MCC Transport and the Intra-Asia Market

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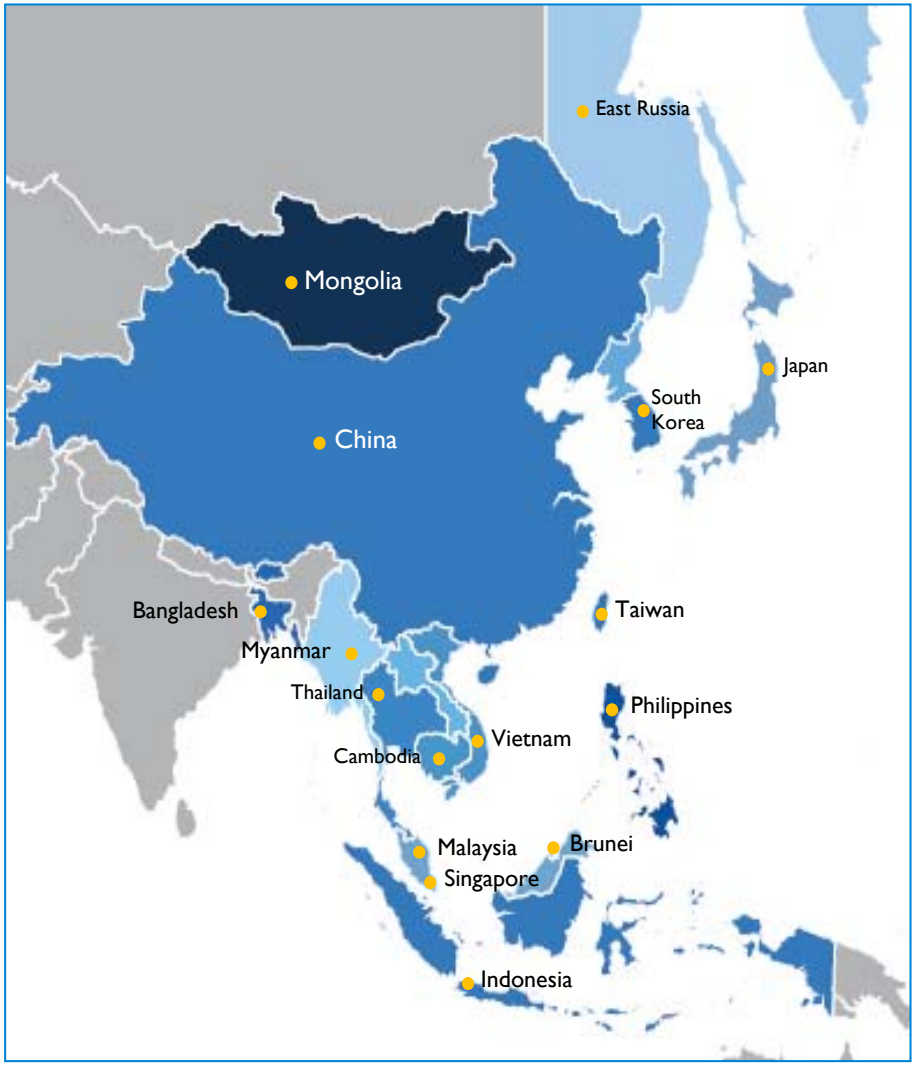
Our Scope and Network Coverage



Geographical Scope

Bangladesh	Thailand
Brunei	Vietnam
Cambodia	China
Indonesia	Hong Kong
Malaysia	East Russia
Myanmar	Japan
Philippines &	Mongolia
Phi Domestic	South Korea
Singapore	Taiwan

Definition

- Container shipments between above mentioned countries.
- Both own Intra Asia cargo as well as performing feedering for other shipping lines.
- A separate JV company serving the cabotage market in Philipppines
- Do not serve trade between China and Taiwan nor other cabotage trades
- India and Oceania is out of MCC scope

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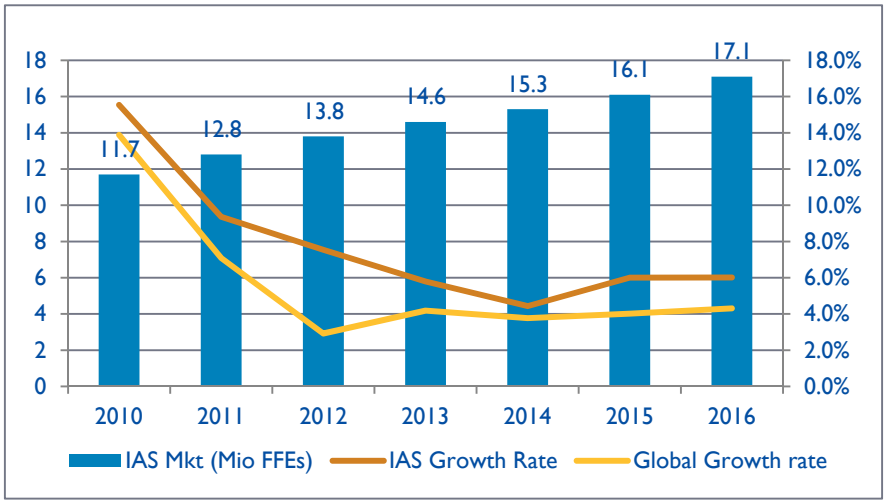
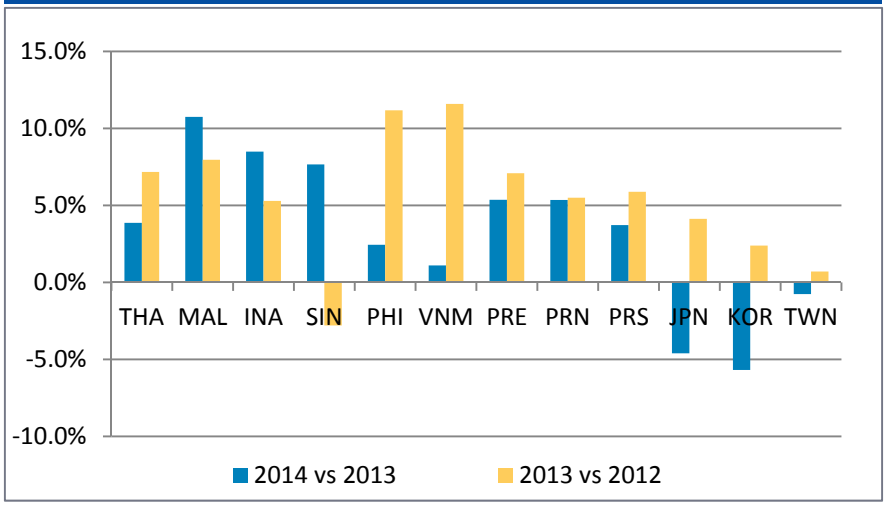
Size of Intra-Asia Market

Container movement – Growth since 2010 (Internal Estimate)

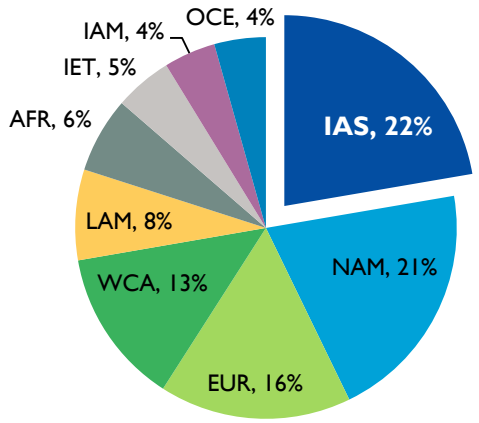


Trade	2014 Estimated Market Size	
	1,000 FFE	Percentage
IAS	15,251	22%
NAM	14,025	21%
EUR	11,123	16%
WCA	9,028	13%
LAM	5,251	8%
AFR	4,348	6%
IET	3,338	5%
IAM	3,004	4%
OCE	2,989	4%

IAS Market– Development per country (*Source – IADA Statistics*)



2013 Container Market - million FFEs (Internal Estimate)



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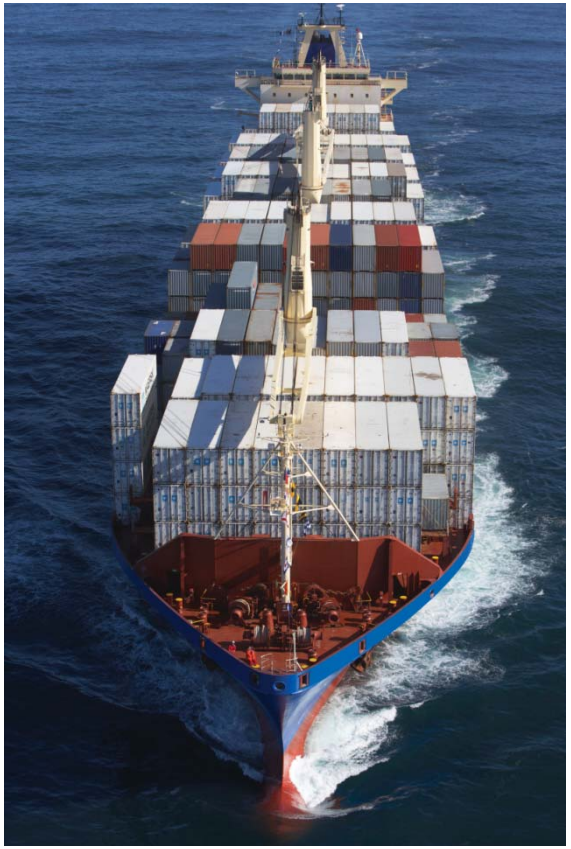
Our Products and Services



Services Offered by MCC Transport	
Intra Asia Main Hauls	IA2, IA4, IA5, IA6, IA7, IA8, IA9, SH1, PH1, PH4
Feeder Services	
Bangladesh	BAN2 BAN4
Korea	IA1
Indonesia	INA1, INA3 INA5, SS1
North Vietnam	NV2, NV5
South Vietnam	SVN1, SVN2
Philippines	Domestic, PH5, PH6
Myanmar	RG2
Malaysia	MA1, MB1
Thailand	THA2, THA3

- 170 port calls a week
- Operates 76 ships
- 21st largest liner company in the world; over 140,000 TEU nominal capacity (Alphaliner)
- Serves over 4,500 corridors
- About 600 staff in 14 countries. Similar amount outsourced
- Total 1.5 Million FFE carried in 2013
- Annual Turnover of USD 1.1 Billion in 2013

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Our Customer Value Proposition:
We are the **Intra-Asia Partner**

With a strong local presence, we strive to satisfy the needs of our diverse clientele by offering:

- An easy-to-access and flexible organization

- Extensive network - covering major markets

- Second to none in issue resolution

- Passionate people who care about your business

- Part of the biggest container equipment pool

- Strategic focus on developing niche ports

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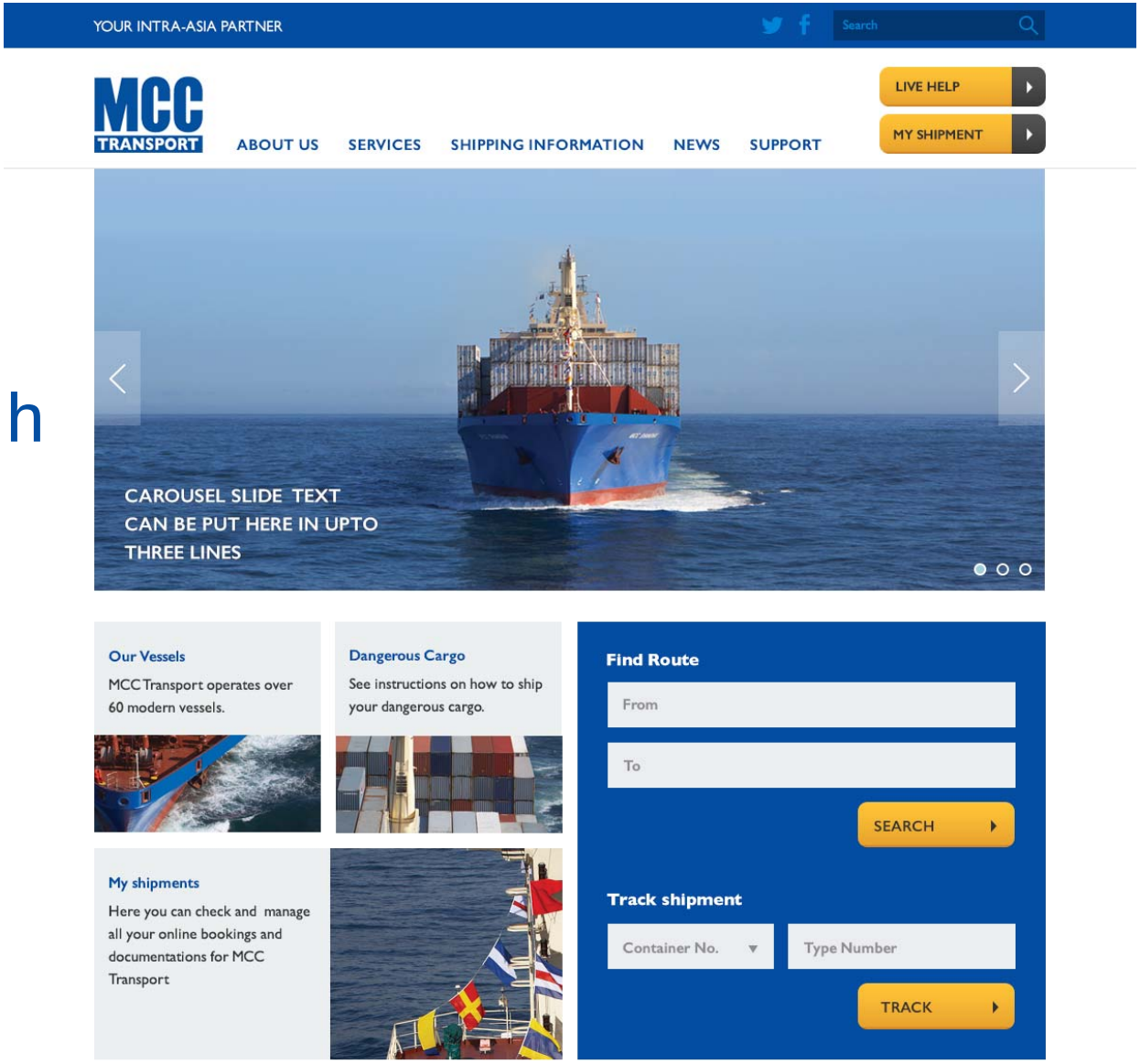
Just a few of our valued clientele

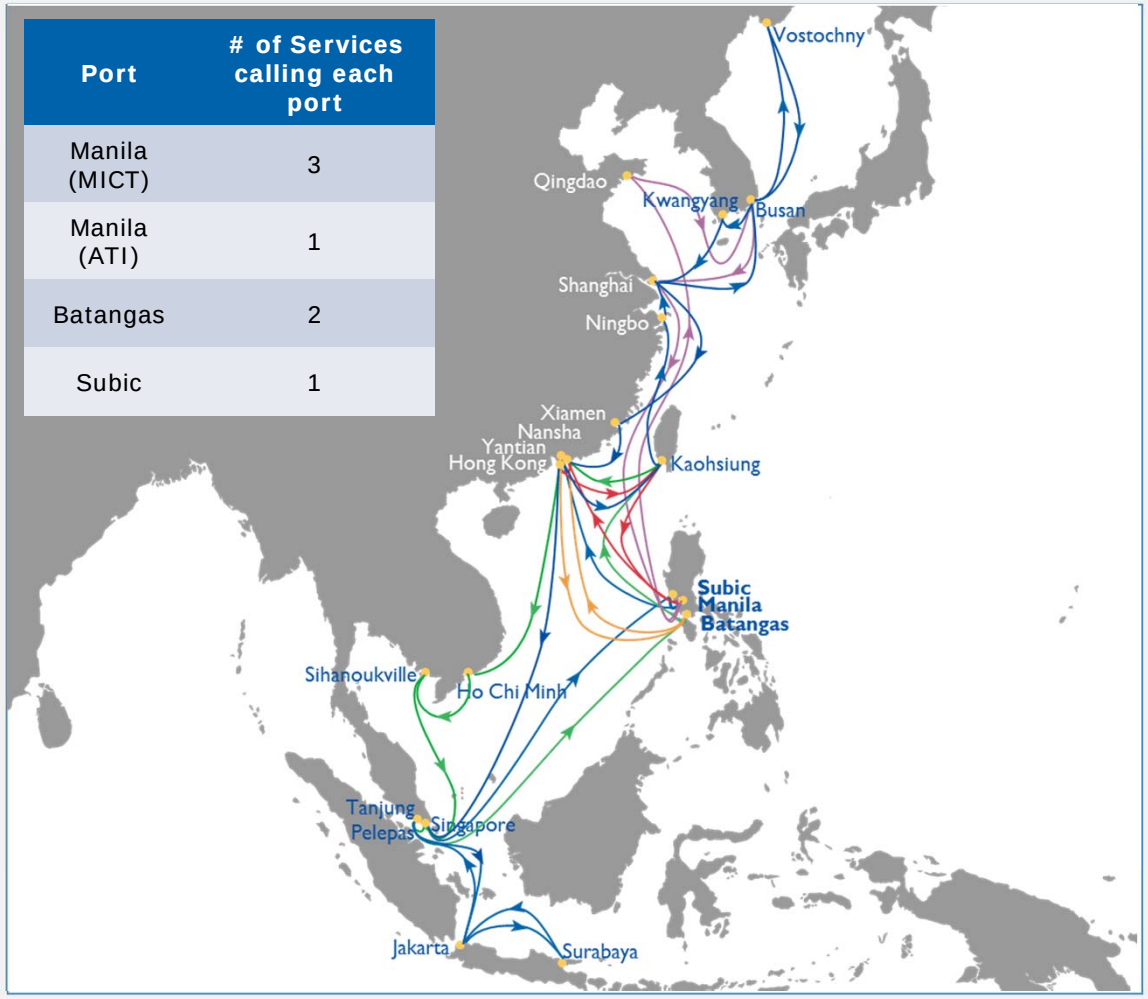
Find out more about us through our website!

Visit www.mcc.com.sg



Service Scope: North Philippines

Port	# of Services calling each port
Manila (MICT)	3
Manila (ATI)	1
Batangas	2
Subic	1



Intra-Asia 6 (IA6)

Direct connections between Qingdao, Shanghai, Busan and Manila

Philippine Feeder 5 (PH5)

Dedicated feeder between Manila North and South, Yantian, Hong Kong and Kaohsiung

Intra-Asia 4 (IA4)

Direct connections from Jakarta and Surabaya to Subic

Connections from South East Asia ports to Subic via Tanjung Pelepas/Singapore

Direct service from Subic to Yantian and Kaohsiung

Connections to North Asia via Yantian and Kaohsiung

Philippine Feeder 6 (PH6)

Dedicated feeder between Batangas, Hong Kong and Yantian

Intra-Asia 9 (IA9)

Direct service from Batangas to Kaohsiung and Yantian

Connections to North Asia via Kaohsiung and Yantian

Direct service from Tanjung Pelepas and Singapore to Batangas

Connections from South East Asia via Kaohsiung and Yantian

Visit www.mcc.com.sg for more details.

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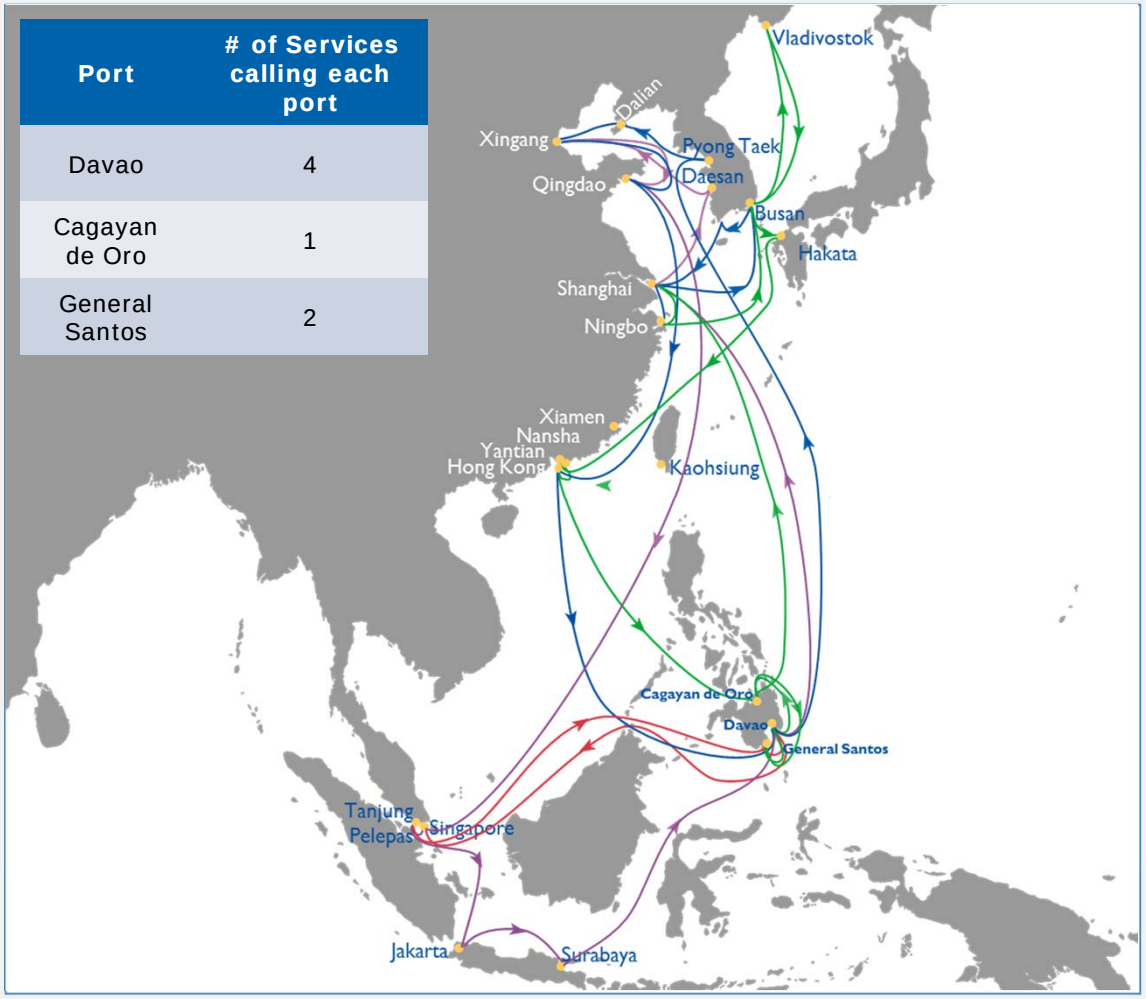
Service Scope: South Philippines

Port	# of Services calling each port
Davao	4
Cagayan de Oro	1
General Santos	2



Intra-Asia 8 (IA8)

Direct export product from Davao to Shanghai, Qingdao, Xingang and Daesan

Direct import product from Jakarta and Surabaya to Davao

Intra-Asia 3 (IA3)

Dedicated service between Davao, General Santos, Tanjung Pelepas and Singapore

Import and export transhipment connections between Davao, General Santos and Sout East Asia via Tanjung Pelepas and SIngapore

Philippine Feeder 1 (PH1)

Direct import and export connections between Davao, Dalian, Xingang and Pyong Taek.

Connections from North China to Davao via Hong Kong

Philippine Feeder 4 (PH4)

Direct service from Cagayan de Oro, Davao and General Santos to Shanghai, Ningbo, Busan and Vladivostok

Import connections from North Asia to Cagayan de Oro, Davao and General ports via Hong Kong and Yantian.

Visit www.mcc.com.sg for more details.

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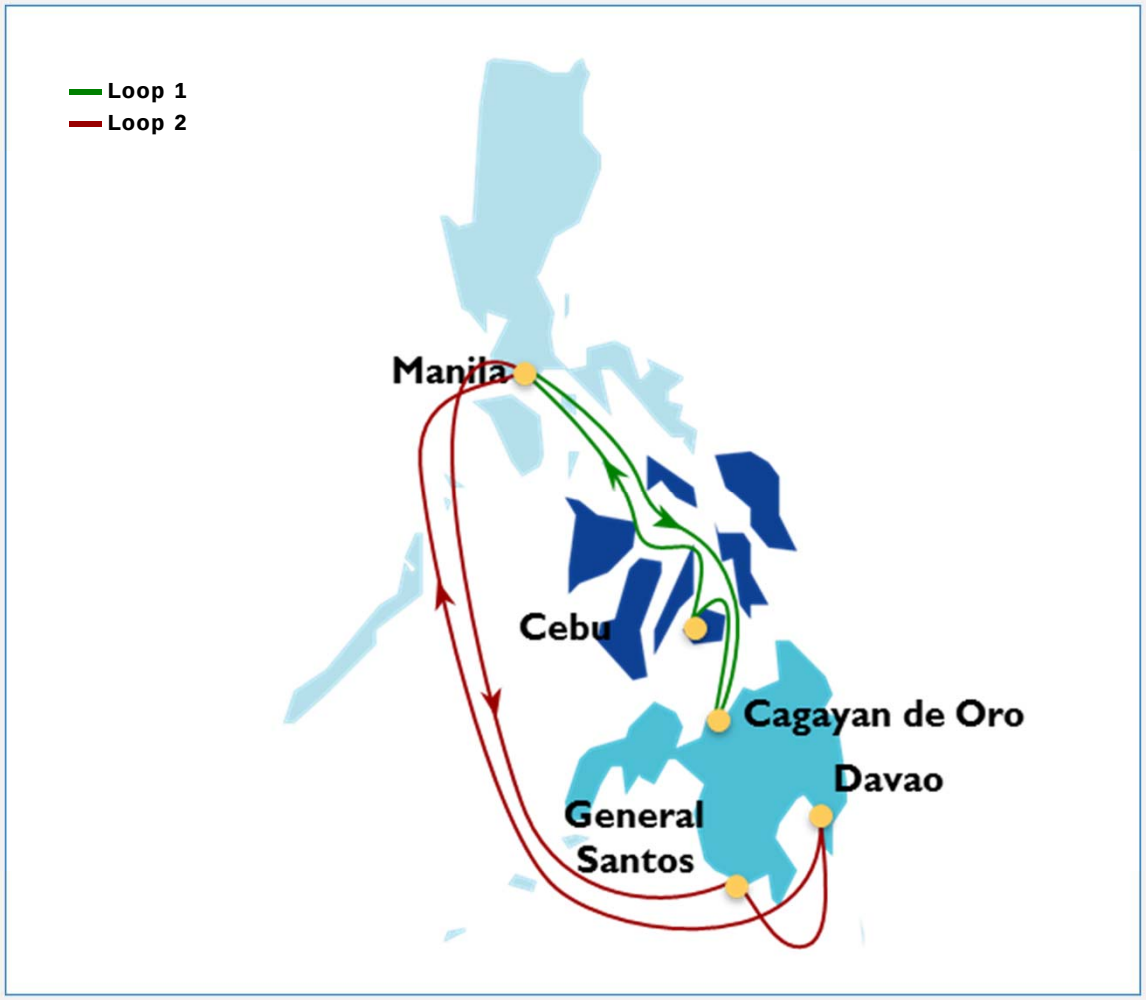
Service Scope: Domestic



PH2 Loop1:
Manila – Cagayan – Cebu - Manila

PH2 Loop2:
Manila – Gen San – Davao - Manila

Carrier and Terminal Relationship

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Terminal dependencies for carriers in terms of vessel performance

- **Berth Availability** - Long term berth expansion plan for the market and volume growth. Dedicated berth for specific strings and services
- **Productivity** – The terminal productivity and efficiency plays important roles in the cost optimization for Carriers.

Philippines Performance for 2014

		Port Stay Bunker Savings	Sea Consumption Bunker Savings	Total Bunker Savings	Bunker Savings In USD Per Call	(Bi-Weekly Svc) Bunker Savings In USD Per Annum
Above Performance Simulation						
Moves	1000					
Productivity	30	2 Tons	8 Tons	10 Tons	$5,000	$130,000
Berth Hours	33					
Port Bunker Consumption	10					
Speed to Next Port	13					
SEA Consumption	54					
Average Performance						
Moves	1000					
Productivity	25					
Berth Hours	40					
Port Bunker Consumption	12					
Speed to Next Port	15					
SEA Consumption	62					
Below Performance Simulation		Port Stay Bunker Lost	Sea Consumption Bunker Lost	Total Bunker Lost	Bunker Lost In USD Per Call	Bunker Lost In USD Per Annum
Moves	1000					
Productivity	15	8 Tons	9 Tons	17 Tons	$8,500	$221,000
Berth Hours	67					
Port Bunker Consumption	20					
Speed to Next Port	17					
SEA Consumption	71					

Bunker Price USD500 per Ton

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Impact of poor terminal performance / infrastructure challenges

Commercial Impact

- **Schedule reliability** impact due to large waiting times

- **Spillover effect** - Significant cargo losses sustained due to delays from Philippines carrying over to other areas

- **Surcharge increases** required simply to recover additional costs

- Shipping line **credibility** and branding

- Impact to customers' **production schedules**

- **Increased costs for customers** - air freight

Cost Impact due to Port Congestion

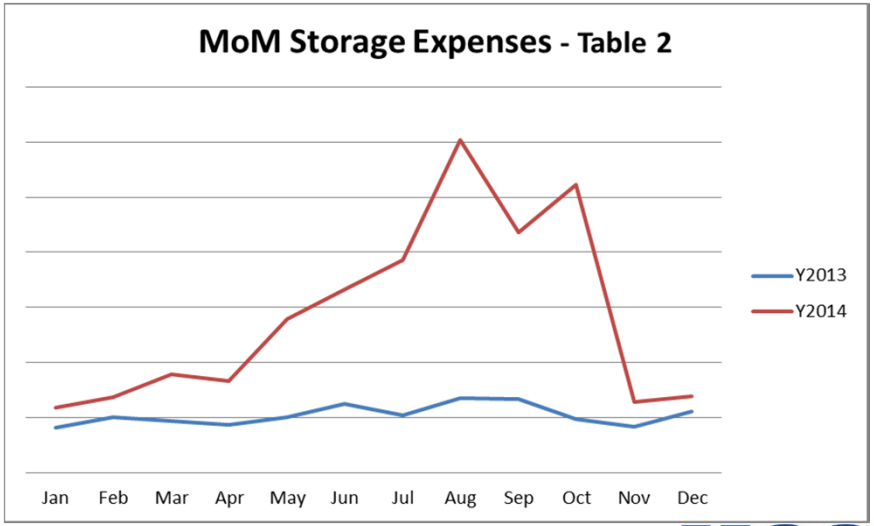
- Additional vessels added to serve existing ports at a cost of USD 12 million (PHP 540 million) solely due to delays in PHI

- Estimated vessel cost at the anchorage waiting for berth (table 1)
  - Time Charter
  - Bunker consumption
  - Port charges : Anchorage due

- Empty trucking cost increased by 100%

- Backlog container at the transhipment hub causing Storage cost spike by 300%, or USD 3 million. (table 2)

Table 1	Daily Average U$	3 days Anchoring U$
Time Charter	10,000	30,000
Bunker fuel 0.3t/hour	3,600	10,800
Anchorage (20,000GRT)	200	600
Additional expenses	**13,800**	**41,400**



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Carrier-Terminal collaboration

- Where can carriers assist terminals?
  - On-time arrivals
  - Reducing complexity
  - Improved moves forecasting

- Joint terminal-carrier events
  - Promote a partnership approach
  - Sharing of key concerns from both parties
  - Share internal processes increasing understanding
  - Identify opportunities for improvement
  - Example: MCC HQ operations team visit to Davao

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The Differences of Intra-Asia Shipping versus Traditional East-West

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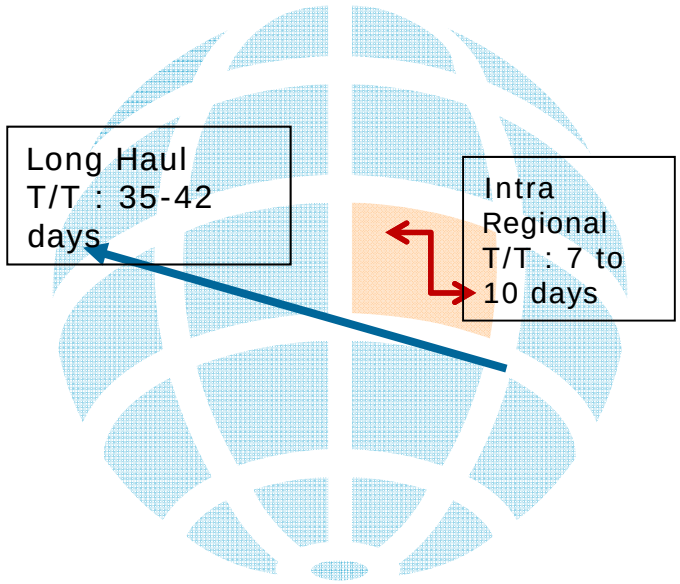
Why is Intra Asia different ?



A. Frequency of services	• Multiple closing versus sailing once a week • Impacts scale and hence size of vessels required
B. Documentation speed	• Comparatively short transit times • Transport documents must be produced fast and any amendments even faster
C. Transit time & Direct port pair coverage	• Cargo moves from secondary ports and often a direct coverage is preferred • Carriers pursue double/triple dips
D. Terminal choice	• Ultra large vessels carrying main haul trade using bigger and more efficient ports while Intra-Asia cargo often remains at older ports
E. Cooperation amongst competitors	• Freight rates low compared to production cost of a slot • Utilization of all legs is king • VSA's, SCA's, Slot Swap necessary

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Does “slow steaming” work in Intra-Asia?

- Significant transit time increase in terms of percentage
- Can utilization still be kept high?
- Double Dips opportunities potentially reduced
- Customers unhappy
- Difficult to achieve major slow steaming benefits on short legs
- Berth windows often prevents slow steaming the “right” places

But,
When MCC in 2013 had a 5-vessel service from North China to Indonesia, it spent the same amount of bunkers on weekly basis as MCC’s 3-vessel service from Thailand to Japan.

QUESTION: Will the terminal restrictions force carriers away from operating fastest possible services?

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How about cascading of larger vessels?

- Few ports can handle large vessels and those which can are often also covered by long haul network where vessels much larger
- Incremental cargo required will often only come in head haul direction - which then must carry entire roundtrip cost
- Frequency likely hurt
- Transshipment cargo required to fill up which reduces direct coverage or increases transit times
- Time spent in ports increased when pursuing double dipping
- Larger vessels reduce flexibility in terminals

QUESTION: Has the Panmax influx to the IAS trade the past two years been a success?

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Thank you