Yang Ming Marine Corp.
2018 Investor Conference

Dec.14  2018
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Outline

1. Container Shipping Overview
2. Business Information
3. Financial Results
4. Future Prospects
Container Shipping Overview
Global Economy Prospect

Trade protectionism brings uncertainty while modest recovery is foreseen.

IMF World Economic Outlook, October 2018

- Modest recovery: Global growth is projected at 3.7% in 2018 and 2019.
- GDP growth for major advanced economies:
  US: 2018: 2.9%, 2019: 2.5%
  Euro Area: 2018: 2.0%, 2019: 1.9%
  China: 2018: 6.6%, 2019: 6.2%

Source: IMF, World Economic Outlook, October 2018
Supply and Demand
More balanced and a cautiously optimistic outlook is held.

2019 supply and demand forecast
- Alphaliner, Drewry, and Clarkson research forecasts demand will exceed supply by 0.1% to 1.1%, showing the overall market in 2019 to be relatively stable.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018(f)</th>
<th>2019(f)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Alphaliner</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply</td>
<td>1.9%</td>
<td>3.7%</td>
<td>5.7%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Demand</td>
<td>2.7%</td>
<td>6.7%</td>
<td>4.6%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Gap</td>
<td>-0.8%</td>
<td>-3.0%</td>
<td>1.1%</td>
<td>-0.1%</td>
</tr>
<tr>
<td><strong>Drewry</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply</td>
<td>1.2%</td>
<td>3.8%</td>
<td>5.7%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Demand</td>
<td>2.6%</td>
<td>6.3%</td>
<td>5.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Gap</td>
<td>-1.3%</td>
<td>-2.5%</td>
<td>0.4%</td>
<td>-0.8%</td>
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<tr>
<td><strong>Clarkson</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply</td>
<td>1.2%</td>
<td>3.8%</td>
<td>5.9%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Demand</td>
<td>4.2%</td>
<td>5.5%</td>
<td>4.5%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Gap</td>
<td>-3.0%</td>
<td>-1.7%</td>
<td>1.4%</td>
<td>-1.1%</td>
</tr>
</tbody>
</table>

Source: Drewry Container Forecaster 3Q 2018; Clarkson Container Intelligence 4Q. 2018; Alphaliner Monthly Monitor, Nov. 2018
Freight Rate Trend
Supply-demand balanced, cargo demand stays on the high side.

- Based on Nov/2018 figure, SCFI surged nearly 30% compared the same period last year. Affected by cargo frontloading spurred by the China-US trade war, volume on the Trans Pacific trade is at a relatively high level, and this trend is expected to sustain through the end of the year. In terms of Europe trade, the demand after the China golden week has recovered faster than expected while vessel utilization and freight level remain positive and stable.

Note:
1. Comprehensive Index is based on 1000, starting from Oct 16th 2009.
2. Shanghai exports to USWC(base port) and USEC(base port) is shown in FEU, while others are shown in TEU.
3. Vertical axis to the left of the line chart refers to the Shanghai export index to Europe, Med, USWC, USEC. Vertical axis to the right refers to the comprehensive index.
Source: Shanghai Shipping Exchange (Nov. 2018)
# Bunker Price

<table>
<thead>
<tr>
<th>USD/MT</th>
<th>2015Q1-Q4</th>
<th>2016Q1-Q4</th>
<th>2017Q1-Q4</th>
<th>2018Q1-Q4 (Until 2018.DEC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGP 380 CST</td>
<td>292</td>
<td>233</td>
<td>329</td>
<td>438</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>USD/MT</th>
<th>2015Q4</th>
<th>2016Q4</th>
<th>2017Q4</th>
<th>2018Q4 (Until 2018.DEC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGP 380 CST</td>
<td>219</td>
<td>297</td>
<td>363</td>
<td>478</td>
</tr>
</tbody>
</table>

## Bunker price- SGP 380 CST

- **Ave. Bunker Price YoY (2017-2018)**: +33%
- **Ave. Bunker Price MoM (NOV-DEC)**: -17%

Source: Clarkson 380cst bunker prices, Singapore 12/07/2018

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**Team Work 、Innovation 、Honesty 、Pragmatism**
Sino-US trade war impact
Reacting with flexibility to cope with the shift in cargo flow

- The exact impact of the trade war is difficult to evaluate. Despite the agreement of a 90-day truce, the trade dispute itself brings uncertainty to the shipping industry outlook.

  - **Global supply chain disruption:** Cargo to the US is anticipated to originate from countries other than China such as South East Asia and other emerging markets. Since YM has been deeply cultivated in the Asian markets, a potential shift in cargo flow could bring in new opportunities.

  - **Deployment adjustment:** As a global carrier, YM is to properly manage and adjust our deployment in order to meet the market demands and to lessen the impact should the trade war intensifies.
Impact of Environmental Regulation (IMO 2020)

• International Maritime Organization (IMO) have approved MARPOL Annex VI amendment: all vessels are prohibited to **USE** marine fuel with Sulphur content excess 0.5% from 2020/1/1, and all vessels are prohibited to **CARRY** marine fuel with Sulphur content excess 0.5% from 2020/3/1.

• This new regulation is expected to increase operation costs for the entire shipping industry analyzed from the below institutions:
  1. JOC foresees the impact from new regulation will lead entire container shipping industry increase USD 15 billion cost per year.
  2. Drewry foresees USD 0.4 – 0.8 million extra cost to be increased on each round voyage.
Business Information
Fleet and Service

- 90+ Service / 150+ Port / 70+ Country / 240+ office
### Market Share and Rank

- As of Nov. 16, 2018, YM’s market share is ranked 8th in the world.

<table>
<thead>
<tr>
<th>Rnk</th>
<th>Operator</th>
<th>Existing Fleet</th>
<th>Owned</th>
<th>Chartered</th>
<th>Orderbook</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>TEU</td>
<td>Ships</td>
<td>TEU</td>
<td>Ships</td>
<td>TEU</td>
</tr>
<tr>
<td>1</td>
<td>AMP-Maersk</td>
<td>4,038,515</td>
<td>709</td>
<td>2,275,403</td>
<td>312</td>
<td>1,763,112</td>
</tr>
<tr>
<td>2</td>
<td>Mediterranean Shg Co</td>
<td>3,303,534</td>
<td>521</td>
<td>1,086,236</td>
<td>192</td>
<td>2,217,298</td>
</tr>
<tr>
<td>3</td>
<td>COSCO Group</td>
<td>2,788,561</td>
<td>465</td>
<td>1,357,019</td>
<td>160</td>
<td>1,431,546</td>
</tr>
<tr>
<td>4</td>
<td>CMA CGM Group</td>
<td>2,664,829</td>
<td>513</td>
<td>1,012,568</td>
<td>130</td>
<td>1,652,261</td>
</tr>
<tr>
<td>5</td>
<td>Hapag-Lloyd</td>
<td>1,630,020</td>
<td>226</td>
<td>1,047,266</td>
<td>112</td>
<td>582,754</td>
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<tr>
<td>6</td>
<td>ONE</td>
<td>1,529,729</td>
<td>221</td>
<td>584,599</td>
<td>80</td>
<td>945,130</td>
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<tr>
<td>7</td>
<td>Evergreen Line</td>
<td>1,180,853</td>
<td>202</td>
<td>582,502</td>
<td>116</td>
<td>598,351</td>
</tr>
<tr>
<td>8</td>
<td>Yang Ming</td>
<td>643,365</td>
<td>101</td>
<td>450,841</td>
<td>42</td>
<td>192,524</td>
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<tr>
<td>9</td>
<td>PIL(Pacific Int. Line)</td>
<td>427,070</td>
<td>134</td>
<td>237,602</td>
<td>98</td>
<td>189,468</td>
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<tr>
<td>10</td>
<td>Hyundai M. M.</td>
<td>417,699</td>
<td>73</td>
<td>129,439</td>
<td>14</td>
<td>292,260</td>
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<tr>
<td>11</td>
<td>Zim</td>
<td>336,549</td>
<td>68</td>
<td>27,800</td>
<td>6</td>
<td>308,749</td>
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<tr>
<td>12</td>
<td>Wan Hai Lines</td>
<td>258,774</td>
<td>97</td>
<td>168,620</td>
<td>70</td>
<td>90,154</td>
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<tr>
<td>13</td>
<td>IRISL Group</td>
<td>154,415</td>
<td>50</td>
<td>96,383</td>
<td>4</td>
<td>58,032</td>
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<td>14</td>
<td>Antong Holdings(QASC)</td>
<td>140,325</td>
<td>115</td>
<td>102,447</td>
<td>48</td>
<td>37,878</td>
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<tr>
<td>15</td>
<td>KMTC</td>
<td>135,148</td>
<td>65</td>
<td>60,236</td>
<td>29</td>
<td>74,912</td>
</tr>
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</table>

Source: Alphaliner, Nov. 16, 2018
**Ship Capacity of Top 3 Shipping Alliance**

- THE Alliance accounts for 16.7% of global ship capacity, about 3.8 million TEU.
- 2M+HMM occupies the highest proportion of global ship capacity, about 34.3%. OCEAN Alliance and THE Alliance take up 29.2% and 16.7% respectively.

Market share of East-West Service 2M+H and OCEAN mainly focus on Europe – N. America and FE.-N. America trade respectively. Compared with them, THE Alliance’s market strategy of East-West service is relatively balanced.

Source: Alphaliner “Top 100 Report (as per 2018/11/16)
Deliver award-winning service by collaborative customer support team

- Received Highly Commended Liner Trade Award - Australia-North East Asia by Daily Cargo News
- Awarded Best Shipping Line - Intra-Asia by Asia Cargo News readers during 2017 & 2018
- Recognized “Provider of the Year” by Target Corporation
- Awarded Ocean Carrier of the Year by Allenberg Cotton Co.
- Received Quest For Quality from Logistics Management during 2017 & 2018
- Awarded Best Shipping Line - Intra-Asia by Asia Cargo News readers during 2017 & 2018
Achieve sustainability in shipping industry by committing to marine environmental protection

Received Blue Circle Awards from Vancouver Fraser Port Authority three years in a roll

Received Automated Mutual Assistance Vessel Rescue System (AMVER) certificate and Blue Pennant by The U.S. Coast Guard for YM

Recognized The Best Green Shipping Line Award by Ministry Of Transportation and Communication R.O.C.

Awarded Environmental Ship Index Award 2017 by Marseille Fos Port Authority
Financial Results
Yang Ming Group Operating Revenue Proportion

Yang Ming Group

- Logistics 3.33%
- Bulk 2.30%
- Container Shipping 93.81%
- Wharf 0.29%
The Proportion of Consolidated Operating Income

- America: 40%
- Europe: 31%
- Asia: 29%
- Intra-Far East Gulf, Red Sea, etc.

Data interval: 201801~201811
Consolidated Operating Revenue

Consolidated Operating Revenue increased by 6.7% YOY
Lifting Volume Analysis - Lifting Volume increased by 11% YOY

201701~11: 4.32 million TEU

201801~11: 4.79 million TEU

Asia Volume(million TEU)  Europe Volume(million TEU)  America Volume(million TEU)
Main Operating Costs Analysis

201701~09 V.S. 201801~09
Fuel YOY% +31.37%
Stevedoring YOY% + 6.26%
Inland Haulage YOY% - 7.53%
Container/Chassis Exp. YOY% + 7.16%
Containers Repo. YOY% - 2.02%
Brent crude oil price forecast  Fuel oil cost fall as oil price down

U.S. crude oil production to reach record high level and softens stance on Iran sanction, oil price falls from October 2018 high.

<table>
<thead>
<tr>
<th>Bank/Time</th>
<th>1Q2019F</th>
<th>2Q2019F</th>
<th>3Q2019F</th>
<th>4Q2019F</th>
<th>2019F</th>
</tr>
</thead>
<tbody>
<tr>
<td>JP Morgan</td>
<td>71.33</td>
<td>74.33</td>
<td>73.33</td>
<td>71.33</td>
<td>72.58</td>
</tr>
<tr>
<td>Barclays PLC</td>
<td>75</td>
<td>71</td>
<td>70</td>
<td>73</td>
<td>72.25</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch</td>
<td>70</td>
<td>74</td>
<td>70</td>
<td>66</td>
<td>70</td>
</tr>
<tr>
<td>Goldman</td>
<td>70</td>
<td>70</td>
<td>65</td>
<td>65</td>
<td>67.5</td>
</tr>
<tr>
<td>Capital Economics Ltd</td>
<td>67</td>
<td>66</td>
<td>64</td>
<td>61.5</td>
<td>64.63</td>
</tr>
<tr>
<td>Oxford Economics Ltd</td>
<td>60</td>
<td>63</td>
<td>64.26</td>
<td>64.9</td>
<td>63.04</td>
</tr>
<tr>
<td>Citigroup</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>57.00</td>
</tr>
</tbody>
</table>

Units: USD/BBL
Source: Bloomberg(12/10)&Bank Investment Research
Structure of Shareholders

Government 45.07%

Domestic natural person 38.87%

Foreign investment 4.83%

Domestic legal entity 6.78%

Domestic financial institution 4.45%

Date: 2018.4.24
Future Prospects
Operational strengthening strategy

- Contribution Management & Service Optimization
- IT System & Business Process Refine
- Fleet Structure and Operation Optimization
- Group Business Centralization management
Contribution Management

- 2018 Jan-Nov vs 2017 Jan-Nov: Marginal Contribution increased 66 M (USD)

![Graph showing 2018 Jan-Nov vs 2017 Jan-Nov - Marginal Contribution]

Unit: USD, Million

Year 2017

+66 M

Year 2018
Yang Ming continues to endeavor unit cost reduction on east-west trades through improving service competitiveness by around 2%~14.6% from 2017~2019.
Service Rationalization

Intra Asia

- Yang Ming is to continue service rationalization, enhancing Intra Asia service network. According to Clarkson Research, Intra Asia trade volumes increased 9% year on year during the start of the year. In comparison to last year, Yang Ming Intra Asia capacity increased 3.2%, but the loading surged 12.04%.

West Asia

- Yang Ming will established a reginal center in Dubai in 2019 to operate FE from/to Middle East/Red Sea/ISC trade lanes. In the future, Yang Mind will develop feeder service in Middle East/Red Sea/ISC area so as to expand services and support network.

Central & South American business

- Yang Ming has established a regional center called YMLA located in Panama in 2017 to operate Central/South America to/from FE/USA/Europe trade lanes. In the future, Yang Ming will develop feeder service in West coast of America and Caribbean area so as to expand services and support network.
IT System & Business Process Refine

- Reinforce Managing Tool for Profit Driven
- Optimize Global Agency Operation System for Centralization management
- Refine Booking Process for Customer Satisfaction & laborforce productivity
Yang Ming’s Fleet Capacity and New Delivery

Up to 2018/11/15
Yang Ming’s total fleet capacity
100 vessels/646,462 TEU

New building and order book:
1. 4 units of 14,000 TEU charter-in vessels will be delivered in 2019.
2. 10 units of 2,800 TEU owned vessels and 10 units of 11,000 TEU charter – in vessels will be delivered between 2020 - 2021.

2020 expired long-term charter-in vessel: 2 units of 8,000 TEU and 10 units of 4,250 TEU charter-in vessels
Yang Ming Fleet’s Cascading Plan
18 units of charter-in vessels expired between 2018 - 2020

<table>
<thead>
<tr>
<th>Year</th>
<th>Vessel Type</th>
<th>Units</th>
<th>Cost saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>4,000 TEU / 8,000 TEU</td>
<td>7</td>
<td>About USD 9 mil.</td>
</tr>
<tr>
<td>2019</td>
<td>4,000 TEU / 8,000 TEU</td>
<td>7</td>
<td>About USD 26 mil.</td>
</tr>
<tr>
<td>2020</td>
<td>4,000 TEU / 8,000 TEU</td>
<td>4</td>
<td>About USD 15 mil.</td>
</tr>
</tbody>
</table>

Old design vessel’s cascading schedule:
1. 2018 will expire 4 units of 8,000 TEU and 3 units of 4,250 TEU charter-in vessel.
2. 2019 will expire 1 unit of 8,000 TEU and 6 units of 4,250 TEU charter-in vessel.
3. 2020 will expire 1 unit of 8,000 TEU and 3 units of 4,250 TEU charter-in vessel.
Optimize Fleet Operation
by flexible swapping vessels to decrease idle time

Integrate all vessel resources from different services and arrange vessel swap operation to fully utilize the whole fleet:

<table>
<thead>
<tr>
<th>Item</th>
<th>2016(day)</th>
<th>2017(day)</th>
<th>2018(day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned vessel’s dry docking/retrofit</td>
<td>346</td>
<td>390</td>
<td>171</td>
</tr>
<tr>
<td>Charter-in vessel’s dry docking (Transfer idle cost to ship owners)</td>
<td>100</td>
<td>177</td>
<td>53</td>
</tr>
<tr>
<td>Total vessel idle time</td>
<td>228</td>
<td>244</td>
<td>111</td>
</tr>
<tr>
<td>Total operation vessels (unit)</td>
<td>101</td>
<td>99</td>
<td>100</td>
</tr>
<tr>
<td>Average vessel idling time</td>
<td>2.25</td>
<td>2.46</td>
<td>1.11</td>
</tr>
</tbody>
</table>

Refined fleet management to fully utilize vessel resource
Group Business Centralization Management

- Setting up own agency in those countries with good volume and profit
- Agents are contracted and evaluated by headquarter
- Global subsidiaries centralization management

- Strengthening the functions of own agents
- Strengthening the management dominance of own agents
- Strengthening the management and control of local charges
- Rationalization of Organization Restructure
- Optimizing the service network of agents
- Optimizing the commission structure of agents
Q & A