FERRY ROUTES & LOGISTICS

DFDS Group Update

December 2018
WHAT WE DO
We move freight and passengers on 23 ferry routes in Europe and Turkey.
It’s all about the routes – and their location

Serving industrial clusters

Combined trade and travel
Our key freight customers are forwarders and hauliers.

Manufacturers of heavy goods are also important customers.
On 9 routes we move freight and passengers together.
We also provide transport and logistics solutions to a wide range of businesses.
# Freight, logistics & pax – northern Europe & Mediterranean

### Key services

<table>
<thead>
<tr>
<th>Freight routes</th>
<th>Logistics solutions</th>
<th>Passenger routes</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Trailers, unaccompanied &amp; accompanied</td>
<td>▪ Door-door full &amp; part loads</td>
<td>▪ Overnight</td>
</tr>
<tr>
<td>▪ Industry solutions</td>
<td>▪ Contract logistics</td>
<td>▪ Day</td>
</tr>
<tr>
<td>▪ Port terminals</td>
<td></td>
<td>▪ Transport/holiday</td>
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</tbody>
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### Share of Group revenue

- **Freight**: 80% freight
- **Passenger routes**: 20% pax

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80% freight

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20% pax
• **Ro-ro/ro-pax** shipping: roll on, roll off of freight units and passenger cars

• Routes carry both unaccompanied and accompanied trailers

• Other types of cargo, e.g. heavy industrial goods and containers, are placed on carrying equipment (mafis) and tugged on to the ship
FERRY TYPES

- Day ferry (ro-pax), Channel
- Freight ferry (ro-ro)
- Cruise ferry
- Combined freight and passenger ferry (ro-pax)
STRUCTURE & PERFORMANCE
DFDS structure, ownership and earnings split

DFDS Group

<table>
<thead>
<tr>
<th>People &amp; Ships</th>
<th>Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shipping Division</strong></td>
<td><strong>Logistics Division</strong></td>
</tr>
<tr>
<td>• 23 ferry routes - freight and passengers</td>
<td>• Door-door transport</td>
</tr>
<tr>
<td>• 43 ferries</td>
<td>• Contract logistics</td>
</tr>
<tr>
<td>• 7 port terminals</td>
<td>• 5,600 trailers and 3,500 containers</td>
</tr>
<tr>
<td></td>
<td>• 2 sideport ships and VSA/SCA*</td>
</tr>
</tbody>
</table>

**DFDS facts**

• Founded in 1866
• Activities in 20 European countries and Turkey
• 8,000 employees

**Shareholder structure**

• Lauritzen: 42%
• Free float: 56%
• Nasdaq Copenhagen
• Foreign ownership share: ~30%

**Revenue 2017-18 Q3 LTM per division**

<table>
<thead>
<tr>
<th>Division</th>
<th>Revenue (DKK bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipping Division</td>
<td>10.7</td>
</tr>
<tr>
<td>Logistics Division</td>
<td>5.3</td>
</tr>
<tr>
<td>Eliminations and other</td>
<td>-2</td>
</tr>
</tbody>
</table>

**EBITDA 2017-18 Q3 LTM per division**

<table>
<thead>
<tr>
<th>Division</th>
<th>EBITDA (DKK bn)</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipping Division</td>
<td>2.6</td>
<td>24.5% margin</td>
</tr>
<tr>
<td>Logistics Division</td>
<td>0.3</td>
<td>6.2% margin</td>
</tr>
<tr>
<td>Non-allocated items</td>
<td>-0.3</td>
<td>(</td>
</tr>
</tbody>
</table>

*Vessel sharing agreements/slot charter agreements on container ships
DFDS key figures

Revenue

Operating cash flow & NIBD/EBITDA

EBITDA & margin before special items

Invested capital & ROIC before special items

Operating cash flow & NIBD/EBITDA

ROIC, %

Inv cap, DKK bn

NIBD/EBITDA

Margin, %

DKK bn

Revenue

DKK bn

EBITDA & margin before special items

Margin, %

DKK bn

Invested capital & ROIC before special items

ROIC, %

Inv cap, DKK bn

NIBD/EBITDA

DKK bn

Operating cash flow & NIBD/EBITDA

DKK bn

Revenue

DKK bn

EBITDA & margin before special items

Margin, %

DKK bn

Invested capital & ROIC before special items

ROIC, %

Inv cap, DKK bn

NIBD/EBITDA

DKK bn

Operating cash flow & NIBD/EBITDA

DKK bn
BREXIT
DFDS’ UK exposure

• **Ferry routes** connecting UK to Continent and Scandinavia (business units Channel and North Sea plus Amsterdam-Newcastle)

• LTM revenue of around DKK 5.3bn with average operating leverage of 65%

• **Logistics:** UK & Ireland business unit mainly domestic. Traffics between Nordic and Continent

• LTM revenue of around DKK 3.4bn with average operating leverage of 15%

• **Mitigating factors and actions:**
  • Large cost base in GBP
  • Capacity adjustment: fewer departures, ferry reallocation, number of ferries
  • Cost cutting
  • Assets, processes and expertise
  • Duty-free sales
DFDS is planning for two scenarios

**Hard Brexit**  
March 29, 2019

- UK departs the EU at 11pm UK time
- UK gives up full access to the single market and full access of the custom union with the EU
- Likely fall back on World Trade Organisation (WTO) rules for trade with its former EU partners

**Transition period Brexit**  
December 31, 2020

- Transition period to allow UK to get most in place and allow businesses and others to prepare for the new post-Brexit rules between the UK and the EU (31 Dec, 2020)
- Free movement will continue during the transition

"UK could stay in EU customs union for years after Brexit transition"  
- [https://www.politico.eu](https://www.politico.eu) quoting senior U.K. and EU officials
Preparations focus on: assets, processes and expertise

**Assets**
New assets to enable new services and mitigate congestion and volume loss

**Processes**
New processes to grow business and ensure efficient operations

**Expertise**
Building expertise to address customs challenges
### Objective

<table>
<thead>
<tr>
<th>Enable new services and mitigate congestion</th>
<th>Asset-related activity</th>
<th>Activity description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Warehousing facilities</td>
<td>Additional facilities to hold additional stock pre and post clearance</td>
</tr>
<tr>
<td></td>
<td>Customs warehousing</td>
<td>Warehousing facilities to allow cargo to be held and split down prior to customs clearance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mitigate congestion</th>
<th>Cargo capacity</th>
<th>Assess capacity requirements to look for possible enhancements and expand footprints</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Parking space</td>
<td>Additional parking space to be used for advance check-in and/or triage</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Avoid shipping volume loss</th>
<th>TSF</th>
<th>Temporary Storage Facilities to allow third country transit through terminals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BIP facilities</td>
<td>Border Inspection Point facilities in relevant ports to avoid restrictions on shipping routes for certain goods</td>
</tr>
</tbody>
</table>
## New processes to grow business and efficient operations

<table>
<thead>
<tr>
<th>Objective</th>
<th>Process-related activity</th>
<th>Activity description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grow business</strong></td>
<td>Customs clearance</td>
<td>Offer customs documentation services to customers</td>
</tr>
<tr>
<td></td>
<td>Duty free</td>
<td>Duty free on PAX and RO-PAX routes to increase on-board sales</td>
</tr>
<tr>
<td><strong>Secure IT operations efficiency</strong></td>
<td>Full IT process stress test</td>
<td>Test assumed IT processes to assess weakness and required enhancements</td>
</tr>
<tr>
<td></td>
<td>IT requirements map</td>
<td>Map IT requirements in relevant geographies to be prepared for customs system and integration</td>
</tr>
<tr>
<td><strong>Secure cross-border operations efficiency</strong></td>
<td>AEO</td>
<td>Authorized Economic Operator application in progress to facilitate simplified customs processes and to reduce financial guarantee requirements</td>
</tr>
<tr>
<td></td>
<td>Driver permit requirements</td>
<td>Preparing for possible requirements of permits for UK hauliers to carry out operations into the EU and vice versa</td>
</tr>
</tbody>
</table>
# Building expertise to address customs challenges

<table>
<thead>
<tr>
<th>Objective</th>
<th>Expertise-related activity</th>
<th>Activity description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build internal customs expertise</td>
<td>Customs team</td>
<td>Customs clearance teams being set up, trained and upsized across the divisions</td>
</tr>
<tr>
<td>Address external customs expertise challenges</td>
<td>Working groups</td>
<td>Dedicated groups of local BUs formed to solve common challenges</td>
</tr>
<tr>
<td></td>
<td>Customs general meeting</td>
<td>Custom community colleagues meeting to align with management on work ahead and main questions</td>
</tr>
<tr>
<td></td>
<td>Knowledge of requirements</td>
<td>Prepare for challenge of industry-wide limited knowledge of customs requirements, including safety and security declarations, animal and plant health</td>
</tr>
<tr>
<td></td>
<td>Customer preparation</td>
<td>Address possible lack of preparation of industrial customers and smaller trailer operators; not an issue for large customers who will be more prepared</td>
</tr>
</tbody>
</table>
Contingency plan triggered if hard Brexit confirmed

- Create short-term capacity in terminals to reduce traffic e.g. by renting extra space
- Postpone docking of vessels from Q1 to Q2 to cater for pre-Brexit trade spike (already decided)

- Focus on sales by supporting customers in navigating Brexit and participating in customer-driven solutions
- Agree/implement use cases that are prioritized must-have solutions
- Ensure full compliance by setting up team to analyze new rules and regulations

- Ramp up customs officers significantly in relevant locations
- Upskill our people through accelerated training programs incl. on-the-job training
MEDITERRANEAN
U.N. Ro-Ro owns 60% of Port of Trieste's operator (Samer Seaports Company), owns the company that has the concession agreement that operates the port of Pendik.

Pendik port is fully owned and has access to major markets in the EU, Germany, and the UK. It offers weekly sailings to various destinations:

- Pendik (Istanbul) - Trieste: Six sailings
- Two stop-overs in Bari
- Two stop-overs in Patras (from May 2018)
- Two stop-overs in Ambarli
- Ambarli - Trieste: One sailing
- Pendik (Istanbul) - Toulon: Three sailings
- Mersin - Trieste: Two sailings

Source: U.N. Ro-Ro
U.N. Ro-Ro overview

Business overview

- Established 1994, #1 freight ferry operator in Turkey in terms of market share, number and capacity of vessels

- 5 routes between Turkey and France/Italy with a fleet of 12 modern Ro-Ro vessels

- U.N. Ro-Ro’s operation is based on an intermodal setup, combining land, sea and railways for trucks

- The Company caters to the international transport companies, importers and exporters in Turkey

Key figures

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<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>195,1</td>
<td>192,8</td>
<td>185,2</td>
<td>224,7</td>
</tr>
<tr>
<td>EBITDA</td>
<td>72,9</td>
<td>84,4</td>
<td>81,2</td>
<td>94,3</td>
</tr>
<tr>
<td>Margin</td>
<td>37%</td>
<td>44%</td>
<td>44%</td>
<td>42%</td>
</tr>
<tr>
<td>EBIT</td>
<td>31,2</td>
<td>46,2</td>
<td>47,0</td>
<td>66,6</td>
</tr>
<tr>
<td>Margin</td>
<td>16%</td>
<td>24%</td>
<td>25%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: U.N. Ro-Ro Corporate Presentation, Company data and press releases
Mediterranean’s geographical reach

Mediterranean’s Target and Secondary Markets

Target Market  Secondary Market  Port of Trieste Operated by U.N. Ro-Ro  Other Ports in U.N. Ro-Ro Network

Note: (1) Long term concession with freeport status. U.N. Ro-Ro owns 60% of Port of Trieste's operator (Samer Seaports Company). (2) c. 74k sqm owned and c. 26k sqm leased from the state.
EU is important and balanced trade partner with Turkey

Turkey’s top trade partners (2017)

- Germany
- China
- Russia
- US
- Italy
- UK
- UAE
- France
- Spain
- Iran
- Iraq
- Switzerland
- Netherlands
- South Korea
- India
- Belgium
- Poland
- Romania
- Japan
- Israel

Exports and Imports

Source: Macro Advisory Partners 2018
UNRR – cargo split on routes

- **Semi-manufactured goods** used as parts in Turkish manufacturing plants comprise around two thirds of import volumes carried on DFDS routes.
Turkish trade historically resilient in face of TRY depreciation

Turkey trading, indexed import/export **ro-ro volumes**, and exchange rate TRY/EUR

**Crisis 1**  
Banking led crisis starting in Nov 2000  
5.7% drop in GDP in 2001  
EUR/TRY depreciated 91% in 2001

**Crisis 2**  
Global financial crisis  
EUR/TRY depreciated 7% in 2008 and 13% in 2009

**Crisis 3**  
Political unrest 2013-14  
EUR/TRY depreciated 9% in 2013 and 15% in 2014

**Crisis 4**  
Depreciation sparked by conflict with USA
Import ro-ro volumes exceed export volumes

EUR:TL vs. Export-Import Volume Specific to Ro-Ro

Source: Drewry Shipping Consultants LTD
Robust Mediterranean volume development

- **Jan-Sept* volumes:** +3.0%
- **Q3 volumes:** -0.8%
- Volumes consistently above 2017 until July
- TRY depreciation and extended holiday lowered volumes in August
- Rebound to above 2017 in September, positive impact from catch-up after holiday

*DFDS acquired UNRR with effect from 7 June 2018*
Current priorities

• Preparing for *Brexit* transition

• **Customer satisfaction** – grow the topline

• Continue push for *efficiency* improvements

• Improve performance of Passenger business unit

• Integration of **U.N. Ro-Ro**

• Realise our next steps in *digital strategy*

• Deployment of two freight *new buildings* (ro-ro) beginning 2019

• Pursue value-creating **M&A**