

# ONE

**OCEAN NETWORK EXPRESS**

Financial Results for FY2022 2<sup>nd</sup> Quarter

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(Fleet Structure & Service Structure)**

# 1. FY2022 2nd Quarter Results

## □ Outline

**Freight market conditions remained firm despite some softening in supply and demand. A profit of US\$ 5,521 million was achieved in the 2nd quarter, a significant increase from the same period in previous year (+US\$ 1,320 million).**

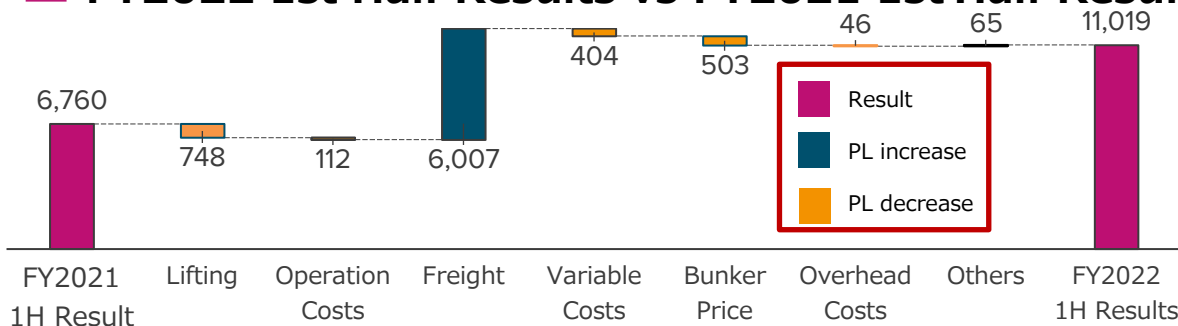
- Global freight demand in July-September: steady cargo movements continued in July, however a sudden decline in transport demand occurred in August and September.
- On the supply side, port congestion improved in some areas, but supply chain disruptions continued across the world with port congestion in US East Coast and Europe continuing.
- Despite the ongoing deterioration in market conditions, freight rates remained higher throughout the second quarter than the same period last year, supporting profit figures.

## □ FY2022 1st Half Results and PL Analysis

(Unit : US\$ Mil)

	FY2021			FY2022			2Q Results to FY2021		1H Results to FY2021	
	1Q Results	2Q Results	1H Results	1Q Results	2Q Results	1H Results	Change	Change (%)	Change	Change (%)
Revenue	5,776	7,557	13,333	9,019	9,367	18,386	1,810	24%	5,053	38%
EBITDA	2,924	4,572	7,496	5,859	5,843	11,702	1,271	28%	4,206	56%
EBIT	2,657	4,295	6,952	5,561	5,528	11,089	1,233	29%	4,138	60%
Profit/Loss	2,559	4,200	6,760	5,499	5,521	11,019	1,320	31%	4,260	63%
Bunker Price (US\$/MT)	\$465	\$509	\$487	\$750	\$875	\$812	\$366	72%	\$325	67%
Bunker consumption (K MT)	906	891	1,797	773	771	1,543	-121	-14%	-253	-14%
Lifting (K TEU)	3,104	3,181	6,285	2,939	2,898	5,837	-283	-9%	-448	-7%

## □ FY2022 1st Half Results vs FY2021 1st Half Results



- Liftings: Slightly decreased from the same period last year.
- Operation costs: While ships' costs increased, bunker consumption decreased due to a reduction in the number of operating vessels and continued port congestion resulting in a similar expenditure level as the same period last year.
- Freight: Increased.
- Variable costs: Although cost saving initiatives progressed, additional costs were incurred due to global inflation and shoreside/inland congestion.
- Bunker price: Further increased.
- Overhead costs: Agency fees and system costs increased.

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

(Unit: 1,000TEU)

Liftings / Utilization by Trades		FY2021							FY2022		
		1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	Full Year Results	1Q Results	2Q Results	1H Results
Asia - North America	Lifting	615	649	1,264	564	523	1,088	2,352	577	578	1,155
Eastbound	Utilization	100%	100%	100%	100%	100%	100%	100%	100%	91%	95%
Asia - Europe	Lifting	436	443	879	411	422	833	1,712	402	395	796
Westbound	Utilization	100%	100%	100%	97%	97%	97%	100%	95%	95%	95%
Asia - North America	Lifting	328	309	638	258	240	498	1,135	278	276	554
Westbound	Utilization	54%	54%	54%	47%	51%	49%	52%	48%	51%	49%
Asia - Europe	Lifting	339	347	687	305	289	594	1,281	282	267	549
Eastbound	Utilization	82%	78%	80%	69%	63%	66%	73%	58%	56%	57%

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

Freight Index by Trades		FY2021							FY2022		
		1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	Full Year Results	1Q Results	2Q Results	1H Results
Asia - North America	Eastbound	185	247	216	285	304	294	252	354	389	372
Asia - Europe	Westbound	327	451	389	539	552	546	466	530	508	519

- **Liftings, Utilization Rates** : The lifting on Asia-North America E/B remain unchanged from FY2022 1Q, but decreased in comparison to the same period of last year. Vessel utilization decreased due to higher service frequencies following a reduction in port congestion on the US West Coast. Both lifting and vessel utilization on Asia-Europe W/B remain unchanged from FY2022 1Q, but decreased in comparison to the same period of the previous year.
- **Freight Index** : Compared to FY2022 1Q, Asia-North American EB freights slightly increased and Asia-Europe WB freights slightly decreased. Spot freights fell year-on-year overall, but the average rate levels remained high.

# 3. Supply Chain Disruption : Impact & Countermeasures

Business environment

- Global cargo demand is declining. The usual increase in cargo demand prior to Chinese National day, did not occur this year. Asia-North America market volume in 2<sup>nd</sup> Quarter declined by 5% year-on-year due to a shift from goods to services consumption as a result of the relaxation of border control in many countries, the build-up of inventories of consumer goods, and a decline in consumer confidence due to rising global inflation. Asia-Europe market volume fell by 4% year-on-year in July and August due to inflation and the impact of higher energy prices.
- Congestion at some ports is improving, but congestion continues in Hamburg and on the east coast of North America, and rail connections are also congested on the west coast of North America.
- Port functions have remained normal in China, although intermittent lockdowns have taken place.
- North American West Coast labour negotiations are still ongoing.



ONE's countermeasures

Customer service oriented

- The chat function of ONE Quote has been expanded. By the end of December 2022, 80% of customer service employees will be able to use the Chat function, enabling smoother and faster communications with customers to provide solutions.

Operation excellency

- Container procurement and empty container turnaround were thoroughly optimised to respond flexibly to market demand.
- Crew change is normalizing, but ONE will strengthen its cooperation with vessel owners, keeping a close eye on the situation at each port.

Quality of employee

- Flexible remote working has continued in offices around the world
- CSR activities have also continued keeping employees connected and contributions made to local communities.



**Supply chain disruptions continue in various regions.  
ONE will implement the maximum possible response to supply and demand fluctuations by optimising container procurement and strengthening communication with customers in order to fulfil its responsibility to maintain social infrastructure.**

## 4. FY2022 Full Year Forecasts

### □ Outline

**Full-year results for FY2022 are expected to show a profit after tax of US\$ 15,269 million, a decrease from the previous year (-US\$ 1,487 million), which reflects declining demand and the deteriorating freight market.**

- Ongoing supply chain disruptions and rising inflation are increasing costs, particularly in cargo handling and inland transportation.
- Due to the inventory build-up situation in North America and Europe's entry into recession, it is expected to take some time for cargo movements and short-term freight rates to recover.
- The decline in transport demand is expected to continue throughout the second half of the year, resulting in a forecast profit after tax of US\$ 4,250 million in the second half of FY2022.

### □ FY2022 Full Year Forecasts

	FY2021 Results			FY2022 Results			Full Year	
	1H Actual	2H Actual	Full Year Actual	1H Results	2H Forecasts	Full Year Forecast	Change (Mil US\$)	Change (%)
Revenue	13,333	16,765	30,098	18,386	11,530	29,916	-182	-1%
EBITDA	7,496	10,783	18,279	11,702	4,760	16,462	-1,817	-10%
EBIT	6,952	10,244	17,196	11,089	4,130	15,219	-1,976	-11%
Profit /Loss	6,760	9,997	16,756	11,019	4,250	15,269	-1,487	-9%
Bunker Price (US\$/MT)	\$487	\$539	\$512	\$812	\$813	\$813	\$301	59%

## 5. Initiatives for FY2022

Strategy		<p align="center"><b>Steadily execute business in accordance with ONE' Midterm Strategy and Green Strategy announced in March 2022</b></p>
		<ol style="list-style-type: none"> <li><b>1. As a container shipping company that supports the supply chain, ONE will steadily make investments and continuously provide high-quality, safe global transportation services.</b></li> <li><b>2. ONE has positioned green strategies as its top management priority and will continue to address industry challenges, including decarbonization.</b></li> <li><b>3. The company will continue to enhance digitalization, operational efficiency, and risk management to further increase industry-leading profitability and safety.</b></li> </ol>
Progress	Investment	<ul style="list-style-type: none"> <li>➤ ONE has signed ship building contracts with both Hyundai Heavy Industries Co. Ltd. and Nihon Shipyard Co., Ltd. to construct 5 vessels each with a capacity of over 13,700TEU (May 2022), adding a total of ten modern Very Large Container Ships (VLCS) to ONE's fleet, to be delivered in 2025.</li> <li>➤ Two new building vessels of 12,000 TEU (long-term chartered vessels) have been delivered as planned. (Aug-Sep 2022)</li> <li>➤ Middle East/India-Mozambique direct service has been revamped, expanding new gateway options in East Africa with direct call at Mombasa, Kenya. (Aug 2022)</li> <li>➤ Feeder service to Hazira (India) launched (Singapore/Colombo/Hazira). Offering more convenient service to East India. (Sep 2022)</li> <li>➤ Together with its major shareholders, the company proposes to acquire shares of Atlas Corp, which owns Seaspan Corporation, the world's largest container vessel owner. (Aug/Oct 2022)</li> </ul>
	Environment	<ul style="list-style-type: none"> <li>➤ Study of EEXI/CII by vessel and by route is ongoing with alliance partners. A CII monitoring function using the system is also being developed.</li> <li>➤ GCMD*2, in which ONE participates, has collaborated with the 'Green and Digital Corridor'*1 between Singapore and Rotterdam. (Sep 2022)</li> <li>➤ Projects are composed with external stakeholders for the AiPs for zero-emission vessels, with the aim to acquire them by the end of 2023.</li> </ul>
	Safety	<ul style="list-style-type: none"> <li>➤ Safety campaigns were conducted for ONE operated vessels. This year, the main focus was on introducing and sharing best practices and initiatives on each ship. (Aug 2022)</li> </ul>

\* 1 : Initiatives by Maritime & Port Authority of Singapore and City of Rotterdam which aims at decarbonisation.

\* 2 : Global Centre of Maritime Decarbonization, Singapore's maritime decarbonisation hub through industry-government collaboration.

## 6. Reference (Fleet Structure & Service Structure)

### ▣ Fleet Structure

Size		1) As of end June. 2022	2) As of end Sep. 2022	2)-1)
>= 20,000 TEU	Capacity (TEU)	120,600	120,600	0
	Vessels	6	6	0
10,500 - 20,000 TEU	Capacity (TEU)	480,400	504,200	23,800
	Vessels	35	37	2
9,800 - 10,500 TEU	Capacity (TEU)	110,200	110,200	0
	Vessels	11	11	0
7,800 - 9,800 TEU	Capacity (TEU)	373,255	355,677	▲ 17,578
	Vessels	42	40	▲ 2
6,000 - 7,800 TEU	Capacity (TEU)	138,307	138,307	0
	Vessels	21	21	0
5,200 - 6,000 TEU	Capacity (TEU)	49,629	32,814	▲ 16,815
	Vessels	9	6	▲ 3
4,600 - 5,200 TEU	Capacity (TEU)	78,260	78,260	0
	Vessels	16	16	0
4,300 - 4,600 TEU	Capacity (TEU)	62,952	62,952	0
	Vessels	14	14	0
3,500 - 4,300 TEU	Capacity (TEU)	16,358	16,358	0
	Vessels	4	4	0
2,400 - 3,500 TEU	Capacity (TEU)	89,089	83,874	▲ 5,215
	Vessels	33	31	▲ 2
1,300 - 2,400 TEU	Capacity (TEU)	12,163	12,163	0
	Vessels	7	7	0
1,000 - 1,300 TEU	Capacity (TEU)	10,628	10,628	0
	Vessels	10	10	0
< 1,000 TEU	Capacity (TEU)	0	966	966
	Vessels	0	1	1
<b>Total</b>	<b>Capacity (TEU)</b>	<b>1,541,841</b>	<b>1,526,999</b>	<b>▲ 14,842</b>
	<b>Vessels</b>	<b>208</b>	<b>204</b>	<b>▲ 4</b>

### ▣ Service Structure

(FY2022 Q2 Structure of dominant and non-dominant space)

