



DFDS AND BREXIT

VL DØGNET

JUNE 7, 2018

Agenda



Who are we?



What do we do?



How does Brexit
impact us?

DFDS is one of the largest shipping and logistics operators in Europe



We operate ships, terminals and trailers...



...across a large European shipping and logistics network



Revenue 2017



6,4bn DKK

Shipping Freight



2,2bn DKK

Passenger



5,2bn DKK

Logistics



DFDS Total

13,8bn DKK

DFDS is highly exposed to Brexit

Revenue split on trade lane and business, 2017 mDKK



Summary of exposed revenue

Logistics

Total UK related revenue 2017, mDKK:

2,700

Share of Logistics revenue:

54%

Shipping Freight

Total UK related revenue 2017, mDKK:

4,200

Share of Shipping Freight revenue:

65%

Passenger

Total UK related revenue 2017, mDKK:

1,200

Share of Passenger revenue:

53%

DFDS, Total

Total UK related revenue 2017, mDKK:

8,100

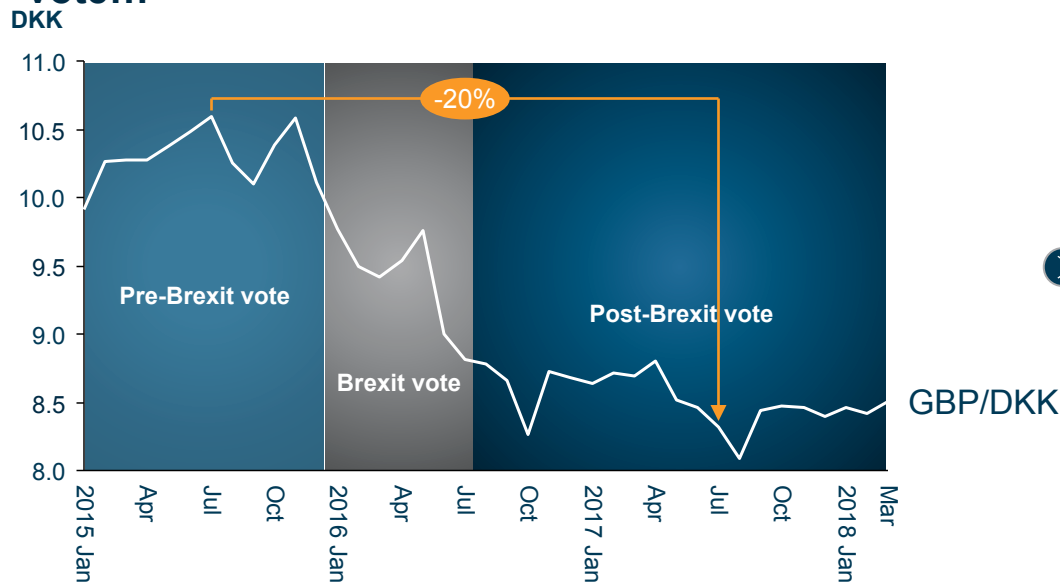
Share of total DFDS revenue:

59%

⁶ Note: Revenue shares calculated excl. U.N. Ro-Ro
Source: DFDS

Phase 1: Brexit vote creating uncertainty, resulting in the depreciation of the GBP

Depreciating exchange rates post-Brexit vote...



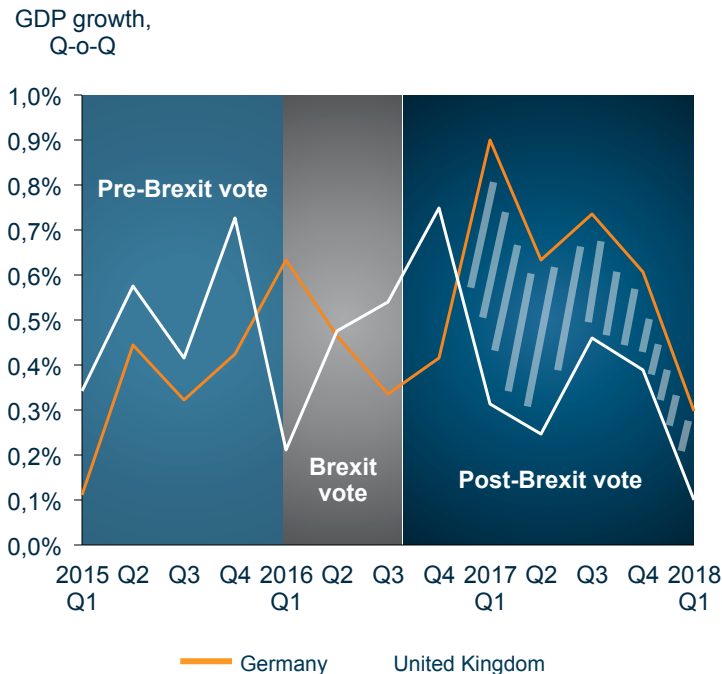
...impacting DFDS' topline

Translation loss
of revenue due to
depreciation of
the GBP 2016 vs
2017

600m DKK

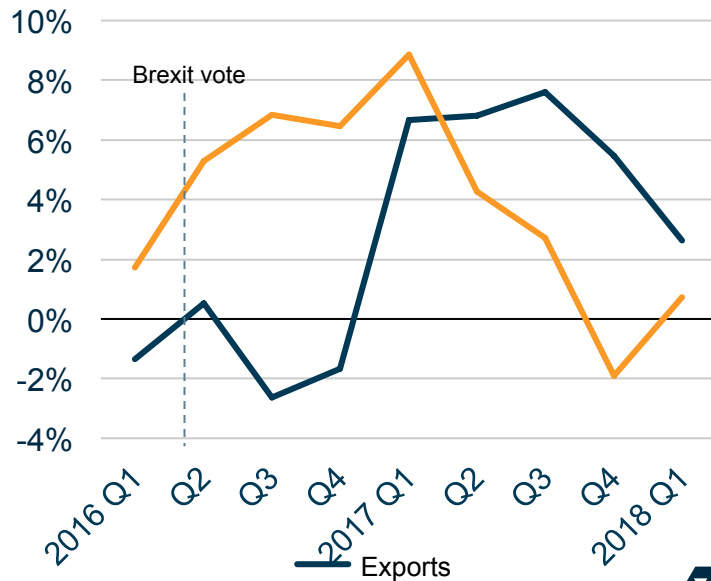
Phase 2: UK is paying a price and trading patterns are changing

GDP growth is falling behind...



... with shift in trade patterns

UK-EU trade in goods - y/y Q-growth in volume indices (ex. Oil)



Phase 3: Lack of drivers from Eastern Europe is an increasing problem for hauliers

Movement from accompanied to unaccompanied traffic

Volume growth on accompanied and unaccompanied traffics
Volume growth,
same quarter LY



We are planning for two scenarios in the next phase...

Hard Brexit

March 19, 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

20% likelihood

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> quoting senior U.K. and EU officials

80% likelihood

...and are preparing for the worst (I/II)

Customs	Worst case scenario: Hard Brexit	DFDS action
1 Physical operations	<ul style="list-style-type: none">▪ Long waiting times and delays as a consequence of bureaucratic and cumbersome customs work▪ Heavily congested ports and terminals	<ul style="list-style-type: none">▪ Expand terminals in Vlaardingen, Felixstowe, and Immingham▪ Investigate Dover/Calais options
2 IT & data exchange	<ul style="list-style-type: none">▪ Country specific customs systems with expensive and complex IT integration	<ul style="list-style-type: none">▪ Map requirements in relevant geographies to be prepared for customs system and integration▪ Existing system (MCP) is likely to be “usable” in UK
3 Documentation	<ul style="list-style-type: none">▪ Long waiting times and delays as a consequence of bureaucratic and cumbersome customs work	<ul style="list-style-type: none">▪ Execute Authorized Economic Operator (AEO) strategy to prepare for easy customs handling▪ Offer customs handling to DFDS customers

...and are preparing for the worst (II/II)

Worst case scenario: Hard Brexit

DFDS action

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Customers

- Freight volumes and number of passengers from UK drop, due to £ depreciation and lower growth

- Offer customs handling of DFDS customers as a service
- Potentially offer duty free to passenger customers

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People

- Shortage of truck drivers from Eastern European countries due to £ depreciation (buying power)
- Increase in admin costs for locations with high number of non-British nationals

- Take advantage of trend towards unaccompanied shipping of trucks
- Review consequences for UK employees

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Other

- Permits required for UK hauliers to carry out operations into the EU and vice versa
- Trailer reg. scheme introduced

- Political development closely monitored

Digital tools developed to assist customers and minimize impact



Increased global uncertainty requires business leaders to act

Pressure on free trade and political instability...

**Free trade
under
pressure**

**Political
instability**



...require business leaders to get involved and be agile

**Get
involved**



Be agile



