Market outlook

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Agenda

- Drivers of potential RoRo cargo trade
- Intra-European trade development
- Competitive advantages of RoRo

Global GDP growth on a roller coaster ride

2000-2015; +$50Tn
2016-2020; +$16Tn

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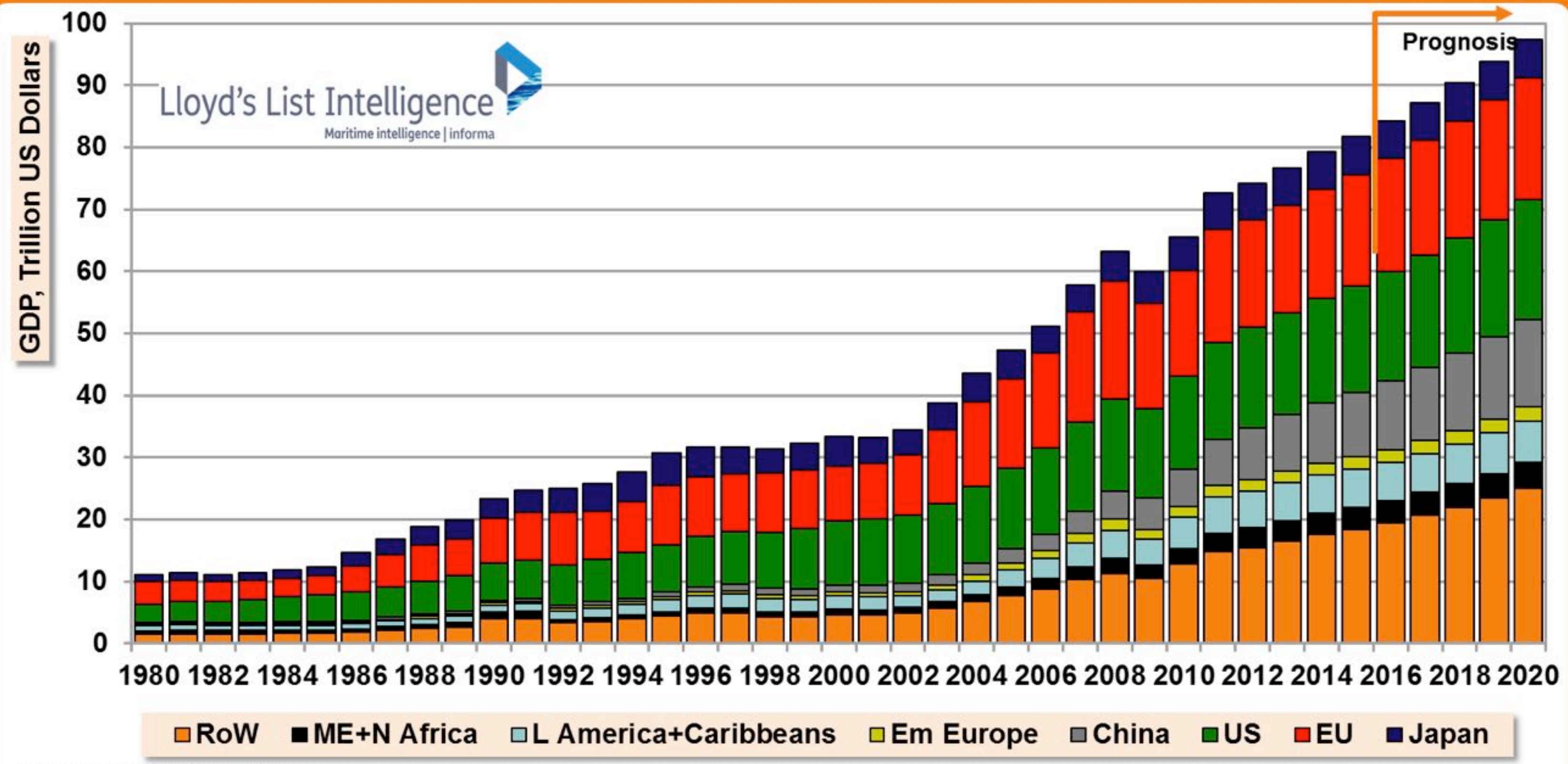


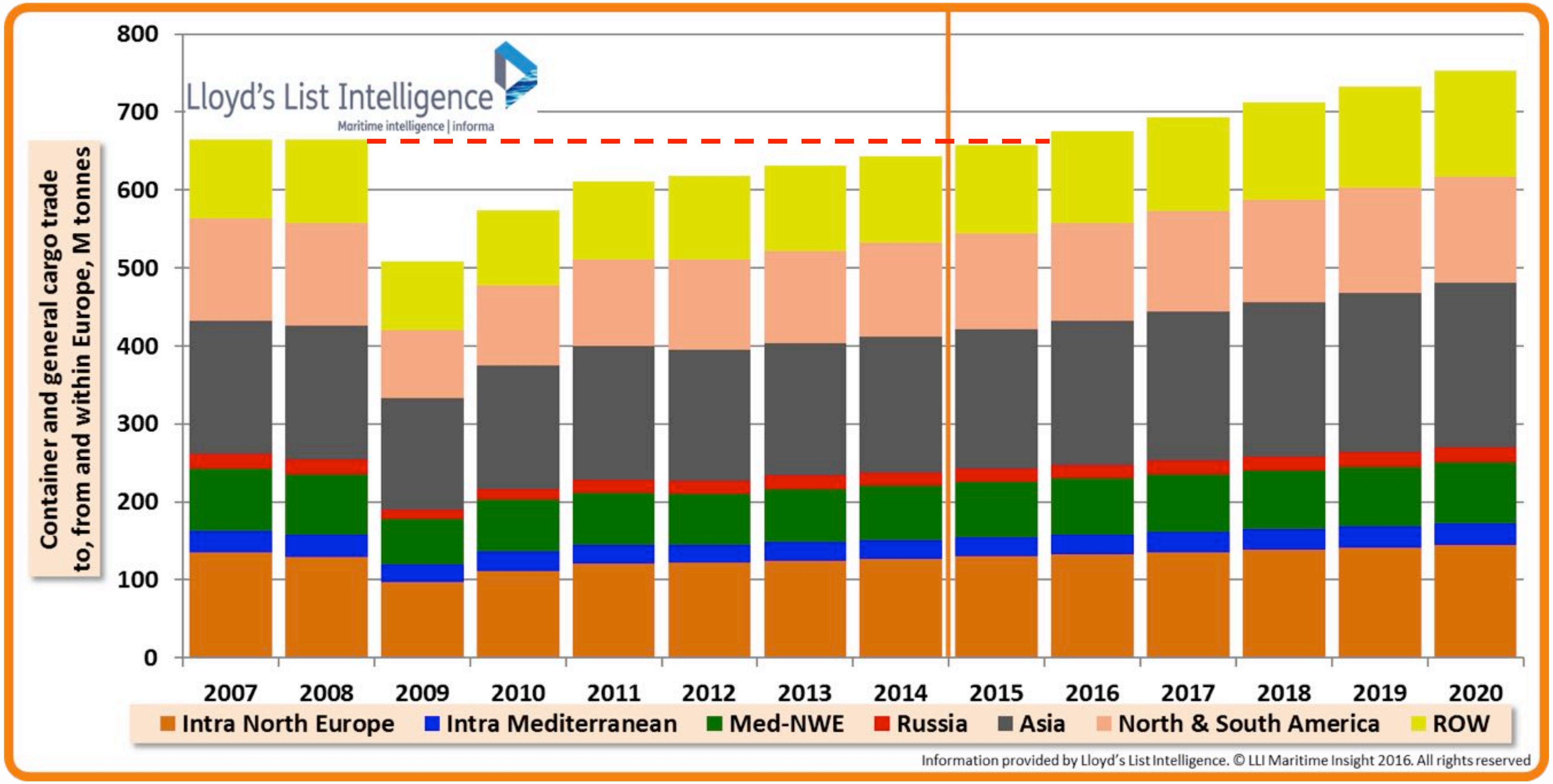
Source: IMF WEO Apr. 2016

GDP

- Consumption
- Public expend.
- Investments
- Inventory changes
- Exports
- Imports

- Price * Volume
  - Land
  - Air
  - Sea

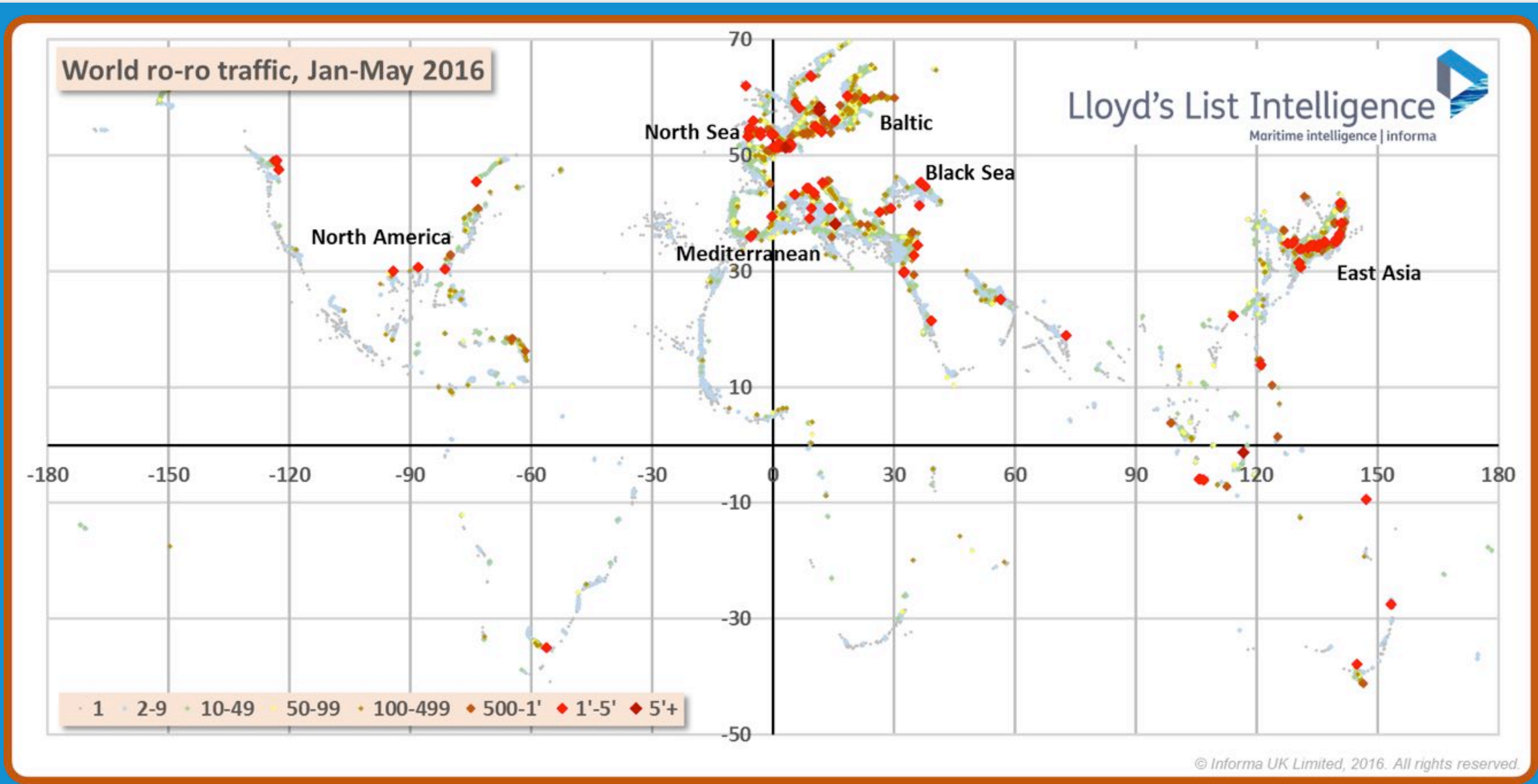
European non-bulk trade: 658Mt, of which intra-Europe 225Mt



Slower pace of growth going forward, but more tonnes.

Growth	2011-2015		2016-2020		
	Mt	cagr	Mt	cagr	
Intra North Europe	18	3.0%	14	2.1%	
Intra Mediterranean Europe	0	0.2%	3	2.4%	
Mediterranean-North Europe	4	1.3%	8	2.1%	- road & rail
Russia	3	4.5%	2	1.7%	
Asia	21	2.5%	33	3.4%	} container
N & S America	20	3.6%	13	2.1%	} container
ROW	17	3.2%	22	3.6%	
Total	**84**	**2.8%**	**95**	**2.7%**	

The majority of roro ships are trading in four regions



- Fleet:
  - 1,012 ships
  - 1.3M lm
- Average:
  - age 21 years
  - lm 1,823

About ¼ of the fleet capacity is deployed in **East Asia**

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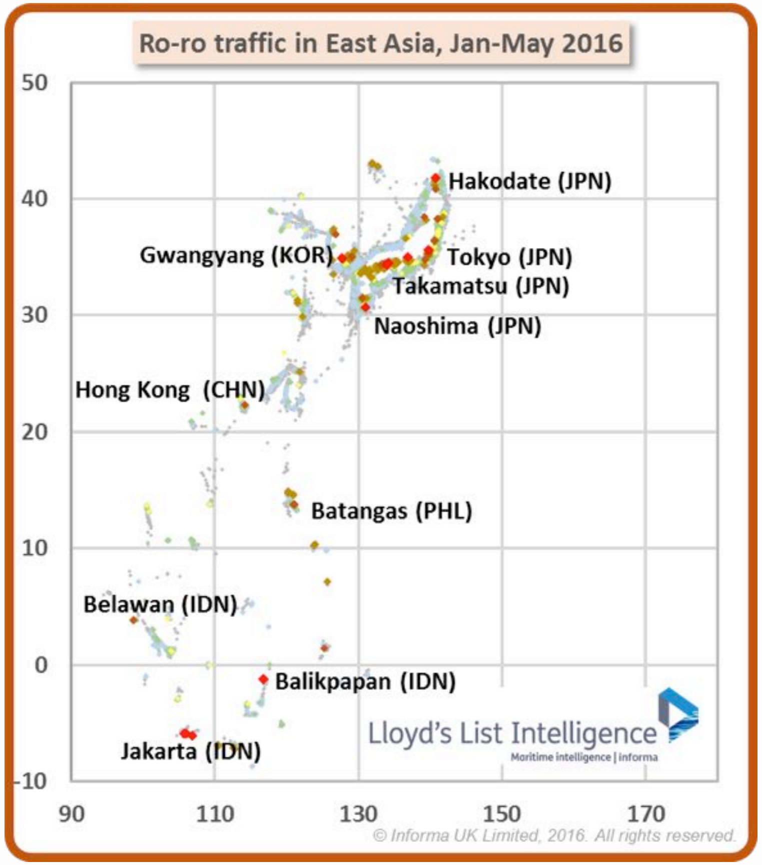
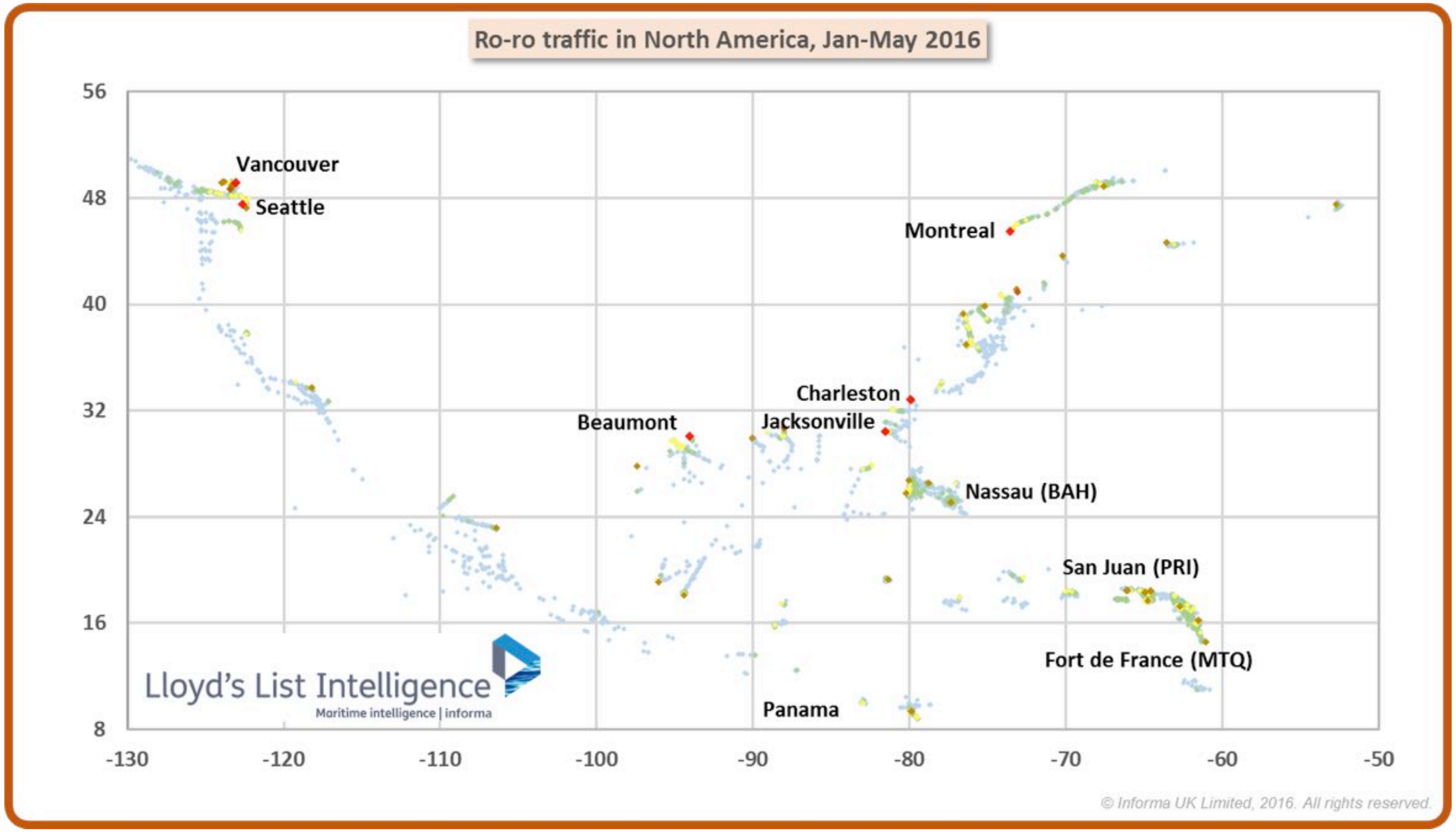


- Fleet:
  - 176 ships
- Average:
  - age 17 years
  - lm 1,644

NIRAIKANAI, RKK Line JAPAN - East China Sea

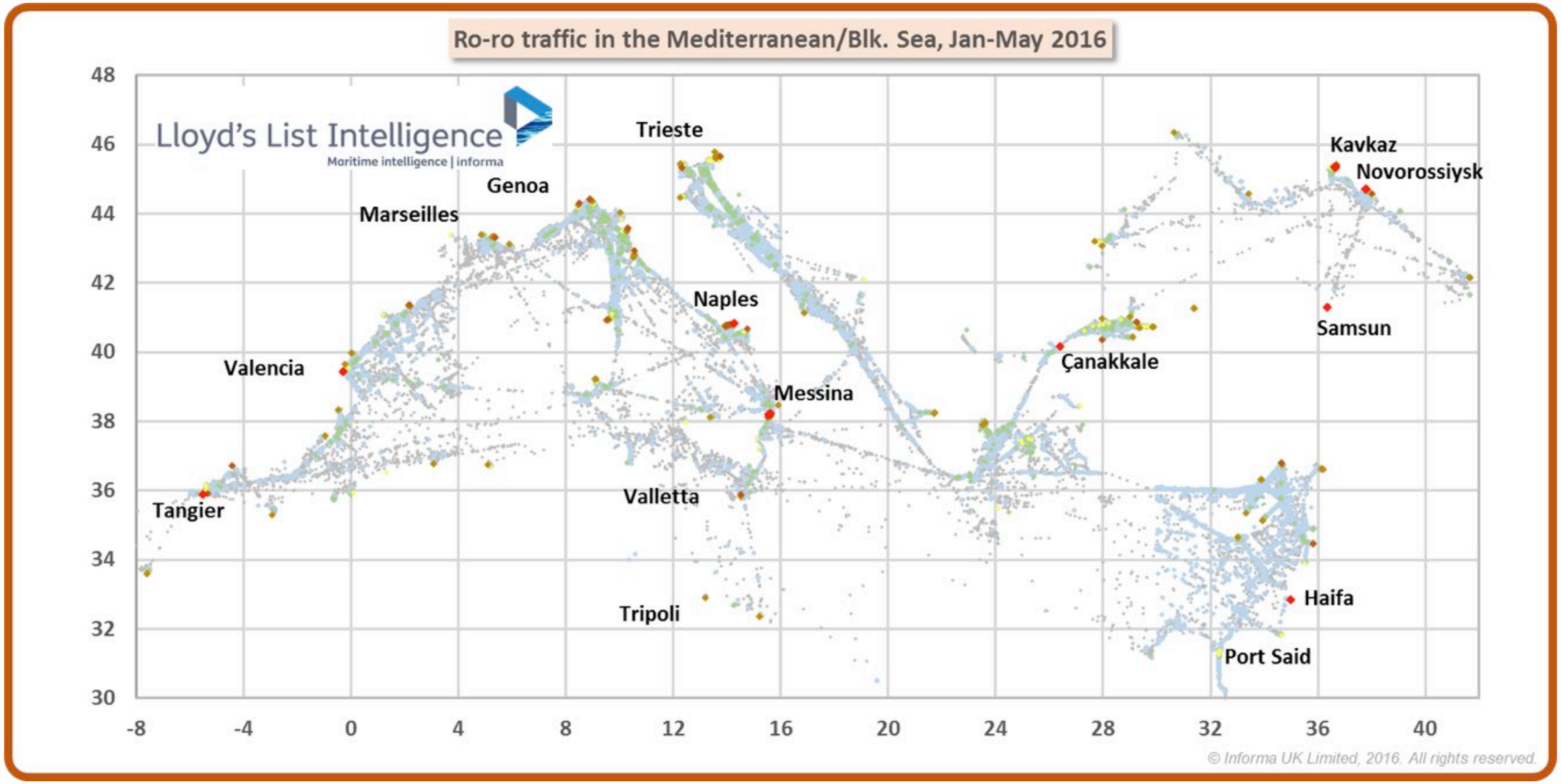
A good half of the fleet capacity is deployed in **North America**



- **Fleet:**
  - 182 ships
- **Average:**
  - age 20 years
  - lm 3,459

NORTH STAR, Totem Ocean IMO 9232280,
Area: **WCCAN - West Coast Canada**

Fewer ships are trading in the **Mediterranean**, but they are very busy



- Fleet:
  - 201 ships
- Average:
  - age 22 years
  - lm 2,119

EUROCARGO CAGLIARI

30% of the fleet capacity sail in **North Europe**

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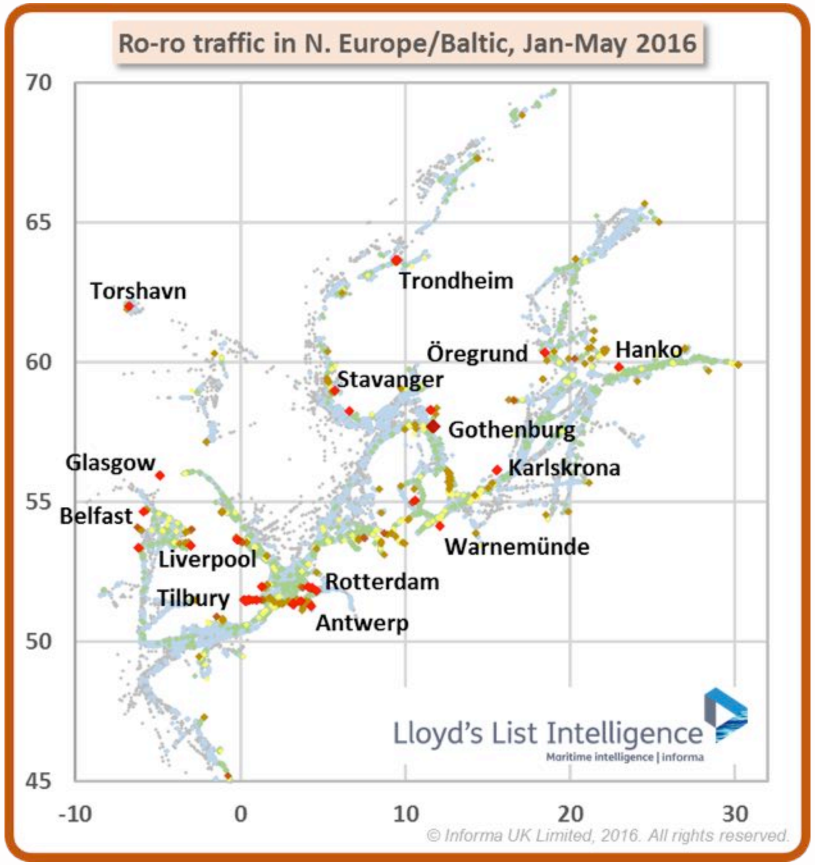
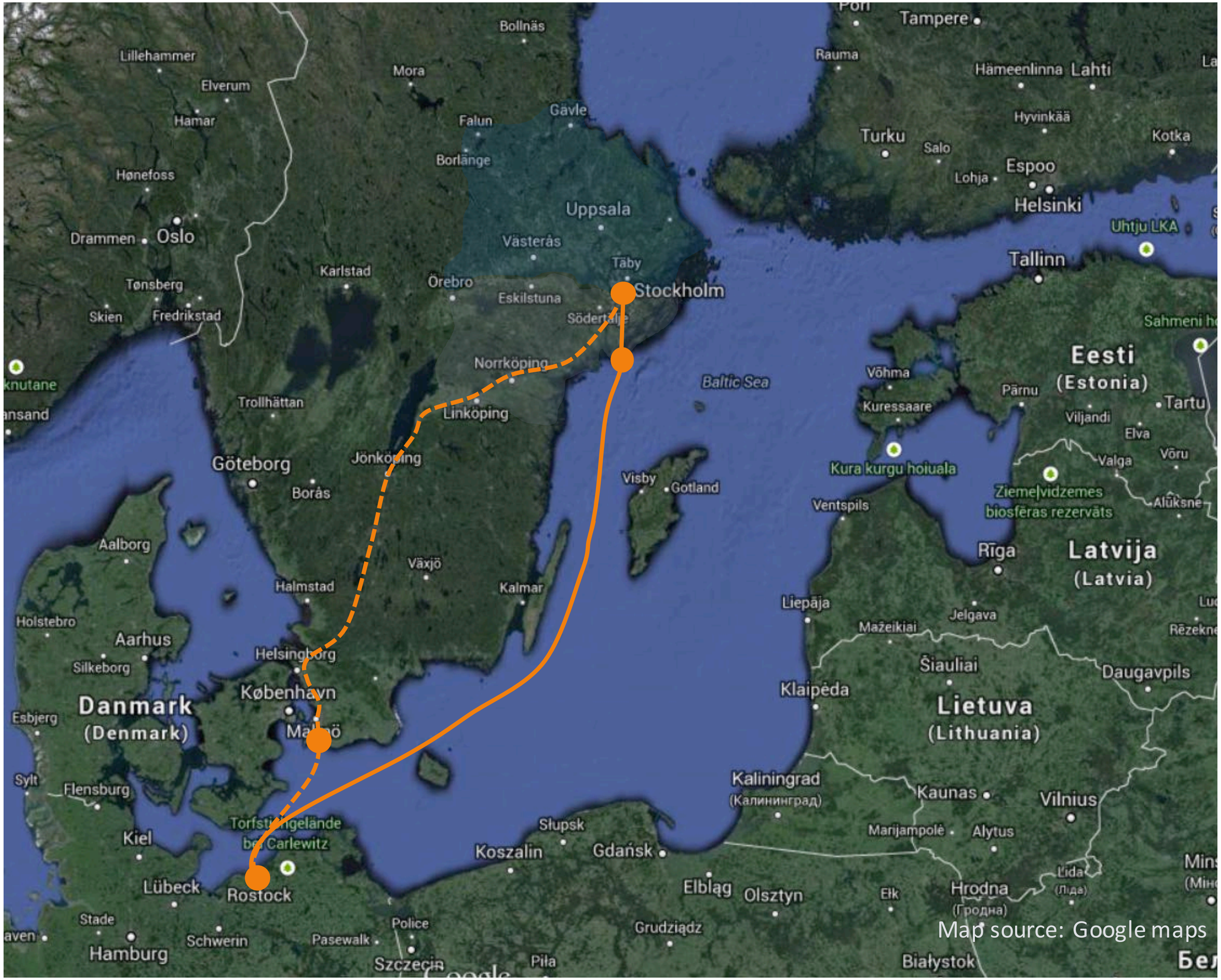


- Fleet:
  - 196 ships
- Average:
  - age 18 years
  - lm 2,023



Travemünde – Stockholm

Truck via Trelleborg
154 km + 644 km = 798 km
≈18 hours

Truck/trailer via Nynäshamn
711 km + 58 km = 769 km
≈37 hours

Hurdles for competitive roro services
(primarily vs road transport)

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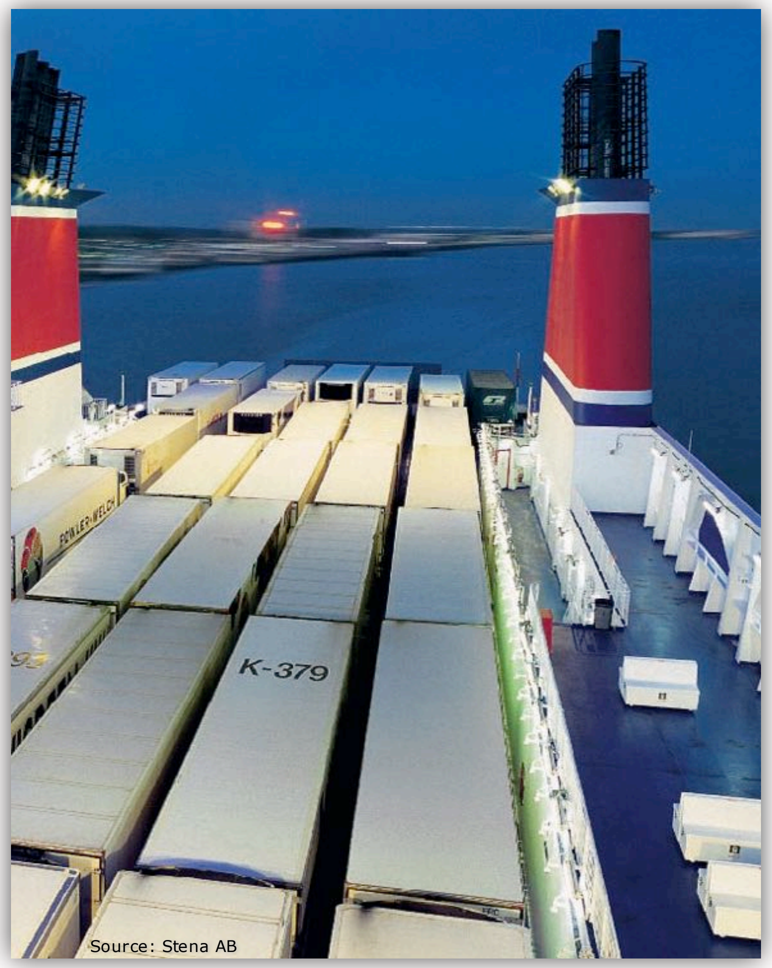
- Costs
- Logistic
- Administrative/IT
- Regulations
- Knowledge
- Mental barriers



Source: Stena AB

Hurdles for competitive roro services
(primarily vs road transport)

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Costs

- Operation; voyage, daily, capital
- Functional; infra-structure etc
- Transition / switch-over; systems
- Capacity; ship, speed, pre-arrival. etc
- Financial

Logistic

- Cargo volumes
- Frequency
- Cargo properties
- Cargo handling
- Infra-structure
- Time table
- Lead time
- Time precision
- Flow balance

- Flexibility
- Ice
- Depots, ware-houses, distribution centrals

Hurdles for competitive roro services
(primarily vs road transport)

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Administrative/IT

- Value added services
  - Track'n'Trace
  - CO2 foot print
  - Integration into supply chain systems
- EDI

Regulations

- Safety and security
- Labour
- Taxation
- Ownership of infra-structure
- Ownership of ports & terminals

Hurdles for competitive roro services
(primarily vs road transport)

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Knowledge & mental barriers

- Comparison of transport options
  - Enough information
  - Valid information
  - Interpret information
- Change = uncertainty
  - You know what you have
  - Habit
  - Level of confidence
- Change is strenuous

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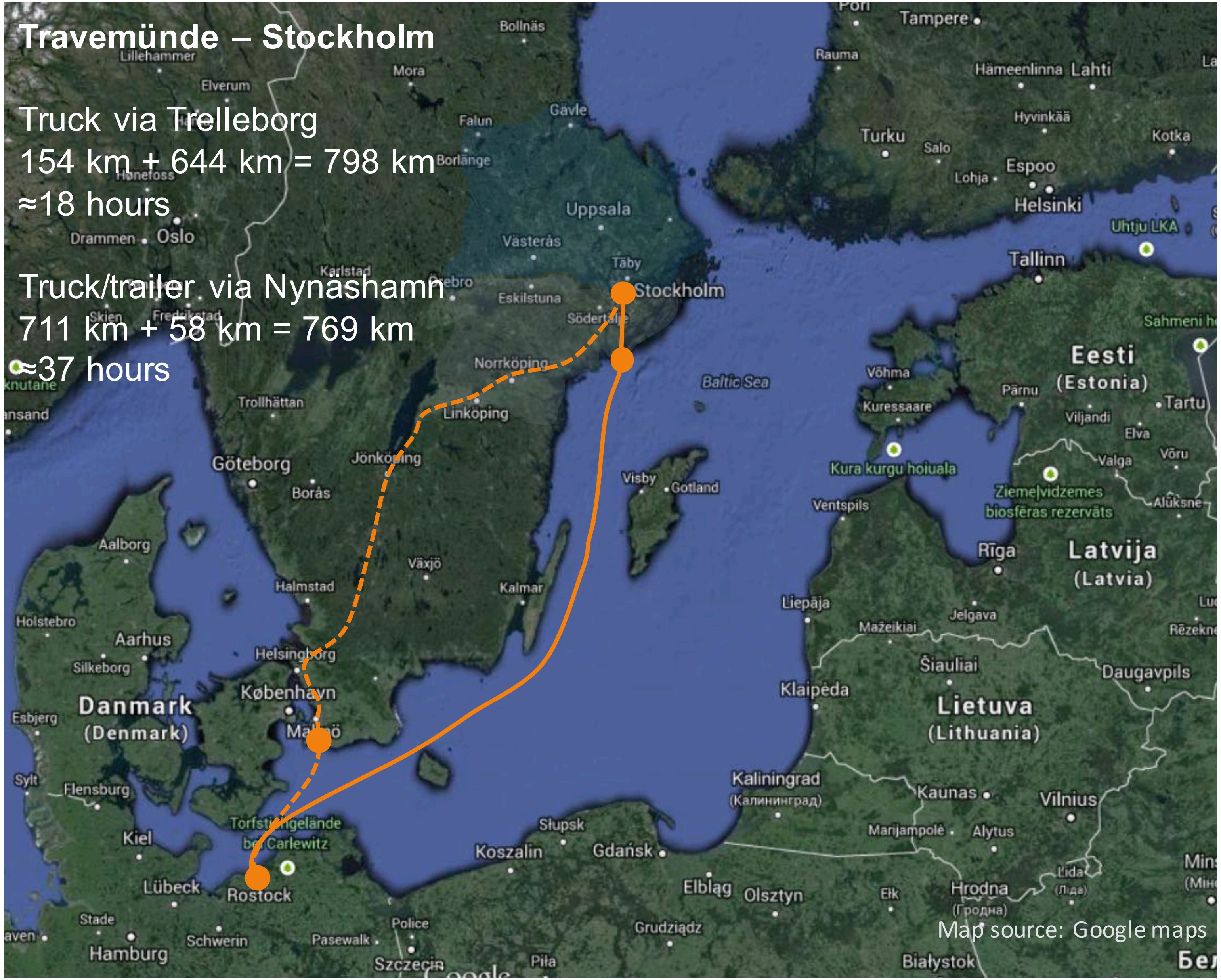

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Advantages

- \+ Cost competitive
- \+ Attractive time-table
- \+ Efficient logistic solutions
- \+ Time precision

Hurdles

- Lead time
- Frequency
- Infra-structure
- Clients' mindset
- Too long haul

What can be done to overcome the hurdles?

- Port infra-structure & hinterland connections
- Successful implementation of Maritime Single Window
- Harmonisation of EDI
- Continued work with regulatory easing
- Fairway & port due structures

Competitive advantages of roro

- Vs road transport
  - Modal shift; land-2-sea
  - Volume capacity
  - Voluminous & awkward cargo
  - Reliable
- Vs other sea transport
  - Quick port turnaround time
  - Short lead time
  - Flexible
  - Swift port handling
  - State-of-art ship designs are cargo & energy efficient

« Shipping investment should be seen as a long-lasting and happy marriage, not a short term relationship. »

Mariella Bottiglieri, LL Business Briefing, 5 June, 2016

Thanks

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