



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

## 1H2019 Results

## Gearing Up for Growth

29 August 2019

# Agenda

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**Financial Highlights**

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# Financial Highlights – Sound Fundamentals amid External Turbulence

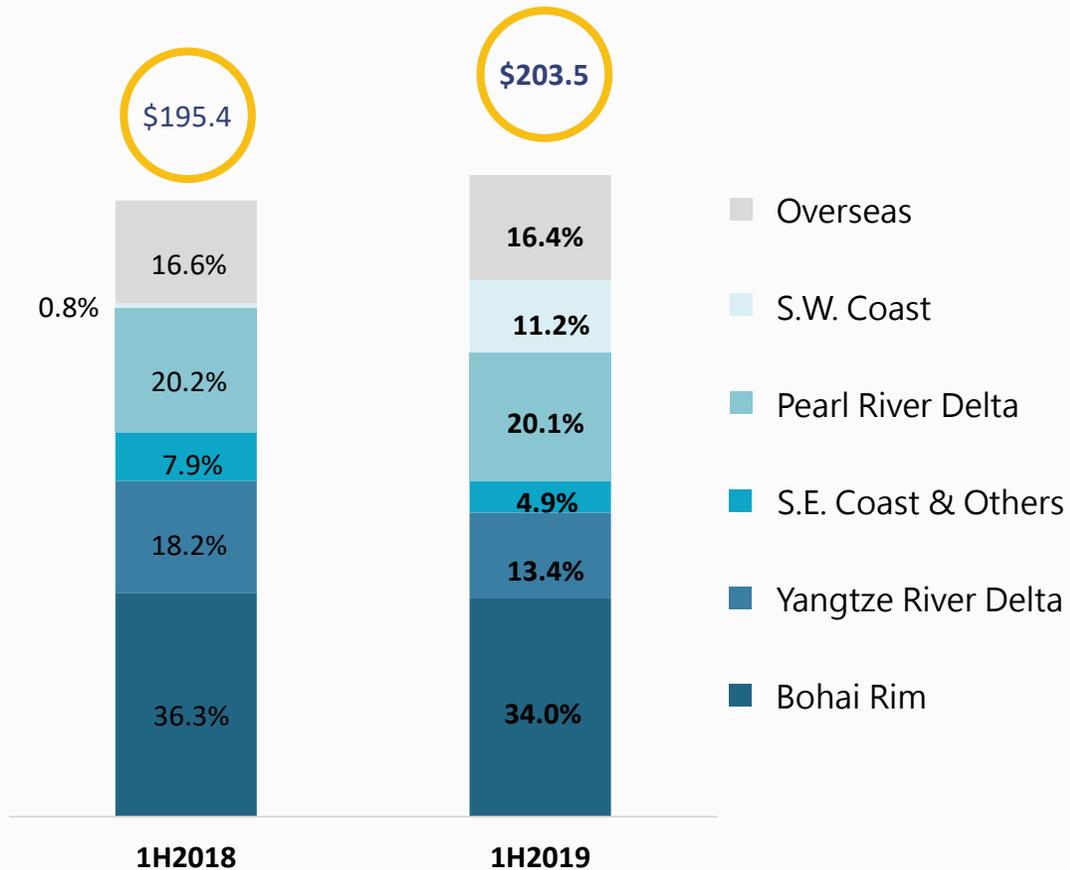
<i>(US\$ million, unless stated otherwise)</i>	1H2019	1H2018	YoY Change
Revenue	<b>517.9</b>	495.5	+4.5%
Cost of sales	<b>364.5</b>	338.0	+7.9%
Gross profit	<b>153.4</b>	157.5	-2.6%
Share of profits from Joint Ventures & Associates	<b>144.6</b>	151.9	-4.8%
EBITDA	<b>338.9</b>	339.8	-0.3%
Net profit attributable to shareholders	<b>147.8</b>	169.0	-12.5%
Adjusted net profit attributable to shareholders <sup>(1)</sup>	<b>176.4</b>	169.0	+4.4%
Adjusted EPS (US cents) <sup>(1)</sup>	<b>5.66</b>	5.53	+2.4%
Interim dividend per share (US cents)	<b>1.900</b>	2.212	-14.1%
Payout ratio	<b>40%</b>	40%	

Notes:

(1) Excluding one-off loss of shares dilution effect from QPI of US\$22.6 M and loss of HKFRS 16 of US\$6.0M

# Terminal Profits – Diversified Exposure

Terminal Profits by Regions (US\$ million)



Top 10 Terminal Contributors

	1H2019	1H2018
QPI	24.7%	27.1%
Yantian	11.6%	11.9%
Beibu Gulf	10.1%	<b>PCT</b>
<b>PCT</b>	<b>7.5%</b>	Shanghai Pudong
Kumport	5.3%	Kumport
Shanghai Pudong	4.7%	Shanghai Mingdong
<b>Guangzhou Nansha</b>	<b>3.9%</b>	<b>Xiamen Ocean Gate</b>
<b>Xiamen Ocean Gate</b>	<b>3.2%</b>	<b>Guangzhou Nansha</b>
Euromax	2.9%	<b>Quanzhou</b>
Shanghai Mingdong	2.8%	<b>Lianyungang</b>
<b>Total:</b>	<b>76.7%</b>	<b>Total: 76.8%</b>



# Financial Position – Healthy Balance Sheet and Low Borrowing Cost

<i>(US million, unless stated otherwise)</i>	As at 30 June 2019	As at 30 June 2018
Total assets	<b>10,030</b>	9,014
Net asset	<b>5,727</b>	5,881
Total debt	<b>2,510</b>	2,307
Cash on hand (including restricted cash)	<b>631</b>	579
Net debt to equity (excluding lease liabilities)	<b>32.8%</b>	29.4%
Book value per share (HK\$)	<b>14.4</b>	15.1
Average bank borrowing cost	<b>3.53%</b>	3.41%
Interest coverage	<b>5.19x</b>	6.91x



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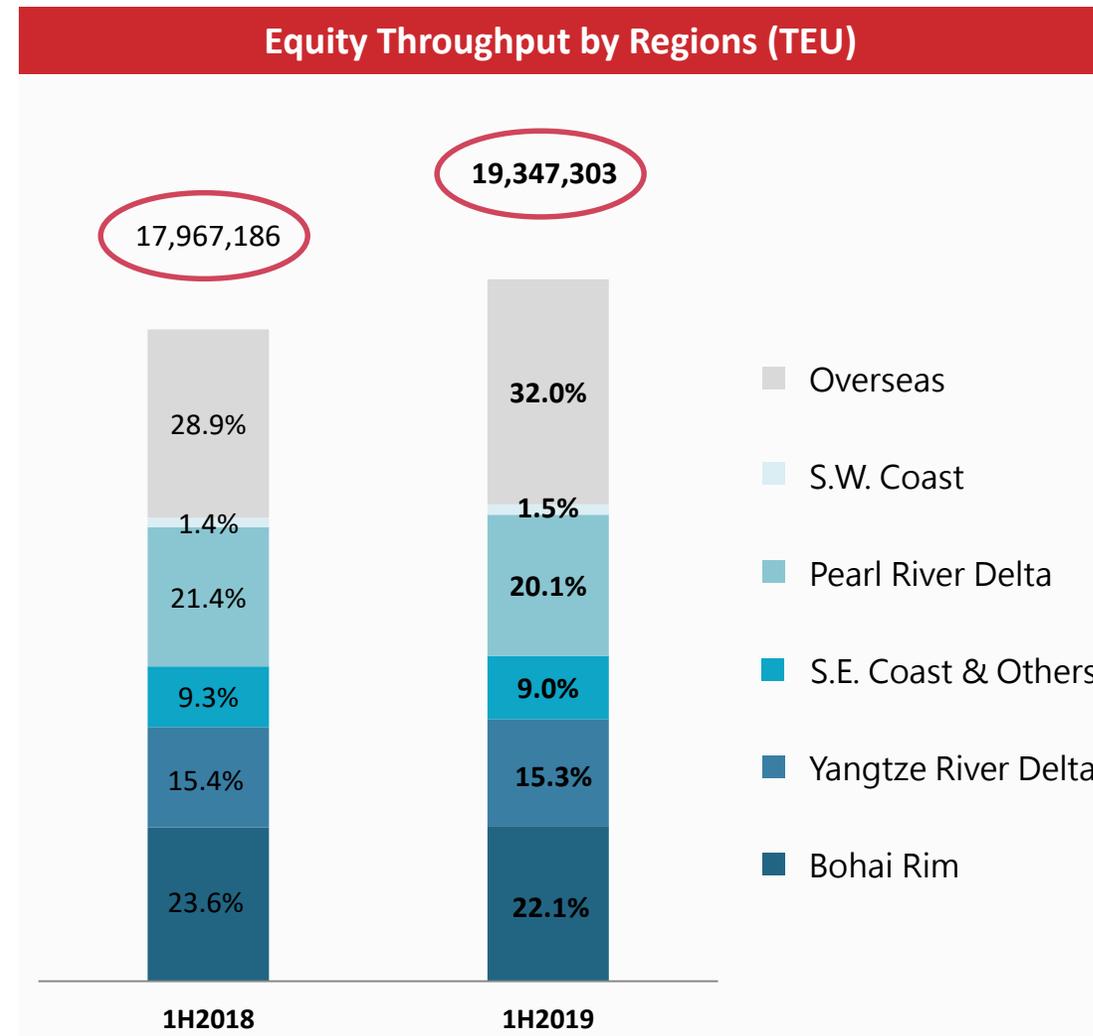
# Operational – Increasing Contribution from Subsidiaries & Balanced Portfolio

Total Throughput (TEU)	1H2019	1H2018	YoY Change
Total throughput	<b>59,764,100</b>	56,708,750	+5.4%
- Subsidiaries	<b>12,445,333</b>	10,863,570	+14.6%
- Non-subsidiaries	<b>47,318,767</b>	45,845,180	+3.2%
Total throughput (organic) <sup>(1)</sup>	<b>59,217,400</b>	56,708,750	+4.4%

Equity Throughput (TEU)	1H2019	1H2018	YoY Change
Equity throughput	<b>19,347,303</b>	17,967,186	+7.7%
- Subsidiaries	<b>7,896,912</b>	6,874,879	+14.9%
- Non-subsidiaries	<b>11,450,391</b>	11,092,307	+3.2%
Equity throughput (organic) <sup>(1)</sup>	<b>19,041,674</b>	17,967,186	+6.0%

Note:

(1) Excluding Nantong Tonghai Terminal and CSP Abu Dhabi Terminal



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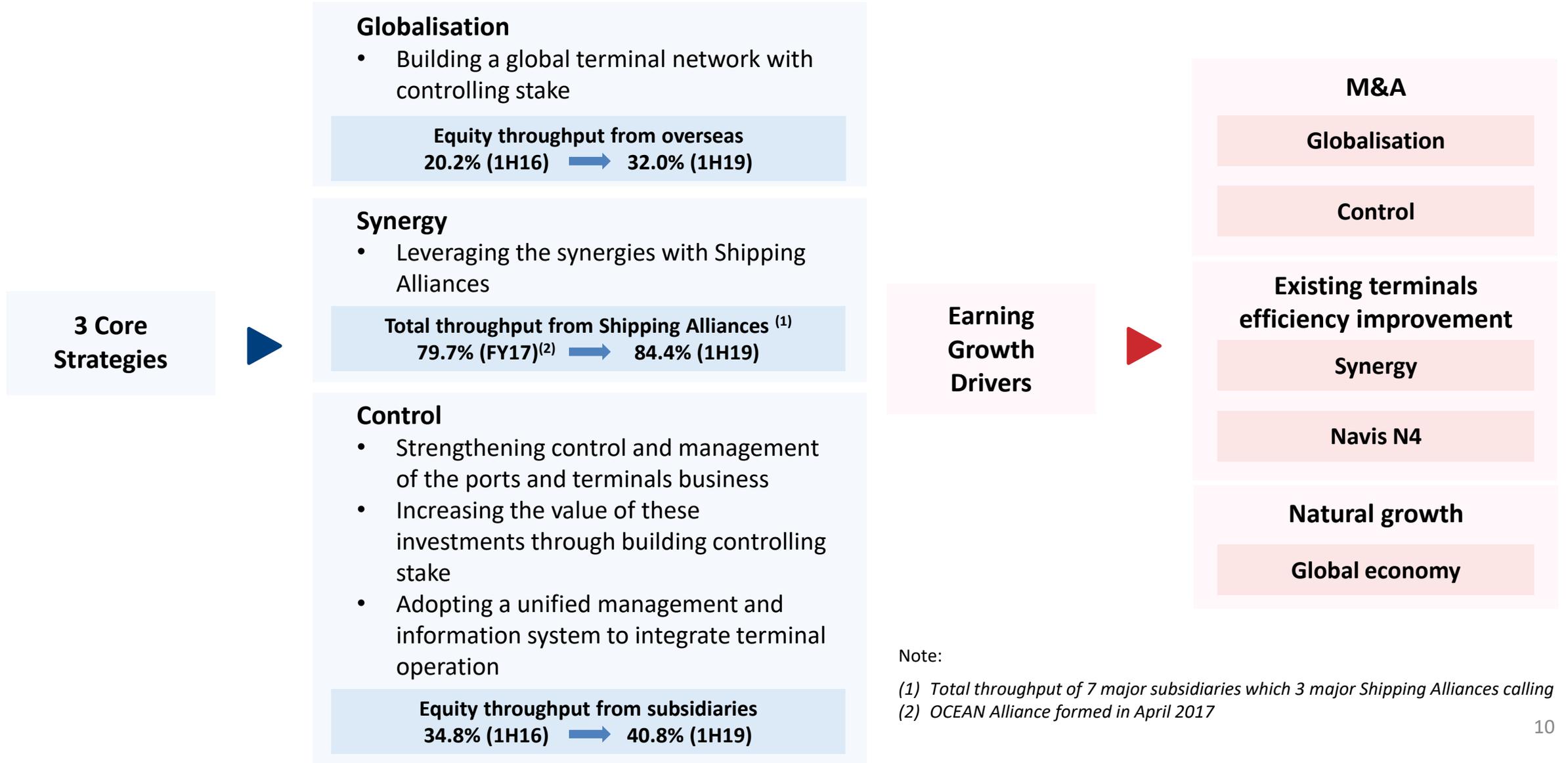
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# Effective Growth Strategies



# Globalisation – Growing Good Quality Asset Base

## Asset Investments

CAPEX:  
Investments – US\$147m  
PP&E – US\$487m

Example:  
• Euromax

CAPEX:  
Investments – US\$128m  
PP&E – US\$366m

Examples:  
• COSCO-PSA (one new berth)  
• CSP Abu Dhabi



CAPEX:  
Investments – US\$1,267m  
PP&E – US\$205m

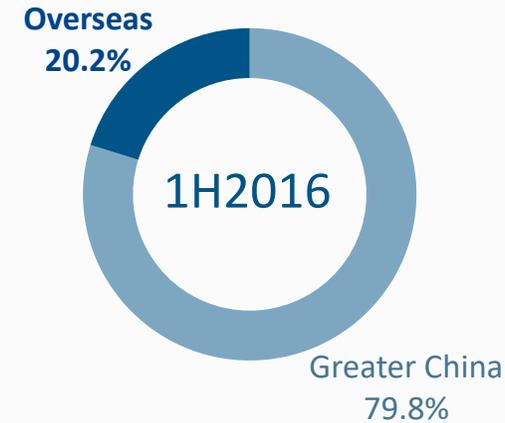
Examples:  
• QPI  
• Nantong Tonghai  
• CSP Spain Group  
• CSP Zeebrugge  
• Wuhan

CAPEX (budget):  
Investments – US\$830m  
(including investment in  
China port groups)

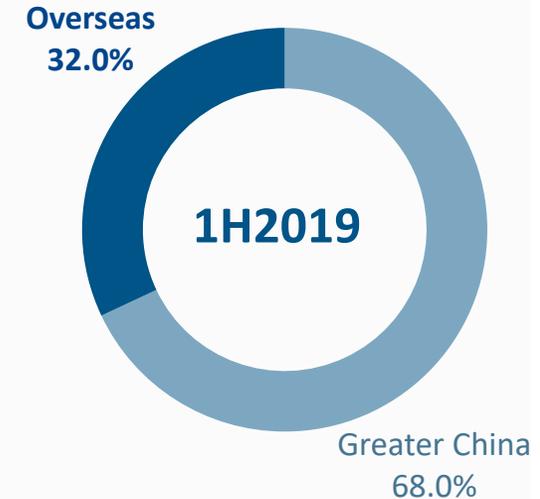
PP&E – US\$872m  
(including terminal  
extended logistics  
developments)

## Equity Throughput (in terms of geographic locations)

1H2016  
Equity Throughput  
14,347,074 TEU



1H2019  
Equity Throughput  
19,347,303 TEU

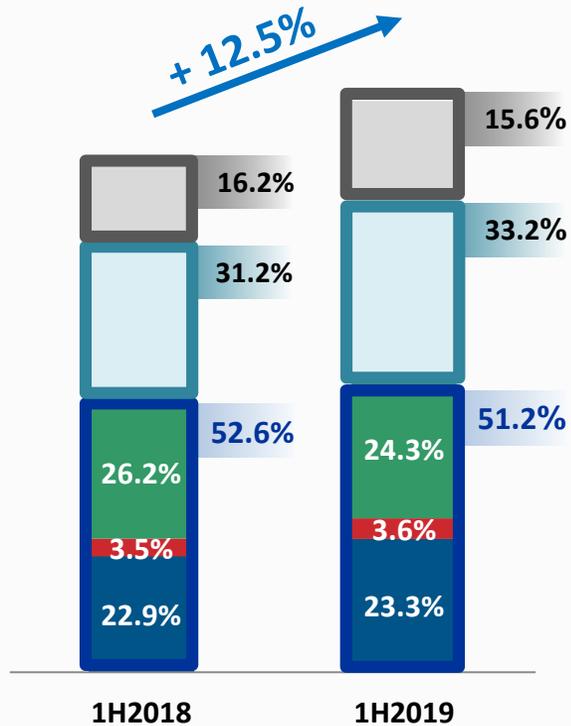


- Strategically pursue investment opportunities to create value to shareholders
- Balanced portfolio of *brownfield and greenfield*
- Hurdle rate *at least low double-digit equity IRR*
- Potential divestment of non-performing assets for capital recycling

# Synergy – Strong Linkage Effects with Shipping Alliances

Throughput from COSCO SHIPPING, OOCL, Evergreen + CMA, 2M+THE Alliance and others as % of total throughput <sup>(1)</sup>

■ COSCO SHIPPING     ■ OOCL     ■ Evergreen + CMA  
□ OCEAN Alliance     □ 2M + THE Alliance     □ Others



Growth in Volume Contributions (1H2018 vs 1H2019)



Note:

(1) Total throughput of 7 major subsidiary terminals which 3 major Shipping Alliances calling in 1H2019.

(2) Volume contributions from Hapag-Lloyd (a member of THE Alliance) grew 107.8% in 1H2019.

# Control – Increasing Contributions from Subsidiaries

## Equity Throughput (in terms of terminals)

1H2016  
Equity Throughput

14,347,074 TEU

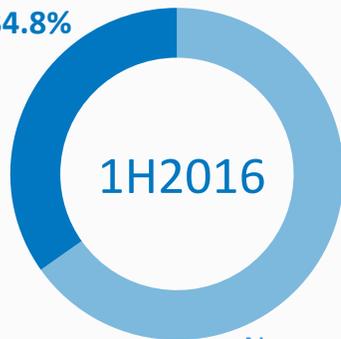
10 Subsidiaries

1H2019  
Equity Throughput

19,347,303 TEU

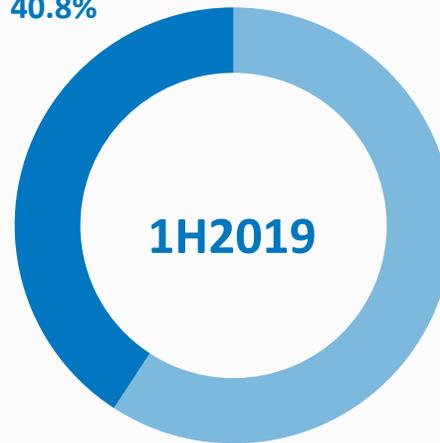
16 Subsidiaries

Subsidiaries  
34.8%

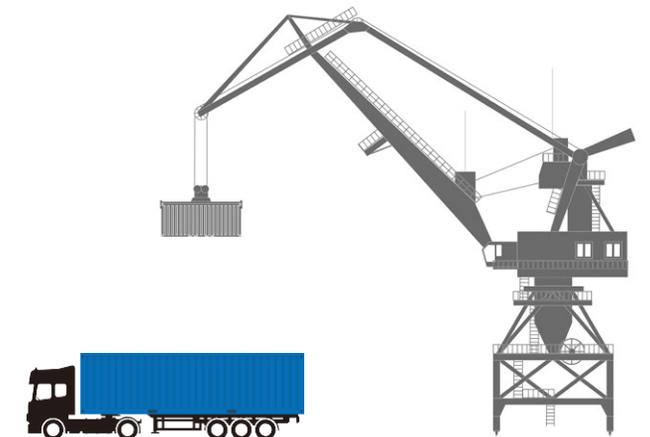


Non-subsidiaries  
65.2%

Subsidiaries  
40.8%



Non-subsidiaries  
59.2%



# Control – Efficiency Improvement and Cost Reduction by Adopting Technology



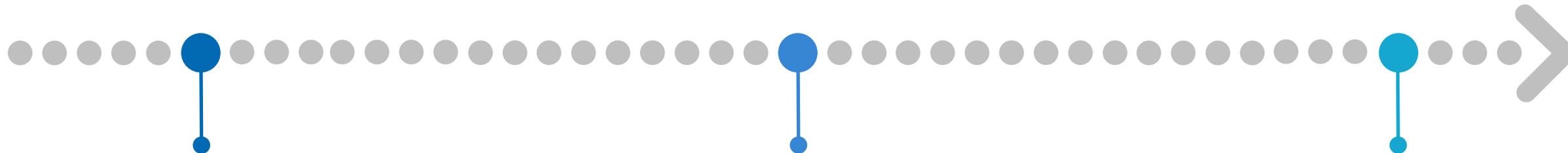
CSP Zeebrugge Terminal  
launched Navis N4 system in  
July 2019.

Lianyungang New Oriental  
International Terminal will  
launch Navis N4 system to  
further strengthen the  
efficiency of the terminal  
operation in 2H2019.

Full transition to Navis N4 in  
**all subsidiaries** in the coming  
3-4 years.

**Improving efficiency and reducing cost through the application of Navis N4 system to our subsidiaries terminals**

# On Track to Achieve Our 5-Year Target



**2016**

## Restructuring

- ◆ As a pure port operator
- ◆ 3 core strategies

**2018**

## Where we were

- ◆ No. of subsidiaries increased to 15 (FY2016: 10)
- ◆ Industry leader in terms of total container throughput

**2021**

## Vision

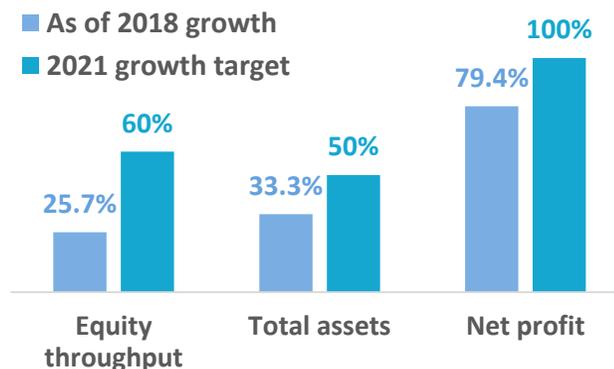
### Operations:

- ◆ Global terminal network
- ◆ Linkage effects in costs, services and synergies
- ◆ More subsidiaries

### Financials:

- ◆ Higher return from existing portfolio
- ◆ Further improved asset quality after M&A and divestment
- ◆ Strong free cash flow and healthy balance sheet

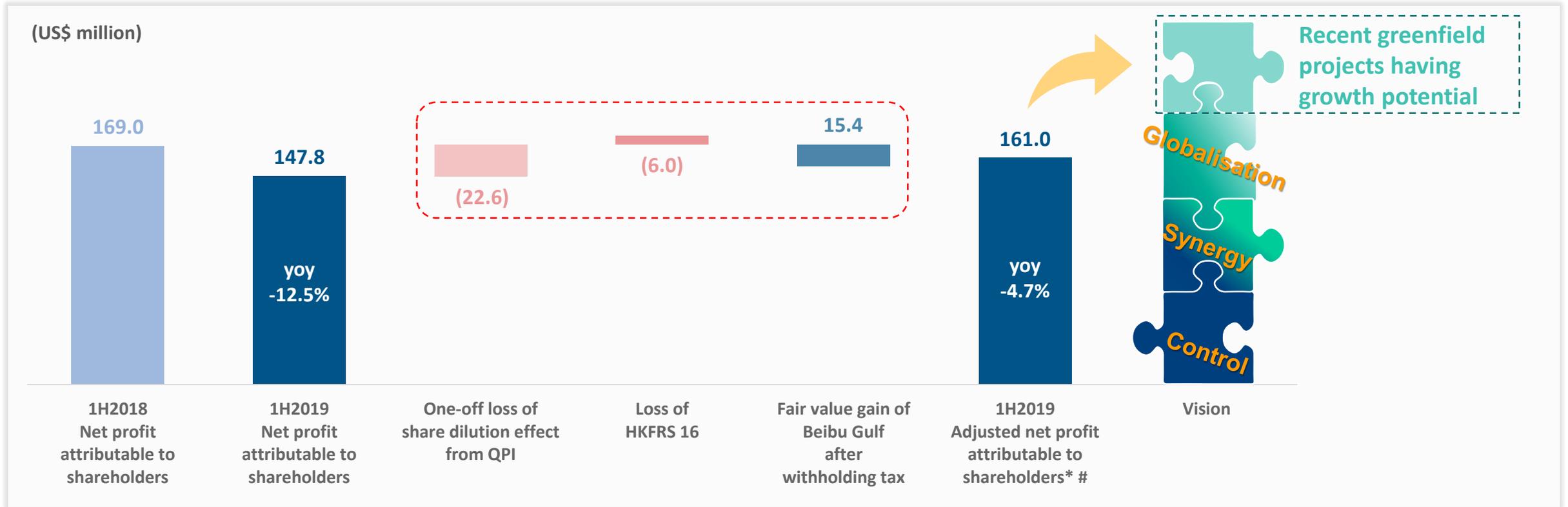
	2016 Base Year	Change	2021 Target
Equity throughput	29.5 mn TEU	+60%	47.2 mn TEU
Total assets	US\$6,786.5 mn	+50%	US\$10,179.8 mn
Net profit	US\$180.9 mn <sup>(1)</sup>	+100%	US\$361.8 mn



Notes:

(1) Excluding one-off gain from disposal of Florens

# Gearing Up for Growth



\* Excluding the one-off loss of share dilution from QPI of US\$22.6 mn, loss of HKFRS 16 of US\$6.0 mn and fair value gain of Beibu Gulf (AFS) after withholding tax of US\$15.4 mn

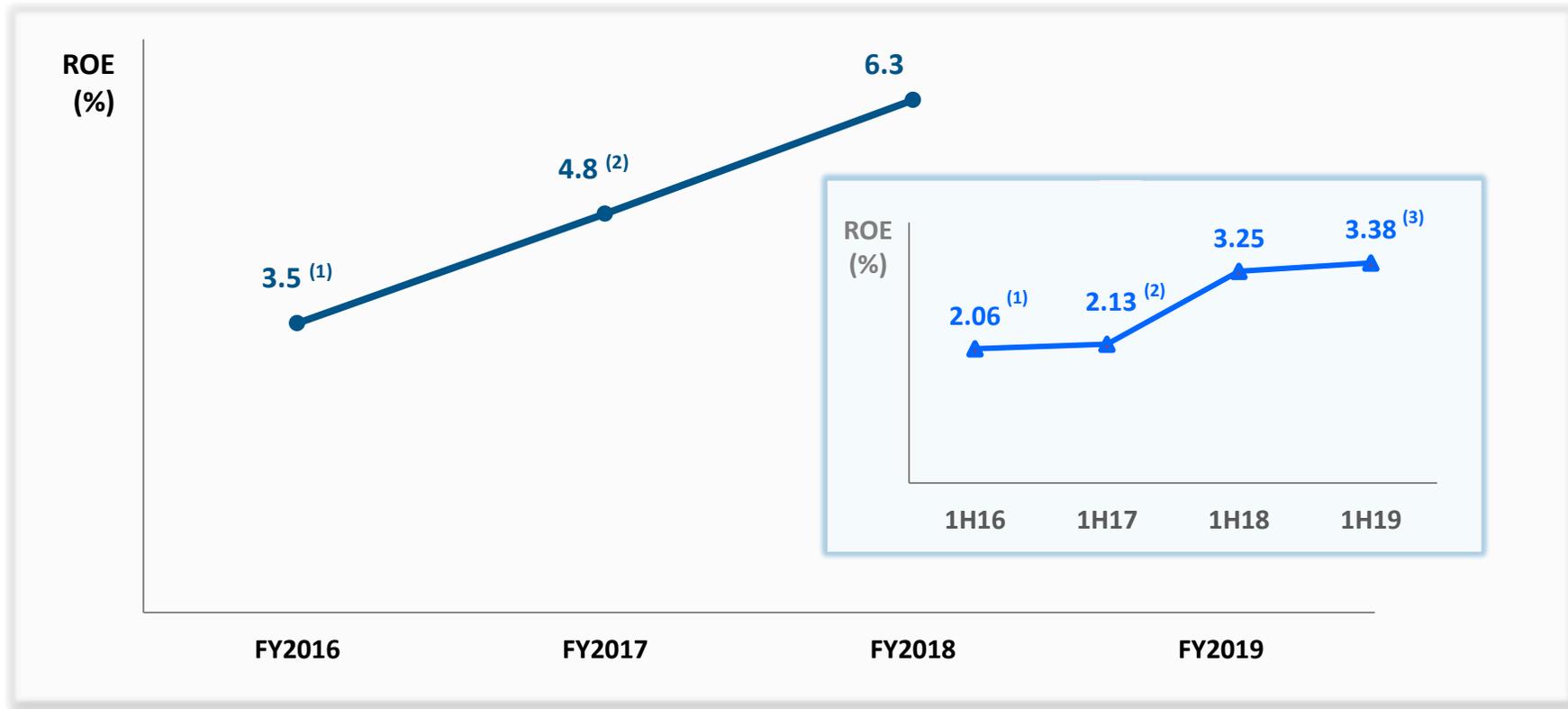
# Greenfield projects recorded a loss of US\$2.1 mn but are expected to turnaround when utilizations pick up

Note: Greenfield projects include Nantong, Abu Dhabi, Abu Dhabi CFS, Chancay and Wuhan

Expect to boost the profitability once new terminals running at high utilization with synergy from shipping alliances

- ◆ Nantong terminal's throughput reached 742,209 TEU since commercial commencement to Jun 2019
- ◆ Expect CSP Abu Dhabi terminal's throughput to reach 400,000 TEU by the end of 2019

# Achievement on Strategy Implementation – 5-Year Plan on Track



Note:

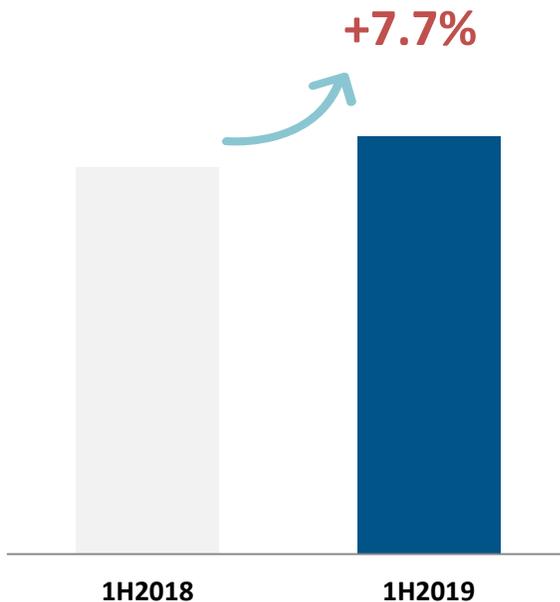
- (1) Excluding one-off gain of FCHL transaction of US\$59.0 m and three months of share profits of FCHL of US\$7.1 m
- (2) Excluding one-off gain of QPI transaction of US\$285.4 m
- (3) Excluding one-off loss of QPI dilution effect of US\$22.6 m

# 2019 Full-year Outlook

**We Expect FY2019  
Equity Throughput**

**High single-digit growth<sup>(1)</sup>**

**Equity Throughput (TEU)**



**Challenge**

**Sino-US trade dispute**

**Opportunities**

- Depreciation of RMB
- Low interest rate environment

**Cautiously Optimistic**

Note:

(1) Excluding throughput from QPI

# Potential Drivers or Catalysts

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- 1** Organic throughput growth upside on the back of OCEAN Alliance and contribution from newly acquired ports
- 2** Growth potential arising from diversification into value-added ports related business
- 3** Possible value accretive acquisitions and potential divestment of non-strategic assets in order to add value to the Company and improve portfolio quality

# 2019 Market Challenges and Our Responses

<b>Sino-US Trade Tension</b>	<p><b>Limited Exposure</b>— Subsidiaries: throughput from US trade lines accounts for around single-digit percentage of total throughput</p> <p><b>Cautious Optimism</b> – As a leading port operator with a unique advantage of linkage effects with parent company, OCEAN Alliance and other shipping alliances, we remain cautiously optimistic</p>
<b>Depreciation of Currencies</b>	<p>46% of the Group’s 1H2019 consolidated revenue in RMB and 54% in Euro</p> <p>Natural hedge by borrowing local currency</p>
<b>Impact of HKFRS 16</b>	<p>The impact is expected to be NO more than US\$20mn (non-cash impact) in 2019</p> <p>Non-cash Impact to the fundamentals of our operation</p>



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**Q&A**

**Thank you!**



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# COSCO SHIPPING Ports Today

As of 30 June 2019	
Designed Capacity	122 mn TEU
Ports	37
Terminals	49
Designed Berths	308
Designed Container Berths	211

China  
COSCO  
SHIPPING  
Corporation  
Limited

COSCO  
SHIPPING  
Ports  
Limited



*Integrated  
Shipping  
Capacity*



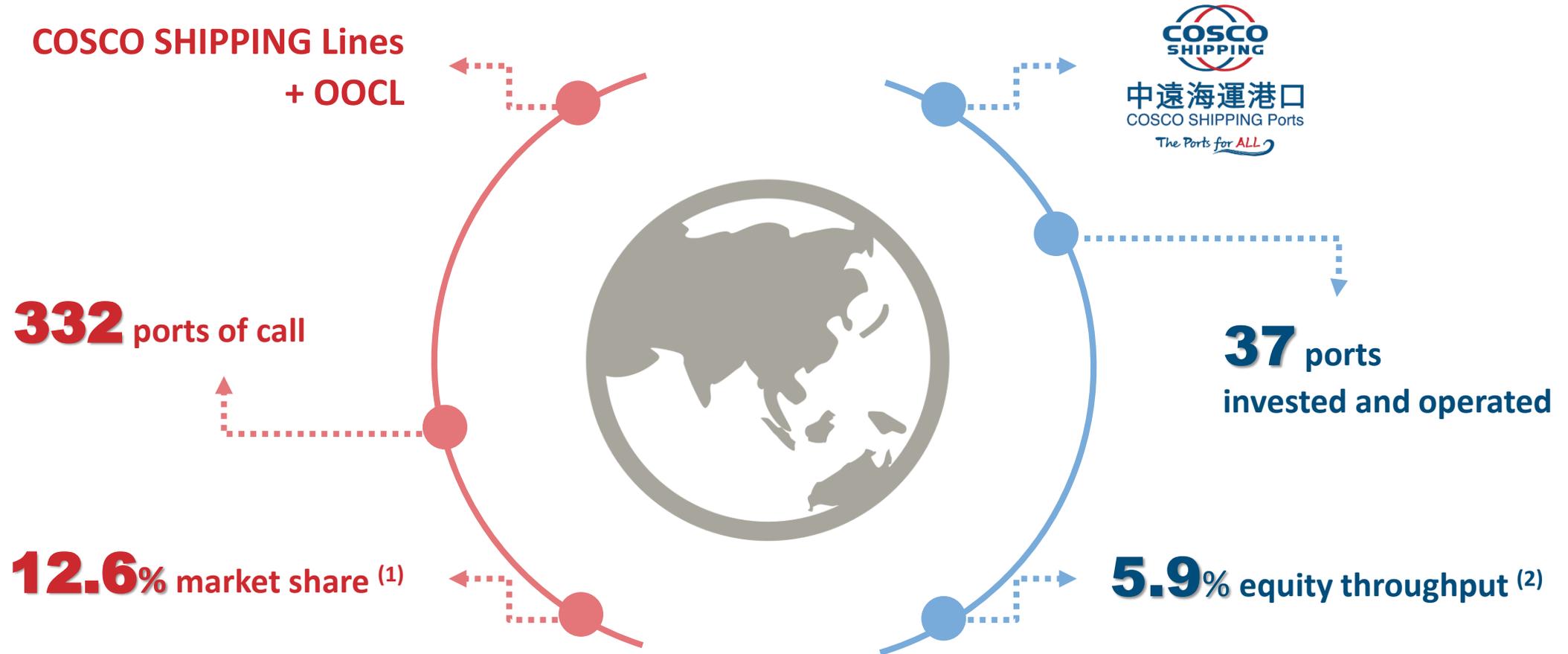
*Total  
Throughput*



Source: 2019 Drewry Report



# Strong Synergy with Parent Company & the OCEAN Alliance



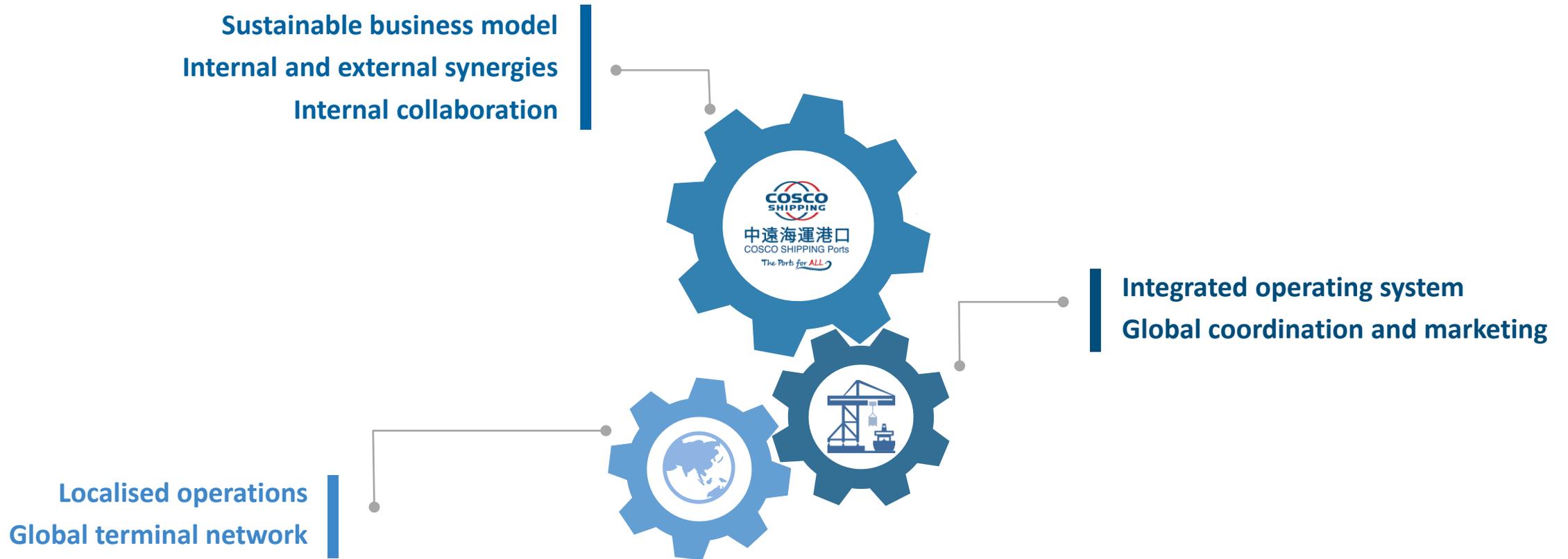
Notes:

(1) Alphaliner TOP 100 (as of 30 Jun 2019)

(2) 2019 Drewry Report (Equity throughput reported as China COSCO SHIPPING Group)

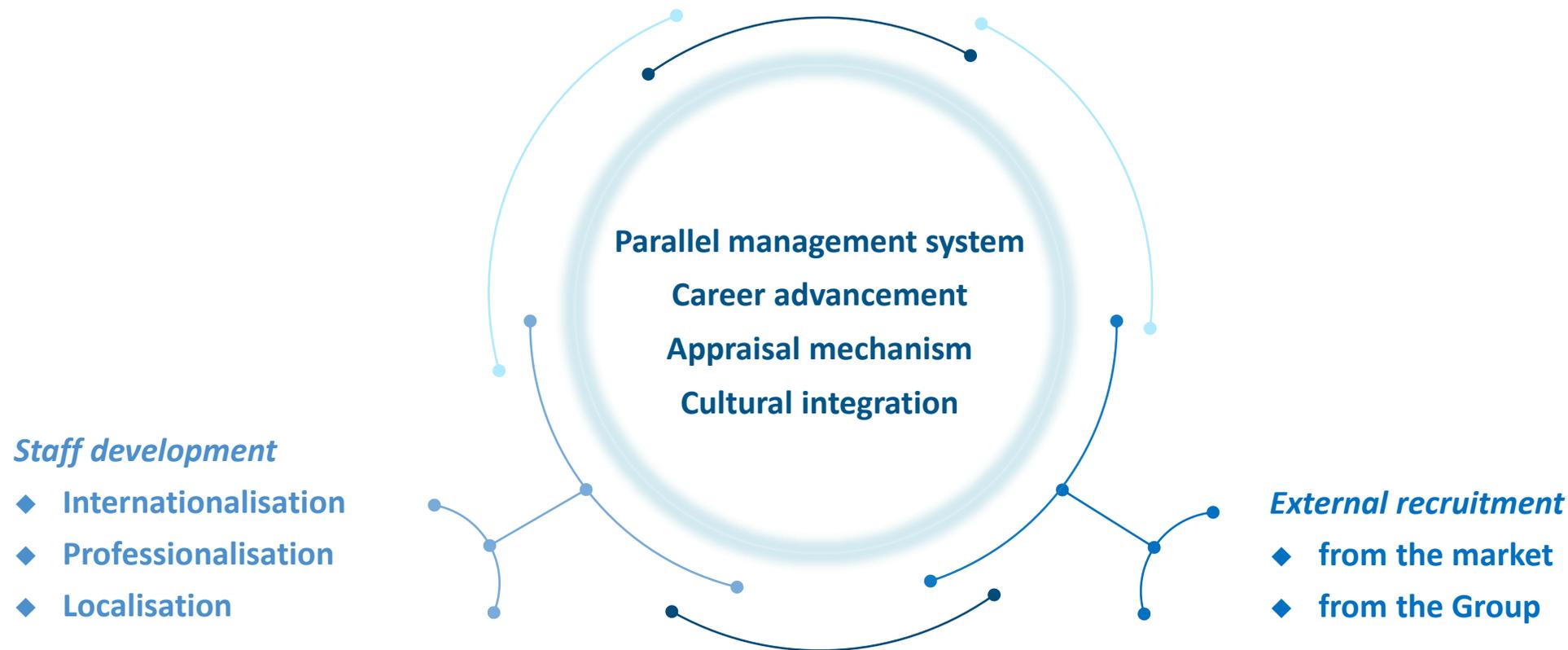
**Diversified customer base and cross-alliance cooperation can be realized through the synergies with COSCO SHIPPING Lines, OOCL and the OCEAN Alliance**

# Integrated Business Model



Global and unified operations	Enhanced customer experience
Replicable and standardised management	Talents oriented

# Proficient Leadership and Strong Teamwork



**43%**

Senior management  
who is not Chinese resident  
at the headquarters

**45%**

Foreign senior management  
in overseas subsidiaries

# Incentive Scheme – Aligning Shareholders’ Interests

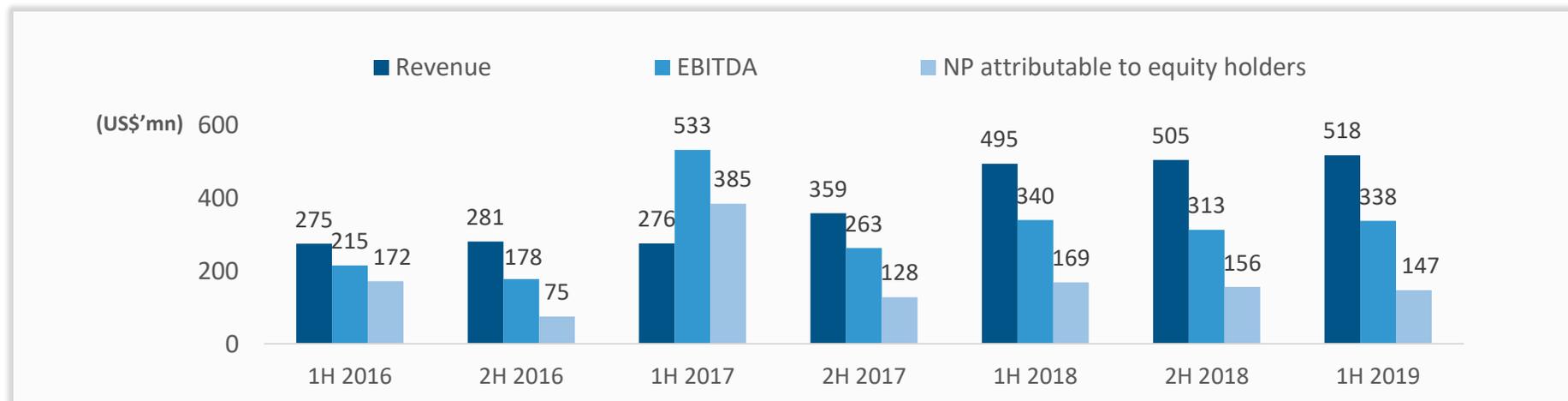
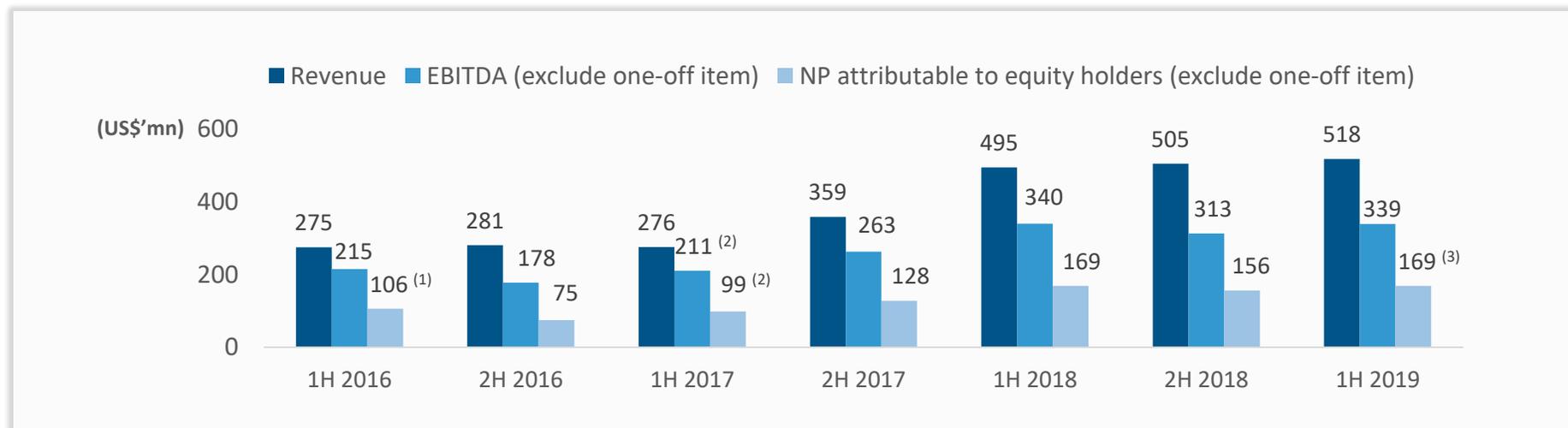
- A total of about 53 million share options were granted to around 238 eligible employees under the share option scheme on 19 June 2018.
- Exercising criteria are in line with shareholders’ interests.

Batch No. of Share Options Vested	Percentage of Options Vested	Exercise Period	Return on Net Assets <sup>3</sup>	Growth Rate of Revenue <sup>3</sup>	EVA Indicator
1 <sup>st</sup> batch	33.3%	Commencing on the first trading day after the expiration of the Restriction Period <sup>1</sup> and ending on the last trading day of 60 months from the Grant Date <sup>2</sup>	≥ 6.0% <sup>4</sup>	≥ 15.0% <sup>5</sup>	Must reach assessment target <sup>6</sup>
2 <sup>nd</sup> batch	33.3%	Commencing on the first trading day after the expiration of the 36 months from the Grant Date and ending on the last trading day of 60 months from the Grant Date <sup>2</sup>	≥ 6.5% <sup>4</sup>	≥ 25.0% <sup>5</sup>	Must reach assessment target <sup>6</sup> and EVA > 0
3 <sup>rd</sup> batch	33.4%	Commencing on the first trading day after the expiration of the 48 months from the Grant Date and ending on the last trading day of 60 months from the Grant Date <sup>2</sup>	≥ 7.0% <sup>4</sup>	≥ 40.0% <sup>5</sup>	Must reach assessment target <sup>6</sup> and EVA > 0

*Notes:*

- 1. Restriction Period refers to Share Options cannot be exercised during the two-year period commencing from the Grant Date*
- 2. Grant Date is 19 June 2018*
- 3. The figure shall not be lower than the average of the selected peer benchmark enterprises*
- 4. Return on net assets (after extraordinary gains and losses) in the financial year immediately preceding the vesting of the Share Options*
- 5. Growth rate of revenue in the financial year immediately preceding the vesting of the Share Options as compared to that in the financial year immediately preceding the Grant Date*
- 6. The EVA indicator accomplished for the financial year immediately preceding the vesting of the Share Options*

# Financial Highlights After Restructuring



Notes:

(1) Excluding one-off gain from disposal of Florens

(2) Excluding one-off gain from QPI transaction

(3) Excluding one-off loss of shares dilution effect from QPI

# Greater China Portfolio

Region	Annual Designed Capacity (TEU)
Bohai Rim	26,600,000
Yangtze River Delta	20,320,000
S.E. Coast & others	7,400,000
Pearl River Delta	25,600,000
S.W. Coast	1,200,000
<b>Total</b>	<b>81,120,000</b>



# Overseas Portfolio



Terminal	Annual Designed Capacity (TEU)	Shareholding
Piraeus	6,200,000	100%
CSP Spain Group	5,100,000	51%
Antwerp	3,500,000	20%
Euromax	3,200,000	35%
Kumport	3,000,000	26%
Vado	300,000	40%
CSP Zeebrugge	1,000,000	85%
Suez Canal	5,100,000	20%
COSCO-PSA	5,000,000	49%
CSP Abu Dhabi	2,500,000	90%
Chancay	1,000,000	60%
Seattle	900,000	13%
Busan Port	4,000,000	4.89%
<b>Total</b>	<b>40,800,000</b>	

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