ERNST RUSS AG

NINE-MONTH REPORT 2023

ERNST RUSS

KEY FIGURES AS OF 30/9/2023

EARNINGS	UNIT	1/1 – 30/9/2023	1/1 – 30/9/2022
Revenue	EUR million	149.3	138.0
Operating earnings (EBIT)*	EUR million	56.5	72.4
Earnings before taxes (EBT)	EUR million	57.8	66.6
Profit attributable to non-controlling interests	EUR million	21.1	32.2
Consolidated net income for the period after non-controlling interests	EUR million	36.3	33.9
Earnings per share**	EUR	1.10	1.05

* Determined in accordance with economic criteria.
** The company does not hold any treasury shares.

BALANCE SHEET	UNIT	30/9/2023	31/12/2022
Total equity and liabilities	EUR million	338.9	283.3
Ship assets shown on the balance sheet***	EUR million	265.3	195.9
Equity	EUR million	251.5	207.5
Equity ratio	%	74.2	73.2
Cash at hand and bank balances	EUR million	45.3	57.8

*** Includes down payments made on assets in the course of construction.

EMPLOYEES	UNIT	1/1 – 30/9/2023	1/1 – 30/9/2022
Average employee capacity (total)	Full-time equivalent	79	85
Average employee capacity (shore-based)	Full-time equivalent	35	39
Personnel expenses (not including maritime personnel)	EUR million	3.4	3.6
Personnel expense ratio (not including maritime personnel)	%	2.3	2.6

KEY FIGURES SPECIFIC TO VESSELS	UNIT	30/9/2023	31/12/2022
Number of fully consolidated vessels		31	29
Capacity	TEU	63,253	49,737
Capacity	DWT	843,296	685,575
	UNIT	1/1 – 30/9/2023	1/1 – 30/9/2022
Average charter rate	USD/day	20,053	18,520
Technical availability	%	95.1	96.4
Employment ratio	%	94.8	95.9

SHARE AND INVESTOR RELATIONS

PERFORMANCE OF THE SHARE IN THE FIRST NINE MONTHS OF 2023

The opening price of the Ernst Russ share in 2023 was EUR 4.45. The share reached its low of EUR 4.19 on 16 January and its high of EUR 5.58 on 23 March. The closing price at the end of the quarter was EUR 4.70. The average price of the Ernst Russ share in the first nine months of 2023 was EUR 4.91.

SHARE PRICE (IN EUR)

CLOSING PRICE IN EUR

AVERAGE PRICE (EUR 4.91)

Source: vwd group / EQS Group AG; 2023

Photo: Adobe Stock © Andrea

KEY DATA FOR THE ERNST RUSS SHARE

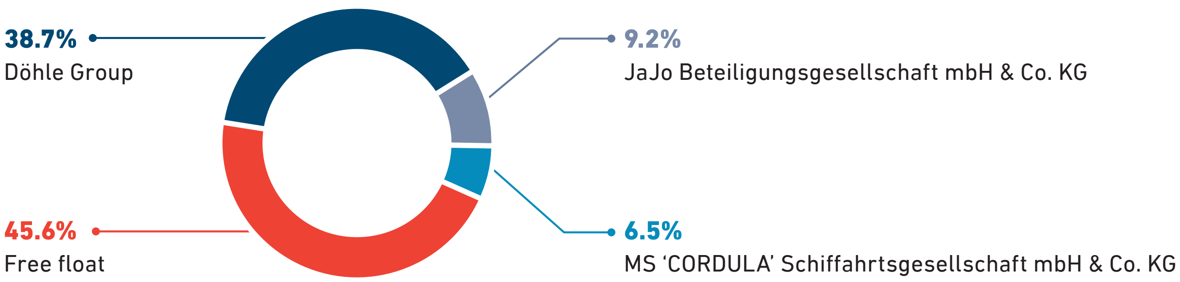
	30/9/2023	31/12/2022
Number of shares	33,500,286	32,434,030
Share capital in EUR	33,500,286	32,434,030
Market capitalisation in EUR million	157.5	144.7
	1/1 – 30/9/2023	1/1 – 30/9/2022
High in EUR	5.58	7.50
Low in EUR	4.19	4.66
Earnings per share in EUR*	1.10	1.05

* The company does not hold any treasury shares.

BASIC DATA FOR THE ERNST RUSS SHARE

Share type	No-par value shares
Market segment	Scale (Frankfurt Stock Exchange), Mittelstandsbörse Deutschland (Hanseatic Stock Exchange Hamburg)
ISIN/WKN	DE000A161077/A16107
Stock exchange code	HXCK

SHAREHOLDER STRUCTURE OF ERNST RUSS AG AS AT 30/9/2023



DATES**

16 NOVEMBER 2023

Attendance at MKK –
Munich Capital Market Conference

** Ernst Russ AG reserves the right to change or add dates where appropriate.

MARKET TRENDS

MACROECONOMIC ENVIRONMENT

The global economy expanded at a very moderate pace in the first nine months of 2023. The sharp rise in energy prices in 2022 and the subsequent tightening of monetary policy weakened economic growth. The effects of monetary policy in the USA, the European Union and in other parts of the world were clearly apparent. According to the WTO, falling energy prices and the end of the pandemic restrictions in China raised hopes of economic recovery, but these have not yet been realised as the pent-up property markets have prevented sustained recovery in China and inflation in the USA and the EU has been very persistent in spite of countermeasures. In conjunction with the impact of the war in Ukraine and the COVID-19 pandemic, global economic growth was subdued. Despite the strong demand for services and progress in combating high consumer prices, the pace of global growth is still very slow, stressed International Monetary Fund (IMF) Managing Director Kristalina Georgiewa. The global economy has nevertheless proven to be remarkably resilient. The IMF growth forecast for the global economy in 2023 is 3%, the same as the forecast published by the Kiel Institute for the World Economy. The IMF revised its estimate down slightly to 2.9% for the coming year (-0.1 percentage points). Although growth has slowed, it has not come to a complete standstill. According to WTO estimates, global trade volume, which is particularly relevant for international shipping, will be 0.8% for 2023 as a whole, compared to the figure of 1.7% indicated in the April forecast, with real growth in gross domestic product (GDP) of 2.6%. Trade growth should then accelerate to 3.3% in 2024 with stable GDP growth of 2.5%. Economists at the WTO scaled back their projections for global trade in 2023 amid the continued slump in goods trade, while maintaining a more positive outlook for 2024.

At the end of Q3 2023, neither the German government nor industry saw any relevant growth stimuli for the German economy. The German Institute for Economic Research (DIW Berlin) and other economic research institutes are therefore forecasting a decline in German GDP of 0.6% for 2023 as a whole thus revising the spring forecast downwards by a substantial 0.9 percentage points. However, according to the German government, the German economy will grow by 1.3% again in the following year 2024. The Hamburg Institute of International Economics (HWWI) expects consumer prices to fall further during the remainder of 2023 and in 2024. As a result, the cycle of interest rate hikes could come to an end and, in view of significant wage increases, real purchasing power and private consumption could begin to recover. However, given the current tense geopolitical situation and global economic development, the risks for future development are greater than the opportunities, according to the HWWI.

The global economy expanded at a very moderate pace in the first nine months of 2023.

Photo: Adobe Stock © 4kclips

Most central banks continued to tighten monetary policy, which had already begun in 2022, in the first three quarters of 2023. The Federal Reserve (Fed) key interest rate has been between 5.25% and 5.5% since 27 July 2023, its highest level for 22 years. By that point, the central bank had raised its key interest rate eleven times within a period of 16 months. This cycle of raising of its key interest rate by more than five percentage points since 2022 is considered one of the sharpest tightening periods in the Fed's history. Consumer prices in the world's largest economy were up 3.7% year-on-year in both August and September 2023. The US inflation rate thus remained steady following two recent increases. Like the Fed, the European Central Bank (ECB) has also battled high inflation in recent quarters and attempted to stabilise prices at an inflation rate of around 2%. To achieve this, the ECB has raised interest rates ten times in a row, from zero to 4.25% since July 2022. The ECB's key interest rate was 4.5% at the end of Q3, the same as it was in August 2001. Following a phase with an unusually high number of interest rate hikes, both the Fed and the ECB eased off leaving key interest rates unchanged at their subsequent meetings. Inflation in the eurozone will fall from an average of 8.4% in 2022 to an average of 5.6% in 2023. It is also forecast to fall to 3.2% in 2024. It should then fall gradually in the following year and reach the inflation target of around 2%.

According to the Federal Statistical Office, the inflation rate in Germany in September 2023 was +4.5%, the lowest level since the start of the war in Ukraine. Overall, the peak of inflation has been reached, said Bundesbank President Joachim Nagel at the beginning of Q4 at the autumn meeting of the International Monetary Fund (IMF) and the World Bank in Marrakesh, Morocco. In its current assessment of economic development in Germany, the Federal Ministry for Economic Affairs and Climate Action adds that private consumption will also pick up again as inflation falls.

SHIPPING MARKETS

In view of the accelerating growth in supply and weak demand in the first three quarters of 2023, the market for the container shipping segment relevant to the ER Group was well below the remarkable highs in 2021 and 2022. Geopolitical tensions and risks and constant inflationary pressure and high stock levels slowed the global economy and container shipping down resulting in the relevant maritime trade and the associated freight and charter rates weakening significantly since the second half of 2022. In general, freight and charter rates in September 2023 were still above pre-pandemic levels, but a further weakening is expected in subsequent months as pressure from growing supply increases. Clarksons is forecasting that total global seaborne trade will be up by 2.4% to around 12.3 billion tonnes in 2023, but that conversely, container trade in particular will record a weak year in 2023 (+1.2% in TEU miles). A moderate upturn of 3.8% in TEU miles is forecast for 2024, as the global economy could potentially bottom out.

The first three quarters of 2023 were characterised by declining demand and significantly lower freight rates for container transport. The Shanghai Containerized Freight Index (SCFI), which tracks spot freight rates on Shanghai's most important trade routes, continued its gradual downward trend. After trading at USD 1,108/TEU at the end of 2022, the index fell by around 14% to USD 954/TEU at the end of June 2023 and stood at USD 887/TEU at the end of Q3. In 2022, the SCFI still stood at record highs of over USD 5,000/TEU. The New ConTex was also down in line with the general momentum in container shipping. The index for container ship time charter rates published by the Hamburg and Bremen Shipbrokers' Association (Verband Hamburger und Bremer Schiffsmakler e.V.; VHBS) ended at 646 points in the last week of September and, according to the Association, was weakened by the autumn holidays and Chinese bank holidays as well as the reasons already mentioned. At the end of Q3 2023, the New ConTex fell back to its December 2020 level, but was still 30% higher than in December 2019. According to VHBS, a look at the ship classes covered shows that all of them contributed to this overall result, but that the sharpest falls were recorded in the 5,700 and 6,500 TEU segments. The rates for smaller units moved mostly in a sideways direction. Overall, the index was 68% below the previous year's level at the end of September 2023. According to Clarksons, the pressure was strongest on the main routes. Rates on the Far East-Europe route, for example, fell to their lowest level since 2016 in September and October 2023. A further weakening of the container freight and charter markets is expected for the remainder of 2023 and into 2024.

The current supply side of international container shipping is characterised by the boom in new construction and the imminent fleet growth. Clarksons is expecting capacity growth of 8% in 2023 and 7% in 2024. The fleet has grown by 1.7 million TEU year-on-year. According to Alphaliner, the order book (as at 1 October 2023) stands at 920 units and around 7.7 million TEU (27.9% of the fleet in service). Global container ship capacity has grown at an average rate of more than 190,000 TEU per month since April 2023 if new ship deliveries and capacity expansions are taken into account and recycling tonnage and other disposals are deducted. By way of contrast, the average monthly growth rate was only 120,000 TEU during the major fleet growth spurts in 2006 to 2008 and 2014 to 2015. As the global container fleet has grown by around one million TEU per year over the past ten years, total annual deliveries are expected to reach a record 2.2 million TEU in 2023. Alphaliner forecasts that this current record for container ship deliveries will be broken again in 2024 when a further 391 vessels with a capacity of around three million TEU will be put into service, adding that it will be a major challenge for ship-owners to adapt the current supply situation to the much lower demand by discontinuing services, downsizing fleets, slow steaming and empty runs. According to Alphaliner, fleet growth in the first three quarters of 2023 was driven primarily by the increasing number of larger container ship types while less growth was recorded in the feeder vessel class. At the end of September 2023, the feeder vessel fleet from 300 TEU to 1,500 TEU consisted of 465 vessels with an average age of just under 20 years and a total of 417,300 TEU. According to Alphaliner, the number of new orders was very low, particularly in the size class smaller than 1,000 TEU, with a few exceptions.

In addition to a large order book and a high capacity of new builds, the recycling of container ships also increased again following a very quiet phase. According to figures from Alphaliner, only 18 and three units (13,778 TEU / 8,144 TEU) were sold for recycling in 2021 and 2022 respectively, whereas 56 container ships with around 105,000 TEU were sold for recycling between January and the end of September 2023. This figure is forecast to increase to around 200,000 TEU in 2023, while capacity of 450,000 TEU will be scrapped in each of the following two years.

The inactive container ship fleet once again exceeded the one million TEU mark and recorded a strong increase following a rise in the number of commercially decommissioned vessels and the number of vessels in repair yards. According to Alphaliner, there were 315 inactive vessels in total with a capacity of 1.18 million TEU at the beginning of October 2023. According to Clarksons, the average container ship speed slowed in September/October 2023 reaching 13.8 knots – a decrease of 1% compared with July 2023.

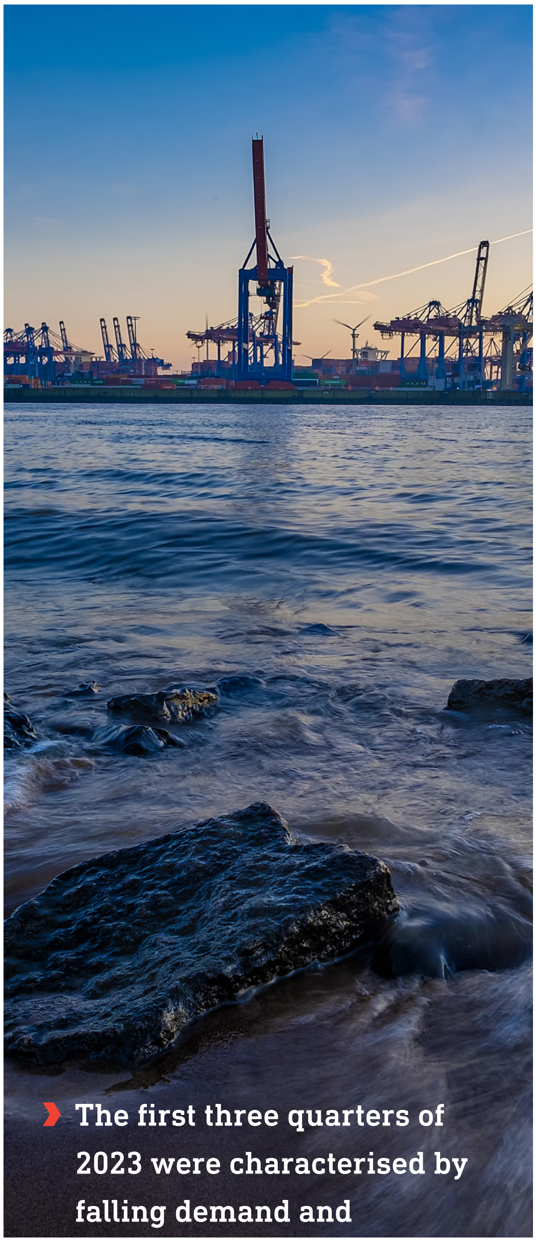


Photo: Adobe Stock © Thorben

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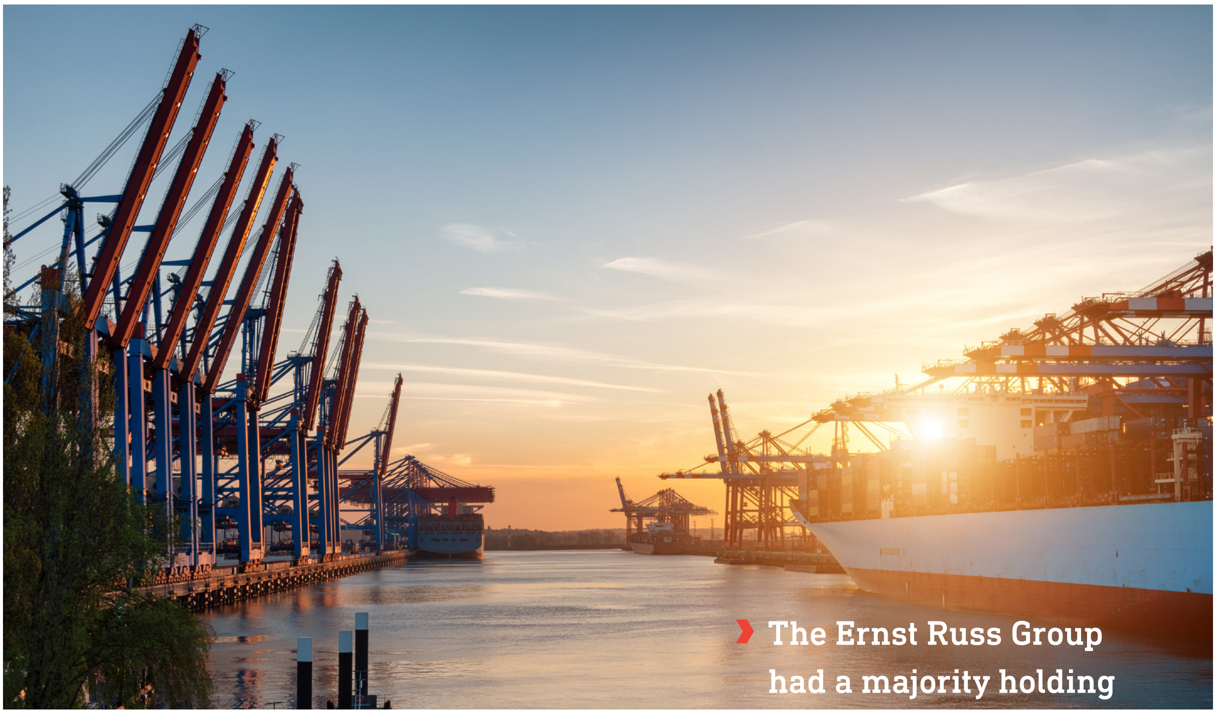

Photo: Adobe Stock © Simon

The Ernst Russ Group had a majority holding in 31 vessels as at 30 September 2023.

COURSE OF BUSINESS

The Ernst Russ Group (hereinafter 'ER Group') had a majority holding in 31 vessels as of 30 September 2023. Most of the vessels are operated jointly with strategic partners. The ship portfolio consists mainly of container ships in the 700 to 13,400 TEU classes, plus a handysize bulker with a capacity of 38,000 DWT and a multipurpose vessel.

The ER Group reviews opportunities that come up in the market to expand and rejuvenate its existing fleet on an ongoing basis. Hence, a purchase agreement was signed for a container ship with a slot capacity of 13,371 TEU in Q2 2023. The vessel was handed over in July 2023. A container ship with a slot capacity of 2,516 TEU was also handed over to the buyer in July 2023. Furthermore, a purchase agreement for a 3,091 TEU container ship was signed on 19 October 2023. The vessel was handed over on 8 November 2023. Both vessel sales lead to the rejuvenation of the Group's own fleet.

The employment concept developed for the ER Group fleet is geared to the sustainable securing of income over the long term. In a stable market environment, we were able to achieve an average charter rate of around USD 20,053 per day in the first nine months of 2023. Overall, twelve vessels are currently chartered with term of up to twelve months. Four vessels generate revenue from charter income pools. All other vessels are in medium to long term operation.

Of the 8,206 possible operating days, the ER Group's fleet of fully consolidated vessels was operational on 7,780 days in the first nine months of 2023 (95.1%, equivalent period in the previous year: 96.4%). Technical downtime of 4.9% (equivalent period in the previous year: 3.6%) was essentially due to dry dock overhauls of ten vessels (equivalent period in the previous year: nine vessels) as well as normal operational disruptions and the time needed to carry out necessary repairs. Furthermore, individual vessels were not operated on a few days, due in particular to positioning trips for charterer changes, which meant that actual capacity utilisation in the first three quarters of 2023 was 94.8% overall (equivalent period in the previous year: 96.4%).

ASSETS, FINANCIAL POSITION AND EARNINGS

The assets, financial position and earnings of the ER Group continued to show positive trends in the first three quarters of 2023. Revenue was up EUR 11.3 million or 8% year-on-year to EUR 149.3 million. This increase is due in particular to the expansion of the fleet during the course of the financial year. Operating earnings of EUR 56.5 million (previous year: EUR 72.4 million) generated earnings before tax of EUR 57.8 million (previous year: EUR 66.6 million). Operating earnings include proceeds from the sale of a vessel of EUR 7.5 million (previous year: EUR 20.7 million). Consolidated net income after non-controlling interests amounted to EUR 36.3 million (previous year: EUR 33.9 million). Ship assets were up EUR 69.4 million to EUR 265.3 million. Equity of EUR 251.5 million (31 December 2022: EUR 207.5 million) produced an equity ratio of 74.2% (31 December 2022: 73.2%).

OUTLOOK

We are still expecting revenue between EUR 190 million and EUR 210 million and operating earnings between EUR 70 million and EUR 90 million for the 2023 financial year as a whole.

› Revenue up EUR 11.3 million or 8% year-on-year.

DISCLAIMER

These documents include forward-looking statements and information about future developments that are based on the convictions of the Executive Board of Ernst Russ AG and on assumptions and information currently available to Ernst Russ AG. Words such as 'expect', 'estimate', 'assume', 'intend', 'plan', 'should', 'could', 'project' and similar terms referring to the company are intended to indicate forward-looking statements which are subject to uncertainties.

There are many contributing factors which may cause the actual results of the ER Group to be significantly different from the forecasts made in these forward-looking statements.

Ernst Russ AG accepts no responsibility towards the public to update or correct forward-looking statements. All forward-looking statements are subject to various risks and uncertainties, which may mean that the actual results differ numerically from expectations. The forward-looking statements reflect the views at the time at which they were made.

In accordance with Section 317 HGB (German Commercial Code), the Nine-Month Report has not been audited or reviewed by an auditor.

LEGAL INFORMATION

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