

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.

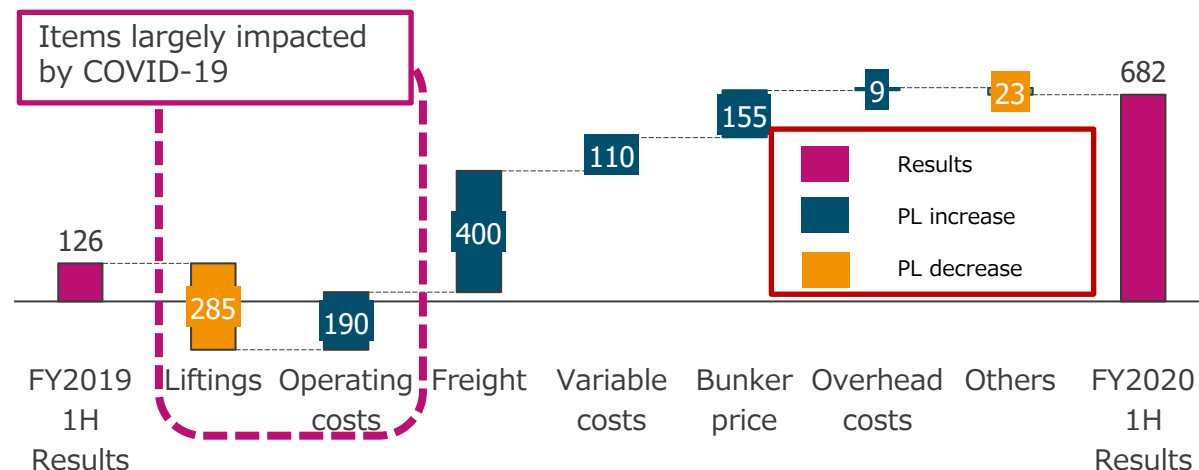
- From Q1 and through Q2, the supply and demand balance improved for all trades, most notably Asia-North America trade liftings recovering to the level of the previous year and other trades also performing steadily.
- The competitiveness of THEA ALLIANCE has further strengthened ONE's financial results,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

