# *STRONG Q2 RESULT*

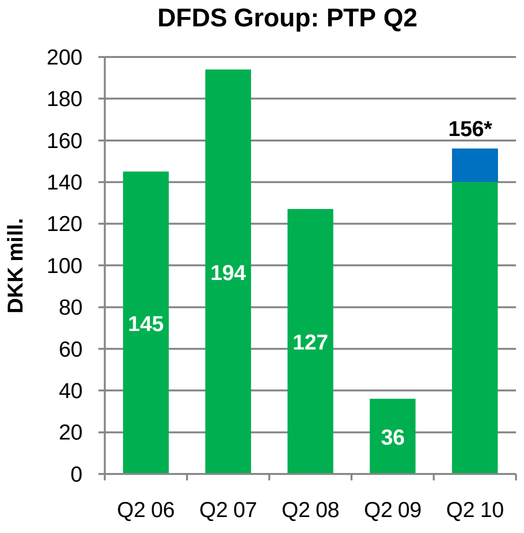
## Q2 2010 REPORT

**18 August 2010**
Copenhagen

DFDS

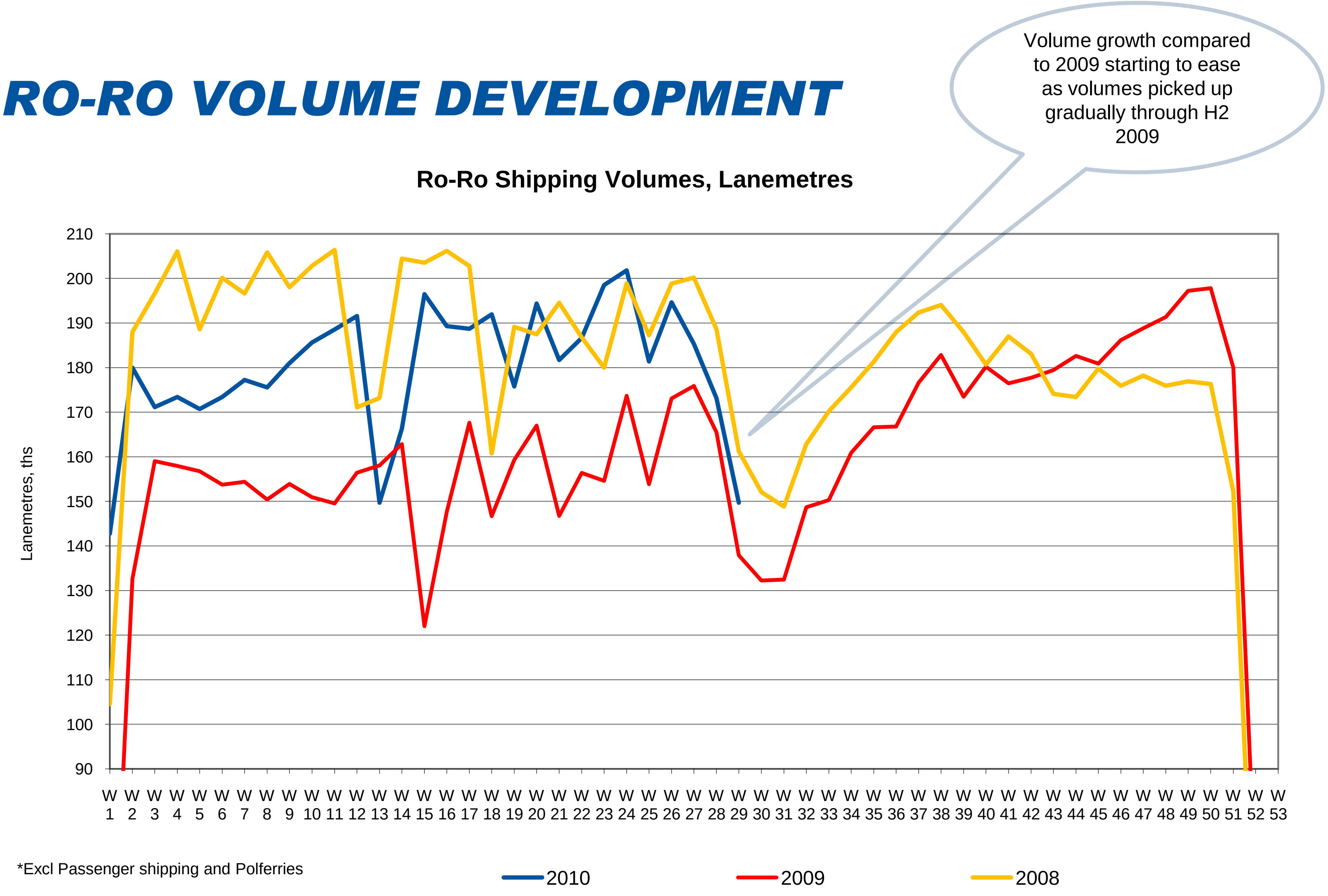
# STRONG RO-RO PERFORMANCE IN Q2

- Higher than anticipated ro-ro volume growth pushed Q2 earnings above our expectations – combined with higher earnings from passenger routes and efficient operations
- Price of bunker was up around 60% in Q2, but overall around 75% of increase offset by surcharges
- Passenger routes were boosted by increased demand as air space shut down in April
- Terminal operations in Immingham continued to perform better than expected
- Turnaround projects initiated for Irish/Continental container routes and Belgian trailer operations
- Tonnage situation is still satisfactory with a low level of redelivery risk
- **DFDS stand-alone profit upgrade:** Full-year PTP upgraded by DKK 75 mill. to approx. DKK 275 mill.
- **DFDS and Norfolkline combined profit expectation:**
  - Combined company PTP of approx. DKK 325 mill.
  - Net Norfolkline costs in H2 2010 of approx. DKK 150 mill. (transaction, integration & finance)
  - Total pre-tax profit of approx. DKK 175 mil.




*Adjusted for Norfolkline costs of DKK 16 mill.

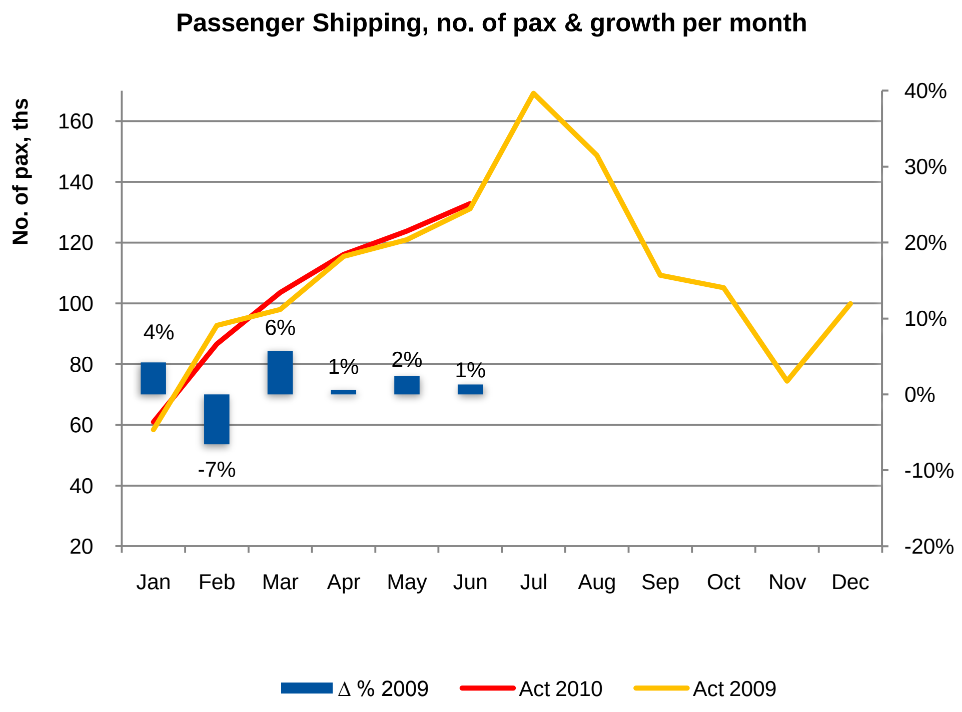
# RO-RO VOLUME DEVELOPMENT




*Excl Passenger shipping and Polferries

# PASSENGER SHIPPING - PAX VOLUME

- Total pax volume for Q2 2010 was 373 ths, an increase of 1.4% compared to 2009
- Pax volume on Oslo up by 1.3% in tough market, Amsterdam-Newcastle up by 2.5%, and Esbjerg-Harwich was 3.2% lower as no. of departures was 9.4% lower
- Overall contribution from seafare per pax up by 8.6% boosted by higher demand from ash cloud closure of air space
- Overall improvement in contribution from onboard spend per pax of 4.3% due to combination of higher spend and lower cost



# BUSINESS UNIT PERFORMANCE Q2 2010

- **Ro-Ro Shipping:** Revenue up 23% ex BAF & charter. 17% volume growth with all 3 regions contributing: Baltic 33% plus growth in passengers, North Sea 16% and Continent 14%. EBITDA rose 64% as capacity utilization improved and SEK strengthened

- **Container Shipping:** Revenue reduced by lower activity for Irish/Cont. routes and decline in paper volumes. EBITDA was up by DKK 5 mill. as improved Chartering operations offset lower earnings for Shipping Logistics impacted by external strike and lower paper volumes

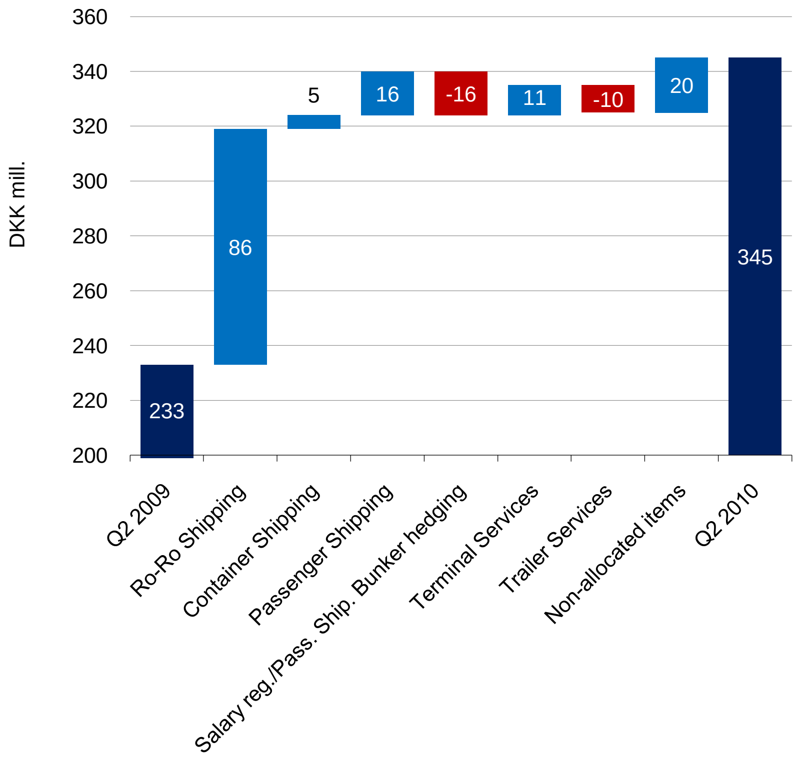
- **Passenger Shipping:** Revenue up by 7% as ash cloud shutdown boosted demand. EBITDA rose by 16% or DKK 16 mill. adjusted for seafarer salary adjustment re prior years of DKK 8 mill. and bunker hedging gain in 2009 of DKK 8 mill.

- **Terminal Services:** Revenue up by 33% following volume growth in Ro-Ro Shipping and increased break-bulk activity in Maasvlakte. EBITDA was up by DKK 11 mill. mostly from improved earnings in Immingham

- **Trailer Services:** Revenue up 27%, around half of the increase due to takeover of German trailer activities in 2009. Turnaround initiated for Belgian activities with improved operations expected in H2

- **Non-allocated:** EBITDA up by DKK 20 mill. due to transfer of passenger ship (QoS) and savings and periodisation of costs

**EBITDA: DFDS Group & Business Units (ex. Norfolkline costs)**



# *FINANCIALS*

Q2 2010

18.08.10

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# KEY FIGURES Q2 2010

**Revenue**

- Increased by 18.4% and 14.8% adjusted for BAF
- Around 60% of increase generated by Ro-Ro Shipping on the back of volume growth of 17.2%
- Revenue increase in Terminal Services due to higher ro-ro volumes in Immingham and more break-bulk in Maasvlakte
- Passenger Shipping's revenue boosted by ash cloud impact

**Costs & EBITDA**

- EBITDA up by 48.3% ex. Norfolkline costs from higher activity and margin improvement of 3.6 ppt
- Slight improvement in variable operating cost ratio
- Considerable increase in bunker cost ratio, but surcharges cover around 75% of rise
- Charter hire ratio is lowered due to redelivery of vessels; revenue from charters also reduced
- Ratios for semi-fixed staff and sales/administration costs lowered through scale and more efficient operations

**Other**

- Increase in depreciations mostly due to ship investments in Ro-Ro Shipping
- Impairment on a passenger ship of DKK 18 mill. in 2009

| DKK mill. | Q2 2009 | Q2 2010 | Δ 10/09 |
|---|---|---|---|
| **Revenue** | **1.648** | **1.951** | ***303*** |
| **Costs:** | | | |
| Operating costs | -663 | -772 | *-109* |
| *% of revenue* | *40,2* | *39,6* | *-0,7* |
| Bunker | -155 | -264 | *-109* |
| *% of revenue* | *9,4* | *13,5* | *4,1* |
| Charter hire | -162 | -135 | *27* |
| *% of revenue* | *9,8* | *6,9* | *-2,9* |
| Staff costs | -336 | -339 | *-3* |
| *% of revenue* | *20,4* | *17,4* | *-3,0* |
| Sales & administration | -99 | -95 | *4* |
| *% of revenue* | *6,0* | *4,9* | *-1,1* |
| **EBITDA** | **233** | **346** | ***113*** |
| *Margin, %* | *14,1* | *17,7* | *3,6* |
| Profit/loss of associates | 1 | 1 | *0* |
| Profit on asset disposal | 7 | 1 | *-6* |
| Depreciation | -141 | -150 | *-9* |
| Impairment | -18 | 0 | *18* |
| Value adj. goodwill | 0 | 0 | *0* |
| **EBIT** | **82** | **198** | ***116*** |
| *Margin, %* | *5,0* | *10,1* | *5,2* |
| Net finance | -46 | -42 | *4* |
| **Pre-tax profit ex. Norfolkline** | **36** | **156** | ***120*** |
| Norfolkline costs | 0 | -16 | *-16* |
| **Profit before tax** | **36** | **140** | ***104*** |

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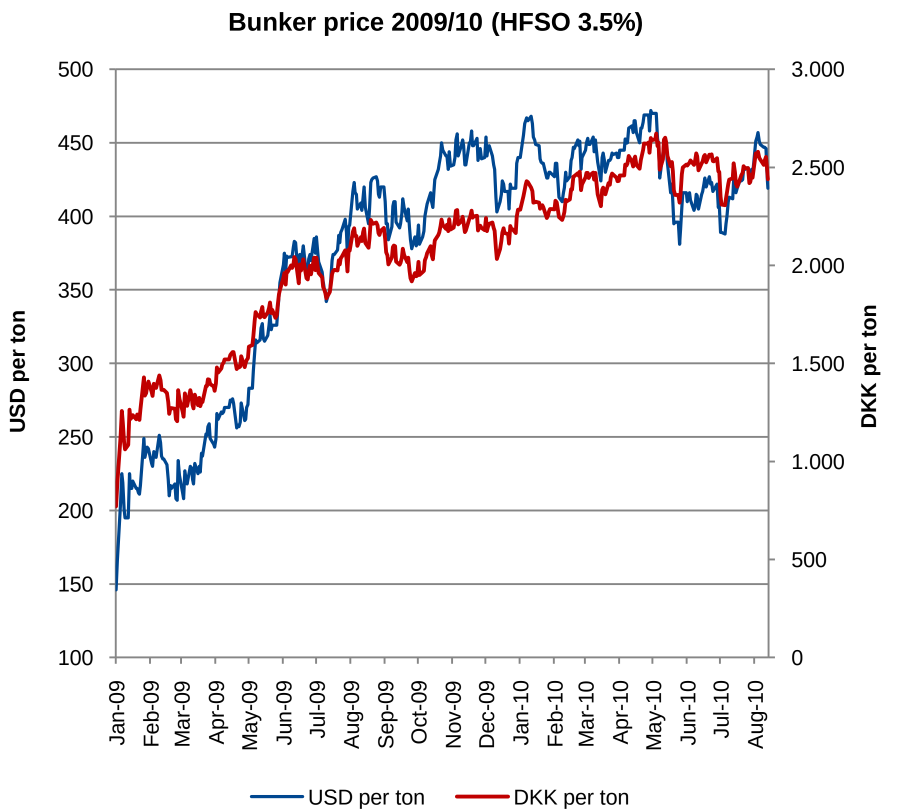
# BUNKER DEVELOPMENT IN Q2

- Average bunker price (FOB) in DKK per ton rose 58% in Q2 2010 compared to Q2 2009
- Bunker consumption in Q2 2010 totalled 92.3 ths ton, a reduction of 6.0% compared to 2009, equal to a saving of DKK 17 mill.
- Reduction achieved from bunker optimisation programmes and slightly fewer sailings
- In Q2 Ro-Ro Shipping accounted for 67% of DFDS' bunker consumption and Passenger Shipping 20%
- High level of BAF coverage in Ro-Ro Shipping supported by high volume growth on Baltic routes
- Pax surcharge coverage in Passenger Shipping of approx. 65% in Q2 supported by ash cloud impact

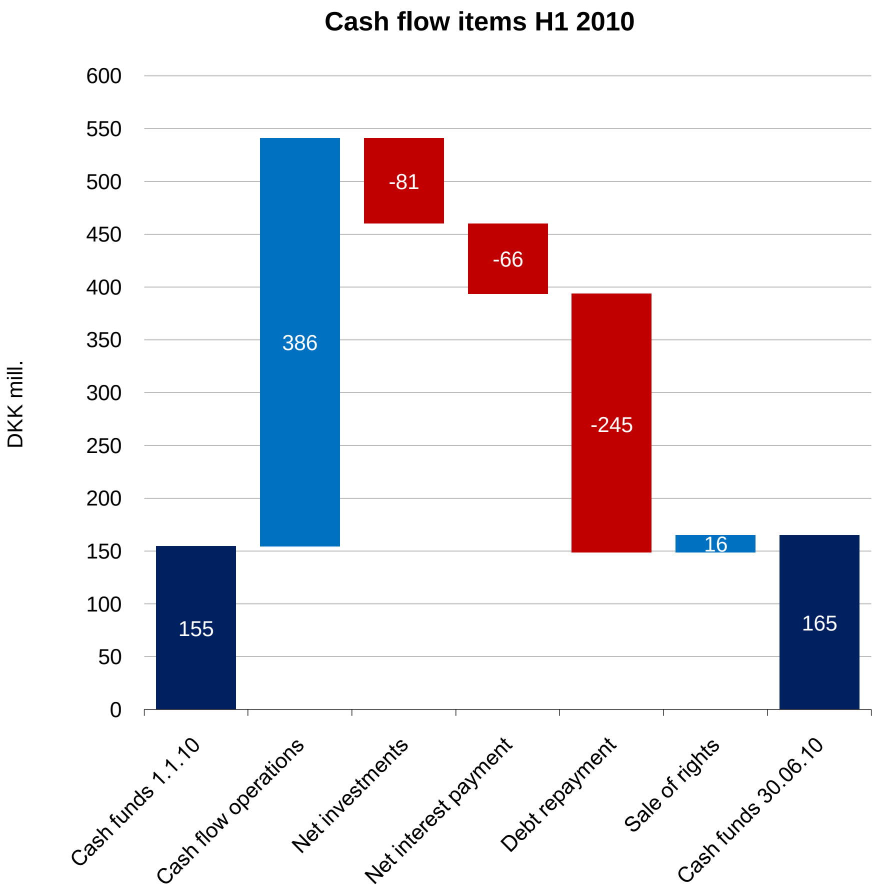


# ORGANISATION'S PRODUCTIVITY IMPROVING

- Average no. of employees was 3,731 in Q2 2010, a reduction of 6.9% compared to 2009
- Revenue ex BAF per employee up 23% compared to overall revenue growth of 15%. Comparable to Q3 2007 level
- No. of employees reduced through closing of routes and efficiency programmes
- Manning levels on freight ships have been reduced in Project Lightship

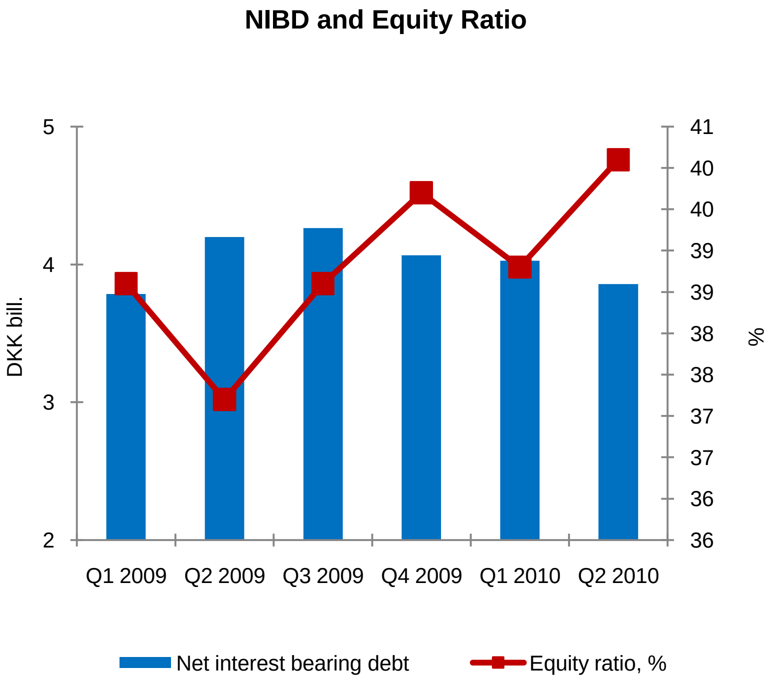
# CASH FLOW & INVESTMENTS – H1

- Cash flow from operations of DKK 386 mill. in H1 2010
- Net investments of DKK 81 mill., mainly docking of ships
- Net interest payment of DKK 66 mill.
- Net repayment of debt of DKK 245 mill.
- Proceeds from sale of rights was DKK 16 mill.



# ASSETS AND CAPITAL STRUCTURE

- Total assets were up by 2.2% in Q2 2010 to DKK 9,507 mill. compared to year-end 2009, mostly from an increase in current assets
- Average invested capital was DKK 7,931 mill. in Q2 2010, a slight decrease compared to Q1
- Net-interest bearing debt reduced by DKK 210 mill. from end of Q4 2009 to DKK 3,857 mill. at end of Q2 2010
- Projected low level of investment in 2010 expected to reduce invested capital with approx. 3% FY 2010
- NIBD/EBITDA multiple was 4.2 at end of H1 2010 and is expected to drop to a level of 3.3 for FY 2010 (ex. Norfolkline costs)



# *UPDATE ON NORFOLKLINE ACQUISITION*

# UPDATE ON NORFOLKLINE

- Norfolkline's earnings are seasonal with majority of earnings captured in H2, and particularly Q3. Seasonality in Ferry more pronounced than in Logistics
- EBITDA for H1 2010 reduced by EUR 5.9 mill. compared to 2009:
  - **Ferry's** revenue increased by 13.0% and 8.0% adjusted for new route Rosyth-Zeebrugge. Growth driven by North Sea and Irish Sea; slight revenue decline on Channel
  - All **Ferry** activities impacted by considerable increase in bunker costs and, in addition, North Sea operating profit structure changed by replacement of two owned vessels by chartered vessels
  - **Logistics'** revenue increased by 5.4%
  - **Logistics'** EBITDA overall on a level with 2009. Improved performance in UK/Irekand and Nordic offset by weaker performance in Continent
  - Overall Norfolkline Group result in line with expectations

**Norfolkline - Half-year P/L**

| EUR mill. | H1 2009 | H1 2010 | Δ 10/09 |
|---|---|---|---|
| **Revenue** | **280,2** | **306,9** | **26,7** |
| **EBITDA** | **6,9** | **1,0** | **-5,9** |
| Sale of assets | 0,1 | 26,0 | 25,8 |
| Result of associated company | -0,1 | 0,6 | 0,7 |
| Depreciations | -17,0 | -15,6 | 1,4 |
| **EBIT** | **-10,1** | **12,0** | **22,1** |
| **EBIT, adjusted for sale of assets** | **-10,2** | **-13,9** | **-3,7** |

# INTEGRATION STARTED 12 JULY

## Transaction

- Conduct confirmatory due diligence of NFL
- Finalize deal structure, price, ownership
- Investigate impacts of purchase accounting
- Prepare debt/equity financing
- Execute SPA
- Begin anti-trust process
- Create prospectus for share offering

**COMPLETED**

***May – Dec 2009***

## Transition

- Continue work from transaction phase
- Define transition organization
- Understand systems/ setups of both organizations
- Meet each other, familiarize ourselves
- Host conference for key managers
- Create communications strategy
- Create integration plans & quantify synergies
- Investigate branding strategy

**COMPLETED**

***Jan – Jun 2010***

## Integration

- Appoint management
- Confirm integration organization
- Finalize 100 Day Plan
- Execute 100 Day Plan
- Begin Customer discussions
- Finalize integration plans
- Begin large-scale integration efforts
- Monitor & track synergy realization

**ONGOING**

***July 2010 – end 2012***



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# EXPECTED ANNUAL COST SYNERGIES

- Synergy increase mainly from logistics, procurement and integration of group functions
- Completion of main part of integration plan expected by end of 2011 equal to around 2/3 of synergies
- Total implementation costs and investments of DKK 175-200 mill., incl. re-branding costs
- Main investments cover IT and port terminals
- Potential from sale of assets not included
- Around 65% of synergy capture considered low risk

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

# GOING FORWARD

2010

# GENERAL MARKET OUTLOOK 2010

- In Q2 freight volumes were up in the Baltic and Scandinavian markets while growth was more modest in the market regions related to the UK
- Rate levels generally stabilised during Q2
- Growth levels in the ro-ro and trailer markets weakened towards the end of Q2
- Volumes in the container market are growing in the North Sea area but stagnant between the Irish Sea and the Continent
- Freight market growth is expected to be positive in H2, albeit at a lower level than in H1, with Q3 currently appearing stronger than Q4 – overall market visibility continues to be low
- Pax volumes in Northern Europe were lower than Q2 2009 with Scandinavian markets performing below Baltic and UK markets
- Bunker prices and exchange rates continue to be volatile

# DFDS GROUP EXPECTATIONS 2010

**DFDS stand-alone**

- Revenue: Expected to rise by 12-14%, previous expectation was 10%, primarily higher volumes in Ro-Ro Shipping and Terminal Services
- EBITDA is expected to rise by around 25%, previous expectation was 15-17%
- A Pre-tax Profit of approx. DKK 275 mill. is currently expected for 2010, previous expectation was approx. DKK 200 mill.
- Investments (excl. acquisitions): Unchanged around DKK 150 mill. as only maintenance investments are expected

**Combined company**

- For the combined company a Pre-tax Profit of approx. DKK 325 mill. is expected with Norfolkline contributing approx. DKK 50 mill.
- Total costs related to the Norfolkline acquisition of DKK 150 mill. include three items:
  - Transaction: DKK 50 mill.
  - Integration, net: DKK 80 mill.
  - Financing, net: DKK 20 mill.
- Total Pre-tax Profit of approx. DKK 175 mill. expected

# BUSINESS UNIT EXPECTATIONS 2010

## EXCLUDING NORFOLKLINE AND ALL RELATED ITEMS

| Business unit | Revenue growth | EBITDA growth | Comments | Strategic focus |
|---|---|---|---|---|
| Ro-Ro Shipping | 16-18% (12-14%) | 35-40% (20-25%) | Upgrade due to higher volumes and lower tonnage costs | Restructuring of non-profitable routes |
| Container Shipping | Level (2-3%) | Improvement of DKK 30-40 mill. (DKK 30-40 mill.) | Downgrade due to continued severe competition on Irish/Continent routes | Improve earnings for Irish/Continental routes and Shippng Logistics |
| Passenger Shipping | 4-6% (2-4%) | -10% (-12-14%) | Upgrade due to higher activity and oboard spend, incl. volcanic cloud impact | Improve earnings for Amsterdam-Newcastle route |
| Terminal Services | 15-20% (7-9%) | Improvement of DKK 30-35 mill. (DKK 25-30 mill.) | Upgrade due to higher activity in Immingham | Improve earnings for port terminal in England. Third party volumes |
| Trailer Services | 20-25% | -30% (0%) | Downgrade due to Belgian operations | Improve earnings for Belgian activities |
| Non-allocated items/eliminations | n.a. | Improvement of DKK 20 mill. (DKK 20 mill.) | Passenger ship chartered out (negative depreciation impact of DKK 23 mill.) | Rationalisation of processes for central functions |
| **DFDS Group total** | **12-14% (~10%)** | **~25% (15-17%)** | | |

( ) = previous expectation

# THANK YOU

Q&A