

# DFDS VIRKSOMHEDSBESØG

**FOLKETINGETS  
ERHVERVSUDVALG &  
TRAFIKUDVALG**

May 23, 2012



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# AGENDA

- Introduction to DFDS
- Reasons for our success
- The low sulphur challenge
- Q&A

## DFDS OVERVIEW

- DFDS founded 1866 by C. F. Tietgen
- DFDS integrates sea and land transport services
- DFDS operates Northern Europe's largest integrated shipping and logistics network

DFDS GROUP	
DFDS SEAWAYS SHIPPING DIVISION	DFDS LOGISTICS LOGISTICS DIVISION
Revenue 2011: DKK 7.5bn	Revenue 2011: DKK 4.5bn
The Logistics Division is a Top 3 customer of the Shipping Division	

#### Shareholder structure:

- Lauritzen Foundation: 36%
- A. P. Moller - Maersk: 31%
- Listed on Copenhagen Stock Exchange

# DFDS OVERVIEW

## VALUE PROPOSITION

- DFDS operates the widest and most reliable **integrated** sea transport and logistics network in Europe.
- Our customers value the easy access and positive experience of our freight and passenger offerings.
- The people of DFDS continue to deliver efficient and innovative transportation services for our customers as they have done since 1866.



SEA TRANSPORT – DFDS SEAWAYS

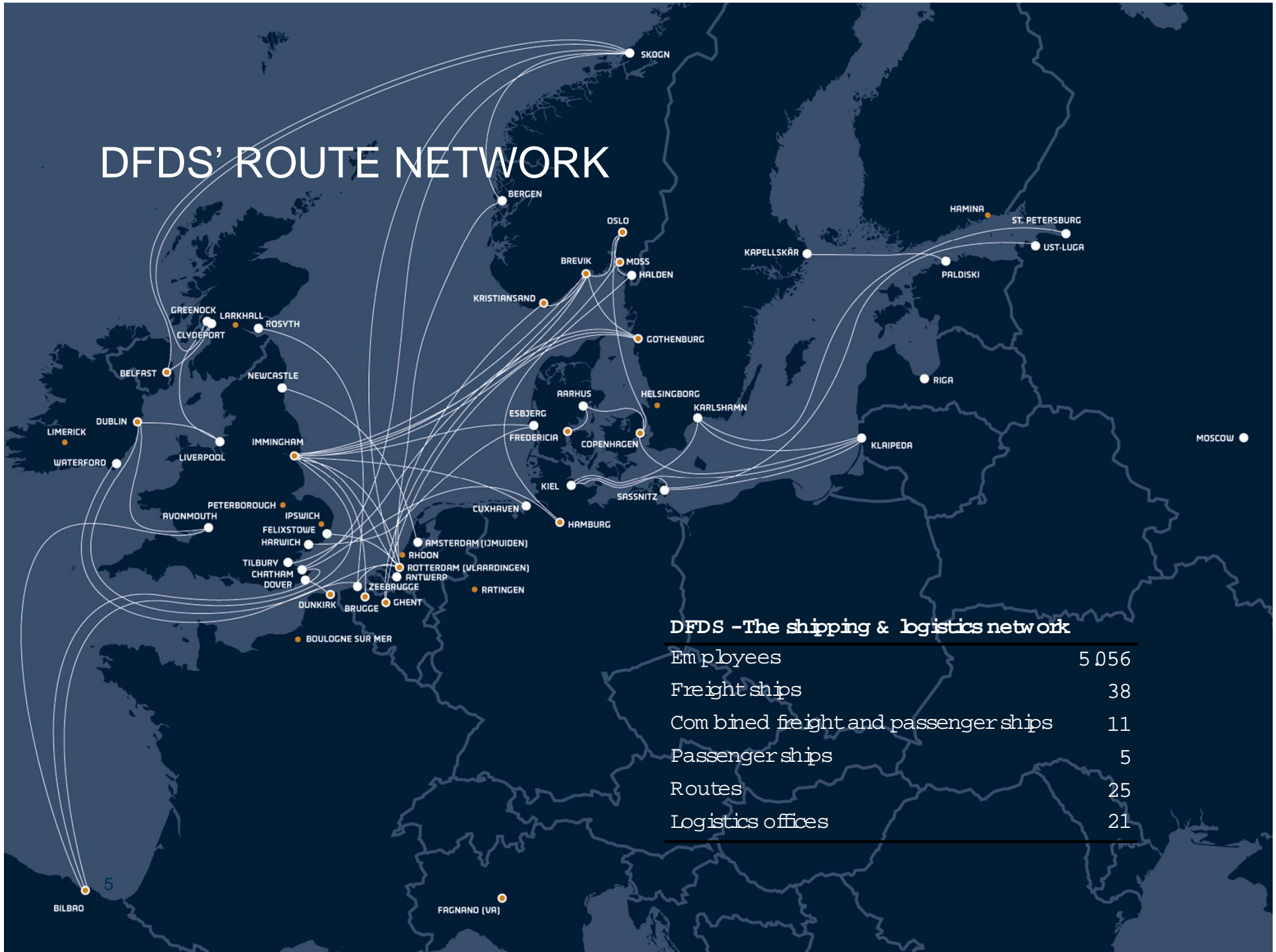
## COMPANY PROFILE

- DFDS combines **sea and land** transport to serve forwarders, hauliers and manufacturers of heavy industrial goods across Northern Europe – 80% of revenue is generated by freight operations
- DFDS transports passengers in combination with freight – 20% of revenue is generated by passengers
- DFDS has 5,100 employees in 20 countries. We employ 1350 Danes of which 900 are seafarers and 450 are landbased personnel



LOGISTICS SERVICES – DFDS LOGISTICS

# DFDS' ROUTE NETWORK



## DFDS -The shipping & logistics network

Em ployees	5 056
Freight ships	38
Com bined freight and passenger ships	11
Passenger ships	5
Routes	25
Logistics offices	21

# DFDS' FOUR STRATEGIC PRINCIPLES



## 1 EXPAND THE NETWORK

- More services to customers
- More scale and leverage of operating model

## 4 FOCUS

- Constant focus on quality and efficiency
- Efficiency and improvement projects

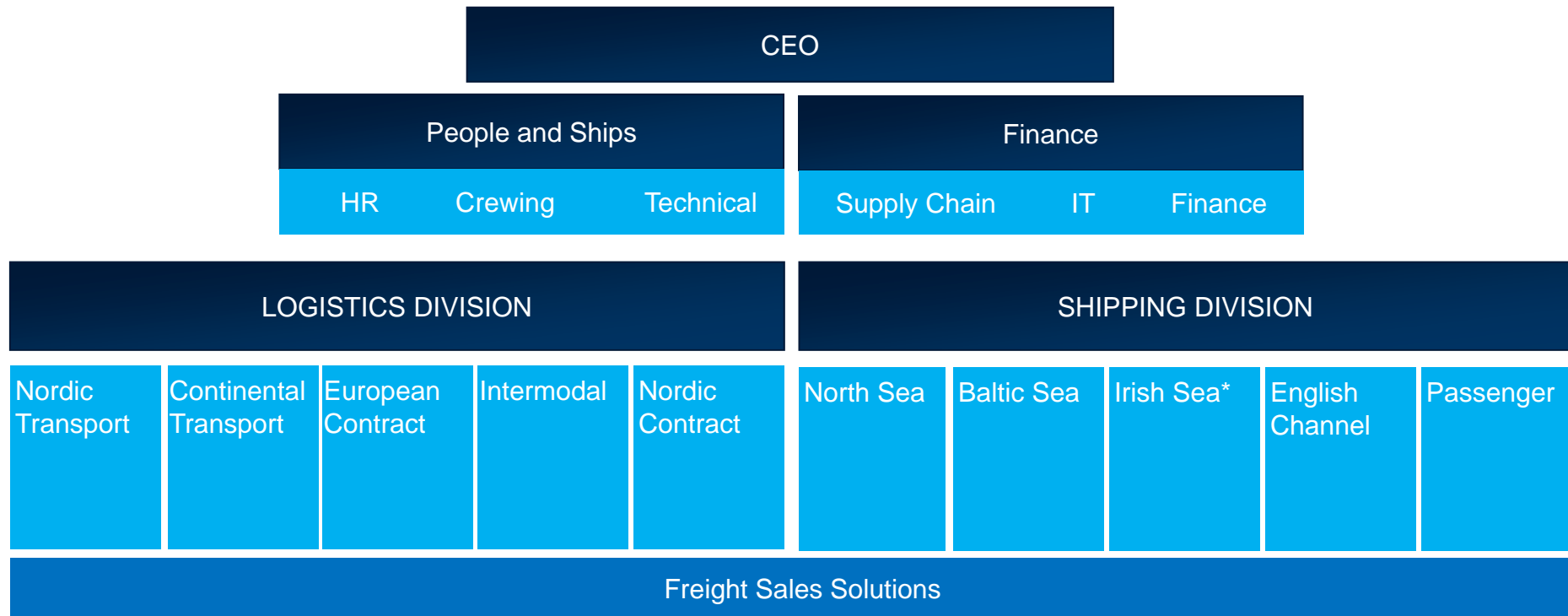
## 2 INTEGRATED SOLUTIONS

- Supply chain solutions across divisions/BU
- Combine freight and passengers

## 3 SECURE VOLUMES

- Own transport/logistics operations adds cargo control
- Strategic port access

# DFDS' BUSINESS STRUCTURE

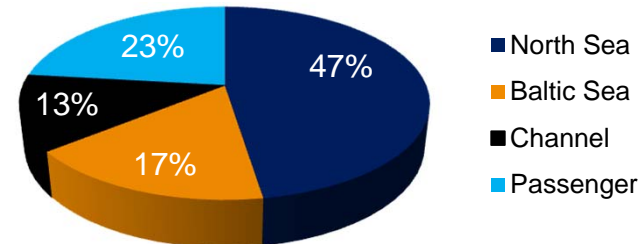


# SEA TRANSPORT - DFDS SEAWAYS

## PROFILE

- Freight transport for forwarders and hauliers
- Direct customer relations with industry
- Combined passenger and freight transport
- Port terminal operations

## Revenue per BU, FY 2011



### North Sea

- 9 routes
- 17 ro-ro ships
- 1 ro-pax
- 5 port terminals
- Customers: Hauliers, forwarders, producers of heavy industrial goods
- Lanemetres: 10.8m



### Baltic Sea

- 8 routes
- 9 ro-pax ships
- 2 ro-ro ships
- Customers: Hauliers, forwarders, producers of heavy industrial goods, passengers travelling by car and foot
- Lanemetres: 3.3m
- Pax: 0.4m



### Channel

- 2 routes
- 5 ro-pax ships
- 1 port terminal
- Customers: Hauliers, forwarders, passengers travelling by car
- Lanemetres: 7.0m
- Pax: 2.5m



### Passenger

- 3 routes
- 4 passenger ships
- 1 ro-pax ship
- 1 port terminal
- Customers: passengers travelling by car, mini cruise, conferences, hauliers, forwarders
- Lanemetres: 0.6m
- Pax: 1.4m



# IMMINGHAM TERMINAL

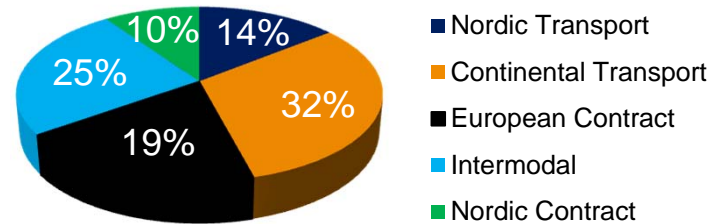


# LOGISTICS SERVICES - DFDS LOGISTICS

## PROFILE

- Trailer operations supporting route network
- Contract logistics & contract management
- Intermodal solutions & paper logistics

Revenue per BU, FY 2011



## Nordic Transport

- Main traffics: S-UK, DK-UK, full/part load
- 800 trailers
- Customer segments: Industrials, automotive, consumer goods

## Continental Transport

- Main traffics: NL-UK, B-UK, B-S, full/part load
- 1,800 trailers, 100 tractor units
- Customer segments: High value goods, part load, temperature controlled



## European Contract

- Main activities: UK/Ireland domestic, UK-Cont, Belfast retail, Seafood distribution, warehousing
- 750 trailers, 70 tractor units
- Customer segments: Temperature controlled, seafood



## Intermodal

- Container: N-Cont, Ireland-Cont
- Rail: Nordic-I, UK-I, warehousing
- 4 container ships, 4,000 containers, 1,000 swaps
- Customers segments: Trading companies, contract management, paper industry

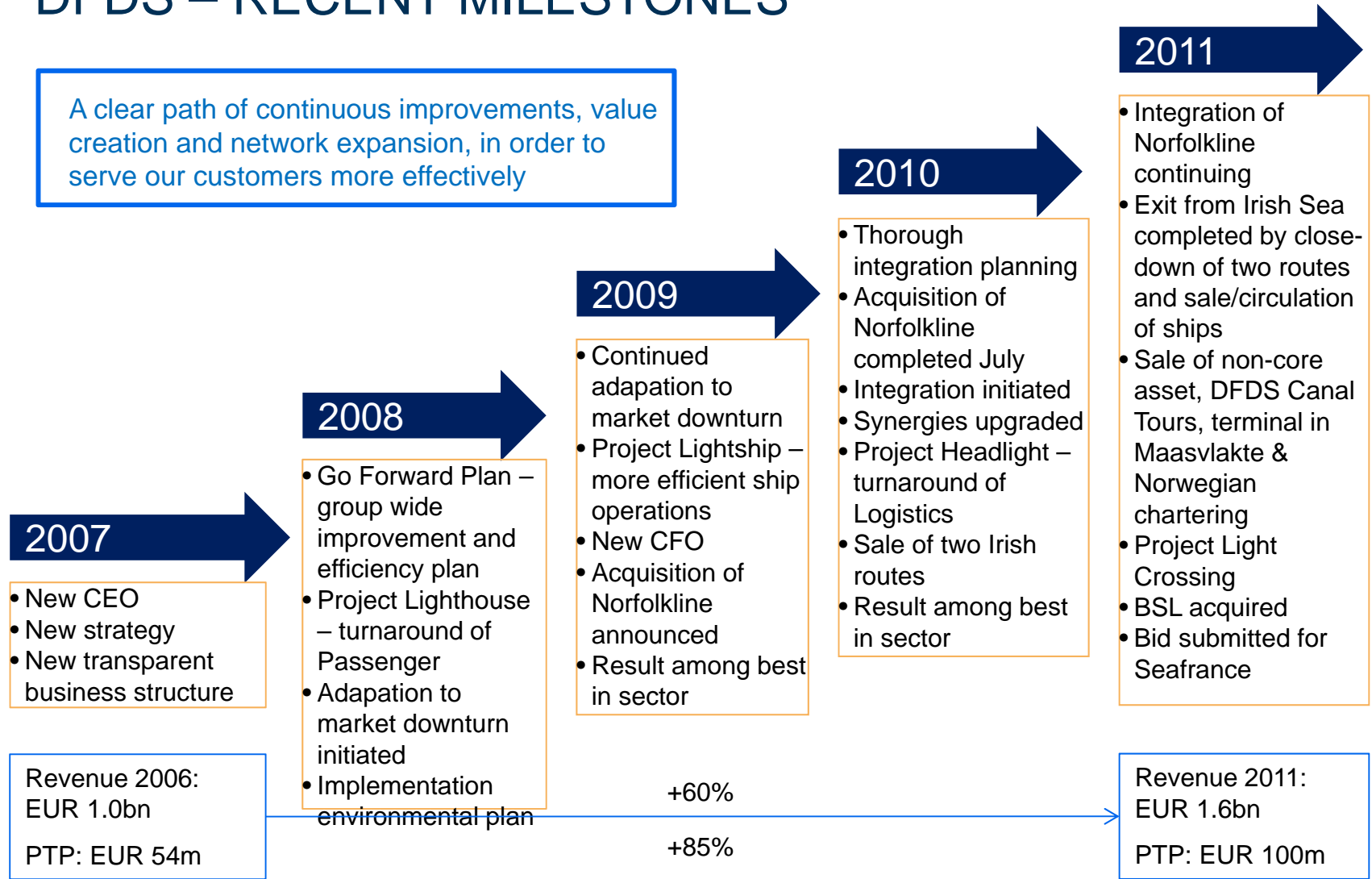


## Nordic Contract

- Sideport: N-IRL, N-UK/Cont, N-UK/Cont/Spain
- 5 sideport ships
- Customer segments: Paper industry

# DFDS – RECENT MILESTONES

A clear path of continuous improvements, value creation and network expansion, in order to serve our customers more effectively



## AN IMPORTANT ACQUISITION

	DFDS	Norfolkline	Combined
<b>Key operational</b>			
Employees	3.924	2.250	6.174
Vessels	49	16	63 <sup>1</sup>
Routes	23	10	31 <sup>2</sup>
Port terminals	8	5	13
Logistics offices	13	26 <sup>3</sup>	39
Warehouses	0	8	8
Passengers, ths	1.700	2.900	4.600
Lanemetres, ths	9.200	16.000	25.200

Note 1: Adjusted for two vessels chartered out to Norfolkline by DFDS

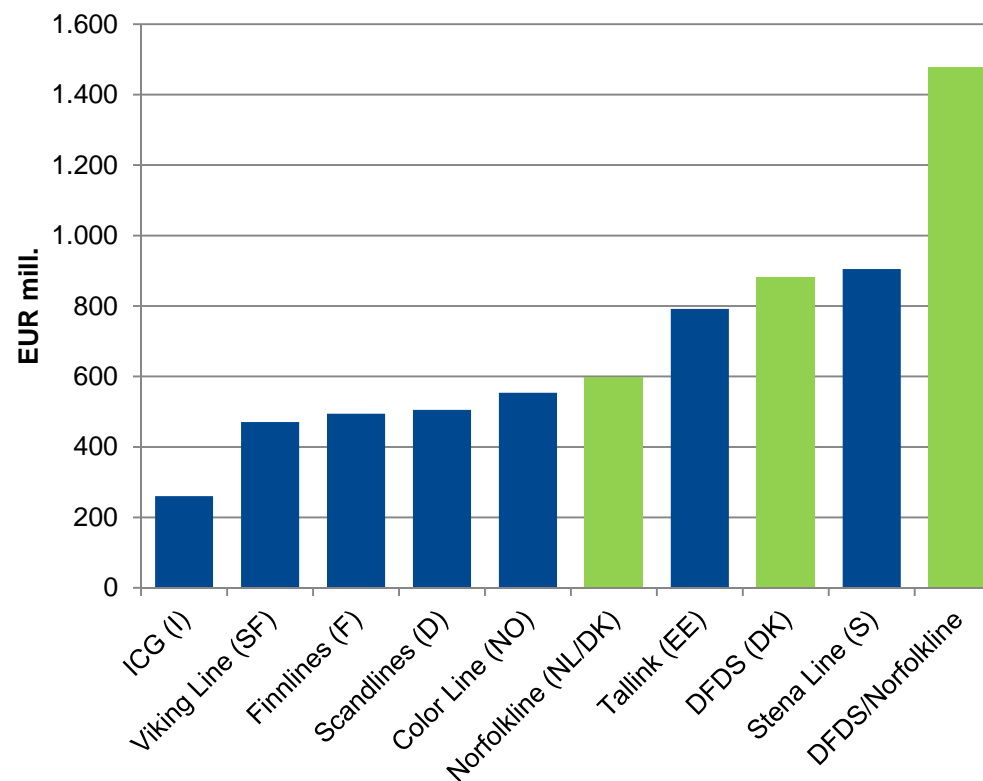
Note 2: Adjusted for two routes out of Esbjerg via a space charter agreement between DFDS and Norfolkline

Note 3: Not including six external offices with employees from Norfolkline permanently located at customers' premises

## DFDS IS NEW MARKET LEADER IN NORTHERN EUROPE

- Norfolkline acquisition increases DFDS' revenues by almost 70% on pro forma 2009 figures
- Consolidated pro forma 2009 revenues for DFDS and Norfolkline was DKK 11.0 billion (EUR 1.5 bill.)

Revenue 2009: Top nine North European passenger and freight shipping companies



Note: Revenue for P&O Ferries and Cobelfret is not accessible. P&O Ferries' and Cobelfret's revenues are estimated to be among the ten largest passenger and freight shipping companies in Northern Europe.



## THREE MAIN REASONS FOR THE DFDS SUCCESS

1. Relevant strategy, hard work, track record and some luck
2. Good and stabile “Rammebetingelser” for the industry
  - a) Constructive dialogue between politicians and industry
  - b) Jointly high ambitions
  - c) Competitive DIS/Tonnage tax
3. Support from shareholders and banks,

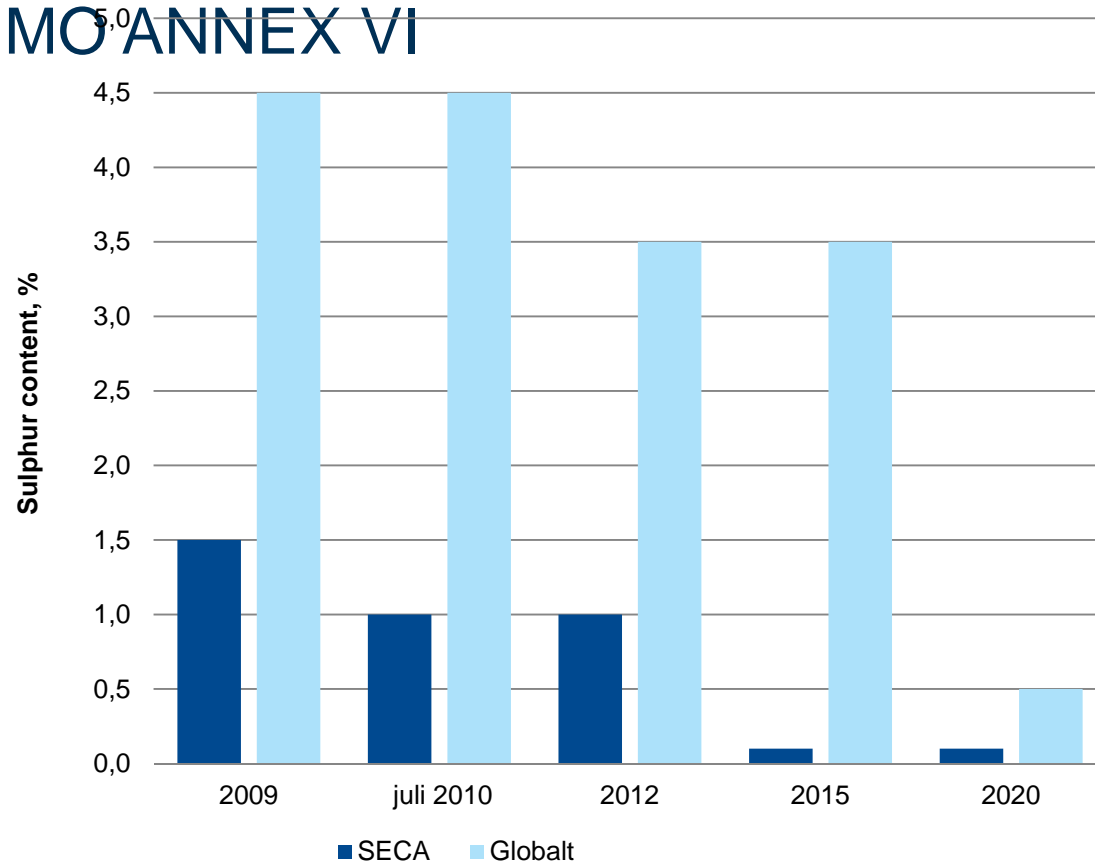


Continued investments, growth and expansion:

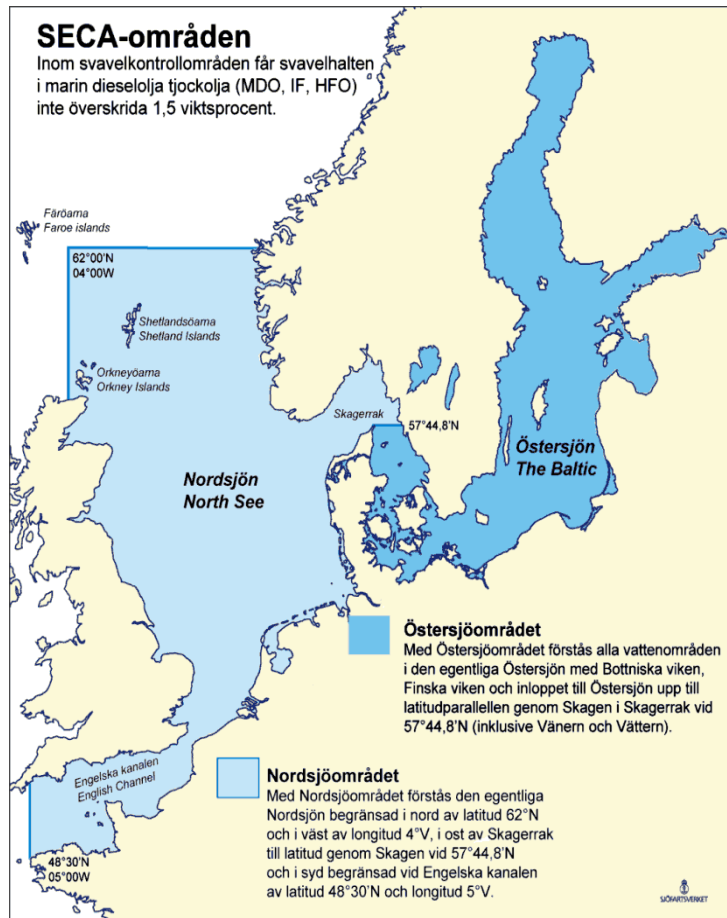
- Baltic Line, Alvsborg Terminal, Seafrance, reflagging Swedish ships to Danish flag

# MAXIMUM PERMITTED SULPHUR CONTENT IN BUNKERS

## IMO ANNEX VI



# WHY IS 0,1 % IN 2015 A PROBLEM TO SHIPPING AND THE INDUSTRY IN NORTHERN EUROPE?



## Due to concerns on:

- High price of Marine Gas Oil (MGO) **40-50% more expensive**
- Availability of same
- Modal backshift (from Water to Land, Road, and Rail)
- Loss of competitiveness by industries in the ECA areas
- Inability to pass on the cost increase of the bunker
- Immature abatement technologies

- 16 Tokyo Bay is anticipated to invoke an ECA zone  
➤ Entire North America becomes an ECA in 2012



# HOW DOES THE BUNKER INDUSTRY VIEW THE SITUATION?

Presently three basic compliances options are discussed as a response to the emission requirements

- 1 Heavy Fuel Oil and Scrubber**  
*This solution entails the continued use of regular heavy fuel oil and the installation of a scrubber. Essentially, this means that the exhaust gasses are cleaned in the exhaust pipe and the dirty water then accumulated or discharged – currently no rules are in place.*
- 2 LNG as a fuel for propulsion**  
*This solution is mostly applicable to new buildings, due the very comprehensive nature of designing a vessel for gas propulsion. While the technology holds an OPEX advantage, it is very CAPEX intensive. In addition to this, the technology is still quite immature and thus disputed.*
- 3 Burning finer grades of fuels with lower sulphur levels**  
*This solution is the most evident short term solution to comply with IMO / MARPOL regulations, as it does not require any physical changes. As such, it entails the use of finer fuels with lower sulphur grades.*

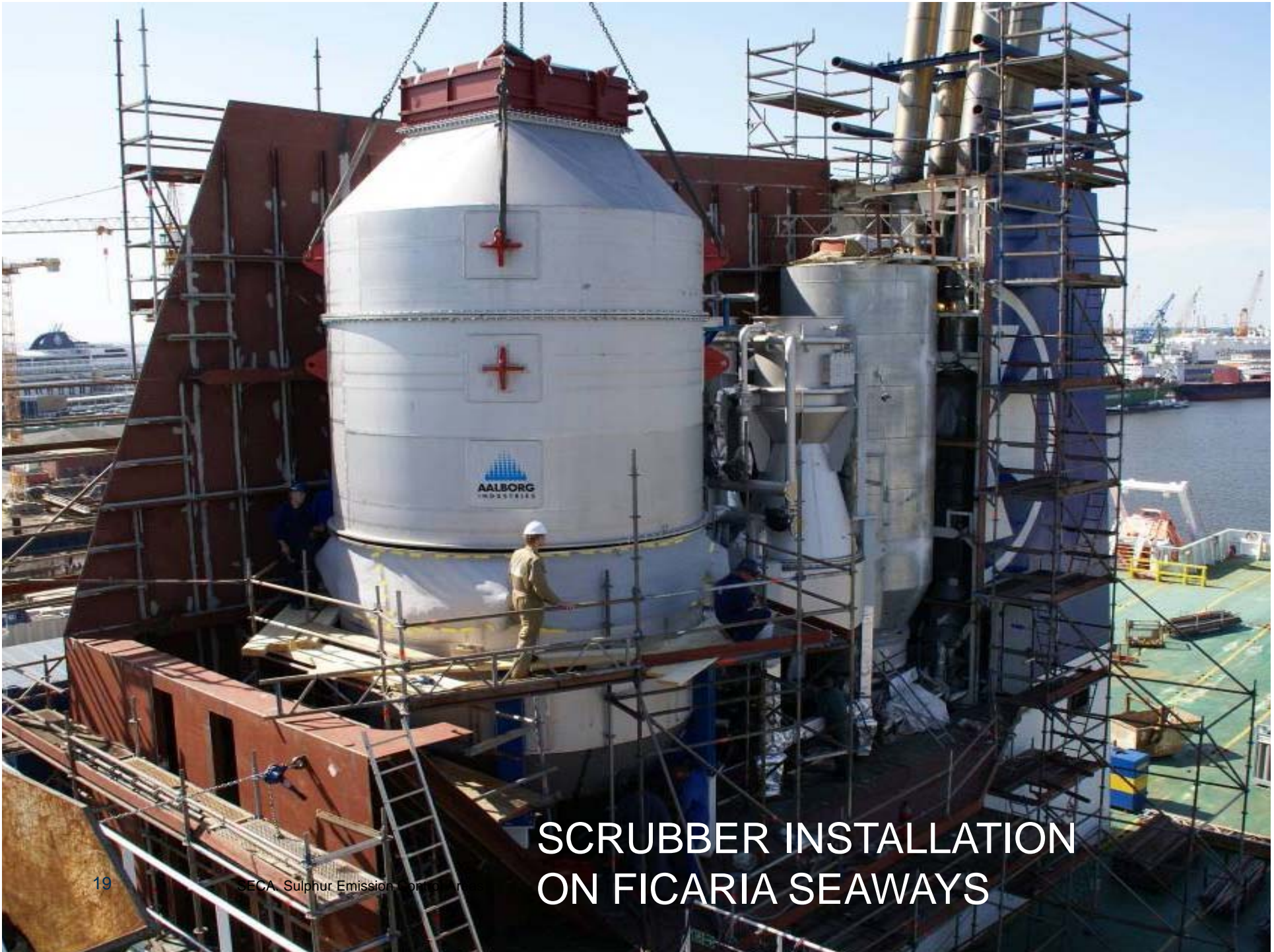


# FICARIA SEAWAYS

## THE WORLD'S LARGEST SCRUBBER ON A SHIP



3 years joint development between  
Aalborg Boilers, MAN and DFDS, started in 2009



# SCRUBBER INSTALLATION ON FICARIA SEAWAYS

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## IMPACT OF 0.1% SULPHUR IN 2015

- We support a reduction in sulphur content, however in a pragmatic approach. Given the options today we and the short sea shipping industry have a huge challenge
- DFDS annual bunker cost today is DKK 1.900 mio. and a cost increase for MGO of 40% will increase the annual cost by DKK 760 mio. equal to entire pretax profit in 2011
- If we try and push say a 1/3 of extra cost to the customers, we will see a modal shift back to the roads (where this is an option) and still have an extra cost of DKK 500 mio.
- The technology is under way but still a number of issues (not suitable for all ships, age, space, weight constraints) and legislative issues remain (open/closed loop, waste products etc)
- Limited impact of our dialogue with EU/IMO and politicians during the past 3 years and the industry is deeply concerned over impact and consequences.



## IMPACT OF 0.1% SULPHUR IN 2015

- **Our challenge:**

- Estimated cost per installed scrubber 6 MEUR or DKK 45 mio. For 2/3 of our fleet or 36 ships total investment equals DKK 1.600 mio.
- What if technology does not work entirely as planned, or better solutions emerge in 3-5 years?
- How do less solid companies finance this “uncertain” investment
- What if exemptions are given after huge modal back shift of trucks and route closures
- Little incentive in being “first mover”
- We are willing to consider a offensive approach, to lead the industry in partnership with manufacturers and ship yards, but we need support from governments and EU on the implementation, interim solutions, legislation and funding (Example: MarcoPolo, T-Ten etc.)

Q&A