A large, stylized background image of a compass rose, tilted at an angle. The compass is illuminated with a warm orange glow, and the cardinal directions are visible. The background is a deep blue gradient.

• Annual Report  
2002



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**DFDS is a growing international shipping company with a leading market position in Northern Europe in overnight passenger shipping and freight liner shipping, primarily ro-ro liner shipping.**



# DFDS Group 2002



## Highlights of 2002

### March

- The passenger ship KING OF SCANDINAVIA was sold for delivery in April 2002

### April

- DFDS Tor Line ordered a fifth ro-ro newbuilding with delivery scheduled for December 2004

### July

- DFDS Tor Line purchased two Polish ro-pax newbuildings
- The passenger ship ADMIRAL OF SCANDINAVIA was sold for delivery in December 2002

### October

- DFDS Seaways opened a new route to Poland: Copenhagen/Trelleborg-Gdansk
- The ro-pax ship DANA GLORIA went into service on the Esbjerg-Harwich route
- The ro-ro freight ship TOR CIMBRIA was sold and delivered

### November

- DFDS announced its decision to enter into the Danish tonnage tax regime and reversed DKK 326 million of deferred tax
- DFDS entered into a new freight agreement with DFDS Transport Group. At the same time, the final settlement entered into with DSV relating to the sale of DFDS Dan Transport entailed extraordinary costs of DKK 116 million
- Older freight ships were written down by DKK 150 million
- The passenger route Cuxhaven-Harwich was suspended until April 2003

### December

- DFDS Tor Line acquired Latlines, a Latvian ro-pax shipping operator
- An agreement was entered into concerning acquisition of KST Shipping, a Norwegian agency business, effective 1 January 2003
- The ro-ro freight vessels TOR FLANDRIA and TOR SCANDIA were sold and delivered

## Net profit for 2002

- The profit for the year after tax and extraordinary items but before minority interests was DKK 200 million
- Adjusted operating profit (EBITA)<sup>1</sup> increased by 53% to DKK 283 million

## Profit forecast 2003

- DFDS expects a profit before tax, extraordinary items and minority interests of approximately DKK 140-160 million for 2003

<sup>1)</sup> Adjusted for write-downs and profit/loss on the sale of ships, buildings and terminals.



# Vision, Values, 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' values

**Openness · Proactiveness · Co-operation · Ambition · Responsibility**

On a daily basis, our values mean that we must be *open* to new ideas and communicate with each other and the world around us. We must be *proactive*, anticipating and acting according to our customers' requirements.

We must be innovative and identify opportunities in our main business areas. We must *co-operate* to take full advantage of our common strengths. We must be *ambitious*, strive for growth and re-assess old ways of doing things. And we must be *responsible* so we do not lose sight of what we stand for.

## DFDS' strategy

The key elements of DFDS strategy are:

- **Focus on two main business areas:** overnight passenger shipping and freight liner shipping primarily ro-ro liner shipping
- **Geographic focus:** Northern Europe
- **DFDS' market position:** must continually be strengthened through organic growth, including opening new routes, company acquisitions and alliances
- **Customer concepts:** ro-pax concepts can be introduced on passenger routes where a cruise-ferry concept is not sustainable and on certain freight routes. DFDS intends to supplement ro-ro liner shipping with lo-lo liner shipping in markets where the strategy offers advantages for customers as well as economic benefits
- **The DFDS fleet:** the average age and ownership share must be reduced over time in order to increase productivity and flexibility and reduce the level of costs:
  - **Passenger fleet:** average age approx. 15 years, ownership share approx. 75%
  - **Freight fleet:** average age approx. 10 years, ownership share approx. 50%

## DFDS' business areas

DFDS has two main business areas: passenger shipping and freight liner shipping.

The activities within passenger shipping are organized in DFDS Seaways, and the freight activities are organized in DFDS Tor Line.

DFDS Group Management comprises the central staff functions and technical organization as well as the Executive Board.

## 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 mio.	2002	2002 in EUR <sup>1)</sup>	2001	2000	1999	1998
<b>Income statement (adjusted for business activity sold in 2000)</b>						
Revenue	4,870	656	4,309	4,358	4,127	3,731
Operating profit (EBITA)	119	16	325	53	359	426
Profit before financing (EBIT)	114	15	324	-30	345	416
<b>Income statement and balance sheet (not adjusted for business activity sold in 2000)</b>						
<b>Income statement</b>						
Revenue	4,870	656	4,309	15,094	14,985	9,639
Profit/loss on disposal of ships, buildings, and terminals	-14	-2	166	18	0	0
Operating profit before depreciation (EBITDA)	768	103	781	1,032	1,215	1,021
Operating profit (EBITA)	119	16	325	329	636	572
Profit before financing, etc; (EBIT)	114	15	324	184	549	549
Financing, net	-133	-18	-32	-141	-214	-89
Profit before tax and extraordinary items	-19	-3	291	47	335	419
Profit before extraordinary items and minority interest	316	43	253	-14	200	294
Extraordinary items after tax	-116	-16	0	861	-27	0
Profit for the year before minority interests	200	27	252	847	173	294
Profit for analytical purposes <sup>2)</sup>	-4	-1	237	-7	248	282
Adjusted operating profit <sup>3)</sup>	283	38	184	413	636	572
<b>Balance sheet</b>						
Fixed assets	5,497	740	5,279	3,831	8,207	4,811
Current assets	1,385	187	1,558	3,845	3,917	2,092
Total assets	6,882	927	6,837	7,676	12,124	6,903
Equity	2,604	351	2,540	4,149	3,397	2,371
Minority interests	146	20	140	2	26	10
Provisions	189	25	511	504	739	569
Long-term liabilities other than provisions	2,727	367	2,347	2,209	4,369	2,040
Short-term liabilities other than provisions	1,216	164	1,299	812	3,593	1,913
Total equity and liabilities	6,882	927	6,837	7,676	12,124	6,903
Net interest bearing debt	2,515	339	2,268	-44	4,513	1,951
<b>Number of employees</b>	4,070	-	4,187	3,464	12,134	7,641
<b>Cash flow</b>						
Cash flows from operating activities <sup>4)</sup>	832	112	688	1,174	861	983
Cash flows from investing activities	-496	-67	-1,839	3,643	-3,007	-1,278
Net cash flow from operating and investing activities	336	45	-1,151	4,817	-2,146	-295
Dividend	53	7	68	1,763	64	60
<b>Financial ratios, %</b>						
Operating profit margin	2.4	-	7.5	2.2	4.2	5.9
Return on invested capital (ROIC)	0.0	-	5.7	10.8	6.3	-
Return on equity	-0.2	-	6.9	-0.2	8.5	11.8
Equity ratio	40.0	-	39.2	54.1	28.2	34.5

Apart from the changes in the accounting treatment of derivative 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 2002: 742.43

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.

4) Cash flow from operating activities after tax, before financing and extraordinary items.

# Management's Report

## Financial performance 2002

The profit for the year after tax and extraordinary items but before minority interests was DKK 200 million. The profit includes three special non-recurring items:

1. A DKK 150 million write-down on older freight ships that have been put up for sale, as the market value has been assessed to be lower than the book value
2. A reversal of DKK 326 million of deferred taxes as a result of DFDS' decision to enter into the Danish tonnage tax regime
3. Extraordinary costs of DKK 116 million relating to the final settlement with DSV on the sale of DFDS Dan Transport.

After adjustment for write-downs on freight ships, DFDS recorded a profit before tax of DKK 131 million, which is in line with the profit expectation of the annual report 2001 of a profit before adjustment for the write-down on freight vessels, tax and extraordinary items of approximately DKK 130 million.

After adjustment for the write-down on freight vessels and profit/loss on the sale of ships, buildings and terminals the operating profit (EBITA) increased by 53% to DKK 283 million on the basis of improved profits in both DFDS Seaways and DFDS Tor Line.

The report for the third quarter of 2002 included a profit forecast for 2002 of about DKK 175 million after tax and extraordinary items but before minority interests. The profit improvement of DKK 25 million in comparison with this forecast is due primarily to the changed assumptions for the calculation of tax in the income statement.

Revenue rose by 13% to DKK 4,870 million primarily as a result of company acquisitions and the full-year effect of the capacity expansions carried out in the second half of 2001.

## Financial performance 4th quarter 2002

After adjustment for profit/loss on the sale of ships, buildings and terminals operating profit (EBITA) for the fourth quarter rose from DKK 0 million in 2001 to DKK 36 million in 2002.

## The Danish tonnage tax regime

DFDS decided to enter into the Danish tonnage tax regime with effect as of 1 January 2002. In this connection, DFDS reversed DKK 326 million of deferred tax related to ships registered in Denmark.

## Sale of DFDS Dan Transport

The final price payable by DSV (De sammensluttede Vognmænd A/S) concerning the sale of DFDS Dan Transport was referred to arbitration by DSV in February 2002. As a result of the settlement subsequently entered into, the price was adjusted downwards by DKK 220 million. After the deduction of provisions made in DFDS, the settlement led to extraordinary costs for DFDS amounting to DKK 116 million in 2002. The settlement had a negative cash flow effect in 2002 of DKK 74 million.

## New freight agreement with DFDS Transport Group

Simultaneously with the settlement with DSV, a new three-year freight agreement was entered into with DFDS Transport Group for the period 2004-2006. The agreement will secure a significant portion of DFDS Tor Line's freight volumes.

## Financial goal

In 2000 DFDS' calculated cost of capital was 8.25% after tax. In light of DFDS' entry into the Danish tonnage tax regime, lower interest rates and changes in DFDS' risk profile, the cost of capital (WACC) has been calculated at 6.9% after tax based on the book value of invested capital.

It is DFDS' short-term financial goal to achieve an average return on the book value of the invested capital that as a minimum corresponds to the estimated cost of capital. In the longer term, it is DFDS' clear ambition to achieve a level of return that exceeds the cost of capital.

## DFDS' market position was expanded through company acquisitions in Norway and Latvia



By meeting expectations for 2003, DFDS will narrow the gap between the profit forecast and an acceptable earnings level. In the following years, DFDS expects to narrow the gap further. This expectation is based on DFDS' strategic focus on:

- Continued strengthening and expansion of DFDS' market position through organic growth, company acquisitions and alliances
- A reduction in average age and ownership of the fleet in order to increase productivity and flexibility and lower the level of costs
- Continuing adaptation of customer and business concepts that are not financially sustainable

### Strategic development

Implementation of the shipping strategy announced in January 2001 continued throughout 2002.

Fleet flexibility increased in 2002 due to the reduction in the ownership share in DFDS Tor Line from 71% to 60%. The sale of older tonnage and the purchase of two newbuildings reduced the average age of the DFDS Seaways fleet by one year and the average age of the DFDS Tor Line fleet by six months.

DFDS Tor Line's market position in Northern Europe was strengthened through the acquisition of companies in Norway and Latvia and growth in service and freight capacity in the North Sea.

Furthermore, the Esbjerg-Harwich passenger route was converted into a ro-pax route. The change should be seen in light of the discontinuation of tax-free sales; the deregulation of air traffic, which changed market conditions for passenger liner shipping in some regions; and continued steady growth in the freight market.

### Routes and tonnage

In 2002 several significant changes were made to DFDS' route network and fleet composition.

On 2 October 2002, DFDS Seaways opened a new route to Poland, Copenhagen/Trelleborg-Gdansk, operated by DUKE OF SCANDINAVIA (formerly DANA ANGLIA). Following the sale of the ship, the Cuxhaven-Harwich route was temporarily suspended in mid-November 2002. The route will re-open on 11 April 2003 when a chartered Norwegian passenger ship will enter service on the route.

In early October 2002, DFDS Tor Line took over DFDS Seaways' passenger route between Esbjerg and Harwich, which was converted into a ro-pax route with the entry into service of the ro-pax vessel DANA GLORIA. Passenger capacity was thus reduced and freight capacity increased.

As part of DFDS' fleet renewal strategy, three older freight vessels and two older passenger ships were sold in 2002, and yet another older freight vessel was sold in January 2003. Two newly built Polish ro-pax vessels (DANA GLORIA, DANA SIRENA) were purchased and a fifth ro-ro newbuilding ordered from Flensburg Shipyard.

### Company acquisitions

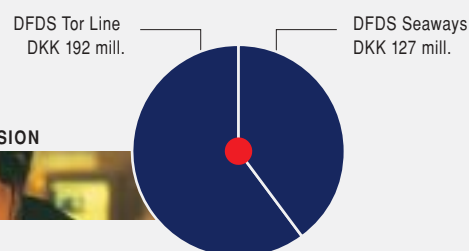
In December 2001, DFDS Tor Line A/S entered into an agreement with Lys-Line AS concerning the purchase of a 66% shareholding in Lys-Line Rederi AS, with effect from 1 January 2002. The company name was subsequently changed to DFDS Lys-Line Rederi AS.

Effective 1 December 2002, DFDS Tor Line A/S acquired 100% of the share capital of the Latvian company Latlines SIA, which operates a ro-pax route between Riga, Latvia, and Lübeck, Germany. A chartered ro-pax vessel currently services the route and the intention is to merge the Latlines route with DFDS Tor Line's ro-pax route between Riga and Kiel.

Effective 1 January 2003, DFDS Tor Line AS in Norway entered into an agreement with KST Holding AS on the acquisition of 100% of the share capital of KST Shipping AS, whose business areas are liner agency activities, shipping logistics and terminal operations. In conjunction with the acquisition, certain activities of DFDS Tor Line AS and KST Shipping AS will be integrated, and this is expected to improve overall operational efficiency.

In 2002, DFDS Tor Line A/S increased its ownership share in AB LISCO Baltic Service from 76.66% to 86.55%.

EBITA\* 2002 PER DIVISION



\* Adjusted for profit/loss on the sale of ships, buildings and terminals and write-downs.

## DFDS expects a profit before tax of approximately DKK 140-160 million in 2003

### DFDS will move to new headquarters in 2003

The construction of DFDS' new headquarters in Kalkbrænderihavnen is going ahead as planned, and DFDS expects to move in at the end of August 2003.

### DFDS and human resources

The average number of employees was 4,070 in 2002, 3% fewer than in 2001. The reduction in staff numbers was due primarily to the sale of ships.

In 2002, DFDS implemented several major projects that made special demands on employees. The most ambitious project was the acquisition of two newly built ro-pax ships and the start of a new ro-pax route concept incorporating DFDS' overall competencies in both freight and passenger operations. The rebuilding of the ships and the implementation of the new route competence were carried out as planned, based on the ability of DFDS employees to work together as teams with a common understanding of the overall goal.

DFDS is a service business, and a key service parameter is the ability of employees to identify individual customer needs and adapt DFDS' products and services accordingly. In the course of the year, a number of activities and courses were held for managers and employees at the very end of the service chain whose jobs entail a high degree of customer contact.

The organizational adjustments initiated in DFDS Group Management in 2001 to support and anchor corporate unity continued in 2002 with the integration of DFDS' IT functions and the integration of human resource functions for sea- and land-based personnel. At the end of 2002, the decision was made to implement a common finance system throughout the Group. The system is expected to be fully implemented during the first six months of 2003.

The ongoing organizational adaptation makes large and occasionally extraordinary demands on staff and managers alike. Restructuring initiatives, and the accompanying new work and business routines, have become part of everyday life at DFDS and necessitate a greater exchange of knowledge and information and more openness on a daily basis. DFDS' five core values are an important tool for this process.

### Safety

The DFDS fleet complies with all international conventions and national legislation concerning safety and the protection of the marine environment. All DFDS vessels are certified in accordance with the ISM code (International Safety Management), and safety management systems are continually being further developed.

In compliance with new international requirements concerning the installation of a Voyage Data Recorder ('black box') on passenger ships, DFDS installed the first system in its fleet in December 2002. All passenger vessels had Voyage Data Recorders installed by the end of January 2003.

Before going into service as a combined passenger and freight ship, the ro-pax vessel the DANA GLORIA was fitted with transverse doors on the main deck in compliance with the stability requirements of the Stockholm Agreement. Several other safety measures were implemented, particularly on the passenger side.

New safety requirements for full sprinkler protection of passenger ships were issued in 2002, and the upgrading of the passenger fleet started in January 2003 on board the CROWN



OF SCANDINAVIA. Several other minor safety improvement projects were also implemented in the course of 2002.

DFDS' goal is to maintain excellent safety standards, including the commitment of employees to a corporate safety culture. DFDS' safety initiatives are constantly developed and verified by national authorities and classification societies.



### Organizational changes

Peder Gellert Pedersen was appointed Vice Director of DFDS Tor Line in July 2002, and Jes Mikkel Svare was appointed Deputy Director of DFDS Seaways in September. Bertil Hohlmann was appointed Personnel Manager of DFDS in November, and Gert Møller was appointed IT Director of DFDS in August. Leif C. Mikkelsen resigned from his position as Communications and Human Resources Director in October 2002.

With effect from 1 January 2003 it is planned to merge the legal entities DFDS Seaways A/S, DFDS Tor Line A/S and DFDS A/S with DFDS A/S as the continuing company. The purpose of the simplification of the legal structure is to reduce administration costs and improve the efficiency of DFDS' organization.

### Profit forecast 2003

The profit forecast for 2003 is conditional on oil prices and exchange rates of particular importance to DFDS (SEK, USD, NOK, GBP, EUR) remaining at the same level as at the beginning of March 2003.

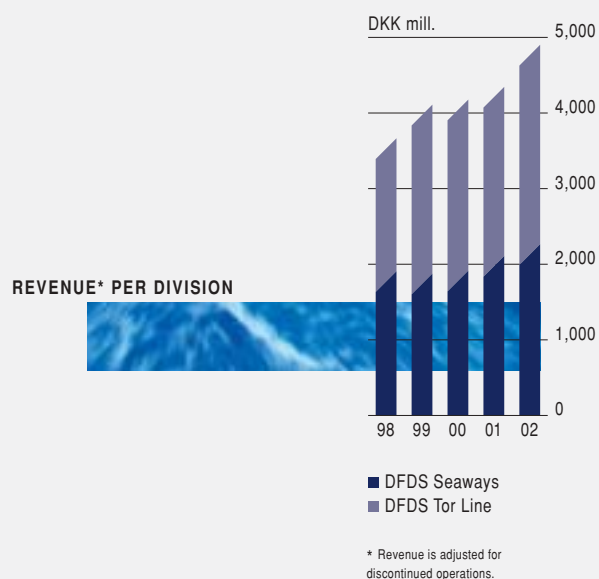
DFDS expects to achieve a somewhat higher level of

activity in 2003 than in 2002 corresponding to an increase of approximately 5% in revenue, primarily as a result of the expansion of capacity by DFDS Tor Line. DFDS Seaways expects to record only a slightly higher level of activity in 2003 than in 2002.

Investments in freight and ro-pax vessels are expected to amount to roughly DKK 700 million and will comprise delivery of the first ro-ro newbuilding, work in progress on the other ro-ro newbuildings, and the conversion of the ro-pax vessel the DANA SIRENA. The investment level is otherwise expected to be low, apart from any company acquisitions.

On account of the unresolved situation concerning Iraq, the level of uncertainty concerning the profit expectation is higher than normal.

DFDS expects a profit before tax, extraordinary items and minority interests of approximately DKK 140-160 million for 2003.



# The World Outside DFDS

## Road tax in Germany

With effect from 1 September 2003, Germany will be introducing a road tax on lorries using the German motorways. The tax is designed as a fee of EUR 0.10-0.17 per driven kilometre and will be differentiated according to the size of the vehicle and Euro norms. In a few years, the plan is to further differentiate the fee through the addition of a congestion charge that also takes time of day and location into account.

It is estimated that the road tax will lead to price increases for customers ranging from 5% to 16% depending on method of transport.

The purpose of the tax is to reduce the growth anticipated in road transport, promote intermodal transport solutions – road and rail transport, for example – and encourage better transport planning in order to improve capacity utilization of the various transport systems.

Road tax for lorries are expected to be introduced in Austria and the Netherlands in 2004, and the UK expects to introduce similar charges in 2006. A Swedish government commission is due to submit a report on road pricing in 2004, and several other European countries are preparing similar reports.

The road tax will make road transport relatively more expensive than sea and rail transport and, all else being equal, is expected to have a positive impact on DFDS' level of activity. The full effect of the shift in traffic flows as a result of the German road tax will be registered in 2004.

## The EU enlargement towards the East

The imminent enlargement of the EU towards the East is expected to help boost trade with the candidate countries. The admission of the Baltic nations and Poland in particular may have a long-term effect on DFDS' level of activity. These countries act additionally as transit countries for traffic flows to and from Russia and Central European countries.

## Tonnage development

The size of the ro-ro freight vessels ordered in recent years has been increasing. Most new vessels ordered have a capacity of 2,500-3,000 lane metres and a faster sailing speed, 22 to 25 knots. Each with a capacity of about 4,000 lane metres, DFDS' ro-ro newbuildings from Flensburg Shipyard are thus the largest short-sea ro-ro freight ships contracted for in recent years. A combination of factors are driving this trend: growing freight volumes that require greater capacity coupled with relatively small rises in transport prices due to intense competitive pressure generally. In order to improve earnings, the cost per transported unit must therefore be reduced, and this can be achieved by increasing vessel capacity and speed. At the same time, technological advances mean the cost of running the ships can gradually be reduced.

A number of smaller ro-ro ships have been phased out lately, but there will still be a demand for ro-ro vessels of smaller capacity to service routes handling limited volumes or routes requiring a high sailing frequency.

As regards passenger activities, in the last few years DFDS has ordered several ro-pax newbuildings that combine



## German road tax will add to the cost of road transport, to the advantage of sea transport



passenger and freight transport to a greater degree than conventional cruise-ferry ships. The discontinuation of tax-free sales in the EU and the wide range of low-cost air travel options are part of the explanation for the emergence of this type of vessel. However, large cruise-ferry liners continue to be ordered for use in the Baltic and North Sea areas.

### EU's Marco Polo programme and the harbour directive

In 2002, the EU initiated its Marco Polo programme with an annual budget of EUR 30 million. The purpose is to transfer freight from road networks to more environmentally friendly forms of transport such as sea transport. The programme will support the start-up phases of commercially viable projects intended to direct freight transport away from roads. In addition, the programme will support improvements to intermodal methods of transport and disseminate best practices throughout the transport sector. At the core of the programme is the vision to create 'highways of the sea' to help eliminate bottlenecks in the road networks of the EU.

Likewise in 2002, the EU Commission issued a draft directive on market access to port services. The purpose of the directive is to remove the restrictions on port access for providers of port services and on the possibilities for shipping companies to perform port services independently. Other aims include enhancing the quality of port services, increasing flexibility and efficiency and lowering costs. The directive thus underpins the EU's wish to promote the shift of freight transport from road to sea.

### Introduction of Danish tonnage tax regime

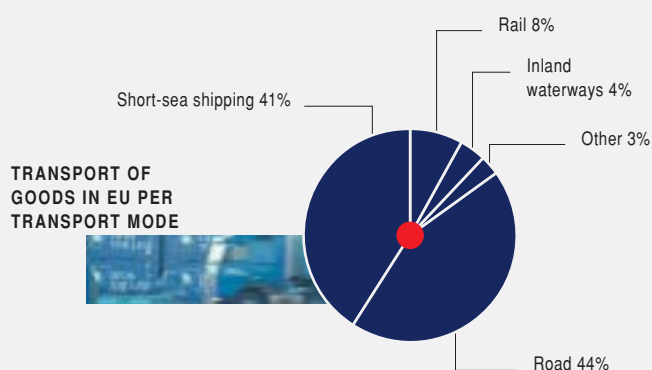
The Danish Parliament passed legislation concerning a Danish tonnage tax regime in May 2002, which in DFDS' opinion will improve competitive conditions for Danish shipping operators and thus make a positive contribution to the future development of the shipping industry in Denmark.

### Market trends

The Northern European market for international ro-ro-based passenger and freight shipping traffic can generally be divided into five market regions: the Baltic Sea, Kattegat/Skagerrak, the North Sea, the English Channel, and the Irish Sea.

Certain changes were made to the structure of the passenger route network in the North Sea and the English Channel, primarily as a result of altered market conditions following the discontinuation of tax-free sales. On the other hand, new ro-pax routes were opened in the Baltic Sea and the North Sea, partly by the entry of a passenger company from the Mediterranean region.

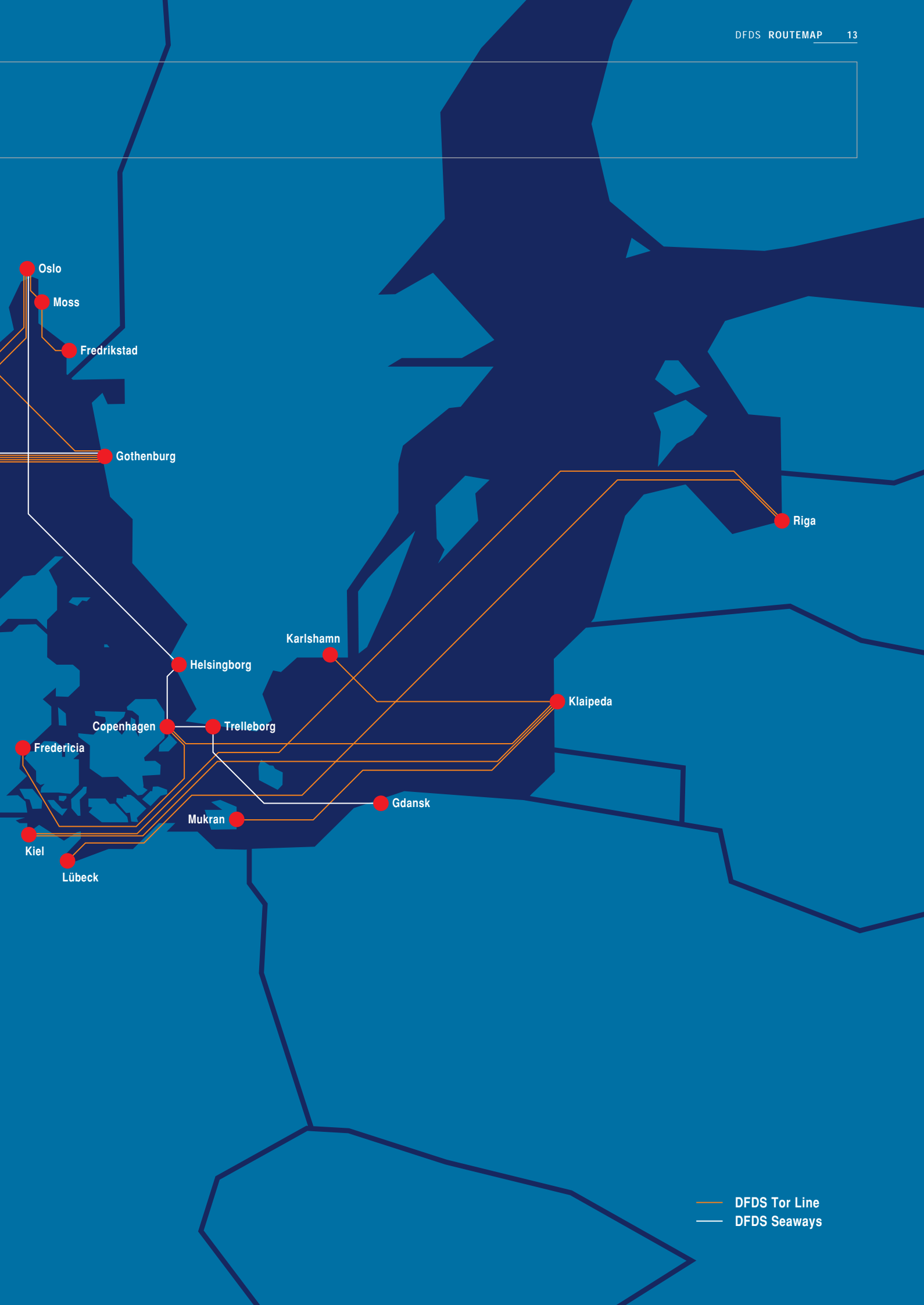
In 2002, a limited consolidation of the Northern European market was carried out, particularly in freight activities. Ongoing market consolidation is expected to continue in the future.



Source: EU Commission, White Paper, European Transport Policy for 2010, September 2001.

# DFDS Group Routes





— DFDS Tor Line  
— DFDS Seaways

# DFDS Seaways' Report

DFDS Seaways operates overnight passenger shipping in Northern Europe based on a city-to-city cruise concept.

In addition, DFDS Seaways operates canal excursions in the port of Copenhagen (DFDS Canal Tours).





## Financial performance 2002

Revenue rose by 7% to DKK 2,267 million. This increase reflects the full-year effect of the expansion of capacity on the Copenhagen/Helsingborg-Oslo and Amsterdam-Newcastle routes implemented at the beginning of the third quarter of 2001 and the opening of a new route to Poland in early October 2002.

On 1 October 2002, the Esbjerg-Harwich route was converted into a ro-pax route and transferred to DFDS Tor Line. The Cuxhaven-Harwich route was temporarily suspended from 17 November 2002 until April 2003. Both these factors caused a decline in revenue compared with 2001.

Operating profit (EBITA) increased by 71% to DKK 128 million, and the significant improvement in operating profit (EBITA) forecast for 2002 was thus achieved.

The operating profit (EBITA) for 2002 includes a total loss from the sale of ships, buildings and terminals of DKK 1 million. In 2001, the operating profit (EBITA) contained a write-down of a passenger ship to market value of DKK 25 million. After adjustment for these items, the operating profit (EBITA) for 2001 was DKK 100 million and DKK 127 million for 2002, an increase of 27%.

The favourable performance development is attributable partly to the capacity expansion implemented at the end of June 2001 and partly to profit improvements on the routes and activities that were affected by the outbreak of foot-and-mouth disease in 2001. Counteracting this effect, the Copenhagen/Trelleborg-Gdansk route recorded a negative operating profit for 2002, which was expected.

The number of dockings was higher in 2002 than in 2001, leading to additional costs of approximately DKK 10 million.

There was an increase in depreciation of DKK 10 million compared with 2001 as a result of the new Danish Financial Statements Act and changed accounting estimates for ships. Furthermore, the addition of PEARL OF SCANDINAVIA in late June 2001 triggered a considerable increase in depreciation.

Average invested capital increased by 2% to DKK 2,124 million as a result of the full-year effect of the investment in PEARL OF SCANDINAVIA. Return on invested capital (ROIC) increased in 2002 to 5.0%.

## Financial performance 4th quarter 2002

After adjustment for profit/loss on the sale of ships, buildings and terminals and write-downs, the operating profit (EBITA) for the fourth quarter improved from DKK -22 million in 2001 to DKK -7 million in 2002.

## Passenger and market development

The number of passengers increased by 4.9% to 1,893,600, and the number of cars transported rose by 10.4% to 253,200, while there was a 3.1% reduction in the number of departures.

The normalization of market conditions in Great Britain had a positive impact on the market although demand from the European transport and holiday customer segments was slightly below the level expected for the second and third quarters. The Norwegian market fully met expectations in 2002, and enjoyed the favourable effect of increases in the exchange rate of the Norwegian krone. The Danish and in particular the Swedish markets were characterised by a slightly lower level of activity than expected for the holiday and conference customer segments, especially in the fourth quarter.

## Performance by activity

Several significant changes were made to the route network during the year, and 2002 was also the first full year of operations after the capacity expansions implemented in 2001.

A new route to Poland, Copenhagen/Trelleborg-Gdansk, was opened on 2 October 2002. The original plan was to open the route in April 2002 with DFDS Seaways' oldest passenger ship, KING OF SCANDINAVIA. However, an opportunity arose in March 2002 to sell the vessel in accordance with DFDS' fleet strategy. The opening of the route was therefore

DKK million	2001					2002				
	Q1	Q2	Q3	Q4	Year total	Q1	Q2	Q3	Q4	Year total
Revenue	343	516	730	520	2,109	427	591	754	495	2,267
Operating profit (EBITA)	-123	53	192	-47	75	-131	81	199	-21	128
Operating profit margin, %	-35.9	10.3	26.3	-9.0	3.6	-30.7	13.7	26.4	-4.2	5.6
Invested capital	1,838	2,079	2,208	2,301	2,088	2,259	2,147	2,071	1,991	2,124
Return on invested capital (ROIC) p.a., %	-27.3	10.1	31.1	-3.5	3.8	-23.1	16.8	30.9	-2.9	5.0
Passengers, '000	325	440	602	439	1,806	374	471	624	425	1,894

**2002 was the first year in which the Amsterdam-Newcastle route carried more than 500,000 passengers**

postponed to October 2002, when the DUKE OF SCANDINAVIA (formerly DANA ANGLIA), which had operated the Esbjerg-Harwich route until that date, went into service on the new route.

This tonnage rotation allowed a ro-pax concept to be introduced on the Esbjerg-Harwich route, reducing passenger capacity on the route and increasing freight capacity. On 3 October 2002 it opened as a ro-pax route served by DANA GLORIA, and DFDS Tor Line took over route operation.

In March 2002 the German port of call for the Hamburg-Harwich route was changed to Cuxhaven in order to reduce sailing time and make the route more attractive for passengers travelling in their own car as well as strengthening the freight cooperation with DFDS Tor Line, which already uses Cuxhaven. The Copenhagen/Helsingborg-Oslo route was served by

The Cuxhaven-Harwich route was served by ADMIRAL OF SCANDINAVIA until November 2002, when it was suspended until 11 April 2003. The route achieved a satisfactory increase in the number of passengers due to the change of German port of call to Cuxhaven.

The Copenhagen/Trelleborg-Gdansk route was served by DUKE OF SCANDINAVIA. The number of passengers in the fourth quarter of 2002 was slightly higher than expected, while the number of freight units handled was somewhat lower than the expectation.

In March 2002, DFDS sold its passenger terminal in Esbjerg, with delivery at the end of 2002. The purpose of the sale was to rationalize DFDS' activities in Esbjerg and to gain the benefits deriving from closer integration of passenger and freight activities.

In 2002, DFDS Canal Tours recorded a satisfactory operating profit (EBITA) based on a 5% increase in passengers. The company took delivery of a new open boat in May 2002.

### Tonnage

DFDS Seaways' oldest passenger vessel, KING OF SCANDINAVIA, was sold in March 2002 at a small profit.

ADMIRAL OF SCANDINAVIA was sold in July 2002 and delivered in November 2002. The sale generated a loss of DKK 17 million and led to the suspension of the Cuxhaven-Harwich route until 11 April 2003, when a chartered Norwegian vessel, BERGEN, will start servicing the route. BERGEN, to be renamed DUCHESS OF SCANDINAVIA, has a total passenger capacity of 840 plus space for 120 passenger cars and a trailer deck of 650 lane metres.

The sale of these ships reduced the average age of the fleet in 2002 from 21 to 20 years. The chartering of BERGEN will reduce the ownership share of 100% in 2002 to 86% in 2003. DFDS Seaways' strategic goals for average fleet age and fleet ownership share are respectively 15 years and 75%.

PEARL OF SCANDINAVIA and CROWN OF SCANDINAVIA. The route recorded a satisfactory increase in passenger numbers in 2002 despite a slightly lower level of activity on the Danish and Swedish markets than expected for the second half year.

The Amsterdam-Newcastle route was served by QUEEN OF SCANDINAVIA and PRINCE OF SCANDINAVIA. 2002 was the first year in which the route carried more than 500,000 passengers, and it achieved a positive profit development. However, the average on-board consumption per passenger remained at a relatively low level.

The Gothenburg-Kristiansand-Newcastle route was served by PRINCESS OF SCANDINAVIA. On 17 May 2002, fire broke out in the ship's engine room and was extinguished by the ship's own crew. The ship re-entered service on the route on 16 June 2002. Despite the fire, the route recorded a favourable profit trend in 2002, which should also be viewed in light of the outbreak of foot-and-mouth disease in 2001.





## Marketing and distribution

The prime focus of DFDS Seaways' marketing is large destinations, the pleasure of sailing, and the wealth of recreational options on board ship. The annual marketing costs of approximately DKK 150 million cover short-term targeted marketing campaigns and the underpinning of a strong brand.

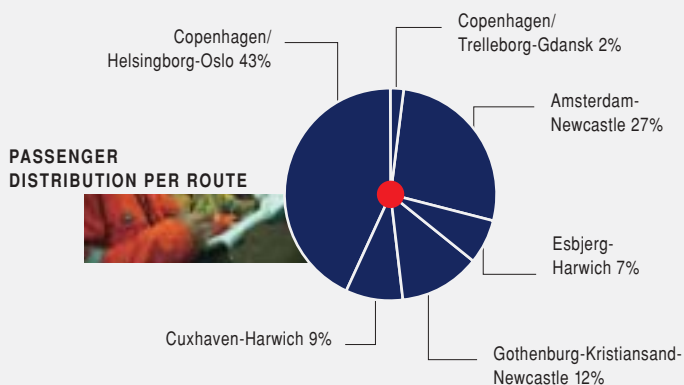
About two-thirds of DFDS Seaways' travel sales are handled by own sales subsidiaries while the remainder is sold by travel agencies. Online internet booking options are now available on all markets, and the number of internet bookings doubled in 2002. The internet booking system will be expanded in future to include travel agencies and full product programme so that in the years to come a significant number of travel bookings will be transacted over the internet.

## Profit forecast 2003

Given that the Esbjerg-Harwich route has been transferred to DFDS Tor Line and that the Cuxhaven-Harwich route will not open until April 2003, DFDS Seaways expects only a marginally higher level of activity in 2003 than in 2002. The route changes will be offset by the full-year effect of the newly opened route to Poland.

The investment level in 2003 is expected to be low.

DFDS Seaways expects to achieve a slightly higher operating profit (EBITA) in 2003 than in 2002.



## Vision

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

## Mission

To delight people with exciting maritime experiences and attractive destinations.

## Product concepts and target customer groups

### Transport

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

### Holiday

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

### 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 the maritime experiences, the host of facilities on board ship and land-based activities at an attractive destination. The target customer group is a broad mix of couples, 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 meeting and conference activities on board, which may take place en route as well as while the ship is in port. The target customer groups are companies, organizations and course organizers.

## To delight people...

**with exciting maritime experiences and attractive destinations – that is DFDS Seaways' mission.**

Every year, almost two million passengers travel with DFDS Seaways – the equivalent of more than 5,000 people a day. Just over 2,000 of them choose the Copenhagen/Helsingborg-Oslo route, DFDS Seaways' main route.

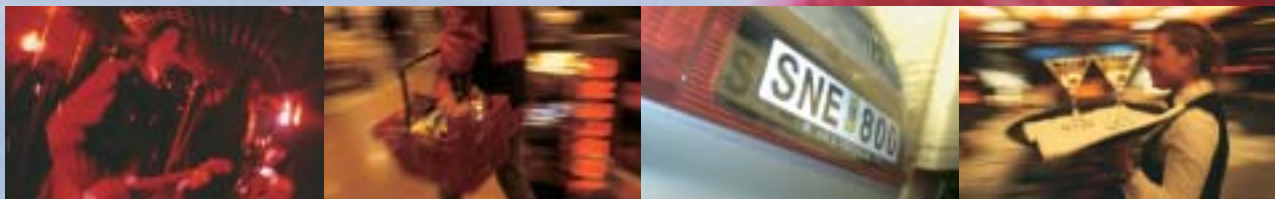
Eight different product concepts are offered on the Danish market for travel to Norway catering for the wide variety of individual customer tastes and expectations of DFDS Seaways.

DFDS Seaways' Cruise concept meets a diversity of passenger needs, and the ships offer a host of recreational and leisure activities. There is something for everyone, whatever their preference. À la carte restaurants for discerning diners. Cafés for those who prefer a quick snack. Discoteques for party animals eager to dance the night away. Peaceful cabins for travellers who want an early night. The opportunity for

businessmen to get to know their colleagues and customers better in an informal atmosphere. Poolside fun for families with kids. The choice is yours when you travel with DFDS Seaways!

Once in Norway, some passengers continue on a skiing holiday organized by DFDS Seaways. Some visit family and friends in Norway, and being able to take their own car is a welcome convenience. Other passengers travel to Norway to sample the Oslo capital for a few hours before returning home. Business customers can continue their meetings in Oslo, or select a land-based tour.

Onboard activities are adapted throughout the year to match the changing seasons and the variety of customer groups who choose to travel with DFDS Seaways.



Mini Cruises, Groups, Conferences,  
City-to-City Breaks, Skiing holidays, Transport options  
with and without car, International tourists



River rafting, bike cruise, mountain biking,  
curling, go-cart tracks, snowboarding,  
cross-country skiing, alpine skiing,  
sleigh rides, sledge rides, ice skating,  
Holmenkollen, angling, cottage holidays,  
hiking, walking, Tusindfryd, Bygdøy,  
Hadeland glassworks, Blåfarve works,  
Kongsberg silvermines, Frilandsmuseet,  
Vigelandsparken, Kontiki Museum,  
Viking ship museum



# DFDS Tor Line's Report

DFDS Tor Line operates freight liner shipping, primarily ro-ro liner shipping, based on frequent sailings between North European transport and industrial centres. The activities comprise sea transport and terminal activities (gate-to-gate concept) and are an effective part of the customers' transport chain.





## Financial performance 2002

Revenue increased by 18% to DKK 2,642 million. The increase in revenue reflects the acquisition of DFDS Lys-Line Rederi on 1 January 2002 and the full-year effect of the addition of LISCO Baltic Service acquired on 27 June 2001. Revenue for the other activities also rose in 2002, although the NorBridge revenue was considerably lower than in 2001 due to the restructuring measures implemented in the second half of 2001.

Operating profit (EBITA) was DKK 32 million including the write-down of older freight vessels amounting to DKK 150 million. Excluding the write-down and profit/loss on the sale of ships, buildings and terminals the operating profit (EBITA) rose by 67% from DKK 115 million in 2001 to DKK 192 million in 2002. The profit improvement for the year was thus somewhat higher than DFDS Tor Line's profit forecast of a somewhat better operating profit (EBITA) in 2002.

The profit improvement by DFDS Tor Line was obtained partly by the addition of DFDS Lys-Line Rederi at the start of 2002. Other contributory factors were the satisfactory reorganization of NorBridge and an improvement in the operating profit for EuroBridge, although this is still unsatisfactory. The operating profit (EBITA) was negatively affected in 2002 by the high level of costs of the Esbjerg terminal and the opening of new routes.

Average invested capital increased by 20% to DKK 3,624 million as a result of company acquisitions and investments in ships. Return on invested capital (ROIC) was reduced from 5.8% in 2001 to 1.1% in 2002, primarily due to the write-down.

## Financial performance 4th quarter 2002

After adjustment for profit/loss on the sale of ships, terminals and buildings, the operating profit (EBITA) for the fourth quarter increased from DKK 31 million in 2001 to DKK 56 million in 2002.

## Market development

DFDS Tor Line's primary market focus is the Baltic and the North Sea. The level of activity in the Baltic region was higher than expected, but was affected by increasing competition with

new players gaining presence. Towards the end of the year, the market was negatively influenced by the tense political situation between Denmark and Russia. The activity level in the North Sea rose, and in the course of the year, DFDS Tor Line and other players increased capacity in the region. The high exchange rate for the British pound continues to generate a certain imbalance in traffic to and from Great Britain.

## Performance by activity

DFDS Tor Line	Number 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 I Fredericia-Copenhagen-Klaipeda	8
BalticBridge II Riga-Kiel/Lübeck	8
NorBridge Brevik-Kristiansand-Immingham	4

**DFDS Tor Line:** DFDS Tor Line operates a route network in the North Sea and the Baltic Sea consisting of seven 'bridges' that achieved considerable profit improvements overall in 2002.

For AngloBridge, including Stena Tor Line, 2002 was a stable year with developments in volumes and rates in line with expectations. The level of activity on EuroBridge remained low

DKK million	2001					2002				
	Q1	Q2	Q3	Q4	Year total	Q1	Q2	Q3	Q4	Year total
Revenue	531	545	579	582	2,237	638	686	622	696	2,642
Operating profit (EBITA) *	23	27	38	73	161	39	62	39	42	182
Operating profit margin, %	4.3	5.0	6.6	12.4	7.2	6.1	9.0	6.3	6.0	6.9
Invested capital	2,739	2,965	3,160	3,207	3,023	3,450	3,664	3,651	3,807	3,624
Return on invested capital (ROIC) p.a., %	3.0	3.6	8.2	7.6	5.8	4.1	5.3	-10.5	5.3	1.1
Lane metres, '000	1,718	1,683	1,794	1,906	7,101	1,760	1,899	1,783	1,947	7,389

\* After adjustment for DKK 150 million write-down on ships in the third quarter of 2002.

## The first of a series of five ro-ro newbuildings is due for delivery in September 2003

in 2002, and although cost adjustments led to improved results for the route, the general earnings level is still unsatisfactory.

Performance on BritanniaBridge was stable and satisfactory. On 3 October the ro-pax vessel the DANA GLORIA went into service on the Esbjerg-Harwich route, replacing a freight ship and DFDS Seaways' passenger ship the DANA ANGLIA. The development in passenger and freight operations lived up to expectation in the fourth quarter of 2002.

Capacity increases were implemented on ElbeBridge and ShortBridge in 2002, and ElbeBridge in particular recorded satisfactory growth in volumes.

Capacity on BalticBridge was increased by the addition of a small freight ship, and performance development was satisfactory. A new route between Kiel and Riga was opened in May 2002, and this route will be integrated with Latlines' Lübeck-Riga route in the spring of 2003. The route will thus take advantage of the joint facilities in Riga, and the German port of call will be concentrated in either Kiel or Lübeck.

NorBridge was restructured in 2001, and the performance level for 2002 was satisfactory.

LISCO Baltic Service	Number of weekly departures in both directions
Klaipeda-Kiel	12
Klaipeda-Karlshamn	12
Klaipeda-Sassnitz	6

**LISCO Baltic Service:** LISCO's main business area comprises three Klaipeda-based rail and ro-pax routes plus the agency and terminal activities associated with the routes. The number of routes was reduced from four to three in 2002 when the Klaipeda-Åhus route was concentrated in Karlshamn, whose capacity was simultaneously expanded. LISCO additionally operates six multipurpose vessels on time charters of various lengths and two small ro-ro ships in the open market.

**DFDS Lys-Line Rederi:** DFDS Lys-Line Rederi operates 18 side-port and lo-lo vessels, all fixed on five-year time-charters to Lys-Line AS. The financial performance of DFDS Lys-Line Rederi was satisfactory and in line with expectations for 2002.

**Port terminals:** DFDS Tor Line operates its own terminals in Esbjerg, Immingham, Rotterdam, Klaipeda and Brevik. In May 2003, the company will open a new, owned 200,000 m<sup>2</sup> port terminal in Maasvlakte, Rotterdam, with an excellent location close to the harbour exit. The terminal will serve DFDS Tor Line's own ships as well as those of other lines. The financial results for the Esbjerg terminal were highly unsatisfactory in 2002 due to poor efficiency which increased the level of costs. Further contributory factors were the delays in the implementation of a new terminal management system and the rebuilding of the terminal site. The activity levels and financial performance of the other terminals were satisfactory.

**Other activities:** At the end of 2002 an agreement was entered into with DFDS Transport Group on the transfer of the German agency operations associated with DFDS Tor Line's routes, with effect from 1 January 2003.

### Tonnage

In July 2002, DFDS Tor Line purchased two newly built Polish ro-pax sister vessels each with a freight capacity of 2,500 lane



metres, 77 cabins and a service speed of 22 knots. The first ship, DANA GLORIA, was delivered at the end of July and went into freight service on the Esbjerg-Harwich route on 10 August 2002. On 3 October the passenger ship DANA ANGLIA was replaced by DANA GLORIA, which has since operated as a passenger and freight ship (ro-pax). The second ro-pax ship, DANA SIRENA, is being rebuilt to provide more passenger facilities and increase capacity to 600 passengers. DANA SIRENA is expected to replace DANA GLORIA on 17 June 2003. The plan is then to transfer DANA GLORIA to LISCO for service in the Baltic Sea.



At the end of April 2002, DFDS Tor Line exercised its fifth option for a ro-ro newbuilding from Flensburg Shipyard. Delivery of the fifth new vessel is expected in December 2004 and the ship is planned to enter service on BritanniaBridge.

TOR CIMBRIA was sold, with delivery at the end of October 2002, and TOR FLANDRIA and TOR SCANDIA were sold and delivered in December 2002. Furthermore, TOR HUMBRIA was sold and delivered at the end of January 2003. DFDS Tor Line has chartered back all four vessels in conjunction with the sales.

At year-end 2002 the average age of the fleet was 12.5 years, against DFDS Tor Line's strategic goal of 10 years, and the ownership share was 60%, against a strategic goal of 50%.

### Profit forecast 2003

DFDS Tor Line expects a somewhat higher level of activity in 2003 than in 2002, corresponding to a 5-10% growth in turnover, due to the acquisition of the Esbjerg-Harwich route from DFDS Seaways and the effect of the capacity expansions implemented in 2002 and those planned for 2003.

Investments in ships are expected to amount to about DKK 700 million in 2003. This amount covers the rebuilding of DANA SIRENA, delivery of the first ro-ro newbuilding and work in progress on other newbuildings. Otherwise, a low level of investment in tangible fixed assets is expected.

DFDS Tor Line expects to achieve a somewhat higher operating profit (EBITA) in 2003 than in 2002.

### 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 utilization in the customer's transport chain.

### Product concepts and target customer groups

#### Trailer system

For transporting trailers for freight forwarding companies

#### Cassette system

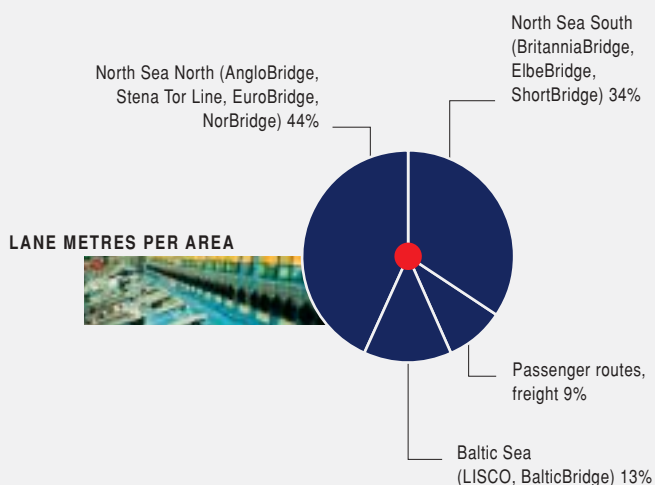
For transporting heavy industrial products such as steel, metal, paper, plastic granulate and wood

#### 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



# To delight industry...

**with shipping logistics to reduce lead times and costs – that is part of DFDS Tor Line’s mission.**

Shipping logistics solutions are targeted at industrial clients that have large volumes of heavy goods and a major element of sea transport.

In cooperation with the customer, the entire transport chain is analyzed in order to develop the best solutions in each case. This may involve using specially designed load carriers to minimize the number of handling operations in the transport chain, and even increase capacity utilization.

Thus, in many instances, shipping logistics solutions involve the development of transport systems as well as equipment for goods handling and security.

DFDS Tor Line has developed an intermodal transport solution for AvestaPolarit, one of the world-leading producers of stainless steel. The concept has reduced lead time for the transport of raw steel and processed steel products between Sweden and the UK from 37 to 8 days.

The considerable reduction in number of handling operations reduced the capital tied up by AvestaPolarit in warehouses and the number of units damaged in transit.





### Facts about the AvestaPolarit and DFDS Tor Line partnership

- AvestaPolarit is one of the world's leading stainless steel producers with production plants in Finland, Sweden, the UK and the USA.
- In 1996, DFDS Tor Line was contracted to ship an annual 300,000 tonnes of stainless steel via AngloBridge.
- The system used at that time was based on conventional ship transport from the UK to Sweden with a lead time of 37 days.
- Today, with the DFDS Tor Line system an integral part of AvestaPolarit's production chain, total lead time is down to eight days.
- DFDS Tor Line, Green Cargo (the Swedish rail freight company), EWS (the UK rail freight company), DFDS Nordic Terminal and the Port of Gothenburg worked together with AvestaPolarit for several years to further refine the unique transport system.
- DFDS Tor Line transported 750,000 tonnes of steel from AvestaPolarit in 2002. The transport system has a total capacity of one million tonnes a year.
- AvestaPolarit and DFDS Tor Line signed a long-term transport contract with an option for extension.



# Risk Factors and the Environment

## General and special operational risk factors

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

Environmental and safety measures are based on DFDS' environmental and safety policy as well as public authority and customer requirements. These requirements can be expected to be even more rigorous in future, which may lead to extra costs for DFDS. DFDS is insured as far as possible against environmental risks. DFDS participates in preparatory legislative work through industry organizations.

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 estimated to be the discontinuation of tax-free sales in Norway.

A significant portion of the freight business handled on a few DFDS routes derives from a single customer or a few customers only. DFDS takes measures to protect against the risk related to this type of customer relationship by entering into long-term cooperation 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 the announced profit forecast.

## Financial risk factors

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

reduce currency exposure by matching the currencies of assets and liabilities, and by acquiring forward currency contracts, currency options and swaps.

About 60% of DFDS' turnover is invoiced in foreign currency, and the most important net revenue currencies are SEK, NOK, EUR and GBP. USD is the principal net expense currency. The risk associated with expected net payments in these currencies is hedged in accordance with the finance strategy for the coming year. Major investments in foreign currencies are generally hedged when contracts are made.

Translation risk relates to the translation of the profit and equity of 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. The currencies of the loan portfolio are determined taking account of the currencies of assets, liabilities and cash flows.

At the end of 2002, interest-bearing debt amounted to DKK 3,090 million, of which approximately DKK 1,195 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 interest rate swaps and options. At year-end 2002, about 43% of the loan portfolio had been converted to fixed-interest loans, with 32% in an interest rate collar with an interest cap of 6% and a floor of 5%.

In 2002, a loan facility was obtained to finance DFDS Tor Line's ro-ro newbuildings. The loan has been hedged against interest rate exposure by 10-year interest rate swaps, such that the fixed-interest share of the loan portfolio will be about 57% at the end of 2003, other things being equal.

At the current level of interest rate hedging, a one percentage point increase in interest rates would lead to an additional cost of about DKK 8.5 million in 2003.

## More than half of the expected oil consumption has been hedged in 2003



### 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 at 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. DFDS' policy is to constantly hedge the price of about 50% of the consumption expected in the coming year using options or oil swaps and price adjustment agreements.

The expected bunker consumption in 2003 is approx. 375,000 tons, of which about 30 % has been hedged by oil swaps and 42% by price adjustment agreements. The relatively high volatility of the price of oil in recent years has posed a significant financial risk to DFDS. As a result of this trend, more than half of the expected oil consumption has been hedged in 2003.

A 1% increase in the price of oil relative to the February 2003 level would lead to additional annual costs in the region of DKK 1.5 million.

### Credit risks

DFDS' credit risks relate to primary financial assets as well as derivative financial instruments. In order to minimize these risks, DFDS co-operates only with financial partners that as a minimum have a short-term rating of P-1 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

DFDS' environmental initiatives focus on the environmental impact of ships as well as health and safety on board.

New statutory requirements were introduced in 2002 concerning the emission of exhaust gases. In addition to complying with these regulations, DFDS also reduced NOx emissions from its ships in 2002. For example, catalytic

converters for auxiliary engines were installed on the PEARL OF SCANDINAVIA and the CROWN OF SCANDINAVIA during routine docking periods. Coupled with the use of very low sulphur fuel oils, these initiatives contributed to a significant reduction of SOx and NOx in the three ports visited by these ships. However, these voluntary measures have so far led only to a limited reduction in port charges.

The replacement of auxiliary engines with more environment-friendly engines continued on the PRINCE OF SCANDINAVIA and PRINCESS OF SCANDINAVIA. As well as reducing environmental impact, improved operating economy in respect of on-board generation of electricity was also achieved.

The switch from toxic, tin-based anti-fouling paints to tin-free types is now complete, as all the freight ships have also been painted. Environmental impact has been reduced, and it is satisfying to note that the new tin-free anti-foulants are fully on a par with those used previously, also in terms of cost.

Shipboard health and safety is an important area of focus for DFDS. One priority in 2002 was ventilation improvement on car decks. Although DFDS complies with all statutory requirements for number of air renewals, this has not always been sufficient to ensure a good working environment as 'pockets' could develop where the air quality was unsatisfactory. After extensive trials circulation fans are being installed on the car decks where such pockets are believed likely to develop.

Chemicals handling is another area of focus. Central tanks for ready-mixed chemicals have therefore been installed on several ships. These reduce the need for manual handling of chemicals, and thus also the risk of allergy and respiratory damage among the employees who prepare the chemicals for use.

The use of chemical dosage systems is also being extended on board. As well as ensuring correct dosage of chemicals these systems reduce the number of heavy lifting operations. Correct dosage also saves on costs.

# Shareholder Information

## Share capital

The share capital of DFDS A/S was DKK 800 million at the end of 2002. 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.

## Price trend in 2002

The DFDS share is listed on the Copenhagen Stock Exchange where the market value of the total volume of DFDS shares traded was DKK 251 million. The average trading volume per business day was just over DKK 1 million.

At the end of 2002, the DFDS share was listed at a price of DKK 138 per share, representing an increase of 13% in 2002. DFDS' Peer Group index rose by 3% over the same period, while the all-share index for the Copenhagen Stock Exchange fell by 22%. The total shareholder return (price change plus dividend yield) of the DFDS share was 19% in 2002.

The market value of the total share capital at the end of 2002 was DKK 1,107 million.

## MidCap+ Index

In April 2003, the Copenhagen Stock Exchange is due to introduce a new share index for medium-sized companies: the MidCap+ Index. The DFDS share currently meets the requirements for admission to the index.

## Shareholders

At the end of 2002, DFDS had 20,634 registered shareholders who owned 86.9% of the share capital. Vesterhavet A/S (Sankt Annæ Plads 28, DK-1291 Copenhagen K) is the principal shareholder with a shareholding of 56.0% of the total share capital. In addition, ATP (Kongens Vænge 8, DK-3400 Hillerød) and DFDS A/S hold 5% or more of the total share capital.

Shareholders	% of share capital
Vesterhavet A/S	56.0
ATP (Danish Labour Market Supplementary Pension Fund)	8.2
Other institutional and financial investors	2.0
Other registered shareholders	14.8
Own shares	5.9
Non-registered shareholders	13.1
<b>Total</b>	<b>100.0</b>

## Dividend

The Supervisory Board of DFDS proposes payment of a dividend of DKK 7 per share of DKK 100 nominal value, corresponding to 7% of the share capital and 30% of the profit for the year after minority interests. The proposed dividend per share corresponds to a dividend yield of 5%.

DFDS' dividend policy provides for the distribution of an annual dividend of approximately 30% of the profit for the year. However, the amount of annual dividend is determined with due consideration for DFDS' development plans, financial and cash position, and satisfactory equity ratio.

## Annual General Meeting

DFDS' Annual General Meeting will take place on Tuesday 8 April 2003 at 16.00 at the Radisson SAS Falconer Center, Falkoner Allé 9, DK-2000 Frederiksberg.

## Investor relations

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 e-mail: soeren.b.nielsen@dfds.dk

## Financial calendar

### Annual General Meeting

8 April 2003 at 16.00  
 Radisson SAS Falconer Center  
 Falkoner Allé 9  
 DK-2000 Frederiksberg

### Dividend

To be paid out mid April 2003

### Publication of Group reports

Report for the first quarter of 2003, 20 May 2003  
 Report for the first half of 2003, 28 August 2003  
 Report for the third quarter of 2003, 27 November 2003



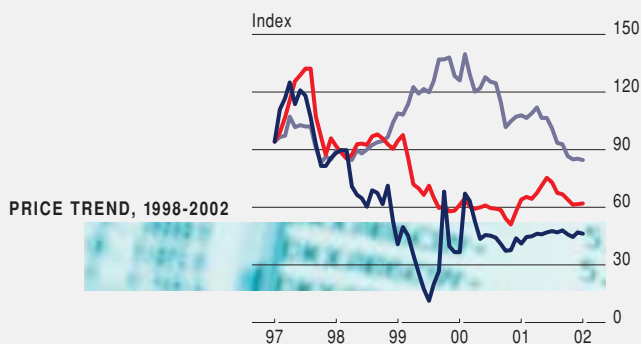
## Share-related ratios and key figures

	2002	2001	2000	1999	1998
Earnings per share, DKK	n.a.	30	n.a.	40	47
Dividend per share, DKK *	7	9	38	8	12
Payout ratio, %	n.a.	30	n.a.	20	25
Dividend yield, %	5.1	7.4	34.7	6.7	4.6
P/E ratio, times	n.a.	4	n.a.	10	9
Equity per share	326	318	519	425	399
Price/book value, times	0.43	0.38	0.57	0.72	1.13
Share price, DKK:					
Price at year-end	138	122	108	120	260
Price high	148	208	261	271	387
Price low	121	93	27	118	214
Market value, DKK million	1,107	972	2,371	2,464	2,675
Number of shares at year-end, million	8	8	8	8	5

\* Adjusted for extraordinary dividend in 2000

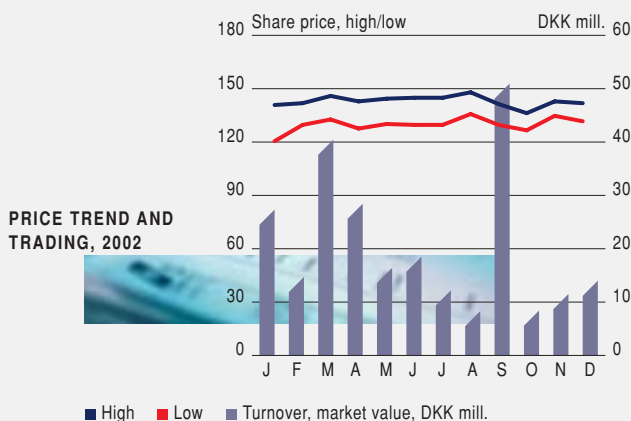
## Reports to the Copenhagen Stock Exchange 2002

Date	Report
4 Jan	Financial Calendar 2002 for DFDS A/S
12 Mar	Annual Report
15 Mar	DFDS Tor Line A/S has acquired a 66% shareholding in the Norwegian Lys-Line Rederi AS, effective as of 1 January 2002
26 Mar	Notice of Annual General Meeting
11 Apr	Main Transactions of the Annual General Meeting of DFDS A/S
22 Apr	DFDS orders fifth newbuilding from Flensburg Shipyard
23 May	DFDS Group Report for the First Quarter 2002
11 Jul	DFDS sells the passenger vessel the ADMIRAL OF SCANDINAVIA
18 Jul	DFDS acquires two ro-pax vessels
22 Aug	DFDS Group Half-Year Report 2002
29 Nov	DFDS Group Report for the Third Quarter 2002
3 Dec	Financial Calendar 2003 for DFDS A/S
20 Dec	DFDS A/S statement of shareholdings as at 20 December 2002



■ DFDS ■ Peer Group Index (Silja Line, Viking Line, Finnlines, P&O)  
■ Copenhagen Stock Exchange, Total Index

Source: Copenhagen Stock Exchange, Reuters Note: DFDS' share price is adjusted for the payment of an extraordinary dividend of DKK 187,5 per share until 11 April 2001



■ High ■ Low ■ Turnover, market value, DKK mill.

## Analysts monitoring the DFDS share

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# Financial Review 2002

## Accounting policies

The accounting policies have been changed in conformity with the amendments to the Danish Financial Statements Act in the following areas:

- **Development costs** are recognized – provided certain criteria have been met – as intangible assets at cost less accumulated amortization. Previously, development costs were recognized as incurred in the statement.
- The fair value of **derivative financial instruments** designated as hedge of future assets and liabilities is recognized in equity until the hedged item is realized. Previously, derivative financial instruments designated as hedges of future assets and liabilities were not recognized in the balance sheet.
- **Proposed dividends** are recognized as a separate item under equity until they have been adopted by the Annual General Meeting. After this date, dividends are recognized as a liability. Previously, proposed dividends that had not yet been adopted by the Annual General Meeting were recognized as short-term liabilities.

The changes in accounting policies led to a DKK 5.9 million increase in profit before tax and a DKK 16.1 million reduction in equity at 31 December 2002. For further details, please see Accounting Policies.

## Changed accounting estimates

The accounting estimates related to passenger ships have been changed in accordance with Danish accounting standard no. 10, implying that the carrying amount of ships at 1 January 2002 is divided into components with different useful lives. For that purpose, the useful lives of all components have been reassessed. The changed accounting estimates result in an increase in depreciation of DKK 10.3 million in 2002.

In the next two years, the changes in accounting estimates related to passenger ships are expected to result in ship depreciation at the same level as this year, based on an unchanged fleet. When using the estimates applied in prior years, ship depreciation would have been approximately DKK 30 million lower. From 2005, the level of ship depreciation is expected to be somewhat lower, all else being equal.

Freight and ro-pax vessels are not split into components as the components of these ships are assumed to wear out at the same rate.

## Operating profit (EBITA)

DKK million	2002	2001
DFDS Seaways	127	100
DFDS Tor Line	192	115
DFDS Group Management	-36	-31
Non-recurring items *	-164	141
DFDS Group	119	325

\* Write-downs and profit/loss on sale of ships, buildings and terminals

## Financial performance and revenue 2002

Revenue increased by 13% to DKK 4,870 million due to the 18% growth in revenue generated by DFDS Tor Line and the 7% growth in revenue recorded by DFDS Seaways.

The growth in revenue for DFDS Tor Line was primarily attributable to the acquisition of DFDS Lys-Line Rederi, effective 1 January 2002, and the full-year effect of the acquisition of LISCO, purchased on 27 June 2001. The bulk of the increase recorded by DFDS Seaways relates to the Amsterdam-Newcastle and Copenhagen/Helsingborg-Oslo routes, where capacity was expanded at the end of June 2001.

The sale of ships, terminals and buildings in 2002 resulted in a loss of DKK 14 million compared with a profit of DKK 166 million in 2001.

Operating profit before depreciation (EBITDA) increased by DKK 166 million, or 27%, to DKK 782 million, excluding profit/loss on the sale of ships, buildings and terminals. The profit improvement derives partly from the addition of DFDS Lys-Line Rederi and the full-year effect of the expansion of DFDS Seaways' capacity, and partly from performance improvements on other activities.

Depreciation and impairment rose from DKK 456 million in 2001 to DKK 649 million in 2002. Excluding write-downs, depreciation increased from DKK 431 million in 2001 to DKK 499 million in 2002, which is largely attributable to company acquisitions and the full-year effect of the addition of PEARL OF SCANDINAVIA.

Net financing costs amounted to DKK 133 million, an increase of DKK 100 million compared with 2001. The rise should be seen in light of the increase in average net interest-bearing debt of approximately DKK 1.0 billion in 2002 compared with 2001, when a large portion of the proceeds from the sale of DFDS Dan Transport was at the disposal of DFDS until April. In addition, revenue from net value adjustments, etc., decreased by DKK 16 million in 2002.



Accrued tax on ordinary activities resulted in an income of DKK 335 million, as DFDS' entry into the Danish tonnage tax regime led to a reversal of deferred tax of DKK 326 million. Current tax for the year amounted to DKK 13 million in 2002.

Extraordinary items after tax amounted to costs of DKK 116 million related to the settlement with DSV concerning the final transfer payment on the sale of DFDS Dan Transport.

The profit for the year before minority interests was thus DKK 200 million.

### Investments

Total investment in 2002 amounted to DKK 801 million, of which DKK 652 million was invested in ships. Proceeds from the sale of tangible fixed assets, primarily ships, amounted to DKK 305 million.

### Cash flow

Cash flow from operations rose by 21% to DKK 832 million in 2002, and after the deduction of net investments of DKK 496 million, the free cash flow from operations was DKK 336 million. Cash flow from net financing and extraordinary items was negative by DKK 197 million.

### Balance sheet

At year-end, the balance sheet total was DKK 6,882 million, which is on a par with 2001. Goodwill increased by DKK 63 million to DKK 85 million, primarily as a result of the acquisition of DFDS Lys-Line Rederi. Tangible assets rose by DKK 279 million to DKK 5,362 million, primarily due to the acquisition of DFDS Lys-Line Rederi and two ro-pax ships. On the liabilities side, the provision for deferred tax was reduced by DKK 350 million.

Interest-bearing debt increased by DKK 195 million to DKK 3,090 million at year-end 2002. The ratio of interest-bearing debt to equity including minority interests rose from 1.08 in 2001 to 1.12 in 2002.

### Valuation of ships

In the shipping industry, the value of ships is normally estimated in USD, the international currency predominantly used in shipping. As a regional shipping company, DFDS receives its primary revenue in DKK, SEK, NOK and GBP. In 2002, the market value of ships was considerably reduced, partly as a result of the weakening of the USD. However, due to DFDS' regional market position, this value reduction did not have a negative impact on DFDS' earnings capacity.

At 31 December 2002, the book value of ships amounted to DKK 4,858 million, which is estimated to exceed the market value by an amount in the region of DKK 400 – 500 million, based on brokers' estimates. DFDS conducts an annual impairment test for ships on the basis of expected future earnings. The impairment test is described in more detail in the section on accounting policies on page 36. Calculations for 2002 show no current need for a further writedown on ships other than the write-down on freight ships put up for sale which was carried out on 30 September 2002.

DFDS' tonnage strategy aims to lower the average fleet age and reduce ownership share. In the coming years, this strategy will lead to the sale of ships, which, if the present low market value level persists, may result in losses at the time of sale.

### Equity

Equity rose by DKK 64 million to DKK 2,604 million after the DKK 189 million profit transfer for the year offset by the distributed dividend of DKK 68 million and value adjustments of hedging instruments and foreign exchange adjustments totalling DKK -58 million.

Solidity rose from 39.2% in 2001 to 40.0% in 2002.

The Supervisory Board of DFDS proposes that the Annual General Meeting adopt the distribution of a dividend of DKK 7 per share. The proposed amount of dividend of DKK 56 million corresponds to 30% of the profit for the year after tax and minority interests.

### DFDS Group – financial performance by quarter 2001/02

DKK million	2001					2002				
	Q1	Q2	Q3	Q4	Year total	Q1	Q2	Q3	Q4	Year total
Revenue	864	1,047	1,303	1,095	4,309	1,050	1,276	1,360	1,184	4,870
Operating profit (EBITA)	-108	193	223	17	325	-106	138	80	7	119
Operating profit margin, %	-12.5	18.4	17.1	1.6	7.5	-10.1	10.8	5.9	0.6	2.4
Profit before tax and extraordinary items	-101	183	223	-14	291	-138	89	43	-13	-19
Invested capital	6,980	6,470	6,070	6,117	6,448	6,266	6,330	6,139	6,043	6,177
Return on invested capital (ROIC) p.a., %	4.2	10.1	15.9	10.0	5.7	-5.9	8.0	-4.7	2.5	0.0

## Statements

### Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today discussed and adopted the annual report for 2002 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, 18 March 2003

#### Executive Board

Ole Frie  
Presiding Director

Chr. Merrild  
Director

#### Supervisory Board

Ivar Samrén  
Chairman

Svend Jakobsen  
Deputy Chairman

Ole Adamsen\*

Claus Arnhild\*

Jill Lauritzen Melby

Anders Moberg

Ingar Skaug

Ib Sørensen\*

\* 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 2002.

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 2002 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 2002 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

Copenhagen, 18 March 2003

Kurt Gimsing  
State authorised public accountants  
KPMG C. Jespersen

Jesper Koefoed  
State authorised public accountants  
KPMG C. Jespersen

Torgny Pahle  
State authorised public accountants

Morten Egelund  
State authorised public accountants

## 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.

The accounting policies are consistent with those of last year, apart from the following areas which have been changed as a result of the new Financial Statements Act:

- Development costs** are recognised – provided certain criteria have been met – as intangible assets at cost less accumulated amortisation. Previously, development costs were recognised as incurred in the income statement. The change in policy is an increase in profit before tax and profit after tax for 2002 of DKK 8.4 million and DKK 5.9 million, respectively. (2001: DKK 0.7 million and DKK 0.5 million, respectively). Equity at 31 December 2002 have increased by DKK 17.1 million (31 December 2001: DKK 6.3 million) as a result of the change.
- The fair value of **derivative financial instruments** designated as hedges of future assets and liabilities is recognised in equity until the hedged item is realised. Previously, derivative financial instruments designated as hedges of future assets and liabilities were not recognised in the balance sheet. The change in policy has no effect on the profit before tax or the profit after tax for 2002, but results in a decrease of equity at 31 December 2002 of DKK 85.8 million (31 December 2001: a decrease of DKK 19.5 million).
- Proposed dividends** are recognised as a separate item under equity until they have been adopted at the

annual general meeting. After this date, dividends are recognised as a liability. Previously, proposed dividends that had not yet been adopted at the annual general meeting were recognised as short-term liabilities. The change in policy results in an increase in equity at 31 December 2002 of DKK 52.7 million (31 December 2001: DKK 67.7 million).

Comparative figures and financial highlights have been restated as a result of the change in accounting policies, except regarding the accounting treatment of derivative financial instruments. Comparative figures for derivative financial instruments have only been restated at 31 December 2001 in accordance with Danish Accounting Standard no. 3 and by reference to IAS 39.

The accumulated effect of the change in accounting policies is an increase in profit before tax for 2002 of DKK 8.4 million (2001: DKK 0.7 million). The change in policy results in an increase of tax for the year of DKK 2.5 million (2001: DKK 0.2 million). Accordingly, profit after tax for 2002 is increased by DKK 5.9 million (2001: DKK 0.5 million).

Total assets at 31 December 2002 are increased by DKK 32.5 million (31 December 2001: DKK 10.1 million) and equity are decreased by DKK 16.1 million (31 December 2001: an increase of DKK 54.5 million).

The accounting estimates related to passenger ships have been changed in accordance with Danish accounting standard no. 10 implying that the carrying amount of ships at 1 January 2002 is divided into components with different useful lives. For that purpose the useful lives of all components have been

DKK '000	Reference	2001 previous accounting policy	Change in policy	2001 changed accounting policy	2002 previous accounting policy	Change in policy	2002 changed accounting policy
<b>Income statement</b>							
Profit before depreciation (EBITDA)	1	777,141	4,056	781,197	756,370	11,751	768,121
Depreciation	1	-452,687	-3,389	-456,076	-645,479	-3,361	-648,840
Operating profit (EBITA)	1	324,454	667	325,121	110,891	8,390	119,281
Profit before tax	1	290,514	667	291,181	-27,202	8,390	-18,812
Tax on profit for the year	1	-38,227	-200	-38,427	337,886	-2,517	335,369
Profit for the year	1	250,106	467	250,573	183,196	5,873	189,069
<b>Balance sheet</b>							
Intangible assets	1	21,784	8,972	30,756	84,854	17,063	101,917
Tangible assets		5,083,081	0	5,083,081	5,362,011	0	5,362,011
Investments		165,440	0	165,440	32,861	0	32,861
Current assets	2	1,556,715	1,111	1,557,826	1,369,643	15,475	1,385,118
<b>Total assets</b>		<b>6,827,020</b>	<b>10,083</b>	<b>6,837,103</b>	<b>6,849,369</b>	<b>32,538</b>	<b>6,881,907</b>
Equity	1,2,3	2,485,875	54,501	2,540,376	2,620,008	-16,072	2,603,936
Minority interests		139,600	0	139,600	146,472	0	146,472
Provisions	1,2	516,569	-5,552	511,017	201,653	-12,783	188,870
Liabilities	2,3	3,684,976	-38,866	3,646,110	3,881,236	61,393	3,942,629
<b>Total equity and liabilities</b>		<b>6,827,020</b>	<b>10,083</b>	<b>6,837,103</b>	<b>6,849,369</b>	<b>32,538</b>	<b>6,881,907</b>

reassessed. The changed accounting estimates result in an increase in depreciation in 2002 of DKK 10.3 million.

In the next two years the changes in accounting estimates related to passenger ships are expected to result in ship depreciation at the same level as this year, based on an unchanged fleet. When using the estimates applied in prior years, ship depreciation would have been approximately DKK 30 million lower. From 2005 the level of ship depreciation is expected to be somewhat lower, all things being equal.

### 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. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise.

Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet in liabilities and recognised in the income statement as the adverse development is realised.

Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at date of acquisition and subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the acquisition, if the recognition and measurement of the net assets of the acquired enterprises is changed.

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.

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

Operating costs related to ships include financial and operational payments for bareboat and time-charter agreements.

Furthermore, catering-related consumption of goods, ships' bunkers consumption including hedging, and costs related to maintenance and improvement of ships that are not capitalised under tangible assets are included.

### 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.

### 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 less amortisation of goodwill. 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

##### *Goodwill*

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 strategically acquired enterprises with long-term earnings profiles.

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).

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 income statement in a separate line.

##### *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 0 DKK 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 50,000 are 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.

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The expected useful lives are as follows:

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Buildings	25-50 years
Terminals, etc.	10-40 years
Machinery, tools and equipment	4-7 years

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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 other tangible assets 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 are recognised in the income statement as other operating income or other costs of operation, sale and administration, respectively.

**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, negative goodwill 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.

**Securities**

Securities are recognised at fair value, which for listed securities is the marked 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.

**Provisions**

Provisions are recognised in the balance sheet at fair value.

*Pensions*

Provision is made for pension benefits for which the Company is liable. Other pension benefits are recognised in the income statement as they are provided.

*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.

#### **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		Note	Income statement	Consolidated DKK '000	
2001	2002			2002	2001
			<i>Income:</i>		
37,763	48,625	1	Revenue	4,870,047	4,309,489
120,000	0		Profit on disposal of ships, buildings, and terminals	-13,677	165,747
<u>157,763</u>	<u>48,625</u>		<b>Total income</b>	<b>4,856,370</b>	<b>4,475,236</b>
			<i>Costs:</i>		
0	0		Operating costs related to ships	-2,388,092	-2,137,486
-32,727	-48,696	2	Staff costs	-1,160,136	-1,060,817
-32,687	-34,689	3,4	Other costs of operation, sales, and administration	-540,021	-495,736
<u>-65,414</u>	<u>-83,385</u>		<b>Total costs</b>	<b>-4,088,249</b>	<b>-3,694,039</b>
<b>92,349</b>	<b>-34,760</b>		<b>Operating profit before depreciation (EBITDA)</b>	<b>768,121</b>	<b>781,197</b>
		8,9	<i>Depreciation and impairment</i>		
0	0		Ships	-568,024	-373,438
-1,881	-1,271		Other fixed assets	-80,816	-82,638
<u>-1,881</u>	<u>-1,271</u>		<b>Total depreciation and impairment</b>	<b>-648,840</b>	<b>-456,076</b>
<b>90,468</b>	<b>-36,031</b>		<b>Operating profit (EBITA)</b>	<b>119,281</b>	<b>325,121</b>
132,804	-37,334		Profit before tax, group enterprises	0	0
0	0	8,20	Goodwill amortization and impairment	-5,485	-1,363
65,728	43,455	5	Financing, net	-132,608	-32,577
<u>289,000</u>	<u>-29,910</u>		<b>Profit before tax and extraordinary items</b>	<b>-18,812</b>	<b>291,181</b>
-38,427	335,450	6	Tax on profit from ordinary activities	335,369	-38,427
<u>250,573</u>	<u>305,540</u>		<b>Profit before extraordinary items and minority interests</b>	<b>316,557</b>	<b>252,754</b>
0	-116,471	7	Extraordinary items after tax	-116,471	0
<u>250,573</u>	<u>189,069</u>		<b>Profit for the year before minority interests</b>	<b>200,086</b>	<b>252,754</b>
0	0		Minority interests' share of the profit for the year	-11,017	-2,181
<u>250,573</u>	<u>189,069</u>		<b>DFDS A/S' share of the profit for the year</b>	<b>189,069</b>	<b>250,573</b>
			<b>Proposed profit appropriation</b>		
72,000	56,000		Proposed dividends, DKK 7 per share (2001: DKK 9 per share)		
-4,257	-3,311		Dividends, treasury shares		
<u>182,830</u>	<u>136,380</u>		Retained earnings		
250,573	189,069				

## DFDS Balance sheet for the year ended 31 December

Parent Company DKK '000		Note	Assets	Consolidated DKK '000	
2001	2002			2002	2001
			<b>Fixed assets:</b>		
			<i>Intangible assets:</i>		
0	0		Goodwill	84,855	21,784
0	0		Development projects	4,011	7,672
0	0		Development projects in progress	13,051	1,300
0	0	8	<i>Intangible assets</i>	101,917	30,756
			<i>Tangible assets:</i>		
2,626	2,268		Buildings	44,202	49,738
0	0		Terminals	101,927	91,979
0	0		Ships	4,857,566	4,617,083
3,272	1,187		Machinery, tools and equipment	175,016	225,463
770	2,394		Work in progress and prepayments	183,300	98,818
6,668	5,849	9	<i>Tangible assets</i>	5,362,011	5,083,081
			<i>Investments:</i>		
1,611,302	1,862,488	10	Investments in group enterprises	0	0
400,000	400,000	10	Amounts owed by group enterprises	0	0
0	0	9	Investments in associates	3,955	6,911
17,737	18,409	9	Other investments	28,906	158,529
2,029,039	2,280,897		<i>Investments</i>	32,861	165,440
2,035,707	2,286,746		<b>Total fixed assets</b>	<b>5,496,789</b>	<b>5,279,277</b>
			<b>Current assets:</b>		
0	0		<i>Inventories</i>	65,066	66,645
			<i>Receivables</i>		
409	2,545		Trade receivables	355,585	416,052
352,423	624,573		Amounts owed by group enterprises	0	0
0	0		Amounts owed by associates	2,937	17,358
253,326	239,799	11	Other receivables	365,539	398,087
0	0	15	Deferred tax assets	8,116	6,672
5,562	528		Prepayments	22,673	35,831
611,720	867,445		<i>Receivables</i>	754,850	874,000
239	32		Securities	37	244
230,211	805	12	Cash at bank and in hand	565,165	616,937
842,170	868,282		<b>Total current assets</b>	<b>1,385,118</b>	<b>1,557,826</b>
2,877,877	3,155,028		<b>Total assets</b>	<b>6,881,907</b>	<b>6,837,103</b>

## DFDS Balance sheet for the year ended 31 December

Parent Company DKK '000				Consolidated DKK '000	
2001	2002	Note	Equity and liabilities	2002	2001
			<b>Equity:</b>		
800,000	800,000		Share capital	800,000	800,000
519,753	519,753		Share premium	519,753	519,753
5,297	0		Revaluation reserve	0	5,297
218,608	544,068		Reserve for net revaluation according to equity method	0	0
928,975	687,426		Retained earnings	1,231,494	1,147,583
67,743	52,689		Proposed dividends	52,689	67,743
<b>2,540,376</b>	<b>2,603,936</b>	13	<b>Equity</b>	<b>2,603,936</b>	<b>2,540,376</b>
<b>0</b>	<b>0</b>	14	<b>Minority interests</b>	<b>146,472</b>	<b>139,600</b>
			<b>Provisions:</b>		
41,513	47,091	15	Deferred tax	113,762	463,998
12,999	15,892	16	Pensions	18,663	19,582
0	0	17	Other provisions	56,445	27,437
<b>54,512</b>	<b>62,983</b>		<b>Provisions</b>	<b>188,870</b>	<b>511,017</b>
			<b>Liabilities other than provisions:</b>		
			<i>Long-term liabilities other than provisions:</i>		
0	0		Mortgage debt	17,217	18,973
0	0		Mortgages on ships	2,648,807	2,279,383
0	0		Other long-term liabilities other than provisions	60,699	49,028
<b>0</b>	<b>0</b>	18	<b>Long-term liabilities other than provisions</b>	<b>2,726,723</b>	<b>2,347,384</b>
			<i>Short-term liabilities other than provisions:</i>		
22,493	30,658		Bank loans and overdrafts	30,717	69,411
4,433	4,431		Trade payables	295,234	296,797
9,316	0	18	Next year's repayment on long-term liabilities other than provisions	332,936	478,405
209,782	289,510		Amounts owed by group companies	0	0
473	354		Corporate tax	18,393	37,471
36,492	128,924	19	Other payables	379,495	300,607
0	34,232	20	Deferred income	159,131	116,035
<b>282,989</b>	<b>488,109</b>		<b>Short-term liabilities other than provisions</b>	<b>1,215,906</b>	<b>1,298,726</b>
<b>282,989</b>	<b>488,109</b>		<b>Total liabilities other than provisions</b>	<b>3,942,629</b>	<b>3,646,110</b>
<b>2,877,877</b>	<b>3,155,028</b>		<b>Total equity and liabilities</b>	<b>6,881,907</b>	<b>6,837,103</b>

Assets pledged as securities, etc., see Notes 9 and 18.

Guarantees, etc., see Note 23.

Contractual commitments and financial transactions, see Notes 21 and 24

Related parties, see Note 25

## Statement of changes in equity – Consolidated

DKK '000	Share capital	Share premium	Revaluation reserve	Retained earnings	Proposed dividends	Total
<b>Equity at 1. January 2001</b>	800,000	519,753	86,890	973,895	0	2,380,538
Effect of changed accounting policies at 1 January 2001	0	0	0	5,814	1,763,327	1,769,141
Restated equity at 1 January 2001	800,000	519,753	86,890	979,709	1,763,327	4,149,679
Distributed dividends	0	0	0	0	-1,763,327	-1,763,327
Profit for the year	0	0	0	250,573	0	250,573
Proposed dividends	0	0	0	-72,000	72,000	0
Dividends treasury shares	0	0	0	4,257	-4,257	0
Acquisition of treasury shares	0	0	0	-37,558	0	-37,558
Reversal of revaluation of buildings on disposal	0	0	-75,405	75,405	0	0
Reversal of unrealised gains on securities	0	0	-6,188	6,188	0	0
Foreign exchange adjustment relating to foreign companies' equity at 1 January 2001	0	0	0	-37,948	0	-37,948
Effect of difference between year-end and average rates on profit	0	0	0	-2,200	0	-2,200
Value adjustment of hedging instruments	0	0	0	-19,523	0	-19,523
Adjustments	0	0	0	680	0	680
<b>Equity at 1. January 2002</b>	<b>800,000</b>	<b>519,753</b>	<b>5,297</b>	<b>1,147,583</b>	<b>67,743</b>	<b>2,540,376</b>
Distributed dividends	0	0	0	0	-67,743	-67,743
Profit for the year	0	0	0	189,069	0	189,069
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' equity at 1 January 2002	0	0	0	6,034	0	6,034
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	-65,173	0	-65,173
Adjustments	0	0	0	-144	0	-144
<b>Equity at 31 December 2002</b>	<b>800,000</b>	<b>519,753</b>	<b>0</b>	<b>1,231,494</b>	<b>52,689</b>	<b>2,603,936</b>

## 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
<b>Equity at 1. January 2001</b>	800,000	519,753	86,890	306,620	667,275	0	2,380,538
Effect of changed accounting policies at 1 January 2001	0	0	0	5,814	0	1,763,327	1,769,141
Restated equity at 1 January 2001	800,000	519,753	86,890	312,434	667,275	1,763,327	4,149,679
Distributed dividends	0	0	0	0	0	-1,763,327	-1,763,327
Profit for the year	0	0	0	0	250,573	0	250,573
Proposed dividends	0	0	0	0	-72,000	72,000	0
Dividends treasury shares	0	0	0	0	4,257	-4,257	0
Acquisition of treasury shares	0	0	0	0	-37,558	0	-37,558
Reversal of revaluation of buildings on disposal	0	0	-75,405	0	75,405	0	0
Reversal of unrealised gains on securities	0	0	-6,188	0	6,188	0	0
Net revaluation according to the equity method	0	0	0	-93,826	93,826	0	0
Foreign exchange adjustment relating to foreign companies' equity at 1 January 2001	0	0	0	0	-37,948	0	-37,948
Effect of difference between year-end and average rates on profit	0	0	0	0	-2,200	0	-2,200
Value adjustments of hedging instruments	0	0	0	0	-19,523	0	-19,523
Adjustments	0	0	0	0	680	0	680
<b>Equity at 1 January 2002</b>	<b>800,000</b>	<b>519,753</b>	<b>5,297</b>	<b>218,608</b>	<b>928,975</b>	<b>67,743</b>	<b>2,540,376</b>
Distributed dividends	0	0	0	0	0	-67,743	-67,743
Profit for the year	0	0	0	0	189,069	0	189,069
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	325,460	-325,460	0	0
Foreign exchange adjustment relating to foreign companies' equity at 1 January 2002	0	0	0	0	6,034	0	6,034
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	-65,173	0	-65,173
Adjustments	0	0	0	0	-144	0	-144
<b>Equity at 31 December 2002</b>	<b>800,000</b>	<b>519,753</b>	<b>0</b>	<b>544,068</b>	<b>687,426</b>	<b>52,689</b>	<b>2,603,936</b>

## DFDS Consolidated Cash Flow Statement

DKK '000	Note	2002	2001
<b>Profit before depreciation (EBITDA)</b>		<b>768,121</b>	<b>781,197</b>
Adjustments for non-cash operating items		41,766	-169,354
<i>Net change in cash and cash equivalents:</i>			
Receivables and inventories		113,091	230,191
Payables including other short-term liabilities other than provisions		-53,692	-127,172
Taxes paid		-37,244	-26,775
<b>Cash flows from operating activities before financing and extraordinary items</b>		<b>832,042</b>	<b>688,087</b>
Financing, net		-122,828	-32,577
<b>Cash flows from operating activities</b>		<b>709,214</b>	<b>655,510</b>
<i>Investments in:</i>			
Ships		-652,129	-1,374,054
Buildings and terminals		-47,765	-35,948
Operating equipment		-43,826	-60,628
Intangible assets, etc.		-11,751	-15,071
Deposit related to acquisition of enterprise		-10,498	-140,792
Acquisition of companies	22	-3,664	-372,092
Acquisition of minority interests		-31,088	0
Associates		-157	-4,934
<i>Total investments</i>		<i>-800,878</i>	<i>-2,003,519</i>
<i>Disposal of fixed assets:</i>			
Ships		325,937	135,875
Buildings and terminals		20,337	220
Operating equipment		32,520	28,725
Payment relating to adjustment of acquisition price for disposal of companies		-74,000	0
<i>Total disposal of fixed assets</i>		<i>304,794</i>	<i>164,820</i>
<b>Cash flows from investing activities</b>		<b>-496,084</b>	<b>-1,838,699</b>
Repayment and redemptions of mortgages on ships		-481,890	-145,526
Repayment and redemptions of other financial loans		-33,993	-17,118
<i>Total repayments and redemptions</i>		<i>-515,883</i>	<i>-162,644</i>
Proceeds from loans secured by mortgages on ships		360,000	672,396
Proceeds from other financial loans		0	442
<i>Total proceeds from loans</i>		<i>360,000</i>	<i>672,838</i>
Change in operating credits etc.		-38,694	676,405
Acquisition of treasury shares		0	-37,558
Dividends paid to shareholders		-67,743	-1,763,327
Other adjustments		-5,801	-16,565
<i>Other financial items</i>		<i>-112,238</i>	<i>-1,141,045</i>
<b>Cash flows from financing activities</b>		<b>-268,121</b>	<b>-630,851</b>
<b>Cash flow from operating, investing and financing activities</b>		<b>-54,991</b>	<b>-1,814,040</b>
<b>Cash at bank and in hand and securities at 1 January</b>		<b>617,181</b>	<b>2,431,585</b>
Foreign exchange adjustment of cash at bank and in hand and securities at 1 January		3,012	-364
<b>Cash at bank and in hand and securities at 31 December</b>		<b>565,202</b>	<b>617,181</b>

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

## Notes

## Note 1 Segment information

Activities DKK '000	Revenue	Profit before financing	Value of fixed assets	Liabilities
<b>2002</b>				
DFDS Seaways	2,266,800	127,227	2,083,369	2,204,334
DFDS Tor Line	2,642,664	26,250	3,389,163	2,940,655
Other	48,240	-36,104	424,257	938,527
Eliminations	-87,657	-3,577	-400,000	-1,952,017
<b>Total DFDS Group</b>	<b>4,870,047</b>	<b>113,796</b>	<b>5,496,789</b>	<b>4,131,499</b>
	Profit Revenue	Value of before financing	fixed assets	Liabilities
<b>2001</b>				
DFDS Seaways	2,108,869	73,590	2,367,951	2,283,060
DFDS Tor Line	2,237,684	159,773	2,886,921	2,559,809
Other	37,703	90,395	424,405	334,145
Eliminations	-74,767	0	-400,000	-1,019,887
<b>Total DFDS Group</b>	<b>4,309,489</b>	<b>323,758</b>	<b>5,279,277</b>	<b>4,157,127</b>

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

## Notes

Parent Company DKK '000			Consolidated DKK '000	
2001	2002		2002	2001
<b>Note 2 Staff costs</b>				
31,712	41,762	Wages and salaries	1,001,391	904,247
787	6,612	Pensions	43,729	35,620
228	322	Social security costs, etc.	115,016	120,950
<b>32,727</b>	<b>48,696</b>		<b>1,160,136</b>	<b>1,060,817</b>
8,675	5,004	Remuneration and pensions to the parent company's Executive Board	5,004	8,675
1,361	1,657	Pensions to the parent company's Executive Board	1,657	1,361
1,013	2,000	Remuneration to the parent company's Supervisory Board	2,000	1,013
55	66	Average number of employees	4,070	4,187

Part of the amount paid in remuneration and pensions to the parent company's Executive Board has been recharged to other group companies. No unusual agreements have been entered into with the Executive Board relating to pension and severance terms.

DFDS has established a share option scheme for 22 present and former employees. The share option scheme includes 170,840 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 6 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 6 weeks after the publication of the financial statements 2005, and 46,500 options at a price of 150 that can be exercised from 1 March 2005 and till 6 weeks after the publication of the financial statements for 2006.

	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	1	36,270	1
Allotted in 1999, at a price of 144-151	23,400	382	14,625	239	9,945	162	47,970	783
Allotted in 2001, at a price of 144-151	11,800	219	20,800	387	7,500	139	40,100	745
Allotted in 2002, at a price of 150	15,000	283	31,500	595	0	0	46,500	878
<b>Total</b>	<b>50,200</b>	<b>884</b>	<b>66,925</b>	<b>1,221</b>	<b>53,715</b>	<b>302</b>	<b>170,840</b>	<b>2,407</b>

At 31 December 2002 no allotted share options have been exercised.

The fair value of the share options at 31 December 2002 is measured using the Black-Scholes model. Calculations are based on a volatility of 22,5%, dividends of DKK 6 per share and a risk-free interest rate of 4,6%.

**Note 3 Other costs of operation, sales, and administration**

8,233	10,313	Operating costs, land-based activities	100,575	69,048
0	0	Selling costs, external	210,899	201,893
24,454	24,376	Other costs	228,547	224,795
<b>32,687</b>	<b>34,689</b>		<b>540,021</b>	<b>495,736</b>

**Note 4 Fees paid to auditors appointed at the annual general meeting**

1,900	2,480	Fees, KPMG C. Jespersen	7,142	6,101
300	300	Fees, State Authorised Public Accountants Torgny Pahle and Morten Egelund	300	300
1,600	2,222	Fees for non-audit services, KPMG C. Jespersen	4,248	3,156
0	0	Fees for non-audit services, State Authorised Public Accountants Torgny Pahle and Morten Egelund	0	0

## Notes

Parent Company DKK '000			Consolidated DKK '000	
2001	2002		2002	2001
<b>Note 5 Financing, net</b>				
		<i>Interest income and similar items</i>		
0	0	Share of profit/loss in associates	3,319	2,972
16,473	67,115	Foreign exchange gains	95,704	56,276
57,559	69,525	Interest income from group enterprises	0	0
56,342	8,656	Interest income	19,617	69,920
<u>130,374</u>	<u>145,296</u>	<i>Total interest income and similar items</i>	<u>118,640</u>	<u>129,168</u>
		<i>Interest expenses and similar items</i>		
-20,817	-63,993	Foreign exchange losses	-78,971	-23,750
-35,006	-25,618	Interest expense for group enterprises	0	0
-6,416	-12,071	Interest expense	-170,019	-133,312
-2,407	-159	Other interest expense and similar items	-2,258	-4,683
<u>-64,646</u>	<u>-101,841</u>	<i>Total interest expenses and similar items</i>	<u>-251,248</u>	<u>-161,745</u>
<b>65,728</b>	<b>43,455</b>	<b>Financing, net</b>	<b>-132,608</b>	<b>-32,577</b>

The Group's foreign exchange gains in 2001 include a gain of DKK 7 million concerning cancellation of interest swaps that are not related to a specific loan.

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.

**Note 6 Tax**

No Danish tax was paid in the parent company in 2002, and the company has no tax liability for that year.

-473	0	Current tax	-13,211	-36,779
-33,407	2,507	Current joint tax contribution	0	0
0	0	Adjustment of deferred tax due to the transition to tonnage taxation	326,943	0
4,821	-5,932	Deferred tax	27,626	-16,502
4,216	-8,741	Adjustments of deferred tax, previous years	6,312	14,854
-13,584	347,220	Tax, group enterprises	0	0
<u>-38,427</u>	<u>335,054</u>		<u>347,670</u>	<u>-38,427</u>
		can be specified as follows:		
-38,427	335,450	Tax on profit/loss from ordinary activities	335,369	-38,427
0	0	Tax on profit/loss from extraordinary activities	0	0
-38,427	335,450	Tax on profit for the year	335,369	-38,427
0	-396	Tax on changes in equity	12,301	0
<u>-38,427</u>	<u>335,054</u>	<b>Total tax for the year</b>	<u>347,670</u>	<u>-38,427</u>
		Tax on profit/loss on ordinary activities can be specified as follows:		
-86,700	8,973	Tax on profit before tax and extraordinary items	5,644	-87,354
12,407	-1,195	Adjustment to computed tax in foreign subsidiaries compared to the 30% tax rate	-1,195	12,407
		Tax effect of:		
13,850	10,272	Adjustments, group enterprises	0	163
-2,590	-18,284	Non-deductible items	14,787	1,113
20,390	0	Profit on sale of building	0	20,390
0	326,943	Adjustments due to tonnage tax	326,943	0
0	0	Tonnage tax	-4,498	0
4,216	8,741	Adjustments of tax related to previous years	-6,312	14,854
<u>-38,427</u>	<u>335,450</u>	<b>Effective tax</b>	<u>335,369</u>	<u>-38,427</u>

## Notes

Parent Company DKK '000			Consolidated DKK '000	
2001	2002		2002	2001
<b>Note 7 Extraordinary items after tax</b>				
0	-116,471	Loss on sale of business activity	-116,471	0
0	0	Tax on extraordinary items	0	0
<b>0</b>	<b>-116,471</b>		<b>-116,471</b>	<b>0</b>

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.

<b>Note 8 Intangible assets</b>			
Consolidated DKK '000	Goodwill	Development projects	Development projects in progress
Balance at 1 January 2002	98,390	18,305	1,300
Foreign exchange adjustments	2,420	0	0
Additions	74,247	0	11,751
Disposals	-5,769	0	0
<b>Cost at 31 December 2002</b>	<b>169,288</b>	<b>18,305</b>	<b>13,051</b>
Balance at 1 January 2002	76,606	10,633	0
Foreign exchange adjustments	1,958	0	0
Amortisation	6,445	3,661	0
Amortisation, disposal of assets	-576	0	0
<b>Impairment and amortisation at 31 December 2002</b>	<b>84,433</b>	<b>14,294</b>	<b>0</b>
<b>Carrying amount at 31 December 2002</b>	<b>84,855</b>	<b>4,011</b>	<b>13,051</b>

## Notes

## Note 9 Tangible assets and investments

Consolidated DKK '000	Buildings	Terminals	Ships	Machinery, tools and equipment	Work in progress and prepayments	Investments in associates	Other investments
Balance at 1 January 2002	63,665	226,904	6,930,385	520,453	98,818	4,042	158,529
Foreign exchange adjustments	270	-7,269	79,759	-7,535	76	53	0
Transferred to/from other items	2,712	0	24,314	0	-27,026	0	0
Additions related to acquisitions	0	0	503,496	0	0	0	0
Additions	0	28,232	560,177	43,826	111,487	157	11,169
Disposals	-8,647	-36,804	-948,687	-72,471	-55	-3,591	-140,792
<b>Cost at 31 December 2002</b>	<b>58,000</b>	<b>211,063</b>	<b>7,149,444</b>	<b>484,273</b>	<b>183,300</b>	<b>661</b>	<b>28,906</b>
Balance at 1 January 2002	13,927	134,925	2,313,302	294,990	0	0	0
Foreign exchange adjustments	-492	-2,275	8,382	-2,883	0	0	0
Depreciation	1,665	12,076	418,024	63,414	0	0	0
Impairment	0	0	150,000	0	0	0	0
Depreciation on assets sold	-1,302	-35,590	-597,830	-46,264	0	0	0
<b>Impairment and depreciation at 31 December 2002</b>	<b>13,798</b>	<b>109,136</b>	<b>2,291,878</b>	<b>309,257</b>	<b>0</b>	<b>0</b>	<b>0</b>
Balance at 1 January 2002	0	0	0	0	0	2,869	0
Disposals	0	0	0	0	0	301	0
Profit	0	0	0	0	0	3,319	0
Dividend from associates	0	0	0	0	0	-3,195	0
<b>Adjustments at 31 December 2002</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,294</b>	<b>0</b>
<b>Carrying amount at 31 December 2002</b>	<b>44,202</b>	<b>101,927</b>	<b>4,857,566</b>	<b>175,016</b>	<b>183,300</b>	<b>3,955</b>	<b>28,906</b>
Interest recognised in cost at 1 January 2002			26,953		1,254		
Interest recognised for the year			2,372		1,573		
Interest recognised in cost at 31 December 2002			29,325		2,827		
Carrying amount of assessed Danish land and buildings, etc.	2,267	4,556					
Latest assessment of Danish land and buildings, etc.	6,190	9,920					
Carrying amount of assets pledged as securities	0	6,415	3,704,060				

Work in progress and prepayments include prepayments related to new buildings, DKK 97 million.

The carrying amount of ships includes passenger ships, DKK 2,021 mio., of which amount DKK 582 mio. is related to components with hard wear and DKK 1,439 mio. is related to components with minor wear.

## Notes

&gt;&gt;&gt; Note 9 continued

Parent Company DKK '000	Buildings	Machinery, tools and equipment	Work in progress	Other investments
Balance at 1 January 2002	3,408	16,521	770	17,737
Additions	0	1,344	1,624	672
Disposals	-429	-3,233	0	0
<b>Costs at 31 December 2002</b>	<b>2,979</b>	<b>14,632</b>	<b>2,394</b>	<b>18,409</b>
Balance at 1 January 2002	782	13,249	0	0
Depreciation	47	1,224	0	0
Depreciation, disposal of assets	-118	-1,028	0	0
<b>Impairment and depreciation at 31 December 2002</b>	<b>711</b>	<b>13,445</b>	<b>0</b>	<b>0</b>
<b>Carrying amount at 31 December 2002</b>	<b>2,268</b>	<b>1,187</b>	<b>2,394</b>	<b>18,409</b>
Carrying amount of assessed Danish land and buildings, etc.	2,267			
Latest assessment of Danish land and buildings, etc.	6,190			
Carrying amount of assets pledged as securities	0			

## Note 10 Investments in and amounts owed by group enterprises

DKK '000	Investment in group enterprises	Amounts owed by group enterprises
Cost at 1 January 2002	1,385,598	400,000
Adjustment of net revaluation related to subsidiaries	-74,263	0
<b>Cost at 31 December 2002</b>	<b>1,311,335</b>	<b>400,000</b>
Accumulated revaluation at 1 January 2002	231,850	
Adjustment of revaluation at 1 January 2002 due to change in accounting policies	-13,242	
Foreign exchange adjustments of group enterprises' equity at 1 January 2002	6,034	
Effect of difference between year-end rate and average rates on profit	1,517	
Profit before tax, group enterprises	-37,334	
Tax in group enterprises	347,220	
Value adjustment of hedging instruments recognised in equity	-66,096	
Adjustment of net revaluation related to subsidiaries	74,263	
Other adjustments	-144	
<b>Accumulated revaluations at 31 December 2002</b>	<b>544,068</b>	
Set-off of negative equity against receivables	7,085	
<b>Carrying amount at 31 December 2002</b>	<b>1,862,488</b>	<b>400,000</b>

Adjustment of net revaluation related to subsidiaries relates to the subsidiaries that were demerged from DFDS A/S to DFDS Seaways A/S and DFDS Tor Line A/S at 1 January 2000.

## Note 11 Other receivables

Of other receivables for the Group DKK 3 million falls due after one year (2001: DKK 222 million). For the parent company DKK 0 million falls due after one year (2001: DKK 215 million).

## Note 12 Cash at bank and in hand

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

## Notes

Parent Company DKK '000		Consolidated DKK '000	
2001	2002	2002	2001

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**Note 13 Equity**


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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	
162,990	472,990	Balance at 1 January	472,990	162,990
310,000	0	Additions	0	310,000
<b>472,990</b>	<b>472,990</b>	<b>Treasury shares at 31 December</b>	<b>472,990</b>	<b>472,990</b>
57,657	65,457	Market value of treasury shares as of 31 December	65,457	57,657

At the annual general meeting in April 2002 the Supervisory Board was authorised – until the annual general meeting 2003 – to acquire treasury shares at a nominal value totalling 10% of the Company's share capital.

The company has not acquired treasury shares in 2002. The Company's holdings of treasury shares at 31 December 2002 is 472,990 shares, corresponding to 5,91% (2001: 5,91%) of the Company's share capital. Treasury shares have among other things been acquired to cover share option scheme for 22 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
<b>800,000</b>	<b>Share capital at 31 December 2002</b>

Equity includes foreign exchange adjustments in subsidiaries as follows:

0	Foreign exchange adjustments 1 January 2002
6,034	Foreign exchange adjustment relating to foreign companies' equity 1 January 2002
1,517	Effect of difference between year-end and average rates on profit
<b>7,551</b>	<b>Foreign exchange adjustments 31 December 2002</b>

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**Note 14 Minority interests**


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Minority interests at 1 January	139,600	1,764
Foreign exchange adjustments at 1 January	5,550	-6,936
Share of profit for the year	11,017	2,181
Addition	48,829	145,396
Disposals	-58,835	-2,842
Foreign exchange adjustments	311	37
<b>Minority interests at 31 December</b>	<b>146,472</b>	<b>139,600</b>

Additions of minority interests for the year mainly relate to minority interests in DFDS Lys Line Rederi AS while disposal of minority interests for the year is due to DFDS' additional acquisition of shares in AB LISCO Baltic Service.

## Notes

Parent Company DKK '000			Consolidated DKK '000	
2001	2002		2002	2001
<b>Note 15 Deferred tax</b>				
38,332	41,513	Deferred tax at 1 January	457,326	460,619
0	0	Change in accounting policies at 1 January	0	-5,752
38,332	41,513		457,326	454,867
0	0	Adjustment of deferred tax due to the transition to tonnage taxation at 1 January	-326,943	0
-4,821	5,932	Deferred tax for the year	-27,626	16,502
8,002	-354	Adjustment, previous years	2,182	-9,909
0	0	Acquisitions	0	1,627
0	0	Foreign exchange adjustments, etc.	707	-5,761
41,513	47,091	<b>Deferred tax at 31 December</b>	<b>105,646</b>	<b>457,326</b>
<b>Deferred tax concerns:</b>				
0	0	Ships	6,749	336,277
802	-1,052	Buildings, terminals, and operating equipment	-4,122	823
-10,005	-11,662	Provisions	-12,302	-14,869
50,716	1,247	Foreign subsidiaries	1,247	50,716
0	-2,236	Tax deficit carried forward	-47,440	0
0	0	Reserves exempt from tax according to national legislation	82,779	102,701
0	60,794	Other	78,735	-18,322
41,513	47,091		105,646	457,326
<b>Deferred tax is recognised in the balance sheet by:</b>				
0	0	Deferred tax asset	-8,116	-6,672
41,513	47,091	Deferred tax liability	113,762	463,998
41,513	47,091		105,646	457,326

By joining the tonnage taxation scheme, Danish shipping companies are subject to the requirements of the scheme until 2012. The companies are not expected to withdraw from the scheme and consequently no deferred tax relating to assets and liabilities subject to tonnage taxation has been provided for. If either DFDS Seaways A/S or DFDS Tor Line A/S withdraws from the tonnage taxation scheme, deferred tax of an amount not exceeding DKK 319 million may crystallise.

## Notes

Parent Company DKK '000			Consolidated DKK '000	
2001	2002		2002	2001
<b>Note 16 Pensions</b>				
15,041	12,999	Balance at 1 January 2002	19,582	21,406
0	0	Foreign exchange adjustments	-557	262
-528	-527	Used during the year	-4,433	-528
-2,072	0	Reversal of unused provisions	586	-3,829
0	2,275	Provision for the year	2,358	131
558	1,145	Change in present values for the year due to the passage of time etc.	1,127	2,140
<b>12,999</b>	<b>15,892</b>	<b>Pensions at 31 December 2002</b>	<b>18,663</b>	<b>19,582</b>
The pensions benefits are expected to be payable in:				
2,874	6,123	0 - 1 year	8,894	7,516
6,059	5,839	1 - 5 years	5,839	6,059
4,066	3,930	After 5 years	3,930	6,007
12,999	15,892		18,663	19,582
<b>Note 17 Other provisions</b>				
		Balance at 1 January 2002	27,437	20,000
		Used during the year	-2,437	0
		Reversal of unused provisions	0	-10,000
		Provisions for the year	31,445	17,437
		<b>Other provisions at 31 December 2002</b>	<b>56,445</b>	<b>27,437</b>
Other provisions are expected to be payable in:				
		0 - 1 year	7,514	9,895
		1 - 5 years	32,686	17,542
		After 5 years	16,245	0
			56,445	27,437

Of the Group's provisions DKK 17.5 million relate to the Group's share of planned costs concerning warranty repairs on ships and DKK 38.9 million relate to costs decided on concerning implementation of the Group's fleet strategy.

## Notes

Parent Company DKK '000			Consolidated DKK '000	
2001	2002		2002	2001
<b>Note 18 Long-term liabilities other than provisions</b>				
		<i>Mortgage debt</i>		
0	0	Long-term	17,217	18,973
9,316	0	Short-term	1,756	10,951
<u>9,316</u>	<u>0</u>	<i>Total mortgage debt</i>	<u>18,973</u>	<u>29,924</u>
		<i>Mortgages on ships</i>		
0	0	Long-term	2,648,807	2,279,383
0	0	Short-term	329,307	467,164
<u>0</u>	<u>0</u>	<i>Total mortgages on ships</i>	<u>2,978,114</u>	<u>2,746,547</u>
		<i>Other long-term liabilities</i>		
0	0	Long-term	60,699	49,028
0	0	Short-term	1,873	290
<u>0</u>	<u>0</u>	<i>Total other long-term liabilities</i>	<u>62,572</u>	<u>49,318</u>
		Liabilities other than provisions are recognised in the balance sheet as follows:		
0	0	Long-term liabilities other than provisions	2,726,723	2,347,384
9,316	0	Short-term liabilities other than provisions	332,936	478,405
<u>9,316</u>	<u>0</u>	<b>Total liabilities other than provisions</b>	<u>3,059,659</u>	<u>2,825,789</u>
9,778	0	Market value	3,084,387	2,852,495
9,316	0	Nominal value	3,053,236	2,816,793
0	0	Long-term liabilities falling due more than 5 years after the end of the financial year	1,232,965	1,063,313

As security for mortgages on ships cash at bank and in hand of DKK 243 mio. is placed on deposit.

**The Group's total liabilities includes:**

Currency	Expiry	Interest	Interest rate at 31 December 2002, % p.a.		Carrying amount	
			2002	2001	2002	2001
DKK	2002	Variable	0.0	6.1	0	220,000
DKK	2006	Fixed, non-callable	6.7	6.7	305,627	358,166
DKK	2009-12	Variable *	4.1	4.4	1,540,000	1,277,500
DKK	2010	Fixed	7.5	7.5	18,973	29,924
EUR	2007-09	Variable	4.4	3.8	251,498	204,065
GBP	2008	Variable	4.2	4.4	47,939	49,319
NOK	2006-12	Variable	7.6	0.0	286,937	0
SEK	2007-09	Variable *	4.6	4.6	608,685	686,815
		<b>Long-term liabilities, including next year's repayment total</b>			<u>3,059,659</u>	<u>2,825,789</u>
		Average interest rate	4.9	4.8		

An interest rate hedge of DKK 1 billion has been entered into with a view to hedge part of the loans marked with \* at a maximum interest of 6% and a minimum interest of 5%.

Moreover, interest on future raising of loans for financing of new buildings from Flensburg Shipyard of DKK 1,2 billion is hedged by swap-agreements with interest rates of between 5.4% and 5.6%. The term of the swap-agreements is 12 years.

## Notes

Parent Company DKK '000			Consolidated DKK '000	
2001	2002		2002	2001
<b>Note 19 Other payables</b>				
0	0	Accrued interest	30,851	31,245
0	143	Public authorities	33,937	58,604
5,241	8,220	Holiday pay obligations, etc.	103,930	77,817
0	115,832	Hedging instruments	115,832	28,877
31,251	4,729	Other	94,945	104,064
<b>36,492</b>	<b>128,924</b>		<b>379,495</b>	<b>300,607</b>

**Note 20 Deferred income**

Negative goodwill specified below is included in the consolidated deferred income. Income for the year related to negative goodwill has been set off against impairment and amortisation of goodwill.

**Negative goodwill**

Balance at 1 January	3,711	0
Additions	31,763	3,711
<b>Cost at 31 December</b>	<b>35,474</b>	<b>3,711</b>
Balance at 1 January	93	0
Income for the year	960	93
<b>Income at 31 December</b>	<b>1,053</b>	<b>93</b>
<b>Carrying amount at 31 December</b>	<b>34,421</b>	<b>3,618</b>

Besides negative goodwill deferred income include payments on account related to passenger shipping and allocation of costs due to lack of suppliers' invoices.

## Notes

### Note 21 Currency and interest rate risks and derivative financial instruments applied

#### Items in the balance sheet stated in foreign currency

The Group's receivables and debtors as of 31 December 2002 classified by currency and hedged positions.

Currency	Date of maturity	Receivables	Payables	Forward exchange contracts	Net position
EUR	0-1 year	303,889	-113,642	79,106	269,353
	More than 1 year	3,177	-220,421	0	-217,244
USD	0-1 year	36,693	-31,062	157,225	162,856
	More than 1 year	12,536	0	0	12,536
GBP	0-1 year	102,819	-62,593	68,851	109,077
	More than 1 year	0	-45,597	0	-45,597
NOK	0-1 year	76,395	-61,455	153,020	167,960
	More than 1 year	0	-260,356	0	-260,356
SEK	0-1 year	288,453	-190,625	-72,675	25,153
	More than 1 year	0	-538,317	0	-538,317
LTL	0-1 year	23,701	-7,853	0	15,848
PLN	0-1 year	3,283	-1,945	0	1,338
DKK	0-1 year	432,977	-548,635	0	-115,658
	More than 1 year	0	-1,678,464	0	-1,678,464
Other	0-1 year	5,303	-4,140	0	1,163
		1,289,226	-3,765,105	385,527	

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 1,511 million.

#### Hedging of expected future transactions

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	-6,792	0
Interests	Interest swap*	0	-56,840
Interests	Interest rate option (collar)	-17,070	-27,211
Goods purchased	Oil contract for forward delivery	10,917	0
		-12,945	-84,051

\* Executed in connection with the delivery of new ships from Flensborg Shipyard.

## Notes

>>> Note 21 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		
Trade receivables	352,830	2,755	0	0	0.0%
Other receivables	365,539	0	0	0	0.0%
Short-term liabilities	-882,970	0	0	0	0.0%
Mortgage debt	-18,973	0	0	-18,973	7.5%
Mortgages on ships	-2,978,114	0	0	-305,627	4.8%
Other long-term debt	-62,572	0	0	0	4.4%
Loan commitment *	-468,000	-702,000	0	0	0.0%
Interest rate option (collar)	1,003,750	0	0	0	5.0%
Interest swap (principal) variable *	468,000	702,000	0	0	0.0%
Interest swap (principal) fixed	0	0	1,170,000	1,170,000	5.5%
<b>Total</b>	<b>-2,220,510</b>	<b>2,755</b>	<b>1,170,000</b>	<b>845,400</b>	

\* Executed in connection with the delivery of new ships from Flensburg Shipyard.

Consolidated  
DKK '000

2002 2001

### Note 22 Acquisition of companies and activities

#### Acquisition of companies:

Intangible assets	0	23
Tangible assets	503,496	506,459
Investments in associates	0	555
Inventories	0	9,538
Receivables	13,898	53,668
Prepayments	7	5,750
Securities	1,424	0
Cash at bank and in hand	8,553	97,724
Minority interests	-40,275	-145,396
Negative deferred tax, net	0	1,627
Long-term liabilities other than provisions	-353,457	-209
Short-term liabilities other than provisions	-54,589	-61,832
Corporate tax	-295	-775
<b>Net assets</b>	<b>78,762</b>	<b>467,132</b>
Goodwill from acquisition of companies and activities	74,247	6,395
Negative goodwill	0	-3,711
<b>Acquisition price</b>	<b>153,009</b>	<b>469,816</b>
Of this amount, cash at bank and in hand	-8,553	-97,724
<b>Cash acquisition price</b>	<b>144,456</b>	<b>372,092</b>
Acquisition price placed on deposit in 2001	-140,792	0
<b>Cash generated from acquisition of enterprises</b>	<b>3,664</b>	<b>372,092</b>

## Notes

**Note 23 Guarantees**

Guarantees amount to DKK 63.8 million (2001: DKK 79.5 mio.) for the Group.  
Guarantees amount to DKK 2,689.1 million (2001: DKK 2,780.3 mio.) for the Parent Company.

As at 31 December 2002 the Group is party to a number of lawsuits. As 31 December 2002 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	
2001	2002	2002	2001

**Note 24 Contractual commitments**

Parent Company DKK '000		Consolidated DKK '000	
2001	2002	2002	2001
128,200	128,200		
0	0		
0	0		
0	1,200		
0	0		
0	0		
0	0		
<b>128,200</b>	<b>129,400</b>	<b>3,000,900</b>	<b>2,628,270</b>

The calculated net present value of contractual commitments include:

Rental contracts on land and buildings, term 1-108 years	159,900	165,000
Contract for newbuildings	1,511,100	1,218,700
Chartered ships	445,500	191,170
Lease contracts on operating equipment consisting of containers, trailers, cranes, and vehicles, term 1-5 years	7,100	5,200
Lease contracts on other operating equipment, term 1-7 years	5,900	6,000
Lease of harbour terminals, term 12 years	596,800	462,500
Other contractual commitments, term 1-5 years	274,600	579,700

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. The investments do not have to be by cash payment. Other contractual commitments include DFDS' outstanding obligation as at 31 December 2002, DKK 275 million. Furthermore, DFDS has accepted an obligation regarding employment of the employees.

**Note 25 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 59, 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 2001 and 2002 has primarily related to rendering of services and chartering of freight ship, respectively. Trade is conducted on arm's length basis.

**Services rendered to related parties:**

DKK '000	2002	2001
J. Lauritzen A/S	1,811	1,794
Stena Tor Line HB	48,477	48,449

## Group Companies

Company	Ownership Share *	Country	City	Currency	Share Capital
DFDS A/S		Denmark	Copenhagen	DKK	800,000,000
DFDS (Bahamas) Ltd.		Bahamas	Nassau	USD	1,000
DFDS Tor Line NV		Belgium	Gent	EUR	62,000
DFDS Stevedoring A/S		Denmark	Esbjerg	DKK	500,000
DFDS Baltic Line A/S		Denmark	Copenhagen	DKK	500,000
DFDS Tor Line A/S		Denmark	Copenhagen	DKK	125,000,000
DFDS Seaways A/S		Denmark	Copenhagen	DKK	150,000,000
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 Tor Line (Guernsey) Ltd.		England	Guernsey	GBP	1,000
DFDS Seaways Ltd.		England	Harwich	GBP	8,050,000
DFDS Tor Agencies Plc.		England	Harwich	GBP	25,500,000
DFDS Seaways Holding Ltd.		England	Harwich	GBP	250,000
DFDS Tor Line Ltd.		England	Immingham	GBP	2,000,000
DFDS Seaways BV		Holland	Ijmuiden	EUR	18,000
DFDS Tor Line BV		Holland	Rotterdam	EUR	23,000
DFDS Italia SRL		Italy	Genova	EUR	77,000
Latlines SIA		Latvia	Riga	LVL	2,000
AB LISCO Baltic Service	86.6	Lithuania	Klaipeda	LTL	323,907,000
UAB Keltu Terminalas		Lithuania	Klaipeda	LTL	100,000
Laivyvo Technikos Prieziuros Base		Lithuania	Klaipeda	LTL	3,300,000
UAB Krantas Travel		Lithuania	Klaipeda	LTL	658,000
UAB Krantas Shipping		Lithuania	Klaipeda	LTL	1,850,000
UAB LISCO Crew		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		Norway	Oslo	NOK	1,000,000
DFDS Lys-Line Rederi AS	66	Norway	Oslo	NOK	24,990,000
DFDS Norway Holding AS		Norway	Oslo	NOK	12,000,000
DFDS Seaways Spółka z.o.o		Poland	Gdynia	PLZ	50,000
DFDS Tor Line Holding AB		Sweden	Gothenburg	SEK	100,000
DFDS Tor Line AB		Sweden	Gothenburg	SEK	25,000,000
DFDS Seaways AB		Sweden	Gothenburg	SEK	2,050,000
DFDS (Deutschland) GmbH		Germany	Hamburg	EUR	102,000
LISCO Baltic Service GmbH	51	Germany	Kiel	DEM	26,000
DFDS Seaways Inc.		USA	Fort Lauderdale	USD	100,000
22 Inactive subsidiaries					
<b>Associated companies</b>					
Westcoast Offshore Base A/S	50	Denmark	Esbjerg	DKK	1,000,000
Stena Tor Line HB	50	Sweden	Gothenburg	SEK	-
UAB Krantas Forwarding	50	Lithuania	Klaipeda	LTL	100,000

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

# DFDS Group Fleet

as of 31 December 2002

Passenger ships	Year built	GT	Pass.
Pearl of Scandinavia	1989/01	40039	2166
Crown of Scandinavia	1994	35498	2110
Queen of Scandinavia	1981/00	34093	1756
Prince of Scandinavia	1975/91/97	22528	1614
Princess of Scandinavia	1976/91/98	22528	1620
Duke of Scandinavia	1978/00	19589	1241

Ro-pax ships *)	Year built	GT	Lane metres	Pass.
Dana Gloria	2002	20140	2494	302
Dana Sirena	2002	20140	2494	302
Mermaid II ***)	1972	13730	1094	93
Transparaden ***)	1976	13700	1470	104

Freight ships (ro-ro)	Year built	GT	Lane metres
Tor Scandia **)	1981	33652	2600
Tor Flandria **)	1981	33652	2600
Tor Selandia	1998	24196	2772
Tor Suecia	1999	24196	2772
Tor Britannia	2000	24196	2772
Tor Dania	1978/95	21850	2562
Tor Belgia	1978/94	21491	2562
Tor Minerva	1978/99	21215	2070
Tor Humbria	1978	20165	2128
Tor Futura	1996/00	18725	2308
Tor Anglia	1977/89	17492	2450
Tor Baltica	1977/86	14374	1866
Tor Maxima ***)	1978/95	17068	2723
Stena Gothica***)	1975/90	14406	1950
Tor Gothia ***)	1971/77	12259	1650
Tor Hollandia ***)	1973/77	12254	1650
Tor Cimbria ***)	1986	12189	2026
Nor Hav ***)	1980	5846	1015

Newbuildings to be delivered in 2003/04	No.	GT	Lane metres	Pass.
Duchess of Scandinavia**)		16794	620	840
Flensburg newbuilding	721	30800	3900	
Flensburg newbuilding	722	30800	3900	
Flensburg newbuilding	723	30800	3900	
Flensburg newbuilding	724	30800	3900	
Flensburg newbuilding	725	30800	3900	

## AB LISCO Baltic Service

Ro-pax ships *)	Year built	GT	Lane meters	Pass.
Kaunas	1989	25606	1500	235
Vilnius	1987	22341	1500	120
Klaipeda	1987	21890	1500	12
Palanga	1979	11630	1140	126

Ro-ro ships	Year built	GT	Lane meters
Tor Neringa	1975	12494	1745
Panevezys	1985	6894	602
Siauliai	1985	6894	602

Container ships	Year built	GT	TEU ****)
Rasa	1998	3893	353
Aukse	1997	3893	353
Gediminas	1996	3097	264
Vytautas	1995	3097	256
Kestutis	1993	3972	221
Jogaila	1992	3988	221

## DFDS Lys-Line Rederi AS

Sideport and container ships	Year built	GT	TEU ****)
Lysvik	1998	5656	112
Lysbris	1999	5656	112
Lysblink	2000	5656	112
Lysfoss	1989/99	4471	56
Lystind	1990/00	4471	56
Lys-Skog	1991/98	4471	56
Lyshav	1985	3176	38
Lysholmen	1981/94	2876	44
Lys Carrier ***)	1994	2446	176
Lys Clipper ***)	1994	2456	176
Lys Chris ***)	1993	2416	197
Auriga ***)	1996	2460	176
Aries ***)	1997	2456	176
Atair ***)	1995	1864	82
Algol ***)	1995	1864	82
Antares ***)	1995	1864	82
Alk ***)	1998	6362	700
Merino ***)	1997	3999	523



Passenger ship: PEARL OF SCANDINAVIA



Ro-pax-ship: DANA GLORIA

## DFDS Canal Tours A/S

Tourist boats	Year built	Boat type	Passengers
Ole Lukøje	2000	Restaurant boat, covered	133
Klodt Hans	1998	Restaurant boat, covered	133
Snedronningen	1995	Covered	144
Nattergalen	1994	Covered	144
Gilleleje NB 14	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 XIII	1953	Open	160
HMF III	1949	Open	120



Sideport and container ship: LYSFOSS



Ro-ro-ship: TOR SELANDIA

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

\*\*) Bare-boat (B-B): Leased tonnage

\*\*\*) Chartered tonnage

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

## Commercial Duties

### The Supervisory Board of DFDS A/S

Ivar Samrén (Chairman)  
Svend Jakobsen (Deputy Chairman)  
Ole Adamsen \*)  
Claus Arnhild \*)  
Anders Moberg  
Jill Lauritzen Melby  
Ingar Skaug  
Ib Sørensen \*)

\*) Employee-elected

### The Executive Board of DFDS A/S

Ole Frie, Presiding Director \*)  
Christian Merrild, Chief Financial Officer \*)

\*) Authorized to sign for the company



Ivar Samrén



Ole Frie



Svend Jakobsen



Christian Merrild



Ole Adamsen



Claus Arnhild

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

### The Board of Directors

#### Ivar Samrén, 64

House of Business Partners A/S (Chairman)  
 Egmont Fonden (Chairman)  
 Egmont International Holding A/S (Chairman)  
 Ejendomsselskabet Vognmagergade 11 Aps (Chairman)  
 Ejendomsselskabet Gothersgade 55 Aps (Chairman)  
 Otto Mønsted Aktieselskab A/S (board member)

#### Ole Adamsen, 61

Byggekrum-Fuglebjerg Tømmerhandel A/S (board member)  
 EKM Holding A/S (board member)

#### Svend Jakobsen, 67

N.P. Utzon A/S (Chairman)  
 NTR Holding A/S (board member)  
 Ejendomsaktieselskabet Hermes (board member)  
 Lokalbanen A/S (Chairman)

#### Anders Moberg, 53

Lego A/S (board member)  
 Velux A/S (board member)

#### Ingar Skaug, 56

J. Lauritzen A/S (board member)

### The Executive Board

#### Ole Frie, 58

Scanva Diesel A/S (board member)  
 Eimskip Danmark A/S (board member)



Jill Lauritzen Melby



Anders Moberg



Ingar Skaug



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

DFDS regularly assesses initiatives that facilitate becoming a shareholder of DFDS A/S and exercising the attendant rights. The share denomination was therefore reduced in 1999 from DKK 1,000 to DKK 100.

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.

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

Similarly, 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, and is forwarded upon request.

Any shareholder is entitled to submit a specific issue for consideration by the Annual General Meeting by sending a written proposal no later than two months 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.

DFDS' Annual General Meeting will be webcast from DFDS' website.

### Supervisory Board and Executive Board

DFDS' rules of procedure for the Supervisory Board prescribe that the management of the company, including appropriate corporate organization, shall be handled by the Supervisory Board and the Executive Board.

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, authorizations 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 authorization granted by the Supervisory Board.

In 2002, the Supervisory Board held seven board



meetings, 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. Directors cannot be nominated for re-election after the age of 70.

The members elected by the Annual General Meeting are independent of the company, as no members have previously been employed by the company or acted as professional advisors for the company. No members have a significant strategic interest in the company except as shareholders.

## In 2002, three members of the Supervisory Board were of foreign nationality



Commercial duties held by the Supervisory Board are stated on page 63 of this annual report, and the number of DFDS shares held by the Supervisory Board can be found on page 65. The members of the Supervisory Board of DFDS are remunerated by an annual fee, which is stated in note 2 on page 46 of this annual report. DFDS does not offer a stock option plan to the Supervisory Board.

Members, elected by the Annual General Meeting, are elected for one year at a time. The average seniority of Supervisory Board members was 3.5 years at the end of 2002, and the highest seniority was 12 years. In 2002, 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 has been established for the Executive Board of DFDS, and its content is described in note 2 on page 46. The Executive Board's holding of DFDS shares is stated on this page.

Management's share holdings	Number of shares	Market value year-end 2002, DKK
Supervisory Board	2,236	309,462
Executive Board	1,672	231,405
Other insiders	948	131,203
Total share holdings	4,856	672,070

### Relationship between Vesterhavet A/S and DFDS A/S

At the end of 2002, Vesterhavet A/S held 56% of the share capital of DFDS A/S.

It is the policy of Vesterhavet that DFDS is managed independently by the Supervisory Board and Executive Board of DFDS.

### 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 has prepared an Investor Relations Manual summarizing all the guidelines and policies relating to the publication of information in general and to the Copenhagen Stock Exchange and financial markets in particular. The manual also includes all external and internal rules to be complied with by DFDS employees when handling inside information and trading in DFDS shares.

DFDS strives to publish Stock Exchange Reports in Danish and English simultaneously.

Every quarter, DFDS holds a meeting with share analysts in connection with the publication of its quarterly report. 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 issued quarterly reports since the third quarter of 2001.

### 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 financial performance at activity, divisional and Group level.

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 level. The directors' report also contains information on financial developments and the DFDS share. All reports compare actual figures with the budget and expected figures.

DFDS' financial statements are audited by two companies of auditors 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

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

### Glossary

<b>The Executive Board:</b>	The Executive Management of DFDS under Danish securities law
<b>Group Management:</b>	Group Management and associated staff functions
<b>The Company:</b>	DFDS A/S
<b>Business areas:</b>	Common term used to denote DFDS' two main business areas: passenger and freight liner shipping
<b>Divisions:</b>	DFDS Seaways and DFDS Tor Line
<b>Ro-ro ships:</b>	Roll on-roll off ships – ships where cargo is driven on and off.
<b>Lo-lo ships:</b>	Lift on-lift off ships – ships where cargo is lifted on and off.
<b>Ro-pax:</b>	A combined ro-ro freight and passenger ship
<b>Side-port ships:</b>	Ships that can be loaded/unloaded from the side of the vessel
<b>Lane metre:</b>	A unit of space (linear metre) represented by an area of deck 1 metre in length by 2.5 metres wide
<b>Time charter:</b>	Contract for the lease of a ship with crew for certain period of time.
<b>Gate-to-gate:</b>	Sea transport from port terminal to port terminal
<b>Northern Europe:</b>	Scandinavia, the Benelux countries, Great Britain, Germany, Poland and the Baltic countries
<b>Moody's:</b>	Moody's Investor Service, an international credit rating company
<b>P-1, Prime 1:</b>	Banks with high credit rating and ability for punctual payment of short term loans
<b>Black-Scholes model:</b>	Method for valuation of options
<b>Back-to-back:</b>	A loan where a bank connects lender and borrower
<b>Intermodal transport:</b>	A transport that combines different modes of transport

## DFDS ADDRESSES

### Head offices until 1 September 2003:

DFDS A/S  
Sankt Annæ Plads 30  
1295 Copenhagen K  
Tel: +45 33 42 33 42  
Fax: +45 33 42 33 41  
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DFDS Seaways A/S  
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1295 Copenhagen K  
Tel: +45 33 42 33 42  
Fax: +45 33 42 31 59  
[www.dfdsseaways.dk](http://www.dfdsseaways.dk)

DFDS Tor Line A/S  
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Fax: +45 33 42 33 01  
[www.dfdstorline.com](http://www.dfdstorline.com)

### Head offices after 1 September 2003:

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