E-NAVIGATION CONFERENCE

PRESENTATION OF DFDS

HOW DO WE PREPARE FOR THE FUTURE?

January, 2018
Niels Smedegaard
President & CEO
Main topics:

1. What we do
2. How we perform
3. How we prepare for the future
WHAT WE DO
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>• 57 vessels</td>
<td>• 5000 trailers</td>
</tr>
<tr>
<td>• 7 terminals</td>
<td>• 4000 containers</td>
</tr>
</tbody>
</table>

**DFDS facts**

- Founded in 1866
- Activities in 20 European countries
- 7,700+ employees

**Shareholder structure**

- Listed on Copenhagen Stock Exchange
- Lauritzen Foundation: 42%
- Foreign ownership share: ~30%

**Revenue 2016 per division**

- Logistics Division: 700 EURm (35%)
- Shipping Division: 1300 EURm (65%)
- Eliminations and other: 0 EURm

**EBITDA 2016 per division**

- Logistics Division: 40 EURm (5.1% margin)
- Shipping Division: 325 EURm (25.8% margin)
- Non-allocated items: 0 EURm
Freight shipping, logistics and passengers – three businesses

<table>
<thead>
<tr>
<th>Freight Shipping</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></td>
<td></td>
<td>▪ Transport/holiday</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Cruise ferry</td>
</tr>
</tbody>
</table>

Share of Group revenue

- **Freight**: 80% freight
- **Passenger**: 20% pax
DFDS route network
- an integrated part of Europe’s infrastructure
Logistics division is a key customer of the route network

- Top 3 customer of Shipping division
- 8% of total shipping volumes
OUR HARDWARE...

- Day ferry (ro-pax). Channel, e.g. Dover-Dunkirk
- Combined freight and passengers (ro-pax). Baltic, e.g. Riië-Klaipeda
- Passenger, e.g. Copenhagen-Oslo
- Freight only (ro-ro). North Sea, e.g. Gothenburg-Immingham
- Passengers with freight (cruise ferry). Passenger, e.g. Gothenburg-Immingham
- Baltic, e.g. Kiel-Klaipeda
Our terminals are an integrated part of the supply chain
HOW WE PERFORM
Our three key change phases so far…

**The Strategic Drivers Remain Intact…**

1. **Network Strength**
   - Expanded network in Europe
   - Average operating margin and tonnage availability

2. **Integrated Operations**
   - Combined shipping and logistics, backhauling, container, cargo, and terminals
   - Combined freight and passenger shipping

3. **Financial Strength and Performance**
   - Assured long-term carrier through cyclical
   - Faster response to opportunities
   - Shareholder value focus

**unchanged strategic goals**

**Network goals**
- Increase customer offerings within the current network
- Northern European network moving towards a European based network

**Financial goals**
- Reach 10% ROIC
- Organic growth target of minimum 1.5 times GDP growth

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**Value creation**

Rethink DFDS

2007 – 2009
2010 – 2012
2012
The DFDS WAY has become our “DNA” and key to our success

OUR OPERATING MODEL

- Customer driven
- Continuous improvement
- Best practice
- Leveraging scale
- Performance culture

OUR BEHAVIORS

- We care
- We serve our customers with passion
- We listen before making decisions
- We do what we say we’ll do if we see a problem, we fix it
- We learn, develop and improve every day
A nice development in key financial measures
The ultimate proof of our value creation success

The transportation and logistics top 10, 2012-2016 (Boston Consulting Group)

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>Avg. annual TSR(^1), (%)</th>
<th>Market value(^2), ($bn.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 DFDS</td>
<td>Denmark</td>
<td>40.0</td>
<td>2.6</td>
</tr>
<tr>
<td>2 National Shipping</td>
<td>Saudi Arabia</td>
<td>34.0</td>
<td>4.6</td>
</tr>
<tr>
<td>3 Macquarie Infrastructure</td>
<td>United States</td>
<td>31.2</td>
<td>6.7</td>
</tr>
<tr>
<td>4 XPO Logistics</td>
<td>United States</td>
<td>28.4</td>
<td>4.8</td>
</tr>
<tr>
<td>5 Old Dominion Freight Line</td>
<td>United States</td>
<td>26.0</td>
<td>7.1</td>
</tr>
<tr>
<td>6 DSV</td>
<td>Denmark</td>
<td>26.0</td>
<td>8.3</td>
</tr>
<tr>
<td>7 Deutsche Post</td>
<td>Germany</td>
<td>25.7</td>
<td>39.4</td>
</tr>
<tr>
<td>8 Sinotrans</td>
<td>China</td>
<td>25.4</td>
<td>2.1</td>
</tr>
<tr>
<td>9 Central Japan Railway</td>
<td>Japan</td>
<td>25.2</td>
<td>32.4</td>
</tr>
<tr>
<td>10 TFI International</td>
<td>Canada</td>
<td>25.1</td>
<td>2.4</td>
</tr>
</tbody>
</table>

\(^1\) Total shareholder return for 44,000 companies
\(^2\) Only listed companies from 2012 through 2016
\(^3\) 28 industry groups with a valuation above USD 2bn

**Note 1:** TSR: Total Shareholder Return (Shareprice increase + dividend yield)

**Note 2:** As of December 2016
HOW DO WE PREPARE FOR THE FUTURE?
Two main areas of challenges…

We must avoid complacency

Dramatic “digital” change at exponential speed is all around us

“Nearly one-tenth of public companies disappear each year - a fourfold increase in mortality since 1965.”

Boston Consulting Group
Disruption may seem far away, but we are all users...
New technologies hitting our driveway…

Do our new behaviors have an impact?
You bet they do!

Market capitalization

$355.9

$297.8

Market capitalization as of 30 December 2016
It started slowly 10 years ago…

<table>
<thead>
<tr>
<th>Company</th>
<th>Market value 2006</th>
<th>Market value 2016</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>sears</td>
<td>$27.8B</td>
<td>$1.1B</td>
<td>↓ 96%</td>
</tr>
<tr>
<td>JCPenney</td>
<td>$18.1B</td>
<td>$2.6B</td>
<td>↓ 86%</td>
</tr>
<tr>
<td>NORDSTROM</td>
<td>$12.4B</td>
<td>$8.3B</td>
<td>↓ 33%</td>
</tr>
<tr>
<td>kmart</td>
<td>$24.2B</td>
<td>$8.8B</td>
<td>↓ 64%</td>
</tr>
<tr>
<td>macy’s</td>
<td>$24.2B</td>
<td>$11.0B</td>
<td>↓ 55%</td>
</tr>
<tr>
<td></td>
<td>$28.4B</td>
<td>$13.2B</td>
<td>↓ 54%</td>
</tr>
<tr>
<td>TARGET</td>
<td>$51.3B</td>
<td>$40.6B</td>
<td>↓ 21%</td>
</tr>
<tr>
<td>Walmart</td>
<td>$214.0B</td>
<td>$212.4B</td>
<td>↓ 1%</td>
</tr>
<tr>
<td>amazon</td>
<td>$17.5B</td>
<td>$355.9B</td>
<td>↑ 1,934%</td>
</tr>
</tbody>
</table>
…with a new technology it can go even faster
So what are the lessons?

- It may feel like small incremental changes in technology, but over time the impact is huge and dramatic.

- It is just so difficult for “old” companies to adapt to the accelerating change in technology…

…but it is not impossible.
Disruption will come, also to more traditional businesses...

So much great stuff going on! #uberfreight
5:23 AM - 8 May 2017 - Pittsburgh, PA
The challenge!

Rate of change vs Time

- Human adaptability
- Technology

We are here
The challenge!

![Graph showing human adaptability and technology over time.]

- Human adaptability
- Technology

We are here
Case study:

The National Single Window (NSW) project in the EU
**Vessel reporting structure in the old system**

**Reporting structure before NSW**
- Individual shipping companies
- "Paper based" reporting templates
- National maritime authorities

**Previous Set-up**
- "Paper based" systems between national authorities and shipping company
  - Submission via emails, fax or use of ship agents
  - However, easy to "re-use" templates/information per voyage

**Challenges**
- Risk of errors and duplications in documentation
- Less transparency
- Time consuming from a national authority point of view
The intended "National Single window" would benefit all parties

**Intended reporting structure**

<table>
<thead>
<tr>
<th>Individual shipping companies</th>
<th>One electronic touch point reporting</th>
<th>National maritime authorities</th>
</tr>
</thead>
</table>

**Intended set-up**

- Simplify and harmonize the admin burden when reporting "Go digital"
- Clear definition on intended set-up – however, the countries were responsible for developing their own systems

**Benefits (in theory)**

- One single, simple reporting set-up for the shipping company and authorities
- Further transparency and easy sharing of data across national authorities
... however it ended up creating an even bigger burden on the shipping companies

**Actual reporting structure**

- Individual shipping companies
- Multiple touch point reporting
- National maritime authorities

**Actual set-up**

- Member states have developed their own systems - no coordination from the industry’s point of view
- Shipping companies to report to multiple national systems
- Cumbersome online reporting

**Challenges**

- High IT cost (EDI/infrastructure set-up for shipping companies)
- Online reporting is difficult for vessels due to little upload speed (satellite) and server capacity
- Unclear roll out - differs from country to country
- DFDS has 30,000 voyages/year @ 1.5 hours per trip equals 25 man years
Scope of our digital transformation

- Digitise our existing business
- Business model innovation

Enablers

Moonshots

Extended

Core Products Services

Shipment Logistics Passenger
DFDS Terminal app
Technologies we follow and test in DFDS

• Autonomous vehicles/vessels
• Augmented reality
• Energy 2.0
• Big data
• Blockchain
• Robotics
AUGMENTED reality
Technologies we follow and test in DFDS

• Autonomous vehicles/vessels
• Augmented reality
• Energy 2.0
• Big data
• Blockchain
• Robotics
“We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.”

Bill Gates
THANK YOU