Photo: *In 2020, DFDS moved extraordinary freight volumes as Brexit and Covid-19 congested ports*

DFDS A/S · Sundkrogsgade 11, DK-2100 Copenhagen Ø · T +45 3342 3342 · F +45 3342 3311 · dfds.com · CVR 14 19 47 11

DFDS Annual Report 2020

Our freight offering

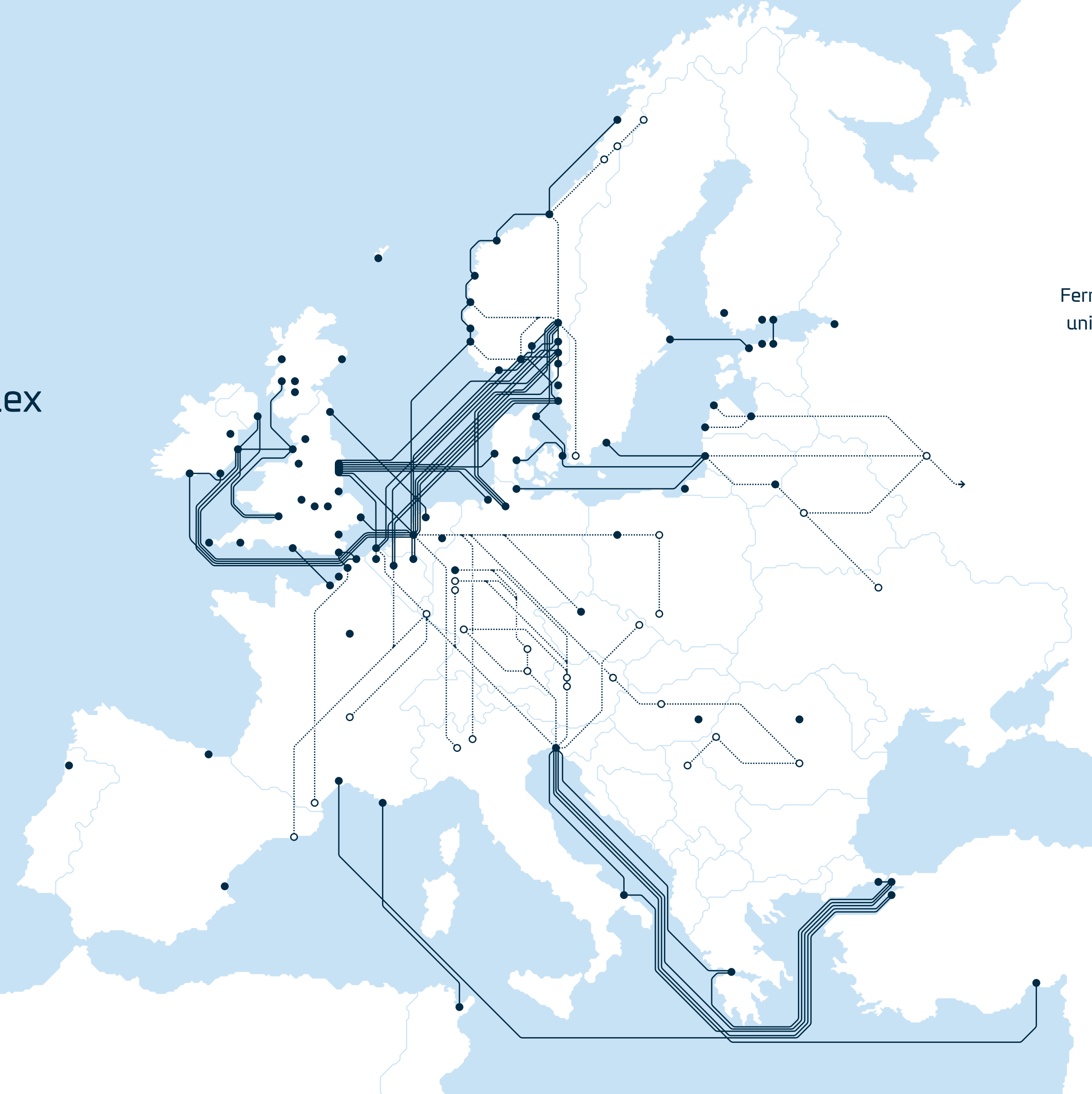
We keep Europe moving through a wide range of freight services from ferry transport to complex logistics solutions

70
ferries and other vessels

27
routes

8
port terminals

50
logistics locations



DFDS' key freight market offerings

- Ferry transport of freight units, accompanied and unaccompanied
- Select industry solutions: Automotive, Forest & Metal, Cold Chain and others
- Port rail services
- Port terminal services
- Contract logistics solutions
- Industry solutions, asset-backed and 4PL
- Door-door forwarding, full & part loads and containers

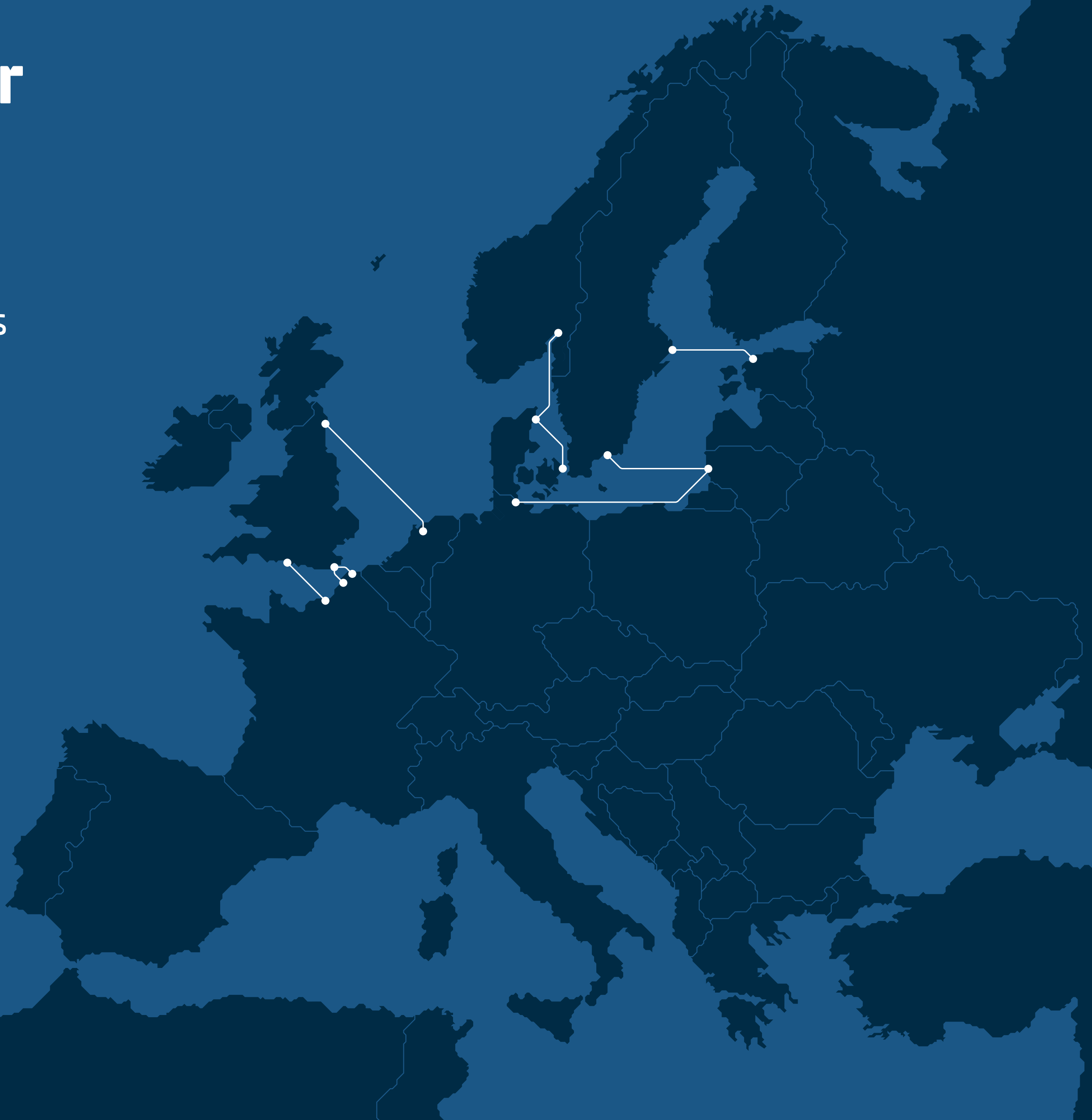
Our passenger offering

We move people and their cars on ferry routes to enjoy a maritime experience and connect with others

17
ferries

9
ferry routes

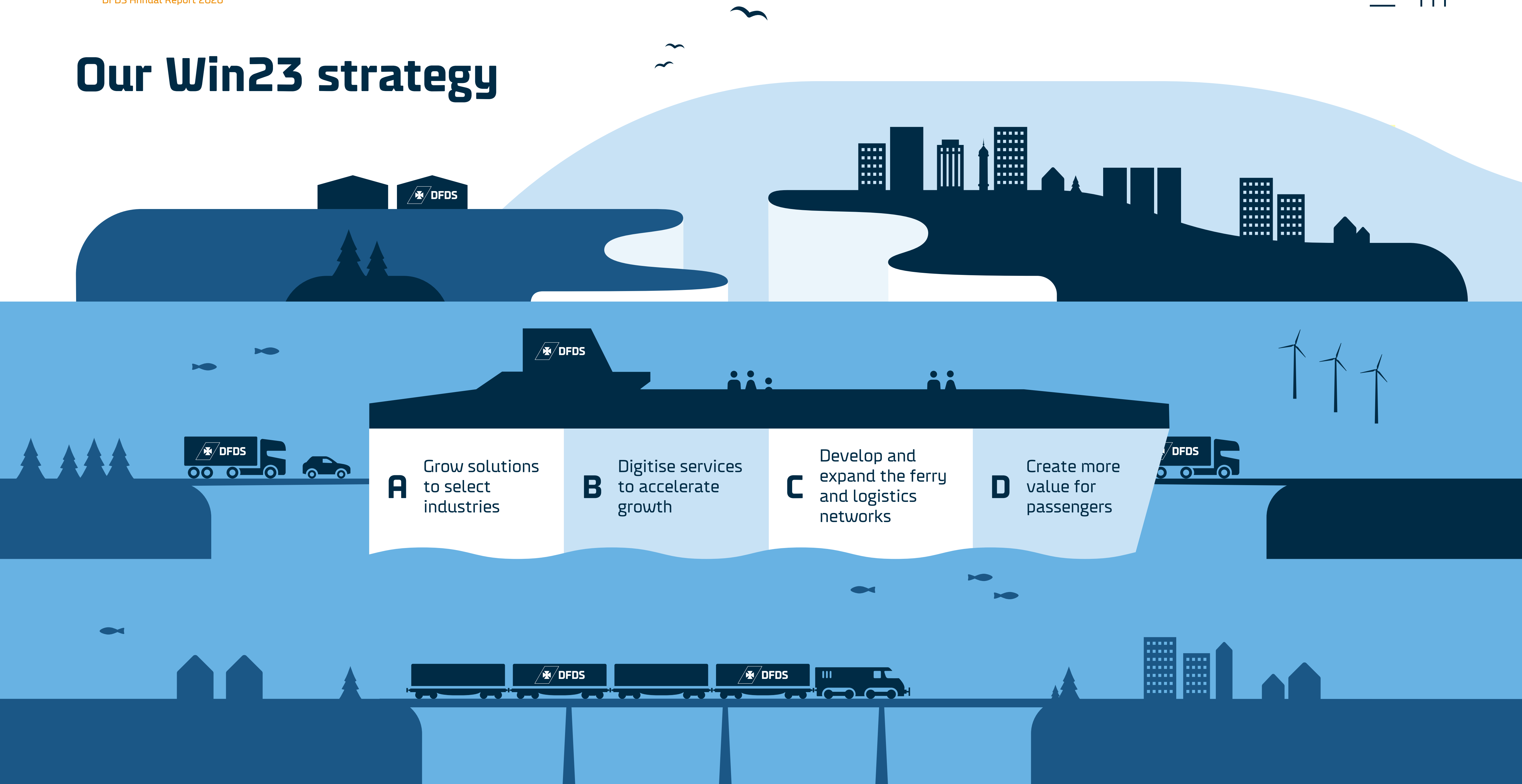
23,000
sailings



DFDS' key passenger offerings

- Short sea ferry
- Overnight ferry
- Mini cruise
- Groups & events
- Packaged breaks
- Conferences at sea

Our Win23 strategy



Our purpose

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

We move for all to grow

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

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

Our climate action plan

Short-term plan
Reduce CO_2 emissions from existing fleet responsible for +90% of our total emissions

2030 target
Reduction of relative CO_2 emissions from fleet by 45% from 2008 baseline

Long-term plan
Planning of zero emission newbuilds to start in 2025
Ensure green fuel availability through partnerships

2050 target
Climate neutral

Getting our house in order
Reduction of the 10% of emissions that are non-fleet: trucks, travel, company cars, buildings, and more

Management review

Consolidated financials

Reports

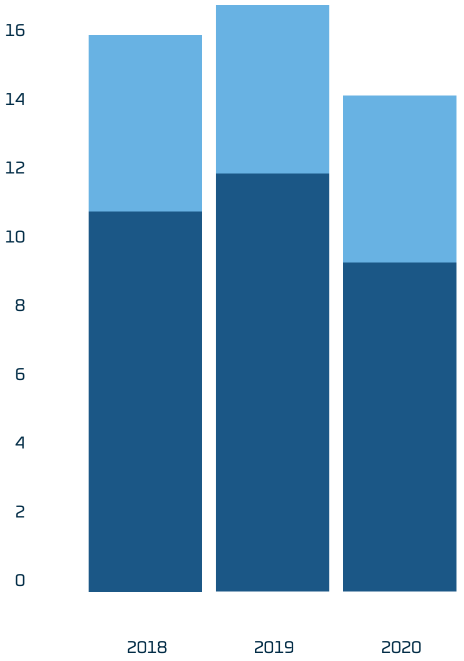
Parent company financials

Other information

Key results 2020

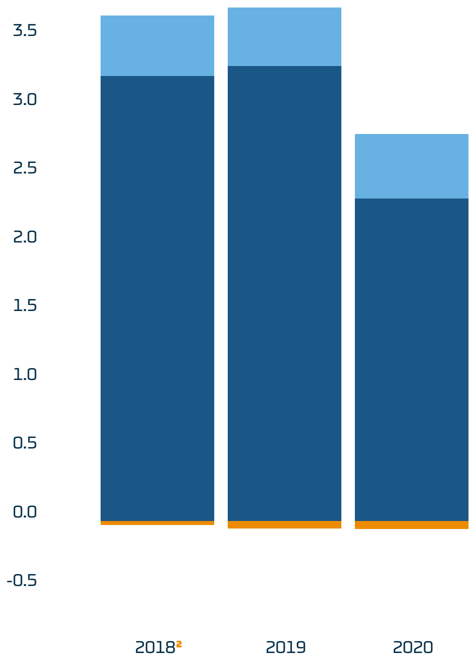
Revenue down **16%** to DKK 14bn

Revenue per division
DKK bn



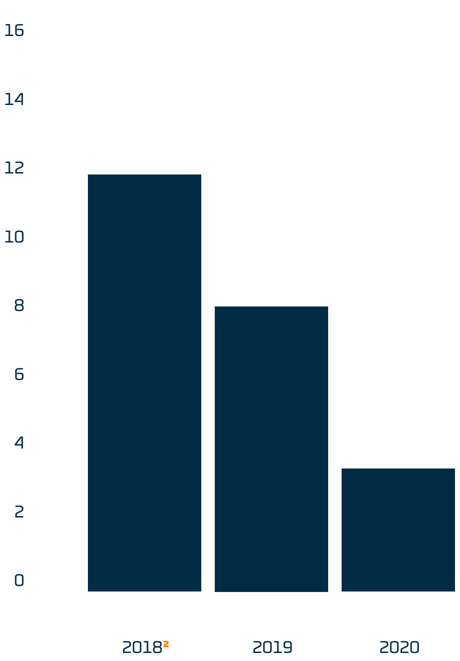
EBITDA[1] down **25%** to DKK 2.7bn

EBITDA per division[1]
DKK bn



Return on invested capital[1] after tax of **4%**

Return on invested capital (ROIC)[1]
%



The results for 2020 include a significant negative impact from the Covid-19 pandemic on the Group's passenger activities that generated 16% of revenue in 2019. Due to the imposed travel restrictions, the EBITDA from passenger activities was reduced by DKK 1bn compared to 2019.

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

[1] Before special items

[2] 2018 restated to IFRS 16 on a proforma and unaudited basis

Rough seas in 2020 – may 2021 bring calmer waters and new opportunities

Claus V. Hemmingsen
Chair of DFDS'
Board of Directors

I look back on 2020 with mixed emotions. On the one hand, Covid-19 severely disrupted our lives and parts of our business. On the other hand, our ability to adapt to the changed circumstances proved the strength of the DFDS organisation and the resilience of our business model.

Adapting to such a severe event as Covid-19 did, however, entail significant actions and costs, not least for the people we had to let go due to the sudden drop in demand across markets, especially in the passenger segment.

Management's resolute adaptation of activities mitigated the impact on EBITDA, however, still with a 25% decrease to DKK 2.7bn. As the year evolved, freight demand rose to levels above 2019 helped by stock building in the UK ahead of Brexit while passenger volumes remained almost at a standstill. The decrease in earnings was in the end caused by the drop in passenger volumes.

At the start of 2020, five of six members of the Executive Management Team were new in their roles or had just joined. It was thus a new and untried team that faced the Covid-19 crisis. I am impressed with their ability to quickly rise to the challenge, how fast they got together and the way they managed DFDS skilfully through a difficult period.

Financial position and dividend

In last year's annual report, it was announced that dividend payments would resume. Following the outbreak of Covid-19, the proposed dividend was cancelled to safeguard our financial position. We consolidated our financial position post the outbreak and today our position is solid. Leverage remains, however, well above our targeted range and the Board therefore proposes not to pay a dividend in 2021.

Breakthrough year for climate

2020 was a breakthrough year for the climate agenda in the world of business. It's now all about how and when we become climate-neutral, not if. We launched our own climate action plan that includes numerous projects to reduce our footprint over the next ten years as well as an ambition to replace fossil fuel with sustainable fuels to achieve climate neutrality by 2050. For several years, a lot of effort has gone into developing our approach to sustainability and the climate action plan is the preliminary culmination of this work. I am optimistic and encouraged by our green agenda.

Strategic roadmap in place

Going into 2021, we face an elevated level of uncertainty, particularly about the effects of Brexit on UK trade volumes as well as when and to what extent passengers will return in larger numbers to our ferry routes.

In the meantime, I am confident and have faith in DFDS' ability to adapt to market changes as well as a firm belief in our Win23 strategic roadmap and ambitions. The acquisition of HSF Logistics Group is a testament to this belief and management's commitment to deliver on the strategy. In addition, the efficiency and improvement measures carried out in 2020 has positioned us well to both manage challenges and pursue opportunities in 2021.

Finally, thank you!

DFDS has emerged in good shape from 2020 due to an extraordinary and impressive effort from the entire organisation. The cost has regrettably been significant in both human and financial terms. I am grateful for the great cooperation with our stakeholders, not least our customers as well as our business and financial partners.

I extend my deepfelt gratitude to management and staff for your support and efforts in overcoming the many challenges of 2020. Hopefully 2021 will bring calmer waters and new opportunities to all.

Managing through challenges and opportunities

Our focus in 2020 was to serve our stakeholders as well as possible through a period of great uncertainty. To keep our colleagues safe. To maintain service and reliability to customers. To collaborate with partners. To maintain a strong financial position that keeps DFDS safe.

Looking back on 2020, Covid-19's disruption of our passenger services stands out. A sad consequence of the pandemic was laying off around 700 competent and loyal employees as we adapted to the new market conditions.

Disruptions nevertheless also bring opportunities. We forged a commercially stronger and more focused freight sales organisation in the adaptation process, and have already achieved important customer wins. We opened new routes between Norway and Jutland in Denmark and between Ireland and France, with the latter starting on 2 January 2021. We built a new organisation from scratch to provide customs clearance and related services.

Strategic roadmap in place

When the pandemic broke out, we reviewed our Win23 strategy and I am happy to report that it remains a relevant and ambitious roadmap. Our commitment to deliver on the Win23 growth ambitions was underlined by the recent agreement to acquire HSF Logistics Group.

Our financial ambitions are refocused on ROIC as the pandemic and other events have lowered the return to a level that is not satisfactory. Our ROIC minimum target is 8% while the ambition of Win23 is to reach a ROIC of 10% in 2023 compared to 4% in 2020.

Climate action plan launched

A highlight of 2020 was the launch of our ambition to become climate neutral by 2050. This includes a pioneering project that will enable us to build a hydrogen ferry, hopefully already by 2027. To achieve the 2050-ambition we are engaging in open innovation partnerships to develop commercially viable technologies that will make it possible to use sustainable fuels, such as hydrogen and ammonia, on our ferries. This is the start of an exciting, transformative journey.

Looking ahead and thank you!

Our freight business proved to be strong and resilient during 2020. In addition, Brexit is now behind us and we can focus on our long term growth opportunities in the UK. Uncertainty remains, however, elevated going into 2021. How quickly will trade normalise between the EU and the UK? When and to what extent will passengers return to our ferry routes? We cannot predict the outcomes of these key questions but we are prepared to respond to any challenges and opportunities that will arise during the year.

I would like to send a warm, huge thank you to my colleagues throughout DFDS for their exceptional contribution and ability to come up with solutions to the many challenges we faced in 2020.

I am also very grateful to our customers, partners and shareholders for your collaboration and support in a difficult year.

Torben Carlsen
President & CEO

More information on **our approach to sustainability is available in our CSR Report**:
→ *link*

Key figures

DKK m	2020[1] EUR m	2020	2019	2018[2]	2017[2]	2016[2]
Income statement						
Revenue	1,874	13,971	16,592	15,717	14,328	13,790
Ferry Division[3]	1,298	9,678	12,197	11,117	9,892	9,468
Logistics Division[3]	680	5,069	5,116	5,324	5,160	4,930
Non-allocated items and eliminations[3]	-104	-776	-722	-724	-724	-608
Operating profit before depreciations (EBITDA) and special items[4]	366	2,732	3,633	2,988	2,702	2,588
Ferry Division[3]	313	2,332	3,254	2,713	2,513	2,439
Logistics Division[3]	60	445	421	330	263	252
Non-allocated items	-7	-45	-42	-55	-74	-103
Profit on disposal of non-current assets, net	1	5	6	7	7	8
Operating profit (EBIT) before special items[4]	115	858	1,751	1,909	1,782	1,644
Special items, net	-16	-117	-101	-49	-41	-13
Operating profit (EBIT)[4]	99	741	1,650	1,859	1,741	1,631
Financial items, net	-37	-275	-278	-165	-55	-43
Profit before tax	63	466	1,371	1,694	1,686	1,588
Profit for the year	59	442	1,313	1,637	1,618	1,548
Profit for the year excluding non-controling interest	58	433	1,309	1,630	1,617	1,548
Capital						
Total assets	3,630	27,006	26,863	22,132	13,308	13,004
DFDS A/S' share of equity	1,413	10,511	10,276	9,175	6,565	6,636
Equity	1,425	10,600	10,356	9,255	6,614	6,685
Net-interest-bearing debt	1,527	11,361	11,954	8,513	2,352	2,424
Invested capital, end of period	2,974	22,121	22,476	17,908	9,099	9,205
Invested capital, average	3,025	22,500	20,927	13,778	9,178	9,037

DKK m	2020[1] EUR m	2020	2019	2018[2]	2017[2]	2016[2]
Cash flows						
Cash flows from operating activities, before financial items and after tax	373	2,772	3,258	2,516	2,666	2,662
Cash flows from investing activities	-217	-1,618	-2,651	-4,802	-1,564	-1,207
Acquistion of enterprises and activities	-2	-14	-131	-3,635	0	-51
Other investments, net	-216	-1,603	-2,519	-1,167	-1,564	-1,156
Free cash flow (FCFF)	155	1,155	607	-2,286	1,102	1,455
Repayment of lease liabilities and lease interest	-91	-679	-785	-	-	-
Adjusted free cash flow	64	475	-178	-2,286	1,102	1,455
Key operating and return ratios						
Average number of employees		8,213	8,367	7,791	7,235	7,065
Number of ships		70	70	70	64	63
Fuel consumption per nautical mile (g/GT/Nm)		4.25	4.78	4.93	5.22	5.20
Revenue growth, %		-15.8	5.6	9.7	3.9	2.4
EBITDA margin, %		19.6	21.9	19.0	18.9	18.8
Operating margin, %		6.1	10.6	12.1	12.4	11.9
Revenue/invested capital average, (times)		0.6	0.8	1.1	1.6	1.5
Return on invested capital (ROIC), %		3.0	7.6	13.1	18.6	17.7
ROIC before special items, %		3.5	8.1	13.5	19.0	17.8
Return on equity, %		4.2	13.5	20.7	24.5	23.4
Key capital and per share ratios						
Equity ratio, %		39.3	38.6	41.8	49.7	51.4
Net-interest-bearing debt/EBITDA, times		4.2	3.3	2.8	0.9	0.9
Earnings per share (EPS), DKK		7.6	22.9	29.0	29.1	26.6
Dividend paid per share, DKK		0.0	4.0	4.0	10.0	6.0
Number of shares, end of period , '000		58,632	58,632	58,632	57,000	60,000
Weighted average number of circulating shares, '000		57,310	57,196	56,204	55,594	58,141
Share price, DKK		275.2	325.0	262.2	331.3	322.6
Market value, DKK m		15,790	18,593	14,990	18,106	18,405

[1] Applied exchange rate for Euro as of 31 December 2020: 7.4544 (Average) and 7.4393 (End)
[2] 2016-18 comparative numbers are not restated to IFRS 16
[3] The Norwegian sideport shipping activities have been transferred from the Logistics Division to the Ferry Division per 1 January 2020. 2019 comparative numbers have been restated accordingly whereas 2016-2018 comparative numbers are not restated
[4] Reference is made to "Definitions" on page 144

Management review

Operations and business structure adapted to drop in demand caused by Covid-19

2020 freight earnings ended above 2019

Passenger earnings reduced by DKK 1bn

Climate action plan launched

Revenue down 16%
to DKK 14.0bn

EBITDA before special items down 25%
to DKK 2.7bn

ROIC before special items of 4%

Equity ratio of 39%

A challenging year

2020 was dominated by two events: The outbreak of Covid-19 across Europe and an extensive round of stockbuilding in the UK ahead of Brexit. There were distinct phases through the year with negative and positive impacts from these events on operations and results:

- **Q1:** Start of year in line with expectations. Outbreak of Covid-19 impacts DFDS' markets from March. Initial adaptation launched
- **Q2:** Travel restrictions entail severe drop in demand for passenger services. Freight demand also declines considerably. Continued adaptation of operations and business structure
- **Q3:** Freight demand returns to levels comparable to 2019. Travel restrictions eased in first half of quarter and thereafter tightened again
- **Q4:** Freight demand boosted by UK stockbuilding. Tight travel restrictions continue to limit demand for passenger services.

The outbreak of Covid-19 generated an exceptionally high level of uncertainty, especially in Q2. As Q3 progressed it became increasingly clear that freight markets would pick up and recover to activity levels similar to 2019. In the end, total freight earnings in 2020 were higher than in 2019 helped by the extensive stockbuilding in the UK ahead of Brexit in Q4.

For DFDS' passenger services, the consequences of Covid-19 were far more severe and the uncertainty persists. Travel restrictions were introduced already in March 2020 and this immediately led to a significant decrease in demand and hence passenger revenues. Apart from a brief period in the first half of Q3, passenger volumes were reduced to mainly essential travel since the outbreak in March. At the end of 2020, the EBITDA of passenger services was reduced by around DKK 1bn compared to 2019. Passengers are carried in the Passenger, Channel, and Baltic Sea business units.

An initial adaptation of operations to the sudden changes in market demand was launched at the end of April 2020, and a number of longer term adaptations to operations and the business structure were implemented at the end of June 2020.

DFDS Group, key figures

DKK m	2020	2019	2018**
Revenue	**13,971**	16,592	15,717
EBITDA*	**2,732**	3,633	3,589
EBIT*	**858**	1,751	1,965
Profit before tax*	**583**	1,472	1,743
Profit for the period	**442**	1,313	1,638
Free cash flow, FCFF	**1,155**	607	-1,685
Adjusted free cash flow, FCFF	**475**	-151	-2,286
Invested capital, end of year	**22,121**	22,476	20,460
Net interest-bearing debt/EBITDA*, times	**4.2**	3.3	3.1
Return on invested capital*, %	**3.5**	8.1	11.8
Number of employees, average	**8,213**	8,367	7,791

* Before special items
** 2018 restated to IFRS 16 on a proforma and unaudited basis

Another severe and regrettable consequence of Covid-19 was that around 700 employees were made redundant in 2020 as part of the adaptations. Around 70% of the laid off employees were employed in passenger services. The adaptations are described in more detail on page 15-16.

On this background, DFDS' operating profit (EBITDA) before special items decreased 25% to DKK 2,732m in 2020 compared to 2019. Overall, the decrease was due to the drop in passenger earnings.

The visibility of financial performance in 2020 was disrupted by the outbreak of Covid-19. This led to the following development in the outlook for EBITDA before special items during 2020:

- 6 February: Outlook range of DKK 3.5-3.9bn announced
- 18 March: Outlook suspended due to significant uncertainty created by introduction of travel restrictions and general lockdowns across Europe
- 7 May: Outlook updated to an EBITDA likely to be reduced towards DKK 2bn
- 12 August: Outlook changed to a range of
- DKK 2.2-2.5bn
- 23 October: Outlook raised to DKK 2.5-2.7bn as freight volumes continued to develop more positively than expected.

The outlook announced on 6 February 2020 also included an outlook for revenue growth of 4% compared to 2019. In August, this was restated as minus 15-18% and changed to minus 16-18% in October. Revenue for 2020 was DKK 14.0bn, a decrease of 16%.

On a divisional level, Ferry Division's EBITDA before special items decreased 28% to DKK 2,332m due to the drop in passenger earnings. Logistics Division's EBITDA before special items increased 5% to DKK 445m mostly driven by the addition of two companies acquired in December 2019.

The Group's free cash flow was positive by DKK 1.2bn and adjusted for lease payments, the free cash flow was positive by DKK 0.5bn. The free cash flow included net investments of DKK 1.6bn which was 30% lower than the initial expectation for 2020 of DKK 2.3bn. Investments were reduced as part of a process to secure the financial position following the uncertainty due to the outbreak of Covid-19.

Financial leverage, measured by the ratio of net interest-bearing debt (NIBD) to operating profit (EBITDA) before special items, was 4.2 at year-end compared to 3.3 at year-end 2019. The increase in leverage was due to the decrease in EBITDA as NIBD was lowered 5% compared to year-end 2019. The equity ratio was 39% at year-end 2020 which was on level with 2019.

The average number of employees decreased 2% to 8,213 in 2020 on account of the adaptation of the organisation to the drop in revenue caused by Covid-19.

Win23: Strategic and financial ambitions set for 2023

DFDS' ambition to continue growing revenue and earnings considerably over the next three years builds on the Win23 strategy that has four pillars:

A Grow solutions to select industries
B Digitise services to accelerate growth
C Develop and expand the ferry and logistics networks
D Create more value for passengers.

Win23 strategy pillars

A	B	C	D
A Grow solutions to select industries	**B** Digitise services to accelerate growth	**C** Develop and expand the ferry and logistics networks	**D** Create more value for passengers
• Automotive • Forest & Metal • Cold Chain	• Easy access for customers • Value-adding services • Operational efficiency • Digitise core systems	• Mediterranean business plan fulfillment • Ferry new building benefits • Continuous improvement projects • Acquisitions	• Develop on board customer experience • Business development initiatives • Fleet development

ROIC before special items was 4% in 2020 while DFDS' minimum return target is 8%. The financial ambition of Win23 is to reach a return on invested capital (ROIC) of 10% in 2023.

All four pillars include initiatives that will contribute to increase ROIC. Of particular importance is Pillar C's fulfillment of the business plan for the Mediterranean business unit that reported a ROIC of 2.4% in 2020 based on invested capital of DKK 9.5bn at year-end. The latter equals 43% of the Group's total invested capital.

Pillar D covers passenger services. The potential to increase ROIC linked to passenger services is considerable as this pillar is focused on regaining the drop in EBITDA of DKK 1bn caused by Covid-19 in 2020 compared to 2019. A prerequisite for this to happen is the return of passengers in large numbers to the routes on the English Channel, between Norway and Denmark, and between the Netherlands and the UK.

Major events in 2020

An overview of major events of the year is provided on page 20, divided into three sections: business development and competition; operations and digital; and people, environment and finance. The most important of these events are reviewed in this section.

Business development and competition

Completion of fleet renewal program expected early 2022

A fleet renewal program was launched in 2016 comprising:

- Six freight ferry (ro-ro) newbuildings. 6,700 lane metres of freight capacity per ferry equivalent to around 450 trailers
- Two combined freight and passenger (ro-pax) newbuildings. 4,500 lane metres of freight and passenger vehicles capacity per ferry as well as on board facilities for 600 passengers
- A 10-year bareboat charter agreement for a combined freight and passenger (ro-pax) newbuilding. 3,100 lane meters of freight capacity and on board facilities for 1,000 passengers.

The new freight ferries have in line with expectations added efficiency and lowered emissions per transported lane metre.

The first two freight newbuildings were deployed in 2019 between Istanbul and Trieste. The third newbuilding was deployed in April 2020 on the Gothenburg-Zeebrugge route that previously deployed three smaller freight ferries. On the Rotterdam-Immingham route two newbuildings were deployed in Q2 2020 and at the start of Q4 2020, respectively. The route's freight capacity has increased even though it now deploys two freight ferries compared to previously three. The sixth and final ferry was delivered in January 2021 and deployed between Sweden and Belgium in February 2021.

The first of the two combined freight and passenger newbuildings (ro-pax) is expected to be deployed later in the year in the Baltic route network. The second is expected to be deployed in 2022.

The chartered newbuilding is expected to be delivered in time for deployment on the Channel in July 2021.

New route Oslo-Frederikshavn

On 25 June 2020, a new ferry route between Oslo and Frederikshavn was opened in connection with the reopening of the route between Oslo and Copenhagen. The latter was temporarily closed since mid-March due to lockdowns and travel restrictions related to Covid-19. Customers targeted for the new route are mainly passengers travelling in their own car for transport purposes. The new route is operated by the same two passenger ferries that are deployed between Oslo and Copenhagen.

Sale of ferry completed

In September 2019 an agreement was made to sell a combined freight and passenger ferry (ro-pax) – Liverpool Seaways, built 1997 – to La Meridionale. The ferry was delivered to the new owner in May 2020. The sales price was DKK 225m and an accounting gain of DKK 110m from the sale was recorded in Q2 2020 under Special items.

Capacity agreement with UK's Department for Transport (DfT)

In October 2020, DFDS entered into an agreement with the UK's DfT to ensure ferry freight capacity for vital goods such as medicine and food after the end of the Brexit transition period on 31 December 2020. The agreement runs for six months starting 1 January 2021. The agreement comprises the Dieppe-Newhaven and Rotterdam-Felixstowe routes.

New agreement with Danish Defence

DFDS and the Danish Defence have a longstanding cooperation and in November 2020 a new six-year agreement was entered into with the Joint Movement and Transport Organisation (JMTO) that provides strategic transport for Danish military missions. A total of seven freight ferries (ro-ro) will be made available for maritime transport of military materiel and equipment in connection with NATO preparedness, military exercises and operations, and humanitarian crises.

On a day-to-day basis, the ferries remain deployed in DFDS' route network but will be made available when and to the extent requested by the Danish Defence. The agreement is also linked to the ARK project, a cooperation between Denmark and Germany, which ensures access to and availability of maritime transport capacity for Danish and German defences in accordance with obligations to NATO.

Operations and digital

Initial adaptation of operations to Covid-19 impact

During March 2020, Covid-19 broke out in DFDS' market areas and lockdowns and travel restrictions were imposed to contain the outbreak. This led to rapid changes in customer demand in both freight and passenger markets. The initial response implemented from mid-March included the following key actions:

- Operational sites and offices kept safe, including freight ferry routes, port terminals, and logistics solutions such as forwarding and warehousing operations
- Suspension mid-March of two passenger routes, Oslo-Copenhagen and Amsterdam-Newcastle
- Channel and Baltic Sea passenger services reduced to only essential travel
- Freight capacity reduced by lay-up of freight ferries and reduced sailings
- Reduction of logistics capacity for certain sectors, particularly automotive and cold chain
- Around 2,800 employees in Q2 sent on paid leave through government compensation programs
- Immediate cost saving and postponement initiatives.

Longer term adaptation to Covid-19 impact

On 29 June 2020, a number of longer term adaptations of the business structure to Covid-19 impacts was launched, including:

- Merger of industry sales of large freight customer solutions, involving both ferry and logistics operations, into one unit to drive industry sales across the DFDS organisation. Commercial focus strengthened and overlapping functions consolidated
- Ferry Division to focus commercially on delivering reliable and cost-efficient services to freight forwarders and hauliers
- Other freight and logistics operations adapted to new market conditions, including optimisation of port terminal and haulage operations

Customer satisfaction scores

	CSAT[1]			NPS[2]		
	2020	2019[3]	SCALE	**2020**	2019	SCALE
Freight ferry services	**4.1**	n.a.	Satisfied	**52**	33	Good
Transport and logistics solutions	**3.8**	n.a.	Neutral	**37**	27	Good
Passenger ferry services[4]	**n.a.**	n.a.	n.a.	**n.a.**	36	n.a.

[1] CSAT asks customers "How would you rate the overall performance, products and services of DFDS?" and is measured on a 5-point scale (1-Not satisfied at all; 5-Fully satisfied)

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

[3] 2019 not reported due to change in CSAT scale in 2020 from 10-point to 5-point scale to align with industry standards

[4] Passenger scores not reported in 2020 due to extraordinary circumstances caused by Covid-19

- Passenger concepts aligned to changes in travel market dynamics with a higher share of passengers that primarily travel for transport purposes, including holiday travel. Onboard concepts and offerings simplified
- Improvement and efficiency projects that simplified and focused business support functions. This included a reshaped and integrated IT and digital organisation as well as a downsizing of various functions.

The adaptations regretfully led to around 700 employees leaving DFDS. Before the layoffs, DFDS employed around 8,600 people. The total run-rate of annual cost savings is estimated at around DKK 250m of which around DKK 100m impacted 2020 positively. One-off redundancy costs in 2020 amounted to DKK 102m recorded under Special items.

Covid-19 government aid schemes

The Group is included in various Covid-19 government aid schemes primarily in Denmark, UK, Sweden and France. Various wage compensation programs amounted to DKK 124m and related payroll reductions of DKK 9m were realised equal to a total reduction of DKK 133m in 2020. Fixed cost compensation programs amounted to DKK 1m as this was reduced significantly by withdrawal of a fixed cost application of DKK 52m in Denmark. The decision to abstain from benefitting from the fixed cost compensation program was made late 2020 in view of the Group's strong earnings achieved in 2020 compared to expectations during first wave of Covid-19. DFDS also benefitted from various liquidity improvement programs that deferred VAT and tax payments, primarily in Denmark, the UK, the Netherlands and France.

New limits on sulphur emissions in Mediterranean

On 1 January 2020, IMO (International Maritime Organisation) introduced a global limit of 0.5% on sulphur in fuel oil down from previously 3.5%. In 2015, a limit of 0.1% was introduced in northern Europe. DFDS has in northern Europe complied with the limit set in 2015 by a mix of scrubber installations and consumption of low sulphur fuel oil.

To comply with the new rules scrubbers were installed on all deployed freight ferries in the Mediterranean route network. Installations started in 2019 and were completed by mid-2020. The total investment in scrubbers was DKK 328m, of which DKK 153m was invested in 2020. In the installation period replacement freight ferries were deployed which added operational cost.

Customer Focus

In 2020, a new structure and format for measuring customer satisfaction and loyalty was implemented to increase the frequency and relevance of the customer feedback. The aim is to respond more rapidly to customer needs.

Customer service and feedback was impacted by the Covid-19 pandemic. The loyalty of freight customers increased due to, among other things, the reliability and flexibility of operations. On the other hand, there were also customers that experienced a lack of capacity in periods and changes in schedules caused by the pandemic. There was some shift in customer focus during the pandemic away from price towards reliability and customer service.

In the table on the previous page the results of the annual customer focus survey are reported. The overall customer satisfaction is measured by CSAT and NPS scores as defined in the table. The CSAT scale was revised in 2020 from 10-point to 5-point scale to align with industry standards. Due to this change there are no comparison figures for the CSAT score.

Customer scores for passenger services are not reported for 2020 due to the severe negative impact of Covid-19 on passenger volumes.

Rune Keldsen
Chief Technology Officer

IT, Digital & Innovation – adapting to a post-Covid-19 world while continuing to transform

During 2020, the IT, Digital and Innovation functions were merged into a joint new function Technology & Innovation along with the arrival of Rune Keldsen, EVP and Chief Technology Officer (CTO). The mission of the new organisation is to increase the pace, efficiency and value of our digital transformation.

Following the outbreak of Covid-19 in late Q1 most staff transitioned to remote working, Remote working, and the technical capability to support it, has been a consistent theme through the year to ensure that staff had both the tools and the training to stay connected and maintain productivity.

Focus on cross-functional collaboration

Collaboration between those working with all aspects of technology and the commercial and operational teams is a key focus area. As a result of this and the impact of Covid-19 on customers, there was substantial growth in usage of customer-facing freight solutions, such as the logistics platform DFDS Direct and mobile applications for truck drivers.

A new version of DFDS Direct was released in May 2020 reaching more than 10% of the Logistics Division's bookings by the end of year. The ambition is to at least double this level by 2023.

Collaboration was also critical in preparing for Brexit, which resulted in multiple new processes and integrations with various external authorities to ensure that the freight of our customers kept moving during the transition. Systems and processes were updated and adapted in the beginning of 2021 to the new post-Brexit rules.

Automation and data - roadmap to autonomous logistics

Covid-19 slowed progress on automation, which relies predominantly on machine learning techniques to address use cases such as asset utilization, yield management and target setting. As the pandemic disrupted ordinary behaviour, the operational usefulness of several algorithms was reduced as they rely on historical data to predict outcomes. Progress is nevertheless being made on increasing automation and real-time data transparency for the logistics of entering port terminals and performing tasks within the terminal area, as part of our innovation roadmap towards autonomous logistics. We continue to innovate in this area together with Volvo and other partners.

IT foundation: ERP and architectural maturity still top priorities

Preparations for the implementation of a new ERP (Enterprise Resource Planning) system continued throughout the year to develop the prototypes and the extensive integrations needed between back-office and core operational systems. Benefits are expected to come through from the shift towards a more composable architecture. Complexity of passenger systems is reduced, which makes new development faster and cheaper. Similar efforts are underway in the Freight Ferry and Logistics solution areas to improve our ability to integrate with customers and partners.

DFDS Direct was released in May 2020 in a new version that reached more than 10% of the Logistics Division's bookings by year-end. The ambition is to at least double this level by 2023.

The Cybersecurity team Strengthened to ensure that we respond fast to external threats and keep up with threat prevention techniques and systems.

Cybersecurity is still top of mind and a strengthened Cybersecurity team is in place to ensure that we respond fast to external threats as well as keep up to date with threat prevention techniques and systems. The security perspective of our Cloud strategy is also high on the agenda. Management receives regular updates on cybersecurity, including regular reports to the Board of Directors. In order to continuously monitor progress, the Board of Directors meets the Head of Technology & Innovation and the head of cyber security biannually.

Environment, people and finance

Innovating for a zero-emission future

2020 saw the launch of the climate action plan that includes a transition to a zero-emission fleet and to green terminals. Funding applications together with partners were submitted for the development of a hydrogen test vessel, and for testing of other alternative fuels such as green Ammonia, as well as for the EU's Green Ports initiative.

A large part of becoming climate-neutral is also driven by automation and data transparency. Focus is on two main innovation tracks – Autonomous and Energy 2.0 – that are increasingly converging in the search for solutions to reduce fuel consumption in the short-term, and for more radical approaches to climate neutrality.

Our policy on innovation is that a green future is best achieved by working openly together within our industry and across industries to solve the challenging problems we all face. We actively practice open innovation, and seek to form partnerships as well as supporting others who can benefit from access to an operator in order to test their ideas.

Climate action plan launched

On 7 September 2020, DFDS launched a climate action plan to consistently reduce Greenhouse Gas (GHG) emissions and ultimately become climate neutral by 2050. The climate action plan reaffirms our commitment and responsibility for the environment. The plan also aims to ensure that DFDS stays relevant as a provider of ferry and logistics services for both freight customers and passengers in the coming decades.

The climate action plan includes three key initiatives:

- **Next 10 years:** +20 technical initiatives to reduce emissions from the ferry fleet by 45% from 2008 to 2030, with 25-35% expected to be achieved between 2019 and 2030
- **Long-term ferry fuel replacement:** Introduction of a new generation of zero emission fuels to replace fossil fuels. The new fuels are sustainable as they consist of renewable energy stored in the form of ammonia, hydrogen, or methanol
- **Trucks, terminals, facilities and offices:** Reduction of emissions from third-party haulier trucks, own trucks and equipment used in port terminals.

DFDS joined ambitious sustainable fuel project

On 26 May 2020, a unique partnership between A.P. Moller -Maersk, Copenhagen Airports, DFDS, DSV Panalpina, SAS and Ørsted was announced. It brings together the demand and supply side of sustainable fuels with a concrete vision to develop a new ground-breaking hydrogen and efuel production facility as early as 2023. When fully scaled-up by 2030, the project could annually deliver more than

250,000 tonnes of sustainable fuel for busses, trucks, maritime vessels, and airplanes. The production from the fully scaled facility can reduce annual carbon emissions by 850,000 tonnes.

DFDS in partnership to develop hydrogen ferry

DFDS partnered up with a group of companies in 2020 to develop a 100% hydrogen powered ferry for initially the Oslo-Frederikshavn-Copenhagen route.

In November 2020, the partnership applied for support from EU's Innovation Fund to develop a ferry powered by electricity from a hydrogen fuel cell system, capable of producing up to 23 MW, emitting only water. Green hydrogen for the ferry is envisioned to be produced by a projected offshore wind energy-powered electrolyser plant in Greater Copenhagen based on offshore wind.

The largest fuel cell systems today produce only 1-5 MW, and the development of such large-scale fuel cell installations for an electric ferry is a monumental task. The partnership committed to achieving this includes DFDS, ABB, Ballard Power Systems Europe, Hexagon Purus, Lloyd's Register, KNUD E. HANSEN, Ørsted and Danish Ship Finance.

The partnership has applied for support from the EU in order to accelerate the process and in view of the public interest in developing such technology. There are no ferries of this kind in the world today and a high level of uncertainty is therefore involved in the undertaking. However, if the project develops as projected, the ferry could be in full operation on the route, or elsewhere, as early as 2027.

The project also aims to make these fuel types and technologies commercially viable, which is key for the transition of the industry to climate neutrality. This is also the ultimate goal of DFDS' climate action plan.

The ferry that has the working name Europa Seaways, is designed for 1,800 passengers and has capacity for 120 trucks or 380 cars.

Biofuel development project

In 2019, an investment was made in the start-up company MASH Energy that produces biofuel from agricultural waste, currently from the by-products of nut processing in India. The biofuel is CO_2 neutral and can be used in ships. In addition, the residual product is an effective fertiliser and will also contribute to reduce CO_2 emissions. During the spring of 2021 large scale test results of the fuel will become available and this will determine how to approach testing the fuel on board a DFDS vessel going forward. Together with MASH Energy, the goal is to develop a commercially viable alternative to fossil fuels.

People

A key challenge in 2020 was to keep employees safe from Covid-19. For non-office employees on board ferries, in port terminals and warehouse or driving trucks a number measures were introduced. This included frequent tests, work shifts/safe bubbles, focus on hygiene and use of face masks as well as frequent campaigns about how to stay safe. For employees in offices working from home was in some periods mandatory or recommended to create safe working environments and minimise risks. Clear signage of distance was introduced in all public areas. Remote leadership training was also introduced, including focus on mental health issues arising from being separated from colleagues for longer periods.

Sadly, two fatal accidents occurred for two people employed by external contractors in 2020. One occurred for a truck driver in the Vlaardingen port terminal. The second occurred in Mersin for a repairman on the deck of a freight ferry. Our Health & Safety team worked closely with authorities to support their investigations into the accidents. Both cases were closed with no remarks to our responsibility. The accidents have also been assessed locally to gather any learnings. More information about the accidents and safety is available in the CSR Report.

Reporting on people and environment is part of DFDS' CSR report. A CSR summary is included in this report on pages 38-42 The full CSR Report 2020 is available from this *link*

DFDS' People activities aim to support employees and business units in making the right decisions with regard to recruitment, retention, employee and management development, talent spotting, performance management, compensation and benefits as well as organisational efficiency. More information about employees and people management is available from DFDS' CSR report: *link*

A key challenge in 2020
To keep employees safe from Covid-19 both on board ferries, in port terminals and warehouses or driving trucks as well as in offices

Helping customers through Brexit

We built a new customs organisation from scratch with around 100 employees and invested in systems that could connect with customs authorities to offer a full service concept to our customers. A new direct ferry link between Ireland and France was opened to offer customers a hassle free alternative to driving through the UK.

Important events 2020

● Environment, people and finance ● Business development and competition ● Operations and digital

	January	February	March	April	May	June	July	August	September	October	November	December
Environment, people and finance	Karina Deacon, CFO & EVP, joined Executive Board DFDS signs gender equality charter of Danish Shipping	Rune Keldsen, Chief Technology Office & EVP joined Executive Management Team (EMT)	Fatal accident in Vlaardingen freight port terminal Fatal accident during maintenance work on board a freight ferry in Mersin port Annual general meeting (AGM) postponed and dividend cancelled Financial outlook for 2020 suspended		DFDS joins project to develop industrial scale production facility for hydrogen	AGM held as a virtual event Green automation project, EU funded		Financial outlook for 2020 reinstated	Ambition to become climate neutral by 2050 launched as part of new climate action plan Filip Hermann appointed Head of Channel business unit replacing Kasper Moos. Kasper Moos appointed Head of Passenger business unit	Financial outlook for 2020 raised	Start of external reporting of monthly ferry volumes Partnership project to develop hydrogen ferry launched	21 Horizon talent program participants graduate Employees recognised for exceptional contribution by award of shares
Business development and competition			Acquisition of Colley Brothers, UK, aquaculture logistics	Freight agreement with Eckerö Line on route between Estonia and Finland	Sale of Liverpool Seaways, combined freight and passenger ferry		Partnership with primeRail to develop rail solutions as part of Turkey-Europe freight services			New staffing company established in Gothenburg	DFDS and Danish Defence enter into new six-year agreement New direct ferry route between Ireland and France announced to open 2 January 2021	Ferry office in Rosslare opened
Operations and digital		Third freight ferry newbuilding deployed on Vlaardingen-Immingham route	Oslo-Copenhagen route suspended due to Covid-19 Amsterdam-Newcastle route suspended due to Covid-19 12 freight ferries laid up and departures to adapt capacity to impact of Covid-19	Initial adaptation of operations to Covid-19 launched One of six ferries on Dover routes laid up due to Covid-19 Schedule improved on Paldiski-Kapellskär and capacity reduced on Paldiski-Hanko	DFDS Direct logistics platform launched Fourth freight ferry newbuilding deployed on Gothenburg-Zeebrugge route	New route between Oslo and Frederikshavn opened and Oslo-Copenhagen route reopened Adaptation of business structure and operations to post Covid-19 market conditions, including layoff of 650 employees	Amsterdam-Newcastle route reopened	Further layoff of 200 employees mainly due to adaptation of Channel operation Freight ferries laid up from March redeployed apart from one		Fifth freight ferry newbuilding deployed on Vlaardingen-Immingham route Laid-up ferry on Dover routes deployed again DFDS part of EU-funded AWARD project to develop automated driving systems	One of two ferries laid up on Oslo-Frederikshavn-Copenhagen route	

Major events after 2020

New direct ferry route between Ireland and France/ Continental Europe

To facilitate trade between Ireland and continental Europe, DFDS opened on 2 January 2021 a new freight ferry route between Rosslare in Ireland and Dunkirk in Northern France. The port of Dunkirk is a gateway to Ireland's top export markets – France, Belgium, Germany and Netherlands – and a host of secondary markets.

Additional capacity was chartered in order to deploy three combined freight and passenger ferries on the route to carry drivers along with their trucks and trailers. The new route thus offers a cost-efficient alternative to driving through the UK.

The deployment of three ferries ensures a competitive frequency with six weekly departures in each direction. Each ferry has a capacity of up to 125 trucks and their drivers in Covid-19 safe single cabins. The crossing time is 24 hours. The route is initially not targeting passengers, although a passenger offering may be marketed at a later stage.

The route is expected to reach revenues above DKK 300m in 2022. The route is jointly owned by DFDS and Irish interests. Managing director will be Aidan Coffey. The new route will be operated from offices in Rosslare, Cork, and Dunkirk.

DFDS creates leading provider of cold chain logistics

On 26 January 2021, DFDS entered into an agreement to acquire 100% of HSF Logistics Group. The company is one of Europe's leading cold chain logistics providers to meat producers and other food producers that operates temperature-controlled supply chains.

The Group operates four brands with HSF Logistics a leading brand in the Netherlands, Germany and the UK. N&K Spedition and Skive Køletransport are leading brands in Denmark and Scandinavia, together constituting around half of the revenue of the Group. Eurofresh is a brand focused on the German market.

DFDS has agreed to acquire the HSF Logistics Group for a debt-free price of DKK 2.2bn (EUR 296m). The HSF Logistics Group has revenue of DKK 2.8bn and an EBITDA of DKK 320m (before adjusting for IFRS 16). The company has 1,800 employees and operates around 700 trucks and 1,700 reefer trailers, including both owned and leased units.

The acquisition of HSF Logistics Group is aligned with DFDS' Win23 strategy of growing solutions to selected industries, including cold chain logistics.

Closing of the transaction is expected to take place around 1 May 2021 subject to regulatory approval and completion of required employee consultation processes.

More information on the transaction is available from this *link*

Oslo-Frederikshavn-Copenhagen route suspended

In November 2020, one of the two ferries deployed on Oslo-Frederikshavn-Copenhagen was laid up and in January 2021 the second ferry was laid up due to the continued tight travel restrictions. The route will be reopened once passengers are allowed to travel again.

Return on invested capital (ROIC) 2020

	Average invested capital, DKK m	ROIC before special items, %
DFDS Group	22,500	3.5
Divisions & business units		
Ferry Division	20,222	3.9
North Sea	5,951	10.3
Baltic Sea	1,625	16.4
Channel	1,713	5.2
Mediterranean	9,787	2.4
Passenger	722	-73.1
Non-allocated	424	26.2
Logistics Division	1,613	7.7
Nordic	399	10.3
Continent	711	5.2
UK & Ireland	504	9.3
Group Non-allocated items	665	n.a.

ROIC and capital structure

Return on invested capital

DFDS' return target is a minimum ROIC (return on invested capital) of 8% before special items and after tax over a business cycle. DFDS' weighted average cost of capital is around 5%.

The Group's ROIC before special items was 3.5% in 2020 compared to 8.1% in 2019. The sharp decrease in ROIC was driven by negative impacts from the outbreak of Covid-19 that severely reduced earnings from passenger services. The ROIC was in 2020 above 8% in four of eight business units: North Sea, Baltic Sea, Nordic and UK & Ireland. Covid-19 caused a severe drop in passenger volumes that reduced the ROIC of the Channel and Passenger business units, while a slowdown of particularly the automotive sector reduced the ROIC of the Continent and Mediterranean business units. The latter was also negatively impacted by a slowdown in other sectors and travel restrictions for truck drivers.

The financial ambition of the Win23 strategy is refocused on ROIC with an ambition to achieve a ROIC of 10% in 2023 which is above the minimum return target of 8%.

Capital structure

The leverage of DFDS' capital structure is defined as the ratio of net interest-bearing debt (NIBD) to operating profit before depreciation (EBITDA) and special items. Target leverage is an NIBD/EBITDA-ratio of between 2.0 and 3.0. At the end of 2020, the NIBD/EBITDA-ratio was 4.2.

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

The capital distribution policy, distribution in 2020 and proposal for distribution in 2021 are reported on page 48.

Business model and assets

Business model

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

In 2019, around 84% of DFDS' revenue derived from freight activities and 16% was generated by passenger activities. The share of passenger revenue decreased in 2020 due to Covid-19 and in 2021 passenger revenue is expected to recover partly. Assuming a full recovery of passenger revenue in 2022 and consolidation of HSF Logistics Group, it is expected that the share of passenger revenue will be around 14%.

Ferry activities

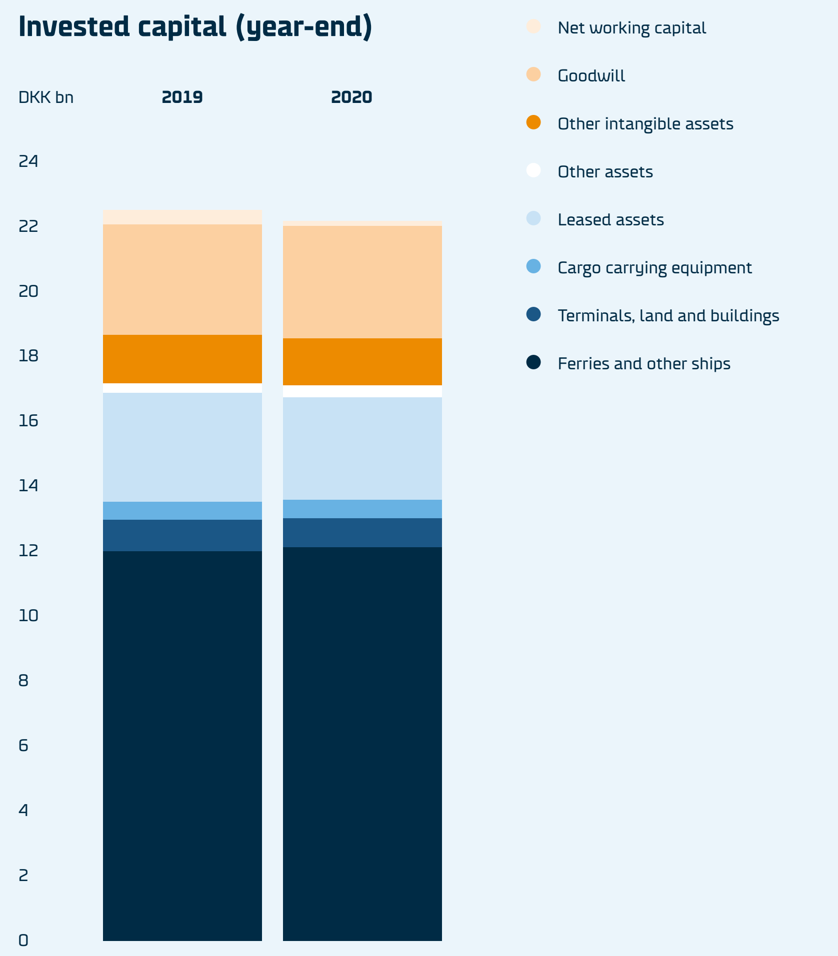
DFDS' ferry routes aim to provide reliable and efficient services for trade and travel, as such the routes are part of Europe's transport infrastructure.

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

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

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

Different ferry types are deployed on the routes according to customer requirements. Freight ferries (ro-ro) are deployed on routes carrying only freight, combined freight and passenger ferries (ro-pax) are deployed on routes where the demand for freight capacity exceeds passenger demand. Passenger cruise ferries are deployed on routes that predominantly carry passengers and have a



wide range of on board facilities to make the journey itself an attractive experience.

The purpose of ferries is to carry freight units and cars that are rolled on and off, hence the 'ro-ro' abbreviation. Around 82% of the freight volumes carried on DFDS' ferry routes are trailers that contain a wide variety of goods mostly for fast delivery within a few days. Forwarders and hauliers are the main freight customers of the routes.

Trailers can be accompanied by a truck driver throughout a crossing or the trailer can be unaccompanied, i.e. it is delivered to the port and loaded on the ferry as part of port operations. On most longer routes the trailers are not accompanied by a driver and vice versa on short crossings. Between Turkey and Europe all trailers are unaccompanied, the North Sea is mainly an unaccompanied market while trailers on the Baltic Sea are mostly accompanied which requires ferries with cabins to accommodate drivers. On the Channel, almost all trailers are accompanied but no cabins are required due to the short duration of the crossing.

On a number of routes, mostly from Scandinavia to UK and the European continent, heavy industrial cargo is carried for manufacturers. This typically requires specialised equipment as well as port terminal and warehousing services. Apart from the location of a route, key elements of the value proposition to freight customers are schedules that match market requirements, capacity allowing customers to grow their business, reliability and being easy to work with. The latter includes both digital solutions and relationships.

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

To operate ferry routes and port terminals, including warehouses, a range of assets are deployed that are both owned and leased. Information on the fleet is reported in the table and more details are available in the Fleet Overview on page 141-142.

Fleet overview and key figures, year-end 2020

	Total fleet	Freight ferries	Freight & passenger ferries	Cruise ferries	Sideport and container ships	**Ownership share, %**	**Average age of owned ships, yrs**
DFDS Group	**70**	38	16	3	12	**-**	**-**
Ferry Division	**58**	38	15	3	2	**-**	**-**
North Sea	**21**	19	-	-	2	**79**	**13**
Baltic Sea	**8**	3	5	-	-	**88**	**19**
Channel	**10**	-	10	-	-	**60**	**18**
Mediterranean	**16**	16	-	-	-	**94**	**13**
Passenger	**3**	-	-	3	-	**100**	**31**
Logistics Division	**10**	-	-	-	10	**-**	**-**
Nordic[1]	**3**	-	-	-	3	**0**	**-**
Continent[1]	**7**	-	-	-	7	**0**	**-**
Chartered out ships	**-**	-	-	-	-	**-**	**-**
Laid-up ships	**2**	-	1	1	-	**50**	**26**

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

Logistics activities

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

The main activity is transport solutions for full- and part-loads in both ambient and temperature-controlled trailers. Another major activity is logistics solutions that are developed in partnership with customers, including manufacturers and retailers. Such solutions can include warehousing and cross-docking services, freight management contracts and just-in-time/sequence deliveries. In addition, a new manning agency for logistics and port operations was established in Sweden at the end of 2020.DFDS deploys a mix of owned and leased trailers while most transports are subcontracted to a network of carriers: Hauliers, rail operators, ferry operators and container shipping operators. Own drivers and trucks are deployed in some contract logistics and distribution activities. A number of warehouses are also operated as part of contract logistics activities.

Assets and invested capital
DFDS operated a fleet of 70 vessels at the end of 2020. The ferry routes deployed 59 ferries, of which 49 were owned and ten were chartered in for varying periods.

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

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

The lifespan of freight and passenger ferries is estimated at 35 years and 45 years for passenger cruise ferries. The duration of port-terminal leases is typically between 10 and 40 years.

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

At the end of 2020, the total invested capital was DKK 22.1bn, including leased assets of DKK 3.1bn. 55% of the invested capital consisted of owned ferries and other ships and 7% consisted of owned port terminals, land and buildings and cargo carrying equipment. 22% of the invested capital was goodwill and other intangible assets. The net working capital was DKK 0.1bn.

Ferry Division's invested capital was DKK 20.1bn at year-end 2020 while Logistics Division's invested capital was DKK 1.4bn.

Outlook 2021

The level of visibility continues to be below normal levels for mainly two reasons: the Covid-19 pandemic and 2021 being the first year post Brexit with longer term effects of the transition yet to emerge. Uncertainty is therefore elevated going into 2021.

The outlook for 2021 builds on a number of assumptions that may change significantly as the year progresses.

General market growth prospects
The consensus outlook for GDP-growth (Gross Domestic Product) in Europe and Turkey predicts that growth will resume in 2021 after a decrease in GDP in 2020. The consensus outlook thereby assumes that the negative impact of Covid-19 will be less in 2021 than in 2020. It also reflects continued support from EU monetary and fiscal policies.

Turkey's economy, and in particular its trading with Europe, is linked to the development in demand on European markets that is expected to grow. Turkey's export is also expected to benefit from the depreciation of TRY vs EUR. Longer term, Turkey should gradually benefit from nearshoring of manufacturing from overseas region as companies consider reducing risks of supply chain disruptions. Geopolitical issues involving Turkey could dampen the expected growth, both short and long term.

The current consensus estimate for European real GDP growth in 2021 is around 5.5%, including growth of 4.2% for UK and 4.5% for Turkey. (Source: Thomson Reuters).

Key outlook freight assumptions for 2021
As expected, 2021 has started with a considerable decrease in freight ferry and logistics volumes related to the UK following the extended stockbuilding in Q4 2020. Due to the uncertainty linked to the first year post Brexit, visibility on the earnings outlook for business units facilitating trade with the UK and trading in the UK is low. Earnings in 2021 for UK-linked activities are therefore expected to be below 2020.

The Mediterranean business unit is expected to improve earnings in 2021 driven by volume growth and more efficient operations.

In the Baltic region, freight ferry capacity and competition increased in the second half of 2020. This is expected to continue with lower earnings from ferry services in 2021 compared to 2020.

Outlook 2021*

DKK m	Outlook 2021	2020
Revenue growth	20-25%	13,971
EBITDA before special items	3,000-3,500	2,732
Per division:		
Ferry Division	2,300-2,700	2,332
Logistics Division	750-850	445
Non-allocated items	-50	-45
EBIT before special items	1,000-1,500	858
Investments	-2,800	-1,618

*Including acquisition of HSF Logistics Group from 1 May

Key outlook assumptions for HSF Logistics Group
The acquisition of HSF Logistics Group is expected to be consolidated from 1 May 2021 subject to regulatory approval. For eight months in 2021, the Group's revenue is expected to be around DKK 1.9bn and EBITDA before special items around DKK 250m.

Key outlook passenger assumptions for 2021
The EBITDA for passenger services across business units - Passenger, Channel and Baltic Sea - was reduced by around DKK 1bn in 2020 due to travel restrictions imposed to limit the spread of Covid-19.

It is initially assumed that around 40% of the decrease in 2020 is regained in 2021. The current most likely scenario is that travel restrictions will continue to limit travel in the first half of 2021 while some easing of restrictions are expected in the second half of the year.

The high season for ferry travel is Q3 and the outlook is thus especially sensitive to the scope of restrictions in this quarter.

Revenue outlook
The Group's revenue is expected to increase by 20-25% compared to 2020.

The main growth drivers are the addition of HSF Logistics Group, the opening of a new route between Ireland and France and an increase in passenger volumes.

EBITDA outlook before special items
Based on the assumptions described above, the Group's EBITDA before special items is expected to be within a range of DKK 3.0-3.5bn (2020: DKK 2.7bn). See the outlook table for a divisional split.

EBIT outlook before special items
The Group's EBIT before special items is expected to be within a range of DKK 1,000-1,500m (2020: DKK 858m).

Investments
Investments of around DKK 2.8bn are expected in 2021 of which DKK 0.9bn is the initial payment for HSF Logistics Group.

One new freight ferry (ro-ro) was delivered in February 2021 and in Q4 the first of two new combined freight and passenger ferries (ro-pax) is scheduled for delivery. The second is planned for delivery in 2022.

Investments in 2021 are expected to comprise:

- Acquisition of HSF Logistics Group: DKK 930m
- Ferry newbuildings: DKK 800m
- Dockings and ferry upgrades: DKK 500m
- Port terminals and other equipment: DKK 200m
- Cargo carrying equipment and warehouses, mainly related to Logistics Division: DKK 250m
- Other investments, including IT and digital: DKK 150m.

Various risks and uncertainties pertain to the outlook.
Various risks and uncertainties pertain to the outlook.

The most important among these are possible major changes in the demand for ferry – freight and passengers - and logistics services. For DFDS, such demand is to a large extent linked to the level of economic activity in primarily Europe, especially northern Europe and in particular the UK, as well as adjacent regions, particularly Turkey.

Demand can also be impacted by competitor actions and extraordinary events such as virus outbreaks. Covid-19 continues to constitute a significant risk, particularly for passenger services. The outlook can moreover be impacted by political changes, first and foremost within EU and Turkey. The introduction of a new trade agreement between the EU and the UK constitutes an important risk.

Changes in economic variables, especially the oil price and exchange rates, can furthermore impact earnings.

Future financial results may therefore differ significantly from expectations.

Risk factors are reviewed on pages 44-47 in this report.

Managing through big swings in demand

The pandemic reduced freight volumes in early spring and a number of ferries were laid up to adapt operations to the new situation. As freight volumes picked up again, we brought capacity back to the market to support the growth of customers. For the UK stockbuilding ahead of Brexit, we again increased capacity through more departures and even our new mega freight ferries were close to full as the stockbuilding peaked in December.

Ferry Division

Freight ferry infrastructure proved resilient and improved earnings despite Covid-19

Mediterranean routes recovered strongly in second half-year

Passenger earnings dropped DKK 1bn as travel restrictions brought travel to a standstill

Head of division
Peder Gellert Pedersen

Share of DFDS Group revenue 2020
66%

Business areas
North Sea
Baltic Sea
Channel
Mediterranean
Passenger

Ferry Division's revenue decreased 21% to DKK 9,678m compared to 2019. The decrease was mainly driven by a drop in passenger revenue due to travel restrictions. In addition, the decline in the oil price reduced revenue from bunker surcharges and freight revenue was reduced in Q2 2020 by lockdowns. Freight revenue picked up well from the beginning of Q3 and stockbuilding in the UK ahead of Brexit boosted revenue further in Q4. EBITDA before special items decreased 28% to DKK 2,332m. EBIT before special items decreased 52% to DKK 815m and after special items the decrease was 57% due to one-off costs for adapting the organisation to Covid-19 .

The return on invested capital, ROIC, before special items decreased to 3.9% in 2020 from 8.7% in 2019 primarily due to the significant drop in passenger earnings caused by the pandemic. Average invested capital increased 4% to DKK 20,222m compared to 2019.

North Sea

Revenue decreased 8% to DKK 3,653m compared to 2019 mostly due to lower revenue from bunker surcharges as the oil price declined in 2020. EBITDA before special items decreased 8% to DKK 1,185m due to negative impacts from Covid-19 on some routes as well as a one-off income from a capacity agreement with the UK Department for Transport in 2019.

Freight volumes increased 2% in 2020 compared to 2019. Following a sharp drop in volumes Q2 caused by lockdowns related to Covid-19, volumes recovered through Q3. In Q4 volumes were boosted by UK stock-piling ahead of Brexit. The slowdown in Q2 was particularly pronounced for the automotive industry as some plants were temporarily closed. Volumes of both finished cars and spare parts decreased. Tem-perature controlled freight volumes, mostly medicine and food products, were less impacted.

One new mega freight ferry was deployed on the route between Gothenburg and Zeebrugge and two were deployed on the route between Vlaardingen (Rotterdam) and Immingham. Capacity on the latter route was increased which was well utilised during the stockbuilding period.

Ahead of Brexit at the end of December 2020, a six-month agreement was entered into with the UK Department for Transport regarding supply of freight ferry capacity in the first half of 2021. The agreement had no financial impact in 2020.

Baltic Sea

Revenue decreased 14% to DKK 1,268m compared to 2019 and by 5% adjusted for route closures and a decline in revenue from bunker surcharges due to the oil price. EBITDA before special items decreased 13% to DKK 434m following lower passenger earnings and a higher level of costs as more capacity was added on some routes.

Freight volumes were up 4% compared to 2019 adjusted for the closure of the Paldiski-Hanko route at the end of Q3. This followed on from a capacity reduction from mid-Q2 and a freight agreement with Eckerö Line announced at the same time to serve volumes between Finland and Estonia. These changes provided an opportunity to improve the schedule and capacity between Estonia and Sweden where some market share was gained as competitors reduced capacity in parts of the year.

A high level of volumes were carried on the routes between Lithuania and Sweden/Germany supported by additional capacity on the routes. Competition increased, both direct and indirect, as competitors increased capacity, including the opening of a new route.

Passenger volumes decreased 15% in 2020 as passenger travel was restricted to essential travel. The volume decrease was less than on other passenger services in and outside Baltic Sea as migrant workers constitute a high share of the passengers. In addition, the capacity to carry passengers was increased on Paldiski-Kapellskär in Q3.

Channel

Revenue decreased 25% to DKK 2,012m compared to 2019. The decrease was mainly driven by a drop in passenger revenue due to travel restrictions. Freight revenue, excluding bunker surcharges, was on level with 2019. EBITDA before special items decreased 33% to DKK 334m.

Freight volumes were on level with 2019 while passenger volumes decreased 65%. The year started with freight volumes below 2019 as Q1 in that year had seen a spike in volumes leading up to a Brexit deadline that was eventually postponed. From mid-March volumes were reduced by lock-downs before picking up towards the end of Q2. The pickup in volumes continued into Q3 and in Q4 volumes reached record levels due to stockpiling in the UK ahead of Brexit. Total volumes in the Dover Strait freight market decreased 7% in 2020 while DFDS' market share increased 2 ppt on 2019, particularly in the second half of the year.

The decrease in passenger volumes was higher than the 56% decrease in the total market. The pandemic significantly reduced volumes from the end of Q1. There was a mild recovery in Q3 as travel restrictions were eased temporarily. Due to customer uncertainty around international travel and social distancing onboard volumes were however still below 2019. As travel restrictions were tightened for the rest of the year volumes again fell back. The low volumes were mitigated somewhat by higher revenue per passenger.

Capacity on the Dover Strait was adapted through the year by reducing the number of sailings and laying up one of six ferries for several months.

In 2021, a combined freight and passenger ferry newbuilding will replace the oldest ferry on the Dover Strait

Ferry Division

DKK m	2020	2019*	Δ	Δ %
Revenue	**9,678**	12,197	-2,519	-20.7%
EBITDA before special items	**2,332**	3,254	-922	-28.3%
Share of profit/loss of associates and joint ventures	**-5**	6	-11	n.a.
Profit/loss on disposal of non-current assets. net	**0**	2	-2	n.a.
Depreciation and impairment	**-1,512**	-1,558	46	-3.0%
EBIT before special items	**815**	1,704	-889	-52.2%
EBIT-margin before special items. %	**8.4**	14.0	-5.6	n.a.
Special items. net	**-98**	-53	-45	n.a.
EBIT	**717**	1,651	-934	-56.6%
Invested capital. average	**20,222**	19,421	801	4.1%
ROIC before special items. %	**3.9**	8.7	-4.8	n.a.
Average number of employees	**5,452**	5,766	-314.0	-5.4%
Lane metres. '000	**40,886**	41,280	-394	-1.0%
Tons. '000	**664**	766	-102	-13.3%
Passengers. '000	**1,498**	5,116	-3,618	-70.7%

*The Norwegian sideport shipping activities were transferred from the Logistics Division to the Ferry Division 1 January 2020. 2019 is restated accordingly

expectedly in July. On 2 January 2021, a new route between Ireland and France was opened deploying three combined freight and passenger ferries. The new route will be reported as part of the Channel business unit.

Mediterranean

Revenue decreased 5% to DKK 2,071m compared to 2019 while EBITDA before special items increased 8% to DKK 631m.

Freight volumes decreased 8% in 2020 as high growth in the first two months of the year was offset by a sharp decline in volumes from mid-March when Covid-19 started to impact markets. In addition to the general slowdown, customers' haulage operations were negatively impacted by travel restrictions for truck drivers. The slowdown was exacerbated by a high share of automotive and textile volumes that dropped as manufacturers temporarily closed plants. Ferry capacity was reduced during the slowdown by lay-up of ferries.

Volumes recovered through Q3 and was on level with 2019 in the last month of the quarter. The positive volume trend continued in Q4 as depreciation of the Turkish Lira supported export growth. The volume recovery was supported by a normalisation of customers' trucking operations as air travel restrictions for truck drivers were eased.

Rail services continued to grow and the utilisation level improved considerably compared to 2019. Port terminal operations were also improved, although capacity continues to be a constraint in some ports. From 1 January 2020, the new rules limiting sulphur in fuel oil were adopted. Installation of scrubbers on all freight ferries was completed by mid-year. Extra costs were incurred during the installation process which also reduced the reliability of schedules in periods.

Mediterranean's result is expected to further improve in 2021 driven by volume growth as well as further improvement of operational efficiency and customer service levels.

Passenger

Revenue decreased 71% to DKK 489m compared to 2019 and EBITDA before special items decreased DKK 618m to DKK -373m.

The significant decrease in revenue and earnings was a result of the travel restrictions that were imposed for most of the year from mid-March. Both routes were suspended at the start of the pandemic in mid-March until end June and mid-July, respectively. The number of sailings on the Oslo-Frederikshavn-Copenhagen route were also reduced for most of Q4.

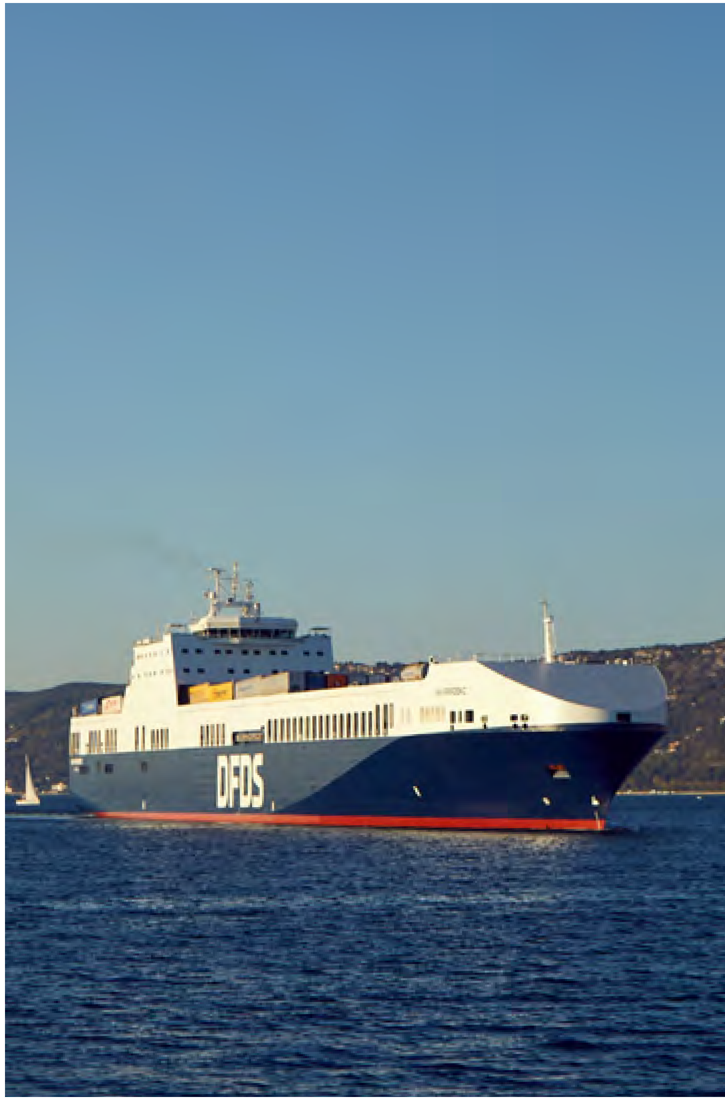
A new route between Oslo and Frederikshavn was added to the Oslo-Copenhagen route after a competitor closed its route permanently in March 2020.

Non-allocated items

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

Revenue decreased 5% to DKK 436m compared to 2019 and EBITDA before special items decreased 15% to DKK 122m.

Mediterranean's result is expected to further improve in 2021 driven by volume growth as well as further improvement of operational efficiency and customer service levels



Activities and business model

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

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

Further visibility for customers is available by access to apps for online tracking of shipments as well as other value-adding services.

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

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

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

North Sea DKK m	2020	2019*	Δ	Δ %
Revenue	3,653	3,971	-318	-8.0%
EBITDA before special items	1,185	1,284	-99	-7.7%
EBIT before special items	623	679	-56	-8.2%
Invested capital, average	5,951	5,633	318	5.6%
ROIC before special items, %	10.3	11.9	-1.6	n.a.
Lane metres, '000	13,028	12,815	213	1.7%
Tons, '000	664	766	-102	-13.3%
Baltic Sea DKK m	**2020**	2019	Δ	Δ %
Revenue	1,268	1,472	-204	-13.9%
EBITDA before special items	434	497	-63	-12.6%
EBIT before special items	268	345	-77	-22.2%
Invested capital, average	1,625	1,384	241	17.4%
ROIC before special items, %	16.4	24.7	-8.3	n.a.
Lane metres, '000	4,434	4,613	-179	-3.9%
Passengers, '000	209	245	-36	-14.6%
Channel DKK m	**2020**	2019	Δ	Δ %
Revenue	2,012	2,678	-666	-24.9%
EBITDA before special items	334	497	-163	-32.8%
EBIT before special items	91	268	-177	-66.0%
Invested capital, average	1,713	1,830	-117	-6.4%
ROIC before special items, %	5.2	14.6	-9.4	n.a.
Lane metres, '000	19,031	18,995	36	0.2%
Passengers, '000	989	3,520	-2,531	-71.9%
Mediterranean DKK m	**2020**	2019	Δ	Δ %
Revenue	2,071	2,179	-108	-4.9%
EBITDA before special items	631	587	44	7.5%
EBIT before special items	245	231	14	6.0%
Invested capital, average	9,787	9,304	483	5.2%
ROIC before special items, %	2.4	2.4	0.0	n.a.
Lane metres, '000	4,034	4,365	-331	-7.6%
Passenger DKK m	**2020**	2019	Δ	Δ %
Revenue	489	1,709	-1,220	-71.4%
EBITDA before special items	-373	245	-618	n.a.
EBIT before special items	-524	59	-583	n.a.
Invested capital, average	722	790	-68	-8.5%
ROIC before special items, %	-73.1	7.1	-80.2	n.a.
Lane metres, '000	359	491	-132	-26.9%
Passengers, '000	300	1,351	-1,051	-77.8%
Non-allocated items DKK m	**2020**	2019	Δ	Δ %
Revenue	436	461	-25	-5.5%
EBITDA before special items	122	143	-21	-14.6%
EBIT before special items	112	123	-11	-9.2%

*The Norwegian sideport shipping activities were transferred from the Logistics Division to the Ferry Division 1 January 2020. 2019 is restated accordingly

Ferry Division activity overview

	North Sea	Baltic Sea	Channel	Mediterranean	Passenger
Head of business unit	Kell Robdrup (South) Morgan Olausson (North)	Anders Refsgaard	Filip Hermann	Lars Hoffmann	Kasper Moos
Share of Division's revenue 2020[1]	37%	13%	20%	21%	5%
Routes	• Gothenburg-Brevik/Immingham • Gothenburg-Brevik/Ghent • Gothenburg-Zeebrügge • Esbjerg-Immingham • Cuxhaven-Immingham • Vlaardingen-Felixstowe • Vlaardingen-Immingham • Oslo Fjord-Zeebrugge-Immingham	• Fredericia/Copenhagen-Klaipeda • Karlshamn-Klaipeda • Kiel-Klaipeda • Kapellskär-Paldiski • Muuga-Vuosaari (freight agreement)	• Dover-Dunkirk • Dover-Calais • Newhaven-Dieppe • Rosslare-Dunkirk (from January 2021)	• Istanbul-Trieste/Bari/Patras • Istanbul/Cesme-Sète • Mersin-Trieste • Marseille-Tunis	• Oslo-Frederikshavn-Copenhagen • Amsterdam-Newcastle
Ferries	• 21 freight	• 3 freight • 5 freight and passenger	• 6 freight and passenger, short sea • 5 freight and passenger (2 chartered end 2020 for new route)	• 16 freight	• 4 passenger cruise
Port terminals (owned and/or own operations)	• Brevik • Ghent • Gothenburg (joint venture) • Immingham • Vlaardingen			• Istanbul, Pendik • Trieste	• Copenhagen
Main customer segments	• Forwarders & hauliers • Manufacturers of heavy industrial goods (automotive, forest and paper products, metals, chemicals) • RDF (refuse derived fuel)	• Forwarders & hauliers • Manufacturers of heavy industrial goods (automotive, forest products, metals) • Car passengers	• Forwarders & hauliers • Car passengers • Coach operators	• Forwarders & hauliers	• Mini Cruise passengers • Car passengers • Business conferences • Forwarders & hauliers
Main market areas	• Benelux • Denmark • Germany • Norway • Sweden • UK	• Baltic countries • Denmark • Finland • Germany • Russia • Sweden	• Continental Europe • UK	• Continental Europe • Tunisia • Turkey	• Benelux • Denmark • Germany • Norway • Overseas markets • Sweden • UK
Main competitors	CLdN / P&O Ferries / Stena Line / Container, road and rail transport	Road and rail transport / Stena Line / Tallink Silja / Transfennica / TT Line / Transrussia Express (Finnlines)	Brittany Ferries / Eurotunnel / P&O Ferries	CMA-CGM / Cotunav / Ulusoy / Container, road and rail transport	Airlines and road transport / Color Line / P&O Ferries / Stena Line

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

Adapting the passenger business

When the pandemic struck in early spring passenger volumes dropped dramatically. Ferries were laid up and we regrettably had to adapt the workforce to the new situation. When passenger services resumed, we saw an opportunity to add Frederikshavn as a new destination between Norway and Denmark to expand the route to new customer groups.

Logistics Division

Strong earnings recovery in H2 offset negative impact in Q2 from Covid-19

Successful integration of acquisitions in Finland and the Netherlands

Head of division
Niklas Andersson

Share of DFDS Group revenue 2020
34%

Business areas
- Nordic
- Continent
- UK & Ireland

Revenue down 1% to DKK 5.1bn

EBITDA before special items up 5% to DKK 445m

Logistics Division's revenue of DKK 5,069m was 1% below 2019. EBITDA before special items increased 5% to DKK 445m and EBIT before special items decreased 6% to DKK 159m. EBIT after special items decreased 10% due to one-off costs for adapting the organisation to Covid-19 .

The return on invested capital, ROIC, before special items decreased to 7.7% in 2020 from 9,2% in 2019. Average invested capital increased 7% to DKK 1,613m.

Nordic

Revenue increased 3% to DKK 1,625m compared to 2019 and EBITDA before special items increased 17% to DKK 131m.

From mid-March until the end of May, activity was reduced by lockdowns following the outbreak of Covid-19. The Swedish market was the most impacted as a high share of solutions are provided to the automotive sector and the demand for specialised services also dropped. From the end of Q2 activity started to pick up again, although the automotive sector was slower to recover than most other sectors. Towards the end of Q3 and in Q4 activity was increased by UK stockbuilding ahead of Brexit. Margins also improved through cost control measures.

The acquired Finnish logistics company Freeco Logistics was successfully integrated during 2020 adding transport services between mainly Finland and Scandinavia, Baltics and continental Europe. The positive full-year impact on revenue from Freeco offset the drop in revenue caused by Covid-19, especially in Sweden and Denmark. The full-year result for Freeco was in line with expectations.

The Swedish contract logistics activities will in 2021 be expanded with a new warehouse in Karlshamn for both ambient and cold chain customers. In addition, a new warehouse is planned to open in Borås, close to Gothenburg, at the end of the year.

Continent

Revenue decreased 4% to DKK 2,391m compared to 2019 while EBITDA before special items of DKK 159m was maintained on level with 2019.

Continental market activity was also reduced from mid-March until the end of May by lockdowns following the outbreak of Covid-19. The impact was most severe on automotive, special cargo construction and airline catering volumes. Apart from the airline sector all sectors recovered well in H2 and traffics between the Continent and the UK were in addition boosted by UK stockbuilding ahead of Brexit. Margins were also improved through cost control measures.

The acquired Dutch logistics company Huisman Group was successfully integrated during 2020 adding part-load solutions between the Netherlands and the UK, including warehouses and cross-docking facilities in Wijchen and in Corby. The positive full-year impact on revenue from Huisman was insufficient to offset the drop in revenue caused by Covid-19, especially in the Netherlands and in Belgium. The full-year result for Huisman was in line with expectations.

The annual result for the special cargo business was considerably reduced by inefficiencies in its trucking operation, including one-off costs reported in Q1 2020. Since then operations were steadily improved and earnings in H2 were above 2019.

UK & Ireland

Revenue increased 6% to DKK 1,444m compared to 2019 and EBITDA before special items increased 3% to DKK 155m.

As a large part of the activities in the UK & Ireland business unit are domestic in scope, the overall impact from Covid-19 was less severe. The cold chain activities distributing seafood and other produce to the UK catering sector were, however, disrupted in periods through the year. This was offset by a high level of activity in transport services delivered to incoming trailer volumes from the Continent and Scandinavia. The organisation was adapted to the market changes following Covid-19.

Changes were made to the cold stores operated in mid-England as the Warrington cold store was exited and an agreement to operate a cold store in Liverpool was entered into.

A smaller seafood distribution company, Colley Bros, linked to the Grimsby activities was acquired during the year. Moreover, a new freight forwarding office was opened in Dover.

Non-allocated items

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

Acquisition of HSF Logistics Group

An acquisition of HSF Logistics Group, a leading cold chain logistics provider, was announced in January 2021. The acquisition is aligned with DFDS' Win23 strategy of growing solutions to selected industries, including cold chain logistics customers.

HSF Logistics Group is a full-service provider of cold chain logistics solutions to the food industry with a specialist focus on meat logistics. Services include collection from food producers, packaging, storage, processing services, and distribution of both part and full loads. The company operates from 22 locations across Europe, including key distribution and storage centres in the Netherlands, Germany, and Denmark. In addition, the company also has offices in China and Morocco.

Closing of the transaction is expected to take place around 1 May 2020 subject to regulatory approval and completion of required employee consultation processes.

More information on the transaction is available from this *link*

Logistics Division

DKK m	2020	2019*	Δ	Δ %
Revenue	**5,069**	5,116	-48	-0.9%
EBITDA before special items	**445**	421	24	5.6%
Profit/loss on disposal of non-current assets, net	**4**	4	0	2.6%
Depreciation and impairment	**-289**	-256	-34	13.2%
EBIT before special items	**159**	170	-10	-6.0%
EBIT-margin before special items, %	**3.1**	3.3	-0.2	n.a.
Special items, net	**-12**	-7	-6	n.a.
EBIT	**147**	163	-16	-9.7%
Invested capital, average	**1,613**	1,503	110	7.3%
ROIC before special items, %	**7.7**	9.2	-1.5	n.a.
Average number of employees	**2,112**	1,964	148.0	7.5%
Units, '000	**525**	540	-14.9	-2.8%

*The Norwegian sideport shipping activities were transferred from the Logistics Division to the Ferry Division 1 January 2020. 2019 is restated accordingly

Activities and business model

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

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

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

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

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

The business model aims to provide flexible solutions that fit customer requirements and fast reactions to changes in market conditions.
enjoying maritime travel.

Nordic, DKK m	**2020**	2019*	Δ	Δ %
Revenue	**1,625**	1,581	44	2.8%
EBITDA before special items	**131**	111	19	17.4%
EBIT before special items	**50**	48	2	3.3%
Invested capital, average	**399**	359	40	11.1%
ROIC before special items, %	**10.3**	11.4	-1.1	n.a.
Units, '000	**108.9**	108.8	0.1	0.1%

Continent, DKK m	**2020**	2019	Δ	Δ %
Revenue	**2,391**	2,483	-91	-3.7%
EBITDA before special items	**159**	159	0	0.1%
EBIT before special items	**49**	50	-1	-2.8%
Invested capital, average	**711**	691	20	2.9%
ROIC before special items, %	**5.2**	5,7	-0.6	n.a.
Units, '000	**224.5**	240.9	-16.3	-6.8%

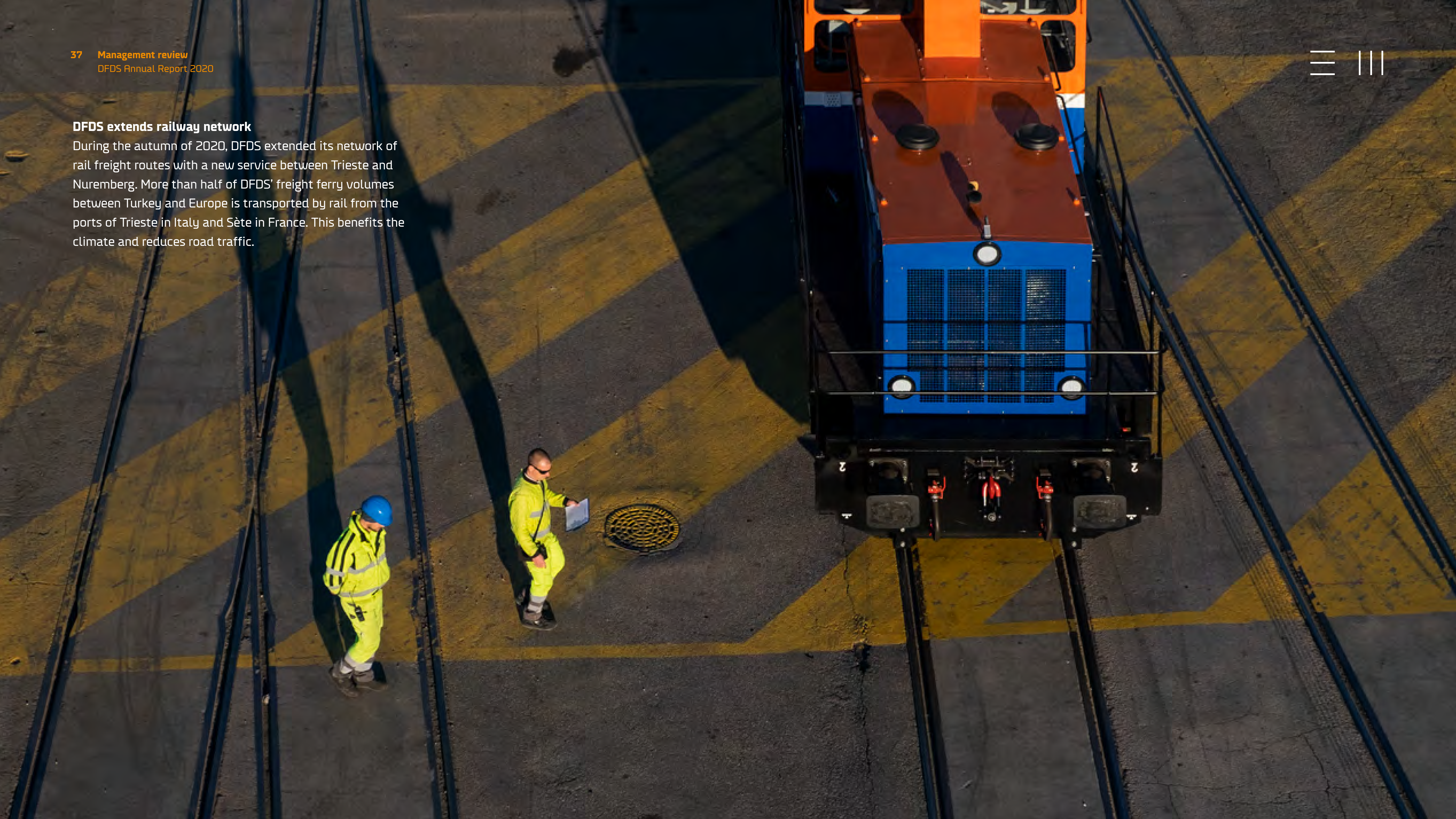
UK & Ireland, DKK m	**2020**	2019	Δ	Δ %
Revenue	**1,444**	1,361	82	6.1%
EBITDA before special items	**155**	151	4	2.9%
EBIT before special items	**61**	72	-11	-15.1%
Invested capital, average	**504**	453	51	11.3%
ROIC before special items, %	**9.3**	12,8	-3.5	n.a.
Units, '000	**191.8**	190.5	1.3	0.7%

Non-allocated items	**2020**	2019	Δ	Δ %
Revenue	**89**	94	-5	-5.3%
EBITDA before special items	**0**	0	0	n.a.
EBIT before special items	**0**	0	0	n.a.

*The Norwegian sideport shipping activities were transferred from the Logistics Division to the Ferry Division 1 January 2020. 2019 is restated accordingly

Logistics Division activity overview

	Nordic	Continent	UK & Ireland
Head of business unit	Valdemar Warburg	Michael Bech	Allan Bell & Eddie Green
Share of Logistics Division's revenue, 2020	30%	43%	27%
Main Activities			
Door-door full & part load solutions Routes	• Scandinavia-UK/Ireland • Scandinavia/UK-Baltic/Russia/CIS • Sweden-Poland • Sweden/Norway-Italy	• Holland-UK/Ireland • Germany-UK • Belgium/France-UK • Belgium/France-Scandinavia • Czech-UK/Ireland	• Northern Ireland-UK • UK-Continent
Contract logistics	• Arendal, cross docking terminal • JIT haulage service (just in time) • 4PL contracts • Warehousing	• Ghent • 4PL contracts • JIT automotive • Warehousing UK	• UK/Ireland domestic • UK-Continent • Northern Ireland retail distribution • Dublin • Seafood distribution network • Warehousing • 4PL contracts
Container shipping	• Norway-Zeebrugge-Immingham-Norway		
Door-door container solutions (incl. VSA & SCA)	• Norway-UK • Norway-Continent	• Holland-UK/Ireland • Germany-UK/ Norway/Italy • Czech–UK/Ireland	
Door-door rail solutions	• Norway-Italy • Baltic-Russia/CIS		
Equipment (owned/leased)	• 5,937 trailers • 2,680 containers		
Warehouses Equipment (owned/leased)	• Gothenburg • Karlshamn • Fredericia • Ventspils • Brevik	• Rotterdam • Wijchen • Ghent • Prague	• Peterborough • Liverpool • Immingham • Larkhall • Belfast • Grimsby • Bellshill • Lerwick, Shetland
Sales offices	• Oslo • Gothenburg • Turku • Copenhagen • Karlshamn • Lilla Edet • Liepaja	• Hamburg • Ghent • Bruges • Rotterdam • Prague • Boulogne Sur Mer	• Aberdeen • Peterborough • Immingham • Larkhall • Stallingborough • Dover • Belfast • Grimsby • Coventry • Dublin • Lerwick, Shetland • +8 operational sites
Customer segments	• Manufacturers of heavy industrial goods (automotive, paper), consumer goods, chemicals and temperature controlled goods • Retailers • Third party container operators • Contract management	• Manufacturers of heavy industrial goods (automotive, paper), consumer goods, chemicals and temperature controlled goods • Retailers • Forwarders • Contract management	• Frozen, chilled and ambient cargo for retailers/manufacturers • Aquaculture producers • Contract management
Primary competitors	Blue Water / DSV / Green Carrier / Lo-Lo, container & sideport carriers / NTEX / NTG / Schenker	CLdN / Container carriers / European forwarders / LKW Walter / P&O Ferrymasters /Samskip	ACS&T / DHL / Yearsley / XPO



DFDS extends railway network

During the autumn of 2020, DFDS extended its network of rail freight routes with a new service between Trieste and Nuremberg. More than half of DFDS' freight ferry volumes between Turkey and Europe is transported by rail from the ports of Trieste in Italy and Sète in France. This benefits the climate and reduces road traffic.

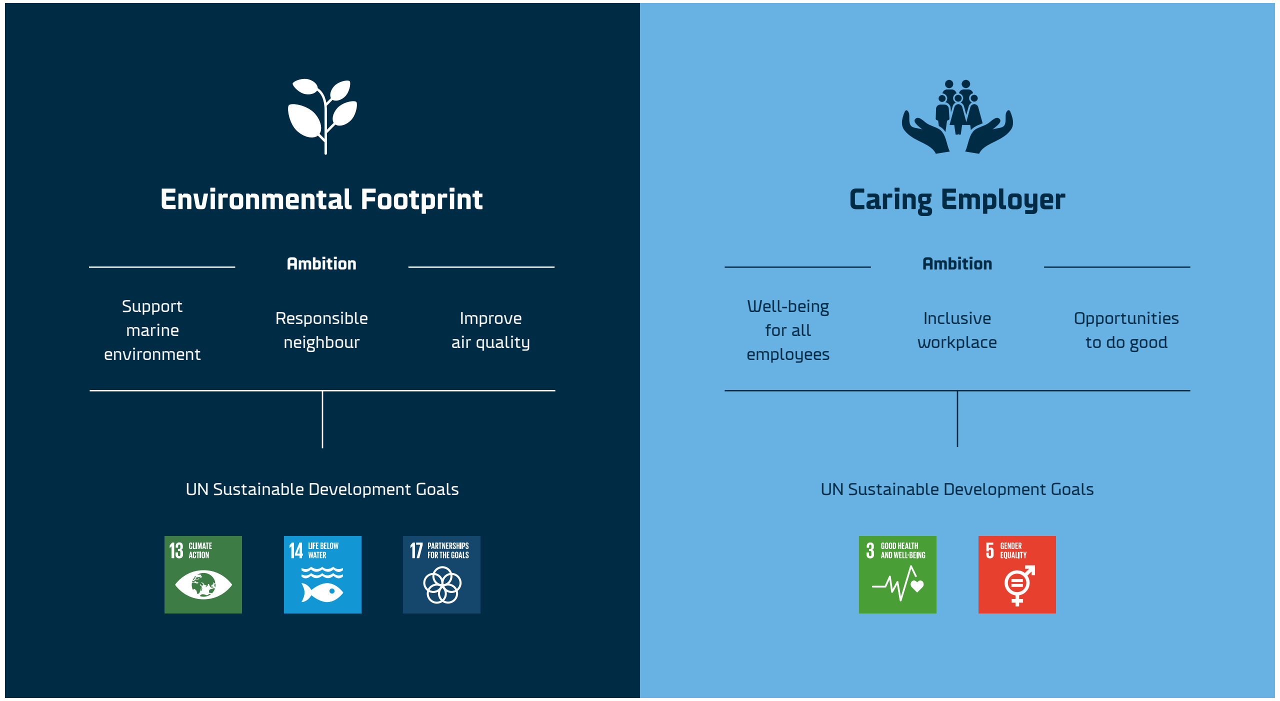
Sustainability summary

The aim of our sustainability strategy is to reduce our environmental footprint and ensure that employees are safe, healthy, and treated equally as we move goods and people across sea and land. The two overarching strategies Environmental Footprint and Caring Employer are each supported by three ambitions with metrics to measure progress. The strategy is aligned with UN Sustainable Development Goals (SDGs) 3, 5, 13, 14 and 17 due to their particular relevance for our business activities. These SDGs provide guidance and represent global principles for responsible conduct, to which we want to be held accountable.

Sustainability anchored in strategy and operations

Key themes
'Environmental Footprint' and 'Caring Employer'

Climate action plan launched



Environmental Footprint

We support ocean life, relevant research, and educational initiatives. We aim to be a responsible neighbour who reduces pollution, waste, and noise in the communities in which we operate. Our climate action plan also aims to improve air quality. The plan's targets are to reduce relative CO_2 emissions 45% by 2030 and make us climate neutral by 2050.

Caring Employer

We strive for a work environment that is safe, healthy, diverse, and inclusive, allowing people to thrive and contribute. We support our employees' physical and mental health and encourage them to find opportunities to give back and do good in the societies where they live and work.

Governance

Sustainability is integrated in our daily planning and operations. Thorough processes and reporting lines are in place. We continually assess risks, analyse, and adjust actions to stay on track with our commitments. Sustainability is also embedded in investment decisions as all investments above EUR 1m must assess the environmental impact before approval. The Executive Management Team (EMT) has approved the climate action plan and monitors progress on a quarterly basis.

Our policies provide clear guidance

Providing maritime transport and logistics services means we are always in close contact with people. It also implies that our activities can have an impact on human rights. It is a priority for us to respect these rights through clear policies

Protecting people and trade

Throughout the pandemic, DFDS' ferry routes and road transport continued moving freight for customers and supply communities with goods as truck drivers could still cross borders. Staff on ferries, in port terminals and warehouses, and driving trucks were kept safe by frequent tests, work shifts/safe bubbles, focus on hygiene, face masks as well as frequent campaigns about how to stay safe. For employees in offices working from home was in periods mandatory or recommeded to create safe working environments and minise risks.

designed to influence and determine major decisions, actions, and activities that fall within their scope.

To promote full transparency, we voluntarily disclose and/or verify our environmental, social and governance data to third party systems. A critical part of our commitment is to engage in partnerships to develop solutions for the future. These include engagement in industry fora and creating industry partnerships and partnerships with innovative start-ups.

More information is provided on the next three pages on selected topics: Bringing down emissions, diversity and inclusion as well as an overview key ESG figures.

Taking responsibility for bringing down emissions

We have to adopt sustainable fuels based on renewable energy to truly transform and deliver. Until that is achieved, energy efficiency will be a key priority.

In 2020, we finalised our climate action plan. We aim to become climate neutral by 2050 and to relatively reduce GHG emissions by close to 45% from 2008 to 2030, corresponding to a reduction of around 25-35% between 2019 and 2030.

96% of CO2 emissions from ferries

In the long term – by 2050 – we aim to replace fossil fuels with zero emission fuels like ammonia, hydrogen, or methanol. Storing, handling, and use of these new fuels differs vastly from how fossil fuel works. Finding feasible alternatives to fossil fuels calls for cross-sector collaboration and experiments. The commercial viability of renewable fuels is still held back by numerous uncertainties and demand depends on price differentials between black and green energy, availability, bunker infrastructure, and regulations.

Closing the price gap between fossil and renewable fuels will be critical to driving the adoption, construction, and use of zero emission ferries. We openly share information about which sustainable fuels we are investigating and the estimated volumes required to fuel a business of our size.

We pursue new knowledge and partnerships to help qualify our strategic decisions on future infrastructure and business models for carbon neutral transportation. We engage in industry fora and open innovation initiatives to discover technologies and synergies that will help drive down the cost of renewables. We prioritise contributing to regulation processes and are in close dialogue with customers to understand their expectations.

2030: short term plan

The short-term plan for reducing emissions is based on analysis of how we operate today and areas with the greatest potential for improvement. To reach the 2030 targets, necessary actions have been identified such as fleet replacement and environmental upgrading, optimising the vessels' hydro-dynamic performance to reduce friction in the water and improving decision support systems to help crews and shore-side support teams operate in a more fuel-efficient way, continuous improvements to energy consumption, actively engaging in developing and testing new means of propulsion and energy generation, and participating in testing low carbon fuels such as biofuels. We currently run around 29 projects that aim to reduce CO2 emissions from our existing fleet. Combined, this will result in a relative reduction in emissions of roughly 45% from 2008 to 2030.

The CSR Report 2020 constitutes DFDS' reporting on social responsibility and gender distribution, cf. §99a and §99b in the Danish Financial Statements Act. The full CSR Report is available from this link:

→ *link*

Setting emission targets for our ships

- We are fully committed to the International Maritime Organisation (IMO)'s GHG (greenhouse gases) strategy and use "Gross Tonnage multiplied by distance travelled" when reporting on GHG emissions performance.
- Based on a 2008 baseline of 17.1 grams CO_2 per GT-mile, the 2023 target is set at 12.4 grams CO_2 per GT-mile.
- The 2030 target is set at 9.6 grams CO_2 per GT-mile. We are therefore aiming for a 45% reduction between 2008 and 2030.
- The development from 2008 to 2020 showed a reduction of 21%.
- Achieving the 2030 target requires a 29% reduction from 2020 levels.

Testing biofuels based on leftover nutshells

In 2019, we invested in MASH Energy. This start-up is developing a method to produce commercially viable biofuel from agricultural waste. In 2021, we aim to test MASH energy's B11 biofuel based on agricultural waste on a passenger ferry. Testing can help create realistic alternatives and supplements to fossil fuels.

Upgrading our road fleet to cut emissions

We invest in trucks with the highest possible Euro class engines to reduce exhaust emissions and ensure optimal safety and efficiency. 95% of our trucks are now Euro 5 or 6-certified. These vehicles effectively reduce harmful gas emissions, are fuel-efficient, and equipped with high-quality communication systems.

Biofuel is used in almost all Swedish logistics locations. In 2021, fuel additives will be tested in a research set-up to confirm fuel efficiency benefits and a lower emission per kilometre. If the test results are positive, it is planned to scale up the testing to a section of the fleet.

Diversity and inclusion

Bringing together people with a variety of backgrounds and expertise can create a culture that acknowledges different points of view preventing decision-making based on habits and unconscious bias.

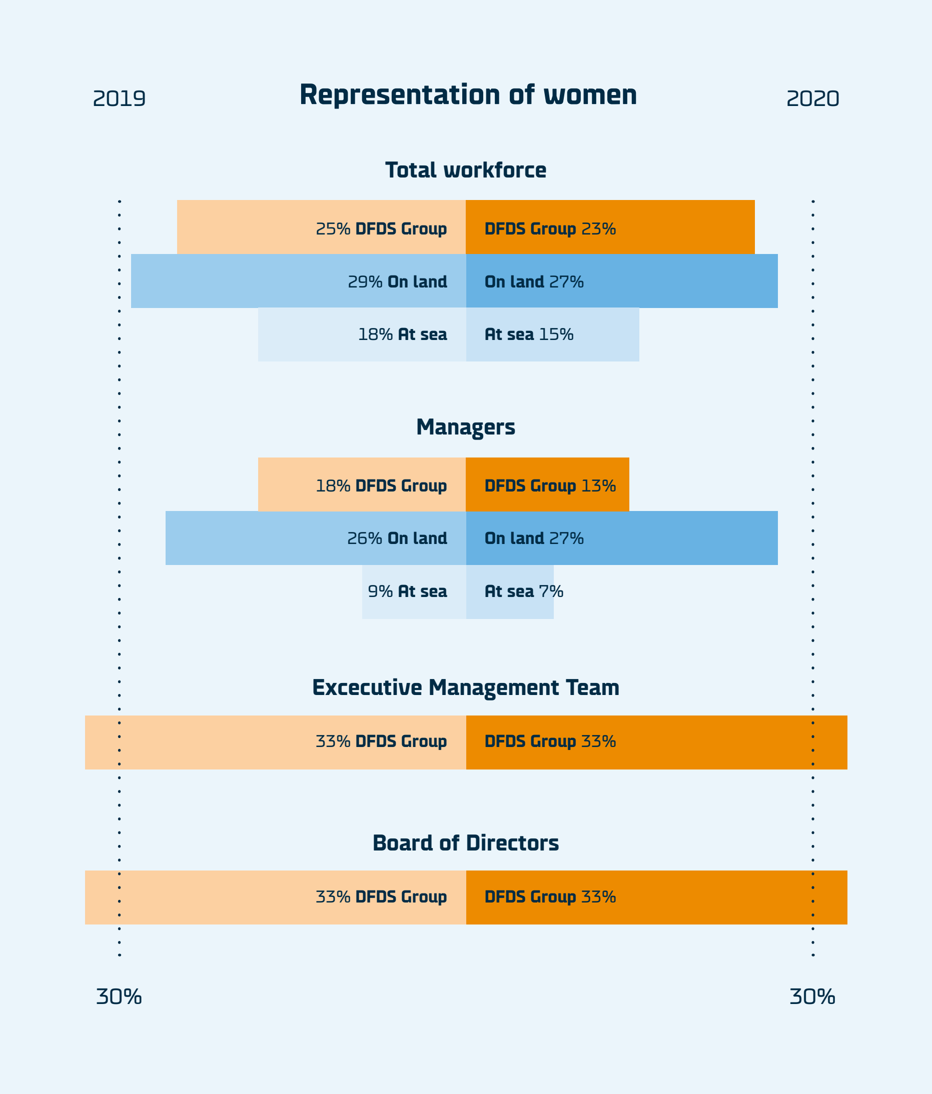
We have a target of a minimum of 30% minority representation by 2023. Our performance measurement focuses on improvements in gender diversity, as it is the only area in which we collect data. However, to secure a workforce that is truly diverse, minority representation also relates to race, ethnic background, religion, sexual orientation, age, level of education and socioeconomic status.

Gender diversity in DFDS

The maritime and logistics industries are traditionally associated with male attributes and continue to be so today, particularly at sea. Both at sea and on land the share of women in our company declined this year. This was due to the adaptation of the organisation to Covid-19. The Passenger business unit, which employs the highest proportion of women in DFDS, was heavily impacted by furloughing and layoffs.

On our ferries in general, the share of women is 15%. In management the number is 7%, above the industry average. In 2020, we signed the Charter for more women in shipping, committing ourselves to focus on gender equality. An internal task force is currently exploring how we can make our industry attractive to a more diverse audience. As of 2020, 27% of staff on land and 29% of managers are women. This is close to the target of 30% by 2023. Achieving gender diversity remains a priority as women are still underrepresented in many areas. For instance in senior management, where only 16% of employees are women.

Diversity and inclusion is a top priority and an integral aspect in hiring, HR processes, and management's operating procedures. Senior management is heading this agenda by setting their own pledges. Local HR has a structured follow-up process in place with local managers to ensure continued awareness and results. We facilitate internal diversity community forums, sharing challenges, best practice, and good ideas.



ESG key figures

Environmental data	Unit	Target 2030	Target 2023	2020	2019	2018	2017
Operated ships	Amount	-	-	**66**	63	54	45
Total number of days operated	Days	-	-	**18,774**	20,460	18,937	15,020
CO_2e emissions							
Direct CO_2e emissions (Scope 1)	1,000 tonnes	-	-	**2,014**	2.253	1,871	1,582
Indirect CO_2e emissions (Scope 2)	1,000 tonnes	-	-	**5.99**	7.31	8.46	7.68
Total CO_2e emissions[1]	1,000 tonnes	-	-	**2,020**	2,260	1,879	1,590
CO_2 emissions per GT mile[2]	gCO_2	9.6	12.4	**13.5**	14.1	14.4	-
Energy consumption							
Total fuel consumption	Tonnes	-	-	**619.867**	699.115	654,795	490,401
Fuel consumption per nautical mile	g/GT/Nm	-	-	**4.25**	4.42	4.49	4.90
Total energy consumption	TJ	-	-	**26.850**	29.995	24,878	21,069
Electricity and heating consumption per land-based FTE	MWh	-	5.9	**6.3**	7.4	7.9	8.6
Oil spills							
Spills (> 1 barrel)	Amount	-	0[3]	**1**	0	0	0

Social data	Unit	Target 2023	2020	2019	2018	2017
Number of employees end of period	FTE	-	**8.213**	8.638	8.073	7.167
Representation of women						
Total workforce	%	30	**23**	25	23	26
At sea[2]	%	30	**15**	18	15	-
On land[2]	%	30	**27**	29	29	-
Senior management	%	30	**16**	19	10	15
Managers[2]	%	30	**13**	18	-	-
Employees[2]	%	30	**26**	26	-	-
Safety at sea						
Lost-time injury frequency (LTIF)	Incidents/mill. hours	3.50	**4.05**	4.52	5.04	6.40
Near-miss reports[4]	Average per ship	48	**36**	55	64	67
Safety on land						
Lost-time injury frequency (LTIF)	Incidents/mill. hours	5.00	**5.90**	6.73	3.81[5]	5.53
Minor accidents	Incidents	-	**134**	152	185	139
Fatalities						
Colleagues	Accident	0[3]	**0**	0	0	1
Contractors	Accident	0[3]	**2**	1	1	0

Governance	Unit	Target 2023	2020	2019	2018	2017
Representation of women on the Board	%	30	**33**	33	33	50
Attendance at Board meetings	%	-	**96**	94	91	97
CEO Pay ratio	Times	-	**27**	29	36	33

1 2019 & 2020 include electricity consumption from shore power

2 No data available for the missing years

3 Annually

4 Excluding UN Ro-Ro in 2018

Preparing for clean fuels
DFDS' climate action plan aims to reduce emissions by 45% in 2030 and achieve full climate neutrality in 2050. In partnership with Danish companies, a hydrogen factory outside Copenhagen is being developed. We are also testing a program for hydrogen fuel cells to supply power on board the freight ferry Ark Germania, and designing a hydrogen fuel cell powered passenger ferry for possibly the Oslo-Frederikshavn-Copenhagen route. The great thing about hydrogen fuel cells is that they emit only water.

Risk factors

Risk management is an integral part of DFDS' management processes

Risks and opportunities are regularly reviewed and reported to the Board of Directors for appropriate responses and actions

Risks are higher for the ferry activities, both freight and passenger, than for the logistics activities

General and specific operational risks

Economic risks from lower demand

Changes in economic activity that lead to changes in the volume of the trade of goods and passengers can cause major fluctuations in earnings as volumes are a key earnings driver for both the freight and passenger activities.

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

The demand for freight and passenger ferry services is reflected in volumes and pricing, which in turn are linked to the general level of demand in the countries and regions that DFDS operate routes between. General demand levels are most often determined by changes in macroeconomic variables such as consumption. Demand can however also be impacted by virus outbreaks or other exceptional events that can lead to significantly lower economic activity due to, for example, travel and other restrictions in people's usual activities. The scope of such exceptional events can be both regional and global. Changes in economic variables such as exchange rates can also impact demand.

Decreases in demand can lead to overcapacity on ferry routes and lower earnings. This can be remedied by reducing the frequency of departures, replacing incumbent ferries with smaller ferries, removing a ferry from a route or laying up a ferry, and ultimately by route closure. Overcapacity also tends to increase price pressure which can also reduce earnings.

Partly in order to counteract cyclical demand risk, part of the freight fleet is chartered to enhance flexibility. DFDS aims to charter a share of the fleet on contracts of shorter duration with options for extension to provide opportunities for redelivery of ferries at a few months' notice.

The four passenger ferries in the fleet are 100% owned which limits the options for adapting capacity in the short term. DFDS' container activities mainly operate through

Our markets can be impacted by changes in local and regional competition, such as the opening or closing of competing routes and capacity increases on existing competing routes

vessel sharing and slot charter agreements with container shipping companies which provides flexibility. To a large extent, the logistics activities lease equipment.

DFDS' geographic diversification across northern Europe, the Mediterranean as well as parts of eastern Europe and adjacent countries reduces dependence on individual markets. In addition, the large and diversified route network provides opportunities to reallocate ferry capacity among routes.

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

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

The ferry charter market and newbuildings

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

Due to the ongoing process of replacing and renewing the fleet, the sale of ferries or the cancellation of newbuilding contracts may result in gains or losses and costs that cannot be anticipated in annual profit forecasts.

It takes around two years or more from the time of ordering a ferry newbuilding to its delivery. The period depends on the complexity of the newbuilding. During such a period markets may change significantly and the need for additional capacity may have declined. Such risks can be mitigated by having an option available to redeliver a ferry that matches the planned delivery of a newbuilding.

Risks associated with business development and investments

DFDS' growth strategy entails business development and investment risks. This is related to both organic growth from investment in ferries and growth driven by the opening of new ferry routes, new logistics activities, acquisition of companies and activities. The most pervasive risk associated with organic growth is related to the expansion of capacity on a route by deployment of larger ferries.

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

Operational, security and environmental risks

The main operational risks are associated with ferries and other ships, port terminals as well as road and rail transport of freight. Technical incidents and accidents may lead to physical harm to employees and employees of business partners, unplanned periods in dock for ships, interruption of sailing schedules, and loss of revenue. Replacement tonnage can usually be deployed at short notice through chartering. In order to minimise operational risks, DFDS has a systematic and comprehensive maintenance programme in place for the fleet, including regular docking schedules. In addition, extreme weather conditions can cause delays and cancellations, and strikes in ports can also disrupt services.

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

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

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

It is widely acknowledged that the climate is changing. This is increasing climate risks, for example more volatile weather such as storms or floodings. In particular for DFDS, ferry operations are exposed to strong winds and other weather phenomena that can lead to cancellation of departures and entail loss of revenue and/or extra costs. Such impacts could rise in the future if weather patterns become more volatile. Further legislation to mitigate or reduce harmful impacts on the environment could be adopted in the future. This could include costs in the form of taxes or duties as well as limitations on activities that could have negative financial impacts.

In order to minimise operational risks, DFDS has a systematic and comprehensive maintenance programme in place for the fleet, including regular docking schedules

The EU is expected to propose the martime industry is included in ETS (European Emissions Scheme) in the first half of 2021 with effect from 2022 or 2023. Introduction of such a scheme would entail that part or all of DFDS' emission of CO_2 from ferries is subject to this system. A number of elements regarding implementation need to be clarified such as scope, free allowances, baselines and financial implications. It is therefore not yet possible to assess the potential consequences of ETS for DFDS and our stakeholders.

The ambition of DFDS' climate action plan is to become climate neutral in 2050. This may entail considerable changes in the fleet as fossil fuel based technology is replaced with sustainable technology. At some point in this process, ferries using fossil fuels could become obsolete. Due to freight ferries' estimated lifetime of around 35 years and 45 years for passenger cruise ferries, it is envisaged that the replacement process will be gradual over the next thirty years, also bearing in mind that it requires 1-3 years to build a new ferry.

Digital and technology disruption

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

Platforms for booking of ferry trips by consumers are available today. Commissions are paid to such platforms for bookings. To compete with such platforms, DFDS is further developing digital solutions for passenger bookings and monitoring changes in the business environment closely in order to protect activities and pursue business development opportunities.

There are no perceived imminent digital threats related to ferry route and logistics operations as such. In the longer term, DFDS' current business model could be disrupted by new, evolving technologies for autonomous vehicles, vessels and terminals, as well as artificial intelligence (AI), internet of things (IoT) and automation.

DFDS has in recent years invested in in-house capabilities in such technologies, partly to monitor and counter risks posed by such new technologies and business models, and partly to be able to develop own solutions based on such technologies to pursue possible business opportunities.

IT risks

Disruptions to critical systems through breakdowns or virus and other cyberattacks can have a significant negative impact on commercial operations and thereby earnings. The scope of such risks is reduced by increasing investments in cyber security measures, constant monitoring of systems, installation of back-up systems and having proven procedures in place to restore functionality of systems.

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

Political and legal risks

DFDS' activities are impacted by changes in rules and regulations governing the ferry, shipping and transport sectors, as well as changes in conditions that impact infrastructures in Europe and Turkey. In addition to political bodies, DFDS is subject to International Maritime Organization (IMO) conventions. The IMO is the UN body responsible for maritime issues, primarily safety and environment.

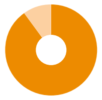
Changes in the above rules and regulations can have negative financial consequences, including higher costs and entail changes in the travel patterns of passengers and routing of freight, including the distribution of volumes between sea and land transport.

The EU and the UK entered into a new trade agreement in December 2020 with effect from 1 January 2021. As the deal was finalised just days before its implementation, all parties involved in trading between the EU and the UK have experienced a number of issues with application of the new rules. It is too early to assess how the new agreement will impact trading volumes between the EU and the UK. There is a risk that the new rules will reduce volumes, including reassessment and relocation of supply chains by manufacturing and other companies.

The new trade agreement entails additional paperwork and border inspections. DFDS has therefore established a full service customs clearance offering to customers and income from this enterprise may mitigate possible adverse impacts of the trade agreement. In addition, duty-free sales have resumed on passenger ferry routes and this may also provide some mitigation.

Other possible changes concern taxation arrangements for staff at sea, the abolition of duty-free sales on ferry trips from Norway if the country were to join the EU, cancellation of applicable VAT exemptions and changes to tonnage tax schemes. DFDS monitors these issues actively, including participation in industry organisations.

DFDS is subject to International Maritime Organisation (IMO) conventions. The IMO is the UN body responsible for maritime issues, primarily safety and environment.



Around 90% of the bunker consumption is commercially hedged in 'normal' years through bunker clauses (BAF: bunker adjustment Operating profit before depreciation, EBITDA, and special items decreased 25% in 2020 to DKK 2,732m.

Bunker risk

The cost of bunker was DKK 1.3bn in 2020 and DKK 1.0bn net of income from bunker surcharges. Around 90% of the bunker consumption is commercially hedged in 'normal' years through bunker clauses (BAF: bunker adjustment factor) in freight customer contracts. Hedging of USD is included in the BAF. The BAF-coverage lags the actual cost by 1-2 months as the surcharge is adjusted on a monthly basis through the year. The remaining consumption is consumed on passenger routes and financially hedged as deemed appropriate.

In 2021, the consumption of bunker by the ferry fleet is expected to amount to around 750,000 tons. Part of the bunker consumption on passenger routes is financially hedged. A price change of 10% compared to the price level at year-end 2020 is expected to impact operating profit by around DKK 5.1m in 2021.

Financial risks

DFDS is exposed to a range of financial risks related primarily to changes in exchange rates and interest rates. DFDS is also exposed to liquidity risks in terms of payments and counterparty risk. These risks are reported in Note 4.1 on pages 95-98.

The DFDS share and shareholders

Share price decreased 15% in 2020

Dividend cancelled due to negative impact of Covid-19

Investor relations
Søren Brøndholt Nielsen
VP, Corporate Communications & IR
+45 33 42 33 59
udsbn@dfds.com

Shareholder's secretariat
shareholder@dfds.com

Share capital

DFDS has one class of shares. The share capital at the end of 2020 was DKK 1,173m comprising 58,631,578 shares, each with a nominal value of DKK 20. There were no changes to the share capital during 2020.

Stock exchange trading

The DFDS share is listed on Nasdaq Copenhagen where 32.9m DFDS shares were traded in 2020 equal to an annual turnover of DKK 7.0bn compared to DKK 7.6bn in 2019. The average number of trades per day was 1,196 compared to 1,145 in 2019 and the average daily turnover was DKK 28m compared to DKK 30m in 2019. The DFDS share is part of the Large Cap index.

Share price development and yield

DFDS' share price was DKK 275 at year-end 2020, a decrease of 15% compared to year-end 2019. The market value at the end of 2020 was DKK 15.8bn, excluding treasury shares. By comparison, the Danish stock market's all-share index increased 29% in 2020.

The divergence in the development between the DFDS share and the all-share index was, among other things, due to the significant negative impact of Covid-19 on the passenger ferry market that DFDS is part of.

The total distribution yield on the DFDS share was 0% in 2020 as no capital was distributed to shareholders due to the extraordinary negative impact of Covid-19 on earnings in 2020.

Distribution policy

The starting point for determining the level of capital distribution to shareholders is the current and expected future financial leverage measured as the ratio between NIBD and EBITDA. Target leverage is a ratio between 2.0 and 3.0. NIBD/EBITDA was 4.2 at the end of 2020.

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

Capital is distributed through dividend and share buybacks. The latter instrument is preferred for distribution of excess capital while dividend is preferred to be ongoing and sustainable. Whether capital is excess is assessed based on the leverage target and future investment requirements.

Distribution to shareholders in 2020

Due to the extraordinary negative impact on earnings in 2020 from Covid-19, it became necessary to safeguard the financial position. It was therefore decided by the annual general meeting (AGM) that no dividend was paid in 2020.

Dividend proposal

The Board of Directors proposes to the 2021 AGM that no dividends are paid in 2021 due to the continued safeguarding of the financial position. The financial leverage is, all else being equal, expected to decrease during 2021.

Shareholders

At the end of 2020, DFDS had 22,152 registered shareholders who owned 95% of the share capital. International shareholders owned 30% (2019: 34%) of the total registered share capital. The Lauritzen Foundation was the largest shareholder with a holding of 42% of the total share capital at the end of 2020 compared to 41% at the end of 2019.

Investor Relations

The aim of investor relations (IR) is to facilitate an ongoing dialogue with the financial community, primarily institutional investors and analysts. Key events during the year are quarterly reports, conference calls and roadshows to present strategic and financial results. In addition, management and IR participate at investor conferences, roadshows and meetings with investors and analysts in between quarters. Due to Covid-19, roadshows and meetings were mostly virtual in 2020. There is a silent period of four weeks prior to the release of quarterly reports.

Share related key figures

	2020	2019	2018	2017	2016
Share price, DKK					
Price at year-end	**275**	325	262	331	323
Price high	**325**	332	421	415	360
Price low	**134**	215	239	321	211
Market value year-end, DKK m	**15,790**	18,593	14,990	18,106	18,405
No, of shares year-end, m	**59**	59	59	57	60
No, of circulating shares year-end, m	**57**	57	57	55	57
Distribution to shareholders, DKK m					
Dividend paid per share, DKK	**0**	4.00	4.00	10.00	6.00
Total dividend paid ex, treasury shares	**0**	229	219	555	349
Buyback of shares	**0**	0	190	1,106	914
Total distribution to shareholders	**0**	229	409	1,661	1,263
FCFE yield, %	**2.8**	-0.8	-15.2	6.1	7.5
Total distribution yield, %	**0**	1.2	2.7	9.2	6.8
Cash payout ratio, %	**0**	-151.7	-17.9	150.7	91.4
Shareholder return					
Share price change, %	**-15.3**	24.0	-20.9	2.7	20.8
Dividend return, %	**0**	1.5	1.2	3.1	2.2
Total shareholder return, %	**-15.3**	25.5	-19.6	5.8	23.1
Share valuation					
Equity per share, DKK	**183.4**	179.6	160.5	120.7	116.3
Price/book value, times	**1.5**	1.8	1.6	2.7	2.8

DFDS is currently covered by six equity analysts. Reports on this *link*, investor presentations and a range of other information are available. Announcements made in 2020 are available from this *link*

Ownership structure, end of 2020

Lauritzen Foundation	42.4
Institutional shareholders	40.9
Other registered shareholders	10.0
Treasury shares	2.1
Non-registered shareholders	4.6
Total	100.0

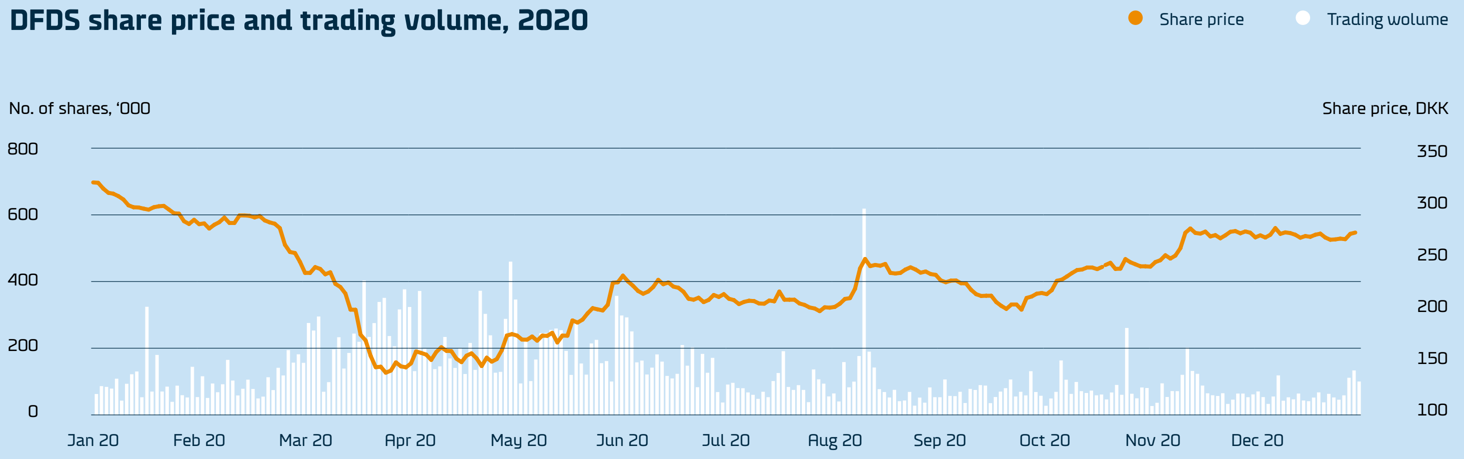
With reference to §38 in the Danish Capital Markets Act, Lauritzen Foundation domiciled in Copenhagen, Denmark, has notified DFDS A/S that it holds more than 5% of the share capital and voting rights of the company.

Shareholder distribution, end of 2020

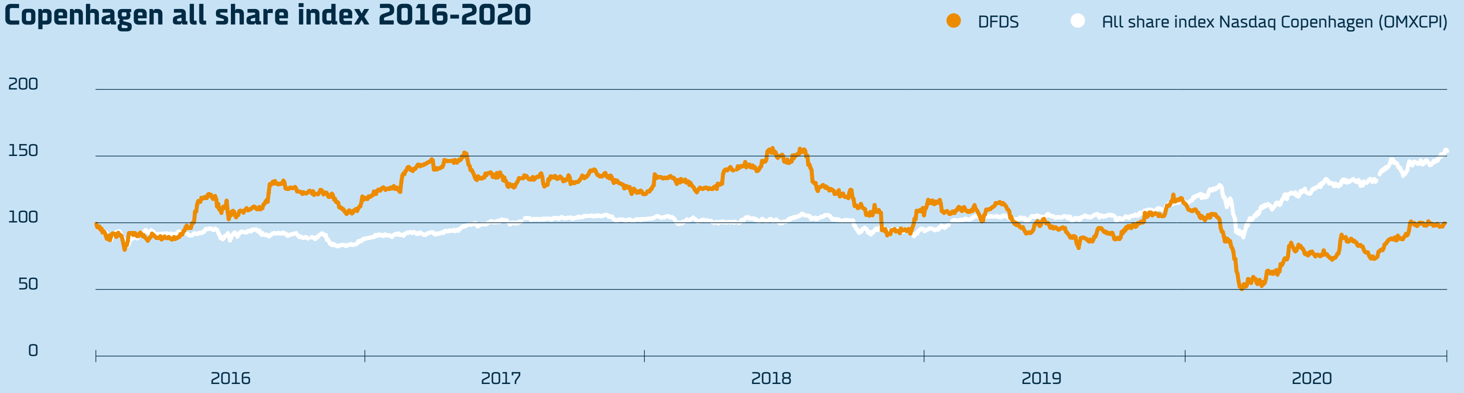
No. of shares	No. of share-holders	% of share capital
1-50	**9,525**	0.5
51-500	**9,899**	3.1
501-5,000	**2,400**	5.3
5,001-50,000	**252**	5.9
50,001-	**76**	80.5
Total*	**22,152**	95.4

* Total of registered shareholders

DFDS share price and trading volume, 2020



Share price performance relative to Copenhagen all share index 2016-2020



Investor relations
Søren Brøndholt Nielsen, VP,
Corporate Communications & IR
T +45 3342 3359 / udsbn@dfds.com

Shareholder's secretariat
shareholder@dfds.com

Analysts covering the DFDS share

ABG Sundal Collier
Casper Blom
T +45 3546 3015 / casper.blom@abgsc.dk

Carnegie
Dan Togo Jensen
T +45 3288 0245 / dan.togo@carnegie.dk

Danske Bank Markets
Michael Vitfell-Rasmussen
T +45 4512 8036 / vitf@danskebank.dk

Nordea
Marcus Bellander
T +45 5547 8967 / marcus.bellander@nordea.com

RBC Capital Markets
Ruairi Cullinane
T +44 207 002 2275 / ruairi.cullinane@rbccm.com

SEB Equities
Ulrik Bak
T +45 3328 3314 / ulrik.bak@seb.dk

Financial review

Covid-19 travel restrictions lowered revenue 16% to DKK 14.0bn

Drop in passenger earnings decreased EBITDA 25% to DKK 2.7bn

Freight earnings resilient

Investments of DKK 1.6bn included DKK 0.9bn for newbuildings

Year ended with strong financial position

Reporting structure
DFDS' activities are organised in two divisions: Ferry Division operates five business units and Logistics Division operates three business units. Group Non-allocated items consist of corporate costs not allocated to either division. Each division also has Non-allocated items which mainly include external charter activities in Ferry Division and an equipment pool in Logistics Division.

Revenue
Reported revenue decreased 15.8% to DKK 13,971m in 2020. The decrease was due to the outbreak of Covid-19 that from mid-March reduced travel as restrictions were introduced. Moreover, the initial lockdowns that were applied reduced manufacturing and other activity which led to a drop in the demand for freight services.

These events were also the main driver of a 20.7% or DKK 2.5bn decrease in Ferry Division's revenue to DKK 9,678m. The decrease in passenger revenue was DKK 1.7bn spread across three business units: Passenger, Channel and Baltic Sea. The remaining decrease of DKK 0.8bn was thus related to freight revenue. Half of the decrease was due to lower revenue bunker surcharges following a declining oil price. The other half was due to the lower activity in Q2 caused by the Covid-19 lockdowns. The negative impact on freight revenue was most severe in the Mediterranean and North Sea business units that have a large share of automotive customers as this sector temporarily closed manufacturing plants.

Logistics Division's revenue declined only 0.9% to DKK 5,069m as a negative impact from Covid-19, also mainly in Q2, was offset by revenue from two acquisitions made in December 2019, one in Finland and one in the Netherlands. The Finnish company was added to the Nordic business unit and the Dutch company was added to the Continent business unit. In May 2020, a smaller UK seafood distribution company was acquired and added to the UK & Ireland business unit.

In Q4 2020, freight revenue in both divisions increased by a surge in volumes from stockbuilding in UK ahead of Brexit.

EBITDA before special items

Operating profit before depreciation, EBITDA, and special items decreased 25% to DKK 2,732m.

Ferry Division's EBITDA decreased 28% or DKK 922m to DKK 2,332m as passenger earnings across three business units dropped DKK 1,029m in 2020. Freight earnings thus ended the year above 2019 as particularly earnings in Q4 2020 offset the negative impact from Covid-19 on earnings in Q2 2020. The increase in freight earnings was driven by the Mediterranean and Channel business units as the latter benefited from the UK stockbuilding ahead of Brexit.

Logistics' EBITDA increased 5% to DKK 445m mainly driven by a positive full-year impact from the addition of two acquired companies that both performed in line with expectations set before Covid-19. This helped the Nordic and Continent business units in total to increase EBITDA compared to 2019 as the recurring activities overall were negatively impacted by Covid-19, for example by a slow-down in the automotive industry. UK & Ireland performed just above 2019 as good performance in parts of the business unit was offset by negative impacts from Covid-19, for example on the UK catering sector. In addition, a provision of DKK 10m was made at the end of the year related to a cold chain warehouse.

The Group cost of Non-allocated items increased to DKK -45m from DKK -42m in 2019.

Depreciation, impairment and EBIT

Total depreciation and impairment decreased 1% to DKK 1,873m. Depreciation was mainly lowered by the redelivery of four chartered freight ferries that were capitalised and depreciated according to IFRS 16. The chartered ferries were replaced by fewer and larger owned freight ferries. The net effect was a decrease in depreciation.

The Group's EBIT before special items decreased 51% to DKK 858m.

Special items and EBIT

Special items in 2020 was a net cost of DKK 117m. The two largest cost items was DKK 102m related to adaptation of the organisation to the effects of Covid-19 and an impairment of DKK 100m related to the Oslo-Frederikshavn-Copenhagen route. These items were partly offset by an accounting gain of DKK 110m on the sale of a combined freight and passenger ferry. More information on special items is available in Note 2.6 on page 76.

The Group's EBIT after special items was DKK 741m, a decrease of 55%.

Financing

The net cost of financing decreased 1% to DKK 275m compared to 2019. There was a positive variance on currency adjustments of DKK 17m while the net interest cost increased DKK 13m. The latter was among other things negatively impacted by costs related to a temporary waiver of loan covenants.

Tax and the annual result

The ferry activities of the DFDS Group are covered by tonnage tax schemes in Denmark, Norway, the Netherlands, Lithuania, France, and Turkey. The tax on the annual profit amounted to a total cost of DKK 24m. This included a tax cost of DKK 48m for the year and an adjustment to prior years that was a net income of DKK 24m.

The net annual result was DKK 442m, a decrease of 66% compared to 2019.

Operating profit before depreciation, EBITDA, and special items decreased 25% in 2020 to DKK 2,732m

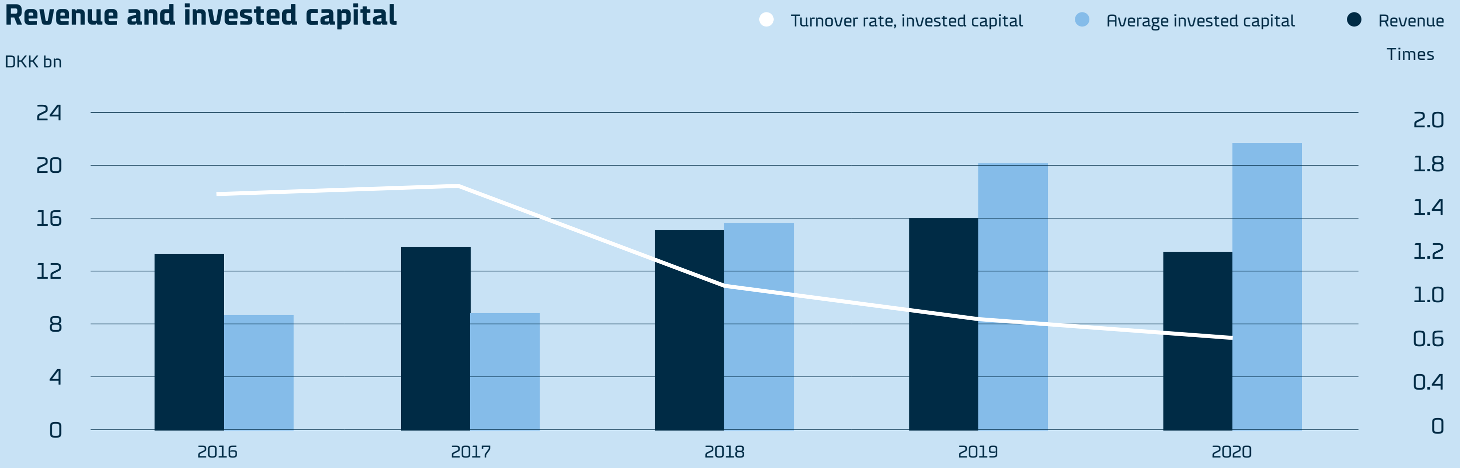
Revenue

DKK m	**2020**	2019	Δ	Δ %
Ferry Division	**9,678**	12,197	-20.7	-2,519
Logistics Division	**5,069**	5,116	-0.9	-47
Eliminations etc.	**-776**	-721	7.6	-55
DFDS Group	**13,971**	16,592	-15.8	-2,621

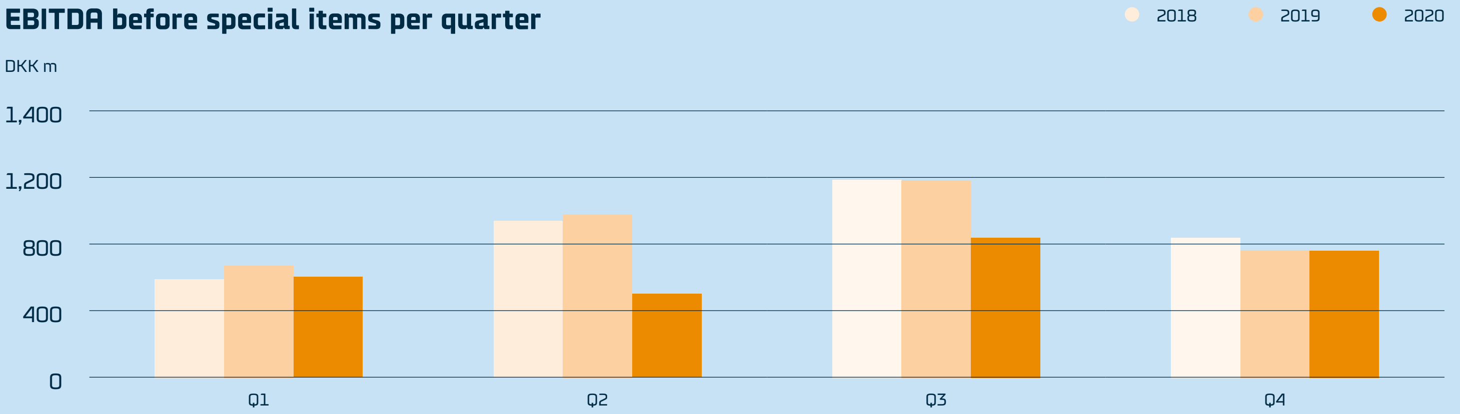
EBITDA before special items

DKK m	**2020**	2019	Δ	Δ %
Ferry Division	**2,332**	3,254	-28.3	-922
Logistics Division	**445**	421	5.7	24
Non-allocated items	**-45**	-42	7.1	-3
DFDS Group	**2,732**	3,633	-24.8	-901
EBITDA-margin, %	**19.6**	21.9	n.a.	-2.3

Revenue and invested capital



EBITDA before special items per quarter



Investments

Net investments in 2020 amounted to DKK 1,618m. This included DKK 1,422m of ship investments of which DKK 906m was used for ferry newbuildings, delivered and on order, DKK 363m for upgrades and dockings and DKK 153m for scrubbers. The cash flow from sale of ships was positive by DKK 202m from the sale of a combined freight and passenger ferry. The remaining investments of DKK 398m were mainly related to port terminals, cargo carrying equipment, software and other items.

Assets, invested capital and return

Total assets amounted to DKK 27.0bn at the end of the year which was on level with 2019.

Net working capital was DKK 132m at the end of 2020 compared to DKK 417m at the end of 2019. Net working capital was decreased in both divisions with the largest decrease achieved in the Mediterranean business unit as trade receivables from a major customer were reduced.

At year-end 2020, the invested capital had decreased 2% to DKK 22.1bn from year-end 2019 mainly due to a reduction of the working capital and fewer leased assets. The former was partly reduced by extended payment terms on VAT and taxes related to Covid-19 compensation programs. A focused effort on collection of outstanding accounts receivable also reduced the working capital. Calculated as an average, the invested capital increased 8% to DKK 22.5bn in 2020.

In 2020, the return on invested capital, ROIC, was 3.0% and 3.5% adjusted for special items.

Financing and capital structure
At year-end 2020, interest-bearing debt was DKK 12.8bn which was on level with year-end 2019. These amounts included lease liabilities of DKK 3.1bn and DKK 2.9bn in 2019 and 2020, respectively.

In 2020, bank loans and mortgaged ship loans amounted to 69% of interest-bearing debt while lease liabilities amounted to 22% and corporate bonds amounted to 9%.

Net interest-bearing debt decreased 5% to DKK 11.4bn at year-end 2020 and the ratio of net interest-bearing debt to EBITDA before special items was 4.2 compared to 3.3 at the end of 2019.

Cash flow
The gross cash flow from operations was DKK 2,769m and DKK 2,090m including payment of lease liabilities and lease interest. Following a cash flow from investment activities of DKK -1,618m, the free cash flow (FCFF) was positive by DKK 1,155m and by DKK 475m including payment of lease liabilities and lease interest.

The cash flow from financing activities was negative by DKK 458m in 2020, including payment of lease liabilities of DKK 602m and net proceeds of DKK 201m from loan financing.

The net cash flow of 2020 was DKK 424m and cash and cash equivalents increased to DKK 1,261m at year-end.

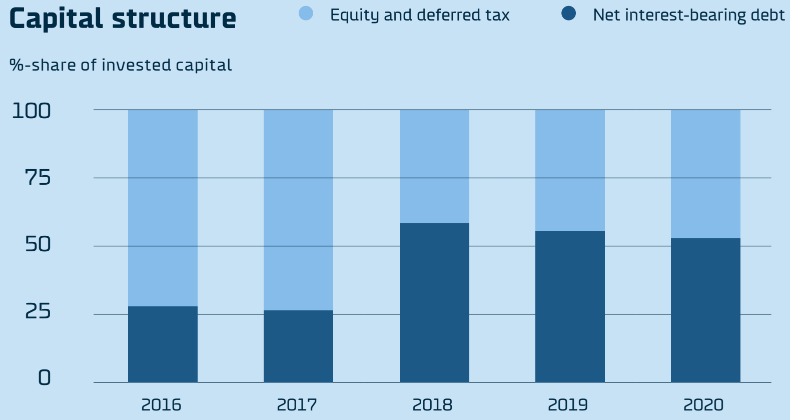
Impairment test
Based on the impairment tests performed in 2020 of the Group's non-current intangible and tangible assets, impairments were made on assets deployed by the Oslo-Frederikshavn-Copenhagen route of DKK 100m and on a freight ferry held for sale of DKK 29m. The impairment tests are described in greater detail in Note 3.1.5 on pages 87-88.

Equity
Equity amounted to DKK 10,600m at year-end 2020, including non-controlling interests of DKK 89m. This was an increase of 2% compared to year-end 2019. Total comprehensive income for 2020 was DKK 236m. There were no material transactions with owners in 2020.

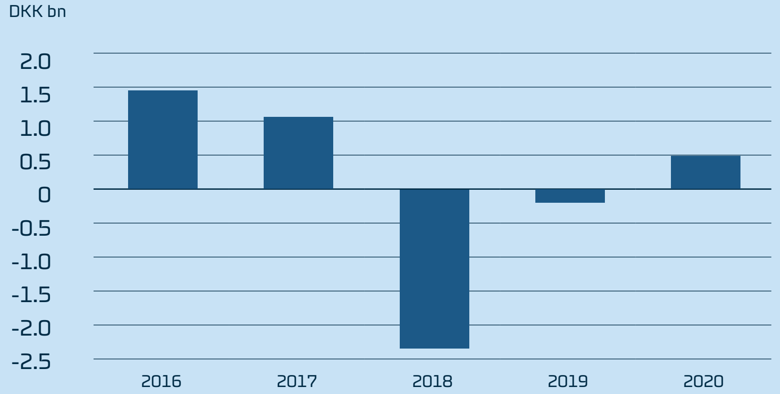
The equity ratio was 39% at year-end 2020 which was on level with year-end 2019.

Parent company key figures
The revenue of the parent company, DFDS A/S, was DKK 7,385m in 2020 and the profit before tax was DKK 135m. Total assets at year-end amounted to DKK 17,236m and the equity was DKK 9,382m.

Capital structure



Adjusted free cashflow, FCFF



Corporate governance summary

Revised remuneration policy proposal

DFDS is compliant with all Danish corporate governance recommendations

Five of the six appointed directors are independent and two are female

The composition of the Board of Directors aims to ensure that competencies that are key to the company's performance are represented

Board of Directors

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

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

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

The Chair of the Board of Directors undertakes an annual review of the performance of the Board of Directors, most recently with third party assistance. The composition of the Board of Directors aims to ensure that competencies that are key to the company's performance are represented. Ten board meetings were held in 2020.

Board committees

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

Board evaluation

Annually, the Board of Directors conducts an evaluation of its composition considering the competencies needed to perform its tasks, and of the cooperation between the Board of Directors and the Executive Board.

In 2020, the evaluation was facilitated by an external consulting firm by way of a written questionnaire combined with individual interviews with the Directors of the Board and the Executive Board. The evaluation included, among other things, the Board of Directors' general competencies and overall effectiveness and value contribution, transparency and openness of information and discussions, cooperation with the Executive Board, the Chair's role, the work and the structure of the Board committees and a "time-spent analysis" of the Board meetings.

All members of the Board of Directors and the Executive Board participated in the evaluation, resulting in a comprehensive evaluation report. The findings and conclusions were presented to and discussed by the Board of Directors in February 2021.

The evaluation concluded that overall, the Board has the right composition and perform its tasks in a well aligned manner. Identified key strengths include:

- The Board and management work together exceptionally well, perceiving themselves to be one team with same overriding goals
- The tone of voice is positive, encouraging and constructive.

Based on the evaluation, the Board agreed to continue its focus on the important areas of strategy execution and risk monitoring. The Board is highly engaged in DFDS' clearly laid out strategic direction and its progression, and agreed to increase focus on structured follow-up on KPIs linked to the execution of the strategy. In recognition of the increasing importance of risk management, even more focus will be applied to structured risk identification and monitoring of company risks.

Remuneration

The members of the Board of Directors are paid according to an agreed, fixed annual fee together with fixed annual supplements for the Chair and the Deputy Chair, the Chair of the audit committee as well as members of the audit, the remuneration and the nomination committee. Members of the Board of Directors, including members of the committees, do not receive any incentive-based remuneration. The fees proposed to be paid to directors are presented for approval at DFDS' annual general meeting. For the annual general meeting in March 2021, the Board of Directors is proposing a revised remuneration policy in compliance with the provisions of the Danish Companies Act and providing a remuneration report based on the said policy and presented for a guiding vote in compliance with the provisions of the Danish Companies Act.

Recommendations on corporate governance

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

Business ethics

DFDS has a Code of Conduct that sets out expectations for employee behaviour and actions. The code was updated in 2020 to make it more accessible. This was accompanied by a campaign to raise awareness of the code across the company. In addition, a compliance line, operated by a third party, offers 'whistleblowers' the possibility to raise concerns on behaviour by name or anonymously. A total of 24 cases were reported during 2020.

Rules and policies

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

More information on DFDS' corporate governance is available from
→ *link*

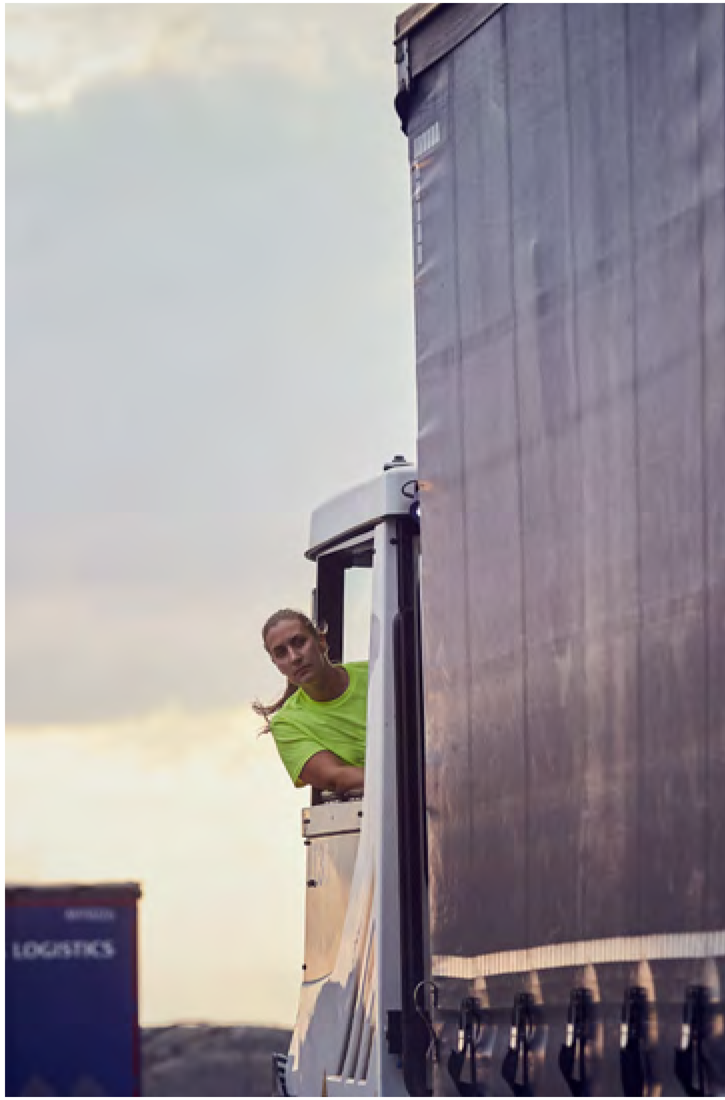
Statutory report on corporate governance
→ *link*

DFDS' statutes
→ *link*

Materials from DFDS' most recent AGM
→ *link*

Remuneration policy
→ *link*

Diversity policy
→ *link*



Board of Directors and Executive Board

Board of Directors

Claus V. Hemmingsen
Chair

Klaus Nyborg
Vice Chair

Anders Götzsche
Board member

Jens Otto Knudsen
Board member
(staff representative)

Jill Lauritzen Melby
Board member

Jesper Hartvig Nielsen
Board member
(staff representative)

Dirk Reich
Board member

Lars Skjold-Hansen
Board member
(staff representative)

Marianne Dahl
Board member

Executive Board

Torben Carlsen
President & CEO

Karina Deacon
CFO

Board of Directors and Executive Board

As per 23 February 2021

Board of Directors

Claus V. Hemmingsen (1962)
Chair / 3,336 shares

Position: Managing director, CVH Consulting Aps
Joined the board: 29 March 2012
Re-elected: 2013-2020
Period of office ends: AGM 2021

Chair of the Nomination and Remuneration Committees

Board meeting participation: 10/10
Committee participation: 6/6

Chair: Maersk Drilling (The Drilling Company of 1972 A/S), HusCompagniet A/S
Board member: A.P Møller Holding A/S, A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til Almene Formaal, Den A.P. Møllerske Støttefond, Bacher A/S, Maersk Mc-Kinney Moller Center for Zero Carbon Shipping, Global Maritime Foundation, Det Forenede Dampskibs-Selskabs Jubilæumsfond

The Board of Directors is of the opinion that Claus V. Hemmingsen possesses the following special competences: International management experience and expertise in offshore activities and shipping. : Extensive international, commercial and managerial experience and expertise in offshore oil & gas and shipping industries, incl. HSSE & Sustainability, M&A, capital markets and non-executive directorships.

Klaus Nyborg (1963)
Vice Chair / 0 shares

Position: Managing director, Return ApS
Joined the Board: 31 March 2016
Re-elected: 2017-2020
Period of office ends: AGM 2021

Member of the Nomination and Remuneration Committees

Board meeting participation: 10/10
Committee participation: 6/6

Chair: Dampskibsselskabet Norden A/S, A/S United Shipping & Trading, Bawat A/S, Moscord Pte. Ltd., Singapore and Chairman of The Investment Committee of Maritime Investment Fund I K/S and Fund II K/S
Deputy Chair: Bunker Holding A/S, Uni-Tankers A/S, Uni-Chartering A/S
Board member: Karen og Poul F. Hansens Familiefond, Norchem A/S, X-Press Feeders Ltd Singapore.

The Board of Directors is of the opinion that Klaus Nyborg possesses the following special competences: International management and board experience from i.a. listed shipping companies and suppliers to the shipping industry, and expertise in strategy, M&A, finance and risk management.

Marianne Dahl (1974)
Board member / 1,817 shares

Position: Vice President, Microsoft Western Europe
Joined the Board: 21 March 2017
Re-elected: 2018-2020
Period of office ends: AGM 2021

Member of the Nomination and Remuneration Committees

Board meeting participation: 9/10
Committee participation: 6/6

Board member: TDC

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

Anders Götzsche (1967)
Board member / 3,500 shares

Position: Executive Vice President and CFO, H. Lundbeck A/S
Joined the Board: 19 March 2018
Re-elected: 2018-2020
Period of office ends: AGM 2021

Chair of the Audit Committee

Board meeting participation: 8/10
Committee participation: 6/6

Chair: Rosborg Møbler A/S
Board member and Chair of Audit Committee: Obsidian Therapeutics Inc

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

Jens Otto Knudsen (1958)
Board member (staff representative) 130 shares

Joined the Board: 13 April 2011
Re-elected: 2012-2019
Period of office ends: AGM 2022
Board meeting participation: 10/10

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

Jill Lauritzen Melby (1958)
Board member / 4,735 shares

Position: Team Leader Finance, BASF A/S
Joined the Board: 18 April 2001
Re-elected: 2002-2020
Period of office ends: AGM 2021

Member of the Audit Committee

Board meeting participation: 10/10
Committee participation: 6/6

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

The Board of Directors is of the opinion that Jill Lauritzen Melby possesses the following special competences: Expertise in financial control

Due to family relations to the company's principal shareholder, Lauritzen Fonden, Jill Lauritzen Melby cannot be considered independent according to the Recommendations on Corporate Governance.

Jesper Hartvig Nielsen (1975)
Board member (staff representative) 230 shares

Joined the Board: 19 March 2018
Re-elected: 2019
Period of office ends: AGM 2022

Board meeting participation: 10/10
Jesper Hartvig Nielsen has no managerial or executive positions in other companies

Lars Skjold-Hansen (1965)
Board member (staff representative) 530 shares

Joined the Board: 22 March 2013
Re-elected: 2014-2019
Period of office ends: AGM 2022
Board meeting participation: 9/10

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

Dirk Reich (1963)
Board member / 0 shares

Joined the Board: 1 July 2019
Re-elected: 2020
Period of office ends: AGM 2021

Member of the Audit Committee

Board meeting participation: 9/10
Committee participation: 6/6

Chair: Instafreight GmbH, Log-hub AG, R+R Holding AG, R+R International Aviation AG
Board member: Skycell AG, Imperial Logistics Limited

The Board of Directors is of the opinion that Dirk Reich possesses the following special competences: International management and board experience, as well as expertise in international logistics activities.

Executive Board

Torben Carlsen (1965)
President & CEO 123,850 shares

Appointed: 1 May 2019 (previously CFO since 1 June 2009)

Chair: Copenhagen Infrastructure Partners, CI-II K/S, CI-III K/S & NMF K/S, Chairman of the Investment Committee; IV K/S and Fund II K/S, Chairman of Limited Partner Advisory Committees
Member: Maritime Investment Fund I K/S and Fund II K/S, Member of the Investment Committee

Karina Deacon (1969)
CFO / 1,456 shares

Appointed: 1 January 2020

Board member and Chair of Audit Committee: DOVISTA A/S

Executive Management Team

Standing (from left):

Niklas Andersson (1973)
Executive Vice President,
Logistics Division
Marketing, IHM Business School
Employed by DFDS since 2012

Anne-Christine Ahrenkiel (1970)
Executive Vice President, Chief
People Officer
MSc (Scient. pol.), Bachelor in
French/Italian
Employed by DFDS since 2019

Rune Keldsen (1979)
Executive Vice President, Chief
Technology Officer
MSc (IT)
Employed by DFDS since 2020

Torben Carlsen (1965)
President & CEO
MSc (Finance)
Employed by DFDS since 2009

Sitting (from left):

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

Karina Deacon (1969)
CFO
MSc (Aud)
Employed by DFDS since 2020

Consolidated Financial Statements

Income statement 1 January – 31 December

DKK million	Note	2020	2019
Revenue	2.1, 2.2	13,971	16,592
Costs:	2.3		
Ferry and other ship operation and maintenance		-2,569	-3,667
Freight handling		-2,383	-2,521
Transport solutions		-2,905	-2,994
Employee costs	2.4	-2,862	-3,077
Cost of sales and administration		-520	-699
Operating profit before depreciation (EBITDA) and special items		**2,732**	**3,633**
Share of profit/loss of associates and joint ventures		-5	6
Profit on disposal of non-current assets, net	3.1.4	5	6
Amortisation, depreciation, and impairment losses on intangible- and tangible assets and Right-of-use assets	2.5	-1,873	-1,894
Operating profit (EBIT) before special items		**858**	**1,751**
Special items, net	2.6	-117	-101
Operating profit (EBIT)		**741**	**1,650**
Financial income	4.4	5	6
Financial costs	4.4	-280	-284
Profit before tax		**466**	**1,371**
Tax on profit	2.7	-24	-59
Profit for the year		**442**	**1,313**
Profit for the year is attributable to:			
Equity holders of DFDS A/S		433	1,309
Non-controlling interests		9	4
Profit for the year		**442**	**1,313**

DKK million	Note	2020	2019
Earnings per share	4.8		
Basic earnings per share (EPS) of DKK 20 in DKK		7.56	22.88
Diluted earnings per share (EPS-D) of DKK 20 in DKK		7.56	22.80
Proposed profit appropriation			
Proposed dividend [1] DKK 0.0 per share (2019 [2]: DKK 0.0 per share)			

[1] The Board of Directors proposes to the 2021 Annual General Meeting that no dividends are paid in 2021.

[2] Due to the reduced operational and financial visability caused by Covid-19 the Annual General Meeting held on 4 June 2020 decided not to pay out the proposed dividend of DKK 4.0 for the financial year 2019.

Statement of comprehensive income 1 January – 31 December

DKK million	Note	2020	2019
Profit for the year		**442**	**1,313**
Other comprehensive income			
Items that will not subsequently be reclassified to the Income statement:			
Remeasurement of defined benefit pension obligations	3.2.4	-59	106
Items that will not subsequently be reclassified to the Income statement		**-59**	**106**
Items that are or may subsequently be reclassified to the Income statement:			
Value adjustments of hedging instruments for the year		-103	169
Value adjustment transferred to operating costs		6	12
Value adjustment transferred to financial costs		17	20
Value adjustment transferred to non-current tangible assets		-38	-113
Tax on items that are or may be reclassified to the Income statement	2.7	9	-15
Foreign exchange adjustments, subsidiaries		-37	42
Items that are or may subsequently be reclassified to the Income statement		**-147**	**116**
Total other comprehensive income after tax		**-206**	**222**
Total comprehensive income		**236**	**1,535**
Total comprehensive income for the year is attributable to:			
Equity holders of DFDS A/S		227	1,530
Non-controlling interests		9	5
Total comprehensive income		**236**	**1,535**

Balance sheet 31 December Assets

DKK million	Note	2020	2019
Goodwill		3,434	3,440
Port Concession rights		1,096	1,144
Other non-current intangible assets		77	84
Software		239	241
Development projects in progress		55	25
Non-current intangible assets	3.1.1	**4,901**	**4,934**
Land and buildings		183	201
Terminals		720	741
Ferries and other ships		11,220	10,950
Equipment, etc.		723	742
Assets under construction and prepayments		887	1,034
Non-current tangible assets	3.1.2	**13,734**	**13,669**
Right-of-use assets		3,133	3,337
Non-current Right-of-use assets	3.1.3	**3,133**	**3,337**
Investments in associates, joint ventures and securities		49	53
Receivables	3.2.1	17	29
Prepaid costs		337	129
Deferred tax	2.7	57	47
Derivative financial instruments	4.2	76	242
Other non-current assets		**536**	**500**
Non-current assets		**22,304**	**22,440**
Inventories	3.2.2	169	219
Receivables	3.2.1	2,631	2,878
Prepaid costs		309	336
Derivative financial instruments	4.2	149	75
Cash		1,261	840
Current assets		**4,520**	**4,347**
Assets classified as held for sale	3.1.6	182	76
Total current assets		**4,702**	**4,423**
Assets		**27,006**	**26,863**

Balance sheet 31 December Equity and Liabilities

DKK million	Note	2020	2019
Share capital	4.7	1,173	1,173
Reserves		-273	-120
Retained earnings		9,611	8,988
Proposed dividend		0	235
Equity attributable to equity holders of DFDS A/S		**10,511**	**10,276**
Non-controlling interests		89	80
Equity	4.6	**10,600**	**10,356**
Interest-bearing liabilities	4.5	11,720	11,742
Deferred tax	2.7	217	213
Pension and jubilee liabilities	3.2.4	197	160
Other provisions	3.2.5	46	47
Derivative financial instruments	4.2	149	69
Non-current liabilities		**12,329**	**12,231**
Interest-bearing liabilities	4.5	934	1,032
Trade payables		2,090	2,292
Other provisions	3.2.5	78	38
Corporation tax		61	30
Other payables	3.2.3	725	690
Derivative financial instruments	4.2	52	19
Prepayments from customers		136	172
Current liabilities		**4,077**	**4,275**
Liabilities		**16,406**	**16,506**
Equity and liabilities		**27,006**	**26,863**

Statement of changes in equity 1 January – 31 December 2020

DKK million	Share capital	Reserves: Translation reserve	Reserves: Hedging reserve	Reserves: Treasury shares	Retained earnings	Proposed dividend	Equity attributable to equity holders of DFDS A/S	Non-controlling interests	Total
Equity at 1 January 2020	1,173	-357	266	-28	8,988	235	**10,276**	80	**10,356**
Comprehensive income for the year									
Profit for the year					433		**433**	9	**442**
Other comprehensive income									
Items that will not subsequently be reclassified to the Income statement:									
Remeasurement of defined benefit pension obligations					-59		**-59**		**-59**
Items that will not subsequently be reclassified to the Income statement	**0**	**0**	**0**	**0**	**-59**	**0**	**-59**	**0**	**-59**
Items that are or may subsequently be reclassified to the Income statement:									
Value adjustments of hedging instruments for the year			-103				**-103**		**-103**
Value adjustment transferred to operating costs			6				**6**		**6**
Value adjustment transferred to financial costs			17				**17**		**17**
Value adjustment transferred to non-current tangible assets			-38				**-38**		**-38**
Tax on items that are or may be reclassified to the Income statement					9		**9**		**9**
Foreign exchange adjustments, subsidiaries		-37					**-37**	0	**-37**
Items that are or may subsequently be reclassified to the Income statement	**0**	**-37**	**-119**	**0**	**9**	**0**	**-147**	**0**	**-147**
Total other comprehensive income after tax	**0**	**-37**	**-119**	**0**	**-50**	**0**	**-206**	**0**	**-206**
Total comprehensive income	**0**	**-37**	**-119**	**0**	**383**	**0**	**227**	**9**	**236**
Transactions with owners									
Acquisition, non-controlling interests					0		**0**	-1	**0**
Cancellation of proposed dividend at year-end 2019[1)]					235	-235	**0**		**0**
Vested share-based payments					5		**5**		**5**
Sale of treasury shares				0	2		**2**		**2**
Cash from sale of treasury shares related to exercise of share options				3	-2		**1**		**1**
Total transactions with owners 2020	**0**	**0**	**0**	**3**	**239**	**-235**	**8**	**-1**	**8**
Equity at 31 December 2020	**1,173**	**-394**	**147**	**-25**	**9,611**	**0**	**10,511**	**89**	**10,600**

The Parent Company's share capital, which is not divided into different classes of shares, is divided into 58,631,578 shares of DKK 20 each. All shares rank equally. There are no restrictions on voting rights. The shares are fully paid up.

The Board of Directors proposes to the 2021 Annual General Meeting that no dividends are paid in 2021.

1) Due to the reduced operational and financial visability caused by Covid-19 the Annual General Meeting held on 4 June 2020 decided not to pay out the proposed dividend of DKK 4.0 for the financial year 2019.

Statement of changes in equity 1 January – 31 December 2019

DKK million	Share capital	Reserves Translation reserve	 Hedging reserve	 Treasury shares	Retained earnings	Proposed dividend	Equity attributable to equity holders of DFDS A/S	Non-controlling interests	Total
Equity at 1 January 2019	1,173	-398	177	-29	8,019	235	**9,175**	80	**9,255**
Change in accounting policies [1]					-231		**-231**	-1	**-232**
Restated Equity at 1 January 2019	1,173	-398	177	-29	7,788	235	**8,944**	79	**9,022**
Comprehensive income for the year									
Profit for the year					1,309		**1,309**	4	**1,313**
Other comprehensive income									
Items that will not subsequently be reclassified to the Income statement:									
Remeasurement of defined benefit pension obligations					106		**106**		**106**
Items that will not subsequently be reclassified to the Income statement	**0**	**0**	**0**	**0**	**106**	**0**	**106**	**0**	**106**
Items that are or may subsequently be reclassified to the Income statement:									
Value adjustments of hedging instruments for the year			169				**169**		**169**
Value adjustment transferred to operating costs			12				**12**		**12**
Value adjustment transferred to financial costs			20				**20**		**20**
Value adjustment transferred to non-current tangible assets			-113				**-113**		**-113**
Tax on items that are or may be reclassified to the Income statement					-15		**-15**		**-15**
Foreign exchange adjustments, subsidiaries		42					**42**	1	**42**
Items that are or may subsequently be reclassified to the Income statement	**0**	**42**	**89**	**0**	**-15**	**0**	**115**	**1**	**116**
Total other comprehensive income after tax	**0**	**42**	**89**	**0**	**91**	**0**	**221**	**1**	**222**
Total comprehensive income	**0**	**42**	**89**	**0**	**1,399**	**0**	**1,530**	**5**	**1,535**
Transactions with owners									
Dividend paid						-229	**-229**	-3	**-232**
Dividend on treasury shares					6	-6	**0**		**0**
Proposed dividend at year-end					-235	235	**0**		**0**
Vested share-based payments					25		**25**		**25**
Cash from sale of treasury shares related to exercise of share options				1	6		**7**		**7**
Other adjustments					-1		**-1**		**-1**
Total transactions with owners 2019	**0**	0	0	**1**	**-198**	**0**	**-197**	**-3**	**-201**
Equity at 31 December 2019	**1,173**	**-357**	**266**	**-28**	**8,988**	**235**	**10,276**	**80**	**10,356**

The Parent Company's share capital, which is not divided into different classes of shares, is divided into 58,631,578 shares of DKK 20 each. All shares rank equally.

There are no restrictions on voting rights. The shares are fully paid up.

[1] Impact from implementation of IFRS 16.

Statement of cash flows 1 January – 31 December

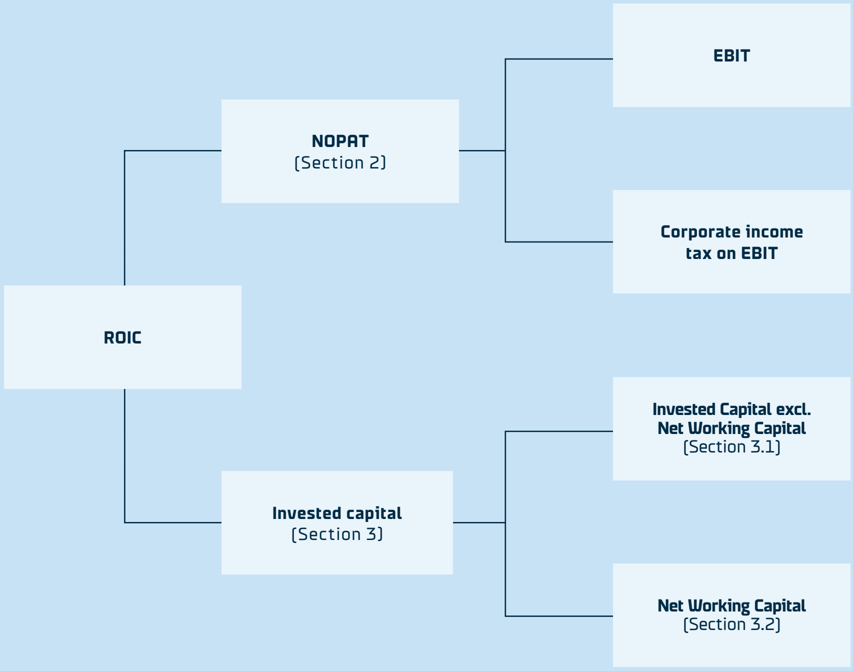
DKK million	Note	2020	2019
Operating profit before depreciation (EBITDA) and special items		**2,732**	**3,633**
Cash flow effect from special items related to operating activities		-125	-78
Adjustments for non-cash operating items, etc.	5.4	45	26
Change in working capital	5.4	148	-224
Payment of pension liabilities and other provisions		-31	-52
Cash flow from operating activities, gross		**2,769**	**3,304**
Interest received, etc.		3	6
Interest paid, etc.		-276	-266
Taxes paid		3	-46
Cash flow from operating activities, net		**2,499**	**2,997**
Investments in ferries and other ships including dockings, rebuildings and ferries under construction (incl. settlement of forward exchange contracts related thereto)		-1,422	-2,120
Sale of ferries including prepayment received on ferry held for sale		202	117
Investments in other non-current tangible assets		-195	-467
Sale of other non-current tangible assets		27	13
Investments in non-current intangible assets		-70	-66
Acquisition of enterprises, associates, joint ventures and activities	5.5	-14	-131
Other investing cash flows		-146	4
Cash flow to/from investing activities, net		**-1,618**	**-2,651**
Cash flow before financing activities, net		**882**	**346**

DKK million	Note	2020	2019
Proceed from bank loans and loans secured by mortgage in ferries and other ships	4.3	1,992	1,658
Repayment and instalments on bank loans and loans secured by mortgage in ferries and other ships	4.3	-1,791	-799
Proceed from issuance of corporate bonds	4.3	0	304
Repayment of corporate bonds incl. settlement of cross currency swap	4.3	0	-500
Payment of lease liabilities	4.3	-602	-706
Proceeds from sale of treasury shares	4.7	2	0
Acquisition of treasury shares	4.7	0	0
Cash received from exercise of share options		1	7
Other financing cash flows		-60	-3
Dividends paid to equity holders of DFDS A/S		0	-229
Cash flow to/from financing activities, net		**-458**	**-268**
Net increase/(decrease) in cash and cash equivalents		**424**	**79**
Cash and cash equivalents at 1 January		840	761
Foreign exchange and value adjustments of cash and cash equivalents		-2	0
Cash and cash equivalents at 31 December [1]		**1,261**	**840**

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

[1] At 31 December 2020 DKK 147m (2019: DKK 108m) of the cash was deposited on restricted bank accounts.

Notes


EBIT
NOPAT
(Section 2)
Corporate income
tax on EBIT
ROIC
Invested Capital excl.
Net Working Capital
(Section 3.1)
Invested capital
(Section 3)
Net Working Capital
(Section 3.2)

1. Basis of preparation of the Consolidated Financial Statements

1. Basis of preparation of the Consolidated Financial Statements

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

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

The accounting policies have been made within the framework of the prevailing International Financial Reporting Standards (IFRS) as adopted by the EU. The actual text of the standard is not repeated in the notes. The description of accounting policies in the notes forms part of the overall description of DFDS' accounting policies.

Basis of reporting
The 2020 Consolidated Financial Statements and Parent Company Financial Statements of DFDS A/S have been prepared on a going concern basis and in accordance with the IFRS as adopted by the EU, and additional Danish disclosure requirements for listed companies. The consolidated financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The outbreak of Covid-19 and Brexit is not expected to have impact on DFDS's ability to continue as a going concern.

During the first half of 2020 Covid-19 had negative impact on passenger as well freight activities. In the second half of 2020 the negative impact continued for the passenger activities due to travel restrictions whereas the freight activities recovered to levels before Covid-19.

Brexit did not impact the financial statement negatively for 2020.

On 23 February 2021, the Board of Directors and the Executive Management Board considered and approved the 2020 Annual Report of DFDS A/S. The Annual Report will be presented to the shareholders of DFDS A/S for approval at the ordinary Annual General Meeting on 23 March 2021.

Basis for preparation
The Consolidated Financial Statements and the Parent Company Financial Statements are presented in Danish Kroner (DKK) which is the Parent Company's functional currency.

The Consolidated Financial Statements and the Parent Company Financial Statements are prepared according to the historical cost convention except that derivatives and financial instruments classified as "Fair value through profit loss" (FVTPL) are measured at fair value.

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

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

Rounding
In general, rounding may cause variances in sums and percentages in the Annual report.

New International Financial Reporting Standards and Interpretations
In 2020, the Group has adopted all relevant new and updated accounting standards.

New standards and interpretations not yet adopted
The IASB has issued a number of new or amended standards and interpretations with effective date post 31 December 2020, some of which have not yet been endorsed by the EU. The new and amended Standards and Interpretations are not mandatory for the financial reporting for 2020. The Group expects to adopt the Standards and Interpretations when they become mandatory.

None of the standards and interpretations are expected to have a significant impact on recognition and measurement.

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

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

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

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

Significant income and expenses which DFDS assesses not to be directly attributable to the operating activities or which are considered non-recurring are presented in the Income statement in a separate line item labelled 'Special items' in order to distinguish these items from other income statement items. Reference is made to note 2.6 for more details on Special items. The Income statement includes the subtotals 'Operating profit before depreciation (EBITDA) and special items' and 'Operating profit (EBIT) before special items' as these are assessed to provide a more transparent and comparable view of DFDS' recurring operating profit. In note 2.6 it is disclosed how the line items in the Income statement would have been affected if 'Special items' had not been presented in a separate line item.

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

Significant accounting policies
Management considers the accounting policies for the following areas as the most important for the Group: Consolidated Financial Statements; Business combinations; Non-current intangible assets; Ferries and other ships; Pension and jubilee liabilities; Deferred tax assets; Right-of-use assets; Derivatives; Special items; Provisions and contingencies. Accounting policies for Basis of consolidation, Non-controlling interests and Translation of foreign currencies are described below, while accounting policies for the remaining areas are included in the notes to which they relate.

Significant estimates
In the preparation of the Consolidated Financial Statements, Management undertakes several accounting estimates and assessments and makes assumptions which provide the basis for recognition and measurement of the assets, liabilities, revenues and expenses of the Group and the Parent Company. These estimates assessments, and assumptions are based on historical experience and other factors such as Covid-19 and Brexit which the Management considers reasonable under the circumstances, but which by their nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate and unanticipated events or circumstances may occur, for which reason the actual results may deviate from the applied estimates, assessments, and assumptions.

In the opinion of Management, the following accounting estimates and assessments are significant in the preparation of the Annual report: Impairment testing of goodwill and other non-current intangible assets; Impairment testing of ferries and other ships including the assessment of useful life and scrap value; Purchase Price Allocation in connection with acquisitions; Pension and jubilee liabilities; Deferred tax assets; Leasing arrangements; Derivatives; Provisions and contingencies.

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

Descriptions of the significant accounting estimates and assessments are included in the notes to which they relate.

Description of accounting policies

Basis of consolidation
The Consolidated Financial Statements includes the Parent Company DFDS A/S and the subsidiaries in which the Parent Company controls the financial and operational policies. Control is obtained when the Company directly or indirectly holds more than 50% of the voting rights in the enterprise (i.e. subsidiary) or if it, in some other way, controls the enterprise. The Parent Company and these subsidiaries are referred to as the Group.

Enterprises, which are not subsidiaries, over which the Group exercises significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20% of the voting rights but less than 50%.

Enterprises which according to agreement are controlled together with one or more other companies are considered joint ventures.

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

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

The Group's investments in associates and joint ventures are recognised in the Consolidated Financial Statements at the Group's proportionate share of the associate's / joint venture's net asset value. Unrealised intercompany gains and losses from transactions with associates and joint ventures are eliminated by the Group's interest in the respective associate/jointly controlled enterprise.

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

Government Grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Translation of foreign currencies

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

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

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

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

Translation of subsidiaries
In the Consolidated Financial Statements, the Income statement items of subsidiaries with a functional currency different from DKK are translated at the average exchange rate, while the balance sheet items are translated at the exchange rates at the end of the reporting period.

Foreign exchange differences arising on translation of such subsidiaries' equity at the beginning of the reporting period to the exchange rates at the end of the reporting period and on translation of the Income statements from average exchange rates to the exchange rates at the end of the reporting period are recognised in Other Comprehensive Income and attributed to a separate translation reserve under equity. The exchange rate adjustment is allocated between the Parent Company's and the non-controlling interests' shares of equity.

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

Report under the ESEF regulation
The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) has introduced a single electronic reporting format for the annual financial reports of issuers with securities listed on the EU regulated markets. The Group's iXBRL tags have been prepared in accordance with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. The annual report submitted to the Danish Financial Supervisory Authority (the Officially Appointed Mechanism) consists of the XHTML document together with the technical files, all of which are included in the ZIP file DFDS-2020-12-31.ZIP.

Key figures

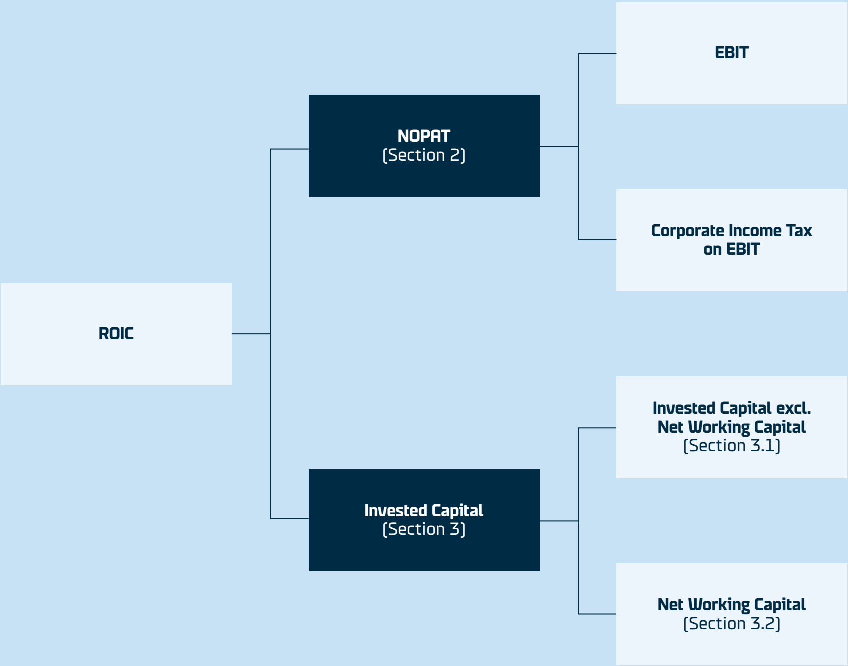
Key figures are calculated in accordance with the latest version of the Danish Finance Society's guidelines, 'Recommendations and Financial Ratios'. The key figures stated in the overview with consolidated financial highlights are defined on the 'Definitions and Glossary' page.

2. Net Operating Profit After Tax (NOPAT)

Return on invested capital (ROIC) is a strategic key ratio to DFDS when measuring the financial performance of our business. DFDS' minimum return target goal is a ROIC of at least 8.0%. The financial ambition of Win23 is to reach a return on invested capital (ROIC) of 10% in 2023.

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

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



DKK million	Note	2020	2019
Revenue	2.1, 2.2	13,971	16,592
Costs			
Ferry and other ship operation and maintenance	2.3	-2,569	-3,667
Freight handling		-2,383	-2,521
Transport solutions		-2,905	-2,994
Employee cost	2.4	-2,862	-3,077
Cost of sales and administration	2.3	-520	-699
Operating profit before depreciation (EBITDA) and special items		**2,732**	**3,633**
Share of profit/loss from associates and joint ventures		-5	6
Profit on disposal of non-current assets, net	3.1.4	5	6
Amortisation, depreciation and impairment losses on intangible assets and tangible assets and Right-of-use assets	2.5	-1,873	-1,894
Operating profit (EBIT) before special items		**858**	**1,751**
Special items, net	2.6	-117	-101
Operating profit (EBIT)		**741**	**1,650**
Corporate income tax on EBIT [1]		-60	-51
Net Operating Profit After Tax (NOPAT)		**680**	**1,599**
Net Operating Profit After Tax (NOPAT) before special items		**798**	**1,699**
Return on invested capital (ROIC) [2]		**3.0%**	**7.6%**
Return on invested capital (ROIC) before special items [2]		**3.5%**	**8.1%**

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

[2] The decrease in ROIC compared to 2019 is primarily related to a decrease in Net Operating Profit After Tax (NOPAT) as a consequence of the Covid-19 situation.

2.1 Segment information

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

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

Non-allocated costs reflect the general functions which cannot reasonably be allocated to the segments. The costs consist primarily of costs concerning the Executive Board and Board of Directors but also Group functions such as Treasury, Investor Relation,s Legal, Procurement, Communication, Finance, and depreciation on the Group's IT-systems etc. In addition, the elimination of transactions between segments is included. Transactions between segments are concluded at arm's length terms.

Segment assets include assets which are directly related to the segment such as non-current intangible, non-current tangible, other non-current and Right-of-use assets, inventories, receivables, prepayments, cash in hand and at bank. Segment liabilities include current and non-current liabilities.

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

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

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

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

DKK million				2020
	Ferry Division	**Logistics Division**	**Non-allocated**	**Total**
External revenue	8,923	5,030	18	13,971
Intragroup revenue	755	39	474	1,269
Revenue	9,678	5,069	491	15,238
Operating costs, external	-6,947	-3,784	-508	-11,239
Intragroup operating costs	-398	-840	-29	-1,268
Operating profit before depreciation (EBITDA) and special items	**2,332**	**445**	**-45**	**2,732**
Share of profit/loss of associates and joint ventures	-5	0	0	-5
Profit on disposal of non-current assets, net	0	4	0	5
Depreciation, amortisation and impairment losses on other non-current assets	-1,512	-289	-72	-1,873
Operating profit (EBIT) before special items	**815**	**159**	**-117**	**858**
Special items, net	-98	-12	-7	-117
Operating profit (EBIT)	**717**	**147**	**-124**	**741**
Financial items, net				-275
Profit before tax				**466**
Tax on profit				-24
Profit for the year				**442**
Capital expenditures of the year	1,518	82	75	1,675
Investments in associates and joint ventures	35	0	4	39
Assets held for sale, reference is made to note 3.1.6	182	0	0	182
Total assets excluding assets held for sale	22,480	2,500	1,843	26,824
Liabilities	11,577	1,025	3,804	16,406

2.1 Segment information (continued)

DKK million	Ferry Division[1]	Logistics Division[1]	Non-allocated	Total 2019
External revenue	11,475	5,095	21	16,592
Intragroup revenue	721	22	519	1,262
Revenue	12,197	5,116	540	17,853
Operating costs, external	-8,521	-3,883	-555	-12,959
Intragroup operating costs	-422	-812	-27	-1,262
Operating profit before depreciation (EBITDA) and special items	**3,254**	**421**	**-42**	**3,633**
Share of profit/loss of associates and joint ventures	6	0	0	6
Profit on disposal of non-current assets, net	2	4	0	6
Depreciation, amortisation and impairment losses on other non-current assets	-1,558	-256	-81	-1,894
Operating profit (EBIT) before special items	**1,704**	**170**	**-123**	**1,751**
Special items, net	-53	-7	-41	-101
Operating profit (EBIT)	**1,651**	**163**	**-164**	**1,650**
Financial items, net				-278
Profit before tax				**1,371**
Tax on profit				-59
Profit for the year				**1,313**
Capital expenditures of the year	2,368	330	71	2,769
Investments in associates and joint ventures	40	0	4	44
Assets held for sale, reference is made to note 3.1.6	76	0	0	76
Total assets excluding assets held for sale	22,414	2,687	1,687	26,787
Liabilities	12,213	896	3,398	16,506

Geographical breakdown

The Group does not have a natural geographic split on countries since the Group, mainly Ferry Division, is based on a connected route network in primarily Northern Europe and Mediterranean. The routes support each other with sales and customer services located in one country whereas the actual revenue is created in other countries. Consequently, it is not possible to present a meaningful split of revenues and non-current assets by country. The split is therefore presented by the sea and geographical areas in which DFDS operates. The geographical split of revenue is shown in the revenue note. Reference is made to note 2.2.

The applied split results in seven geographical areas: North Sea, Baltic Sea, English Channel, Continent, Nordic, UK/Ireland and Mediterranean. As a consequence of the Group's business model, the routes do not directly own the ferries, but charter the ferries from a Group internal vessel pool. The ferries are frequently moved within the Group's routes. Furthermore, certain non-current assets such as IT-software and headquarter owned corporate assets are for the benefit for the entire Group. It is therefore not possible to meaningfully estimate the exact value of the non-current assets per geographical area. Instead an adjusted allocation has been used.

DKK million	North Sea	Baltic Sea	English Channel	Continent	Mediterranean	Nordic	UK/ Ireland	Total
2020								
Non-current assets	7,784	1,627	1,967	798	9,330	338	460	22,304
2019 [1]								
Non-current assets	7,004	2,393	2,015	922	9,476	198	432	22,440

Accounting policies

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

[1] The Norwegian sideport shipping activities have been transferred from the Logistics Division to the Ferry Division per 1 January 2020. 2019 comparative figures have been restated accordingly.

2.2 Revenue

DKK million 2020	Ferry Division	Logistics Division	Non-allocated	Total
Geographical markets				
North Sea	3,692	-	0	3,692
Baltic Sea	1,207	-	0	1,207
English Channel	1,972	-	0	1,972
Mediterranean	2,052	-	0	2,052
Continent	-	2,280	0	2,280
Nordic	-	1,507	0	1,507
UK/Ireland	-	1,243	0	1,243
Other	0	0	18	18
Total	**8,923**	**5,030**	**18**	**13,971**
Product and services				
Seafreight and shipping logistics solutions	6,750	0	0	6,750
Transport solutions	24	4,981	0	5,005
Passenger seafare and on board sales	968	0	0	968
Terminal services	664	2	0	667
Charters including related income	317	0	0	317
Agency and other revenue	199	47	17	264
Total	**8,923**	**5,030**	**18**	**13,971**

DKK million 2019	Ferry Division	Logistics Division	Non-allocated	Total
Geographical markets				
North Sea [1]	5,280	-	0	5,280
Baltic Sea	1,406	-	0	1,406
English Channel	2,632	-	0	2,632
Mediterranean	2,158	-	0	2,158
Continent	-	2,349	0	2,349
Nordic [1]	-	1,473	0	1,473
UK/Ireland	-	1,273	0	1,273
Other	0	0	21	21
Total	**11,475**	**5,095**	**21**	**16,592**
Product and services				
Seafreight and shipping logistics solutions [1]	7,579	0	0	7,579
Transport solutions	23	5,072	0	5,094
Passenger seafare and on board sales	2,664	0	0	2,664
Terminal services [1]	643	3	0	646
Charters including related income	347	0	0	347
Agency and other revenue	221	21	21	262
Total	**11,475**	**5,095**	**21**	**16,592**

[1] The Norwegian sideport shipping activities have been transferred from the Logistics Division to the Ferry Division per 1 January 2020. 2019 comparative figures have been restated accordingly.

Revenue includes revenue recognised from contracts with customers in accordance with IFRS 15 and other revenue (leasing activities). Revenue from leasing activities amounts to DKK 317m (2019: DKK 347m).

On board sales of 2.2% of total revenue (2019: 6.8%) is recognised at “a point in time”.

2.2 Revenue (continued)

Accounting policies

Revenue from transport of passengers, freight and from rendering terminal and warehouse services etc, is recognised in the Income statement at the time of delivery of the service to the customer, which is the time where the control is transferred and when each separate performance obligation in the customer contract is fulfilled following the "over-time principle". Some of the ferry and freight transports have a series of performance obligations, but as the duration of these transports are short term the impact from splitting these contracts into "distinct services" will not have material impact.

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

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

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

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

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

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

2.3 Costs

DKK million	2020	2019
Ferry and other ship operation and maintenance		
Ferry and other ship cost including charter related cost	1,255	1,592
Bunker	1,314	2,075
Total ferry and other ship operation and maintenance	**2,569**	**3,667**

Accounting policies

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

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

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

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

2.4 Employee cost

DKK million	2020	2019
Wages, salaries and remuneration	2,442	2,502
Hereof capitalised employee costs	-46	-50
Defined contribution pension plans	119	118
Defined benefit pension plans	7	8
Other social security costs	256	258
Share based payment	7	7
Other employee costs	199	234
Government grants (Covid-19)	-122	-
Total employee costs	**2,862**	**3,077**
Full time equivalents (FTE), average	8,213	8,367

Reference is made to note 3.2.4 for detailed information on pension plans, note 5.1 for detailed information on remuneration of Management and note 5.3 for detailed information on the Group's share option schemes and shares held by the Management. In wages, salaries and remuneration an reduction of DKK 11m relating to contributions from voluntary salary reduction is recognised. Reference to note 5.9.

Accounting policies

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

2.5 Amortisation, depreciation and impairment losses for the year

DKK million	2020	2019
Amortisation and depreciation for the year:		
Software	40	51
Other non-current intangible assets	54	36
Land & Buildings	8	8
Terminals	49	49
Ferries and other ships	909	850
Equipment	174	159
Right-of-use assets	639	735
Total amortisation and depreciation for the year	**1,873**	**1,887**
Impairment losses for the year:		
Equipment	0	7
Total impairment	**0**	**7**
Total amortisation, depreciation and impairment losses for the year	**1,873**	**1,894**

During 2020 impairment losses of DKK 129m (2019 DKK 0m) has been recognised in Special items. Reference is made to note 2.6.

Accounting policies

Amortisation and depreciation for the year are recognised based on the amortisation and depreciation profiles of the underlying assets. Reference is made to note 3.1.1, 3.1.2 and 3.1.3.

2.6 Special Items, net

DKK million	2020	2019
Accounting gain on sale of Liverpool Seaways (2019: Accounting gain on sale of Anglia Seaways, net)	110	30
Accrual of the total estimated costs (estimated fair value) related to the DFDS shares awarded to DFDS employees as a special one-off award in connection with DFDS' 150 years anniversary in December 2016. The costs accrued from December 2016 to February 2020	4	-19
Termination cost in connection with restructuring	-102	-22
Impairment of a passenger ferry and a terminal in the business unit Passenger	-100	0
Impairment of a freight ferry made in connection with reclassification to asset held for sale	-29	0
Accounting loss and costs related to disposal of two associated companies	0	-8
Transaction and integration costs regarding the acquisition and integration of U.N. Ro-Ro, includings costs related to the closure of Toulon port etc.	0	-82
Special items, net	**-117**	**-101**
If special items had been included in the operating profit before special items, they would have been recognised and have effect as follows:		
Operating costs	0	-79
Employee costs	-99	-48
Operating profit before depreciation (EBITDA) and special items	**-99**	**-127**
Profit on disposal of non-current assets and associates, net	110	26
Amortisation, depreciation, and impairment losses on intangible and tangible assets	-129	0
Special items, net	**-117**	**-101**

Accounting policies

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

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

2.7 Tax

DKK million	2020	2019
Tax in the Income statement:		
Current tax	-46	-46
Current joint tax contributions	-4	-1
Movement in deferred tax for the year	11	-19
Adjustment to corporation tax in respect of prior years	19	0
Adjustment to deferred tax in respect of prior years	1	0
Effect of change in corporate income tax rate	2	0
Write-down of deferred tax assets	0	-7
Reversal of write-down of deferred tax assets	3	0
Tax for the year	**-14**	**-74**
Tax for the year is recognised as follows:		
Tax in the Income statement	-24	-59
Tax in Other comprehensive income	9	-15
Tax for the year	**-14**	**-74**
Tax in the income statement can be specified as follows:		
Profit before tax	466	1,371
Adjustment regarding tonnage taxed income	-329	-1,279
Profit before tax (corporate income tax)	**137**	**93**
22.0% tax of profit before tax	-30	-20
Adjustment of calculated tax in foreign subsidiaries compared to 22.0%	-2	-1
Tax effect of:		
Non-taxable/-deductible items	-10	-9
Tax asset for the year, not recognised	-10	-18
Utilisation of non-capitalised tax assets	8	0
Other adjustments of tax in respect of prior years	24	-8
Corporate income tax	**-21**	**-56**
Tonnage tax	-3	-3
Tax in the Income statement	**-24**	**-59**
Effective tax rate (%)	5.1	4.3
Effective tax rate before adjustment of prior years' tax (%)	10.3	3.7
Tax in Other comprehensive income can be specified as follows:		
Corporate income tax	11	-17
Movement deferred tax	-2	2
Total tax in Other comprehensive income	**9**	**-15**

The majority of the ferry activities performed in the Danish, Turkish, French, Lithuanian, Norwegian, and Dutch enterprises in the Group are included in local tonnage tax schemes where the taxable income related to transportation of passengers and freight is calculated based on the tonnage deployed during the year and not the actual profits generated. Taxable income related to other activities is taxed according to the normal corporate income tax rules and at the standard corporate tax rates.

In 2020, the Group realised an effective tax rate adjusted for prior years' tax of 10.3% (2019: 3.7%) combined and 32.8% (2019: 51.9%) on income subject to normal corporate income tax.

Addition on acquisition of enterprises relates to the acquisition of Colley Brothers Ltd. in 2020. The movement in deferred tax recognised in other comprehensive income relates to value adjustments of defined benefit pension schemes in UK.

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

DKK million						2020
Deferred tax	**Ferries and other ships**	**Land and buildings, terminals and other equipment**	**Provisions**	**Tax loss carried forward**	**Other**	**Total**
Deferred tax at 1 January	172	27	-21	-10	-3	166
Foreign exchange adjustments	6	1	1	0	0	8
Impact from change in corporate income tax rate	-1	1	-2	0	0	-2
Addition on acquisition of enterprises	0	2	0	0	0	2
Recognised in the Income statement	-3	-2	4	0	1	0
Recognised in other comprehensive income	0	0	-11	0	0	-11
Adjustment regarding prior years recognised in the Income statement	0	0	0	1	-1	-1
Reversal of write-down of deferred tax assets	0	0	0	-3	0	-3
Deferred tax at 31 December	**174**	**28**	**-28**	**-11**	**-2**	**160**

2.7 Tax (continued)

Deferred tax (DKK million, 2019)	Ferries and other ships	Land and buildings, terminals and other equipment	Provisions	Tax loss carried forward	Other	Total
Deferred tax at 1 January	176	18	-38	-16	1	141
Foreign exchange adjustments	-3	0	-2	0	0	-5
Impact from change in accounting policies	0	-4	0	0	0	-4
Addition on acquisition of enterprises	0	12	0	0	-4	8
Recognised in the Income statement	-1	0	3	-1	1	2
Recognised in other comprehensive income	0	0	17	0	0	17
Adjustment regarding prior years recognised in the Income statement	0	2	0	-1	-1	0
Write-down of deferred tax assets	0	0	0	7	0	7
Deferred tax at 31 December	**172**	**27**	**-21**	**-10**	**-3**	**166**

DKK million	2020	2019
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (assets)	-57	-47
Deferred tax (liabilities)	217	213
Deferred tax at 31 December, net	**160**	**166**

The Group has unrecognised tax losses carried forward of DKK 593m with a tax value of DKK 130m (2019: tax losses of DKK 548m, tax value of DKK 120m). Of the unrecognised tax losses carried forward of DKK 593m (2019: DKK 548m) an amount of DKK 486m expires within the next five years (2019: DKK 425m) and DKK 107m expires after more than five years (2019: DKK 123m). The tax losses of DKK 593m (2019: DKK 548m) has not been recognised as it has been assessed that the losses cannot be utilised in the foreseeable future.

The majority of the ferry activities performed in the Danish, Turkish, French, Lithuanian, Norwegian and Dutch enterprises in the Group are included in local tonnage tax schemes. If the companies under tonnage taxation withdraw from the tonnage taxation schemes, a deferred tax liability in the amount of maximum DKK 786m may be recognised (2019: DKK 715m).

The companies are not expected to withdraw from the scheme and consequently no deferred tax relating to assets and liabilities subject to tonnage taxation has been recognised.

Significant accounting estimates and assessments

Deferred tax assets, including the tax value of tax losses carried forward, are recognised to the extent that Management assesses that the tax asset can be utilised through positive taxable income in the foreseeable future which usually is within 3-5 years. Assessment is performed annually based on forecasts, business initiatives and likely structural changes for the coming years.

Accounting policies

Tax for the year comprises income tax, tonnage tax, and joint taxation contribution for the year of Danish subsidiaries as well as changes in deferred tax for the year. Additionally, the tax for the year comprises adjustments to prior years taxes and changes in the assessment of provisions for uncertain tax positions. The tax for the year is recognised in the Income statement or in the equity in correlation to the underlying transaction.

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

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

Deferred tax is provided using the liability method on temporary differences between the carrying amount and the tax base of the assets and liabilities at the reporting date. However, deferred tax is not recognised on temporary differences relating to non-tax-deductible goodwill that arose on acquisition date without impacting the result or taxable income.

Deferred tax relating to assets and liabilities subject to tonnage taxation is recognised to the extent that deferred tax is expected to crystallise. Deferred tax assets are recognised for all deductible temporary differences and the carry forward of any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses, can be utilised in the foreseeable future. The carrying amount is reviewed at each reporting date.

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

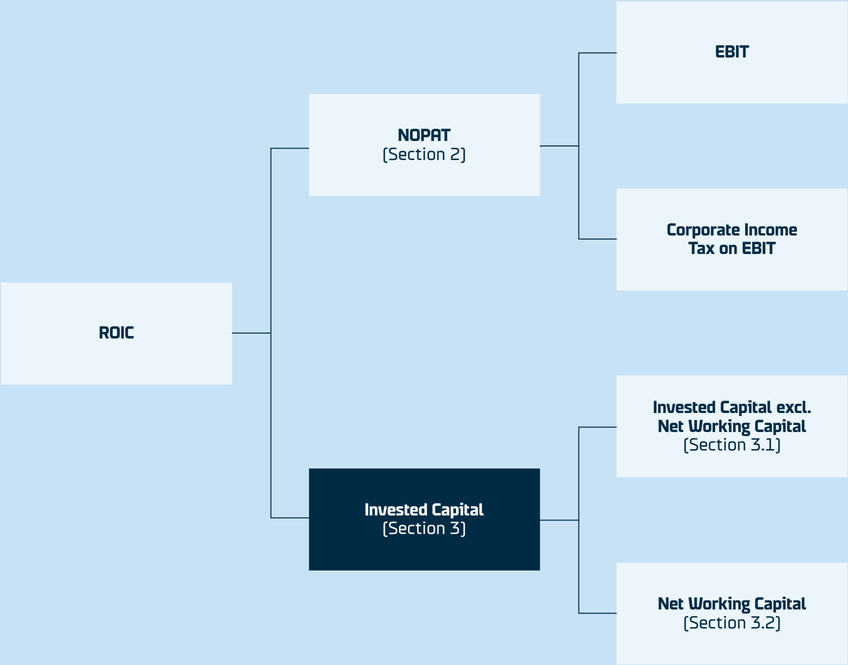
Uncertain tax positions are measured, depending on the type, either as a probability-weighted average of possible outcomes or as the most likely outcome. Uncertain tax positions are recognised either as payable/receivable tax and/or as deferred tax assets/liabilities.

3 Invested Capital

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

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

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



DKK million	Note	2020	2019
Invested capital excl. Net Working Capital:			
Non-current intangible assets	3.1.1	4,901	4,934
Non-current tangible assets	3.1.2	13,734	13,669
Right-of-use assets	3.1.3	3,133	3,337
Investments in associates and joint ventures		39	44
Assets classified as held for sale	3.1.6	182	76
Invested capital excl. Net Working Capital		**21,989**	**22,060**
Net Working Capital:			
Receivables (excluding interest-bearing receivables)	3.2.1	2,489	2,883
Inventories	3.2.2	169	219
Prepaid costs		646	465
Derivatives, related to operating activities, financial assets measured at fair value	4.2	214	300
Derivatives, related to operating activities, financial liabilities measured at fair value	4.2	-53	-19
Pension and jubilee liabilities	3.2.4	-197	-160
Other provisions	3.2.5	-124	-85
Trade payables		-2,090	-2,292
Corporation tax		-61	-30
Other payables	3.2.3	-725	-690
Prepayments from customers		-136	-172
Net Working Capital		**132**	**417**
Invested capital		**22,121**	**22,476**
Average invested capital		**22,500**	**20,927**

3.1 Invested Capital excl. Net Working Capital

3.1.1 Non-current intangible assets

DKK million	Goodwill	Port concession rights etc.	Other non-current intangible assets	Software	Development projects in progress	Total
Cost at 1 January 2020	3,561	1,218	109	525	25	5,439
Foreign exchange adjustments	-20	-5	-2	0	0	-26
Addition on acquisition of enterprises	11[1]	0	6[2]	0	0	16
Additions	0	0	0	2	68[3]	70
Disposals	0	0	0	-1	0	-1
Transfers	0	0	0	37	-38	-1
Cost at 31 December 2020	**3,552**	**1,214**	**113**	**562**	**55**	**5,496**
Amortisation and impairment losses at 1 January 2020	121	75	25	284	0	505
Foreign exchange adjustments	-2	0	-1	0	0	-3
Amortisation charge	0	43	11	40	0	94
Disposals	0	0	0	-1	0	-1
Transfers	0	0	0	-1	0	1
Amortisation and impairment losses at 31 December 2020	**119**	**117**	**36**	**323**	**0**	**595**
Carrying amount at 31 December 2020	**3,434**	**1,096**	**77**	**239**	**55**	**4,901**

DKK million	Goodwill	Port concession rights etc.	Other non-current intangible assets	Software	Development projects in progress	Total
Cost at 1 January 2019	3,458	1,218	50	541	2	5,269
Foreign exchange adjustments	6	0	1	0	0	8
Addition on acquisition of enterprises	98[4]	0	57[5]	1	0	156
Additions	0	0	0	3	63[6]	66
Disposals	0	0	0	-63	0	-63
Transfers	0	0	0	43	-40	3
Cost at 31 December 2019	**3,561**	**1,218**	**109**	**525**	**25**	**5,439**
Amortisation and impairment losses at 1 January 2019	121	43	20	297	0	480
Foreign exchange adjustments	0	0	1	0	0	1
Amortisation charge	0	31	5	51	0	87
Disposals	0	0	0	-63	0	-63
Amortisation and impairment losses at 31 December 2019	**121**	**75**	**25**	**284**	**0**	**505**
Carrying amount at 31 December 2019	**3,440**	**1,144**	**84**	**241**	**25**	**4,934**

[1] Addition of goodwill primarily relates to the acquisition of Colley Brothers (DKK 10m). Reference is made to note 5.5.

[2] Relates to the acquisition of Colley Brothers (DKK 6m). Reference is made to note 5.5.

[3] Primarily related to the implemention of the new ERP system, which is planned to go live in 2021.

[4] Addition of goodwill primarily relates to the acquisition of Huisman Group (DKK 38m) and Freeco Logistics (DKK 53m). Reference is made to note 5.5.

[5] Relates to the acquisition of Huisman Group (DKK 34m) and Freeco Logistics (DKK 23m). Reference is made to note 5.5.

[6] Primarily related to the implemention of the new ERP system, which is planned to go live in 2021.

3.1.1 Non-current intangible assets (continued)

Recognised goodwill is attributable to the following cash generating units:

DKK million	2020	2019
Ferry:		
North Sea, Baltic Sea and Mediterranean	2,991	3,003
Logistics:		
Nordic (*comprising forwarding- and logistics activities in the Nordic and Baltic countries)*	118	116
Continent	205	206
UK & Ireland	119	115
Total	**3,434**	**3,440**

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

For further information regarding the impairment tests reference is made to note 3.1.5.

Accounting policies

Non-current intangible assets - Other than goodwill

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

ACCOUNTING POLICIES

Goodwill
At initial recognition goodwill is recognised in the balance sheet at cost, as described in note 5.5 'Business combinations'. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

An impairment test is performed at least once a year together with other non-current assets of the Group. The book value of goodwill is allocated to the Group's cash-generating units at the time of acquisition.

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

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

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

Other non-current intangible assets
Other non-current intangible assets comprise the value of customer relations or similar, identified as part of business combinations, and which has definite useful life. Other non-current intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over the expected useful life, which normally is 3-5 years, except from customer portfolio which is 10 years.

Port concession rights
Port concession rights comprise the value of access to stategically placed ports which are recognised at their fair value at the acquisition date.

Acquired port concession rights are amortised over the concession period.

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

Amortisation is recognised on a straight-line basis over the expected useful life which normally is 5-10 years.

3.1.2 Non-current tangible assets

DKK million	Land and buildings	Terminals	Ferries and other ships	Equipment etc.	Assets under construction and pre-payments	Total
Cost at 1 January 2020	252	1,158	18,579	1,669	1,034	22,692
Foreign exchange adjustments	-10	-21	-37	-19	-1	-89
Addition on acquisition of enterprises	0	0	0	1	0	1
Additions	0	10	44	66	1,467	1,588
Disposals	-3	-1	-211	-89	-1	-306
Transfers	-9	28	1,480[1]	159	-1,613	45
Transfers to assets classified as held for sale	0	0	-486[2]	0	0	-486
Cost at 31 December 2020	**230**	**1,174**	**19,368**	**1,787**	**887**	**23,446**
Depreciation and impairment losses at 1 January 2020	51	417	7,629	927	0	9,023
Foreign exchange adjustments	-1	-12	-12	-10	0	-35
Depreciation charge	8	49	909	174	0	1,140
Impairment charge	0	0	101[3]	0	0	101
Disposals	-3	0	-211	-70	0	-284
Transfers	-9	-1	0	43	0	34
Transferred to assets classified as held for sale	0	0	-266[2]	0	0	-266
Depreciation and impairment losses at 31 December 2020	**46**	**454**	**8,149**	**1,064**	**0**	**9,713**
Carrying amount at 31 December 2020	**183**	**720**	**11,220**[4]	**723**	**887**	**13,734**

DKK million	Land and buildings	Terminals	Ferries and other ships	Equipment etc.	Assets under construction and pre-payments	Total
Cost at 1 January 2019	205	1,793	16,884	1,618	1,021	21,520
Foreign exchange adjustments	8	15	-16	14	2	24
Reclassification to Right-of-use assets[7]	0	-711	0	-90	0	-801
Addition on acquisition of enterprises	0	0	0	13	0	13
Additions	1	18	404[5]	120	1,990[6]	2,533
Disposals	0	0	-333[7]	-93	-3	-430
Transfers	38	42	1,805[6]	88	-1,975[6]	-2
Transfers to assets classified as held for sale	0	0	-165[8]	0	0	-165
Cost at 31 December 2019	**252**	**1,158**	**18,579**	**1,669**	**1,034**	**22,692**
Depreciation and impairment losses at 1 January 2019	42	359	7,153	877	0	8,431
Foreign exchange adjustments	1	10	-6	7	0	12
Reclassification to Right-of-use assets[9]	0	0	0	-35	0	-35
Depreciation charge	8	49	850	159	0	1,065
Impairment charge	0	0	0	7	0	7
Disposals	0	0	-279	-88	0	-367
Transferred to assets classified as held for sale	0	0	-89[8]	0	0	-89
Depreciation and impairment losses at 31 December 2019	**51**	**417**	**7,629**	**927**	**0**	**9,023**
Carrying amount at 31 December 2019	**201**	**741**	**10,950**[4]	**742**	**1,034**	**13,669**

For further information regarding the impairment tests reference is made to note 3.1.5.

1) Primarily related to the large new-buildings program. Two freight ferries were deployed in February and October 2020. The last one is scheduled for delivery in Q1 2021. One freight and one passenger ferry (ro-pax) are on order for delivery in 2021-2022.

2) Ark Futura and Gothia Seaways have been reclassified to asset held for sale during 2020.

3) An impairment of DKK 29m on Ark Futura and DKK 72m on Crown Seaways have been recognised in special items.

4) At year-end 2020 Ferries and other ships includes temporarily idle assets with a carrying amount of DKK 206m (2019: DKK 0m).

5) Primarily related to acquisition of two ferries acquired in Q2 2019.

6) Primarily related to the large new-buildings program. In 2019, three freight ferries (ro-ro) were deployed,

7) Sale of the freight ferry Anglia Seaways.

8) On 2 September 2019 DFDS entered into an agreement to sell a combined freight and passenger ferry. The ferry was be delivered in April 2020. Reference is made to note 3.1.6.

9) Reference is made to note 3.1.3.

3.1.2 Non-current tangible assets (continued)

Accounting policies

Generally the following applies unless otherwise stated:

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

Ferries and other ships
The rebuilding/upgrade of ferries and other ships is capitalised if the rebuilding/upgrade can be attributed to:

- Safety measures.
- Measures to extend the useful life of the ferries and other ships.
- Measure to reduce climate impact.
- Measures to improve earnings.
- Docking.

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

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

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

Accounting policies (continued)

Passenger cruise- and freight and passenger (ro-pax) ferries
Due to differences in the wear of certain components of passenger cruise- and Freight and passenger ferries, the cost of these ferries is divided into components with low wear, such as hull and engine, and components with high wear, such as parts of the hotel, catering/restaurants and shop areas.

Freight ferries (ro-ro)
The cost of freight ferries is not divided into components as there is no material difference in the wear of the various components of freight ferries.

Depreciation – expected useful life and residual value
The depreciation period for components with low wear is 35 years for freight and passenger- and freight ferries from the year in which the ferry was built. In July 2020 the remaining lifetime of two passenger cruise ferries has been reassessed and based on the condition of the ships the remaining useful life has been prolonged by 10 years. The depreciation period is hereafter 45 years for all passenger cruise ferries. The impact on depreciation in 2020 is a reduction of DKK 13m.

The residual value is calculated as the value of the ferry's steel less estimated costs of disposal.
Components with high wear are normally depreciated over 5-15 years down to a residual value of DKK 0.

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

The estimated useful lifetimes are as follows:

Buildings	25-50 years
Terminals etc.	10-40 years
Equipment etc	4-10 years
Leasehold improvements	Max. depreciated over the term of the lease

Gains or losses arising from the disposal of other non-current tangible assets are calculated as the difference between the disposal price less disposal costs and the book value at the date of disposal. Gains or losses on the disposal of these non-current assets are recognised in the Income statement as 'Profit on disposal of non-current assets, net' unless they qualify to be a special item, reference is made to note 2.6.

3.1.3 Leases

The Group has lease contracts for various items of Land & buildings, terminals, ferries, equipment etc. in its operations. The Group's obligations under the leases are secured by the lessors title to the leased assets. Several lease contracts include extension and termination options and variable lease payments, which are further described below.

Set out below are the carrying amounts of Right-of-use assets recognised and the movements during the period.

DKK million	Land and buildings	Terminals	Ferries and other ships	Equipment etc.	Total
Cost at 1 January 2020	281	2,352	875	474	3,983
Additions/Remeasurement	146	365	40	41	592
Disposals	-6	-9	-172	-144	-331
Transfer	0	0	0	-16	-16
Foreign exchange adjustments	3	-77	-8	-10	-92
Cost at 31 December 2020	**424**	**2,632**	**735**	**345**	**4,136**
Depreciation and impairment losses at 1 January 2020	70	165	257	155	646
Depreciation charge	83	179	244	134	639
Disposals	-4	-6	-172	-108	-290
Impairment charges	0	28[1]	0	0	28
Transfer	0	0	0	-6	-6
Foreign exchange adjustments	1	-8	-3	-6	-15
Depreciation and impairment losses 31 December 2020	**150**	**358**	**326**	**170**	**1,003**
Carrying amount at 31 December 2020	**274**	**2,274**	**410**	**175**	**3,133**

DKK million	Land and buildings	Terminals	Ferries and other ships	Equipment etc.	Total
Cost at 1 January 2019	-	-	-	-	-
Reclassification of IAS 17 Leases [2]	0	711[3]	0	90	801
Change in accounting policy	126	1,564	703	137	2,529
Addition on acquisition of enterprises	47	0	0	24	71
Additions/Remeasurement	109	60	290	232	691
Disposals	-1	-9	-118	-14	-143
Foreign exchange adjustments	0	27	1	6	34
Cost at 31 December 2019	**281**	**2,352**	**875**	**474**	**3,983**
Depreciation and impairment losses at 1 January 2019	-	-	-	-	-
Reclassification of IAS 17 Leases [2]	0	0	0	35	35
Depreciation charge	70	168	375	122	735
Disposals	0	-6	-118	-7	-131
Foreign exchange adjustments	1	3	0	4	7
Depreciation and impairment losses 31 December 2019	**70**	**165**	**257**	**155**	**646**
Carrying amount at 31 December 2019	**212**	**2,187**	**618**	**320**	**3,337**
Weighted average incremental borrowing rate	2.1%	3.0%	1.7%	1.8%	

[1] An impairment of DKK 28m on a terminal in business unit Passenger has been recognised in special items.

[2] Reclassified to Right-of-use assets from Terminals and Equipment etc.

[3] Terminal contract commenced end December 2018.

3.1.3 Leases (continued)

Set out in the following are the carrying amounts of lease liabilities (included under interest-bearing liabilities) and the movements during the period.

DKK million	2020	2019
As at 1 January	3,109	-
Reclassification of IAS 17 leases	-	292
Change in accounting policy	-	2,765
Addition on acquisition of enterprises	0	71
Additions/Remeasurement	544	691
Payments	-602	-706
Disposals	-39	-11
Foreign exchange adjustments	-86	6
Total lease liabilities at 31 December	**2,926**	**3,109**

In 2020 the Group has paid DKK 680m (2019: DKK 785m) regarding lease agreements where of interest expenses related to lease liabilities amount to DKK 78m (2019: DKK 79m), and repayment of lease liability amount to DKK 602m (2019: DKK 706m).

Non-discounted lease liabilities expiring within the following periods from the balance sheet date:

DKK million	2020	2019
Within 1 year	586	593
1-3 Years	787	879
3-5 Years	509	452
After 5 years	1,515	1,270
Total Lease liability, non-discounted	**3,398**	**3,194**

Lease liabilities are recognised in the balance sheet as follows:

DKK million	2020	2019
Non-current liabilities	2,407	2,556
Current liabilities	519	552
Total Lease liabilities	**2,926**	**3,109**

The following amounts are recognised in the Income statement:

DKK million	2020	2019
Expense relating to short-term leases (included in cost and cost of sales and administration)	0	-9
Expense relating to low-value assets (included in cost of sales and administration)	-7	-2
Variable lease payments (included in cost)	-58	-58
Interest expense on lease liabilities	-78	-79
Depreciation, ships	-244	-375
Depreciation, other non-current assets	-395	-360
Total amount recognised in the income statement	**-782**	**-883**

The following amounts from leases are recognised in the statement of Cash flows:

DKK million	2020	2019
Cash flows from operating activities, gross	-65	-69
Interest paid, etc	-78	-79
Cash flows from operating activities, net	-143	-148
Cash flows from financing activities, net	-602	-706
Total cash outflows from leases	**-745**	**-854**

At 31 December 2020 the Group was not committed to any short-term leases (2019: DKK 5m).

3.1.3 Leases (continued)

The Group has two terminal lease contracts that contains variable payments based on the number of transferred units. These terms have been negotiated to align the lease expense with the units transferred and revenue earned.

The following provides information on the Group's variable lease payments including the magnitude in relation to fixed payments:

	Fixed payments	Variable payments	2020	Fixed payments	Variable payments	2019
Fixed rent	86	-	86	91	-	91
Variable rent with minimum payment	30	27	57	30	27	57
Variable rent only	-	31	31	-	31	31
Total 31 December	**116**	**58**	**174**	**121**	**58**	**178**

A 10% increase in units transferred would increase total lease payments by 7%.

The Group has several significant lease contracts for ferries and terminals that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

Group as a lessor
Future minimum receivable under non-cancellable operating leases as at 31 December are as follows:

Operating lease commitments (lessor)

DKK million	2020	2019
Minimum lease payments (income)		
Ferries		
0-1 year	309	285
1-5 years	304	161
Total ferries	**613**	**447**

The specified minimum payments are not discounted. Operating lease and rental income recognised in the Income statement amount to DKK 317m in 2020 (2019: DKK 347m). The contracts are entered into on normal conditions.

Significant accounting estimates and assessments

Leases (extention options)
The Group has entered into lease/charter agreements for ferries with extension options. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised and in the connection considers all relevant factors that create an economic and strategic incentive for it to exercise the extention option.

Leases (lease out)
The Group has entered into operating lease/charter agreements for ferries under usual terms and conditions for such agreements. At inception of each individual agreement, Management assesses and determines whether the agreement is a finance or an operating leasing agreement.

Accounting policies

The Right-of-use asset and corresponding lease liability is recognised at the commencement date, i.e. the date the underlying asset is ready for use. Right-of-use assets are measured at cost corresponding to the lease liability recognised, adjusted for any lease prepayments including dismantling and restoration costs. The lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using DFDS' incremental borrowing rate.

Depreciation follows the straight-line method over the lease term or the useful life of the Right-of-use assets, whichever is shortest. However ,for one terminal the depreciation is based on volumes handled in the terminal.

The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. If the contract holds an option to purchase, extend or terminate a lease and it is reasonably certain to be exercised by the Group, the lease payment will include those. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group applies the short-term lease recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less for all classes of underlying assets except for terminals and ferries and other ships, and the exemption for lease contracts for which the underlying asset is of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

For all classes of assets, except for terminals, non-lease components, i.e. the service element, is separated from the lease components and thereby form part of the Right-of-use asset and lease liability recognised in the balance sheet.

The Group has lease contracts for various items of Land & buildings, terminals, ferries and other ships, equipment, and other assets used in its operations. Leases normally have the following lease terms:

Land & Buildings	3 – 7 years
Terminals	10 – 40 years
Ferries and other ships	up to 10 years
Equipment	3 – 7 years
Other assets	1 – 3 years

Rental and lease matters (lease out)
For accounting purposes, assets leased out are divided into finance and operating leases.

In respect of assets leased out on a finance lease, an amount equal to the net present value of the future lease payments is recognised in the balance sheet as a lease receivable from lessee. The asset leased out is reclassified from non-current asset to leases receivables and any gain or loss arising from this is recognised in the income statement.

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

3.1.4 Profit on disposal of non-current assets, net

DKK million	2020	2019
Profit and losses (net) on disposal of intangible assets, property, plant and equipment and Right-of-use assets	5	6
Gain on disposal of enterprises, associates and joint ventures	0	0
Total profit on disposal of non-current assets, net	**5**	**6**

Accounting policies

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

3.1.5 Impairment testing

Introduction
DFDS decided to impairment tests all non-current assets at least once every year and in case of indication of impairment. Due to Covid-19 quarterly impairment assessments have been made in 2020.

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

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

Ferry CGU:
- The business areas North Sea, Baltic Sea and Mediterranean
- The business area English Channel
- The Oslo – Frederikshavn - Copenhagen route which is part of the Passenger business area
- The Amsterdam – Newcastle route which is part of the Passenger business area

Logistics CGU:
- The business area Nordic – forwarding- and logistics activities in the Nordic and Baltic countries
- The business area Continent – forwarding and logistics activities at the European continent
- The business area UK & Ireland – forwarding and logistics activities in UK and Ireland

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

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

3.1.5 Impairment testing (continued)

The value-in-use is calculated as the discounted value of the estimated future net cash flows per cash-generating unit. Impairment testing (value-in-use) is performed based on management approved forecast for 2021 and business plans beyond 2021. Key parameters for the forecast periods are trends in revenue, EBIT, EBIT margin, future investments, and growth expectations. These parameters are determined specifically for each individual cash-generating unit. Growth is incorporated in forecasts for periods beyond 2021 and in the terminal period with reference to the growth rate and cash flow section below.

The recoverable amount for cash-generating units containing goodwill is determined based on value-in-use calculations. For a breakdown of goodwill on cash-generating units, reference is made to note 3.1.1.

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

The carrying amount of Right-of-use assets is added to the base of non-current tangible and intangible assets being subject to impairment testing. The Right-of-use assets are regarded an integrated part of the operating activities taking place in the Group's cash-generating unit and accordingly, the carrying amount of a Right-of-use asset is allocated to the cash-generating unit in which the asset in question is used. Thereby Right-of-use assets are tested on cash-generating unit level.

Determination of estimated growth rates and cash flow
The expected net cashflows are assessed at CGU level on basis of approved forecast for 2021 and management business plans beyond 2021. These projections are performed on basis of assumptions on when the specific CGU will reach normal activity levels i.e. after Covid-19. The projections also include the estimated impact of long-term strategic decisions such as WIN23 and assessment of opportunities for future growth and required investments. For Ferry and Logistics division CGUs' which include a terminal period, OECD prediction for long term consumer price index, a growth rate of 1.0% have been applied. Further, the consequences from Covid-19 outbreak have been incorporated in the forecast for 2021 and onwards. It is management expectations that a full recovery from Covid-19 will take place during 2022 for most of the CGU's. The following assumptions for growth rates have been applied to each CGU.

Ferry (CGUs):
North Sea, Baltic Sea and Mediterranean: End of 2022 a full EBIT recovery in line with pre Covid-19 is expected. After 2022 a growth in EBIT for 2023-2025 between (2.4% - 9.0%), and growth in terminal period of 1.0%, is expected (2019: 0%).

The business area English Channel: End of 2022 a full EBIT recovery in line with pre Covid-19 is expected. After 2022 a growth in EBIT for 2023-2025 of 1.3% and growth in terminal period of 1.0% is expected (2019: 0%).

The Oslo – Frederikshavn - Copenhagen route:
The extensive travel restrictions in 2020 have resulted in a significantly reduced passenger traffic. The expectation for 2021 is negative growth as well as negative EBIT. During 2022, management expects a partiel recovery will take place and a steady state will be achieved by the end of 2022. Varying growth rates have been incorporated in the forecast years beyond 2022, and expects to provide an overall positive EBIT. The growth rates in EBIT vary from year to year and depend to a large extent on when planned maintenance costs, improvements etc. are taking place. From 2022, growth rates represent an avg. of 1.0% over the forecast period due to OECD prediction consumer price index (2019: 0%).

The Amsterdam – Newcastle route: The expectation for 2021 is a negative growth as well as negative EBIT. During 2022, management expects a partiel recovery will take place and a steady state will be achieved by the end of 2022. Varying growth rates have been incorporated in the forecast years beyond 2022, and expects to provide an overall positive EBIT. The growth rates in EBIT vary from year to year and depend to a large extent on when planned maintenance costs, improvements etc. are taking place. From 2022, growth rates represent an avg. of 3.5% over the forecast period (2019: 0%).

Logistics (CGUs):
The business area Nordic: Growth in EBIT for 2022-2025, of 5% and growth in terminal period of 1.0% (2019: 0%).
The business area Continent: Growth in EBIT for 2022-2025, of 5% and growth in terminal period of 1.0% (2019: 0%).
The business area UK & Ireland: Growth in EBIT for 2022-2025, of 5% and growth in terminal period of 1.0% (2019: 0%).

3.1.5 Impairment testing (continued)

Determination of discount rate
The discount rate for year-end 2020 impairment testing purposes is based on a calculation of DFDS' weighted average cost of capital (WACC) taking into account both debt and equity. The cost of equity is based on a risk-free rate, plus a market risk premium. The risk-free interest rate is based on a 10-year Danish risk-free rate at year-end which at the end of 2020 is negative. Accordingly, DFDS has decided to use a normalised risk-free rate of 1.0%. The market risk premium is calculated as a general equity market risk premium of 6.0% (2019: 6.0%) multiplied by the leveraged beta value for DFDS (2019: non-leveraged beta value). The leveraged beta value applied at year-end 2020 is calculated by obtaining the unlevered beta value of peer group companies via the Capital IQ database. This beta value is then relevered in accordance with the Groups' current capital structure. The cost of debt is based on the interest-bearing borrowings for the Group plus the risk-free interest. Further, risk premium may be added for the individual cash-generating unit if special conditions and/or uncertainties indicate a need hereto. Conversely, if the risk level for the individual cash-generating unit is considered to be lower than the general risk level, then the risk premium is reduced if special conditions indicate a need hereto.

The impact of Covid-19 and Brexit on the cash-generating units is uncertain and the expected impact is built into the forecasts. For the CGU, Oslo – Frederikshavn - Copenhagen a specific risk premium of 1.0 percentage point has been added on top of the determined discount rate to reflect the increase in uncertainty for passengers. The discount rates used in determining the carrying amounts of Right-of-use assets/lease liabilities are based on borrowing rates which are lower than the discount rates used in the impairment test, which all things being equal will have a negative impact on the results of the impairment test as the carrying amount of the cash-generating units will increase more than the value-in-use of the cash-generating-units.

For cash-generating units where the recoverable amount is based on value-in-use, the pre-tax discount rates applied have been within the following ranges in the two segments:

	2020	2019
Ferry Division	6.4% - 7.4%	7.5% - 9.2%
Logistics Division	6.4%	7.4% - 8.6%

The applied discount rates in cash-generating units for which the carrying amount of goodwill forms a significant part of the Group's total goodwill are 6.4% (2019: 7.5%) in 'North Sea, Baltic Sea and Mediterranean', 6.4% (2019: 7.4%) in 'Continent' and 6.4% (2019: 7.7%) in 'UK & Ireland'.

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

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

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

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

Impairment tests 2020
Based on the impairment tests prepared at year end 2020 the cash generating unit: "Oslo - Frederikshavn - Copenhagen" has been impaired by DKK 100m. The impairment is applied to the non-current tangible assets. No goodwill is allocated to the CGU. The recoverable amount of the cash generating unit is based on value in use method. The impairment loss of DKK 100m is recognised under special items. Reference is made to note 2.6. Further an impairment of DKK 29m has been recognised in relation to reclassification of a ferry to assets classified as held for sale. Reference is made to note 2.6 and note 3.1.6.

Impairment tests 2019
On the basis of the impairment tests prepared at year end 2019 it was not deemed necessary to impair any of the cash-generating units in 2019 nor reverse any impairment losses recognised in prior years.

Significant accounting estimates and assessments

Covid-19 and Brexit considerations
Management has taken the risk and uncertainty relating to Covid-19 and Brexit into consideration when preparing the forecasts and cash flows.

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

Impairment testing of ferries and other ships, including the assessment of useful life and scrap value
Significant accounting estimates and assessments regarding ferries and other ships include the allocation of the ferry's cost price on components based on the expected useful life of the identified components; the ferry's expected maximum useful life; the ferry's scrap value; and impairment testing. The expected useful life of ferries and other ships and their scrap values are reviewed and estimated at least once a year. Impairment test is performed at least once a year, typically at year-end. Additional impairment tests are performed if indications of impairment occur in the period between the annual impairment tests.

Impairment testing of Right-of-use assets
For information on Significant accounting estimates and assessments regarding Right-of-use assets from leases reference is made to note 3.1.3.

Impairment testing of Right-of-use assets, which primarily relates to leases of terminals, ferries, land and buildings and cargo carrying equipment, is performed at least once a year, typically at year-end. Additional impairment tests are performed if indications of impairment occur in the period between the annual impairment tests.

The Right-of-use assets are regarded an integrated part of the operating activities taking place in the Group's cash-generating units and accordingly, the carrying amount of a Right-of-use asset is allocated to the cash-generating unit in which the asset in question is used. Thereby Right-of-use assets are tested on cash-generating unit level.

The impairment tests are based on fair value less costs of disposal for the assets in the cash-generating unit or the value-in-use where the expected future cash flow for the cash-generating unit is a main element in the calculation. The key parameters in assessing expected future cash flows are trends in revenue, EBIT, EBIT margin, future investments and growth expectations, which are inherently uncertain. The fair value less cost of disposal for the Group's main assets, ferries and other ships, are based on broker valuations. For further information on broker valuations reference is made to the paragraph 'Basis for impairment testing and calculation of recoverable amount' which can be found above in this note.

Accounting policies

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

3.1.6 Assets classified as held for sale

2020
During 2020 the Group has decided to dispose of freight ferries (ro-ro) Gothia Seaways and ARK Futura and consequently classified these to assets held for sale. As part of the reclassification, one of the freight ferries has been written down to its expected sales price less cost of disposal. An impairment loss of DKK 29m has been recognised in special items. Reference is made to note 2.6.

2019
On 2 September 2019, DFDS entered into an agreement to sell a combined freight and passenger ferry (ro-pax) — Liverpool Seaways, built 1997 — to La Meridionale. The ferry was delivered to the new owner in May 2020. The sales price was DKK 225m and an expected accounting profit of DKK 110m was recognised under Special items.

3.2 Net Working Capital

3.2.1 Receivables

DKK million	2020	2019
Other non-current receivables [1]	17	29
Total non-current receivables	**17**	**29**
Trade receivables	1,896	2,332
Work in progress services	118	78
Receivables from associates and joint ventures	28	46
Corporation tax and joint taxation contribution, receivable, reference is made to note 2.7	27	31
Other receivables and current assets [2]	562	391
Total current receivables	**2,631**	**2,878**
Total current and non-current receivables	**2,648**	**2,907**

The carrying amount of receivables is in all material respects equal to the fair value. None of the trade receivables with collateral are overdue at 31 December 2020 (2019: none). The collateral consists of bank guarantees with a fair value of DKK 21m (2019: DKK 26m).

DKK million	2020	2019
Trade receivables that are past due, but not impaired:		
Days past due:		
Up to 30 days	267	378
31-60 days	66	102
61-90 days	37	63
91-120 days	6	47
More than 120 days	14	87
Past due, but not impaired	**389**	**678**

DKK million	2020	2019
Movements in write-downs, which are included in the trade receivables:		
Write-downs at 1 January	69	80
Foreign exchange adjustment	-1	0
Addition on acquisition of enterprises	0	3
Write-downs	16	13
Realised losses	-6	-10
Reversed write-downs	-15	-17
Write-downs at 31 December	**63**	**69**

[1] Hereof interest bearing part of non-current receivables of DKK 0m (2019: DKK 24m).

[2] Hereof interest bearing part of other receivables of DKK 159m (2019: DKK 0m).

3.2.1 Receivables (continued)

DKK million	2020	2019
Age distribution of write-downs: *Days past due:*		
Up to 30 days	1	3
31-60 days	1	1
61-90 days	2	3
91-120 days	2	1
More than 120 days	58	61
Write-downs at 31 December	**63**	**69**

The last five years DFDS' realised credit losses on trade receivables have been insignificant and the loss rate has not exceeded 0.2% (2019: 0.2%) of the revenue in any of the respective years. The changes in payment pattern continue to be insignificant and at the same level as previous years albeit the Covid-19 situation is monitored closely. Accordingly, at year-end 2020 the expected credit losses on trade receivables calculated under the simplified expected credit loss model is based on the average historical loss rate on revenue for the last five years of 0.1% (2019: 0.1%) plus adjustments for forward-looking factors where considered relevant such as Covid-19 and Brexit.

Accounting policies

Receivables are recognised at amortised cost less expected credit losses.

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

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

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

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

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

3.2.2 Inventories

DKK million	2020	2019
Bunker	102	133
Goods for sale	77	89
Write-down of inventories end of year	-10	-3
Total inventories	**169**	**219**

Write-down of inventories expensed during the year amounts to DKK 16m (2019: DKK 3m).

Accounting policies

Bunker are measured at cost based on the FIFO method or the net realisable value where this is lower. Catering supplies are measured at cost based on the weighted average cost method or the net realisable value where this is lower. Other inventories are measured at cost based on the weighted average cost method or the net realisable value where this is lower.

3.2.3 Other payables

DKK million	2020	2019
Holiday pay obligations, etc,	388	379
Public authorities (VAT, duty, etc.)	83	59
Payables to associates and joint ventures	51	109
Other payables	189	131
Accrued interests	14	12
Total other payables	**725**	**690**

Accounting policies

Other payables comprise amounts owed to staff, including wages, salaries holiday pay, salary/wages related items, etc.; amounts owed to the public authorities, VAT, excise duties, real property taxes, etc.; amounts owed in connection with the purchase/disposal of ferries and other ships, buildings and terminals; accrued interest expenses; payables to associates and joint ventures; amounts owed in relation to defined contribution pension plans etc.

3.2.4 Pension and jubilee liabilities

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

In primarily the United Kingdom the Group has defined benefit plans. In addition there are minor defined benefit plans in Norway, Belgium, Italy, Turkey, Lithuania, France, Germany, Denmark, and Sweden. The United Kingdom account for 73.3% (2019: 69.0%) of the total net liability and 95.3% (2019: 95.5%) of the funded and unfunded obligation. The majority of the defined benefit plans are pension plans that yearly pay out a certain percentage of the employee's final salary upon retirement. The pensions are paid out as from retirement and during the remaining life of the employee. The percentage of the salary is dependent of the seniority of the employee except for certain-closed plans in the United Kingdom and some of the other minor plans. The defined benefit plans typically include a spouse pension and disability insurance.

Some of the pension plans in Sweden are multi-employer plans, which cover a large number of enterprises. The plans are collective and are covered through contributions paid to the pension company Alecta. The Swedish Financial Accounting Standards Council's interpretations committee (Redovisningsrådet) has defined this plan as a multi-employer defined benefit plan. Presently, it is not possible to obtain sufficient information from Alecta to assess the plans as defined benefit plans. Consequently, the pension plans are similarly to prior years treated as defined contribution plans. The contributions are DKK 4m in 2020 (2019: DKK 4m). The collective funding ratio at Alecta amounts to 144% as per September 2020 (September 2019: 142%). For 2021, the contributions are expected to be DKK 5m. DFDS' share of the multi-employer plan is around 0.0046% and the liability follows the share of the total plan.

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

DKK million	2020	2019
Present value of funded defined benefit obligations	1,010	990
Fair value of plan assets	-879	-893
Funded defined benefit obligations, net	**131**	**98**
Present value of unfunded defined benefit obligations	45	41
Recognised liabilities for defined benefit obligations	**176**	**139**
Provision for jubilee liabilities	21	22
Total actuarial liabilities, net	**197**	**160**

DKK million	2020	2019
Movements in the net present value of funded and unfunded defined benefit obligations		
Funded and unfunded obligations at 1 January	1,031	962
Foreign exchange adjustments	-60	56
Current service costs	8	8
Interest costs	18	27
Actuarial gain(-)/loss(+) arising from changes in demographic assumptions	12	-79
Actuarial gain(-)/loss(+) arising from changes in financial assumptions	90	102
Past service costs	1	0
Benefits paid	-42	-43
Settlements and curtailments	-2	-2
Funded and unfunded obligations at 31 December	**1,055**	**1,031**
Movements in the fair value of the defined benefit plan assets		
Plan assets at 1 January	-893	-719
Foreign exchange adjustments	54	-43
Calculated interest income	-16	-21
Return on plan assets excluding calculated interest income	-46	-133
Costs of managing the assets	4	4
Employer contributions	-21	-23
Benefits paid	38	40
Settlements and curtailments	0	3
Plan assets at 31 December	**-879**	**-893**
Plan assets consist of the following:		
Cash and cash equivalents	-1	-12
Blended investment funds	-875	-877
Other assets (primarily insured plans)	-3	-3
Total plan assets	**-879**	**-893**

3.2.4 Pension and jubilee liabilities (continued)

DKK million	2020	2019
Expenses recognised as employee costs in the Income statement:		
Current service costs	8	8
Past service costs	1	0
Gain (-)/loss(+) on settlements and curtailments	-1	0
Total included in employee costs regarding defined benefit plans	**7**	**8**
Expenses recognised as financial costs in the Income statement:		
Interest costs	18	27
Interest income	-16	-21
Total included in financial costs regarding defined benefit plans	**2**	**6**
Total expenses for defined benefit plans recognised in the Income statement	**9**	**14**
Expenses recognised in Other comprehensive income:		
Remeasurements of plan obligations	101	23
Remeasurements of plan assets	-42	-129
Total included in Other comprehensive income regarding defined benefit plans	**59**	**-106**

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

Assumptions:

2020	United Kingdom	Others	Weighted average [1]
Discount rate	1.2%	-0.1%-3.9%	1.2%
Social security rate [2]	0.0%	0.0%-1.8%	0.0%
Future salary increase [2]	0.0%	0.0%-2.5%	0.1%
Future pension increase	2.9%	0.0%-3.4%	2.8%
Inflation	2.3%	0.0%-9.0%	2.3%

2019	United Kingdom	Others	Weighted average [1]
Discount rate	1.9%	0.3%-4.0%	1.9%
Social security rate [2]	0.0%	0.0%-2.5%	0.0%
Future salary increase [2]	0.0%	0.0%-3.0%	0.1%
Future pension increase	3.1%	0.0%-3.4%	3.0%
Inflation	2.2%	0.0%-7.5%	2.2%

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

DKK million	2020	2019
Sensitivity analysis		
Reported obligation 31 December	1,055	1,031
Discount rate -0.5% point compared to assumptions	1,157	1,128
Discount rate +0.5% point compared to assumptions	965	946
Salary increase -0.5% point compared to assumptions	1,053	1,030
Salary increase +0.5% point compared to assumptions	1,057	1,033
Mortality -1 year compared with used mortality tables	1,022	993
Mortality +1 year compared with used mortality tables	1,103	1,075

Weighted average duration on the liabilities end of 2020 is 18.9 years (2019: 18.9 years).

The Group expects to make a contribution of DKK 28m to the defined benefit plans in 2021. The expected contribution for 2020 was DKK 28m, which turned out to be DKK 25m.

DKK million		
Maturity analysis of the obligations	**2020**	**2019**
0-1 year	27	28
1-5 years	113	109
After 5 years	915	895
Total obligations	**1,055**	**1,031**

Significant accounting estimates and assessments

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

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

[1] All factors are weighted at the pro rata share of the individual actuarial obligation.

[2] Schemes closed for new members will have a social security rate and future salary increase of 0%.

3.2.4 Pension and jubilee liabilities (continued)

Accounting policies

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

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

Changes in the benefits payable for employees' past service to the enterprise result in an adjustment of the actuarial calculation of the value in use, which is classified as past service costs. Past service costs are recognised in the Income statement immediately if the employees have already earned the right to the adjusted benefit. Otherwise, the benefits will be recognised in the Income statement over the period in which the employees earn the right to the adjusted benefits.

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

3.2.5 Other provisions

DKK million	**2020**	**2019**
Other provisions at 1 January	85	67
Foreign exchange adjustments	-1	1
Addition from acquisition of enterprises [1]	0	28
Provisions made during the year	151	28
Used during the year	-78	-35
Reversal of unused provisions	-34	-3
Other provisions at 31 December	**124**	**85**
Other provisions are expected to be payable in:		
0-1 year	78	38
1-5 years	37	39
After 5 years	9	8
Other provisions at 31 December	**124**	**85**

[1] 2019: Relates to earn-out on Freeco Logistics.

Of the Group's provision of DKK 124m (2019: DKK 85m), DKK 28m (2019: DKK 28m) is estimated net present value of earn-out agreements regarding acquisitions; DKK 44m is estimated restructuring provision (2019: DKK 15m); DKK 24m (2019: DKK 13m) is redelivery provision on leases and DKK 28m (2019: DKK 30m) is other provisions.

Accounting policies

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

4. Capital structure and finances

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

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

DKK million	Note	2020	2019
Interest-bearing liabilities [1]	4.5	12,654	12,774
Derivative financial instruments, related to interest-bearing activities, net	4.2	137	52
Receivables, interest-bearing	3.2.1	-159	-24
Securities	4.2	-10	-10
Cash		-1,261	-840
Net Interest-Bearing Debt (NIBD)		**11,361**	**11,954**
Operating profit before depreciation (EBITDA) and special items		**2,732**	**3,633**
Financial leverage ratio (NIBD/EBITDA, times)		**4.2**	**3.3**

[1] Hereof DKK 2,926m (2019: DKK 3,109m) relating to lease liabilities that have different characteristics than other liabilities included in interest-bearing liabilities. Under IFRS 16 extention and purchase options are included if the Group is reasonable certain that these will be exercised. These options are not legally or contractually obligated.

4.1 Financial and operational risks

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

Bunker risk
In 2020 DFDS total bunker cost was DKK 1,314m or 9% of Group revenue (DKK 2,075m or 13% in 2019). Therefore, the fluctuations in the bunker price constitute a significant risk. Bunker is denominated in USD. The corresponding USD/DKK is described separately below.

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

On group level approximately 93% (90% in 2019) of DFDS bunker price exposure and corresponding currency risk is passed through to freight customers via BAF agreements. The remaining bunker price exposure is financially hedged up to six quarters ahead in accordance with DFDS Treasury Policy.

An increase in the bunker price of 10% compared to the actual bunker price during 2020 would have increased bunker cost by DKK 7m for the Group in 2020 all else equal (2019: DKK 17m). A decrease in the bunker price would have had a similar but positive effect.

An increase in the bunker price of 10% compared to the actual bunker price at balance sheet date would have had a positive effect on the Group's equity reserve for hedging of DKK 10m all else equal (2019: DKK 3m). A decrease in the bunker price would have had a similar but negative effect.

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

The total net interest-bearing debt (including currency swaps on bonds and lease liabilities) amounts to DKK 11,361m at year end 2020 (2019: DKK 11,954m). The Group's total interest-bearing debt primarily consists of partly secured credit facilities, unsecured corporate bonds and floating rate mortgages with security in ferries and other ships. The debt portfolio had an average time to maturity of 4.2 years (2019: 4.3 years).

As part of the financial strategy, interest rate swaps and caps with a principal amount of DKK 3,056m (2019: DKK 2,700m) have been established to reduce interest rate risk in compliance with DFDS Treasury Policy. The share of fixed-rate debt including interest rate derivatives was 39% at year-end 2020 (2019: 38%). Including long term charter agreements, the share of fixed-rate debt is 42% (2019: 40%). The duration of the Group's debt portfolio (including charter liabilities) was 1.0 years (2019: 1.3 years).

An increase in the interest rate of 1%-point compared to the actual interest rates in 2020 would have increased net interest payments on long term debt incl. hedging by DKK 42m for the Group in 2020 all else equal (2019: DKK 39m). A decrease in the interest rates of 1%-point would have reduced the net interest payment by DKK 7m (2019: DKK 7m).

An increase in the interest rate of 1%-point compared to the actual interest rate at balance sheet date would have had a hypothetical positive effect on the Group's equity reserve for hedging of DKK 53m all else equal (2019: DKK 48m). A decrease would have had a negative effect of DKK 41m (2019: DKK 26m).

Currency risk
Approximately 95% of DFDS' revenues in 2020 were invoiced in foreign currencies (2019: 92%) with the most substantial revenue being generated in EUR, SEK, GBP, and NOK. USD was the most substantial cost currency. DFDS was exposed to the exchange rate development of TRY due to revenue and costs in TRY. In 2019 a new invoicing model was introduced that incentivised payments in EUR or cash rather than TRY. The purpose of the new model was to reduce currency risk. In 2020 than 90% of customers have adopted the new invoicing model. and TRY cash flow expenses are limited to salary- and certain port operation costs while most other cash flows are in currencies other than TRY, e.g., bunker.

Currency exchange risk is monitored continuously and actively hedged in accordance with DFDS Treasury Policy. The aim is to actively reduce currency balance sheet and expected currency cash flow exposure using forward exchange contracts and currency swaps. EUR is considered a minor risk due to Denmark's fixed exchange rate policy. USD risk is reduced by entering into forward exchange contracts in connection with hedging of future bunker consumption, charter agreements, and payments under shipbuilding contracts. Expected future cash flow in other currencies than USD is currently not hedged as they are within the limits accepted in the Treasury Policy.

The operational currency cash flow is defined as the Group's consolidated net currency cash flows from revenues and operational costs. The table below shows the impact on the Group's Operating profit before depreciation (EBITDA) and special items from changes in the foreign exchange rate.

4.1 Financial and operational risks (continued)

Operational currency cash flow risk

DKK million	2020	2019
SEK, profit or loss effect, 10% strengthening	32	59
NOK, profit or loss effect, 10% strengthening	2	7
GBP, profit or loss effect, 10% strengthening	-31	7
TRY, profit or loss effect, 10% strengthening	-19	-30
USD, profit or loss effect, 10% strengthening	-6	-17

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

Currency balance risk

DKK million	2020	2019
SEK, equity and profit /loss effect, 10% strengthening	3	-7
GBP, equity and profit /loss effect, 10% strengthening	4	-3
NOK, equity and profit / loss effect, 10% strengthening	3	1
TRY, equity and profit /loss effect, 10% strengthening	1	4
USD, equity and profit /loss effect, 10% strengthening	-1	-6
USD, equity effect, 10% strengthening [1]	191	238

In addition to currency risk arising from operations, translation risk arise when foreign currency financial statements of subsidiaries are translated into DKK as part of the consolidation process. The Group's most substantial translation risks are in SEK, GBP, and NOK. The impact on net profit from an increase of the average exchange rates in 2020 is outlined in the table below.

DKK million	2020	2019
Translation risk		
SEK, equity and profit /loss effect, 10% strengthening	176	132
GBP, equity and profit /loss effect, 10% strengthening	169	31
NOK, equity and profit / loss effect, 10% strengthening	45	16

Liquidity risks

DFDS Financial Policy is to secure adequate liquidity to meet financial and operational payment obligations by maintaining a minimum cash resource of DKK 0,4bn in 2020 and from 2021 a minimum cash ressource of DKK 1.0bn. The year-end cash resource was DKK 4,932m (2019: DKK 2,290m), of which undrawn committed and uncommitted credit facilities amounts to DKK 3,671m (2019: DKK 1,450m).

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

DKK million				2020
	0-1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial assets				
Cash	1,261	0	0	0
Trade receivables including work in progress services	2,014	0	0	0
Receivables from associates and joint ventures	28	0	0	0
Other receivables and current assets	586	15	2	0
Non-derivative financial liabilities				
Bank loans and mortgage on ferries and other ships	-575	-6,410	-560	-1,537
Issued corporate bonds	-18	-901	-284	0
Other interest-bearing debt	0	0	0	0
Lease liabilities (undiscounted)	-586	-787	-509	-1,515
Trade payables	-2,090	0	0	0
Payables to associates and joint ventures	-51	0	0	0
Other payables	-189	0	0	0
Derivative financial assets				
Bunker contracts	17	0	0	0
Interest swaps & caps	0	0	0	0
Forward exchange contracts and currency swaps	128	14	14	40
Derivative financial liabilities				
Bunker contracts	0	0	0	0
Interest swaps & caps	0	-8	-1	0
Cross currency interest rate swaps	-5	-112	-23	0
Forward exchange contracts and currency swaps	-52	0	0	0
Total	**467**	**-8,189**	**-1,361**	**-3,011**

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

4.1 Financial and operational risks (continued)

DKK million				2019
	0-1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial assets				
Cash	840	0	0	0
Trade receivables including work in progress services	2,410	0	0	0
Receivables from associates and joint ventures	46	0	0	0
Other receivables and current assets	391	3	26	0
Non-derivative financial liabilities				
Bank loans and mortgage on ferries and other ships	-670	-1,065	-6,084	-1,280
Issued corporate bonds	-40	-1,021	-309	0
Other interest-bearing debt	0	-11	-24	0
Lease liabilities (undiscounted)	-593	-879	-452	-1,270
Trade payables	-2,292	0	0	0
Payables to associates and joint ventures	-109	0	0	0
Other payables	-131	0	0	0
Derivative financial assets				
Bunker contracts	0	0	0	0
Interest swaps & caps	0	0	0	0
Forward exchange contracts and currency swaps	70	145	18	67
Derivative financial liabilities				
Bunker contracts	-5	0	0	0
Interest swaps & caps	-6	-8	0	0
Cross currency interest rate swaps	-1	-2	-1	0
Forward exchange contracts and currency swaps	-15	-52	0	0
Total	**-104**	**-2,890**	**-6,825**	**-2,483**

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

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

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

According to the Group's policy of undertaking credit risks, credit ratings of all customers and other partners are performed at least once a year. Customers have provided bank guarantees for payments for the benefit of DFDS. for DKK 21m in 2020 (2019: DKK 57m). Prepayment guarantees regarding DFDS' newbuilding program amount to DKK 747m (2019: DKK 760m).

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

Capital structure
Capital distribution to shareholders is based on a target leverage of a NIBD/EBITDA multiple between 2.0 and 3.0. The target can be suspended in connection with large investments, acquisitions, and other strategic initiatives. At year-end 2020 the NIBD/EBITDA multiple was 4.2 (2019: 3.3). After distribution of dividend, excess capital is determined based on the leverage target, including future investment requirements, and distributed through share buybacks.

4.1 Financial and operational risks (continued)

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

DKK million						Expected timing of recycling to Income statement or Non-current assets of gains/losses recognised in the equity				
2020										
Expected future transactions	**Hedge instrument**	**Time to maturity**	**Notional principal amount**	**Fair value assets**	**Fair value liabilities**	**0-1 year**	**1-3 years**	**3-5 years**	**After 5 years**	**Fair value recognised on hedging reserve in equity**
Interest	Interest swaps	0-3 years	1,866	0	-9	-6	-3	-1	0	-9
Interest	Caps	0-4 years	1,190	11	0	0	0	0	0	0
Goods purchased	Oil contracts for forward delivery (tons)	0-1 years	79	17	0	17	0	0	0	17
Bond loans	Currency swaps	0-3 years	882	0	-113	0	0	0	0	0
Bond loans	Cross currency interest rate swaps	0-5 years	282	0	-27	0	0	-4	0	-4
Ferry investments & ferry charter [1]	Forward exchange contracts	0-11 years	1,802	188	-45	73	14	14	40	141
Sales and goods purchased	Forward exchange contracts	0-1 years	699	10	-7	2	0	0	0	2
Total				**225**	**-201**	**87**	**11**	**10**	**40**	**147**

DKK million						Expected timing of recycling to Income statement or Non-current assets of gains/losses recognised in the equity				
2019										
Expected future transactions	**Hedge instrument**	**Time to maturity**	**Notional principal amount**	**Fair value assets**	**Fair value liabilities**	**0-1 year**	**1-3 years**	**3-5 years**	**After 5 years**	**Fair value recognised on hedging reserve in equity**
Interest	Interest swaps	0-3 years	1,199	0	-15	-6	-8	0	0	-15
Interest	Caps	0-4 years	1,195	17	0	0	0	0	0	0
Goods purchased	Oil contracts for forward delivery (tons)	0-1 years	33	0	-5	-5	0	0	0	-5
Bond loans	Currency swaps	0-3 years	948	0	-51	0	0	0	0	0
Bond loans	Cross currency interest rate swaps	0-5 years	303	0	-4	0	0	2	0	2
Ferry investments & ferry charter [1]	Forward exchange contracts	0-11 years	1,238	298	-12	55	144	18	67	285
Sales and goods purchased	Forward exchange contracts	0-1 years	547	2	-2	0	0	0	0	0
Total				**319**	**-88**	**45**	**136**	**20**	**67**	**266**

In 2020 no financial hedges were deemed inefficient hence no profit or loss was recognised in the income statement in 2020.

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

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

4.2 Information on financial instruments

DKK million	2020	2019
Carrying amount per category of financial instruments		
Financial assets measured at fair value:		
Derivatives, related to operating activities	214	300
Derivatives, related to interest-bearing activities	12	17
Financial assets measured at amortised cost:		
Trade receivables, receivables from associates and joint ventures, other receivables and cash	3,827	3,670
Financial assets measured at fair value through profit or loss:		
Securities	10	10
Financial liabilities measured at fair value: Derivatives, related to operating activities	-53	-19
Derivatives, related to interest-bearing activities	-148	-69
Financial liabilities measured at amortised cost: Interest-bearing liabilities, trade payables, payables to associates and joint ventures, and other payables	-15,003	-15,324
Total	**-11,141**	**-11,416**

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

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

DKK million			
2020	**Level 1**	**Level 2**	**Level 3**
Derivatives, financial assets	0	226	0
Securities, financial assets	0	0	10
Derivatives, financial liabilities	0	-201	0
Total	**0**	**25**	**10**

2019	Level 1	Level 2	Level 3
Derivatives, financial assets	0	317	0
Securities, financial assets	0	0	10
Derivatives, financial liabilities	0	-88	0
Total	**0**	**228**	**10**

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

Securities, financial assets measured at fair value through profit or loss comprise other shares and equity investments as well as other investments of DKK 10m (2019: DKK 10m). These are some minor unlisted shares and investments.

Transfers between levels of the fair value hierarchy are considered to have occurred at the date of the event or change in circumstances that caused the transfer. There were no transfers between the levels in the fair value hierarchy in 2020 (2019: No transfers).

Significant accounting estimates and assessments

Derivatives
When entering into agreements involving derivatives, Management assesses whether the derivative in question meets the criteria for hedge accounting, including whether the hedging relates to recognised assets and liabilities, projected future cash flows, or financial investments. Effectiveness tests are carried out, and any inefficiency is recognised in the Income statement.

4.2 Information on financial instruments (continued)

Accounting policies

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

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

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

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

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

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

4.3 Changes in liabilities arising from financing activities

The table below discloses the cash as well as non-cash changes in interest-bearing liabilities and derivative financial instruments related to issued corporate bonds.

The changes arising from cash flows form part of the cash flows from financing activities in the Statement of cash flows.

DKK million			Non-cash changes					
	1 Jan. 2020	Cash flows	Additions from acquisitions	Foreign exchange movements	New/ disposed/ remeasured leases	Fair value changes	Other changes	31 Dec. 2020
Changes in 2020								
Interest-bearing liabilities:								
Bank loans and mortgage on ferries and other ships	8,381	202	0	-30	0	0	5	8,557
Issued corporate bonds	1,249	0	0	-88	0	0	1	1,162
Lease liabilities	3,109	-602	0	-86	505	0	0	2,926
Other liabilities	35	0	0	0	0	0	-26	9
	12,774	-400	0	-205	505	0	-20	12,654
Derivatives financial instruments:								
Derivatives related to issued corporate bonds	55	0	0	0	0	84	0	140
Total liabilities from financing activities	**12,830**	**-400**	**0**	**-205**	**505**	**84**	**-20**	**12,794**

4.3 Changes in liabilities arising from financing activities (continued)

DKK million	1 Jan. 2019	Change in accounting policies	Cash flows	Non-cash changes: Additions from acquisitions	Foreign exchange movements	New/ disposed/ remeasured leases	Fair value changes	Other changes	31 Dec. 2019
Changes in 2019									
Interest-bearing liabilities:									
Bank loans and mortgage on ferries and other ships	7,508	0	859	6[4]	2	0	0	6	8,381
Issued corporate bonds	1,433	0	-196[3]	0	11	0	0	1	1,249
Lease liabilities	292[1]	2,765[2]	-706	71[4]	6	680	0	0	3,109
Other liabilities	24	0	0	0	0	0	0	11	35
	9,257	2,765	-43	78	19	680	0	18	12,774
Derivatives financial instruments:									
Derivatives related to issued corporate bonds	62	0	0	0	0	0	-7	0	55
Total liabilities from financing activities	**9,319**	**2,765**	**-43**	**78**	**19**	**680**	**-7**	**18**	**12,830**

4.4 Financial income and costs

DKK million	2020	2019
Financial income		
Interest income from banks, etc.[5]	4	5
Other dividends	0	0
Other financial income	0	0
Total financial income	*5*	*6*
Financial costs		
Interest expense to banks, credit institutions, corporate bonds, etc.[5]	-194	-176
Interest expense on lease liabilities, reference is made to note 3.1.3	-78	-79
Foreign exchange loss, net[6]	0	-17
Defined benefit pension plans, reference is made to note 3.2.4	-2	-6
Other financial costs[7]	-16	-16
Transfer to assets under construction[8]	10	10
Total financial costs	*-280*	*-284*
Financial income and costs, net	**-275**	**-278**

Accounting policies

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

[1] Relates to IAS 17 Finance leases.

[2] Relates to the implementation of IFRS 16 'Leases'.

[3] In 2019 cash flows from issuing corporate bonds amounts to DKK 304m and cash flows to repayment of corporate bonds amounts to DKK -500m corresponding to a net cash flow of DKK -196m.

[4] Relates to the acquisitions of Huisman Group and Freeco Logistics, reference is made to note 5.5.

[5] Primarily related to financial assets/liabilities measured at amortised cost. Income (net) from interest swaps is DKK 4m (2019: DKK 9m) and is included under Interest expense to banks, credit institutions, corporate bonds, etc.

[6] Foreign exchange gains in 2020 amounts to DKK 266m (2019: DKK 125m) and foreign exchange losses amounts to DKK 266m (2019: DKK 142m) for the Group.

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

[8] Interest capitalised on three newbuildings (2019: five newbuildings). The interest was calculated by using a general interest rate of 1.30% p.a. (2019: 0.87% - 1.30% p.a.).

4.5 Interest-bearing liabilities

DKK million	2020	2019
Bank loans and mortgage on ferries and other ships	8,151	7,901
Issued corporate bonds [1]	1,162	1,249
Lease liability	2,407	2,556
Other non-current liabilities	0	35
Total interest-bearing non-current liabilities	**11,720**	**11,742**
Bank loans and mortgage on ferries and other ships	407	480
Issued corporate bonds [1]	0	0
Lease liability	519	552
Other current liabilities	8	0
Total interest-bearing current liabilities	**934**	**1,032**
Total interest-bearing liabilities	**12,654**	**12,774**

In June 2019 DFDS issued a new five year bond of NOK 400m with a coupon of 3-month Nibor + 150 bps and priced at par. The bond was immediately swapped into Danish kroner and fixed interest. The purpose of the bond issued was to refinance existing bonds and extend debt maturity as well as for general corporate purposes.

In connection with the delivery of two new freight ferries in 2020 DFDS obtained two new mortgage loans; one loan of DKK 364m with a maturity of 12 years and a repayment profile of 15 years and one loan of DKK 352m with a maturity of 12 years and a repayment profile of 15 years. Both mortgage loans are CIBOR based.

In connection with the delivery of three new freight ferries in 2019 DFDS obtained three new mortgage loans; two ferry loans of each DKK 365m with a maturity of 7 years and a repayment profile of 20 years and one ferry loan of DKK 364m with a maturity of 12 years and a repayment profile of 15 years. All three mortgage loans are CIBOR based.

The fair value of the interest-bearing liabilities amounts to DKK 12,692m (2019: DKK 12,886m). The fair value measurement is categorised within level 3 in the fair value hierarchy except for the part that relates to issued corporate bonds of nominal NOK 1,250m for which the fair value measurement is categorised within level 1.

The fair value of the financial liabilities is determined as the present value of expected future repayments and interest rates. The Group's actual borrowing rate for equivalent terms is used as the discount rate. The fair value of the issued corporate bonds nominal NOK 1,250m has been calculated based on the quoted bond price in May 2020 which is the latest quoted price (2019: quoted bond price in August 2019). The fair value of the issued corporate bonds nominal NOK400m has been calculated based on the quoted bond price in June 2019 which is the latest quoted price (2019: quoted bond price in June 2019).

DKK 2,778m of the interest-bearing liabilities fall due after five years (2019: DKK 2,366m). No unusual conditions in connection with the borrowings are made. The loan agreements can be settled at fair value plus a small surcharge, whereas premature settlement of the corporate bonds requires a repurchase of the bonds.

The covenants of a loan agreement — entered into in June 2018 in connection with the acquisition of U. N. Ro-Ro — were adapted in June 2020 to reflect the uncertainty caused by Covid-19. No other loan agreements contain relevant covenant risk.

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

DKK million	2020	2019
Allocation of currency, principal nominal amount:		
DKK	2,126	1,578
EUR	7,836	8,422
NOK [2]	1,200	1,347
GBP	1,130	1,323
USD	188	30
SEK	142	37
Other	32	37
Total interest-bearing liabilities	**12,654**	**12,774**

Accounting policies

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

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

[1] The Group has issued two 5 year corporate bond loans; one in 2019 of nominal NOK 400m and one in 2017 of nominal NOK 1,250m respectively (2019: one in 2019 of nominal NOK 400m and one in 2017 of nominal NOK 1,250m respectively).

[2] In 2017 DFDS issued a five-year corporate bond of NOK 1,250m, which runs for the period 28 September 2017 until 28 September 2022. The bond is listed on the Oslo Stock Exchange. The five-year bond has been issued with a floating rate based on three month NIBOR + 1.32% margin in NOK, but swapped to CIBOR + 0.99% margin in DKK. In 2019 DFDS issued a five-year corporate bond of NOK 400m, which runs for the period 7 June 2019 until 7 June 2024. The bond is listed on the Oslo Stock Exchange. The five-year bond has been issued with a floating rate based on three month NIBOR + 1.50% margin in NOK, but swapped to CIBOR + 1.00% margin in DKK.

4.6 Equity

Accounting policies

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

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

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

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

4.7 Treasury shares

Number of shares	2020	2019
Treasury shares at 1 January	1,421,256	1,463,253
Disposal of treasury shares due to exercise of share options and jubilee shares	-158,364	-41,997
Disposal of treasury shares	-7,000	0
Treasury shares at 31 December	**1,255,892**	**1,421,256**
Market value of treasury shares based on quoted share price at 31 December, DKK million	346	462

4.7 Treasury shares (continued)

In accordance with the Annual General Meeting in June 2020 the Board of Directors is authorised – until 4 June 2024 – to acquire treasury shares up to 5,860,000 shares corresponding to a nominal share value of DKK 117,200,000. However, DFDS' total number of treasury shares cannot at any time exceed 10% of DFDS A/S' share capital. The price cannot deviate by more than 10% from the listed acquisition price on NASDAQ Copenhagen at the time of acquisition.

DFDS A/S has during 2020 not acquired any treasury shares (2019: no treasury shares acquired). Furthermore, during 2020 DFDS A/S has disposed treasury shares for a total consideration of DKK 3m (2019: DKK 7m) in connection with employees' exercise of share options/jubilee shares and sale of treasury share to a joint venture in order for this entity to accommodate its employees' exercise of jubilee shares, respectively.

The Parent Company's holding of treasury shares at 31 December 2020 is 1,255,892 shares of DKK 20 each (2019: 1,421,256 shares), corresponding to 2.14% (2019: 2.42%) of the Parent Company's share capital. Treasury shares are held to cover the share option scheme and restricted stock unit plan for employees.

4.8 Earnings per share

	2020	2019
Profit for the year (DKK million)	442	1,313
Attributable to non-controlling interests (DKK million)	-9	-4
Attributable to DFDS Group	**433**	**1,309**
Weighted average number of issued ordinary shares	58,631,578	58,631,578
Weighted average number of treasury shares	-1,321,240	-1,435,198
Weighted average number of circulating ordinary shares	57,310,338	57,196,380
Weighted average number of share options issued	306	199,814
Weighted average number of circulating ordinary shares (diluted)	**57,310,644**	**57,396,194**
Basic earnings per share (EPS) of DKK 20 in DKK	7,56	22.88
Diluted earnings per share (EPS-D) of DKK 20 in DKK	7,56	22.80

When calculating diluted earnings per share for 2020, 1,190,564 share options (2019: 569,684 share options) have been omitted as they are out-of-the-money, but potentially the share options might dilute earnings per share in the future.

5. Other notes

5.1 Remuneration to Executive Board and Board of Directors

Remuneration for the Executive Board	Torben Carlsen [1]		Karina Deacon [2]		Niels Smedegaard [3]		Executive Board, total	
DKK '000	2020	2019	2020	2019	2020	2019	2020	2019
Wages and salaries	6,900	6,432	4,000	-	-	4,618	**10,900**	**11,050**
Bonus	2.208	1,500	1,335	-	-	1,847	**3,543**	**3,347**
Defined contribution pension plans	690	643	400	-	-	462	**1,090**	**1,105**
Share based payment	1,866	1,547	434	-	-	1,562	**2,300**	**3,109**
Other employee costs	333	353	192	-	-	262	**525**	**615**
Total remuneration to Executive Board	**11,997**	**10,475**	**6,361**	**-**	**-**	**8,751**	**18,358**	**19,226**

[1] Torben Carlsen was appointed new CEO 1 May 2019 (previously CFO since 1 June 2009).

[2] Karina Deacon was appointed new CFO 1 January 2020.

[3] Niels Smedegaard resigned as CEO at 30 April 2019.

The termination period for the Executive Board is 12 months. Further, the CEO has additional 12 months redundancy payment. In connection with a change of control of the Group, the members of the Executive Board can – within the first 3 months of the event - terminate their employment with the same effect as if the Company had given notice of termination of employment to the Executive Board.

DKK '000	2020	2019
Board:		
Claus V. Hemmingsen, Chair	1,125	1,031
Klaus Nyborg, Deputy Chair	750	675
Anders Götzsche (joined in March 2018)	375	356
Marianne Dahl (joined in March 2017)	375	356
Jill Lauritzen Melby	375	356
Lars Skjold-Hansen	375	356
Jens Otto Knudsen	375	356
Jesper Hartvig Nielsen (joined in March 2018)	375	356
Dirk Reich (joined in July 2019)	375	187
Jørgen Jensen (resigned in March 2019)	-	75
Total remuneration to the Board (continue to the right)	**4,500**	**4,104**

(Continued)

DKK '000	2020	2019
Audit Committee:		
Anders Götzsche, Chair (joined in March 2018)	250	238
Dirk Reich (joined in July 2019)	125	63
Jill Lauritzen Melby	125	119
Marianne Dahl (interim 2019)	-	31
Jørgen Jensen (resigned in March 2019)	-	25
Total remuneration to the Audit Committee	**500**	**476**
Nomination Committee:		
Claus V. Hemmingsen	100	88
Klaus Nyborg	100	88
Marianne Dahl	100	88
Total remuneration to the Nomination Committee	**300**	**264**
Total remuneration to the Board of Directors	**5,300**	**4,844**

Remuneration to the chair of the Audit Committee is DKK 250k (2019: DKK 238k) and remuneration to other members of the Audit Committee is DKK 125k (2019: DKK 119k) each. Remuneration to each of the three members of the Nomination Committee is DKK 100k (2019: DKK 88k). No remuneration is paid to members of other committees.

5.2 Fees to Auditors appointed at the Annual General Meeting

DKK million	2020	2019
Audit fees	7	6
Other assurance engagements [1]	0	0
Tax and VAT advice [2]	0	2
Non-audit services [3]	0	1
Total fees	**8**	**9**

Fees for services other than the statutory audit of the financial statements provided by ERNST & YOUNG Godkendt Revisionspartnerselskab, Denmark amounted to DKK 0.9m (2019: DKK 1.5m) including other assurance opinions and agreed-upon procedures, as well as tax and accounting advice.

5.3 Share options

The decision to grant share options is made by the Board of Directors. Share options have been granted to the Executive Board and leading employees. Each share option gives the holder of the option the right to acquire one existing share in the Parent Company of nominal DKK 20. The share option schemes equal a right to acquire 2.0% of the share capital (2019: 1.3%) if the remaining share options are exercised.

Share options are granted in 2015 at an exercise price equal to the average share price of the Parent Company's shares 20 days before the grant with an addition of 5%. Share options are granted in 2016-2020 at an exercise price equal to the average share price of the Parent Company's shares 20 days before the grant with an addition of 10%.

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

The share options can be exercised when a minimum of three years and a maximum of five years have elapsed since the grant dates.

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

2020	Executive Board Number	Leading employees Number	Resigned Executive Board members and employees Number	Total	Average exercise price per option DKK
Outstanding at 1 January	182,693	412,973	167,540	763,206	337.63
Transferred between categories	0	-89,447	89,447	0	339.74
Granted during the year	177,936	286,040	0	463,976	314.00
Exercised during the year	0	-5,425	0	-5,425	136.00
Forfeited during the year	0	0	-31,193	-31,193	331.65
Outstanding at 31 December	**360,629**	**604,141**	**225,794**	**1,190,564**	**338.55**
Of this exercisable at the end of the year	69,830	126,732	121,359	317,921	314.27

5.3 Share options (continued)

2019	Executive Board Number	Leading employees Number	Resigned Executive Board members and employees Number	Total	Average exercise price per option DKK
Outstanding at 1 January	277,767	331,863	4,196	613,826	333.66
Transferred between categories	-217,221	-35,473	252,694	0	343.48
Granted during the year	122,147	150,423	0	272,570	331.81
Exercised during the year	0	-33,840	-2,557	-36,397	186.67
Forfeited during the year	0	0	-86,793	-86,793	354.56
Outstanding at 31 December	**182,693**	**412,973**	**167,540**	**763,206**	**337.63**
Of this exercisable at the end of the year	42,052	95,400	56,070	193,522	258.47

The share options granted in 2020 had a fair value of DKK 9.1m (2019: DKK 9.1m), equal to an average fair value per option of DKK 19.67 (2019: DKK 33.54).

5,425 share options have been exercised during 2020 (2019: 36,397). The average weighted market price per share exercised in 2020 is DKK 136.00 (2019: DKK 285.55).

Vesting of share options is expensed in the Income statement for 2020 with DKK 7m (2019: DKK 8m). The calculated fair values are based on the Black-Scholes formula for measuring share options. The outstanding options at 31 December 2020 have an average weighted remaining contractual time 2.7 years (2019: 2.8 years).

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

Year of grant	Exercise price	Market price at grant date	Expected volatility	Risk-free interest rate	Expected dividend per share (DKK) at grant date	Expected term	Fair value per option at time of granting
2020	314.00	262.40	27.27%	-0.72%	9.00	3 years	19.67
2019, November	291.00	273.40	26.86%	-0.72%	11.00	27 months	25.28
2019, February	335.00	306.60	27.99%	-0.51%	9.00	3 years	34.19
2018	383.00	331.60	27.87%	-0.20%	11.00	3 years	30.48
2017	390.00	377.40	28.66%	-0.56%	8.00	3 years	54.00
2016	262.00	246.70	27.18%	-0.21%	5.00	4 years	35.66

The expected volatility for 2016 is based on the historic volatility for the past 4 years. The expected volatility for 2017 to 2020 is based on the historic volatility for the past three years. The risk free interest rate is for 2016 based on four year Danish government bonds and for 2017 to 2020 based on three year Danish government bonds.

[1] Other assurance engagements amounted to DKK 0.5m (2019: DKK 0.3m) and primarily include review of regulatory financial statements.

[2] Tax and VAT advice amounted to DKK 0.3m (2019: DKK 1.9m) and comprise advice in relation to acquisition of enterprises, review of tax return and employee tax assistance and compliance.

[3] Non-audit services amounted to DKK 0.3m (2019: DKK 1.1m) and comprise advice in relation to acquisition of enterprises and fees for other services.

5.3 Share options (continued)

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

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

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

159,939 Jubilee shares have been transferred during 2020 (2019: 5,600). The average weighted market price per share exercised in 2020 is DKK 237.31 (2019: DKK 288.63). Vesting of Jubilee shares is an income in the Income statement for 2020 of DKK 4m (2019: Expense of DKK 19m).

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

Employee recognition
In recognition of the contribution made by DFDS' employees in a year with exceptional challenges, the Board of Directors has 22 December 2020 awarded up to 50 shares free of charge to each employee. The shares will vest over a three-year period from January 2021 to December 2023. The shares are in most countries awarded as a phantom share programme whereby the entitled employees will receive a cash payment in December 2023 equal to the value of 50 DFDS shares. The total number of employees eligible for the award of shares is around 8,000 and the total value of awarded shares is around DKK 110m, which will be proportionally expensed in the Income statement under Employee costs over the vesting period.

Accounting policies

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

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

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

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

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

The share award programmes are recognised at fair value over the vesting period and expensed as staff cost. The accrual is recorded under Other payables or on equity depending on whether settlement is done in cash or shares, respectively.

5.4 Cash flow

DKK million	2020	2019
Non-cash operating items		
Change in provisions	15	5
Change in write-down of inventories for the year	16	3
Change in provision for defined benefit plans and jubilee obligations	8	11
Vesting of share option plans expensed in the Income statement	7	7
Non-cash operating items	**45**	**26**
Change in working capital		
Change in inventories	34	-22
Change in receivables, such as trade receivables, prepaid costs, etc.	196	-305
Change in current liabilities, such as trade payables, current account with joint ventures, etc.	-82	102
Change in working capital	**148**	**-224**

Accounting policies

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

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

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

Cash flow from operating activities is calculated on the basis of the profit/loss before amortisation and depreciation (EBITDA) and special items adjusted for the cash flow effect of special items, non-cash operating items, changes in working capital (such as trade payables, current account payables to joint ventures, trade receivables, prepaid costs, etc.), payments related to pensions and other provisions, payments relating to financial items and corporation tax paid.

Cash flow from investing activities includes payments in connection with the acquisition and disposal of enterprises and activities and of non-current intangible assets, tangible assets and investments.

Cash flow from financing activities includes changes in the size or composition of the Group's share capital, payment of dividends to shareholders, purchase of treasury shares, cash received from exercise of share options and the obtaining and repayment of bank loans and mortgage loans and other long-term and short-term debt. Payment of lease liablities is included under financing activities and the related interest is included as a financial item under operating activities.

Cash and cash equivalents comprise cash at banks and on hand.

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

Acquisitions 2021
On 26 January 2021 DFDS entered into an agreement to acquire HSF Logistics Group for a debt-free price of DKK 2.2bn (EUR 296m). Closing of the transaction is subject to regulatory approval and completion of required employee consultation processes.

Acquisitions 2020
Insignificant acquisitions
In March 2020 the acquisition of the UK logistics company Colley Brothers Ltd. headquartered in Grimsby was completed and the DFDS Group obtained control. DFDS paid DKK 18m for the acquired company. Cash in the acquired company amounted to DKK 3m and accordingly the liquidity effect was DKK 14m.

Acquisitions 2019
Acquisition - Huisman Group
In December 2019 the acquisition of the Dutch company Huisman Group BV headquartered in Wijchen was completed and the DFDS Group obtained control. The company has 104 employees and annual revenues of EUR 23m. After the acquisition the DFDS Group has 100% ownership of the acquired company and the acquired company is consolidated in the DFDS Group from 31 December 2019.
The acquisition is made by the subsidiary DFDS Holding B.V. and the acquired company is after the acquisition included in the Continent Business Unit.

DFDS paid DKK 77m for the acquired company. Cash in the acquired company amounted to DKK 10m and accordingly the liquidity effect in 2019 was DKK 67m. Trade receivables have been recognised at the acquisition date at a fair value of DKK 28m which is DKK 1m less than their gross value.

The goodwill is not deductible for tax purposes.

Transaction costs incurred were insignificant and were expensed in 2019 as part of Administration costs.

DKK million	Fair value at acquisition date
Non-current assets	97
Current assets	40
Total assets	**136**
Non-current liabilities	50
Current liabilities	47
Total liabilities	**98**
Fair value of acquired net assets	**39**
Total purchase price	
Cash consideration	77
Total purchase price	**77**
Goodwill at acquisition	**38**

Huisman Group did not contribute to the Group's total revenue or Group's profit before tax in 2019.

Acquisition – Freeco Logistics
In December 2019 the acquisition of the Finnish company Freeco Logistics headquartered in Turku was completed and the DFDS Group obtained control as from this date. The company has 31 employees and annual revenues of EUR 20m. After the acquisition the DFDS Group has 100% ownership of the acquired company and the acquired company is consolidated in the DFDS Group from 31 December 2019.

The acquisition is made by DFDS A/S and the acquired company is after the acquisition included in the Nordic Business Unit.

DFDS paid DKK 52m for the acquired company. Cash in the acquired company amounted to DKK 2m and accordingly the liquidity effect in 2019 was DKK 50m. In addition, an earn-out agreement was entered into according to which seller is entitled to additional payment based on the Freeco Logistics' financial performance for 2022 and 2023.

Trade receivables have been recognised at the acquisition date at a fair value of DKK 23m which is DKK 1m less than their gross value.

The goodwill is not deductible for tax purposes.

Transaction costs incurred were insignificant and were expensed in 2019 as part of Administration costs.

DKK million	Fair value at acquisition date
Non-current assets	46
Current assets	26
Total assets	**72**
Non-current liabilities	16
Current liabilities	28
Total liabilities	**44**
Fair value of acquired net assets	**27**
Total purchase price	
Cash consideration	52
Estimated value of earn-out	28
Total purchase price	**80**
Goodwill at acquisition	**53**

Freeco Logistics did not contribute to the Group's total revenue or Group's profit before tax in 2019.

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

Insignificant acquisitions
On 12 July 2019 the acquisition of stevedoring activities from the Belgium company Gezworen Wegers en Meters Surveys b.v.b.a. was completed and the DFDS Group obtained control as from this date. DFDS paid DKK 10m for the acquired acitivities. As DFDS is the main customer, the acquisition will not have material impact on the DFDS Group's revenue and result before tax. Furthermore the Group has acquired one associated company for DKK 4m.

Disposals 2019
During Q2 2019 the Group disposed two minor associated companies.

Acquisition of non-controlling interests
Acquisition of shares by DFDS A/S in AB DFDS Seaways during 2020 amounts to less than DKK 1m (2019: less than DKK 1m), equivalent to an ownership of 0.03% (2019: 0.1%) after which the company is owned 97.1% (2019: 97.1%). Badwill of less than DKK 1m (2019: Badwill of less than DKK 1m) is recognised directly in equity.

Accounting policies

Enterprises acquired or formed during the year are recognised in the Consolidated Financial Statements from the date of acquisition or formation. Enterprises disposed are recognised in the Consolidated Financial Statements until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

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

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

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

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Allocation of goodwill to cash-generating units is described in sections 3.1.1 and 3.1.5.

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

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

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

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

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

5.6 Guarantees, collateral and contingent liabilities

Guarantees amount to DKK 481m (2019: DKK 440m) for the Group. The Group has issued a guarantee for a terminal agreement. In addition, the Group has issued an unlimited guarantee to cover any obligations under a Payment Service Agreement for creditcard payments. The Group has issued letter of support to cover total underfundings in two defined benefit pension schemes in two English subsidiaries. The total underfunding amount to DKK 129m (2019: DKK 96m).

The Group is in 2020 as well as in 2019 part in various legal disputes. The outcome of these disputes is not considered likely to influence DFDS financial position significantly, besides what is already recognised in the balance sheet.

In one of the Group companies discovered in 2005, the Group has during 2020 cleaned contaminated land. As a part of the original purchase price for the company. the seller of the land have made a deposit on a bank account in DFDS' name which cover the cleaned contaminated land.

Certain ferries with a total carrying amount of DKK 6,946m (2019: DKK 6,173m) have been pledged as security for mortgage on ferries and bank loans with a total carrying amount of DKK 4,203m (2019: DKK 4,025m).

At year end 2020 DKK 147m (2019: DKK 108m) of the cash was deposited on restricted bank accounts.

Significant accounting estimates and assessments

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

5.7 Contractual commitments

DKK million	2020	2019
Contractual commitments, term 0-1 year	1,417	922
Contractual commitments, term 1-5 years	402	1,280
Contractual commitments, term after 5 years	527	492
Contractual commitments (undiscounted)	**2,346**	**2,694**

5.7 Contractual commitments (continued)

Contractual commitments in 2020 mainly relates to three new buildings on order. One freight ferry (ro-ro) for delivery in January 2021, and two freight and passenger ferries (ro-pax) for delivery in 2021-2022.

The Group has a contractual commitment for a non-cancellable lease contract for a freight and passenger ferry (ro-pax) with delivery in Q3 2021. The future lease payment for this lease contract amounts to DKK 31m for 0-1 year, DKK 251m for 1-5 years and DKK 429m after 5 years.

The Group also has a contractual commitment for a concession agreement in France regarding the Dieppe-Newhaven route for two chartered freight and passenger ferry (ro-pax). Further, contractual commitments includes a Vessel Share Agreement in Holland and a new headquarter in Denmark.

5.8 Related party transactions

Lauritzen Fonden, Copenhagen with a nominal shareholding of 42.4% exercises de facto control over DFDS A/S. Accordingly, the members of the Board of Directors and the Executive Board at Lauritzen Fonden as well as all companies owned by Lauritzen Fonden are related parties.

Furthermore, related parties comprise DFDS' Executive Board and Board of Directors, leading employees and close members of the family of those, DFDS' subsidiaries, associates and joint ventures, reference is made to note 5.10.

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

DKK million

2020	Sale of services	Purchase of services	Sale of assets	Receivables	Liabilities	Impairment loss of receivables
Associates and joint ventures	21	175	0	28	51	0
2019						
Associates and joint ventures	14	142	0	46	109	0

5.9 Covid-19 impact

Information about judgements made in relation to Covid-19 and the effects on the amounts recognised in the financial statement is included in the note.

DKK million		2020
Note	**Text**	
2.4 Employee cost	Government grants (Covid-19)[1]	122
2.4 Employee cost	Wages, salaries and remuneration	11
Total impact on EBITDA		**133**
2.6. Special Items	Termination cost in connection with restructuring[2]	-102
2.6 Special Items	Impairment of a passenger ferry and terminal[3]	-100
Total impact on EBIT		**-69**

Government grants
DFDS has taken part in various government compensation schemes following Covid-19. Wage compensation DKK 122m is reducing the staff costs in the Income statement and contributions from voluntary salary a reduction of DKK 11m are deducted in wages, salaries and remuneration.

Impairment testing
In relation to the underlying assumptions for Impairment testing in note 3.1.5, the outbreak of Covid-19 has been taken into consideration and lead to an impairment of a passenger ferry and terminal of DKK 100m.

Leases
The International Accounting Standards Board (IASB) has published 'Covid-19-Related Rent Concessions (Amendment to IFRS 16 leases) as of 28 May 2020, amending the standard to provide DFDS with an exemption from assessing whether a Covid-19 related rent concession is a lease modification. DFDS did not adopt the Covid-19 amendment and no reassessment nor renegotiations of rent concessions have taken place.

Dividend cancellation
Due to the reduced operational and financial visability caused by Covid-19 the Annual General Meeting held on 4 June 2020 decided not to pay out the proposed dividend of DKK 4.0 for the financial year 2019.

[1] Contributions from Government for wage subsidy are included in employee costs. DFDS took part in local schemes during 2020.

[2] Restructuring costs related to Covid-19 are included in special items and consist of termination costs related to employees made redundant.

[3] Due to continued travel restrictions an impairment loss of DKK 100m has been recognised under special items relating to the business unit "Passenger"

5.10 Events after the balance sheet date

On 26 January 2021 DFDS entered into an agreement to acquire HSF Logistics Group for a debt-free price of DKK 2.2bn (EUR 296m). Closing of the transaction is expected to take place in Q2 2021 subject to regulatory approval and completion of required employee consultation processes.

5.11 Company overview

Company	Ownership share 2020 [1]	Country	City	Currency	Share Capital
Parent Company					
DFDS A/S		Denmark	Copenhagen	DKK	1,172,631,560
Subsidiaries:					
DFDS Seaways NV [2]		Belgium	Gent	EUR	62,000
DFDS Logistics NV [2]		Belgium	Gent	EUR	297,472
DFDS Logistics Services NV		Belgium	Brugge	EUR	1,996,503
Gezworen Wegers en Meters Survey b.v.b.a.		Belgium	Gent	EUR	75,000
DFDS Logistics s.r.o. [2]		Czech Republic	Prague	CZK	1,100,000
DFDS Germany ApS [2]		Denmark	Copenhagen	DKK	50,000
DFDS Stevedoring A/S [2]		Denmark	Esbjerg	DKK	502,000
DFDS Seaways Newcastle Ltd.		England	Immingham	GBP	8,050,000
DFDS Seaways Plc. [2]		England	Immingham	GBP	40,250,000
DFDS Logistics Ltd. [2]		England	Immingham	GBP	150,000
DFDS Logistics Services Ltd. [2]		England	Immingham	GBP	100
DFDS Seaways (Holdings) Ltd. [2]		England	Immingham	GBP	250,000
DFDS Logistics Contracts Ltd.		England	Immingham	GBP	2,571,495
DFDS Pension Ltd.		England	Immingham	GBP	165,210
DFDS Logistics Grimsby Holdings Ltd.		England	Immingham	GBP	1,166
DFDS Logistics Property Ltd.		England	Immingham	GBP	250,000
Huisman International (UK) Ltd.		England	Corby	GBP	100
Colley Brothers limited		England	Grimsby	GBP	4,000
DFDS Seaways OÜ		Estonia	Tallinn	EUR	3,800
DFDS Logistics OÜ (Formerly named: Freeco OÜ) [2]		Estonia	Tallinn	EUR	3,000
DFDS Kotka OY (Formerly named: DFDS Logistics OY)		Finland	Kotka	EUR	58,866
DFDS Logistics OY (Formerly named: Freeco Logistics OY) [2]		Finland	Turku	EUR	2,520
DFDS Logistics SARL		France	Boulogne sur Mer	EUR	30,000
DFDS Seaways S.A.S. [2]		France	Dieppe	EUR	37,000
Dunes Bail SNC [3]		France	Paris	EUR	1,000
Flandres Bail SNC [3]		France	Paris	EUR	1,000
DFDS Germany ApS & Co. KG [2, 5]		Germany	Cuxhaven	EUR	25,000
DFDS Logistics Kft. (Formerly named: Alphatrans-Szállítás Kft)		Hungary	Gyula	HUF	3,000,000
DFDS Logistics Contracts (Ireland) Ltd. [2]		Ireland	Dublin	EUR	200
DFDS Seaways Ireland Limited [2]		Ireland	Dublin	EUR	100
Samer seaports & terminals SRL	60.00	Italy	Trieste	EUR	2,800,000
DFDS Logistics Baltic SIA		Latvia	Liepaja	EUR	113,886
DFDS Seaways SIA [2]		Latvia	Riga	EUR	99,645
AB DFDS Seaways [2]	97.03	Lithuania	Klaipeda	EUR	96,438,756
UAB Krantas Travel	97.03	Lithuania	Klaipeda	EUR	115,848

Company	Ownership share 2020 [1]	Country	City	Currency	Share Capital
NorthSea Terminal AS		Norway	Brevik	NOK	1,000,000
DFDS Logistics AS [2]		Norway	Lysaker	NOK	20,538,000
DFDS Logstics Rederi AS [2]		Norway	Oslo	NOK	49,980,000
DFDS Seaways AS [2]		Norway	Oslo	NOK	12,000,000
Moss Container Terminal AS		Norway	Moss	NOK	1,000,000
DFDS Polska Sp. Z.o.o. [2]		Poland	Poznan	PLN	5,000
DFDS Special Cargo Unipessoal LDA		Portugal	Porto	EUR	125,000
Romania Transport Group SRL		Romania	Tibod	RON	1,000
DFDS Logistics East		Russia	Kaliningrad	RUB	48,000
DFDS Seaways Ltd. [2]		Russia	St. Petersburg	RUB	6,134,121
DFDS Seaways Hispania SL [2]		Spain	Valencia	EUR	3,000
DFDS Seaways AB		Sweden	Gothenburg	SEK	25,000,000
DFDS Logistics AB		Sweden	Gothenburg	SEK	500,000
DFDS Logistics Contracts AB		Sweden	Gothenburg	SEK	50,000
DFDS Seaways Holding AB [2]		Sweden	Gothenburg	SEK	100,000
DFDS Logistics Services AB [2]		Sweden	Gothenburg	SEK	1,100,000
DFDS Logistics Karlshamn AB		Sweden	Karlshamn	SEK	1,800,000
DFDS Logistics Partners AB	85.00	Sweden	Gothenburg	SEK	1,000,000
DFDS Professionals AB		Sweden	Gothenburg	SEK	25,000
DFDS Logistics BV		the Netherlands	Vlaardingen	EUR	454,780
DFDS Seaways BV		the Netherlands	Vlaardingen	EUR	18,400
DFDS Holding BV		the Netherlands	Vlaardingen	EUR	40,000,000
DFDS Seaways IJmuiden BV [2]		the Netherlands	IJmuiden	EUR	18,000
Alphatrans International Trucking BV		the Netherlands	Brielle	EUR	18,000
Maxibas B.V.		the Netherlands	Wijchen	EUR	18,152
Huisman Group B.V.		the Netherlands	Wijchen	EUR	20,000
Huisman International B.V.		the Netherlands	Wijchen	EUR	15,882
Huisman International Transport B.V.		the Netherlands	Wijchen	EUR	18,152
Huisman Warehousing B.V.		the Netherlands	Wijchen	EUR	18,152
Huisman Network Logistics		the Netherlands	Wijchen	EUR	18,000
DFDS Turkey Denizcilik ve Tasi Yati AS		Turkey	Istanbul	EUR	342,000,000
DFDS Denizcilik ve Tasimacilik A.S.	98.80	Turkey	Istanbul	EUR	369,967,159
Trieste Newholdco Denizcilik ve Tasımacılık A.S.		Turkey	Istanbul	EUR	461,635,380
Trieste Holdco Denizcilik ve Tasımacılık A.S.		Turkey	Istanbul	EUR	464,440,121
Trieste Midco Denizcilik ve Tasımacılık A.S.		Turkey	Istanbul	EUR	475,242,795
Associates and Joint Ventures:					
Bohus Terminal Holding AB [4]	65.00	Sweden	Gothenburg	SEK	50,000
Mash Energy ApS [2]	23.08	Denmark	Kgs. Lyngby	DKK	51,000
9 Dormant companies					

[1] Unless otherwise indicated, the companies are 100% owned by DFDS Group.

[2] Company is directly owned by the Parent Company DFDS A/S.

[3] Company is controlled by DFDS Group, but DFDS Group has no ownership in the company.

[4] Due to minority protection in the shareholders' agreements the DFDS Group does not have a controlling interest.

[5] Relief in accordance with Sec. 264b German Commercial Code (HGB).

Reports

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and approved the Annual report of DFDS A/S for the financial year 1 January - 31 December 2020.

The Annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2020 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 2020.

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

In our opinion, the annual report with the file name DFDS-2020-12-31.zip is prepared in all material respects in accordance with the ESEF Regulation.

We recommend that the Annual report be adopted at the Annual General Meeting.

Copenhagen, 23 February 2021

EXECUTIVE BOARD

Torben Carlsen	**Karina Deacon**
President & CEO	*Executive Vice President & CFO*

BOARD OF DIRECTORS

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

Independent Auditors' Report

TO THE SHAREHOLDERS OF DFDS A/S

Report on the audit of the Consolidated Financial Statements and Parent Company Financial Statements

Opinion
We have audited the consolidated financial statements and the parent company financial statements of DFDS A/S for the financial year 1 January – 31 December 2020, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 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 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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

Appointment of auditor
We were initially appointed as auditor of DFDS A/S before 1995 and accordingly, we have to resign as auditor of the Company at the annual general meeting in 2021 at the latest. We have been reappointed annually by resolution of the general meeting for a total consecutive period of more than 25 years up to and including the financial year 2020.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2020. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Valuation of non-current intangible and tangible assets
Non-current intangible and tangible assets including investments in ferries and other ships, goodwill and other non-current intangible assets amounts to a total of DKK 18,635 million at 31 December 2020. Management's disclosures on the impairment testing of non-current intangible and tangible assets are included in note 3.1.5 to the consolidated financial statements.

This area is significant to our audit due to the carrying value of non-current intangible and tangible assets as well as the management assessments and estimations involved in impairment testing of these.

Management prepares impairment tests for all significant non-current assets at year-end, or more frequent if there is any indication of impairment. Impairment testing is based on the estimated recoverable amounts, which for investments in ferries and other ships is the higher of fair value less estimated costs of disposal and value in use. For other non-current intangible and tangible assets, the recoverable amount is estimated on basis of value in use. Value in use is calculated for the cash generating units determined by Management.

For details on the impairment tests performed by Management reference is made to note 3.1.5 in the consolidated financial statements.

How our audit addressed the Key Audit Matter
Our audit procedures in relation to valuation of non-current assets included:

- Examination of the value-in-use model prepared by Management, including consideration of the cash-generation units defined by Management and the valuation methodology and challenging the reasonableness of key assumptions and input data based on our knowledge of the business and industry together with available supporting evidence such as available budgets and externally observable market data related to interest rates etc.
- For investments in ferries and other ships testing of the component accounting and comparison of the useful life and scrap values used with assessments made and data provided by DFDS' technical department and other sources as well as inquiries to DFDS' Management and DFDS' technical department.
- Examination of fair value less costs to sell for ferries and other ships calculated by Management, including comparison of carrying values of the ferries and other ships with available valuations prepared by external and independent ship valuation experts.
- Examination of the adequacy of disclosures about key assumptions and sensitivity in note 3.1.5 to the consolidated financial statements.

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

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

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

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

Independent Auditors' Report (continued)

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on compliance with the ESEF Regulation

As part of our audit of the financial statements of DFDS A/S we performed procedures to express an opinion on whether the annual report for the financial year 1 January – 31 December 2020 with the file name DFDS-2020-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report for the financial year 1 January – 31 December 2020 with the file name DFDS-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation

Copenhagen, 23 February 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender	Morten Weinreich Larsen
State Authorised	State Authorised
Public Accountant	Public Accountant
mne21332	mne42791

Parent Financial Statements

Income statement 1 January – 31 December

DKK million	Note	2020	2019
Revenue	1	7,385	9,757
Costs:			
Ferry and other ship operation and maintenance	2	-1,594	-2,459
Freight handling		-2,104	-2,186
Transport solutions		-304	-357
Employee costs	3	-1,027	-1,229
Cost of sales and administration	4	-598	-801
Operating profit before depreciation (EBITDA) and special items		**1,758**	**2,727**
Profit on disposal of non-current assets, net		2	1
Amortisation, depreciation and impairment losses on intangible-, tangible assets and Right-of-use assets	5	-1,655	-1,717
Operating profit (EBIT) before special items		**104**	**1,011**
Special items, net	6	-172	106
Operating profit (EBIT)		**-68**	**1,117**
Financial income	7	421	64
Financial costs	7	-218	-129
Profit before tax		**135**	**1,052**
Tax on profit	8	5	-3
Profit for the year		**140**	**1,049**
Proposed profit appropriation			
Proposed dividend, DKK 0.0 per share (2019: DKK 0.0 per share)		0[1]	235[2]
Retained earnings		140	814
		140	**1,049**

[1] The Board of Directors proposes to the 2021 Annual General Meeting that no dividends are paid in 2021.

[2] Due to the reduced operational and financial visability caused by Covid-19 the Annual General Meeting held on 4 June 2020 decided not to pay out the proposed dividend of DKK 4.0 for the financial year 2019.

Statement of comprehensive income 1 January – 31 December

DKK million	Note	2020	2019
Profit for the year		**140**	**1,049**
Other comprehensive income			
Items that are or may subsequently be reclassified to the Income statement:			
Value adjustment of hedging instruments for the year		-103	169
Value adjustment transferred to operating costs		6	12
Value adjustment transferred to financial costs		17	20
Value adjustment transferred to non-current tangible assets		-38	-113
Foreign exchange adjustments, goodwill		1	-1
Foreign exchange adjustments, foreign branches		-6	8
Tax on items that are or may be reclassified to the income statement	8	-2	2
Items that are or may subsequently be reclassified to the Income statement		**-127**	**98**
Total other comprehensive income after tax		**-127**	**98**
Total comprehensive income		**13**	**1,147**

Balance sheet 31 December Assets

DKK million	Note	2020	2019
Goodwill		116	116
Software		229	228
Development projects in progress		55	25
Non-current intangible assets	**9**	**400**	**368**
Land and buildings		1	1
Terminals		19	22
Ferries and other ships		4,445	3,906
Equipment, etc.		160	130
Assets under construction and prepayments		834	813
Non-current tangible assets	**10**	**5,458**	**4,872**
Right-of-use assets	11	1,404	1,839
Non-current Right-of-use assets		**1,404**	**1,839**
Investments in subsidiaries	12	6,756	5,920
Investments in associates, joint ventures and securities		14	14
Receivables	13	276	3
Prepaid costs		16	0
Derivative financial instruments	24	70	230
Other non-current assets		**7,131**	**6,166**
Non-current assets		**14,393**	**13,246**
Inventories	14	104	152
Receivables	13	1,753	2,878
Prepaid costs		68	94
Derivative financial instruments	24	144	70
Cash		735	656
Current assets		**2,806**	**3,850**
Asset classified as held for sale		37	0
Total current assets		**2,842**	**3,850**
Assets		**17,236**	**17,095**

Balance sheet 31 December Equity and liabilities

DKK million	Note	2020	2019
Share capital	17	1,173	1,173
Reserves		402	493
Retained earnings		7,808	7,440
Proposed dividend		0	235
Equity		**9,382**	**9,339**
Interest-bearing liabilities	20	2,898	2,955
Deferred tax	16	5	4
Pension and jubilee liabilities	18	7	8
Other provisions	19	34	33
Derivative financial instruments	24	149	69
Non-current liabilities		**3,093**	**3,069**
Interest-bearing liabilities	20	3,320	3,022
Trade payables		740	1,027
Other provisions	19	3	9
Corporation tax		0	4
Other payables	22	540	477
Derivative financial instruments	24	52	19
Prepayments from customers		105	130
Current liabilities		**4,762**	**4,687**
Liabilities		**7,854**	**7,756**
Equity and liabilities		**17,236**	**17,095**

Statement of changes in equity 1 January – 31 December 2020

		Reserves						
	Share capital	Translation reserve	Hedging reserve	Reserve for development costs	Treasury shares	Retained earnings	Proposed dividend	Total
Equity at 1 January 2020	**1,173**	**1**	**266**	**254**	**-28**	**7,440**	**235**	**9,339**
Comprehensive income for the year								
Profit for the year						140		**140**
Other comprehensive income								
Items that are or may subsequently be reclassified to the Income Statement:								
Value adjustment of hedging instruments for the year			-103					**-103**
Value adjustment transferred to operating costs			6					**6**
Value adjustment transferred to financial costs			17					**17**
Value adjustment transferred to non-current assets			-38					**-38**
Tax on items that are or may be reclassified to the income statement						-2		**-2**
Foreign exchange adjustments, goodwill						1		**1**
Foreign exchange adjustments, foreign branches		-6						**-6**
Items that are or may subsequently be reclassified to the Income statement	**0**	**-6**	**-119**	**0**	**0**	**-1**	**0**	**-127**
Total other comprehensive income after tax	**0**	**-6**	**-119**	**0**	**0**	**-1**	**0**	**-127**
Total comprehensive income	**0**	**-6**	**-119**	**0**	**0**	**-1**	**0**	**-127**
Transactions with owners								
Cancellation of proposed dividend at year-end 2019 [1)]						235	-235	**0**
Proposed dividend at year-end [2)]								
Vested share-based payments						8		**8**
Sale of treasury shares					1	19		**20**
Cash from sale of treasury shares related to exercise of share options					2	-1		**1**
Capitalised development costs, additions				32		-32		**0**
Total transactions with owners 2020	**0**	**0**	**0**	**32**	**3**	**229**	**-235**	**29**
Equity at 31 December 2020	**1,173**	**-5**	**147**	**285**	**-25**	**7,808**	**0**	**9,382**

The Company's share capital, which is not divided into different classes of shares, is divided into 58,631,578 shares of DKK 20 each. All shares rank equally. There are no restrictions on voting rights. The shares are fully paid up.

The Board of Directors proposes to the 2021 Annual General Meeting that no dividends are paid in 2021.

1) Due to the reduced operational and financial visability caused by Covid-19 the Annual General Meeting held on 4 June 2020 decided not to pay out the proposed dividend of DKK 4.0 for the financial year 2019.

Statement of changes in equity 1 January – 31 December 2019

		Reserves						
	Share capital	Translation reserve	Hedging reserve	Reserve for development costs	Treasury shares	Retained earnings	Proposed dividend	Total
Equity at 1 January 2019	**1,173**	**-6**	**177**	**235**	**-29**	**6,634**	**235**	**8,417**
Change in accounting policies [1]						-26		-26
Restated Equity at 1 January 2019	**1,173**	**-6**	**177**	**235**	**-29**	**6,607**	**235**	**8,390**
Comprehensive income for the year								
Profit for the year						1,049		1,049
Other comprehensive income								
Items that are or may subsequently be reclassified to the Income Statement:								
Value adjustment of hedging instruments for the year			169					169
Value adjustment transferred to operating costs			12					12
Value adjustment transferred to financial costs			20					20
Value adjustment transferred to non-current assets			-113					-113
Tax on items that are or may be reclassified to the income statement						2		2
Foreign exchange adjustments, goodwill						-1		-1
Foreign exchange adjustments, foreign branches		8						8
Items that are or may subsequently be reclassified to the Income statement	**0**	**8**	**89**	**0**	**0**	**1**	**0**	**98**
Total other comprehensive income after tax	**0**	**8**	**89**	**0**	**0**	**1**	**0**	**98**
Total comprehensive income	**0**	**8**	**89**	**0**	**0**	**1,050**	**0**	**1,147**
Transactions with owners								
Dividend paid							-229	-229
Dividend on treasury shares						6	-6	0
Proposed dividend at year-end						-235	235	0
Vested share-based payments						25		25
Cash from sale of treasury shares related to exercise of share options					1	6		7
Capitalised development costs, additions				18		-18		0
Other adjustments						-1		-1
Total transactions with owners 2019	**0**	**0**	**0**	**18**	**1**	**-217**	**0**	**-198**
Equity at 31 December 2019	**1,173**	**1**	**266**	**254**	**-28**	**7,440**	**235**	**9,339**

The Company's share capital, which is not divided into different classes of shares, is divided into 58,631,578 shares of DKK 20 each. All shares rank equally.

There are no restrictions on voting rights. The shares are fully paid up.

[1] Impact from implementation of IFRS 16, reference is made to note 11.

Statement of cash flows 1 January – 31 December

DKK million	Note	2020	2019
Operating profit before depreciation (EBITDA) and special items		**1,758**	**2,727**
Cash flow effect from special items related to operating activities		-44	-28
Adjustments for non-cash operating items, etc.	25	23	12
Change in working capital	26	-132	101
Payment of pension liabilities and other provisions		-1	-2
Cash flow from operating activities, gross		**1,603**	**2,810**
Interest received, etc.		39	52
Interest paid, etc.		-72	-75
Taxes paid		0	0
Cash flow from operating activities, net		**1,570**	**2,786**
Investments in ferries and other ships including dockings, rebuildings and ferries under construction (incl. settlement of forward exchange contracts related thereto)		-1,178	-1,497
Sale of ferries including payments received from sale of ferries last year		678	467
Investments in other non-current tangible assets		-37	-246
Sale of other non-current tangible assets		2	3
Investments in non-current intangible assets		-67	-64
Other investing cash flows		-146	0
Acquisition of enterprises and associates		0	-56
Group internal acquisition of enterprises		0	-25
Capital contributions to subsidiaries, etc.	12	-846	-1
Dividends received from subsidiaries		243	26
Cash flow to/from investing activities, net		**-1,350**	**-1,393**
Cash flow before financing activities, net		**219**	**1,394**

DKK million	Note	2020	2019
Proceed from bank loans and loans secured by mortgage in ferries and other ships	21	1,016	794
Repayment and instalments on bank loans and loans secured by mortgage in ferries and other ships	21	-482	-564
Proceed from issuance of corporate bonds	21	0	304
Repayment of corporate bonds incl. settlement of cross currency swap	21	0	-500
Payment of lease liabilities	21	-1,131	-1,209
Change in Group internal financing, net	21	496	78
Proceeds from sale of treasury shares		20	0
Cash received from exercise of share options		1	7
Other financing cash flows		-60	0
Dividends paid		0	-229
Cash flow to/from financing activities, net		**-140**	**-1,318**
Net increase/(decrease) in cash and cash equivalents		**79**	**75**
Cash and cash equivalents at 1 January		656	581
Cash and cash equivalents at 31 December		**735**	**656**

At 31 December 2020 no cash (2019: no cash) was deposited on restricted bank accounts.

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

Notes

Note 1 Revenue

DKK million	Ferry Division	Logistics Division	Non-allocated	2020 Total
Geographical markets				
North Sea	3,815	-	0	3,815
Baltic Sea	1,246	-	0	1,246
English Channel	1,762	-	0	1,762
Continent	-	290	0	290
Nordic	-	232	0	232
Other	0	0	41	41
Total	**6,823**	**521**	**41**	**7,385**
Product and services				
Seafreight and shipping logistics solutions	5,307	0	0	5,306
Transport solutions	15	422	0	437
Passenger seafare and on board sales	925	0	0	925
Terminal services	93	0	0	94
Charters including related income	335	0	0	335
Agency and other revenue	148	100	41	289
Total	**6,823**	**521**	**41**	**7,385**

Revenue includes revenue recognised from contracts with customers in accordance with IFRS 15 and other revenue (leasing activities). Revenue from leasing activities amounts to DKK 335m (2019: DKK 347).

On board sales 4.2% of total revenue (2019 11.3%) is recognised at "a point in time".

DKK million	Ferry Division	Logistics Division	Non-allocated	2019 Total
Geographical markets				
North Sea	5,363	-	0	5,363
Baltic Sea	1,430	-	0	1,430
English Channel	2,319	-	0	2,319
Mediterranean	35	-	0	35
Continent	-	308	0	308
Nordic	-	262	0	262
Other	0	0	40	40
Total	**9,147**	**569**	**40**	**9,757**
Product and services				
Seafreight and shipping logistics solutions	5,937	0	0	5,937
Transport solutions	15	469	0	484
Passenger seafare and on board sales	2,520	0	0	2,520
Terminal services	195	0	0	195
Charters including related income	347	0	0	347
Agency and other revenue	133	100	40	274
Total	**9,147**	**569**	**40**	**9,757**

Note 2 Costs

DKK million	2020	2019
Ferry and other ship cost including charters related cost	724	1,027
Bunker	870	1,432
Total ferry and other ship operation and maintenance	**1,594**	**2,459**

Note 3 Employee costs

DKK million	2020	2019
Wages, salaries and remuneration	960	1,070
Hereof capitalised employee costs	-46	-50
Defined contribution pension plans	66	67
Other social security costs	48	49
Share based payment, reference is made to note 16	6	7
Other employee costs	62	86
Government grants (Covid-19)	-69	-
Total employee costs	**1,027**	**1,229**
Full time equivalents (FTE), average	2,476	2,666

Reference is made to note 5.1 of the Consolidated Financial Statements for a description of the Parent Company's remuneration, etc. to the Executive Board and remuneration to the Board of Directors as these are the same for the Parent Company and the Group.

Note 4 Fees to Auditors appointed at the Annual General Meeting

DKK million	2020	2019
Audit fees	1	2
Other assurance engagements	0	0
Tax and VAT advice	0	2
Non-audit services	0	1
Total fees	**2**	**5**

In relation to fees for services other than statutory audit of the Financial Statements provided by ERNST & YOUNG Godkendt Revisionspartnerselskab, Denmark reference is made to the Consolidated Financial Statements note 5.2.

Note 5 Amortisation and depreciation for the year

DKK million	2020	2019
Software	35	46
Terminals	3	3
Ferries and other ships	455	437
Equipment etc.	32	28
Right-of-use assets	1,129	1,203
Total amortisation and depreciation for the year	**1,655**	**1,717**

Note 6 Special items, net

DKK million	2020	2019
Gain regarding group internal sale of the ro-ro freight ferries Ephesus Seaways and Troy Seaways and adjustment to gain on sale of Côte Des Dunes and Côte Des Flandres (sold in 2017)	0	109
Gain on sale of freight ferry Anglia Seaways, net	0	29
Impairment of a passenger ferry and a terminal in the business unit Passenger	-100	0
Termination cost in connection with restructuring	-39	0
Impairment of a freight ferry made in connection with reclassification to asset held for sale	-33	0
Costs related to the acquisition and subsequent integration of U.N. Ro-Ro	0	-2
Accrual of the total estimated costs (estimated fair value) related to the DFDS shares awarded to DFDS employees as a special one-off award in connection with DFDS' 150 years anniversary in December 2016. The costs will accrue from December 2016 to February 2020	0	-5
Accounting loss and costs related to disposal of two associated companies	0	-8
Costs related to organisational changes and restructurings	0	-17
Special items, net	**-172**	**106**
If special items had been included in the operating profit before special items, they would have been recognised and have effect as follows:		
Employee costs	-39	-2
Cost of sales and administration	0	-27
Operating profit before depreciation (EBITDA) and special items	**-39**	**-29**
Profit on disposal of non-current assets and associates, net	0	135
Amortisation, depreciation, and impairment losses on intangible - and tangible assets	-133	0
Financial income/costs	0	0
Special items, net	**-172**	**106**

Note 7 Financial income and costs

DKK million	2020	2019
Financial income		
Interest income from banks, etc.	4	2
Interest income from subsidiaries	26	36
Foreign exchange gains, net [1]	3	0
Reversal of impairment of investments in subsidiaries [2]	145	0
Dividends received from subsidiaries	243	26
Total financial income	**421**	**64**
Financial costs		
Interest expense to banks, credit institutions, corporate bonds, etc.	-43	-41
Interest expense on lease liabilities [4]	-20	-26
Interest expense to subsidiaries	0	-2
Foreign exchange gains, net [1]	0	-3
Impairment of investments in subsidiaries [2]	-156	-60
Other financial costs	-9	-8
Transfer to assets under construction [3]	10	10
Total financial costs	**-218**	**-129**
Financial income and costs, net	**203**	**-65**

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

Except for interest income (net) relating to interest swap agreements of DKK 4m (2019: DKK 9m) interest income and interest expenses relate to financial instruments measured at amortised cost.

Other financial costs contain bank charges, fees, early re-payment fees, commitment fees and creditline fee.

Note 8 Tax

DKK million	2020	2019
Current joint tax contributions	-4	-1
Movement in deferred tax for the year	-1	-1
Adjustment to corporation tax in respect of prior years	8	0
Tax for the year	**3**	**-1**
Tax for the year is recognised as follows:		
Tax in the Income statement	5	-3
Tax in Other comprehensive income	-2	2
Tax for the year	**3**	**-1**
Tax in the Income statement can be specified as follows:		
Profit before tax	135	1,052
Adjustment regarding tonnage taxed income	78	-1,107
Profit before tax (corporate income tax)	**213**	**-55**
22.0% tax of profit before tax	-47	12
Adjustment of calculated tax in foreign branches compared to 22.0%	0	0
Tax effect of:		
Non-taxable/-deductible items [5]	46	-13
Adjustments of tax in respect of prior years	8	0
Corporate income tax	**8**	**0**
Tonnage tax	-3	-2
Tax in the Income statement	**5**	**-3**
Effective tax rate (%)	3.9	0.3
Effective tax rate before adjustment of prior years' tax (%)	2.3	0.3

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

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

[1] Foreign exchange gains in 2020 amount to DKK 191m (2019: DKK 89m) and foreign exchange losses amount to DKK 188m (2019: DKK 92m).

[2] Reference is made to note 31.

[3] Interest capitalised on three newbuildings under construction (2019: five newbuildings). The interest is calculated by using a general interest rate of 1.30% p.a. (2019: 0.87% - 1.30% p.a.).

[4] Reference is made to note 11.

[5] 2019: Primarily relates to write-down of investment in subsidiaries and adjustments regarding financial items. 2020: Primarily relates to tax exempt dividends from subsidiaries and write-down of investment in subsidiaries.

Note 9 Non-current intangible assets

DKK million	Goodwill	Software	Development projects in progress	Total
Cost at 1 January 2020	116	503	25	643
Foreign exchange adjustments	1	0	0	1
Additions	0	0	67[1]	67
Disposals	0	0	0	0
Transfers	0	36	-36	0
Cost at 31 December 2020	**116**	**539**	**55**	**711**
Amortisation and impairment losses at 1 January 2020	0	275	0	275
Amortisation charge	0	35	0	35
Disposals	0	0	0	0
Amortisation and impairment losses at 31 December 2020	**0**	**310**	**0**	**310**
Carrying amount at 31 December 2020	**116**	**229**	**55**	**400**

DKK million	Goodwill	Software	Development projects in progress	Total
Cost at 1 January 2019	116	524	2	643
Foreign exchange adjustments	-1	0	0	-1
Additions	0	1	63[1]	64
Disposals	0	-62	0	-62
Transfers	0	40	-40	0
Cost at 31 December 2019	**116**	**503**	**25**	**643**
Amortisation and impairment losses at 1 January 2019	0	291	0	291
Amortisation charge	0	45	0	46
Disposals	0	-62	0	-62
Amortisation and impairment losses at 31 December 2019	**0**	**275**	**0**	**275**
Carrying amount at 31 December 2019	**116**	**228**	**25**	**368**

Note 9 Non-current intangible assets (continued)

The Parent Company's carrying amount of Goodwill DKK 116m (2019: DKK 116m) relates to the acquisition of two freight- and passenger routes in 2016 and 2011, respectively, and one freight route in 2005.

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

For further information regarding the impairment tests reference is made to note 3.1.5.

Note 10 Non-current tangible assets

DKK million	Land and buildings	Terminals	Ferries and other ships	Equipment etc.	Assets under construction and pre-payments	Total
Cost at 1 January 2020	11	65	8,280	392	813	9,560
Foreign exchange adjustments	0	0	-6	0	0	-6
Additions	0	0	82[3]	12	1,131[2]	1,225
Disposals	0	0	-124	-13	0	-137
Transfers	0	0	1,058	52	-1,110	0
Transferred to assets clasified as held for sale	0	0	-119[4]	0	0	-119
Cost at 31 December 2020	**11**	**64**	**9,171**	**443**	**834**	**10,523**
Depreciation and impairment losses at 1 January 2020	10	43	4,373	262	0	4,688
Foreign exchange adjustments	0	0	-2	0	0	-2
Depreciation charge	0	3	455	32	0	491
Impairment charge	0	0	105[5]	0	0	105
Disposals	0	0	-124	-11	0	-135
Transferred to assets clasified as held for sale	0	0	-81[4]	0	0	-81
Depreciation and impairment losses at 31 December 2020	**10**	**46**	**4,726**	**283**	**0**	**5,065**
Carrying amount at 31 December 2020	**1**	**19**	**4,445**	**160**	**834**	**5,458**

1) Related to the implementation of the new ERP system (DKK 32m), which is planned to go live in 2021, and other operational systems (DKK 35m).

2) Primarily related to the large new-buildings program. Two freight ferries were deployed in February and October 2020. The last one is scheduled for delivery in Q1 2021. One freight and one passenger ferry (ro-pax) are on order for delivery in 2021-2022.

3) Primarily related to the Group internal purchase of one freight ferry (ro-ro).

4) The transfer relates to the ferry Ark Futura, which is classified as held for sale.

5) An impairment of DKK 33m on Ark Futura and DKK 72m on Crown Seaways have been recognised in special items.

Note 10 Non-current tangible assets (continued)

DKK million

	Land and buildings	Terminals	Ferries and other ships	Equipment etc.	Assets under construction and pre-payments	Total
Cost at 1 January 2019	11	64	7,834	395	836	9,140
Additions	0	0	0	40[3]	1,538[1]	1,578
Disposals	0	0	-1,115[2]	-43	0	-1,158
Transfers	0	0	1,560	0	-1,561	0
Cost at 31 December 2019	**11**	**65**	**8,280**	**392**	**813**	**9,560**
Depreciation and impairment losses at 1 January 2019	9	40	4,166	274	0	4,489
Depreciation charge	0	3	437	28	0	468
Disposals	0	0	-229	-40	0	-269
Depreciation and impairment losses at 31 December 2019	**10**	**43**	**4,373**	**262**	**0**	**4,688**
Carrying amount at 31 December 2019	**1**	**22**	**3,906**	**130**	**813**	**4,872**

For further information regarding the impairment tests, reference is made to the Consolidated Financial Statements note 3.1.5.

Note 11 Leases

The Parent Company has lease contracts for various items of Land & buildings, Terminals, Ferries, Equipment etc. in its operations. The Parent Company oblitations under the leases are secured by the lessors title to the leased assets.

There are several lease contracts that include extension and termination options. Set out below are the carrying amounts of Right-of-use assets recognised and the movements during the period.

DKK million

	Land and buildings	Terminals	Ferries and other ships	Equipment etc.	Total
Cost at 1 January 2020	58	53	2,813	68	2,991
Additions/Remeasurement	5	4	793	0	801
Disposals	0	0	-375	-5	-380
Foreign exchange adjustments	0	0	-3	0	-3
Cost at 31 December 2020	**62**	**57**	**3,228**	**63**	**3,409**
Depreciation and impairment losses at 1 January 2020	19	9	1,111	14	1,152
Depreciation charge	20	10	1,086	13	1,129
Impairment charges	0	28 [4]	0	0	28
Disposals	0	0	-297	-5	-302
Foreign exchange adjustments	0	0	-2	0	-2
Depreciations and impairment losses 31 December 2020	**38**	**48**	**1,897**	**22**	**2,006**
Carrying amount at 31 December 2020	**24**	**9**	**1,331**	**40**	**1,404**

[1] Primarily related to the large new-building program. In 2019, three freight ferries (ro-ro) were deployed in March, June and November, respectively.

[2] Primarily related to the internal sale of two freight ferries (ro-ro) to Un RoRo and sale of the freight ferry Anglia Seaways.

[3] Primarily related to acquisition of reefers and trestles.

[4] An impairment of DKK 28m has been recognised in special items, on a terminal in the business unit Passenger.

Note 11 Leases (continued)

DKK million	Land and buildings	Terminals	Ferries and other ships	Equipment etc.	Total
Cost at 1 January 2019	-	-	-	-	-
Change in accounting policy	27	53	1,782	26	1,888
Additions/Remeasurement	31	0	1,081	47	1,160
Disposals	-1	0	-50	-6	-57
Cost at 31 December 2019	**58**	**53**	**2,813**	**68**	**2,991**
Depreciation and impairment losses at 1 January 2019	-	-	-	-	-
Depreciation charge	19	9	1,160	14	1,203
Disposals	0	0	-50	-1	-51
Depreciations and impairment losses 31 December 2019	**19**	**9**	**1,111**	**14**	**1,152**
Carrying amount at 31 December 2019	**39**	**44**	**1,702**	**54**	**1,839**
Weighted average incremental borrowing rate	2.0%	2.7%	1.5%	2.2%	

Set out below are the carrying amounts of lease liabilities (included under interest-bearing liabilities) and the movements during the period.

DKK million	2020	2019
As at 1 January	1,859	-
Change in accounting policy	-	1,914
Additions/Remeasurement	802	1,160
Payments/installments	-1,131	-1,209
Disposals	-80	6
Foreign exchange adjustments	-1	0
Total Lease liailities at 31 December	**1,450**	**1,859**

In 2020 the Parent company has paid DKK 1,151m (2019: DKK 1,235m) regarding lease agreements whereof interest expenses related to lease liabilities amount to DKK 20m (2019: DKK 26m), and repayment of lease liability amount to DKK 1,131m (2019: 1,209m).

Lease liabilities

Lease liabilities expiring within the following periods from the balance sheet date:

DKK million	2020	2019
Within 1 year	1,156	1,132
1-3 Years	289	720
3-5 Years	14	29
After 5 years	9	11
Total Lease liability, non-discounted	**1,467**	**1,892**

Lease liabilities are recognised in the balance sheet as follows:

DKK million	2020	2019
Non-current liabilities	307	747
Current liabilities	1,143	1,112
Total Lease liabilities	**1,450**	**1,859**

The following amounts are recognised in the Income statement:

DKK million	2020	2019
Expense relating to short-tem leases (included in cost and cost of sales and administration)	0	-2
Expense relating to low-value assets (included in cost of sales and administration)	-1	-1
Variable lease payments	0	0
Interest expense on lease liabilities	-20	-26
Depreciation, ships	-1,086	-1,160
Depreciation, other non-current assets	-43	-43
Total amount recognised in the Income statement	**-1,150**	**-1,232**

The following amounts from leases are recognised in the statement of cash flows:

DKK million	2020	2019
Net cash flows from operating activities, gross	-1	-3
Interest paid, etc	-20	-26
Net cash flows from operating activities, net	-21	-29
Net cash flows from financing activities	-1,131	-1,209
Total cash outflow from Leases	**-1,152**	**-1,238**

Note 11 Leases (continued)

There are no material impact on other comprehensive income. At 31 December 2020 the Parent Company was committed to short-term leases where the total commitment was DKK 0m (2019: DKK 1m). The Parent Company has no lease contracts including fixed- and variable payments.

The Parent Company as a lessor
The Parent Company has entered into several operating leases of its ferries. Future minimum receivable under non-cancellable operating leases as at 31 December are as follows:

Operating Lease commitments (lessor)

DKK million	2020	2019
Minimum Lease payments (income)		
Ferries and equipment		
0-1 year	309	273
1-5 years	304	161
Total ferries and equipment	**613**	**434**

The specified minimum payments are not discounted. Operating lease- and rental Income recognised in the Income statement amount to DKK 335m in 2020 (2019: DKK 347m). The contracts are entered into on usual conditions.

Note 12 Investments in subsidiaries

DKK million	2020	2019
Cost at 1 January	6,243	6,126
Additions [1]	848	117
Cost at 31 December	**7,091**	**6,243**
Accumulated impairment losses at 1 January	-324	-264
Impairment losses [2]	-156	-60
Reversal of prior year impairment losses	145	0
Accumulated impairment losses at 31 December	**-335**	**-324**
Carrying amount at 31 December	**6,756**	**5,920**

Reference is made to the Company Overview in the Consolidated Financial Statements note 5.10. The carrying amount of investments in subsidiaries is tested for impairment at least at year-end.

Note 13 Receivables

DKK million	2020	2019
Other non-current receivables	15	3
Interest bearing receivables from subsidiaries	261	0
Total non-current receivables	**276**	**3**
Trade receivables	600	645
Non-Interest bearing receivables from subsidiaries	0	715
Interest bearing receivables from subsidiaries [3]	493	983
Other non-interest bearing receivables from subsidiaries	206	216
Receivables from associates and joint ventures	27	46
Other receivables and current assets	427	273
Total current receivables	**1,753**	**2,878**

The carrying amount of receivables is in all material respects equal to the fair value. None of the trade receivables with collateral are overdue at 31 December 2020 (2019: none). The collateral consists of bank guarantees with a fair value of DKK 0m (2019: DKK 0m).

DKK million	2020	2019
Trade receivables that are past due, but not impaired:		
Days past due:		
Up to 30 days	66	123
31-60 days	4	12
61-90 days	1	7
91-120 days	1	2
More than 120 days	2	-2
Past due, but not impaired	**74**	**142**
Movements in write-downs, which are included in the trade receivables:		
Write-downs at 1 January	13	25
Write-downs	6	4
Realised losses	-1	-10
Reversed write-downs	-3	-6
Write-downs at 31 December	**16**	**13**

[1] 2020: Additions relates to capital injection in two subsidiaries (DKK 846m), acquisition of minority shares in AB DFDS Seaways (less than DKK 1m) and recharge of cost of jubilee shares to subsidiaries (DKK 1m).

[2] Reference is made to note 31.

[3] The carrying amount of Interest bearing receivables from subsidiaries relates to current credit facilities that are made available to subsidiaries. Receivables from subsidiaries are impaired by DKK 0m at 31 December 2020 (2019: DKK 0m).

Note 13 Receivables (continued)

DKK million	2020	2019
Age distribution of write-downs:		
Days past due:		
Up to 30 days	1	0
31-60 days	0	0
61-90 days	0	1
91-120 days	0	0
More than 120 days	14	12
Write-downs at 31 December	**16**	**13**

Write-downs and realised losses are recognised in Ferry and other ship operation and maintenance costs in the Income statement.

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

Note 14 Inventories

DKK million	2020	2019
Bunker	55	81
Goods for sale	59	74
Write-down of inventories end of year	-10	-3
Total inventories	**104**	**152**

Write-down of inventories expensed during the year amounts to DKK 16m (2019: DKK 3m).

Note 15 Treasury shares

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

Note 16 Deferred tax

DKK million	Land and buildings, terminals and other equipment	Provisions	Tax loss carried forward	Total
2020				
Deferred tax at 1 January	4	0	0	4
Recognised in the Income statement	1	0	0	1
Deferred tax at 31 December, net	**5**	**0**	**0**	**5**
2019				
Deferred tax at 1 January	4	0	0	3
Recognised in the Income statement	**1**	**0**	**0**	**1**
Deferred tax at 31 December, net	**4**	**0**	**0**	**4**

DKK million	2020	2019
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (assets)	0	0
Deferred tax (liabilities)	5	4
Deferred tax at 31 December, net	**5**	**4**

By joining the tonnage taxation scheme, DFDS A/S is subject to the requirements of the scheme until 2021. During the period covered by the tonnage tax scheme ferries and other ships, and other assets and liabilities related to the tonnage taxed activities owned by DFDS A/S is deemed maximum depreciated for tax purposes. Hence, if DFDS A/S withdraws from the tonnage taxation scheme, deferred tax liability in the amount of maximum DKK 455m (2019: DKK 473m) may be recognised. DFDS A/S is not expected to withdraw from the scheme and consequently no deferred tax relating to assets and liabilities subject to tonnage taxation has been recognised.

Note 17 Share options

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

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

In total 2,469 employees are at award date entitled to the shares. Based on historical attrition rates for each country the total expected number of shares to be transferred to the employees is 53,300 with a total fair value of DKK 16m, which is expensed under Special items over the vesting period.

43,968 Jubilee shares have been transferred during 2020 (2019: 870). The average weighted market price per share exercised in 2020 is DKK 243.03 (2019: DKK 284.85). Vesting of Jubilee shares is expensed in the Income statement for 2020 with DKK 0m (2019: DKK 6m).

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

Employee recognition
In recognition of the contribution made by DFDS' employees in a year with exceptional challenges, the Board of Directors has 22 December 2020 awarded up to 50 shares free of charge to each employee.

The shares will vest over a three-year period from January 2021 to December 2023. The shares are in most countries awarded as a phantom share programme whereby the entitled employees will receive a cash payment in December 2023 equal to the value of 50 DFDS shares. The total number of employees eligible for the award of shares is around 2,400 and the total value of awarded shares is around DKK 33m, which will be proportionally expensed in the income statement under Employee costs over the vesting period.

Note 18 Pension and jubilee liabilities

The Parent Company contributes to defined contribution plans as well as defined benefit plans. The majority of the pension plans are funded through contributions to an independent insurance company responsible for the pension obligation towards the employees (defined contribution plans). In these plans the Parent Company has no legal or constructive obligation to pay further contributions irrespective of the financial situation of the insurance company. Pension costs from such plans are charged to the income statement when incurred. The Parent Company has minor defined benefit plans. The defined benefit plans are pension plans that yearly pay out a certain percentage of the final salary the employee has when the employee retires. The pensions are paid out as from retirement and during the remaining life of the employee. The percentage of the salary is dependent of the seniority of the employees. The defined benefit plans typically include a spouse pension.

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

DKK million	2020	2019
Present value of unfunded defined benefit obligations	0	0
Recognised liabilities for defined benefit obligations	**0**	**0**
Provision for jubilee liabilities	7	7
Total actuarial liabilities	**7**	**8**

Note 19 Other provisions

DKK million	2020	2019
Other provisions at 1 January	42	7
Addition from acquisition of enterprises [1]	0	28
Provisions made during the year	46	14
Used during the year	-45	-5
Reversal of unused provisions	-7	-1
Other provisions at 31 December	**37**	**42**
Other provisions are expected to be payable in:		
0-1 year	3	9
1-5 years	28	28
After 5 years	5	5
Other provisions at 31 December	**37**	**42**

Of the Parent Company's provision of DKK 37m (2019: DKK 42m), DKK 28m (2019: DKK 28m) is estimated net present value of earn-out agreements regarding acquisitions; DKK 3m is estimated restructuring provision (2019: DKK 8m) and DKK 6m (2019: DKK 6m) is other provisions.

[1] 2019: Relates to earn-out on Freeco Logistics.

Note 20 Interest-bearing liabilities

DKK million	2020	2019
Issued corporate bonds [2]	1,162	1,249
Bank loans and mortgage on ferries and other ships	1,429	947
Lease liability	307	747
Other non-current liabilities	0	11
Total interest-bearing non-current liabilities	**2,898**	**2,955**
Bank loans and mortgage on ferries and other ships	205	156
Lease liability	1,143	1,112
Payables to subsidiaries [1]	1,972	1,754
Total interest-bearing current liabilities	**3,320**	**3,022**
Total interest-bearing liabilities	**6,217**	**5,977**

The fair value of the interest-bearing liabilities amounts to DKK 6,198m (2019: DKK 6,030m). The fair value measurement is categorised within level 3 in the fair value hierarchy except for the part that relates to issued corporate bonds of nominal NOK 1,250m for which the fair value measurement is categorised within level 1.

The fair value of the financial liabilities is determined as the present value of expected future repayments and interest rates. The Group's actual borrowing rate for equivalent terms is used as the discount rate. The fair value of the issued corporate bonds nominal NOK 1,250m has been calculated based on the quoted bond price in May 2020 which is the latest quoted price (2019: quoted bond price in August 2019). The fair value of the issued corporate bonds nominal NOK400m has been calculated based on the quoted bond price in June 2019 which is the latest quoted price (2019: quoted bond price in June 2019).

DKK 758m of the Interest-bearing liabilities in the Parent Company fall due after five years (2019: DKK 427m). No unusual conditions in connection with borrowing are made. The loan agreements can be settled at fair value plus a small surcharge, whereas settlement of the corporate bonds requires a repurchase of the bonds. Reference is made to note 24 for financial risks, etc.

Allocation of currency, principal nominal amount

DKK million	2020	2019
DKK	1,450	865
EUR	2,803	2,982
SEK	395	418
NOK	1,205	1,320
GBP	364	393
Total interest bearing liabilities	**6,217**	**5,977**

Note 21 Changes in liabilities arising from financing activities

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

DKK million			Non-cash changes				
	31 Dec. 2019	Cash flows	Foreign exchange movements	New/ diposed/ remea-sured leases	Fair value changes	Other changes	31 Dec. 2020
Changes in 2020							
Interest-bearing liabilities:							
Bank loans and mortgage on ferries and other ships	1,103	534	-1	0	0	-2	1,633
Issued corporate bonds	1,249	0	-88	0	0	1	1,162
Lease liabilities	1,859	-1,131	-1	723	0	0	1,450
Payables to subsidiaries, interest-bearing	1,754	218 [3]	0	0	0	0	1,972
Other liabilities	11	0	0	0	0	-11	0
	5,977	-379	-91	723	0	-13	6,217
Derivative financial instruments:							
Derivatives related to issued corporate bonds	55	0	0	0	84	0	140
Other:							
Payables to subsidiaries, non interest-bearing	165	3 [3]	0	0	0	0	167
Total liabilities from financing activities	**6,197**	**-376**	**-91**	**723**	**84**	**-13**	**6,525**
Receivables from subsidiaries		275 [3]					
Total cash flows		**-101**					

[1] The carrying amount of Interest-bearing payables to subsidiaries relates to deposit facilities that are made available to subsidiaries.

[2] The Parent Company has issued two 5 year corporate bond loans; one in 2019 and one in 2017 respectively (2019: one in 2019 and one in 2017 respectively). Reference is made to the Consolidated Statements note 4.5.

[3] Cash flows related to Payables to/Receivables from subsidiaries are presented net in the Statement of cash flows under Financing activities in the line "Change in Group internal financing, net" by DKK 496m.

Note 21 Changes in liabilities arising from financing activities (continued)

DKK million	31 Dec. 2018	Change in accounting policies	Cash flows	Foreign exchange movements	New/ diposed/ remea-sured leases	Fair value changes	Other changes	31 Dec. 2019
			Non-cash changes					
Changes in 2019								
Interest-bearing liabilities:								
Bank loans and mortgage on ferries and other ships	873	0	230	0	0	0	0	1,103
Issued corporate bonds	1,433	0	-196	11	0	0	1	1,249
Lease liabilities	-	1,914	-1,209	0	1,154	0	0	1,859
Payables to subsidiaries, interest-bearing	1,445	0	309[1)]	0	0	0	0	1,754
Other liabilities	0	0	0	0	0	0	11	11
	3,751	1,914	-865	11	1,154	0	12	5,977
Derivative financial instru-ments:								
Derivatives related to issued corporate bonds	62	0	0	0	0	-7	0	55
Other:								
Payables to subsidiaries, non interest-bearing	141	0	24[1)]	0	0	0	0	165
Total liabilities from financing activities	**3,955**	**1,914**	**-842**	**11**	**1,154**	**-7**	**12**	**6,197**
Receivables from subsidiaries			-254[1)]					
Total cash flows			**-1,096**					

Note 22 Other payables

DKK million	2020	2019
Holiday pay obligations, etc.	190	145
Payables to subsidiaries	167	165
Payables to associates and joint ventures	49	107
Public authorities (VAT, duty, etc.)	59	33
Other payables	71	24
Accrued interests	4	4
Total other payables	**540**	**477**

[1)] Cash flows related to Payables to/Receivables from subsidiaries are presented net in the Statement of cash flows under Financing activities in the line "Change in Group internal financing, net" by DKK 78m.

Note 23 Information on financial instruments

DKK million	2020	2019
Carrying amount per category of financial instruments		
Financial assets measured at fair value:		
Derivatives, related to operating activities	214	300
Financial assets measured at amortised cost:		
Trade receivables, receivables from subsidiaries, receivables from associates and joint ventures, other receivables and cash	2,764	3,537
Financial assets measured at fair value through profit or loss:		
Securities	10	10
Financial liabilities measured at fair value:		
Derivatives, related to operating activities	-53	-19
Derivatives, related to interest-bearing activities	-148	-69
Financial liabilities measured at amortised cost:		
Interest-bearing liabilities, Leases, trade payables, payables to subsidiaries, payables to associates and joint ventures and other payables	-7,250	-7,303
Total	**-4,463**	**-3,545**

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

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

Note 23 Information on financial instruments (continued)

DKK million

2020	Level 1	Level 2	Level 3
Derivatives, financial assets	0	214	0
Securities, financial assets	0	0	10
Derivatives, financial liabilities	0	-201	0
Total	**0**	**13**	**10**

2019	Level 1	Level 2	Level 3
Derivatives, financial assets	0	300	0
Securities, financial assets	0	0	10
Derivatives, financial liabilities	0	-88	0
Total	**0**	**212**	**10**

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

Securities, financial assets measured at fair value through profit or loss comprise other shares and equity investments as well as other investments of DKK 10m (2019: DKK 10m). These are some minor unlisted shares and investments.

Note 24 Financial and operational risks

DFDS' risk management policy
The description of DFDS' risk management policy, financial risks and capital management is identical for the Group and the Parent Company. Reference is made to the Consolidated Financial Statements note 4.1.

The following specifications for the Parent Company are different to the similar specifications for the Group.

Financial risks
Interest rate risks
An increase in the interest rate of 1%-point compared to the actual interest rates in 2020 would, other things being equal, have increased net interest payments by DKK 7m for the Parent Company in 2020 (2019: DKK 4m). A decrease in the interest rate of 1%-point compared to the actual interest rates in 2020 would, other things being equal, have had a positive effect of DKK 1m (2019: DKK 1m).

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

Note 24 Financial and operational risks (continued)

DKK million

2020	0-1 year	1-3 years	3-5 years	After 5 years
Non-derivative financial assets				
Cash	735	0	0	0
Trade receivables including work in progress services	600	0	0	0
Non-interest bearing receivables from subsidiaries	206	15	0	0
Interest bearing receivables from subsidiaries	493	24	223	14
Receivables from associates and joint ventures	27	0	0	0
Other receivables and current assets	427	31	0	0
Non-derivative financial liabilities				
Bank loans and mortgages on ferries and other ships	-228	-404	-345	-799
Issued corporate bonds	-18	-901	-284	0
Other interest-bearing debt	0	0	0	0
Lease liabilities (Non-discounted)	-1,156	-289	-14	-9
Trade payables	-741	0	0	0
Payables to associates and joint ventures	-49	0	0	0
Payables to subsidiaries	-2,139	0	0	0
Other payables	-3	0	0	0
Derivative financial assets				
Bunker contracts	17	0	0	0
Interest swaps & caps	0	0	0	0
Cross currency interest rate swaps	0	0	0	0
Forward exchange contracts and currency swaps	128	14	14	40
Derivative financial liabilities				
Bunker contracts	0	0	0	0
Interest swaps & caps	0	-8	-1	0
Cross currency interest rate swaps	-5	-112	-23	0
Forward exchange contracts and currency swaps	-52	0	0	0
Total	**-1,759**	**-1,630**	**-429**	**-754**

Beside the contractual maturities the Parent Company has issued guarantees for DKK 6,815m (2019: DKK 6,513m). These are not presented in the above table as the contractual maturity is not possible to predict. Reference is made to note 28.

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

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

Note 24 Financial and operational risks (continued)

DKK million				
2019	**0-1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Non-derivative financial assets				
Cash	656	0	0	0
Trade receivables including work in progress services	645	0	0	0
Non-interest bearing receivables from subsidiaries	715	0	0	0
Interest bearing receivables from subsidiaries	1,199	0	0	0
Receivables from associates and joint ventures	46	0	0	0
Other receivables and current assets	273	3	0	0
Non-derivative financial liabilities				
Bank loans and mortgages on ferries and other ships	-158	-316	-223	-421
Issued corporate bonds	-40	-1,021	-304	0
Other interest-bearing debt	0	-11	0	0
Lease liabilities (Non-discounted)	-1,132	-720	-29	-11
Trade payables	-1,027	0	0	0
Payables to associates and joint ventures	-107	0	0	0
Payables to subsidiaries	-1,919	0	0	0
Other payables	-24	0	0	0
Derivative financial assets				
Bunker contracts	0	0	0	0
Interest swaps & caps	0	0	0	0
Cross currency interest rate swaps	0	0	0	0
Forward exchange contracts and currency swaps	70	145	18	67
Derivative financial liabilities				
Bunker contracts	-5	0	0	0
Interest swaps & caps	-6	-8	0	0
Cross currency interest rate swaps	-1	-2	-1	0
Forward exchange contracts and currency swaps	-15	-52	0	0
Total	**-829**	**-1,983**	**-539**	**-365**

Note 25 Non-cash operating items

DKK million	2020	2019
Change in provisions	0	1
Change in write-down of inventories for the year	16	3
Change in provision for defined benefit plans and jubilee obligations	0	1
Vesting of share option plans expensed in the Income statement	7	7
Non-cash operating items	**23**	**12**

Note 26 Change in working capital

DKK million	2020	2019
Change in inventories	32	-4
Change in receivables, such as trade receivables, prepaid costs, etc.	56	96
Change in current liabilities, such as trade payables, payables to joint ventures, etc.	-219	9
Change in working capital	**-132**	**101**

Note 27 Acquisition and sale of enterprises, activities and non-controlling interests

Acquisition and disposals
There are no acquisition or disposals in 2020.

On 19 December 2019 the acquisition of the Finnish company Freeco Logistics headquartered in Turku was completed For further details refererence is made to the Consolidated Financial Statements note 5.5.

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

Note 28 Guarantees, collateral and contingent liabilities

Issued guarantees amount to DKK 6,686m (2019: DKK 6,417m). The Parent Company has is issued guarantees for loans made by subsidiaries of DKK 6,434m (2019: DKK 6,015m). Further, the Parent Company has a 8 year guarantee for a terminal agreement entered into by a subsidiary. In addition, the Parent Company has issued an unlimited guarantee on behalf of a subsidiary to cover any obligations under a Payment Service Agreement for creditcard payments. The Parent Company has issued letter of support to cover total underfundings in two defined benefit pension schemes in two English subsidiaries. The underfunding amount to DKK 129m at 31 December 2020 (2019: DKK 96m). The Parent Company has issued letter of support for certain Group companies with negative equity.

The Parent Company is in 2020 as well as in 2019 part in various legal disputes. The outcome of these disputes is not considered likely to influence the Parent Company significantly, besides what is already recognised in the balance sheet.

Certain ferries with a total carrying amount of DKK 2,385m (2019: DKK 1,636m) have been pledged as security for mortgage on ferries with a total carrying amount of DKK 1,558m (2019: DKK 979m).

Note 29 Contractual commitments

DKK million	2020	2019
Contractual commitments, term 0-1 year	1,352	839
Contractual commitments, term 1-5 years	345	1,229
Contractual commitments, term after 5 years	527	492
Total contractual commitments (undiscounted)	**2,224**	**2,560**

Contractual commitments in 2020 mainly relates to a total of three new buildings on order. In 2021, one freight ferry (ro-ro) is on order for delivery in January. Two freight and passenger ferries (ro-pax) are on order for delivery in 2021.

The Parent Company has a contractual commitment for a non-cancellable lease contract that has not yet commenced at 31 December 2020 for a freight and passenger ferry (ro-pax) with delivery in Q3 2021. The future lease payment for this lease contract amounts to DKK 31m for 0-1 year, DKK 251m for 1-5 years and DKK 429m after 5 years.

The Parent Company also has a contractual commitment for a for a new headquarter in Denmark.

Note 30 Related party transactions

Description of the Parent Company's related parties is equal to the description for the Group. Reference is made to the Consolidated Financial Statements note 5.8.

DKK million

2020	Sale of services	Purchase of services	Sale of assets	Receivables	Impairment of receivables	Liabilities	Capital contributions
Associates and joint ventures	14	155	0	27	0	49	0
Subsidiaries	825	1,125	0	699	0	2,139	848

2019	Sale of services	Purchase of services	Sale of assets	Receivables	Impairment of receivables	Liabilities	Capital contributions
Associates and joint ventures	10	123	0	46	0	107	0
Subsidiaries	813	1,176	0	1,199	0	1,919	500

Impairment losses recognised in the Income statement in 2020 amount to DKK -156m (2020: DKK 0m) and reversals of impairment losses amount to DKK 145m (2019: DKK 0m). Reference is made to note 31.

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

Reference is made to note 28 for a description of guarantees issued by the Parent Company on behalf of subsidiaries.

Note 31 Impairment testing

Introduction
DFDS decided to impairment tests all non-current assets at least once every year and in case of indication of impairment. Due to Covid-19 quarterly impairment assessments have been made in 2020.

For a description of the definition of cash-generating units, basis for impairment testing and calculation of recoverable amount reference is made to the Consolidated Financial Statements note 3.1.5.

Impairment tests of investments in subsidiaries, associates and joint ventures
Impairment tests are carried out for each subsidiary, associates and joint ventures in the Parent Company if there is indication of impairment. The individual companies are regarded as the lowest cash-generating units.

The estimated value in use is based on cash flows according to management approved budget for the coming financial year and for specific subsidiaries approved buisness cases beond 2021 have been aplied. Expectations towards the cash flows are adjusted for uncertainty on the basis of historical results, and take into account expectations towards possible future fluctuations in cash flows.

The Parent Company uses a discount rate determined for each subsidiary, associate or joint venture, according to the business area to which it belongs. The applied discount rates for 2020 and 2019 are shown in the table in the Consolidated Financial Statements note 3.1.5.

2020
In 2020 investments in subsidiaries have been impaired by DKK 156m in total as the calculated value in use of the individual investments is lower than the book value. Furthermore, in 2020 previous impairments have been reversed by DKK 145m. The impairment of net DKK 12m in 2020 is recognised under Financial items. Reference is made to note 7.

The Parent Company has issued letter of support to some subsidiaries and associates with negative equity. Consequently, the investment in these subsidiaries and associates are written down to zero, and any receivables due from the subsidiaries and associates are written down by amounts equal to the respective negative equities. Total write down of receivables at 31 December 2020 amounts to DKK 0m. Further, write-downs in previous years have been reversed by DKK 0m. The write-downs and reversals are recognised under Financial items.

2019
In 2019 investments in subsidiaries have been impaired by DKK 60m in total as the calculated value in use of the individual investments is lower than the book value. The impairment of net DKK 60m in 2019 is recognised under Financial items. Reference is made to note 7.

The Parent Company has issued letter of support to some subsidiaries and associates with negative equity. Consequently, the investment in these subsidiaries and associates are written down to zero, and any receivables due from the subsidiaries and associates are written down by amounts equal to the respective negative equities. Total write down of receivables at 31 December 2019 amounts to DKK 0m. Further, write-downs in previous years have been reversed by DKK 0m. The write-downs and reversals are recognised under Financial items.

Note 32 Covid-19 impact

Information about judgements made in relation to Covid-19 and the effects on the amounts recognised in the financial statement is included in the note.

DKK million		2020
Note	**Text**	
3 Employee cost	Government grants (Covid-19)[1]	69
3 Employee cost	Wages, salaries and remuneration	1
Total impact on EBITDA		**70**
6 Special Items	Termination cost in connection with restructuring[2]	-39
6 Special Items	Impairment of a passenger ferry and terminal[3]	-100
Total impact on EBIT		**-69**

Government grants
DFDS has taken part in various government compensation schemes following Covid-19. Wage compensation DKK 69m is reducing the staff costs in the income statement and contributions from voluntary salary a reduction of DKK 1m are deducted in wages, salaries and remuneration.

Impairment testing
In relation to the underlying assumptions for Impairment testing in note 3.1.5, the outbreak of Covid-19 has been taken into consideration and refer to an impairment of an passenger ferry and terminal of DKK 100m.

Leases
The International Accounting Standards Board (IASB) has published 'Covid-19-Related Rent Concessions (Amendment to IFRS 16 leases) as of 28 May 2020, amending the standard to provide DFDS with an exemption from assessing whether a Covid-19-related rent concession is a lease modification. DFDS did not adopted the Covid-19 amendment, and no reassessment nor renegotiations of rent concessions have taken place.

Dividend cancellation
Due to the reduced operational and financial visability caused by Covid-19 the Annual General Meeting held on 4 June 2020 decided not to pay out the proposed dividend of DKK 4.0 for the financial year 2019.

[1] Contributions from Government for wage subsidy are included in employee costs. DFDS took part in local schemes during 2020.

[2] Restructuring costs related to Covid-19 are included in special items and consist of termination costs related to employees made redundant.

[3] Due to continued travel restrictions an impairment loss of DKK 100m has been recognised under special items relating to the business unit "Passenger".

Note 33 Events after the balance sheet date

On 17 February 2021, DFDS awarded 154.626 share options and 24,104 restricted share units to the Executive Board and a number of key employees. The award of the restricted share units is subject to the approval of a revised remuneration policy at the coming Annual General Meeting. The theoretical value of the shares options and restricted share units is DKK 13.2m calculated according to the Black-Scholes-model.

Note 34 Accounting Policies

The Parent Company Financial Statements are prepared pursuant to the requirements of the Danish Financial Statements Act concerning preparation of separate parent company Financial Statements for companies reporting under IFRS.

The 2020 Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Critical accounting estimates and assessments
In the process of preparing the Parent Company Financial Statements, a number of accounting estimates and judgements have been made that affect assets and liabilities at the balance sheet date and income and expenses for the reporting period. Management regularly reassesses these estimates and judgements, partly on the basis of historical experience and a number of other factors in the given circumstances.

Impairment testing of investments in subsidiaries
Impairment testing of investments in subsidiaries is carried out if there is indication of impairment. The impairment tests are based on the expected future cash flows for the tested subsidiaries. For further details of estimates and assessments relating to investments in subsidiaries reference is made to note 31, which mention impairment testing.

Management is of the opinion that, except for impairment testing of investments in subsidiaries, no accounting estimates or judgements are made in connection with the presentation of the Parent Company Financial Statements that are material to the financial reporting, other than those disclosed in section 1 to the Consolidated Financial Statements.

Description of accounting policies

The Parent Company accounting policies are consistent with the accounting policies described in the Consolidated Financial Statements with the following exceptions:

Business combinations
In the Parent Company common control acquisitions (and disposals) of enterprises and activities are measured and recognised in accordance with the 'book value method' by which differences, if any, between purchase price and book value of the acquired/sold enterprise/activity are recognised directly in equity.

Translation of foreign currencies
Foreign exchange adjustments of balances accounted for as part of the total net investment in enterprises that have a functional currency other than DKK are recognised in profit for the year as Financial income and costs in the Parent Company Financial statements. Likewise, foreign exchange gains and losses on the portion of loans and derivative financial instruments that has been entered into to hedge the net investment in these enterprises are recognised directly in the profit for the year as Financial income and costs.

Dividends from investments in subsidiaries, associates and joint ventures
Dividends from investments in subsidiaries, associates and joint ventures are recognised in the Parent Company's Income statement for the year in which the dividends are declared. If distributions exceed the subsidiary's, the associate's or the joint venture's Comprehensive income for the period, an impairment test is carried out.

Investments in subsidiaries, associates and joint ventures
Investments in subsidiaries, associates and joint ventures are measured at cost in the Parent Company's Balance sheet. Impairment testing is carried out if there is any indication of impairment. The carrying amount is written down to the recoverable amount whenever the carrying amount exceeds the recoverable amount. The impairment loss is recognised as Financial cost in profit for the year unless it qualifies as a special item. If the Parent Company has a legal or constructive obligation to cover a deficit in subsidiaries, associates and joint ventures, a provision for this is recognised.

Equity
Reserves for development costs
The reserve for development costs comprise of DFDS' development costs corresponding to the capitalized development cost in the balance sheet. The reserve is non distributable and cannot be used to cover deficit. The reserve is dissolved upon disposal of the development cost either by sale or if the development cost is no longer part of the entity's operation. The reserve will then be transferred to the distributable reserves. The reserve will be reduced and the distributable reserves increased concurrently with either depreciations or write-downs.

For a description of the Hedging reserve, Revaluation of securities and Treasury shares, reference is made to Consolidated Financial Statements, note 4.6.

Fleet list per 31.12.2020

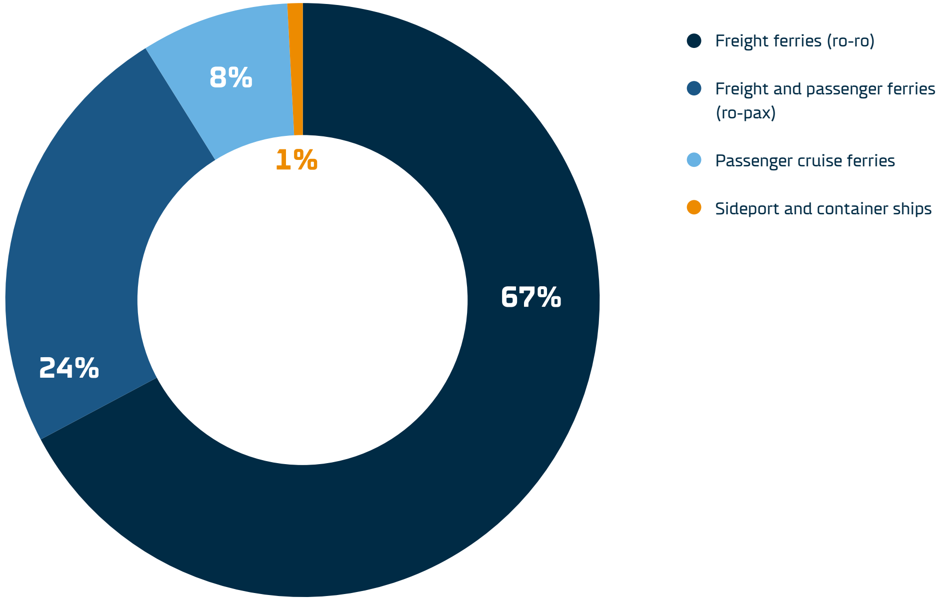
	Year built	GT	Lane metres	Passengers	TEU (3)	Deployment
Freight ferries (ro-ro)						
Hollandia Seaways	2019	60,465	6,690			Vlaardingen-Immingham
Humbria Seaways	2020	60,465	6,690			Vlaardingen-Immingham
Flandria Seaways	2020	60,465	6,690			Gothenburg-Zeebrügge
Ficaria Seaways	2006/09/11	37,939	4,731			Drydock
Freesia Seaways	2005/09/14	37,939	4,731			Gothenburg-Gent
Begonia Seaways	2004/09/14	37,939	4,731			Gothenburg-Imingham
Ark Dania[7]	2014	33,313	3,000		342	Esbjerg-Immingham
Ark Germania	2014	33,313	3,000		342	Esbjerg-Immingham
Magnolia Seaways	2003/13	32,523	3,831			Esbjerg-Immingham
Petunia Seaways	2004/13	32,523	3,831			Gothenburg-Gent
Primula Seaways	2004/14/16	37,985	4,650			Gothenburg-Gent
Selandia Seaways	1998/13	24,803	2,772			Cuxhaven-Immingham
Suecia Seaways	1999/11/14	24,613	2,772		180	Vlaardingen-Felixstowe
Britannia Seaways	2000/11/14	24,613	2,772		180	Cuxhaven-Immingham
Ark Futura	1996/00	18,725	2,308		246	Kiel-Klaipeda
Botnia Seaways	2000	11,530	1,899		300	Marseilles-Tunis
Finlandia Seaways	2000	11,530	1,899		300	Baltic Sea
Gardenia Seaways[1]	2017	32,336	4,076			Vlaardingen-Immingham
Tulipa Seaways[1]	2017	32,336	4,076			Vlaardingen-Felixstowe
Belgia Seaways	2000	21,005	2,475			Esbjerg-Immingham
Gothia Seaways	2000	21,005	2,475			Fredericia-Copenhagen-Klaipeda
Mont Ventoux[5]	1996	18,469	2,025			Marseille-Tunis
Fadiq[2]	2017	32,770	4,076			Gothenburg-Imingham
Transporter[2]	1991	6,620	1,250		296	Oslo Fjord-Continent/UK
Ephesus Seaways	2019	60,465	6,690			Istanbul-Trieste
Troy Seaways	2019	60,465	6,690			Istanbul-Trieste
Pergamon Seaways (ex UN Istanbul)	2013/20	31,595	4,094			Istanbul-Trieste
Galata Seaways (ex Cemil Bayülgen)	2010/19	34,215	4,350			Istanbul-Sete
Myra Seaways (ex Cuneyt Solakoglu)	2009/17/19	34,236	4,350			Istanbul-Sete
Zeugma Seaways (ex UN Akdeniz)	2008/17/19	34,236	4,350			Istanbul-Sete
Assos Seaways (ex Saffet Ulusoy)	2005/19	29,060	3,726			Istanbul-Trieste
Sumela Seaways (ex UN Karadeniz)	2008/18/19	34,236	4,350			Istanbul-Sete
Artemis Seaways (ex UN Marmara)	2005/20	29,060	3,726			Istanbul-Trieste
Aspendos Seaways (ex UN Pendik)	2005/19	29,060	3,726			Istanbul-Trieste
Dardanelles Seaways (ex UN Trieste)	2006/19	29,060	3,726			Istanbul-Trieste
Cappadocia Seaways (ex UND Atilim)	2002/20	26,525	3,214			Istanbul-Trieste
Olympos Seaways (ex UND Birlik)	2002/20	26,525	3,214			Mersin-Trieste
Gallipoli Seaways (ex UND Ege)	2001/20	26,525	3,214			Mersin-Trieste

	Year built	GT	Lane metres	Passengers	TEU (3)	Deployment
Freight and passenger ferries (ro-pax)						
Victoria Seaways	2009/14	25,675	2,500	600		Kiel-Klaipeda
Regina Seaways[1]	2010/15	25,666	2,500	600		Kiel-Klaipeda
Athena Seaways	2007/15	26,141	2,593	462		Karlshamn-Klaipeda
Optima Seaways	1999	25,263	2,300	336		Rosslare-Dunkirk
Patria Seaways	1991	18,332	1,800	213		Karlshamn-Klaipeda
Dunkerque Seaways[4]	2005	35,923	2,900	780		Dover-Dunkirk
Delft Seaways[4]	2006	35,923	2,900	780		Dover-Dunkirk
Dover Seaways[4]	2006	35,923	2,900	780		Dover-Dunkirk
Calais Seaways[4]	1991/92/99	28,833	1,800	1,850		Dover-Calais
Côte Des Flandres[4]	2005	33,940	1,900	2,000		Dover-Calais
Côte Des Dunes[4]	2001	33,796	1,900	2,473		Dover-Calais
Côte d'Albâtre[1]	2006	18,940	1,270	600		Newhaven-Dieppe
Kerry[2]	2001	24,418	2,030	412		Rosslare-Dunkirk
Visby[2]	2003	29,746	1,800	400		Rosslare-Dunkirk
Sirena Seaways	2002/03	22,382	2,056	623		Paldiski-Kappelskär
Seven Sisters[1]	2006	18,940	1,270	600		Newhaven-Dieppe

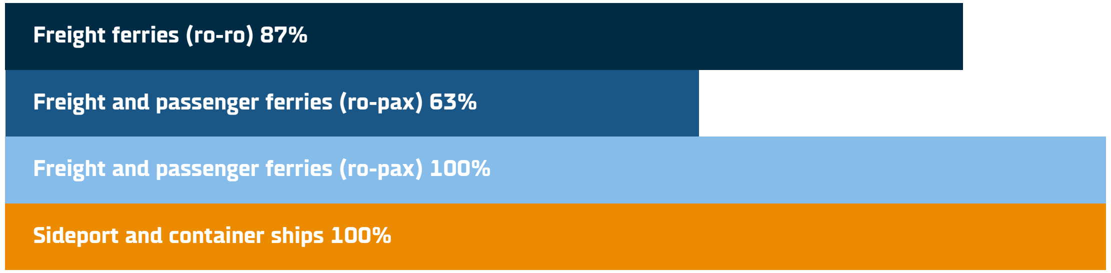
[1] Chartered (bareboat charter)
[2] Chartered (time charter)
[3] TEU: 20 foot container unit
[4] hort-sea day ferry
[5] VSA: Vessel sharing agreement ith owner/charterer
[6] SCA: Slot charter agreement with owner/charterer
[7] SCA: Slot charter agreement with DFDS

Average age of owned vessels in route network, end 2020

Gross tons fleet distribution, end 2020



Ownership shares of fleet, end 2020



Fleet list (continued)

	Year built	GT	Lane metres	Passengers	TEU (3)	Deployment
Passenger cruise ferries						
Pearl Seaways	1989/01/05/14	40.231	1.482	2.168		Oslo-Frederikshavn-Copenhagen
Crown Seaways	1994/05/14	35.498	1.370	2.044		Laid-up
King Seaways	1987/93/06	31.788	1.410	1.534		Newcastle-Ijmuiden
Princess Seaways	1986/93/06	31.356	1.410	1.364		Newcastle-Ijmuiden
Sideport ships						
Lysvik Seaways	1998/04	7.409			160	Westcoast Norway-Continent/UK
Lysbris Seaways	1999/04	7.409			160	Westcoast Norway-Continent/UK
Container ships						
Meandi[5]	2007	8.246			962	Oslo Fjord-Rotterdam
Energize[5]	2004	7.642			750	Oslo Fjord-Rotterdam
Sven D[6]	2005	7.720			809	Oslo Fjord-Rotterdam
Samskip Endeavour[5]	2011	7.852			812	Rotterdam-Ireland
Samskip Express[5]	2006	7.852			803	Rotterdam-Ireland
JSP Rider[6]	2006	9.340			804	Rotterdam-Ireland
Miriam[6]	2010	7.852			814	Rotterdam-Ireland
Elbcarrier[6]	2007	8.243			974	Rotterdam-Ireland
CT Rotterdam[6]	2008	8.246			974	Rotterdam-Ireland
Mirror[6]	2007	7.852			814	Rotterdam-Ireland

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

Glossary

AGM: Annual general meeting

BAF: Bunker adjustment factor, surcharge for price changes in bunker fuel oil

Bareboat charter: Lease of a ship without crew for an agreed period

Bunker: Oil-based fuel used in shipping

Charter: Lease of a ship for an agreed period

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

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

Ferry: Ship carrying passengers and their cars and freight that can be rolled on and off, typically between only two ports, and hence over reasonably short distances, on a fixed sailing schedule. On board facilities for passengers and truck drivers. Overnight ferries have cabins while day ferries usually have no cabins

Intermodal: Transport solution that combines different transport modes (road, rail, sea)

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

Logistics solution: Logistics covers solutions that require more than just sea or land-based transport as this will typically be combined with storage, cross docking of consignments and distribution. Moreover, information processing can also be provided, e.g. booking and tracking

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

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

Non-allocated items: Corporate costs not allocated to divisions

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

Ro-pax: Combined freight and passenger ferry

Ro-ro: Roll on-roll off: Freight ferry on which freight is driven on and off, e.g. trailers and other unitised freight

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

Sideport ship: Ship with ramps for loading/unloading via ports in the ship's side

Space charter: Third-party lease of space on a ship deck

Stevedoring: Activities related to loading and unloading ships in a port terminal

Time charter: Lease of a ship with crew for an agreed period

Tonnage tax: Taxation levied on ships according to ship tonnage, i.e. weight of ships

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

Vessel sharing agreement/slot charter: Agreement between two or more parties on the distribution and use of a ship's freight-carrying capacity

Definitions

Operating profit before depreciation (EBITDA) and special items
Profit before depreciation and impairment on non-current assets and special items. Special items are defined and specified in note 2.6.

Operating profit (EBIT) before special items
Profit after depreciation and impairment on non-current assets before special items. Special items are defined and specified in note 2.6.

Operating margin

$$\frac{\text{Operating profit EBIT before special items}}{\text{Revenue}} \times 100$$

Net operating profit after taxes (NOPAT)
Operating profit (EBIT) minus tax on EBIT

Invested capital
Net working capital (non-interest bearing current assets minus non-interest bearing current liabilities plus non-current prepaid costs minus pension and jubilee liabilities and other provisions) plus non-current intangible and tangible assets.

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 net interest-bearing liabilities and equity, weighted according to the capital structure

Free cash flow, FCFF
Cash flow from operating activities, gross, *minus* paid tax and cash flow from investing activities

Adjusted free cash flow, FCFF
Cash flow from operating activities, gross, *minus* paid tax, cash flow from investing activities and payment of lease liabilities and interest

Return on equity

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

Equity ratio

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

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

Earnings per share (EPS)

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

P/E ratio

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

FCFE yield

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

Total distribution yield

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

Cash payout ratio

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

Dividend return

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

Equity per share

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

Price/book value

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

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

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

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

Moving for all to grow since 1866

To enable trade and growth C. F. Tietgen merged four Danish steamship companies to become DFDS* in 1866. Goods and coal from the UK, the world's industrial locomotive at the time, were sailed to Scandinavia and other regions where markets for, among other things, textiles and energy were developing. The new shipping lines conversely created access for farmers in these regions to the UK's rapidly growing market for food and raw materials.

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

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

After the war, DFDS' fleet, many now powered by diesel engines, kept moving: Goods from USA to Europe, people between countries, goods between UK and mainland Europe, between the Mediterranean and Scandinavia and to and from Iceland. At the end of the sixties, DFDS were the among the first to develop a roll-on-roll-off service, paving the way for more efficient shipping of freight units such as trailers carrying industrial cargo.

The logistics activities were developed from 1972 with the same purpose. Connecting businesses with door-door solutions to facilitate trade and growth. When Dan Transport was acquired in 1998, DFDS became one of the largest forwarding and logistics companies in northern Europe. The merged company, DFDS Dan Transport, was sold in 2000 to focus the company's resources on further developing the ferry route network for freight and passengers.

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

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

In January 2021, DFDS entered into an agreement to acquire HSF Logistics Group to create Northern Europe's leading provider of cold chain logistics. The acquisition is subject to regulatory approval.

*Abbreviation in Danish for The United Steamship Company.

Addresses of DFDS' subsidiaries, locations and offices are available from www.dfds.com
DFDS A/S · Sundkrogsgade 11, DK-2100 Copenhagen Ø · T +45 3342 3342 · F +45 3342 3311 · dfds.com · CVR 14 19 47 11

Financial calendar 2021

23 March
AGM, virtual

11 May
Q1 report 2021

17 August
Q2 report 2021

17 November
Q3 report 2021