

ANNUAL REPORT  
2007





DFDS' FIVE  
BUSINESS AREAS

RO-RO  
SHIPPING

CONTAINER  
SHIPPING

PASSENGER  
SHIPPING

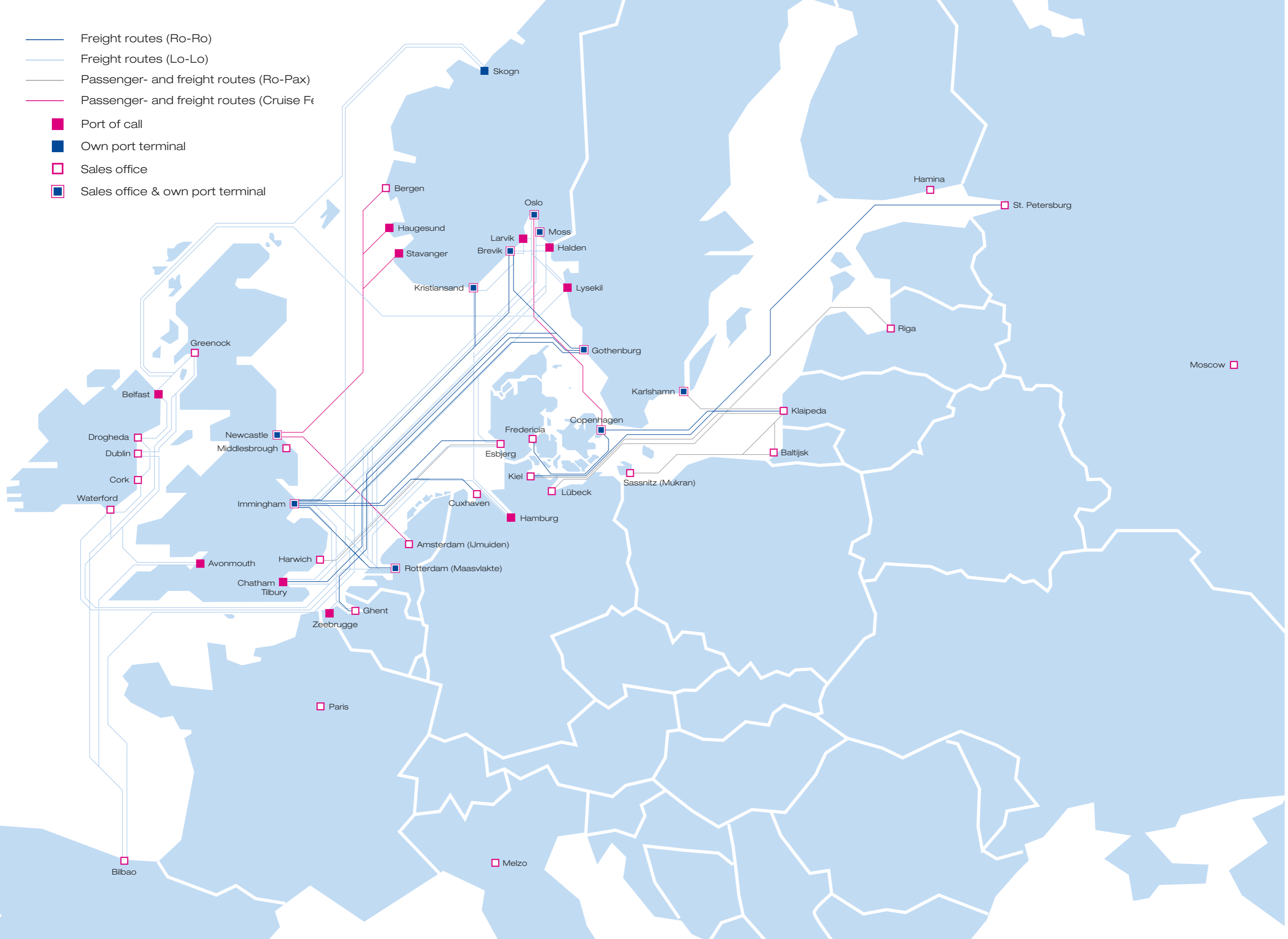
TERMINAL  
SERVICES

TRAILER  
SERVICES



DFD

- Freight routes (Ro-Ro)
- Freight routes (Lo-Lo)
- Passenger- and freight routes (Ro-Pax)
- Passenger- and freight routes (Cruise Fe
- Port of call
- Own port terminal
- Sales office
- Sales office & own port terminal





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## **DFDS – a leading sea transport network in Northern Europe**

DFDS' shipping network integrates freight and passenger services: We deliver high frequency and reliable freight services to haulage and forwarding companies. We also develop and deliver industrial logistics solutions in close co-operation with producers of heavy industrial goods. For passengers, we provide great maritime experiences as well as transport services for passengers travelling by car.

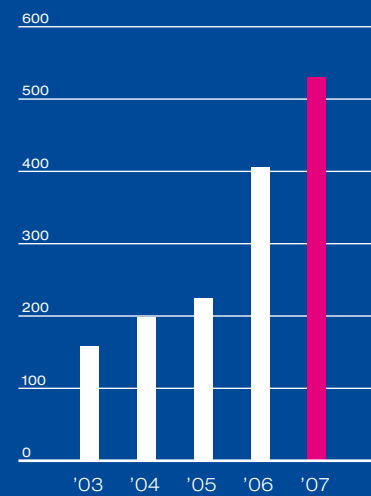
DFDS employs approximately 4,400 people and operates a fleet of approximately 64 ships.

DFDS is headquartered in Copenhagen and is listed on OMX The Nordic Exchange Copenhagen. DFDS was founded in 1866.

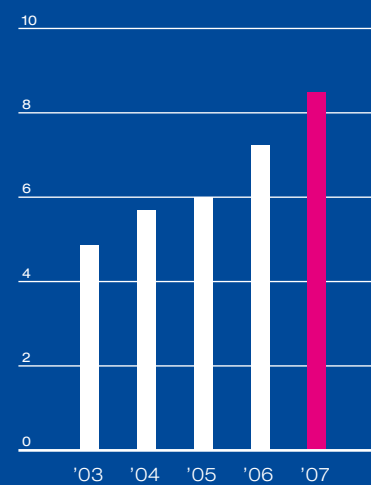
REVENUE +10%  
DKK 8.3 BILLION

PRE-TAX PROFIT +31%  
DKK 526 MILLION

Pre-tax profit  
DKK million



Return on invested capital  
(ROIC) (%)



# KEY FIGURES DFDS GROUP

## Key Figures

DKK mill.	2003	2004	2005	2006	2007	2007 EUR mio. <sup>1)</sup>
<b>Income statement</b>						
Revenue <sup>2)</sup>	5,265	5,723	6,278	7,524	8,310	1,114
– Ro-Ro Shipping				3,471	3,680	494
– Container Shipping				1,293	1,642	220
– Passenger Shipping				1,838	1,932	259
– Terminal Services				706	703	94
– Trailer Services				918	986	132
<b>Operating profit before depreciation (EBITDA)<sup>2)</sup></b>						
Operating profit before depreciation (EBITDA) <sup>2)</sup>	794	870	890	1,137	1,316	176
– Ro-Ro Shipping				794	896	120
– Container Shipping				128	151	20
– Passenger Shipping				242	249	33
– Terminal Services				12	15	2
– Trailer Services				15	57	8
Profit on disposal of ships, buildings, and terminals	-15	20	29	33	33	4
Operating profit (EBIT)	297	389	432	596	754	101
Financing, net	-139	-190	-202	-193	-226	-30
Profit before tax	157	200	231	402	526	71
Profit for the period	130	194	193	364	412	55
Profit for the period after minority interests	116	176	175	352	400	54
Profit for analytical purposes	117	177	182	348	485	65
<b>Capital</b>						
Total assets	6,999	7,986	8,457	9,991	9,610	1,289
DFDS A/S' share of the equity	2,528	2,546	2,803	3,154	3,538	474
Total equity	2,528	2,700	2,904	3,265	3,653	490
Net interest bearing debt	2,529	3,556	3,970	4,654	3,845	516
Invested capital, average	5,403	6,458	6,667	7,796	8,107	1,087
<b>Average number of employees</b>						
Average number of employees	4,108	4,026	4,215	4,346	4,427	-
<b>Cash flow</b>						
Cash flow from operating activities before finance and after tax	687	829	711	1,167	1,264	170
Cash flow from investments	-316	-1,449	-855	-1,698	-151	-20
– Acquisition of companies, activities and minority interests	36	-18	-328	-306	-13	-2
– Other investments	-352	-1,431	-527	-1,392	-138	-19
Free cash flow	371	-620	-144	-531	1,113	149
<b>Operations and return</b>						
Number of operating ships	61	66	66	68	64	
Revenue growth, %	8.1	8.7	9.7	19.8	10.5	
EBITDA-margin, %	15.1	15.2	14.2	15.1	15.8	
Operating margin, %	5.6	6.8	6.9	7.9	9.1	
Invested capital turnover rate, times	0.97	0.89	0.94	0.97	1.03	
Return on invested capital (ROIC) p.a., %	5.0	5.8	6.0	7.0	8.6	
Return on equity p.a., %	4.5	7.0	6.8	11.7	14.5	
<b>Capital and per share</b>						
Equity ratio, %	38.5	33.8	34.3	32.7	38.0	
Financial gearing, times	1.00	1.40	1.42	1.48	1.09	
Earnings per share (EPS), DKK	15	22	23	46	52	
Dividend per share, DKK	5.0	7.0	7.5	11.0	15.0	
Number of shares at the end of the period, '000	8,000	8,000	8,000	8,000	8,000	
Share price at the end of the period, DKK	185	285	382	680	790	
Market value, DKK mill.	1,476	2,276	3,035	5,440	6,320	

Key figures and financial ratios for 2004 have been changed in accordance with the IFRS accounting policies.

Key figures and financial ratios for 2003 have not been changed in accordance with the IFRS accounting policies.

<sup>1)</sup> Applied exchange rate for euro as of 31 December 2007: 745.66

<sup>2)</sup> During 2007 a new business area structure was introduced and comparative figures per business area are only available for 2006. The figures per business area do not sum to the Group figures as, among other things, eliminations and non-allocated items are not included.

# A STRONGER COMPANY

DFDS became a stronger company in 2007, a year in which we:

- updated the strategy to face the challenges of the future
- introduced a new, transparent business structure and aligned Group Management accordingly
- implemented a comprehensive improvement and efficiency programme (the “Go Forward Plan”)
- achieved a pre-tax profit of DKK 0.5 billion
- consolidated the capital structure for future investments

The strategy was updated in the light of a comprehensive strategy process that identified significant development potential for DFDS. Our goal is to position DFDS as a European sea-based transport network, as outlined in the strategy document “From Routes to Networks”.

A well-defined allocation of responsibilities and a clear understanding of value creation in the individual business areas, and thereby the company as a whole, promotes an emphasis on results. We therefore introduced a new, transparent business structure in 2007, consisting of five business areas. To reflect the new structure, Executive Management was expanded to incorporate the heads of the business areas and of human resources, the latter reflecting the strategy’s increased focus on employee development and well-being.

In spring 2007, we launched a comprehensive improvement and efficiency programme (the “Go Forward Plan”) in order to prepare DFDS for the implementation

of the new strategy’s ambitious growth targets. The programme affects almost all parts of the organisation, and several of the articles in this annual report provide information about initiatives already in place or due to be launched.

The profit improvement achieved in 2007 was very satisfactory, as value generation expressed as a return on invested capital (ROIC) rose by 23% to 8.6%. In 2008, we expect that the favourable wind from the general economic trends of the last two years will start to wane, perhaps even turning into a headwind. We therefore predict that progress will to a greater extent have to be driven both by investment in our sales organisation, and by the exchange of skills and knowledge across business areas in order to achieve a competitive cost level.

DFDS has expanded significantly in recent years through investment in tonnage and company acquisitions. The focus in 2007 was therefore on introduction and streamlining of new tonnage and activities. As a result, the level of investment was relatively low, which resulted in a significant consolidation of the capital structure. Unless any company acquisitions are carried out, further consolidation of the capital structure is expected in 2008, which will provide a solid starting point from which to pursue the strategy’s ambitious growth targets.

We would like to thank staff, shareholders, customers and cooperation partners for your contribution to DFDS’ progress in 2007. It is our firm conviction that we have a strong foundation from which to pursue and exploit decisive growth opportunities in the market, and we look forward to report on this in the new year.

Following significant profit improvement in 2007, DFDS is strongly positioned to pursue new growth in a market that offers challenging and decisive opportunities



IVAR SAMRÉN  
Chairman of the Board



NIELS SMEDEGAARD  
President and CEO



# FROM ROUTES TO NETWORK

## Strategy

DFDS's vision and strategy were updated in 2007 in the light of the significant expansion of activities and profit improvement over the last five years. In addition, changes in the outside world and in management at the start of the year also contributed to the initiation of the process.

The new Group strategy is based on four main elements:

1. Building a sea-based European transport network
2. Integrating value-generating customer solutions for freight and passengers
3. Securing volumes
4. Maintaining a constant focus on operations

The market and the competitive situation are outlined below, followed by the four main strategies.

## The market and competitive situation

In all probability, consolidation of European freight and passenger shipping will continue over the next few years, in the same manner as the consolidation experienced by the land-based transport sector.

The consolidation is driven by the need to realise advantages associated with greater geographic reach, which has to be seen in the context of particularly four factors:

- Freight customers (transport and production companies) are growing larger with increasingly complex supply chains
- Risk diversification
- Resources for system and concept development, as well as for investment
- Reduction of unit costs

The most important driving force is the continual growth in the size of freight customers. Just as land-based transport companies have grown in order to service their continually growing clients, including global companies, it is predicted that European shipping companies with a high proportion of freight customers will consolidate across regions so as to be able to supply more competitive transport solutions and function as equal partners.

The need for risk diversification, including lower dependence on individual activities, also underpins the process of consolidation. Larger units require greater resources for system and concept development, as well as increased financial

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## The DFDS vision

A European, sea-based transport network that provides competitive, differentiated and value-creating transport solutions to freight customers and passengers.

A challenging and attractive workplace for our staff.

A company with stable and rising profitability, which generates value for our shareholders.

A responsible, environmentally-oriented company engaged in constructive dialogue with the surrounding world.



capacity in order to invest in bigger and more expensive tonnage. Furthermore, distributing fixed costs across larger volumes produces financial advantages by virtue of lower unit costs.

The future competitive situation is therefore foreseen to be characterised to a greater extent than at present by, on the one hand, competition between shipping companies and, on the other, competition – but also integration and co-operation – between sea, road, rail and air-based transport networks.

DFDS's platform of activities and geographic spread in the North Sea and the Baltic Sea constitutes a strong foundation upon which to reap the benefits of consolidation.

### The four main strategies

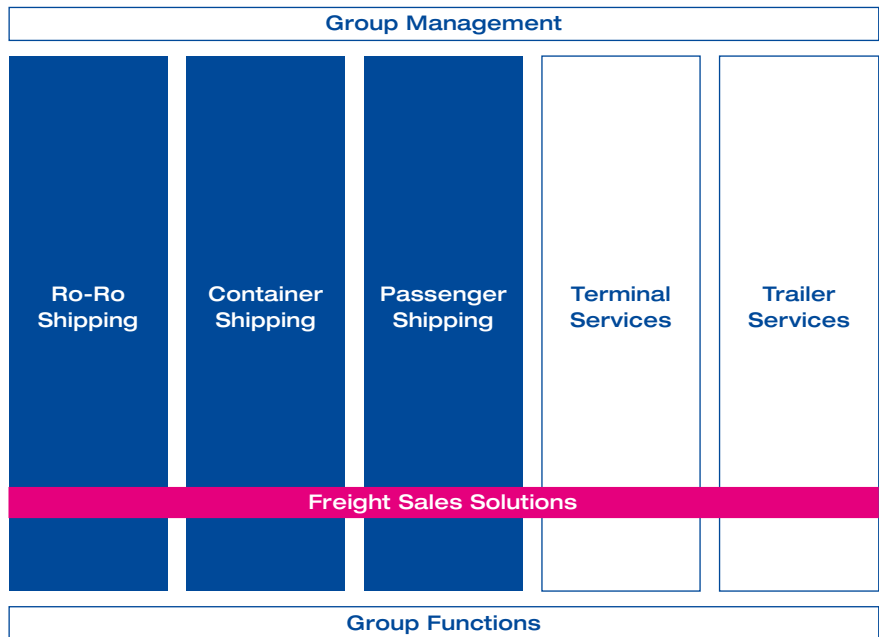
The vision is to position DFDS as a European, sea-based transport network based on four main strategies:

**A sea-based, European transport network:** The network will be expanded to include more regions in Northern Europe, in order to improve the competitiveness of solutions for transport and production companies. An extended network also provides opportunities to realise operational synergies.

**Value-generating, integrated customer solutions for freight and passengers:** Combined freight and passenger shipping makes it possible to achieve significant market shares, and also to exploit synergies associated with transporting both freight and passengers using the same tonnage. The integration of transport systems for freight also improves competitiveness towards more customer segments in the market.

**Securing volumes:** In order to secure stable, high-capacity utilisation in the route network, freight volumes are covered by longer-term partnership agreements with major production companies, and through shorter-term agreements with trailer operators. Capacity utilisation on selected routes is also underpinned by DFDS' own trailer operators, who offer transport solutions that utilise DFDS' network. In addition, operation of own port terminals in selected locations secures the efficiency, stability and growth potential of the network.

**Operational focus:** The safe, efficient operation of freight and passenger ships is a central operational competence in



DFDS, one that has to be constantly maintained and developed. In addition, the operation of port terminals and trailer companies demand related competences.

### Implementation

Implementation of the strategy involves three primary priority areas:

- Expansion of the network of routes to more regions in Northern Europe
- Integration of passenger activities in the network
- Increase control of volumes

The route network will mainly be expanded through the acquisition of companies and activities, which will also serve to consolidate the network in selected areas.

DFDS's passenger competences, built up primarily through cruise-ferry activities, will to a greater extent than at present be employed across the present cruise-ferry and ro-pax concepts. It is expected that growth within the passenger activities will happen first and foremost through ro-pax-oriented concepts.

The control and securing of volumes in the network will be strengthened on an ongoing basis in three ways. Firstly, co-operation agreements and relationships with transport companies will be further developed to mutual advantage. Secondly, the proportion of industrial logistics will continue to grow as a result of entering into more and longer-lasting partnerships. And thirdly, DFDS' own trailer activities will be selectively

expanded to improve the control of and increase in volumes on specific routes.

### New, transparent business structure

In order to increase emphasis on results and transparency, in 2007 the business structure was changed from two divisions to five business areas.

The business areas Ro-Ro shipping, Container Shipping and Passenger Shipping are responsible for different activities on the route network as a whole, while the Terminal Services and Trailer Services business areas support the network by operating port terminals and trailer activities.

Tramp activities, which consist of five multi-purpose ships, have no connection to the network of routes and will therefore be discontinued at a later date.

As shown in the table, a co-ordinating sales unit – Freight Sales Solutions – that cuts across business areas has been established. This reflects an investment in the sales organisation directed towards major freight customers, the purpose of which is to strengthen and co-ordinate sales efforts on transport solutions that transcend business areas and the network.

### Financial targets

The return on invested capital shall exceed the Group's cost of capital by 30–50%. The cost of capital (WACC) in early 2008 was calculated at 7.0%.

The objective for the capital structure is an equity ratio of 35–40%. In periods of major investment, the equity ratio may be temporarily reduced to approximately 30%.

**Financial performance**

In 2007, the improved financial performance of recent years was further consolidated with a 31% increase in pre-tax profit to DKK 526 million.

The year was characterised by the development of a new strategy for DFDS and the restructuring of the company from two divisions to five business areas. In addition, a comprehensive improvement and efficiency programme was launched to equip DFDS for the competition of the future.

The prioritisation of strategy development and operational improvements, as well as the incorporation of investments made in 2006, resulted in a low level of investment. This contributed to a free cash flow of over DKK 1 billion, which significantly consolidated the capital structure.

The biggest improvement in financial performance was achieved in first half-year, while the second half was more subdued, due to, amongst other things, lower volume growth in the freight market.

Most of the earnings in 2007 were generated by the business area Ro-Ro Shipping, in which progress was based on the maintenance and further development

of the market position. The biggest improvement in financial performance was achieved by Trailer Services, due to its focus on capacity utilisation and the closure or restructuring of loss-making activities. Container Shipping also improved financial performance in 2007 due to the restructuring of its activities and the whole-year effect of the acquisition of DFDS Container Line in 2006.

The financial performance of Terminal Services was characterised by the whole-year effect of the extension of the port terminal in Immingham in 2006.

After adjustment for income from the sale of a passenger ship, Passenger Shipping's financial performance was unsatisfactory in 2007. The level of activity on the route between West Norway and Great Britain did not match expectations, and costs for the refurbishment of tonnage acquired in 2006 were higher than expected. The Oslo route, which accounts for approximately half of the business area's revenue, improved its financial performance in 2007.

Group pre-tax profit was at the level of the forecast at the half-year, when expectations were revised upwards to a pre-tax profit of approximately DKK 500 million.

- 8 Significant profit improvement
- Capital structure consolidated
- New, transparent business structure



Following the sale of a passenger ship in December 2007, the profit forecast was revised upwards to DKK 530 million. The original forecast published in the 2006 annual report was a pre-tax profit of approximately DKK 425 million.

Revenue rose by 10% to DKK 8.3 billion, which was on a par with the most recent expectations for revenue growth. Approximately 60% of the increase in revenues is related to the whole-year effect of the acquisition of DFDS Container Line in Q4 2006.

### New strategy – “From Routes to Networks”

A new group strategy was developed in 2007 in the light of the significant expansion of activities and improvements in the earnings level over the last five years. Changes in the surrounding world and the change in management also contributed to initiation of the process.

The strategy was developed by comparing the market and competitive situation on the one hand, and DFDS’s activities, competences and resources on the other.

The strategy process identified significant growth and development potential for DFDS in becoming a European sea-based transport network. Strategies and targets are described in greater depth on page 6-7.

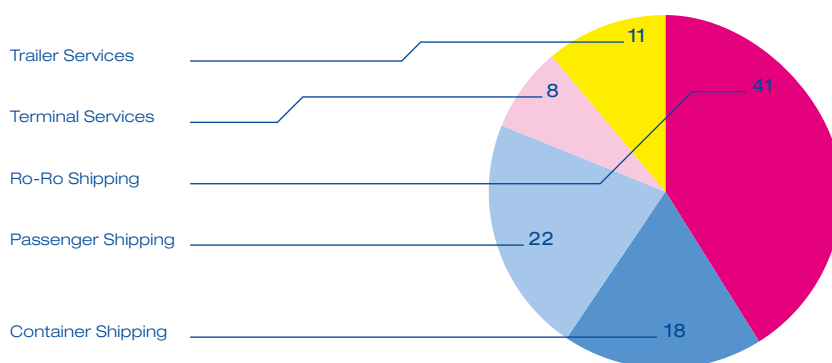
### Equipped for the future

In order to prepare DFDS for the implementation of the new strategy’s ambitious growth targets, in spring 2007 a comprehensive improvement and efficiency programme, called the “Go Forward Plan” was launched.

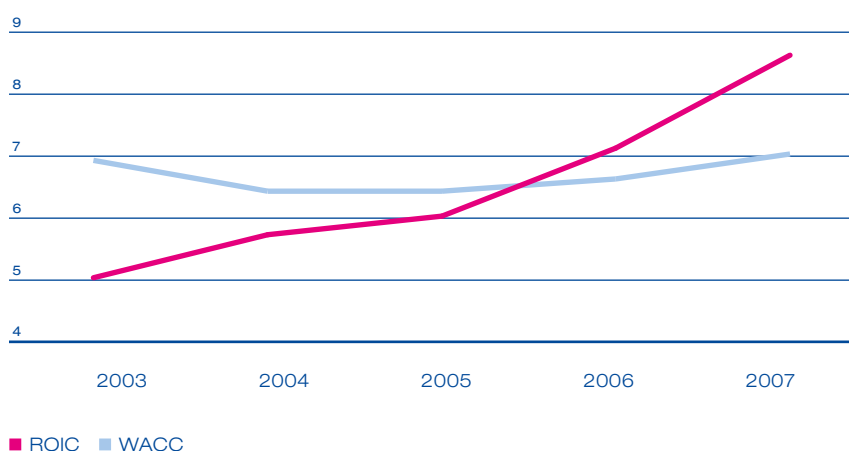
The purpose of the programme is to strengthen management and control processes, as well as operational efficiency. In addition, further projects will be directed at improving earnings from specific activities. The first phase of the programme, which includes both the business areas and the central functions, is expected to be completed at the end of 2008.

One element in the programme is an intensification of DFDS’s customer focus, in order to increase customer satisfaction and generate additional sales. The first visible result of this is the establishment of an overall co-ordinating sales unit, Freight Sales Solutions, which is directed towards bigger freight customers and is designed to supplement the local sales organisations. See page 34 for more information. Another important ongoing customer-oriented project deals with the optimisation and simplification of pricing strategies.

Revenue per business area %, 2007



Development in return on invested capital (ROIC) and capital cost (WACC) (%)



The programme directed at operations includes the transfer of skills between ships, port terminals and trailer operators, benchmarking of the efficiency of activities, the simplification and standardisation of IT systems, and projects designed to improve earnings from specific activities. One important project of the latter type was the restoration of earnings for the Trailer Services business area.

A third main track concerns the refining of competences within the organisation, and the facilitation of co-operation between the business areas and the central functions. Early visible results of this can be seen in the ongoing upgrading of HR and communications, which is designed to improve internal communications and the sharing of knowledge.

The final element in the programme is a strengthening of economic and financial control processes, including the simplification and standardisation of IT systems. This part of the programme also includes projects designed to reduce funds tied up in working capital.

### Business development and investments

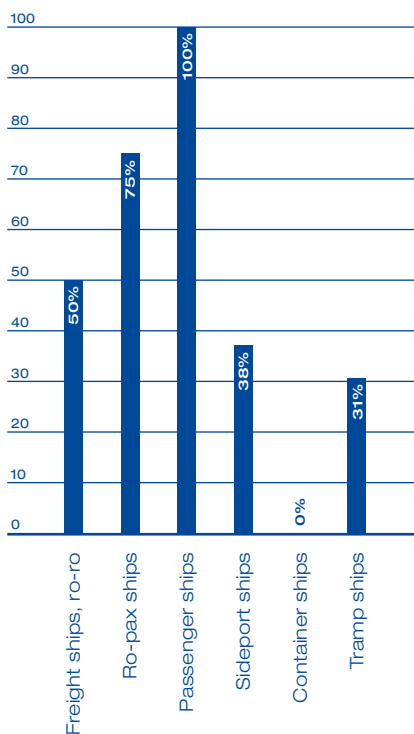
In 2007, the focus was first and foremost on maintaining and developing the market position in all business areas.

As a result, 2007 was characterised by the incorporation of investments made in 2006, when total net investment was DKK 1.7 billion. By comparison, total net investment in 2007 was DKK 151 million, which was related primarily to the maintenance of existing activities. This amount includes proceeds of just over DKK 100 million from the sale of a passenger ship.

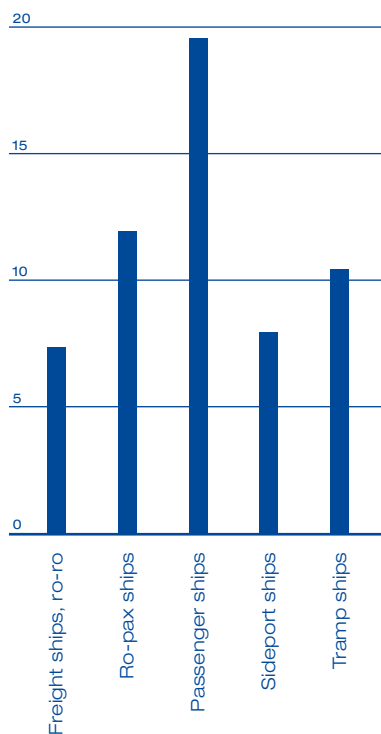
2007 was the first full operational year following the significant investments made in 2006:

- Capacity expansion on the Amsterdam–Newcastle route through bigger tonnage
- Capacity expansion in the Baltic Sea through bigger tonnage
- Expansion of the port terminal in Immingham
- Acquisition of DFDS Container Line

**Ownership share per ship type (%)**



**Average age for owned ships (No. of years)**



- New passenger route opened, Bergen–Newcastle.

**Financial targets**

Return on invested capital (ROIC) rose to 8.6% from 7.0% in 2006. The return was thus 30% higher than DFDS’ cost of capital, which was calculated at 6.6% in early 2007.

The cost of capital in early 2008 was calculated at 7.0%. The rise of 0.4 percentage points compared to early 2007 is amongst other things due to a higher interest rate level.

The overall financial objective is still to achieve a return that exceeds the cost of capital by 30–50%. For 2008, this target corresponds to a return of 9.1–10.5%, based on a calculated cost of capital of 7.0%.

**Development of the fleet**

DFDS operated a total of 64 vessels at the end of 2007. Measured in gross tons, ro-ro freight ships made up 52% of the fleet, while passenger and ro-pax ships made up 18% and 17% respectively. The remaining 13% was made up of container, side-port and tramp ships.

The ownership share per ship type varies in relation to the ship’s specialisation. The most specialised vessels in the fleet are passenger ships, for which the own-

ership share is 100%. Parts of the ro-ro fleet are specialised to meet demands in terms of vessel speed, size and speed of loading/unloading. These vessels are primarily deployed in the North Sea. The ownership share for the whole of the ro-ro fleet is 50%. The ownership share for standard tonnage, such as container ships, is 0%.

All else being equal, a low ownership share presents better opportunities to adjust the capacity in the short term through redelivery of chartered tonnage. The charter period for chartered tonnage varies from a few months to up to ten years. The ownership shares for the different ship types are presently considered satisfactory.

Modernisation of the fleet in recent years has reduced the average age of the ro-ro-freight ships to 7.4 years, which is considered satisfactory. The average age of the passenger ships was just under 20 years at the end of 2007, which is satisfactory and on a par with similar fleets of passenger ships.

In order to secure sufficient freight capacity on the route network, time charters were also entered into for four newly built ro-ro freight ships. The first ship was delivered in February 2008, three months later than originally expected as a result of delays at the shipyard. The second ship

will be delivered after a similar delay in May 2008. The last two ships are expected to be delivered in March and November 2009.

In the period to 2010, purchase or charter of a couple of smaller ro-ro freight ships is expected to replace older tonnage. It may, moreover, become necessary to rebuild tonnage in that period.

In January 2008, an agreement was signed for the delivery of a newly built ro-pax ship in May 2009. The plan is to deploy the ship on the Baltic Sea in order to increase both passenger and freight capacity.

The passenger ship Pont l’Abbé (formerly Duke of Scandinavia) was sold in December 2007, which contributed to reduce the average age of the passenger fleet to 19.6 years. The ship has been chartered out since 2006.

No new acquisitions of passenger ships are expected in the period to 2010, although refurbishment and upgrading of existing tonnage may become necessary in the period.

**Upgrading of Human Resources**

The human resources area is being upgraded as part of the “Go Forward Plan”, DFDS’ improvement and efficiency programme. This includes programmes directed towards attracting, developing and retaining staff, as well as upgraded programmes for staff training and management development, and the introduction of a more market- and targets-based approach to pay and compensation. For further information about the upgrading of HR, please refer to page 36-37.

The number of staff rose by 2% to 4,427 in 2007. This increase was mainly related to the whole-year effect of the acquisition of DFDS Container Line in Q4 2006.

**New Group Management**

Niels Smedegaard (45) began as President and CEO on 1 January 2007. He replaced Ole Frie, who retired at the end of 2006. The Executive Board now consists of Niels Smedegaard and CFO Christian Merrill.

DFDS’ management structure was aligned on 1 January 2008 with the new organisational structure with five business areas. At that juncture, Director Søren Jespersen, who had been responsible for passenger activities in DFDS Seaways, left the company, and a new Executive Management was formed, consisting of the heads of the five business areas and of Human Resources.



## Profit expectation 2008 for Group and business areas

Business area	Revenue growth	Operating profit (EBITDA) growth	Comments	Strategic focus
Ro-Ro Shipping	6-8%	-2- -3%	Profit expectation influenced by capacity expansion of 6%	Maintain and develop market position
Container Shipping	6-8%	5-10%		Integration of activities
Passenger Shipping	2-4%	2-4%		Profit improvement for North Sea routes
Terminal Services	2-4%	Level with 2007		Profit improvement for port terminal in England
Trailer Services	4-6%	15-20%		Integration of activities
Non-allocated items/eliminations	n.a.	Level with 2007		Improve efficiency of central function processes
Group total	3-5%	0-2%		

Executive Management hereafter consists of Niels Smedegaard and Christian Merrild (Finance), Henrik Holck (HR), Peder Gellert Pedersen (Ro-Ro Shipping and Terminal Services) and Ole Sehested (Container Shipping and Trailer Services). Niels Smedegaard is also responsible for Passenger Shipping until a new manager for that business area is in place.

### Security and safety are top priorities

The security and safety of passengers, crew and tonnage are of the highest priority, and constitute an integral part of the company's overall policies, strategies and targets.

The Group's safety and security system (the International Safety Management code) is refined on an ongoing basis. The system is based on documented processes that ensure a continuous focus on all aspects of on-board security, including verification that the requirements of both legislation and internal Group specifications are met. Much of the safety work is carried out through well-established inspection and maintenance routines on board the ships.

In addition, all of the ships are subjected to an internal audit at least once a year. The purpose of these extensive control mechanisms is to verify safety, and to collate important information for use in preventative measures throughout the fleet.

Both the shipping company and the fleet are subjected, at legally specified intervals, to inspections and security and safety audits by the authorities in the state under whose flag the ships sail. These authorities include classification societies, the EU and insurance companies.

Exercises and training are key elements in optimising the safety work and the on-board emergency provision. Different on-

board exercises are frequently held, during which all or part of the crew train in the emergency functions allocated to them. In addition, the fleet regularly take part in exercises, in order to train, collate experiences and further develop the readiness of the ships.

DFDS actively discusses current and upcoming improvements to security and safety on its ships with various organisations and official bodies at national, European and international level. DFDS is also represented on several organs in the Danish Shipowners' Association, and is the Danish representative to the International Chamber of Shipping's Passenger Ship Panel. In addition, DFDS took over the chair of the Nordic Committee for Passenger Ship Safety, "Nordkom-pass", in December 2007.

At the October 2007 meeting of the IMO's Maritime Safety Committee (MSC) in Copenhagen, DFDS hosted a sailing event for some 400 delegates. The MSC discusses all future regulations regarding safety at sea for the IMO and the UN at global level.

### Profit forecast 2008

The Group's revenue growth is expected to be approximately 3-5% in 2008. The table above shows how the individual business areas are expected to contribute to revenue growth.

Group operating profit before depreciation (EBITDA) is expected to rise by approximately 0-2% due to development in the various business areas, as shown above. The growth in operating profit is thus expected to be lower than the revenue growth, which can primarily be attributed to the effect of capacity expansion in Ro-Ro Shipping.

The cost of non-allocated items is expected to remain on a par with 2007.

Presently, the expected bunker consumption in 2008 is exclusively hedged by commercial agreements. It is estimated that a price change of 1% compared to the price at the end of 2007, which was approximately USD 455 per ton, will entail a profit impact of approximately DKK 2.2 million.

Approximately 33% of the expected cash flow in USD, which is a net expense currency for DFDS, has also been hedged at an average level of around USD/DKK 5.30. In addition, approximately 39% of cash flow in NOK, which is a net income currency for DFDS, has been hedged at an average price of NOK/DKK 0.95. The other primary income currencies (SEK, GBP and EUR) have not been hedged.

Total investments in 2008 are expected to be approximately DKK 300 million, including an advance payment of DKK 100 million for a ro-pax ship, to be delivered in 2009. A possible sale of the Tramp business area is not included in the expectation. No further major investments in assets are planned, but acquisitions of companies and activities may become relevant in the course of the year.

In general, there is major uncertainty about macro-economic trends, and therefore about the level of activity in DFDS' markets for the rest of 2008. Similar uncertainty concerns oil-price trends and exchange-rate fluctuations for the rest of the year.

Against this background, the Group is expected to achieve a pre-tax profit for 2008 of approximately DKK 500 million. As the profit forecast for 2008 is subject to greater uncertainty than usual, the development in growth trends, oil price and exchange rates may prompt a revision of the profit forecast, upwards as well as downwards.

A number of external factors impact upon DFDS, the most significant of which are political decisions, including new legislation, changes in competition and the conditions faced by customers, and the general state of the economy.

**Political decisions & legislation**

Political decisions regarding the infrastructure in Northern Europe and the shipping and transport sector have the greatest potential impact. DFDS is also subject to the conventions of the International Maritime Organisation (IMO), the UN body responsible for maritime issues, primarily safety and the environment.

The most important topical issues that impact or may impact upon DFDS are described in brief below.

**Legislation on sulphur content in bunkers:**

Directives issued by the IMO and the EU regarding the use of low-sulphur bunkers for freight shipping came into force on the North Sea in August 2007. A similar directive for passenger shipping came into force in 2006. In early 2010, an EU stipulation will be introduced concerning the use of bunkers with a sulphur content of maximum 0.1% while in port.

The implementation of the directives has entailed a rise in DFDS's bunker costs, which has been offset to a great extent by bunker surcharges.

**Road tax:** A road tax was introduced on lorries on German motorways at the start of 2005, following similar moves in Austria in early 2004 and in Switzerland in 2001. Austrian and German road taxes were increased in July, and September 2007 respectively. Several European countries, including Sweden, plan to introduce road tolls for lorries in the next few years. In 2006, the EU adopted the

Eurovignette Directive, the objective of which is to regulate the content of road-toll schemes.

All things being equal, road tolls will increase the costs associated with road haulage compared to sea and rail transport, which is expected to have an ongoing positive impact on DFDS's level of activity.

**Driving and resting time regulations:**

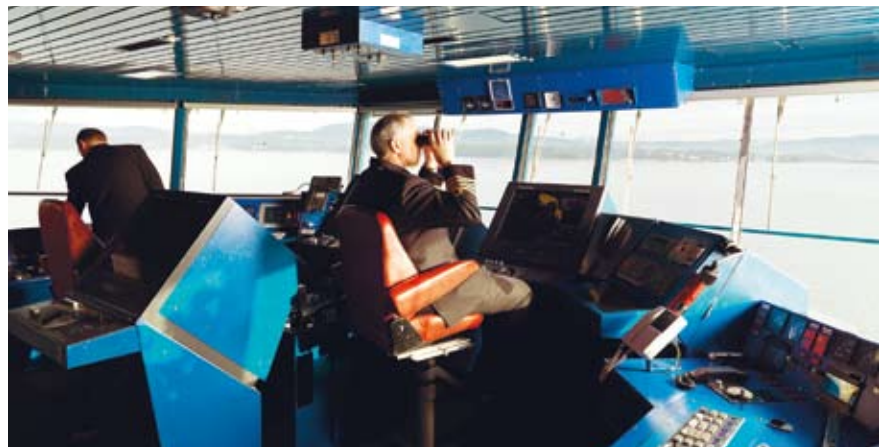
In March 2006 the EU adopted new and stricter regulations about driving times and rest periods for trucks, which are designed to improve road safety and drivers' working conditions. The new regulations came into force in April 2007.

**Subsidies:** The Marco Polo programme provides seed funding for new and commercially viable shipping projects. Short-sea shipping is also included in the EU infrastructure programme Trans European Networks (TEN), which has considerable funds at its disposal.

Both programmes are designed to relieve bottlenecks on EU roads and move freight from the roads to the sea.

In early 2007, DFDS applied for funding for two projects and has received funding commitments for both projects. The projects concern deploying further tonnage on a route in the Baltic Sea in 2007 and a North Sea route in 2008.

**Norwegian NOx tax:** The agreement regarding the Norwegian NOx tax on tonnage that calls at Norwegian ports has been changed as of 2008. The new scheme has set up an environment fund whose purpose is to invest in environmental technology in order to reduce emissions. The new scheme means that tax is paid into the fund, reducing the level of taxation from NOK 15 per kilo of NOx to NOK 4.



**New Norwegian tonnage tax scheme:**

At the end of 2007, Norway introduced a new tonnage tax scheme for the taxation of Norwegian shipping companies. The new scheme will in the future yield several taxation advantages for DFDS's Norwegian shipping activities, including generally lower tax levels and the opportunity to include further shipping-related activities under the scheme.

However, transitional rules for the new scheme include the taxation of previously untaxed net capital accumulated under the existing system for shipping companies. For DFDS, this means a tax cost of DKK 81 million (present value) in 2007, of which one-third is earmarked for an environmental fund. The latter amount must be invested in environmental improvements by latest 2016, otherwise the amount becomes a tax cost.

The tax cost excluding the contribution to the environmental fund is to be paid in equal amounts over the next 10 years. However, the annual cash flow effect is expected to be lower, as the new scheme is expected to reduce the amount of tax payable by DFDS in Norway.

**Market trends and competition**

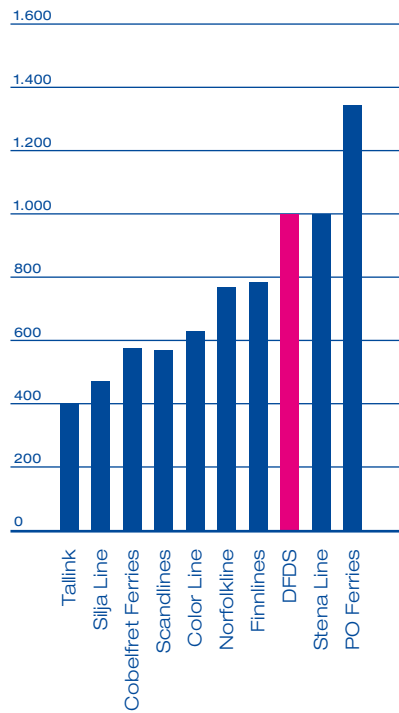
The Northern European market for freight and passenger shipping is characterised by a regional market structure. Most shipping companies activities are concentrated in one or two regions, while a handful of larger shipping companies, including DFDS, operate in up to five regions in Northern Europe.

Volume growth in the Northern European sea-based freight market was approximately 9% in 2006. This growth level was achieved against a background of, on the one hand, economic growth in Northern and Eastern Europe and, on the other, structural factors in the market that improved sea transport's competitiveness. The latter includes road taxes, stricter driving and resting time regulations, shortages of drivers, environmental conditions and bottlenecks in an overburdened road network. The railway network in parts of the EU is similarly overloaded.

In 2007, volume growth in the freight market is estimated to be a good deal lower than in 2006 as a result of less beneficial economic trends. In all probability, market growth in the next couple of years will be limited, even though structural factors in the market are still expected to positively influence the demand for sea transport.

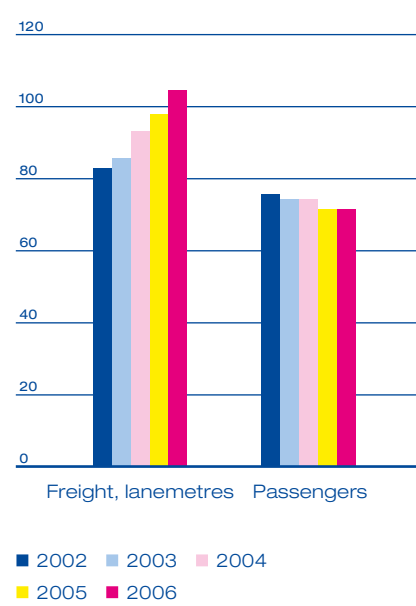
The passenger market for sea transport stabilised in 2006, when the number of passengers was on the same level as the previous year. Stabilisation continued in

**Ten largest North European passenger and freight shipping companies, revenue 2006 (EUR mill.)**



Source: Annual reports, Tallink 2006/2007

**Volumes, North European ro-ro market (Mill.)**



Note: The graph shows the number of trailers (converted to lane metres) and passengers on all Northern European ro-ro routes. Traffic from bridges and tunnels are not included. The study is not complete, as information about certain routes/shipping companies is not available.

Source: ShipPax Statistics & Outlook 07, own data

**3 important trends in freight shipping:**

- Larger, faster tonnage to meet market demand for shorter lead time
- Continued growth in the freight market, underpinned by structural factors
- More focus on environmental conditions and sustainable transport

**3 important trends in overnight passenger shipping:**

- Over-capacity in the market is expected to be reduced gradually
- The importance of the internet as an information channel and platform for booking continues to grow
- The onboard experience is increasingly important

2007 and reflects passenger shipping's process of adaptation to changed market conditions, including the increasing supply of low-budget flights and the harmonisation of flat-rate excise duty, is nearing completion. This adaptation has entailed route closures, the deployment of tonnage with reduced passenger capacity in favour of increased freight capacity, and the upgrading of on-board concepts.

As a whole, limited growth is still expected in the passenger market in the next few years. However, positive rates of growth are expected in some markets, primarily in the Baltic Sea. In addition, demand for cruise-oriented experiences and more lux-

urious passenger concepts is expected to increase as a result of rising affluence.

There was no significant consolidation among Northern European ferry companies in 2007, although fundamental changes took place in the ownership structure of several companies. Scandlines was privatised when the company was sold to a consortium of capital funds in June 2007. In 2007, the shipping company Eckerö took over the majority stake in Birka Line, and Birka Line has applied for delisting in 2008. In addition, Irish Continental Group was the subject of a takeover attempt in 2007, which did not lead to the company being delisted.



# RO-RO SHIPPING

14

Ro-Ro Shipping operates route networks based on ro-ro and ro-pax tonnage in the North Sea and the Baltic Sea. The most important customer groups are haulage contractors and haulage companies, as well as producers of heavy industrial goods.





- 
- Business area responsible:
    - Peder Gellert Pedersen

Share of Group revenue

41

%

- Product concepts:
    - Trailer system
    - Lift unit system
    - Industrial logistics
    - Cassette system
    - Automobile system
    - Special and project cargo
  - Brands:
    - DFDS Tor Line
    - DFDS LISCO
    - DFDS Shipping Logistics
    - DFDS AutoLogistics
  - Customer groups:
    - Haulage and forwarding companies
    - Producers of heavy industrial goods such as steel, forestry products, chemicals, automobiles and trucks
    - Passengers, primarily in their own vehicles
  - Comparable companies:
    - Cobelfret
    - Finnlines
    - Norfolk Line
    - P&O Ferries
    - Stena Line
    - Transfennica
  - Important events in 2007/2008
    - Twin-ship operations resumed on HansaBridge in May
    - Capacity and frequency increased on ScanBridge in November
    - Call in Baltijsk transferred to RailBridge in November
    - Contract with Volvo extended to the end of 2009, with the option of extension until 2011
    - Purchase of ro-pax ship for delivery in May 2009
-



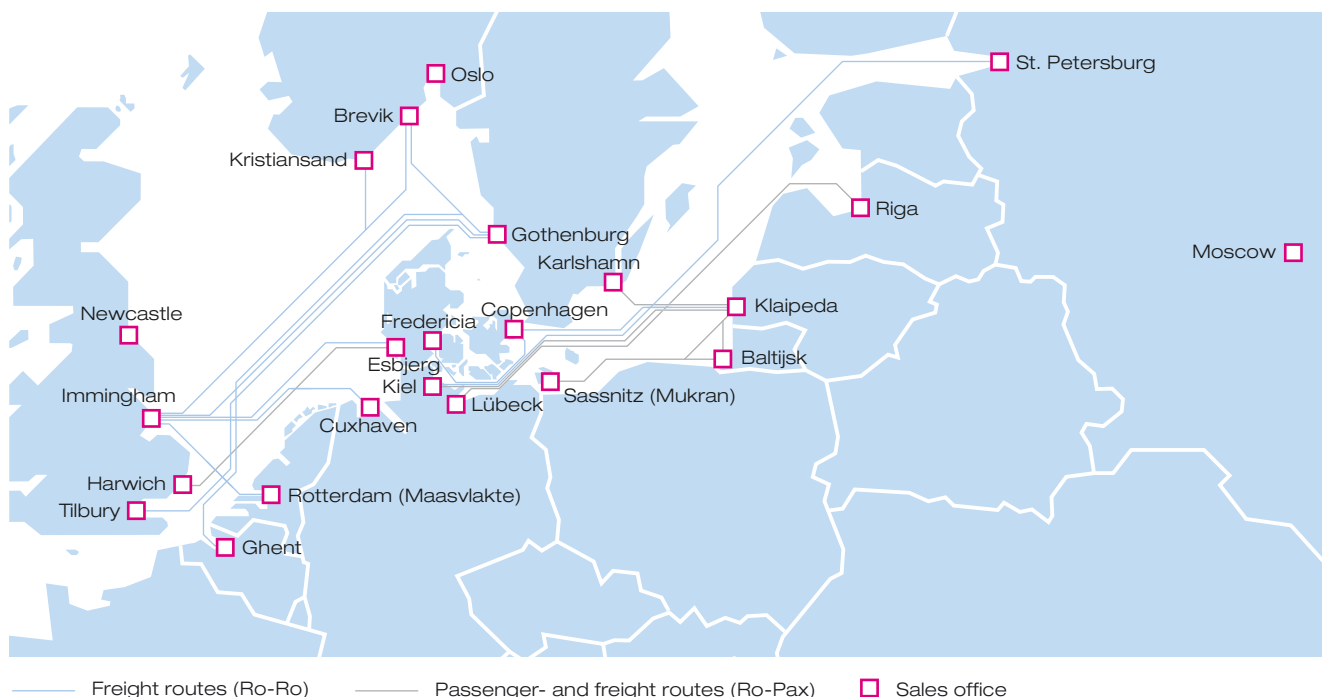
## Ro-Ro Shipping

2006

2007

DKK mill.	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Revenue	751	833	892	995	3,471	875	904	951	950	3,680
Operating profit before depreciation (EBITDA)	159	206	236	193	794	211	243	244	198	896
Sale of assets	21	0	11	-3	29	-2	0	0	0	-2
Depreciation	-58	-61	-61	-66	-246	-63	-63	-65	-65	-256
Operating profit (EBIT)	122	145	186	124	577	146	180	179	133	638
Operating profit margin (EBIT), %	16.2	17.4	20.9	12.5	16.6	16.7	19.9	18.8	14.0	17.3
Invested capital, average	4,199	4,499	4,711	4,587	4,543	4,532	4,474	4,443	4,407	4,463
Return on invested capital (ROIC) p.a., %	11.6	12.1	15.2	9.9	11.6	12.8	14.2	15.3	11.2	13.3
Lanemetres, '000	2,536	2,689	2,701	2,741	10,667	2,666	2,690	2,624	2,638	10,618
Passengers (Baltic Sea), '000	34	52	71	44	201	39	57	76	48	220

Quarterly figures in 2006 and 2007 are not audited.



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## Markets, activities and customers

Ro-Ro Shipping's activities include the operation of route networks on the North Sea and the southern half of the Baltic Sea. On the North Sea, services primarily cover the flow of goods between Scandinavia and Great Britain/the Continent, as well as between the Continent and Great Britain. In the Baltic Sea, services mainly cover the flow of goods between Scandinavia and the Continent on the one hand, and the Baltic States, Russia, and the other CIS countries on the other.

The route network includes ro-ro and ro-pax routes, the latter primarily in the Baltic, where unaccompanied trailer traffic is less widespread.

International haulage and forwarding companies make up approximately 55% of the volumes, while volumes from pro-

ducers of heavy industrial goods make up the remainder. Industrial logistics' share rose by a couple of percentage points in 2007. Market growth for trailers is dependent upon the general economic trend to a greater extent than industrial goods, as a high proportion of consumer goods are transported in trailers.

The most important industrial target customer groups are producers of heavy industrial goods, for whom tailor-made logistics systems are developed. In many cases, this requires investment in specialised transport equipment, IT solutions and dedicated warehouses, as well as in some cases, the deployment of larger tonnage. Such partnerships are therefore entered into on the basis of longer-term contracts, where DFDS operates as an integral part of the customer's logistics chain.

From an overall perspective, the competitive situation in 2007 was relatively stable.

## Market trends

Volume growth in the first six months was positive, but lower than in 2006. In the second half-year, and especially in Q4, activity levels in several regions were lower than in the same period last year.

The slowdown in volume growth in the North Sea throughout the year was related to rising general uncertainty about economic trends following the credit squeeze in the USA, the weakening of the USD and rising oil prices. In the Baltic Sea, the slowdown stemmed from a certain hesitation in the market related to elections in Russia, and particularly from the adjustment of the Russian economy to the weakened USD, which is Russia's primary trading currency. In addition, the



slowdown in the Baltic countries was a result of overheating in those economies.

Slower volume growth was compensated by higher freight rates. These were underpinned by the ongoing shortage of drivers, stricter driving and resting time regulations, road taxes and congestion in road traffic.

Limited volume growth is expected in the market in 2008. The level of activity, and therefore the flow of goods, is expected to be stable in Scandinavia and the Continent, as well as in Russia and the other CIS countries. The level of activity in Great Britain is expected to decrease in 2008 as a result of a projected fall in the level of private consumption.

#### **Ro-Ro success criteria**

The most important success criteria for Ro-Ro Shipping's customer service are reliability and frequency including scheduling matching customers' needs. In addition, expansion of capacity to reflect the needs of an expanding market and reduction of customer's overall lead time are important factors. This in turn involves ongoing reductions in transit time, which places demands on the speed of the tonnage and the turnaround time in port.

#### **Greater capacity, better customer service**

Overall route network capacity will be expanded by approximately 6% in 2008, partly as a result of the addition of two chartered ro-ro newbuildings. The increase in capacity will be concentrated on two routes: on the North Sea, capacity and frequency will be improved on the route between Sweden and the Continent; and capacity in the Baltic Sea will be improved on the route between Denmark and Lithuania. In addition, a whole-year effect is expected following capacity expansion on the route between Germany and Latvia in 2006.

The addition of new tonnage makes it possible to return an older chartered ves-

sel. As well as affording increased capacity, the changes are also expected to strengthen the route networks' competitiveness and customer service.

#### **The tonnage market**

Newbuilding activity for ro-ro and ro-pax tonnage is relatively low, and is concentrated upon vessels intended to service shipping companies' own needs. The supply of tonnage with a freight capacity that exceeds 2,000 lane metres is thus very limited, and chartering rates rose in 2007. The market for ro-ro and ro-pax tonnage is anticipated to remain tight in the coming years.

#### **Development in activities**

The number of transported lane metres on the North Sea was on a par with 2006, following adjustment for the closure of BelgoBridge in 2006. However, the volume trend was unevenly spread across the route network, with good growth on the routes between Belgium and Sweden, as well as between Germany and Great Britain. Both routes were positively affected by increased volumes from automobiles and industrial logistics.

For the other routes, volume growth compared to 2006 was positive until the half-year mark, after which the growth decreased in the second half as rising uncertainty about economic trends negatively affected demand in Great Britain, a trend also accentuated by the weakening of the pound sterling.

In the Baltic Sea, capacity was increased on the route between Sweden and Lithuania (ScanBridge) in Q4 2007 in order to service higher demand in the market. At the same time, the call by Baltijsk to the Russian enclave of Kaliningrad was transferred to the route between Germany and Lithuania (RailBridge). This change was effected due to the co-operation with the German railways.

The route between Germany and Latvia (HansaBridge) was serviced by a single ship for most of H1 2007, as opposed to the two vessels deployed in same period in 2006. This reduced the volumes transported in 2007. A second ship was once again deployed on the route in May 2007.

#### **Financial performance**

Revenue rose by 6% to DKK 3,680 million due to increased volumes on several routes in both the North Sea and the Baltic Sea, as well as a broadly based increase in freight rates per unit. Adjusted for changes to activities, volumes were on the same level as 2006, with a higher level of activity in H1 and a decreasing level of activity in H2, especially in Q4.

Operating profit before depreciation (EBITDA) was DKK 896 million, an increase of 13%. Financial performance on the larger routes on the North Sea improved as a result of increased revenues per transported unit, as well as significant increases in volume on a few routes. Technical problems with tonnage increased cost levels on one route in 2007.

In the Baltic Sea, with a single exception, the routes achieved improved financial performance due to increased revenues per transported unit and significantly increased earnings from passenger activities. The result was lower in 2007 on a single route as a result of increased capacity and more intense competition.

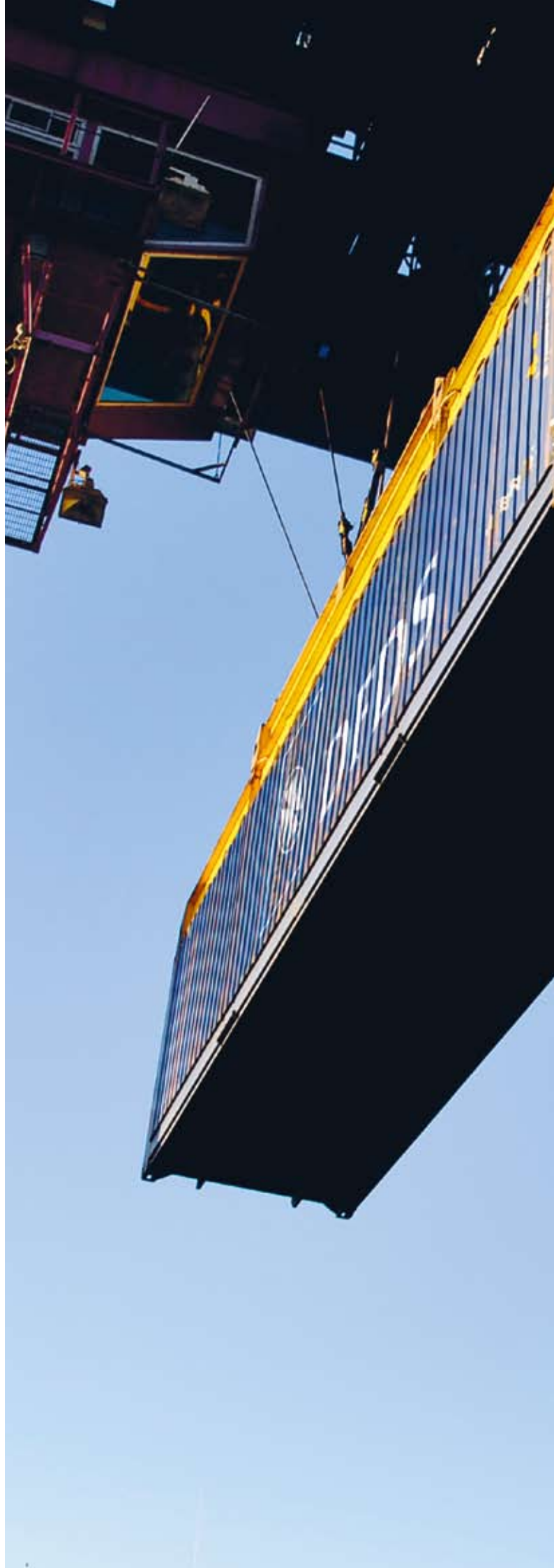
Depreciation rose by 6% to DKK 258 million, which reflects both the full-year effect of the addition of a sixth ro-ro newbuilding and the acquisition of a ro-pax ship in 2006, when three smaller freight ships were also sold. Operating profit (EBIT) was hereafter DKK 638 million.

Invested capital averaged DKK 4,463 million in 2007, 2% less than in 2006. Return on invested capital rose from 12% in 2006 to 13%.

# CONTAINER SHIPPING

18

Container Shipping covers route networks based on lo-lo tonnage in the North Sea, the Irish Sea and the north of Spain. The most important customer groups are import and export companies, as well as producers of heavy industrial goods.





- 
- Business area responsible:
    - Ole Sehested

Share of Group revenue



- Product concepts:
    - Door-door container solutions (dry bulk, reefer)
    - Intermodal door-door container solutions
    - Shipping logistics for break bulk
  - Brands:
    - DFDS Lys Line
    - DFDS Container Line
    - DFDS Suardiaz Line
  - Customer groups:
    - Importers and exporters
    - Producers of heavy industrial goods, such as forestry products, steel, chemicals and plastics
    - Bulk- and tank-container operators
    - International forwarding companies
  - Comparable companies:
    - Eimskip/Containerships
    - MacAndrews
    - Samskip
  - Important events in 2007/2008
    - Contract with Norske Skog expanded and extended until the end of 2013, a total of approximately 800,000 tons p.a.
    - Further contracts entered into for 2008/2009, covering 400,000 tons
    - Reduction of costs through co-operation on production with Samskip
    - Merger of the Dutch operations of DFDS Container Lines and DFDS Lys Line
    - Renewal of bulk tonnage at the end of 2007
    - Implementation of DFDS's IT business systems in DFDS Container Line
    - Addition of 600 new container units, including 300 45-foot containers
-



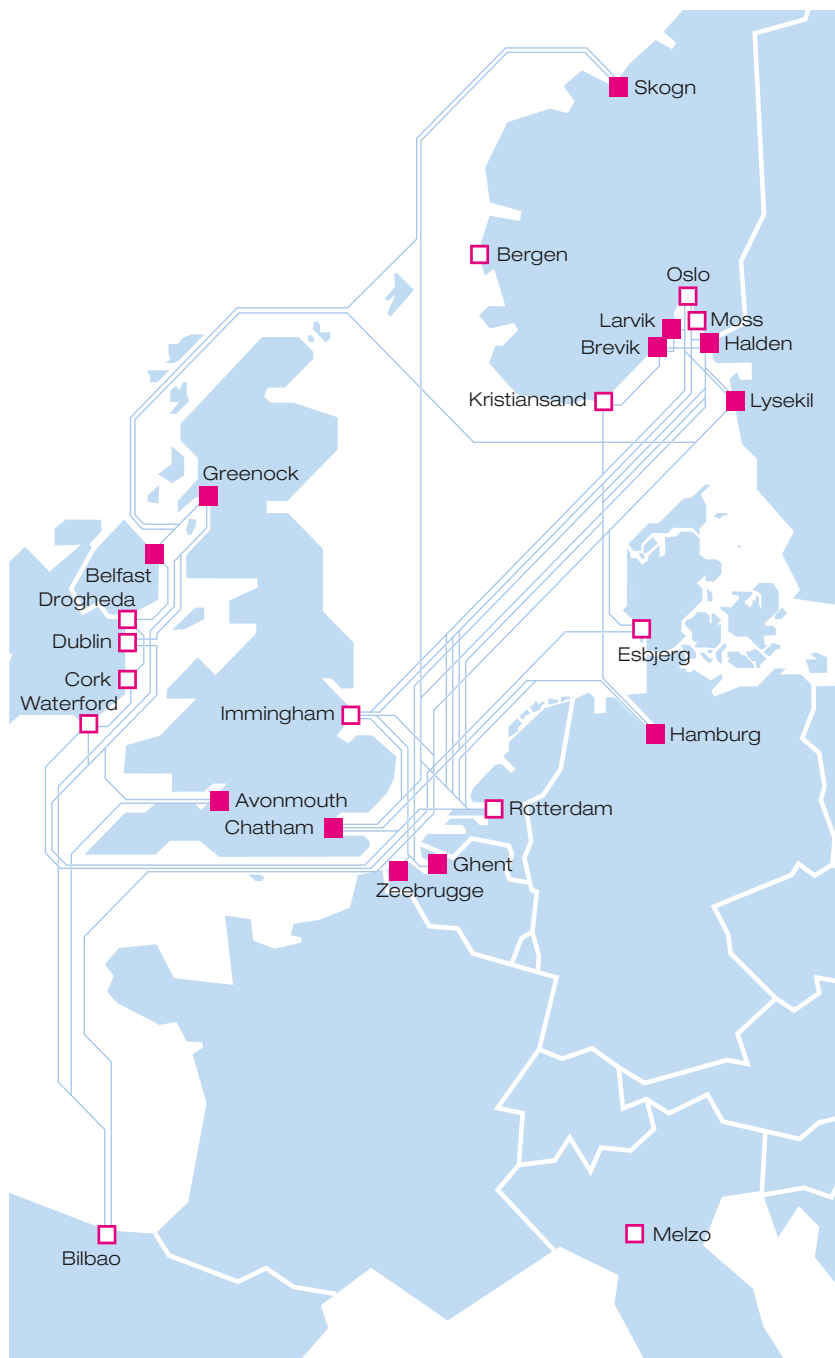
**Container Shipping**

**2006**

**2007**

DKK mill.	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Revenue	277	271	269	476	1,293	412	394	420	416	1,642
Operating profit before depreciation (EBITDA)	26	32	26	44	128	38	40	40	33	151
Sale of assets	-5	0	0	0	-5	0	0	0	0	0
Depreciation	-11	-13	-12	-25	-61	-20	-21	-18	-22	-81
Operating profit (EBIT)	10	19	14	19	62	18	19	22	11	70
Operating profit margin (EBIT), %	3.6	7.0	5.2	4.0	4.8	4.4	4.8	5.2	2.6	4.3
Invested capital, average	708	702	676	808	755	958	954	969	976	964
Return on invested capital (ROIC) p.a., %	5.3	10.7	7.6	8.9	7.6	7.6	6.9	8.7	4.1	6.7
Tons, '000	489	492	502	485	1,968	543	517	527	513	2,100
Containers, '000	16	16	16	32	80	29	31	29	28	117

Quarterly figures in 2006 and 2007 are not audited.



□ Sales office

**Markets, activities and customers**

Container Shipping's activities include door-door container transport between the Nordic Region, the Continent, Great Britain, Ireland and Spain. Moreover, significant volumes of paper and metal products are transported from Norway and Sweden to Northern and Southern Europe, on the basis of fixed, long-term contracts. Transport by sea utilises lo-lo ships and combined side-port/container ships. More than 50% of the volumes in the industry segment are covered by long-term contracts.

The most important industrial customer groups are producers and exporters of paper, metal and plastic products, as well as importers and exporters of finished goods.

On the whole, the competitive situation was stable in 2007.

**Market trends**

Volume growth in most market areas was slower in 2007 than in 2006. The paper market was generally characterised by declining demand, which led to cutbacks in production by several manufacturers over the course of 2007.

After a number of years of high growth on the Irish market, imports stagnated in the first half-year, resulting in falling capacity utilisation and more price competition between the Continent and Ireland. The weakening of the pound sterling also improved the competitive situation for exporters in Great Britain.

The level of activity in the other markets in 2007 was on a par with 2006. On the whole, limited volume growth is expected in most markets in 2008.

**Container's success criteria**

The most important success criteria for Container Shipping's customer service





are frequency, lead time and flexibility regarding tonnage and haulage capacity, as well as a competitive cost level.

### Extended co-operation with Norske Skog

DFDS' logistics partnership with Norske Skog was expanded in 2007, and the contract period extended from 2009 to 2013. The deal covers the sea transport, storage and distribution of paper products from Norske Skog's factories in Norway to Great Britain, the Continent, Ireland and Spain. A new route was added in 2007, from Skogn in Norway to Ireland and Scotland.

The contract is serviced by DFDS Lys Line, with eight combined side-port and container ships, all of which were developed for paper logistics.

### The tonnage market

The capacity of the lo-lo tonnage used by Container Shipping varies from 400 TEU to 850 TEU. The market for such tonnage is relatively stable in terms of both price and supply.

### Development of activities

On the whole, DFDS Lys Line's activity levels and financial performance were satisfactory in 2007. The level of activity for shipping logistics was slightly lower than in 2006 as a result of a downturn in the export of paper, especially to Ireland, while volumes to Spain rose during the year.

Container activities on the North Sea were restructured in early 2007, in line with a production deal with Samskip. The agreement reduced DFDS' tonnage by one ship, which reduced costs and thereby contributed to the significant improvement in financial performance, despite the lower level of activity.

The activity level and the financial performance of the tramp activities, that

operate bulk ships, were satisfactory in 2007, particularly as a result of a positive market in the second half-year. The tramp fleet was renewed and expanded by the charter of two newbuildings and two newer vessels. The first two were delivered in September and December 2007 respectively. Another was delivered in January 2008 and the final ship is due in Q3 2008.

As part of Container Shipping's integration process, the Dutch offices of DFDS Lys Line and DFDS Container Line was merged during the year. This has strengthened the continental sales organisation and contributed to optimisation of haulage and utilisation of equipment.

In May 2007, DFDS Container Line in both the Netherlands and Ireland adopted DFDS' IT business systems. Their implementation caused a series of operational disturbances over several months and a reduction in the quality of service to both clients and suppliers. The situation stabilised during Q4, and by the end of the year the systems were running efficiently.

As a result of the above-mentioned quality problems, as well as the general market trend, volumes between Ireland and the Continent were lower than expected in 2007.

The profit expectation for the container route between Spain, Great Britain and Ireland were not achieved in 2007, as a result of a declining market and increased competition.

### Financial performance

Revenue rose by 27% to DKK 1,642 million due to the full-year effect of the addition of DFDS Container Line in Q4 2006. As a result of the co-operation with Samskip, the tonnage deployed was reduced by one ship, which impacted revenue negatively in 2007.

Operating profit before depreciation (EBITDA) was DKK 151 million, an increase of 18%. Approximately half of Container Shipping's improved financial performance was due to the full-year effect of the acquisition of DFDS Container Line, although the profit was lower than expected as a result of operational disturbances related to the installation of new business systems. The remainder of the improvement was primarily related to container shipping on the North Sea, where the cost structure was improved considerably through co-operation with Samskip.

Depreciation rose by 33% to DKK 81 million reflecting the full-year effect of the acquisition of DFDS Container Line, including depreciation stemming from the purchase of the company. Operating profit (EBIT) was hereafter DKK 70 million.

Invested capital averaged DKK 964 million in 2007, which was 28% more than in 2006 and is related to the acquisition of DFDS Container Line. As a result of the rise in the amount of capital invested, the return on invested capital was reduced to 7% from 8% in 2006.

# PASSENGER SHIPPING

22

Passenger Shipping operates a network of passenger routes based on cruise-ferry tonnage in the North Sea and Kattegat/Skagerrak. The most important customer groups are passengers travelling by car, Mini Cruise passengers, conference and tour operators. In addition, DFDS Canal Tours operates tours around the canals of Copenhagen.





- 
- **Business area responsible:**
    - Niels Smedegaard (temporary), per 1 January 2008

Share of Group revenue



- **Product concepts:**
    - Transport with own vehicle
    - Package tours
    - Mini Cruise
    - Conferences
    - Freight
  - **Brands:**
    - DFDS Seaways
    - DFDS Canal Tours
  - **Customer groups:**
    - Families
    - Groups of friends
    - Business travellers
    - Companies, organisations and course organisers
    - Tour operators, agents and travel agents
  - **Comparable companies:**
    - Color Line
    - Fjord Line
    - P&O Ferries
    - Stena Line
    - Tallink Silja
    - Viking Line
  - **Important events in 2007/2008**
    - The full-year effect of opening the Bergen-Newcastle route and the closure of the Gothenburg-Kristiansand-Newcastle route in Q4 2006
    - Reallocation of tonnage between Amsterdam-Newcastle and Bergen-Newcastle in May 2007
    - Online sales in excess of 50% at the end of 2007
    - Opening of the sales office in Stavanger, Norway, in November
    - Purchasing and logistics partnership for on-board sales with Gebr. Heinemann, starting in 2008
    - Sale of the passenger ship Pont l'Abbé (formerly Duke of Scandinavia) in December 2007
-

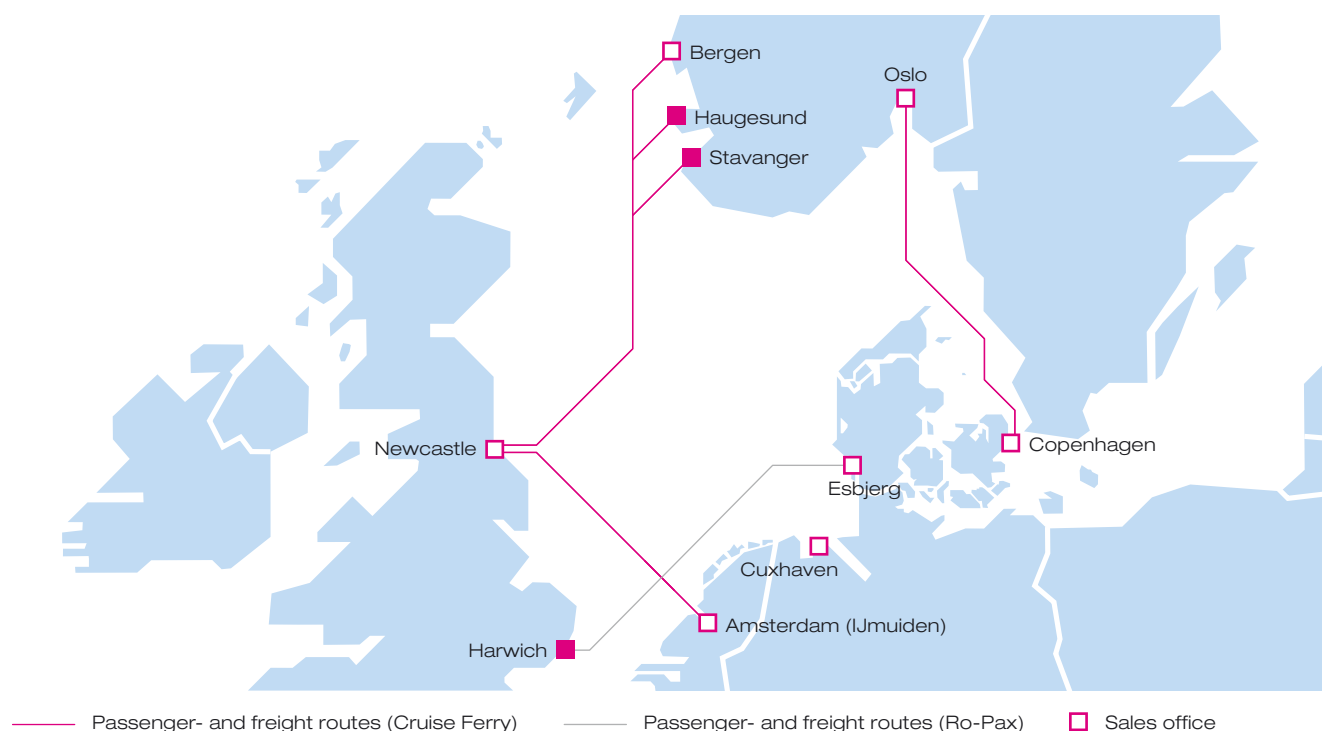
## Passenger Shipping

2006

2007

DKK mill.	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Revenue	308	494	617	419	1,838	333	517	650	432	1,932
Operating profit before depreciation (EBITDA)	-47	93	178	18	242	-49	99	191	8	249
Sale of assets	0	0	0	7	7	0	0	0	35	35
Depreciation	-41	-48	-49	-49	-187	-53	-42	-50	-38	-183
Operating profit (EBIT)	-88	45	129	-24	62	-102	57	141	5	101
Operating profit margin (EBIT), %	-28.6	9.1	20.9	-5.7	3.4	-30.6	11.0	21.7	1.2	5.2
Invested capital, average	1,731	1,858	1,861	1,977	1,854	2,038	1,967	1,958	1,921	1,973
Return on invested capital (ROIC) p.a., %	-20.3	9.0	26.8	-4.5	3.0	-20.1	10.2	27.6	0.9	4.7
Passengers, '000	255	405	500	321	1,481	271	402	494	332	1,499

Quarterly figures in 2006 and 2007 are not audited.



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## Markets, activities and customers

DFDS Seaways operates overnight passenger services on three routes in the North Sea and Kattegat/Skagerrak. The main target groups are Mini Cruise passengers, holidaymakers travelling by car, group travel, and conference passengers. The on-board experience is important for all travellers. All routes also carry freight.

In addition, the passenger activities on the ro-pax route between Denmark and Great Britain are operated by DFDS Seaways.

Ticket sales and related services account for approximately 40% of the turnover and on-board sales approximately 50%, while freight revenue makes up the remaining 10%.

## Market trends

The passenger market for sea transport was stabilised in 2007, as the number of passengers in Northern Europe as a whole was on a par with the previous year, as opposed to the declining trend in passenger numbers experienced in recent years. The stabilisation reflects that the process of adapting passenger liner shipping to the changed market conditions brought about by the increasing supply of low-budget flights and the harmonisation of flat-rate excise duty is almost complete.

Ticket prices and volumes in Passenger Shipping's markets stabilised further compared to 2006, although competitive pressure is still strong. In the Skagerrak area, competition was intensified by a competitor deploying new and bigger tonnage.

In general, price competition grew stronger in the travel market as a result of the need to compensate for the rise in costs caused by higher expenditure on bunker, wages and raw materials.

Indirect competition from airlines is still intense, although there is a tendency for loss-making routes to be discontinued more quickly than was previously the case. This is expected to have a positive impact on the competitive situation in 2008.

On the whole, limited volume growth is still expected in the passenger market in 2008, with the exception of certain market areas, primarily in the Baltic Sea. Demand for cruise-oriented experiences and more luxurious passenger concepts is still expected to increase as a consequence of rising affluence.



## Passenger Shipping's success criteria

The on-board experience becomes increasingly important as budget airlines conquer significant market shares in the transport-oriented segments of the travel market. A positive experience is contingent on an attractive on-board environment with a varied and contemporary range of food, beverages, shops and entertainment. Ongoing development in 2007 saw the introduction of new concepts such as gourmet cruises and rock cruises. The quality of cabins and cleaning are also of major importance for the passengers' well-being. Other important factors for customer satisfaction include route scheduling and punctuality.

## Development of activities

The number of passengers on the Oslo route in 2007 was 1% lower than in 2006, which can mainly be attributed to 2% fewer sailings as a result of dockings in 2007. Despite more intense competition in the second half of the year, the number of passengers, the average ticket price per passenger and on-board sales all fulfilled expectations for the year. However, cost trends in the hotel area were unsatisfactory due to an increase in the number of employees, more expensive wage agreements, and costs associated with the introduction of new on-board concepts. This led to a considerable increase in the unit cost per passenger. However, the capital cost for the route's tonnage was reduced significantly in 2007, which contributed to the route achieving an improvement in financial performance.

In order to optimise the relationship between customer demand and tonnage configuration, tonnage was re-allocated between the Amsterdam and Bergen routes at the end of May. Queen of Scandinavia was moved to the Bergen route because it is better suited to the demands of the Norwegian market, particularly in terms of a greater number of Commodore cabins and meeting and conference facilities, but also because it is a faster vessel. At the same time, Princess of Norway, whose freight capacity is 43% higher, was deployed on the Amsterdam route, where freight demand is greater. In addition, Princess of Norway is also sister ship to King of Scandinavia, which already sails the Amsterdam route and therefore constitutes an advantage in relation to planning and optimisation.

The increased capacity on the Amsterdam route was underpinned by an increase of 10% in the number of passen-

gers in 2007. The average ticket price was slightly lower than in 2006, while some progress was made in on-board sales. However, technical problems occurred following the deployment of Princess of Norway in May 2007, especially in Q3, which led to operational down time, four postponed departures during the high season, and an increase in costs. The ship was repaired during a period in dock in January 2008. The route's result was significantly poorer than 2006, as the increased level of costs exceeded the increase in earnings derived from the higher level of activity. Improvements are expected in the 2008 result due to greater dependability and lower costs. In addition, an improved service level is expected to support higher passenger numbers and freight volumes.

The Bergen route's result was significantly poorer than expected, although freight revenue fulfilled expectations. The number of passengers on the route was a good deal below expectations and was, especially during the first half-year, negatively influenced by delays caused by technical problems, unusually poor weather and a timetable not sufficiently in line with market needs. The levels of service and customer satisfaction were enhanced in the second half of the year through the deployment of other tonnage and changes to the timetable in October. By the end of the year, customer satisfaction had reached an acceptable level. The irregularity of operations also had a negative impact on the route's costs.

Significantly improved performance is expected in 2008 as a result of:

- a changed timetable adapted to suit market demand and expectations
- upgraded tonnage with the capacity to keep to the timetable
- a strengthening of sales through the establishment of an office in Stavanger in November 2007
- closure of a competing route out of Bergen in 2007
- lower costs due to the whole-year effect of crew changes introduced in mid-2007
- an increase in passengers.

The result for the passenger part of the Esbjerg–Harwich ro-pax route was very satisfactory in 2007 due to good growth in passengers and high average ticket prices.

## DFDS Canal Tours

DFDS Canal Tours operates 16 boats, including two restaurant boats, that sail

the canals in the Port of Copenhagen. The number of visitors in 2007 was just under 700,000, which was slightly below 2006. The boats are also hired out for charter trips. The annual result was satisfactory but slightly lower than in 2006 because of the wet summer. A newly built covered tourist boat will enter into service in 2008.

## Financial performance

Revenue rose by 5% to DKK 1,932 million due to increased passenger numbers and higher freight activity on the Amsterdam route and higher on-board sales on the Oslo route. The opening of the Bergen route and the closure of the Gothenburg route in Q4 2006 also had a positive net effect.

Operating profit before depreciation (EBITDA) was DKK 249 million, a decrease of 6% after adjustment of the 2006 result for non-comparable items of DKK 24 million related to restructuring costs.

The profit expectation for 2007 at EBITDA-level was an improvement approximately 20% based on the adjusted result for 2006. The majority of the profit decrease can be attributed to a lower than expected level of activity on the Bergen route and higher costs, partly due to delays. Repair of technical problems on two passenger ships bought in 2006 furthermore increased costs. In addition, more expensive wage agreements and rising oil and raw material prices also had an effect.

The profit from the sale of the passenger ship Pont l'Abbé (formerly Duke of Scandinavia) was DKK 35 million. Depreciation fell by 2% to DKK 183 million, which was less than expected, as the full-year effect from the addition of tonnage in 2006 was balanced by adjustment of the depreciation on two passenger ships, including the sold ship. The adjustment was triggered by a higher market value, and thereby scrap value, of the ships.

Operating profit (EBIT) was DKK 101 million. Adjusted for the profit on sale of assets, operating profit (EBIT) in 2007 was DKK 66 million, compared to an operating profit (EBIT) of DKK 79 million in 2006, similarly adjusted for profit on sale of assets and the restructuring costs mentioned above.

Average invested capital was DKK 1,973 million in 2007, a rise of 6% caused by the full-year effect of the addition of tonnage in Q4 2006. Return on invested capital rose to 5% from 3% in 2006.

# TERMINAL SERVICES

26

Terminal Services operates port terminals in Denmark, Great Britain, the Netherlands and Norway, where unit loads such as trailers, containers, automobiles and industrial goods are processed. Passengers are also processed in some terminals.





- 
- **Business area responsible:**
    - Peder Gellert Pedersen

Share of Group revenue



- **Number of terminals:**
    - 10
  - **Product concepts:**
    - Loading/unloading of ro-ro, side-port and lo-lo tonnage
    - Operation of warehouses, as well as road and rail-based distribution solutions
    - Project solutions for special loads
  - **Customer groups:**
    - Freight- and passenger-shipping companies (short sea), primarily internal
    - Producers of heavy industrial goods
    - Overseas car-shipping companies (deep sea)
  - **Brands:**
    - DFDS Shipping Logistics
    - DFDS AutoLogistics
    - DFDS Scandic Terminal
    - DFDS Terminal
    - DFDS Tor Terminal
    - DFDS Nordic Terminal
    - Northsea Terminal
    - KST Terminal
    - OCT
    - Moss Container Terminal
  - **Comparable companies:**
    - Private and publicly owned port terminals in geographical proximity
  - **Locations:**
    - Esbjerg
    - Copenhagen
    - Rotterdam (Maasvlakte)
    - Immingham
    - Newcastle
    - Brevik
    - Kristiansand
    - Skogn
    - Oslo
    - Moss
  - **Important events in 2007/2008**
    - First results of improvement and efficiency programme are achieved in Rotterdam, Maasvlakte
    - Full-year effect of the expansion of DFDS Nordic Terminal, Immingham
    - Opening of the Moss Container Terminal in early 2007 (50% stake)
    - New third-party customers compensate for cancellation of DFDS Seaways' call in Kristiansand
-



## Terminal Services

DKK mill.	2006					2007				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Revenue	170	173	194	169	706	191	160	173	179	703
Operating profit before depreciation (EBITDA)	6	2	2	2	12	2	3	2	8	15
Sale of assets	2	0	0	0	2	0	0	0	0	0
Depreciation	-5	-5	-7	-7	-24	-7	-7	-6	-7	-27
Operating profit (EBIT)	3	-3	-5	-5	-10	-5	-4	-4	1	-12
Operating profit margin (EBIT), %	1.8	-1.7	-2.6	-3.0	-1.4	-2.6	-2.5	-2.3	0.6	-1.7
Invested capital, average	403	426	459	466	446	463	490	483	437	463
Return on invested capital (ROIC) p.a., %	3.2	-2.7	-4.1	-4.1	-2.0	-4.4	-2.7	-3.2	1.0	-2.4
Tons, '000	263	309	304	299	1,175	283	310	347	354	1,294

Quarterly figures in 2006 and 2007 are not audited.



■ Own port terminal

## Markets, activities and customers

DFDS's route network is underpinned by the strategic locations of ten port terminals operated by Terminal Services in Northern Europe. Terminal Services also service third-party customers.

The terminals' primary activity consists of the processing of unit cargo, including trailers and containers. Also processed is project cargos and, to a lesser but increasing degree, break-bulk.

As well as securing port terminal capacity and servicing DFDS' own routes and tonnage, Terminal Services handles major logistics contracts for producers of steel, forest products, cars, chemicals and project cargo. These customer segments are the primary starting point for sales and marketing activities directed at increasing sales from third party customers. Optimisation of the terminals' opera-

tion and productivity are likewise directed at these cargo types.

The role of the terminals in the transport chain is increasing in importance as a result of the higher capacity of ships, which places greater demands on efficient processes for the loading, unloading and storage of goods, as well as their subsequent distribution. In addition, freight customers are increasingly demanding quicker transit times and shorter total lead times.

Important success criteria for terminal operations include:

- The efficient and safe processing of cargo
- Understanding of the industry and customer service
- Servicing of several modes of transport

- Contributing to the reduction of transit time and total lead time

## Market trends

As a result of the high proportion of in-house turnover, market development is closely associated with the development of DFDS' three shipping business areas. Ro-Ro Shipping is particularly significant, and was characterised by a high general level of activity in 2007, although with slower volume growth in the second half of the year.

The installation of three ramps outside the sluice in the DFDS Nordic Terminal in Immingham has improved competitiveness in terms of attracting third-party customers. The number of third-party customers has been increasing in general in recent years, and this is expected to continue in 2008. Increased volumes are also expected from industrial customers.





Some stagnation is expected in the growth of volumes in Ro-Ro Shipping in 2008, especially on the British market, where trends in private consumption are expected to restrict volume growth.

Long-term developments are expected to favour bigger terminals, as calls are increasingly concentrated on terminals with high levels of efficiency and large through-flow. This is expected to gradually reduce the number of smaller ports. In addition, there will be higher volumes from fewer shipping companies, using bigger vessels, which creates a pressure to achieve productivity improvements in the terminals on an ongoing basis.

#### **Integration of business units**

As an extension of the formation of the Terminal Services business area, the process of integrating the area's activities began at the end of 2007. The integration is based on a joint business model for terminal operations that describes work processes and defines productivity targets. On this basis, joint key operational data are defined, which form the basis for the benchmarking of productivity and the exchange of knowledge and skills between the various terminals. It also creates a common language and shared terminology.

The integration also puts more focus on sales of logistics solutions to third-party customers, thereby adding volumes to Ro-Ro Shipping and Container Shipping. This includes the development of joint solutions and concepts, a process that also involves the sales unit Freight Sales Solutions, that cuts across all business areas. Terminal Services also plays an important part in the working groups covering shipping-logistics areas such as cars, forestry products, steel, chemicals, trailers and containers, as processing, storage and subsequent distribution are central elements of industrial logistics solutions.

#### **Improvement and efficiency programme**

As part of the Group's overall improvement and efficiency programme (the "Go Forward Plan"), a number of initiatives were launched in 2007 in order to improve earnings in DFDS Tor Terminal in Maasv-

lakte. The terminal's productivity was enhanced significantly in several areas over the course of the year. More potential improvements have been identified, and will be implemented in the course of 2008.

The full-year effect of the extension of the port terminal in Immingham had a negative impact on earnings in 2007. A programme to restore earnings levels will be implemented in 2008. It includes productivity improvements based on benchmarking with internal and external productivity targets, and will focus on increasing the number of third-party customers, which is underpinned by the terminal's expanded and improved facilities.

#### **Development projects**

The potential advantages of setting up terminal activities in more ports on DFDS's route network are regularly assessed. It is mainly ports in the Baltic Sea Region that are covered by these deliberations.

#### **Financial performance**

Revenue in 2007 was DKK 703 million, which was on a par with 2006. Approximately 59% of revenue was generated by in-house activities, which was comparable with 2006.

Operating profit before depreciation (EBITDA) rose by 24% to DKK 15 million. The result contains a negative full-year effect from the expansion in mid-2006 of the port terminal in Immingham, where the utilisation of the expanded capacity and the terminal's productivity have not yet reached a satisfactory level. The other terminals, especially the terminal in Rotterdam, improved their financial performance in 2007 as a result of streamlining operations and the addition of third-party customers.

Depreciation rose by 13%, mainly because of the expansion of the terminal in Immingham. The business area's negative operating profit (EBIT) of DKK 12 million is exclusively related to this terminal.

Average invested capital was DKK 463 million in 2007, a rise of 4% caused by the full-year effect of the extension of the terminal in Immingham. Return on invested capital was negative by 2% in 2007, which was on a level with 2006.

# TRAILER SERVICES

30

Trailer Services operates trailer companies in Norway, Sweden, Denmark, Finland, Germany, Belgium, the Netherlands, Great Britain and Ireland that primarily services the market with transport solutions using DFDS's route network.





- 
- Business area responsible:
    - Ole Sehested

Share of Group revenue



- Product concepts:
    - European door-door trailer transport
    - Dedicated logistics solutions (Just in Time) for the car industry
  - Brands:
    - SpeedCargo
    - Halléns
    - LHT
  - Customer groups:
    - Importers and exporters of consumer goods
    - Producers of heavy industrial goods, such as forestry products, steel, chemicals and plastics
    - The car industry and sub-contractors to the car industry
  - Comparable companies:
    - Cobelfret
    - Norfolkline
    - P&O Ferrymasters
  - Sales offices:
    - Ghent
    - Copenhagen
    - Hamina
    - Rotterdam
    - Dublin
    - Oslo, Brevik, Kristiansand
    - Middlesborough, Immingham
    - Gothenburg
    - Cuxhaven
  - Important events in 2007/2008
    - Integration of SpeedCargo and LHT's British activities
    - Opening of an office in Dublin
    - Restructuring of SpeedCargo's Swedish activities
    - Trailer fleet renewed in 2007
-



## Trailer Services

2006

2007

DKK mill.	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Revenue	228	231	221	238	918	250	250	242	244	986
Operating profit before depreciation (EBITDA)	9	3	5	-2	15	14	18	11	14	57
Depreciation	-9	-9	-11	-16	-45	-9	-8	-9	-8	-34
Operating profit (EBIT)	0	-6	-6	-18	-30	5	10	2	6	23
Operating profit margin (EBIT), %	0.0	-2.6	-2.7	-7.6	-3.3	2.0	4.0	0.8	2.5	2.3
Invested capital, average	198	193	197	209	201	202	195	205	225	211
Return on invested capital (ROIC) p.a., %	0.5	-11.3	-13.3	-29.9	-13.4	11.1	16.3	5.1	10.0	10.3
Shipments, '000	19	20	19	20	78	22	22	21	21	86

Quarterly figures in 2006 and 2007 are not audited.



□ Sales office

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## Markets, activities and customers

Trailer Services provides door-door transport solutions that mainly use DFDS' route network in order to support the network's capacity utilisation. Northern Europe is the primary market. At the end of 2007, the trailer fleet comprised 1,800 units, of which approximately half were owned.

The most important target customers are importers and exporters of consumer goods, and producers of heavy industrial goods, especially the car industry, whose transport needs incorporate a significant maritime-transport element.

The market for door-door transport is generally characterised by a high level of competition.

## Market trends

The market trend for the door-door segment was analogous with the market for Ro-Ro Shipping, in which volume growth in the first half-year was positive, but lower than in 2006. In the second half-year, especially in Q4, the level of activity declined in several regions. The weakened volume development was to a certain extent compensated for by higher freight rates.

Limited volume growth is expected in the market in 2008. It is expected that the level of activity, and therefore the flow of goods, will be stable in Scandinavia and the Continent. The level of activity in Great Britain is expected to decrease in 2008 as a result of the expected decline in private consumption. The imbalance in the traffic flows between Great Britain

and the Continent is also expected to continue in 2008.

## Trailer success criteria

The most important success criteria for Trailer Services are capacity and guaranteed delivery based on a competitive cost level. Also important are combined trailer solutions that utilise both rail and ships, which constitute an environmentally-positive alternative to road transport.

## Integration of the business area

In order to generate operational synergies, the process of integrating the companies in this business area was initiated in 2007. This process includes, for example, co-ordinating sales resources, integrating IT systems and traffic optimisa-





tion, as well as establishing joint supplier contracts and a joint trailer pool.

Another objective of the integration process is to strengthen the basis for offering network solutions, in order to incorporate more parts of DFDS's route network into transport solutions.

#### **Development of activities**

The level of activity in traffic between Sweden and the Continent was high throughout the year, with a particular increase in volumes related to industrial logistics. German road tax also contributed with a positive effect.

The level of activity also increased between the Continent and Great Britain, which generated greater volumes for the route network. On the whole, traffic between Sweden and Great Britain was on a par with 2006.

The market was generally characterised by rising costs for fuel and haulage, the latter as a result of limited capacity growth in the haulage sector. It was difficult to obtain full coverage for rising fuel prices for traffics between the Continent and the UK.

In 2007, Trailer Services' trailer fleet was increased by approximately 10% to 1,800 trailers.

#### **Financial performance**

Revenue rose by 7% to DKK 986 million against a background of a higher level of activity between Sweden and the Continent, as well as between the Continent and Great Britain, both of which include Ro-Ro Shipping routes in the transport chain. Compared with 2006, revenue was reduced following the closure of sea-and-air freight activities in Sweden at the end of the year.

Operating profit before depreciation (EBITDA) was DKK 57 million, almost a quadrupling of the 2006 result. The majority of the increase was achieved through rationalising operations, rescheduling traffic and optimising production processes. Higher rates and activity levels also contributed to the profit improvement.

Depreciation fell to DKK 34 million from DKK 45 million in 2006, due to write-downs in 2006. Operating profit (EBIT) was DKK 23 million, an increase of DKK 53 million.

Invested capital averaged DKK 211 million in 2007, which was 5% more than in 2006. As a result of the improvement in financial performance, the return on invested capital rose to 10% compared with a negative return in 2006.

# MORE CUSTOMER FOCUS

To improve the satisfaction of freight customers and create better results, DFDS' focus on customers and sales is intensified

Major North European freight customers, both industrial and transport companies, are increasingly demanding more complex transport solutions to be provided by a single supplier. In the coming years, the proportion of major freight customers using several of DFDS' services is therefore expected to increase.

In order to meet this demand and optimise the use of DFDS's total competences and resources, a Group sales unit – Freight Sales Solutions – was established in late 2007, and targeted at the largest and most complex freight customers. The implementation was part of DFDS' over-arching improvement and efficiency programme (the "Go Forward Plan"), which was set in motion in 2007.

The new sales unit also reflects DFDS' network strategy, under which the focus on the individual route is supplemented with solutions that involve several routes including combination of different types of freight modes.

Against this background, the purpose of the new sales unit is to:

- develop and sell network-based transport solutions, including solutions that cut across business areas
- share skills and knowledge in the sales organisation
- communicate DFDS' full potential to the individual customer through the integration of products and services
- increase insight into profitability per customer.

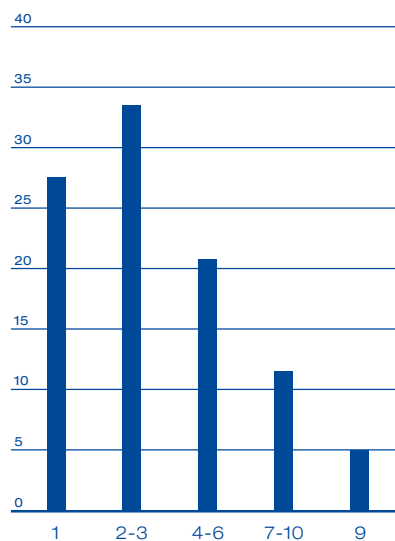
The new unit operates as a superstructure in addition to the local sales organisations, which will continue to constitute the core of the sales work. In 2008, the activities will in the first instance be concentrated around up to ten strategic clients in order to introduce the new concept.

Working groups covering areas of shipping logistics such as cars, forestry products, steel, chemicals, trailers and containers were also set up in 2008 to support the sales organisation. The working groups will be responsible for overall market research, concept development and marketing, as well as the identification of potential customers.

It is expected that Freight Sales Solutions will achieve the first results during the course of 2008.

Increasing demand for more services when supply chains become more complex

**No. of DFDS services used among Top 100 Customers**  
(No. of Top 100 Freight Customers)



DFDS have for several years been one of the main suppliers for Swedish StoraEnso, one of the world's largest producers of paper goods and other forest products. DFDS' services include sea transport by DFDS Tor Line and DFDS Lys Line, moreover, landbased services comprising warehousing and distribution from among others DFDS Nordic Terminal in Immingham to StoraEnso's customers.

**Stig Wiklund, CEO, StoraEnso Logistics AB comments:**

"DFDS and their European network is one of our most important suppliers. In a competitive market, DFDS stands for flexibility and tailored customer solutions both at sea and on land, which is very important for our success."

Like all other forms of transport, shipping has an impact on the environment. Ships are powered by bunkers (fuel oil) that emit CO<sub>2</sub>, NO<sub>x</sub> and particles of sulphur into the atmosphere when burned. Antifouling paint can include hazardous heavy metals, and sewage from vessels can add harmful nutrients to the marine environment. In addition, ships can cause noise pollution, especially while in port. Ballast water in intercontinental ships can also contain alien plant and animal species (so-called “invasive species”).

DFDS’s over-arching goal for its environmental work is to develop the operation of our ships and other activities towards consumption of less energy and less impact on the surrounding environment compared to the transport capacity.

## Emissions

CO<sub>2</sub> is the most common greenhouse gas, and the volume emitted rises or falls proportionally with fuel consumption. The most effective manner of reducing CO<sub>2</sub> emissions is therefore to reduce the consumption of bunkers per transported unit.

### Reduction of bunker consumption

A project to reduce bunker consumption, launched at the start of 2007, included a number of technical and operational initiatives, as well as more exact measurement of consumption. Technical initiatives included, for example, improved engine efficiency and use of energy, recycling of excess water and better management of onboard energy consumption. Operational initiatives included changes to the ships’ service speeds and the regulation of departure and arrival times in order to reduce the service time, which in turn reduces bunker consumption. In 2007, reductions in the region of 2–3% per sailed nautical mile were achieved in energy consumption, and also therefore in emissions.

### Large-scale operations provide advantages for the environment

In the longer term, the DFDS fleet will move towards bigger ships for commercial and environmental considerations. The concentration of freight volumes on larger but fewer vessels will reduce energy consumption and emissions per transported unit.

### Sulphur content reduced

The amount of sulphur particles emitted by ships’ engines depends on the volume of fuel consumed and its sulphur content. In DFDS’s primary geographic areas of operation, the Baltic Sea and the North Sea, new international legislation has reduced the sulphur content of bunkers to 1.5% compared to the previous level of 4.5%. It is expected that the move towards bunkers with a lower sulphur content will continue over the next few years.

### Antifouling paint

DFDS is in the process of replacing the fleet’s antifouling paint with a new type of silicone-based paint. This is not only environmentally friendly, but also reduces the ships’ friction in the water, so energy consumption, and consequently emissions, are reduced. The previously used types of antifouling paints, which contained tin and emitted environmentally damaging heavy

metals into the marine environment, are no longer permitted.

### Sewage emissions

DFDS’ ships are fitted with biological cleansing units that biodegrade the sewage generated by onboard water consumption. The sewage is then collected in tanks and discharged away from coastal and particularly sensitive marine areas, in order to put as little strain on the marine environment as possible. New procedures, including pumping sewage onshore, are expected to be introduced as appropriate units are set up to receive the waste, and as improved cleansing and storage facilities are developed on new ships.

### Ballast water

Ballast water from ships can transfer alien species (invasive species) from one ecosystem to another, causing an imbalance in the local marine environment. DFDS’s ships are not covered by the ballast convention due to their smaller size and as they mainly operate in marine areas with closely related ecosystems, the problem of transferring alien species between different ecosystems must be considered extremely limited.

### Less noise pollution

DFDS is actively making efforts to reduce noise pollution from ships calling at and docking in ports in areas with noise-sensitive environments. In particular, work is being done on technical improvements in the form of noise insulation for engines and ramps. Efforts are also being made to reduce noise by changing routines. In addition, noise pollution in general will decrease in the future, as noise reduction is an important consideration in the construction phase of new tonnage.

### Focus on environmental policy

In the second half of 2007, as part of the Group’s improvement and efficiency programme (the “Go Forward Plan”), a project was launched to develop a new and more proactive environmental policy. The new environmental policy will include all activities, transcending business areas and countries, so that a high degree of consistency is achieved in the approach to the work of reducing impact on the environment. The goal is to use environmental certification to create a dynamic, transparent environmental policy that, on the basis of quantifiable, objective criteria, will ensure development towards a more environmentally-sustainable transport company.

# JOB SATISFACTION AND RESULTS

It is of crucial importance to DFDS's strategic development that the company is, and is perceived to be, an attractive and challenging workplace.

With this in mind, an upgrade of the HR sector was initiated as part of DFDS's improvement and efficiency programme (the "Go Forward Plan"). The current personnel department was thus in 2007 expanded to include an HR-development function, and a new HR director has been recruited. In order to embed HR work at management level and in company strategy, the HR director is also a member of Executive Management.

## **Closer co-operation across the company**

As a consequence of DFDS's new strategy, "From Routes to Networks", the business structure was changed from two divisions to five business areas. A significant element of this strategy is a greater degree of exchange and transfer of knowledge and skills, both between the activities in the individual business areas and between the business areas. The objective is to improve the overall competitiveness of the route network. As such, an important job for HR in the future will be to help communicate strategic goals and values about closer interaction between all parts of the organisation.

For example, the expanded HR organisation includes four managers who act as partners to the business areas in order to implement the strategy's goals and values.

## **Job satisfaction and results**

As well as underpinning the strategy's goals and values, a primary objective for HR is to increase staff job satisfaction, commitment and efficiency. This is based on the principle that job satisfaction generates positive results, and that positive results generate job satisfaction.

In addition, the upgrading of HR reflects the need to adapt to general development tendencies in the outside world, including a closer focus on human-resource management, greater social responsibility within companies, and greater influence on one's own working conditions.

## **New initiatives in 2008**

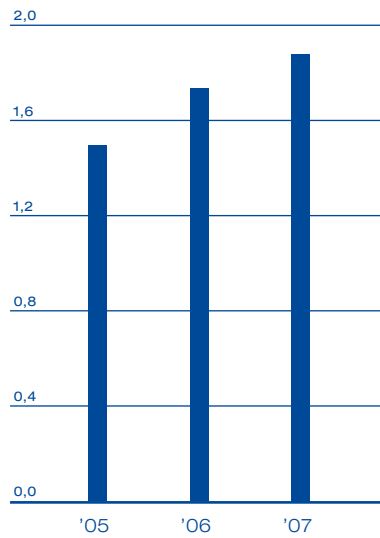
Against this background, a number of new programmes will be introduced in the first half of 2008:

- **Management-development programme:** A Group management-development programme will be set up in order to focus on the competences that underpin the strategy. At a day-to-

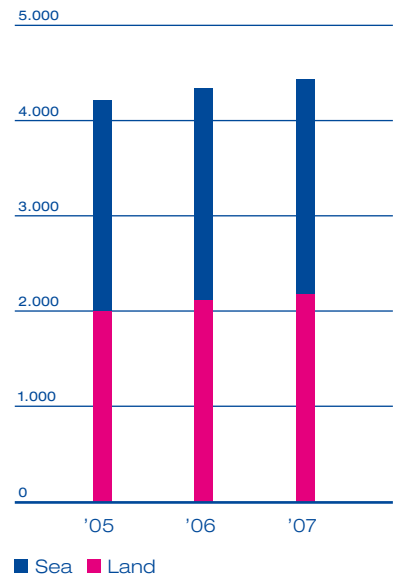




**Revenue per employee**  
(DKK million)



**Distribution of employees on land/sea**  
(No. of employees)



day level, it is DFDS' managers that create the framework for a working environment characterised by satisfaction, efficiency, dialogue and focus on the development of staff competences. This presupposes that managers are well trained in personnel management and the use of specific management tools.

- **Skills enhancement for staff:** DFDS is a service company, and the customer service provided by staff is crucial to how customers perceive their experiences of DFDS. A competence-development concept will therefore be introduced across the whole Group in 2008. The project is designed to guarantee ongoing improvement and development of staff competences for the benefit and pleasure of both individual members of staff and the company as a whole.
- **Talent development:** DFDS' activities in 16 different countries involve a large number of valuable and talented individuals, and more focus will now shift to their development potential. This is not only the case for management talent, but also, to just as great an extent, for talents in other professional disciplines. DFDS' status as an international company that offers international careers must be highlighted to a greater extent. The development and implementation of a programme for encouraging talent across the whole organisation will therefore be launched in 2008.

- **Employee satisfaction:** Parts of the organisation have regularly conducted and followed up analyses of employee satisfaction, and subsequently made improvements. In 2008, this work will be extended to the whole organisation in order to identify potential improvements in all areas of the company.
- **Prevention of stress:** Stress-prevention courses will run throughout the organisation before the end of 2008. The purpose is to give individual members of staff, managers and departments as a whole the tools to prevent and deal with stress. The initial courses were held in the main office, and will hereafter spread to the rest of the organisation.
- **Recruitment:** Demographic trends make it highly probable that recruitment will be more competitive in future, and that attracting trainees and other younger staff will be more difficult. DFDS will therefore further refine its recruitment work, e.g. in educational institutions, and will also improve the quality of its in-house vocational training in shipping, finance and travel services. DFDS also plays an active part in the Danish Shipowners' Association's "Blue Denmark" project, which publicises the opportunities and advantages of training and working in the shipping profession as a whole.

### Share capital

DFDS A/S's share capital in 2007 remained unchanged at DKK 800 million. It consists of only one class of share, and the capital is divided into 8 million shares with a nominal value of DKK 100 each. The DFDS share is listed on the OMX The Nordic Exchange Copenhagen.

### Price trend

The DFDS share rose by 16% to DKK 790 at the end of 2007. By comparison, a peer group index comprising seven comparable companies rose by 25% in 2007. The share price of three of these companies was positively influenced by takeover bids in 2007. The total index (OMXC) of the OMX The Nordic Exchange Copenhagen rose by 5% during the year.

The comparable companies in the peer group index are: Attica Enterprises (GR); Birka Line (SWE); Finnlines (FIN); Irish Continental Group (IE); Tallink (EST); Transatlantic (SWE); and Viking Line (FIN).

The market value of DFDS's share capital was DKK 6.32 billion at the end of 2007.

The market value of the turnover in DFDS shares in 2007 was DKK 1.26 billion, a rise of 12% compared with the previous year.

The total shareholder return (price change plus dividend) was 18% in 2007.

### Shareholders

At the end of 2007, DFDS had a total of 17,283 shareholders, of which 90.2% were registered. Vesterhavet A/S is the biggest single shareholder, with a 56% stake. In addition, Clipper Group owns 7.8% of the total share capital. In January 2008, Clipper Group increased its share to 10%. Overseas shareholders owned 9.5% of the share capital at the end of 2007.

### Dividend

It is the policy of DFDS to aim for an annual dividend corresponding to approximately 30% of annual net profit after minority interests. However, the level of the annual dividend is set with due consideration to the Group's future investment needs and a satisfactory capital structure.

The Supervisory Board proposes the payment of a dividend of DKK 15 per share with a nominal value of DKK 100, corresponding to 15% of the share capital and 30% of net profit after minority interests.

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### Financial calendar

[Annual general meeting](#)  
10 April 2008, 16:00  
Radisson SAS Falconer Centre  
Falkoner Allé 9  
DK-2000 Frederiksberg, Denmark

### Dividend

Payment at the end of April 2008

### [Publication of group results in 2008](#)

Report for the first quarter: 20 May  
Half-year report: 26 August  
Report for the third quarter: 20 November

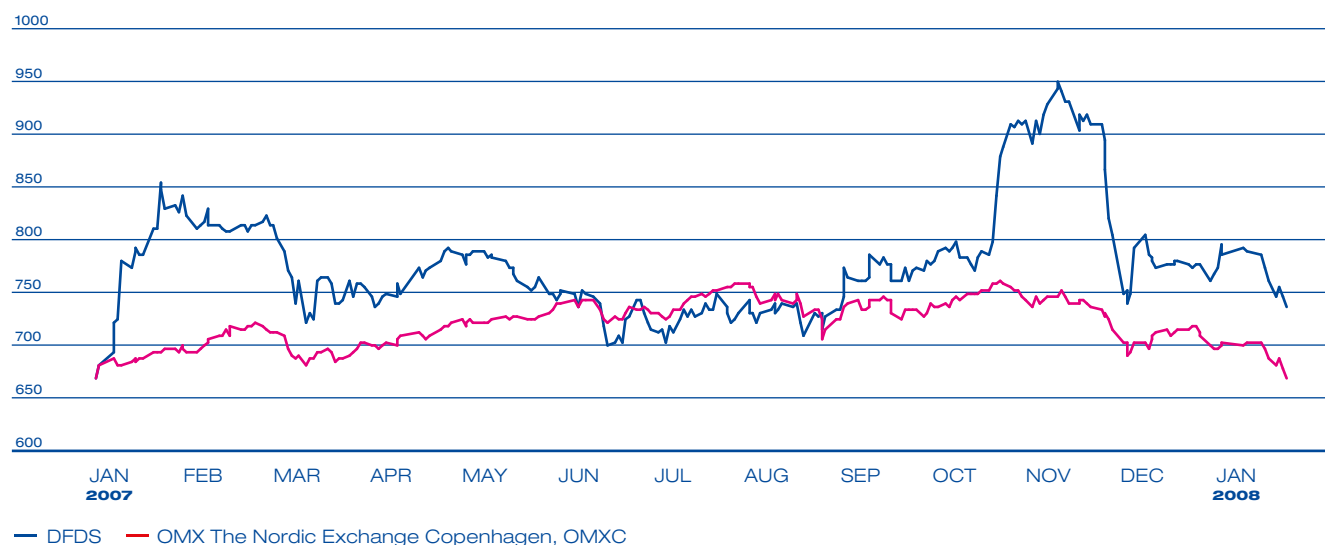
### Statements to the Stock Exchange 2007\*

Date	Statement
------	-----------

02/01	1	Niels Smedegaard takes over as CEO of DFDS A/S
15/01	2	Share options
15/01	3	Share options (addendum to previous announcement)
02/03	4	Annual Report 2006
02/03	5	Notice of Annual General Meeting
21/03	6	Election of staff representatives to the Board of Directors
26/03	7	Election of Group staff representative to the Board of Directors
28/03	8	Announcement of ordinary general assembly
23/05	9	Quarterly Report for Q1 2007
25/06	10	DFDS and Norske Skog extend paper logistics contract until the end of 2012
25/06	11	DFDS Strategy 2007
23/08	12	DFDS half-year report 2007
04/09	13	DFDS Group Strategy to be published soon
12/09	14	DFDS Group Strategy 2007: From Routes to Network
13/11	15	New tonnage taxation scheme in Norway
29/11	16	Quarterly Report for Q3 2007
13/12	17	DFDS introduces new management structure
19/12	18	DFDS sells chartered passenger vessel
20/12	19	Financial calendar 2008

\* Statements about trading subject to compulsory reporting are not included in this list

**Price trend 2007/2008**  
(DKK)



**Share-related key data**

	2003	2004	2005	2006	2007
Earnings per share, DKK	15	22	24	46	52
Dividend per share, DKK	5	7	7.5	11	15
Dividend payout ratio, %	34	32	32	25	30
Dividend yield, %	2.7	2.5	2.0	1.6	1.9
P/E ratio, times	13	13	16	15	15
Equity per share, DKK	316	318	350	394	441
Price/book value, times	0.58	0.90	1.09	1.73	1.79
<b>Share price, DKK:</b>					
Price at year-end	185	285	382	680	790
Price high	201	285	465	698	950
Price low	143	185	282	360	692
Market value, DKK mill.	1,476	2,280	3,056	5,440	6,320
No. of shares at year-end, mill.	8.0	8.0	8.0	8.0	8.0

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**Shareholders, year-end 2007**

**% of share capital**

Vesterhavet A/S	56.0
Clipper Group	7.8
Other institutional and financial investors	11.4
Other registered shareholders	10.8
Own shares	4.2
Non-registered shareholders	9.8
<b>Total</b>	<b>100.0</b>

## General and special operational risks

Risk management is an integral part of the management of DFDS, where risks and opportunities are weighed up on a regular basis. At the end of each half-year, an overview of significant risks are submitted to the Board of Directors.

## Macro-economic and market risks

The market for the sea transport of freight and passengers is influenced by general economic trends. In the short term, demand in the passenger market is judged to be more sensitive to economic changes than the freight market. In order to, amongst other things, counter price and volume risks associated with changing economic trends, approximately half of the freight fleet is chartered, which enables redelivery of tonnage at short notice. In addition, activities have some geographic diversification across North Europe.

In addition, the sea transport market is influenced by industry-specific conditions. These include changing markets for alternative forms of transport, such as road, rail and air travel. The latter is primarily important in the passenger sector. Changes also occur in local and regional competition, including the opening of competing routes and capacity expansion on existing routes.

In the freight sector, a significant proportion of the volume on individual routes

can be dependent on a limited number of customers. Risks associated with such customer relationships are hedged partly by entering into longer-term co-operation contracts.

## Risks associated with business development and investments

Such risks are derived from DFDS' growth strategy, which includes organic growth (e.g. acquisition of tonnage) and growth through company and activity acquisitions. The most important risks associated with organic growth are related to capacity expansion on the existing route network when deploying new or larger tonnage. Company and activity acquisitions involve significant risks that increase in line with the size of the investment and the complexity of the subsequent integration process.

Risks associated with all forms of business development are managed by in-depth planning and decision-making processes based on internal policies and investment guidelines.

## The market for tonnage

DFDS mainly charters freight tonnage, which involves risks associated with price trends and the supply of tonnage to fulfil DFDS' needs. In addition, there are risks associated with price trends and lead time involved in ordering newbuildings.

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





older tonnage may result in gains or losses that are not included in annual profit forecasts.

### Security and environment risks

DFDS' activities use freight and passenger ships, terminals and associated machinery and equipment, which involves the usual operational risks. These risks are managed and minimised partly through compliance with safety requirements and routines, as well as preventative work, and partly through insurance against risk.

Environmental and safety measures are implemented based on DFDS' environmental and safety policies, as well as official regulations and customer demand. A gradual intensification of such demands can lead to increased costs. The Group is insured against environmental risks as far as possible. DFDS also provides input during the consultative stages of the legislative procedure through its membership of industry organisations.

### Political and legal risks

Political decisions may alter the legal framework for DFDS' activities, with potentially negative consequences. At present, the main long-term risk is deemed to be the discontinuation of duty-free sales in Norway, which is not expected before 2010 at the earliest.

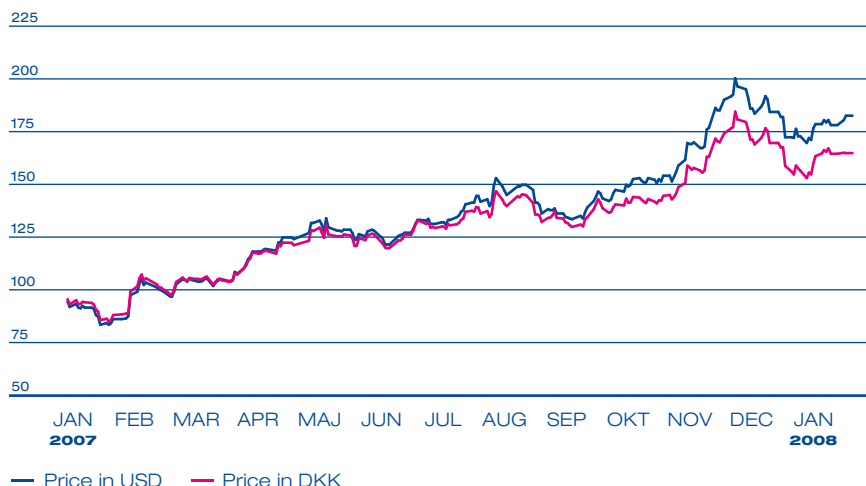
### Oil risks

Bunker costs constitute a separate and significant operational risk, partly as a result of historically significant price fluctuations, and partly as a result of total annual bunker costs of approximately DKK 1 billion corresponding to 12% of Group turnover in 2007.

Bunker costs of the freight activities are hedged to a large extent by the inclusion of price-adjustment agreements in freight contracts. In the passenger sector, changes in bunker costs are included in the ticket price to the extent that market conditions will allow. In addition, hedging transactions, primarily in the form of oil swaps, are also used.

Bunker consumption of approximately 500,000 tons is expected in 2008, which is on a par with 2007. Approximately 20% of this consumption is not hedged by price-adjustment agreements. This corresponds to a potential impact in financial results of approximately DKK 2.2 million in the event of a 1% price change compared to the price level at the end of 2007, which was approximately USD 455 per ton.

**Indexed oil price development in USD and DKK, 2007**  
(Index)



### Financial risks

DFDS' most significant financial risks stem from currency and interest-rate risks. These risks are managed by DFDS' central finance department, in accordance with policies adopted by the Board of Directors.

### Currency risks

Approximately 80% of Group turnover is invoiced in foreign currencies. The most important net income currencies are SEK, NOK, EUR and GBP, while USD is the most important net expense currency related to the purchase of bunkers.

DFDS actively seeks to reduce currency exposure by matching the currencies for assets and liabilities, and by taking out futures contracts, options and swaps

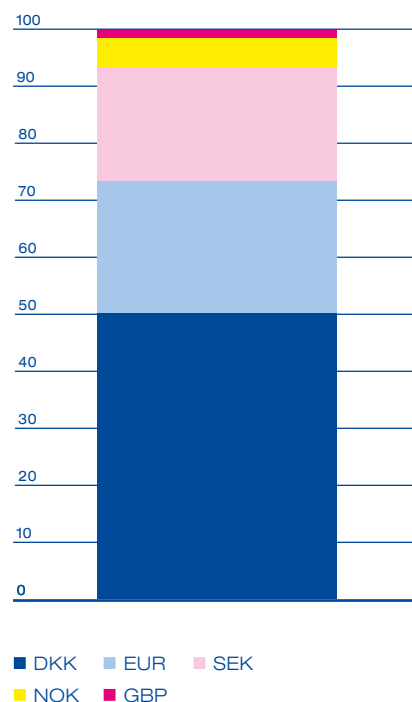
For 2008, around 39% of the expected currency cash flow in NOK has been hedged, as well as around 33% of the exposure in USD. Cash flow in other currencies has not been hedged in 2008. Hedging is evaluated and adjusted on an ongoing basis.

### Interest-rate risks

DFDS' interest-rate risks derive mainly from interest-bearing debt. The loan portfolio at the end of 2007 amounted to DKK 4.4 billion, and the average loan period was approximately 5.2 years. Around DKK 2.2 billion of the loan portfolio is in foreign currencies, mainly EUR, SEK and NOK.

DFDS' policy for managing interest-rate exposure prescribes that a minimum of 50% of the loan portfolio should be fixed-interest including interest-rate swaps. This proportion of the loan portfolio was 56% including interest-rate swaps at the end of

**Loan portfolio currency distribution (%)**



2007, and this level is expected to be maintained during 2008.

A 1%-point rise in interest rates compared to the level in February 2008 would entail an extra cost of around DKK 20 million in 2008.

For further information about the management of financial risks, including credit and liquidity risks, please refer to note 25 on page 78.

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FINANCIAL  
STATEMENTS  
2007



**Business structure**

DFDS' activities are organised in five business areas, three of which – Ro-Ro Shipping, Container Shipping and Passenger Shipping – are responsible for a variety of activities in the route network. The last two business areas – Terminal Services and Trailer Services – support the activities by providing port terminal and transport services.

**Revenue**

Revenue rose by 10% to DKK 8,310 million in 2007. Approximately 60% of the rise was due to the full-year effect of the takeover in Q4 2006 of DFDS Container Line, which is now part of the Container Shipping business area. Ro-Ro Shipping's higher revenue was a result of increased volumes on several routes in both the North Sea and the Baltic Sea, as well as a broadly based rise in sea freight per unit. The increase in Passenger Shipping was primarily related to an expansion of the capacity on two North Sea routes.

The flat trend in revenue for Terminal Services primarily reflects lower volumes on some own freight routes, while revenue from third-party customers increased at several terminals. Trailer Services' higher revenue was due in particular to the increased flow of goods between Sweden and the Continent.

It is expected that the Tramp business area will be sold in 2008, and it is not therefore included in the revenue and profit forecast for 2008.

**Costs and EBITDA**

The cost structure as a whole was stable compared with 2006. Bunker costs accounted for 12.5% of revenue in both 2007 and 2006, while smaller reductions were achieved in the cost ratios for staff, sales and administration in 2007 due to improved efficiency and economies of scale. Against this background, the EBIT-

DA margin in 2007 improved by 0.7 percentage point to 15.8%.

Operating profit before depreciation (EBITDA) rose by 16% to DKK 1,316 million on the basis of progress in all business areas, except for a minor increase in the cost of non-allocated items.

Ro-Ro Shipping's financial performance improved by 13% due to higher freight rates and higher capacity utilisation on several routes in both the North Sea and the Baltic Sea, which led to a combined increase in earnings per transported unit. Approximately half of Container Shipping's improved financial performance was due to the full-year effect of the acquisition in 2007 of DFDS Container Line. However, results from DFDS Container Line were a good deal lower than expected, partly as a result of operational disturbances related to the installation of new business systems.

Passenger Shipping's improvement in financial performance was lower than expected in 2007 as a result of lower activity levels on a new route and costs associated with technical problems on two passenger ships purchased in 2006. In addition, more expensive wage agreements and rising oil and raw material processing costs also had a negative impact.

Trailer Services achieved the biggest improvement in financial performance in 2007, following restructuring and the closure of loss-making activities, as well as an increased focus on margins. Financial performance for Terminal Services in 2007 was characterised by the negative full-year effect of the extension of the port terminal in Immingham. Efficiency programmes contributed to achieve improved performance for the other terminals.

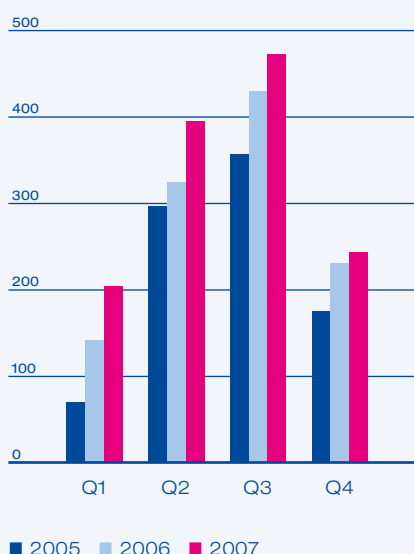
**Profit/loss on sale of assets**

The profit on the sale of ships, property and terminals in 2007 was DKK 33 mil-





### DFDS Group – EBITDA per quarter (DKK mill.)



### Revenue per business area

DKK million	2006	2007	%-change
Ro-Ro Shipping	3.471	3.680	6
Container Shipping	1.293	1.642	27
Passenger Shipping	1.838	1.932	5
Terminal Services	706	703	0
Trailer Services	918	986	7
Tramp (non-continuing)	117	106	-10
Eliminations	-819	-739	n.a.
<b>DFDS Group total</b>	<b>7.524</b>	<b>8.310</b>	<b>10</b>

### Operating profit before depreciations (EBITDA) per business area

DKK million	2006	2007	%-change
Ro-Ro Shipping	794	896	13
Container Shipping	128	151	18
Passenger Shipping	242	249	3
Terminal Services	12	15	24
Trailer Services	15	57	267
Tramp (non-continuing)	-4	9	-301
Non-allocated items	-50	-61	n.a.
<b>DFDS Group total</b>	<b>1,137</b>	<b>1,316</b>	<b>16</b>

### Revenue and invested capital (DKK mill.) (Times)



lion, of which the profit from the sale of an older passenger ship in December 2007 was DKK 35 million.

### Depreciation and write-downs

Total depreciation and write-downs rose by 5%, or DKK 31 million, to DKK 596 million.

The full-year effect of depreciation stemming from the acquisition of companies and activities accounted for approximately half

of this rise. The other half stems from higher ship depreciation as a result of the full-year effect of additions and reductions to tonnage throughout 2006. However, changes in 2007 reduced this rise by a total of DKK 32 million, due to adjustment of the depreciation on two passenger ships. The changes were triggered by a higher market value, and thereby scrap value, for the ships.

### EBIT

Operating profit (EBIT) rose hereafter by 27% to DKK 754 million, and the EBIT margin rose to 9.1% from 7.9% in 2006.

### Net financing

The net cost of financing was DKK 226 million, a rise of 17% or DKK 33 million compared to 2006. The majority of the rise can be attributed to a DKK 27 million reduction in income from net price adjustments, primarily caused by fluctuating exchange rates. In addition, net-interest expenses rose by DKK 9 million as a result of higher interest rates. The average net-interest-bearing debt was on a par with 2006.

### Tax and annual profit

The pre-tax profit was DKK 526 million, corresponding to a rise of 31%.

The activities of the DFDS Group are covered by tonnage tax schemes in Denmark and Norway. The tax on profits was DKK 114 million, DKK 84 million of which relates to adjustment of previous years' taxes. This latter amount incorporates payable tax of DKK 81 million (present

value) related to the transition to the new Norwegian tonnage tax scheme, which was introduced at the end of 2007.

However, transitional rules for the new scheme include the taxation of previously untaxed net capital accumulated under the existing system for shipping companies. For DFDS, the adopted legislation implies a tax cost of DKK 81 million (present value) in the annual accounts 2007. One-third of the cost is earmarked for an environmental fund. The latter amount must be invested in environmental improvements by latest 2016, otherwise the amount becomes a tax cost.

The tax cost excluding the contribution to the environmental fund is to be paid in equal amounts over the next 10 years. However, the annual cash flow effect is expected to be lower, as the new scheme is expected to reduce the amount of tax payable by DFDS in Norway. The tax cost corresponds to the present value of the payments.

In 2007 a new Danish tax scheme was passed concerning amongst other things deduction of interest cost. The new rules had no material effect on DFDS' tax cost in 2007.

Adjusted for items from previous years, the tax rate was 6% in 2007.

The annual net profit was hereafter DKK 412 million.

### Investments

Investments in 2007 amounted to DKK 254 million, and the sale of assets totalled

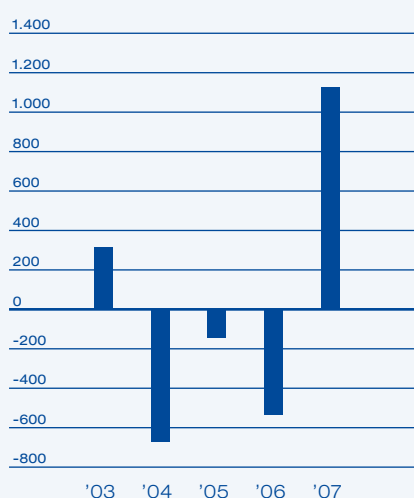
## 2006

## 2007

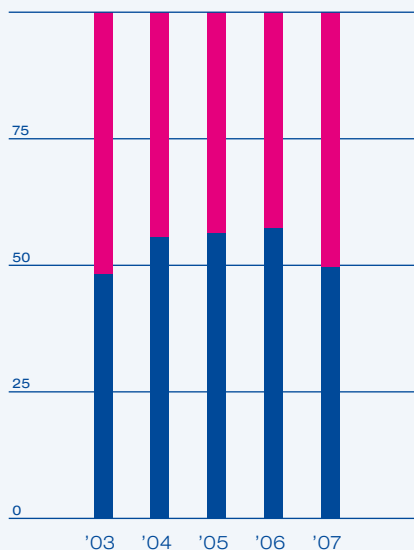
DKK mill.	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Revenue	1,591	1,859	2,020	2,054	7,524	1,880	2,104	2,263	2,063	8,310
Operating profit before depreciation (EBITDA)	144	327	433	233	1,137	204	396	472	244	1,316
Sale of assets	18	0	11	4	33	-2	0	0	35	33
Depreciation	-127	-140	-143	-165	-575	-156	-145	-151	-143	-595
Operating profit (EBIT)	35	187	301	72	595	46	251	321	136	754
Operating profit margin (EBIT), %	2.2	10.1	14.9	3.5	7.9	2.4	11.9	14.2	6.6	9.1
Profit before tax	-13	145	247	23	402	-13	194	266	79	526
Invested capital, average	7,349	7,786	7,995	8,094	7,796	8,223	8,133	8,101	7,989	8,107
Return on invested capital (ROIC) p.a., %	1.9	9.1	14.5	2.1	7.0	2.3	10.8	15.1	6.3	8.6

Quarterly figures in 2006 and 2007 are not audited.

### Free cash flow (DKK mill.)



### Capital structure (%-share of capital)



■ Net interest-bearing debt  
■ Equity and deferred tax

DKK 103 million. Annual net investment was therefore DKK 151 million.

Total investment in vessels was DKK 147 million, which was primarily related dockings. In addition, DKK 44 million was invested in cargo equipment and units, as well as DKK 15 million in property and terminals related to expansion of warehouses in port terminals.

The proceeds from the sale of a passenger ship was DKK 103 million.

### Assets and invested capital

Total assets fell by 4% to DKK 9.6 billion. This reduction reflects that depreciation of vessels exceeded the net investment in vessels by more than DKK 400 million.

The average invested capital rose by 4% to DKK 8.1 billion. The rate of turnover for the average invested capital rose to 1.03, compared to 0.97 in 2006. This improvement reflects, amongst other things, higher revenues per transported unit and the full-year effect from the acquisition of DFDS Container Line. The rate of turnover of this company is higher than the Group's, as the company only employs chartered tonnage.

The return on invested capital was 8.6%, an increase of 1.6 percentage points compared with 2006.

### Net financing and capital structure

Interest-bearing debt was reduced by 13% to DKK 4.4 billion at the end of 2007. The main reduction was in debt secured on vessels. The proportion of fixed-interest debt at the end of 2007 was 56% including interest-rate swaps.

Net-interest-bearing debt was reduced by 18% to DKK 3.8 billion at the end of 2007. Taken as an average, the net-interest-bearing debt was DKK 4.2 billion in 2007, which was on a par with 2006.

### Cash flow

Gross cash flow from operating activities rose by 8% to DKK 1.28 billion. This

increase was due to growth in EBITDA, while funds tied up in working capital increased somewhat.

As a result of the low level of investment, free cash flow from operations, calculated before interest and after investments, was positive by DKK 1.13 billion.

The free cash flow was used, amongst other things, to pay interest expenses of DKK 227 million, reduce debt by DKK 662 million and pay a dividend of DKK 85 million.

### Valuation of ships

An annual depreciation test is conducted on the Group's vessels, based on expected future net cash flow and broker valuations. The tests for 2007 imply no write-down. The tests are described in greater detail in note 36.

As in 2006, demand for ro-ro-freight ships and ro-pax vessels was high. The market value of DFDS' fleet, based on broker valuations, was somewhat higher at the end of 2007 than the accounting value, which was DKK 6.4 billion.

### Equity

Equity rose by 12% in 2007 to DKK 3,653 million.

The overall change in capital and reserves was DKK 388 million in 2007, of which a profit of DKK 412 million was carried over. In addition, positive price adjustments, primarily from hedging transactions, amounted to DKK 43 million. The setting off of the DKK 85 million dividend for 2007 was calculated excluding the dividend on shares owned by the company.

The equity ratio at the end of the year was 38%, a rise of five percentage points compared to 2006.

### Financial performance of the parent company

The annual profit for the parent company, DFDS A/S, was DKK 299 million. Total assets at the end of the year amounted to DKK 7,868 million, and equity was DKK 3,605 million.

# INCOME STATEMENT

Parent Company  
DKK '000

Consolidated  
DKK '000

2006	2007	Note	Income statement	2006	2007
4,859,366	5,214,122	2,3	Revenue	7,523,840	8,310,249
			<i>Costs</i>		
-2,442,681	-2,642,114	4	Operating costs	-4,006,575	-4,434,730
-648,395	-681,161		Charter hire	-533,138	-593,167
-599,601	-674,790	5	Staff costs	-1,397,665	-1,529,088
-491,443	-492,193	6	Other costs of operation, sales and administration	-449,119	-437,681
<b>-4,182,120</b>	<b>-4,490,258</b>		<i>Total costs</i>	<b>-6,386,497</b>	<b>-6,994,666</b>
<b>677,246</b>	<b>723,864</b>		<b>Operating profit before depreciation (EBITDA)</b>	<b>1,137,343</b>	<b>1,315,583</b>
63,567	35,045		Profit on disposal of ships, buildings and terminals	33,339	32,537
		10,11	<i>Depreciation and impairment</i>		
-262,466	-274,212		Depreciation, ships	-442,565	-451,853
-38,149	-42,757		Depreciation, other non-current fixed assets	-114,508	-143,942
0	0		Impairment losses for ships and other non-current assets	-8,177	0
0	0		Value adjustment of goodwill/negative goodwill	-9,682	1,973
<b>-300,615</b>	<b>-316,969</b>		<i>Total depreciation and impairment</i>	<b>-574,932</b>	<b>-593,822</b>
<b>440,198</b>	<b>441,940</b>		<b>Operating profit (EBIT)</b>	<b>595,750</b>	<b>754,298</b>
-	-	13	Share of profit/loss of associates	-517	-2,226
100,442	74,702	7	Financial income	43,139	26,807
-195,967	-217,544	7	Financial expenses	-235,952	-253,085
<b>344,673</b>	<b>299,098</b>		<b>Profit before tax</b>	<b>402,420</b>	<b>525,794</b>
2,213	0	8	Tax on profit	-38,892	-114,097
<b>346,886</b>	<b>299,098</b>		<b>Profit for the year</b>	<b>363,528</b>	<b>411,697</b>
			<b>Profit for the year is attributed to</b>		
346,886	299,098		Equity holders of DFDS A/S	352,189	400,393
-	-		Minority interest	11,339	11,304
346,886	299,098			363,528	411,697
		9	<b>Earnings per share</b>		
			Basic earnings per share (EPS) of DKK 100	46.33	52.39
			Diluted earnings per share (EPS-D) of DKK 100	46.05	52.01
			<b>Proposed profit appropriation</b>		
88,000	120,000		Proposed dividends, DKK 15.00 per share (2006: 11.00 per share)		
258,886	179,098		Retained earnings		
<b>346,886</b>	<b>299,098</b>				

# BALANCE SHEET – ASSETS

Parent Company  
DKK '000

Consolidated  
DKK '000

2006	2007	Note	Balance sheet at 31 December	2006	2007
275,188	272,687		Goodwill	298,595	327,397
38,187	26,264		Other non-current intangible assets	151,804	111,448
41,756	36,084		Software	41,756	36,084
1,117	9,575		Development projects in progress	1,117	9,575
<b>356,248</b>	<b>344,610</b>	<b>10</b>	<b>Total non-current intangible assets</b>	<b>493,272</b>	<b>484,504</b>
10,638	10,221		Buildings	71,428	76,520
30,274	28,169		Terminals	380,156	348,138
4,083,146	3,845,730		Ships	6,967,599	6,404,565
69,008	69,792		Equipment, etc.	325,111	299,438
5,208	24,170		Work in progress and prepayments	11,705	27,399
<b>4,198,274</b>	<b>3,978,082</b>	<b>11</b>	<b>Total non-current tangible assets</b>	<b>7,755,999</b>	<b>7,156,060</b>
1,613,603	1,646,439	12	Investments in group enterprises	-	-
7,333	7,333	13	Investments in associates	10,227	11,391
616,442	556,513	14	Receivables	2,981	3,029
25,023	24,488	15	Securities	25,138	25,808
0	0	18	Deferred tax assets	84,425	75,174
<b>2,262,401</b>	<b>2,234,773</b>		<b>Total other non-current assets</b>	<b>122,771</b>	<b>115,402</b>
<b>6,816,923</b>	<b>6,557,465</b>		<b>Total non-current assets</b>	<b>8,372,042</b>	<b>7,755,966</b>
64,993	79,581	16	Inventories	79,394	96,188
1,039,275	1,062,788	14	Receivables	1,018,343	1,023,698
69,493	27,533		Prepayments	150,096	98,146
30,583	140,952		Cash at bank and in hand	371,367	494,279
<b>1,204,344</b>	<b>1,310,854</b>			<b>1,619,200</b>	<b>1,712,311</b>
0	0	11,32	Assets held for sale	0	141,796
<b>1,204,344</b>	<b>1,310,854</b>		<b>Total current assets</b>	<b>1,619,200</b>	<b>1,854,107</b>
<b>8,021,267</b>	<b>7,868,319</b>		<b>Total assets</b>	<b>9,991,242</b>	<b>9,610,073</b>



# BALANCE SHEET – EQUITY AND LIABILITIES

Parent Company  
DKK '000

Consolidated  
DKK '000

2006	2007	Note	Balance sheet at 31 December	2006	2007
800,000	800,000	17	Share capital	800,000	800,000
-114,832	-50,149		Reserves	-101,881	-53,483
2,540,232	2,740,294		Retained earnings	2,372,012	2,676,252
83,698	114,917		Proposed dividends	83,698	114,917
3,309,098	3,605,062		<i>Total equity attributable to equity holders of DFDS AVS</i>	3,153,829	3,537,686
-	-		Minority interests	111,422	115,660
<b>3,309,098</b>	<b>3,605,062</b>		<b>Total equity</b>	<b>3,265,251</b>	<b>3,653,346</b>
3,209,543	2,755,749	22	Interest bearing liabilities	4,287,855	3,644,775
0	0	18	Deferred tax	212,088	222,428
16,040	14,669	20	Pension and jubilee liabilities	239,359	226,723
0	0	21	Other provisions	0	1,125
3,225,583	2,770,418		<i>Total non-current liabilities</i>	4,739,302	4,095,051
912,040	959,951	22	Interest bearing liabilities	716,872	707,650
126,745	160,947		Trade payables	408,464	411,484
2,610	2,610	21	Other provisions	11,247	25,168
0	0	24	Corporation tax	23,215	22,516
386,333	339,894	23	Other payables	646,576	567,172
58,858	29,437		Deferred income	180,315	120,296
1,486,586	1,492,839			1,986,689	1,854,286
0	0	32	Liabilities related to assets held for sale	0	7,390
1,486,586	1,492,839		<i>Total current liabilities</i>	1,986,689	1,861,676
<b>4,712,169</b>	<b>4,263,257</b>		<b>Total liabilities</b>	<b>6,725,991</b>	<b>5,956,727</b>
<b>8,021,267</b>	<b>7,868,319</b>		<b>Total equity and liabilities</b>	<b>9,991,242</b>	<b>9,610,073</b>

Guarantees pledged as surety, etc., see Note 11 and 22

Share-based payment, see Note 19

Guarantees and contingent liabilities, etc., see Note 33

Contractual commitments, etc., see Note 25 and 34

Related parties, see Note 35

Impairment tests, see Note 36

Critical accounting estimates and judgements, see Note 37

Events after the balance sheet date, see Note 38

# STATEMENT OF CHANGES IN EQUITY – CONSOLIDATED

DKK '000	Reserves						Proposed dividends	Total equity attributable to equity holders of DFDS A/S	Minority interests	Total
	Share capital	Currency translation	Hedging	Revaluation of securities	Treasury shares	Retained earnings				
<b>Equity at 1 January 2006</b>	<b>800,000</b>	<b>7,043</b>	<b>-129,397</b>	<b>14,222</b>	<b>-41,489</b>	<b>2,094,964</b>	<b>56,888</b>	<b>2,802,231</b>	<b>101,455</b>	<b>2,903,686</b>
<b>Equity movements 2006</b>										
Foreign exchange adjustment relating to foreign companies' beginning equity and goodwill		10,774						10,774	-98	10,676
Effect of difference between year-end and average rates on profit		-1,751						-1,751	-28	-1,779
Value adjustment of hedging instruments			-18,627					-18,627	479	-18,148
Value adjustment of hedging instruments transferred to revenue				-1,173				-1,173		-1,173
Value adjustment of hedging instruments transferred to operating expenses				10,769				10,769		10,769
Value adjustment of hedging instruments transferred to financial expenses			49,444					49,444		49,444
Tax of equity movements			-2,353					-2,353		-2,353
Value adjustment of securities				-363				-363		-363
Value adjustment of securities from sale transferred to the income statement				-1,357				-1,357		-1,357
Net income/(expense) recognised directly in equity	0	9,023	38,060	1,720	0	0	0	45,363	353	45,716
Profit for the year						264,189	88,000	352,189	11,339	363,528
Total recognised income	0	9,023	38,060	-1,720	0	264,189	88,000	397,552	11,692	409,244
Distributed dividends							-57,035	-57,035	0	-57,035
Adjustments of distributed dividends 2005						-147	147	0		0
Dividends treasury shares						4,302	-4,302	0		0
Addition of minority interests								0	80	80
Disposal of minority interests								0	-1,802	-1,802
Vested re. share-based payment						2,852		2,852		2,852
Sale of treasury shares related to exercise of share options					2,377	1,485		3,862		3,862
Exercise of cash-settled share options						6,620		6,620		6,620
Other adjustments						-2,253		-2,253	-3	-2,256
<b>Equity movements 2006</b>	<b>0</b>	<b>9,023</b>	<b>38,060</b>	<b>-1,720</b>	<b>2,377</b>	<b>277,048</b>	<b>26,810</b>	<b>351,598</b>	<b>9,967</b>	<b>361,565</b>
<b>Equity at 31 December 2006</b>	<b>800,000</b>	<b>16,066</b>	<b>-91,337</b>	<b>12,502</b>	<b>-39,112</b>	<b>2,372,012</b>	<b>83,698</b>	<b>3,153,829</b>	<b>111,422</b>	<b>3,265,251</b>

# STATEMENT OF CHANGES IN EQUITY – CONSOLIDATED

DKK '000	Reserves								Total	
	Share capital	Currency translation	Hedging	Revaluation of securities	Treasury shares	Retained earnings	Proposed dividends	Total equity attributable to equity holders of DFDS A/S		Minority interests
<b>Equity at 1 January 2007</b>	<b>800,000</b>	<b>16,066</b>	<b>-91,337</b>	<b>12,502</b>	<b>-39,112</b>	<b>2,372,012</b>	<b>83,698</b>	<b>3,153,829</b>	<b>111,422</b>	<b>3,265,251</b>
<b>Equity movements 2007</b>										
Foreign exchange adjustment relating to foreign companies' beginning equity and goodwill		-20,911						-20,911	80	-20,831
Effect of difference between year-end and average rates on profit		749						749	12	761
Value adjustment of hedging instruments			-3,151					-3,151	135	-3,016
Value adjustment of hedging instruments transferred to revenue			-2,649					-2,649		-2,649
Value adjustment of hedging instruments transferred to operating expenses			54,376					54,376		54,376
Value adjustment of hedging instruments transferred to financial expenses			15,453					15,453		15,453
Tax of equity movements			24					24		24
Value adjustment of securities				-712				-712		-712
Value adjustment of securities from sale transferred to the income statement				-4				-4		-4
Net income/(expense) recognised directly in equity	0	-20,162	64,053	-716	0	0	0	43,175	227	43,402
Profit for the year						280,393	120,000	400,393	11,304	411,697
Total recognised income	0	-20,162	64,053	-716	0	280,393	120,000	443,568	11,531	455,099
Distributed dividends							-84,055	-84,055	-954	-85,009
Adjustments of distributed dividends 2006						-357	357	0		0
Dividends treasury shares						5,083	-5,083	0		0
Disposal of minority interests								0	-6,338	-6,338
Vested re. share-based payment						10,525		10,525		10,525
Sale of treasury shares related to exercise of share options					5,223	8,390		13,613		13,613
Exercise of cash-settled share options						1,031		1,031		1,031
Other adjustments						-825		-825	-1	-826
<b>Equity movements 2007</b>	<b>0</b>	<b>-20,162</b>	<b>64,053</b>	<b>-716</b>	<b>5,223</b>	<b>304,240</b>	<b>31,219</b>	<b>383,857</b>	<b>4,238</b>	<b>388,095</b>
<b>Equity at 31 December 2007</b>	<b>800,000</b>	<b>-4,096</b>	<b>-27,284</b>	<b>11,786</b>	<b>-33,889</b>	<b>2,676,252</b>	<b>114,917</b>	<b>3,537,686</b>	<b>115,660</b>	<b>3,653,346</b>

# STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY

DKK '000	Reserves						Total
	Share capital	Hedging	Revaluation of securities	Treasury shares	Retained earnings	Proposed dividends	
<b>Equity at 1 January 2006</b>	<b>800,000</b>	<b>-112,166</b>	<b>14,278</b>	<b>-41,489</b>	<b>2,262,924</b>	<b>56,888</b>	<b>2,980,435</b>
<b>Equity movements 2006</b>							
Foreign exchange adjustment relating to goodwill					3,410		3,410
Value adjustment of hedging instruments transferred to revenue		-2,846					-2,846
Value adjustment of hedging instruments transferred to operating expenses		12,964					12,964
Value adjustment of hedging instruments transferred to financial expenses		39,449					39,449
Value adjustment of hedging instruments		-24,648					-24,648
Tax of equity movements		-1,031					-1,031
Value adjustment of securities			-363				-363
Value adjustment of securities from sale transferred to the income statement			-1,357				-1,357
Other adjustments					-100		-100
Net income/(expense) recognised directly in equity	0	23,888	-1,720	0	3,310	0	25,478
Profit for the year					258,886	88,000	346,886
Total recognised income	0	23,888	-1,720	0	262,196	88,000	372,364
Distributed dividends						-57,035	-57,035
Adjustments of distributed dividends 2005					-147	147	0
Dividends treasury shares					4,302	-4,302	0
Vested re. share-based payment					2,852		2,852
Sale of treasury shares related to exercise of share options				2,377	1,485		3,862
Exercise of cash-settled share options					6,620		6,620
<b>Equity movements 2006</b>	<b>0</b>	<b>23,888</b>	<b>-1,720</b>	<b>2,377</b>	<b>277,308</b>	<b>26,810</b>	<b>328,663</b>
<b>Equity at 31 December 2006</b>	<b>800,000</b>	<b>-88,278</b>	<b>12,558</b>	<b>-39,112</b>	<b>2,540,232</b>	<b>83,698</b>	<b>3,309,098</b>
<b>Equity movements 2007</b>							
Foreign exchange adjustment relating to goodwill					-3,703		-3,703
Value adjustment of hedging instruments transferred to revenue		-2,552					-2,552
Value adjustment of hedging instruments transferred to operating expenses		54,376					54,376
Value adjustment of hedging instruments transferred to financial expenses		14,145					14,145
Value adjustment of hedging instruments		-5,793					-5,793
Tax of equity movements		0					0
Value adjustment of securities			-712				-712
Value adjustment of securities from sale transferred to the income statement			-4				-4
Other adjustments					-5		-5
Net income/(expense) recognised directly in equity	0	60,176	-716	0	-3,708	0	55,752
Profit for the year					179,098	120,000	299,098
Total recognised income	0	60,176	-716	0	175,390	120,000	354,850
Distributed dividends						-84,055	-84,055
Adjustments of distributed dividends 2006					-357	357	0
Dividends treasury shares					5,083	-5,083	0
Vested re. share-based payment					10,525		10,525
Sale of treasury shares related to exercise of share options				5,223	8,390		13,613
Exercise of cash-settled share options					1,031		1,031
<b>Equity movements 2007</b>	<b>0</b>	<b>60,176</b>	<b>-716</b>	<b>5,223</b>	<b>200,062</b>	<b>31,219</b>	<b>295,964</b>
<b>Equity at 31 December 2007</b>	<b>800,000</b>	<b>-28,102</b>	<b>11,842</b>	<b>-33,889</b>	<b>2,740,294</b>	<b>114,917</b>	<b>3,605,062</b>

The Company's share capital, which is not divided into different classes of shares, is divided into 8,000,000 shares of DKK 100 each. The share capital has been unchanged the last 5 years.



# CASH FLOW STATEMENT

Parent Company  
DKK '000

Consolidated  
DKK '000

2006	2007	Note	Cash flow statement	2006	2007
<b>677,246</b>	<b>723,864</b>		<b>Operating profit before depreciation (EBITDA)</b>	<b>1,137,343</b>	<b>1,315,583</b>
1,415	16,082	26	Adjustments for non-liquid operating items, etc.	-3,905	26,351
149,945	61,437	27	Change in working capital	70,234	-47,699
-3,626	-1,519		Payment of pension liabilities and other provisions	-10,589	-10,409
<b>824,980</b>	<b>799,864</b>		<b>Cash flow from operating activities, gross</b>	<b>1,193,083</b>	<b>1,283,826</b>
79,969	96,329		Interest income	48,731	50,919
-181,908	-252,987		Interest expenses	-231,388	-274,350
3,487	0		Taxes paid	-26,306	-19,575
<b>726,528</b>	<b>643,206</b>		<b>Cash flow from operating activities, net</b>	<b>984,120</b>	<b>1,040,820</b>
-1,045,177	-119,909		Purchase of ships	-1,445,409	-146,882
655,092	101,504		Disposal of ships and ship contracts	224,022	102,912
601	-2,032	28	Buildings and terminals	-100,556	-14,955
-11,441	-18,486	28	Equipment, etc.	-56,688	-44,377
-13,327	-14,552		Purchase of non-current intangible assets	-13,945	-14,451
-306,251	-22,587	30	Acquisition of companies and activities	-298,104	-22,587
-91,783	-23,093		Capital increase in subsidiaries	-	-
-645	-1,626	31	Acquisition of minority interests	-1,020	-12,643
3,993	2,500	7	Dividends from group enterprises	-	-
1,250	1,194	7	Dividends from associates	1,567	2,503
-7,333	0	13	Investments in associates	-8,028	-313
<b>-815,021</b>	<b>-97,087</b>		<b>Cash flow from investing activities</b>	<b>-1,698,161</b>	<b>-150,793</b>
823,206	0		Proceeds from loans secured by mortgages in ships	1,220,753	0
-302,403	-388,255		Payment and redemptions of loans secured by mortgages in ships	-424,646	-543,885
-462,235	12,103		Change in other non-current investments	30,035	4,658
283,320	-70,570	29	Change in other financial loans, net	250,953	-79,609
-2,942	-7,873		Payment of financial lease liabilities	-41,301	-39,344
-171,663	89,975		Change in operating credits	-141,247	-38,530
-554	12,925		Exercise of share options	-554	12,925
-57,035	-84,055		Dividends paid to shareholders	-57,035	-85,009
<b>109,694</b>	<b>-435,750</b>		<b>Cash flow from financing activities</b>	<b>836,958</b>	<b>-768,794</b>
<b>21,201</b>	<b>110,369</b>		<b>Cash flow for the year</b>	<b>122,917</b>	<b>121,233</b>
9,382	30,583		Cash at bank and in hand at the beginning of the year	249,569	371,367
0	0		Foreign exchange adjustments	-1,119	1,679
<b>30,583</b>	<b>140,952</b>		<b>Cash at bank and in hand at year-end</b>	<b>371,367</b>	<b>494,279</b>

The above cannot be derived directly from the income statement and the balance sheet.

The annual report has 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. The latter Danish disclosure requirements are laid down in the Danish Executive Order on applying IFRS standards issued pursuant to the Danish Financial Statements Act and the Copenhagen Stock Exchange.

### Basis for preparation

The annual report is presented in Danish Kroner (DKK) rounded off to the nearest 1,000 DKK.

The annual report is prepared according to the historical cost convention with the exception of the following assets and liabilities measured at fair value: derivatives and financial instruments classified as available-for-sale.

Long-term assets and assets held for disposal are measured at the lowest value of the carrying amount before the changed classification or cost market value deducted any selling costs.

The applied accounting policies as described below are used consistently for the financial year as well as for the comparative figures.

### Change of accounting policies and presentation

The accounting policies applied in the preparation of the annual report and the presentation of the annual report are consistent with those of the annual report for 2006 except for the below mentioned:

*Amendment to IAS 1 'Presentation of annual reports – information on capital structure'*  
Implementation of the amendment in IAS 1 has implied that the annual report now also covers disclosure of targets, strategies and procedures for capital management. The implementation has no effect on recognition and measurement.

*IFRS 7 'Financial instruments: Disclosures'*  
The implementation of IFRS 7 has implied that the disclosure of information on financial instruments has increased. The implementation has no effect on recognition and measurement.

*IFRS 8 'Operating segments'*  
The Group has chosen to implement IFRS 8 as from 2007 (a demand as from financial year 2009). The implementation has no effect on recognition and measurement.

### Other amendments

The calculated interest rates relating to the defined pension obligation and expected return on the defined plan assets are re-classified from staff costs to financial costs.

The re-classification is applied on 1 January 2007 and the comparative figures are adjusted accordingly. The Group's staff costs for 2006 are decreased with TDKK 8,394, and the financial costs are similarly increased. The pre-tax profit or loss, EPS, EPS-D, equity and balance sheet total all remain unchanged for 2006. The

re-classification has no effect on the Parent Company in 2006.

The following interpretations (International Financial Reporting Interpretation Committee) are effective as of financial year 2007 but not relevant for the Group:

- IFRIC 7 'Application of translation method in IAS 29: Financial reporting in hyperinflation economies' (1 March 2006)
- IFRIC 8 'Application area for IFRS 2: Share-based compensation' (1 May 2006)
- IFRIC 9 'Re-assessment of embedded derivatives' (1 June 2006)
- IFRIC 10 'Interim financial reporting and impairments' (1 November 2006)

### Effect of new accounting regulation

At the end of 2007 the following standards and interpretations were issued with effective date for annual periods beginning on or after 1 January 2008 or later but have not yet been implemented:

- Amendment to IAS 1 'Presentation of Annual accounts' (1 January 2009)
- Amendments to IFRS 2 'Share-based compensation' (1 January 2009)
- Amendment to IFRS 3 'Business combinations' (1 July 2009)
- IFRIC 11 'IFRS 2: Group and Treasury Share Transactions' (1 March 2007)
- IFRIC 12 'Service Concession Arrangements' (1 January 2008)
- IFRIC 13 'Customer loyalty programmes' (1 July 2008)
- IFRIC 14 'IAS 19 – Asset ceiling for defined pension plan with a minimum requirement to funding' (1 January 2008)

These standards and interpretations are implemented concurrently with becoming effective, but are not expected to have a significant effect on the Financial Statements of DFDS. Currently, only IFRIC 11 is approved by EU.

### Critical accounting policies

DFDS' management estimates that applied accounting policies for consolidated financial statement, non-current intangible assets, ships, operational lease versus financial lease and derivative financial instruments are the most important for the Group. Below are the individual areas described together with other accounting policies.

Significant estimates and judgements 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 statement of DFDS A/S (the Parent Company) and all the companies in which DFDS A/S, at the balance sheet date, directly or indirectly holds more than 50% of the

voting rights or in any other way has a controlling influence (subsidiaries). DFDS A/S and these companies are referred to as the Group.

Companies that are not subsidiaries, but in which the Group holds between 20% and 50% of the voting rights or in some other way exerts significant influence on the operational and financial management, are treated as associates, cf. the Group chart.

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

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

The Group's investments in associates are recognised in the consolidated financial statements at the proportionate share of the associates' net asset value. Unrealised intercompany profits and losses from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

### Minority interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The minority interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the proposed profit appropriation and 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 of are recognised in the consolidated financial statements until the date of disposal. The comparative figures are not adjusted for acquisitions, mergers or disposals.

Acquisitions of enterprises in which the Parent Company will be able to exercise control are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. In case components of the consideration are linked up to future events, these components are included in the cost of acquisition to the extent that the events are probable and the determination of the consideration is reliable. Identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Negative goodwill (badwill) is recognised as income in the income statement at the time of the acquisition.

NOTE 1 CONTINUES ON THE FOLLOWING PAGE >>>

Positive and negative balances from the acquirees might be adjusted until 12 months from the date of the acquisition provided that the initial recognition was preliminary or incorrect. All other adjustments are recognised in the profit and loss account.

Goodwill is allocated at the date of acquisition to the lowest cash-generating unit to which the goodwill within reason is attributable. The allocation of goodwill to cash-generating units is mentioned in Note 10 and 36.

For business combinations achieved in stages, goodwill and negative goodwill are measured at each transaction using the above-described method until control is obtained.

Share of profit or loss is recognised using the acquired ownership at each stage of transaction. For business combinations achieved in stages after control is obtained, goodwill and negative goodwill are measured as the difference between the cost of the additional acquisition and the carrying amount of the acquired net assets.

Gains or losses on subsidiaries and associates disposed of are stated as the difference between the sales amount or disposal costs and the carrying amount of net assets at the date of disposal, including the carrying amount of goodwill, accumulated exchange gains and losses previously recognised in the equity plus anticipated disposal costs.

### Translation of foreign currencies

#### *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Danish kroner (DKK), which is the functional and presentation currency of the Group.

#### *Translation of transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying for cash flow hedges.

Translation differences on non-monetary items are reported as part of the fair value gain or loss.

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

#### *Translation of group companies*

Financial statements of foreign subsidiaries are translated into Danish kroner at the exchange rates at the balance sheet date for assets and liabilities and at average exchange rates for income statement items.

All exchange rate adjustments are recognised in the income statement with the exception of exchange gains and losses arising from:

- The translation of subsidiaries' net assets at the beginning of the year translated at the exchange rates at the balance sheet date.

- Goodwill arising on the acquisition of foreign subsidiaries is considered as an asset belonging to the foreign subsidiaries and translated into Danish kroner at the exchange rates at the balance sheet date.
- The translation of subsidiaries' income statements using average exchange rates whereas balance sheets are translated using the exchange rates at the balance sheet date.
- The translation of long-term intercompany receivables regarded as an addition to net assets in subsidiaries.
- The translation of investments in associates.

The above exchange gains and losses (exchange rate adjustments) are recognised in a separate reserve in the equity. At full or partial realisation of the net investment the exchange rate adjustments are recognised in the profit and loss account.

### Derivative financial instruments

The Group uses forward exchange contracts and currency options to hedge forecasted transactions in foreign currencies. Furthermore, the Group uses interest-rate swaps to hedge the forecasted transactions related to interest transactions.

DFDS applies hedge accounting under the specific rules of IAS 39 to forward exchange contracts, currency options and interest-rate swaps. On initiation of the contract, the Group designates each derivative financial contract that qualifies for hedge accounting as a hedge of specific hedged transactions: either i) a recognised asset or liability (fair value hedge) or ii) a forecasted financial transaction or firm commitment (cash flow hedge).

All contracts are initially recognised at cost and subsequently measured at their fair value at the balance sheet date. The value adjustments on forward exchange contracts, currency options and interest-rate swaps designated as hedges of forecasted transactions (hedging transactions) are recognised directly under equity, if the hedge is effective. The cumulative value adjustment of these contracts is removed from equity and recognised in the income statement in the items where the hedged position is recognised.

Forward exchange contracts and currency swaps hedging recognised assets and liabilities in foreign currencies are measured at fair value at the balance sheet date. Value adjustments are recognised in the income statement under financial income or financial expenses, along with any value adjustments of the hedged asset or liability that is attributable to the hedged risk. Value adjustments of derivative financial instruments that do not qualify for hedge accounting, are recognised in the balance sheet at fair value and value adjustments are recognised on a continuing basis in the income statement.

All fair values are calculated on basis of listed prices or market conformal valuation models.

The accumulated net fair value of derivative financial instruments is presented as other receivables if positive or other liabilities if negative.

### Government grants

Government grants related to funding for investments are offset against the cost of the non-current fixed asset and reduces the depreciation of the assets for which the grants are awarded.

### Rental and lease matters

When contracts for the hire and lease of ships, buildings and operating assets are of an operational nature, rental payments are recognised in the income statement for the period to which they relate. The remaining rental liability and lease obligations under such contracts are disclosed as contingent liabilities.

Assets held under financial leases are recognised in the balance sheet and depreciated in the same way as the Group's other non-current assets.

### Share-based payment

The Group has set up equity-settled and cash-settled share-based compensation plans. Part of the Company's holding of treasury shares is used under the Group's share option plan.

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

Fair value is measured at the grant date for equity-settled plans. Fair value is measured at each balance sheet date and when vested for cash-settled plans. The fair value is recognised as a staff cost over the period in which the options vest with a corresponding increase in equity (equity-settled plans) and other payables (cash settled plans).

The number of share options, expected to be exercised by employees, is estimated in the initial recognition in accordance with the service conditions described in Note 19. Subsequent to initial recognition, the estimate is adjusted on a continuing basis to reflect the actual number of exercised share options.

The fair value of granted share options for equity-settled plans is estimated using the Black-Scholes option-pricing model. Vesting conditions are taken into account when estimating the fair value of the share options.

### Key ratios

Key ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of key ratios "Recommendations and Financial Ratios 2005". The key ratios stated in the survey of consolidated financial highlights are defined on the "definitions and glossary" page.

## Income statement

### Revenue

Revenue from passenger conveyance, sea freight transport and land transport etc. is recognised in the income statement at the time of delivery to the customer, which is the time of transfer of the risk.

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

### Costs

When passenger conveyance, sea freight and land transport etc. are recognised as income, related costs are recognised in the income statement.

### Operating costs related to ships

The operating costs of the ships comprise costs related to catering, ship fuel consumption including hedging and costs for ship maintenance that are not capitalised under non-current tangible assets.

**Chartering**

Chartering comprises costs related to bare-boat and time charter agreements.

**Staff costs**

Wages, salaries, social security 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 employees concerned.

**Other costs of operation, sales and administration**

Other costs of operation, sales and administration comprise operating costs concerning land-based activities, including the lease, rental and maintenance of operating equipment. In addition, costs of sales, marketing and administration are included.

**Profits on disposal of ships, property and terminals**

Profits on disposal of ships, property and terminals are determined as the difference between the selling price or the disposal price and the carrying amount of net assets at the date of disposal including costs in connection with dismissal of staff on the ships and other disposal costs, such as obligations related to harbour dues and lease of terminal area, etc.

**Profit from equity investments in associated companies**

The Group's profit and loss account includes the pro rata share of the profit and loss account in the associated companies after tax and minority interests after elimination of pro rata share of intercompany profit/purchase.

**Financial income and expenses**

Financial income and expenses comprises interest income and expense, realised and unrealised gains and losses on payables and transactions denominated in foreign currencies, realised gains and losses on securities, as well as the amortisation of financial assets and liabilities including financial leasing commitments as well as surcharges and allowances under the tax prepayment scheme (DK). 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 expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

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. In connection with the settlement the companies with a negative taxable income receive a joint taxation contribution from companies that have used 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 considering the payments on account. According to the Danish act of joint taxation, associated companies' own corporation tax liabilities towards the Danish tax authorities are settled concurrently with the payment of the joint taxation contribution to the company that manages the joint taxation.

Deferred tax is measured on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill that is not tax deductible, where temporary differences arise at the date of acquisition without affecting either profit/loss for the year 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 occur.

Deferred tax assets are recognised at the expected value of their utilisation. Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

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 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 consumption 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 of the balance sheet date, or
- Cash or cash equivalent assets that are not restricted in use.

All other assets are defined as non-current assets.

**Non-current intangible and tangible assets**

Generally the following applies unless otherwise specified:

- Non-current intangible and tangible assets are measured at cost less the accumulated amortisation/depreciation and impairment.
- Cost for non-current intangible and tangible assets include the costs of external suppliers, materials and components (only tangible assets), direct wages and salaries.
- Interest paid from the time of payment until the date when the asset is available for use is included in cost. Cost 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 the expected residual value.
- Non-current intangible and tangible assets are amortised/depreciated on a straight-line basis to the estimated residual value over the expected useful life at DFDS.
- Expected useful life at DFDS and residual value are reassessed at least once a year. In estimating the expected useful life for ships it is taken into consideration that DFDS is

continuously spending substantial funds on ongoing maintenance.

- The effect of changes to the amortisation/depreciation period or 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 write-downs. Goodwill is not amortised.

An impairment test is performed annually 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 Note 10 and 36.

**Development projects**

Development projects, 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;
- there is sufficient assurance that future earnings can cover development costs and administrative expenses; and
- the cost can be reliably measured.

The amortisation of capitalised development projects starts after the completion of the development project and is provided on a straight-line basis over the expected useful life, normally 3-5 years, but in certain cases up to 10 years.

**Other non-current intangible assets**

Other non-current intangible assets comprise the value of customer relations or similar identified as a part of acquisitions. Other non-current intangible assets are measured at cost less accumulated amortisations/depreciations and impairment. Depreciation is provided on a straight-line basis over the expected useful life, normally 3-5 years, but in certain cases up to 10 years.

**Ships**

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

- safety measures,
- measures to lengthen the useful life of the ship,
- measures to improve earnings, or
- docking.

Expenses for improvements and maintenance are recognised in the income statement as incurred, including general maintenance work, to the extent the work can be designated as ongoing general maintenance (day-to-day service). Basically, other costs are capitalised.

Docking costs are capitalised and depreciated on a straight-line basis over the period between two dockings. In most cases, the docking interval is two years for passenger ships and 2½ years for freighters and ro-pax ships.

Gains or losses on the disposal of ships are determined as the difference between the selling price less the selling costs and

the carrying amount at the disposal date. Gains or losses on the disposal of ships are recognised as gain/loss on disposal of ships, buildings and terminals.

### Passenger and ro-pax ships

Due to differences in the wear of passenger and ro/pax ship components, the cost of these ships is divided into components with minor wear, such as hulls and engines, and components with hard wear, such as parts of the hotel and catering area.

### Freighters

Cost related to freighters is not divided as the wear of the components for these ships is evenly broken down over the useful lives of the ships.

### Depreciation, expected useful life and residual value

For ships the residual value of components with hard wear is determined as DKK 0.

For passenger and ro/pax ships, components with hard wear are depreciated over 10-15 years. The average depreciation period for component with minor wear is 30 years (passenger ships) and 25 years (ro/pax ships), but varies from 30-31 years from the year in which the ships were built. The depreciation period for freighters is 25 years from the year in which the ships were built.

### Other non-current tangible assets

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

### The expected useful lives are as follows:

Buildings	25-50 years
Terminals etc.	10-40 years
Equipment etc.	4-10 years
Leasehold improvements	are max. amortised over the term of the lease

Gains or losses on the disposal of equipment and leasehold improvements are determined as the difference between the selling price less the disposal costs and the carrying amount at the date of disposal. The gains or losses on cargo equipment as well as on tools and equipment, etc., are recognised in the income statement as operating costs or costs regarding operation, sales and administration.

Gains or losses on the disposal of buildings and terminals are recognised in the income statement as a gain/loss on the disposal of ships, buildings and terminals.

### Assets held under financial leases

Assets held under financial leases are recognised in the balance sheet at the lower of fair value and the present value of the minimum lease payments. The capitalised minimum lease payments are recognised in the balance sheet as a liability and the interest element of the lease payments is recognised in 'financial costs' in the income statement. Assets held under financial leases are depreciated and written-down as the Company's own non-

current assets, however not exceeding the term of the lease.

Profits on sale are deferred and recognised over the lease term for financial lease. For operational leases any profits on sale are recognised in the income statement immediately, if the sales price equals the fair value of the asset. Otherwise, the profits are deferred and amortised over the term of the operational lease.

### Investments in associates (the Group)

Investments in associates are measured in the consolidated annual accounts under the equity method, whereby the investments in the balance sheet are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the accounting policies of the Group with addition of the carrying value of goodwill and after deduction or addition of the proportionate share of the unrealised intra-group profits and losses.

Associates with negative net asset values are measured at DKK 0. If the Group has a legal or actual commitment to cover the associate's deficit, the liability is recognised.

Any receivables from the associates are written down to the extent that the receivables are considered to be irrecoverable.

### 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 of value is recognised through the income statement.
- Available-for-sale: the asset is measured at fair value and change of value is recognised through the equity.
- Loans and receivables: the asset is measured at the amortised cost and the change of value is recognised through the income statement.

### Investments in subsidiaries and associates (Parent Company)

Investments in subsidiaries and associates are measured at cost in the balance sheet.

Dividends, from subsidiaries and investments in associates, are recognised in the Parent Company' income statement in the year where the dividends are declared. The cost is written down to the extent that declared dividends exceeds the accumulated earnings after the acquisition or formation date.

### Writing down

The carrying amounts 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 impairment is present the recoverable amount of the asset is assessed. The recoverable amount is the higher of the net selling price and the net present value of the future net cash flow expected from the asset (value in use). The value in use is calculated as the present value of the future net cash flow the asset is expected to generate either by itself or from the lowest cash-generating unit to which the asset is allocated.

Impairment tests of goodwill (value in use) are performed at least once a year. Impairment tests of the Group's assets are performed once a year, typically in December. DFDS performs tests in between the annual tests in case there is an indication of impairment. See Note 36 for description of method.

### Inventories

Inventories including catering supplies are measured at cost based on the weighted average cost method or the net realisable value if this is lower. Inventories including bunkers are measured at cost based on the FIFO method for bunkers and average prices for the remaining inventories. The net realisable value is recognised if lower than the cost.

### Receivables and other receivables

Receivables are recognised at amortised cost less impairment losses. Write-down is performed on an individual basis. Other receivables comprise calculated receivables on hedges, insurance receivables on loss or damage of ships, outstanding balances for chartered ships, interest receivable, etc.

### Prepayments

The item includes cost incurred no later than the balance sheet date but which relates to subsequent years, e.g. prepaid charters, rents, etc.

### Securities

Securities included in the trade portfolio are designated as 'available-for-sale' and are measured at fair value, which for listed securities is the market price at the balance sheet date. When it is not possible to give a faithful estimate of a fair value for non-listed securities, they are recognised at cost less impairment losses. Unrealised value adjustments on securities are recognised as a separate reserve (revaluation of securities) in equity except for impairments and exchange rate adjustments, which are recognised in the profit and loss statement under 'Financial items'. When securities are realised, the accumulated value adjustment recognised directly in the equity under 'financial income or expenses' will be transferred to the profit and loss account.

### Assets held for sale

Assets held for sale comprise assets and disposal groups that are classified as held for sale. Disposal groups are groups of fixed 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 carrying amount primarily is recovered by a sale within 12 months in accordance with a plan in stead of through continued usage.

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

Impairment losses from the initial classification of the non-current assets as held for sale as well as gains and losses from following measurement of the lowest value of the carrying amount or the fair value less sales costs are recognised in the profit and loss account. Gains and losses are described in the Notes.



## Equity

### Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (time of declaration). The expected dividend payment for the year is disclosed as a separate item under equity.

### Treasury shares

The cost of acquisition, consideration and dividends received from treasury shares is recognised directly in retained earnings in the equity. Accordingly, profits from sale of treasury shares are not recognised in the income statement. Holdings of treasury shares are recognised in the balance sheet at zero value. Nominal value of treasury shares (price 100) is recognised directly in equity as a separate reserved (own shares).

### Reserve for exchange rate adjustments

Reserve for exchange rate adjustment comprise currency translation differences from translating annual accounts from a foreign currency to Danish kroner and exchange rate adjustments related to assets and liabilities, which are included in the Group's net investments.

## Liabilities

Current liabilities are:

- liabilities expected to be settled in 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 plans are recognised in the income statement in the period to which they relate and any contributions outstanding are recognised in the balance sheet as other payables.

Defined benefit plans are subject to an annual actuarial estimate of the present value of future benefits under the defined benefit plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from employment in the Group. The actuarial present value less the fair value of any plan assets is recognised in the balance sheet under pensions, cf. below.

Any difference between the expected development in plan assets and the defined benefit obligation and actual amounts results in actuarial gains or losses. If the cumulative actuarial gains or losses exceed the greater of 10% of the defined benefit obligation or 10% of the fair value of the plan assets, the gains or losses are recognised in the income statement over the expected remaining working lives of the employees until pension payments are made. Actuarial gains or losses not

exceeding the above limits are not recognised in the income statement.

If changes in benefits relating to services rendered by employees in previous years result in changes in the actuarial present value, the changes are recognised in the income statement for the year as historical costs, provided employees have already earned the changed benefits. If employees have not earned the benefits, the historical costs are recognised in the income statement over the period in which the employees earn the changed benefits.

Pension plans, considered as a net asset, are recognised as assets only if the asset equals the value of future repayments, or it will result in reduced payments.

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

### Other provisions

Other provisions are recognised where a legal or constructive obligation has been incurred as result of past events, and it is probable that it will lead to an outflow of resources that can be reliably estimated. Provisions are recognised for the estimated ultimate liability that is expected to arise, taking into account the foreign currency effects and the time-related monetary value.

### Financial liabilities

Amounts owed to mortgage credit institutions and banks, relating to loans which the Group expects to hold to maturity, are recognised at the date of borrowing at the net proceeds received less the transaction costs paid.

In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under 'financial costs' over the term of the loan.

Financial liabilities also include the capitalised residual obligation on financial leases. Other liabilities are recognised at amortised cost.

### Other payables

Other payables comprise amounts owed to staff, including wages, salaries and holiday pay. Amounts owed to public authorities include payable withholding tax, VAT, excise duties, real property taxes, etc., and amounts owed in connection with purchase/disposal of ships, buildings and terminals, interest expense, fair value of hedges, amounts due in respect of loss on ships and costs related to shipping operations, etc. Other payables also include amounts owed regarding defined contribution plans.

### Deferred income

Includes payments received no later than at the balance sheet date but which relate to income in subsequent years.

### 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 from investing activities.

Cash flow from the acquisition of enterprises is recognised in the cash flow statement from the date of acquisition. Cash flow from the disposal of enterprises is recognised up to the date of disposal.

Cash flow from operating activities is calculated on the basis of the profit/loss before amortisation and depreciation and financing, net and adjusted for 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.

### Significant estimates and judgements of accounts

The preparation of financial statements in conformity with IFRS requires the management to make estimates and assumptions for future events, which affect the reported amounts of assets and liabilities, contingent assets and liabilities, and also income and costs. The management base their estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. The results of this form the basis of estimating the reported accounting values of assets and liabilities as well as the reported income and costs, which do not appear directly from other material. The estimates and assumptions might be incomplete and inaccurate, and unexpected events or circumstances might occur. Furthermore, the actual outcome might diverge from these estimates due to certain risks and instabilities.

Estimates and judgements are assessed regularly. Changes in accounting estimates are recognised in the period when the estimates are changed and are moving forward.

Estimates and judgements made by the management that have an essential influence on the annual report and judgement with considerable risk that actual amounts might diverge from the amounts estimated by the management, are stated in Note 37.

## Note 2 Segment information

### Information about products and services

The segments and the allocation of operating profit, assets and liabilities, etc., are identical with the internal reporting structure in the Group. The costs in the business segments are allocated directly with the addition of a few systematically attributed indirect costs that primarily are related to central service functions.

The applied accounting policy for the statement of the individual segment is in accordance with the Group's applied accounting policy. Non-distributed costs are thus a term related to the central service functions, which cannot be distributed to the segments and which primarily consist of costs related to the Executive Board and Board of Directors as well as Corporate functions like Treasury, Investor Relation, Legal, Communication and Financial Control. Elimination of transactions between the segments are also included.

Segment asset includes assets which are directly related to the segment including intangible, 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 primary activity in Ro-Ro Shipping is operation of ro-ro and ro-pax tonnage. The customers are mainly transportation and shipping as well as manufacturers of heavy industrial goods with a high demand for sea transportation.

Container Shipping's main activity is operation of lo-lo tonnage. The customers are primarily importers/exporters and manufacturers of heavy industrial goods with a high demand for sea transportation.

Passenger Shipping is primarily employed with cruise ferry tonnage, and the main business areas cover passengers with own cars, Mini Cruises, conferences and tour operators. Furthermore, the operation of the DFDS Canal Tours in Copenhagen harbour is part of this segment.

The primary activity of Terminal Services includes own harbour terminals in Denmark, England, Holland and Norway. The terminals handle goods like trailers, containers, cars and industrial goods. In addition, some terminals are also offering passenger transportation. The network consists mainly of own routes.

Trailer Services' main activity comprises of trailer operators in Norway, Sweden, Denmark, Finland, Germany, Belgium, Holland, England and Ireland, who primarily offers full-load transportation solutions via the DFDS shipping network.

The Tramp Shipping activity consists of five multi-purpose ships. This activity is expected to be disposed of in 2008, and is therefore presented in the balance sheet as 'assets and liabilities held for sale'.

	Ro-Ro Shipping	Container Shipping	Passenger Shipping	Terminal Services	Trailer Services	Tramp Shipping	Non- allocated	Total
<b>2006</b>								
Revenue	3,184,042	1,244,213	1,821,972	273,103	878,027	117,107	5,376	7,523,840
Inter-segment revenue	286,510	48,629	16,231	433,204	40,416	0	125,384	950,374
<i>Total revenue</i>	<i>3,470,552</i>	<i>1,292,842</i>	<i>1,838,203</i>	<i>706,307</i>	<i>918,443</i>	<i>117,107</i>	<i>130,760</i>	<i>8,474,214</i>
Operating expenses, external	-2,159,322	-1,057,947	-1,510,076	-693,341	-665,713	-121,490	-178,608	-6,386,497
Inter-segment operating expenses	-517,435	-106,452	-86,082	-979	-237,257	0	-2,169	-950,374
<b>Operating profit before depreciation (EBITDA)</b>	<b>793,795</b>	<b>128,443</b>	<b>242,045</b>	<b>11,987</b>	<b>15,473</b>	<b>-4,383</b>	<b>-50,017</b>	<b>1,137,343</b>
Profit on disposal of ships, buildings and terminals	29,185	-5,077	6,872	1,722	0	0	637	33,339
Depreciation of ships and other non-current assets	-243,755	-55,433	-187,209	-23,679	-35,189	-8,487	-3,321	-557,073
Write-down of ships and other non-current assets	0	-5,193	0	0	-2,984	0	0	-8,177
Value adjustment of goodwill/negative goodwill	-2,619	-224	0	0	-6,839	0	0	-9,682
<b>Operating profit (EBIT)</b>	<b>576,606</b>	<b>62,516</b>	<b>61,708</b>	<b>-9,970</b>	<b>-29,539</b>	<b>-12,870</b>	<b>-52,701</b>	<b>595,750</b>
Share of profit/(loss) of associates	639	-1,805	0	649	0	0	0	-517
Financing, net	-109,757	-22,320	-48,572	-6,921	-4,877	-3,324	2,958	-192,813
<b>Profit before tax</b>	<b>467,488</b>	<b>38,391</b>	<b>13,136</b>	<b>-16,242</b>	<b>-34,416</b>	<b>-16,194</b>	<b>-49,743</b>	<b>402,420</b>
Tax on profit							-38,892	-38,892
<b>Profit for the year</b>							<b>-88,635</b>	<b>363,528</b>
Total assets	5,111,604	1,366,442	2,319,948	579,550	385,108	154,473	74,117	9,991,242
Non-liquid operating items	-827	543	70	-4,570	-780	0	1,659	-3,905
Capital expenditures of the year	572,667	455,388	765,430	129,069	58,189	0	5,288	1,986,031
Investments in associates	1	7,333	0	463	0	0	0	7,797
Liabilities	3,456,158	643,011	1,488,720	223,885	169,108	890	744,219	6,725,991

NOTE 2 CONTINUES ON THE FOLLOWING PAGE >>>

	Ro-Ro Shipping	Container Shipping	Passenger Shipping	Terminal Services	Trailer Services	Tramp Shipping	Non- allocated	Total
<b>2007</b>								
Revenue from external customers	3,430,471	1,601,542	1,917,066	286,305	961,478	105,936	7,451	8,310,249
Inter-segment revenue	249,866	40,147	14,912	416,748	24,276	0	164,552	910,501
<i>Total revenue</i>	<i>3,680,337</i>	<i>1,641,689</i>	<i>1,931,978</i>	<i>703,053</i>	<i>985,754</i>	<i>105,936</i>	<i>172,003</i>	<i>9,220,750</i>
Operating expenses, external	-2,327,465	-1,381,854	-1,596,105	-677,571	-687,519	-97,077	-227,075	-6,994,666
Inter-segment operating expenses	-456,543	-108,644	-86,710	-10,560	-241,455	-35	-6,554	-910,501
<b>Operating profit before depreciation (EBITDA)</b>	<b>896,329</b>	<b>151,191</b>	<b>249,163</b>	<b>14,922</b>	<b>56,780</b>	<b>8,824</b>	<b>-61,626</b>	<b>1,315,583</b>
Profit on disposal of ships, buildings and terminals	-1,784	290	34,830	2	0	-67	-734	32,537
Depreciation of ships and other non-current assets	-258,312	-81,841	-183,329	-26,664	-33,342	-8,224	-4,083	-595,795
Value adjustment of goodwill/negative goodwill	1,973	0	0	0	0	0	0	1,973
<b>Operating profit (EBIT)</b>	<b>638,206</b>	<b>69,640</b>	<b>100,664</b>	<b>-11,740</b>	<b>23,438</b>	<b>533</b>	<b>-66,443</b>	<b>754,298</b>
Share of profit/(loss) of associates	85	-4,953	0	1,763	879	0	0	-2,226
Financing, net	-125,652	-28,043	-53,845	-12,252	-6,883	-3,925	4,322	-226,278
<b>Profit before tax</b>	<b>512,639</b>	<b>36,644</b>	<b>46,819</b>	<b>-22,229</b>	<b>17,434</b>	<b>-3,392</b>	<b>-62,121</b>	<b>525,794</b>
Tax on profit								-114,097
<b>Profit for the year</b>								<b>411,697</b>
Total assets	4,781,384	1,352,688	2,129,394	523,415	435,116	5,923	240,357	9,468,277
Non-liquid operating items	-92	6,173	9,734	-2,683	-303	7,019	6,503	26,351
Capital expenditures of the year	99,803	41,607	78,696	8,050	18,465	6,611	6,676	259,908
Investments in associates	0	313	0	0	0	0	0	313
Assets held for sale, see note 32	0	0	0	0	0	141,796	0	141,796
Liabilities	2,839,008	649,100	1,433,066	175,185	167,293	17,222	675,853	5,956,727

**Information on geographical segments, etc.**

The Group's risk and management control is attached to the business areas activities. The Group does not have a natural geographic distribution, since the Group 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. It is consequently not possible to present a meaningful distribution of revenues and non-current assets by country, and the distribution is therefore presented by water, in which DFDS operates, grouped as 'North Seas and other seas' and 'The Baltic Sea'. The Group's business model causes that the routes are not directly owning the ships but are only leasing the ships from a vessel pool. The ships are often re-located within the DFDS route network. It is consequently impossible to determine the exact volume of non-current assets by geographic segment, and an adapted model for allocation of non-current assets has been applied.

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	External revenues	Non-current assets
<b>2006</b>		
North Sea and other seas	7,162,152	7,327,629
The Baltic Sea	611,137	1,044,413
Elimination	-249,449	0
<b>Total</b>	<b>7,523,840</b>	<b>8,372,042</b>
<b>2007</b>		
North Sea and other seas	7,935,350	7,035,096
The Baltic Sea	637,706	852,843
Elimination	-262,807	0
<b>Total</b>	<b>8,310,249</b>	<b>7,887,939</b>

**Information on significant customers**

The Group as well as the Parent Company does not have specific or associated customers representing individually or group-wise more than 10% of the total revenues.

Parent Company DKK '000				Consolidated DKK '000	
2006	2007	Note 3	Revenue	2006	2007
935,252	984,082		Sale of goods on board	949,849	1,001,841
3,757,710	4,024,412		Sale of services	6,286,919	7,024,451
166,404	205,628		Rental income from timecharter and bareboat of ships and operating equipment	287,072	283,957
<b>4,859,366</b>	<b>5,214,122</b>		<b>Total revenue</b>	<b>7,523,840</b>	<b>8,310,249</b>

Parent Company DKK '000				Consolidated DKK '000	
2006	2007	Note 4	Cost of sales	2006	2007
1,179,123	1,286,046		Cost of sales in operation costs related to ships	1,405,059	1,519,112
1,869	7,444		Write-down of inventories for the year	1,869	7,444
<b>1,180,992</b>	<b>1,293,490</b>		<b>Total cost of sales</b>	<b>1,406,928</b>	<b>1,526,556</b>

Cost of sales consists of bunkers and cost of sales related to sale of goods and services on board.

Parent Company DKK '000				Consolidated DKK '000	
2006	2007	Note 5	Staff costs	2006	2007
493,734	542,059		Wages and salaries	1,096,673	1,186,598
32,891	37,401		Defined contributions plans	54,235	64,952
250	-824		Defined benefit plans, see note 20	-436	4,811
29,769	31,690		Social security costs, etc.	132,397	136,628
6,582	9,970		Share based payment, see note 19	6,582	9,970
36,375	54,494		Other staff costs	108,214	126,129
<b>599,601</b>	<b>674,790</b>		<b>Total staff costs</b>	<b>1,397,665</b>	<b>1,529,088</b>
			<b>Of this, remuneration for the Executive Board<sup>1)</sup></b>		
9,075	14,975		Wages and salaries	9,075	14,975
1,932	3,048		Defined contributions plans	1,932	3,048
4,546	9,950		Share based payment	4,546	9,950
445	730		Other staff costs	445	730
<b>15,998</b>	<b>28,703</b>			<b>15,998</b>	<b>28,703</b>
			<b>Remuneration for the Parent Company's Board of Directors</b>		
625	625		Chairman	625	625
375	375		Deputy chairman	375	375
1,674	1,625		Other members of the Board of Directors	1,674	1,625
<b>2,674</b>	<b>2,625</b>			<b>2,674</b>	<b>2,625</b>
1,720	1,735		Average number of employees	4,346	4,427

If members of the Executive Board resigns in accordance with a takeover of the Group, a special remuneration will be paid corresponding to 1 years salary. Beyond this no unusual agreements have been entered into with the Executive Board regarding terms of pension and retirement.

1) Staff costs related to the Executive Board in 2007 includes agreed severance benefit in connection with a director's resignation at year-end.

Parent Company DKK '000				Consolidated DKK '000	
2006	2007	Note 6	Other costs of operation, sales and administration	2006	2007
153,555	145,206		Selling costs, external	200,049	193,859
218,586	225,553		Selling costs, internal	-	-
119,302	121,434		Other costs	249,070	243,822
<b>491,443</b>	<b>492,193</b>		<b>Total other costs of operation, sales and administration</b>	<b>449,119</b>	<b>437,681</b>
			<b>Of this, the fee for auditor appointed at the Annual General Meeting, KPMG</b>		
1,175	1,195		Audit	4,280	4,510
1,436	1,127		Non-audit services	2,986	2,418
<b>2,611</b>	<b>2,322</b>		<b>Total fee</b>	<b>7,266</b>	<b>6,928</b>

Non-audit services include among other things fees related to tax consultancy, financial due diligence in connection with acquisitions etc.

Parent Company DKK '000				Consolidated DKK '000	
2006	2007	Note 7	Finance, net	2006	2007
2,104	4,801		Interest income, cash, cash equivalents and securities, etc.	10,865	16,958
48,198	63,052		Interest income from group enterprises	-	-
-162,210	-179,056		Interest expenses, credit institutions, etc.	-221,676	-240,452
-13,960	-22,803		Interest expenses for group enterprises	-	-
<i>-125,868</i>	<i>-134,006</i>		<i>Interest, net</i>	<i>-210,811</i>	<i>-223,494</i>
74,290	59,371		Foreign exchange gains	80,170	72,059
-34,113	-74,041		Foreign exchange losses	-50,912	-64,804
<i>40,177</i>	<i>-14,670</i>		<i>Foreign exchange gains and losses, net</i>	<i>29,258</i>	<i>7,255</i>
1,357	4		Realised capital gains on securities	1,357	4
-19,797	0		Impairment loss of investments in group enterprises	-	-
0	561		Gain on sale/liquidation of group enterprises	-	-
3,993	2,500		Dividends from group enterprises	-	-
1,250	1,194		Dividends from associates	-	-
1,659	2,590		Other dividends	1,659	2,590
0	0		Defined benefit plans, see Note 20	-8,394	-8,599
1,704	-1,015		Other financial income and expenses	-5,882	-4,034
<i>-9,834</i>	<i>5,834</i>		<i>Other financial income and expenses, net</i>	<i>-11,260</i>	<i>-10,039</i>
<b>-95,525</b>	<b>-142,842</b>		<b>Finance, net</b>	<b>-192,813</b>	<b>-226,278</b>
			<b>Finance, net is divided into</b>		
100,442	74,702		Financial income	43,139	26,807
-195,967	-217,544		Financial expenses	-235,952	-253,085
<b>-95,525</b>	<b>-142,842</b>		<b>Finance, net</b>	<b>-192,813</b>	<b>-226,278</b>

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



2006	2007	Note 8	Tax	2006	2007
0	0		Current tax	-32,768	-24,345
0	0		Current joint tax contributions	-2,525	-1,784
0	0		Deferred tax	-9,892	-3,556
1,182	0		Adjustment of corporation tax, previous years	370	-66,423
0	0		Adjustment of deferred tax, previous years	3,570	-18,294
0	0		Adjustment of deferred tax, 28% to 25%	0	329
<b>1,182</b>	<b>0</b>		<b>Total tax for the year</b>	<b>-41,245</b>	<b>-114,073</b>
			<b>Total tax for the year can be specified as follows:</b>		
2,213	0		Tax in the income statement (effective tax)	-38,892	-114,097
-1,031	0		Tax of equity movements	-2,353	24
<b>1,182</b>	<b>0</b>		<b>Total tax for the year</b>	<b>-41,245</b>	<b>-114,073</b>
			<b>Tax in the income statement can be specified as follows:</b>		
344,673	299,098		Profit before tax	402,420	525,794
358,683	311,286		Of this, tonnage income	383,063	431,151
-14,010	-12,188		Result before tax (company taxation)	19,357	94,643
3,923	3,047		25% (28% in 2006) tax of profit before tax	-5,420	-23,661
-	-		Adjustment to computed tax in foreign subsidiaries compared to the 25% tax rate (28% in 2006)	-12,054	-1,587
			Tax effect of:		
-1,450	-1,550		Non-taxable items	-11,126	-976
0	-22		Tax asset, not recognised	-12,647	-2,676
0	0		Utilisation of non-capitalised tax asset	0	1,104
1,182	0		Adjustments of tax related to previous years	3,940	-84,388
3,655	1,475		Corporation tax of ordinary income	-37,307	-112,184
-1,442	-1,475		Tonnage tax	-1,585	-1,913
<b>2,213</b>	<b>0</b>		<b>Tax in the income statement (effective tax)</b>	<b>-38,892</b>	<b>-114,097</b>
-0.6	0.0		Effective tax rate	9.7	21.7
-0.3	0.0		Effective tax rate before adjustment of previous years' tax	10.6	5.7
			<b>Tax of equity movements can be specified as follows:</b>		
0	0		Current tax	-1,322	0
-1,031	0		Adjustments to previous years	-1,031	24
<b>-1,031</b>	<b>0</b>		<b>Total tax of equity movements</b>	<b>-2,353</b>	<b>24</b>

The Parent Company has not paid Danish corporation tax in 2007 and the company has no tax liability for that year.

The Parent Company and its Danish subsidiaries are within the Danish Act of compulsory joint taxation with Vesterhavet A/S and Vesterhavet's Danish subsidiaries. DFDS A/S is liable for the tax of its own taxable income. Vesterhavet A/S is the administration company in the joint taxation and settles all payments of corporation tax with the tax authorities. The current receivable joint taxation contribution is recognised in the balance sheet as receivables and is stated in Note 14.

DFDS A/S, AB DFDS Lisco, DFDS Container Line B.V. (from 1 November 2007 onwards) and DFDS Lys Line Rederi AS have entered into tonnage tax arrangements where the taxable income related from transport of passengers and goods is computed based on the tonnage used during the year. Taxable income related to other activities is taxed according to the normal tax rules.

Adjustment of previous years' tax relates primarily to the new tonnage tax regulations in Norway. See Note 24 for further information.

Note 9	Earnings per share	2006	2007
Profit for the year		363,528	411,697
Minority interest of the Group's profit for the year		-11,339	-11,304
<b>Equity holders share of profit for the year</b>		<b>352,189</b>	<b>400,393</b>
Weighted average number of issued ordinary shares		8,000,000	8,000,000
Weighted average number of treasury shares		-398,679	-358,068
Weighted average number of ordinary shares		7,601,321	7,641,932
Weighted average number of share options issued		46,468	56,218
Weighted average number of ordinary shares (diluted)		7,647,789	7,698,150
Basic earnings per share (EPS) of DKK 100		46.33	52.39
Diluted earnings per share (EPS-D) of DKK 100		46.05	52.01

Note 10 Non-current intangible assets					
Consolidated DKK '000	Goodwill	Other non-current intangible assets	Software	Development projects in progress	Total
Balance at 1 January 2006	157,605	108,623	65,551	4,977	336,756
Foreign exchange adjustment	729	2,216	0	0	2,945
Transfer to/from other items	0	0	6,732	-6,732	0
Addition related to acquisition	150,505	85,305	0	0	235,810
Addition	0	0	10,642	2,872	13,514
<b>Cost at 31 December 2006</b>	<b>308,839</b>	<b>196,144</b>	<b>82,925</b>	<b>1,117</b>	<b>589,025</b>
Balance at 1 January 2006	0	12,733	32,464	0	45,197
Foreign exchange adjustment	100	736	0	0	836
Depreciation	0	27,887	8,705	0	36,592
Impairment	10,144	2,984	0	0	13,128
<b>Impairment and depreciation at 31 December 2006</b>	<b>10,244</b>	<b>44,340</b>	<b>41,169</b>	<b>0</b>	<b>95,753</b>
<b>Carrying amount at 31 December 2006</b>	<b>298,595</b>	<b>151,804</b>	<b>41,756</b>	<b>1,117</b>	<b>493,272</b>
Balance at 1 January 2007	308,839	196,144	82,925	1,117	589,025
Foreign exchange adjustment	-1,845	-2,670	0	0	-4,515
Addition related to acquisition	22,587	0	0	0	22,587
Addition	7,463	0	6,094	8,458	22,015
Disposal	0	-13,887	0	0	-13,887
<b>Cost at 31 December 2007</b>	<b>337,044</b>	<b>179,587</b>	<b>89,019</b>	<b>9,575</b>	<b>615,225</b>
Balance at 1 January 2007	10,244	44,340	41,169	0	95,753
Foreign exchange adjustment	-597	-1,334	0	0	-1,931
Depreciation	0	39,020	11,766	0	50,786
Depreciation on disposal	0	-13,887	0	0	-13,887
<b>Impairment and depreciation at 31 December 2007</b>	<b>9,647</b>	<b>68,139</b>	<b>52,935</b>	<b>0</b>	<b>130,721</b>
<b>Carrying amount at 31 December 2007</b>	<b>327,397</b>	<b>111,448</b>	<b>36,084</b>	<b>9,575</b>	<b>484,504</b>

NOTE 10 CONTINUES ON THE FOLLOWING PAGE >>>

The Group's carrying amount of goodwill and other non-current intangible assets are allocated to the cost-generating unit to which the assets can be attributed.

The additions of goodwill in 2007 are primary related to the acquisition of DFDS Container Line B.V. (former Norfolk Line Containers B.V.) (DKK 22.6 million) and acquisition of minority interest in a smaller enterprise (DKK 7.5 million). See note 31.

The carrying amount of recognised goodwill primary concerns DFDS Container Line B.V. with DKK 156.0 million (2006: DKK 133.4 million), Halléns N.V. with DKK 33.3 million (2006: DKK 33.3 million), goodwill from the acquisition of a route/bridge with DKK 55.6 million (2006: DKK 58.1 million), DFDS Lys Line AS with DKK 41.7 million (2006: DKK 40.4 million) and DFDS Canal Tours with DKK 14.1 million (2006: DKK 14.1 million).

Value adjustment goodwill/negative goodwill in the income statement consists of impairment loss relating to goodwill, DKK 0.0 million (2006: DKK 10.1 million) and negative goodwill from acquisition of shares in AB DFDS LISCO, DKK 2.0 million (2006: DKK 0.4 million).

The carrying amount of other non-current intangible assets primary consist of value of customer portfolio/-relations identified from acquisitions and the right of sailing for a route (non-competition clause) acquired in 2005.

The carrying amount of recognised completed software and development projects in progress is primarily related to software for DFDS Seaways' on-line booking and finance and logistic systems on the ships of DFDS Seaways.

On the basis of the impairment tests performed in 2007 there is no basis for recording an impairment loss on non-current intangible assets in 2007 (2006: Impairment loss on goodwill DKK 10.1 million and other non-current assets DKK 3.0 million recognised in respectively 'Value adjustment goodwill/negative goodwill' and 'Depreciation on ships and other non-current assets' in the income statement. See Note 36.

Parent Company DKK '000	Goodwill	Other non-current intangible assets	Software	Development projects in progress	Total
Balance at 1 January 2006	272,307	52,990	65,550	4,977	395,824
Foreign exchange adjustment	2,121	1,703	0	0	3,824
Transfer to/from other items	0	0	6,702	-6,702	0
Addition	760	0	10,672	2,842	14,274
<b>Cost at 31 December 2006</b>	<b>275,188</b>	<b>54,693</b>	<b>82,924</b>	<b>1,117</b>	<b>413,922</b>
Balance at 1 January 2006	0	5,376	32,464	0	37,840
Foreign exchange adjustment	0	414	0	0	414
Depreciation	0	10,716	8,704	0	19,420
<b>Impairment and depreciation at 31 December 2006</b>	<b>0</b>	<b>16,506</b>	<b>41,168</b>	<b>0</b>	<b>57,674</b>
<b>Carrying amount at 31 December 2006</b>	<b>275,188</b>	<b>38,187</b>	<b>41,756</b>	<b>1,117</b>	<b>356,248</b>
Balance at 1 January 2007	275,188	54,693	82,924	1,117	413,922
Foreign exchange adjustment	-2,501	-2,008	0	0	-4,509
Addition	0	0	6,094	8,458	14,552
<b>Cost at 31 December 2007</b>	<b>272,687</b>	<b>52,685</b>	<b>89,018</b>	<b>9,575</b>	<b>423,965</b>
Balance at 1 January 2007	0	16,506	41,168	0	57,674
Foreign exchange adjustment	0	-806	0	0	-806
Depreciation	0	10,721	11,766	0	22,487
<b>Impairment and depreciation at 31 December 2007</b>	<b>0</b>	<b>26,421</b>	<b>52,934</b>	<b>0</b>	<b>79,355</b>
<b>Carrying amount at 31 December 2007</b>	<b>272,687</b>	<b>26,264</b>	<b>36,084</b>	<b>9,575</b>	<b>344,610</b>

The carrying amount of the Parent Company's goodwill of DKK 272.7 million (2006: DKK 275.2 million) is related to acquisition of DFDS Tor Line routes from the Swedish subsidiary in 2001 and the acquisition of a route in 2005.

The carrying amount of other non-current intangible assets consist of the right of sailing for a route acquired in 2005.

The carrying amount of recognised completed software and development projects in progress is primarily related to software for DFDS Seaways' on-line booking and finance and logistic systems on the ships of DFDS Seaways.

Based on the impairment tests no impairment losses of the non-current intangible assets have been found. See Note 36.

**Note 11 Non-current tangible assets**

Consolidated DKK '000	Buildings	Terminals	Ships	Equipment, etc.	Work in progress and prepayments	Total
Balance at 1 January 2006	94,247	396,537	8,621,404	548,014	250,773	9,910,975
Foreign exchange adjustment	1,100	3,262	36,023	6,597	579	47,561
Transfer to/from other items	0	27,349	906,062	175	-933,586	0
Addition related to acquisition	0	0	0	77,455	0	77,455
Addition	378	121,248	774,981	75,575	702,231	1,674,413
Disposal	-1,915	-20,087	-819,923	-43,805	-8,292	-894,022
<b>Cost at 31 December 2006</b>	<b>93,810</b>	<b>528,309</b>	<b>9,518,547</b>	<b>664,011</b>	<b>11,705</b>	<b>10,816,382</b>
Balance at 1 January 2006	19,982	131,293	2,708,547	316,231	0	3,176,053
Foreign exchange adjustment	330	1,294	9,548	5,167	0	16,339
Depreciation	3,539	17,574	443,371	56,803	0	521,287
Impairment	0	0	5,193	0	0	5,193
Depreciation on disposal	-1,469	-2,008	-615,711	-39,301	0	-658,489
<b>Impairment and depreciation at 31 December 2006</b>	<b>22,382</b>	<b>148,153</b>	<b>2,550,948</b>	<b>338,900</b>	<b>0</b>	<b>3,060,383</b>
<b>Carrying amount at 31 December 2006</b>	<b>71,428</b>	<b>380,156</b>	<b>6,967,599</b>	<b>325,111</b>	<b>11,705</b>	<b>7,755,999</b>
Of this, financial leased assets			83,885	32,833		116,718
Interest recognised in cost at 1 January 2006			37,787		4,471	42,258
Foreign exchange adjustment			399		0	399
Recognised interest for the year			0		3,756	3,756
Transfer to/from other items			8,227		-8,227	0
<b>Interest recognised in cost at 31 December 2006</b>			<b>46,413</b>		<b>0</b>	<b>46,413</b>
Balance at 1 January 2007	93,810	528,309	9,518,547	664,011	11,705	10,816,382
Foreign exchange adjustment	-2,569	-25,759	-49,302	-15,255	1	-92,884
Transfer to/from other items	7,948	0	33,591	0	-41,539	0
Addition	1,677	8,444	98,912	48,698	57,575	215,306
Disposal	0	-25,352	-317,561	-21,709	-343	-364,965
Assets held for sale	0	0	-173,010	0	0	-173,010
<b>Cost at 31 December 2007</b>	<b>100,866</b>	<b>485,642</b>	<b>9,111,177</b>	<b>675,745</b>	<b>27,399</b>	<b>10,400,829</b>
Balance at 1 January 2007	22,382	148,153	2,550,948	338,900	0	3,060,383
Foreign exchange adjustment	-1,017	-6,822	-8,805	-11,777	0	-28,421
Depreciation	2,981	20,541	456,608	69,634	0	549,764
Depreciation on disposal	0	-24,368	-251,102	-20,450	0	-295,920
Assets held for sale	0	0	-41,037	0	0	-41,037
<b>Impairment and depreciation at 31 December 2007</b>	<b>24,346</b>	<b>137,504</b>	<b>2,706,612</b>	<b>376,307</b>	<b>0</b>	<b>3,244,769</b>
<b>Carrying amount at 31 December 2007</b>	<b>76,520</b>	<b>348,138</b>	<b>6,404,565</b>	<b>299,438</b>	<b>27,399</b>	<b>7,156,060</b>
Of this, financial leased assets			62,341	22,225		84,566
Interest recognised in cost at 1 January 2007			46,413			46,413
Foreign exchange adjustment			-835			-835
<b>Interest recognised in cost at 31 December 2007</b>			<b>45,578</b>			<b>45,578</b>
Carrying amount of assets pledged as securities			6,165,764			

The carrying amount of ships includes passenger ships, DKK 2,253 million (2006: DKK 2,449 million) of which components with hard wear amounts to DKK 623 million (2006: DKK 676 million) and components with minor wear amounts to DKK 1,630 million (2006: DKK 1,773 million).

Interest rates included in costs for the Group are calculated by using an interest rate based on the general borrowing of the Group. The applied interest rate is 2.0 – 4.3%. Interest rates have not been capitalised in 2007. The average interest rate on capitalised interest rates in 2006 was 3.0%.

NOTE 11 CONTINUES ON THE FOLLOWING PAGE >>>

The income statement includes depreciation on ships of DKK -452 million (2006: DKK -443 million). Of this, amortisation of profit/loss on sale and lease back transactions amounts to DKK 4.8 million (2006: DKK 0.8 million).

As of 31 December 2006 no assets were classified as held for sale. In 2006 the realised profit from sale of assets, which as of 31 December 2005 were classified as held for sale, was DKK 15.5 million.

On the basis of the impairment tests performed in 2007 there is no basis for recording an impairment loss on ships and other non-current tangible assets in 2007 (2006: one ship with DKK 5.2 million). See Note 36.

Parent Company DKK '000	Buildings	Terminals	Ships	Equipment, etc.	Work in progress and prepayments	Total
Balance at 1 January 2006	15,453	72,365	5,693,406	124,109	219,981	6,125,314
Transfer to/from other items	0	0	0	175	-175	0
Addition	378	57	1,283,288	21,190	675,675	1,980,588
Disposal	-501	0	-1,106,102	-681	-890,273	-1,997,557
<b>Cost at 31 December 2006</b>	<b>15,330</b>	<b>72,422</b>	<b>5,870,592</b>	<b>144,793</b>	<b>5,208</b>	<b>6,108,345</b>
Balance at 1 January 2006	3,518	40,040	2,038,921	60,889	0	2,143,368
Depreciation	1,275	2,108	262,466	15,346	0	281,195
Depreciation on disposal	-101	0	-513,941	-450	0	-514,492
<b>Impairment and depreciation at 31 December 2006</b>	<b>4,692</b>	<b>42,148</b>	<b>1,787,446</b>	<b>75,785</b>	<b>0</b>	<b>1,910,071</b>
<b>Carrying amount at 31 December 2006</b>	<b>10,638</b>	<b>30,274</b>	<b>4,083,146</b>	<b>69,008</b>	<b>5,208</b>	<b>4,198,274</b>
Of this, financial leased assets			22,976	7,162		30,138
Interest recognised in cost at 1 January 2006			21,356		4,471	25,827
Recognised interest for the year			0		3,756	3,756
Transfer to/from other items			8,227		-8,227	0
Disposal			-2,952		0	-2,952
<b>Interest recognised in cost at 31 December 2006</b>			<b>26,631</b>		<b>0</b>	<b>26,631</b>
Balance at 1 January 2007	15,330	72,422	5,870,592	144,793	5,208	6,108,345
Transfer to/from other items	0	0	24,860	0	-24,860	0
Addition	906	0	78,397	17,883	44,167	141,353
Disposal	0	-492	-318,392	-1,832	-345	-321,061
<b>Cost at 31 December 2007</b>	<b>16,236</b>	<b>71,930</b>	<b>5,655,457</b>	<b>160,844</b>	<b>24,170</b>	<b>5,928,637</b>
Balance at 1 January 2007	4,692	42,148	1,787,446	75,785	0	1,910,071
Depreciation	1,323	2,105	274,212	16,842	0	294,482
Depreciation on disposal	0	-492	-251,931	-1,575	0	-253,998
<b>Impairment and depreciation at 31 December 2007</b>	<b>6,015</b>	<b>43,761</b>	<b>1,809,727</b>	<b>91,052</b>	<b>0</b>	<b>1,950,555</b>
<b>Carrying amount at 31 December 2007</b>	<b>10,221</b>	<b>28,169</b>	<b>3,845,730</b>	<b>69,792</b>	<b>24,170</b>	<b>3,978,082</b>
Of this, financial leased assets			15,146	4,806		19,952
Interest recognised in cost at 1 January 2007			26,631			26,631
<b>Interest recognised in cost at 31 December 2007</b>			<b>26,631</b>			<b>26,631</b>
Carrying amount of assets pledged as securities			3,580,788			

The carrying amount of ships includes passenger ships, DKK 2,228 million (2006: DKK 2,423 million) of which components with hard wear amounts to DKK 623 million (2006: DKK 676 million) and components with minor wear amounts to DKK 1,605 million (DKK 1,747 million).

Interest rates included in costs for the Parent Company are calculated by using an interest rate based on the general borrowing. The applied interest rate is 2.0 – 4.3%. Interest rates have not been capitalised in 2007. The average interest rate on capitalised interest rates in 2006 was 3.0%.

Based on the impairment tests no impairment of ships and other non-current tangible assets have been found in 2007. See Note 36.



Note 12	Investments in group enterprises	2006	2007
	Balance at 1 January	1,279,754	1,677,600
	Addition	397,846	68,003
	Disposal	0	-42,191
	<b>Cost at 31 December</b>	<b>1,677,600</b>	<b>1,703,412</b>
	Accumulated impairment loss at 1 January	-44,200	-63,997
	Impairment loss	-19,797	0
	Disposal	0	7,024
	<b>Accumulated impairment loss at 31 December</b>	<b>-63,997</b>	<b>-56,973</b>
	<b>Carrying amount at 31 December</b>	<b>1,613,603</b>	<b>1,646,439</b>

Overview of group enterprises, see page 90.

Besides the above investments in group enterprises, DFDS A/S considers receivables, net DKK 473.5 million (2006: DKK 494.8 million) as a part of the net investment in group enterprises. The foreign exchange adjustment hereof is DKK -21.3 million (2006: DKK 18.1 million), which is recognised directly in equity in the consolidated financial statements. In the financial statements for the Parent Company the foreign exchange adjustment is recognised in the income statement in financial income and expenses, net. The amount is included in the foreign exchange adjustment relating to foreign companies' beginning equity at the statement of changes in equity on page 50-51.

Impairment tests of the carrying amount of the Parent Company's investments in group enterprises are prepared at least once a year. Based on the impairment tests performed in 2007 no impairment on investments in group enterprises have been found in 2007 (2006: three group enterprises were impaired with total DKK 19.8 million). See Note 36.

DKK 20.7 million of the addition in 2007 regards cost of group enterprises, which the Parent Company has received at the liquidation of own group enterprises. (2006: DKK 0).

2006	2007	Note 13	Investments in associates	2006	2007
500	7,333		Balance at 1 January	3,743	10,038
-	-		Foreign exchange adjustment	-97	42
7,333	0		Addition	7,797	313
-500	0		Disposal	-1,405	0
<b>7,333</b>	<b>7,333</b>		<b>Cost at 31 December</b>	<b>10,038</b>	<b>10,393</b>
-	-		Value adjustments at 1 January	2,447	189
-	-		Foreign exchange adjustment	26	-28
-	-		Disposal	-1,963	0
-	-		Share of profit for the year	-517	-2,226
-	-		Provision for associates with negative value offset in receivables <sup>1)</sup>	1,763	5,566
-	-		Dividends from associates	-1,567	-2,503
-	-		<b>Value adjustments at 31 December</b>	<b>189</b>	<b>998</b>
<b>7,333</b>	<b>7,333</b>		<b>Carrying amount at 31 December</b>	<b>10,227</b>	<b>11,391</b>

1) Share of negative result in associates are reversed. A write-down of receivable with the same amount is made instead.

	Domicile	Ownership	Revenue	Profit for the year	Total assets	Total liabilities	Equity	Profit for the year
<b>2006</b>								
Westcoast Off-Shore Base A/S	Esbjerg	0.0% <sup>2)</sup>	0	802	0	0	0	401
Suardiaz DFDS Autologistics NV	Gent	50.0% <sup>2)</sup>	0	-12	454	9	223	-6
ICT Holding A/S	Vejle	19.9% <sup>2)</sup>	177,444	639	23,742	0	7,232	127
UAB Krantas Forwarding	Klaipeda	50.0%	1,881	78	540	151	194	39
Oslo Containerterminal AS	Oslo	33.3%	58,698	1,949	17,921	11,803	2,037	649
Moss Containerterminal AS	Moss	50.0%	0	0	923	0	462	0
DFDS Suardiaz Line Ltd.	Immingham	50.0%	199,383	-3,611	34,541	38,066	-1,763	-1,805
SCF Lines Ltd.	Sankt Petersburg	40.0%	2,373	194	1,016	819	79	78
							8,464	-517
Hereof investments in associates with negative value							1,763	1,763
							<b>10,227</b>	<b>1,246</b>
<b>2007</b>								
Suardiaz DFDS Autologistics NV	Gent	50.0% <sup>2)</sup>	0	-16	439	9	215	-8
ICT Holding A/S	Vejle	19.9% <sup>2)</sup>	210,000	4,417	29,906	9,526	6,916	879
UAB Krantas Forwarding	Klaipeda	50.0%	2,123	183	736	164	286	92
Moss Containerterminal AS	Moss	50.0%	16,807	-285	2,892	2,221	336	-143
Oslo Containerterminal AS	Oslo	33.3%	67,209	5,718	16,874	8,754	2,705	1,905
Seafront Projects AS	Kristiansand	34.0%	74,544	1,584	17,759	15,248	854	539
DFDS Suardiaz Line Ltd.	Immingham	50.0%	229,726	-10,982	58,568	73,229	-7,329	-5,490
SCF Lines Ltd.	Sankt Petersburg	40.0%	3,624	0	1,137	940	79	0
							4,062	-2,226
Hereof investments in associates with negative value							7,329	5,566
							<b>11,391</b>	<b>3,340</b>

2) Owned by the parent company. The ownership in Westcoast Off-Shore Base A/S was owned by the parent company until 31/5 2006.

The Parent Company has significant control of ICT Holding A/S through representation in the board of directors, and therefore the company is considered an associate.

Parent Company DKK '000				Consolidated DKK '000	
2006	2007	Note 14	Receivables	2006	2007
616,442	556,513		Amounts owed by group enterprises	-	-
0	0		Other non-current receivables	2,981	3,029
<b>616,442</b>	<b>556,513</b>		<b>Total non-current receivables</b>	<b>2,981</b>	<b>3,029</b>
110,872	134,851		Trade receivables	925,427	935,178
895,936	912,632		Amounts owed by group enterprises	-	-
0	0		Amounts owed by associates	11,632	9,520
0	0		Corporation tax and joint taxation contribution, receivable	6,630	13,722
2,363	2,843		Derivative financial instruments, forward transactions and bunker hedges	2,505	3,082
30,104	12,462		Other receivables and current assets	72,149	62,196
<b>1,039,275</b>	<b>1,062,788</b>		<b>Total current receivables</b>	<b>1,018,343</b>	<b>1,023,698</b>
<b>1,655,717</b>	<b>1,619,301</b>		<b>Total receivables</b>	<b>1,021,324</b>	<b>1,026,727</b>
			<b>Write-downs included in above receivables:</b>		
4,539	711		Write-downs at 1 January	8,585	8,024
3,241	6,144		Write-downs for the year	7,556	11,212
-4,010	-1,212		Realised losses for the year	-4,283	-1,652
-3,059	-101		Reversed write-downs for the year	-3,834	-1,439
<b>711</b>	<b>5,542</b>		<b>Write-downs at 31 December</b>	<b>8,024</b>	<b>16,145</b>

Write-downs and realised losses are recognised in operational cost in the income statement.

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

The DFDS Group's trade receivables at 31 December 2007 includes receivables totalling DKK 11.6 million (2006: DKK 6.9 million), which has been written down to DKK 0.0 million (2006: DKK 0.0 million) based on individual evaluations. The write-downs are caused by the customers bankruptcy or expected bankruptcy as well as uncertainty about the customers ability and willingness to pay.

**Age distribution of overdue, but not written down, trade receivables:**

		Maturity period:			
38,809	56,049	Up to 30 days	291,895	265,974	
1,874	1,419	31-60 days	96,180	35,360	
298	0	61-90 days	19,905	12,115	
15	307	91-120 days	6,228	4,114	
510	1,561	Above 120 days	12,830	7,221	
<b>41,506</b>	<b>59,336</b>		<b>427,038</b>	<b>324,784</b>	

Parent Company DKK '000				Consolidated DKK '000	
2006	2007	Note 15	Securities	2006	2007
14,982	14,266		Listed shares	14,982	14,266
8,818	8,818		Other shares and equity investments	8,933	10,138
1,223	1,404		Other investments	1,223	1,404
<b>25,023</b>	<b>24,488</b>		<b>Total securities</b>	<b>25,138</b>	<b>25,808</b>

Securities in both the Parent Company and the Group are non-current 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 assets are not adjusted to fair value because the valuation cannot be done based on an objective basis. Instead the securities are recognised at cost less impairments, if any.

During 2007 the Parent Company has disposed of shares and equity investments, which were recognised at the cost of DKK 85 thousand. The profit from sale constitutes DKK -4 thousand and is included in financial cost.

Parent Company DKK '000				Consolidated DKK '000	
2006	2007	Note 16	Inventories	2006	2007
24,638	49,305		Bunkers	33,011	60,822
42,224	37,720		Goods for sale and raw materials for restaurants	48,252	42,810
-1,869	-7,444		Write-down of goods for sale and raw materials for restaurants	-1,869	-7,444
<b>64,993</b>	<b>79,581</b>		<b>Total stocks</b>	<b>79,394</b>	<b>96,188</b>

			Parent Company Number of shares	
Note 17 Holding of treasury shares			2006	2007
Holding of treasury shares at 1 January			414,895	391,120
Disposals of the year related to share options used			-23,775	-52,225
<b>Holding of treasury shares at 31 December</b>			<b>391,120</b>	<b>338,895</b>
Market value of treasury shares at 31 December, DKK '000			265,962	267,727

At the Annual General Meeting in March 2007 the Board of Directors was authorised - until the Annual General Meeting 2008 - to acquire treasury shares at a nominal value totalling 10% of the DFDS A/S' share capital.

DFDS A/S has not acquired treasury shares in 2007. The Company's holdings of treasury shares at 31 December 2007 are 338,895 shares (2006: 391,120 shares), corresponding to 4.24% (2006: 4.89%) of the Company's share capital. Treasury shares have originally been acquired to cover a share option scheme for employees.

Parent Company DKK '000				Consolidated DKK '000	
2006	2007	Note 18	Deferred tax	2006	2007
0	0		Balance at 1 January	98,729	127,663
-	-		Foreign exchange adjustment	4,811	-1,930
0	0		Change of corporation tax rate	0	-329
0	0		Addition related to acquisition	17,801	0
0	0		Deferred tax for the year recognised in the income statement	7,539	3,580
0	0		Deferred tax for the year recognised in the equity	2,347	0
0	0		Adjustment, previous years in the income statement	-3,570	18,294
0	0		Adjustment, previous years in the equity	6	-24
<b>0</b>	<b>0</b>		<b>Deferred tax at 31 December, net</b>	<b>127,663</b>	<b>147,254</b>
<b>Deferred tax is recognised in the balance sheet as:</b>					
0	0		Deferred tax asset	-84,425	-75,174
0	0		Deferred tax liability	212,088	222,428
<b>0</b>	<b>0</b>		<b>Deferred tax, net at 31 December</b>	<b>127,663</b>	<b>147,254</b>

By joining the tonnage taxation scheme, DFDS A/S is subject to the requirements of the scheme until 2012. 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 provided for. If DFDS A/S withdraws from the tonnage taxation scheme, deferred tax in the amount of not exceeding DKK 401 million (2006: DKK 423 million) may crystallise.

DFDS A/S has tax losses carried forward of DKK 245 million (2006: DKK 248 million) of which the tax base has not been recognised in the deferred tax. Taxable losses carried forward of DKK 245 million has no maturity date. The taxable loss carried forward in 2006, DKK 248 million, has no maturity date.

The tax base of the tax losses carried forward is not recognised because the tax losses carried forward are uncertain because DFDS A/S for the moment do not expect positive taxable income in the near future.

NOTE 18 CONTINUES ON THE FOLLOWING PAGE >>>

<b>Consolidated</b>	Balance at 1 January	Foreign exchange adjustment	Addition related to acquisition	Recognised in the income statement	Recognised in the equity	Adjustment, previous years in the income statement	Balance at 31 December
<b>2006</b>							
Ships	165,970	5,923	0	1,647	0	0	173,540
Buildings, terminals and operating equipment	11,330	-144	2	-229	0	-269	10,690
Provisions	-55,182	-1,026	-3,341	4,688	0	-3,064	-57,925
Value of hedging instruments	-1,965	-66	0	0	2,359	0	328
Tax deficit carried forward	-8,747	5	-40	4,052	0	31	-4,699
Other	-12,677	119	21,180	-2,619	-6	-268	5,729
	98,729	4,811	17,801	7,539	2,353	-3,570	127,663
<b>2007</b>							
Ships	173,540	-7,334	0	3,052	0	19,648	188,906
Buildings, terminals and operating equipment	10,690	759	0	1,400	0	-2,791	10,058
Provisions	-57,925	4,670	0	-1,687	0	-1,141	-56,083
Value of hedging instruments	328	0	0	0	0	0	328
Tax deficit carried forward	-4,699	-4	0	569	-24	882	-3,276
Other	5,729	-21	0	246	0	1,367	7,321
	127,663	-1,930	0	3,580	-24	17,965	147,254

**Parent Company**

DFDS A/S has no deferred tax.

**Note 19 Share-based payment**

The decision to grant share options is made by the Board of Directors. In 1999 the Group established a share option scheme for the Executive Board and other executive employees. From 2005 share options have only been granted to the Executive Board. Each share option gives the holder of the option the right to acquire one existing share in the company of nominal DKK 100. The share option scheme equals a right to acquire 1.2% of the share capital (2006: 1.7%) if the remaining share options are exercised.

Share options granted up to and including 2004 have been granted at an exercise price equal to the average share price of the Company's shares of 10 banking days after the publication of the Annual Report with an addition of 10%. Share options granted in 2005 and 2006 have been granted at an exercise price equal to the average share price of the Company's shares in December the year before the grant. Share options granted in 2007 have been granted at an exercise price equal to the average share price of the Company's shares in December the year before the grant with an addition of 5%. There are no unusual conditions of vesting. Vesting is done on a straight line basis over a period of three years from the date of grant for share options granted in 2005 and 2006. Share options granted in 2007 are fully vested from the date of grant. Special conditions apply regarding illness and death and if the capital structure of the Company is changed, etc.

The share options can be exercised when a minimum 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.

For share options granted in the years 2001 to 2003 the holder of the share option can choose between settlement in shares or cash settlement. Share options granted in 2004 and later can only be settled with shares. A part of the treasury shares is reserved for settling the outstanding share options.

<b>2006</b>	Executive Board number	Executive employees number	Terminated employees number	Total number	Average exercise price per option DKK	Average fair value per option DKK	Total fair value DKK '000
Outstanding at the beginning of the year	67,500	82,600	0	150,100	229.57	162.35	24,369
Granted during the year	30,000	0	0	30,000	380.00	85.74	2,572
Exercised during the year	-12,125	-27,500	0	-39,625	162.40	278.45	11,034
Forfeited during the year	0	-5,500	0	-5,500	161.24	369.57	2,033
Expired during the year	0	-1,600	0	-1,600	144.00	236.47	378
Transferred between categories	-27,500	0	27,500	0	310.91	387.25	10,649
Outstanding at the end of the year	57,875	48,000	27,500	133,375	287.21	406.58	54,228
Exercisable at the end of the year	2,875	4,500	0	7,375	158.93	521.69	3,847

NOTE 19 CONTINUES ON THE FOLLOWING PAGE &gt;&gt;&gt;



2007	Executive Board number	Executive employees number	Terminated employees number	Total number	Average exercise price per option DKK	Average fair value per option DKK	Total fair value DKK '000
Outstanding at the beginning of the year	57,875	48,000	27,500	133,375	287.21	406.58	54,228
Granted during the year	30,000	0	0	30,000	690.00	263.52	7,906
Exercised during the year	-17,875	-38,000 <sup>1)</sup>	-7,500	-63,375	259.39	498.35	31,583
Expired during the year	0	-2,000	0	-2,000	149.60	600.42	1,201
Transferred between categories	-30,000		30,000	0	449.00	410.47	12,314
Outstanding at the end of the year	40,000	8,000	50,000	98,000	431.31	423.11	41,465
Exercisable at the end of the year	0	8,000	0	8,000	232.25	565.31	4,522

1) Hereof 10,000 share options cash settled due to special conditions.

Value after deduction of the exercise price of exercised share options for the Executive Board amounts to DKK 2.8 million in both the Group and in the Parent Company (2006: DKK 3.9 million)

The average weighted price per share exercised in 2007 amounts to 757 (2006: 441).

The cost of the year related to share based payment is recognised in the Parent Company's income statement with DKK 10.0 million (2006: DKK 6.6 million) and in the Group's income statement with DKK 10.0 million (2006: DKK 6.6 million).

The weighted average fair value per share option (market price minus average exercise price per option) is assessed at DKK 358.7 (2006: DKK 392.8).

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

The outstanding options at 31 December 2007 have an average weighted time to maturity of 3.1 years (2006: 2.9 years).

#### Share options granted during 2001 - 2003

Recognised liabilities regarding share options with the option to choose between settlement in shares or cash as of 31 December 2007 amounts to DKK 1.6 million (2006: DKK 3.8 million). At 31 December 2007 DKK 1.6 million (2006: DKK 3.8 million) can be exercised by the option holder.

Share options granted in 2003 have an exercise price equal to DKK 162.40, and share options granted in 2002 have an exercise price equal to DKK 149.60.

#### Share options granted from 2004 and later

The recognised value of share options with settlement in shares amounts to DKK 13.6 million (2006: DKK 5.4 million).

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

Year of grant	Exercise price DKK	Market price at grant date DKK	Expected volatility %	Risk-free interest rate %	Dividend per share DKK	Expected term Year	Fair value per option at time of granting DKK
2004	264	264	22.38%	3.54%	6	5 years	46.91
2005	277	359	21.49%	2.77%	6	5 years	110.29
2006	380	396	21.18%	3.23%	7.5	5 years	85.74
2007	690	800	23.53%	3.90%	7.5	5 years	263.52

The expected volatility is based on the historical volatility for the last 40 - 60 months. The risk-free interest is based on the 5-years Danish government bonds.

**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 annual premiums 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 funding of these insurance companies. Pension costs from such plans are charged to the income statement when incurred.

In England the Group has pension plans, which are defined benefit plans and are included in the balance sheet as shown below. In addition there are minor defined benefit plans in Norway, Holland, Denmark and Sweden.

Some of the pension plans in Sweden are multi-employer plans. The plans are collective and are covered through premiums 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 treated as defined contribution plans. The contributions made amount to DKK 6.3 million in 2007 (2006: DKK 8.9 million). The collective funding ratio at Alecta amounts to 152.0% as per 31 December 2007 (31 December 2006: 143.1%).

In the below the calculation of the defined benefit plans is specified in accordance with actuarial methods.

<b>Parent Company</b> DKK '000			<b>Consolidated</b> DKK '000	
2006	2007		2006	2007
0	0	Present value of funded obligations	690,386	542,492
0	0	Fair value of plan assets	-448,787	-432,368
<b>0</b>	<b>0</b>	<b>Remaining external coverage of funded obligations, net</b>	<b>241,599</b>	<b>110,124</b>
8,098	6,397	Present value of unfunded obligations	25,256	23,909
0	0	Unrecognised actuarial gains and losses	-35,827	83,963
<b>8,098</b>	<b>6,397</b>	<b>Recognised liabilities for defined benefit obligations at 31 December</b>	<b>231,028</b>	<b>217,996</b>
7,942	8,272	Provision for jubilee liabilities	8,331	8,727
<b>16,040</b>	<b>14,669</b>	<b>Total actuarial liabilities at 31 December</b>	<b>239,359</b>	<b>226,723</b>
<b>Movements in the net liability for defined benefit funded and unfunded obligations</b>				
9,099	8,098	Balance at 1 January	671,734	715,642
-	-	Foreign exchange adjustments	8,793	-40,796
250	-824	Current service costs	5,491	4,850
0	0	Calculated interest rate on obligations	30,081	34,029
0	0	Actuarial gain/loss on obligations, net	-166	-128,502
-1,251	-877	Benefits paid	-12,408	-16,797
0	0	Employee contributions	0	-486
0	0	Settlements and curtailments	-12,834	-1,539
-	-	Addition related to acquisitions	24,951	0
<b>8,098</b>	<b>6,397</b>	<b>Funded and unfunded obligations at 31 December</b>	<b>715,642</b>	<b>566,401</b>
<b>Movements in the defined benefit plan assets</b>				
0	0	Balance at 1 January	-401,149	-448,787
-	-	Foreign exchange adjustments	-5,327	31,307
0	0	Expected return on plan assets	-21,687	-25,430
0	0	Actuarial gain/loss on plan assets, net	-9,993	2,776
0	0	Employer and employee contributions	-5,707	-6,686
0	0	Benefits paid	9,901	13,716
0	0	Settlements and curtailments	6,605	736
-	-	Addition related to acquisitions	-21,430	0
<b>0</b>	<b>0</b>	<b>Plan assets at 31 December</b>	<b>-448,787</b>	<b>-432,368</b>

NOTE 20 CONTINUES ON THE FOLLOWING PAGE >>>

Parent Company DKK '000			Consolidated DKK '000	
2006	2007		2006	2007
		<b>Movements in unrecognised actuarial gains/losses</b>		
0	0	Balance at 1 January	-45,700	-35,827
-	-	Foreign exchange adjustments	-588	-6,700
0	0	Actuarial gain/loss, net on funded and unfunded liabilities	166	128,502
0	0	Actuarial gain/loss, net on plan assets	9,993	-2,776
0	0	Actuarial gain/loss, recognised in income statement	302	764
<b>0</b>	<b>0</b>	<b>Unrecognised actuarial gains/losses at 31 December</b>	<b>-35,827</b>	<b>83,963</b>
		<b>Expenses recognised as staff costs in the income statement</b>		
250	-824	Current service costs	5,491	4,850
0	0	Net actuarial gain/loss recognised (corridor)	302	764
250	-824		5,793	5,614
0	0	Gain on settlements and curtailments	-6,229	-803
<b>250</b>	<b>-824</b>	<b>Total staff costs</b>	<b>-436</b>	<b>4,811</b>
		<b>Expenses recognised as financial expenses in the income statement</b>		
0	0	Calculated interests on obligations	30,081	34,029
0	0	Expected return on plan assets	-21,687	-25,430
0	0	Total financial expenses	8,394	8,599
250	-824	Total expenses for defined benefit plans recognised in the income statement	7,958	13,410

Actual return on plan assets in the Group's plans amounts to DKK 22.7 million (2006: DKK 31.7 million). There are no plan assets in the Parent Company's plans.

The expected return on plan assets is assessed as a limited spread against the used discount rate for each plan.

The Group expects to contribute DKK 12.3 million (2006: DKK 7.5 million) to the defined benefit plans in 2008. The parent company expects to contribute DKK 0.4 million in 2007 (2006: DKK 0.5 million).

		<b>Plan assets consist of the following</b>		
0	0	Listed shares (DFDS A/S shares not included)	356,803	340,131
0	0	Bonds	82,575	82,186
0	0	Cash and cash equivalents	722	0
0	0	Properties	5,429	7,086
0	0	Other assets	3,258	2,965
<b>0</b>	<b>0</b>		<b>448,787</b>	<b>432,368</b>
		<b>Defined benefit plans assumptions<sup>1)</sup></b>		
2.0%	2.0%	Discount rate	4.9%	5.5%
-	-	Expected return on plan assets	5.7%	6.4%
0.0%	0.0%	Social security rate	0.0%	0.1%
0.0%	0.0%	Future salary increase	0.4%	0.9%
1.0%	0.9%	Future pension increase	0.3%	0.7%
1.0%	0.9%	Inflation	3.0%	3.4%

1) All factors are weighted at the pro rata share of the individual actuarial obligation and the expected return on plan assets is weighted at the pro rata share of the individual plan asset.

	2005	2006	2007
<b>The Group's obligations for defined benefit plans for the current year and the past two years consists of the following:</b>			
Present value of the defined benefit obligation	-671,734	-715,642	-566,401
Fair value of plan assets	401,149	448,787	432,368
<b>Deficit in the plan</b>	<b>-270,585</b>	<b>-266,855</b>	<b>-134,033</b>
Experience adjustments arising on plan liabilities	-6,987	-1,359	107,569
Experience adjustments arising on plan assets	38,237	21,845	1,757

**The Parent Company's obligations for defined benefit plans for the current year and the past two years consists of the following:**

	2005	2006	2007
Present value of the defined benefit obligation	-9,099	-8,098	-6,397
Experience adjustments arising on plan liabilities	0	0	0

DFDS's most significant risks regarding the defined benefit plans are related to the assets and the obligations (liabilities) in the plans.

DFDS's future obligations in the defined benefit plans can be influenced significantly by changes in the discount rate, the fair value of the plan assets and the expected return of these, the inflation, the future salary and pension increase, and demographic changes, such as the expected lifetime or other changes.

Parent Company				Consolidated	
DKK '000				DKK '000	
2006	2007	Note 21	Other provisions	2006	2007
9,061	2,610		Balance at 1 January	9,061	11,247
0	0		Provisions made during the year	8,637	15,046
-1,835	0		Used during the year	-1,835	0
-4,616	0		Reversal of unused provisions	-4,616	0
<b>2,610</b>	<b>2,610</b>		<b>Other provisions at 31 December</b>	<b>11,247</b>	<b>26,293</b>
			Other provisions are expected to be payable in:		
2,610	2,610		0 - 1 year	11,247	25,168
0	0		1 - 5 year	0	1,125
<b>2,610</b>	<b>2,610</b>		<b>Other provisions at 31 December</b>	<b>11,247</b>	<b>26,293</b>

Of the Group's provision of DKK 26.3 million, DKK 14.8 million (2006: DKK 8.6 million) relate to costs incurred in connection with the sale of a ship, DKK 7.0 million (2006: DKK 0.0 million) relate to costs incurred in connection with a contamination issue, DKK 2.6 million (2006: DKK 2.6 million) relate to a terminated tenancy no longer in use and DKK 1.9 million (2006: DKK 0.0 million) relate to other provisions.

The Parent Company's other provisions consist of DKK 2.6 million (2006: DKK 2.6 million) relating to a terminated tenancy no longer in use.

Parent Company				Consolidated	
DKK '000				DKK '000	
2006	2007	Note 22	Interest-bearing liabilities	2006	2007
2,892,280	2,526,157		Mortgage on ships	3,818,715	3,207,236
21,451	12,561		Financial lease liabilities	87,652	51,237
238,592	178,958		Bank loans	303,347	258,052
57,220	38,073		Other non-current liabilities	78,141	128,250
<b>3,209,543</b>	<b>2,755,749</b>		<b>Total interest bearing non-current liabilities</b>	<b>4,287,855</b>	<b>3,644,775</b>
389,342	342,598		Mortgage on ships	525,457	565,851
8,637	9,656		Financial lease liabilities	37,542	35,294
410,552	527,869		Owed to group enterprises	-	-
88,597	59,653		Bank loans	134,838	69,675
14,912	20,175		Other non-current liabilities	19,035	36,830
<b>912,040</b>	<b>959,951</b>		<b>Total interest bearing current liabilities</b>	<b>716,872</b>	<b>707,650</b>
<b>4,121,583</b>	<b>3,715,700</b>		<b>Total interest bearing liabilities</b>	<b>5,004,727</b>	<b>4,352,425</b>

The fair value of the interest-bearing liabilities in the Group amounts to DKK 4,352 million (2006: DKK 5,005 million). The fair value of the interest-bearing liabilities in the Parent Company amounts to DKK 3,716 million (2006: DKK 4,122 million). 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 are used as the discount rate.

DKK 1,462 million of the interest-bearing liabilities in the Group fall due after five years (2006: DKK 1,736 million). DKK 1,191 million of the interest bearing liabilities in the Parent Company fall due after five years (2006: DKK 1,427 million).

No exceptional conditions in connection with borrowing are made. The Group's loan agreements can be settled at fair value plus a small surcharge. See Note 11 for assets pledge as securities and Note 25 for financial risks etc.

Parent Company DKK '000			Consolidated DKK '000	
2006	2007	Allocation of currency, principal nominal amount	2006	2007
2,095,785	1,851,165	DKK	2,445,255	2,171,051
1,323,025	1,269,271	EUR	1,310,355	1,069,014
628,174	550,387	SEK	905,205	736,162
31,656	51,652	NOK	298,297	351,843
34,967	0	GBP	38,422	24,355
7,612	558	USD	7,193	0
364	-7,333	LTL <sup>1)</sup>	0	0
<b>4,121,583</b>	<b>3,715,700</b>	<b>Total interest bearing liabilities</b>	<b>5,004,727</b>	<b>4,352,425</b>

1) The Parent Company has a right to set-off against the individual group enterprises. As a consequence of a negative interest bearing liability may occur for the the individual currency.

Parent Company DKK '000			Consolidated DKK '000	
2006	2007	Note 23 Other payables	2006	2007
11,731	9,981	Amounts owed to group enterprises	-	-
0	0	Amounts owed to associates	130	121
41,636	40,585	Accrued interests	53,647	53,070
5,097	7,098	Public authorities	59,372	57,457
88,905	97,126	Holiday pay obligations, etc.	128,536	132,237
3,847	1,574	Share based payments, cash-settled	3,847	1,574
92,815	28,531	Derivative financial instruments, forward transactions and bunker hedges	92,815	28,931
142,302	154,999	Other, primarily payables	308,229	293,782
<b>386,333</b>	<b>339,894</b>	<b>Total other payables</b>	<b>646,576</b>	<b>567,172</b>

Parent Company DKK '000			Consolidated DKK '000	
2006	2007	Note 24 Corporation tax	2006	2007
-2,305	0	Balance at 1 January	6,847	16,585
-	-	Foreign exchange adjustment	177	181
-	-	Addition related to acquisition	944	0
0	0	Tax for the year recognised in the income statement	35,293	26,128
-1,182	0	Adjustment, previous years in the income statement	-370	66,423
3,487	0	Corporation taxes paid in the year	-26,306	-19,575
0	0	Transferred to liabilities related to assets held for sale	0	-134
0	0	Transferred to other interest-bearing liabilities	0	-80,814
<b>0</b>	<b>0</b>	<b>Corporation tax at 31 December</b>	<b>16,585</b>	<b>8,794</b>
		Corporation tax recognised in the balance sheet:		
0	0	Current corporation tax receivables	6,630	13,722
0	0	Current corporation tax	23,215	22,516
<b>0</b>	<b>0</b>	<b>Total corporation tax</b>	<b>16,585</b>	<b>8,794</b>

#### New tonnage tax regulations in Norway

The Norwegian government has passed an act on a new regulation of tonnage tax for taxation of Norwegian shipping companies. The new act is effective as of 2007.

The transitional provisions for the new regulation imply taxation of untaxed equity (result) generated under the existing system for taxation of shipping companies recognised by the end of 2006. Based on the approved act calculations show a tax cost of DKK 104.6 million for DFDS. The discounted value of this amount is DKK 80.8 million, which has been provided for in the income statement for 2007. Provisions to use 1/3 of the amount for environmental improvements latest in 2016 are available, of which unutilised amounts must be paid as taxes in 2016.

The tax must be paid evenly over the next 10 years with annually 1/10 of 2/3 of the total amount. The amount allocated in the income statement is discounted. The total annual cash flow effect is estimated to be lower, as the Norwegian tax payables are anticipated to be reduced as a consequence of the new Norwegian tonnage tax.



**The Group's financial risk management policy**

The most important financial risk factors for DFDS are oil, currency, interest rate 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 financing activities.

The Board of Directors annually approves the financial risk management policy and strategy.

**Currency risks**

Currency risks arise from disparities between revenue and expenses in particular currencies (transaction risks) and from net investments in foreign companies (translation risks). Transaction risk is divided into cash flow risk and currency balance risk.

DFDS actively seeks to reduce currency exposure by matching the currencies, obtaining multi currency loans and by directing all currency positions towards the Parent Company (the transaction risk) if possible. In addition, it is the strategy of DFDS to hedge the remaining part of the Group's currency risk on a one-year running basis at reasonable prices compared to the latest budget when entering into forward currency contracts, currency options and swaps.

Sensitivity analysis are based on unchanged sales and pricing as well as the effect of entered foreign currency hedging transactions.

**Cash flow risks**

Approximately 80% of DFDS' revenues are invoiced in foreign currencies (2006: 76%) with the most substantial net income currencies being SEK, NOK, EUR and GBP. USD was the most substantial net expense currency.

A decrease of 10% in SEK compared with the level at year-end 2007 would have meant a lower income for the Group of DKK 18.9 million in 2007 (2006: DKK 27.3 million), and similarly a lower income for the Parent Company of DKK 19.0 million in 2007 (2006: DKK 27.3 million). A fall of 10% in NOK compared to the level at year-end 2007 would have meant a lower income for the Group and the Parent Company of DKK 5.4 million (2006: DKK 4.2 million).

A decrease of 10% in GBP compared to the level at year-end 2007 would have meant a lower income for the Group and the Parent Company of DKK 0.5 million in 2007 (2006: DKK 9.6 million). An raise in the currencies SEK, NOK and GBP would have had a similar positive effect on the result of the year.

A raise of 10% in USD compared with the level at year-end 2007 would have meant increased expenses for the Group of DKK 14.2 million in 2007 (2006: DKK 13.5 million), and similarly for the Parent Company increased expenses of DKK 1.5 million in 2007 (2006: DKK 1.6 million). A fall in USD exchange rate would have had a similar positive effect on the result of the year. All sensitivity analysis are made on the basis of sales income and expenses for 2007 excluding hedging.

**Foreign currency balance risks**

The Group's and the Parent Company's most substantial currency balance position is in SEK. A fall of 10% in SEK compared to the level at year-end 2007 would have meant increased expenses for the Group and the Parent Company of DKK 17.5 million in 2007 (2006: DKK 10.2 million). A raise would have had similar positive effect on the result of the year.

**Translation risks**

Translation risks relate to translation of the profit and equity of foreign group enterprises into DKK. These risks are to some extent covered by loans in the respective foreign currencies, but are normally not hedged.

The Group's most substantial translation risks are SEK and NOK. A fall in these currencies of 10% compared to the level at year-end 2007 would have meant a value decrease for SEK of DKK 3.0 million in 2007 (2006: DKK +0.7 million) and for NOK a value decrease of DKK 33.7 million in 2007 (2006: DKK -41.9 million).

**Interest rate risks**

DFDS is primarily exposed to interest rate risks through the loan portfolio (interest-bearing debt less the short-term bank debts and other debts). The intention of the interest rate risk management is to limit the negative effects of interest rate fluctuation on the earnings. It is DFDS' strategy that a minimum of 50% of the loan portfolio must be fixed-rate loans in view of contracted currency swaps etc. The total interest-bearing debt of the Group amounts to DKK 4,352 million at year-end 2007 (2006: DKK 5,005 million), of which the floating-rate debt amounts to DKK 1,929 million at year-end 2007 (2006: DKK 2,252 million). Thereby the fixed interest-bearing debt share is 56% at year-end 2007 (2006: 55%) including the effect of currency swaps etc.

The total interest-bearing debt of DKK 4,352 million in 2007 (2006: DKK 5,005 million) had an average time to maturity of 5.2 years (2006: 6.1 years), and consists primarily of syndicated floating-rate bank loans with security in the ships. The financing is obtained at market rate with addition of a marginal rate reflecting DFDS' financial strength. As part of the financial strategies in DFDS interest rate swaps with a principal amount totalling DKK 2,143 million (2006: DKK 2,615 million) have been entered in partial change from floating-rate bank loans to fixed-rate bank loans.

An increase in the interest rate of 1%-point compared to the actual interest rate in 2007 would, other things being equal, have resulted in an additional cost of about DKK 20 million for the Group in 2007 (2006: DKK 13 million). The effect on the Parent Company would have been DKK 19 million in 2007 (2006: 10 million). A decrease in the interest rate would have had the equivalent positive effect.

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NOTE 25 CONTINUES ON THE FOLLOWING PAGE >>>

### **Credit risks**

DFDS's primary financial assets are trade receivables, other receivables, cash at bank and in hand 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 reservation for bad debts, which has been estimated based on a specific assessment of the present economic situation.

DFDS's 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, current credit ratings of all major customers and other cooperative partners are performed. A few customers have provided guarantees for payment. These guarantees constitutes totally DKK 4.4 million in 2007 (2006: DKK 3.9 million). Besides the reservations mentioned in Note 14 no other reservations on receivables have been done and no insurance cover has been taken out on any of the receivables.

The credit risk of cash at bank and in hand and derivative financial instruments is limited, because DFDS uses financial partners, which at a minimum have a solid credit rating (P-1 from Moody's).

### **Oil risks**

The cost of bunkers constitutes a specific and significant operational risk partly due to large fluctuations in oil prices and partly due to the total annual bunker costs of approximately DKK 1,036 million or 12% of the Group's turnover in 2007 (2006: DKK 940 million or 12% of the Group's turnover).

In the freight sector, bunker costs are hedged by price-adjustment clauses in freight contracts. In the passenger sector, fluctuations in the cost of bunkers are reflected in the ticket price to the extent possible. In addition, hedging transactions, primarily oil swaps, are to some extent also used to manage risk.

The bunker consumption in 2007 was approximately 500,000 tons (2006: 472,000 tons). A rise of 10% in the price of bunker compared to the level at year-end 2007 would have meant increased costs for the Group of DKK 21.9 million (2006: DKK 15.0 million), and increased cost for the Parent Company of DKK 21.9 million (2006: DKK 15.0 million).

### **Liquidity risks**

DFDS aims to maintain a minimum cash resource of DKK 300 million, which is regarded as sufficient even in peak requirement periods. The cash resources are managed at Group level, and 12-months rolling cash forecasts are prepared on a monthly basis. The cash resources at 31 December 2007 is DKK 1,181 million (2006: DKK 1,147 million). The central treasury department manages excess liquidity and cash resources. Cash at bank and in hand are primarily placed in the short money market and in bonds.

### **Capital management**

The Group is continuously assessing the need for adjustment of the capital structure to balance the required rate of return on equity against the increased uncertainty connected with loan capital. The equity's share of the total liabilities totals 38.0% at year-end 2007 (2006: 32.7%). The aim is to have an equity interest of 35-40%.

The company capital can only be raised if the Annual General Meeting adopts a proposal hereof.

The Group's financial goal for 2007 was to provide a 8.6-9.9% return on invested capital equivalent to the Group's cost of capital plus 30-50%. In 2007 the return on the invested capital aggregated 8.6% (2006: 7.0%).

The Group's dividend policy is to distribute around 30% of the DFDS shareholders' share of the Group's profits, however, taking into consideration any significant investments. Proposed dividends for 2007 amount to DKK 15.00 per share equal to 30.0% of the profits (2006: DKK 11.00 per share or 25.0% of the profits).

**Hedging of expected future transactions (DKK '000)****Consolidated**

Expected future transactions	Hedge instrument	Time to maturity	Notional principal amount	Gains/losses recognised in the equity				Fair value
				0-1 year	1-3 years	3-5 years	More than 5 years	
<b>2006</b>								
Goods purchased and sold	Forward exchange contracts	0-2 years	987,890		131			131
Goods purchased and sold	Forward exchange contracts	0-2 years		-22,244				-22,244
Interest	Interest swaps	0-10 years	2,516,313	136		3,475	6,653	10,408
Interest	Interest swaps	0-10 years			-1,460		-61,576	-63,126
Goods purchased	Oil contracts for forward delivery (tons)	0-6 months	90,000	-14,769				-14,769
				-36,877	-1,329	3,475	-54,923	-89,600
<b>2007</b>								
Goods purchased and sold	Forward exchange contracts	0-2 years	1,456,509		65			65
Goods purchased and sold	Forward exchange contracts	0-2 years		-12,905				-12,905
Interest	Interest swaps	0-10 years	2,142,845		7,080	4,231	9,615	21,602
Interest	Interest swaps	0-10 years			-691		-32,893	-33,244
				-12,905	6,454	4,231	-23,278	-24,482

For 2007 DKK 0.2 million (2006: DKK 0.1 million) is recognised in the income statement due to inefficiency in hedging of expected future transactions.

**Parent Company**

Expected future transactions	Hedge instrument	Time to maturity	Notional principal amount	Gains/losses recognised in the equity				Fair value
				0-1 year	1-3 years	3-5 years	More than 5 years	
<b>2006</b>								
Goods purchased and sold	Forward exchange contracts	0-2 years	987,890		131			131
Goods purchased and sold	Forward exchange contracts	0-2 years		-20,596				-20,596
Interest	Interest swaps	0-10 years	2,203,230	136		2,100	6,293	8,671
Interest	Interest swaps	0-10 years					-61,573	-61,665
Goods purchased	Oil contracts for forward delivery (tons)	0-6 months	90,000	-14,769				-14,769
				-35,229	131	2,100	-55,280	-88,228
<b>2007</b>								
Goods purchased and sold	Forward exchange contracts	0-2 years	1,456,509					
Goods purchased and sold	Forward exchange contracts	0-2 years		-12,443				-12,443
Interest	Interest swaps	0-10 years	1,861,200		5,503	2,116	9,615	17,505
Interest	Interest swaps	0-10 years					-32,893	-32,953
				-12,443	5,503	2,116	-23,278	-27,891

NOTE 25 CONTINUES ON THE FOLLOWING PAGE >>>

For 2007 DKK 0.2 million (2006: DKK 0 million) is recognised in the income statement due to inefficiency in hedging of expected future transactions.

The stated fair value is comparable with the market value determined by the bank at 31 December 2007.

#### Hedging of assets and liabilities

In 2007 gains and losses on currency hedged balance sheet items amounted to DKK -2.7 million (2006: -4.1 million), of which gain and loss on the derivative financial instruments amounted to DKK 1.3 million (2006: -2.9 million). The recognised amounts are identical for both the Group and the Parent Company. The amounts are recognised in financial items.

At 31 December 2007 unrealised net losses on derivative financial instruments on hedging of currency risks associated with balance sheet items amount to DKK 0.6 million (2006: unrealised net losses DKK 1.6 million), which have been recognised in the income statement.

#### Interest rate risks (DKK '000)

##### Consolidated 2006

Category	Principal amount/outstanding debt at			
	31/12/06	31/12/07	31/12/09	31/12/11
Mortgages on ships	4,344,171	3,818,715	2,494,906	1,736,189
Bank loans	399,657	303,347	164,032	0
Bank overdrafts	38,528	0	0	0
Other interest-bearing loans	97,176	78,141	14,913	0
Financial lease liabilities	125,195	87,653	20,117	0
Interest-bearing liabilities	5,004,727	4,287,856	2,693,968	1,736,189
Financial lease liabilities, fixed interest rate	-125,195	-87,653	-20,117	0
Mortgages on ships, fixed interest rate	-111,480	-97,127	-68,422	-39,716
Interest swap, (principal amount), fixed rate, (interest paid)	-2,516,313	-2,152,119	-1,344,337	-850,652
Loans with floating interest rates	2,251,739	1,950,957	1,261,092	845,821

##### Consolidated 2007

Category	Principal amount/outstanding debt at			
	31/12/07	31/12/08	31/12/10	31/12/12
Mortgages on ships	3,773,088	3,207,237	2,030,941	1,418,134
Bank loans	327,726	258,051	59,653	0
Other interest-bearing loans	165,080	128,250	90,932	43,946
Financial lease liabilities	86,531	51,237	0	0
Interest-bearing liabilities	4,352,425	3,644,775	2,181,526	1,462,080
Financial lease liabilities, fixed interest rate	-86,531	-51,237	0	0
Mortgages on ships, fixed interest rate	-97,135	-82,781	-54,073	-25,365
Other fixed-interest liabilities	-97,368	-85,130	-66,484	-58,441
Interest swap, (principal amount), fixed rate, (interest paid)	-2,142,845	-1,856,692	-986,376	-597,759
Loans with floating interest rates	1,928,546	1,568,935	1,074,593	780,515

##### Parent Company 2006

Category	Principal amount/outstanding debt at			
	31/12/06	31/12/07	31/12/09	31/12/11
Mortgages on ships	3,281,622	2,892,280	2,004,563	1,427,372
Bank loans	298,240	238,592	119,296	0
Bank overdrafts	28,949	0	0	0
Debt to group enterprises	410,552	0	0	0
Other interest-bearing loans	72,132	57,220	14,913	0
Financial lease liabilities	30,088	21,451	0	0
Interest-bearing liabilities	4,121,583	3,209,543	2,138,772	1,427,372
Financial lease liabilities, fixed interest rate	-30,088	-21,451	0	0
Interest swap, (principal amount), fixed rate, (interest paid)	-2,203,230	-1,873,687	-1,168,069	-784,952
Loans with floating interest rates	1,888,265	1,314,405	970,703	642,420

NOTE 25 CONTINUES ON THE FOLLOWING PAGE >>>

**Parent Company 2007**

**Principal amount/outstanding debt at**

Category	31/12/07	31/12/08	31/12/10	31/12/12
Mortgages on ships	2,868,755	2,526,157	1,640,963	1,190,767
Bank loans	238,611	178,958	59,653	0
Debt to group enterprises	527,869	0	0	0
Other interest-bearing loans	58,248	38,073	0	0
Financial lease liabilities	22,217	12,561	0	0
Interest-bearing liabilities	3,715,700	2,755,749	1,700,616	1,190,767
Financial lease liabilities, fixed interest rate	-22,217	-12,561	0	0
Other fixed-interest liabilities	-16,554	-11,292	0	0
Interest swap, (principal amount), fixed rate, (interest paid)	-1,861,200	-1,610,092	-907,876	-597,759
Loans with floating interest rates	1,815,729	1,121,804	792,740	593,008

**Parent Company**  
DKK '000

**Consolidated**  
DKK '000

2006	2007	Note 26	Non-liquid operating items	2006	2007
-5,417	1,687		Change in provisions	-5,186	10,265
0	-326		Gain/loss on sale of operating equipment	-4,865	-4,270
0	5,575		Write-down of inventories	0	5,575
250	-824		Defined benefit plans in the income statement	-436	4,811
6,582	9,970		Fair value of the share options in the income statement	6,582	9,970
<b>1,415</b>	<b>16,082</b>		<b>Non-liquid operating items</b>	<b>-3,905</b>	<b>26,351</b>

**Parent Company**  
DKK '000

**Consolidated**  
DKK '000

2006	2007	Note 27	Change in working capital	2006	2007
11,161	-20,163		Change in inventories	13,948	-23,930
-59,232	74,357		Change in receivables	-185,858	52,382
198,016	7,243		Change in current liabilities	242,144	-76,151
<b>149,945</b>	<b>61,437</b>		<b>Change in working capital</b>	<b>70,234</b>	<b>-47,699</b>

**Parent Company**  
DKK '000

**Consolidated**  
DKK '000

2006	2007	Note 28	Investments in fixed assets, net	2006	2007
-435	-2,032		Investments	-121,626	-18,197
1,036	0		Sale	21,070	3,242
<b>601</b>	<b>-2,032</b>		<b>Investments in buildings and terminals, net</b>	<b>-100,556</b>	<b>-14,955</b>
-11,673	-19,069		Investments	-66,058	-49,884
232	583		Sale	9,370	5,507
<b>-11,441</b>	<b>-18,486</b>		<b>Investments in operating equipment, etc., net</b>	<b>-56,688</b>	<b>-44,377</b>

**Parent Company**  
DKK '000

**Consolidated**  
DKK '000

2006	2007	Note 29	Change in other financial loans, net	2006	2007
-14,920	-93,141		Repayments of loans	-57,884	-121,823
298,240	22,571		Raising of loans	308,837	42,214
<b>283,320</b>	<b>-70,570</b>		<b>Change in other loans, net</b>	<b>250,953</b>	<b>-79,609</b>



Note 30 Acquisition of companies and activities

2006	Norfolk Line Containers B.V.		Others		Total	
	Carrying amount prior to acquisition	Opening balance sheet at fair value	Carrying amount prior to acquisition	Opening balance sheet at fair value	Carrying amount prior to acquisition	Opening balance sheet at fair value
Non-current intangible assets	8,880	81,258	71	4,047	8,951	85,305
Non-current tangible assets	61,203	77,313	142	142	61,345	77,455
Inventories	1,812	1,812	0	0	1,812	1,812
Receivables	109,881	109,881	5,351	5,351	115,232	115,232
Cash funds	19,598	19,598	-934	-934	18,664	18,664
Deferred tax asset	962	-17,799	-2	-2	960	-17,801
Pension obligations	-3,774	-3,774	0	0	-3,774	-3,774
Other provisions	-1,981	-1,981	0	0	-1,981	-1,981
Long term liabilities	-24,767	-26,740	0	0	-24,767	-26,740
Short term liabilities	-71,863	-71,863	-9,131	-9,131	-80,994	-80,994
Corporation tax	0	0	-915	-915	-915	-915
<b>Acquired net assets</b>	<b>99,951</b>	<b>167,705</b>	<b>-5,418</b>	<b>-1,442</b>	<b>94,533</b>	<b>166,263</b>
Goodwill on acquisitions		133,740		16,765		150,505
<b>Purchase price</b>		<b>301,445</b>		<b>15,323</b>		<b>316,768</b>
Of this, cash funds		-19,598		934		-18,664
<b>Cash flow from acquisitions, net</b>		<b>281,847</b>		<b>16,257</b>		<b>298,104</b>

Consolidated

*Norfolk Line Containers B.V.*

On 15 August 2006 DFDS A/S made an agreement to acquire 100% of the shares in Norfolk Line Containers B.V., and the recognition in the Group took effect from 1 October 2006 when control was obtained. The company operates within the lo-lo container shipping service between the Continent and Ireland and have about 2,400 containers and five chartered ship at their disposal. The most substantial part of the cargo is own door/door production between the Continent and Ireland. The company has changed its name to DFDS Containerline B.V.

Goodwill at the acquisition amounts to DKK 133.7 million and can be allocated to the synergies arising from other existing container activities in DFDS Lys Line and DFDS Suardiaz Line operating on the North Sea, the Irish Sea and Spain. The company will complement the existing network resulting in an improved geographical representation and increased operational flexibility.

Norfolk Line Containers B.V. has realised a net turnover and EBIT of respectively DKK 171.3 million and DKK 11.0 million during the period 1 October 2006 – 31 December 2006.

*Other acquisition of companies and activities*

The Group has during 2006 acquired other minor companies and one activity.

*Miscellaneous*

It has not been possible to determine the full year effect of the acquired companies.

In connection with the acquisitions a fee of approximately DKK 2.0 million has been paid to advisors, etc.

**Parent Company**

The Parent Company's acquisition of companies include the acquisition of Norfolk Line Containers B.V. and two minor companies. The cash flow effect of the acquisitions is DKK 306.3 million in the Parent Company.

2007

The Group and the Parent Company have not made any acquisitions of companies or activities in 2007. See Note 10 regarding value adjustment of acquisition of DFDS Container Line B.V. (former Norfolk Line Containers B.V.).

Parent Company DKK '000				Consolidated DKK '000	
2006	2007	Note 31	Acquisition of minority interests	2006	2007
-645	-1,626		AB DFDS LISCO	-645	-1,626
0	0		Halléns OY	-209	0
0	0		LHT (UK) Limited	-166	0
0	0		Transport Partners Intermodal Ltd.	0	-11,017
<b>-645</b>	<b>-1,626</b>		<b>Cash flow from acquisition of minority interests</b>	<b>-1,020</b>	<b>-12,643</b>

## 2006

### AB DFDS LISCO

During 2006 acquisition of shares in AB DFDS LISCO amounts to DKK 0.6 million, equivalent to an ownership share of 0.2%, providing an ownership share of 92.3%.

### LHT (UK) Limited

On 17 October 2006 the remaining ownership in LHT (UK) Limited was acquired, and the company is now 100% owned by LHT (Transport) Holding B.V.

### Halléns OY

On 1 January 2006 the remaining ownership in Halléns OY was acquired, and the company is now 100% owned by Halléns N.V.

## 2007

### AB DFDS LISCO

During 2007 acquisition of shares in AB DFDS LISCO amounts to DKK 1.6 million, equivalent to an ownership of 0.3%, providing an ownership share of 92.6%.

### Transport Partners Intermodal Ltd.

On 10 January 2007 the remaining ownership of 49% in Transport Partners Intermodal Ltd. was acquired, and the company is now owned 100% by DFDS Lys Line Ireland.

	Note 32	Assets and liabilities held for sale	2006	2007
Non-current assets (see Note 11)			0	131,973
<b>Current assets</b>				
Inventories			0	1,561
Receivables			0	7,554
Prepayments			0	708
<b>Total current assets</b>			<b>0</b>	<b>9,823</b>
<b>Total assets held for sale</b>			<b>0</b>	<b>141,796</b>
<b>Current liabilities</b>				
Corporation tax			0	134
Other liabilities			0	7,256
<b>Total liabilities related to assets held for sale</b>			<b>0</b>	<b>7,390</b>

The Tramp activity comprises of the operation of five multi-purpose ships. The activity has no connection to the route network as defined in the strategy announced on 12 September 2007. The activity is expected to be disposed of in 2008, and is consequently recognised in the balance sheet under assets and liabilities held for sale.

**Note 33 Guaranties and contingent liabilities**

Guarantees and contingent liabilities amounts to DKK 133.3 million (2006: DKK 133.2 million) for the Group and DKK 1,038.0 million (2006: DKK 1,207.5 million) for the Parent Company.

A contaminated land has been registered in one of the Groups companies. Currently the Group does not have a commitment to cleanse the land. If such a commitment should occur, the Group has the possibility to get the cost adjusted in the original purchase price for the company. The deferred payments regarding the purchase price reflect among other things the opportunity for a set-off.

As at 31 December 2007 the Group and the Parent Company are parties in a number of lawsuits. The outcome of these lawsuits is not expected to affect the Group's financial position apart from amounts recognised in the balance sheet.

Parent Company DKK '000			Consolidated DKK '000		
2006	2007	Note 34	Contractual commitments	2006	2007
<b>Operating lease contracts</b>					
Minimum lease payments					
21,320	21,046	0-1 year		30,582	30,546
89,975	88,942	1-5 years		104,102	100,454
39,890	15,657	After 5 years		69,570	41,661
<b>151,185</b>	<b>125,645</b>	<b>Total buildings</b>		<b>204,254</b>	<b>172,661</b>
8,782	9,262	0-1 year		105,913	103,948
38,314	39,423	1-5 years		418,595	407,807
143,582	133,913	After 5 years		1,938,331	1,763,923
<b>190,678</b>	<b>182,598</b>	<b>Total terminals</b>		<b>2,462,839</b>	<b>2,275,678</b>
656,226	722,602	0-1 year		435,511	530,392
1,054,876	1,203,216	1-5 years		957,777	1,144,305
1,240,291	1,058,219	After 5 years		1,240,291	1,058,219
<b>2,951,393</b>	<b>2,984,037</b>	<b>Total ships</b>		<b>2,633,579</b>	<b>2,732,916</b>
14,316	14,310	0-1 year		32,470	30,662
23,771	20,128	1-5 years		41,920	43,177
<b>38,087</b>	<b>34,438</b>	<b>Total machinery and equipment</b>		<b>74,390</b>	<b>73,839</b>
<i>Total minimum lease payments are expected to fall due as follows:</i>					
700,644	767,220	0-1 year		604,476	695,548
1,206,936	1,351,709	1-5 years		1,522,394	1,695,743
1,423,763	1,207,789	After 5 years		3,248,192	2,863,803
<b>3,331,343</b>	<b>3,326,718</b>	<b>Total minimum lease payments</b>		<b>5,375,062</b>	<b>5,255,094</b>

The specified obligations are not discounted.

Operational leasing and rent costs recognised in the income statement amount for the Group to DKK 667.0 million for 2007 (2006: DKK 635.6 million) and for the Parent Company to DKK 701.6 million for 2007 (2006: DKK 641.1 million).

Operating lease contracts on ships are typical made with lease terms between three and ten years. The main part of the lease contracts on ships includes an option to extend the lease term. Lease contracts on other assets are normal lease agreements including a minimum lease term after which the lease term can be terminated by giving 1-12 months notice.

Future minimum sublease payments expected to be received under non-cancellable subleases amount for the Group to DKK 97.5 million in 2007 (2006: DKK 128.2 million) and for the Parent Company to DKK 258.5 million in 2007 (2006: DKK 368.8 million).

DFDS has not entered any substantial agreements, which will be effected, changed or expire, if the control of the company is changed as a consequence of an effected takeover bid.

NOTE 34 CONTINUES ON THE FOLLOWING PAGE >>>

Parent Company DKK '000			Consolidated DKK '000	
2006	2007		2006	2007
<b>Operating lease contracts assets leased out</b>				
Minimum lease payments				
Ships				
20,984	0	0-1 year	92,047	71,090
24,318	0	1-5 years	173,126	66,833
<b>45,302</b>	<b>0</b>	<b>Total ships</b>	<b>265,173</b>	<b>137,923</b>

The specified obligations are not discounted.

Operational leasing and rent income recognised in the income statement amounts for the Group to DKK 284.0 million in 2007 (2006: DKK 287.1 million) and for the Parent Company to DKK 205.6 million in 2007 (2006: DKK 166.4 million).

<b>Financial lease contracts</b>				
Minimum lease payments				
24,923	25,250	0-1 year	86,047	80,278
47,941	22,688	1-5 years	190,253	115,907
72,864	47,938	Total minimum lease payments	276,300	196,185
-30,996	-20,064	Elements of timecharter	-123,985	-94,801
-11,780	-5,657	Elements of finance	-27,121	-14,853
<b>30,088</b>	<b>22,217</b>	<b>Total</b>	<b>125,194</b>	<b>86,531</b>
<b>Recognised in the balance</b>				
8,637	9,656	Current liabilities	37,542	35,294
21,451	12,561	Non-current liabilities	87,652	51,237
<b>30,088</b>	<b>22,217</b>	<b>Total recognised in the balance</b>	<b>125,194</b>	<b>86,531</b>

The financial lease contracts included in the balance sheet relate to lease of four ships (2006: four ships), which are leased on timecharter agreements until 2010. The lease payments are fixed in the lease terms. DFDS has an option to extend the lease terms by an additional three years for three of the ships. The lease agreements do not include option to acquire the ships.

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**Note 35 Related parties**

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The Group's related parties exercising control are Vesterhavet A/S, Copenhagen, which holds more than 50% of the shares in DFDS A/S, and JL Fondet, Copenhagen, as the JL Fondet by statute exercises control of Vesterhavet A/S. The members of the Board of Directors and the Executive Board at Vesterhavet A/S and JL Fondet are also related parties.

Furthermore, related parties comprise all companies owned by JL Fondet, DFDS's group enterprises and associates, cf. page 90 and Note 13, and these companies' Executive Board and Board of Directors, executive employees and close members of the family of those.

Apart from intra-group balances and transactions (primary charter hire, trade in ships and commissions etc.), which are eliminated on consolidation, the usual Executive Board remuneration and Board of Directors emoluments (informed in Note 5), share option to the Executive Board (informed in Note 19) and the below transactions, no related-party transactions have been carried out during the year.

Regarding J. Lauritzen A/S, trade in 2006 and 2007 has primarily related to rendering of services. Trade is conducted on an arm's length basis.

**Consolidated**

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Sale of services to J. Lauritzen A/S in 2007 amounts to DKK 0.7 million (2006: DKK 0.9 million).

**Parent Company**

DKK '000

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	Sale of services	Purchase of services	Sale of assets	Purchase of assets	Receivables	Liabilities
<b>2006</b>						
J. Lauritzen A/S	896	0	0	0	0	0
Associated companies	268,223	954,188	568,976	0	1,512,378	422,283
<b>2007</b>						
J. Lauritzen A/S	671	0	0	0	0	0
Associated companies	296,889	968,051	0	0	1,469,145	537,850

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**Introduction**

At the end of each year impairment tests of goodwill and other non-current intangible assets, tangible and financial assets are performed. Impairment tests in between the annual tests will be performed case there are indications of impairment.

**Definition of cash generating unit (CGU)**

The division into cash generating units is based on the DFDS organisational structure into business areas, which are the three primary business areas Ro-Ro Shipping, Container Shipping and Passenger Shipping and the two strategic business areas Terminal Services and Trailer Services. The two business areas Ro-Ro Shipping and Container Shipping are both considered to be the lowest cash generating units and are therefore the level at which the impairment tests are performed. Ro-Ro Shipping act as a unit, where the individual subsidiaries are supporting companies. Container Shipping is equally organised in a route network, and the strategic management is carried out across the companies. In the Terminal Services business area, the lowest level for the cash generating unit is represented by the individual terminal. For Trailer Services the lowest level of cash generating units are the subgroups.

The individual route in Passenger Shipping is considered to be the lowest cash generating unit. The future expected net cash flows for the individual route are allocated to the individual ship. The distribution is based on the ship's capacity in relation to the route's capacity as well as the expected sailing list during the ship's useful life in the Group. The expected net cash flows for the ship are added to the expected scrap value of the ship at the end of the expected useful life in the Group. The scrap value is calculated as estimated net sales price or net residual value.

Non-current intangible and tangible assets are according to the above definitions allocated to the lowest level of cash generating units, to which the carrying amount can be attributed and which can be calculated with reasonable certainty.

**Definition of cash flow and calculation of recoverable amount**

The basis for calculating future net cash flows per cash generating unit is the budgeted operating profit (EBIT) after regulation of significant events such as opening/closing/changing routes, rebuilding of existing ships and new buildings.

The estimated cash flows for the individual cash generating units are based on approved budget for the coming financial year. Calculation of terminal value is based on the budget year adjusted for any larger one-offs.

The estimated value in use for Passenger Shipping is based on the approved budgets for the coming financial year with addition of an evaluation period of four years as well as a projection as from year six of the useful life of the ships running the route.

The value in use is calculated as the discounted value of future net cash flows for each cash-generating unit. The net realisable value is calculated as the fair value of the non-current assets less selling costs. The recoverable amount is the highest of the fair value and the net realisable value. If the recoverable amount is lower than the carrying amount of other non-current intangible and tangible assets the assets are impaired to that lower value.

The net realisable value for the Group's most important assets, ships, is calculated on basis of 3-4 independent broker assessments. The Group collects independent broker assessments each year for the Group's ships.

**Discount rate**

The Group determines a discount rate for each cash generating unit (business area) based on the interest rate (without risk) with addition of a risk premium attached to the individual business area. The term of the interest rate (without risk) is determined on the average useful life of the assets in the specific business area.

**Sensitivity analyses**

In connection with the impairment tests sensitivity analyses of the expected earnings are prepared annually testing relevant risk factors which the Group can measure on a reliable basis.

A calculation is also made on each cash generating unit determining the break-even point of the discounting rate, calculating which discount rate that would return a recoverable amount equal to the carrying amount.

Sensitivity analyses are prepared by changing the estimates within probable outcomes. None of these calculations changes the below stated result of impairment test.

**Order of impairment**

In case an indication of impairment is identified, goodwill will be the first asset in line to be written down followed by other intangible assets identified at acquisition of companies as well as the primary non-current intangible and tangible assets in the individual business area. The impairments will be based on the book value of the assets unless the write-down results in a value less than the net realisable value of the asset, the value in use of the asset (if available) or zero.

**Calculation for 2007**

The expected growth rate in the prognosis period is 0% (2006: 0-3%). The extrapolation after the prognosis period assumes a growth rate of 0% (2006: 0%) on all routes in Passenger Shipping.

Discount rates for the individual business area for 2007 are as follows:

<i>Discount rates before tax</i>	
Ro-Ro Shipping	8.1%
Container Shipping	7.9%
Passenger Shipping	8.9%
Terminal Services	8.2%
Trailer Services	8.8%

NOTE 36 CONTINUES ON THE FOLLOWING PAGE >>>

On the basis of the prepared impairment tests, no impairments have been made in 2007. In 2006 the total impairment loss on goodwill as well as non-current tangible assets were DKK 13.1 million related to a few smaller investments in group enterprises and one activity in the Group. Furthermore a ship was impaired with DKK 5.2 million. The impairments in 2006 are made on the basis of the expectation for the future net cash flow, including planned changes in the activity level.

**Impairment test of investments in group enterprises and associates (Parent Company)**

Impairment tests are made for each investment in group enterprises and associates. Each group enterprise is considered to be the smallest cash-generating unit.

The estimated recoverable amount of cash flows is based on management approved budgets for the coming financial year and an extrapolation under the assumption of a growth rate of 0%. Estimate of future cash flows are adjusted for uncertainties based on historical results and take into account expectations of possible fluctuation of future cash flows.

The Parent Company uses a discounting rate, which is determined for the individual group enterprise and associates according to which business area they belong. See above table for discount rates in use. In 2006 the general discount rate was 7%.

No impairment loss on group enterprises has been recognised in 2007 (2006: DKK 19.8 million).

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**Note 37 Critical accounting estimates and judgements**

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**Critical estimates in the implementation of accounting principles**

The estimates and assumptions that are considered by management to be material for the financial statement are described below.

*Estimated useful life, residual values and impairment tests of ships*

The useful life of the ships within the Group and the residual values are estimated annually as a minimum. Furthermore the carrying amount of the ships are tested for impairment annually. Material changes in estimated useful life as well as residual value and the result of the impairment tests can affect the operating profit. For the current year this has caused an adjustment of the economical useful life for components on two passenger ships. The effect is an annual reduction in depreciations by DKK 32 million. One of the passenger ships was sold at the end of 2007 with a profit of DKK 35 million.

See Note 1 and Note 36 for a description of accounting policies and methods of critical estimates regarding expected useful life, residual values and value in use of ships.

**Critical accounting estimates within the year**

The Management has made no significant critical accounting judgements in the Annual Account for 2007.

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**Note 38 Events after the balance sheet date**

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There have not been any significant events after 31 December 2007.

# DFDS GROUP COMPANIES

Company	Ownership share 2006*	Ownership share 2007*	Country	City	Currency	Equity
DFDS Tor Line N.V.			Belgium	Gent	EUR	62,000
Halléns N.V.	66	66	Belgium	Gent	EUR	297,000
Aukse Multipurpose Shipping Ltd.	92.3	92.6	Cyprus	Limassol	CYP	1,000
Lisco Optima Shipping Ltd.	92.3	92.6	Cyprus	Limassol	CYP	1,000
Rasa Multipurpose Shipping Ltd.	92.3	92.6	Cyprus	Limassol	CYP	1,000
DFDS A/S			Denmark	Copenhagen	DKK	800,000,000
DFDS Canal Tours A/S			Denmark	Copenhagen	DKK	1,000,000
DFDS Stevedoring A/S			Denmark	Esbjerg	DKK	502,000
DFDS Lys Line UK Ltd.			England	Boston Dock	GBP	40,000
DFDS Seaways Ltd.			England	Harwich	GBP	8,050,000
DFDS Tor Line Plc.			England	Immingham	GBP	25,500,000
LHT (UK) Limited			England	Immingham	GBP	10,000
SpeedCargo Ltd.			England	Bradford	GBP	150,000
Halléns OY	66	66	Finland	Hamina	EUR	59,000
Halléns France SA	66	66	France	Paris	EUR	7,000
DFDS Container Line B.V.			Holland	Rotterdam	EUR	18,151
DFDS Lys Line B.V.			Holland	Rotterdam	EUR	18,151
DFDS Seaways B.V.			Holland	IJmuiden	EUR	18,000
DFDS Tor Line B.V.			Holland	Rotterdam	EUR	23,000
LHT Transport B.V.			Holland	Rotterdam	EUR	21,000
LHT (Trucking) B.V.			Holland	Rotterdam	EUR	19,000
Transport Partners Intermodal Ltd.	51	100	Ireland	Dublin	EUR	200
DFDS Italia SRL			Italy	Genova	EUR	77,000
DFDS Tor Line SIA			Latvia	Riga	LVL	10,000
AB DFDS LISCO	92.3	92.6	Lithuania	Klaipeda	LTL	332,547,434
Laivyno Technikos Priaziuros Baze	92.3	92.6	Lithuania	Klaipeda	LTL	3,300,000
UAB Krantas Travel	92.3	92.6	Lithuania	Klaipeda	LTL	400,000
UAB Lisco SL	92.3	92.6	Lithuania	Klaipeda	LTL	100,000
UAB Aura Shipping	0	92.6	Lithuania	Klaipeda	LTL	81,000
DFDS Lys Line AS			Norway	Lilleaker	NOK	1,538,000
DFDS Lys Line Rederi AS			Norway	Oslo	NOK	24,990,000
DFDS Seaways AS			Norway	Oslo	NOK	12,000,000
KST Terminal AS			Norway	Kristiansand	NOK	100,000
NorthSea Terminal AS	66	66	Norway	Oslo	NOK	1,000,000
DFDS Tor Line Spółka z.o.o.			Poland	Gdansk	PLZ	50,000
DFDS Tor Line AB			Sweden	Gothenburg	SEK	25,000,000
SpeedCargo AB			Sweden	Gothenburg	SEK	1,100,000
DFDS (Deutschland) GmbH			Germany	Hamburg	EUR	102,000
DFDS Tor Line GmbH			Germany	Cuxhaven	EUR	25,000
Lisco Baltic Service GmbH	92.3	92.6	Germany	Kiel	EUR	26,000
SpeedCargo GmbH			Germany	Hamburg	EUR	525,000

\* Unless otherwise indicated, the companies are 100% owned

# STATEMENTS

## Statement by the Executive Board and Board of Directors

The Executive Board and Board of Directors have today discussed and adopted the Annual Report for 2007 of DFDS A/S.

The Annual Report has 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. We consider the accounting policies applied to be appropriate. Accordingly, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities, financial position as of 31 December 2007 and the Group's and the Parent Company's operations and cash flow for the financial year 1 January – 31 December 2007.

The Annual Report is recommended for approval by the Annual General Meeting.

Copenhagen, 11 March 2008

### Executive Board

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Niels Smedegaard  
Managing Director

Christian Merrild  
Director

### Board of Directors

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Ivar Samrén  
Chairman

Vagn Sørensen  
Deputy Chairman

Claus Arnhild\*

Michael Helbo\*

Jill Lauritzen Melby

Anders Moberg

Thomas Mørk\*

Ingar Skaug

Lene Skole

\* Employee elected board members

## Independent auditors' report

### To the shareholders of DFDS A/S

We have audited the Annual Report of DFDS A/S for the financial year 1 January – 31 December 2007, which comprises the statement by the Executive Board and the Board of Directors on the Annual Report, Management's review, accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes for the Group as well as for the Parent Company. The Annual Report has 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.

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

The Executive Board and the Board of Directors are responsible for the preparation and fair presentation of this Annual Report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for Annual Reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board and the Board of Directors, as well as evaluating the overall presentation of the Annual Report.

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

Our audit did not result in any qualification.

### Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2007 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 2007 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for Annual Reports of listed companies.

Copenhagen, 11 March 2008

KPMG C. Jespersen Statsautoriseret Revisionsinteressentskab

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Kurt Gimsing  
State Authorized Public Accountant

Torben Bender  
State Authorized Public Accountant

**Freight ships (ro-ro)**

	Year built	GT	Lanemetres
Tor Magnolia	2003	32,289	3,841
Tor Petunia	2004	32,289	3,841
Tor Primula	2004	32,289	3,841
Tor Begonia	2004	32,289	3,841
Tor Freesia	2005	32,289	3,841
Tor Ficaria	2006	32,289	3,841
Tor Selandia	1998	24,196	2,772
Tor Suecia	1999	24,196	2,772
Tor Britannia	2000	24,196	2,772
Tor Futura	1996/00	18,725	2,308
Tor Anglia	1977/89	17,492	2,450
Tor Bellona <sup>1)</sup>	1980	22,748	2,723
Tor Dania <sup>1)</sup>	1978/95	21,491	2,562
Tor Belgia <sup>1)</sup>	1978/94	21,491	2,562
Tor Minerva <sup>1)</sup>	1978/99	21,215	2,070
Tor Humbria <sup>1)</sup>	1978	20,165	2,128
Tor Maxima <sup>1)</sup>	1978/95	17,068	2,723
Tor Baltica <sup>1)</sup>	1977/86	14,374	1,866
Tor Neringa <sup>1)</sup>	1975	12,494	1,745
Tor Cimbria (Aquae) <sup>1)</sup>	1986	12,189	2,026
Ark Forwarder <sup>1)</sup>	1998	21,104	2,715
Lygra <sup>1)</sup>	1979	7,012	955

**Freight ships (ro-ro) for delivery in 2008/09**

	Year built	GT	Lanemetres
Jinling NB 402 <sup>1)</sup> – Tor Corona	2008	25,600	3,343
Jinling NB 403 <sup>1)</sup> – Tor Hafnia	2008	25,600	3,343
Jinling NB 404 <sup>1)</sup>	2009	25,600	3,343
Jinling NB 405 <sup>1)</sup>	2009	25,600	3,343

**Ro-pax ships<sup>2)</sup>**

	Year built	GT	Lanemetres	Passengers
Dana Sirena	2002/03	22,382	2,494	623
Lisco Optima	1999	25,206	2,300	327
Lisco Gloria	2002	20,140	2,494	302
Lisco Patria	1991	18,332	1,800	204
Kaunas	1989	25,606	1,539	235
Vilnius	1987	22,341	1,539	120
Envoy <sup>1)</sup>	1979	18,653	2,261	110
Mermaid II <sup>1)</sup>	1972	13,730	1,094	93

**Ro-pax ship for delivery in 2009**

	Year built	GT	Lanemetres	Passengers
Apuania NB 1241	2009	26,000	2,500	600

**Passenger ships**

	Year built	GT	Lanemetres	Passengers
Pearl of Scandinavia	1989/01/05	40.039	1.000	2.166
Crown of Scandinavia	1994/05	35.498	1.005	2.110
Queen of Scandinavia	1981/00	34.093	1.022	1.756
King of Scandinavia	1987/93/06	31.788	1.460	1.620
Princess of Norway	1986/93/06	31.356	1.460	1.650

**Sideport and container ships**

	Year built	GT	TEU <sup>3)</sup>
Lysvik	1998/04	7,409	160
Lysbris	1999/04	7,409	160
Lysblink	2000/03	7,409	160
Lysfoss <sup>1)</sup>	1989/99	4,471	56
Lystind <sup>1)</sup>	1990/00	4,471	56
Lys-Skog <sup>1)</sup>	1991/98	4,471	56
Lyshav <sup>1)</sup>	1985	3,176	38
Tistedal <sup>1)</sup>	1996	4,464	139

## Container ships

	Year built	GT	TEU <sup>3)</sup>
Lys Point <sup>1)</sup>	2005	6,901	750
Dana Hollandia <sup>1)</sup>	2002	6,370	698
Dana Gothia <sup>1)</sup>	2003	6,370	698
Vanguard <sup>1)</sup>	1994	3,806	390
Angela J. <sup>1)</sup>	1995	3,804	390
Vanquish <sup>1)</sup>	1995	2,997	326
Endeavor <sup>1)</sup>	2005	7,642	750
Petuja <sup>1)</sup>	1997	6,362	700

## Tramp ships

	Year built	GT	TEU <sup>3)</sup>
Rasa	1998	3,893	353
Aukse	1997	3,893	353
Gediminas	1996	3,097	264
Vytautas	1995	3,097	256
Odertal <sup>1)</sup>	2007	3,183	221
Anna-Maria Sibum <sup>1)</sup>	2005	2,996	297
Transmar <sup>1)</sup>	1998	2,820	246
Solymar <sup>1)</sup>	1998	2,820	246
Mermerdelen <sup>1)</sup>	1991	2,450	180
Lys Carrier <sup>1)</sup>	1994	2,446	176
Elbeta <sup>1)</sup>	1993	2,416	197
Maria <sup>1)</sup>	1986	2,370	144
Isartal <sup>1)</sup>	1989	2,369	144

## Tramp ships for delivery in 2008

	Year built	GT	TEU <sup>3)</sup>
Bodewes NB <sup>1)</sup>	2008	3,183	221

## Tourist boats

	Boat type	Year built	Passengers
Ole Lukøje	Restaurant boat, covered	2000	132
Klods Hans	Restaurant boat, covered	1998	132
H.C. Andersen	Covered	2004	150
Snedronningen	Covered	1995	144
Nattergalen	Covered	1994	144
Sommerfuglen	Open	2005	168
Prinsessen på Ærten	Open	2003	168
Tinsoldaten	Open	2002	168
Moster	Open	2001	168
Svinedrengen	Open	1998	168
Fyrtojet	Open	1997	168
Skorstensfejeren	Open	1996	168
Hyrdinden	Open	1996	168
Den Grimme Ælling	Open	1992	168
Tommelise	Open	1991	168
Den Lille Havfrue	Open	1989	168

## Tourist boat for delivery in 2008

	Boat type	Year built	Passengers
Gilleleje NB 17	Covered	2008	150

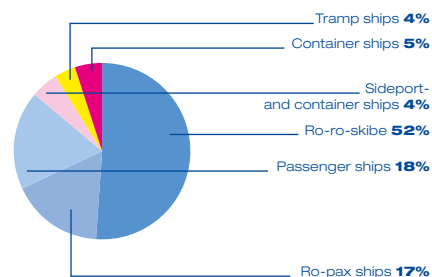
<sup>1)</sup> Chartered tonnage (time charter)

<sup>2)</sup> Ro-pax: Combined ro-ro- and passenger ship

<sup>3)</sup> TEU: 20-foot of equivalent unit

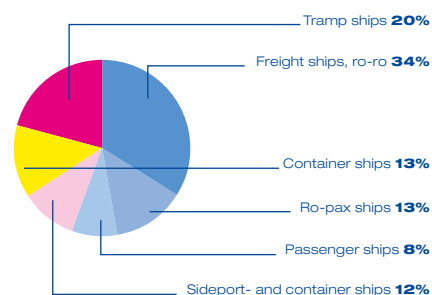
## Fleet distribution, gross tons

(%)



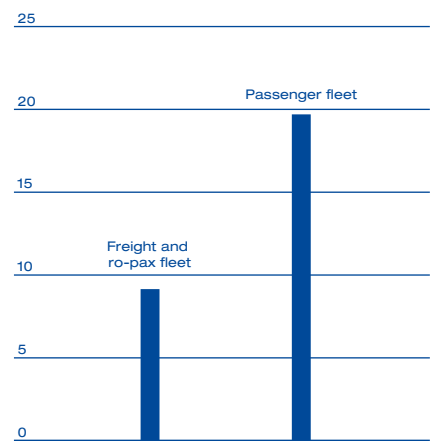
## Fleet distribution, no. of ships

(%)



## Own tonnage, average age

(Years)





**Director Ivar Samrén, Chairman**

Date of birth: 29 November 1938  
 Joined the board: 18 April 2001  
 Re-elected: annually 2002-2007  
 Period of office ends: 10 April 2008

Board member: House of Business Partners (C), Egmont Fonden (C), Egmont International Holding A/S (C) and two of its subsidiaries, Otto Mønsted Aktieselskab A/S, Van Leer Group Foundation NL (C), Gate Gourmet USAS (C), Crecor BV (C), Oscar Jacobsen/Stenstrøms AB

Special competencies:

- International management experience, including as CEO of Magazijn de Bijenkorf BV, CEO of SAS Service Partner A/S and Director of SAS Gruppen
- Experience as board member in international companies and companies quoted on the stock exchange
- Service companies

**Director Vagn Sørensen, Vice-chairman**

Date of birth: 12 December 1959  
 Joined the board: 20 April 2006  
 Re-elected: 2007  
 Period of office ends: 10 April 2008

Board member: Scandic Hotels AB (C), Select Service Partner Ltd. (C), BTX Group A/S (C), TDC A/S (C), ST Global AG (V-C), Air Canada Inc., Braganza AS, FormueEvolution I+II

Special competencies:

- International management experience, including as CEO of Austrian Airlines
- Experience as board member in international companies and companies quoted on the stock exchange
- Airlines, including air freight

**Nautical manager Thomas Mørk, Staff representative**

Date of birth: 11 November 1972  
 Joined the board: 1 May 2006  
 Re-elected: 2007  
 Period of office ends: 2011

**Captain Claus Arnhild, Staff Representative**

Date of birth: 26 October 1949  
 Joined the board: 14 April 1999  
 Re-elected: 2007  
 Period of office ends: 2011



IVAR SAMRÉN

VAGN SØRENSEN

THOMAS MØRK

CLAUS ARNHILD

ANDERS MOBERG

**Director Anders Moberg,**  
**Board member**

Date of birth: 21 March 1950  
Joined the board: 11 April 2002  
Re-elected: annually 2003-2007  
Period of office ends: 10 April 2008

Board member: Velux A/S, Husqvarna AB, Clas Ohlson AB (C)

Other commercial duties: President/CEO Majid Al Futtaim Group, Dubai

Special competencies:

- International management experience
- Experience as board member in international companies and companies quoted on the stock exchange
- Retail trade

**Accounts Manager Jill Lauritzen Melby**  
**Board member**

Date of birth: 6 December 1958  
Joined the board: 18 April 2001  
Re-elected: annually 2002-2007  
Period of office ends: 10 April 2008

Special competencies:

- Financial control

Due to family relations to DFDS' majority shareholder, Vesterhavet A/S, Jill Lauritzen Melby is not considered independent as per the recommendations on Corporate Governance.

**Officer Michael Helbo,**  
**Staff Representative**

Date of birth: 5 November 1962  
Joined the board: 28 March 2007  
Re-elected: -  
Period of office ends: 2011

**Managing Director Ingar Skaug,**  
**Board member**

Date of birth: 28 September 1946  
Joined the board: 16 April 1998  
Re-elected: annually 1999-2007  
Period of office ends: 10 April 2008

Board member: Lauritzen A/S, Center for Creative Leadership  
Other commercial duties: CEO of Wilh. Wilhelmsen ASA

Special competencies:

- International management experience
- Experience as board member in international companies and companies quoted on the stock exchange

- Shipping and logistics
- Airlines and service companies

**Group Director Lene Skole,**  
**Board member**

Date of birth: 28 April 1959  
Joined the board: 20 April 2006  
Re-elected: 2007  
Period of office ends: 10 April 2008

Other commercial duties: Director of Coloplast A/S

Special competencies:

- International management experience
- Financial control

**Executive Board**

**Niels Smedegaard, President and CEO**

Date of birth: 22 June 1962

**Christian Merrild, CFO**

Date of birth: 9 October 1954

The Executive Board are members on the boards of Group subsidiaries.

(C): CHAIRMAN

(V-C): VICE-CHAIRMAN



JILL LAURITZEN MELBY



MICHAEL HELBO



INGAR SKAUG



LENE SKOLE

# EXECUTIVE MANAGEMENT

## Niels Smedegaard (1962)

President and CEO  
Executive Vice President (temporary),  
Passenger Shipping  
M.Sc. (BA)  
Employed by DFDS since 2007

## Christian Merrild (1954)

CFO  
State authorized public accountant  
Employed by DFDS in 1982-1984  
and since 1993

## Peder Gellert Pedersen (1958)

Executive Vice President, Ro-Ro  
Shipping and Terminal Services  
Ship broker, B.Sc. (Org)  
Employed by DFDS since 1994

## Ole Sehested (1949)

Executive Vice President, Container  
Shipping and Trailer Services  
B.Sc. (Mar)  
Employed by DFDS in 1966-2000  
and since 2002

## Henrik Holck (1961)

Executive Vice President, HR  
M.Sc. (Psych)  
Employed by DFDS since 2007



NIELS SMEDEGAARD



CHRISTIAN MERRILD



PEDER GELLERT  
PEDERSEN



OLE SEHESTED



HENRIK HOLCK





DFDS' corporate governance complies with the OMX The Nordic Exchange Copenhagen's recommendations for good corporate governance, which became part of the disclosure requirements for companies quoted on the stock exchange as of financial year 2006.

A full report on DFDS' corporate governance is available from [www.dfds.com](http://www.dfds.com). The following is an outline of the most important principles relating to corporate governance in DFDS.

The Board of Directors of DFDS will propose to the Annual General Meeting on 10 April, 2008 new guidelines for incentive pay to members of the Executive Board. The guidelines are incorporated in Chapter VI below concerning remuneration of Board of Directors and Executive Board.

### I. The role of the shareholders and interaction with the management

#### Capital and share structure

DFDS' Articles of Association do not contain any restrictions on voting rights. Each share has a nominal value of DKK 100 and confers the right to one vote. The statutes contain no other restrictions on ownership.

The Board of Directors regularly reassesses the relationship between the capital structure and the Group's cost of capital, as well as the Group's need for financial freedom of action. Such assessments are conducted on the basis of financial reports and separately when major investments are made.

The objective for the capital structure is an equity ratio of 35–40% of total assets. During periods of major investment the

equity ratio may be reduced to approximately 30%.

### II. The role of stakeholders and their importance to the Group

#### The Group's policy in relation to its stakeholders

Mission statement, objectives and policies, including policies for relationships to the Group's stakeholders and the rest of the outside world, constitute key management tools in DFDS. These policies also cover environmental and social conditions.

#### The roles and interests of stakeholders

The Board of Directors regularly discusses whether the prescribed policies correspond to the Group's relationships with stakeholders and the outside world. It also regularly discusses whether the Group needs to revise its concepts, targets and policies due to changes in the organisation and the outside world.

### III. Openness and transparency

#### Investor relations

DFDS' website ([www.dfds.com](http://www.dfds.com)) contains information about Investor Relations, including Corporate Governance.

DFDS has produced an Investor Relations Manual that summarises all the guidelines and policies relating to the publication of information in general, and to the OMX The Nordic Exchange Copenhagen and the financial markets in particular.

DFDS holds quarterly telephone conferences for analysts, investors and other stakeholders, coinciding with the publica-





tion of its quarterly and annual reports. Presentations from these meetings are made available on the DFDS website immediately after the meeting. In addition, DFDS' management also regularly attends investor meetings in Denmark and abroad.

#### **IV. The Board of Directors's work and responsibilities**

##### [Over-arching tasks and responsibilities](#)

The standing orders for the DFDS Board of Directors stipulate that the Board of Directors and the Executive Board have joint responsibility for the management and organisation of the Group.

The day-to-day management of the Group is handled by the Executive Board in accordance with its standing orders. These describe the allocation of work and responsibilities between the Board of Directors and the Executive Board, as well as the standing orders, authorisations and instructions of each body.

The Board of Directors is responsible for drawing up an annual strategy plan and budget, as well as monthly and quarterly reports.

The Executive Board is appointed by the Board of Directors. The Executive Board may only implement dispositions of an exceptional nature or of major importance on the basis of special authorisation granted by the Board of Directors. Regular meetings take place between the Executive Board and the chairmanship of the Board of Directors.

#### **V. The composition of the Board of Directors**

##### [Recruitment and election of members of the Board of Directors](#)

The chairmanship initiates the selection and nomination process for new members of the Board of Directors. When recruiting new members, special emphasis is placed on, for example, general management experience from companies quoted on the stock exchange. In addition, members need insight into and experience of industries related to DFDS' business areas, which include shipping and logistics as well as the consumer market. Other significant recruitment criteria include experience of Group acquisitions, international management experience, and financial insight into, for example, capital-intensive Group operations. In addition, consideration is taken of the spread of competencies and the ages of the members.

Information about the individual Board of Directors members' special competen-

cies is included in the annual report under Commercial Duties.

The overall profile of the Board of Directors includes significant international management experience. In 2007, the Board of Directors included three non-Danish members: two Swedes and one Norwegian. Five out of the six members elected at the general meeting hold or have held executive posts in leading overseas companies.

#### **VI. Remuneration of the Board of Directors and Executive Board**

##### [Remuneration policy](#)

DFDS' remuneration policy is that payments to both management and staff correspond to work done and results achieved, as well as the conditions in comparable companies.

Members of the Board of Directors receive a fixed annual fee. The amount of the fee is approved by the shareholders and disclosed in the annual report.

Members of the Board of Directors receive no incentive pay.

The remuneration paid to members of the Executive Board consists of a fixed and a variable part. The fixed pay consists of a net salary, pension contribution and other benefits. The variable pay consists of a bonus and share option scheme.

The Chairman and Deputy Chairman of the Board perform an annual review of the remuneration paid to members of the Executive Board relative to the managements of other Danish companies.

##### [Openness about remuneration](#)

The remuneration for the chairmanship, the vice-chairmanship and the members of the Board of Directors is published in the annual report.

The total remuneration for the Executive Board consist of a fixed and a variable part, which is disclosed in the annual report. The Board of Directors considers that at this time information about remuneration and redundancy schemes to each member of the Executive Board are not significant for the evaluation of the Annual Report. The Board of Directors is also of the opinion that this is in line with normal practice.

##### [Principles for the establishment of incentive programmes](#)

As an element of the variable pay, members of the Executive Board may receive an annual bonus, subject to achievement of certain benchmarks. The bonus proportion

varies among the members of the Executive Board, but is subject to a maximum of around 80% of the annual net salary. The actual bonus paid to the Executive Board is disclosed in the Annual Report. At the date of adoption of these guidelines, the bonus benchmarks comprise the Group's profit before tax, but may also in the future consist of individual benchmarks.

Another element of the variable pay is made up of options and is intended to ensure that the Executive Board's incentive correlates with creation of shareholder value. The option plan is revolving and not subject to achievement of defined benchmarks.

Members of the Executive Board are awarded a number of options each year with a value equal to one year's net pay. The value is calculated in accordance with the Black Scholes formula. Options are awarded with a exercise price which is 5% higher than the market price at the award date. No remuneration are paid to the company for receipt of the options. The options have a term of five years and are exercisable after three years. For tax purposes, the terms of the award entail that the gain is taxed as share income while the costs of the award are not tax-deductible for the Company. The number of options awarded to each member of the Executive Board and their value is disclosed in the Annual Report. Options in the Executive Board share option plan are covered by the Company's holding of treasury shares.

#### **VII. Risk management**

##### [Identification of risks](#)

The management regularly identifies risks associated with the activities of DFDS. Every effort is made to reduce financial and operational risks by using hedging instruments and safety policies and routines, as well as complying with all relevant rules for DFDS' activities. Strategic and business risks are regularly assessed in association with the annual strategy work and the regular reporting, and especially in advance of major investment projects.

#### **VIII. Auditing**

##### [Accounting policy and accounting estimates](#)

In conjunction with the presentation of the annual results, the Board of Directors and the accountant discuss important areas of accounting practice, including accounting estimates.



## Definitions

Operating profit before depreciation (EBITDA)	Profit before depreciation and impairment on long-term tangible assets
Operating profit (EBIT)	Profit after depreciation and impairment on non-current tangible and intangible assets
Operating profit margin	$\frac{\text{Operating profit (EBIT)}}{\text{Revenue}} \times 100$
Net operating profit after taxes (NOPAT)	Operating profit (EBIT) minus payable tax for the period, adjusted for the tax effect of net interest costs
Invested capital	Average net current assets (non-interest-bearing current assets minus non-interest bearing liabilities) plus long-term intangible and tangible assets minus jubilee and pension liabilities and other provisions
Return on invested capital (ROIC)	$\frac{\text{Net operating profit after taxes (NOPAT)}}{\text{Average invested capital}} \times 100$
Weighted average cost of capital (WACC)	Average capital cost for liabilities and equity, weighted according to the capital structure
Profit for analytical purposes	Profit for the year excluding minority interests and regulation of taxes from previous years and remittance of deferred taxes plus extraordinary items
Free cash flow	Cash flow from operations, net excluding interest costs, net minus cash flow from investments
Return on equity p.a.	$\frac{\text{Profit for analytical purposes}}{\text{Average equity excluding minority interests}} \times 100$
Equity ratio	$\frac{\text{Equity}}{\text{Total assets}} \times 100$
Earnings per share (EPS)	$\frac{\text{Profit for analytical purposes}}{\text{Weighted average number of shares}}$
P/E-ratio	$\frac{\text{Share price at the end of the year}}{\text{Earnings per share (EPS)}}$
Dividend per share	$\frac{\text{Dividend for the year}}{\text{Number of shares at year-end}}$
Dividend payout ratio	$\frac{\text{Dividend for the year}}{\text{Net profit after minority interests}}$
Dividend yield	$\frac{\text{Dividend per share}}{\text{Share price at the end of the period}}$
Book value per share	$\frac{\text{Equity excluding minority interests at the end of the year}}{\text{Number of shares at the end of the year}}$
Market-to-book value (M/B)	$\frac{\text{Share price at the end of the year}}{\text{Book value per share at year-end}}$

## Glossary

**Non-allocated items:** Central costs not allocated to business areas

**Ro-ro: roll on-roll off:** Ship type where cargo is driven on and off

**Lo-lo: lift on-lift off:** Ship type where cargo is lifted on and off

**Ro-pax:** A combined ro-ro freight and passenger ship

**Side-port ships:** Ships that can be loaded/unloaded from the sideport of the vessel

**Lanemetre:** A linear metre in the width of a lane on a shipdeck

**Space charter:** Contract for the rental of a certain area of a ship deck

**Time charter:** Contract for the lease of a ship with crew for certain period of time

**Bareboat charter:** Contract for the lease of a ship without crew for certain period of time

**Short-sea:** Shipping between destinations in a limited geographical area, as opposed to deep-sea shipping between continents

**Northern Europe:** Scandinavia, the Benelux countries, Great Britain, Ireland, Germany, Poland, the Baltic countries, Russia and the other CIS countries

## About DFDS' history

DFDS was founded in 1866, when C. F. Tietgen merged the three biggest Danish steamship companies of the day, and thus celebrated its 140th anniversary in 2006.

From its inception, DFDS was involved in domestic as well as international trade, transporting both freight and passengers. DFDS' international activities started in the North Sea and the Baltic Sea, followed later by the Mediterranean. Towards the end of the 19th century, routes were also established to the USA and South America.

Land-based transport and logistics also became a part of DFDS' business activities as freight transport by land began to grow, and in the 1960s a door-to-door concept for freight was developed.

A passenger route between New York and Miami, based on a cruise-ferry concept, was opened in 1982 but did not live up to expectations and closed in 1983. Subsequently, the DFDS Group was restructured and the activities in the Mediterranean and the routes to the USA and South America were sold.

Since then, DFDS' geographic focus for shipping has been Northern Europe.

Land-based haulage and logistics activities were developed on the basis of organic growth and company acquisitions. By the late 1990s, DFDS Dan Transport had become one of the largest land-based transport companies in Northern Europe.

DFDS Dan Transport was sold in 2000 to concentrate the Group's resources on shipping, and a focused new shipping strategy was introduced in January 2001.

Since then, freight and passenger shipping has also been developed on the basis of organic growth and a series of acquisitions. The most important investments have been in the Swedish passenger and freight shipping company Tor Line in the early 80s, the Norwegian freight shipping company North Sea Line in the late 90s, the Lithuanian freight and passengers shipping company LISCO in 2001 and the Norwegian freight shipping company Lys-Line in 2003. This acquisition strategy has been continued underpinned by organic growth generated by investments in tonnage, including the contract for six ro-ro newbuildings from Flensburg Shipyard, which has been critical to the development of DFDS in recent years.

DFDS is now one of the leading freight and passenger shipping companies in Northern Europe.

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