

# ONE

**OCEAN NETWORK EXPRESS**

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

October.31, 2022

- ▣ 1. FY2022 2<sup>nd</sup> Quarter Results P.3**
- ▣ 2. Liftings, Utilization,  
Freight Index in Major Trades P.4**
- ▣ 3. Supply Chain Disruption : Impact &  
Countermeasures P.5**
- ▣ 4. FY2022 Full Year Forecasts P.6**
- ▣ 5. Initiatives for FY2022 P.7**
- ▣ 6. Reference P.8  
(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).**

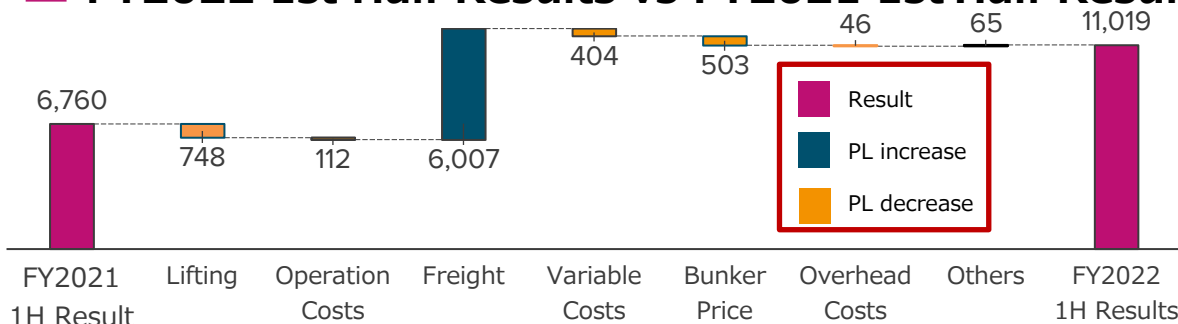
- Global freight demand in July-September: steady cargo movements continued in July, however a sudden decline in transport demand occurred in August and September.
- On the supply side, port congestion improved in some areas, but supply chain disruptions continued across the world with port congestion 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 Eastbound   | Lifting     | 615        | 649        | 1,264      | 564        | 523        | 1,088      | 2,352             | 577        | 578        | 1,155      |
|                                  | Utilization | 100%       | 100%       | 100%       | 100%       | 100%       | 100%       | 100%              | 100%       | 91%        | 95%        |
| Asia - Europe Westbound          | Lifting     | 436        | 443        | 879        | 411        | 422        | 833        | 1,712             | 402        | 395        | 796        |
|                                  | Utilization | 100%       | 100%       | 100%       | 97%        | 97%        | 97%        | 100%              | 95%        | 95%        | 95%        |
| Asia - North America Westbound   | Lifting     | 328        | 309        | 638        | 258        | 240        | 498        | 1,135             | 278        | 276        | 554        |
|                                  | Utilization | 54%        | 54%        | 54%        | 47%        | 51%        | 49%        | 52%               | 48%        | 51%        | 49%        |
| Asia - Europe Eastbound          | Lifting     | 339        | 347        | 687        | 305        | 289        | 594        | 1,281             | 282        | 267        | 549        |
|                                  | 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><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>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>ONE has positioned green strategies as its top management priority and will continue to address industry challenges, including decarbonization.</b></li> <li><b>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  |
| 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)

