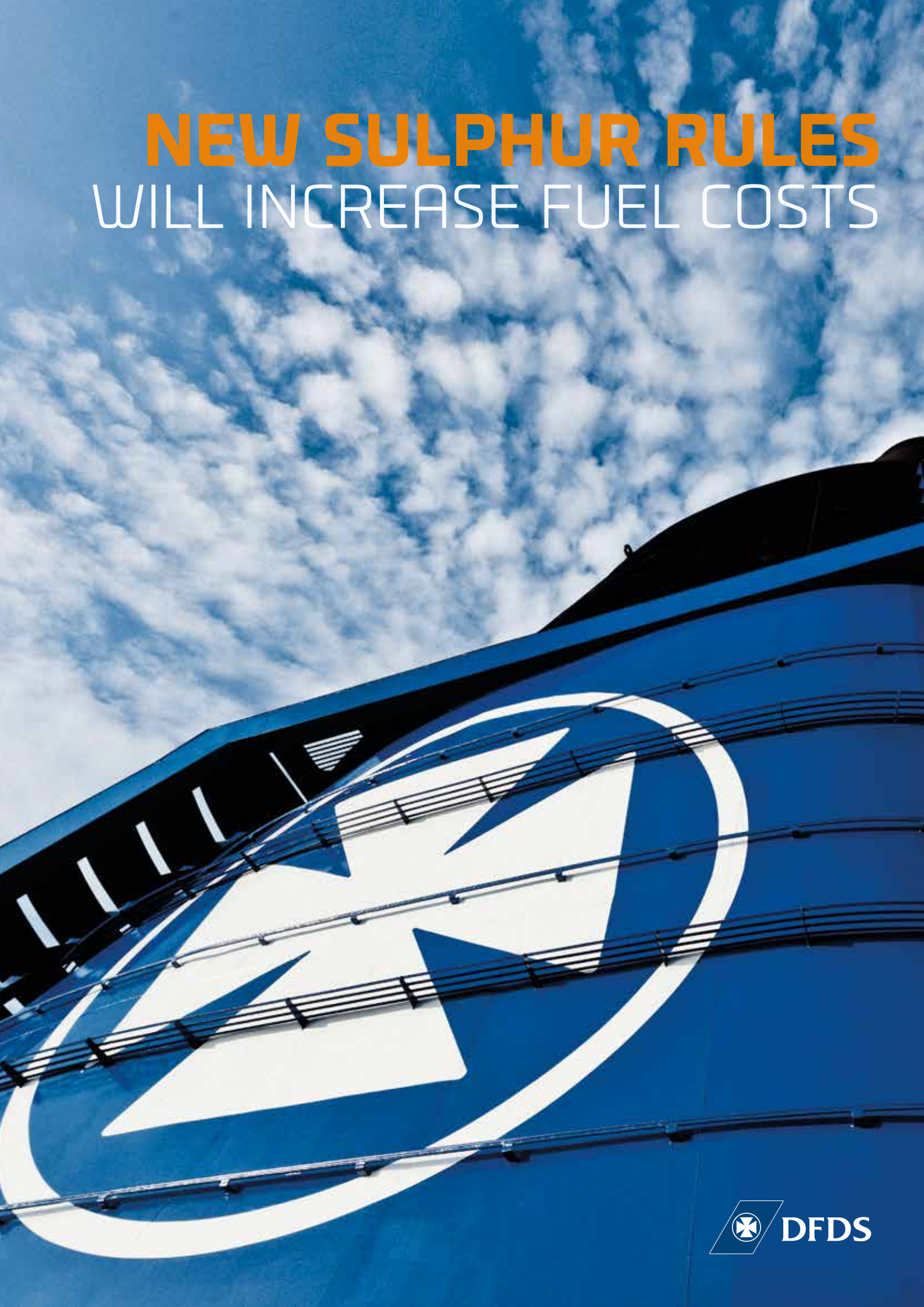
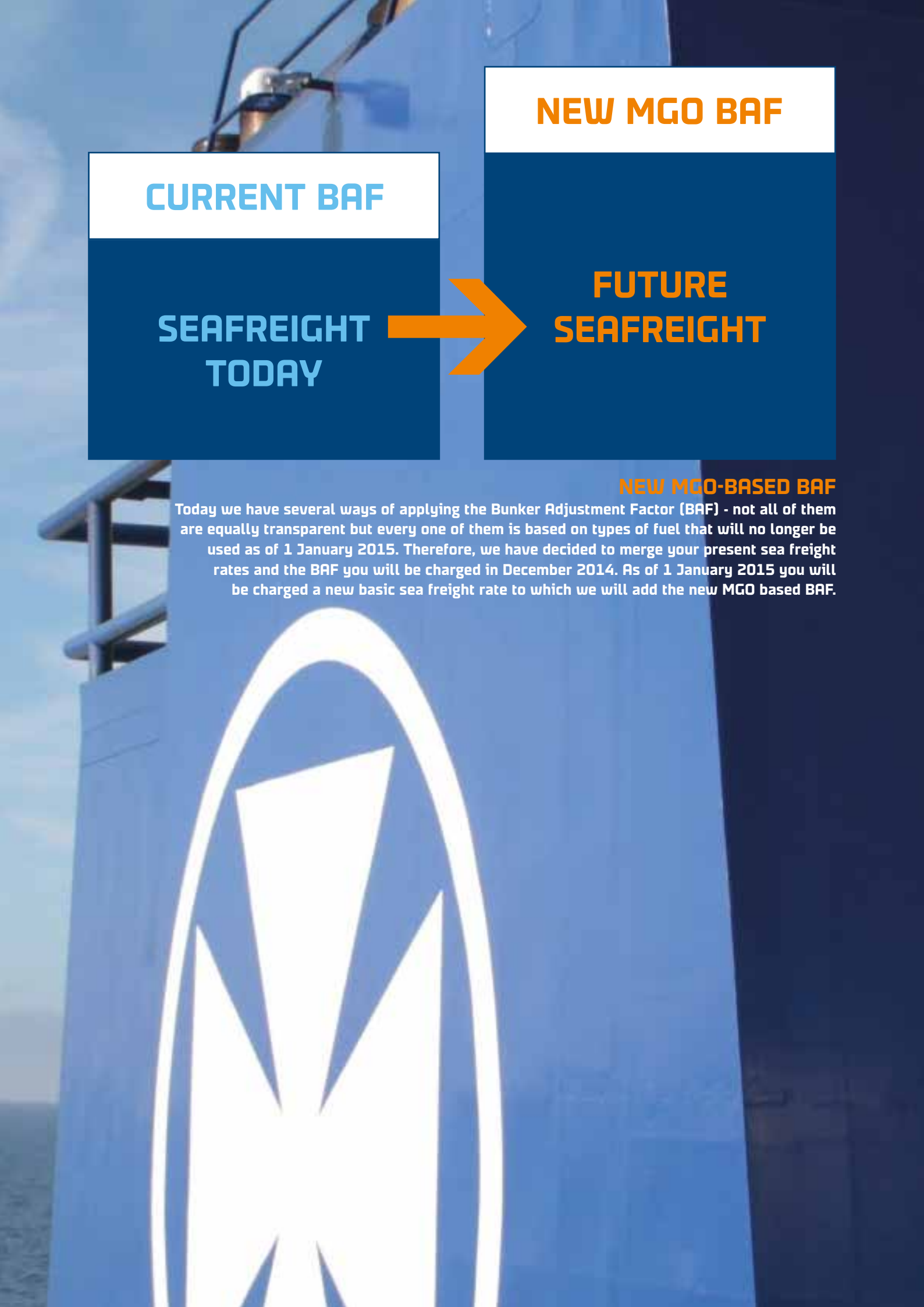
# NEW SULPHUR RULES
## WILL INCREASE FUEL COSTS



DFDS



## CURRENT BAF

SEAFREIGHT TODAY

## NEW MGO BAF

FUTURE SEAFREIGHT

### NEW MGO-BASED BAF

Today we have several ways of applying the Bunker Adjustment Factor (BAF) - not all of them are equally transparent but every one of them is based on types of fuel that will no longer be used as of 1 January 2015. Therefore, we have decided to merge your present sea freight rates and the BAF you will be charged in December 2014. As of 1 January 2015 you will be charged a new basic sea freight rate to which we will add the new MGO based BAF.

## New sulphur rules lead to inevitable extra charge

# DFDS INTRODUCES NEW TRANSPARENT BUNKER ADJUSTMENT FACTOR (BAF)

**From 1 January 2015, the obligatory use of the more expensive low sulphur Marine Gas Oil (MGO) on ships in the Baltic Sea, the North Sea and the English Channel will result in increased fuel costs and a new MGO bunker surcharge (BAF) instead of the current one. This brochure explains DFDS´ new MGO BAF**

### EXPECTED COST INCREASE

DFDS and a few other companies have invested in alternative solutions such as scrubbers that can wash sulphur out of the exhaust gases so the ship can continue using heavy fuel. But investments are very high, so only a very small number of ships will have a scrubber installed. Basically it will be an MGO based market after 1 January 2015.

Based on this scenario and other macro-economic developments, fuel suppliers anticipate a fuel price increase of € 200 per tonne of fuel.

### EXPECTED MGO BAF

DFDS ships consume about 400,000 tonnes of fuel annually. With additional costs of € 200 per tonne, it will increase our costs for fuel by € 80 million in total. In order to achieve a reasonable coverage of the expected cost increase, the MGO BAF will need to be an average of € 3 per lane metre for all our ships and routes. In addition to this our many passengers will also be taking their fair share of the extra burden put upon us by the sulphur rules.

### VARIATIONS BETWEEN ROUTES

The routes will not be equally affected by the cost increases. The length of the route, speed and type of ship affect fuel consumption. The volumes of cargo transported per tonne of fuel is for example:

| | |
|---|---|
| Dover - Dunkerque | 134 lane metres |
| Esbjerg - Immingham | 48 lane metres |
| On average (all routes) | 67 lane metres |

### HOW WE CALCULATE THE MGO BAF

Based on the actual consumption per route, we have calculated a cost increase factor for each route.

**On average** our ships transport 67 lane metres of cargo per tonne of fuel. This is factor 1, which corresponds to the average MGO BAF of € 3 per lane metre based on expected oil prices.

**The Dover - Dunkerque route** consumes only half of the fuel per lane metre transported than our fleet on average. Therefore it has factor 0.5.

**The Esbjerg - Immingham route** consumes more than our fleet on average per lane metre transported. Therefore it has factor 1.4.

### ROUTE MGO BAF PER LANE METRE

| | |
|---|---|
| All routes (factor 1 x € 3) | 3 € |
| Dover - Dunkerque (factor 0.5 x € 3) | 1.5 € |
| Esbjerg - Immingham (factor 1.4 x € 3) | 4.2 € |

### THE EXPECTED MGO BAF AFTER 1 JANUARY 2015 CALCULATED FOR ALL ROUTES

| Route BAF | € per lane metre |
|---|---|
| Copenhagen - Oslo | 4.25 |
| Amsterdam - Newcastle | 4.25 |
| Gothenburg - Immingham | 5.00 |
| Gothenburg - Ghent | 5.25 |
| Cuxhaven - Immingham | 4.75 |
| Esbjerg - Immingham | 4.25 |
| Vlaardingen - Felixstowe | 1.75 |
| Vlaardingen - Immingham | 2.75 |
| Rosyth - Zeebrugge | 8.25 |
| Klaipeda - Fredericia | 6.50 |
| Klaipeda - Karlshamn | 4.00 |
| Klaipeda - Kiel | 5.25 |
| Klaipeda - Travemünde | 5.25 |
| Russian routes | 18.50 |
| Portsmouth - Le Havre | 4.75 |
| Paldiski - Kapellskär | 3.25 |
| Dover - Dunkerque | 1.25 |
| Dover - Calais | 1.25 |

All figures used are approximate figures used to explain the new MGO BAF model. Furthermore, the anticipated oil price developments and exchange rates may change and affect the actual MGO BAF.

# Scrubbers

The use of MGO will be the main way of meeting the challenge of the new sulphur rules. However, there are other solutions too, such as using scrubbers that can remove sulphur from the exhaust gas or using other types of sulphur free fuels such as LNG.

**DFDS has decided to invest EUR 100 million in scrubbers on 21 vessels.**

The **installations** are ongoing and will be **completed in 2016**. However, this will cover less than half of our fleet. DFDS will also investigate the possibility of using LNG.

Due to the big investment in scrubbers and the extra costs of operating a ship with a scrubber, there will still be considerable increases in the cost of operating the ship.