

COSCO SHIPPING Ports 1H2017 Results



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

The Ports For ALL

1H 2017 Results Highlights



	1H2017	1H2016		
Total container throughput (TEU)	41.8mn	37.4mn	+ 11.8%	<ul style="list-style-type: none"> Excluded 2mths throughput of QPI in 1H17 and throughput of QQCT in 1H16 on a comparable basis
Equity container throughput (TEU)	14.1mn	13.0mn	+8.5%	
<i>US\$ mn</i>				
Revenue	275.8	275.0	+0.3%	
Cost of sales	177.2	167.6	+5.7%	<ul style="list-style-type: none"> PCT's cost of sales increased by 9.1% to US\$63mn in 1H17, resulted from higher D&A (US\$10mn) as its phase 1 of pier 3 commenced operation in Sept 2016
Share of profits from JVs and associates	97.5	98.1	-0.6%	<ul style="list-style-type: none"> Only 2mths share profits from QPI in 1H2017 as the transaction completed in May 2017
Disposal and others gains from QPI transaction	322.4	n/a	n/a	<ul style="list-style-type: none"> A one-off exceptional gain of US\$285mn was recorded resulted from disposal of 20% in QQCT and completed subscription of 18.41% in QPI
EBITDA	211.0	215.0	-1.9%	<ul style="list-style-type: none"> EBITDA dropped 1.9%, included JV and associates, excluded QPI gains in 1H17 and discontinued operations in 1H16
<i>EBITDA margin</i>	76.5%	78.2%		
Profit attributable to equity holders of the Company	384.7	171.9	+123.7%	1H17 adjusted net profit increased by 6.9% to US\$86mn, stripped off <ul style="list-style-type: none"> PAT from one-off gain from QPI transaction (US\$285.4mn) 2mths share profits from QPI in 1H17 (US\$13.3mn) Profits in relation to discontinued businesses in 1H16 (US\$66.5mn) Share of profits from QQCT in 1H16 (US\$25.4mn)
- Continuing operations	384.7	105.8	+263.6%	
- Discontinued operations	n/a	66.1	n/a	
Basic EPS (US cents)	12.76	3.57	+257.4%	
Interim DPS (US cents)	1.32	2.32		
Payout ratio	40%*	40%		<ul style="list-style-type: none"> The Group is committed to a stable dividend policy

* Excluded one-off exceptional items

Healthy Financial Position



	As of 30 Jun 2017	As of 31 Dec 2016		
Debt (US\$mn)				
Within 1 to 3 years	276.8	19.5%	515.4	34.3%
Within 4 years or above	1,142.7	80.5%	987.6	65.7%
	1,419.5	100%	1,503.0	100%
Average cost of debt	3.24%		3.37%	<ul style="list-style-type: none"> • Decrease in average cost of bank borrowings
Cash on hand	US\$332.9mn		US\$837.1mn	
Net debt to equity	20.1%		14.0%	<ul style="list-style-type: none"> • Gearing remained healthy after US\$1bn CAPEX was spent in 1H17
Total assets	US\$7,458.3mn		US\$6,786.5mn	<ul style="list-style-type: none"> • Total assets increased by 9.9% resulted from acquisitions

Capex Plan



- With the 5- year target set, the Group will deploy its resources carefully to bring better returns for shareholders
- The Group will continue to strengthen its leading position in the Greater China region, extend its global footprint and market share, optimize its terminal portfolio and operational efficiency, and enhance its overall profitability

CAPEX budget for FY2017 : US\$2.6bn

CAPEX spent in 1H2017

QPI US\$844mn*

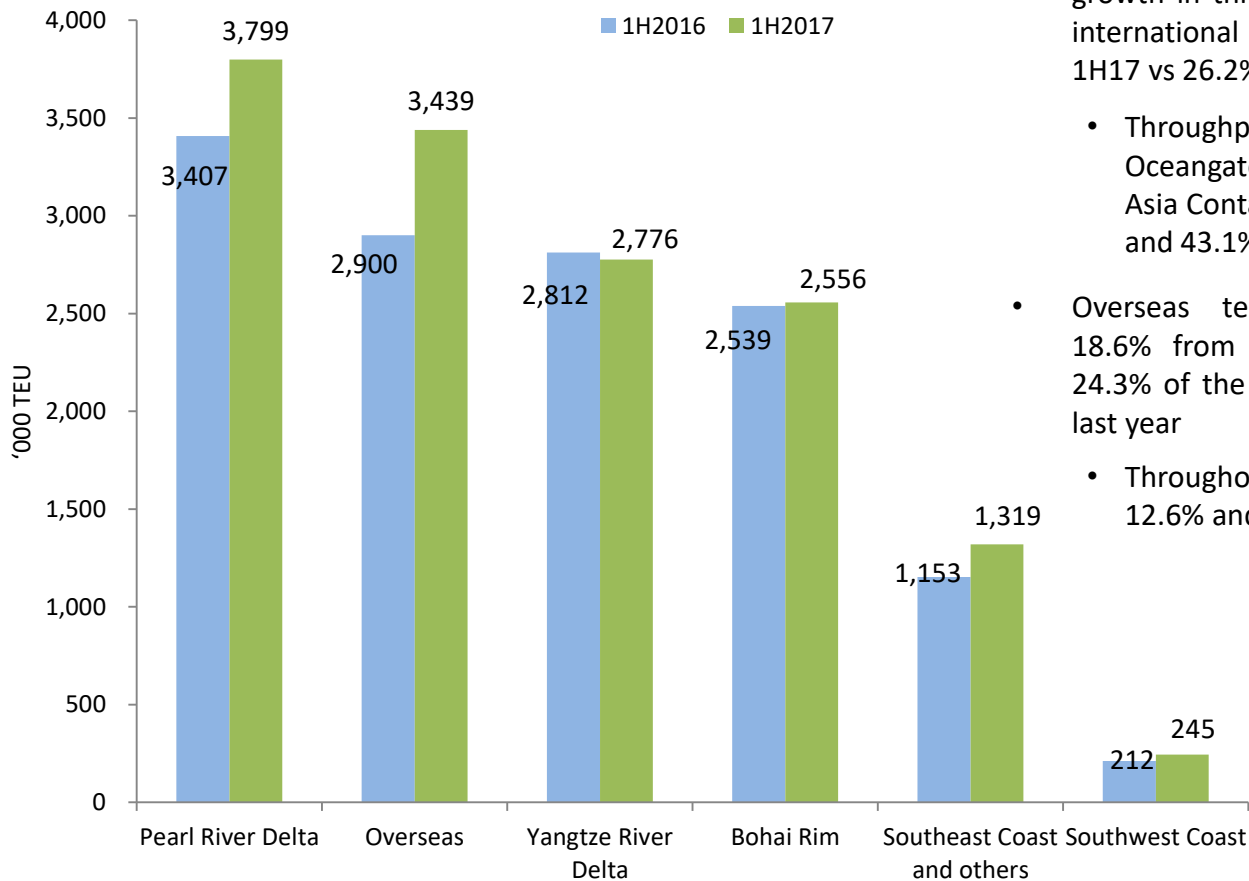
Vado Holdings (including shareholder loan) US\$34mn

Expansion of berths and PP&E US\$52mn

Total CAPEX spent in 1H2017 US\$930mn

* *Approximately US\$465mn was settled by disposal of 20% equity interest in QQCT, the remaining balance of around US\$378mn was settled in cash*

Operations Review – Equity Throughput by region



- Pearl River Delta region achieved 11.5% growth in throughput backed by recovery of international trade, and made up 26.9% in 1H17 vs 26.2% last year
 - Throughput of Guangzhou South China Oceangate and COSCO-HIT Terminals and Asia Container Terminal increased 6.7% and 43.1% respectively
- Overseas terminal throughput increased 18.6% from last year, and accounted for 24.3% of the Group's, compared with 22.3% last year
 - Throughput of Kumport and PCT lifted 12.6% and 3.8% respectively in 1H2017

Operations Review – performance vs the regions



- Our growth in Bohai Rim and Southeast Coast & others in 1H2017 outperformed the major ports in the regions in terms of total throughput

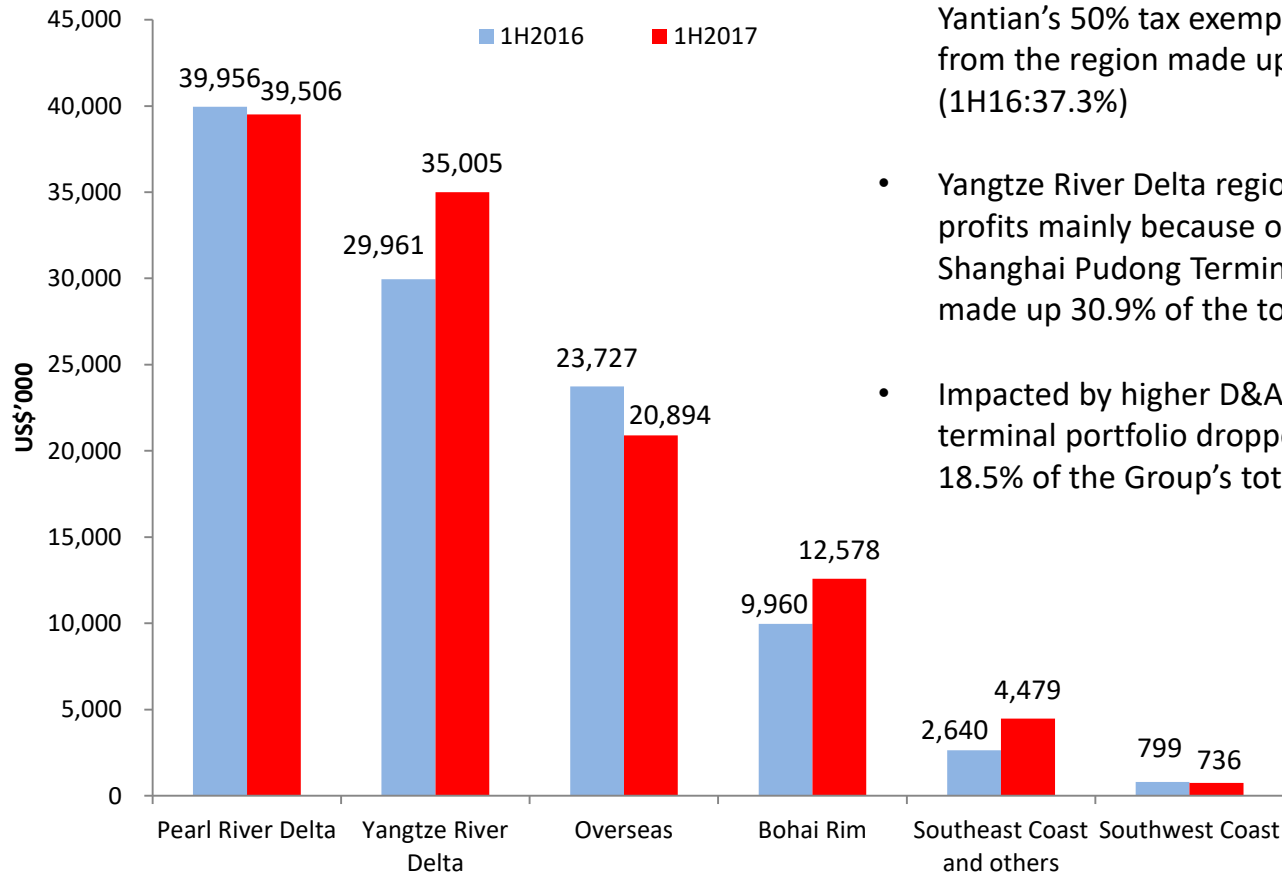
Total throughput 000' TEU	COSCO SHIPPING Ports			Total throughput of the region		
	1H2017	Change	1H2016	1H2017	Change%	1H2016
Bohai Rim *	7,630	2.7%	7,432	30,534	2.6%	29,747
Yangtze River Delta	9,759	4.9%	9,306	35,406	9.4%	32,359
Southeast Coast and others	2,329	10.1%	2,115	7,343	9.4%	6,715
Pearl River Delta	12,570	8.2%	11,623	24,045	8.5%	22,170
Southwest Coast	611	15.2%	531	2,092	17.8%	1,776

* Excluded 2mths throughput from QPI and 1H2016 throughput from QQCT on a comparable basis

Source: Chinese Port (中國港口網)

Operations Review –

Terminals Net Profit by region



- Profit from Pearl River Delta region dropped 1.1% as Yantian's 50% tax exemption expired in 2016. Profit from the region made up 34.9% of the total (1H16:37.3%)
- Yangtze River Delta region achieved 16.8% growth in profits mainly because of increased loaded boxes at Shanghai Pudong Terminal, profit from the region made up 30.9% of the total (1H16: 28.0%)
- Impacted by higher D&A of PCT, net profit of overseas terminal portfolio dropped 11.9% , and accounted for 18.5% of the Group's total (1H16:22.2%)

Progressing Towards 5-year Target

- Total Assets



Total Assets to grow 50% by 2021

- Total asset posted an increase of 9.9% as of 30 Jun 17 mainly driven by acquisitions
 - acquisition of 51% equity interest in Noatum, scheduled to complete in Oct 2017 will further strengthen assets values of the Group
 - Increase participations
 - The 18.41% interests in QPI and disposal of 20% QQCT posted an increase of US\$700mn in asset size and a full participation of the entire port
 - Dalian ports consolidation enables the Group to hold 19% of DCT, the merge of three terminals into one enhances the asset value of the investment
- Future strategy
 - continue to expand the Group's overseas network with major focus on Central and Southern America, SE Asia and Africa
 - seek to participate in ports consolidation in China

Progressing Towards 5-year Target

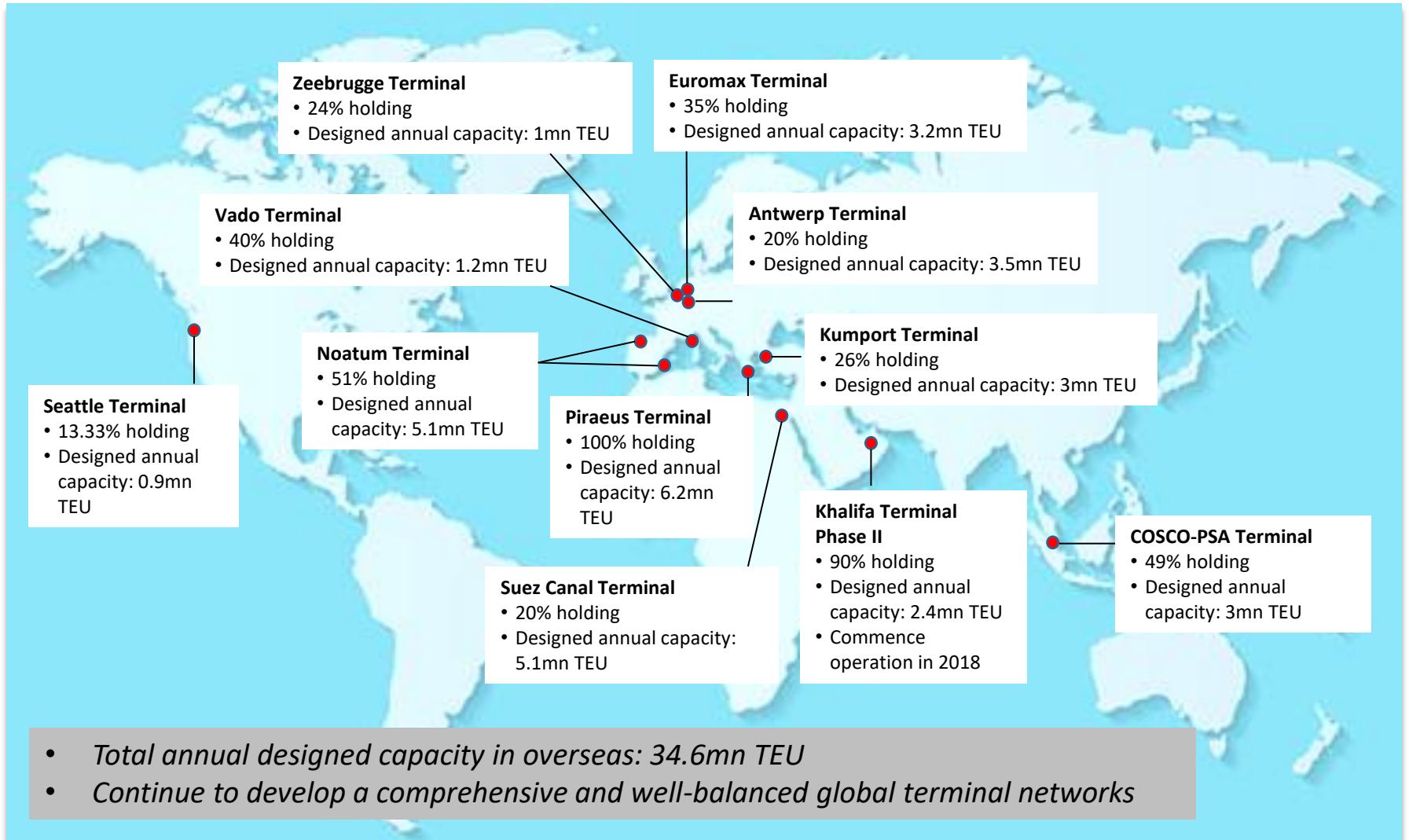
- Equity Throughput



Equity throughput to increase 60% by 2021

- Total equity throughput up 8.5% in 1H17, of which equity throughput achieved 5.0% organic growth in 1H17
- Added 5.1mn TEU throughput capacity in 1H17 by acquisitions, set a solid foundation for future growth
- With the support from parent company and OCEAN Alliance, throughput of Xiamen and Kumport increased by 20.6% and 12.6% respectively in 1H17
- Future strategy
 - Continue to enhance synergies with parent company and OCEAN Alliance
 - Actively identify global investment opportunities with reasonable returns

Overseas Portfolio – Globalization



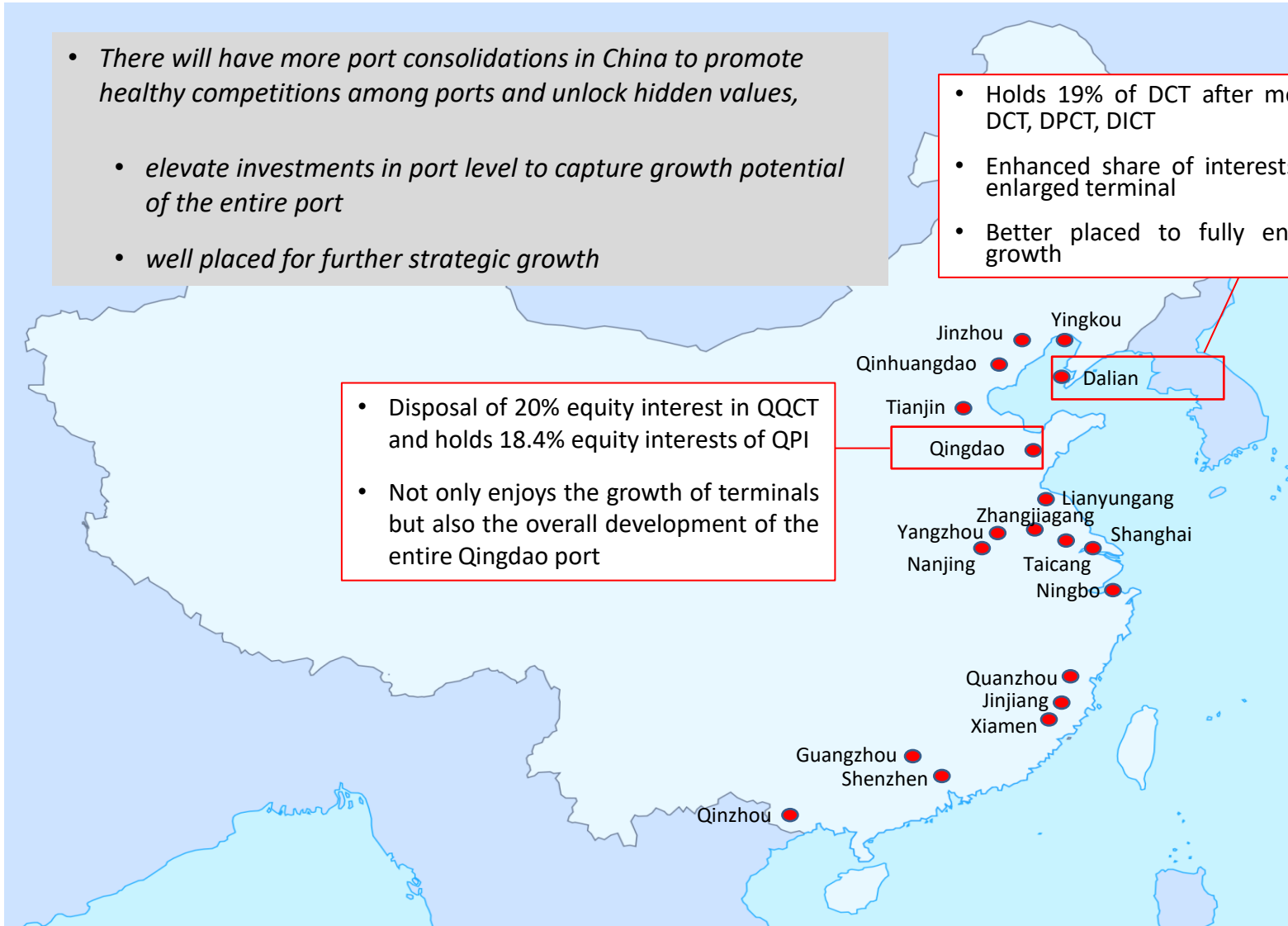
- Total annual designed capacity in overseas: 34.6mn TEU
- Continue to develop a comprehensive and well-balanced global terminal networks

Continue to benefit from Ports Consolidation in China

- *There will have more port consolidations in China to promote healthy competitions among ports and unlock hidden values,*
 - *elevate investments in port level to capture growth potential of the entire port*
 - *well placed for further strategic growth*

- Holds 19% of DCT after merger of DCT, DPCT, DICT
- Enhanced share of interests in the enlarged terminal
- Better placed to fully enjoy the growth

- Disposal of 20% equity interest in QQCT and holds 18.4% equity interests of QPI
- Not only enjoys the growth of terminals but also the overall development of the entire Qingdao port



Progressing Towards 5-year Target -Net Profit



Net profit to grow 100% by 2021

- 1H17 adjusted profit increased by 6.9% to US\$86m, after stripped off PAT from one-off gain from QPI, 2mths share profits from QPI in 1H17, and profits in relation to discontinued businesses and share profits from QQCT in 1H16
- Growth strategy
 - ✓ Drive profitability by enhancing efficiency and rationalize costs control
 - ✓ Step up earnings growth by enlarging portfolio of terminals by acquisitions

2017 Guidance



Industry Outlook

- IMF expected global trade volume of goods and services would record a year-on-year growth of 4.0% in 2017, up 1.7 percentage points from 2016's 2.3%

Business Outlook

- 2H17 will better reflect the synergies with the Group's parent company and OCEAN Alliance
- Overseas portfolio is gearing up for a higher growth , we expect more throughput contributions from overseas
- Continue to explore overseas investments in Central and Southern America, SE Asia, Africa

Guidance

- Throughput growth in 2H2017 will be higher than 1H2017

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Appendix 1: Total throughput by region

000 TEU	1H2016	% of total	1H2017	% of total	YoY
Bohai Rim	7,432	19.9%	7,630	18.2%	2.7%
Dalian Port	1,225	3.3%	1,486	3.6%	21.4%
Dalian International	1,661	4.4%	1,651	4.0%	-0.6%
Dalian Dagang	8	0.0%	11	0.0%	40.2%
Tianjin Port Euroasia	1,126	3.0%	1,200	2.9%	6.6%
Tianjin Five Continents	1,260	3.4%	1,243	3.0%	-1.3%
Yingkou Container Terminals	813	2.2%	686	1.6%	-15.6%
Yingkou New Century	939	2.5%	804	1.9%	-14.4%
*Jinzhou New Age	162	0.4%	272	0.7%	68.2%
Qinhuangdao Port New Harbour	238	0.6%	275	0.7%	15.6%
Yangtze River Delta	9,306	24.9%	9,759	23.3%	4.9%
Shanghai Pudong	1,188	3.2%	1,307	3.1%	10.0%
Shanghai Mingdong	2,862	7.7%	3,228	7.7%	12.8%
Ningbo Yuan Dong	1,250	3.3%	1,514	3.6%	21.1%
*Lianyungang New Oriental	1,872	5.0%	1,451	3.5%	-22.5%
*Zhangjiagang Win Hanverky	330	0.9%	350	0.8%	6.1%
*Yangzhou Yuanyang	228	0.6%	241	0.6%	5.6%
Nanjing Port Longtan	1,340	3.6%	1,424	3.4%	6.3%
Taicang International	236	0.6%	244	0.6%	3.2%
Southeast Coast and others	2,115	5.7%	2,329	5.6%	10.1%
*Xiamen Ocean Gate	527	1.4%	635	1.5%	20.6%
*Quan Zhou Pacific	610	1.6%	643	1.5%	5.4%
*Jinjiang Pacific Ports	144	0.4%	224	0.5%	56.1%
Kao Ming Container Terminal	834	2.2%	826	2.0%	-1.0%
Pearl River Delta	11,623	31.1%	12,570	30.1%	8.2%
Yantian International	5,466	14.6%	5,708	13.7%	4.4%
Nansha Stevedoring	2,652	7.1%	2,693	6.4%	1.6%
*GZ South China Oceangate	2,319	6.2%	2,475	5.9%	6.7%
COSCO-HIT	673	1.8%	933	2.2%	38.6%
Asia Container Terminal	513	1.4%	762	1.8%	48.3%
Southwest Coast	531	1.4%	611	1.5%	15.2%
Qinzhou International	531	1.4%	611	1.5%	15.2%
Overseas	6,352	17.0%	8,881	21.3%	39.8%
*Piraeus Container Terminal	1,689	4.5%	1,754	4.2%	3.8%
Suez Canal Container Terminal	1,245	3.3%	1,357	3.2%	9.0%
Kumport Liman	367	1.0%	413	1.0%	12.6%
Antwerp Gateway	1,019	2.7%	1,035	2.5%	1.6%
AMP Terminal Zeebrugge	177	0.5%	149	0.4%	-15.6%
COSCO-PSA	871	2.3%	976	2.3%	12.0%
CJ Korea Express Busan	930	2.5%	1,745	4.2%	87.6%
SSA Terminal (Seattle)	53	0.1%	88	0.2%	65.3%
Euromax	0	0.0%	1,350	3.2%	NA
Reefer Terminal S.p.A.	0	0.0%	14	0.0%	NA
Greater China	31,007	83.0%	32,900	78.7%	6.1%
Total	37,358		41,781		11.8%

Appendix 2: Equity throughput by region



000 TEU	1H2016	% of total	1H2017	% of total	YoY
Bohai Rim	2,539	19.5%	2,556	18.1%	0.7%
Dalian Port	245	1.9%	297	2.1%	21.4%
Dalian International	664	5.1%	660	4.7%	-0.6%
Dalian Dagang	3	0.0%	4	0.0%	40.1%
Tianjin Port Euroasia	338	2.6%	360	2.5%	6.6%
Tianjin Five Continents	353	2.7%	348	2.5%	-1.3%
Yingkou Container Terminals	407	3.1%	343	2.4%	-15.6%
Yingkou New Century	376	2.9%	322	2.3%	-14.4%
*Jinzhou New Age	83	0.6%	139	1.0%	68.2%
Qinhuangdao Port New Harbour	71	0.5%	83	0.6%	15.6%
Yangtze River Delta	2,812	21.6%	2,776	19.6%	-1.3%
Shanghai Pudong	357	2.7%	392	2.8%	10.0%
Shanghai Mingdong	572	4.4%	646	4.6%	12.8%
Ningbo Yuan Dong	250	1.9%	303	2.1%	21.1%
*Lianyungang New Oriental	1,030	7.9%	798	5.6%	-22.5%
*Zhangjiagang Win Hanverky	168	1.3%	179	1.3%	6.1%
*Yangzhou Yuanyang	127	1.0%	134	0.9%	5.6%
Nanjing Port Longtan	216	1.7%	230	1.6%	6.3%
Taicang International	92	0.7%	95	0.7%	3.2%
Southeast Coast and others	1,153	8.9%	1,319	9.3%	14.4%
*Xiamen Ocean Gate	369	2.8%	445	3.1%	20.6%
*Quan Zhou Pacific	502	3.9%	530	3.7%	5.4%
*Jinjiang Pacific Ports	115	0.9%	179	1.3%	56.1%
Kao Ming Container Terminal	167	1.3%	165	1.2%	-1.0%
Pearl River Delta	3,407	26.2%	3,799	26.9%	11.5%
Yantian International	798	6.1%	833	5.9%	4.4%
Nansha Stevedoring	1,061	8.1%	1,077	7.6%	1.6%
*GZ South China Oceangate	904	6.9%	965	6.8%	6.7%
COSCO-HIT	337	2.6%	466	3.3%	38.6%
Asia Container Terminal	308	2.4%	457	3.2%	48.3%
Southwest Coast	212	1.6%	245	1.7%	15.2%
Qinzhou International	212	1.6%	245	1.7%	15.2%
Overseas	2,900	22.3%	3,439	24.3%	18.6%
*Piraeus Container Terminal	1,689	13.0%	1,754	12.4%	3.8%
Suez Canal Container Terminal	249	1.9%	271	1.9%	9.0%
Kumport Liman	95	0.7%	107	0.8%	12.6%
Antwerp Gateway	204	1.6%	207	1.5%	1.6%
AMP Terminal Zeebrugge	42	0.3%	36	0.3%	-15.6%
COSCO-PSA	427	3.3%	478	3.4%	12.0%
CJ Korea Express Busan	186	1.4%	96	0.7%	-48.4%
SSA Terminal (Seattle)	7	0.1%	12	0.1%	65.3%
Euromax	NA	NA	472	3.3%	NA
Reefer Terminal S.p.A.	NA	NA	6	0.0%	NA
Greater China	10,123	77.7%	10,694	75.7%	5.6%
Total	13,023		14,134		8.5%

Top 10 Profit Contributors



	US\$' 000	1H2016	% of total	1H2017	% of total	YoY
1	Yantian International	22,173	20.7%	20,995	18.5%	-5.3%
2	Shanghai Pudong	10,245	9.6%	11,265	10.0%	10.0%
3	*Piraeus Container Terminal	17,903	16.7%	10,845	9.6%	-39.4%
4	Shanghai Mingdong	9,386	8.8%	10,125	8.9%	7.9%
5	*GZ South China Oceangate	8,065	7.5%	7,729	6.8%	-4.2%
6	COSCO-HIT + ACT	7,028	6.6%	7,827	6.9%	11.4%
7	Ningbo Yuan Dong	4,134	3.9%	4,759	4.2%	15.1%
8	Kumport Liman	547	0.5%	4,285	3.8%	683.4%
9	Suez Canal Container Terminal	2,445	2.3%	3,365	3.0%	37.6%
10	*Quan Zhou Pacific	2,998	2.8%	3,191	2.8%	6.4%
	Top 10 total	84,924	79.4%	84,386	74.5%	-0.6%



The Ports For ALL

THANK YOU
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