



● **Annual Report
2003**





DFDS is a leading North European liner shipping company based in Copenhagen. DFDS was founded in 1866 and is listed on the Copenhagen Stock Exchange.

The DFDS route network includes combined passenger and freight routes as well as routes devoted exclusively to freight. The Group also operates its own sales companies and port terminals for handling freight.

Passenger activities are operated by DFDS Seaways. The main customer groups consist of holidaymakers travelling by car, Mini Cruise passengers, group travel and transport and conference passengers.

Freight activities are operated by DFDS Tor Line. The main customer groups consist of international transport and shipping companies and manufacturers of large quantities of industrial goods whose logistics include a significant element of transport by sea.

DFDS has 4,200 employees and employs a fleet of approximately 60 ships.

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This Annual Report has been translated into English from the Danish version. In case of discrepancies the Danish version shall prevail.

DFDS 2003

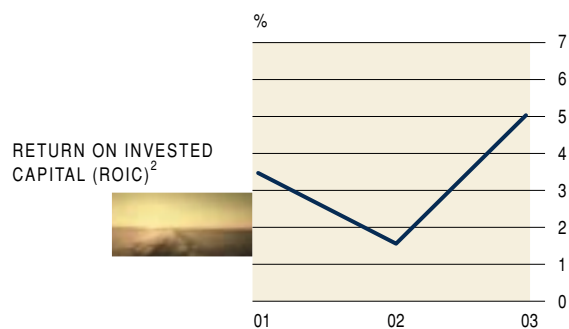
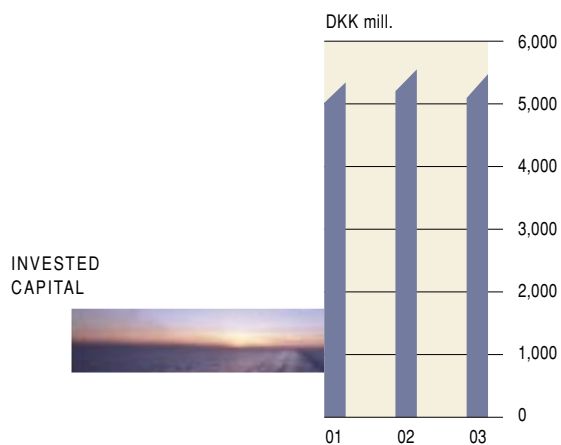
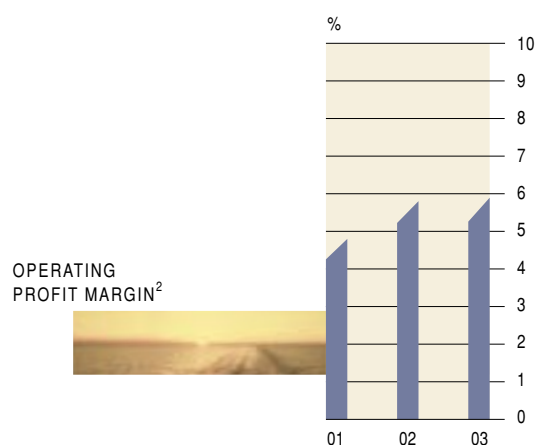
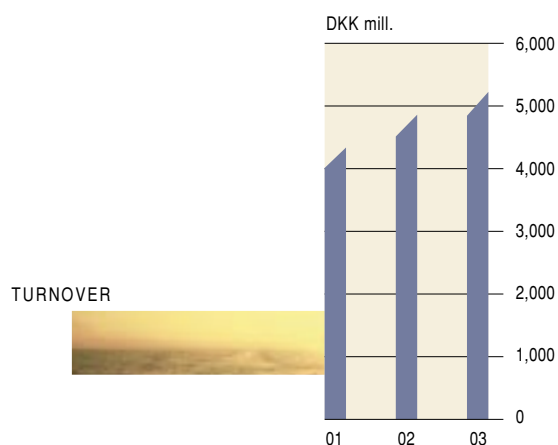


Annual profit 2003

- Pre-tax profit before extraordinary items and minority interests in 2003 was DKK 157 million, up 9% in comparison to 2002¹
- Operating profit (EBITA) increased to DKK 310 million, up 10% compared to 2002¹

Profit forecast 2004

- DFDS expects a profit before tax, extraordinary items and minority interests of approximately DKK 175 million for 2004



¹) Adjusted for write-down on older freight ships

²) Adjusted for items of an extraordinary nature

Vision, Strategy and Goals



DFDS' vision

DFDS aims to expand its position as a leading passenger and freight liner shipping company in Northern Europe. The return on invested capital should be increased to a level that is satisfactory to DFDS' shareholders.

DFDS' markets and activities

DFDS' activities revolve around the North European markets for sea transport of passengers and freight, including 21 routes, 22 sales companies, ownership and operation of 23 ships and deployment of 28 chartered vessels. The Group also operates seven port terminals for handling freight.

A total of nine routes combine passenger and freight transport, which reflects the natural connection between the transport of both goods and passengers in many market areas.

The tonnage deployed on the combined routes depends on the ratio of passengers to freight. Cruise ferry ships are used whenever there is an overweight of passengers and when the route links attractive destinations that support a Mini Cruise market. Ro-pax ships are used whenever there is an overweight of freight.



The main customer target groups in the passenger market consist of holidaymakers travelling by car, Mini Cruise passengers, group travel and transport and conference passengers.

On purely freight routes, DFDS varies the tonnage in relation to the size of the market and customers' needs to transport different types of cargo. For example, DFDS AutoLogistics (transport of new automobiles, chassis, spare parts, etc.) uses ships with car decks, and on the Norwegian market a mixture of ro-ro, lo-lo vessels and sideport/container is used because of the infrastructure and special transport needs of Norwegian industry.

The main target groups for DFDS in the freight market are international transport and shipping companies as well as industrial companies that produce heavy industrial goods like steel, paper, trucks and automobiles, aluminium and plastic raw materials.

Although the passenger and freight activities have a number of joint activities, passenger routes (cruise ferries, pax-ro) and freight routes (ro-pax, ro-ro, lo-lo) are organized in two divisions, DFDS Seaways and DFDS Tor Line, respectively, because of the different groups of customers they serve.

DFDS Group Management consists of the Executive Board, the central staff functions, including IT, and the technical organisation. The technical organisation is responsible for operations and maintenance as well as environmental and safety concerns on both passenger and freight ships.

DFDS' strategy

The key elements of DFDS' strategy are:

- **Focus on transport of passengers and goods by sea:** combined overnight passenger and freight liner shipping, and freight liner shipping based primarily on ro-ro liner shipping
- **Geographic focus:** Northern Europe
- **DFDS' market position:** must continually be strengthened through organic growth, including the opening of new routes, company acquisitions and alliances
- **Customer concepts:** in the passenger market, a balance is sought between on board concepts and activities, on the one hand, and customer target groups, on the other. In the freight market, a balance is sought on the routes between freight forwarding customers and industrial logistics customers. Tonnage deployment on all routes is subject to continuous assessment in order to optimize customer service and cost efficiency
- **The DFDS fleet:** the average age and ownership share must be reduced over time in order to increase productivity and flexibility and reduce costs:
 - Passenger fleet: average age approximately 15 years, ownership share approximately 75%
 - Freight fleet: average age approximately 10 years, ownership share approximately 50%

Financial goals

It is DFDS' short-term goal to achieve an average return on the book value of invested capital that as a minimum corresponds to DFDS' estimated cost of capital of 6.9% after tax.

In the longer term, it is DFDS' clear ambition to achieve a level of return that exceeds the cost of capital.

Key Figures DFDS Group

DKK mill.	2003	2003 in EUR ¹⁾	2002	2001	2000	1999
Income statement (adjusted for business activity sold in 2000)						
Revenue	5,265	707	4,864	4,309	4,358	4,127
Operating profit (EBITA)	310	42	132	325	53	359
Profit before financing, etc. (EBIT)	297	40	127	324	-30	345
Income statement and balance sheet (not adjusted for business activity sold in 2000)						
Income statement						
Revenue	5,265	707	4,864	4,309	15,094	14,985
Operating profit before depreciation (EBITDA)	794	107	786	615	1,014	1,215
Profit/loss on disposal of ships, buildings, and terminals	-15	-2	-5	166	18	0
Operating profit (EBITA)	310	42	132	325	329	636
Profit before financing, etc. (EBIT)	297	40	127	324	184	549
Financing, net	-139	-19	-132	-32	-141	-214
Profit before tax and extraordinary items	157	21	-6	291	47	335
Profit before extraordinary items and minority interest	130	17	330	253	-14	200
Extraordinary items after tax	0	0	-116	0	861	-27
Profit for the year before minority interest	130	17	213	252	847	173
Profit for analytical purposes ²⁾	131	18	-4	237	-7	248
Adjusted operating profit (EBITA) ³⁾	325	44	296	184	413	636
Balance sheet						
Fixed assets	5,731	770	5,649	5,279	3,831	8,207
Current assets	1,268	170	1,378	1,558	3,845	3,917
Total assets	6,999	940	7,027	6,837	7,676	12,124
Equity	2,528	340	2,623	2,540	4,149	3,397
Minority interests	166	22	146	140	2	26
Provisions	360	48	187	511	504	739
Long-term liabilities other than provisions	2,641	355	2,864	2,347	2,209	4,369
Short-term liabilities other than provisions	1,304	175	1,207	1,299	812	3,593
Total equity and liabilities	6,999	940	7,027	6,837	7,676	12,124
Net interest bearing debt	2,571	345	2,687	2,268	-44	4,513
Number of employees	4,181	-	4,070	4,187	3,464	12,134
Cash flow						
Cash flow from operating activities, gross	711	96	863	715	1,273	895
Cash flow from operating activities, net	515	69	703	656	1,033	618
Cash flow from investing activities	-316	-42	-496	-1,839	3,642	-3,007
Cash flow from financing activities	-322	-43	-262	-631	-2,957	2,612
Cash flow for the year	-123	-17	-55	-1,814	1,718	223
Dividend	38	5	53	68	1,763	64
Financial ratios, %						
Operating profit margin	5.9	-	2.7	7.5	2.2	4.2
Return on invested capital (ROIC)	5.0	-	1.6	3.5	10.8	6.3
Return on equity	4.8	-	-0.1	6.9	-0.2	8.5
Equity ratio	38.5	-	39.4	39.2	54.1	28.2

Apart from changes in the accounting treatment of derivativ financial instruments, where only comparative figures at 31 December 2001 have been restated in accordance with the Danish accounting standard and by reference to IAS 39, key figures and financial ratios have been changed in accordance with the new accounting policies.

¹⁾ Rate of exchange for EUR on 31 December 2003: 744.46

²⁾ Profit for analytical purposes is calculated by adjusting the profit for the year after minority interests for the effect of extraordinary items and adjustment of previous years' taxes (including the reversal of deferred tax as a result of the transition to the tonnage taxation) in accordance with the recommendations of the Danish Association of Financial Analysts.

³⁾ Adjusted for impairment and profit/losses on disposal of ships, buildings and terminals.

Management Report

- The return on invested capital (ROIC) improved further in 2003
- Improved capacity utilisation and stable volume growth produced progress in the freight area, while a reticent travel market led to lower earnings in the passenger area
- The tonnage renewal programme continued in 2003 and the objectives for the composition of the freight fleet are expected to be achieved in 2004

Financial performance

Pre-tax profit before extraordinary items and minority interests was DKK 157 million in 2003.

The 2002 annual report predicted pre-tax profit before extraordinary items and minority interests of DKK 140-160 million.

This expectation was lowered to the upper end of the DKK 115-135 million range when the third quarter results were announced. The change was due to the sale of PRINCE OF SCANDINAVIA and the subsequent loss of DKK 25 million.

The profit was thus better than expected as the accounting treatment of the chartering back of two freight vessels in 2002 was changed to financial leasing in the annual report for 2003. The change had a positive effect of DKK 15 million, which was not included in the expectations of the third quarter report.

In addition, levels of activity in both the freight and passenger area were higher than expected in the fourth quarter of 2003.

The annual profit is satisfactory in the light of market developments in 2003, where the level of activity on the passenger market was lower than originally expected, and in relation to the significant progress made on the renewal of especially the freight fleet. Several major long-term industrial logistics contracts were also entered into.

Profit development in 2003 did improve the return on invested capital, although to a level that is still lower than DFDS' calculated cost of capital.

Positive free cash flow

DFDS again generated a positive free cash flow from operations in 2003, despite the ongoing tonnage renewal process. The total gross investments were DKK 879 million, of which the majority consisted of fleet renewal.

The DKK 371 million positive free cash flow from operations was generated by strong cash flow from operations before investments and proceeds of just over DKK 300 million from the sale of older vessels as part of the tonnage renewal strategy.

The positive free cash flow strengthened DFDS' financial position in 2003 by reducing net interest bearing debt from DKK 2.69 billion at the end of 2002 to DKK 2.57 billion at the end of 2003. The debt/equity ratio improved from 1.24 in 2002 to 1.19 in 2003.

Closer to financial objectives

The return on the invested capital of DFDS in 2003 was 5.0%, which is 1.9 percentage points lower than DFDS' calculated cost of capital of 6.9%. By comparison, the return on invested capital in 2002 was 4.3% excluding a write-down of DKK 150 million on older freight vessels.



A 6.9% return on invested capital in 2003 would have corresponded to an operating profit (EBITA) of approximately DKK 430 million, compared to the realized operating profit (EBITA) for 2003 of DKK 310 million.

Tonnage renewal continues

The goal of DFDS' fleet strategy is a modern, cost-efficient fleet that meets customer demand for reliable, environmentally-friendly transport services and a safe, attractive sailing experience for passengers.

DFDS generated again in 2003 a positive free cash flow from operations



Strategic fleet objectives and development	2001	2002	2003	Goal
Passenger fleet:				
Average age, years	20.6	19.8	19.4	15
Ownership share, %	100	100	83	75
Freight fleet:				
Average age, years	13.9	12.5	10.6	10
Ownership share, %	87	62	51	50

Between the announcement of the shipping strategy in January 2001, including the strategic fleet objectives, and February 2004, 18 freight and three passenger vessels have been sold. Contracts have been signed for five ro-ro newbuildings and two new ro-pax vessels have been purchased. A large second hand cruise ferry has also been purchased and converted and a passenger ship chartered. The ownership share has also been reduced significantly, especially in the freight fleet.

In the freight sector, stable market growth has generated demand for faster tonnage with greater capacity, and in parts of the passenger sector, changes to market conditions - the abolition of duty-free sales and the increased supply low-price air travel - have led to a need to convert to tonnage with lower passenger capacity and higher freight capacity.

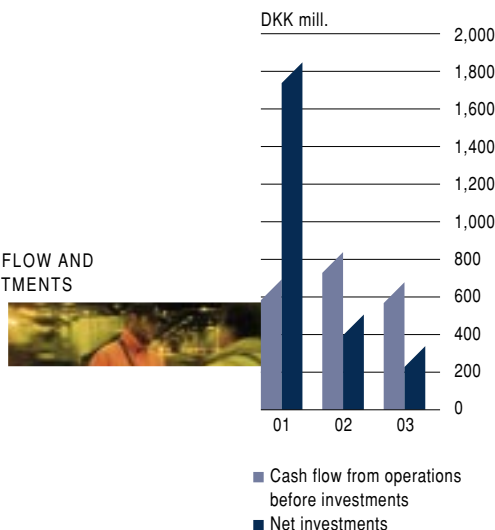
By the end of 2004, the objectives for the composition of the freight fleet are expected to be achieved in terms of both average age and ownership share. In the next few years, the fleet strategy, therefore, will concentrate on maintaining fleet key figures and securing a fleet with a capacity and quality commensurate with market developments. An important task in 2004 and 2005 will be to redeploy tonnage on DFDS Tor Lines' routes as the five new ro-ro vessels come into service.

In the passenger sector, work on achieving the strategic fleet objectives will also continue in 2004 and beyond, e.g. by focusing on younger ro-pax tonnage. The average age of LISCO's ro-pax fleet also needs to be reduced further in the coming years.

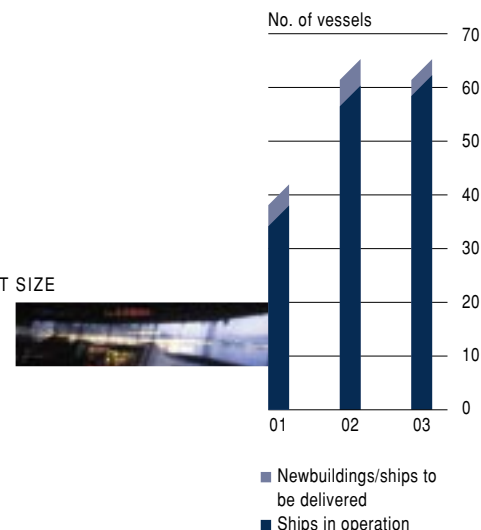
Company acquisitions strengthen market position

DFDS Tor Line acquired a 66% stake in the Norwegian shipping line Lys-Line AS on 12 June 2003. The acquisition represents a further development in a co-operation that started with the purchase of a 66% stake in DFDS Lys-Line Rederi AS in January 2002.

CASH FLOW AND INVESTMENTS



FLEET SIZE



Adaptation of the organisation to the shipping strategy and market conditions continued in 2003

Lys-Line operates liner services in the North Sea between Norway and Germany, the Netherlands, Belgium and the UK. Liner services are also operated to Ireland and Spain and chartering activities to Portugal and the Mediterranean. Lys-Line operates approximately 20 lo/lo and sideport/container vessels, the majority of them on time charter from DFDS Lys-Line Rederi. Lys-Line has an annual turnover of approximately NOK 750 million.

The acquisition improves the development potential of Lys-Line and DFDS Tor Line in Northern Europe, especially the creation of efficient industrial transport solutions that contain a significant element of transport by sea.

In December 2002, DFDS Tor Line AS in Norway entered into agreement with KST Holding AS on the acquisition of 100% of the share capital in KST Shipping AS with effect from 1 January 2003. KST Shipping's business areas are liner agency activities, shipping logistics and terminal operations.

More industrial logistics contracts

In line with the stated strategy to increase the number of industrial logistics contracts, several major new contracts were signed in 2003 and early 2004.

In the paper and pulp industry, long-term contracts have been signed with Norske Skog and StoraEnso. DFDS' partnership agreement with the steel producer Outokumpu (AvestaPolarit) was expanded and extended and a new collaboration has started with Fundia Special Bar. The long-standing co-operation with Volvo Logistics was also extended and a new long-term agreement was signed with BMW.

DFDS' shipping logistics services target manufacturing industry that has a demand for specialised transport equipment and expertise as well as a significant amount of transport by sea. The three primary target areas are steel, paper, trucks and automobiles, aluminium and plastic raw materials.

Employee and organisation development

Adaptation of the organisation to match DFDS' shipping strategy and market conditions continued in 2003.

In order to simplify the structure of DFDS, DFDS Seaways A/S, DFDS Tor Line A/S and DFDS A/S merged, with DFDS A/S as the continuing company. As part of the harmonisation of the management structure in the divisions, a route manager organisation was introduced in DFDS Seaways. This led to amalgamations of departments and functions across national borders and a reduction in the number of employees, particularly in the staff functions.

The guiding principle for the development of DFDS' organisation is to promote co-operation and sharing of expertise among staff throughout the company in order to guarantee effective utilisation of resources. To promote inter-departmental collaboration, a "One Company" course was held for all staff at DFDS' headquarters in the autumn.

The new management structure in DFDS Seaways is designed to focus attention more closely on the interaction between the individual staff member and the customer, something that makes even greater demands on the individual staff member and will lead to gradual changes in forms of management and co-operation. Management training was held in 2003 to support these changes and will continue and expand as necessary in the future.



A number of large and demanding projects were successfully implemented in 2003 thanks to the special efforts of DFDS staff at sea and on land.

After a long planning phase, the relocation of the DFDS headquarters from Sankt Annæ Plads to Kalkbrænderihavnen was handled in a satisfactory manner. The move involved packing and re-establishment of all work stations and all the necessary tasks were handled according to plan and in a positive spirit with a minimum of inconvenience and interruptions to day-to-day operations.



Another major task was the deployment of the chartered ship DUCHESS OF SCANDINAVIA. The ship was handed over to DFDS later than scheduled, but the conversion, including the re-evaluation of safety requirements on equipment and crew training, was completed in a very short period of time due to thorough planning and preparation.

The introduction of a new joint finance system for DFDS also commenced in 2003. Implementation across the Group is expected to finish in 2005. As part of the "One Company" strategy, the simplification of the IT structure was also initiated as well as a general harmonisation of the IT platforms used in the Group.

The deployment of new ships and sale of older tonnage as per the fleet strategy, as well as route changes, have led to the redeployment of a large number of staff at sea. The sale of older ships has also led to a reduction in the number of staff at sea.

The average number of staff in 2003 was 4,181, which due to acquisitions was higher than in 2002.

New passenger director

Søren Jespersen was appointed Passenger Director in DFDS 15 February 2004. After a handover period, he will replace Thor Johannesen as director of DFDS Seaways.

Søren Jespersen is 46 and has worked for several years for the SAS Group, the last three years as Senior Vice President for SAS World Sales, a job that has given him considerable experience with the business-to-consumer market, which is DFDS Seaways' primary market.

Effective from 15 February 2004, the legally responsible management of DFDS consists of Managing Director Ole Frie, Director Christian Merrild and Passenger Director Søren Jespersen.

Safety

Work continues on board DFDS' ships to comply with the International Safety Management (ISM) code for high-level quality assurance and safety systems.

Voyage Data Recorders ("black boxes") have now been installed on all passenger ships in accordance with international regulations.

In the wake of 11 September 2001, an addendum has been endorsed to the SOLAS (Safety of Life at Sea) convention under the IMO (International Maritime Organisation) in order to improve anti-terrorist protection of ships and ports. The requirements are laid down in the International Ship & Port Facility Security Code (ISPS).

The ISPS code must be implemented by 1 July 2004 for ships deployed on international routes and for harbours visited by international traffic. Detailed risk assessment must be conducted concerning each individual ship/harbour and thereafter a specific plan drawn up for precautions and means of countering possible threats to the ship/harbour.

Significant progress on board the ships has been made possible because the national maritime authorities that have jurisdiction over ships owned by DFDS put the relevant legislation in place at an early point in the process.

As far as harbour facilities are concerned, the process has been complicated by the absence of a single responsible authority and the subsequent lack of legislation. Nevertheless, DFDS still expects that all ships and harbour facilities controlled by DFDS will be certified by the 1 July 2004 deadline.

Profit forecast 2004

DFDS expects turnover to rise by approximately 6-8% in 2004 based on a higher level of activity and the full-year effect of the Lys-Line acquisition.

Total net investments in 2004 are expected to be approximately DKK 1.0 billion including investments in ro-ro newbuildings from Flensburg Shipyard and the sale of six smaller freight vessels in early 2004.

The profit forecast for 2004 is contingent on the oil price and exchange rates of particular importance to DFDS (SEK, USD, NOK, GBP, EUR) remaining at the same level for the rest of 2004.

On this background, DFDS expects a pre-tax profit before extraordinary items and minority interests of approximately DKK 175 million for 2004.

The World Outside DFDS

DFDS' passenger and freight activities are affected by a number of external factors, the most significant of which are political decisions, including new legislation, changes in competition and customer circumstances and the level of economic activity.

Political decisions & legislation

DFDS' activities are mainly affected by political decisions regarding the infrastructure in Northern Europe and the shipping and transport sector.

As well as the mandates of political institutions, DFDS is also subject to International Maritime Organisation (IMO) conventions. The IMO is the UN body responsible for maritime issues, primarily safety and the environment.



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

Legislation about sulphur content in bunkers: In 1997, the IMO presented a proposal to limit the sulphur content in bunkers and in 2002, the EU amended a directive on the same issue. The directive covers the North Sea and the Baltic Sea, making it relevant to DFDS and all the other shipping companies in the area.

The proposal is expected to be ratified during 2004. It is still not known when the directive will come into force, but early 2006 has been put forward as one possible deadline.

Compliance with the directive could entail a not insubstantial increase in DFDS' bunker costs.

Road tax: Several European countries have introduced, or plan to introduce, road tax on lorries. Road taxes will make road transport relatively more expensive than sea and rail transport and, all else being equal, are expected to have a positive impact on DFDS' level of activity.

A road tax was originally supposed to be introduced on lorries using German motorways on 1 September 2003, but has been delayed because of major technical problems encountered with the payment system. According to a timetable published in January 2004, a preliminary version of the payment system is now expected to be in operation by the end of 2004 and the full system early in 2006.

Austria introduced a road tax on lorries on 1 January 2004.

Harbour directive: DFDS regrets that the EU Commission Directive on market access to port services was not endorsed in November 2003. It is not known whether the proposal will be presented again at a later point.

The purpose of the directive was to improve the quality of harbour services by encouraging competition, and therefore flexibility and efficiency, and to reduce costs in line with the EU policy to promote a shift of freight transport from road to sea.

EU enlargement to the East: Enlargement is expected to help boost trade between the new member states and the North European countries that make up DFDS' primary market. In this context, Poland and the Baltic States are the most important, as they will serve as transit countries for the flow of traffic to and from Russia.

The EU's Marco Polo programme: The Marco Polo programme is designed to relieve bottlenecks on EU roads by funding new and commercially viable shipping projects that will move freight from the road to the sea.

Unlike most other shipping companies, USD is a net expense currency for DFDS and not a net income currency



Market trends and competition

The North European market for ro-ro based passenger and freight shipping traffic is relatively regional as the activities of most of the main companies revolve around a home market.

As far as overnight passenger ferry shipping is concerned, the most important routes are to and from the United Kingdom, Norway and Sweden, on the one hand, and the Continent, on the other. Another important part of the market is the northern area of the Baltic Sea and the routes connecting Sweden and Finland.

Direct competition from other North European passenger lines is relatively limited in DFDS Seaways' core markets. The highest degree of direct competition is on the Norwegian market. Another significant element in the competition on the passenger market is indirect competition from alternative travel destinations and means of transport, e.g. air travel and land based experiences.

The freight market is also regional in structure and several of the passenger companies also enjoy a significant share of the freight market. The highest-volume routes are concentrated around the English Channel and between the Scandinavian countries and the United Kingdom and the Continent, respectively.

As a rule, several large shipping companies usually operate within the regional markets, as well as a number of medium-sized and smaller companies that specialise in specific

geographical areas or types of freight. It is thus within the freight sector, that the main potential for consolidation is found.

Economic influences

DFDS operates in Northern Europe, and DFDS' activities are thus primarily affected by the economy of that region.

The market for passenger travel is sensitive to events with global consequences, however, even if they occur outside Northern Europe, e.g., the Iraq War, as such events generate insecurity in the travel market.

The freight market is more stable and adaptation of the flow of industrial traffic to changes in the economy takes longer.

The United Kingdom is an important passenger and freight market for DFDS as it is included as a destination on many DFDS routes. Other important markets are Norway, Sweden and Denmark. In the longer-term, DFDS' activities in the Baltic Sea, which are very much driven by developments in Russia, will become increasingly important.

Unlike most other shipping companies, the USD is a net expense currency for DFDS and not a net income currency. As a result, a lower USD, all things being equal, is positive for DFDS as bunker costs are calculated in USD. Most of DFDS' main markets in Northern Europe have not adopted the euro, so fluctuations in local currencies still affect DFDS' level of activity and revenue.

Bunkers are a significant expense for DFDS, and fluctuating oil prices therefore affect the level of costs.

3 important trends in overnight passenger shipping:

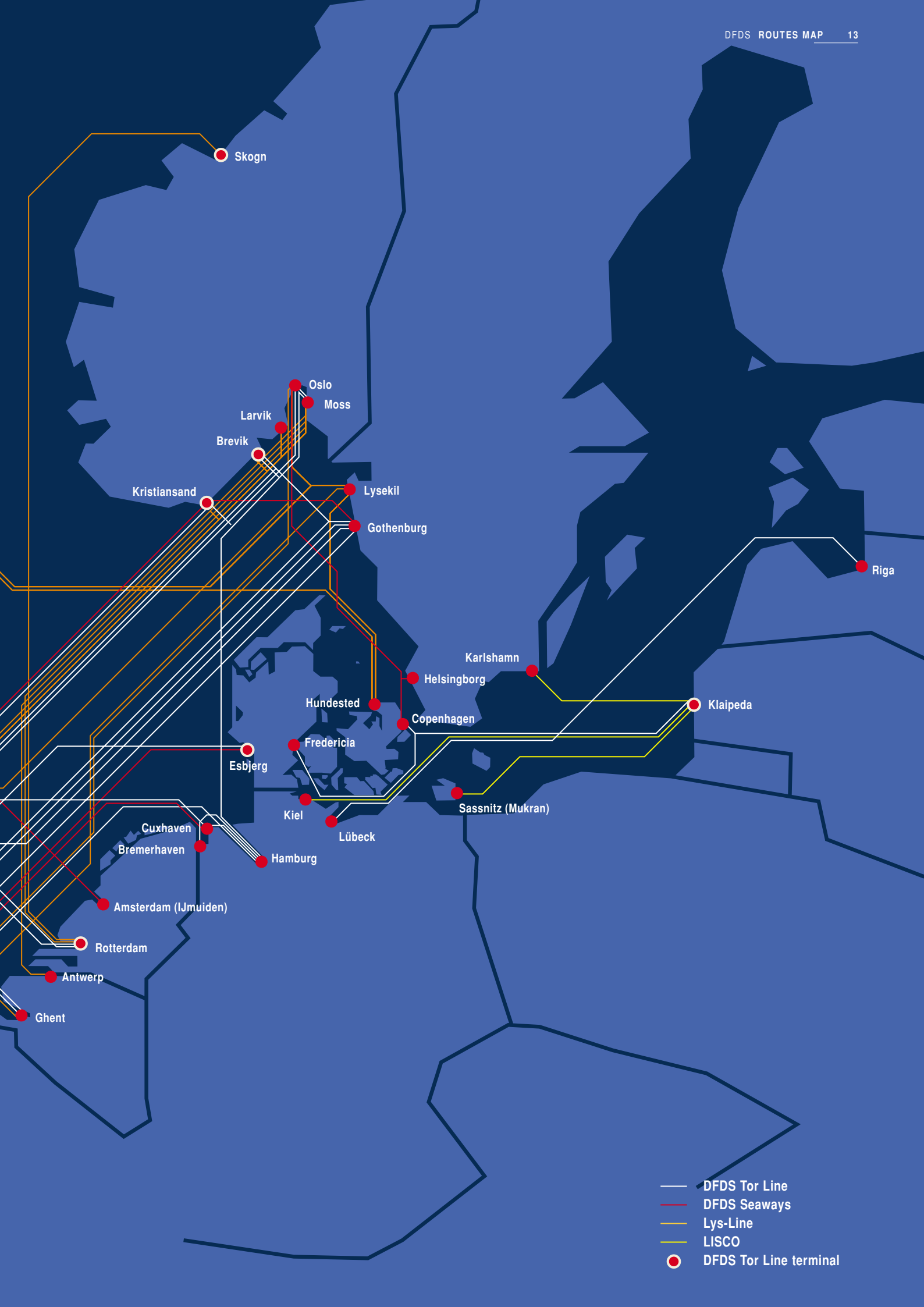
- The importance of the internet as information channel and platform for ticket sales is growing
- The market for short breaks is increasing due to higher accessibility and increasing wealth
- The ro-pax-concept is gaining ground

3 important trends in ro-ro freight liner shipping:

- Vessels are becoming larger and faster to support the market's need for capacity and frequency
 - Growth in the freight market set to continue
 - Initiatives from EU and road pricing seeks to transfer traffic from road to sea transport
-

DFDS Group Routes





- DFDS Tor Line
- DFDS Seaways
- Lys-Line
- LISCO
- DFDS Tor Line terminal

Skogn

Oslo
Moss

Larvik
Brevik

Kristiansand

Lysekil
Gothenburg

Riga

Karlshamn

Helsingborg

Klaipeda

Hundested

Copenhagen

Esbjerg

Fredericia

Sassnitz (Mukran)

Kiel

Lübeck

Cuxhaven
Bremerhaven

Hamburg

Amsterdam (IJmuiden)

Rotterdam

Antwerp

Ghent

DFDS Seaways' Report

Important events in 2003

- **Difficult travel market**
- **Operational changes:**
 - Cuxhaven-Harwich reopened in April
 - Ro-pax customer concept introduced on Esbjerg-Harwich in June
 - Copenhagen/Trelleborg-Gdansk closed in November
- **Tonnage:**
 - **PRINCE OF SCANDINAVIA** – deployed on Amsterdam-Newcastle – sold in line with fleet renewal strategy
 - **DUKE OF SCANDINAVIA** transferred from Copenhagen/Trelleborg-Gdansk to Amsterdam-Newcastle as replacement tonnage
- **New route manager organisation introduced beginning 2004**





The market

DFDS Seaways' main geographic markets are the North Sea and Skagerrak, where the main target groups are holidaymakers travelling by car, Mini Cruise passengers, group travel and transport and conference passengers.

DFDS Seaways targets the consumer market, where the level of activity is affected by general economic conditions as well as regional or global events. The travel market was adversely affected by the Iraq War and the SARS outbreak in the Far East in 2003, for example. This was felt most on the market for long holiday trips but also made a considerable impact on the short-break sector, which is DFDS Seaways' main market.

The transition of passenger shipping in Northern Europe to the demands of a market that no longer allows duty-free sales within the EU and increased competition from the rise of the low-cost airlines, has to a large extent been completed. The most important general changes have been the introduction of tonnage with lower passenger capacity but higher freight capacity and the restructuring of the route network, including closing individual routes and opening other more transport-oriented ones.

Low-cost airlines have increased competition in the travel market but have also helped turn the Internet into the most important information channel in the consumer sector. The number of on-line bookings is growing rapidly. Lower prices have also helped expand the short-break market and generally drawn more attention to the various opportunities to escape day-to-day stress with a quick break.

As a consequence of the increasing use of the Internet, DFDS Seaways introduced a flexible new price strategy in early 2004 on all routes to the United Kingdom. The strategy rewards passengers who order their tickets early and price level rises as the departure date approaches.

The market growth of overnight passenger shipping in Northern Europe has stagnated during the last couple of years because of structural changes and the isolated events

mentioned above. In early 2004, there have been signs of growth in the travel market, underpinned by the prospect of greater economic growth and stability. These developments are expected to have a positive effect on the North European market for passenger shipping in 2004.

Routes and activities

The difficult market in 2003 had greatest impact on DFDS Seaways' most important route, Copenhagen/Helsingborg-Oslo, especially in the 2nd and 3rd quarters, when the traditional overseas market was severely reduced in relation to previous years. The level of activity on the Swedish market was also considerably lower than expected. The strength of the Norwegian market compensated to an extent for the reverses on other markets, although the weakening NOK in 2003 also led to a lower level of income. Activity and revenue levels were higher than expected in the fourth quarter, which corresponds with the expectation of a generally improved travel market in 2004.

The new passenger terminal in Copenhagen is scheduled to open in September 2004.

Despite the general market trend and increased competition, progress continued to be made on the Amsterdam-Newcastle route in 2003. Holiday traffic in the high season was slightly lower than expected, but this was offset by a positive trend in the Mini Cruise and short-break sectors. Higher freight volumes on the route also contributed to improved earnings. The deployment of the DUKE OF SCANDINAVIA on the route at the end of November caused a minor reduction in passenger capacity but increased freight capacity.

DKK mill.	2002					2003				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Revenue	427	594	751	494	2,266	353	558	804	382	2,097
Operating profit (EBITA)	-131	81	199	-21	128	-113	50	163	-44	56
Operating profit margin, %	-30.7	13.6	26.5	-4.3	5.6	-32.0	9.0	20.3	-11.5	2.7
Average invested capital	2,099	2,016	1,950	1,893	1,992	1,834	1,776	1,756	1,703	1,764
Return on invested capital (ROIC) p.a., %	-17.3	11.2	28.0	-3.0	4.4	-22.9	9.2	35.9	-9.4	2.8
Passengers, '000	374	471	624	425	1,894	341	514	672	363	1,890

The number of internet bookings increased by 60% in 2003

The Gothenburg-Kristiansand-Newcastle route targets the market for holiday and transport passengers between Sweden and Norway, on the one hand, and the United Kingdom, on the other, as well as the Mini Cruise market between Gothenburg and Kristiansand. Despite the weak Swedish travel market, the route improved its financial performance in 2003 because of positive trends on the Kristiansand-Newcastle and Gothenburg-Kristiansand sections. The Norwegian market for passengers to Gothenburg in the second half of 2003 was particularly positive. The results for the route are still not satisfactory, however.

The Cuxhaven-Harwich route re-opened on 17 April 2003 with the deployment of the chartered vessel DUCH-ESS OF SCANDINAVIA. It had been temporarily closed since



November 2002 because of ship sales. The route did not live up to expectations in 2003 because of the temporary closure and a general fall in holiday traffic between the Continent and the United Kingdom.

The Copenhagen/Trelleborg-Gdansk route was closed in November 2003 as a result of ship sales. The number of passengers on the route reached a satisfactory level in 2003, primarily because of strong interest in the route on the Danish market, while the number of Swedish passengers was considerably lower than expected. Demand for short breaks and Mini Cruise products was better than expected, while the holiday and transport market was disappointing, so the average ticket price per passenger was considerably lower than expected. Earnings on the route were, therefore, poorer than expected in 2003.

Since the closing of the route in November 2003, DFDS has searched the market for replacement tonnage. Since it has not been possible to find suitable tonnage for the route, it will not be reopened.

The introduction of the ro-pax ship DANA SIRENA on the Esbjerg-Harwich route was well received by the market and the ship's passenger capacity and facilities on board now comply with the target groups for the route. The summer season was slightly weaker than expected, while the number of passengers and the revenue lived up to expectations for the rest of the year. Freight revenue on the route was considerably higher than expected.

DFDS Canal Tours made satisfactory progress in 2003, with the good summer weather contributing to a high level of activity. A new open-topped boat came into service in spring 2003 and a new decked-in boat will follow in spring 2004.

Rapid growth in Internet booking

The number of Internet bookings in DFDS Seaways increased by approximately 60% in 2003 and now constitute approximately 10% of the total number of bookings. The proportion of Internet bookings is expected to continue to rise in the next few years. New online-booking facilities will be introduced to cope with this growth and the DFDS Seaways' website will be re-launched in 2004.

Financial performance

Revenue fell by 8% to DKK 2,097 million in 2003 compared to 2002 because of route changes and a weak travel market.

The Esbjerg-Harwich route was converted into a ro-pax route in the fourth quarter of 2002 and transferred to DFDS Tor Line. As a result, the route is now included in the results for DFDS Tor Line. Most of the fall in revenue is related to this change as revenue for other activities was on a par with 2002.

Revenue was reduced by the suspension of the Cuxhaven-Harwich route until April 2003 and a lower level of activity on the Copenhagen/Helsingborg-Oslo route. The fall was compensated for by the Copenhagen/Trelleborg-Gdansk route, which opened in the fourth quarter of 2002 and was closed in November 2003, and higher revenue on the Amsterdam-Newcastle route.

The number of passengers remained stable in 2003 at 1,890,200, nearly the same level as in 2002 including passengers on the Esbjerg-Harwich route. Excluding the Esbjerg-Harwich route, the number of passengers rose by just over 2% in 2003 compared to 2002. The rise can be attributed to the Copenhagen/Trelleborg-Gdansk route, which generated a high



number of passengers but relatively low ticket prices.

Operating profit (EBITA) for 2003 was DKK 56 million. The profit was adversely affected by extraordinary items totalling DKK 50 million, of which DKK 25 million consists of a loss on the sale of PRINCE OF SCANDINAVIA to cover redundancy payments, a small loss on the sale of the ship and other costs. The remainder is accounted for by a provision for rent commitments on the former passenger terminal in Hamburg, write-down of fixtures on PEARL OF SCANDINAVIA and income accounted for by reversing the provision on the sale of ADMIRAL OF SCANDINAVIA.

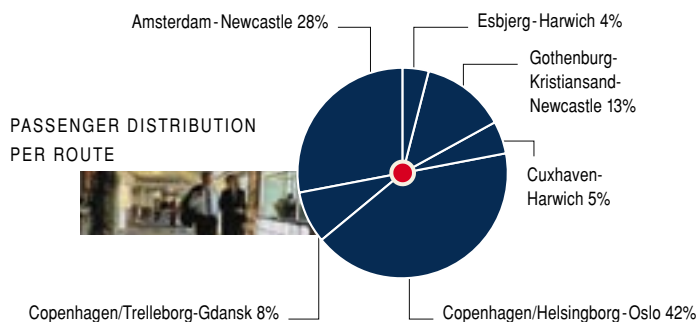
After adjustment for these items, the operating profit (EBITA) for 2003 was DKK 106 million, compared with DKK 127 million in 2002.

The lower profit figure was due to lower profit on the Copenhagen/Helsingborg-Oslo route and a loss on the Copenhagen/Trelleborg-Gdansk route. The Amsterdam-Newcastle route made a higher profit in 2003.

Return on invested capital (ROIC) fell in 2003 to 2.8% from 4.4% in 2002. Adjusted for the loss on the sale of PRINCE OF SCANDINAVIA, the return was 4.1% in 2003.

Profit forecast

Excluding the Copenhagen/Trelleborg-Gdansk route, a higher level of activity is expected in 2004 than in 2003. Investment levels are expected to be low in 2004. Operating profit (EBITA) for 2004 is expected to be higher than in 2003.



Vision

It is DFDS Seaways' vision to be a leading cruise ferry company on the market for overnight routes in Northern Europe.

Mission

We are here to make our guests feel great in a maritime atmosphere.

Product concepts & target groups

Transport

Transport products offer passengers the opportunity to take their own cars on trips - typically on visits to family and friends, business trips and individual holiday packages.

Holiday

Holiday products are package trips organised by DFDS Seaways targeted at families and couples travelling in their own cars.

Mini Cruise

Mini Cruise products are trips where passengers travel on the same ship on the outbound and return journeys. The cruise typically includes two nights on board and the focus is on the maritime experience, the host of facilities on board and land-based activities at an attractive destination. The target group is a broad mix of couples and groups of friends of all ages and, in the holiday season, families with children. The concept also offers the opportunity to hold sizeable parties on board.

Conferences

The conference product comprises meetings and conferences on board, either at sea or in dock. The target group consists of companies, organisations and course organisers.

More Manager, less Captain



Captain Freddy Damgaard has no doubt when asked what he considers to be his most important task as manager: "To deliver the goods to the customers. To make sure that they enjoy the experience and service they have paid for and expect - and hopefully provide them with some added value too!"

Openness, visibility and respect

The employees are the people who will achieve that goal and Freddy Damgaard can call on approximately 300 of them in the high season. The tone between the captain and the staff is informal and characterised by mutual respect: "It is important that we have confidence in each other and that the staff can depend on their manager. I trust my staff implicitly but at the end of the day I am responsible.

I attach great importance to telling the employees that their individual efforts make a difference, and that all the jobs are important to the end result. I also mix with the staff every day in their own working environments to hear how they are getting on, encourage them and get a sense of the mood among them and the guests on board. If you listen to employees and provide them with development opportunities, they will show more commitment, a greater sense of responsibility and job satisfaction, which is how better results are achieved," he explains.

A sense of responsibility is an important concept for Freddy Damgaard because problems are best solved by the staff involved and they know that they can make their own decisions. "We try hard to give the employees responsibility for a whole area, which often transcends sometimes rigid demarcation lines."





Staff distribution in high season:

Deck: 16 staff and 9 officers, **Engine:** 18 staff and 13 officers, **Catering:** 124 staff and 11 officers, **Administration:** 4 staff and 1 officer

DFDS - best Danish passenger line for eight years

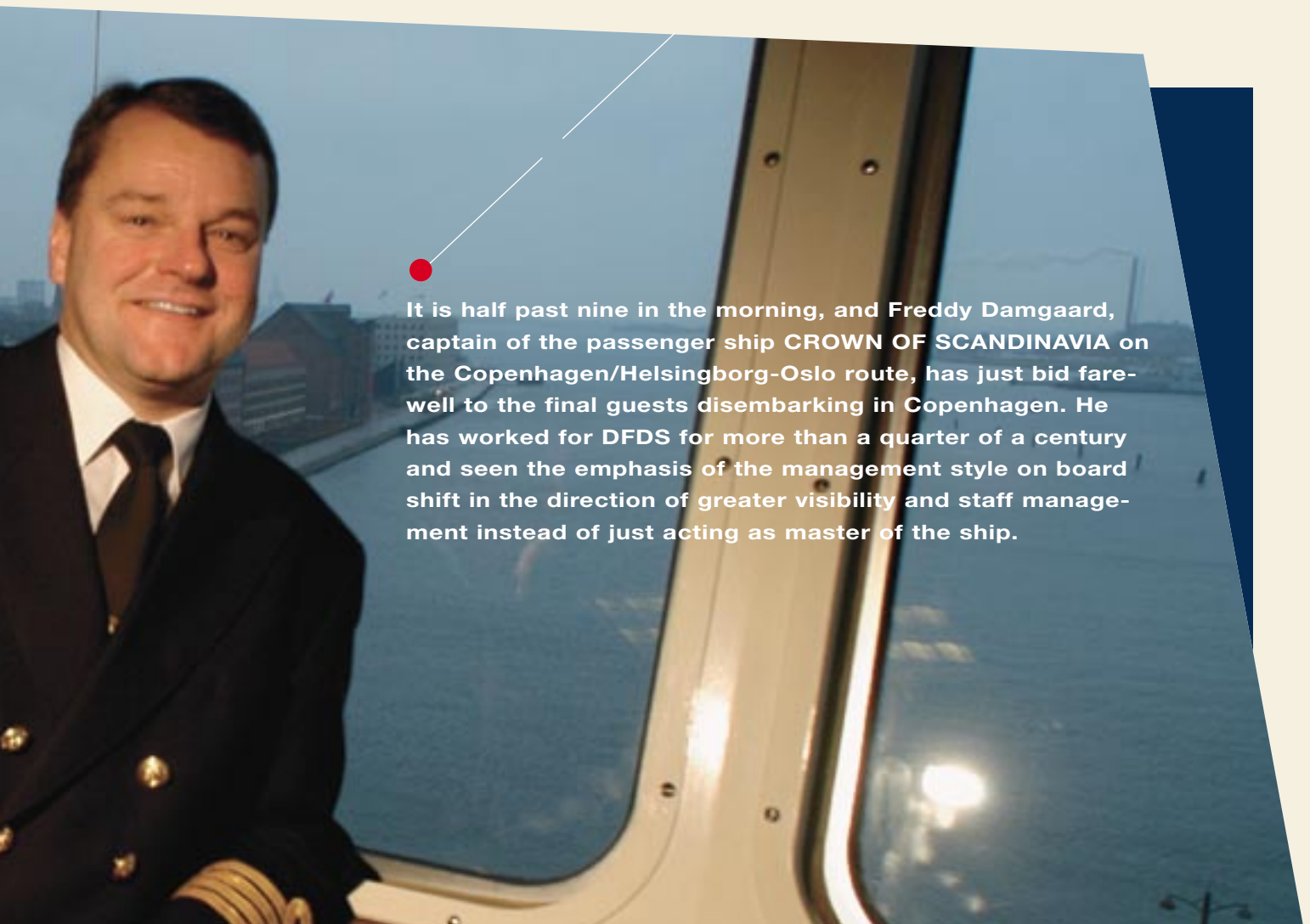
"The high level of service and the personal attention we show to customers is a very important competitive parameter in DFDS Seaways and what differentiates us from the other shipping companies that we like to compare ourselves with," Damgaard adds. It is one of the reasons that DFDS Seaways has been named Denmark's best passenger shipping company for the eighth successive year.

Teamwork gives results

Freddy Damgaard is aware that success depends on a joint effort and does not hesitate to give his "team" much of the honour for the results achieved on board. "The best – and least expensive – advert for DFDS Seaways is disembarking customers who tell us they will be back! And DFDS has a lot of regular customers," he concludes.

Facts about CROWN OF SCANDINAVIA

- 800 km wiring equalling the distance between Copenhagen and Frankfurt
- 2 km of picture frames
- 1.5 km beer hoses
- 4 km brass banisters
- 1 km car deck
- 25,000 sq. m. deck equalling 35 residential plots
- electricity supply equalling consumption in a Danish provincial city the size of Nexø, Bornholm
- 2,500 towels per day
- 20,000 electric bulbs
- 8 lifts
- 125 kg flour for baking bread every day



It is half past nine in the morning, and Freddy Damgaard, captain of the passenger ship CROWN OF SCANDINAVIA on the Copenhagen/Helsingborg-Oslo route, has just bid farewell to the final guests disembarking in Copenhagen. He has worked for DFDS for more than a quarter of a century and seen the emphasis of the management style on board shift in the direction of greater visibility and staff management instead of just acting as master of the ship.

DFDS Tor Line's Report

Important events in 2003

- **Changes in operations:**
 - capacity increase on Esbjerg-Harwich by deployment of the ro-pax ship DANA SIRENA
 - capacity increase on LISCO's route network by deployment of LISCO GLORIA and redeployment of tonnage
 - new port terminal in Maasvlakte, Rotterdam
- **Acquisitions:**
 - 66% of the Norwegian shipping line Lys-Line AS
 - 100% of the Norwegian sales agency KST Shipping AS
- **Industrial logistics contracts:**
 - Norske Skog (paper) – StoraEnso (paper)
 - Outokumpu (AvestaPolarit) (steel) – Fundia Special Bar (steel)
 - BMW (cars) – Volvo Logistics (trucks/cars)
- **Tonnage:**
 - five ro-ro vessels sold and chartered back
 - one sideport and container vessel sold
 - first ro-ro newbuilding – of a series of five – delivered
 - one ro-pax newbuilding – DANA SIRENA – delivered





The market

DFDS Tor Line's primary geographic market is the North Sea and the southern part of the Baltic Sea. The two most important customer groups in this market are international freight forwarding companies and manufacturers of heavy industrial goods with special logistics needs.

Some 70% of the volume transported by DFDS Tor Line consists mainly of unaccompanied trailers. In the Baltic Sea, the proportion of units accompanied by drivers is, however, still significantly higher than unaccompanied trailers and necessitates the use of ro-pax tonnage. DFDS Tor Line has signed a number of long-term co-operation agreements with freight forwarding customers, which include large companies with traffic on most DFDS Tor Line routes as well as more specialised and regional companies.

Market growth due to the trailer system depends mainly on the general economy, as a high proportion of consumer goods are transported by trailer. In the past, the average market growth has exceeded GDP growth by around 50%.

DFDS Tor Line expanded its market share in the industry segment in 2003 and early 2004. The most important target groups in the industry sector are paper, steel and automobile manufacturers. Cost-effective logistics systems are developed for these customers, which usually require investments in specialised transport equipment, IT solutions, dedicated warehouses and, in some cases, route changes and increased capacity. In industrial logistics contracts DFDS Tor Line thus becomes an integral part of the customers' logistics chain.

Market growth in this sector is driven by developments in specific industries and by DFDS Tor Line's ability to develop system solutions that deliver important advantages to industrial customers.

DFDS Tor Line's growth potential, therefore, consists of ongoing organic growth, increased capacity by deploying more tonnage, creation of new routes/activities and addition of major industrial customers and acquisitions.

DFDS Tor Line

The route network consists of eight "bridges" in the North Sea and the Baltic Sea. The capacity of the network was expanded in 2003 to cope with growing demand from freight forwarding and industrial customers.

The first newbuilding from Flensburg Shipyard was deployed on AngloBridge in 2003 and will be joined by two others in 2004. The two remaining newbuildings will be deployed on BritanniaBridge. The newbuildings will make it possible to

DFDS Tor Line	No. of weekly departures in both directions	
AngloBridge	Gothenburg-Immingham/Harwich	20
EuroBridge	Gothenburg-Brevik-Ghent	12
BritanniaBridge	Esbjerg-Immingham/Harwich	21
ElbeBridge	Cuxhaven-Immingham/Harwich	10
ShortBridge	Rotterdam-Immingham	12
BalticBridge	Fredericia-Copenhagen-Klaipeda	8
HansaBridge	Riga-Lübeck	8
NorBridge	Brevik-Kristiansand-Immingham	4

increase capacity on the other routes by redeploying tonnage.

After signing a new logistics contract with BMW to transport cars from Germany to the United Kingdom, tonnage with greater capacity and car decks were deployed on ElbeBridge in early 2004.

The British market is central to DFDS Tor Line, as five of the eight bridges link the United Kingdom with the Continent and Scandinavia. The level of activity was satisfactory in 2003, although the trend towards the gradual relocation of British jobs to parts of the Continent and even further afield where cost levels are lower continued. As a result, growth in exports was relatively low, despite the weakness of sterling compared to the euro, while imports remained more or less unchanged. For DFDS Tor Line this trend creates a certain imbalance on some routes as import volumes outstrip export volumes.

DKK mill.	2002					2003				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Revenue	634	688	616	699	2,637	723	727	885	861	3,196
Operating profit (EBITA)*	39	62	39	54	194	68	83	90	45	286
Operating profit margin, %	6.2	9.0	6.3	7.7	7.4	9.4	11.4	10.2	5.2	8.9
Average invested capital	3,212	3,445	3,469	3,484	3,360	3,395	3,402	3,599	3,826	3,578
Return on invested capital (ROIC) p.a., %	3.3	5.0	-8.9	4.2	0.9	7.2	8.2	9.5	4.5	7.2
Lane metres, '000	1,783	1,906	1,775	1,967	7,431	2,008	2,126	2,323	2,449	8,905

* Adjusted for write-down of older ships of DKK 150 mill. in Q3 2002

Several major industrial logistics contracts were entered into in 2003/04

This is most obvious in traffic between Denmark and England, where exports from Denmark, mainly agricultural produce and consumer durables, make up the bulk of the volume. Traffic between Sweden and England is more balanced because of the volume of industrial products transported in both directions.

The continued relative weakness of the Swedish currency has helped increase Swedish exports to the Continent and the general level of activity rose in 2003. The prospect of road pricing being introduced in Germany has also increased interest from freight forwarding and industrial customers regarding transport by sea between Scandinavia and the Continent.

In the Baltic Sea area, increased frequency and capacity on DFDS Tor Line's routes spurred growth in the



level of activity on the German and Swedish markets as well as the Baltic markets, which was higher than market growth in general. Most of the freight stems from trade with Russia, where stable economic development is expected to continue. Increased trade was also registered with the republics around the Caspian Sea and the Black Sea. This means that the geographic market expanded in 2003, while dependence on particular types of goods was reduced.

LISCO Baltic Service

The Lithuanian shipping company LISCO is based in Klaipeda and runs three ro-pax routes. The capacity and the level of service were increased by deploying the ro-pax ship LISCO GLORIA on the Klaipeda-Kiel route in June 2003, which also made it possible to increase the capacity and the level of service on the two other routes.

LISCO also operates six multi-purpose ships on time charters of various lengths.

LISCO Baltic Service	No. of weekly departures in both directions
Klaipeda-Kiel	12
Klaipeda-Karlshamn	12
Klaipeda-Sassnitz	6

Lys-Line/DFDS Lys-Line Rederi

DFDS Lys-Line's activities include DFDS Lys-Line Rederi, which operates a fleet of side-port and container ships, all on charter to Lys-Line.

Lys-Line	No. of weekly round trips
Continent/Great Britain: Oslo Fjord-Skogn-Immingham-Tilbury-Rotterdam-Ghent-Hamburg	5
Ireland: Oslo-Lysekil-Hundested-Waterford-Drogheda-Belfast	1
Spain: Oslo Fjord-Lysekil-Bilbao	1
Portugal: Western Norway-Lisbon	1
Mediterranean: tramp shipping	na.

DFDS Tor Line and Lys-Line signed a new transport contract with the Norwegian paper producer Norske Skog in April 2003. The contract involved opening a new route between Skogn, Hamburg and Tilbury in July 2003. The harbour terminal facilities have been expanded in Skogn and a 10,000 m² paper distribution centre has been added to the DFDS Tor Line's harbour terminal in Rotterdam (Maasvlakte). It will come into service in May 2004 when Rotterdam (Maasvlakte) replaces Hamburg. The contract covers transport of 700,000 tons of paper a year and extension work commenced on three ships at the end of 2003 to increase the ships' capacity by 50%.

Port terminals

DFDS Tor Line operates its own terminals in Esbjerg, Immingham, Rotterdam, Oslo, Brevik, Kristiansand and Skogn (Trondheim). In June 2003, a new 100-ton mobile crane was installed in Rotterdam (Maasvlakte) and a new 10,000 m² paper warehouse is scheduled to open there in May 2004. Storage capacity in Immingham has been increased to 28,000 m² to cope with a number of new shipping and logistics contracts. A new



passenger terminal was inaugurated in Esbjerg in June 2003 when the new ro-pax ship DANA SIRENA was deployed.

Costs at the Esbjerg terminal are still too high.

Employees at the Esbjerg terminal carried out several illegal strikes late in 2003. Activities and operations have been satisfactory at the other terminals.

Financial performance

Revenue increased by 21% to DKK 3,196 million. Over half of the increase in revenue is due to the acquisition of the Norwegian companies, Lys-Line and KST Shipping. The remainder is due to the transfer of the Esbjerg-Harwich route from DFDS Seaways to DFDS Tor Line, increased capacity and better capacity utilisation on several routes, including higher revenue in LISCO. These factors are reflected in the 13% rise in the number of lane metres transported excluding Lys-Line.

Operating profit (EBITA) for 2003 rose to DKK 286 million from DKK 194 million in 2002 excluding a DKK 150 million write-down on older vessels. Excluding profit/loss on sale of ships, the operating profit (EBITA) for 2003 rose 54% to DKK 296 million from DKK 192 million in 2002.

The improved profit can be attributed to improved performance on most routes and activities because of a higher level of activity, improved capacity utilisation and lower cost and depreciation levels due to the sale of ships.

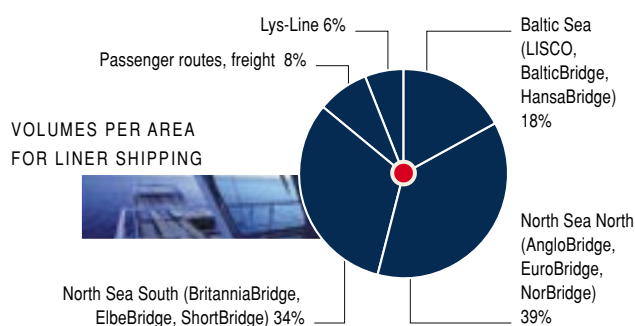
Return on invested capital (ROIC) rose in 2003 to 7.2% from 0.9% in 2002. Adjusted to take the write-down into account, the return was 4.9% in 2002.

Profit forecast for 2004

DFDS Tor Line expects a somewhat higher level of activity in 2004 than in 2003 because of the full-year effect of the acquisition of Lys-Line and an estimated 5% increase in volume.

Total net investments are expected to amount to about DKK 950 million in 2004. This amount covers the investment in ro-ro newbuildings from Flensburg Shipyard and the sale of six smaller freight ships in early 2004.

Operating profit (EBITA) for 2004 is expected to be higher than in 2003.



Vision

It is DFDS Tor Line's vision to be a leading supplier of ro-ro liner shipping and other shipping-related transport solutions in Northern Europe.

Mission

DFDS Tor Line's primary aim is to transport goods from "gate-to-gate" by offering high-frequency, reliable, flexible, cost-effective and innovative transport solutions and concepts that optimise time and cost utilisation in the customer's transport chain.

Product concepts & target groups

Trailer system

For transporting trailers for freight forwarding companies.

Cassette system

For transporting heavy industrial products such as steel, metal, paper, plastic granulate, wood, etc.

Lifting unit system

For transporting containers and flats as well as tank and bulk containers for industrial and freight forwarding companies.

Vehicle system

For transporting passenger vehicles, buses, lorries and chassis frames for car manufacturers.

Better Capacity, better Environment



In September 2003, DFDS took delivery of the first ship in a new generation of five high-technology ro-ro freight ships with four decks.

"DFDS' investment in a new generation of ro-ro ships should be seen in the light of the needs of freight forwarding and industrial clients for increased capacity, speed and frequency in the North Sea," DFDS Tor Line's deputy director Peder Gellert Pedersen explained. "The most important consideration in the development of this type of ship was, therefore, a capacity increase of about 40% compared to the last series of new-buildings, the so-called Fincantieri ships, increased speed of service and a reduction of the operating costs per unit transported. The environmental impact of the ship was also to be reduced," he added.

The ship type was subsequently developed in close collaboration between DFDS' technical organisation and Flensburg Shipyard, a world leader in the construction of ro-ro freight ships, so the ships are optimised to suit DFDS' freight routes in the North Sea. With a newly developed, single-screw, 20,000+ kW propulsion engine and an elegant, streamlined underwater hull, each ship transports 3,900 lane metres of cargo in an efficient manner.

DFDS' technical director Valdemar Ehlers has followed the newbuilding project from the beginning, and explains about the technical performance and the building process: "The speed of service has been increased to 22.5 knots, reducing sailing time between Sweden and the United Kingdom by approximately an hour. Despite the increased speed and freight capacity, the brand new technology reduces oil





DFDS' technical team behind the newbuildings: (From the left) Valdemar Ehlers, Arne Blåberg, Kristian Dybro, Kurt Krøjgaard and Jan Høffner

consumption and emissions are cleaner so the environmental impact per unit transported is also lower than before.

An important consideration in the building process is a meticulous selection process for the many different components needed to make the ships top quality. Combined with generally longer intervals between maintenance, this makes the ships cheaper to run. They are produced under cover at Flensburg Shipyard, which facilitates high quality welding and painting – two aspects that are crucial to the lifetime of the ships”.

The new ships are manned by specially trained crews who have attended several courses in mechanical engineering, simulator training and practical ship manoeuvring.

Facts about TOR MAGNOLIA

- Length: 200 m
- 3,900 lane metres cargo capacity equalling 250 trailers
- 4 decks including double hoistable car decks
- 1 two-stroke marine diesel engine, 20,070 KW
- Service speed: 22.5 knots
- First single propeller ship with Twist Flow rudder in the world
- Crew: 14 staff (4 navigators, 4 engine officers, 4 ship assistants, 2 catering staff)



Risk Factors and the Environment

General and special operational risks

DFDS' activities deploy passenger and freight ships, terminals and other operating equipment, the use of which entails the usual operational risks involved with such equipment. DFDS minimises these risks by complying with safety requirements and routines.

Environmental and safety measures are based on DFDS' environmental and safety policy as well as official regulations and customer demand. These requirements can be expected to be even more rigorous in the future, which may lead to extra costs for DFDS. The Group is insured, as far as possible, against environmental risks. It also participates in preparatory legislative work through industry organisations.

Political decisions may alter the legal framework for DFDS' activities, with potentially negative effects on the business. At present, the main long-term risk is deemed to be the discontinuation of duty-free sales in Norway.

A significant portion of the freight business handled on a few DFDS routes stems from a single customer or from a small number of customers. DFDS takes measures to protect against the risk related to this type of customer relationship by entering into long-term partnership agreements.

Depending on market conditions, the sale of older tonnage as part of the ongoing renewal of DFDS' fleet may result in gains or losses that have not been included in profit forecasts.

Financial risk factors

The most important financial risk factors for DFDS are currency, oil, interest rates, cash flow and credit. All these factors are managed by DFDS' central finance department in accordance with the financial policies approved by the Supervisory Board. A finance manual has been prepared containing all the relevant policies, guidelines and risk limits as well as the distribution of financial responsibilities within DFDS.

Currency risks

Currency risks arise from disparity between revenue and expenses in particular currencies and in connection with

net investments in foreign companies. DFDS actively seeks to reduce currency exposure by matching the currencies of assets and liabilities, and by acquiring forward currency contracts, currency options and swaps.

About 55% of DFDS' turnover is invoiced in foreign currency, and the most important net revenue currencies are SEK, GBP, NOK and EUR. USD is the principal net expense currency. Up to 95% of the expected currency cash flow is hedged according to a rolling cash flow budget projected 12 months into the future. Major investments in foreign currencies are generally hedged when contracts are made.

Translation risks relate to the translation of the profit and equity of overseas subsidiaries into DKK. These risks are to some extent covered by borrowing in the local currencies of the subsidiaries, but are not generally hedged.

Interest rate risks

Interest rate risk derives from fluctuations in interest rate levels and the proportion of interest-bearing debt in relation to assets. DFDS' policies prescribe that 40-60% of the loan portfolio must be fixed-interest debt. Advantage, however, was taken of the historically low interest rates in May-June 2003 to make an even larger proportion of the loan portfolio fixed-rate and by the end of the year, 95% of the loan portfolio consisted of fixed-interest debt.

The currencies of the loan portfolio are determined taking account of the currencies of assets, liabilities and cash flows.

At the end of 2003, interest-bearing mortgages on ships amounted to DKK 2,787 million, of which approximately DKK 878 million was in foreign currency.

DFDS' loan portfolio consists predominantly of syndicated bank loans for ship financing, primarily floating-rate loans. Loans are obtained at the going rate of interest, with the addition of a spread reflecting DFDS' financial strength. Loans are converted to fixed-interest debt using rate swaps and options. At year-end 2003, about 61% of the loan portfolio had been converted to fixed-interest loans using rate swaps, with a further 25% in an interest rate band with a ceiling of 6% and a floor of 5%, and 9% consisted of fixed-rate loans.

About 55% of DFDS' turnover is invoiced in foreign currencies



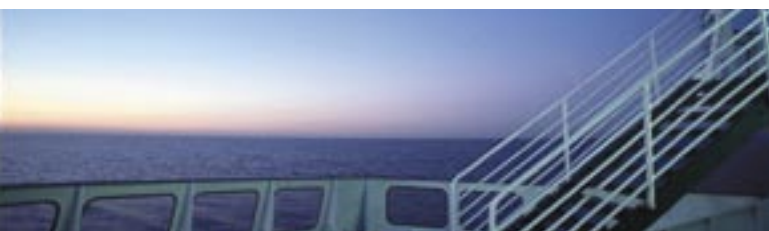
A 1% rise in interest rates would raise the costs of the current loan portfolio by approximately DKK 7.8 million in 2004.

Cash funds

DFDS aims to maintain minimum cash resources of DKK 300 million, which is considered sufficient even in times of peak requirements. Usually, the central finance department manages funding provision and placement of excess cash. Cash funds are primarily placed in the short end of the money market and in bonds. Cash is deposited only in banks with a Moody's rating of at least P-1.

Oil

Fluctuating oil prices are a risk factor in connection with the purchase of bunkers. The total cost of bunkers in 2003 was approximately DKK 450 million. DFDS' policy is to constantly hedge about 50% of the consumption expected in the coming year using options or oil swaps and price adjustment agreements.



The expected bunker consumption in 2004 has been calculated at approximately 470,000 tons, of which approximately 25% has been hedged by oil swaps and 36% by price adjustment agreements.

A 1% increase in the price of oil relative to the February 2004 level would lead to additional annual costs in the region of approximately DKK 2.7 million.

Credit risks

DFDS' credit risks relate to primary financial assets as well as derivative financial instruments. In order to minimise these risks, DFDS co-operates only with financial institutions with a minimum of a P-1 rating from Moody's.

DFDS' debtor-related risks are not considered exceptional, and no significant risk is associated with any particular customer or business partner.

The environment

With increasing focus on environmental issues, both external and internal working environments, the environmental work is also intensified in DFDS.

As well as living up to legislative requirements, DFDS continues to take independent initiatives to reduce the unavoidable environmental impact of transport. DFDS has also decided to comply with the model recommended by the Danish Shipowners' Association for environmental management on board its ships. Implementation in the newbuildings and in a number of other ships will take place in 2004.

The auxiliary engines in the five ro-ro newbuildings from Flensburg Shipyard have been fitted with catalytic converters to reduce emissions of NOx. The main engines are also designed to minimise the NOx emissions, which are in fact under the level prescribed by the IMO (International Maritime Organisation).

DFDS' "Emission Compilation" programme continuously monitors levels of NOx, SOx, CO and CO₂ particles and quantifies the emissions as a function of the transport work.

After the deployment of the first ro-ro newbuildings developed in co-operation between DFDS and Flensburg Shipyard, it has been ascertained that emissions from the transport of, for example, a trailer at the speed stipulated by the customer, have been reduced by more than 30% per trailer because of new hulls, engines and greater freight capacity.

Lys-Line achieves a similar effect by extending LYS-VIK, LYSBLINK and LYSBRIS. The extensions increase freight capacity by more than 50%, but because the power consumption for propulsion is not increased the level of emissions per transported unit is reduced.

The working environment is another DFDS priority. In 2003, attention focused, for example, on reducing the number of "Lost Time Accidents" (LTA), i.e. accidents on board that mean that the victim is off work for more than 24 hours. Industry guidelines are being drawn up in co-operation with the Danish Maritime Occupational Health Service to guarantee a working environment that will reduce the number of this type of accident.

The merchant fleet in general and DFDS in particular are concerned about lifestyle-related health issues. DFDS is actively involved in the project "Healthy Food on Board" launched by the Danish Maritime Occupational Health Service to encourage seafarers to change their lifestyles in a manner that will reduce the number of lifestyle-related complaints.

Shareholder Information

Share capital

DFDS A/S' share capital was unchanged at DKK 800 million throughout 2003. The company has only one class of shares, and the share capital is divided into 8,000,000 shares of a nominal value of DKK 100. The DFDS share is listed on the Copenhagen Stock Exchange.

Price trend in 2003

The DFDS share rose by 33% in 2003 to DKK 185 per share. The rise was comparable with the trend in DFDS' Peer Group index, which rose by 32% in 2003 and the Copenhagen Stock Exchange all-share index (KAX), which rose by 30%.

DFDS' Peer Group Index includes the following companies: Viking Line (Finnish cruise ferry line), Finnlines (Finnish freight line), P&O (British passenger and freight line), Attica Enterprises (Greek passenger line), Irish Continental Group (Irish passenger and freight line) and Birka Line (Swedish cruise ferry line).

The market value of the total share capital at the end of 2003 was DKK 1,476 million. The market value of the turnover in the DFDS share in 2003 was DKK 249 million, the same level as in 2002.

The total shareholder return (price change plus dividend yield) was 36% in 2003. In the period 1 January until 20 February 2004, the DFDS share price rose by 38% on the back of considerable trading in the share.

Shareholders

At the end of 2003, DFDS had 20,401 registered shareholders who owned 88% of the share capital. Vesterhavet A/S is the principal shareholder with a shareholding of 56.0% of the total share capital. In addition, ATP and DFDS A/S hold 5% or more of the total share capital.

Shareholders at end of 2003	% of share capital
Vesterhavet A/S	56.0
ATP (Danish Labour Market Supplementary Pension Fund)	7.7
Other institutional and financial investors	3.3
Other registered shareholders	15.1
Own shares	5.9
Non-registered shareholders	12.0
Total	100.0

Dividend

The Supervisory Board of DFDS proposes payment of a dividend of DKK 5 per share of DKK 100 nominal value, corresponding to 5% of the share capital and 31% of the net profit for the year.

DFDS' dividend policy provides for the distribution of an annual dividend of approximately 30% of the net profit for the year. However, the amount of annual dividend is determined with due consideration for DFDS' development plans and a satisfactory capital structure.

Annual General Meeting

DFDS Annual General Meeting will take place on Wednesday 14 April 2004 at 16:00 at Radisson SAS Falconer Hotel & Conference Center, Falkoner Allé 9, DK-2000 Frederiksberg.

Investor relations

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Financial calendar

Annual General Meeting

14 April 2004 at 16:00

Radisson SAS Falconer Hotel & Conference Center

Falkoner Allé 9

DK-2000 Frederiksberg

Dividend

To be paid out, end of April 2004

Publication of Group results

Report for the first quarter of 2004, 28 May 2004

Report for the first half of 2004, 26 August 2004

Report for the third quarter of 2004, 25 November 2004

The total shareholder return (price change plus dividend) on the DFDS share was 36% in 2003



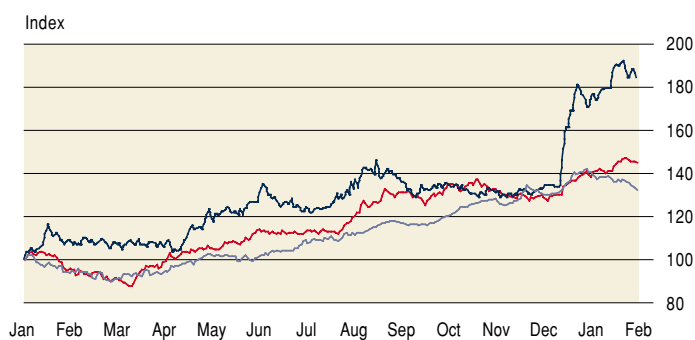
Share-related key figures

	2003	2002	2001	2000	1999
Earnings per share, DKK	16	na.	30	na.	40
Dividend per share, DKK	5	7	9	38	8
Dividend payout ratio, %	31	na.	30	na.	20
Dividend yield, %	2.7	5.1	7.4	34.7	6.7
P/E ratio, times	11	na.	4	na.	10
Equity per share, DKK	316	328	318	519	425
Price/book value, times	0.58	0.42	0.38	0.57	0.72
Share price, DKK:					
Price at year-end	185	138	122	108	120
Price high	201	148	208	261	271
Price low	143	121	93	27	118
Market value, DKK mill.	1,476	1,107	972	2,371	2,464
No. of shares at year-end, mill.	8	8	8	8	8

Reports to the Copenhagen Stock Exchange 2003

Date	Report
18/3	1. Annual Report
18/3	2. Notice of Annual General Meeting
8/4	3. Main transactions of the DFDS A/S Annual General Meeting
22/4	4. DFDS A/S – quarterly statement of shareholdings
20/5	5. DFDS Group Report for the First Quarter 2003
12/6	6. DFDS agrees to acquire a 66% stake in Norwegian Lys-Line AS
18/6	7. Insider trading with DFDS shares – statement of net value
18/6	8. DFDS A/S - quarterly statement of shareholdings
25/6	9. DFDS simplifies structure
28/8	10. DFDS Group Half-Year Report 2003
5/9	11. Insider trading with DFDS shares – statement of net value
30/9	12. DFDS A/S - quarterly statement of shareholdings
24/10	13. DFDS sells passenger ship, redeploys tonnage and temporarily suspends the Poland route
27/11	14. DFDS Group Report for the Third Quarter 2003
19/12	15. Financial calendar 2004 for DFDS A/S (expected)
23/12	16. DFDS A/S - quarterly statement of shareholdings

INDEXED SHARE PRICE DEVELOPMENT, 2003-2004



■ Peer Group index ■ DFDS ■ Copenhagen Stock Exchange, Total index (KAX)

Investment banks monitoring the DFDS share

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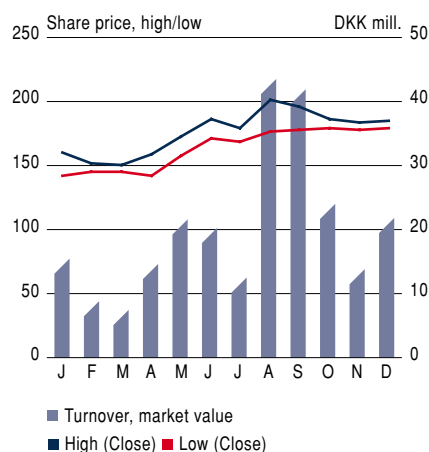
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SHARE PRICE AND TRADING, 2003



Financial Review

Financial Review 2003

The accounting policies applied to financial leasing, pension schemes and the regulation of foreign exchange movements on goodwill/badwill in 2003 have been changed compared to 2002. The changes have resulted in an improvement in net profit of DKK 16 million, an increase of DKK 173 million in the balance sheet total and a DKK 49 million reduction in net equity. Accounting policies and the changes herein are described in greater detail on page 33 of this report.

Revenue

Revenue increased by 8% to DKK 5.3 billion from DKK 4.9 billion in 2002. The figure comprises a fall of 8% in DFDS Seaways and an increase of 21% in DFDS Tor Line.

Revenue in DFDS Seaways fell by DKK 169 million, approximately half of which can be attributed to route changes including the transfer of the Esbjerg-Harwich route to DFDS Tor Line. The rest of the decrease can be attributed to a weak travel market, which has reduced average ticket revenue per passenger, and to reductions in two of the most important net revenue currencies for DFDS Seaways: the Norwegian krone and the British pound.

DFDS Tor Line increased revenue by DKK 559 million, approximately 40% of which was due to acquisitions and around 15% of which stems from the transfer of the Esbjerg-Harwich route from DFDS Seaways. The remaining 45% of the rise is related to the addition of HansaBridge, higher revenue in LISCO and generally higher levels of activity on the rest of the route network.

EBITDA

Operating profit before depreciation (EBITDA) in 2003 increased by 1%, to DKK 794 million compared to 2002. On a divisional level, increased profits in DFDS Tor Line are offset by lower profits in DFDS Seaways and DFDS Group Management.

As a result of the increase in revenue, the EBITDA margin was reduced to 15.1% in 2003 from 16.2% in 2002. The lower margin was primarily due to the following:

- a lower level of earnings in DFDS Seaways as a result of the weak travel market
- a change in DFDS Tor Line's cost structure caused by capital costs being replaced by operational costs in connection with the sale and chartering back of ships
- an expensed moving cost of DKK 18 million

There was a loss of DKK 15 million on the sale of ships, property and terminals. The amount consists of a total loss of DKK 10 million on the sale of six freight ships, a DKK 25 million loss on the sale of PRINCE OF SCANDINAVIA to cover redundancy payments, a minor loss on the sale of the ship and other costs. A provision of DKK 14 million related to redundancy payments in connection with the sale of ADMIRAL OF SCANDINAVIA in 2002 and a provision of DKK 23 million on the sale of the former headquarters at Sankt Annæ Plads have both been dissolved. A DKK 17 million provision was also made on rent commitments concerning the former passenger terminal in Hamburg.

Depreciation

Depreciation fell to DKK 469 million in 2003, 6% lower than in 2002, adjusted for write-downs of DKK 150 million on older freight ships. The trend in depreciations reflects the fleet renewal strategy as the number of ships sold exceeds the additions of new ships. A write-down of DKK 22 million mainly on fixtures of one passenger ship affects depreciations negatively in 2003.

EBITA

Due to the lower level of depreciations, operating profit (EBITA) rose 10% to DKK 310 million in 2003 from DKK 282 million in 2002, adjusted for the DKK 150 million write-down.

Goodwill/badwill

Depreciation of goodwill amounted to DKK 13 million and includes DKK 7 million write-down of goodwill from the acquisition of Latlines SIA.

Financing

Net financing costs rose by 5% to DKK 139 million in 2003 from DKK 132 million in 2002. Net interest cost fell by DKK 6 million in 2003 compared with 2002 as a result of mainly falling interest rate levels. However, this improvement was more than offset by a lower net exchange gain in 2003 than in 2002.

Tax and the annual profit

Pre-tax profit in 2003 was DKK 157 million, an improvement of 9% compared with DKK 143 million in 2002, adjusted for the DKK 150 million write-down and an improvement of 16% adjusted for profit/loss on the sale of ships, property and terminals.



The annual tax cost of DKK 28 million corresponding to a tax rate of 17.5%.

The annual profit before minority interests was DKK 130 million and amounted after minority interests to DKK 116 million.

Balance sheet and invested capital

Total assets at the end of 2003 amounted to DKK 7.00 billion and were thus on the same level as total assets of DKK 7.03 billion in 2002.

At the end of 2003, invested capital amounted to DKK 5.47 billion and calculated as an average per quarter, invested capital was DKK 5.54 billion in 2003. The corresponding figures for 2002 were DKK 5.56 billion and DKK 5.57 billion.

Ships constituted 94% of the invested capital at the end of 2003. Of this amount, financial leasing of ships constituted 2% or DKK 136 million.

Average invested capital turnover rose to 0.96 in 2003 from 0.87 in 2002. The rise reflects better capacity utilisation, a lower share of ownership of the fleet and the acquisition of companies with a higher capital turnover than DFDS.

Intangible fixed assets were reduced in 2003, primarily as a result of badwill associated with the acquisition of Lys-Line.

Interest-bearing debt and capital structure

Short and long-term interest-bearing debt totalled DKK 3.01 billion at the end of 2003, DKK 115 million of which was related to financially leased ships. The corresponding figures for 2002 were DKK 3.25 billion and DKK 162 million respectively.

The capital structure of net interest-bearing debt and equity at the end of 2003 was 50/50. If minority interests and deferred tax to equity are added, the capital structure was 44/56.

Solidity was 38% at the end of 2003, compared with 39% at the end of 2002.

Valuation of ships

Under the Financial Statements Act, an annual impairment test is conducted for ships on the basis of expected future earnings. Calculations for 2003 show that there is no need for a write-down. The impairment test is described in greater detail under accounting practices on page 36.

On the open market, the value of ships is normally quoted in USD, and the depreciation of USD in 2003 has reduced the market value of ships measured in DKK. DFDS' earnings capacity was not affected by this trend, however, as DFDS' primary income currencies are DKK, SEK, NOK, GBP and EUR.

As of 31 December 2003, the book value of DFDS' ships amounted to DKK 4.79 billion, which is estimated to exceed the market value set by brokers and DFDS, by an amount in the region of DKK 400-500 million.

DFDS' fleet renewal strategy will also in the coming years lead to the sale of ships, which may result in losses at the time of sale.

Equity

At the end of 2003, equity was calculated at DKK 2,528 million after the DKK 116 million profit transfer for the year. Value adjustment of hedging instruments and exchange rate adjustments reduced equity by DKK 33 million in 2003. In addition, the proposed dividend for 2003 amounts to DKK 38 million. Furthermore, standardisation of accounting policies for pension schemes led to a DKK 68 million equity reduction as the United Kingdom scheme was included on the balance sheet.

DFDS Group profit development per quarter 2002-2003

DKK mill.	2002					2003				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Revenue	1,050	1,273	1,357	1,184	4,864	1,072	1,277	1,678	1,238	5,265
Operating profit (EBITA)	-106	138	80	20	132	-55	123	255	-13	310
Operating profit margin. %	-10.1	10.8	5.9	1.7	2.7	-5.1	9.6	15.2	-1.1	5.9
Profit before tax and extraordinary items	-138	89	43	0	-6	-110	83	224	-40	157
Average invested capital	5,540	5,674	5,606	5,591	5,570	5,508	5,496	5,597	5,564	5,536
Return on invested capital (ROIC) p.a. %	-5.2	6.7	3.9	1.0	1.6	-3.8	7.4	17.5	-1.2	5.0

Statements

Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today discussed and adopted the annual report for 2003 of DFDS A/S.

The annual report has been prepared in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Copenhagen Stock Exchange's financial reporting requirements for listed companies. We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position as well as of the results of the Group's and the parent company's operations.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 16 March 2004

Executive Board

Ole Frie
Managing Director

Christian Merrild
Director

Søren Jespersen*
Director

Supervisory Board

Ivar Samrén
Chairman

Svend Jakobsen
Deputy Chairman

Ole Adamsen**

Claus Arnhild**

Jill Lauritzen Melby

Anders Moberg

Ingar Skaug

Ib Sørensen**

* Employed as of 15 February 2004

** Employee elected board members

Auditors' report

To the shareholders of DFDS A/S

We have audited the annual report of DFDS A/S for the financial year 1 January - 31 December 2003.

The annual report is the responsibility of the Executive and Supervisory Boards. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion

We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Executive and Supervisory Boards, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2003 and of the results of the Group's and the parent company's operations and consolidated company cash flows for the financial year 1 January - 31 December 2003 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

Copenhagen, 16 March 2004

KPMG C. Jespersen

Statsautoriseret Revisionsinteressentskab

Kurt Gimsing
State authorised
public accountant

Jesper Koefoed
State authorised
public accountant

Deloitte

Statsautoriseret Revisionsaktieselskab

Torgny Pahle
State authorised
public accountant

Morten Egelund
State authorised
public accountant

Accounting Policies

The annual report has been prepared in accordance with the provisions applying to class D enterprises in the Danish Financial Statements Act, Danish accounting standards and the Copenhagen Stock Exchange financial reporting requirements for listed companies.

Except for the below areas, the accounting policies applied in the preparation of the financial statements are consistent with those of last year:

- Uniform accounting policies have been applied in 2003 in respect of defined benefit plans. For defined benefit plans an actuarial calculation is made of the present value of future payments under the plan. The present value calculated by an actuary less the fair value of plan assets is recognised in the balance sheet under pension obligations. In 2002, pension obligations relating to the plan in the UK were not recognised in the balance sheet. Contributions to the plan were recognised as cost. There has not been any impact at the income statement in 2002 and 2003. At 31 December 2003 capital and reserves were reduced by DKK 68.3 million (1 January 2003: a reduction of DKK 73.5 million).
- Assets held under finance leases are recognised in the balance sheet at the lower of fair value and net present value of the discounted minimum lease payments. The capitalised residual obligation is recognised as a liability in the balance sheet and the interest element of the lease is recognised as cost in the income statement. Non-current assets held under finance leases are depreciated and written down in accordance with the accounting policies applied to the Company's own non-current assets, however not exceeding the term of the lease. In 2002 charters on assets held under finance leases were recognised in the operating costs related to the ships. The adjustment results in an increase of profit/loss before and after tax of DKK 15.3 million and DKK 10.2 million respectively (2002: an increase of DKK 13.0 million and DKK 11.4 million). Capital and reserves at 31 December 2003 were increased by DKK 21.7 million (31 December 2002: an increase of DKK 12.2 million) as a result of the adjustment.
- In order to give a more true and fair view of the foreign exchange risk related to investments in foreign subsidiaries goodwill/badwill is treated as an asset/liability belonging to the foreign subsidiary to which the goodwill relates and translated into Danish kroner at the exchange rates at the balance sheet date. Amortisation of goodwill and recognition of badwill as income are translated at the average rates of the period. In previous years goodwill/badwill were translated into Danish kroner at the rate at the date of acquisition (historical rate). The change results in an increase of profit/loss before and after tax for 2003 of DKK 1.1 million (2002: DKK 0.4 million). Capital and reserves at 31 December 2003 have been reduced by DKK 2.7 million (31 December 2002: an increase of DKK 5.3 million) as a result of the change in accounting policies.

Comparative figures and financial highlights have been restated in accordance with the changed accounting policies, except from change of accounting policy for defined benefit plans, where adjustment only are done pointing forward (1 January 2003).

The accumulated effect of the changes in accounting policies for the annual report for 2003 is an increase in profit/loss before tax for 2003 of DKK 16.4 million (2002: an increase of DKK 12.6 million). Tax expenses are increased by DKK 5.1 million (2002: an increase of DKK 1.6 million) and accordingly profit/loss for 2003 after tax is increased by DKK 11.3 million (2002: an increase by DKK 11.0 million).

Total assets at 31 December 2003 are increased by DKK 172.6 million (31 December 2002: DKK 181.3 million) and capital and reserves are reduced by DKK 49.3 million (31 December 2002: an increase of DKK 17.5 million). In addition total assets are increased by DKK 31.5 million and capital and reserves are reduced with DKK 73.5 million as of 1 January 2003 regarding defined benefit plans.

Except for the changes in accounting policies the following changes have been made in the income statement and the balance sheet.

- Gain/loss on disposal of ships, property and terminals** will in future be recognised after operating profit before depreciation. Previously, such gains/losses were recognised in income.
- Badwill** will in future be recognised in intangible assets. Previously, negative goodwill was recognised in liabilities other than provisions.
- Only minor reclassifications have been made to the income statement, balance sheet and cash flow statement.

Comparative figures and financial highlights have been restated.

The wholly-owned subsidiaries DFDS Seaways A/S and DFDS Tor Line A/S were merged with DFDS A/S on 1 January 2003 with DFDS A/S as the acquirer. The adjustments that were made in connection with the merger have been incorporated in the opening balance sheet at 1 January 2003 of the parent company (DFDS A/S). The merger has not resulted in any fair value adjustment of assets and liabilities in the discontinuing companies, DFDS Seaways A/S and DFDS Tor Line A/S, as the pooling of interests method has been applied. The comparative figures for the parent company have been adjusted as if the companies DFDS A/S, DFDS Seaways A/S and DFDS Tor Line A/S had been merged for all financial years stated in the annual report. The merger does not affect the consolidated financial statements for 2002 and 2003.

The wording in the accounting policies applied has been elaborated and clarified in 2003. Changes in wording are, therefore, not to be considered as a change in accounting policies except for the changes mentioned above.

Recognition and measurement

Revenue is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings, including depreciation, amortisation and impairment are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and the liability can be reliably measured. If a liability cannot be reasonably measured, the liability is recognised in contingent liabilities.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount, which is due on maturity. Accordingly, any gains or losses are allocated over the term to maturity.

In recognising assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Consolidated financial statements

The consolidated financial statements comprise the parent company DFDS A/S and subsidiaries in which DFDS A/S, at the balance sheet date, directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, cf. the Group chart.

The consolidated financial statements are prepared by consolidating the parent company's and the individual subsidiaries' audited financial statements, all of which are prepared in accordance with the accounting policies of the DFDS Group.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

The Group's share of jointly controlled enterprises is recognised in the items in the consolidated financial statements at the proportionate share of the jointly controlled enterprises' income and expenses, assets and liabilities (proportionate consolidation).

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

The Group's investments in associates are recognised in the consolidated financial statements at the proportionate share of the associates' net asset value.

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated financial statements until the date of disposal, except consolidation related to disposal of an entire business area, cf. below. The comparative figures are not adjusted for companies acquired by purchase or merger, or for disposal of companies.

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets

and liabilities acquired are measured at their fair values at the date of acquisition. Goodwill/Badwill only includes provisions for restructuring costs related to adopted and announced plans to restructure the acquired enterprise.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount or disposal costs and the carrying amount of net assets at the date of disposal, including unamortised goodwill, plus anticipated disposal costs.

Consolidation of disposal of business area

Disposal of an entire business area is recognised in the consolidated financial statements as follows:

The Group's share of the results of the disposed business area until the date of disposal is recognised in "Result of disposal of business area" using the equity method. The 5-year survey shows a pro forma income statement, which has been adjusted as a consequence of the disposal of business area in 2000.

The disposal of business area is consolidated in the consolidated balance sheet and in the consolidated cash flow until the date of disposal.

Minority interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The minority interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the transaction date.

Receivables and payables denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date.

Realised and unrealised gains and losses on foreign exchange are recognised in the income statement in financing, net.

Goodwill/badwill arising on the acquisition of foreign subsidiaries is considered as an asset belonging to the foreign subsidiaries and translated into Danish kroner at the rate at the balance sheet date.

Fixed assets acquired in foreign currencies are translated at the exchange rates at the acquisition date. Gains and losses on hedges relating to the acquisition of fixed assets are recognised as part of the fixed asset.

On translation of the Group's foreign subsidiaries and associates, which are all separate entities, the income statements are translated into Danish kroner at the average exchange rates, and the balance sheet items are translated at the exchange rates at the balance sheet date.

Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Income statement

Revenue

Revenue from passenger shipping is recognised in the income statement at the time of departure while revenue from sea freight transport is recognised in the income statement at the time the freight is loaded.

Revenue is measured ex VAT, taxes and discounts in relation to the sale.

Costs

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

Operating costs related to ships

The operating costs of the ships comprise cost related to catering, fuel usage of the ships including hedging and costs for maintenance and improvement of the ships, which are not capitalised under tangible assets.

Chartering

Chartering comprises payments related to bareboat and time charter agreements.

Staff costs

Staff costs include wages and salaries, pension contributions, and social security costs for employees in the Group. Furthermore, costs related to employees who are now retired from the Group are included.

Other costs of operation, sale, and administration

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

Gain/loss on disposal of ships, property and terminals

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

Financing, net

Financing, net, comprise interest income and expense, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies as well as amortisation of financial assets and liabilities.

Profits/losses from investments in group enterprises and associates

The proportionate share of the results before tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses and minus or plus amortisation of goodwill and recognition of badwill. The share of the taxes of subsidiaries is recognised as tax on profit/loss from ordinary activities.

The proportionate share of the results before tax of the associates is recognised in both the parent company and the consolidated income statement in financing, net. The share of the taxes of associates is recognised as tax on profit/loss from ordinary activities.

Tax on profit/loss for the year

DFDS A/S is jointly taxed with a number of wholly-owned Danish subsidiaries and one foreign subsidiary. The current Danish corporation tax payable is levied on the jointly taxed companies in proportion to their taxable income (full allocation with refunds for tax losses).

The Group's Danish shipping companies and one Norwegian shipping company are taxed under a tonnage taxation scheme. The taxable income related to transportation of passengers and goods is determined on the basis of tonnage during the year. Income related to other activities is taxed in accordance with the usual applicable tax rules.

Tax for the year comprises income tax, tonnage tax, and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity. The recognised tax expense relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

Extraordinary income and expenses

Extraordinary income and expenses comprise income and expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Group and which are not expected to recur frequently or regularly.

Balance sheet

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment.

Goodwill and badwill

Goodwill or badwill between the cost of acquisition and the fair value of the identified assets and liabilities, including restructuring provisions, are recognised as intangible assets.

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 20 years, longest for investments of strategic importance for DFDS due to the long-term earnings profile.

Goodwill is subject to an annual impairment test. Goodwill is written down in the income statement to the recoverable amount if the carrying amount exceeds the recoverable amount. The recoverable amount is the net present value of expected future net income from the enterprise or activity to which the goodwill relates (value in use).

Badwill representing an anticipated adverse development in the acquired enterprises are recognised as income in the income statement as the adverse development is realised.

Badwill not related to any anticipated adverse development is recognised in the balance sheet at the date of acquisition and recognised in the income statement over the useful life of non-monetary assets.

Positive and negative balances from acquired subsidiaries can be adjusted until the end of the year after the acquisition if the recognition and statement of the acquired subsidiaries net assets are changed. All other adjustments are recognised in the income statement.

The accounting treatment of the disposal of business areas, activities and enterprises to which goodwill relates is described under consolidated financial statements.

Development projects

Development projects, which primarily relate to the development of IT software, are recognised as intangible assets if the following criteria are met:

- The projects are clearly defined and identifiable
- The Group intends to use the projects
- There is sufficient assurance that future earnings can cover development costs and administrative expenses
- The cost can be reliably measured

Development projects which do not meet the above criteria are recognised as cost in the income statement.

Capitalised development projects are recognised at cost less accumulated amortisation or recoverable amount, if this is lower. Cost includes costs of sub-suppliers, materials, direct wages and salaries and indirect production costs.

Capitalised development projects are amortised on a straight-line basis after completion of the development project over the period where an inflow of economic benefits is expected. The amortisation period is normally 3-5 years, but in certain cases may be up to 10 years.

Tangible assets

Tangible assets are recognised at cost less accumulated depreciation and impairment.

The cost of tangible assets includes costs of sub-suppliers, materials, components, direct wages and salaries and indirect costs of production. Interest paid from the time of payment until the date when the asset is available for use is included in cost. Cost also comprises gains and losses on transactions designated as hedges of tangible assets.

Ships

Rebuilding of ships is capitalised if the rebuilding involves safety-related measures, extension of useful life or improvement of earnings.

The costs of other improvements and maintenance of the ships are recognised in the income statement as incurred. This also applies for ordinary maintenance performed during docking.

The basis for depreciation is determined as the cost less expected residual value, cf. below for each type of ships.

Impairment tests of ships are conducted annually. Ships are written down to recoverable amount if this is lower than the carrying amount. The recoverable amount is the higher of the net present value of the future net income expected from the ships (value in use) and the selling price. Value in use, which is determined on the basis of average cost of capital, WACC, is not determined for the individual ship but for the line that the ship sails. The recoverable amount of ships, which the Company expects to dispose of, is the same as the selling price.

Gains or losses on disposal of ships are determined as the difference between the selling price less selling costs and the carrying amount on the disposal date. Gains or losses on disposal of ships are recognised in the line item gain/loss on disposal of ships, property and terminals.

Passenger ships

Due to differences in the wear of passenger ship components, the cost of passenger ships is divided into components with minor wear, for example hulls and engines, and components with hard wear, for example parts of the hotel and catering area.

Rebuilding, which is capitalized as previously described, is depreciated over the remaining useful life of the components relating to the rebuilding.

The residual value of components with minor wear and components with hard wear is determined as DKK 0 for passenger ships.

For passenger ships components with hard wear are depreciated over 10-15 years compared to components with minor wear that are depreciated over the remaining useful lives of the ships determined on the basis of a separate assessment of the individual ship. Components with minor wear are depreciated over 30-34 years calculated from the year the ship was built.

Freight- and ro/pax ships

Cost related to freight- and ro/pax ships is not divided as the wear of the components for these ships is broken down over the useful lives of the ships.

Rebuilding, which is capitalized as previously described, is depreciated over the remaining useful lives of the ships.

The residual value is determined as a percentage of the ships' cost depending on the age of the ship at acquisition.

Depreciation for freight- and ro/pax ships is provided on a straight-line basis over 25 years from the year the ship was built. As regards ships older than 20 years an individual annual assessment is made of the remaining useful lives of the ships and the residual value. The maximum useful life for freight- and ro/pax ships is 31 years.

Other tangible assets

Other tangible assets comprise buildings, terminals and machinery, tools and equipment.

Operating equipment with a cost of acquisition below DKK 100,000 is depreciated in full in the year of acquisition.

The basis for depreciation is determined as the cost less the expected residual value at the time of disposal.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets.

The expected useful lives are as follows:

Buildings	25-50 years
Terminals, etc.	10-40 years
Machinery, tools and equipment, etc.	4-7 years
Leasehold improvements	are max. amortised over the term of the lease

Other tangible assets are written down to the recoverable amount if this is lower than the carrying amount.

Gains or losses on the disposal of machinery, tools and equipment and leasehold improvements are determined as the difference between the selling price less disposal costs

and the carrying amount at the date of disposal. The gains or losses on cargo equipment as well as on tools and equipment etc. are recognised in the income statement as operating costs or costs regarding operation, sale and administration.

Assets held under finance leases

Assets held under finance leases are recognised in the balance sheet at the lower of fair value and the present value of the minimum lease payments. The capitalised residual obligation is recognised in the balance sheet as a liability and the interest element of the lease payments is recognised in the income statement. Assets held under finance leases are depreciated and written-down as the Company's own non-current assets, however not exceeding the term of the lease.

Investments in group enterprises and associates

Investments in group enterprises and associates are measured in the balance sheet at the proportionate share of the enterprises' net asset values calculated in accordance with the accounting policies of the parent company adjusted for unamortised goodwill, badwill not recognised as income and unrealised intra-group profits and losses.

Group enterprises and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the group companies' share of the negative net asset value. Where the negative net asset value exceeds the amount owed, the remaining amount is recognised under provisions if the parent company or other group companies have issued guarantees or other letters of indemnity toward the trading partners of the company.

Net revaluation of investments in group enterprises and associates is transferred to the reserve for net revaluation in equity according to the equity method to the extent that the carrying amount exceeds cost.

Other investments are recognised at fair value. If fair value cannot be determined, other investments are measured at cost as the Company, due to nature of the other investments, cannot measure the fair value of separate components or calculate the net present value.

Inventories

Inventories, including catering supplies and bunkers, are measured at cost based on the FIFO method or the net realisable value if this is lower.

Receivables

Receivables are recognised at amortised cost. Write-down is made for bad debt losses.

Other receivables

Other receivables are recognised at amortised cost less write-down for anticipated losses. Other receivables comprise calculated receivable on hedges, receivables on loss or damage of ships, outstanding balances for chartered ships, interest receivable etc.

Deferred income

The item includes cost incurred no later than on the balance sheet date but which relate to subsequent years, for example prepaid charters.

Securities

Securities are recognised at fair value, which for listed securities is the market price on the balance sheet date.

Equity

Dividends

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

Treasury shares

The cost of acquisition and consideration received from treasury shares are recognised directly as retained earnings in equity on the date of acquisition or disposal. Accordingly, gains and losses on disposal are not recognised in the income statement. Holdings of treasury shares are recognised in the balance sheet at zero value. A part of the Group's treasury shares is used on exercise of granted share options.

Share options

Granted share options have an exercise price corresponding to the market price of the Company's shares at the grant date, and on exercise of granted share options, the Group's treasury shares will be used. Consequently, no cost or liability is recognised at the grant date or in connection with any subsequent value adjustment.

The fair value of share options disclosed in the annual report is calculated based on the Black & Scholes option pricing model.

Provisions

Provisions are recognised in the balance sheet at fair value.

Pensions

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

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

Other provisions

Other provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Financial liabilities

Amounts owed to mortgage credit institutions and banks, relating to loans which the Group expects to hold to maturity, are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade payables and amounts owed to group enterprises, are recognised at amortised cost.

Corporate tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income and tonnage taxation for the year. Current tax payable for the jointly taxed companies is recognised in the parent company's financial statements.

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

Deferred tax relating to assets and liabilities subject to tonnage taxation is recognised to the extent that deferred tax is expected to occur.

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

Deferred tax is measured on the basis of the expected use and settlement of the individual assets and liabilities and according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. The Danish tax rate is 30%. The tax rates for foreign companies range from 15 to 40%. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Other payables

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

Prepayments

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

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised directly in equity. Income and expenses relating to such hedging transactions are transferred from equity on realisation of the hedged item and recognised in the same item as the hedged item.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement when they occur.

Segment information

The Group's risks and its internal financial management relate primarily to the divisions DFDS Seaways and DFDS Tor Line. Consequently, segment information is disclosed for these divisions and complies with the Group's accounting policies.

Cash flow statement

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

The cash flow effect of acquisition and disposal of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposal of enterprises are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated on the basis of the profit/loss before amortisation and depreciation and financing, net and adjusted for non-cash operating items, changes in working capital, payments relating to financial and extraordinary items and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposal of enterprises and activities and of intangible assets, tangible assets and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital, payment of dividends to shareholders and the raising and repayment of mortgage loans and other long-term and short-term debt.

Cash and cash equivalents

Cash and cash equivalents comprise cash and securities.

DFDS Income Statement

Parent Company DKK '000				Consolidated DKK '000	
2002	2003	Note	Income statement	2003	2002
4,014,404	4,159,942		Revenue	5,264,874	4,864,119
			<i>Costs</i>		
-1,957,542	-1,973,243		Operating costs related to ships	-2,453,728	-2,374,821
-483,248	-605,798		Charter hire	-400,774	-111,068
-624,384	-571,786	2	Staff costs	-1,178,620	-1,160,136
-522,622	-530,044	3,4	Other costs of operation, sales, and administration	-437,665	-431,150
-3,587,796	-3,680,871		<i>Total costs</i>	-4,470,787	-4,077,175
426,608	479,071		Operating profit before depreciation (EBITDA)	794,087	786,944
-13,953	-315		Profit/loss on disposal of ships, buildings, and terminals	-14,948	-5,002
		9,10	<i>Depreciation and impairment</i>		
-349,965	-274,725		Ships	-391,771	-569,368
-17,251	-15,930		Other fixed assets	-77,525	-80,816
-367,216	-290,655		<i>Total depreciation and impairment</i>	-469,296	-650,184
45,439	-188,101		Operating profit (EBITA)	309,843	131,758
28,499	-36,962	12	Profit/loss before tax, group enterprises	0	0
-12,414	-12,364	9	Goodwill/badwill, net	-13,322	-5,485
-78,406	-69,392	5	Financing, net	-139,127	-132,057
-16,882	143,307		Profit before tax and extraordinary items	157,394	-5,784
335,450	-27,607	6	Tax on profit from ordinary activities	-27,607	335,369
318,568	115,700		Profit before extraordinary items and minority interests	129,787	329,585
-116,471	0	7	Extraordinary items after tax	0	-116,471
202,097	115,700		Profit for the year before minority interests	129,787	213,114
0	0		Minority interests' share of the profit for the year	-14,087	-11,017
202,097	115,700		DFDS A/S' share of the profit for the year	115,700	202,097
			Proposed profit appropriation		
56,000	40,000		Proposed dividends, DKK 5 per share (2002: DKK 7 per share)		
-3,311	-2,365		Dividends, treasury shares		
149,408	78,065		Retained earnings		
202,097	115,700				

DFDS Balance Sheet for the Year ended 31 December

Parent Company DKK '000				Consolidated DKK '000	
2002	2003	Note	Balance sheet	2003	2002
Fixed assets					
<i>Intangible assets</i>					
228,690	216,325		Goodwill/Badwill	19,524	55,699
4,011	20,034		Software	20,034	4,011
13,051	3,159		Development projects in progress	3,159	13,051
<u>245,752</u>	<u>239,518</u>	9	Total intangible assets	<u>42,717</u>	<u>72,761</u>
<i>Tangible assets</i>					
2,268	2,223		Buildings	44,740	44,202
6,415	9,366		Terminals	175,149	101,927
3,141,892	2,958,979		Ships	4,791,698	5,021,075
16,768	34,331		Machinery, tools and equipment	173,888	175,016
160,819	318,971		Work in progress and prepayments	355,954	183,300
<u>3,328,162</u>	<u>3,323,870</u>	10	Total tangible assets	<u>5,541,429</u>	<u>5,525,520</u>
<i>Investments</i>					
938,229	831,464	12	Investments in group enterprises	0	0
749,515	640,786	11,12	Amounts owed by group enterprises	0	0
4,139	4,270	11	Investments in associates	4,953	3,955
25,167	96,795	11	Other investments	141,769	46,758
<u>1,717,050</u>	<u>1,573,315</u>		Total investments	<u>146,722</u>	<u>50,713</u>
5,290,964	5,136,703		Total fixed assets	5,730,868	5,648,994
Current assets					
56,372	47,515		<i>Inventories</i>	55,126	65,066
<i>Receivables</i>					
71,575	109,567		Trade receivables	516,020	355,585
86,902	260,625		Amounts owed by group enterprises	0	0
5,352	3,707		Amounts owed by associates	3,707	2,937
285,919	45,752	13	Other receivables	126,739	345,751
0	0	17	Deferred tax assets	67,281	8,116
763	27,621		Prepayments	60,881	35,251
<u>450,511</u>	<u>447,272</u>		Total receivables	<u>774,628</u>	<u>747,640</u>
32	23		Securities	2,299	37
<u>321,285</u>	<u>206,859</u>	14	Cash at bank and in hand	435,616	565,165
828,200	701,669		Total current assets	1,267,669	1,377,908
6,119,164	5,838,372		Total assets	6,998,537	7,026,902

DFDS Balance Sheet for the Year ended 31 December

Parent Company DKK '000				Consolidated DKK '000	
2002	2003	Note	Balance sheet	2003	2002
Equity					
800,000	800,000		Share capital	800,000	800,000
519,753	519,753		Share premium	519,753	519,753
0	0		Revaluation reserve	0	0
0	0		Reserve for net revaluation according to equity method	0	0
1,250,579	1,170,206		Retained earnings	1,170,206	1,250,579
52,689	37,635		Proposed dividends	37,635	52,689
2,623,021	2,527,594	15	Total equity	2,527,594	2,623,021
0	0	16	Minority interests	165,901	146,472
Provisions					
19,874	62,678	17	Deferred tax	156,787	113,762
15,892	10,434	18	Pensions	127,108	16,727
41,475	68,637	19	Other provisions	76,137	56,445
77,241	141,749		Total provisions	360,032	186,934
Liabilities					
<i>Long-term liabilities</i>					
17,217	0		Mortgage debt	0	17,217
1,800,058	1,647,352		Mortgages on ships	2,452,528	2,648,807
0	0		Financial leases	92,858	137,297
105,118	32,953		Amounts owed by group companies	0	0
0	228		Other long-term liabilities other than provisions	95,893	60,699
1,922,393	1,680,533	22	Total long-term liabilities	2,641,279	2,864,020
<i>Short-term liabilities</i>					
30,658	0		Bank loans and overdrafts	5,567	30,717
134,634	104,271		Trade payables	339,545	295,234
225,609	232,500	22	Next year's repayment on long-term liabilities	362,033	357,906
72,675	73,818	22	Next year's repayment on long-term liabilities to group companies	0	0
702,108	709,314		Amounts owed by group companies	0	0
0	0		Amounts owed by associates	3,728	11
354	0		Corporate tax	8,479	18,393
281,282	357,026	23	Other payables	522,793	379,484
49,189	11,567		Deferred income	61,586	124,710
1,496,509	1,488,496		Total short-term liabilities	1,303,731	1,206,455
3,418,902	3,169,029		Total liabilities other than provisions	3,945,010	4,070,475
6,119,164	5,838,372		Passiver i alt	6,998,537	7,026,902

Assets pledged as securities., etc, see Notes 10 and 22,

Guarantees, etc., see Note 26,

Contractual commitments and financial transactions, see Notes 24, 27 and 28,

Related parties, see Note 29.

Statement of Changes in Equity – Consolidated

DKK '000	Share capital	Share premium	Revaluation reserve	Retained earnings	Proposed dividends	Total
Equity at 1 January 2002	800,000	519,753	5,297	1,147,583	67,743	2,540,376
Distributed dividends	0	0	0	0	-67,743	-67,743
Profit for the year	0	0	0	202,097	0	202,097
Proposed dividends	0	0	0	-56,000	56,000	0
Dividends treasury shares	0	0	0	3,311	-3,311	0
Reversal of unrealised gains on securities	0	0	-5,297	5,297	0	0
Foreign exchange adjustment relating to foreign companies' beginning equity	0	0	0	11,299	0	11,299
Effect of difference between year-end and average rates on profit	0	0	0	1,517	0	1,517
Value adjustment of hedging instruments	0	0	0	-64,381	0	-64,381
Adjustments	0	0	0	-144	0	-144
Equity at 31 December 2002	800,000	519,753	0	1,250,579	52,689	2,623,021
Changed accounting policy re. defined benefit plans	0	0	0	-73,536	0	-73,536
Equity at 1 January 2003	800,000	519,753	0	1,177,043	52,689	2,549,485
Distributed dividends	0	0	0	0	-52,689	-52,689
Profit for the year	0	0	0	115,700	0	115,700
Proposed dividends	0	0	0	-40,000	40,000	0
Dividends treasury shares	0	0	0	2,365	-2,365	0
Foreign exchange adjustment relating to foreign companies' equity at 1 January 2002	0	0	0	-48,559	0	-48,559
Effect of difference between year-end and average rates on profit	0	0	0	-859	0	-859
Value adjustment of hedging instruments	0	0	0	-33,448	0	-33,448
Adjustments	0	0	0	-2,036	0	-2,036
Equity at 31 December 2003	800,000	519,753	0	1,170,206	37,635	2,527,594

Statement of Changes in Equity – Parent Company

DKK '000	Share capital	Share premium	Revaluation reserve	Net revaluation according to the equity method	Retained earnings	Proposed dividends	Total
Equity at 1 January 2002	800,000	519,753	5,297	218,608	928,975	67,743	2,540,376
Distributed dividends	0	0	0	0	0	-67,743	-67,743
Profit for the year	0	0	0	0	202,097	0	202,097
Proposed dividends	0	0	0	0	-56,000	56,000	0
Dividends treasury shares	0	0	0	0	3,311	-3,311	0
Reversal of unrealised gains on securities	0	0	-5,297	0	5,297	0	0
Net revaluation according to the equity method	0	0	0	338,488	-338,488	0	0
Foreign exchange adjustment relating to foreign companies' beginning equity	0	0	0	0	11,299	0	11,299
Effect of difference between year-end and average rates on profit	0	0	0	0	1,517	0	1,517
Value adjustments of hedging instruments	0	0	0	0	-64,381	0	-64,381
Adjustments	0	0	0	0	-144	0	-144
Equity at 31 December 2002	800,000	519,753	0	557,096	693,483	52,689	2,623,021
Adjustment due to merger	0	0	0	-557,096	557,096	0	0
Changed accounting policy re. defined benefit plans	0	0	0	0	-73,536	0	-73,536
Equity at 1 January 2003	800,000	519,753	0	0	1,177,043	52,689	2,549,485
Distributed dividends	0	0	0	0	0	-52,689	-52,689
Profit for the year	0	0	0	0	115,700	0	115,700
Proposed dividends	0	0	0	0	-40,000	40,000	0
Dividends treasury shares	0	0	0	0	2,365	-2,365	0
Net revaluation according to the equity method	0	0	0	0	0	0	0
Foreign exchange adjustment relating to foreign companies' beginning equity	0	0	0	0	-48,559	0	-48,559
Effect of difference between year-end and average rates on profit	0	0	0	0	-859	0	-859
Value adjustments of hedging instruments	0	0	0	0	-33,448	0	-33,448
Adjustments	0	0	0	0	-2,036	0	-2,036
Equity at 31 December 2002	800,000	519,753	0	0	1,170,206	37,635	2,527,594

DFDS Consolidated Cash Flow Statement

DKK '000	Note	2003	2002
Profit before depreciation (EBITDA)		794,087	786,944
Cash flows from operating activities			
Adjustments		2,028	17,142
Change in working capital	8	-44,080	61,836
Change in provisions		-40,876	-2,437
Cash flow from operating activities, gross		711,159	863,485
Financing, net		-171,918	-122,828
Taxes paid		-24,275	-37,244
Cash flow from operating activities, net		514,966	703,413
Cash flow from investing activities			
Ships	20	-424,721	-326,192
Buildings and terminals	20	115,633	-27,428
Operating equipment	20	-31,325	-11,306
Intangible assets		-11,675	-11,751
Acquisition of companies	25	37,948	-14,162
Acquisition of minority interests		-2,222	-31,088
Associates		0	-157
Payment relating to adjustment of acquisition		0	-74,000
Cash flow from investing activities		-316,362	-496,084
Cash flows from financing activities			
Change in other investments		-106,182	0
Change in loans secured by mortgages in ships	21	-162,252	-121,890
Change in other financial loans	21	24,516	-33,993
Change in operating credits		-25,151	-38,694
Dividends paid to shareholders		-52,689	-67,743
Cash flow from financing activities		-321,758	-262,320
Cash flow for the year		-123,154	-54,991
Cash at bank and in hand and securities at 1 January		565,202	617,181
Foreign exchange adjustments		-4,133	3,012
Cash at bank and in hand and securities at 31 December		437,915	565,202

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

Notes

Note 1 Segment information

Activities DKK '000	Profit		Value of fixed assets	Liabilities
	Revenue	before financing		
2003				
DFDS Seaways	2,097,336	54,851	1,818,982	1,454,887
DFDS Tor Line	3,196,215	274,067	3,913,536	4,054,531
Other	113,226	-32,397	852,604	519,316
Eliminations	-141,903	0	-854,254	-1,723,692
Total DFDS Group	5,264,874	295,521	5,730,868	4,305,042
	Profit Revenue	Profit before financing	Value of fixed assets	Liabilities
2002				
DFDS Seaways	2,266,433	127,227	2,083,369	2,204,334
DFDS Tor Line	2,637,272	38,728	3,534,610	3,066,565
Other	48,071	-36,104	431,015	938,527
Eliminations	-87,657	-3,578	-400,000	-1,952,017
Total DFDS Group	4,864,119	126,273	5,648,994	4,257,409

In accordance with the transitional provisions in the Danish Financial Statements Act no segment information has been prepared for the secondary (geographic) segment.

Parent Company DKK '000		Note	Balance sheet	Consolidated DKK '000	
2002	2003			2003	2002

Note 2 Staff Cost

574,990	524,994	Wages and salaries	975,920	1,001,391
29,150	29,185	Pensions	51,130	43,729
20,244	17,607	Social security costs, etc.	151,570	115,016
624,384	571,786		1,178,620	1,160,136
5,004	5,033	Remuneration and pensions to the parent company's Executive Board	5,033	5,004
1,657	1,650	Pensions to the parent company's Executive Board	1,650	1,657
2,000	2,000	Remuneration to the parent company's Supervisory Board	2,000	2,000
1,958	1,870	Average number of employees	4,181	4,070

No unusual agreements have been entered into with the Executive Board relating to pension and severance terms. The share option schemes are described and specified at 69 in this report.

Notes

Parent Company DKK '000			Consolidated DKK '000	
2002	2003		2003	2002
Note 3 Other costs of sales and administration				
174,078	165,702	Selling costs, external	189,746	210,899
269,746	238,548	Selling costs, internal	0	0
78,798	125,794	Other costs	247,919	220,251
522,622	530,044		437,665	431,150
Note 4 Fees paid to auditors appointed at the Annual General Meeting				
3,361	4,315	Fees, KPMG	8,604	7,142
300	682	Fees, Deloitte	715	300
2,326	3,208	Fees for non-audit services, KPMG	4,829	4,248
247	373	Fees for non-audit services, Deloitte	406	247
Note 5 Financing, net				
363	3,690	<i>Interest income and similar items</i>		
67,075	34,672	Share of profit/loss in associates	3,738	3,319
50,674	47,318	Foreign exchange gains	92,034	97,563
17,590	17,845	Interest income from group enterprises	0	0
		Interest income	25,587	19,617
135,702	103,525	<i>Total interest income and similar items</i>	121,359	120,499
		<i>Interest expenses and similar items</i>		
-55,139	-34,921	Foreign exchange losses	-87,211	-79,763
-24,045	-30,603	Interest expense for group enterprises	0	0
-133,405	-106,059	Interest expense	-170,608	-170,535
-1,519	-1,334	Other interest expense and similar items	-2,667	-2,258
-214,108	-172,917	<i>Total interest expenses and similar items</i>	-260,486	-252,556
-78,406	-69,392	Financing, net	-137,127	-132,057

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

Notes

Parent Company DKK '000			Consolidated DKK '000	
2002	2003		2003	2002
Note 6 Tax				
No Danish tax was paid in the parent company in 2003, and the company has no tax liability for that year.				
0	0	Current tax	-35,369	-13,211
1,198	524	Current joint tax contribution	0	0
326,943	0	Adjustment of deferred tax due to the transition to tonnage taxation	0	326,943
10,642	-42,926	Deferred tax	9,399	27,626
-3	-19	Adjustments of deferred tax, previous years	995	6,312
8,971	15,974	Tax, group enterprises	0	0
347,751	-26,447		-24,975	347,670
can be specified as follows:				
335,450	-27,607	Tax on profit/loss from ordinary activities	-27,607	335,369
0	0	Tax on profit/loss from extraordinary activities	0	0
335,450	-27,607	Tax on profit for the year	-27,607	335,369
12,301	1,160	Tax on changes in equity	2,632	12,301
347,751	-26,447	Total tax for the year	-24,975	347,670
Tax on profit/loss on ordinary activities can be specified as follows:				
8,973	-42,992	Tax on profit before tax and extraordinary items	-47,218	5,644
-1,195	6,304	Adjustment to computed tax in foreign subsidiaries compared to the 30% tax rate	6,304	-1,195
Tax effect of:				
13,843	20,729	Adjustments, group enterprises	0	0
897	-42,510	Non-deductible items	-21,719	2,163
326,943	0	Adjustments due to tonnage tax	0	326,943
-14,008	30,881	Tonnage tax	34,031	-4,498
-3	-19	Adjustments of tax related to previous years	995	6,312
335,450	-27,607	Effective tax	-27,607	335,369

Note 7 Extraordinary items after tax

-116,471	0	Loss on sale of business activity	0	-116,471
0	0	Tax on extraordinary items	0	0
-116,471	0		0	-116,471

In February 2002, a case concerning settlement of the balance with DSV (De Sammensluttede Vognmænd A/S) regarding the disposal of DFDS Dan Transport was filed with the arbitration court by DSV. A settlement has subsequently been reached. Accordingly, the acquisition price is written down by DKK 220 million. After deduction of provisions made in DFDS, the settlement results in extraordinary expenses of DKK 116 million for DFDS.

Note 8 Change in working capital

Change in inventories		13,849	1,579
Change in receivables		-93,763	111,512
Change in short-term liabilities		35,834	-51,255
Total change in working capital		-44,080	61,836

Notes

Note 9 Intangible assets

Consolidated DKK '000	Goodwill	Badwill	Software	Development projects in process
Balance at 31 December 2002	169,288	-35,474	18,305	13,051
Effects of changed accounting policies	5,543	116	0	0
Balance at 1 January	174,831	-35,358	18,305	13,051
Foreign exchange adjustment	-11,447	124	0	0
Transferred to/from other items	0	0	19,485	-19,485
Additions related to acquisitions	4,493	-16,973	0	0
Additions	0	0	2,865	9,593
Additions due to dilution of minorities	0	-783	0	0
Disposals	0	0	0	0
Cost at 31 December	167,877	-52,990	40,655	3,159
Balance at 31 December 2002	84,433	-1,053	14,294	0
Effects of changed accounting policies	382	12	0	0
Impairment and depreciation at 1 January	84,815	-1,041	14,294	0
Foreign exchange adjustment	-1,730	-3	0	0
Depreciation	8,765	0	6,327	0
Impairment	7,255	0	0	0
Income of the year	0	-2,698	0	0
Depreciation and assets sold	0	0	0	0
Impairment and depreciation at 31 December	99,105	-3,742	20,621	0
Carrying amount at 31 December	68,772	-49,248	20,034	3,159

Parent company DKK '000	Goodwill	Software	Development projects in process
Balance at 31 December 2002	0	0	0
Additions due to merger	247,287	18,305	13,051
Balance at 1 January 2003	247,287	18,305	13,051
Transferred to/from other items	0	19,485	-19,484
Additions	0	2,865	9,592
Disposals	0	0	0
Cost at 31 December 2003	0	40,655	3,159
Balance at 31 December 2002	0	0	0
Additions due to merger	18,598	14,294	0
Impairment and depreciation at 1 January 2003	18,598	14,294	0
Depreciation	12,364	6,327	0
Depreciation on assets sold	0	0	0
Impairment and depreciation at 31 December 2003	30,962	20,621	0
Carrying amount at 31 December 2003	216,325	20,034	3,159

Notes

Note 10 Tangible assets

Consolidated DKK '000	Buildings	Terminals	Ships	Machinery tools and equipment	Work in progress and prepayments
Balance at 31 December 2003	58,000	211,063	7,149,444	484,273	183,300
Effects of changed accounting policies	0	0	164,757	0	0
Balance at 1 January	58,000	211,063	7,314,201	484,273	183,300
Foreign exchange adjustment	-900	-8,991	-58,383	-16,683	63
Transferred to/from other items	0	26,507	533,200	8,593	-568,300
Additions related to acquisitions	1,000	0	0	19,281	0
Additions	2,683	66,385	6,165	51,622	740,891
Disposals	-1,167	-2,561	-1,031,039	-87,883	0
Cost at 31 December	59,616	292,403	6,764,144	459,203	355,954
Balance at 31 December 2002	13,798	109,136	2,291,878	309,257	0
Effects of changed accounting policies	0	0	1,248	0	0
Balance at 1 January	13,798	109,136	2,293,126	309,257	0
Foreign exchange adjustment	-600	-2,611	-1,425	-9,424	0
Depreciation	1,570	12,642	389,458	56,878	0
Impairment	108	0	0	0	0
Depreciation on assets sold	0	-1,913	-708,713	-71,396	0
Impairment and depreciation at 31 December	14,876	117,254	1,972,446	285,315	0
Carrying amount at 31 December	44,740	175,149	4,791,698	173,888	355,954
Hereof financial leased assets	0	0	135,653	0	0
Interest recognised at 1 January			29,325		2,827
Adjustments of the year			-5,957		3,598
Interest recognised at 31 December			23,368		6,425
Carrying amount of assessed Danish land and buildings, etc.	2,223	9,366			
Latest assessment of Danish land and buildings, etc.	5,480	9,650			
Carrying amount of assets pledged as securities	0	9,366	3,201,652		

Work in progress and prepayments include prepayments related to newbuildings, DKK 298 million.

The carrying amount of ships includes passenger ships, DKK 1,723 million, of which amount DKK 477 million is related to components with hard wear and DKK 1,246 million is related to components with minor wear.

The income statement includes depreciation with DKK 391.8 million. Amortisation of profit/loss on sales and lease back transactions constitute DKK 2.3 million (2002: DKK 0.1 million).

Notes

>>> Note 10 continued

Parent Company DKK '000	Buildings	Terminals	Ships	Machinery tools and equipment	Work in progress and prepayments
Balance at 31 December 2003	2,979	0	0	14,693	2,394
Additions due to merger	0	54,109	4,968,281	62,297	158,425
Balance at 1 January	2,979	54,109	4,968,281	76,990	160,819
Transferred to/from other items	0	5,081	532,337	6,769	-544,185
Additions	0	0	0	20,286	702,337
Disposals	0	0	-1,001,882	-23,986	-62
Cost at 31 December	2,979	59,190	4,498,736	80,059	318,971
Balance at 31 December 2003	711	0	0	13,506	0
Additions due to merger	0	47,695	1,826,388	46,716	0
Balance at 1 January	711	47,695	1,826,388	60,222	0
Depreciation	45	2,129	274,725	7,429	0
Depreciation on assets sold	0	0	-561,356	-21,923	0
Impairment and depreciation at 31 December	756	49,824	1,539,757	45,728	0
Carrying amount at 31 December	2,223	9,366	2,958,979	34,331	318,971
Carrying amount of assessed Danish land buildings, etc.	2,223	9,366	0		
Latest assessment of assessed Danish land buildings, etc.	5,480	9,650	0		
Carrying amount of assets pledged as securities	0	9,366	2,872,516		

The carrying amount of ships and work in progress and prepayments include interest with DKK 14 million and DKK 6 million.

The carrying amount of ships includes passenger ships, DKK 1,723 million, of which amount DKK 477 million is related to components with hard wear and DKK 1,246 million is related to components with minor wear.

Note 11 Investments

Consolidated DKK '000	Investments in associates	Other investments
Balance at 1 January	661	48,504
Foreign exchange adjustment	-84	-7,511
Additions related to acquisitions	401	0
Additions	0	119,892
Disposals	0	-19,419
Costs at 31 December	978	141,466
Balance at 1 January	3,294	-1,746
Foreign exchange adjustment	36	0
Adjustments	0	2,049
Profit for the year	3,738	0
Dividends from associated companies	-3,093	0
Adjustments 31 December	3,975	303
Carrying amount at 31 December	4,953	141,769

Notes

>>> Note 11 continued

Note 11 Investments

Parent Company DKK '000	Amounts owned by group enterprises	Investments in associates	Other investments
Balance at 31 December 2002	400,000	0	10,672
Additions due to merger	749,515	7,417	16,240
Disposal due to merger	-400,000	0	0
Balance at 1 January	749,515	7,417	26,912
Foreign exchange adjustments	3,070	15	-1,824
Addition	30,258	0	75,042
Disposals	-142,057	-3,692	-3,611
Cost at 31 December	640,786	3,740	96,519
Balance at 31 December 2002	0	0	0
Addition due to merger	0	-3,279	-1,746
Balance at 1 January	0	-3,279	-1,746
Adjustments	0	0	2,022
Disposal	0	4,362	0
Profit for the year	0	2,540	0
Dividends from associated companies	0	-3,093	0
Adjustments 31 December	0	530	276
Carrying amount at 31 December	640,786	4,270	96,795

Notes

Note 12 Investments in group enterprises

DKK '000	Investments in group enterprises
Balance at 31 December 2002	1,311,335
Adjustment of net revaluation related to subsidiaries	375,365
Addition due to merger	1,094,049
Disposal due to merger	-1,628,722
Costs at 1 January	1,152,027
Addition	37,057
Disposals	-983
Cost at 31 December	1,188,101
Balance at 31 December 2002	544,068
Adjustment of net revaluation related to subsidiaries	-375,365
Addition due to merger	-150,538
Disposal due to merger	-259,316
Adjustment of revaluation at 1 January 2003 due to change in accounting policies	-55,182
Accumulated revaluations at 1 January	-296,333
Foreign exchange adjustments of group enterprises beginning equity	-54,314
Effect of difference between year-end rate and average rates on profit	-859
Profit before tax, group enterprises	36,962
Tax in group enterprises	15,974
Dividends to parent company	-127,566
Value adjustments of hedging instruments recognised in equity	-14,124
Adjustment of net revaluation related to subsidiaries	-1,545
Other adjustments	-2,098
Accumulated revaluations at 31 December	-443,903
Set-off negative equity against receivables	87,038
Provisions related to subsidiaries	228
Carrying amount at 31 December	831,464

Adjustments of net revaluation related to subsidiaries relate to the subsidiaries that were merged at 1 January 2003 with DFDS A/S. Beside the above investments in group enterprises, DFDS considers receivables, net at DKK 205.1 million (SEK 250 million) as a part of the investment, net in subsidiaries. The foreign exchange adjustment hereof is DKK 5.8 million (2002: DKK 0.9 million). The amount is included in foreign exchange adjustment relating to foreign companies' beginning equity at the statement of changes in equity on page 43.

Note 13 Other receivables

Of other receivables for the Group DKK 1 million falls due after one year (2002: DKK 3 million). For the parent company DKK 0 million falls due after one year (2003: DKK 0 million).

Note 14 Cash at bank and in hand

At 31 December 2003 cash at bank and in hand, DKK 0 million (2002: DKK 243 million), was placed on deposit as security for mortgages on ships.

Notes

Parent Company DKK '000		Consolidated DKK '000	
2002	2003	2003	2002

Note 15 Equity

The Company's share capital, which is not divided into different classes of shares, is divided in 8,000,000 shares of DKK 100 each.

The Company's holding of treasury shares:

Number of shares			Number of shares	
472,990	472,990	Balance at 1 January	472,990	472,990
0	0	Additions	0	0
472,990	472,990	Treasury shares at 31 December	472,990	472,990
65,457	87,054	Market value of treasury shares as of 31 December	87,054	65,457

At the Annual General Meeting in April 2003 the Supervisory Board was authorised until the Annual General Meeting 2003 to acquire treasury shares at a nominal value totaling 10% of the Company's share capital.

The company has not acquired treasury shares in 2003. The Company's holdings of treasury shares at 31 December 2003 are 472,990 shares, corresponding to 5.91% (2002: 5.91%) of the Company's share capital. Treasury shares have among other things been acquired to cover share option scheme for 25 present and former employees.

The development in share capital is stated below:

500,000	Share capital at 1 January 1998
300,000	Capital increase in the autumn 1999
800,000	Share capital at 31 December

Equity includes foreign exchange adjustments in subsidiaries as follows:

7,551	Foreign exchange adjustments 1 January
-48,559	Foreign exchange adjustment relating to foreign companies' equity 1 January 2003
-859	Effect of difference between year-end and average rates on profit
-41,867	Foreign exchange adjustments 31 December

Note 16 Minority interests

Minority interests at 1 January	146,472	139,600
Foreign exchange adjustments at 1 January	-8,461	5,550
Share of profit for the year	14,087	11,017
Addition	21,437	48,829
Disposals	-2,222	-58,835
Foreign exchange adjustments	-283	311
Portion of other movements at equity	-5,130	0
Minority interests at 31 December	165,901	146,472

Additions of minority interests for the year mainly relate to minority interests in Lys-Line AS.

Notes

Parent Company DKK '000			Consolidated DKK '000	
2002	2003		2003	2002
Note 17 Deferred tax, net				
	47,091	Deferred tax at 31 December 2002		
	<u>-27,217</u>	Addition due to merger		
360,503	19,874	Deferred tax at 1 January	105,646	457,326
		Adjustment of deferred tax due to the transition to tonnage taxation at 1 January	0	-326,943
-326,943	0	Deferred tax for the year	-9,399	-27,626
-10,642	42,926	Adjustment, previous years	-9,501	2,182
-3,044	-122	Acquisitions	0	0
0	0	Foreign exchange adjustments, etc.	2,760	707
0	0			
19,874	62,678	Deferred tax at 31 December	89,506	105,646
Deferred tax concerns				
15,617	22,505	Goodwill	22,505	15,617
0	0	Ships	138,758	6,749
-648	0	Buildings, terminals, and operating equipment	-2,367	-4,122
3,955	-1,500	Provisions	-147	-12,302
0	0	Value of hedging instruments	-4,843	-3,368
-14,033	1,185	Foreign subsidiaries	1,185	1,247
-30,194	-49,512	Tax deficit carried forward	-56,293	-47,440
0	0	Reserves exempt from tax according to national legislation	-92,218	82,779
45,177	90,000	Other	82,926	66,486
19,874	62,678		89,506	105,646
Deferred tax is recognised in the balance sheet by				
0	0	Deferred tax asset	-67,281	-8,116
19,874	62,678	Deferred tax liability	156,787	113,762
19,874	62,678		89,506	105,646

By joining the tonnage taxation scheme, DFDS A/S is subject to the requirements of the scheme until 2012. DFDS A/S is not expected to withdraw from the scheme and consequently no deferred tax relating to assets and liabilities subject to tonnage taxation has been provided for. If DFDS A/S withdraws from the tonnage taxation scheme, deferred tax of an amount not exceeding DKK 308 million (2002: 319 million) may crystallise.

Note 18 Pensions				
	15,892	Balance at 31 December 2002		
	<u>0</u>	Addition due to merger		
12,999	15,892	Balance at 1 January	16,727	18,156
0	0	Effects of changed accounting policies	105,055	0
0	0	Foreign exchange adjustments	-7,854	-557
0	0	Addition related to acquisitions, net	19,705	0
3,420	722	Expensed costs, net	12,292	8,507
-527	-6,180	Paid contributions	-18,817	-9,379
15,892	10,434	Balance at 31 December	127,108	16,727
Amount in balance sheet				
15,892	10,434	Liabilities	129,841	18,663
0	0	Assets	-2,732	-1,936
15,892	10,434	Pensions, net	127,108	16,727

Notes

>>> Note 18 continued

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

In some countries, the UK, Norway and Sweden, the Group has pension plans, which are defined benefit plans, and are included in the balance sheet as shown below.

The pension plans in Sweden are a multi-employer plan. Presently, the group is not able to obtain sufficient information from the multi-employer plan to assess the plan as a defined benefit plan. Consequently, the pension plans are treated as a defined contribution plan.

In the below the calculation of the defined benefit plans are specified in accordance with actuarial methods compared with obligations included in the balance sheet at 31 December 2003.

Principals actuarial assumptions for defined benefit plans are as follows:

Discount rate	5.5%
Expected return on plan assets	6.5%
Social security rate	2.0-3.0%
Future salary increase	2.0-3.0%
Future pension increase	2.0-3.0%

Present value of funded obligations	440,080
Fair value of plan assets	-298,577

Remaining external coverage of funded obligations, net	141,503
Present value of unfunded obligations	26,382
Unrecognised actuarial losses	-40,777

Net liability for defined benefit plans included in the balance sheet at 31 December	127,108
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Parent Company DKK '000		Consolidated DKK '000	
2002	2003	2003	2002

Note 19 Other provisions

	0	Balance at 31 December 2002		
	41,475	Addition due to merger		
17,542	41,475	Balance at 1 January	56,445	27,437
0	17,000	Transferred from/to other items	11,909	0
0	-12,180	Used during the year	-22,059	-2,437
0	-12,733	Reversal of unused	-12,733	0
23,933	35,075	Provisions for the year provisions	42,575	31,445
41,475	68,637	Other provisions at 31 December	76,137	56,445
		Other provisions are expected to be payable in:		
0	12,235	0 - 1 year	19,735	7,514
25,230	44,844	1 - 5 years	44,844	32,686
16,245	11,558	After 5 years	11,558	16,245
41,475	68,637		76,137	56,445

Of the Group's provisions DKK 51.6 million relate to costs decided on concerning implementation of the Group's fleet strategy, and DKK 6.6 million relate to the Group's share of planned costs concerning warranty repairs on ships.

Notes

	Consolidated DKK '000	
	2003	2002
Note 20 Investments, net fixed assets		
<i>Ships</i>		
Investments	-726,147	-652,129
Sale	301,426	325,937
Investment in ships, net	-424,721	-326,192
<i>Buildings and terminals</i>		
Investments	-84,354	-47,765
Sale	199,987	20,337
Investments in buildings and terminals, net	115,633	-27,428
<i>Operating equipment</i>		
Investments	-57,245	-43,826
Sale	25,920	32,520
Investment in operating equipment, net	-31,325	-11,306
Note 21 Change in loans and other financial loans		
<i>Loans secured by mortgages in ships</i>		
Payment and redemptions	-681,800	-481,890
Proceeds from loans	519,548	360,000
Change in loans secured by mortgages in ships, net	-162,252	-121,890
<i>Other financial loans</i>		
Payment and redemptions	-40,132	-33,993
Proceeds from loans	64,648	0
Change in other financial loans, net	24,516	-33,993

Notes

Parent Company DKK '000			Consolidated DKK '000	
2002	2003		2003	2002
Note 22 Long-term liabilities				
		<i>Mortgage debt</i>		
17,217	0	Long-term	0	17,217
1,756	0	Short-term	0	1,756
18,973	0	Total mortgage debt	0	18,973
		<i>Mortgages on ships</i>		
1,800,058	1,647,352	Long-term	2,452,528	2,648,807
223,853	232,500	Short-term	334,618	329,307
2,023,911	1,879,852	Total mortgages on ships	2,787,146	2,978,114
		<i>Financial leases</i>		
0	0	Long-term	92,858	137,297
0	0	Short-term	22,638	24,970
0	0	Total financial leases	115,496	162,267
		<i>Amounts owed by Group companies</i>		
105,118	32,953	Long-term	0	0
72,675	73,818	Short-term	0	0
177,793	106,771	Total amounts owed by Group companies	0	0
		<i>Other long-term liabilities</i>		
0	228	Long-term	95,893	60,699
0	0	Short-term	4,777	1,873
0	228	Total other long-term liabilities	100,670	62,572
		Liabilities are recognised in the balance sheet as follows:		
1,922,393	1,680,533	Long-term liabilities	2,641,279	2,864,020
298,284	306,318	Short-term liabilities	362,033	357,906
2,220,677	1,986,851	Total liabilities	3,003,312	3,221,926
2,245,486	2,016,231	Market value	3,032,692	3,246,654
2,214,335	1,982,671	Nominal value	2,999,132	3,215,503
810,107	735,782	Long-term liabilities falling due more than 5 years after the end of the financial year	1,106,254	1,232,965
0	0	Financial leases falling due more than 5 years after the end of the financial year	0	16,434
810,107	735,782	Total liabilities falling due more than 5 years after the end of the financial year	1,106,254	1,249,399

As security for mortgages on ships cash at bank and in hand of DKK 0 million (2003: 243 million).

Notes

>>> Note 22 continued

The Group's total liabilities includes (DKK '000)

Currency	Expiry	Interest	Interest rate at 31 December, % p.a.		Carrying amount	
			2003	2002	2003	2002
DKK	2006	Fixed, non-callable	6.7	6.7	253,587	305,627
DKK	2009-13	Variable ¹⁾	3.0	4.1	1,655,402	1,540,000
DKK	2010	Fixed	-	7.5	0	18,973
EUR	2007-14	Variable	2.9	4.4	196,247	251,498
GBP	2008	Variable	4.0	4.2	43,407	47,939
NOK	2006-12	Variable	3.7	7.6	269,128	286,937
SEK	2007-10	Variable ¹⁾	3.2	4.6	470,045	608,685
USD	2008	Fixed ²⁾	7.8	7.8	115,496	162,267
Long-term liabilities, including next year's repayment total					3,003,312	3,221,926
Average interest rate			3.6	5.0		

¹⁾ An interest rate hedge of DKK 710 million has been entered into with a view to hedge part of the loans with a remaining period of 2 years at a maximum interest of 6% and a minimum interest of 5%.

²⁾ The loan relates to financial lease obligation.

Moreover, interest on future raising of loans for financing of newbuildings from Flensburg Shipyard of DKK 0.7 billion is hedged by swap-agreements with interest rates of between 5.58% and 5.62%. The term of the swap-agreements is 10-11 years.

Parent Company DKK '000			Consolidated DKK '000	
2002	2003		2003	2002
Note 23 Other payables				
20,130	19,916	Accrued interest	24,627	30,851
11,425	2,637	Public authorities	43,614	33,937
74,325	82,066	Holiday pay obligations, etc.	119,938	103,930
115,832	117,960	Hedging instruments	142,138	115,832
59,570	134,447	Other	192,476	94,934
281,282	357,026		522,793	379,484

Notes

Note 24 Currency and interest rate risks and derivative financial instruments applied

Items in the balance sheet stated in foreign currency (DKK '000)

The Group's receivables and payables as of 31 December 2003 classified by currency and hedged positions.

Currency	Date of maturity	Receivables	Payables	Forward exchange contracts	Net position
EUR	0-1 year	329,224	-262,539	148,892	215,577
	More than 1 year	5,955	-52,685	0	-46,730
USD	0-1 year	41,932	-25,874	43,619	59,677
	More than 1 year	0	-88,898	0	-88,898
GBP	0-1 year	95,763	-73,756	175,640	197,647
	More than 1 year	0	-42,323	0	-42,323
NOK	0-1 year	176,223	-363,651	35,364	152,064
	More than 1 year	0	0	0	0
SEK	0-1 year	265,256	-218,447	-122,984	-76,175
	More than 1 year	0	-408,527	0	-408,527
LTL	0-1 year	40,477	-39,675	0	802
	More than 1 year	56	0	0	56
PLN	0-1 year	5,646	-81	0	5,565
DKK	0-1 year	248,886	-2,150,540	0	-1,901,654
	More than 1 year	5	-155,317	0	-155,312
Other	0-1 year	6,397	-1,111	0	5,286
		1,215,820	-3,883,424	280,531	

The net position does not include net investments in foreign subsidiaries.

Further, the Group's contractual obligations (in EUR) concerning acquisitions of ships total DKK 1,100 million.

Hedging of expected future transactions (DKK '000)

Expected future transactions	Hedge instrument	Deferred recognition of gain/losses in the income statement to be realised after the balance sheet date	
		0-1 year	More than 1 year
Goods purchased and sold	Forward exchange contract	-17,149	-2,202
Interests	Interest swap ¹⁾	0	-84,257
Interests	Interest rate option (collar)	-15,574	-18,129
Goods purchased	Oil contract for forward delivery	7,802	1,397
		-24,921	-103,191

¹⁾ Executed in connection with the delivery of newbuildings from Flensburg Shipyard.

Notes

>>> Note 24 continued

Interest risks

As regards the Group's financial assets and liabilities the following reassessment and repayment dates are agreed on depending on which date falls due first.

Category	Reassessment/maturity date			Of which carries a fixed rate of interest	Effective rate of interest
	0-1 year	1-5 years	More than 5 years		
Other investments	141,769	0	0	-	-
Trade receivables	516,020	0	0	0	0%
Other receivables	126,045	694	0	0	0%
Short-term liabilities	-941,699	0	0	0	0%
Mortgage debt	-2,787,146	0	0	-253,587	3.44%
Mortgages on ships	-100,670	0	0	0	3.45%
Other long-term debt	-519,525	-182,475	0	0	0%
Loan commitment ¹⁾	710,100	0	0	0	4.97%
Interest rate option (collar)	1,705,014	0	0	0	2.27%
Interest swap (principal) variable ¹⁾	468,000	234,000	0	702,000	5.60%
Interest swap (principal) fixed	0	-703,954	-1,001,060	-1,705,014	4.21%
Total	-682,092	-651,735	-1,001,060	-1,256,601	

¹⁾ Executed in connection with the delivery of newbuildings from Flensburg Shipyard.

Consolidated DKK '000

2003 2002

Note 25 Acquisition of companies and activities

Acquisition of companies

Tangible assets	-20,281	-503,496
Investments in associates	-401	0
Inventories	-1,477	0
Receivables	-101,731	-13,898
Prepayments	0	-7
Securities	-650	-1,424
Cash at bank and in hand	-63,748	-8,553
Minority interests	21,437	40,275
Negative deferred tax, net	-804	0
Pensions	21,338	0
Long-term liabilities other than provisions	4,760	353,457
Short-term liabilities other than provisions	92,078	54,589
Corporate tax	2,991	295
Net assets	-46,488	-78,762
Goodwill from acquisition of companies and activities	-4,493	-74,247
Negative goodwill	16,973	0
Acquisition price	-34,008	-153,009
Of this amount, cash at bank and in hand	63,748	8,553
Cash acquisition price	29,740	-144,456
Acquisition price deferred to next year	-2,290	-10,498
Acquisition price placed on deposit in previous years	10,498	140,792
Cash generated from acquisition of enterprises	37,948	-14,162

Notes

Note 26 Guarantees

Guarantees amount to DKK 2,633.0 million (2002: DKK 2,689.0 million.) for the Group.
Guarantees amount to DKK 2,659.5 million (2002: DKK 3,301.9 million.) for the Parent Company.

As at 31 December 2003 the Group is party to a number of lawsuits. As 31 December 2003 the outcome of these lawsuits is not expected to affect the Group's financial position apart from amounts recognised in the balance sheet.

Parent Company DKK '000		Consolidated DKK '000	
2002	2003	2003	2002

Note 27 Contractual commitments

Parent Company DKK '000		Consolidated DKK '000	
2002	2003	2003	2002
128,200	162,325		
1,511,100	897,119		
264,100	613,579		
1,900	11,892		
4,300	16,904		
0	0		
274,600	17,800		
2,128,200	1,719,619		
		The calculated net present value of contractual commitments include:	
		Rental contracts on land and buildings, term 1-107 years	197,600
		Contract for newbuildings	934,700
		Chartered ships	613,600
		Lease contracts on operating equipment consisting of containers, trailers, cranes, and vehicles, term 1-5 years	27,900
		Lease contracts on other operating equipment, term 1-7 years	17,500
		Lease of harbour terminals, term 11-48 years	750,300
		Other contractual commitments, term 1-5 years	17,800
			159,900
			1,511,100
			445,500
			7,100
			5,900
			596,800
			274,600
		2,559,400	3,000,900

A discount factor of between 3.0% - 6.0% p.a. is applied at the computation of net present values taking into account the term and geographic location of the contractual obligations.

In connection with the acquisition of LISCO, DFDS accepted an obligation to make investments in AB LISCO Baltic Service of USD 60 million before the end of 2004. Whereas USD 3 million shall be made as a capital increase by cash. Other contractual commitments include DFDS' outstanding obligation as at 31 December 2003, DKK 17.8 million (2002: DKK 106.2 million). Furthermore, DFDS has accepted an obligation regarding employment of the employees.

Note 28 Financial lease contracts

The financial lease contracts relate to chartered ships. The liabilities related to the contracts are included in the balance sheet. The future minimum payments and present value hereof can be specified as follows:

Parent Company DKK '000		Consolidated DKK '000	
2002	2003	2003	2002
		Minimum lease payments	
0	0	0-1 year	31,618
0	0	1-5 years	109,752
0	0	After 5 years	0
0	0	Total minimum lease payments	141,370
0	0	Elements of finance	-25,874
0	0	Total	115,496
		Present value of payments	
0	0	0-1 year	29,337
0	0	1-5 years	86,159
0	0	After 5 years	0
0	0	Total	115,496
			37,586
			150,344
			17,712
			205,642
			-43,375
			162,267

The financial lease contracts included in the balance sheet relate to charter of two ships, which are leased until 2008. DFDS has an option to extend the contracts with additional two years. There is no right to acquire the ships.

Notes

Note 29 Related parties

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

Further, related parties comprise all companies owned by JL Fondet, DFDS' subsidiaries and associates cf. page 63, and these companies' Executive and Supervisory Boards, executive employees and close members of the family of those.

Apart from intra-group balances, which are eliminated on consolidation, the usual Executive Board remuneration and Supervisory Board emoluments, and the below transactions, no related party transactions have been carried out during the year.

Regarding J. Lauritzen A/S and Stena Tor Line HB, trade in 2002 and 2003 has primarily related to rendering of services and chartering of freight ship (2002), respectively. Trade is conducted on arm's length basis.

Services rendered to related parties:

DKK '000	2003	2002
J. Lauritzen A/S	2,914	1,811
Stena Tor Line HB	–	48,449

DFDS Group Companies

Company	Ownership Share*	Country	City	Currency	Share Capital
DFDS Tor Line NV		Belgium	Ghent	EUR	62,000
Lys-Line BVBA	66	Belgium	Ghent	EUR	30,987
Rasa Multipurpose Shipping Ltd.	86.9	Cyprn	Limassol	CYP	1,000
Aukse Multipurpose Shipping Ltd.	86.9	Cyprn	Limassol	CYP	1,000
DFDS A/S		Denmark	Copenhagen	DKK	800,000,000
DFDS Stevedoring A/S		Denmark	Esbjerg	DKK	500,000
DFDS Baltic Line A/S		Denmark	Copenhagen	DKK	500,000
DFDS Canal Tours A/S		Denmark	Copenhagen	DKK	1,000,000
DFDS Seaways (Polen) A/S		Denmark	Copenhagen	DKK	600,000
DFDS Shipping Logistics A/S		Denmark	Copenhagen	DKK	500,000
DFDS Seaways Ltd.		England	Harwich	GBP	8,050,000
DFDS Tor Line Ltd.		England	Immingham	GBP	2,000,000
Lys-Line UK Ltd.	66	England	Boston Dock	GBP	40,000
DFDS Seaways BV		Holland	IJmuiden	EUR	18,000
DFDS Tor Line BV		Holland	Rotterdam	EUR	23,000
Lys-Line BV	66	Holland	Rotterdam	EUR	18,151
Lys-Line Ltd.	66	Ireland	Drogeda	EUR	3
Latlines SIA		Latvia	Riga	LVL	2,000
AB Lisco Baltic Service	86.9	Lithuania	Klaipeda	LTL	323,907,434
UAB Lisco SL	86.9	Lithuania	Klaipeda	LTL	100,000
Laivyyno Technikos Prieziuros Baze	86.9	Lithuania	Klaipeda	LTL	3,300,000
UAB Krantas Travel	86.9	Lithuania	Klaipeda	LTL	658,000
UAB Krantas Shipping	86.9	Lithuania	Klaipeda	LTL	1,850,000
UAB Lisco Crew	86.9	Lithuania	Klaipeda	LTL	110,000
UAB DFDS Tor Line		Lithuania	Vilnius	LTL	10,000
DFDS Tor Line AS		Norway	Oslo	NOK	200,000
NorthSea Terminal AS	66	Norway	Oslo	NOK	1,000,000
DFDS Lys-Line Rederi AS	66	Norway	Oslo	NOK	24,990,000
Lys-Line AS	66	Norway	Lilleaker	NOK	1,000,000
DFDS Seaways AS		Norway	Oslo	NOK	12,000,000
KST Shipping AS		Norway	Kristiansand	NOK	1,330,000
KST Terminal AS		Norway	Kristiansand	NOK	100,000
Von Riegen AS		Norway	Kristiansand	NOK	100,000
T. Bess AS	90.5	Norway	Maydal	NOK	300,000
DFDS Seaways Spółka z.o.o		Poland	Gdynia	PLZ	50,000
DFDS Tor Line AB		Sweden	Gothenburg	SEK	25,000,000
Stena Tor Line HB		Sweden	Gothenburg	SEK	-
DFDS Seaways AB		Sweden	Gothenburg	SEK	2,050,000
Lys-Line Sweden AB	66	Sweden	Lysekil	SEK	250,000
DFDS (Deutschland) GmbH		Germany	Hamburg	EUR	102,000
DFDS Tor Line GmbH		Germany	Cuxhaven	EUR	25,000
Lisco Baltic Service GmbH	86.9	Germany	Kiel	EUR	26,000

30 inactive and holding companies

Associated companies

Westcost offshore Base A/S	50	Denmark	Esbjerg	DKK	1,000,000
UAB Krantas Forwarding	50	Lithuania	Klaipeda	LTL	100,000
OCT AS	33.3	Norway	Oslo	NOK	4,200,000
SM Consult	50	Norway	Kristiansand	NOK	150,000
Containerpartner	50	Norway	Kristiansand	NOK	300,000

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

DFDS Group Fleet

as of 31 December 2003

Passenger ships	Year built	GT	Pass.
Pearl of Scandinavia	1989/01	40,039	2,166
Crown of Scandinavia	1994	35,498	2,110
Queen of Scandinavia	1981/00	34,093	1,756
Princess of Scandinavia	1976/91/98	22,528	1,620
Duke of Scandinavia	1978/00	19,589	1,241
Duchess of Scandinavia**)	1993/03	16,794	840

Ro-pax ships *)	Year built	GT	Lane metres	Pass.
Dana Sirena	2002/03	22,382	2,494	600
Mermaid II ***)	1972	13,730	1,094	93

Ro-ro freight ships	Year built	GT	Lane metres
Tor Magnolia	2003	32,289	3,841
Tor Selandia	1998	24,196	2,772
Tor Suecia	1999	24,196	2,772
Tor Britannia	2000	24,196	2,772
Tor Futura	1996/00	18,725	2,308
Tor Anglia	1977/89	17,492	2,450
Tor Scandia **)	1981	33,652	2,600
Tor Flandria **)	1981	33,652	2,600
Tor Dania ***)	1978/95	21,491	2,562
Tor Belgia ***)	1978/94	21,491	2,562
Tor Minerva ***)	1978/99	21,215	2,070
Tor Humbria ***)	1978	20,165	2,128
Tor Maxima ***)	1978/95	17,068	2,723
Stena Gothica ***)	1975/90	14,406	1,950
Tor Baltica ***)	1977/86	14,374	1,866
Tor Gothia ***)	1971/77	12,259	1,650
Tor Hollandia ***)	1973/77	12,254	1,650
Tor Cimbria ***)	1986	12,189	2,026

Lo-lo freight ships	Year built	GT	TEU ****)
Tor Elbe***)	1964	800	48

Newbuildings to be delivered 2004/05	No.	GT	Lane metres
Flensburg – Tor Petunia	722	32,289	3,841
Flensburg – Tor Primula	723	32,289	3,841
Flensburg Newbuilding	724	32,289	3,841
Flensburg Newbuilding	725	32,289	3,841

AB LISCO Baltic Service

Ro-pax ships *)	Year built	GT	Lane metres	Pass.
Lisco Gloria	2002	20,140	2,494	302
Kaunas	1989	25,606	1,539	235
Vilnius	1987	22,341	1,539	120
Klaipeda	1987	21,890	1,539	12
Palanga	1979	11,630	1,140	126

Ro-ro freight ships	Year built	GT	Lane metres
Tor Neringa	1975	12,494	1,745
Panevezys	1985	6,894	602
Siauliai	1985	6,894	602

Container ships	Year built	GT	TEU ****)
Rasa	1998	3,893	353
Aukse	1997	3,893	353
Gediminas	1996	3,097	264
Vytautas	1995	3,097	256
Kestutis	1993	3,972	221
Jogaila	1992	3,988	221



DFDS Lys-Line Rederi AS

Sideport and container ships	Year built	GT	TEU ****)
Lysvik	1998	5,656	112
Lysbris	1999	5,656	112
Lysblink	2000	7,409	160
Lysfoss	1989/99	4,471	56
Lystind	1990/00	4,471	56
Lys-Skog	1991/98	4,471	56
Lyshav	1985	3,176	38
Lys Carrier ***)	1994	2,446	176
Lys Clipper ***)	1994	2,456	176
Lys Chris ***)	1993	2,416	197
Auriga ***)	1996	2,460	176
Aries ***)	1997	2,456	176
Heinrich G. ***)	1997	2,446	176
Isartal ***)	1989	2,369	144
Atair ***)	1995	1,864	82
Algol ***)	1995	1,864	82
Antares ***)	1995	1,864	82
K-Ocean ***)	1998	6,362	700
Antje Jürgens ***)	1996	4,986	532
Nornews Express ***)	1987	4,859	7,495 m ³

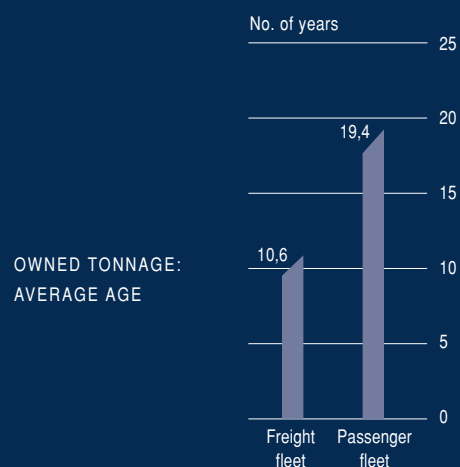
Tourist boats	Year built	Boat type	Pass.
Ole Lukøje	2000	Restaurant boat, covered	133
Klods Hans	1998	Restaurant boat, covered	133
Gilleleje NB 15	2004	Covered	150
Snedronningen	1995	Covered	144
Nattergalen	1994	Covered	144
Prinsessen på Ærten	2003	Open	168
Tinsoldaten	2002	Open	168
Moster	2001	Open	168
Svinedrengen	1998	Open	168
Fyrtøjet	1997	Open	168
Skorstensfejeren	1996	Open	168
Hyrdinden	1996	Open	168
Den Grimme Ælling	1992	Open	168
Tommelise	1991	Open	168
Den Lille Havfrue	1989	Open	168
HMF III	1949	Open	120

*) Ro-pax: Combined ro-ro and passenger ship

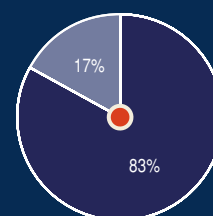
**) Bare-boat (B/B): Chartered tonnage

***) Time-charter (T/C): Chartered tonnage

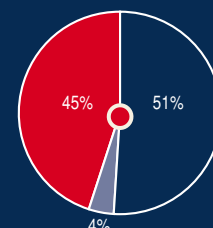
****) TEU: 20-foot equivalent unit

PASSENGER FLEET:
OWNERSHIP SHARE

□ Owned tonnage
■ B/B-charter

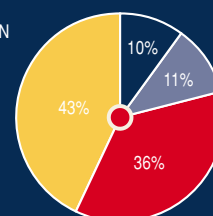
FREIGHT FLEET:
OWNERSHIP SHARE

□ Owned tonnage
■ B/B-charter
■ T/C-charter



FLEET COMPOSITION

□ Passenger ships
■ Ro/pax
■ Ro/ro
■ Lo/lo (sideport and container ships)



Commercial Duties

Commercial duties for the Supervisory Board and Executive Board in Danish Limited Companies

Director Ivar Samrén, 65 (Chairman)

Commercial duties in other Danish limited companies:

Chairman:

House of Business Partners A/S, Egmont Fonden, Egmont International Holding A/S, Ejendomsselskabet Vognmagergade 11 Aps, Ejendomsselskabet Gothersgade 55 Aps

Board member:

Otto Mønsted Aktieselskab A/S

Office Manager Ole Adamsen, 62 (Staff Representative)

Commercial duties in other Danish limited companies:

Board member:

Byggekrum-Fuglebjerg Tømmerhandel A/S, EKM Holding A/S

Captain Claus Arnhild, 54 (Staff Representative)

Director Svend Jakobsen, 68 (Deputy Chairman)

Commercial duties in other Danish limited companies:

Chairman:

Lokalbanen A/S

Board member:

NTR Holding A/S, Ejendomsaktieselskabet Hermes

Accounts Manager Jill Lauritzen Melby, 45

(Board member)

Director Anders Moberg, 53 (Board member)

Commercial duties in other Danish limited companies:

Board member:

Lego A/S, Velux A/S

Managing Director Ingar Skaug, 57 (Board member)

Commercial duties in other Danish limited companies:

Board member:

Lauritzen A/S

Head of Department Ib Sørensen, 39 (Staff Representative)

The Executive Board of DFDS A/S

Managing Director Ole Frie, 59

Commercial duties in other Danish limited companies:

Board member:

Scanva Diesel A/S, Eimskip Danmark A/S

Director Christian Merrild, 49

Passenger Director Søren Jespersen, 46

Christian Merrild, Søren Jespersen
Ole Frie





Ole Adamsen



Svend Jakobsen, Ivar Samrén,
Anders Moberg



Jill Lauritzen Melby
Ingar Skaug




Claus Arnhild



Ib Sørensen

Corporate Governance at DFDS



The principles of corporate governance applied by DFDS are largely determined by the Danish Public Limited Companies Act, the Financial Statements Act, the rules and regulations of the Copenhagen Stock Exchange as well as DFDS' Articles of Association, rules of procedure and other internal policies. The following is an outline of the most important principles relating to the exercise of corporate governance at DFDS.

Corporate governance, shareholders and the Annual General Meeting

The Articles of Association of DFDS do not contain any restrictions on voting rights, as each share of DKK 100 confers one vote on the holder, so no shareholder has any special rights.

The Annual General Meeting is held in Greater Copenhagen before the end of April. The Annual General Meeting is convened by the Supervisory Board of DFDS with at least 14 days' notice by an announcement in at least two national daily newspapers.

All shareholders listed in the register of shareholders receive an invitation to the Annual General Meeting with at least 14 days' notice. The invitation contains the agenda and the main proposals.

The full annual report is available at DFDS' website at least 14 days before the Annual General Meeting.

Any shareholder is entitled to submit a specific issue for consideration at the Annual General Meeting by sending a written proposal no later than a month after the end of the financial year. Eight days before the Annual General Meeting, the agenda, the complete wording of all proposals and the annual report will be available for inspection at DFDS' head office.

Supervisory Board and Executive Board

DFDS' rules of procedure for the Supervisory Board prescribe that the Supervisory Board and the Executive Board have joint responsibility for the management and organisation of the company.

The day-to-day management of the company is handled by the Executive Board in accordance with DFDS' rules of procedure for the Executive Board, which describe the distribution of tasks and responsibilities between the Supervisory Board and the Executive Board, and the business procedures, authorisations and instructions for the Supervisory Board and Executive Board.

The Supervisory Board ensures that a strategic plan and budget are prepared every year, as well as monthly and quarterly reports.

The Supervisory Board appoints the Executive Board of the company, and decisions of an exceptional nature or of major importance can only be implemented by the Executive Board on the basis of special authorisation granted by the Supervisory Board.

The Supervisory Board held six board meetings in 2003, one of which was a two-day meeting focusing on DFDS' overall objectives and strategies.

The Supervisory Board of DFDS consists of eight members, of whom three are employee-elected members in accordance with Danish legislation.

The members elected by the Annual General Meeting are independent of the company, no member having previously been employed by the company or having acted as a professional advisor for the company. No board member has a significant strategic interest in the company except as a shareholder.

Commercial duties held by the Supervisory Board are stated on page 66 of this Annual Report, and the number of DFDS shares held by the Supervisory Board are listed on page 69. The members of the Supervisory Board of DFDS are remunerated by an annual fee, which is stated in note 2 on page 45 of this annual report. DFDS does not offer a stock option plan to the Supervisory Board.

Board members are elected for one year at a time. The average seniority of Supervisory Board members was 4.5 years at the end of 2003, and the highest seniority was 13 years. In 2003, three members of the Supervisory Board of DFDS were of foreign nationality, two Swedish and one Norwegian.

The Supervisory Board of DFDS does not use directors' committees in its work.

A stock option plan covering a total of 230,840 shares in DFDS A/S has been established for the Executive Board and other top staff. The scheme covers a total of 25 current and former members of staff and is described in detail on page 69. The shares in DFDS held by the Executive Board, the Supervisory Board and leading members of staff are stated on page 69.

The relationship between Vesterhavet A/S and DFDS A/S

At the end of 2003, Vesterhavet A/S held 56% of the share capital of DFDS A/S. It is the policy of Vesterhavet A/S that DFDS is managed independently by the Supervisory Board and Executive Board of DFDS.

The relocation of DFDS' headquarters to Kalkbrænderihavnen was handled in a satisfactory manner in 2003



Management's share holdings	Number of shares	Market value year-end 2003, DKK
Supervisory Board	2,361	434,424
Executive Board	1,259	231,656
Other insiders	246	45,264
Total share holdings	3,866	711,344

Policy governing DFDS' purchase of own shares

It is the policy of DFDS that DFDS can only trade in its own shares for a period of four weeks following the publication of a quarterly or annual report.

Reporting and Investor Relations

DFDS strives to publish Stock Exchange Reports in Danish and English simultaneously. Every quarter, DFDS holds a meeting with share analysts when the quarterly reports are published. The presentation shown at the meeting is available at DFDS' website immediately after the meeting. Other Investor Relations information can also be found at the website.

DFDS has prepared an Investor Relations Manual summarising all the guidelines and policies relating to the publication of information in general and to the Copenhagen Stock Exchange and financial markets in particular. DFDS has issued quarterly reports since the third quarter of 2001.

DFDS' Share Option Scheme

DFDS has established a share option scheme for 25 present and former employees. The share option scheme includes 230,840 shares in DFDS A/S, of which 36,270 options at a price of 363-443 can be exercised from 1 March 2002 and till four weeks after the publication of the financial statements for 2003, 88,070 options at a price of 144-151, that can be exercised from 1 March 2004 and till four weeks after the publication of the financial statements for 2005, 46,500 options at a price of 150, that can be exercised from 1 March 2005 till four weeks after the publication of the financial statements for 2006 plus 60,000 options at a price of 162, that can be exercised from 1 March 2006 till four weeks after the publication of the financial statements for 2007.

DKK '000	Executive board		Executive employees		Other employees		Total	
	Number	Fair value	Number	Fair value	Number	Fair value	Number	Fair value
Allotted in 1999, at a price of 363-443	0	0	0	0	36,270	0	36,270	0
Allotted in 1999, at a price of 144-151	23,400	1,005	14,625	628	9,945	427	47,970	2,059
Allotted in 2001, at a price of 144-151	11,800	561	20,800	989	7,500	356	40,100	1,906
Allotted in 2002, at a price of 150	15,000	699	31,500	1,468	0	0	46,500	2,167
Allotted in 2002, at a price of 162	15,000	636	45,000	1,909	0	0	60,000	2,546
Total	65,200	2,901	11,925	4,994	53,715	783	230,840	8,678

At 31 December 2003 no allotted share options have been exercised.

The fair value of the share options at 31 December 2003 have been calculated using the Black-Scholes model. Calculations are based on a volatility of 22.3%, dividends of DKK 6 per share and a risk-free interest rate of 4.3%.

Financial management and audits

DFDS' financial management is based on weekly, monthly and quarterly reports. The development in passenger numbers and freight units is reported weekly for the entire Group. In addition, weekly booking reports are issued, with a time horizon of six months. Monthly reports are issued on performance at activity, divisional and Group levels.

Quarterly Group reports are prepared containing consolidated financial statements, profit forecast for the full year and a detailed directors' report reviewing financial performance at activity, divisional and Group levels. The directors' report also contains information on financial developments and the DFDS share. All reports compare actual figures with the budget and expected figures.

As per the changes to the auditing regulations contained in the Financial Statements Act, a proposal will be put to the 2004 Annual General Meeting that, as of the accounting year 2005, DFDS' financial statements be audited by one auditor or state-authorized auditing company elected by the Annual General Meeting for one year at a time.

Risk management

DFDS' policies for managing operational and financial risks are described in more detail on pages 26-27 of this Annual Report.

Definitions and Glossary

Definitions

Operating profit (EBITA)	Profit after depreciation and impairment on tangible assets
Operating profit margin	$\frac{\text{Operating profit (EBITA)}}{\text{Revenue}} \times 100$
Net operating profit after tax (NOPAT)	Operating profit (EBITA) plus extraordinary items minus payable tax for the year adjusted for the tax effect of financing, net
Invested capital	Net current assets (non-interest-bearing current assets minus non-interest-bearing liabilities) plus accumulated goodwill and tangible assets minus provision for pensions and other provisions
Return on invested capital (ROIC)	$\frac{\text{NOPAT}}{\text{Average invested capital}} \times 100$
Calculated weighted average cost of capital (WACC)	Average capital cost percentage for liabilities and equity, weighted according to the capital structure
Profit for analytical purposes	Profit for the year before minority interests excluding adjustment for previous years' taxes, reversal of deferred taxes and extraordinary items
Return on equity	$\frac{\text{Profit for analytical purposes}}{\text{Average equity plus minority interests}} \times 100$
Equity ratio	$\frac{\text{Equity plus minority interests}}{\text{Total assets}} \times 100$
Earnings per share (EPS)	$\frac{\text{Profit for analytical purposes}}{\text{Weighed average number of shares}}$
P/E ratio	$\frac{\text{Share price at year end}}{\text{Earnings per share (EPS)}}$
Dividend per share	$\frac{\text{Dividend for the year}}{\text{Number of shares at year end}}$
Dividend payout ratio	$\frac{\text{Dividend for the year}}{\text{Profit for analytical purposes}}$
Dividend yield	$\frac{\text{Dividend per share}}{\text{Share price at year end}}$
Equity per share	$\frac{\text{Equity}}{\text{Number of shares at year end}}$
Price/book value	$\frac{\text{Market value}}{\text{Equity}}$

Glossary

The Executive Board: The Executive Management of DFDS under Danish securities law

DFDS Group Management: Group Management and associated staff functions

The company: DFDS A/S

Business areas: Common term used to denote DFDS' two main business areas: passenger and freight liner shipping

Divisions: DFDS Seaways and DFDS Tor Line

Ro-Ro: Roll on-roll off - ship type where cargo is driven on and off

Lo-lo: Lift on-Lift off: - ship type where containers are lifted on and off

Ro-Pax: A combined ro-ro freight and passenger ship

Side-port ships: Ships that can be loaded/unloaded from the sideport of the vessel

Lane metre: A unit of space (linear metre) represented by an area of deck 1 metre in length by 2.5 metres wide

Time charter: Contract for the lease of a ship with crew for certain period of time

Bareboat charter: Contract for the lease of a ship without crew for certain period of time

Gate-to-gate: Sea transport from port terminal to port terminal

Northern Europe: Scandinavia, the Benelux countries, Great Britain, Ireland, Germany, Poland and the Baltic countries

About DFDS' history

DFDS was founded in 1866 on the initiative of C.F. Tietgen, through a merger of the three largest Danish steamship companies of the day.

From the beginning, DFDS was involved in both domestic and international shipping. The starting point for the international services were the North Sea and the Baltic, and the services were later expanded to the Mediterranean. At the beginning of the 20th century, routes were also established to the USA and South America.

Land-based transport and logistics also became a part of DFDS' business activities as freight transport by land began to grow, and in the 1960s, DFDS developed the door-to-door concept.

A passenger route between New York and Miami, based on a cruise ferry concept, was initiated in 1982, but failed to live up to expectations and was closed in 1983. Hereafter, the DFDS Group was restructured, and the activities in the Mediterranean and routes to the USA and South America were disposed of.

Subsequently, DFDS' geographical focus has been Northern Europe.

Land-based freight transport and logistics were developed on the basis of organic growth and acquisition of several large companies, with the result that by the end of the 90s, DFDS Dan Transport had become one of the largest transport companies in Northern Europe.

Passenger and freight shipping was similarly developed on the basis of organic growth and company acquisitions, including the Swedish passenger and freight shipping company Tor Line at the beginning of the 80s, the Norwegian freight shipping company North Sea Line at the end of the 90s, and the Lithuanian passenger and freight shipping company LISCO in 2001. Most recently, the market position in Norway has been enhanced by the acquisition of the shipping companies DFDS Lys-Line Rederi and Lys-Line in 2001 and 2003, respectively.

DFDS Dan Transport was disposed of in 2000 with a view to concentrating DFDS' resources on shipping, and in January 2001 a new shipping strategy was launched which has since formed the basis for DFDS' future development.

EDITING DFDS A/S

DESIGN AND PRODUCTION KPTO as

PHOTO Mogens Carrebye and more

PRINTING Phoenix-Trykkeriet A/S

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