



中遠海運港口有限公司  
COSCO SHIPPING Ports Limited

The Ports for ALL

1H2018 Results

Growth Momentum Gathers



27 August 2018

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# 1H2018 Financials



# Strong Organic Growth Continued

	Reported			Like-for-like (Exclude newly acquired projects and projects under construction etc.)		
	1H2018	1H2017	Change	1H2018	1H2017	Change
US\$'mn						
Revenue	495.5	275.8	+79.7%	345.2 <sup>(b)</sup>	275.8	+25.2%
Cost of sales	338.0	177.2	+90.7%	213.8 <sup>(b)</sup>	177.2	+20.6%
Gross Profit	157.5	98.5	+59.8%	131.4 <sup>(b)</sup>	98.5	+33.3%
Share of profits from JV & Associates	151.9	97.5	+55.8%	99.0 <sup>(c)</sup>	84.2 <sup>(c)</sup>	+17.6%
EBITDA	339.8	533.4	-36.3%	250.2 <sup>(d)</sup>	198.8 <sup>(e)</sup>	+25.9%
EBITDA margin%	68.6%	193.4%		72.5%	72.1%	
Net Profit	169.0	384.7	-56.1%	119.5 <sup>(d)</sup>	87.1 <sup>(e)</sup>	+37.3%
NP margin%	34.1%	139.5%		34.6%	31.6%	
EPS (US cents)	5.53	12.76	-56.7%			
Adjusted EBITDA	339.8	211.0 <sup>(a)</sup>	+61.1%			
Adjusted Net Profit	169.0	99.3 <sup>(a)</sup>	+70.1%			
Adjusted EPS (US cents)	5.53	3.29 <sup>(a)</sup>	+68.1%			
Dividend per share (US cents)	<b>2.212</b>	1.316	+68.1%			
Payout ratio	<b>40%</b>	40%				

Note:

(a) exclude one-off item from QPI transaction

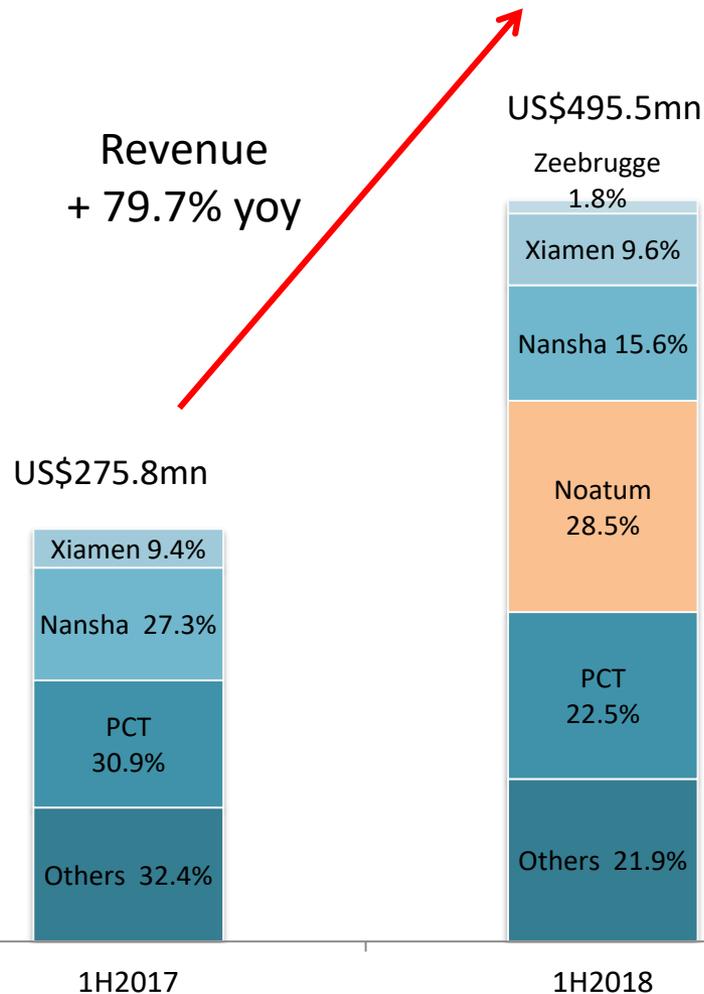
(b) exclude Noatum & Zeebrugge

(c) exclude QPI

(d) exclude QPI, Noatum, Zeebrugge, Nantong, Wuhan & Abu Dhabi

(e) exclude Zeebrugge & QPI

# Robust Revenue Growth



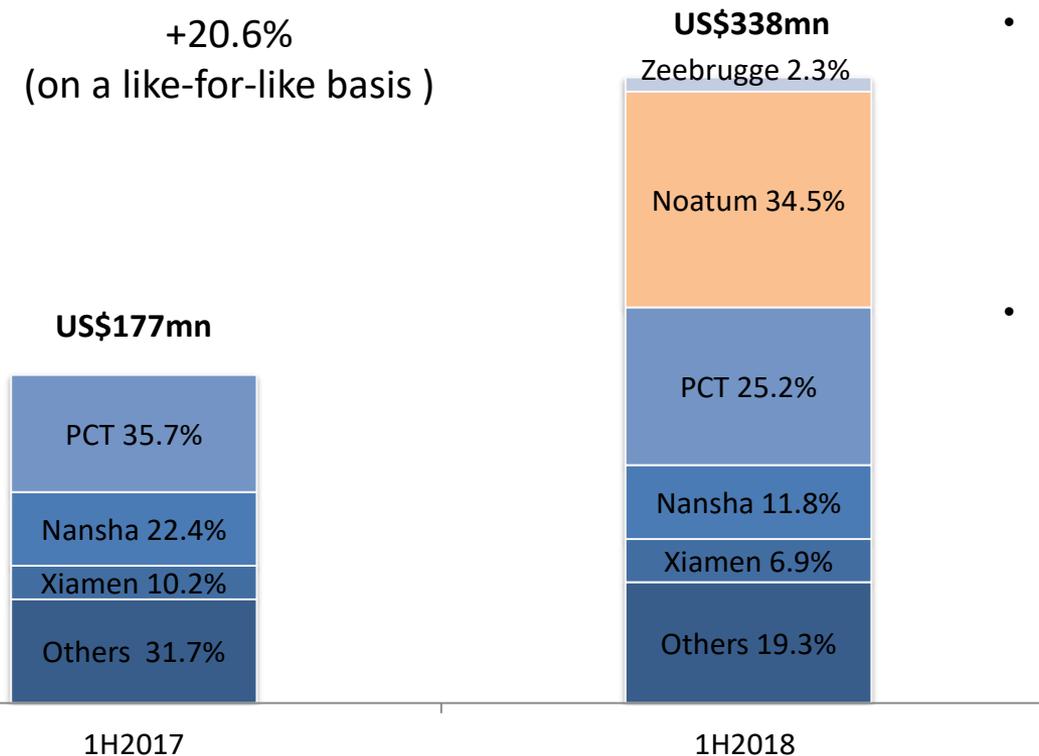
- Strong throughput growth driven by enhanced synergies with Ocean Alliance
- Contributions from newly acquired projects ie Noatum, Zeebrugge

Million TEU	1H2018	1H2017	yoy %
Total throughput	56.7	44.8	+26.5
Total throughput (organic) *	45.6	41.8	+9.1
Throughput from subsidiaries	10.9	8.0	+35.0
Throughput from non-subsidiaries	45.8	36.8	+24.6
Equity throughput	18.0	14.7	+22.3
Equity throughput (organic)*	15.4	14.1	+9.0
Equity throughput from subsidiaries	6.9	5.1	+34.2
Equity throughput from non-subsidiaries	11.1	9.6	+15.9

\* Exclude QPI and NPH

# Cost Analysis

Cost of Sales  
 + 90.7%  
 +20.6%  
 (on a like-for-like basis )

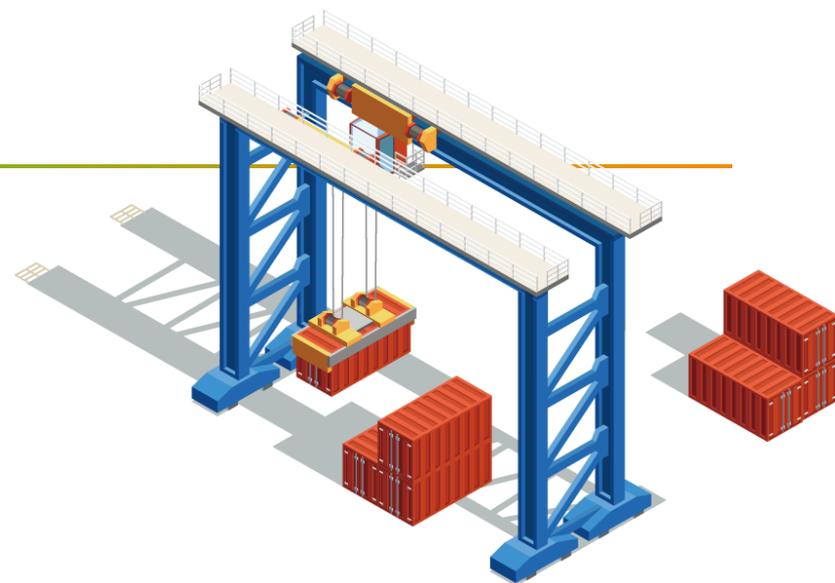


- Costs of sales + 20.6% on a like-for-like basis
  - Costs of existing subsidiaries were rather stable
  - By using Navis N4, costs should further come down
- Increased in costs mainly due to newly acquired projects ie Noatum and Zeebrugge
  - Costs of Noatum should be normalized in FY2019

Note:  
 Acquisitions of Noatum (51%) and Zeebrugge (additional 76%) completed in Oct and Nov 2017

# Net Profit Analysis

US\$ mn	1H2018	Change	1H2017
Net Profit	169.0	+70.1%	99.3
Terminal Profits	195.4	+54.4%	126.5



## Terminal Profits – Top 10 (more subsidiaries)

	1H2018		1H2017
QPI	27.1%	Yantian	16.6%
Yantian	11.9%	QPI	10.5%
<b>PCT</b>	<b>7.0%</b>	Shanghai Pudong	8.9%
Shanghai Pudong	5.8%	<b>PCT</b>	<b>8.6%</b>
Kumport	5.6%	Shanghai Mingdong	8.0%
Shanghai Mingdong	5.3%	<b>Guangzhou Nansha</b>	<b>6.1%</b>
<b>Xiamen Oceangate</b>	<b>5.2%</b>	COSCO-HIT	4.0%
<b>Guangzhou Nansha</b>	<b>3.6%</b>	Ningbo Yuandong	3.8%
<b>Quanzhou Pacific</b>	<b>3.0%</b>	Kumport	3.4%
<b>Lianyungang</b>	<b>2.3%</b>	Suez Canal	2.7%
% of Terminal Profits	76.8%	% of Terminal Profits	72.5%

- Driven by volume growth and enhanced efficiency, subsidiaries started to have bigger contributions
- Top ten port companies accounted for 76.8% of total terminal profits, of which subsidiaries made up 21.1% compared with last year's 14.7% in the top ten

# Continue to Strengthen Financial Position

US\$m	30 June 2018	30 June 2017	31 Dec 2017
Total Debt	2,307	1,420	2,334
Average cost of debt	3.41%	3.24%	3.22%
Cash on hand	573	333	560
Net debt to equity	29.4%	20.1%	30.2%
Interest coverage	6.91x	7.0x <sup>(a)</sup>	6.8x <sup>(a)</sup>
Net asset	5,881	5,414	5,845
Total assets	9,014	7,458	8,954

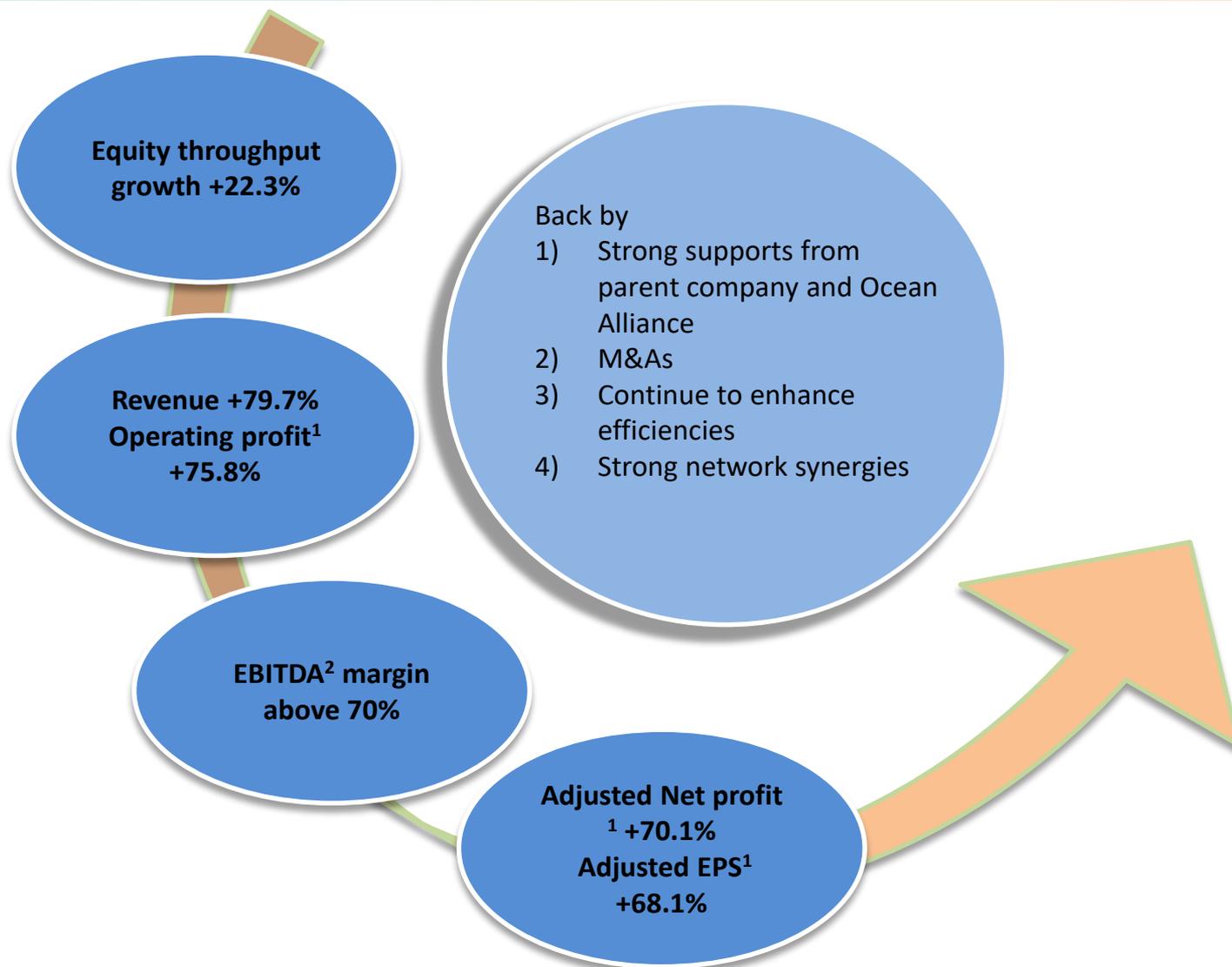
Note:

(a) exclude one-off item from QPI transaction

# Operation Reviews



# Strong Growth Reaffirms Sound Strategies

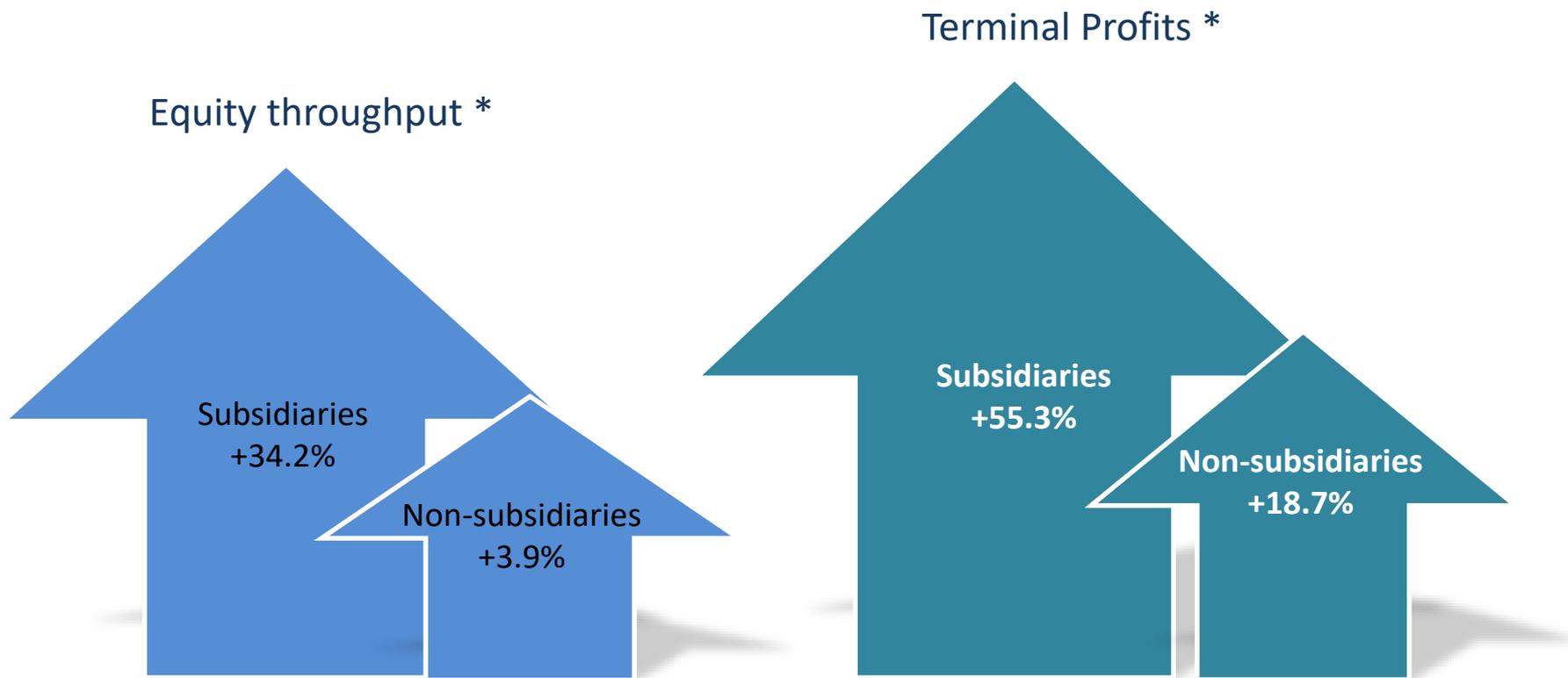


Note:

1) Exclude one-off gain in 1H2017

2) Exclude QPI, Noatum, Zeebrugge, Nantong, Wuhan & Abu Dhabi

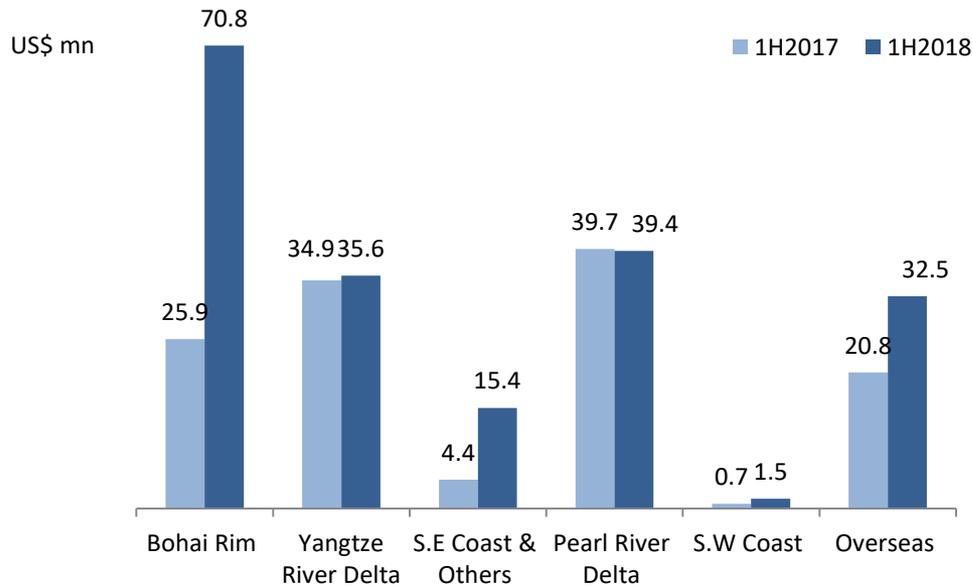
# Subsidiaries Continued to Outperform



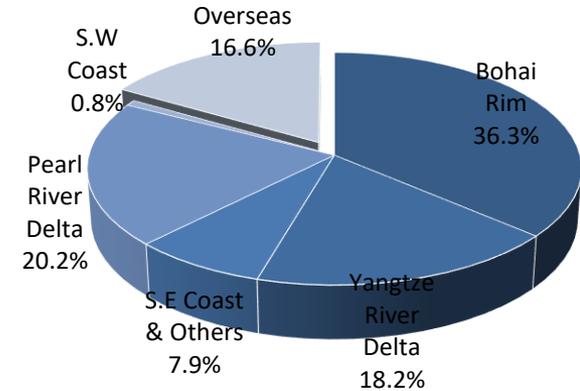
\* On a like for like basis (Subsidiaries exclude Nantong, Wuhan & Abu Dhabi; Non-subsidiaries exclude QPI)

# Terminal Profits Analysis

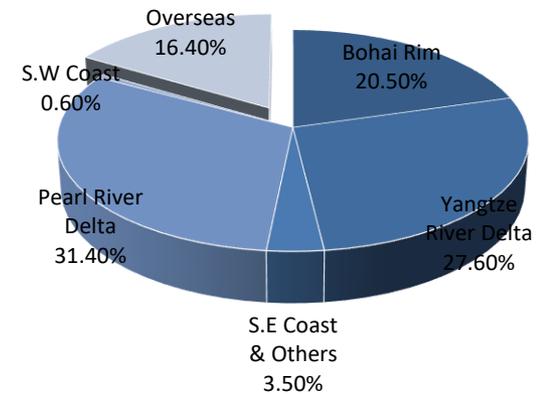
### Terminal Profits by Regions



### 1H2018 Terminal Profits: US\$195.4mn

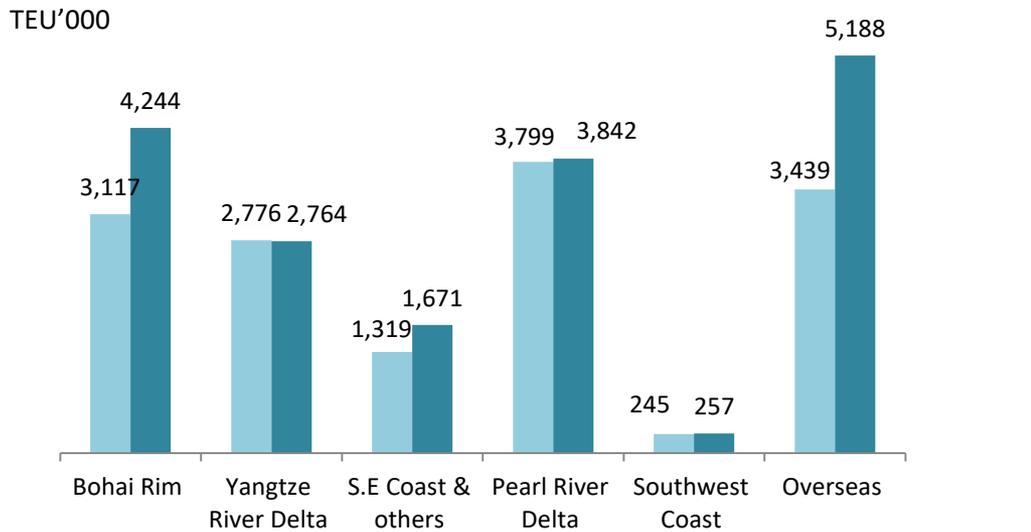


### 1H2017 Terminal Profits: US\$126.5mn

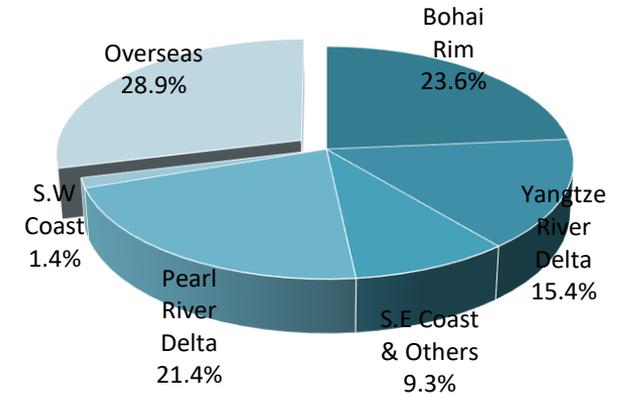


# Equity Throughput Analysis

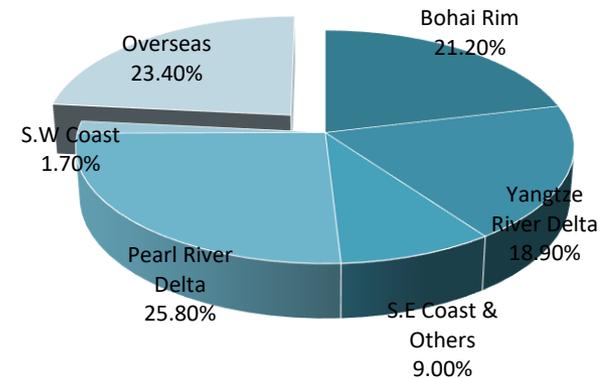
### Equity Throughput by Regions



### 1H2018 Total Equity Throughput: 18mn TEU



### 1H2017 Total Equity Throughput: 14.7mn TEU

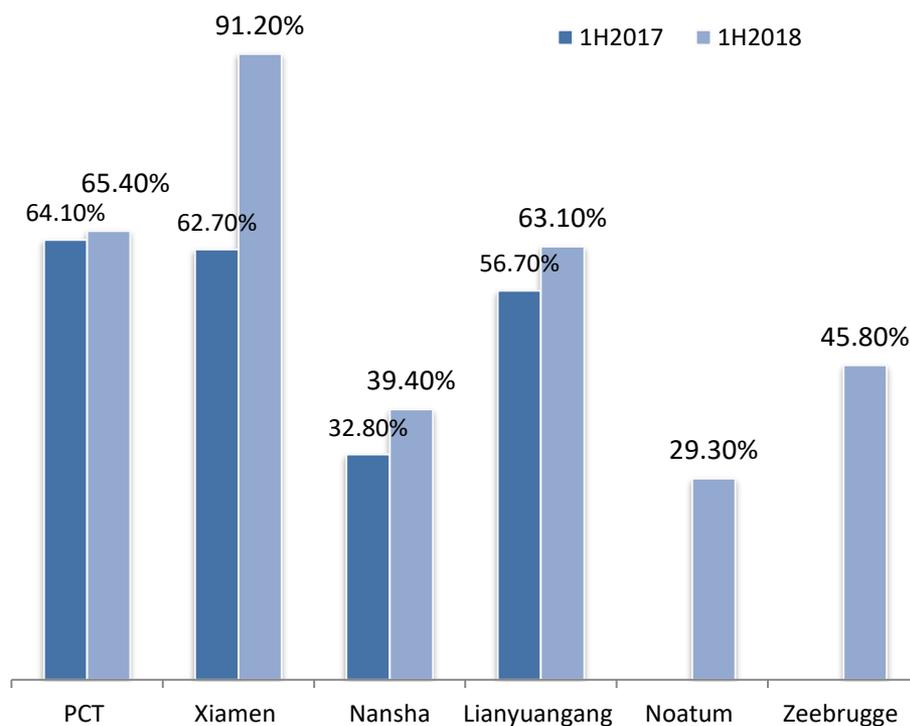


**More Synergies  
Bigger Growth**



# Continued to Enhance Synergies – Ocean Alliance

Volume by Ocean Alliance as % of total throughput



	1H2017	1H2018
Total no. of subsidiaries Ocean Alliance calling	4	6
% Ocean Alliance throughput	49.3%	52.9%

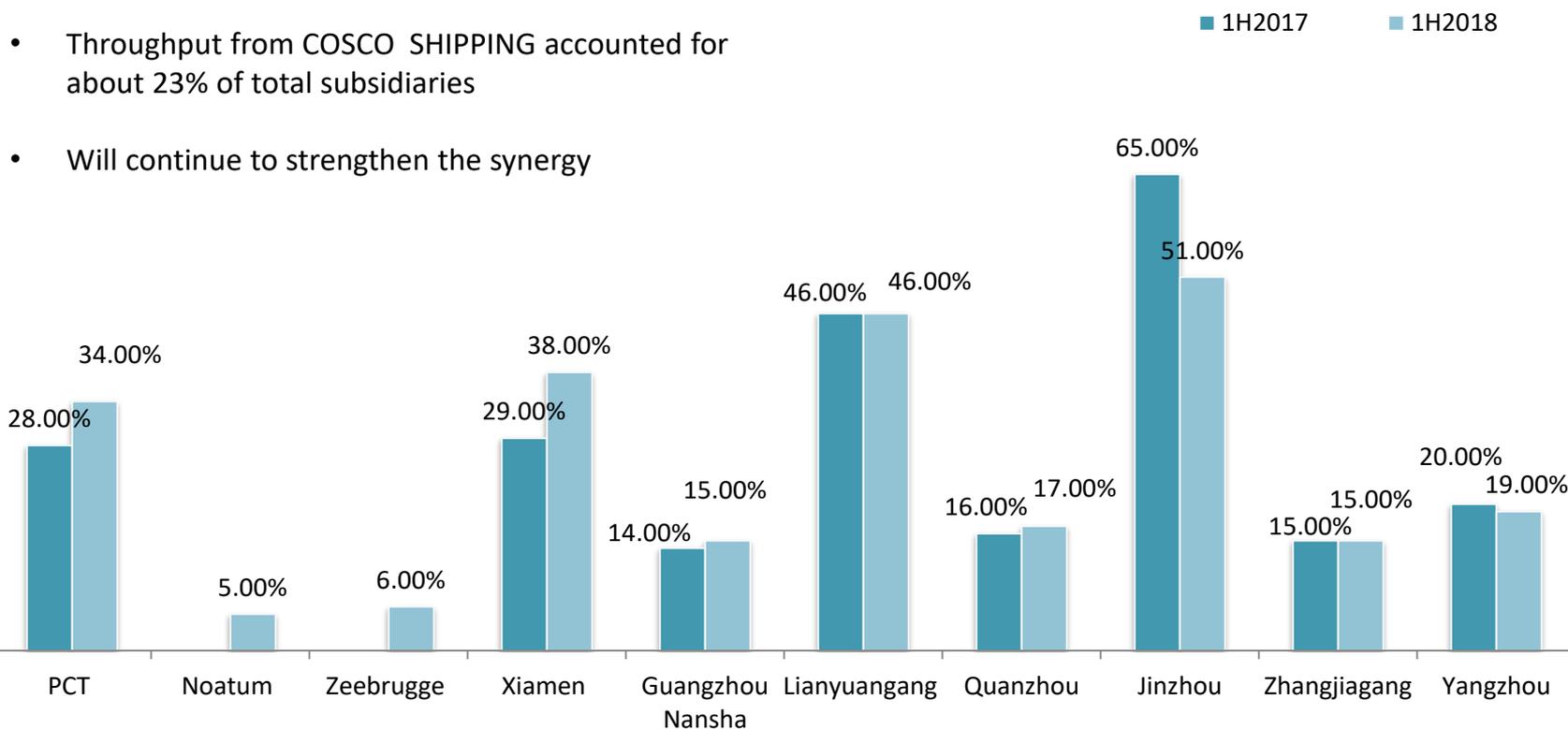
% of Ocean Alliance throughput to all subsidiaries	36.9%	42.4%
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**Note:**

1. Volume from COSCO SHIPPING was included in Ocean Alliance's
2. Acquisitions of Noatum (51%) and Zeebrugge (additional 76%) completed in Oct and Nov 2017

# Continued to Enhance Synergies – COSCO SHIPPING

Volume by COSCO SHIPPING as % of total throughput

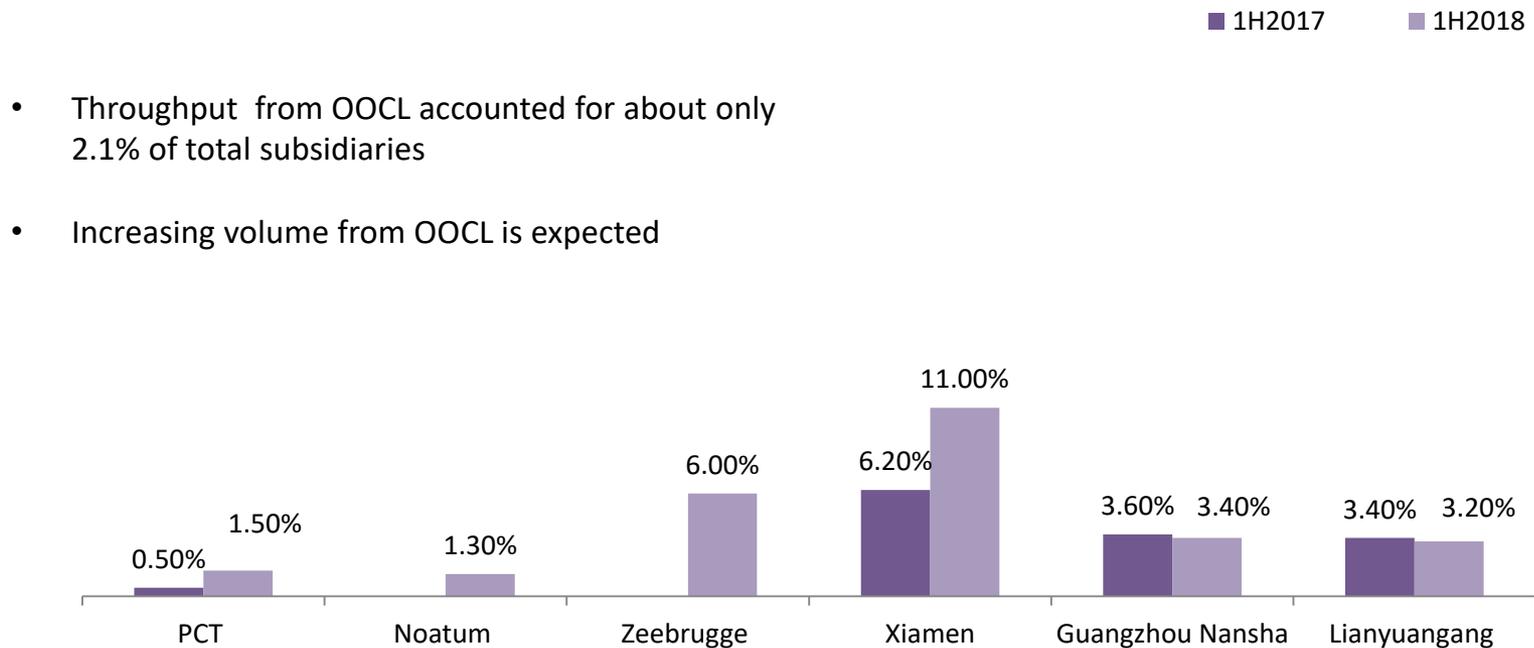


Note:

1. Acquisitions of Noatum (51%) and Zeebrugge (additional 76%) completed in Oct and Nov 2017

# More Synergies are Expected – OOCL

Volume by OOCL as % of total throughput



Note:

1. Acquisitions of Noatum (51%) and Zeebrugge (additional 76%) completed in Oct and Nov 2017

# Our Response to Market Challenges



# Market Challenges and our Response

Sino-US trade tension

- Limited impact
  - Products ship through Xiamen and Nansha to US are mainly apparel, home products and home electronic appliances, those are not on US tariff list
- Only Xiamen (6 lines) and Nansha (4 lines) have US trade lines

Depreciation of Currencies  
ie RMB and TRY

- 47% of the Group's 1H2018 revenue in RMB and 53% in Euro
  - Major subsidiaries are in overseas
- Income of Kumport majority in US
  - Precautions were taken at Kumport

Tariff cut by NDRC  
in 2017

- NO impact
- The strong growth in 1H2018 reaffirmed that tariff cut has no impact on CSP

- As a leading port player with a unique advantage of backing up by parent company and Ocean Alliance, we remain cautiously positive
- We will continue to follow our prudent financial policy: while try to seize every development opportunities but deploy resources carefully
- Necessary precautions were taken against any negative impacts

# Case Studies



## Basic information of Piraeus Container Terminal S.A. ("PCT")

100% owned by CSP

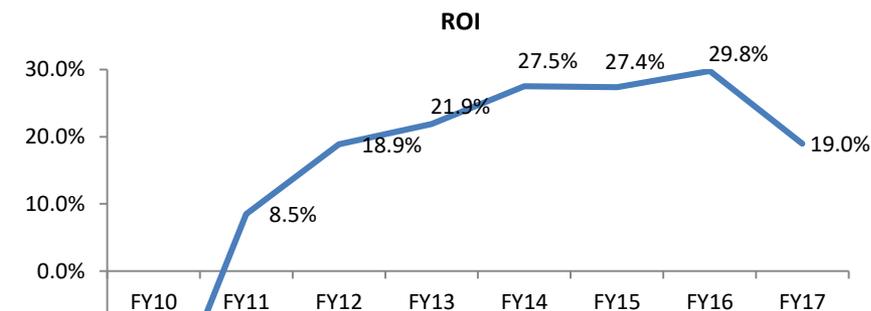
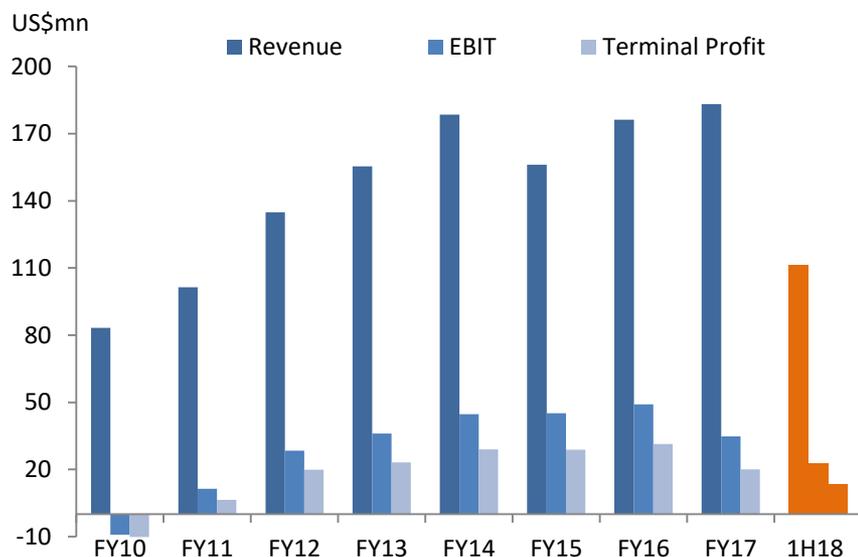
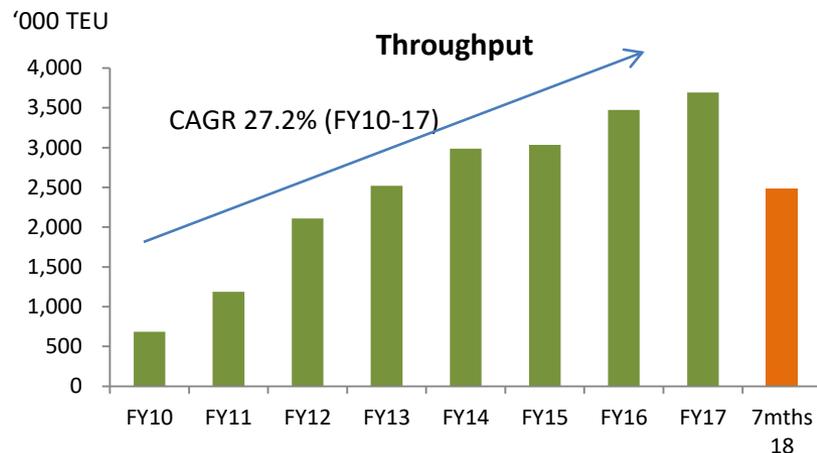
Coastline 2,487 meters

Water depth: 14.5-18.5 meters

No. of berths in operating 7

Current handling capacity: 5.5mn TEU

Designed capacity 6.2mn TEU



The increased D&A resulted from a new berth started operation lowered the profits and returns in FY17

# Noatum

## Basic information of NPH Group

51% owned by CSP (Valencia)  
39.78% owned by CSP (Bilbao)

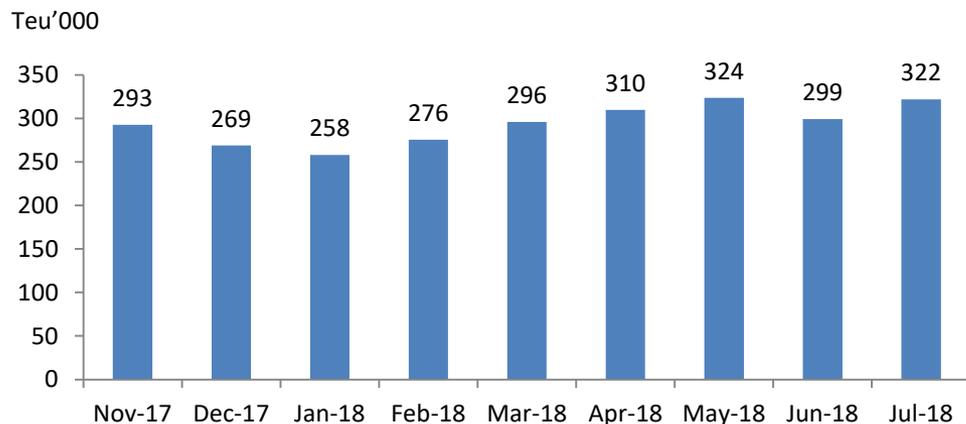
Coastline 2,310 meters (Valencia)  
1,508 meters (Bilbao)

Water depth: 16 meters (Valencia)  
21 meters (Bilbao)

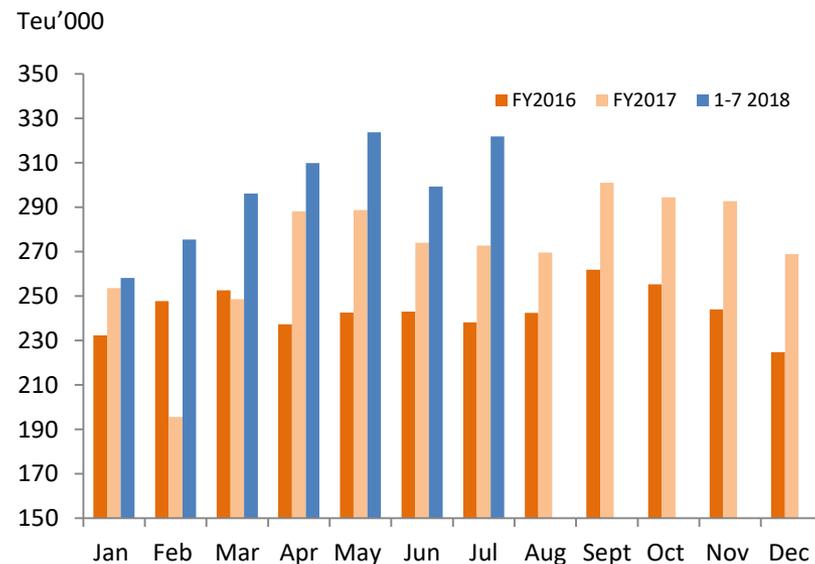
No. of berths in operating 6 (Valencia)  
3 (Bilbao)

Current handling capacity: 3.57mn TEU (Valencia)  
1.00mn TEU (Bilbao)

Designed capacity 4.1mn TEU (Valencia)  
1.00mn TEU (Bilbao)



- Completed the acquisition of 51% stake in Noatum in Oct 2017
- Throughput of Noatum was on the rise after the acquisition
- Throughput from Ocean Alliance accounted for about 29.3% of its total throughput in 1H2018
- Revenue of Noatum was US\$141mn and accounted for about 28.5% of the Group's total



# Xiamen Oceangate

## Basic information of Xiamen Oceangate

70% owned by CSP

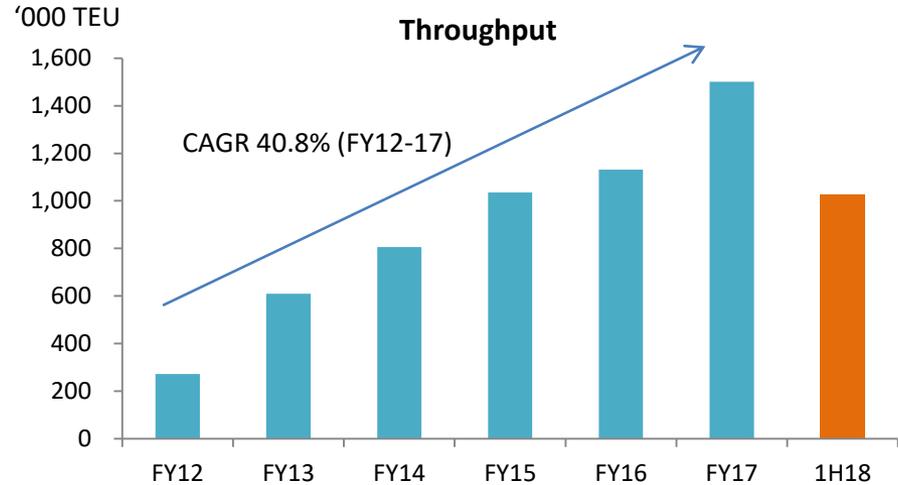
Coastline: 1,508 meters

Water depth: 16 meters

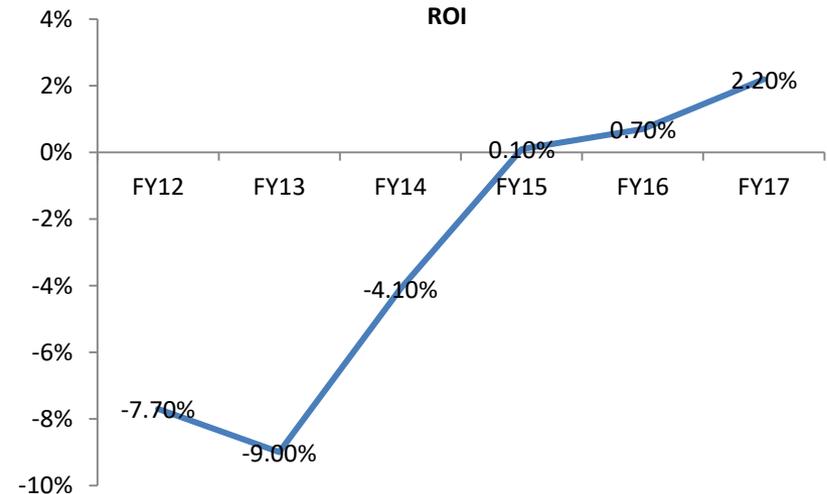
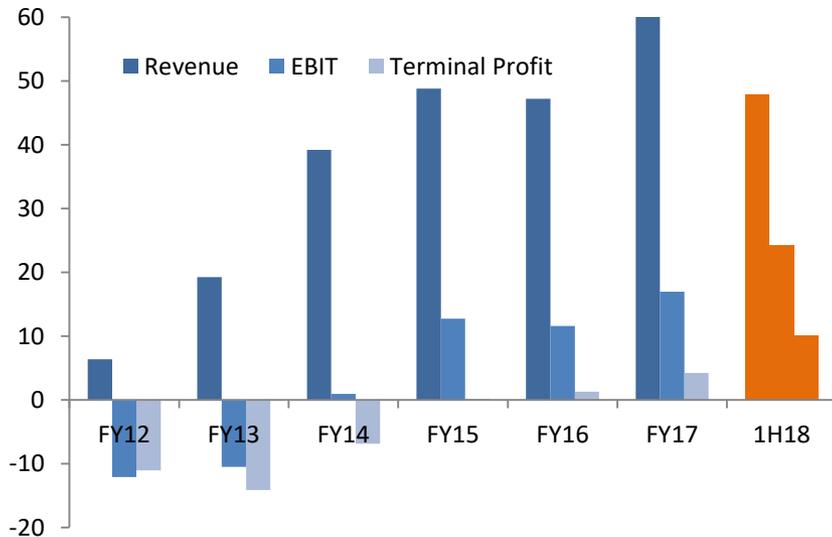
No. of berths in operating 4

Current handling capacity: 1.2mn TEU

Designed capacity 1.2mn TEU



US\$m



# Invest for Sustainable Growth



# Where we are

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
STAGES OF DEVELOPMENT	Completed corporate reorganization	<ul style="list-style-type: none"> <li>First full year of operation as a pure port operator</li> <li>Entered into investment stages, increased subsidiaries to 15 from 10 in FY16</li> <li>Changed from a port investor to port operator</li> </ul>	Fast expansion and stages of investments <ul style="list-style-type: none"> <li>M&amp;A</li> <li>strategic investments in the port authority</li> <li>diversifying business to terminal related logistics business</li> <li>continue to enhance efficiency</li> <li>divest non-performing assets</li> </ul>		A global terminal network with linkage effects in costs, services and synergies	
FINANCIAL IMPLICATIONS	Low growth	Business growing benefits bring by following 3 core strategies	Continue to see growth but expenses increased due to greenfield projects			High returns High valuations



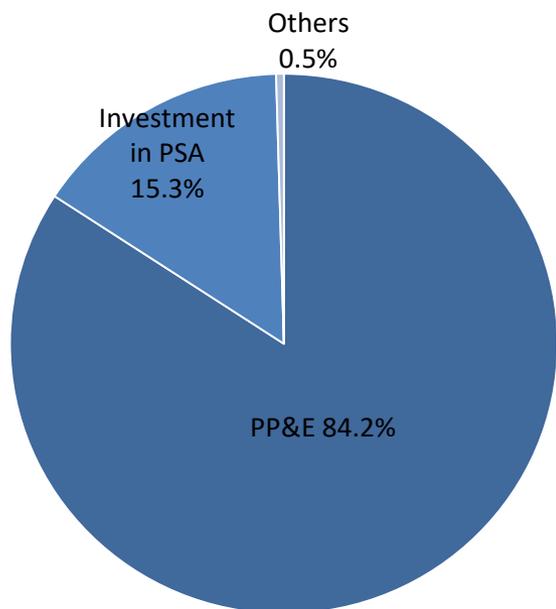
**1H2018**  
 Revenue +79.7%  
 Adjusted net profit + 70.1%

**Like for Like basis**  
 Revenue +25.2%  
 GP +33.3%  
 EBITDA +25.9%  
 Net profit + 37.3%

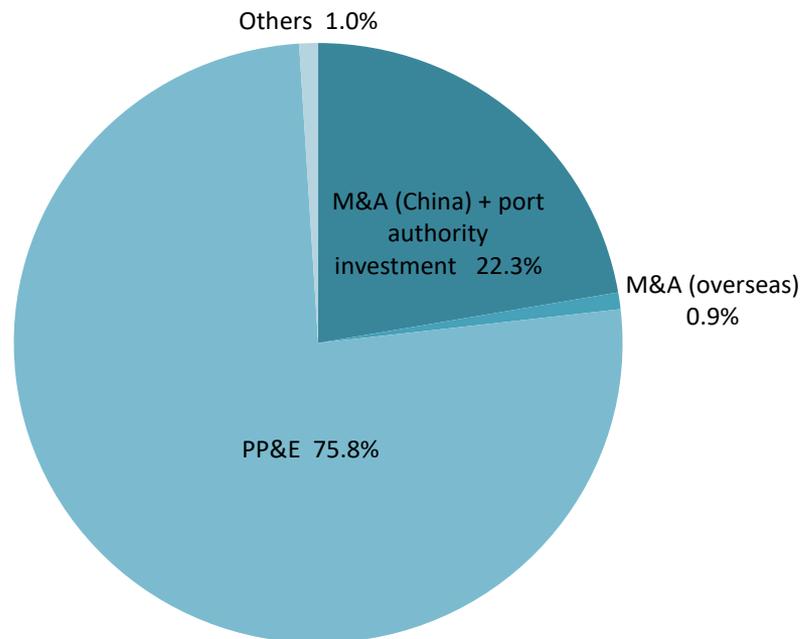
**Costs of sales +90.7%**  
 Because newly acquired projects + projects under construction

# Invest for Sustainable Growth

Total CAPEX Spent in 1H2018: US\$131.3mn



Total CAPEX planned for 2H2018: US\$619.6 million



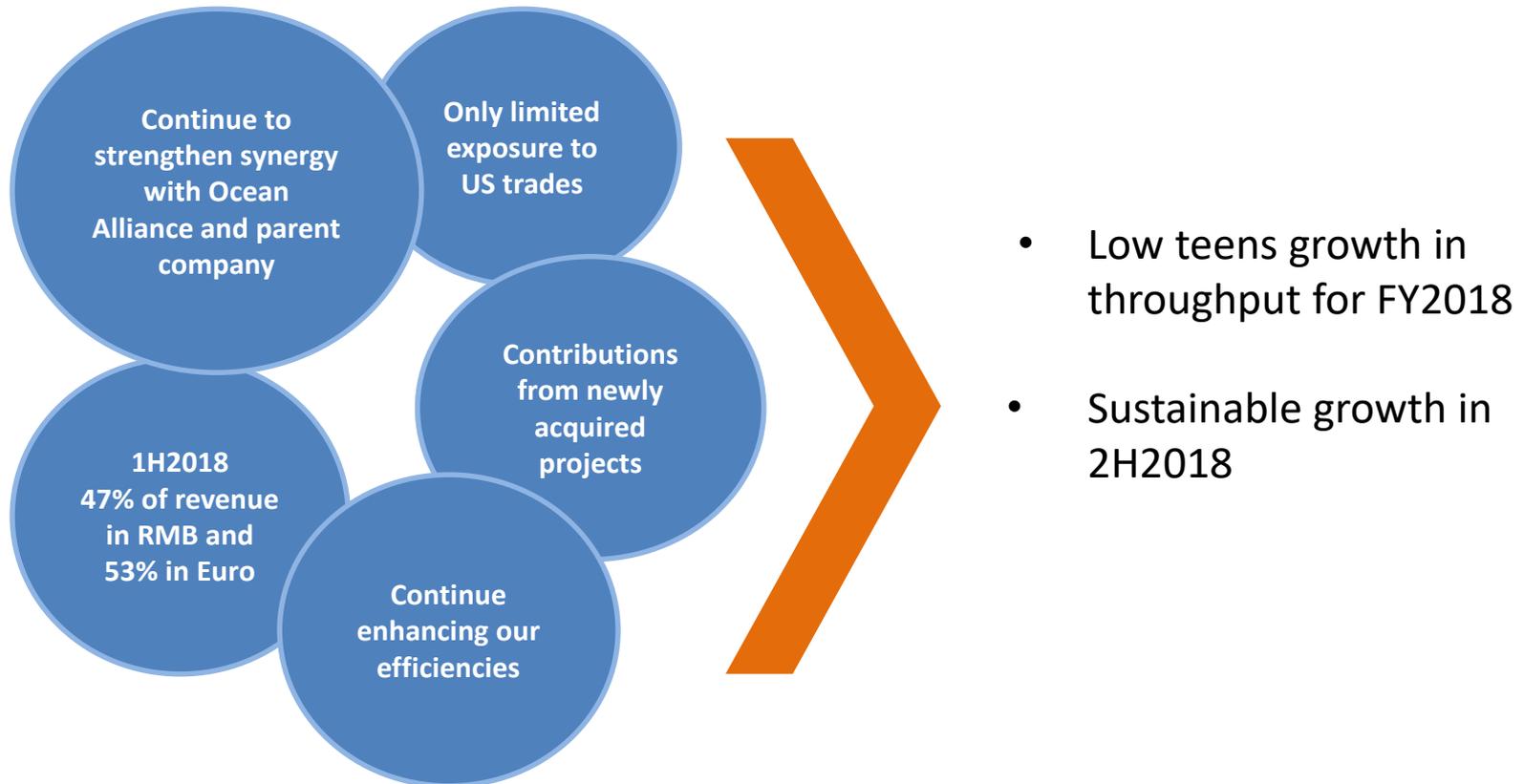
- We remain prudent in deploying financial resources
  - given the various uncertainties in the market, we lowered the CAPEX planned for FY2018 from US\$3,320mn to US\$750.9mn
  - will continue to seize development opportunities and prioritize our investments in those adding greater values to us
- CAPEX in FY2019 is expected to be below US\$1,200mn

# FY2018 Guidance



# 2018 Full-year Guidance

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