# *RESULTS & INTEGRATION*

## Q3 2010 REPORT


**17 November 2010**
Copenhagen

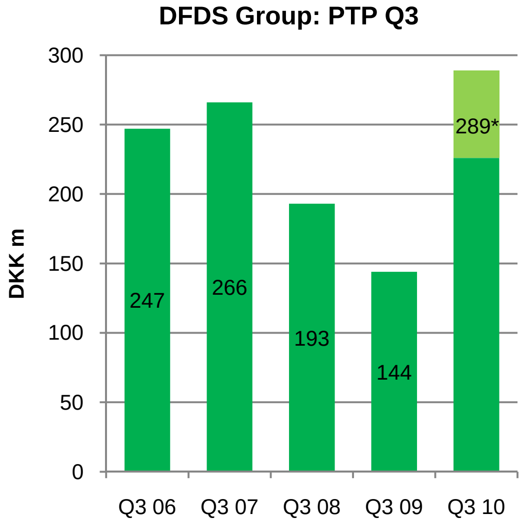
# INTRODUCTION

- Norfolkline became part of DFDS on 12 July and has been consolidated since
- New business structure introduced with effect from Q3 2010
- Two Divisions: Shipping and Logistics with each five business units
- As comparison figures do not include Norfolkline there will be a transitional period with reduced comparability due to both addition of Norfolkline and the new business structure

| DFDS GROUP | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| SHIPPING DIVISION | | | | | LOGISTICS DIVISION | | | | |
| North Sea | Baltic Sea | Irish Sea | Channel | Passenger | Nordic Transport | Continental Transport | European Contract | Intermodal | Nordic Contract |
| **Main business areas:**<br>▪ Freight shipping for hauliers, forwarders and industrial logistics<br>▪ Combined passenger and freight shipping<br>▪ Port terminal operations | | | | | **Main business areas:**<br>▪ Trailer operations<br>▪ Contract logistics<br>▪ Contract management<br>▪ Intermodal solutions | | | | |
| The Logistics Division is a Top 3 customer in the Shipping Division | | | | | | | | | |

# PROGRESS IN BOTH PERFORMANCE AND INTEGRATION IN Q3

- Q3 earnings were higher than expected mainly due to:
  - Higher volume growth in the Baltic area
  - Lower operating costs as bunker price and USD remained at lower levels than foreseen
  - The Passenger business unit and terminal operations in Immingham performed above expectations
- The integration of DFDS and Norfolkline is off to a very good start – process is on track for both integration costs, synergy capture and future synergy potential
- Channel is negatively impacted by aggressive Eurotunnel pricing
- Performance on Irish Sea was better than expected in Q3, but level of earnings reflects considerable overcapacity in the market and earnings level remains highly unsatisfactory
- **DFDS profit expectation 2010:**
  - PTP before special items upgraded to approx. DKK 375 m from DKK 325 m
  - Special cost items reduced to DKK 125 m from DKK 150 m
  - Total pre-tax profit upgraded to approx. DKK 250 m from DKK 175 m

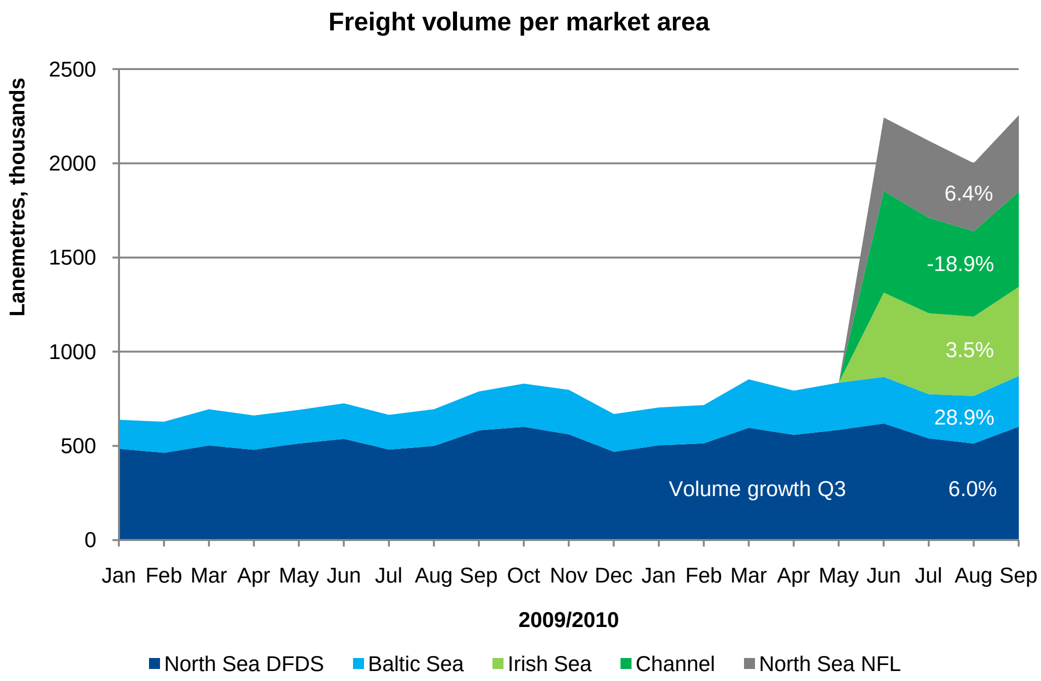


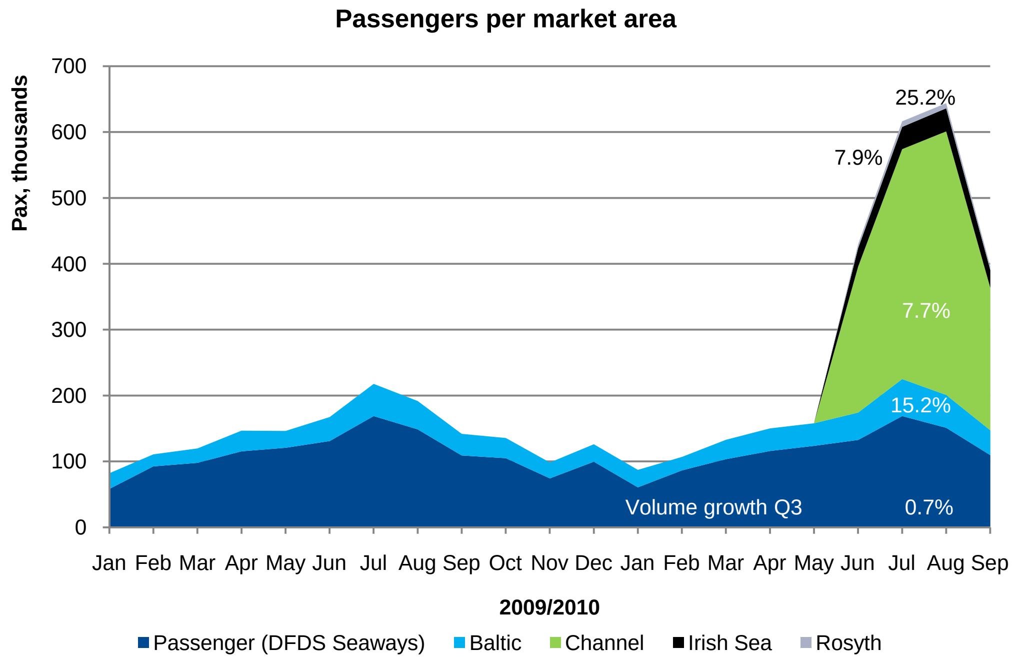

*Adjusted for special items of DKK 63 m

# SHIPPING VOLUMES

- Freight volumes:
  - High growth in Baltic due to firm market and expansion of catchment areas
  - Channel impacted by aggressive Eurotunnel pricing
  - Other areas show stable growth

- Passenger volumes:
  - Stable volumes on routes in Passenger business unit
  - Growing market in Baltic
  - Continued Channel volume growth
  - Irish Sea growth mainly between Northern Ireland and UK



# BUSINESS UNIT PERFORMANCE Q3 2010

- **Shipping Division:** EBIT for Q3 was up by DKK 152 m or 77% to DKK 350 m:
  - Baltic Sea strong improvement driven by volume growth and expansion of market catchment areas
  - North Sea increase due to improved performance on "old" routes plus addition of Norfolkline routes. Moreover, turnaround of Immingham terminal continued in Q3
  - Irish Sea impacted by overcapacity in market
  - English Channel's EBIT is impacted by Eurotunnel building market share through aggressive pricing
  - Passenger delivered solid performance despite increase in bunker price

- **Logistics Division:** EBIT for Q3 was up by DKK 8 m to DKK -1 m:
  - Nordic Transport struggled in Q3 with traffic imbalances causing pressure on margins, including positioning of empty trailers
  - Continental Transport's lower performance due to Belgian company where new management is now in place to perform turnaround
  - European Contract addition from Norfolkline performed well in Q3
  - Intermodal's Norwegian based container activities turned around compensating for lower performance in Irish/Continental trade
  - Nordic Contract's paper logistics was stable in Q3 while Chartering performance improved

**Shipping Division**

| EBIT before speciel items per business area, DKK m | Q309 | Q310 | Dev. |
|---|---|---|---|
| North Sea | 46 | 112 | 66 |
| Baltic Sea | 16 | 76 | 60 |
| Irish Sea | n.a. | -28 | -28 |
| English Channel | n.a. | 48 | 48 |
| Passenger | 142 | 157 | 15 |
| **Total business areas** | **204** | **365** | ***161*** |
| Non-allocated items | -6 | -15 | -9 |
| **Total Shipping Division** | **198** | **350** | ***152*** |

**Logistics Division**

| EBIT before speciel items per business area, DKK m | Q309 | Q310 | *Dev.* |
|---|---|---|---|
| Nordic Transport | 2 | -5 | *-7* |
| Continental Transport | -2 | -8 | *-6* |
| European Contract | n.a. | 9 | *9* |
| Intermodal | -7 | -2 | *5* |
| Nordic Contract | 0 | 4 | *4* |
| **Total business areas** | **-7** | **-1** | ***6*** |
| Non-allocated items | -2 | 0 | *2* |
| **Total Logistics Division** | **-9** | **-1** | ***8*** |

# *IMPORTANT EVENTS AFTER Q3*

- **Fire onboard LISCO GLORIA**
  - 9 October, early morning
  - All passengers and crew saved from fire
  - Replacement ship deployed 16 October
  - Cause of fire still to be determined
  - DKK 10 m cost in 2010

- **Strategic port agreement in Gothenburg**
  - DFDS and C.Ports S.A. in 65/35 joint venture
  - Ro-ro port operating company owning 25 year concession acquired for SEK 48 m
  - 320 employees, revenue SEK 450 m in 2010
  - Major customers are DFDS, Cobelfret and Transatlantic

- **Tonnage cooperation with Defence expanded**
  - New agreement covering 2010-2021
  - No. of DFDS ships increased to at least five from two
  - Two ro-ro newbuildings for delivery in H1 2012 ordered as part of agreement
  - Total order sum of DKK 950 m
  - Fleet flexibility maintained

# *FINANCIALS*

Q3 2010

# KEY FIGURES Q3 2010

**Revenue**
- Increase of 84.6% to DKK 3,359 m
- DKK 1,344 m of total revenue increase of DKK 1,540 m due to Norfolkline, equal to 87.2% of increase:
  - Shipping: 77.8% from Norfolkline
  - Logistics: 90.8% from Norfolkline

**Costs & margins**
- EBITDA up by 70.1% to DKK 539 m
- Margin reduced by 1.4 ppt due to impact from increased share of Logistics revenue, from 26% to 34%, and loss-making Irish Sea
- Reduced cost ratios for Staff, -3.0 ppt, and Administration, -1.4 ppt
- Increase in depreciations mostly due to Norfolkline addition
- Ratio of depreciation to revenue reduced to 6.3% from 8.0%, also reflects higher share of asset-light Logistics activities
- EBIT margin improved by 0.4 ppt

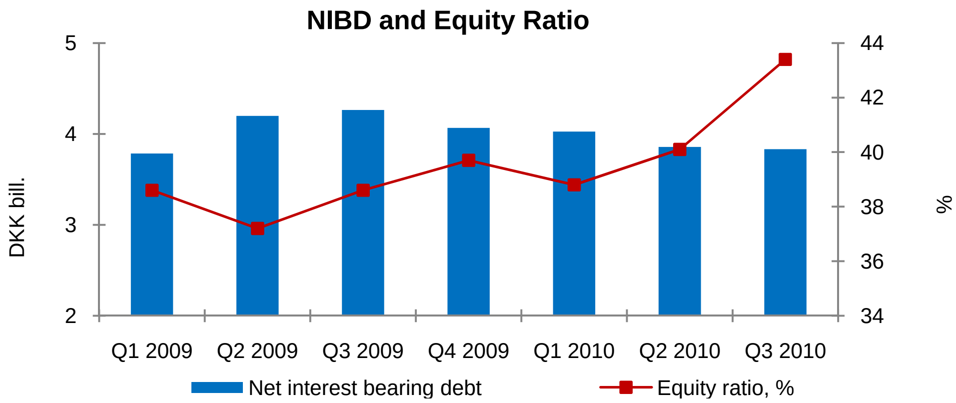
**Other**
- Special cost items extracted from recurring operations; synergy effects part of operations, although limited impact in Q3
- Special cost items of DKK 63 m of which DKK 33 m integration costs, mainly redundancies, 75%, and re-branding

| DKK m | Q3 2009 | Q3 2010 | Δ 10/09 |
|---|---|---|---|
| **Revenue** | **1.820** | **3.359** | ***1.540*** |
| ***Shipping Division*** | ***1.404*** | ***2.342*** | ***938*** |
| ***Logistics Division*** | ***470*** | ***1.146*** | ***676*** |
| **Costs:** | | | |
| Operating costs | -676 | -1.484 | *-808* |
| *% of revenue* | *37,1* | *44,2* | *7,0* |
| Bunker | -217 | -421 | *-204* |
| *% of revenue* | *11,9* | *12,5* | *0,6* |
| Charter hire | -175 | -258 | *-83* |
| *% of revenue* | *9,6* | *7,7* | *-1,9* |
| Staff costs | -330 | -507 | *-178* |
| *% of revenue* | *18,1* | *15,1* | *-3,0* |
| Administration costs | -105 | -150 | *-44* |
| *% of revenue* | *5,8* | *4,5* | *-1,3* |
| **EBITDA** | **317** | **539** | ***222*** |
| *Margin, %* | *17,4* | *16,0* | *-1,4* |
| Result from associates | 0 | 4 | *4* |
| Profit disposal of assets | 1 | 1 | *0* |
| Depreciation | -145 | -210 | *-65* |
| Impairment | 0 | -1 | *-1* |
| **EBIT** | **173** | **333** | ***160*** |
| ***Shipping Division*** | ***198*** | ***350*** | ***152*** |
| ***Logistics Division*** | ***-9*** | ***-1*** | ***8*** |
| ***Non-allocated*** | ***-16*** | ***-15*** | ***1*** |
| *Margin, %* | *9,5* | *9,9* | *0,4* |
| Net finance | -30 | -45 | *-16* |
| **Profit before special items** | **144** | **288** | ***144*** |
| Integration costs | 0 | -33 | *-33* |
| Transaction costs | 0 | -30 | *-30* |
| **Profit before tax** | **144** | **225** | ***81*** |

# *ASSETS AND CAPITAL STRUCTURE*

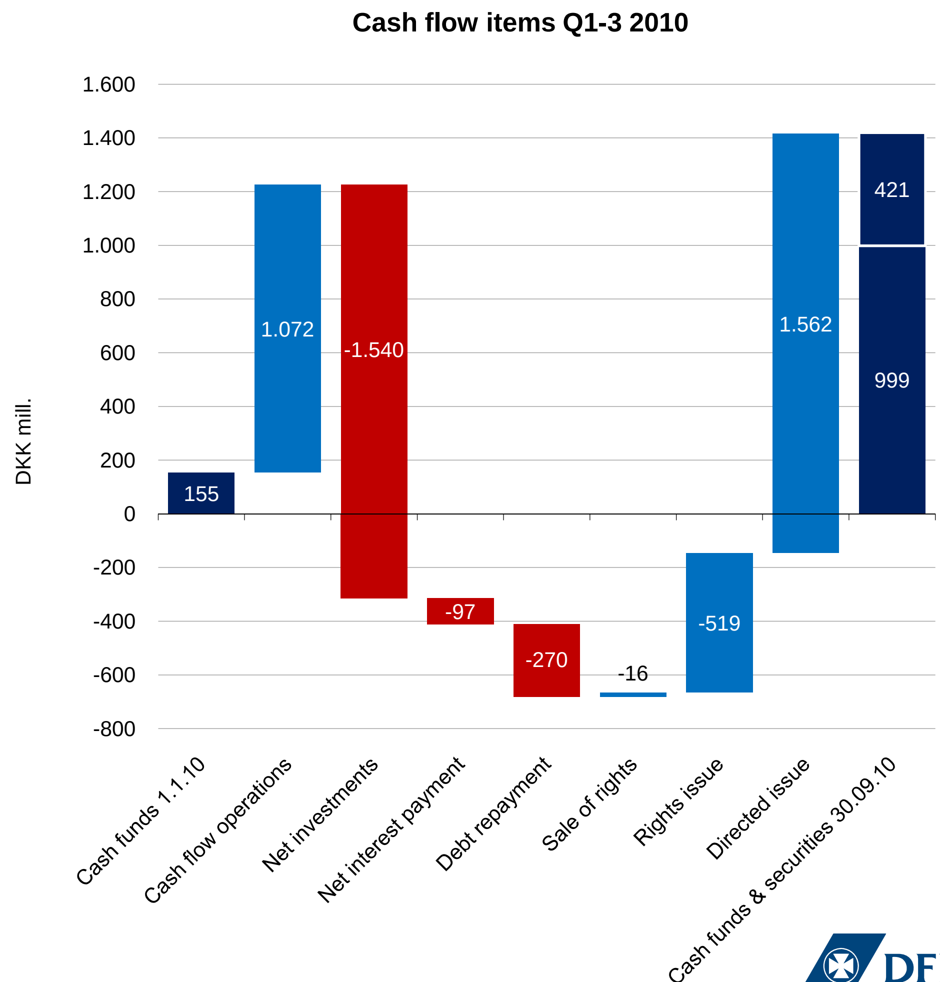
- Total assets were up by DKK 4.6 b or 48.5% compared to end Q3 2009
- Increase from addition of Norfolkline and higher equity ratio
- Average invested capital was DKK 9.3 b end of Q3 2010 compared to DKK 7.9 b end of Q2 2010, and increase of 17.6%
- Net-interest bearing debt reduced to DKK 3.8 b from year-end 2009 of DKK 4.1 b
- NIBD/EBITDA multiple was 2.9 at end of Q3 2010 and is expected to be around 3.1 at year-end 2010

| ***Balance sheet, DKK m*** | **Q1-3 2009** | **Q1-3 2010** | **∆ *10/09*** |
|---|---|---|---|
| Non-current intangible assets | 430 | 451 | *21* |
| Non-current tangible assets | 7.676 | 10.015 | *2.339* |
| Interest-bearing other non-current assets | 57 | 52 | *-5* |
| Other non-current assets | 110 | 168 | *58* |
| Current assets | 1.123 | 2.043 | *920* |
| Cash & securities | 131 | 1.420 | *1.288* |
| **Total assets** | **9.528** | **14.149** | ***4.621*** |
| Equity | 3.686 | 6.186 | *2.500* |
| Interest-bearing non-current liabilities | 3.242 | 4.489 | *1.247* |
| Non-current liabilities | 342 | 430 | *88* |
| Interest-bearing current liabilities | 1.064 | 865 | *-199* |
| Other current liabilities | 1.194 | 2.179 | *985* |
| **Total equity and liabilities** | **9.528** | **14.149** | ***4.621*** |

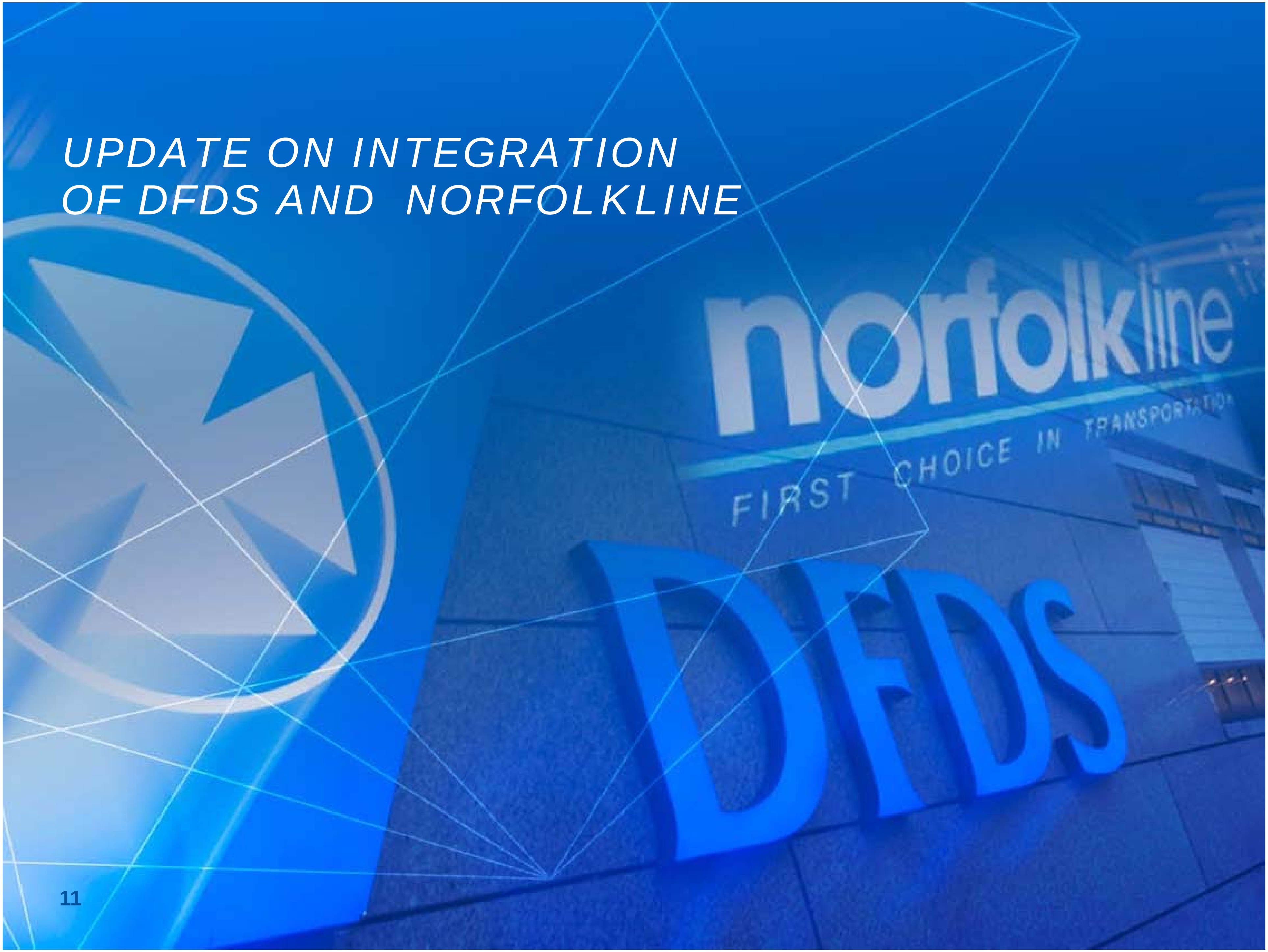


# CASH FLOW & INVESTMENTS – Q1-3

- Cash flow from operations (after tax) of DKK 1,072 m in Q1-3 2010
- Net investments of DKK 1,540 m of which DKK 1,373 m was acquisition of Norfolkline
- Refinancing of loans and net repayment of debt of DKK 270 m
- Proceeds from sale of rights was DKK 16 m
- Rights issue proceeds of DKK 519 m
- Directed issue to A. P. Moeller – Maersk generated DKK 1,562 m
- Cash funds of DKK 999 m and DKK 421 m of short term securities end of period



# *UPDATE ON INTEGRATION OF DFDS AND NORFOLKLINE*

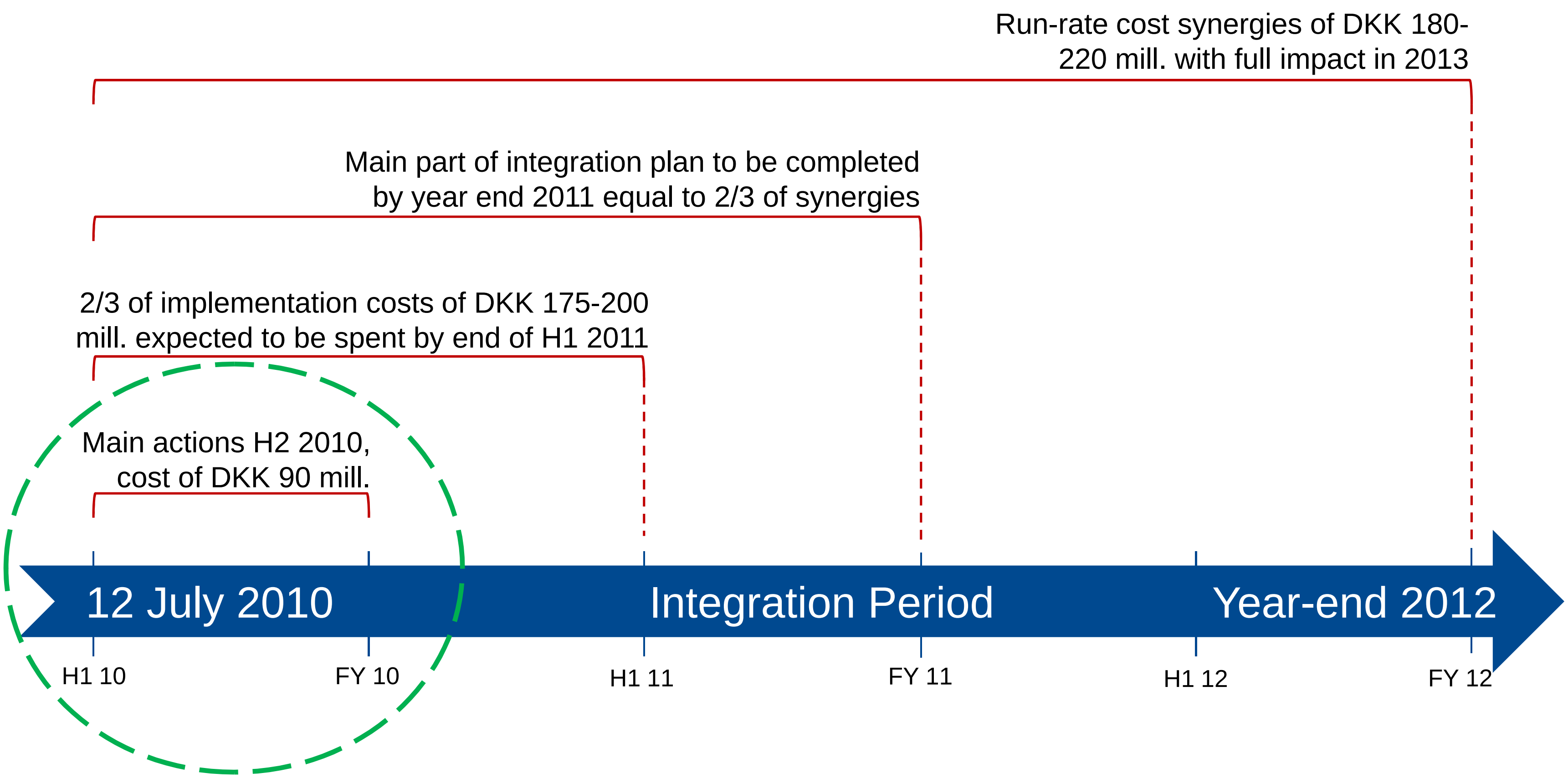


# INTEGRATION ON TRACK

- Integration cost spend of DKK 33 m in Q3, around 75% on redundancy cost
- Full year integration cost expected at DKK 90 m, reclassification and some timing difference vs 2011 compared to previous forecast of DKK 80 m
- Full year run rate of completed synergy actions estimated at DKK 82 m, ie. approximately DKK 7 m per month achieved at year-end 2010

| Activities | Integration areas | Expected annual cost synergies, DKK million |
|---|---|---|
| Shipping (routes North Sea) | Tonnage optimization and integration of routes, port terminals, sales offices and functions. Optimization of sales and marketing | 70-80 |
| Logistics | Optimization of haulage and trailer pools and integration of sales offices and functions | 30-40 |
| IT | Integration of systems and organization | 30-40 |
| Procurement | Optimization of procurement for onboard sales and technical procurement | 35-40 |
| Other functions | General optimization of ship operations. Integration of finance, HR and other group functions | 15-20 |
| Total cost synergies | | 180-220 |

# *OVERALL INTEGRATION PLAN & GOALS*



# MULTIPLE ONGOING & COMPLETED PROJECTS

- ✓ Move vessels and terminal operations from Killingholme to Immingham
- ✓ Replace Rosyth-Zeebrugge passenger-route with pure freight (change schedule)
- ✓ Expansion of the Vlaardingen terminal to capture Maasvlakte volumes
- ✓ Rebranding (signs, vessels, company names etc.)
- ✓ Integration and roll-out of new organisation
- ✓ Merger of logistics offices:
  - Middelsborough to Immingham
  - Taulov to Copenhagen
  - Merge in Gothenburg
  - Rhoon to Vlaardingen
- Close down of HQ Scheveningen (potential sale of real estate)
- Extensive Logistic projects:
  - Merger of operational systems in merged logistics offices
  - Preparations for achieving synergies on equipment and haulage
- Extensive IT integration in many areas:
  - Phoenix roll-out
  - Implementing new Passenger booking system
- Ramp up supply chain management staff to ensure capture of synergies
- Technical Organization – launch PMS (Preventive Maintenance System)
- ...

**Total list comprises 82 initiatives**

# *GOING FORWARD*

2010

# GENERAL MARKET OUTLOOK 2010

- Some clouds still on the horizon indicating a potential low growth scenario:
  - Rising oil price
  - Reductions on EU government's spending to reduce deficits
  - VAT increases
  - Some EU economies under pressure, including Ireland
- On the positive side, Northern Europe, including Germany, is currently the most robust economies in EU
- Some weakening, though, of trade between Sweden and UK has occurred due to currency movements and relative low growth of UK economy
- Baltic area expected to continue to show solid growth
- Pressure on margins in road transport sector expected to continue
- Overall, passenger spending levels are robust, although UK at the weaker end



DFDS

# *DFDS GROUP EXPECTATIONS 2010*

- Revenue is expected to increase to DKK 10.0 b
- EBITDA is expected to increase to DKK 1.25 b
- A pre-tax profit before special items of approx. DKK 375 m, previous expectation was approx. DKK 325 m
- Special cost reduced to DKK 125 m from earlier DKK 150 m, primarily due to lower financial cost – reclassification of cost between transaction and integration
- Total pre-tax profit thus expected at approx. DKK 250 m, previous expectation was approx. DKK 175 m
- Investments, excl. Norfolkline, increased to around DKK 400 m due to prepayments on order of two newbuildings

# *THANK YOU*

## Q&A