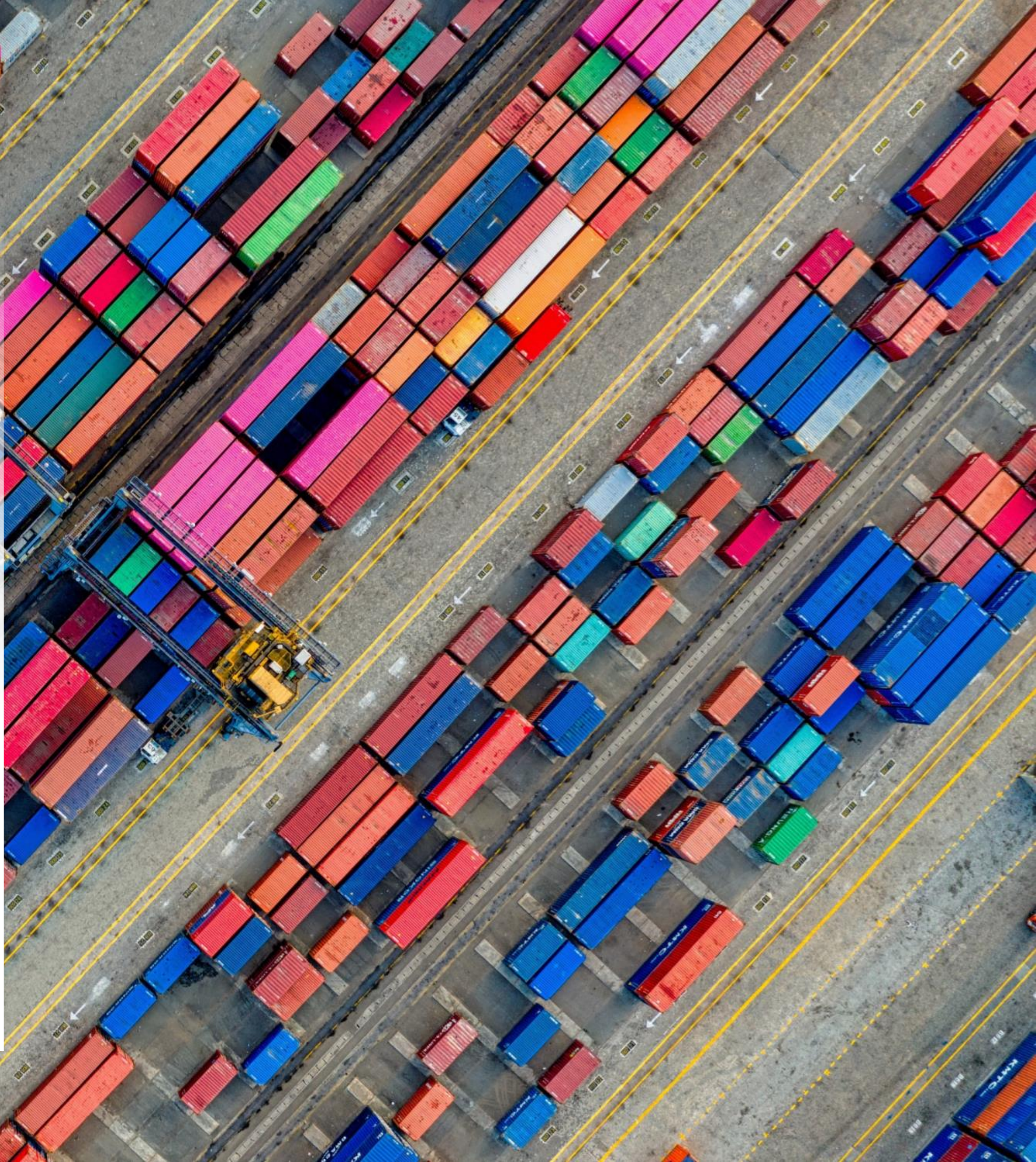
MARKET UPDATE SEAFREIGHT

MAI 2023



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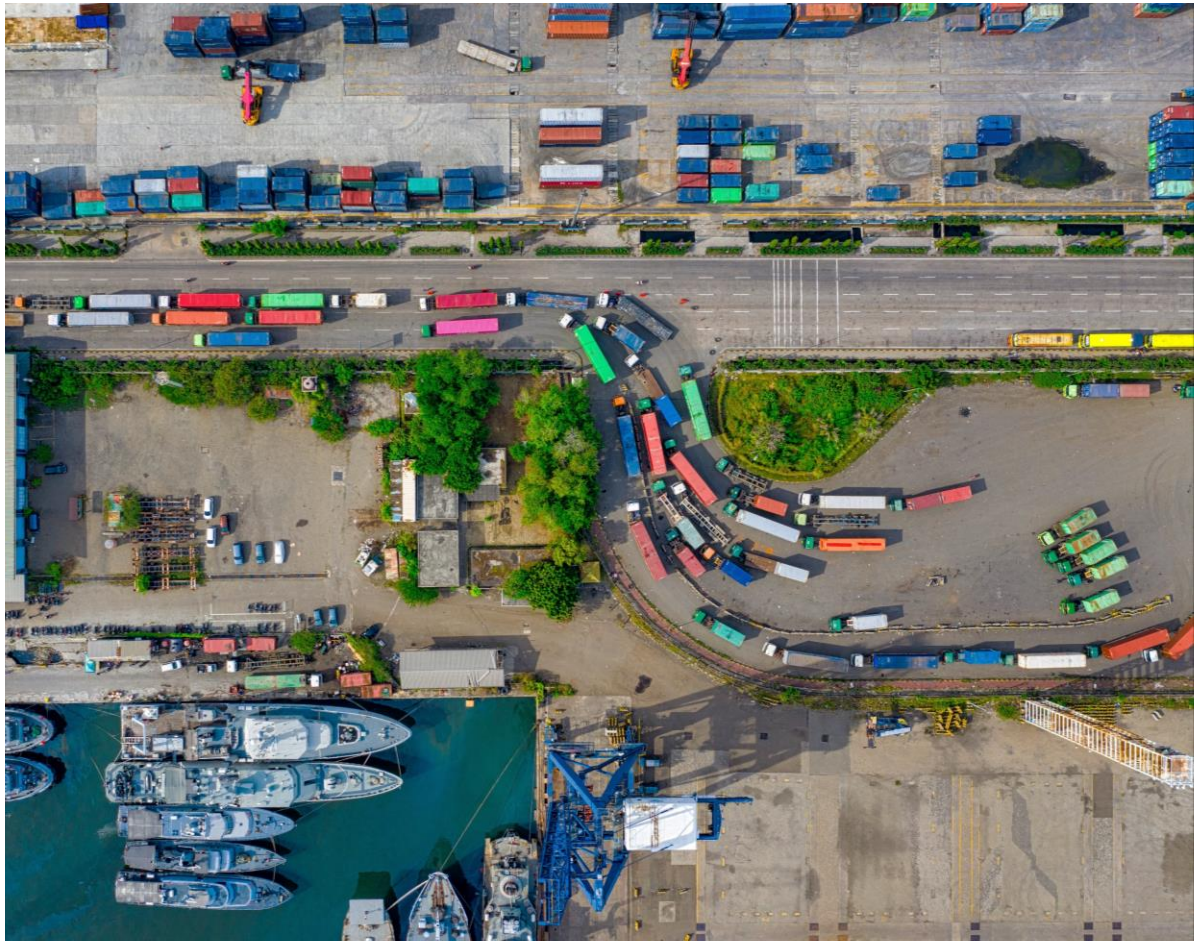
TvK Consult Market Update



Further decline in inflation followed by ECB rate hike of 25 basis points. Economic indicators little changed compared with previous month

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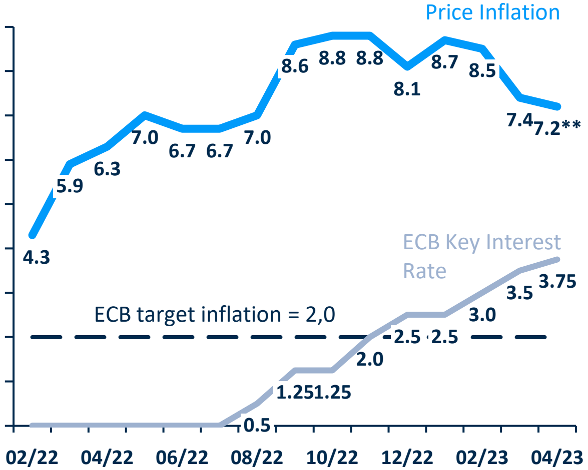
1. Facts & Figures

Consumer Price Inflation vs. Key Interest Rate

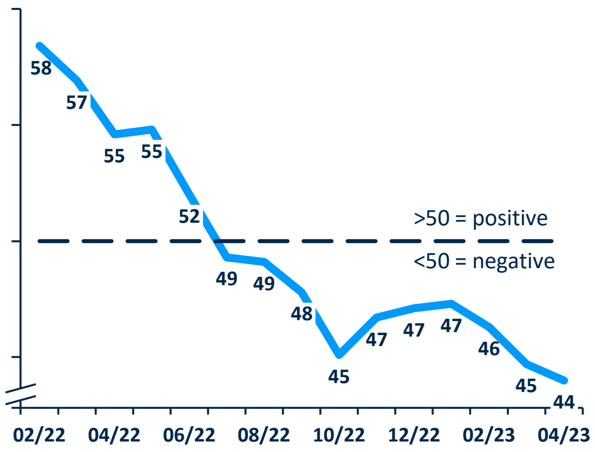
In %



- The inflation rate refers to the price level in the same month of the previous year
- The key ECB interest rate was raised in August 2022 for the first time since March 2016
- The current main interest rate is at its highest level since 2008

Purchasing Managers' Index

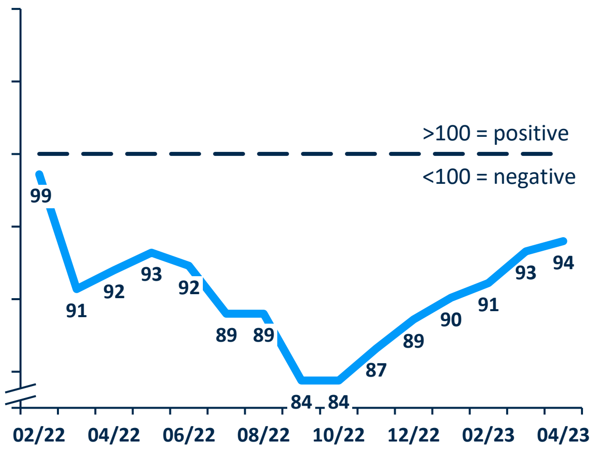
Diffusion index, seasonally adjusted



- The Purchasing Managers' Index is an important economic indicator. Purchasing managers are surveyed on the development of business, employment, orders, inventories and prices in the manufacturing industry
- If the value is above 50, the development compared to the previous month is positive and vice versa

ifo Business Climate Index

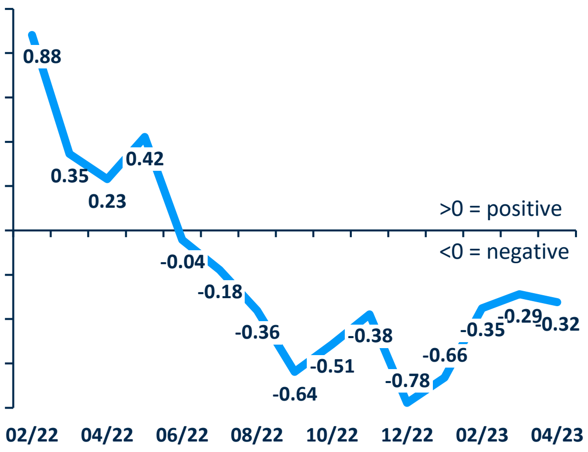
Index values, 2015 = 100, seasonally adjusted



- The ifo Business Climate Index is a monthly survey-based leading indicator of economic development. The expected business development of companies is surveyed.
- If the value is above 100, the sentiment is positive and vice versa

ifo Import Climate

Index values, seasonally adjusted



- The ifo Import Climate is the first leading indicator for forecasting German imports. For the calculation, the expected export developments of the 38 most important German trading partners are surveyed and weighted according to their relative share
- A value >0 implies the expectation of an increase in Germany's imports

*all indices and consumer price inflation refer to the Federal Republic of Germany **predicted

Sources: Destatis, ifo Institut, BME, TvK Analysis

Drewry's World Container Index (WCI) rises for the first time after 15 consecutive weeks of losses

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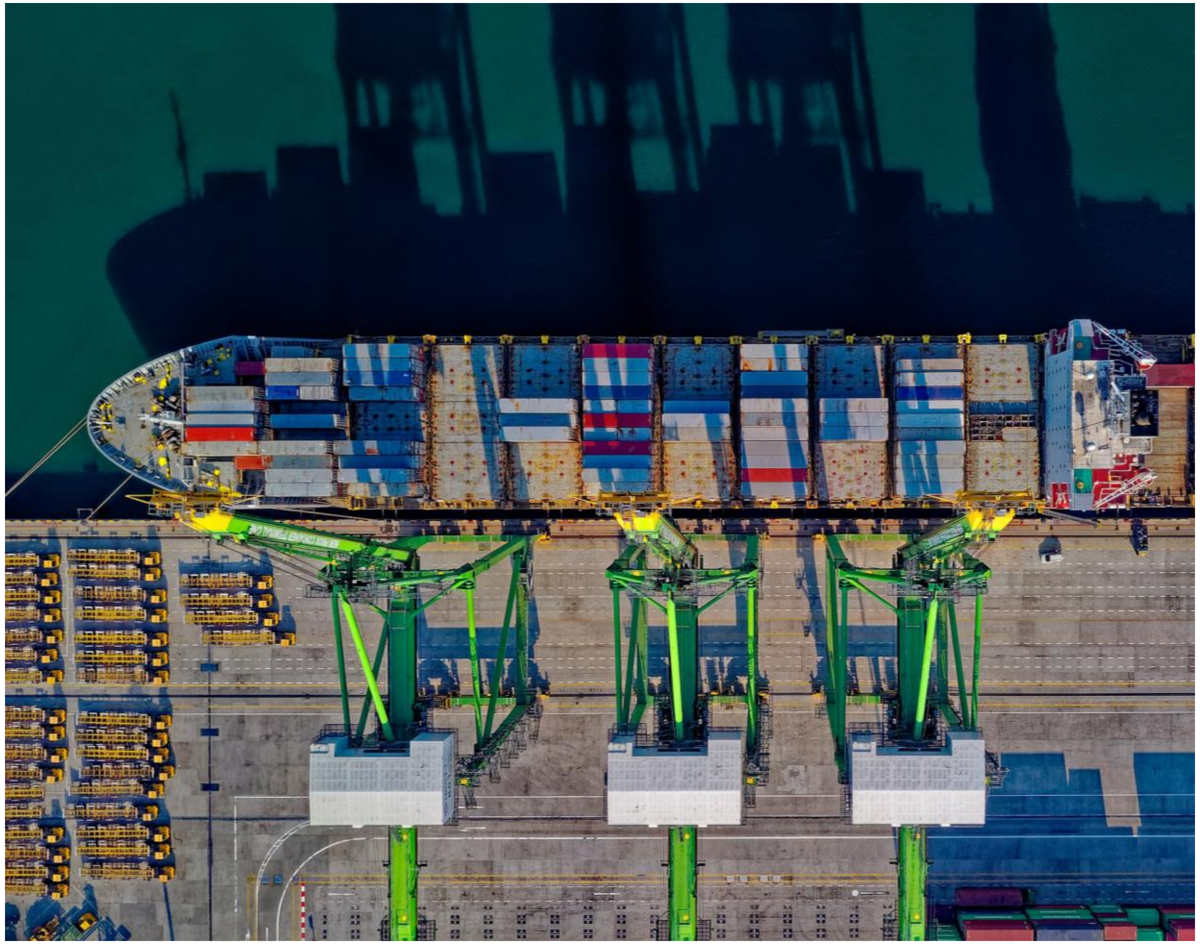
1. Topic of the month

The WCI ended the long-lasting downward movement in the penultimate week of April with an increase of 3.8%. This was mainly due to a strong price increase on the China-USA routes

- In the week from April 17 to April 24, freight prices from Shanghai to Los Angeles (West Coast) increased by 11% from USD 1,674 to USD 1,856. Freight prices from Shanghai to New York (East Coast) rose by a similar 12%, from USD 2,544 to USD 2,849.
- With the 3.8% increase, the WCI recorded the strongest increase in prices since July 2021, i.e. in more than 21 months. In addition, the index has increased only one other time since March 2022
- Drewry analysts also revised rate forecasts for the coming weeks. These range from "falling slightly" to "stagnant" to "expected to rise with the exception of transatlantic rates"
- The steadily declining inflation rate in the USA, most recently 5% in March, could also act as a driver for freight prices via an increased propensity to consume due to higher purchasing power



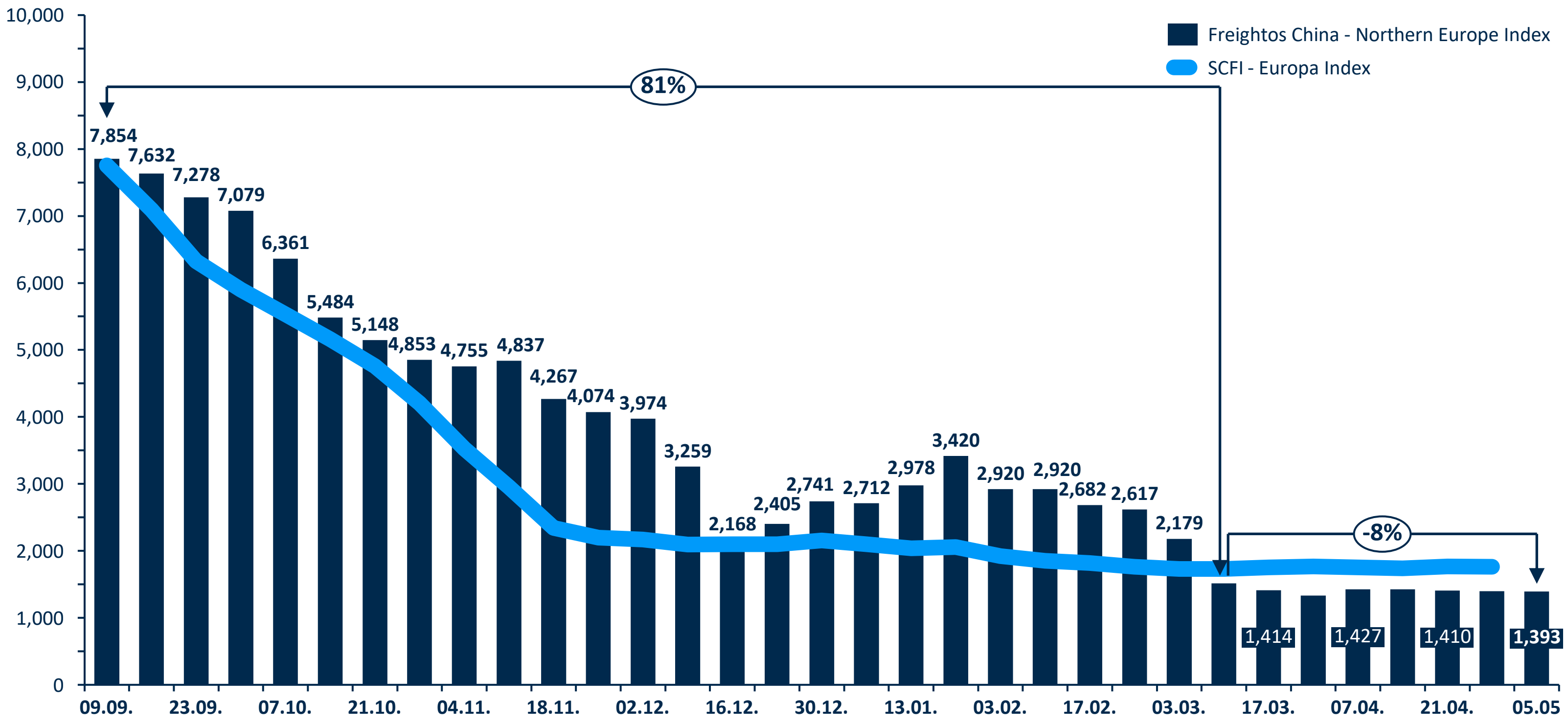
Sources : Container-News, Drewry, TvK Analysis

SCFI Europe records almost no movement. Sideways movement with low volatility at low level Price level continues

2. Recent development of sea freight rates

In USD

Average Weekly Freight Rates per 40" Container – Freightos China-Northern Europe Index vs. Shanghai Container Freight Index (SCFI)



Stable freight prices

- Freightos index continues sideways movement since the beginning of March. Price development shows low volatility for weeks
- An uncertain economic outlook continues to make for clouded, cautious consumer behavior and is impacting companies
- Inflation (Harmonized Index of Consumer Prices, HICP) in the euro area has been declining since the record level in October (10.6%); in February it was 8.5%, and in March a significant drop to 6.9% was recorded. Most recently, inflation rose again slightly in April to 7.0%
- By contrast, core inflation, which excludes prices susceptible to fluctuation and is indicative of the costs passed on by companies to consumers and future developments, fell from 5.7% in the previous month to 5.6%

Sources: Eurostat, Freightos, DSV, TvK Analysis

Bottom formation on Asia-North America routes showing up. Northern Europe-USA freight rates still significantly above pre-Corona level

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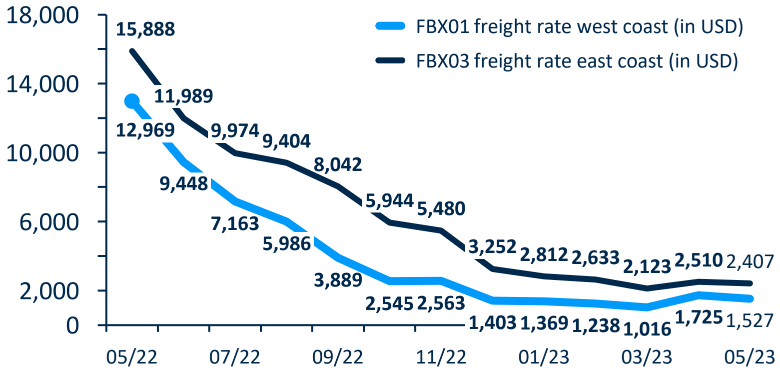
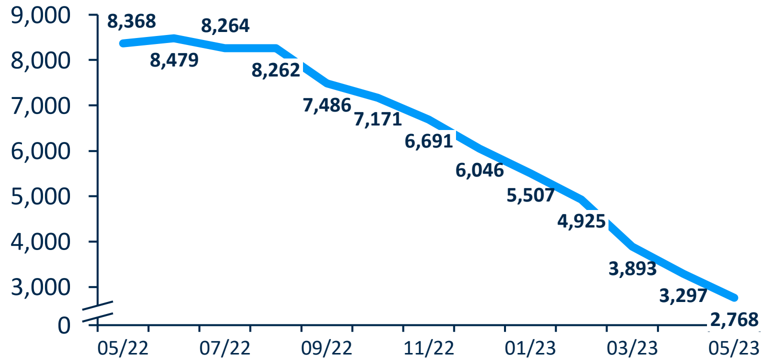
2. Recent development of sea freight rates

In USD

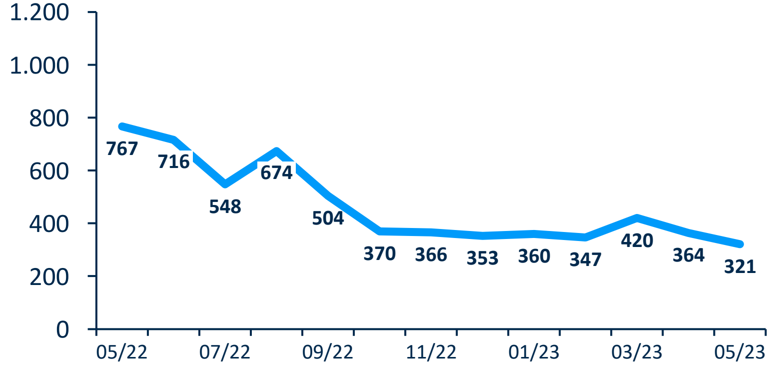
1 **FBX01 & -03 China/East Asia to North America**



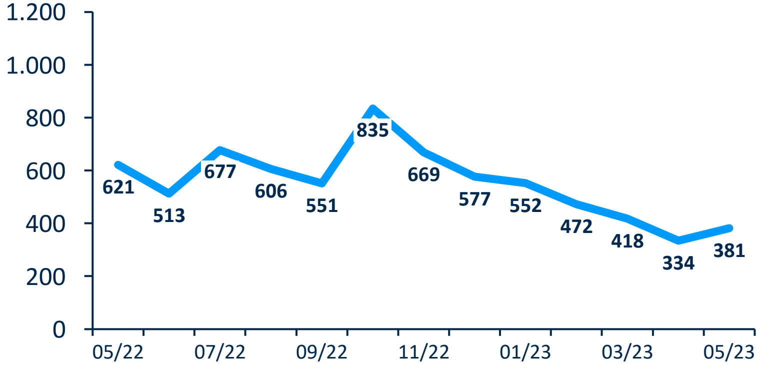
2 **FBX22: Northern Europe to East Coast-USA**



3 **FBX12: Northern Europe to China/East Asia**



4 **FBX21: East Coast-USA to Northern Europe**



Mixed charts on the different routes

1. **FBX01 & -03:** Strong increase in freight prices on the China/East Asia - North America routes. The chart picture indicates a bottom build-up
2. **FBX22:** The downward movement of freight rates from Northern Europe to the USA continues. Current freight rates are still over 30% above the pre-Corona level of around 2000 USD
3. **FBX12:** Sideways movement continues at a low level in the range of around USD 320 to 400 for China/East Asia Export freight from Northern Europe since October
4. **FBX21:** U.S. import freights show first increase since October 2022

Sources: Freightos, TvK Analysis

China opens new routes for container shipping and drought currently burdens passage in the Panama Canal

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3. Vessel capacities & shipping routes

China's main ports open new routes 2023 new routes to increase capacity and stabilize supply chains

- In Q1 2023, 13 new routes to Europe and America were put into operation in eastern China's Shandong province around the port of Qingdao
- The new routes will primarily open up further capacity to key ports in Central and South America, as well as expand export traffic from China's Yellow River regions to ports in Rotterdam and Barcelona
- In April, a new direct connection was also opened between the northern Chinese port of Tianjin and several major European ports

Ongoing drought in Panama Canal leads to vessel draught restrictions

- Due to continued drought conditions, the Panama Canal Authority (ACP) has imposed temporary draught restrictions on vessels passing through the Neo-Panamax Locks as of April 19. The ACP hopes that the restrictions can get removed as soon as the rainy season begins in May
- The measure forces vessels to carry less weight and increases waiting times at locks, which can affect capacity and schedule reliability on affected routes

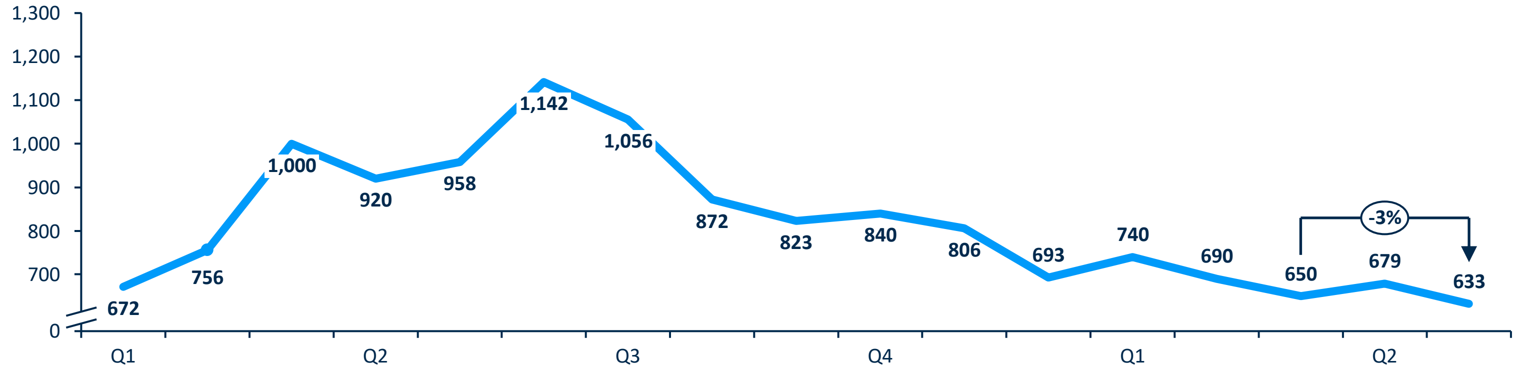
Sources: Seatrade Maritime News, CGTN, TvK Analysis

Bunker prices ease again after slight rises in April and set March level

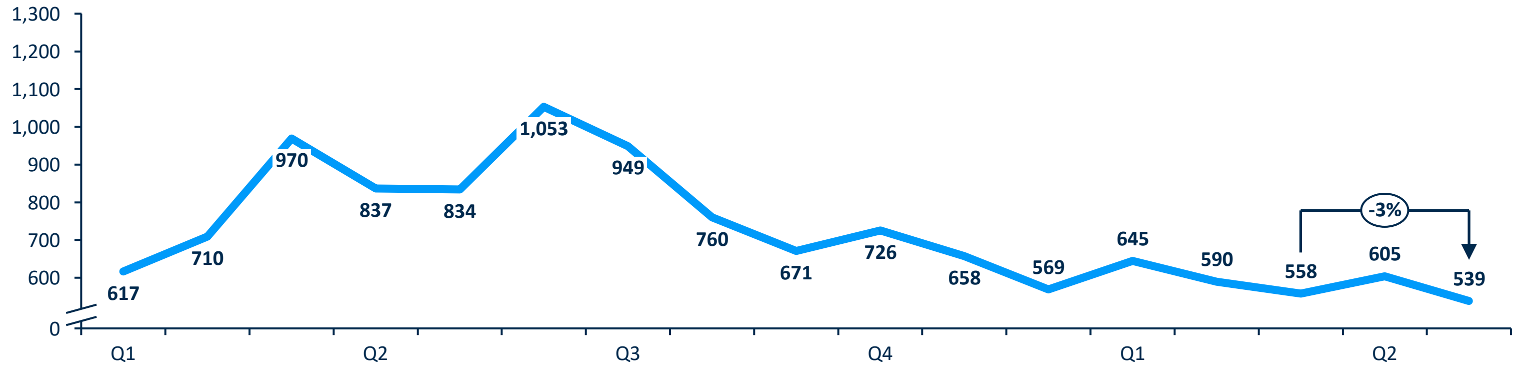
4. Bunker prices

In USD

Global Average Bunker Price (VLSFO) per Metric Tonne



Global 4 Ports* Average Bunker Price (VLSFO) per Metric Tonne



Bunker prices fall again after short-term rise

- After global bunker prices almost doubled from January to June 2022 as a result of the massive oil price increases, the current global bunker price of USD 633 is again below the level of January 2022.
- After marking the high in June 2022 (USD 1,142), a significant correction followed, the momentum of which has weakened since September 2022, but has continued unbroken overarchingly. From the high in June 2022, however, the bunker costs have almost halved

*Linear average of the ports of Singapore, Rotterdam, Fujairah and Houston (together representing about 25% of global bunker volume)

Sources: Ship & Bunker, TvK Analysis

Shipping companies continue to increase their on-time performance. Average schedule reliability in February at highest level since Q3 2020

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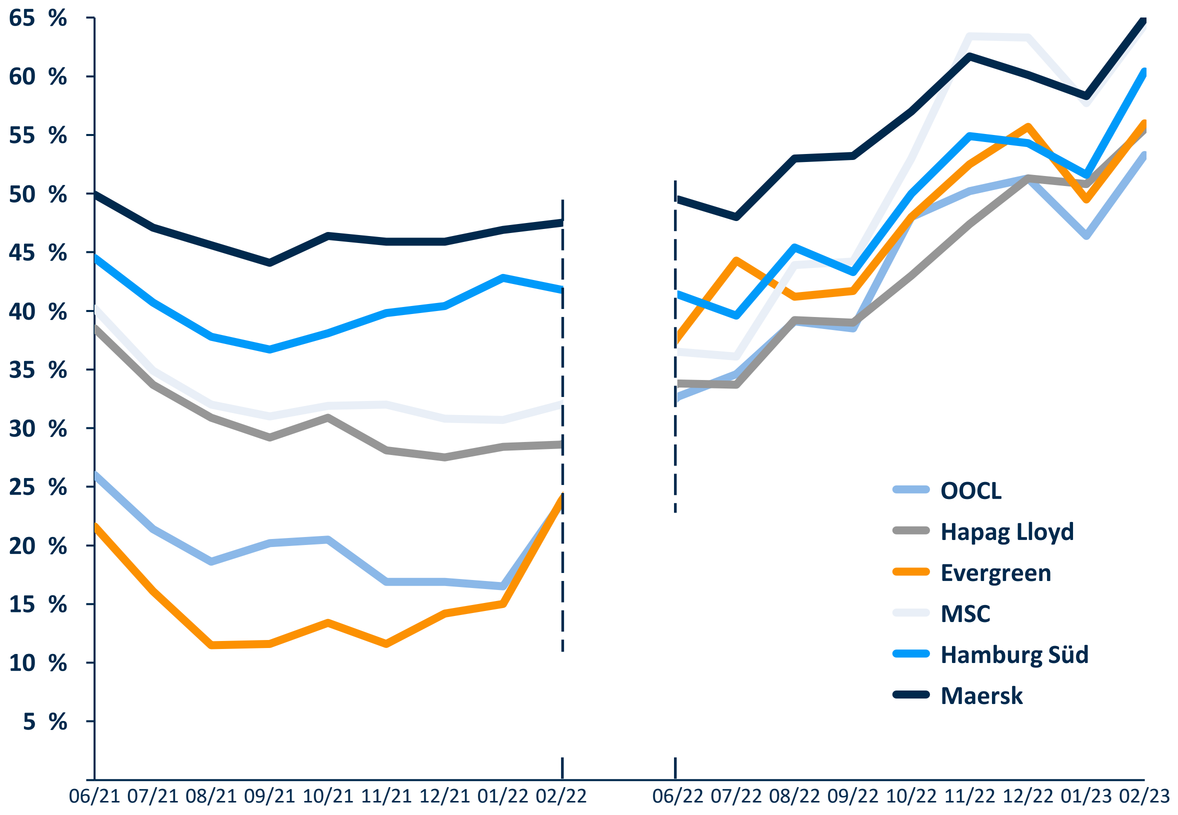
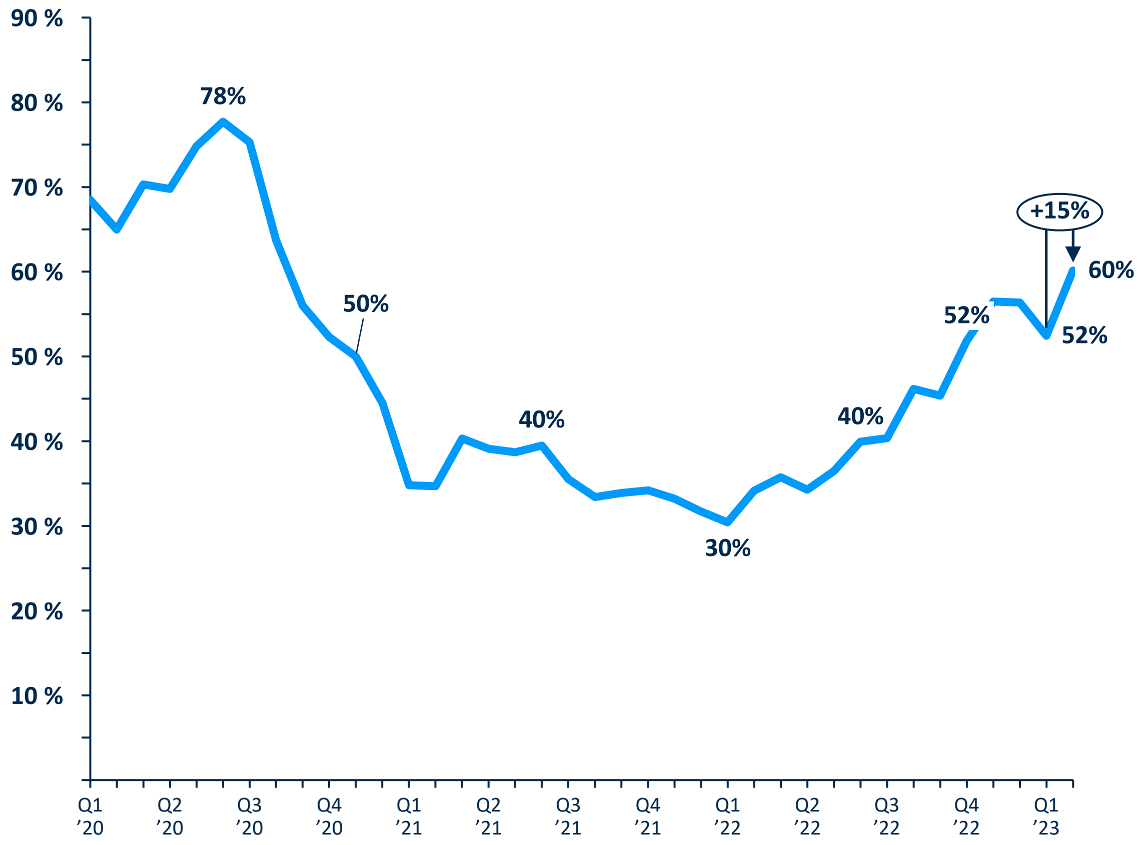
5. Schedule reliability

Average schedule reliability of major shipping companies 2021 vs. 2022 (%)



Average schedule reliability of large container ships globally (%)



Sources: Sea-Intelligence, Statista, TvK Analysis

CMA CGM makes billion-dollar takeover bid for Bolloré's logistics division and alliance control of container ships drops from 80% to 39%

French shipping company CMA CGM makes €5 billion takeover bid for Bolloré Logistics

- CMA CGM would massively expand its own logistics services and supply chain management offering with the takeover
- Bolloré, a family-owned company with around 15,000 employees, is one of the world's top 20 logistics companies by revenue, with annual sales of more than €7 billion
- CMA CGM has seen a sharp rise in profits over the past two years thanks to the sharp rise in freight prices and is using these profits to finance an investment offensive that has already seen the acquisition of shares in Air France-KLM

Control of the global container shipping fleet by alliances has fallen from 80% to just 39%. Especially due to termination of the MSC-Maersk alliance

- A recent survey by Alphaliner shows that the major capacity is operated by the nine alliance shipping companies outside of the alliance agreements. While these shipping companies control about 83% of the global fleet when considered alone, only 39% is operated under the alliances
- Generally, due to barriers of entry, long-haul routes have greater alliance coverage. For the capacity requirements as well as regular rotations, many ships are needed here. For example, on the Far East-Europe route 94% and on the comparatively short transpacific route 47% are operated by alliances

BME = German Association for Materials Management, Purchasing and Logistics

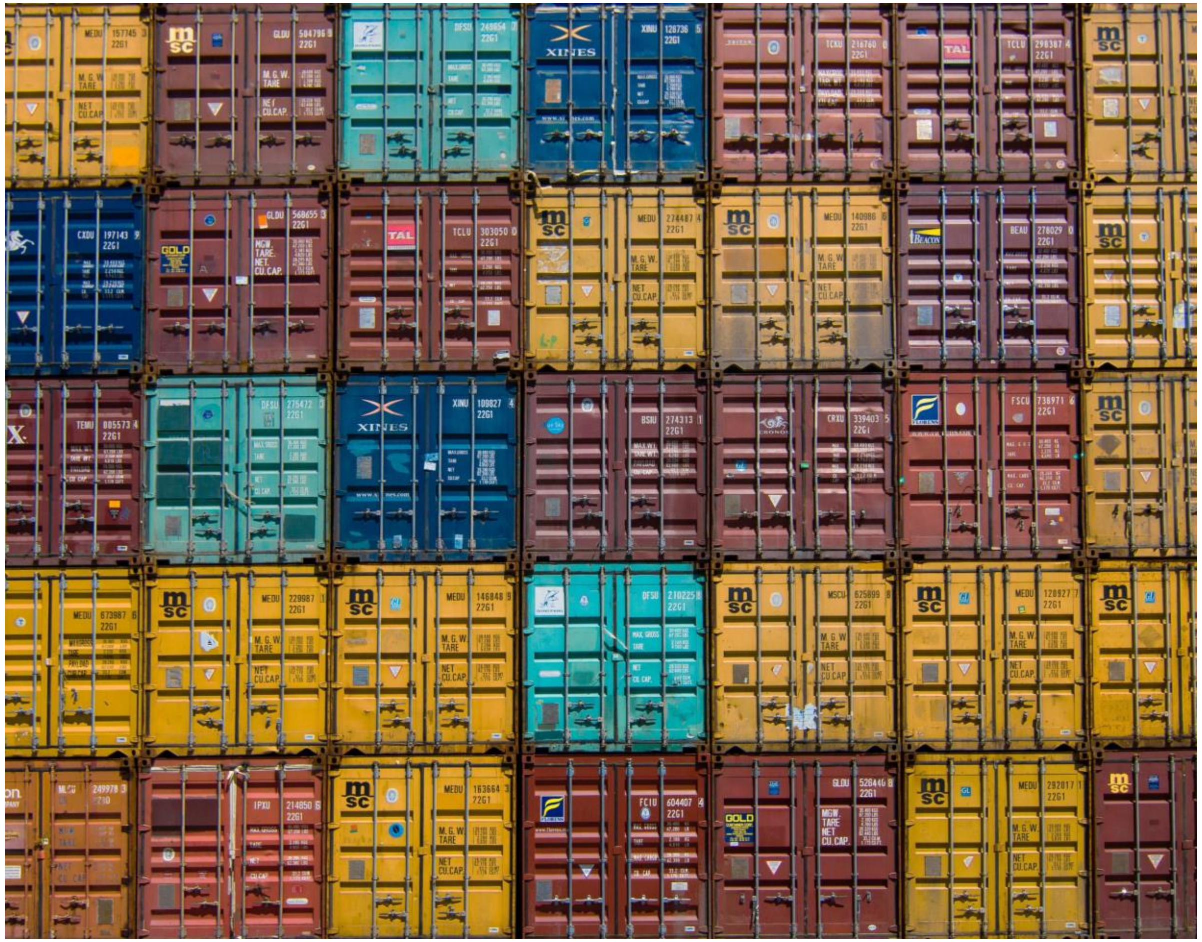
Sources: Seatrade Maritime, Handelsblatt, Container-News, TvK Analysis

Secure favorable freight rates in the short for the long term and eliminate market risk through TvK solutions

7. TvK Outlook

Hedging through long-term freight contracts: Massive increase in planning security at historically favorable conditions with attractive risk/reward ratio

- Current freight rates are at pre-Corona levels. The savings potential from further declining freight rates is therefore low - with a simultaneous increased risk of counter movements to the upside
- Reasons for rising freight prices in the medium term could be the end of "destocking", i.e. the reduction of increased inventories, and a general recovery of the economy accompanied by falling inflation rates and key interest rates. The return to normality in China as part of the shift away from the previously strict zero-covid policy also act as a potential driver
- A direct comparison of the risk/reward ratio of a freight solution with e.g. monthly prices versus long-term contracts at current freight prices shows a clear picture: Short-term contracts could temporarily benefit from slightly further declining freight rates in the blue sky scenario. However, the probability of occurrence is low in view of the pessimistic economic development that has been priced in. By contrast, a long-term hedge at a pre-Corona level offers protection against stronger increases with a higher probability of rising freight prices in the medium term. The current sideways trend in freight prices supports this forecast



Source: TvK Analysis

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