

BPO: The Baltic Hub Mothballed?



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Presentation to:
Baltic Ports Organization
Presented by:
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Unifeeder profile: An asset light logistics provider

- Containerized transportation in Northern Europe and Russia/Baltics
More than 30 ports in 13 countries
Fleet of ~30 chartered vessels
2008: Turnover of ~400 mio. EUR; ~1,6 mio. TEU; 200 employees

2 main business units:

Container Feeder service

- Turnover: ~350 mio. EUR
115 employees
Provides feeder services to/from hubs in continental Europe to ports in Nordic, Russia, Baltics etc.
Customers are the world's largest container shipping lines (Maersk, CMA-CGM, Evergreen, APL etc.)

Shortsea service

- Turnover: ~50 mio. EUR
50 employees
Offers door-to-door transportation solutions within Europe for anything that can be containerized
Focus on industry and retail customers (e.g., Ford, Canon, Bridgestone, Tradall)

Geographic Coverage

- Unifeeder currently serves 35 ports and had approximately 10,000 port calls in 2008
- Frequent reliable calls with a flexible schedule that can adapt to customer needs



Five additional ports in 2009 – so far.

- NO – Kristiansand
- NO - Brevik
- SE – Stockholm
- SE – Gävle
- DE - Kiel

More in the pipeline

Summary

- 1. The container shipping industry is in deep crisis and the Baltic area is heavily affected by the downturn**
- 2. Ports must be part of the solution, not part of the problem**
- 3. Thoughts on the Baltic hub in the medium term**

1. The container shipping industry is in deep crisis and the Baltic area is heavily affected by the downturn

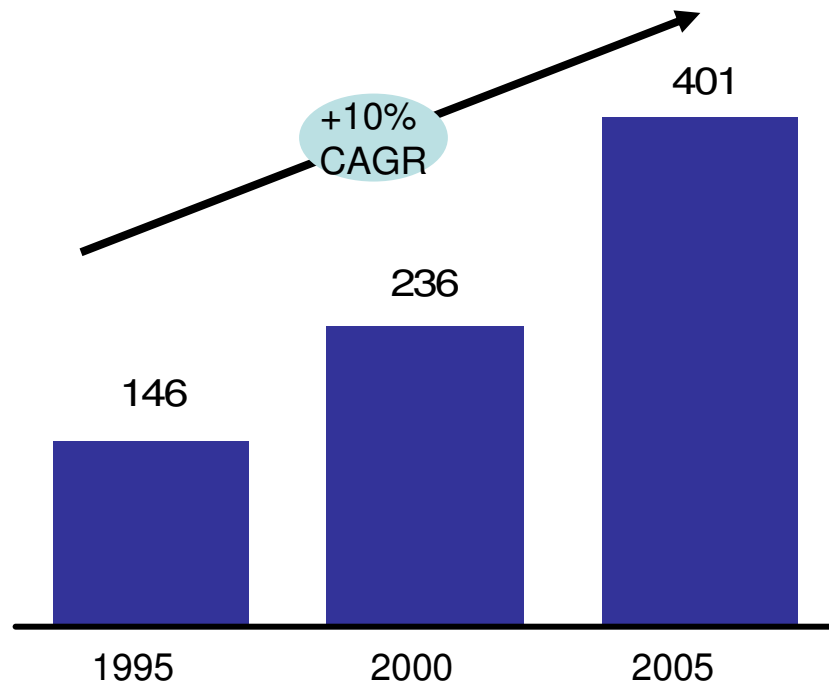
1a. Singapore roads in early 2009



1b. Historic volume growth is replaced by sharp decline

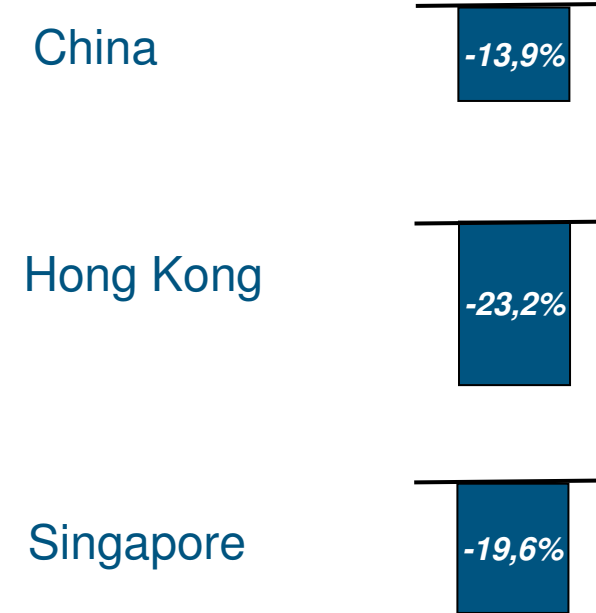
Historic development

Annual global container throughput in ports
TEU millions



Development last 12 months

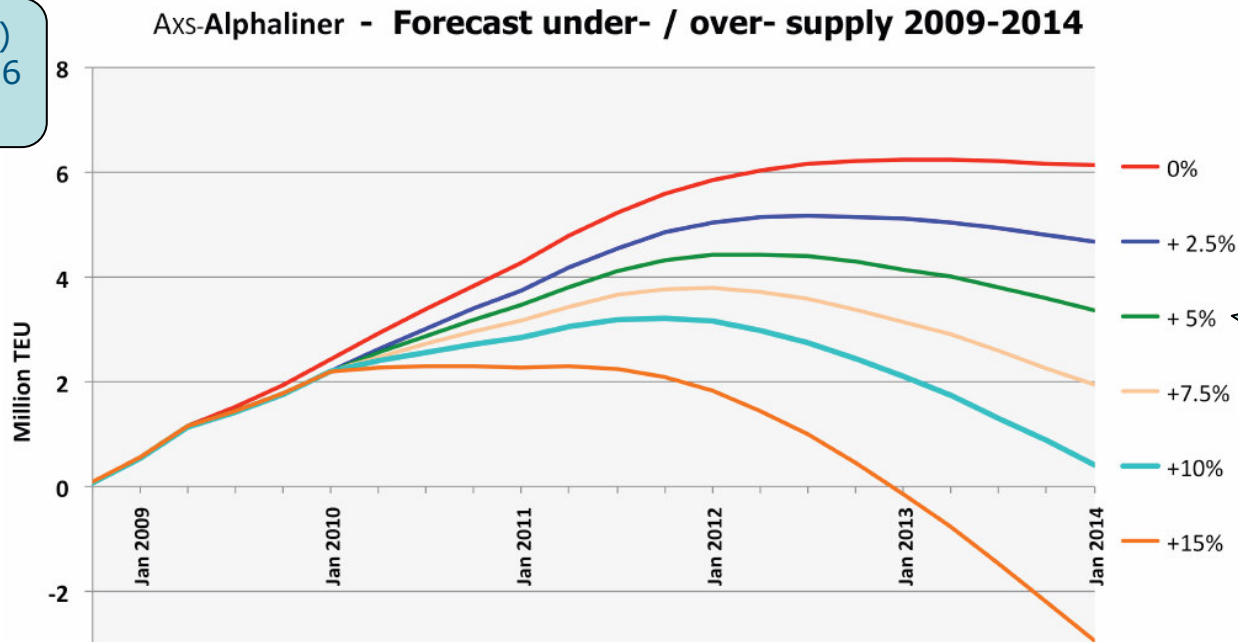
Change in port container throughput
Percent



Source: Drewry, Alphaliner

1c. Capacity is still added to the market creating large oversupply

Current (2009) capacity = 12.6 mio TEU

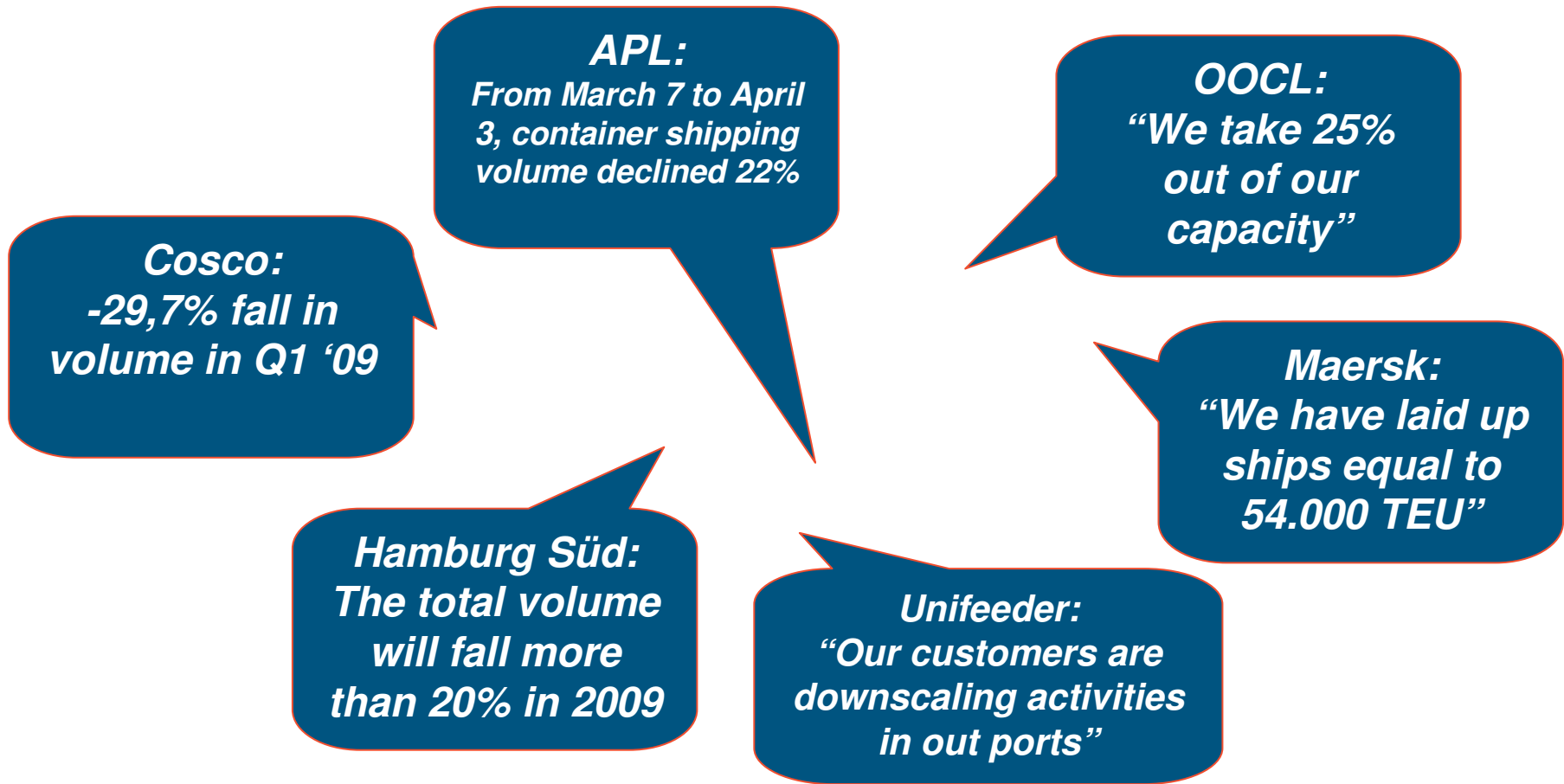


Corresponding to 1-2 years of recession followed by slow growth

- More than 10% of total container fleet idle
- Order book end July 2009 is 41% of existing fleet
- In Q1 2009, only 0,5% of world capacity had been scrapped while 2,4% new capacity had been added.

Source: Alphaliner

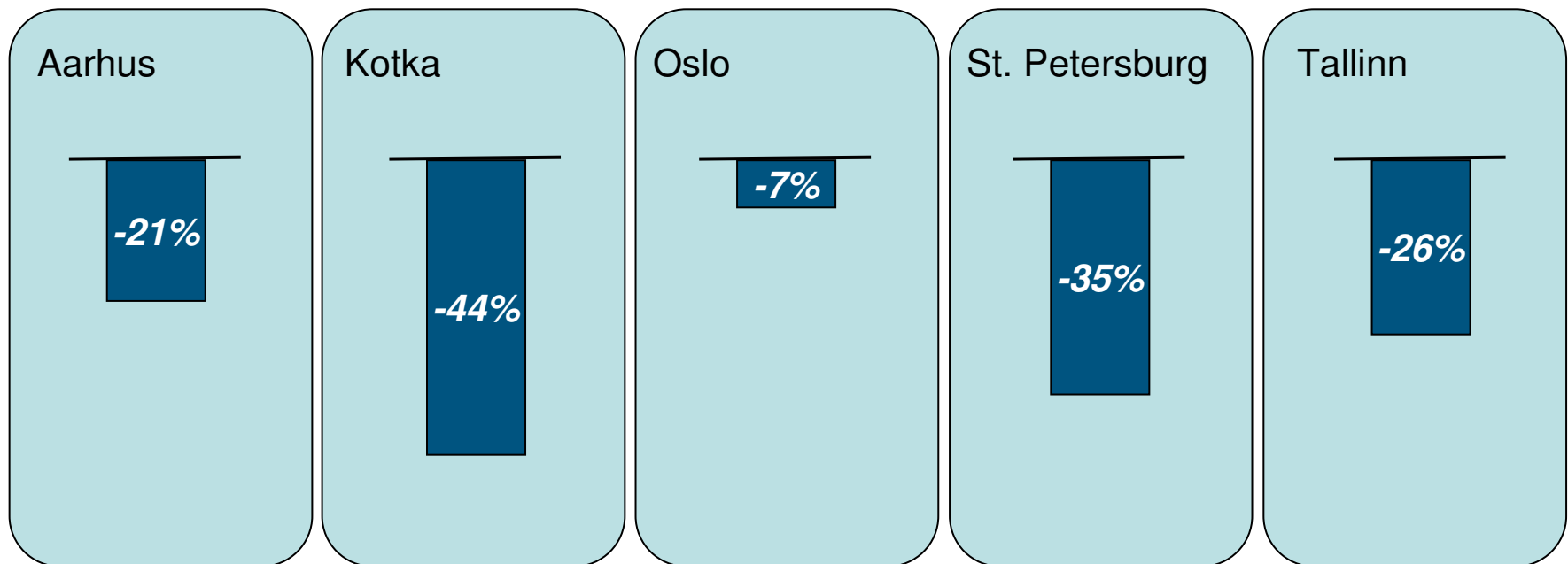
1d. Deep sea lines have less cargo



Source: Containerisation International, Alphaliner

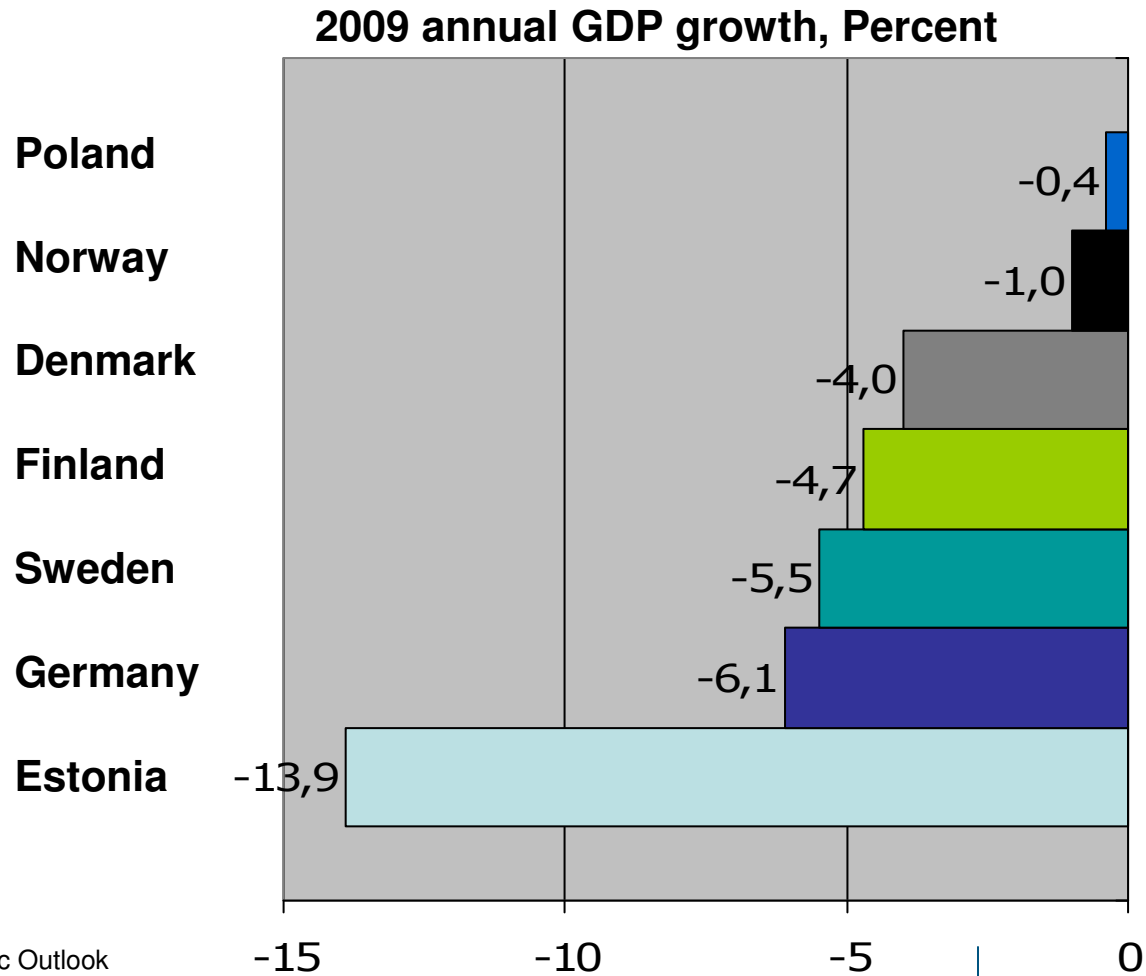
1e. Volumes have declined in the Baltics

Change in monthly container volumes from 2008 to 1H 2009



Source: Ports

1f. GDP growth in Baltic economies look bleak



OECD expects overall GDP growth in 2010 of 0,7%

Source: OECD Economic Outlook

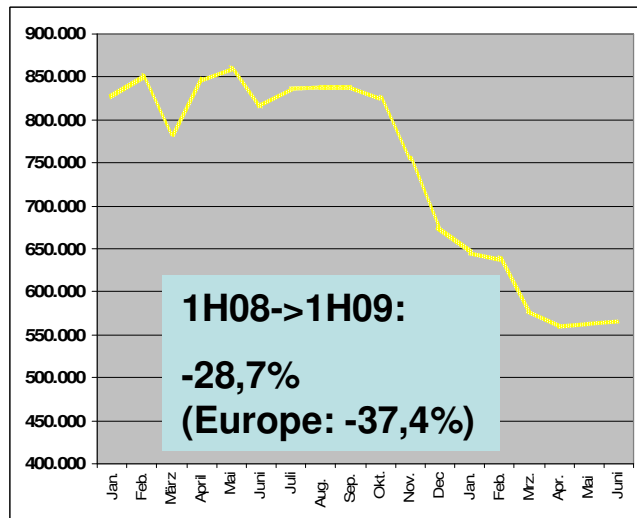
2. Ports must be part of the solution, not part of the problem

2a. Hamburg is loosing market share

TEU throughput

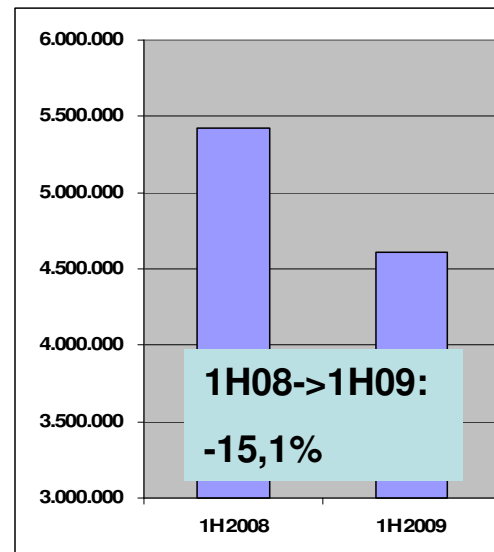
Hamburg

TEU per month



Rotterdam

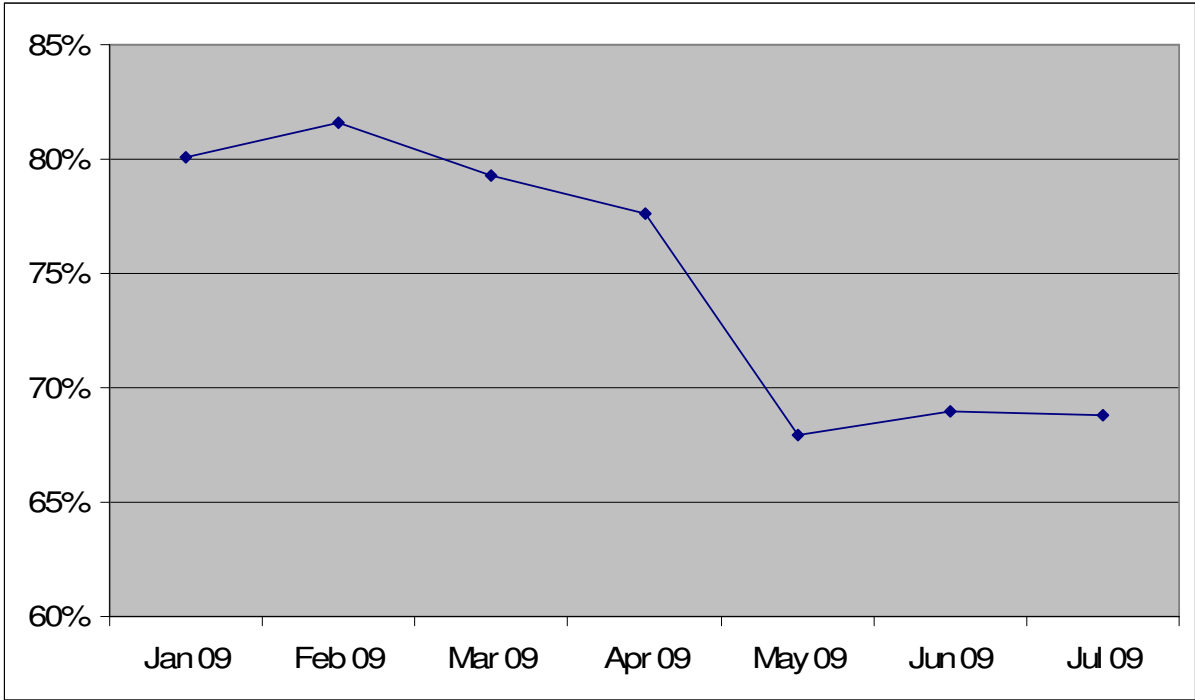
TEU per 6 months



- A historic hub position is not carved in stone
- The market is dynamic
- Being a hub port requires flexibility – especially when times are tough
- Hub port behaviour affects the structure of the whole region

Source: Hamburg Hafen, Port of Rotterdam

2b. Hamburg share of Unifeeder hub volume

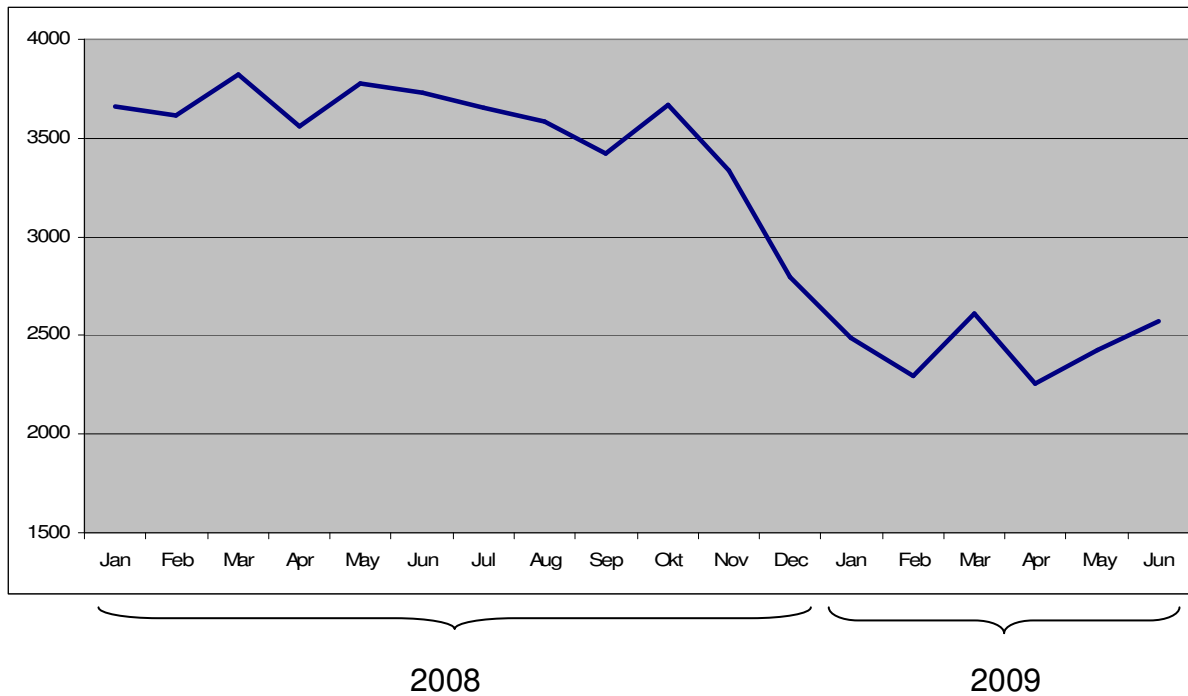


Source: Unifeeder



2c. Less traffic on the Kieler Channel

Number of monthly transits

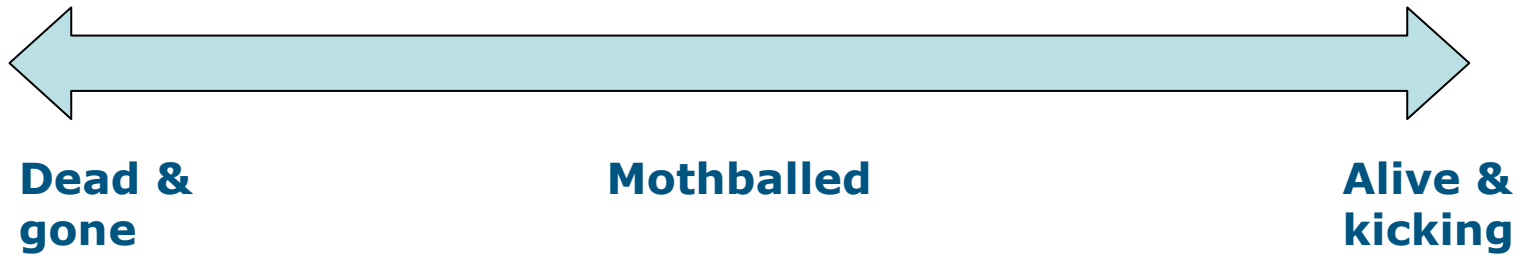


**Reduction from 1H 2008
to 1H 2009 of ~34%**

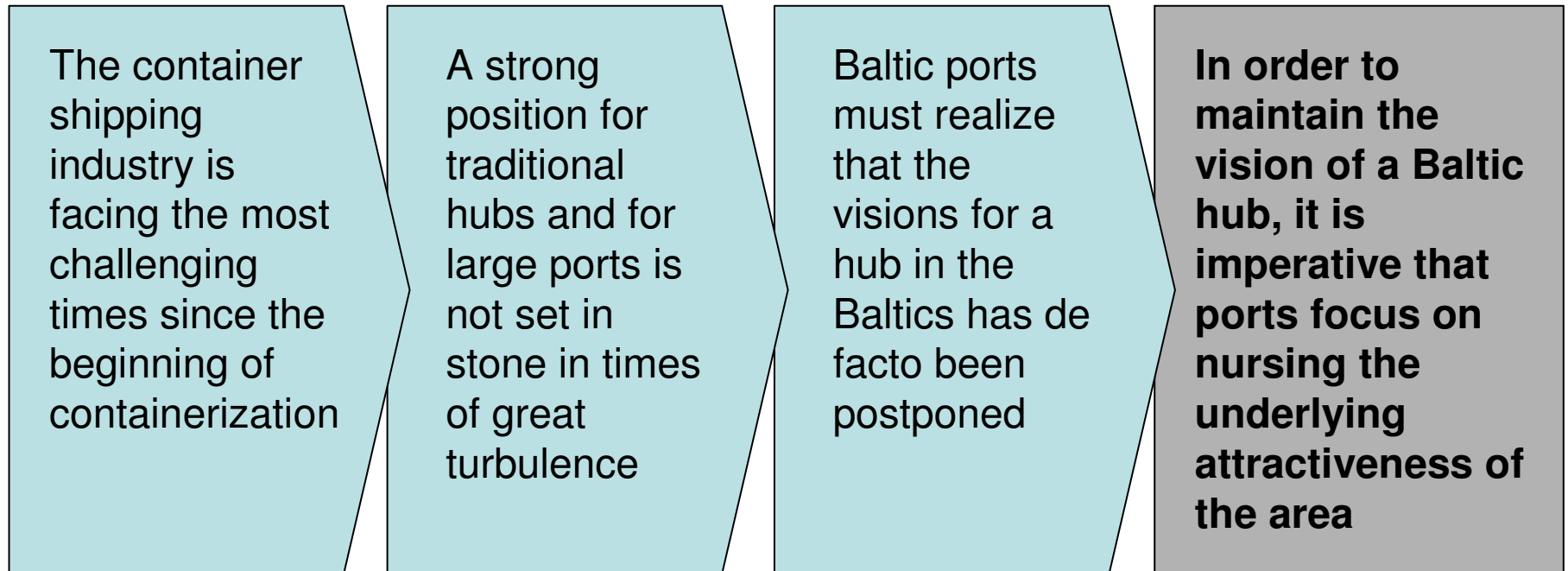
**Compared to market
reduction of ~20%**

3. Thoughts on the Baltic hub in the medium term

3a. The future for a Baltic hub is uncertain



3b. The current situation for a Baltic hub



3c. Ports have an important role in ensuring the future of the area

- ➔ Build an attractive network in the area for shippers and shipping lines
- ➔ Ensure highest possible degree of flexibility in adapting to market demands
- ➔ Offer sharpest possible prices
- ➔ Recognize the importance of e.g., feeder companies expanding the network and avoid being blinded by direct calls

3d. The variable cost model of a commercial feeder is attractive in the present environment

Challenges

Advantages of the commercial feeder

Cost

- 100% variable cost of feeding
- Strong focus on reducing cost

Scalability

- Flexibility in adjusting tonnage and cost to changes in volumes
- Broad geographic presence in the region

Speed of changes

- Close to the market
- Flexibility to adjust schedules to fit changes in flows

Peripheral customers

- Strong regional focus
- Important position in ports/terminals due to size

Russia “growth”

- Flexibility is an advantage in unpredictable / uncertain ports
- Large number of calls to St. Petersburg and/or contingency ports
- Windows and access to storage at all terminals in St. Petersburg
- Buffer against erratically moving volumes and imbalances

3e. Network must constantly be maintained and expanded

Value of smaller/closer ports


- Flexible operations
 - Close to departure
 - Flexibility in ports
- Reduced total transit time
 - Faster access to cargo
- Potential savings
 - Transportation cost savings
 - Empty container flow
 - Time
 - Environment
- Increased security

New small ports in Unifeeder network

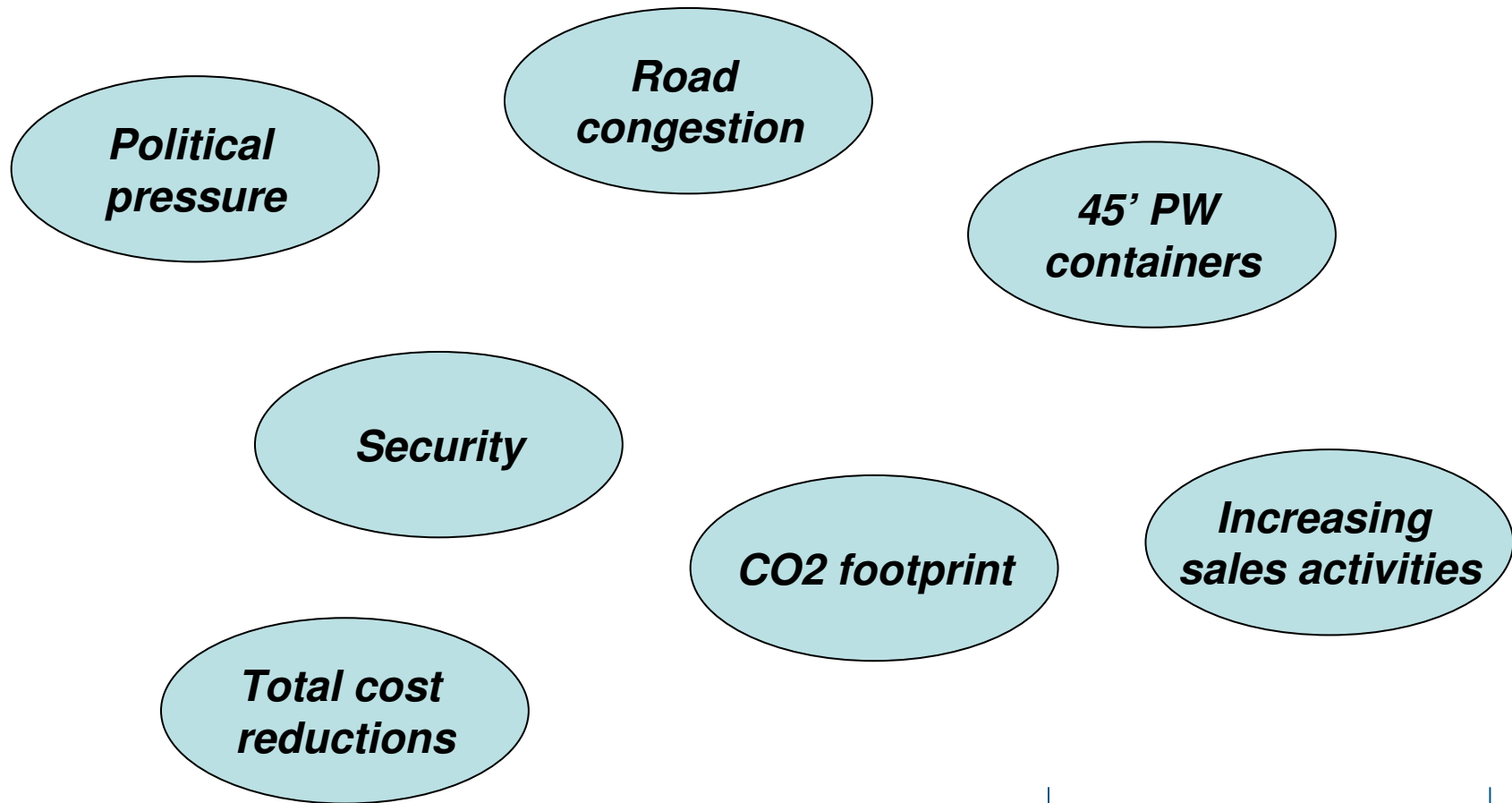
- Umeå/Sundsvall
- Halmstad
- Mäntyluoto
- Rauma
- Kristianssand
- Brevik
- Gävle
- Kiel

3f. Commercial feeders must show flexibility in cooperation options


Exploring more aspects of our customer approach

- 
- Slot purchase
 - Joint service
 - VSA
 - Open book outsourcing
 - Open book service commitments (Ford)
 - Tailor-made service commitments
 - Used/not used committed slots
 - Committed slots
 - Slot sales
 - Traditional feeder contract

3g. Strong shortsea services can move cargo to ports



3h. Shortsea transportation will benefit from the increasingly important environmental agenda



CO2 Calculator

Only fill out yellow fields

CO2 calculation for transport from Marconnelle to Vantaa

Reference vessel	hv	Hanse Vision
Port of Loading	Rotterdam	Rotterdam
Port of Discharge	GOTHENBURG	Göteborg

Transport by Unifeeder in container			
Precarriage	Distance to port	500 km	
CO 2 emission Gas Oil			0,429 mt
Sea Transport	Rotterdam	to	GOTHENBURG
Distance in Nautic Miles			569,0 nm
Duration of voyage			44,4 hr
Full consumption*	Heavy fuel		30,960 mt
Full consumption*	Marine Gas Oil		2,500 mt
CO2 emission	Heavy Fuel		96,422 mt
CO 2 emission Gas Oil	Marine Gas Oil		8,015 mt
Total CO2 emission/vessel			104,437 mt
Total CO2 emission/container			0,373 mt
Oncarriage	Distance from port	10 km	
CO 2 emission Gas Oil			0,009 mt
Total CO2 emission Unifeeder			0,811 mt

Transport by trailer			
Total driving distance door/door		1525 km	
CO 2 emission Gas Oil			1,396 mt
Total CO2 emission trailer transport			1,396 mt
Less emission Unifeeder vs trailer			0,585 mt
Less emission in %			41,9%

* note Fuel consumption based on sailing through the Nord Ost-See Kanal



