



บริษัท อาร์ ซี แอล จำกัด (มหาชน)
Regional Container Lines Public Company Limited

-Translation-

Ref No. RCL 003/2024

February 23rd, 2024

Subject: Management Discussion and Analysis Yearly Ending December 31st, 2023

To: The President

The Stock Exchange of Thailand

Regional Container Lines Public Company Limited (the “Company” or “RCL”) would like to inform that the Company recorded a profit before vessel impairment for the year ended December 31st, 2023 of THB 2,359 million, representing a decrease of 90.4% compared to the year 2022. The main factor for the decrease was the significant decline in freight rates since the fourth quarter of 2022, as the COVID-19 situation has returned to normal. In 2023, the Company recorded an impairment of vessels of THB 857 million. Consequently, the net profit for the year 2023 amounted to THB 1,502 million with earnings per share standing at THB 1.81 per share.

The aforementioned vessel impairment was partly due to the write-back of vessels during the period of freight rates and charter rates were significantly higher in the market in the past 2-3 years. The reoccurrence of impairment this year occurred when the market adjusted downward. The prices of the vessels and charter rates used for calculating the impairment on vessels were prepared by an independent valuator company.

In 2023, the Company maintained its total lifting of 2,200,000 TEUs, which was similar to the year 2022. Nonetheless, freight income decreased by 50%, attributed to the decrease in average freight rates. The average freight rates in 2023 was 343 USD per TEU, showing a 48.19% decrease compared to the year 2022, when the average freight rates stood at 662 USD per TEU. This was due to the continued slowdown of the global economy.

As a result of the Company's stringent cost control measures, operating costs decreased by 15% compared to the previous year. Furthermore, the unrest in the Red Sea at the end of 2023 impacted the marine transportation market and freight rates, with expectations of a subsequent increase in freight rates and charter hire rates, particularly for vessels with a capacity exceeding 5,000 TEUs. This situation will be advantageous for the Company.

The container shipping industry faced various challenges in 2023, including global economic slowdown which affected shipping volume, geopolitical tensions, and high fuel prices and interest rates which increased the costs, while freight rates gradually declined to the pre-COVID levels.



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Regional Container Lines Public Company Limited

The Company is committed to sustainable business practices and is well-equipped to confront the challenges within the container shipping industry. With a primary focus on optimizing fleet management and efficiency. Therefore, four new 7,000 TEUs vessels and two new 12,000 TEUs vessels will enter the Company's fleet. Notably, two of the 7,000 TEUs vessels, scheduled for delivery in the second quarter of this year, have already been secured under time-chartered agreements, whereas the remaining vessels will be integrated into the Company's fleet. Moreover, the Company has entered into an agreement to construct four vessels with a capacity of 4,400 TEUs each, which will be delivered starting from the year 2027 onwards. These new vessels will strengthen and elevate the efficiency of the Company's fleet while also responding to environmental sustainability policies with their cutting-edge technology, aimed at reducing fuel consumption and supporting environmentally friendly alternative fuels.

Furthermore, the Company has expanded its shipping services to new markets, including the Indian subcontinent, East Africa, and the Middle East. The Company has also implemented reefer container services to support the expansion of its customer service network and future growth. Lastly, the Company is pleased to announce that in 2023, the Company received the awards, namely the Best Company of the Year 2023 in the Service Industry from the Money & Banking Awards 2023 for the second consecutive year, and the Outstanding Company Performance Awards - Business Excellence from the SET Awards 2023. These awards reflect not only the Company's efficient business performance but also its commitment to good corporate governance and promoting sustainable growth for the utmost benefit of all stakeholders.

Please be informed accordingly,

Yours faithfully,

-signed-

Mr. Twinchok Tanthuwani

President

Company Secretary

Tel: 02-2961075 or 02-2961093