

ONE

OCEAN NETWORK EXPRESS

Financial Results for FY2020 2nd Quarter and
Full Year Forecasts for FY2020

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1. FY2020 2nd Quarter Results

□ Outline

In Q2, ONE's profit significantly increased to US\$515 Million compared to the same period last year (+US\$394Million). This increase is mainly due to the improvements in the short-term freight market following a return to steady cargo demand.

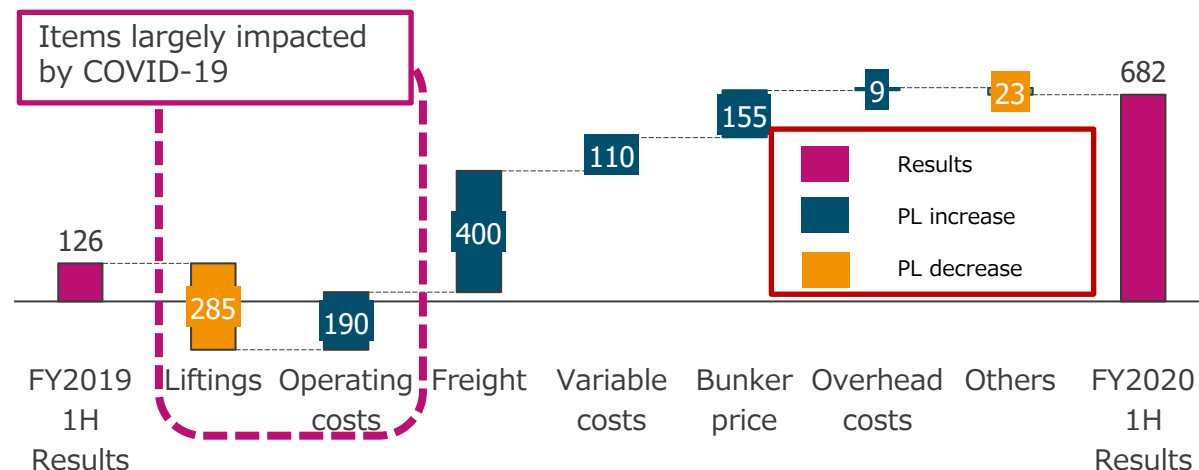
- From Q1 and through Q2, the supply and demand balance improved for all trades, most notably Asia-North America trade liftings recovering to the level of the previous year and other trades also performing steadily.
- The competitiveness of THEA ALLIANCE has further strengthened ONE's financial results, as well as the various "Operation Excellency" initiatives (see p.6).

□ FY2020 1H Results

(Unit: Million US\$)

| | FY2019 Results | | | FY2020 Results | | | 2Q Results to FY2019 | | 1H Results to FY2019 | |
|------------------------|----------------|-------|-------|----------------|-------|-------|----------------------|------------|----------------------|------------|
| | 1Q | 2Q | 1H | 1Q | 2Q | 1H | Change | Change (%) | Change | Change (%) |
| Revenue | 2,875 | 3,109 | 5,984 | 2,736 | 3,181 | 5,917 | 72 | 2% | -67 | -1% |
| Profit /Loss after TAX | 5 | 121 | 126 | 167 | 515 | 682 | 394 | 326% | 556 | 441% |
| Bunker Price (US\$/MT) | \$432 | \$419 | \$427 | \$348 | \$309 | \$328 | -\$110 | -26% | -\$99 | -23% |

□ FY2020 1H PL Analysis



Q2/FY2020 other results

- EBITDA : US\$854million
- EBIT : US\$603million
- Bunker Consumption : 887K MT
- Liftings : 3,061K TEU

- Liftings : Lower in Q1 mainly due to COVID-19.
- Operating costs: Reduced due to improvements in the THEA product and the rationalization of services, and void sailings in Q1 by lower cargo demand.
- Freight: Improved due to steady short-term market.
- Variable costs: Repositioning costs of empty container reduced by improved imbalance situation, and progress in cost saving initiatives
- Bunker Price: Further decreased.
- Overhead costs: Decrease in agency costs.
- Others: Less interest revenue due to lower interest rate and so on.

2. Liftings, Utilization Rates, Freight Index in Major Trades

(Unit: 1,000TEU)

| Liftings / Utilization by Trades | | FY2019 | | | | | | | FY2020 | | |
|----------------------------------|-------------|------------|------------|------------|------------|------------|------------|-------------------|------------|------------|------------|
| | | 1Q Results | 2Q Results | 3Q Results | 4Q Results | 1H Results | 2H Results | Full Year Results | 1Q Results | 2Q Results | 1H Results |
| Asia - North America Eastbound | Lifting | 669 | 773 | 665 | 585 | 1,442 | 1,250 | 2,692 | 610 | 765 | 1,375 |
| | Utilization | 86% | 94% | 93% | 92% | 90% | 93% | 91% | 96% | 100% | 98% |
| Asia - Europe Westbound | Lifting | 460 | 488 | 440 | 443 | 947 | 882 | 1,830 | 347 | 419 | 766 |
| | Utilization | 87% | 95% | 92% | 100% | 91% | 96% | 93% | 96% | 98% | 97% |
| Asia - North America Westbound | Lifting | 350 | 310 | 320 | 331 | 660 | 650 | 1,310 | 327 | 328 | 654 |
| | Utilization | 47% | 37% | 42% | 49% | 42% | 45% | 44% | 51% | 43% | 47% |
| Asia - Europe Eastbound | Lifting | 323 | 328 | 362 | 325 | 651 | 687 | 1,339 | 290 | 289 | 579 |
| | Utilization | 64% | 64% | 72% | 67% | 64% | 69% | 67% | 75% | 70% | 73% |

(Unit: 100 = average freight rates as of FY2018 1Q)

| Freight Index by Trades | | FY2019 | | | | | | | FY2020 | | |
|--------------------------------|--|------------|------------|------------|------------|------------|------------|-------------------|------------|------------|------------|
| | | 1Q Results | 2Q Results | 3Q Results | 4Q Results | 1H Results | 2H Results | Full Year Results | 1Q Results | 2Q Results | 1H Results |
| Asia - North America Eastbound | | 103 | 105 | 104 | 110 | 104 | 107 | 105 | 110 | 119 | 115 |
| Asia - Europe Westbound | | 100 | 101 | 98 | 111 | 100 | 105 | 102 | 106 | 103 | 104 |

- Liftings, Utilization Rates: Asia-North America trade liftings recovered to the level of the previous year. Liftings also improved in Asia-Europe trade and high utilization rates in Asia-Europe Trade were maintained.
- Freight Index: Increases in Asia-North America trade due to a recovery in cargo demand coinciding with the usual peak season. The Freight index trend in Asia-Europe trade was steady.

3. FY2020 Full Year Forecasts

□ Outline

Following the 1H results of US\$682 million achieved due to the steady recovery in cargo demand, the situation for the 2H is uncertain. The continuation of the COVID -19 global pandemic and the concerns for demand downturn it brings coupled with the traditionally slack Q4 season, a profit of US\$ 245 million is forecast for the 2H.

- As for 2H, the cargo demand is currently steady but with COVID-19 still spreading globally including the largest consuming areas such as US and Europe the cargo demand and short-term freight market continues to remain uncertain. Additionally Q4 (following lunar new year) is usually a slack season. Considering these factors the 2H forecast is US\$ 245 Million in profit.
- On a year-to-year basis, the profit forecast for 2H is expected to increase by US\$267Million from 2H 2019 due to the current steady demand and short-term freight market.

□ FY2020 Full Year Forecasts

(Unit: Million US\$)

| | FY2019 Results | | | FY2020 | | | Year to Year | |
|------------------------|----------------|-------|-----------|------------|--------------|---------------------|--------------|------------|
| | 1H | 2H | Full Year | 1H Results | 2H Forecasts | Full Year Forecasts | Change | Change (%) |
| Revenue | 5,984 | 5,881 | 11,865 | 5,917 | 5,994 | 11,911 | 46 | 0% |
| EBITDA | - | - | 1,368 | 1,342 | 872 | 2,214 | 846 | 62% |
| EBIT | - | - | 422 | 846 | 371 | 1,217 | 795 | 288% |
| Profit/Loss after TAX | 126 | -22 | 105 | 682 | 245 | 928 | 823 | 884% |
| Bunker Price (US\$/MT) | \$427 | \$456 | \$441 | \$328 | \$367 | \$352 | -\$89 | -20% |

4. COVID-19 Impact & Countermeasures, Updates to FY2020 Action Plans

COVID-19 impact & countermeasures

Impact on cargo demand

Due to the reduction of global trade, the cargo volume in Q1 decreased by approximately 20% but quickly recovered in Q2 and has now returned to similar levels experienced in the previous year (2019). However, we continue to closely monitor the situation as the COVID-19 pandemic is still ongoing and the future cargo demand is very uncertain.

Crisis Management

The Crisis Management Committee headed by ONE's CEO is acting as a core decision-making body, safeguarding ONE's employees and ships crew as well as endeavoring to provide a stable liner containership service, which is essential for the world's social infrastructure. ONE's BCP successfully continues and allows the flexibility for all offices to respond promptly to local infection rates, local legislation and social situations.

FY2020 Action Plans

Further enhancement of competitiveness and differentiation

Customer service oriented

- Hyundai Merchant Marine joined THE ALLIANCE, enabling more competitive and various products. The major changes are upsizing FE4(Asia-Europe service) to 23K TEU and launching of FP2 by 14K TEU (pendulum service Europe-Asia-USWC).
- Enhanced customer experience, through improved customer touchpoints. Launched live-chat service in Vietnam, Taiwan, Mexico in addition to the ongoing areas such as China, Europe and USA. The E-booking ratio increased from approx. 70% in FY2018 to almost 90% in FY2020 1H.
- Providing online Contents about our new digital service, hosting and participating in online events.

Operation excellency

- Collaboration with terminal operators to improve operational efficiency. Projects are progressing globally in China, Hong Kong, the Netherlands, US, India, etc.
- Operational efficiency improvement such as stowage planning utilizing technology initiated by Kumamoto Engineering lab resulted in a new record of 19,458 TEU loaded on a in 20K vessel MOL Tribute during 1H.
- Introducing AI-based empty container stock and repositioning optimization. Currently operated in 650 locations world-wide.

Quality of employee

- Through ONE's Core Values, ONE inspires and promotes the company's vision to its employees.
- Providing more digitalized educational programs.
- Increasing the use of social media for further information sharing among employees and management.
- Global CSR activities for local communities. (COVID-19 related: Donation to "The Missions of Seafarers", Donation of containers to Italian red-cross, Support to medical and health care workers in France, Support to vulnerable people in Poland, Brazil, Uruguay etc.)

- Setting the sustainability goal "To be sustainable and resilient, and a trusted partner for our customers in delivering a global shipping solution" and the strategy with the 4 pillars of "Environment", "Social", "Governance" and "Operation Excellence". [Issued Sustainability Report 2020.](#)

5. [Reference] Fleet Structure & Service Structure

▣ Fleet Structure

| Size | | 1)As of end June. 2020 | 2)As of end Sep. 2020 | 2)-1) |
|---------------------|-----------------------|------------------------|-----------------------|---------------|
| | | >= 20,000 TEU | Capacity (TEU) | 120,600 |
| | Vessels | 6 | 6 | 0 |
| 10,500 - 20,000 TEU | Capacity (TEU) | 396,600 | 411,600 | 15,000 |
| | Vessels | 29 | 30 | 1 |
| 9,800 - 10,500 TEU | Capacity (TEU) | 100,100 | 100,100 | 0 |
| | Vessels | 10 | 10 | 0 |
| 7,800 - 9,800 TEU | Capacity (TEU) | 374,326 | 383,326 | 9,000 |
| | Vessels | 42 | 43 | 1 |
| 6,000 - 7,800 TEU | Capacity (TEU) | 202,080 | 197,287 | ▲ 4,793 |
| | Vessels | 31 | 30 | ▲ 1 |
| 5,200 - 6,000 TEU | Capacity (TEU) | 83,992 | 83,992 | 0 |
| | Vessels | 15 | 15 | 0 |
| 4,600 - 5,200 TEU | Capacity (TEU) | 113,580 | 103,731 | ▲ 9,849 |
| | Vessels | 23 | 21 | ▲ 2 |
| 4,300 - 4,600 TEU | Capacity (TEU) | 62,952 | 62,952 | 0 |
| | Vessels | 14 | 14 | 0 |
| 3,500 - 4,300 TEU | Capacity (TEU) | 25,408 | 21,162 | ▲ 4,246 |
| | Vessels | 6 | 5 | ▲ 1 |
| 2,400 - 3,500 TEU | Capacity (TEU) | 60,704 | 63,151 | 2,447 |
| | Vessels | 23 | 24 | 1 |
| 1,300 - 2,400 TEU | Capacity (TEU) | 10,296 | 12,009 | 1,713 |
| | Vessels | 6 | 7 | 1 |
| 1,000 - 1,300 TEU | Capacity (TEU) | 7,452 | 10,626 | 3,174 |
| | Vessels | 7 | 10 | 3 |
| < 1,000 TEU | Capacity (TEU) | 0 | 0 | 0 |
| | Vessels | 0 | 0 | 0 |
| Total | Capacity (TEU) | 1,558,090 | 1,570,536 | 12,446 |
| | Vessels | 212 | 215 | 3 |

▣ Service Structure

(FY2020 Q2 Structure of dominant and non-dominant space)

