Market Intelligence Report

(Quarterly Edition, 1Q24)

LX Pantos
MI Analysis
Team

’24.1.30

Considerations for ‘24 outlook

The impact of below risks on the market should be considered, despite persisting oversupply pressure by new delivery in ‘24

Comments by Market Intelligence Analysis Team in ‘23

- While oversupply is likely to prevent freight rates from rising significantly, carriers' efforts to defend rates should limit the downside.
- The market remains volatile and subject to disruption, so shippers should be prepared for potential spikes in freight rates.
- This could ultimately impact contract rates and support the market… At the end of ‘23, two operational setbacks occurred simultaneously

’24 Ocean Market

- Operational risks
- Carriers' defense
- S/D fundamental
- Climate change
- Fierce competition

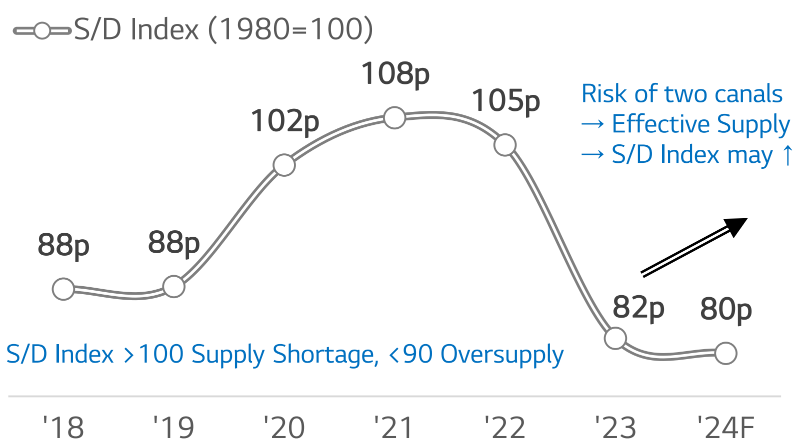
01	• **Rising geopolitical risks** (e.g., R-U / I-Hamas war, Red Sea crisis) • **Rising operational risks from climate change** (e.g., drought in Panama and Amazon)
02	• **Improvement of carriers’ market position** vs. ‘16 (reduction in the number of carriers, alleviation of financial pressures) • **Growing needs to raise rates** due to operating costs rise
03	• **Oversupply,** Demand ↓, Cost ↑ in 2 consecutive years • **Limited upward momentum** under current macroeconomic and shipping market fundamentals Variables : Destocking, TW · KR export recovery
04	• **Climate change** and ETS may act as an upward factor • It may support market bottom
05	• Alliance restructuring **(Gemini, MSC’s stand-alone svc)** • Enhanced monitoring of carriers by competition authorities (e.g., Abolition of **CBER**)

'24 Market Trend

The '24 outlook has been adjusted upward due to the rapid spread of canal risks since December '23

	Demand	Supply	Vessel Space	Effective Capacity	Market Power	Rates (Q1)	Rates ('24)
As-Is	Slow growth	Massive New Delivery	Surplus	Persistent oversupply despite blank sailings	Shipper	Box Pattern	Slightly Weak
Revised			Shortage	Drastic drop due to canal bottlenecks, scarcity	Carrier	Surge	Strong-Stable

Market Index (2019 - 2024)

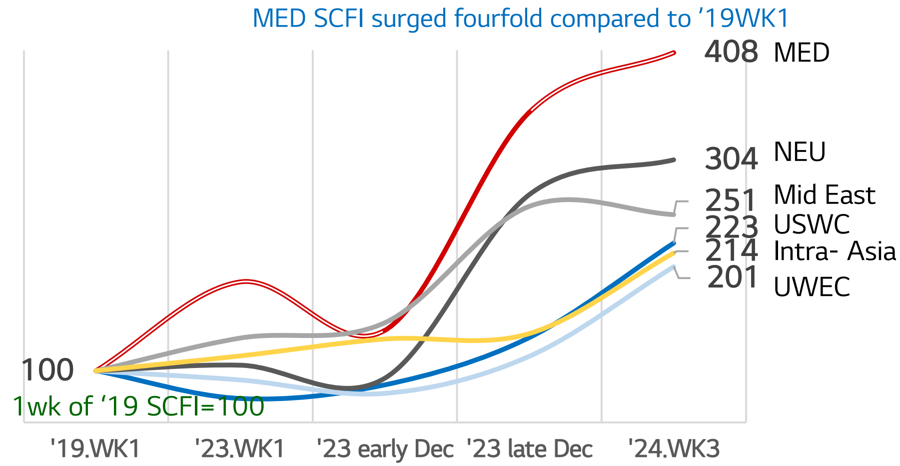


Category	'19	'20	'22	'23	'24F
Supply (YoY)	4.3%	3.0%	4.2%	7.7%	6.8%
Demand (YoY)	3.4%	-2.0%	-0.6%	0.1%	3.9%
S/D Gap	0.9%p	4.9%p	4.9%p	7.7%p	2.9%p
S/D Index	88p	102p	105p	82p	80p
Actual Supply*	N/A	-14%	-21%	-4%	-20%

* Decreased by supply chain disruptions (0% before the 2 canal issues and -20% now)

Source: Drewry, Alphaliner

Market Trend by Region (Re-indexed wk1 of '19 SCFI as 100)



(AES·TPS) Sudden market surge from canal disruptions

- ✓ AES : Red Sea risk → Diversion to CoGH → Severe space shortage → Spike in rates
- ✓ TPS : Panama Canal transit restrictions → either ① Cape of Good Hope detour (due to Red Sea issues) or ② rerouting via WC → space shortage → rate increase

(Others) Strong market conditions spread to other regions as EQ repositioning being delayed and extra loader being deployed to recover EU·TPS schedule

*SCFI Mid East +151%, Intra-Asia +114% compared to '19

S/D fundamental

Oversupply to persist through '24 despite up/downward variables. Which makes gradual ease of current rate level inevitable

Supply (Global)

Daily new delivery amount to 10,000 TEU

- In '24, newbuilds are expected to reach its highest 3.17 mil TEU
- Net increase of 1.98 mill TEU expected, despite slippage, scrap
- Scrapping to increase to comply IMO regulations
  ('23 15K TEU → '24 40K TEU) 20% of Carbon Emission Reduction by 2030 and Carbon Neutrality by 2050

Capacity factors (Drewry)

[Unit : '000TEU]

Factors	'19	'20	'23	'24
Global Supply (Year Start)	**22,012**	**22,954**	**25,751**	**27,829**
SKED Delivery (Year Start)	1,128	1,139	2,501	3,173
Slippage	2	271	264	✓ 793
Delivery Total (end year)	1,126	868	2,237	2,380
% of scheduled orderbook delivered	100%	76%	89%	75%
Scrapping	183	188	156	✓ 400
Net addition	942	678	2,078	1,980
Global Supply (end year)	**22,954**	**23,632**	**27,829**	**29,809**
Fleet growth (YoY)	4.3%	3.0%	8.1%	7.1%
Demand growth (YoY)	3.4%	-2.0%	0.1%	3.9%

Supply (per region)

- Massive inflow of 12.5~17K TEU sized ships in 2~3Q
- Significant supply pressure is anticipated in N&S America and EU. However, due to cascading effects, the pressure is expected to spread across the entire trades

'24Y Cascading Simulation (MI Analysis Team, LX Pantos)

[Unit : '000TEU]

Global Supply(year start) 27,829

SKED Delivery +3,173

Slippage -793

	NEU	MED	USWC	USEC	S.AM	ASIA	OTH
Slippage	↓294	↓92	↓397	↓459	↓104	↓190	↓851
Increase	+71 (+1.9%)	+111 (+6.5%)	+168 (+6.4%)	+197 (+7.5%)	+123 (+6.2%)	+112 (+7.4%)	+1,006 (+8.7%)

	NEU → MED	MED → USWC	USWC → USEC	USEC → S.AM	S.AM → ASIA	ASIA → OTH
Cascading	223	204	433	623	604	682

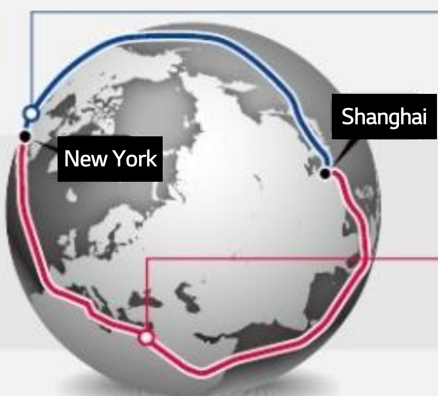
Scrapping -400

Effective Capacity(end year) 29,809
(+7.1% compared to year start)

Operational Risk

Disruptions at two major waterways(Panama · Suez Canals) lead to supply chain chaos and a sudden spike in market rates

Disruptions at two major canals



Source : Korea Economic Daily

Panama Canal (via C.S.America)

ACP to restrict transit from Nov '23 due to drought

Transit traffic, 1st wk of Dec. '22 238 ships → '23 167 ships

- Restrictions on Panama Canal transits since early '23
  - Target : Neopanamax (13~14KTEU) from Mar. '23, Tighter restriction btwn May~Jul. and entered rainy season afterward
- Daily transit restriction at Panama Canal has been reduced due to severe drought since Oct. '23
- Slightly eased to 24 ships as of Jan. 16 (However, still well below 36 ships under normal condition)

May get worse due to dry season(from Dec. to Apr.)

Suez Canal (via M/East)

Houthi Rebels warned of attacks on ships heading to Israel via Red Sea (Dec. 9)

US department of defense announced USS Carney had been attacked in Red Sea (Dec. 3)

- After intervention in the I-Hamas war by Yemen's Houthi rebels from end Oct., attacks to container ships have started since mid-November
- Ships targeted by the Houthi rebels : (Initial) Ships related to Israel → (Dec. 9) All ships in transit

  Houthi declared assurance of safe passage for CN · RU ships. However, most carriers excluding some small C flagged ones are opting for the Cape of Good Hope detour
- (Dec. 16) Major carriers announce suspension of Suez Canal transit

Status as of Dec. '23 to Jan. '24

Route Detour → SKED Delay → Supply ↓ → Space Contol ↑ → Space · MT Shortage → Rates soar → Spread across all trades

* Extended voyage and duration

* Prioritizing VIP shippers or high-rate cargo for booking. Commit. reduction for low-rate cargo

Shipment Disruption → Efforts to restore SKED → SVC Uncertainty ↑

* Port skip, blank sailing, temporary vessel deployment, etc.

* Carriers passing on cost increases to shippers (Additional vessels · fuel, insurance premiums)

☞ **Competition to secure space among all shippers**

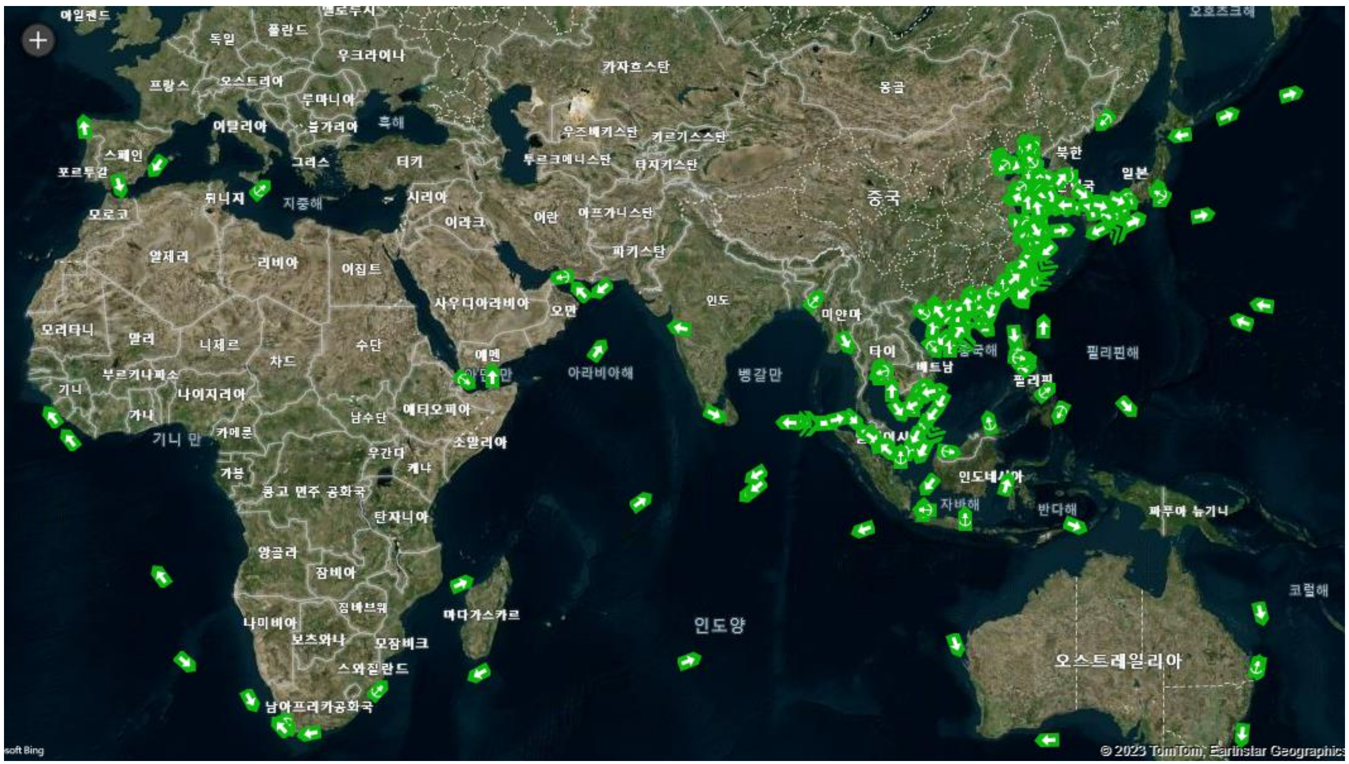
Availability of restricted space subject to additional cost

Operational Risk

Disruptions at two major waterways(Panama · Suez Canals) lead to supply chain chaos and a sudden spike in market rates

Transit status of Chinese-flagged vessels via Suez Canal

- News has been released that the Houthi rebels are refraining from attacking Chinese-flagged vessels. But based on the investigation of ships operated by five Chinese shipping companies (Cosco, SITC, Zhonggu Logistics Corp., Antong Holdings, Ningbo Ocean), there are only limited instances of transit via the Suez Canal for due to charters and insurers refusals.
- After US·UK air strikes against Houthi rebel, entire vessels are under threat when approaching the Bab-el-Mandeb Strait, CMF advised all ships to avoid Red Sea
- Significant casualties among U.S. military at the Jordanian base, attack on the oil tanker 'Mallen Lunda' (owned by J.P. Morgan) raise the possibility of prolonged tensions in the Red Sea

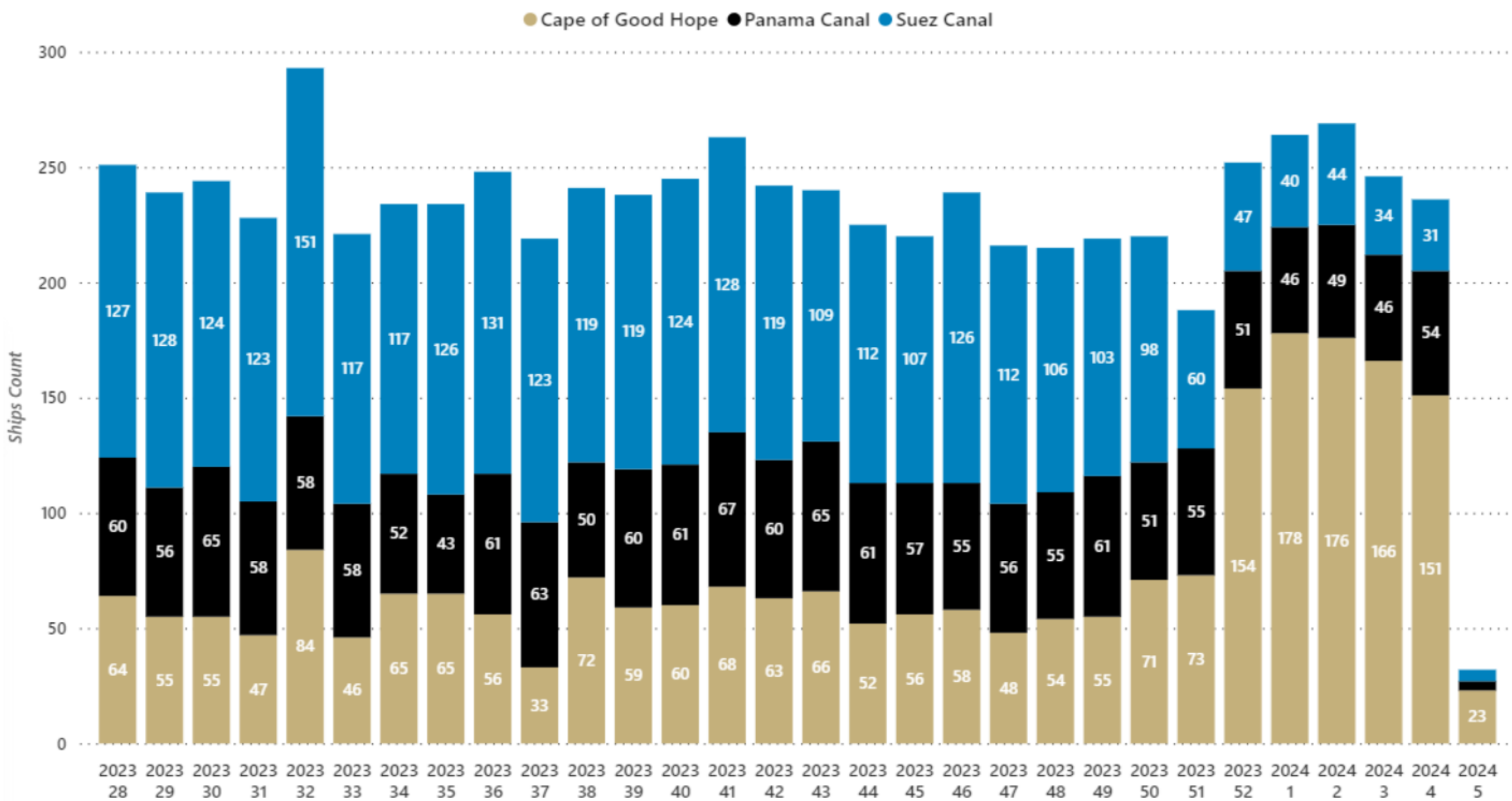


Operational Risk

Disruptions at two major waterways(Panama · Suez Canals) lead to supply chain chaos and a sudden spike in market rates

Container vessel transit status at Suez, Panama canals

- After the end of '23, number of container vessels transiting Suez dropped ('23 52% → '24 WK4 13%), **diversion to CoGH surged**(29% → 64%)
- The Suez Canal is projected to handle a smaller percentage of TEU-based supply in 2024, while the **CoGH** is projected to handle a larger percentage

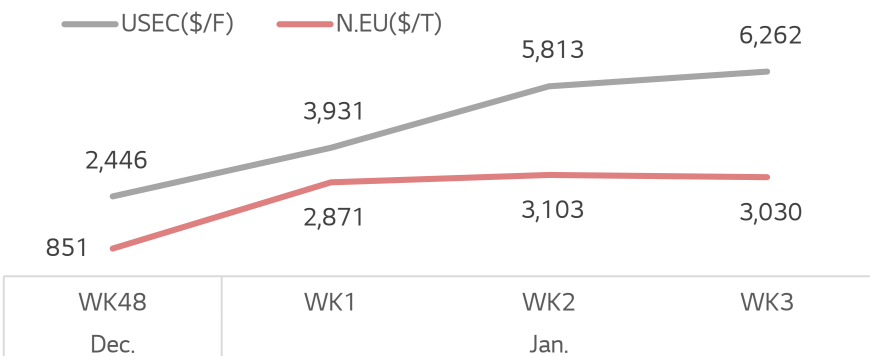


Operational Risk

Schedule delays, space/EQ shortages and rate hikes from disruptions at Suez·Panama canal have spread across entire trades

Market Rates (SCFI)

- SCFI on Jan. 19 sharply rose vs. early Dec '23 USWC +162%, USEC +156%, N.EU +256%, MED +223%



Month	Week	SCFI p	USWC $/F	USEC $/F	N.EU $/T	MED $/T
Dec.	48	1,011	1,646	2,446	851	1,260
Jan.	1	1,897	2,775	3,931	2,871	3,620
	2	2,206	3,974	5,813	3,103	4,037
	3	2,240	4,320	6,262	3,030	4,067
'23 WK48 vs '24 WK3		122%	162%	156%	256%	223%

Supply impact per detour routes (Round voyage basis)

- Asia-**N.EU**: With rerouting from Suez to CoGH, +25 days of duration results in **-23%** of weekly capacity
- Asia-**MED**: With rerouting from Suez to CoGH, +38 days of duration results in **-32%** of weekly capacity
- Asia-**USEC**: With rerouting from Panama to CoGH, +11 days of duration results in **-15%** of weekly capacity

During the pandemic period, effective capacity decreased by 22% to 27% due to supply chain bottlenecks

ex Asia	① via **Suez**		② via **CoGH**		③ via **Panama**		**Variation**		
	T/Time	Weekly Capacity	T/Time	Weekly Capacity	T/Time	Weekly Capacity	T/Time	Weekly Capacity	Remark
N.EU	86	341,836	111	264,499	-	-	+25	**-23%**	① vs ②
MED	76	181,500	114	123,434	-	-	+38	**-32%**	
USEC			90	189,876	79	222,704	+11	**-15%**	② vs ③

* Based on vessel speed of 18 knots for headhaul and 12 knots for backhaul. As of now, some vessels' speed for backhaul is accelerating up to 14 knots, which could lead to a slight reduction in t/time

Operational Risk

Disruptions at Panama·Suez force carriers to divert to longer route, resulting weekly capacity to cut by 15~32%

by blank sailings

Impact on capacity per detour route (Round voyage basis)

- **Europe**: 25~38 days of additional T/Time, **Weekly capacity -27% (approx. 140K TEU)**
  - N.Europe : +25 days T/Time, Capacity -23%, additional 3.5 vessels needed
  - Med : +38 days T/Time, Capacity -32%, additional 5.5 vessels needed
- **US East Coast**: +10 days T/Time, **Weekly Capacity -15% (approx. 30K TEU)**

Additional **800K TEU** is needed to keep weekly capacity even with vessels speeding up

Region	Alliance	As-Was T/Time	As-Was Capacity	As-Was Vessels	TO-BE T/Time	TO-BE Capacity	TO-BE ±	*Needed Vssl
N.EU	2M	89	106,954	13	111	85,835	-20%	3.2
	OCEAN	85	143,599	12	114	107,565	-25%	4.1
	THE	87	88,499	12	109	70,095	-21%	3.1
	Sub TTL	86	341,836	12	111	264,499	-23%	3.5
Med	2M	86	73,800	12	124	51,287	-31%	5.4
	OCEAN	77	46,351	11	113	32,229	-30%	5.1
	THE	77	48,231	11	114	32,632	-32%	5.3
	ZIM	70	4,543	10	112	2,842	-37%	6.0
	Sub TTL	76	181,500	10	114	123,434	-32%	5.5
EU Total		**81**	**523,337**	**11**	**112**	**387,933**	**-27%**	**4.5**
USEC	2M	81	61,060	11	91	53,217	-13%	1.4
	OCEAN	77	72,975	9	85	58,935	-24%	1.2
	THE	80	60,423	11	92	52,298	-13%	1.7
USEC Total		**79**	**222,704**	**11**	**90**	**189,876**	**-15%**	**1.5**

***Available Options of Carriers for Schedule Recovery**

Supply to gradually improve from April thanks to new delivery, svc revision

Options	EFT	RMK
Port Skip, Speed up	O	Schedule delay reduction
Idling	X	- Vessel shortage for idling (current idling 280KTEU/1%) - min 4 weeks needed for opr
Extra Loader	△	Sply shortage, delay at othr regions
New Delivery Deployment	O	13+K TEU newbuildings amount accumulative 320K TEU by Mar

#1) assuming diversion to the Cape of Good Hope for all EU services
#2) USEC services divert from Suez→ the Cape of Good Hope
#3) Sailing speed : assuming H/H 18knots, B/H 12knots

- **EQ**: Reroute → Schedule Delay and Port Skip → Delayed EQ Repositioning → **EQ Shortage at Origin**
  - DHL forecasts EQ shortage at origin to intensify within two weeks (end of Jan)… Suggesting possibility of prolonged Red Sea Crisis (Bloomberg, 1/17)
  - MSK/DSV experiences EQ shortage from delayed schedule of rerouting… 2M deploys extra ships to USEC service (TP12/16/17) (JOC, 1/17)
  - Normal EQ Repo from EU/US to F.East amounts to 390KTEU/Week… Diverting to the Good Hope Cape causes 780K TEU EQ shortage up to CNY (The loadstar, 1/9)
    "Vespucci Maritime, EQ Shortage issue weighs over supply shortage… impacting entire region "
  - 20DV/40HC shortage at main CN ports intensifying… Lease cntr shortage further disrupts outbound EQ supply (The loadstar, 1/15)

Operational Risk

Possible three scenarios upon Duration·Severity of the risk at Panama·Suez canal disruptions

Scenario

Case1) Temporary supply cut causes EQ · Space Premium→ Short-term (1Q) rate surge

Case2) Carriers efforts to retain higher rates even after EQ · Supply shortage being resolved→ 1Q rate increase may persist partially

- Rate to gradually slow down due to ▲Delayed demand recovery▲Carrier service restructure after CNY
- **Rates are expected to stabilize at a higher level than 4Q**

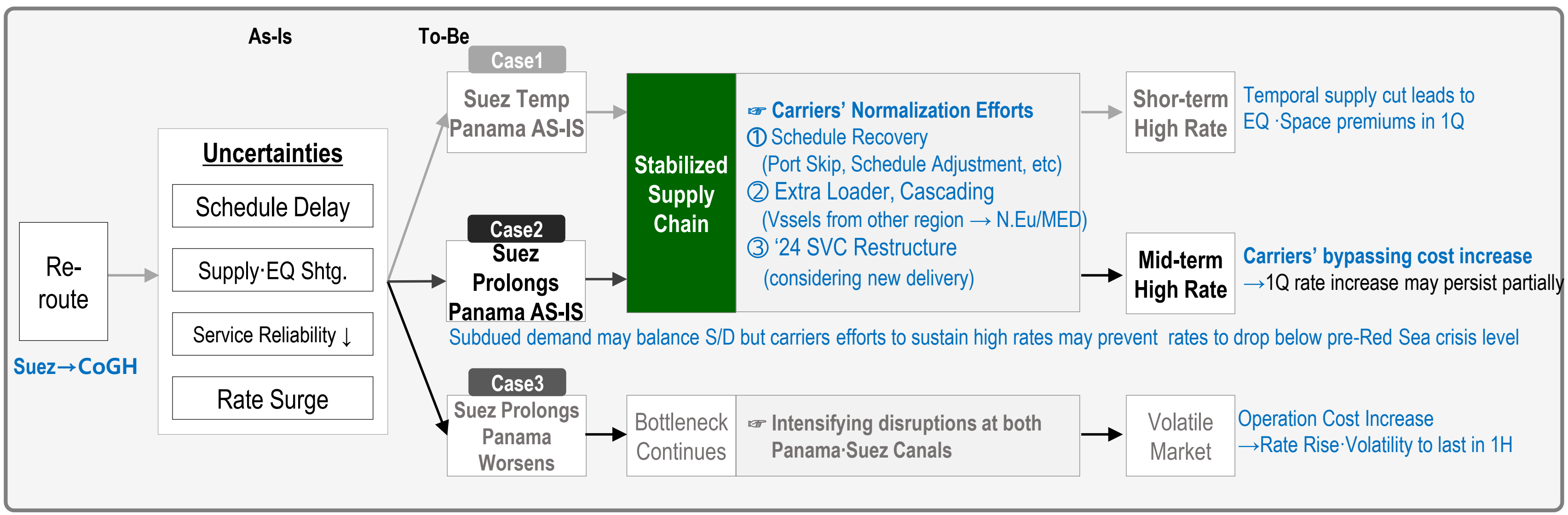
(Cost Factor) Carriers to pass on increased cost to customers (Fuel · ETS cost increase from longer transit distance)

(Supply Factor) Carriers' flexible capacity control as '23 may support market bottom

→ ① Extra vessel deployment if the issue prolongs ② Active Blank Sailing   Blank Sailing to sharply increase after CNY(WK8) (TPS ~43%, MED -67%)

(Demand Factor) Retailers' stock replenishment dmd to rise after destocking. But the pace to remain on the slow side as weak economic fundamentals.

Case3) Intensifying drought at Panama may worsen disruptions at both canals → Rate surge and fluctuation may persist during 1H



Operational Risk

Post-Red Sea issue, rates to remain reasonably elevated due to higher carrier costs, supply control, and low demand

Rate Forecast

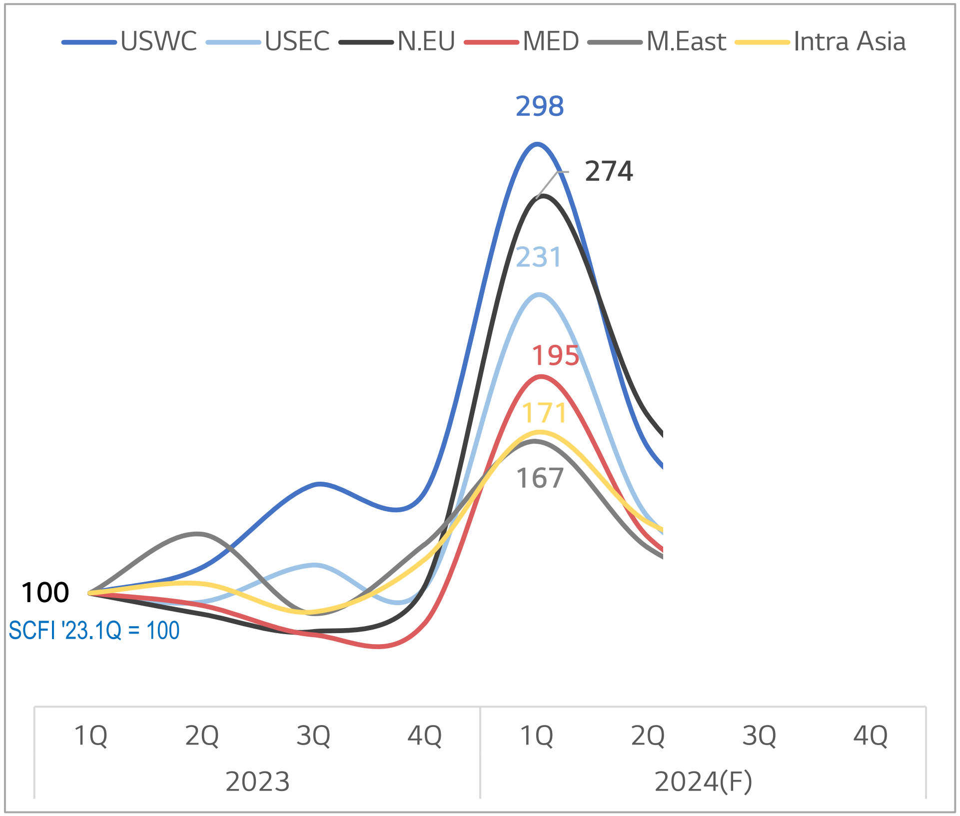
- **Gradual rate slow down after surge in 1Q. But at a relatively higher level across most regions.**

❶ '23~Carriers efforts to secure BEP ❷ Continuing Risks (Normalized Opr ~80%) ❸ Need on Sustainable Rates

Longer distance from diversion → Carriers' operation cost ↑ → natural blank sailing effect

Worsen Panama Drought & ILA Strike

Low rate → Opr Risk & Rate Surge → Sply Disruption → Shipping Cost ↑



[Rates of main regions]

S/D balance and external factors' impact may differ by trades

High market volatility due to simultaneous external variables

Region	2023				2024 (F)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
USWC	100	111	148	144	298	165		
USEC	100	96	112	102	231	134		
N.EU	100	91	83	103	274	179		
MED	100	95	82	87	195	125		
M.East	100	126	91	121	167	120		
Intra Asia	100	104	92	115	171	131		

* SCFI '23.1Q = 100 Indexing

Carriers Market Defense

Despite insufficient capacity control in '23, blank sailing+GRI supported market bottom once rate drops below threshold

'23 AVG : Comp. SCFI 1,000p, USWC $1,600/FEU
'16 AVG : Comp. SCFI 650p, USWC $1,300/FEU

Blank Sailing

- **Blank Sailing tend to increase before GRI** (Early Nov 9% → end 17%)
- Before Pandemic : Load Factor, Rate war vs Now : **BEP** defense
- Dec blank sailing dropped due to successful GRI and canal bottlenecks (10%)
- **Effective capacity** increased only +**2%** (vs.early '23) from active blank sailing

Cost Drive

- Reduced number of carriers, strengthening negotiation power.
- Carriers have successfully passed on cost increases to freight rates, despite oversupplied market.
  - Carrier OP costs up 19-26% since '19, driven by fuel, congestion, and chartering. Disruptions at major canals led to detours and increased costs.

Blank Sailings per Route

Route	1Q	2Q	3Q	Oct	Nov	Dec
USWC	**32%**	19%	18%	24%	14%	**13%**
USEC	**23%**	10%	12%	24%	11%	**6%**
N.EU	**18%**	10%	12%	23%	14%	**8%**
MED	**16%**	11%	9%	25%	13%	**11%**
SAEC	**13%**	5%	5%	15%	13%	**2%**

Blank Sailing vs GRI

Mon	WK	SCFI Global	SCFI Med	SCFI N.EU	SCFI US EC	SCFI US WC	Blank Sailing (- Capacity/ AVG %)
5	21	983	1,651	859	2,374	1,398	**Blank sailing for six weeks 590K TEU / AVG 8%**
	22	**1,029**	**1,638**	**846**	**2,634**	**1,666**	
Drop	23	980	1,626	831	2,435	1,388	
6	24	934	1,601	808	2,103	1,207	
	25	924	1,588	793	2,061	1,173	
	26	954	1,466	763	2,368	1,408	
	27	**932**	**1,413**	**740**	**2,368**	**1,404**	**Blank sailing for six weeks 1.1mil TEU / AVG 16%** (supply drop increased 85% vs.preceding six weeks)
Rise 7	28	979	1,412	738	2,662	GRI 1,771	
	29	966	1,407	742	2,676	1,764	
	30	1,029	1,503	975	2,853	1,943	
	31	1,039	1,529	947	3,013	GRI 2,002	
8	32	**1,044**	**1,507**	**926**	**3,071**	**2,017**	
	33	1,031	1,500	852	3,110	2,003	**Blank sailing for six weeks 570K TEU / AVG 8%**
	34	1,014	1,455	802	3,052	2,006	
Drop	35	1,034	1,364	768	3,132	2,136	
	36	999	1,308	714	2,869	2,037	
9	37	949	1,248	658	2,550	1,888	
	38	912	1,217	623	2,377	1,790	
	39	**887**	**1,166**	**599**	**2,249**	**1,729**	**Blank sailing for six weeks 1.5mil TEU / AVG 23%** (supply drop increased 161% vs. preceding six weeks)
	40	887	1,166	599	2,249	1,729	
Rise 10	41	892	1,112	562	2,230	1,735	
	42	918	1,109	581	2,198	GRI 1,746	
	43	1,013	1,221	769	2,361	1,916	
11	44	**1,068**	**1,231**	**756**	**2,434**	GRI **2,102**	

Climate change (ETS) Emission Trading System

The implementation of ETS (Emissions Trading System) by EU acts as an market upward factor

Details

- Carbon charges at 40% of emissions in '24, 70% in '25, 100% in 26
- Measurement Criteria :
  ① Global ↔ EU Operations: 50% of carbon emissions
  ② Within EU Operations: 100% of carbon emissions
  EU concerns over non-EU transshipment increase to avoid ETS, and considers including non-EU t/s to the regulation *Port Said, Tangier Med

ETS Surcharges by Carriers (2024)

- 37% of global container ships affected by EU-ETS
- Major carriers announce **$26~$87 surcharges** for EU trade

Carriers raised the amount in Jan. due to extended transit distance and speed acceleration

[Unit : $/FEU]

Alliance	Carriers	N.EU	MED
2M	MSK MSC	42~59	20~87
OCEAN	CMA, OOCL, EVER, COSCO	50~**56**	38~**46**
THE	HPAG, ONE, HMM, YML	31~48	**16**~36
ETC	ZIM	**26**	26
Highest vs Lowest Gap		33	71

*Period: '23.12~'24.01, ex Asia basis (subject to change)

Impact on Market

- **Slow steaming**: 1knot ↓ (lead to extra loader → supply absorption effect)
- **Scrapping**: (f.cst) '23 150KTEU → '24~'25 600KTEU annually
- **Eco-friendly fleet orders** (yet, 79% will still be bunker fuel vessel by '27)
- **Surcharge** : Cost increase from transition to eco-friendly vessels, ETS surcharge pass on to shippers

Related Articles

Carriers complain increasing surcharge

Source : The Loadstar 2023/12/6

- With the EU ETS starting in '24, carriers are expected to impose carbon surcharges of ~$70/TEU.
- (Canal) Additional surcharges are being applied due to Panama Canal drought and Suez Canal war risk, with Suez Canal fees to increase by 15% in '24, leading to possible surcharge or cost pass on attempts.

Route diversion results in higher carbon emissions

Source : Lloyd's List 2024/1/9

- Increased distance and ship speeds to compensate schedule delays due to Cape of Good Hope detours result in higher carbon emissions, EU ETS cost burdens
  (Increase in voyage distance by 40% for a 14,000-TEU may add $875K in costs).
- MSC raised Asia-MED ETS surcharge $36→87/FEU, Asia-NEU $44→59/FEU

BIMCO expects ETS cost to stabilize with increased supply by newbuildings leading to eased speeds.

Changes in Alliances

In Jan '24, MSK and HPAG jointly announced the official launch of 'Gemini Cooperation,' commencing operations from Feb '25

Overview

- **(Background/Duration)** Alliance of 2nd and 5th top carriers, effective from Feb '25 for 3+1 years (Schedule draft released in 3Q, confirmed in 4Q)
- **(Service coverage) Cover 7 trades,** 26 mainline services, 32 dedicated shuttles *TPS(Asia-N.America, S-N.America), EU(Aisa-EU), Atlantic, Middle East-India
- **(Fleets)** 290 vessels with a combined capacity of 3.4 M TEU, MSK will deploy 60% and HPAG 40% *MSK/HAPG's 56% ships will be deployed in Alliance (Total 941ships, 6.08MTEU)
- **(Operation strategy)** Hub and Spoke (Increased and Deepened Operation Risks Post-Pandemic ▶ Hub-Centric short routes, with feeder network)

  improvement of service and differentiation (Current reliability 70% ▶ Target reliability is 90%)

Key changes

*Compared to the previous capacity, THE A may face capacity reduction of 51% in the Mid E, 21% in TP, and 29% in Europe

* Capacity M/S in each trades

Catergory	Middle East	TPS	Europe
AS-IS THE A	16%	28%	24%
HPAG (Exit)	8%	22%	17%

- Gemini Cooperation will be ranked 2nd in terms of fleet capacity, OCEAN A claims the top spot among the alliance
- **(As-Is)** 3 major Alliances 2M 34%, OCEAN 29%, THE 18%
- **(from Jan '25)** 3 alliances + MSC. OCEAN 29%, Gemini 22%, MSC 20%, THE 11% → THE A's capacity dominance may face reduction*
- **(Expected Changes) Outlook on Future Moves by Each Alliance**

Alliance	Contract Period	Remarks
OCEAN	~'27Y	- **OCEAN A is likely to be maintained,** however, some carriers within OCEAN A may leave depending on the selection of MSC/THE A partner carriers
MSC		- Selective cooperation with other carriers in certain trade/carriers based on differing management strategies and independent operations
***THE**	~'30Y	- Assum OCEAN A remains in current form, following are potential candidates for cooperation: EU - ZIM, **Mid East - WHL**

*The original contract term was until 2030. However, due to the withdrawal of HPAG, the partnership will be terminated in Jan 2025.

*The remaining 3 carriers have newbuilds of 89K TEU, relatively weak capacity dominance compared to OCEAN(2.8M TEU), MSC (1.4M TEU), Gemini (44KTEU) (ONE, HMM, YML)

Implications

*limited cooperation in services/carriers

- 3 major alliances and the powerful VSA system are facing a major restructuring in '25. ▲3 alliances + MSC ▲ smaller alliance or ▲formation of new alliances
- In the future, alliances are likely to seek service differentiation, or selective collaborations (punctuality, port selection, T/Time distinctiveness)
- The loss of Hapag-Lloyd, which has a strong vessel ownership, could impact THE Alliance's supply and service capabilities

Appendix. Analysis of the Fleet by Alliance

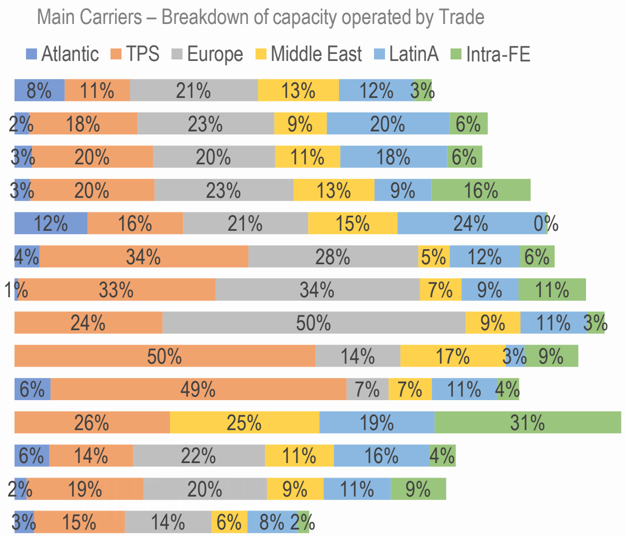
Current operating fleet for the year 2024

Alliance's capacity SoW changes considering Y24 Operating fleet + new deliveries

Operating fleet

[Unit : '000 TEU]

	Carrier	Fleet scale
2M	MSC	5,506
2M	MSK	4,152
OCEAN	CMA	3,540
OCEAN	COSCO	3,051
THE	HPAG	1,968
THE	ONE	1,731
OCEAN	EVER	1,643
THE	HMM	784
THE	YML	707
	ZIM	585
	WHL	470
	2M	9,658
	OCEAN	8,234
	THE	5,191



SKED delivery

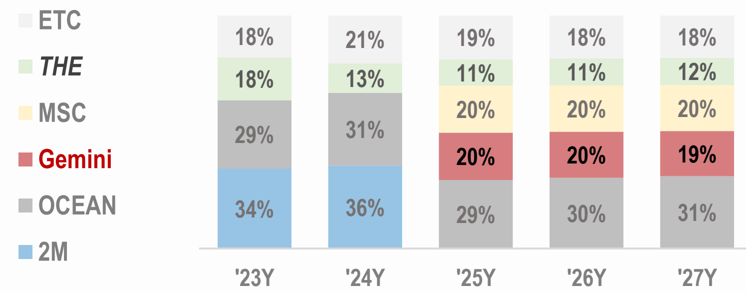
[Unit : '000 TEU]

Carrier	'24Y	'25Y	'26Y	'27Y	Sum
MSC	528	627	168	82	1,405
ETC	943	257	100	25	1,325
CMA	371	201	365	201	1,137
EVER	237	185	274	128	824
ONE	119	165	110	156	550
OOCL	167	144	48	72	431
MSK	218	149	62	9	438
COSCO	78	129		72	278
HMM	184	36	45		265
Hapag	181	71			252
YML			62	16	78
Sum	3,023	1,964	1,234	761	6,982

Based on 1st Jan data (SKED delivery, current operating fleet)

Alliance's Fleet Scale Changes in '25

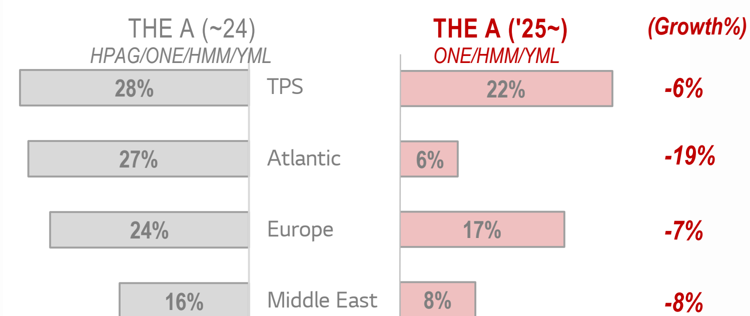
Alliance's Fleet Scale Changes



[Unit : '000 TEU]

Alliance/carrier	'23Y	'24Y	'25Y	'26Y	'27Y
2M	9,658	10,404			
OCEAN	8,234	9,086	9,744	10,431	10,904
Gemini			6,739	6,801	6,810
MSC			6,661	6,829	6,911
THE	5,191	3,706	3,727	3,944	4,115
Sub Total (Alliance)	23,084	23,196	20,210	21,176	21,829
Sum	28,137	29,192	33,124	34,358	35,119

*After Hapag leaves, THE A's market share change



Based on current capacity operated by trade (Not considered SKED delivery)

Appendix. Alliance history of restructuring

1st Phase	2nd Phase	3rd Phase	4th Phase	5th Phase	6th Phase
Completion of M&A: 1st Phase of Alliances Formed in '95-'96	Additional M&A: Consolidation of 3rd phase Alliances	Independent Carrier Absorption, Alliance: 3rd Phase and Consolidation	**Completion of M&A 4th Phase of Alliance**	Pandemic Period: Unprecedented Carrier/Supplier Market	**Anticipated Alliance Restructuring Due to Gemini**
'97~'00	**'00~'10**	**'11~'16**	**'17~'19**	**'20~** If supply adjustments are required, the number of negotiating entities decreases	**'25~**
New World ('98) APL/NOL ('97) MOL HMM	**New World ('98)** APL/NOL ('97) MOL HMM	**G6 ('11.12)** APL/NOL HPAG MOL NYK HMM OOCL	**THE Alliance** **HPAG**+UASC **YML** **ONE** (NYK+MOL+K-Line)	**THE Alliance** **HPAG**+UASC **YML** **HMM** **ONE**(NYK+MOL+K-Line)	**THE Alliance** **YML** **HMM** **ONE**(NYK+MOL+K-Line)
Grand Alliance ('97) HPAG OOCL MSC NYK P&O Nedloyd ('97)	**Grand Alliance** HPAG OOCL MSC(Exit in '10) NYK P&O Nedloyd (Exit in '05)			**Contract period until '30. In case of withdrawal, one-year notice is required**	✓**Potential partnership with Other Carrier**
M-S Alliance ('99) Maersk, acquired Sea-Land	**M-S Alliance ('05)** Maersk Sea-Land, P&O Nedloyd 합병	**2M ('15.1)** MSK MSC	**2M+H** **MSK** **MSC** HMM (Strategic Partnership)	**2M** **MSK** + Hsud+Saf **MSC**	Gemini MSC **MSK** **HAPAG** **MSC**
CMA-CGM ('99)	CMA-CGM ('99)	**OCEAN ('15.1)** CMA-CGM CSCL UASC	**OCEAN** **CMA-CGM** **COSCO**+CSCL+OOCL **Evergreen**	**OCEAN** **CMA-CGM** **COSCO**+CSCL+OOCL **Evergreen**	**OCEAN** **CMA-CGM** **COSCO**+CSCL+OOCL **Evergreen**
Evergreen ('98)	Evergreen ('98)			***Contract Duration: Until 2027**	✓ **Status of OCEAN**
United Alliance ('98) HJS/Senator ('97) UASC ChoYang (Bankruptcy in '01)					
CKY Alliance ('97) COSCO K-Line Yangming	**CKYH Alliance ('97)** COSCO K-Line Yangming HJS/Senator	**CKYH ('14.2)** COSCO K-Line Yangming HJS/Senator Evergreen			

Executive Summary

Rates have surged despite an oversupply, driven by disruptions. Rates expected to stabilize at a level that reflects costs/risk premiums

Market indices (Drewry)

Subject to change (as data from major institutions may not fully reflect current situation)

	'19Y	'24Y	'25Y
Demand-Supply Growth	• 0.9%p	• 3.3%p	• 2.1%p
S/D Index	• 88p (Over supply)	• 80p (Deepening Oversupply) Potential for an upside revision due to risks at the two major canals	• 80 (Over supply)
Market rate	• $802/TEU	• $758/TEU Potential for an upward revision (As-Is Zim -260mil $→+751mil $)	• N/A
Carrier's deficit (EBIT, mil $)	• $6,500	• -$15,000 Potential for surplus in 1Q	• N/A

Continuous downward pressure anticipated in the ocean market due to oversupply

Slowing demand (economic downturn and weak consumer sentiment) coupled with supply increase (extensive new delivery)

However, in the event of prolonged operational risks, strong market may persist

Upside factors include inventory replenishment, rising operating costs, and disruptions at Panama and Suez Canals

To thrive in an expanding market, must prioritize op stability and resilience.

To strengthen response capabilities, an objective market impact assessment of events is necessary.