

Financial Results for FY2020 2nd Quarter and Full Year Forecasts for FY2020 oct 30, 2020

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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

	FY2019 Results 1Q 2Q 1H				
Revenue	2,875	3,109	5,984		
Profit /Loss after TAX	5	121	126		
	1				

FY2020 Results						
1Q 2Q						
3,181	5,917					
515	682					
	2Q 3,181					

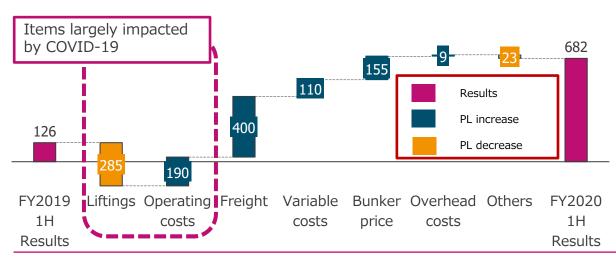
2Q Results to FY2019					
Change					
(%)					
2%					
326%					

(31 1					
1H Results to FY2019					
Change Change					
	(%)				
-67	-1%				
556	441%				

(Unit: Million US\$)

				-						
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)

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

	FY2020					
1Q	2Q	1H				
Results	Results	Results				
610	765	1,375				
96%	100%	98%				
347	419	766				
96%	98%	97%				
327	328	654				
51%	43%	47%				
290	289	579				
75%	70%	73%				

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

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

FY2020					
1Q	2Q	1H			
Results	Results	Results			
110	119	115			
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				
	1H 2H Full Yea				
Revenue	5,984	5,881	11,865		
EBITDA	ı	ı	1,368		
EBIT	ı	ı	422		
Profit/Loss after TAX	126	-22	105		

FY2020					
1H	2H	Full Year			
Results	Forecasts	Forecasts			
5,917	5,994	11,911			
1,342	872	2,214			
846	371	1,217			
682	245	928			

Year to Year			
Change	Change		
	(%)		
46	0%		
846	62%		
795	288%		
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". <u>Issued Sustainability Report 2020.</u>

5. [Reference] Fleet Structure & Service Structure



Fleet Structure

	7				
	Size		1)As of end June. 2020	2)As of end Sep. 2020	2)-1)
	>= 20,000 TEU	Capacity (TEU)	120,600	120,600	0
		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
20		Vessels	15	15	0
o	4,600 - 5,200 TEU	Capacity (TEU)	113,580	103,731	▲ 9,849
end		Vessels	23	21	A 2
of e	4,300 - 4,600 TEU	Capacity (TEU)	62,952	62,952	0
l o		Vessels	14	14	0
م	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
		Capacity (TEU)	1,558,090	1,570,536	12,446
	Total	Vessels	212	215	3

Service Structure

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

