



The Ports for ALL

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

## 1Q2019 Results

# Strengthening Global Footprint

25 April 2019



# Agenda

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1

Financial Highlights

2

Operational Review

3

Strategies

4

Q & A



# Agenda

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1

Financial Highlights

2

Operational Review

3

Strategies

4

Q & A



# Financial Highlights: On the Right Track

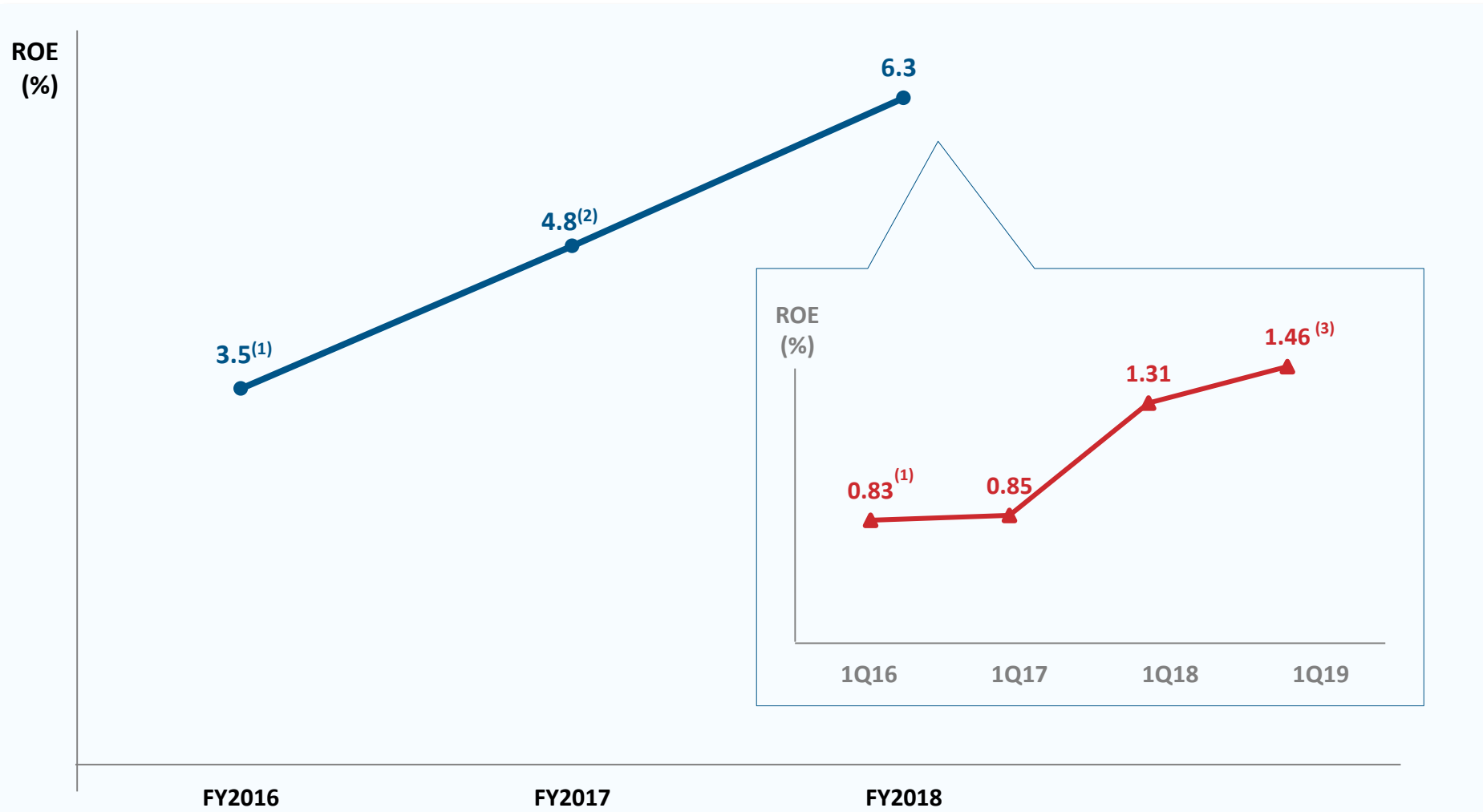
<i>(US million, unless stated otherwise)</i>	1Q2019	1Q2018	YoY Change
Revenue	<b>247.7</b>	237.9	+4.1%
Cost of sales	<b>177.6</b>	164.0	+8.3%
Gross Profit	<b>70.1</b>	73.9	-5.2%
Share of Profits from Joint Ventures & Associates	<b>61.9</b>	63.3	-2.2%
Net Profit to shareholders	<b>49.9</b>	69.2	-27.9%
Adjusted Net Profit to shareholders <i>(Excluding one-off shares dilution effect from QPI of US\$22.6 M)</i>	<b>72.5</b>	69.2	+4.7%
Adjusted Net Profit to shareholders <i>(Excluding one-off shares dilution effect from QPI of US\$22.6 M and HKFRS 16 of US\$2.9M)</i>	<b>75.4</b>	69.2	+8.9%

	Equity Throughput (TEU)			Terminal Profits (US\$'000)		
	1Q2019	1Q2018	YoY Change	1Q2019	1Q2018	YoY Change
Subsidiaries	<b>3,753,652</b>	3,314,156	+13.3%	<b>16,291</b>	19,371	-15.9%
Non-subsidiaries	<b>5,528,404</b>	5,307,320	+4.2%	<b>80,864</b>	63,252	+27.8%
<b>Total</b>	<b>9,282,056</b>	8,621,476	+7.7%	<b>97,155</b>	82,623	+17.6%

# Financial Position: Healthy Balance Sheet

<i>(US million, unless stated otherwise)</i>	As at 31 March 2019	As at 31 March 2018
Total Debt	<b>2,525.7</b>	2,359.2
Cash on hand (included restricted cash)	<b>635.4</b>	559.6
Net debt to equity	<b>32.2%</b>	29.5%
Interest coverage	<b>4.31x</b>	6.11x
Net asset	<b>5,865.0</b>	6,100.9
Total assets	<b>9,774.9</b>	9,238.5

# Upward Trend of Return on Equity Holders – Five-Year Planning On Track



Note:

(1) Excludes one off gains of FCHL transaction of US\$59.0 m and three months of share profits of FCHL of US\$7.1 m

(2) Excludes one off gains of QPI transaction of US\$285.4 m

(3) Excludes one off QPI dilution effect of US\$22.6 m and HKFRS 16 impact of US\$2.9 m

# Agenda

---

1

Financial Highlights

2

Operational Review

3

Strategies

4

Q & A



# Operational: Continuous Support from OCEAN Alliance & Parent

Total Throughput (TEU)	1Q2019	1Q2018	YoY Change
Total throughput	<b>28,731,733</b>	27,202,380	+5.6%
- Subsidiaries	<b>5,943,433</b>	5,234,258	+13.5%
- Non-subsidiaries	<b>22,788,300</b>	21,968,122	+3.7%
Total throughput (organic)*	<b>28,526,912</b>	27,202,380	+4.9%

Equity Throughput (TEU)	1Q2019	1Q2018	YoY Change
Equity throughput	<b>9,282,056</b>	8,621,476	+7.7%
- Subsidiaries	<b>3,753,652</b>	3,314,156	+13.3%
- Non-subsidiaries	<b>5,528,404</b>	5,307,320	+4.2%
Equity throughput (organic)*	<b>9,177,597</b>	8,621,476	+6.5%

Note:

\* Excluding Nantong Tonghai Terminal

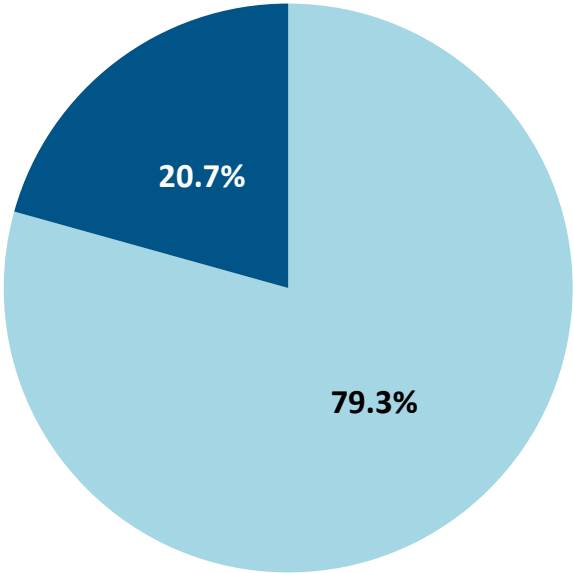


# Geographical Analysis: Increasing Contribution from Overseas

## Equity Throughput

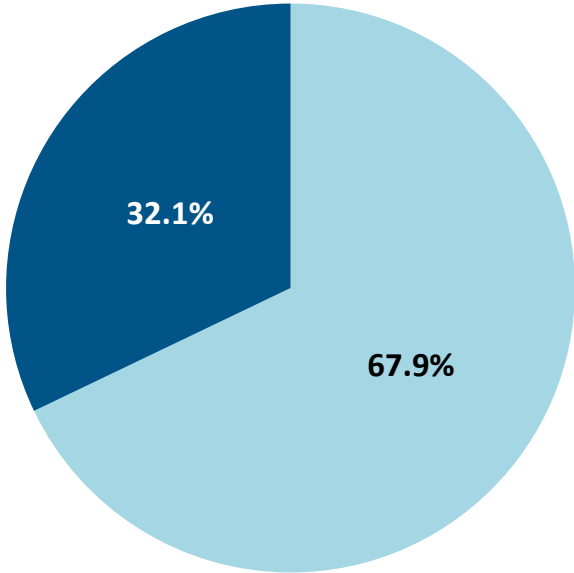
**FY2016 (Total: 29,473,573 TEU)**

- Greater China
- Overseas



**1Q2019 (Total: 9,276,920 TEU)**

- Greater China
- Overseas



# Agenda

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1

Financial Highlights

2

Operational Review

3

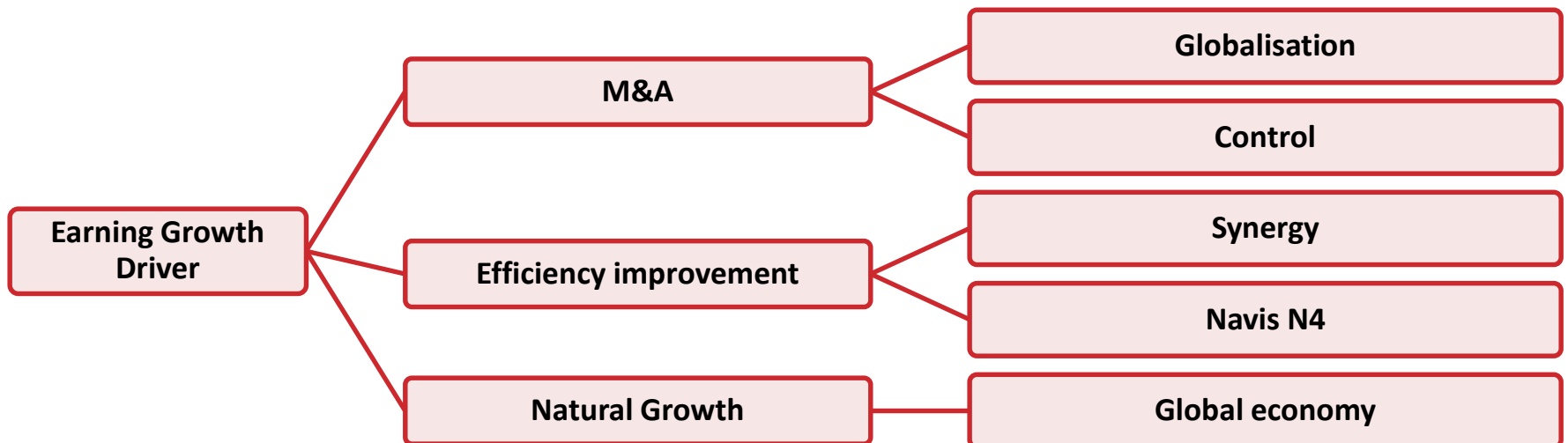
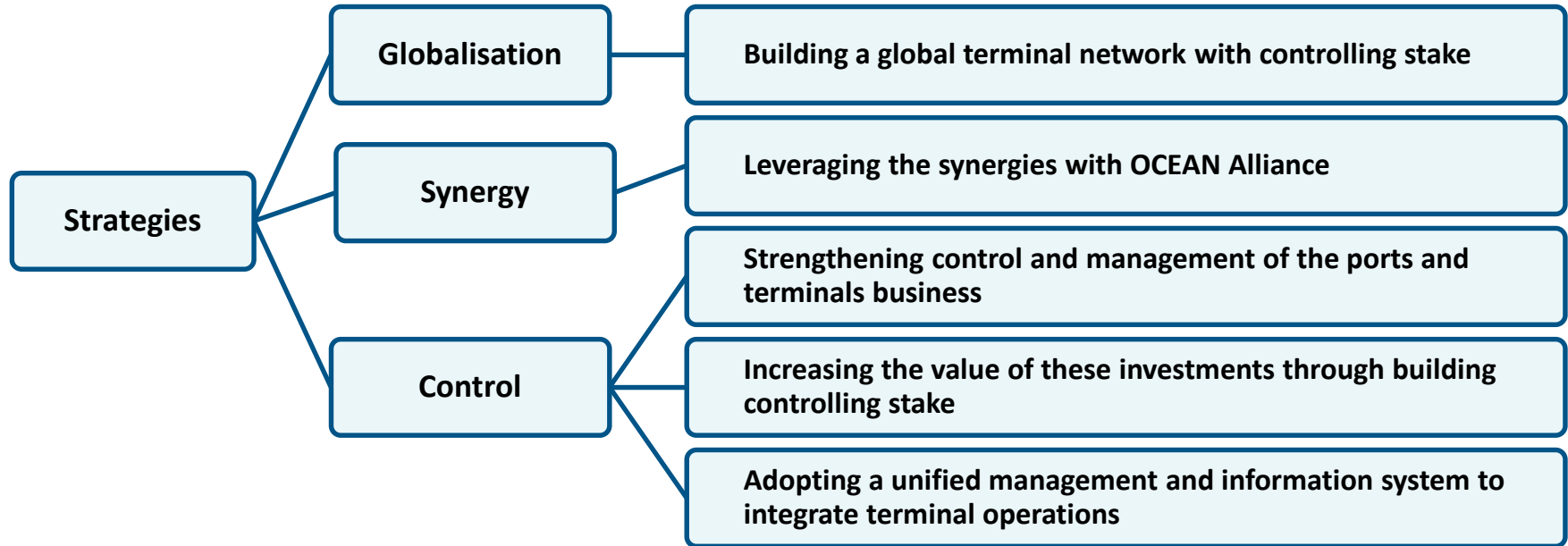
Strategies

4

Q & A



# Clear and 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

2016

2017

2018

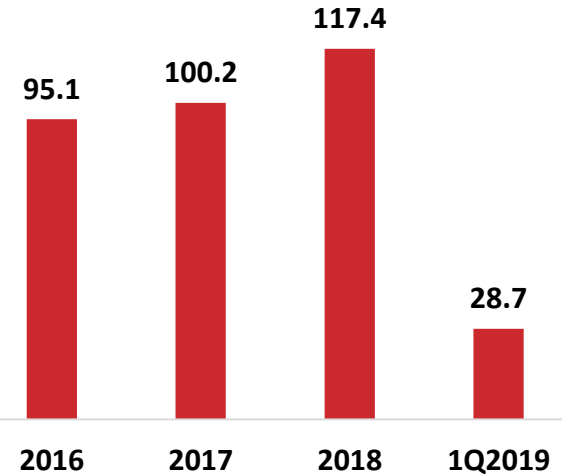
2019

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

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

CAPEX (budget):  
Investments – US\$830m  
PP&E – US\$872m

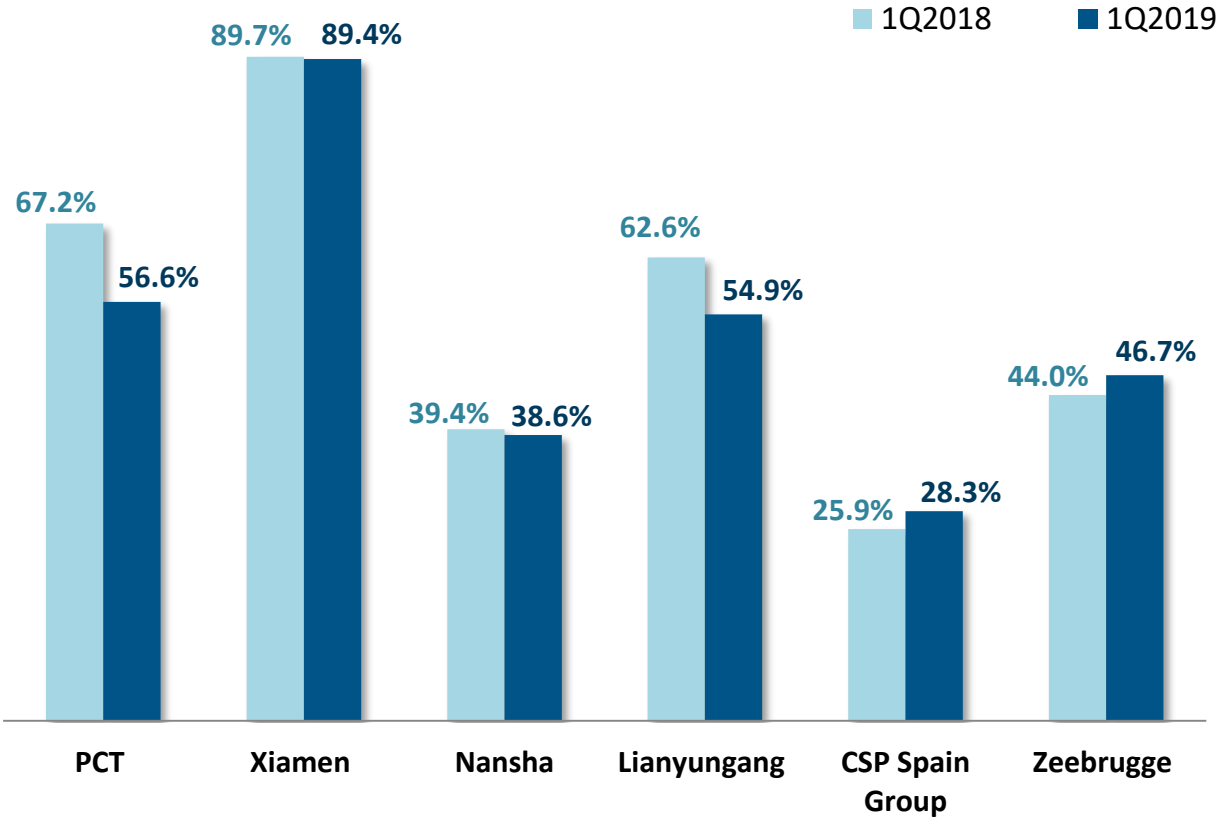
## Total Throughput (million TEU)



- Strategically pursue investment opportunities to create value to shareholders
- Balanced portfolio of *brownfield and greenfield*
- Hurdle rate: > high single digit project IRR
- Divestment of non-performing assets for capital recycling

# Synergy: Strong Support from OCEAN Alliance

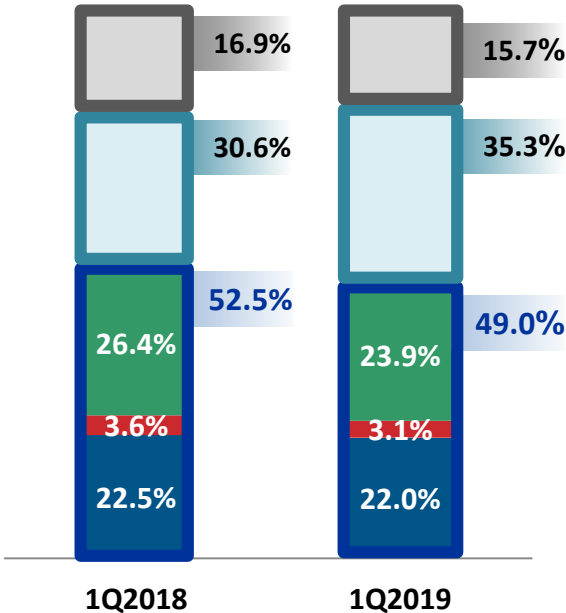
Throughput from OCEAN Alliance as % of total throughput (6 Subsidiaries)



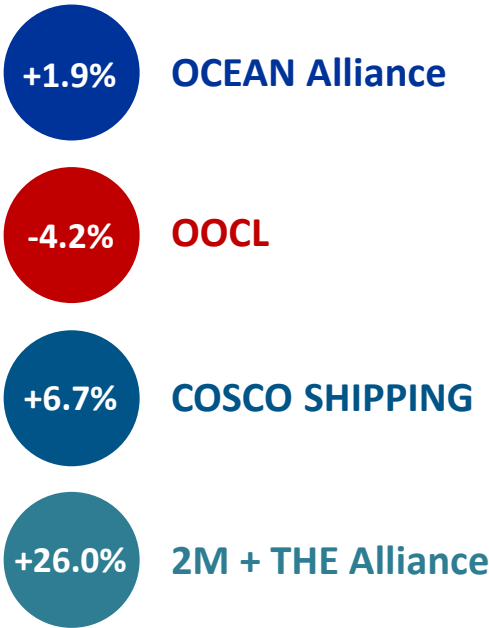
# Synergy: Strong support from Ocean Alliance (cont'd)

## Throughput from COSCO SHIPPING, OOCL and Evergreen + CMA as % of total throughput <sup>(1)</sup>

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



## Growth in Volume Contributions (1Q2018 vs 1Q2019)



Note:

(1) Total throughput of 6 major subsidiary terminals which OCEAN Alliance calling in 1Q2019.

# Control: Cost Reduction by Adopting Technology

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## Reducing cost by application of Navis N4 system

Three terminals will officially launch Navis N4 in coming quarters to reduce operating cost.

## Navis N4 system

- **CSP Zeebrugge Terminal, CSP Spain Group-Valencia Terminal and Lianyungang New Oriental International Terminal** will launch Navis N4 system in coming quarters in 2019 to further strengthen the efficiency of the terminal operation.
- We expect Navis N4 to boost **efficiency and reduce workload**.

# 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

**Note:**

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<sup>16</sup>
6. The EVA indicator accomplished for the financial year immediately preceding the vesting of the Share Options



# On Track to Achieve Five-year Target

## 5-year Target

	By 2021	FY2018	Change	FY2016 (Base Year)
Equity Throughput	+ 60%	37.1mn TEU	+25.7%	29.5mn TEU
Total Assets	+ 50%	US\$9,045.5mn	+33.3%	US\$6,786.5mn
Net Profits	+ 100%	US\$324.6mn	+79.4%	US\$180.9mn*

Note:

\* Excluding one-off gain from disposal of FCHL and share of profits from FCHL, amounted to US\$66.1mn

# 2019 Full-year Guidance – Volume

**FY2019  
Throughput**

**Low double-digit growth\***

**Increasing volume contributions from OCEAN Alliance, 2M and THE Alliance**

- **Jan-Mar 2019 vs Jan-Mar 2018**
  - **2M+THE Alliance ↑ 26.0%**
  - **Ocean Alliance ↑ 1.9%**

**Add Volume from CSP Abu Dhabi Terminal**

- **2 shipments from OCEAN Alliance scheduled to call at Abu Dhabi in April, vessel size is 20,000 TEU and 14,000 TEU respectively**

**Trend of Mega Vessels**

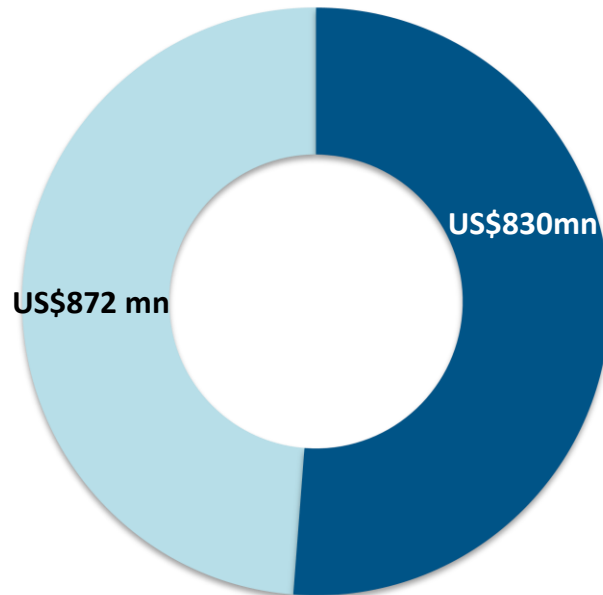
- **Shipments to CSP Spain Group will be replaced by mega vessels of 14,000 TEU in 2019**

**Capacity at COSCO-PSA increased from 3mn TEU to about 5mn TEU since Jan 2019**

*Note:*

*\* Excluding throughput from QPI*

# CAPEX Budgeted for FY2019



**FY2019  
CAPEX**

about  
**US\$1,702 million**

- Equity Investments  
(including investment in China port groups)
- PP&E  
(including terminal extended logistics developments)

## Operation / Development Plans for FY2019

- China port group investments
- Step up development of terminal extended logistics & logistic park
- Divestment of non-performing assets

# Catalysts

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- 1** More development about terminal extending business
- 2** Potential easing of China-US trade tension
- 3** Possible value accretive acquisitions or divestments
- 4** Throughput growth upside on the back of OCEAN Alliance and contribution from newly acquired ports

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1

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2

Operational Review

3

Strategies

4

Q & A



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COSCO SHIPPING Ports Limited

**Thank you!**

