

# ONE

**OCEAN NETWORK EXPRESS**

Financial Results for FY2020 1<sup>st</sup> Quarter

**JULY 31, 2020**

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# 1. FY2020 1<sup>st</sup> Quarter Results

## □ Outline

Liftings largely decreased due to COVID-19 impact. On the other hand, contributed by relatively stable short-term market, cost reduction by flexible fleet size adjustment and extra void sailings, and preceding effect of sharp bunker price drop before being followed by decrease in Bunker Surcharge, achieved profit of US\$167 million.

## □ FY2020 1<sup>st</sup> Quarter Results

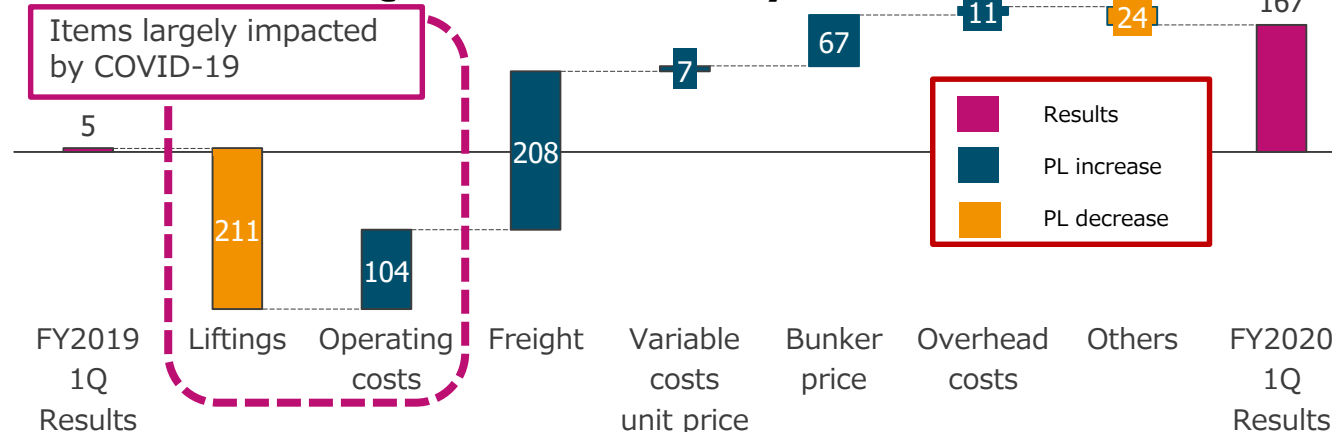
(UNIT :Million US\$)

	FY2019	FY2020	1Q	
	1Q Results	1Q Results	Change	Change (%)
Revenue	2,875	2,736	-139	-4.8%
Profit/Loss	5	167	162	3173%

	FY2019	FY2020	1Q	1Q
Bunker Price (US\$/MT)	\$432	\$348	-\$84	-20%

1Q/FY2020 other results	
□ EBITDA	: US\$488million
□ EBIT	: US\$242million
□ Bunker Consumption:	877K MT
□ Liftings	: 2,673K TEU

## □ FY2020 1<sup>st</sup> Quarter PL Analysis



- Liftings : Reduction by COVID-19 impact
- Operating costs: Reduction from extra void sailings and flexible adjustment of fleet size
- Freight: Improved due to steady short-term market (including OBS effect)
- Variable costs unit price: Almost as same level as last year.
- Bunker Price: Decreased unit price
- Overhead costs: Decrease mainly on agency costs and IT system costs
- Others: FX rate factor, etc.

## 2. Liftings, Utilization Rates, Freight Index in major trades

(Unit: 1,000TEU)

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

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

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

- Liftings, Utilization Rates : Liftings reduced by COVID-19 impact.  
High utilization rates maintained by extra void sailings in correspondence with cargo demand.
- Freight Index : Steady short-term market trend.

# 3. COVID-19 impact & countermeasures, FY2020 Action Plans, Full-year forecasts

## COVID-19 impact & countermeasures

Impact on cargo demand	Decrease of cargo caused by global demand shrink was approximately 20% or slightly less in 1 <sup>st</sup> Quarter over the same period last year, but demand is gradually coming back towards 2 <sup>nd</sup> Quarter and currently it is at the level of approximately 10% less compared to last year. However, seeing the still spreading infection worldwide, future cargo demand is still uncertain, and we will closely monitor the situation.
Crisis Management	Crisis Management Committee headed by CEO as the core decision making body, and with utmost priority on safety of employees' and ships crews', endeavoring continuity of stable liner containership service, which is essential social infrastructure. Globally conducting BCP, making use of digital technology.
Cost saving initiatives	Conducting flexible vessel deployment in accordance with cargo demand and flexibly adjusting fleet size to reduce operating cost as much as possible.

## FY2020 Action Plans

Further enhancement of competitiveness and differentiation	<b>Customer service oriented</b>	<b>Operation excellency</b>	<b>Quality of employee</b>
	<ul style="list-style-type: none"> <li>➤ Hyundai Merchant Marine joined THE ALLIANCE. Providing more competitive and various products (Vessel deployment &amp; service)</li> <li>➤ Improvement of customer experience, through enhancement of touch point with customers (live-chat, e-commerce and so on)</li> <li>➤ Online contents about our new digital service for customers' better guidance</li> <li>➤ Hosting and participating at online events to keep close customer communication</li> </ul>	<ul style="list-style-type: none"> <li>➤ Collaboration with terminal operators to improve operational efficiency, initiate cost saving activities.</li> <li>➤ Operational efficiency improvement such as stowage planning utilizing technology initiated by Kumamoto Engineering lab.</li> <li>➤ Introducing AI-based empty stock and empty repositioning optimization.</li> </ul>	<ul style="list-style-type: none"> <li>➤ With ONE Core Value, inspiring and motivating employees and promoting their deeper understanding about the company's vision.</li> <li>➤ Providing more digitalized education programs.</li> <li>➤ Leveraging the use of social media for further information sharing among the employees and managements</li> <li>➤ Global CSR activities for local communities (⇒<a href="#">Link to CSR website</a>)</li> </ul>

## FY2020 Full-year forecasts

- COVID-19 pandemic is ongoing and uncertain situation continues. Forecasting FY2020 performance reasonably is still difficult and therefore FY2020 full-year forecasts are not yet fixed.

# 4. Fleet Structure & Service Structure

## ▣ Fleet Structure

Size	1) As of end Mar 2020		2) As of end June 2020		2)-1)
	Capacity(TEU)	Vessels	Capacity(TEU)	Vessels	
>= 20,000 TEU	Capacity(TEU)	120,600	120,600	0	0
	Vessels	6	6	0	0
10,500 - 20,000 TEU	Capacity(TEU)	349,000	396,600	47,600	
	Vessels	25	29	4	
9,800 - 10,500 TEU	Capacity(TEU)	100,100	100,100	0	
	Vessels	10	10	0	
7,800 - 9,800 TEU	Capacity(TEU)	356,811	374,326	17,515	
	Vessels	40	42	2	
6,000 - 7,800 TEU	Capacity(TEU)	234,706	202,080	▲ 32,626	
	Vessels	36	31	▲ 5	
5,200 - 6,000 TEU	Capacity(TEU)	100,910	83,992	▲ 16,918	
	Vessels	18	15	▲ 3	
4,600 - 5,200 TEU	Capacity(TEU)	123,372	113,580	▲ 9,792	
	Vessels	25	23	▲ 2	
4,300 - 4,600 TEU	Capacity(TEU)	71,816	62,952	▲ 8,864	
	Vessels	16	14	▲ 2	
3,500 - 4,300 TEU	Capacity(TEU)	29,750	25,408	▲ 4,342	
	Vessels	7	6	▲ 1	
2,400 - 3,500 TEU	Capacity(TEU)	63,671	60,704	▲ 2,967	
	Vessels	24	23	▲ 1	
1,300 - 2,400 TEU	Capacity(TEU)	12,070	10,296	▲ 1,774	
	Vessels	7	6	▲ 1	
1,000 - 1,300 TEU	Capacity(TEU)	8,488	7,452	▲ 1,036	
	Vessels	8	7	▲ 1	
< 1,000 TEU	Capacity(TEU)	0	0	0	
	Vessels	0	0	0	
Total	Capacity(TEU)	1,571,294	1,558,090	▲ 13,204	
	Vessels	222	212	▲ 10	

## ▣ Service Structure

(FY2020 1Q Structure of dominant and non-dominant space)

