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

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

DKK million

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

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

DKK million

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

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

Recognised goodwill is attributable to the following cash generating units:

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

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

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

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

DKK million

Note 12 Non-current tangible assets

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

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

DKK million

Note 12 Non-current tangible assets (continued)

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

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

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

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

DKK million

Note 12 Non-current tangible assets (continued)

The grants are recognised as follows in the financial statements:

	Offset against relevant assets/costs	Received in cash	Recognised as receivable
31 December 2015	-86	44	42
Movement	9	19	-28
31 December 2016	**-77**	**63**	**14**

DKK million

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

DKK million

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

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

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

DKK million

Note 13 Investments in associates and joint ventures (continued)

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

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

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

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

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

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

Note 13 Investments in associates and joint ventures (continued)

Nature of business for associates and joint ventures

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

DKK million

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

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

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

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

DKK million

Note 14 Receivables (continued)	2016	2015
Receivables that are past due, but not impaired:		
Days past due:		
Up to 30 days	243.8	268.4
31-60 days	33.9	62.9
61-90 days	12.5	12.4
91-120 days	4.8	4.3
More than 120 days	0.0	0.1
Past due, but not impaired	**295.0**	**348.2**

Movements in write-downs, which are included in the trade receivables:		
Write-downs at 1 January	66.7	52.8
Foreign exchange adjustment	-0.9	0.8
Addition on acquisition of enterprises	0.2	0
Write-downs	12.7	39.7
Realised losses	-4.2	-4.7
Disposal of enterprises	-0.2	0.0
Reversed write-downs	-27.4	-21.9
Write-downs at 31 December	**46.9**	**66.7**

Age distribution of write-downs:		
Days past due:		
Up to 30 days	2.3	2.8
31-60 days	0.3	4.8
61-90 days	0.0	4.0
91-120 days	0.6	1.8
More than 120 days	43.7	53.5
Write-downs at 31 December	**46.9**	**66.7**

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

DKK million

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

Securities are assets classified as 'available for sale'.

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

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

DKK million

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

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

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

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

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

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

DKK million

Note 18 Deferred tax

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

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

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

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

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

Note 19 Share options

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

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

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

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

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

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

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

Note 19 Share options (continued)

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

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

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

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

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

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

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

Jubilee shares

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

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

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

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

Note 20 Pension and jubilee liabilities

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

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

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

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

DKK million

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

DKK million

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

DKK million

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

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

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

Assumptions:

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

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

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

DKK million

Note 20 Pension and jubilee liabilities (continued)

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

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

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

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

Maturity analysis of the obligations

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

DKK million

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

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

DKK million

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

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

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

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

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

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

DKK million

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

DKK million

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

DKK million

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

DKK million

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

DKK million

Note 25 Information on financial instruments (Continued)

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

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

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

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

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

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

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

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

Note 26 Financial and operational risks

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

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

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

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

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

DKK million

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

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

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

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

DKK million

Note 26 Financial and operational risks (continued)

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

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

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

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

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

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

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

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

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

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

DKK million

Note 26 Financial and operational risks (continued)

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

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

DKK million

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

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

Note 26 Financial and operational risks (continued)

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

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

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

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

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

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

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

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

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

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

DKK million

Note 26 Financial and operational risks (continued)

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

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

DKK million

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

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

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

Note 26 Financial and operational risks (continued)

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

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

DKK million

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

[1] After effect of BAF clauses

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

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

DKK million

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

DKK million

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

DKK million

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

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

Acquisitions 2016

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

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

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

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

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

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

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

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

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

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

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

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

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

DKK million

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

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

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

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

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

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

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

DKK million

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

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

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

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

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

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

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

DKK million

Note 32 Guarantees, collateral and contingent liabilities

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

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

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

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

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

Note 33 Contractual commitments

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

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

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

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

The specified payments are not discounted.

Note 33 Contractual commitments (continued)

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

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

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

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

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

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

DKK million

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

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

Financial lease commitments (lessee)

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

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

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

Note 34 Related party transactions

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

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

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

DKK million

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

[1] Primarily related to port terminal services

Note 35 Impairment tests

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

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

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

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

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

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

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

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

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

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

Note 35 Impairment tests (continued)

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

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

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

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

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

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

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

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

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

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

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

Note 35 Impairment tests (continued)

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

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

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

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

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

Note 36 Events after the balance sheet date

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

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

Note 37 Significant accounting estimates and assessments

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

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

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

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

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

Note 37 Significant accounting estimates and assessments (continued)

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

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

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

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

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

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

Note 38 Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DESCRIPTION OF ACCOUNTING POLICIES

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

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

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

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

Note 38 Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

TRANSLATION OF FOREIGN CURRENCIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INCOME STATEMENT

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

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

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

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

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

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

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

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

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

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

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

Note 38 Accounting Policies (continued)

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

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

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

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

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

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

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

ASSETS

Current assets are defined as:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EQUITY

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

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

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

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

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

LIABILITIES

Current liabilities are:

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

All other liabilities are classified as non-current liabilities.

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

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

Note 38 Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Note 39 Company overview

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

Note 39 Company overview (continued)

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

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

Statement by the Executive Board and the Board of Directors

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

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

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

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

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

Copenhagen, 23 February 2017

EXECUTIVE BOARD

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

BOARD OF DIRECTORS

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

Independent Auditors' Report

To the shareholders of DFDS A/S

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

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

Basis for opinion

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

Key audit matters

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

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

Valuation of ships

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

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

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

Sidevahendid

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