

DHL Global Forwarding, Freight



OCEAN FREIGHT MARKET UPDATE

July 2018



Contents



TOPIC OF THE MONTH

Rate increases due to higher bunker costs



HIGH LEVEL DEVELOPMENT



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CARRIERS



REGULATIONS



DID YOU KNOW?

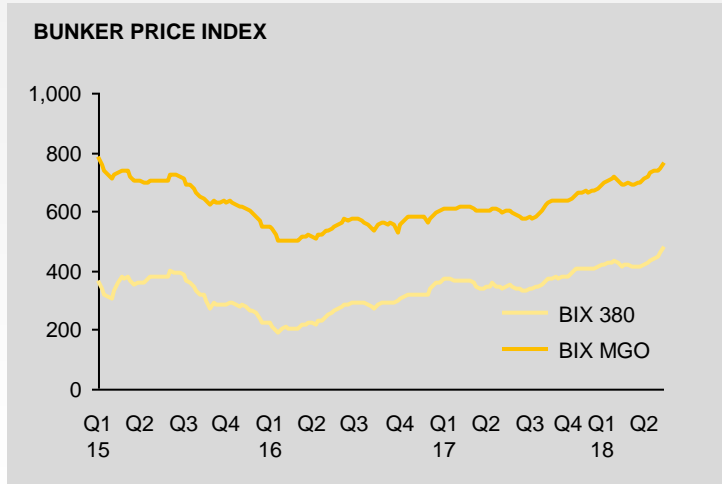
New tariff measures between China and the US effective 6 July 2018



Topic of the Month

Rate increases due to higher bunker costs

Carriers are trying very hard to push through the rate increase



Following **very disappointing Q1 results** and a **negative outlook for the year** many **carriers** are **implementing substantial rate increases**.

Various terminologies are being used to describe the surcharges:

EBAF (Emergency Bunker Adjustment Factor)

EBS (Emergency Bunker Surcharge)

EFL (Emergency Fuel Charge)

FAF (Fuel Adjustment Factor)

OCR (Operations Cost Recovery)

PSS (Peak Season Surcharge)

The carriers explain their actions by **increased bunker costs**.

Unfortunately there is no consistent approach applied by the carriers and across the trades.

DGF is in constant dialogue with its partner carriers and doing its utmost to **mitigate the impact** for the **customers** and **the business**. However **DGF expects that margins will be affected**. **Agreements** with carriers and customers **will need to be reviewed**.

Given the development the **industry needs to be prepared** for **floating BAF agreements** going forward.

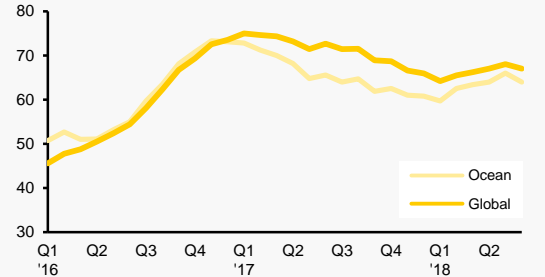
Source: DHL; Bunker Index, in USD/metric ton, Bunker Index MGO (BIX MGO) = avg. Global Bunker Price for marine gasoil (MGO) port prices; (BIX 380= avg. Global Bunker Price for all 380 centistoke (cSt) port prices; both index published on the Bunker Index website

High Level Market Development – Supply and Demand

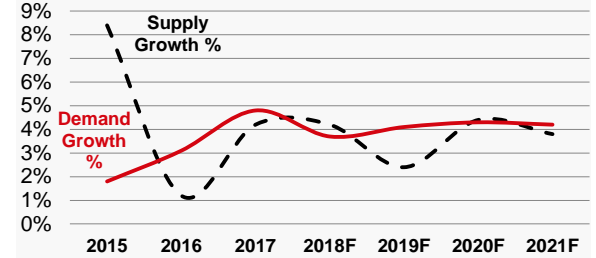
ECONOMIC OUTLOOK GDP GROWTH BY REGION¹⁾

	2018F	2019F	2020F	2021F	2022F	CAGR (2019-22)
EURO	2.2%	2.0%	1.9%	1.8%	1.8%	1.8%
MEA	3.5%	3.8%	3.9%	3.6%	3.5%	3.7%
AMER	2.7%	2.8%	2.2%	1.9%	1.9%	2.0%
ASPA	5.0%	4.9%	4.7%	4.8%	4.8%	4.7%
DGF World	3.4%	3.3%	3.1%	3.0%	3.0%	3.0%

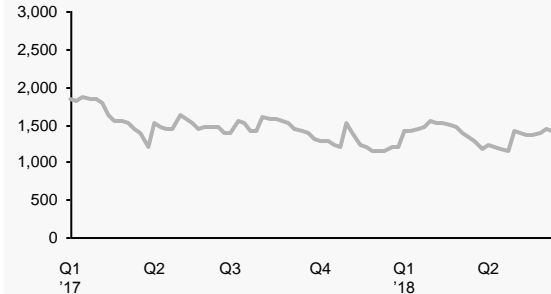
DHL TRADE BAROMETER⁶⁾



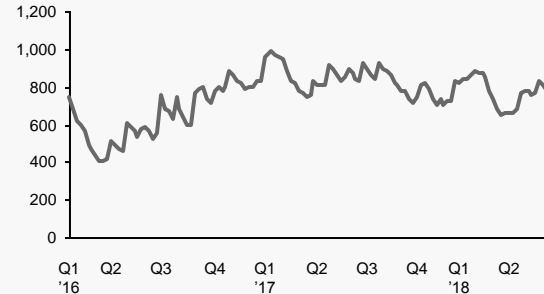
SUPPLY/DEMAND GROWTH (ANNUALIZED), IN % ²⁾



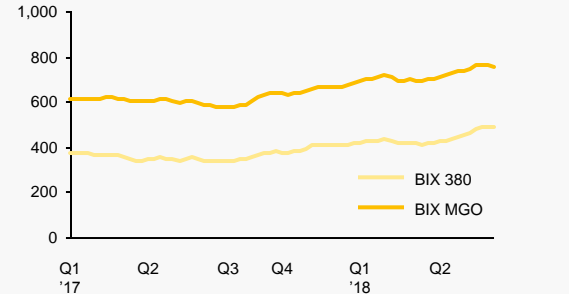
WORLD CONTAINER INDEX (WCI)³⁾



SHANGHAI CONTAINERIZED FREIGHT INDEX (SCFI)⁴⁾



BUNKER PRICE INDEX ⁵⁾



1) real GDP, Global Insight, Copyright © IHS, Q2 2018 . All rights reserved 2) Demand growth = Port-to-Port Container Traffic growth. Supply growth = Fleet Growth. Source: Drewry Maritime Research. 3) Shanghai Shipping Exchange, in USD/20ft container & USD/40ft ctnr for US routes, 15 routes from Shanghai. 4) Global Insight, Drewry. 5) Bunker Index, in USD/metric ton, Bunker Index MGO (BIX MGO) = avg. Global Bunker Price for marine gasoil (MGO) port prices; (BIX 380= avg. Global Bunker Price for all 380 centistoke (cSt) port prices; both index published on the Bunker Index website., 6) DHL Global Trade Barometer Mar18, index value represents weighted average of current growth and upcoming two months of trade, a value at 50 is considered neutral, expanding above 50, and shrinking below 50.

Market Outlook July 2018 – Major Trades

Carriers continue to push for the implementation of emergency surcharges on all trades

EXPORT REGION	IMPORT REGION	CAPACITY	RATE
 EURO	AMNO	-	+
	AMLA	=	+
	ASPA	+	=/-
	MENAT	+	=/-
	SSA	=	=

 AMNO	AMLA	=	+
	ASPA	=	+
	EURO	=	+
	MENAT	=	=
	SSA	=	=

KEY	Strong Increase ++	Moderate Increase +	No Change =	Moderate Decline -	Strong Decline --
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Source: DGF

EXPORT REGION	IMPORT REGION	CAPACITY	RATE
 AMLA	AMNO	=	=
	ASPA	+	+
	EURO	+	+
	MENAT	=	=
	SSA	--	++

 ASPA	ASPA	=/-	+
	AMNO	-	+
	AMLA	-	+
	EURO	=	+
	MENAT	=	+
	OCEANIA	=	+

Market Outlook July 2018 – Ocean Freight Rates Major Trades

Market outlook on smaller trades available in the back-up

OCEAN FREIGHT RATES OUTLOOK

ASPA – EURO	Carriers expecting the traditional peak in July, thus announced a July GRI. Chaotic EBS/PSS implementation by various carriers to ease the cost pressure.
EURO – ASPA & MEA	rates are slightly softening to partly compensate on the emergency surcharge
ASPA – AMLA	Capacity reduction to Mexico/WCSA through Maersk cancellation of AC5 and also frequent blank sailings by CMA/APL/COSCO/MSC. And peak season volumes are coming in, causing rates to hike, and space being limited. Carriers remain very firm on the EBS/PSS/FAF.
ASPA – AMNO	Overall tight space situation as we go into traditional peak season. Carriers are planning GRI/PSS/EBS in July. 2M has withdrew TP1/New Eagle service ,weekly capacity of approx. 4000 teus into PNW.
EURO – AMNO	Space is the discussion and more or less all carriers are fully booked. HMM decided to withdraw from the Trade and Ocean Alliance have cancelled the newly launched service to South East Coast. .
ASPA – MENAT	Higher rate increase than expected due to higher bunker price. Space remains tight into EMED. Carriers have also successfully implemented GRI into East and West Africa.
ASPA – ASPA	Congestion continues to ease at Shanghai port. To the Indian Subcontinent (IPBC) trade, space is tight from China/ Hong Kong. There are also blank sailing plans in mid-July. Rate increases to be expected due to higher bunker rates.
AMNO – EURO	Capacity will decrease in July with the Ocean Alliance cancelling one of their string. Rates are going up due to higher bunker costs.

Source: DGF



Economic Outlook & Demand Development

Steady growth amid gathering storm clouds



EURO

Recent weakening service-sector data, rising oil prices, weaker foreign trade & industrial production data hint to an underlying slowdown. Potentially unstable governments in **IT & ES** promise stormy times ahead. Consequently, real GDP growth is now projected to slow from 2.6% in 2017 to 2.1% this year, 1.7% in 2019 and 1.6% in 2020. Likewise, **UK** growth has been revised down to only 1.1% this year and 1.2% net year.

AMNO

Estimated Q2 GDP growth has been raised roughly a full percentage point to 4.1% as reports on trade balance and personal consumption expenditures are indicating much firmer momentum for output early in Q2, leading to a higher GDP growth forecast of 3.0% for this year, and 2.8% and 1.8% for the following years.



ASPA

Weakness in domestic demand in **JP** is a concern. IHS expects real GDP growth to turn positive in Q2 but recovery could be milder than previously anticipated. **CN** is on track for a gradual slowdown. Broad-based weakness in domestic demand, particularly slowing retail sales and infrastructure investment growth in May indicate a slowdown in Q2. US protectionist trade policies may darken global economic growth and increase potential risks to CN's exports and manufacturing growth.

EMERGING
MARKETS

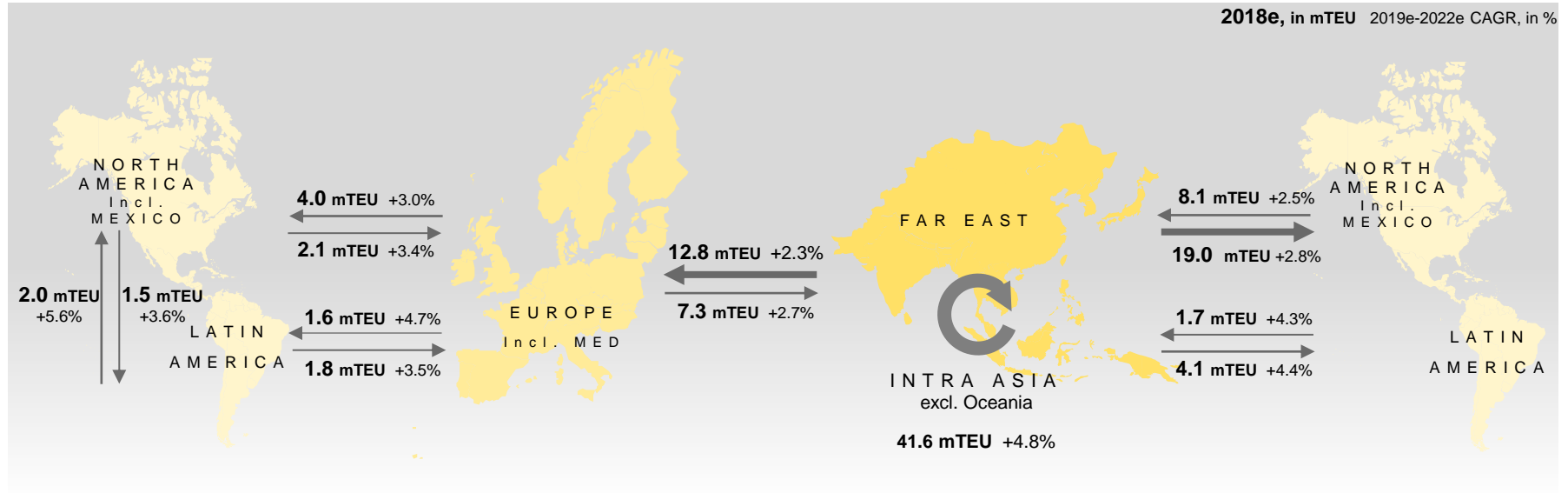
Stiff headwinds of rising US interest rates and a strengthening dollar are triggering an outflow of capital from some emerging markets and forcing their central banks to raise interest rates. Hardest hit have been **AR & TR**. And **BR, ID & ZA** have also come under pressure. Good news is that many emerging markets, especially those in Asia and the Middle East, are not in the "danger zone".

DEMAND
DEVELOPMENT

Although business sentiment remains below the highs seen earlier in the year, the survey data are consistent with global GDP rising at a solid rate in Q2. All indexes remained in positive territory and matched or bettered the averages of 2017. The major development in recent months has been the extent to which the **US** sentiment has risen and **Eurozone** sentiment has fallen.

Source: IHS Markit Global Executive Summary, IHS Purchasing Manager Index Manufacturing, a PMI at 50 is considered neutral, expanding above 50, and business shrinking below 50.

Market Outlook – Volume Outlook in Main Trade Lanes, 2018 Estimate & 2019/22 Growth Forecast in %



GLOBAL CONTAINER TRADE 2018e **152.6 mTEU** +4.0% CAGR 2019e-2022e

→ Mid-term growth is mainly driven by Asian tradelanes.

Source: Seabury Jun18 update

Capacity Development 1/2

CAPACITY DEVELOPMENT

Maersk and MSC have announced the **immediate suspension** of their **Fast East – PNW** (Pacific North West) **‘TP-1/Eagle’**, a service operated within the 2M agreement. The **transpacific route** is facing **increasing pressure** from **surplus capacity** and **falling freight rates**. Volume growth has slowed and the market outlook for the coming months has become increasingly uncertain, due to the Sino-US tariff measures that are due to take effect from July 6th. The withdrawal of the ‘TP-1/Eagle’ will remove 1.5% of the current Far East – WCNA weekly capacity and 9.5% of the total weekly capacity operated by the 2M partners (excl HMM).

APL (CMA CGM) proceeds with the **launch** of its new **‘Eagle Express X’** (EXX) service, that will connect Ningbo and Shanghai to Los Angeles. First sailing is scheduled to depart from Shanghai on 3 August. The ‘EXX’ will offer **one of the fast transit times** between **Asia and US West Coast** (eleven days from Shanghai and twelve days from Ningbo). Further to this, APL has started to **up-size its existing ‘EX1’ service**, with 6,500 – 7,500 TEU ships to successively replace 5,100 TEU class ships as of July, when the smaller ships are shifted to the new ‘EXX’ in August.

The **OCEAN Alliance members** (CMA CGM – APL, COSCO Shipping, Evergreen and OOCL) **suspended** sailings of their newly launched **North Europe – US East Coast TAT4 service in June**, just two months after the loop was introduced. The service was part of the OCEAN Alliance’s 2018 ‘Day Two’ network implemented in April. It was to turn in five weeks deploying five 4,200 – 5,000 TEU ships.

Hyundai Merchant Marine (HMM) will leave the **Transatlantic trade** as it is to cease to buy slots on two North Europe – US East Coast loops of Maersk Line and MSC operated within the frame of their 2M Vessel Sharing Agreement. **HMM** will therewith **lose its ‘global carrier’ status**, which is defined by a participation in the three main East-West trades, on top of other trades. The Korean carrier states that “market conditions have driven HMM to concentrate its efforts to service its customers in other core trades”. The final westbound sailings from Europe is offered in the last week of June, while the last eastbound sailings from US ports will be from Norfolk on 13 July and from Savannah on 31 July. **HMM’s withdrawal is not expected to affect overall trade capacity** as the 2M carriers are expected to retake all of the slots currently used by HMM, without any changes to existing 2M services.

On the other hand, **HMM has announced** the selection of three Korean shipbuilders for a **new building program of 20 container vessels**. The orders will cover ships with a **total capacity of 388’000 TEU** (8x 14’000 TEU, 12x 23’000 TEU). HMM stated on 4 June that it will sign Letters of Intent (LOI) with the selected yards, before negotiating the final agreement on prices and other terms. This new building program will herald **HMM’s return to the Far East – Europe and Transpacific routes**, with larger tonnage of its own. The ship’s introduction will coincide with the expiry of the 2M + HMM arrangement on the Far East – Europe route in April 2020.

Source: Alphaliner, carriers

Capacity Development 2/2

CAPACITY DEVELOPMENT

HMM, Evergreen and APL are planning to **introduce in August a direct service connecting main ports in China with Australia**. The weekly service will turn in five weeks using five classic panamax ships averaging 4,600 TEU. Two of the vessels will be provided by HMM, with the other three to be supplied by APL and Evergreen. The new service will enhance HMM's presence in the China – Australia trade and will allow the carrier to introduce own tonnage. HMM is currently also in the process of incorporating its HMM Australia office in a bid to further strengthen its presence in the market and provide more reliable service to its customers. The launch of this new service will be the **first major capacity expansion in the Far East – Australia trade in the last twelve months** and will **add some 6% to the total capacity on this route**.

Maersk Line is to launch a **weekly Med – Canada service**, branded 'Mediterranean-Montreal Express' (MMX). The new loop will directly connect Italy, France and Spain with the Montreal and Halifax gateways, and it will act as a relay service for Asian, African, Middle East and Eastern Med cargoes. The first sailing is planned on 2 July from La Spezia. Maersk Line currently serves the Med – Canada route through slots on the 'MCA' service of Hapag Lloyd.

The **idle containership capacity has dropped to only 0.9%** of the fleet, with 93 units, aggregating a total capacity of 205,331 TEU recorded to be idle as at 11 June 2018. The idle fleet would have fallen even lower if not for the forced idling of several large carrier-controlled units. They include the fire damaged MAERSK HONAM (15,282 TEU) which has docked at Jebel Ali on 27 May, some three months after fire broke out aboard the ship.

CMA CGM has received the **CMA CGM JEAN MERMOZ (20,965 TEU)**, second of three 20,954 TEU megamax container ships from HHIC's Subic Bay Shipyard in the Philippines. The CMA CGM JEAN MERMOZ joined on 4 June the OCEAN Alliance Asia-Europe 'NEU4' loop, branded 'FAL 1' by CMA CGM.

COSCO Shipping received the **COSCO SHIPPING VIRGO (20,119 TEU)** on 29 May. It is the fifth unit in a 17-strong megamax vessel newbuilding program that covers ships with nominal capacities from 19,273 to 21,237 TEU. The COSCO SHIPPING VIRGO phased into the OCEAN Alliance Asia – Europe 'NEU2' loop, replacing the COSCO SHIPPING ALPS (14,568 TEU).

The Chinese ocean carrier also received its **largest ever containership COSCO SHIPPING UNIVERSE (21,237 TEU)** on 6 June 2018. She is the first of six 'megamax' sisters that COSCO is to receive from the CSSC shipbuilding group. COSCO's new flagship has joined the OCEAN Alliance Asia – Europe 'NEU2' loop.

Source: Alphaliner, carriers

Carriers 1/2

CARRIERS

Hapag Lloyd issued a **profit warning** based on its accounts for the first five months of trading, causing its shares at one stage to drop 21%. The German carrier has **downgraded its EBIT guidance** from 'clearly increasing' the € 410 M recorded in 2017, to between €200 M and €450 M. Hapag Lloyd stated "the **reason** was an unexpectedly **significant and continuing increase in operational costs** since the beginning of the year, especially with regard to fuel-related costs and charter rates. These developments cannot be fully offset by cost-saving measures that have already been initiated".

The **proposed takeover** of **OOIL**, parent company of the shipping line OOCL, by **COSCO Shipping** is subject to five preconditions of which four have already been met. **The final condition** though, stipulating that the deal must be cleared by China's Ministry of Commerce (MOFCOM), **remains outstanding**. An additional hurdle, namely that the deal fulfills the requirements of the Committee on Foreign Investment in the United States (CFIUS), is also pending and could thus affect the closing of the transaction. **Failure of COSCO to complete the acquisition before 30 June 2018** could affect them by having to pay OOIL a **termination fee of \$253 M**. Any delay in securing the approvals may not necessarily doom the deal, as both COSCO and OOIL could mutually agree to extend the deadline beyond the proposed 'Long Stop Date' of 30 June 2018.

The negotiations for **MSC to take a 49% minority stake in Ignazio Messina** are expected to be **sealed by October**. MSC has reportedly underwritten an agreement by Messina and its creditors to restructure Messina's outstanding debt of €450 M. The debt is tied to eight 44,500 tdw/2,920 TEU container/roro ships built in 2011-2015 for Messina at the DSME and STX Shipyards in South Korea.

CMA CGM has reported a **net loss of -\$77 M in Q1, 2018**. This is its first quarterly loss since Q3, 2016. Although operating profits (core EBIT) remained positive at \$88M on revenue of \$5,411 M for an operating margin of 1.6%, the **results were insufficient to cover interest expenses on borrowings and other net financial items and tax of \$182M**. The company said the poor results were due mainly to the rise in bunker expenses which increased to \$757 M compared to \$564M in the same quarter last year. Bunker costs now account for 14.6% of CMA CGM's total operating expenses, compared to 13.3% a year ago.

CMA CGM has **announced** on 20 June 2018 an agreement with Container Finance Ltd Oy **to take over the shipping and logistics business of Containerships**. The Finnish carrier is an **intra-European short sea specialist**. The agreement remains subject to approval by the relevant authorities and the takeover is expected to be completed within 3-6 months. The acquisition is part of **CMA CGM's strategy to diversify its regional networks**.

Source: Alphaliner, carriers

Carriers 2/2

CARRIERS

ZIM has reported a **net loss of -\$36 M in Q1, 2018**, while core EBIT dropped to a loss of -\$2 M as operating margins slumped to -0.3%. The first quarter net loss erased all of ZIM's net profits of \$6 M recorded in the full year 2017. Apart from the increase in bunker costs, ZIM is **particularly exposed to the rising charter market** as its **chartered fleet** currently accounts for **93% of the total capacity operated by the company** – the highest chartered fleet ration among the top 13 main carriers.

Source: Alphaliner, carriers



Regulations

REGULATIONS

U.S.A: Wood Packaging Materials (WPM) Requirements – Penalty Enforcement - Reminder

US Customs and Border Protection (USCBP) is responsible for enforcing the regulation at all US ports of entry. To motivate WPM compliance, effective 01 November 2017, responsible parties with a documented WPM violation may be issued a penalty. This is **a change from the previous published threshold of 5 violations**. There will be no yearly reset for calculating repeat violations as each WPM violation may incur a penalty. **USCBP reserves the right to issue a penalty up to five (5) years after the violation occurs.**

Note: We are starting to see USCBP issue **USD50,000 penalties** (Note: by regulation, the penalty may be up to the value of the merchandise) to importers of freight arriving into the US with non-compliant wood packing material (WPM). USCBP is required to issue the penalty even if the non-compliant WPM is removed and exported.

Indonesia: Ocean Freight - Adjustment to Indonesia Customs Advanced Inward Manifest System

The Indonesian government (Customs) under the Ministry of Finance has announced to implement strictly a regulation No.158/PMK.04/2017 to adjust advanced manifest requirements applicable for all Indonesia exports and imports.

The adjustments mainly include the following items:

- Enforce advanced submission of manifest prior to arrival. Complete and accurate cargo information as carried in the manifest must be submitted to Indonesia Customs electronically by 1x24 hours prior to vessel arrival time.
- The manifest must contain the information of Consignee's Tax ID (TIN or in Indonesia called NPWP) and HS Code in the Goods Description.
- The manifest must reflect all goods data under bill of lading are accurate and complete, failure to comply might lead to potential penalty.

The adjustments have been effective since 23 May 2018 for Ocean Freight (based on vessel arrival date).



Source: DHL

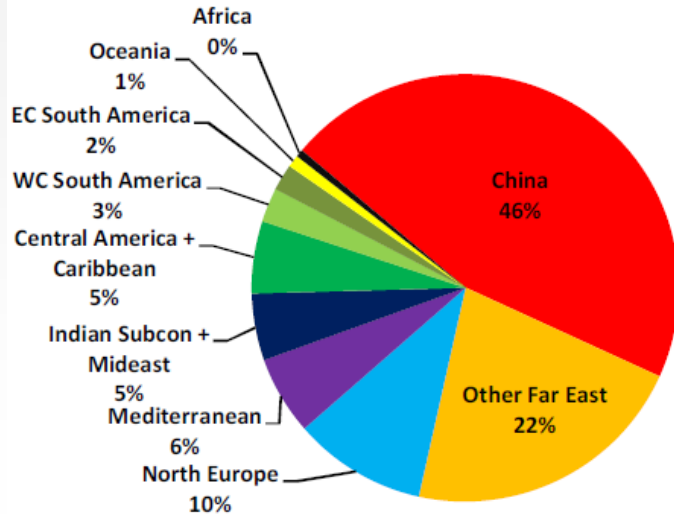


Did you know?

New tariff measures between China and the US effective 6 July 2018

New tariff measures between China and the US will affect container volumes

Share of US containerised imports by origin region : Jan-May 2018



Source: Alphaliner

The **escalating trade tensions** between the **United States and China**, triggered by President Trump's tariff measures against Chinese imports, are **expected to hit container volumes** between the two countries.

China is by far the largest origin for containerized cargo into the US, accounting for 46% of all container imports during the first five months of this year. Imports from China reached 4.14 MTEU during the period from Jan to May, based on data obtained from PIERS, and China-related volumes are almost then times larger than those from the next largest origin, Vietnam, at 0.43 MTEU.

It is **too early to determine the final impact** of the **new tariff measures** and **counter-measures** that will take **effect on 6 July**, but, since China accounts for 68% of total transpacific container volumes from the Far East, a 10% reduction in imports from China **could affect some 6.8% of transpacific volumes**, if the goods are not replaced by imports from other Far East origins.

PUBLIC

BACK-UP

Market Outlook June 2018 – Ocean Freight Rates Additional Trades (1/2)

OCEAN FREIGHT RATES OUTLOOK	
EURO – AMLA	Capacity and utilization are still the challenge. Carriers are fully booked to the East Coast. Pre-bookings well in advance are recommended. Rate increases have been implemented for July by some carriers, subj. to EBAF.
EURO – SSA	Rates remain stable and space is available.
AMNO – MENAT	Rates were rising in the past few months but it looks like will be stable in July. Space continued to be a major issue especially from US Gulf Coast and USEC is also heavy with bookings are out 3-4 weeks.
AMNO – SSA	No Space issues or service changes on USA to South & West Africa services Rates are stable with no increase/decrease expected until new year or in the first quarter of 2018
AMNO – AMLA	Carriers are applying EBF/OCR from 25 to 60 per teu July 1. Cost is increasing on FAK cargo. Capacity is tight US to WCSA ok all other lanes.
AMLA Exports	Roll over and space constraints affecting entire region. MX & SAWC region facing port omissions and backlogs(Market Restructuring) Serious congestion being faced in T/Shipment ports like CTG and MIT. Unrest in NI creating severe congestion and roll overs in GT due to road cargo being converted into ocean cargo. Monthly Forecasts needed within entire AMLA region. Bookings need 4-6 weeks in advance from vessel departure; GRI's and Emergency Fuel surcharges announced daily on all trades F/Time conditions being retracted as carrier costs increase
AMNO – ASPA	A majority of carriers are seeking to apply emergency BAF charges effective July 1st, in the region of USD 55-60 per TEU. Space remains tight on all services & it is recommended to place bookings 2-3 weeks in advance in order to secure space & equipment.

Source: DGF



Market Outlook June 2018 – Ocean Freight Rates Additional Trades (2/2)

OCEAN FREIGHT RATES OUTLOOK	
EURO MED - AMNO	Further increases will occur during June (rate increases / costs connected to US deliveries / costs connected to fuel costs)
EUR MED – AMLA	Stable/some increase depending on service and provider. Adjustment on surcharges
EURO MED – ASPA	Stable/some increase depending on service and provider. Adjustment on surcharges
EURO MED – MENAT	Stable/some increase depending on service and provider. Adjustment on surcharges
EURO MED – SSA	Stable/some increase depending on service and provider. Adjustment on surcharges
ASPA-SPAC	Further to EBS/PSS implementation in July, GRI will be imposed for FAK. General sentiments from the market that by early July, cargo demand will start to increase so as to avoid similar incident of last year where space has been persistently tight for many months that caught the market by surprise.

Source: DGF



Drewry's Altman Z-Score as of 1 Jun 2018

Company	Period	Period Ended	Units	Net Sales	EBIT	Assets		Book Value of Equity	Liabilities		Retained Earnings	Z-Score
						Total	Current		Total	Current		
AP Moller-Maersk	3 months	31. Mrz	18 million US\$	9'253	-3	61'639	21'794	34'313	27'326	10'127	29'723	2.26
OOIL ¹⁾	Annual	31. Dez	17 million US\$	6'108	208	10'069	2'965	4'683	5'387	1'380	4'620	2.03
CMA CGM	Annual	31. Dez	17 million US\$	21'116	1'574	19'657	5'624	5'644	14'013	5'956	4'619	1.89
Wan Hai	3 months	31. Mrz	18 million NT\$	14'918	146	72'753	23'665	33'705	39'048	19'566	12'065	1.66
NYK group	Annual	31. Mrz	18 billion Yen	2'183	28	2'072	567	588	1'484	520	345	1.60
K Line group	Annual	31. Mrz	18 billion Yen	1'162	7	1'042	396	243	799	283	67	1.54
Hapag-Lloyd Holding	3 months	31. Mrz	18 million euro	2'617	54	14'331	2'136	5'870	8'462	2'749	3'146	1.45
MOL group	Annual	31. Mrz	18 billion Yen	1'652	23	2'226	480	628	1'598	383	307	1.26
Evergreen Marine Corp	3 months	31. Mrz	18 million NT\$	36'841	493	196'599	57'390	65'845	130'754	45'021	12'183	1.25
China Cosco ²⁾	3 months	31. Mrz	18 million RMB	21'923	699	129'359	34'792	43'356	86'003	40'728	9'959	1.10
Pacific International Lines	Annual	31. Dez	17 million US\$	4'037	-267	6'107	1'471	1'906	4'201	2'068	1'078	0.92
Yang Ming	3 months	31. Mrz	18 million NT\$	31'035	-2'066	130'908	25'968	24'320	106'587	50'022	-3'460	0.62
Zim	Annual	31. Dez	17 million US\$	2'978	135	1'802	580	-93	18'996	687	-1'892	0.36
Hyundai Merchant Marine	3 months	31. Mrz	18 billion Won	1'112	-164	3'399	1'227	749	2'650	682	-2'890	-0.16

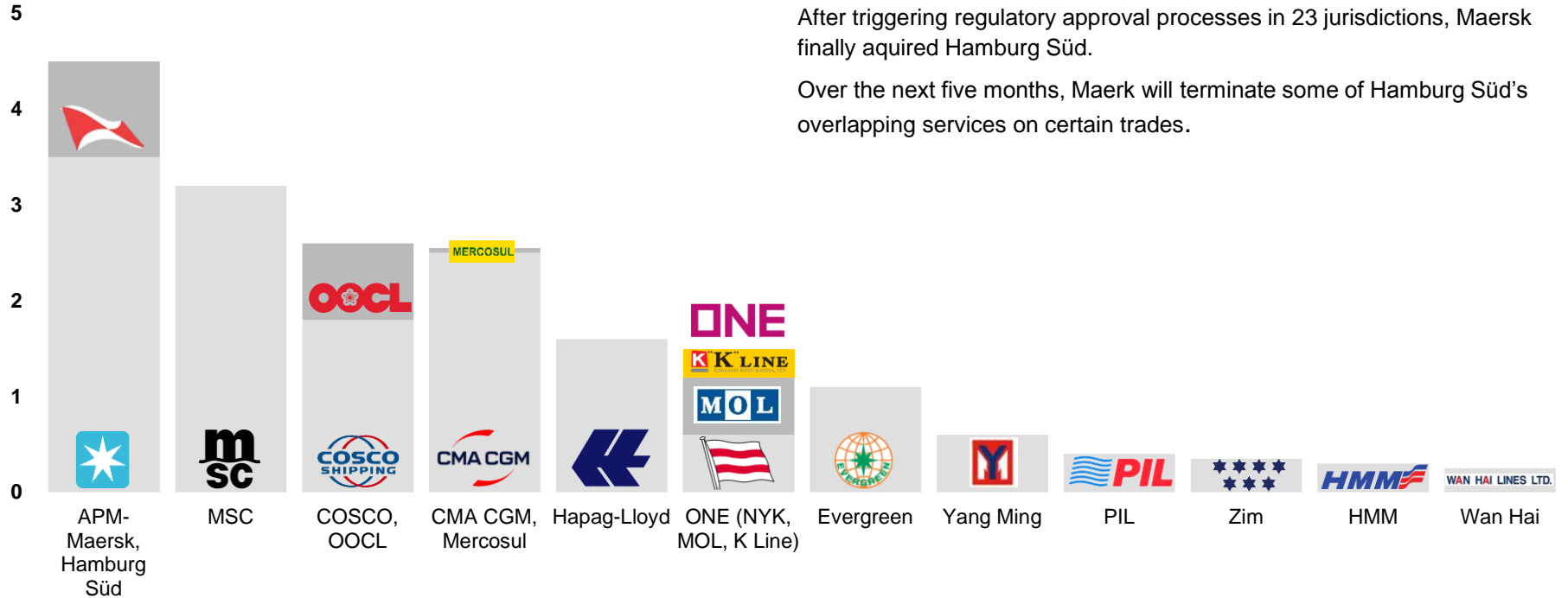
The Z-Score is a statistical analysis to predict a company's probability of failure in the next two years, using data from the company's financial statement.

Z-Score ≥ 2.99 = company is "safe"; Z-Score between 1.8 and 2.99 = exercise caution ("grey zone"); Z-Score ≤ 1.8 = Higher risk of the company going bankrupt ("distress zone")

Source: Drewry Sea & Air Shipper Insight February 2018, 1) parent of OOCL, 2) parent of Cosco Container Lines; Z-score is calculated as follows: T1 = (Current Assets - Current Liabilities) / Total Assets, T2 = Retained Earnings / Total Assets, T3 = Annualized EBIT / Total Assets, T4 = Book Value of Equity / Total Liabilities, T5 = Annualized Sales / Total Assets, Z-score bankruptcy rating = $1.2 \cdot T1 + 1.4 \cdot T2 + 3.3 \cdot T3 + 0.6 \cdot T4 + 1.0 \cdot T5$

Topic of the Month

Top 12 Carriers by Operated Capacity (in Mil. TEU), December 2017



Source: Alphaliner, incl. pending mergers

Acronyms and Explanations

2M - Carrier Alliance: Maersk / MSC	OCRS - Operational Cost Recovery surcharge
AMLA - Latin America	OWS - Overweight Surcharge
AMNO - North America	PH - Philippines
AR - Argentina	PNW - Pacific North West
ASPA - AsiaPacific	Ppt. - Percentage points
BR - Brazil	PSW - Pacific South West
CAGR - Compound Annual Growth Rate	RR(I) - Rate Restoration
CENAC - Central America and Caribbean	SAEC - South America East Coast
CKYHE - Carrier Alliance: Cosco, K-Line, YangMing, Hanjin and Evergreen	SAWC - South America West Coast
CNC - CNC Line (Cheng Lie Navigation Co. Ltd.)	SOLAS - Safety of Life at Sea
DG - Dangerous Goods	SPRC - South People's Republic of China – South China
DWT - Dead Weight Tonnage	SSA - Sub-Saharan Africa
EB - Eastbound	SSL - Steam Ship Line
ECSA - East Coast South America	T - Thousands
EURO - Europe	TEU - Twenty foot equivalent unit (20' container)
FMC - US Federal Marine Commission	TP - Trans Pacific
G6 - Carrier Alliance: APL, Hapag Lloyd, Hyundai, MOL, NYK and OOCL	TSA - Trans Pacific Stabilization Agreement
GRI - General Rate Increase	ULCS - Ultra Large Container Ship
HJS - Hanjin Shipping	USGC - US Gulf Coast
HMM - Hyundai	US FMC - US Federal Maritime Commission
HSUD - Hamburg Süd	USEC - US East Coast
HWS - Heavy Weight Surcharge	USWC - US West Coast
IA - Intra Asia	VGM - Verified Gross Mass
IPBC - India Pakistan Bangladesh Colombo	VLCS - Very Large Container Ship
IPI - Inland Point Intermodal	VSA - Vessel Sharing Agreement
ISC - Indian Sub Continent	WB - Westbound
MENAT - Middle East and North Africa	WCSA - West Coast South America
mn - Millions	YML - Yang Ming Line
MoM - Month-on-Month	YoY - Year-on-Year
NOO - Non-operating (vessel) owners	YTD - Year-to-Date
Ocean 3 - Carrier Alliance: CMA, UASC, China Shipping	