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3 DEC 2018

Implementation of new Bunker Adjustment Formula effective 1st January 2019

Dear Valued Customer,

Bunker is one of the important cost components for a container shipping line. And as you are aware, IFO 380 price has shown strong fluctuations in the recent months.

In addition, a new IMO (International Maritime Organization) low sulphur regulation will be applied to all container shipping companies effective 1st January 2020. The regulation stipulates a maximum sulphur content threshold of 0.5% for marine fuels over 100% of the sea distance for any maritime services.

To be compliant with this new regulation, APL will use low sulphur fuel (LSFO) and the cost per ton is expected to be significantly higher than IFO 380.

Continued next pages:

Effective 1st January 2019, in order to ensure the sustainability and reliability of our services in this volatile environment, APL will introduce a new quarterly Bunker Adjustment Formula (BAF) for all contracts with duration exceeding 3 months.

You will find here below all the key elements of this BAF:

- **Methodology**
  - Quarterly revision, based on IFO 380 bunker average price or LSFO, depending on contract duration.

- **Implementation**
  - Effective 1st January 2019, this new quarterly BAF will be applied to all contracts with duration exceeding 3 months.

- **BAF quantum**
  - Based on the average tonnage of fuel consumed in the relevant market, the quantum to apply will depend on the fuel price fluctuation.
  - You may refer to the applicable BAF quantum table for each market online, via the hyperlinks below:

    - Asia-North Europe & Asia-Mediterranean
    - Trans-Atlantic
    - Asia-North America (Trans-Pacific)
    - Latin-America (North-South)
    - Latin America (East-West)
    - Oceania
    - Gulf/Red Sea/Indian Subcontinent

- **Tiers of USD 25**
  - Tiers of USD 25 have been set up in order to avoid BAF revision in case of limited variation of Fuel Oil price.

- Applicable BAF will be the corresponding value in the relevant tier.

- **Bunker reference**
  - Starting 2019, IFO 380 price will be the reference for APL's BAF.
  - APL is using a single IFO 380 reference for all trades, with the following weight of each port worldwide: 40% Rotterdam IFO 380; 50% Singapore IFO 380; 10% Houston IFO 380.
  - Prior to 2020, a new LSFO will apply, and the index will be determined accordingly.

    APL will review the BAF on a quarterly basis, and continue to update our customers accordingly.

Period	FO Price	Announcement Date	Effective Date
Q1	Sep / Oct / Nov	from 1st December onwards	1st January 2019
Q2	Dec / Jan / Feb	from 1st March onwards	1st April 2019
Q3	Mar / Apr / May	from 1st June onwards	1st July 2019
Q4	Jun / Jul / Aug	from 1st September onwards	1st October 2019

- **Trade coefficient**
  - Trade Coefficient is defined as = Round Voyage Consumption of Fuel Oil (in ton) per trade divided by number of full TEU carried.

- **Reefer cargo**

- A 20% Reefer Consumption Surcharge will be implemented on top of the standard BAF.

- **Bunker reference change (from IFO 380 to LSFO)**
  - To stay compliant with the IMO regulation that takes effect on 1st January 2020, APL will start bunkering with the new LSFO 0.5% sulphur (cost to be confirmed) from second half of 2019 onwards.
  - Prior to 2020, the adjustments will be based on the variation between the average cost of one ton of IFO and the average cost of one ton of LSFO 0.5% at the date of review.

- **Low Sulphur Surcharge in Emission Control Areas (ECA)**
  - Low Sulphur Surcharge will still be applicable on top of BAF for trades serving port of loading (POL) and port of discharge (POD) in the ECA of North Europe, North America* and China.

    **With the exception of Transpacific and Transatlantic Trades, where the ECA consumption for North America has been included in the general BAF formula.*

Should you need any clarification please do not hesitate to contact your local APL Representative. Thank you for your business and continued support.

Sincerely,

APL

www.apl.com

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