

ONE

OCEAN NETWORK EXPRESS

Financial Results for FY2019 Full-Year

AS OF APRIL. 30. 2020

1. FY2019 Full –Year Financial Results

□ FY2019 Full-year Results and Comparison with Previous Year and Previous Forecasts

(Unit: Million US\$)

*As of Jan 2020

	FY2019							FY2018 Full Year Results	Year on Year		FY2019 (Previous Forecasts*) Full Year Forecasts	Results to Previous Forecasts	
	1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	Full Year Results		Change	Change (%)		Change	Change (%)
Revenue	2,875	3,109	5,984	2,914	2,966	5,881	11,865	10,880	985	9.1%	11,879	-14	-0.1%
Profit/loss for the year	5	121	126	5	-27	-22	105	-586	691	-	81	24	29.8%
Bunker Price (US\$/MT)	\$432	\$419	\$427	\$417	\$528	\$456	\$441	\$444	-\$3		\$457	-\$15	

□ Full-year results EBIT/EBITDA/Annual Lifting/Annual bunker consumption

- EBIT US\$ 422 million
- EBITDA US\$ 1,368 million
- Annual Lifting 12,399K TEU
- Annual bunker consumption 4.2 million MT

□ Outline

- FY2019 Full-Year: Recorded US\$105 million profit. FY2019 action plans achieved targets (Details:Slide2)
- Synergy Effect: (US\$1,050 million against FY2015) Achieved one-year in advance (Details:Slide3)
- COVID-19 Impact: Liftings stagnated and extra variable cost incurred, however suppressed fixed cost, and achieved results that are not worse than previously forecasted. (Details: Slide4)
- Liftings, Utilization rate, Imbalance improved, spot market rate was stable, and adoption to MARPOL2020 regulations was smooth. (Details: Slide5)

2.FY2019 Full-Year Results Analysis (vs. Previous Year Results)

Full-year results vs. Previous year results

Action Plans in FY2019

Cargo Portfolio Optimization, Reinforcement of Yield Management

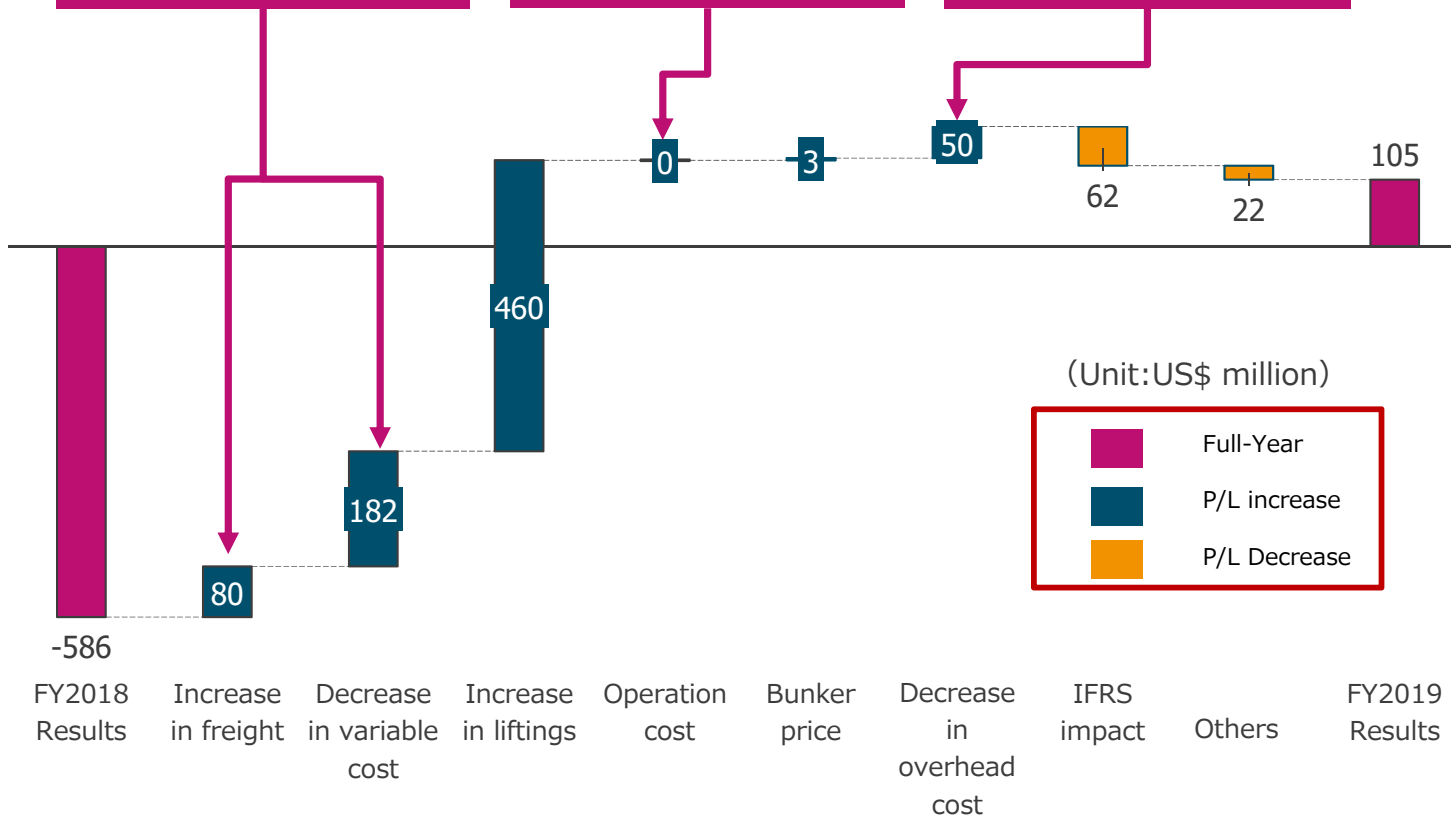
Products (Service routes, Allocated vessels) Rationalization

Organization Optimization

US\$190 million per annum

US\$260 million per annum

US\$50 million per annum



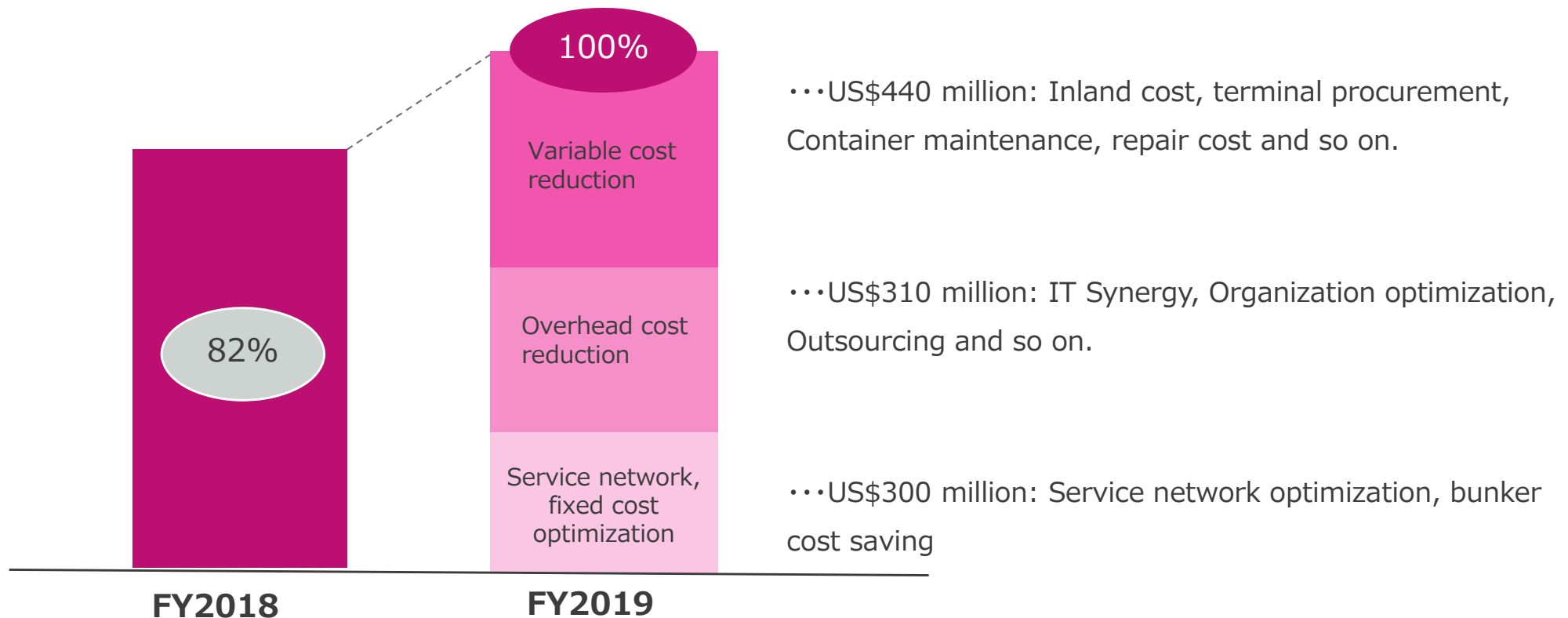
Total target of US\$500 million per annum improvement action plans are achieved as planned.

- ❑ **Freight:** Freight increase including effect of cargo portfolio improvement
- ❑ **Variable Cost:** Yield Management reinforcement, cost saving effect etc.
- ❑ **Liftings:** Mainly effects from utilization rate improvement, reinforcement of non-dominant leg.
- ❑ **Operation cost:** Per unit cost decreased as a result of FY2019 product effect, bunker consumption saving initiatives and so on. On the other hand, cost increased because of service expansion (such as West Asian service and Africa service). Net total fixed cost almost as same amount as last year.
- ❑ **Bunker Price:** Increase due to MARPOL 2020 adoption and bunker market fall offset each other, resulting in almost same unit price as last year.
- ❑ **Overhead cost:** Decreased as a result of organization optimization.
- ❑ **IFRS impact:** IFRS accounting adoption from FY2019.
- ❑ **Others:** Increase in Freight Tax due to revenue increase, and so on

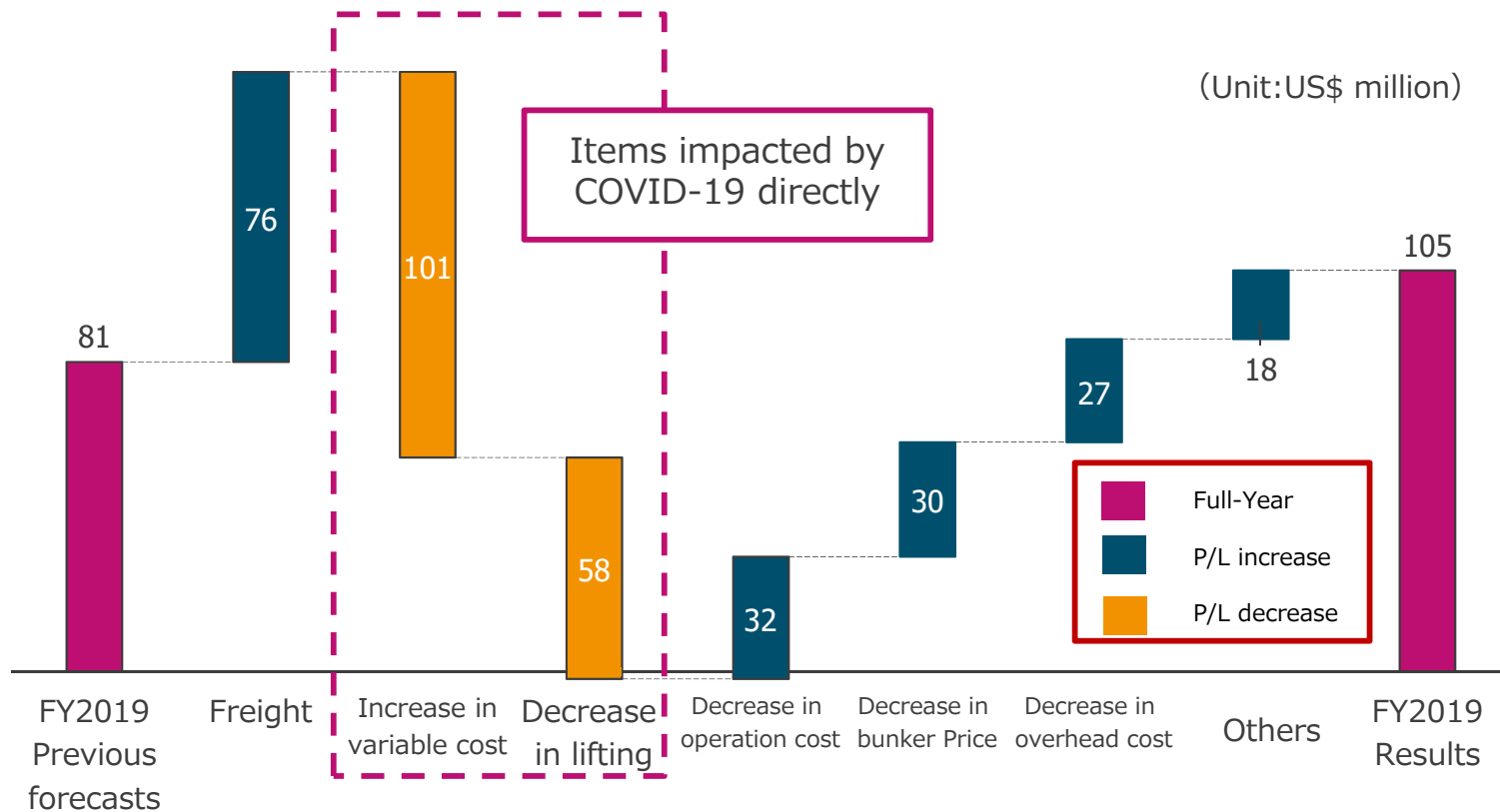
3. Summary of Synergy Effects

- ❑ Against the three-year target of synergy effects amounting US\$1,050 million per annum against FY2015 level of the three parent companies before the integration, 82% was realized in the first operating year in FY2018.
- ❑ At the beginning of FY2019, further 14% achievement to reach 96% was forecasted, however as a result of expedited decision-making speed and strengthened bargaining power, 100% actualized a year ahead in FY2019.
- ❑ From FY2020 onward, ONE will continue to explore further competitiveness beyond the frame of synergy effects.

Achievement against target



4.FY2019 Full-Year Results Analysis (vs. Previous forecasts)



- ❑ **Freight** : Short term market level after lunar new year was higher than previously forecasted.
- ❑ **Variable Cost**: Effects of COVID-19 such as tighter container storage places and so on (Transitory factor)
- ❑ **Liftings**: Due to COVID-19 impact, result was lower than previously forecasted.
- ❑ **Operation cost**: Executed additional void sailings to cope with lower demand after lunar new year.
- ❑ **Bunker Price**: Lower than previously forecasted.
- ❑ **Overhead cost**: Agency cost and IT system cost were less than forecasted.
- ❑ **Others**: Impact from exchange rates, IFRS, Freight Tax and so on.

COVID-19 impacted liftings more than previously forecasted after lunar new year. As epidemic spread globally, berth waiting by quarantine reinforcement or operation delay due to shortage of container yard were seen occasionally. Crisis Management Committee was set up in later January headed by CEO, and Business Continuity Plan (BCP) was activated country by country to maintain essential customer service, ship operation, container flow and so on. Extra void sailings were executed to meet decelerating cargo demand. MARPOL2020 regulation came into effect from beginning of this year and ONE Bunker Surcharge (OBS) implementation progressed steadily as planned. Bunker price decrease preceded OBS decrease, on the other hand short term freight rate market was relatively steady, and results ended with an upturn from previous forecasts.

5. Liftings, Utilization Rate, Freight Index of Major trades

(Unit: 1,000TEU)

Liftings / Utilization by Trades		FY2018	FY2019						
		Full Year Results	1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	Full Year Results
Asia - North America	Lifting	2,664	669	773	1,442	665	585	1,250	2,692
Eastbound	Utilization	87%	86%	94%	90%	93%	92%	93%	91%
Asia - Europe	Lifting	1,687	460	488	947	440	443	882	1,830
Westbound	Utilization	88%	87%	95%	91%	92%	100%	96%	93%

Asia - North America	Lifting	1,141	350	310	660	320	331	650	1,310
Westbound	Utilization	37%	47%	37%	42%	42%	49%	45%	44%
Asia - Europe	Lifting	1,091	323	328	651	362	325	687	1,339
Eastbound	Utilization	55%	64%	64%	64%	72%	67%	69%	67%

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

Freight Index by Trades		FY2018	FY2019						
		Full Year Results	1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	Full Year Results
Asia - North America	Eastbound	104	103	105	104	104	110	107	105
Asia - Europe	Westbound	104	100	101	100	98	111	105	102

(Vs. FY2018) Action plans for P/L improvement emerged. Utilization rates improved, non-dominant leg liftings increased, and trade imbalance became less.

(4th Quarter) Freight index increased as a result of MARPOL2020 adoption. COVID-19 impacted is till limited.

6.FY2020 Full-year forecasts

▣ **Impact of COVID-19**

Global economy is rapidly deteriorating due to epidemic expansion, which is seriously impacting global supply chain. Demand is declining in large consumption regions such as Europe, North America, and many other locations, and we have executed considerable scale of void sailings in April. Uncertainties are still increasing for the situation after May.

▣ **Disclosure of FY2020 Full-year forecasts**

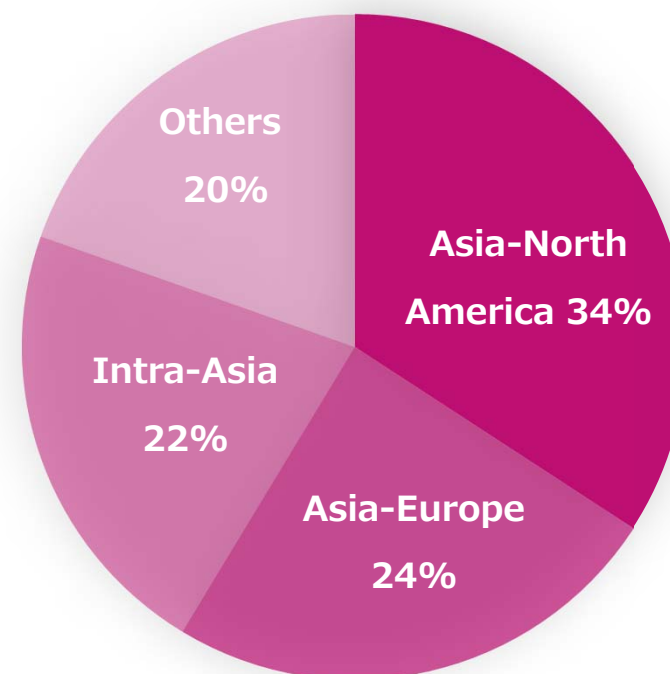
Situation is changing dynamically and rapidly, and forecasting FY2020 performance reasonably is difficult under current external circumstances and therefore FY2020 full-year forecasts are not yet fixed.

▣ Fleet Structure

Size		1)As of end Dec 2019	2)As of end Mar 2020	2)-1)
		>= 20,000 TEU	Capacity (TEU)	120,600
	Vessels	6	6	0
10,500 - 20,000 TEU	Capacity (TEU)	363,220	349,000	▲ 14,220
	Vessels	26	25	▲ 1
9,800 - 10,500 TEU	Capacity (TEU)	100,100	100,100	0
	Vessels	10	10	0
7,800 - 9,800 TEU	Capacity (TEU)	374,655	356,811	▲ 17,844
	Vessels	42	40	▲ 2
6,000 - 7,800 TEU	Capacity (TEU)	227,260	234,706	7,446
	Vessels	35	36	1
5,200 - 6,000 TEU	Capacity (TEU)	100,910	100,910	0
	Vessels	18	18	0
4,600 - 5,200 TEU	Capacity (TEU)	118,480	123,372	4,892
	Vessels	24	25	1
4,300 - 4,600 TEU	Capacity (TEU)	71,816	71,816	0
	Vessels	16	16	0
3,500 - 4,300 TEU	Capacity (TEU)	34,003	29,750	▲ 4,253
	Vessels	8	7	▲ 1
2,400 - 3,500 TEU	Capacity (TEU)	61,125	63,671	2,546
	Vessels	23	24	1
1,300 - 2,400 TEU	Capacity (TEU)	11,993	12,070	77
	Vessels	7	7	0
1,000 - 1,300 TEU	Capacity (TEU)	9,631	8,488	▲ 1,143
	Vessels	9	8	▲ 1
< 1,000 TEU	Capacity (TEU)	0	0	0
	Vessels	0	0	0
Total	Capacity (TEU)	1,593,793	1,571,294	▲ 22,499
	Vessels	224	222	▲ 2

▣ Service Structure

(4Q FY2019 Structure of dominant and non-dominant space)



Reference

FY2019 Action Plans		Target as of beginning of the fiscal year (Achieved)
Cargo Portfolio Optimization, Reinforcement of Yield Management	Cargo portfolio optimization such as inland cargo match back ratio improvement, reinforcement of yield management through improvement of cargo operation efficiency or business process optimization.	US\$190 million per annum
Products (Service routes, Allocated vessels) Rationalization	Based on operating results of FY2018 as first year of ONE, service network optimization was progressed such as capacity upsize and allocation optimization by pendulum service connecting Europe and US via Asia, launch of in-house feeder services which reduced unit price of fixed cost. Cost saving from bunker cost reduction initiatives are also included here.	US\$260 million per annum
Organization Optimization	Reduction of overhead cost such as agency cost or IT system usage cost. Initiatives of E-Commerce enhancement, expansion of live chat, introduction of robotics, targeting improvement of customer experience and internal efficiency, have progressed.	US\$50 million per annum

KEY TOPICS

MARPOL2020	Effective January 2020, regulation was implemented to limit sulphur content in bunker oil to be 0.5% or less (MARPOL2020). Switching to compliant bunker was smoothly completed. Attention of customers towards environmental issues are high and cost recovery by implementation of bunker surcharge such as OBS was achieved as planned. Retro-fitting of scrubbers is scheduled mainly for core large ships and in future we continue studying best mix of procurement of compliant oil and scrubber retro-fitting.
Actualizing Synergy Effects	US\$1,050 million of synergy effects were targeted from integration of container business by 3 parent companies. FY2018 was first year after integration and 82% was achieved. At beginning of FY2019, it was forecasted 96% to be achieved in FY2019 and 100% in FY2020, however full 100% ended up to be realized in FY2019.
Transfer of Overseas Terminal	Examination for transferring overseas terminal business from each of 3 parent companies to ONE is on going targeting execution in FY2020.