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

1Q2021
Results Presentation

Capturing Strategic Development Opportunities

Continuing to Enhance Lean Operations

April 27, 2021

Agenda

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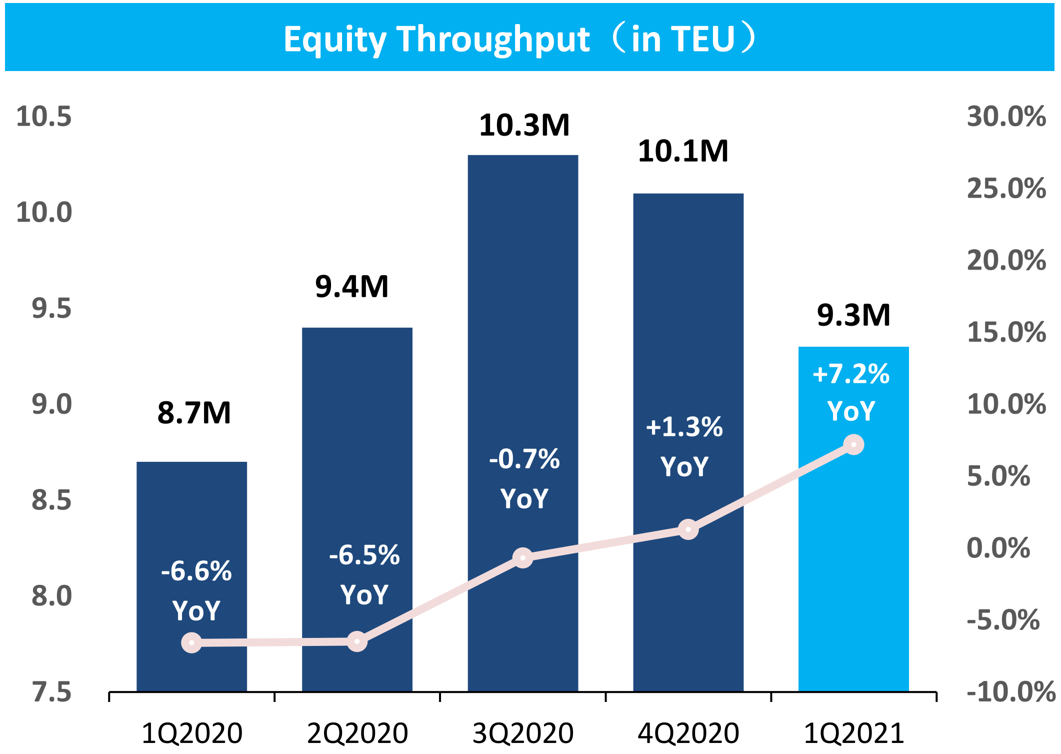
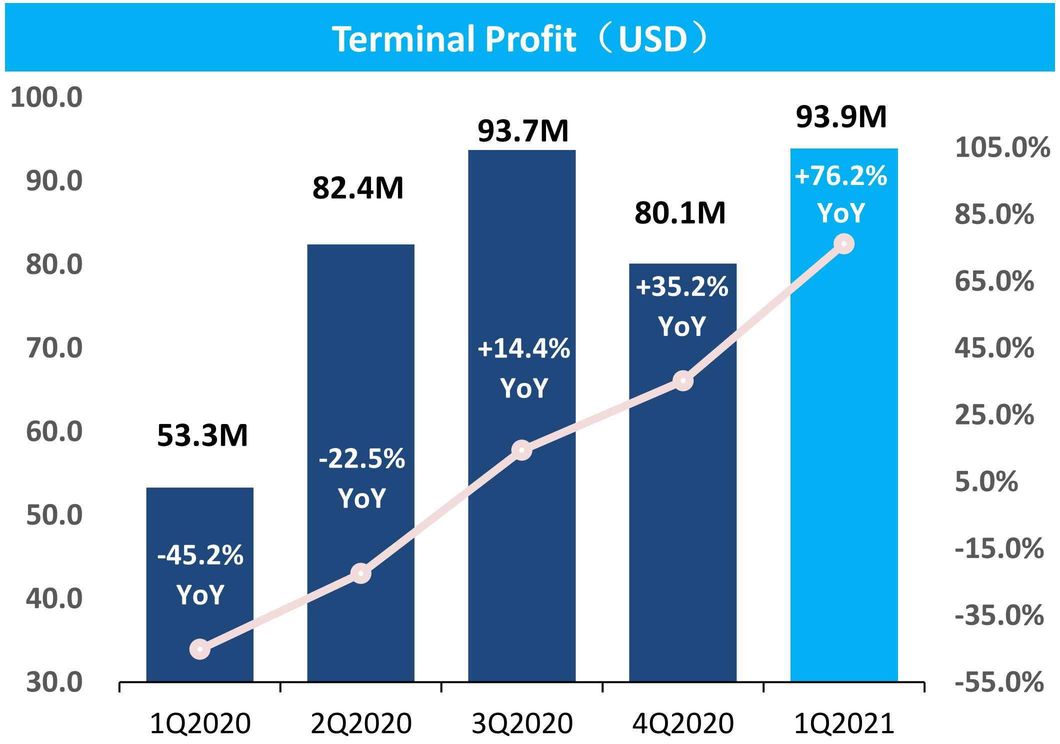
Outstanding 1Q2021 Performance with Strong YoY Growth Momentum

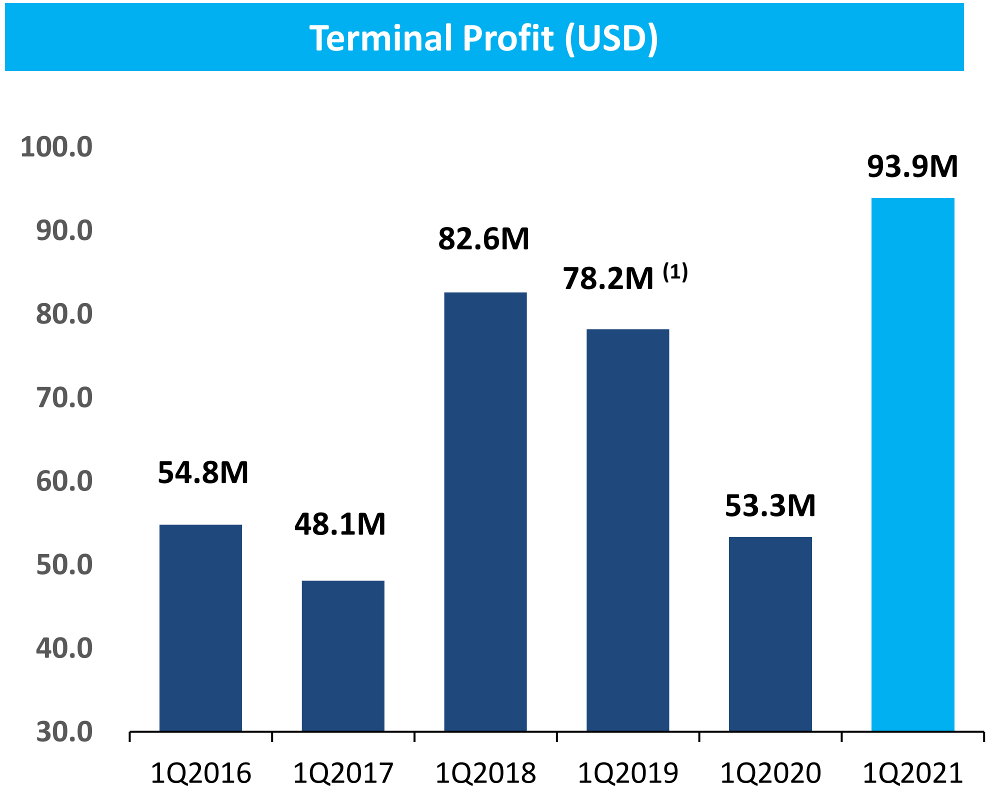
- 1Q21 equity throughput recorded a YoY increase of 7.2% to 9.3 million TEU, maintaining recovery momentum
- 1Q21 terminal profit posted a robust YoY growth of 76.2% to USD 93.9 million, the strongest quarterly YoY growth since 1Q2020

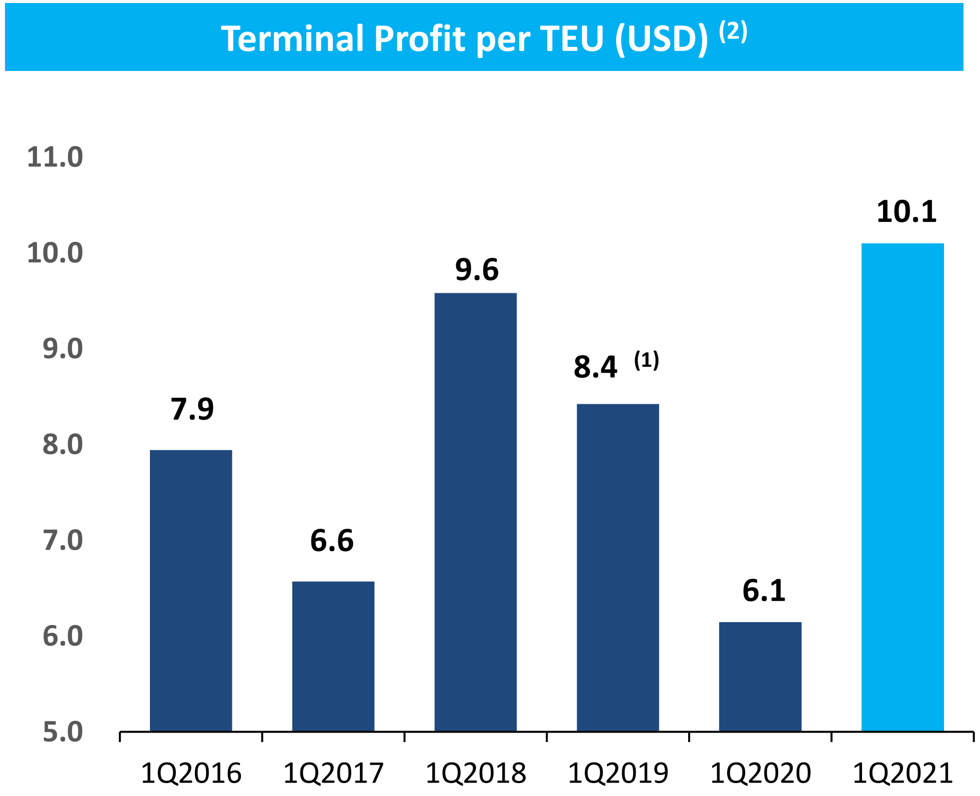




Highest 1Q Terminal Profit & Terminal Profit per TEU since 2016

➢ **In 1Q2021, we have achieved the highest 1Q terminal profit as well as the highest 1Q terminal profit per TEU on the back of our lean operation strategy and macro environment improvement**





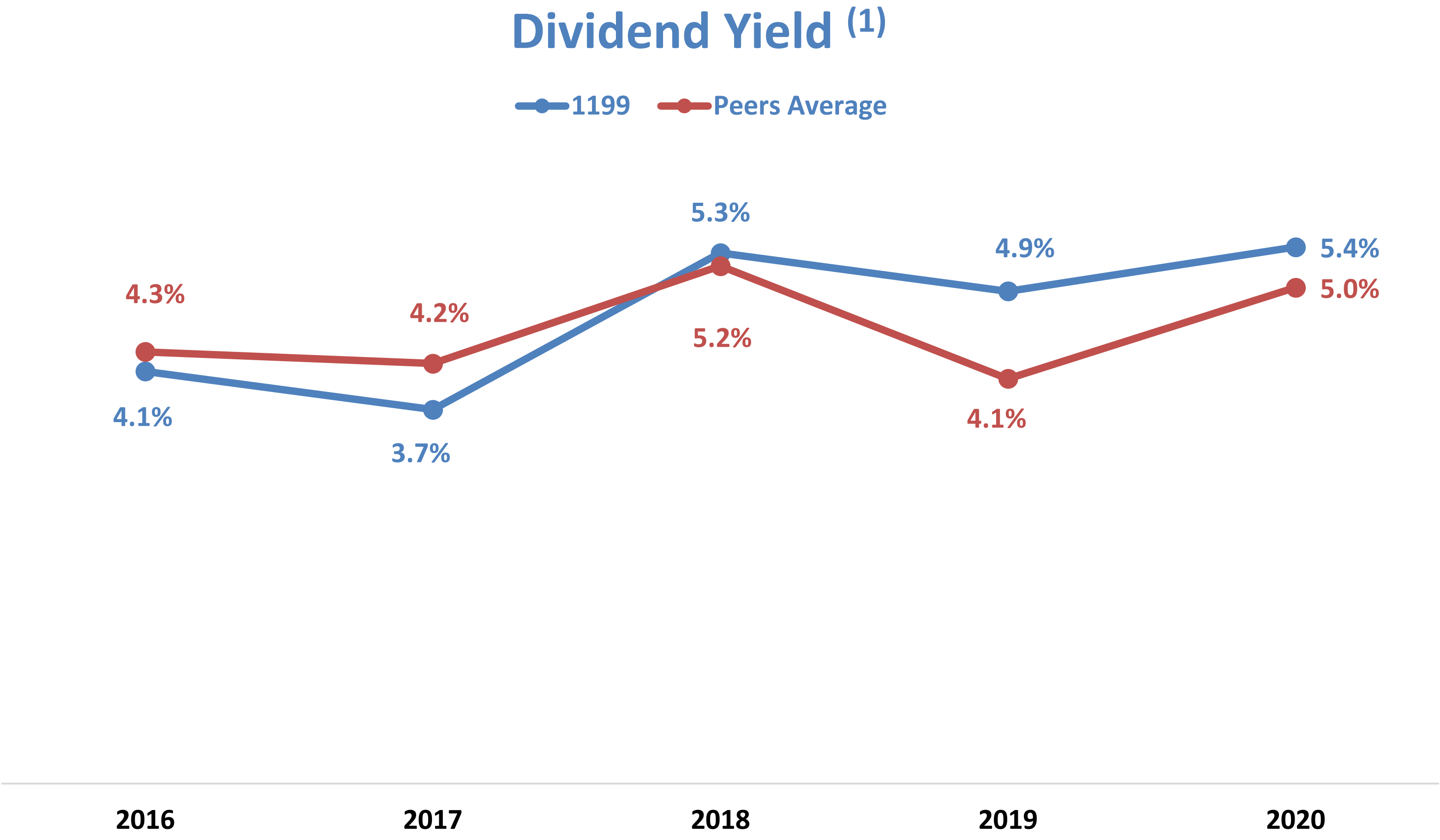
Note:

(1) Excluding USD 18.9 million of fair value gain from Beibu Gulf Port in 1Q2019.

(2) Terminal profit per TEU is calculated by dividing terminal profit by equity throughput.

Sustainable High Dividend Yield and Long-term Investment Value

➢ **We have confidence of being the best yield play within this industry**



Notes:

(1) COSCO SHIPPING Ports' dividend yield is calculated: dividend divided by its closing price as at 16/4/2021. And peers (China Merchants Ports, Qingdao Port, Tianjin Port, Xiamen Port and Dalian Port) average is calculated: dividend of each company divided by its closing price as at 16/4/2021 and then taken by the average of 5 companies.

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1 Recovery & Stable Dividend Policy

2 **Financial Highlights**

3 Operational Review

4 Strategy & Outlook

5 Appendix

Financial Highlights – Strong Profitability in 1Q2021

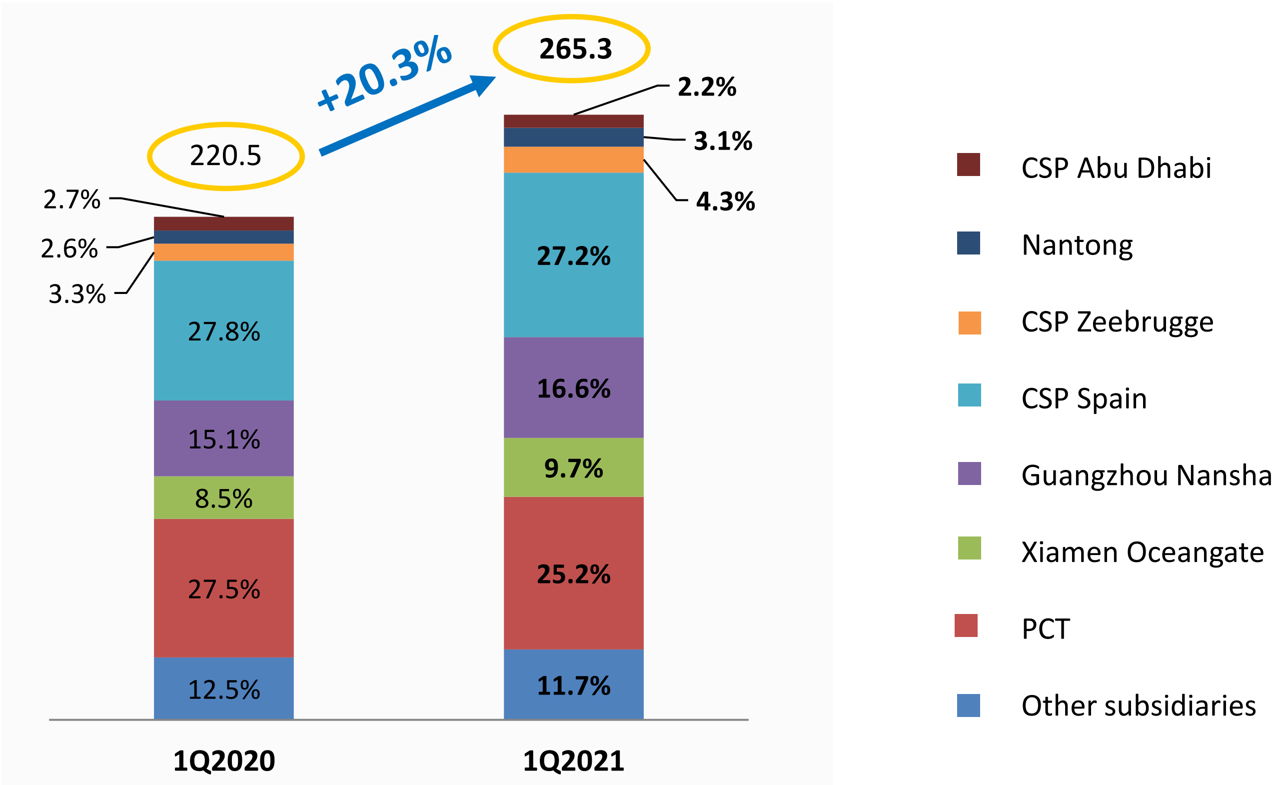
(US$ million, unless stated otherwise)	1Q2020	**1Q2021**	YoY Change (%)
Revenue	220.5	**265.3**	+20.3
Cost of sales	174.9	**203.4**	+16.2
Gross profit	45.6	**61.9**	+35.9
Share of profits from Joint Ventures & Associates	52.3	**81.0**	+54.8
Net profit attributable to shareholders	91.9	**73.0**	-20.5
EPS (US cents)	2.91	**2.20**	-24.4
Net profit attributable to shareholders (Excluding one-off items) [1]	30.4	**73.0**	+140.1
EPS (US cents) (Excluding one-off items) [1]	0.96	**2.20**	+129.2

Notes:

(1) Excluding 1Q2020 after-tax gain of USD$61.5M on disposal of interest in Yangzhou Terminal and Zhangjiagang Terminal.

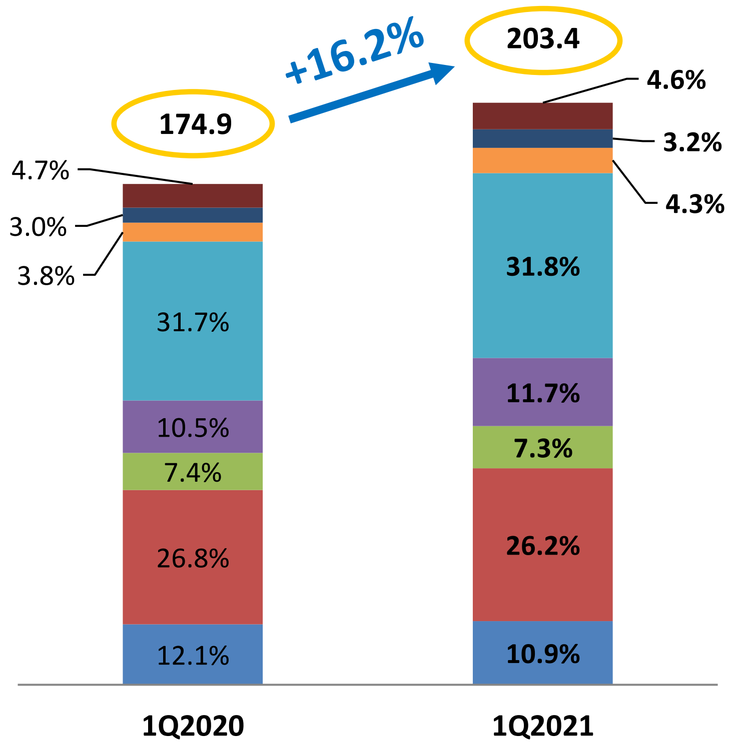
Revenue & Costs – Solid 1Q2021 Revenue Growth & Cost Control in the Greater China Region

Revenue (US$ million)



(US$ million)	1Q20	%	1Q21	%	YoY
Greater China	84.9	38	**108.6**	**41**	*+27.9%*
Overseas	135.6	62	**156.7**	**59**	*+15.5%*
Total	220.5	100	**265.3**	**100**	*+20.3%*

Cost of sales (US$ million)

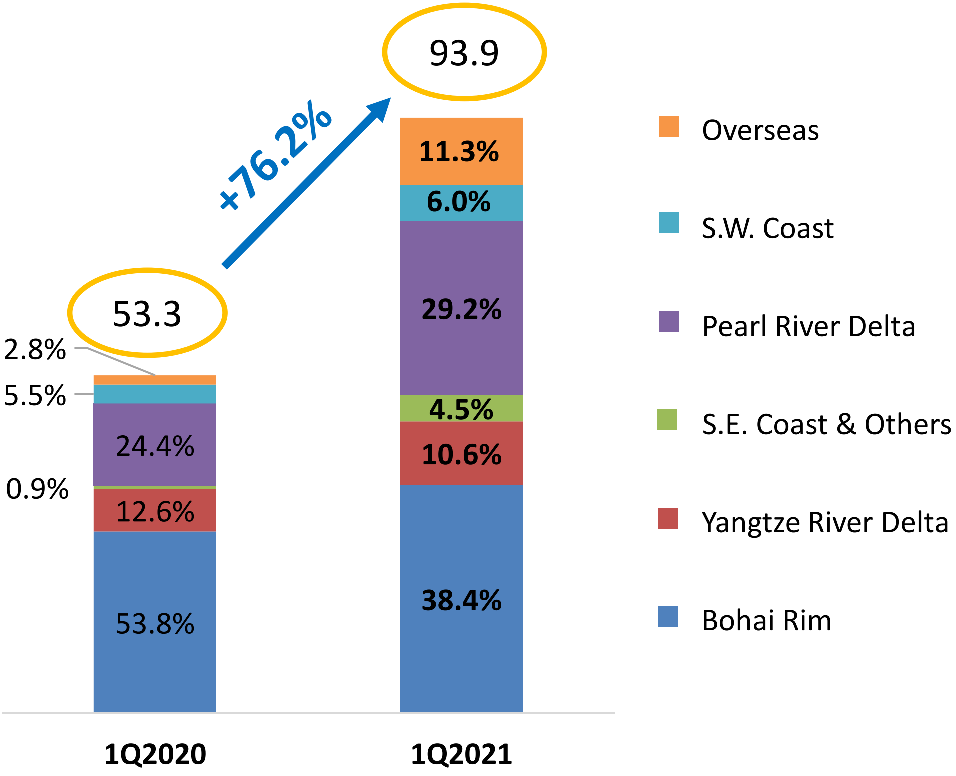


(US$ million)	1Q20	%	1Q21	%	YoY
Greater China	57.4	33	**66.8**	**33**	*+16.4%*
Overseas	117.5	67	**136.6**	**67**	*+16.2%*
Total	174.9	100	**203.4**	**100**	*+16.2%*

Terminals Profit – Robust Terminal Profit Growth in 1Q2021

➢ ***Benefiting from further throughput recovery as well as effective Lean Operations strategy, 1Q2021 terminal profit surged by 76.2% YoY and the portfolio has been further diversified***

Terminals Profit by Regions (US$ million)



Top 10 Terminal Contributors

	1Q2020		1Q2021
QPI	43.8%	Yantian	18.9%
Yantian	14.5%	**PCT**	**6.9%**
PCT	**10.6%**	**Guangzhou Nansha**	**5.1%**
Shanghai Pudong	6.9%	**Xiamen Ocean gate**	**4.6%**
Guangzhou Nansha	**5.7%**	Shanghai Pudong	4.5%
Shanghai Mingdong	5.2%	Kumport	3.9%
Beibu Gulf Port	5.1%	COSCO-PSA	3.2%
Kumport	4.7%	Shanghai Mingdong	2.7%
COSCO-PSA	3.7%		
Ningbo Yuan Dong	2.8%		
Total:	**103.0%**	**Total [1]:**	**n.a.**

Notes:

(1) Ranking and data of QPI and Beibu Gulf Port will be disclosed after their results announcements.

Financial Position – Maintaining Strong Balance Sheet

- **As at the end of 1Q2021, our cash position has been strong with cash and cash equivalents of USD 1.27 billion**
- **Net gearing ratio remained at healthy level at 27%**

(US$ million, unless stated otherwise)	As at 31 Dec 2020	**As at 31 Mar 2021**
Total assets	11,224	**11,107**
Net asset	6,377	**6,308**
Total debt	3,048	**3,000**
Cash and cash equivalents	1,310	**1,265**
Net debt to equity (%)	26.8%	**27.0%**
Book value per share (HK$) [(1)]	13.0	**12.9**

Notes:

(1) Book value per share is calculated by capital and reserves attributable to the equity holders divided by total number of shares issued as at the end of Dec 2020 and Mar 2021.

Capital Expenditure

FY2018 → FY2019 → FY2020 → 1Q2021 → FY2021

FY2018 CAPEX:

Total – US$494m
Investments – US$128m
PP&E – US$366m

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

FY2019 CAPEX:

Total – US$624m
Investments – US$224m
PP&E – US$400m

Examples:
- QPI (Added equity interest)
- Beibu Gulf Port (Added equity interest)
- CSP Zeebrugge CFS

FY2020 CAPEX:

Total – US$345m
Investments – US$131m
PP&E – US$214m

Examples:
- QPI (Added equity interest)
- Beibu Gulf Terminal

1Q2021 CAPEX:

Total – US$54.9m
Investments – US$8.8m
PP&E – US$46.1m

Example:
- Vado (Capital increase)

FY2021 Expected CAPEX:

Total ~ US$900m
Investments ~ US$400m
PP&E ~ US$500m

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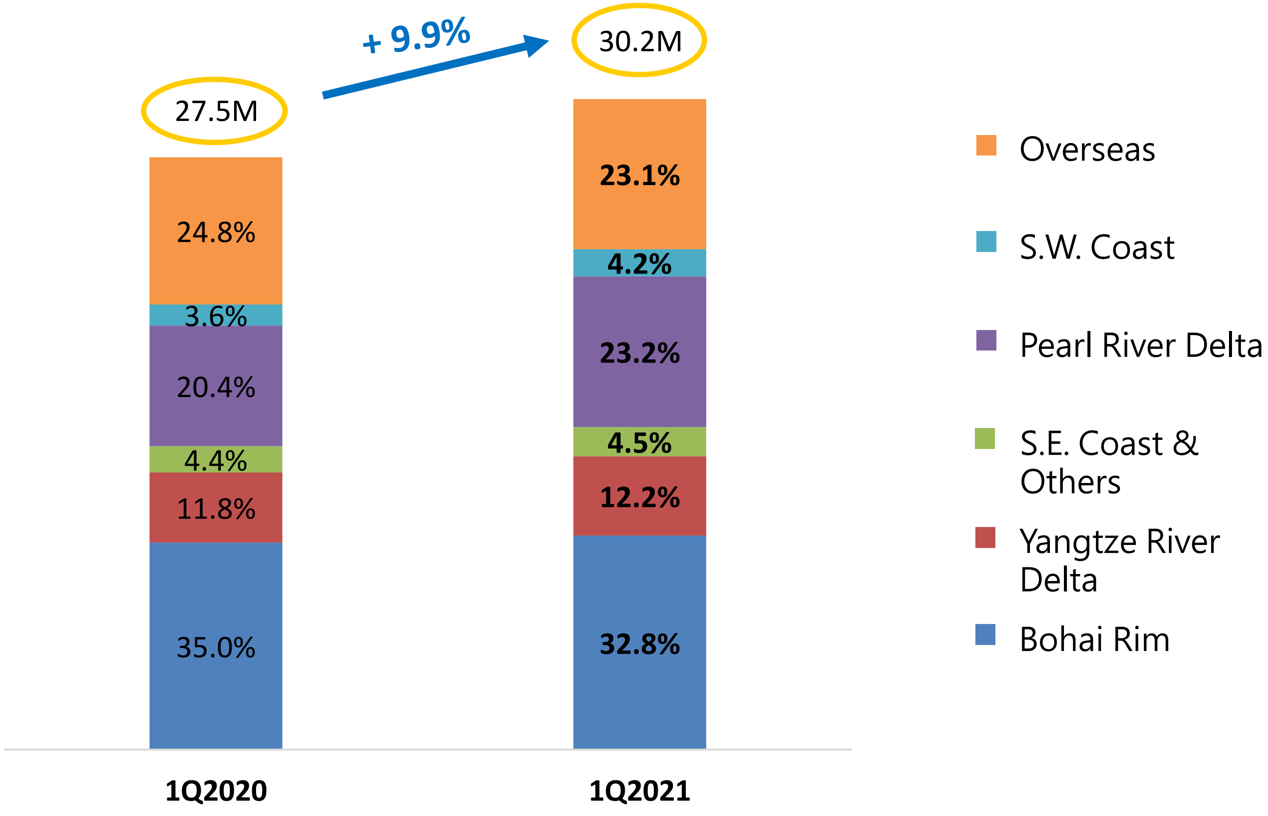
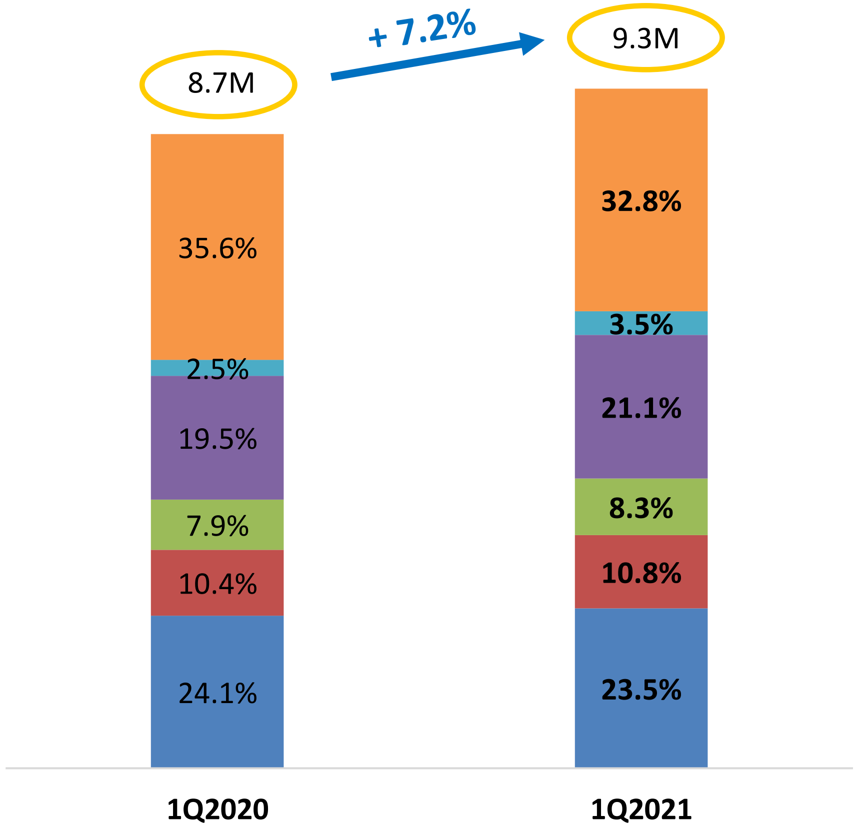
Operational Results – Strong Throughput Growth in 1Q2021

Total Throughput ('000 TEU)	1Q2020	**1Q2021**	YoY Change
- Subsidiaries	5,097	**5,366**	+5.3%
- Non-subsidiaries	22,382	**24,822**	+10.9%
Total throughput	27,479	**30,188**	+9.9%

Equity Throughput ('000 TEU)	1Q2020	**1Q2021**	YoY Change
- Subsidiaries	3,340	**3,403**	+1.9%
- Non-subsidiaries	5,331	**5,890**	+10.5%
Equity throughput	8,671	**9,293**	+7.2%





Global Footprint and Opportunities

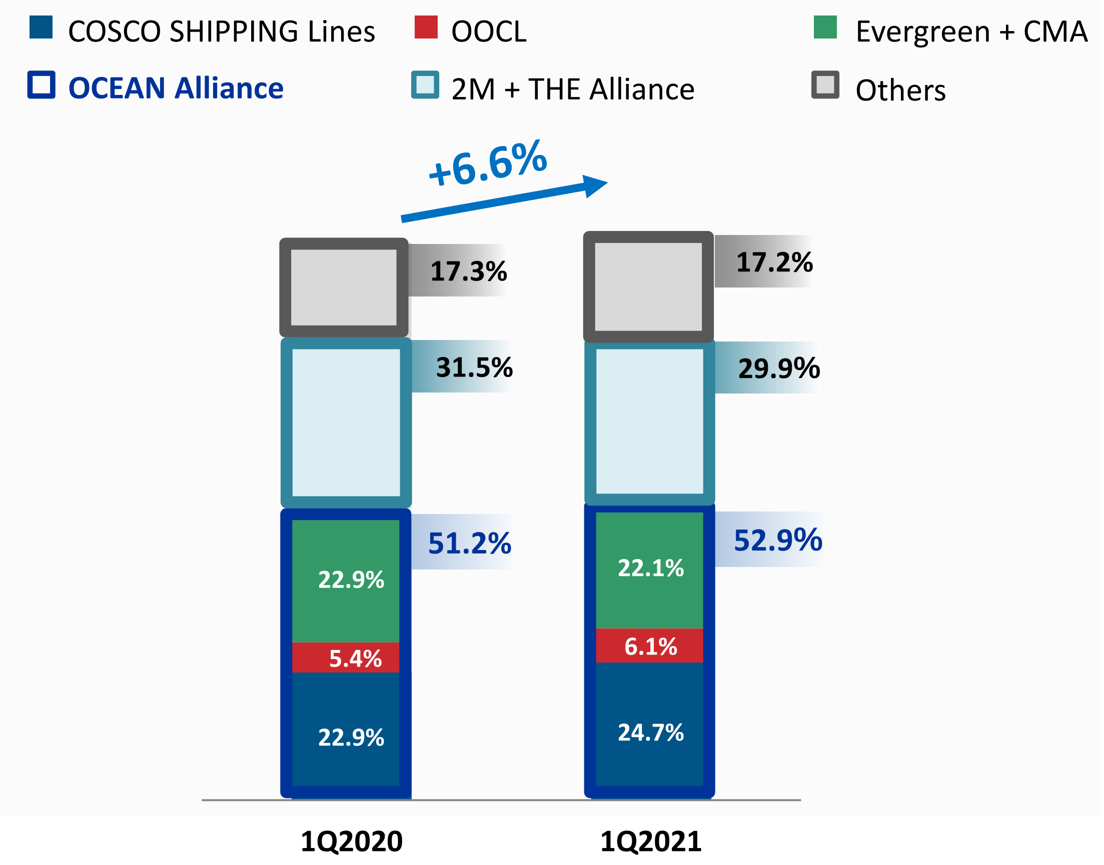
Key Overseas Terminals	Annual Designed Capacity (TEU)
PCT (1)	**6,200,000**
CSP Spain Group (1)	**5,100,000**
CSP Abu Dhabi (1)	**2,500,000**
CSP Zeebrugge (1)	**1,300,000**
Chancay (1)	**1,000,000**
RSGT	5,200,000
Suez Canal	5,000,000
COSCO-PSA	4,850,000
Antwerp	3,700,000
Euromax	3,200,000
Kumport	2,100,000

- Strategically pursue investment opportunities to create value to our shareholders
- Future M&A opportunities in the regions of Southeast Asia, the Middle East, Africa and South America
- To target Hurdle rate at least ***low double-digit equity IRR***

Note:
(1) Overseas subsidiaries

Enhance Synergy in Subsidiaries– Secured Demand with Shipping Alliances [1]

Throughput from COSCO SHIPPING Lines, OOCL, Evergreen + CMA, 2M+THE Alliance and others as % of total throughput [2]



Growth in Throughput [2] (1Q2021 YoY Change)

- **+14.8%** COSCO SHIPPING Lines
- **+20.2%** OOCL [3]
- **+10.1%** OCEAN Alliance
- **+1.0%** 2M + THE Alliance
- **+6.4%** Non-Shipping Alliances [4]

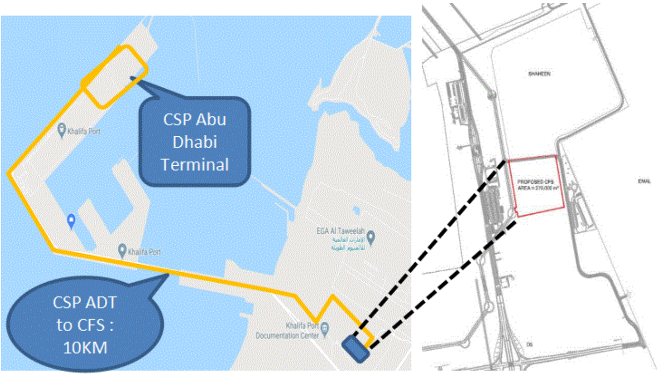
- **Contribution from COSCO SHIPPING Lines and OCEAN Alliance was up about 14.8% and 10.1% YoY in 1Q2021, which accounted for around 1/4 and 1/2 of total throughput, respectively**
- **Throughput from OOCL surged by 20.2% YoY in 1Q2021, of which PCT, CSP Zeebrugge, Xiamen, CSP Spain terminals increased significantly**
- **Throughput from non-Shipping Alliances rose 6.4% YoY in 1Q2021, of which Xiamen Terminal increased significantly**

Note:

(1) *Based on Alphaliner figures as at 16/4/2021, our major customers OCEAN Alliance, 2M and THE Alliance together were accounted for about 83% of global container fleet market shares.*
(2) *Total throughput of 7 major subsidiary terminals at which 3 major Shipping Alliances call.*
(3) *Throughput from OOCL at PCT, CSP Zeebrugge, Xiamen and CSP Spain terminals increased significantly in 1Q2021.*
(4) *Throughput from non-Shipping Alliances at Xiamen Terminal increased significantly in 1Q2021.*

Promoting Value-Added Supply Chain Extension Projects

CSP Abu Dhabi CFS



CSP Zeebrugge CFS

	Total Area (sqm)	Warehouse Area (sqm)	Capex	Commencement date
CSP Abu Dhabi CFS Phase 1 (1)	273,970	50,666	77mUSD	1H2021
CSP Zeebrugge CFS	77,869	41,580	13mEUR	Now operating
Guangzhou Nansha CFS	206,200	N/A	986mRMB	2022 Expected
Xiamen CFS	23,800	N/A	130mRMB	2022 Expected

Note:
(1) The total warehouse area and estimated capex of phase 1 and 2 is about 105,225 sqm and approximately USD$ 138 million.

ACCELERATE THE EXTENSION OF SUPPLY CHAIN

INCREASE NEW EARNINGS GROWTH DRIVER

- **Develop the supply chain business and accelerate the construction of the extended supply chain platform**
- **Build up logistics network with the supply chain platform as a link and expand service categories, better attract and retain customers, bring in new revenue growth points**

Technology Development to Facilitate Lean Operations

navis N4

2021 → **Coming 3-4 years**

Wuhan Terminal and Nantong Terminal will implement Navis N4 system in 2021

Application of Navis N4 system to most of our subsidiaries in the coming 3-4 years

- Actively advocated 5G smart ports
- Demonstration port for 5G smart application, Xiamen Ocean Gate Terminal is actively carrying out research and development of driverless container truck system

GSBN

Further enhance terminals' informatization services level through the participation of GSBN and application of blockchain technology

Agenda

Global Layout and Lean Operations

Capitalize on global growth and optimize terminal portfolio

- Identifying potential projects and tapping into strategic subsidiaries and profitable non-subsidiaries amid global growth to enhance balanced global network
- Restructuring terminals through port resources consolidation to increase efficiency
- Disposing terminals without strategic value to enhance global portfolio and increase total assets
- Continuing to explore emerging markets such as Southeast Asia, the Middle East and Africa to expand and diversify terminal portfolio

Further implement lean operations to boost quality and efficiency

- Continuing “lean operations“ in 3 ways to enhance portfolio and raise efficiency:
  - Cost reduction – focusing on financial control and featuring “cost per TEU” to enhance terminal operations and management
  - Revenue boost – capitalizing on global network and switching from single terminal service to network marketing to provide shipping companies with budget and efficient service in order to increase our bargaining power. Actively collaborating with other ports operators to raise throughput and improve overall efficiency
  - Headquarters’ empowerment – setting up COE (Center of Excellence) team to enhance port operations and management

Optimizing Terminal Assets Portfolio

ACQUISITIONS

Beibu Gulf Terminal
is expected to share the benefits of economic growth in Southwest China and Southeast Asia

RSGT
has a wide coverage of container market in the Middle East and East Africa, bringing growth momentum

Tianjin Container Terminal
further enhances synergy with the OCEAN Alliance and strengthens investment and expanding the space for development for both parties

DISPOSALS

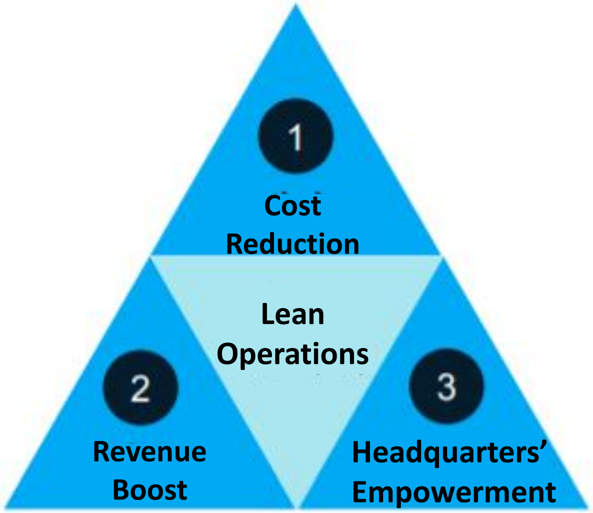
Yangzhou Yuanyang Terminal & Zhangjiagang Terminal
disposal gain after tax of around USD$61M

Jiangsu Petrochemical
disposal gain after tax of around USD$7M

PB ratio of the 3 terminals was about 1.5-1.7 times.
CSPL is now traded at around 0.5 times, deeply undervalued. The disposals created value for shareholders

Taicang Terminal
is expected to be disposed in 2021

Lean Operations – Cost Reduction



Cost Reduction

- **Develop cost management system focusing on financial control and featuring "cost per TEU"** to enhance terminal operations and management; **incorporate "cost per TEU"** in KPI to set operating cost control targets for subsidiaries

- **Facilitate informatization and digitalization, relatively unify operating system and continue to adopt Navis N4 in subsidiaries**; develop MIS system, unify key operational and business indicators, and drive terminal automation

- **Enhance cost breakdown analysis, set targets and formulate cost control plan**; develop a cost-oriented marketing and operating mindset; introduce practical, clear and effective measures; enhance cost optimization and stay cost competitive

Lean Operations – Revenue Growth and Headquarters' Empowerment

Revenue Boost

- **Develop customer analysis model** to identify profit contribution from shipping companies and container types, allowing headquarters and terminals to engage customers and leverage on their competitive edges to **enhance effective marketing and negotiation to tap customer value and increase throughput and revenue**
- **Enhance organizational structure to increase marketing efforts and synergy**; continue to optimize and enhance operations with sharper market insights and customer analysis by marketing team, and support terminals to maintain relationships with shipping liners in a systematic manner
- **Develop supply chain business by innovative marketing**; build terminal extended supply chain platform to develop terminal-oriented supply chain warehousing service and establish logistics network leveraging on supply chain platform. CFS business brings in shipping services, which in turn boost demand for CFS and supply chain extended services

Headquarters' Empowerment

- **Headquarters is empowered to solve problems impeding cost-cut and make business decisions with terminals**, transforming from being a "passive auditor" to "business partner" through measures such as visualization of information and COE, with an aim to reducing cost and increasing terminal revenue
- **Execute action plan proactively and strengthen terminal operations and management**

Lean Operations – Cost Control

Four measures to improve lean operations and cost control capabilities

- Innovatively set up ports operations management COE Team
- Establish cost control incentive system
- Formulate four-stage cost control and supervision system, including 1）terminals；2）Operations Center and COE Team； 3）Audit & Supervision Department supervise the work； 4）In terms of long-term problem which can not be effectively solved regarding cost control, introduce personnel change and disciplinary inspection when necessary
- Set up centralized procurement system based on the principle of making as many necessary purchases as possible from the same supplier

A series of cost control measures

- Actively promote and enhance automation in the terminal to improve efficiency and lower outsourcing cost
- Evaluate the allocation of human resources and maximize human resources by one job post with multi-functions or change of job to lower labor cost
- Improve the working efficiency of cranes to reduce equipment electricity and fuel cost
- Increase durability of equipment by in-house maintenance to lower maintenance expense

➢ **Our Terminals highly value the cost control system, focusing on cost per TEU. Hence, we incorporated the "cost per TEU" concept into KPI and established operating cost control goals for subsidiaries in order to effectively implement cost control measures within the operational system**

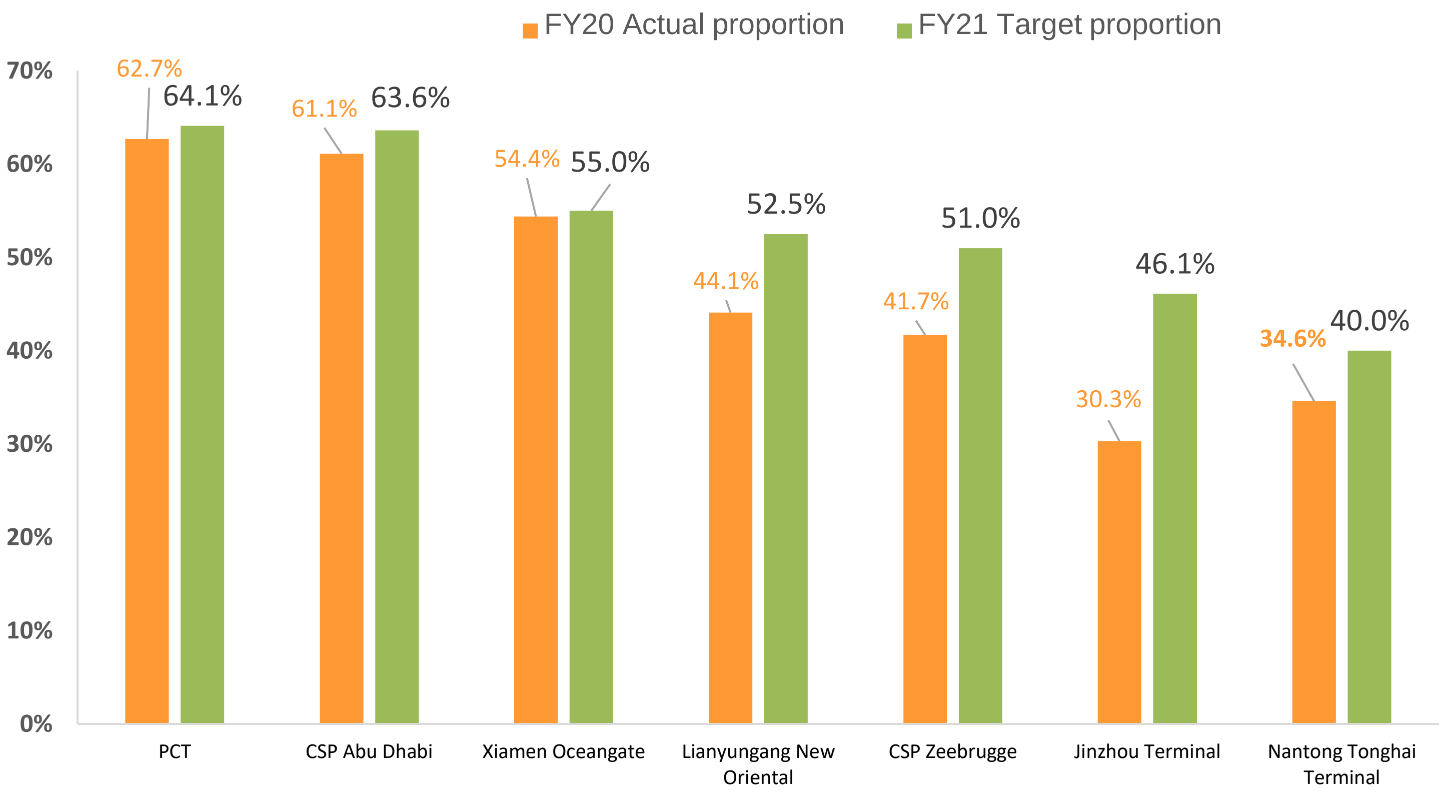
Lean Operations – Increase Revenue

- Strengthen overall marketing activities and negotiation strategies to further tap customer value. Terminals maintain good relationship with shipping companies and have made good positive progress in introducing new shipping services. Our Subsidiaries have added <u>17 new shipping services during 1Q2021</u>

- Apart from maximizing synergy with parent company, we also cooperate with different shipping alliances to optimize our client portfolio

- Given improving macro environment and effective lean operations strategy, we have stronger bargaining power to adjust up ASP, <u>for example, PCT's ASP increased by about 10% in 1Q2021 compared with that in FY2020</u>

Increase volume proportion from third-party customers (1)



Note:
(1) Third party refers to throughput contributed by other shipping companies, excluding those from parent company and OOCL.

5-Year Target Plan

To achieve targets by the end of 2025 (1)

Equity throughput

57 million TEU

5-year growth rate **48%**

(5-year CAGR of about **8.2%**)

Operational cost per TEU

Decrease by **15~20%** in 5 years

(Annual average decline by **3~4%** in 5 years)

Notes:

(1) Year 2021 - year 2025

Outlook

Challenges

- Negative impact to global economy due to COVID-19
- Sino-US trade tensions

Opportunities

- Long term opportunities for overseas terminals development
- Opportunities amid domestic terminals consolidation
- Good prospect on the back of our effective Lean Operations strategy

- Global economic growth looks stagnant, some companies have cut or even cancelled dividend. However, on the back of our strong operating cash flow from lean operation, we are confidence of maintaining our attractive dividend policy to reward our shareholders
- The negative impact from COVID-19 on the ports industry has gradually eased. Throughput in the recent two quarters shows strong signs of recovery
- We will actively enhance the gateway ports network and further strengthen supply chain to build terminal network in Middle East, Africa, Southeast Asia and South America
- Expect our throughput growth of 2021 will outperform the average of industry

Capturing Strategic Development Opportunities

Continuing to Enhance Lean Operations

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COSCO SHIPPING Ports Limited

The Ports for ALL

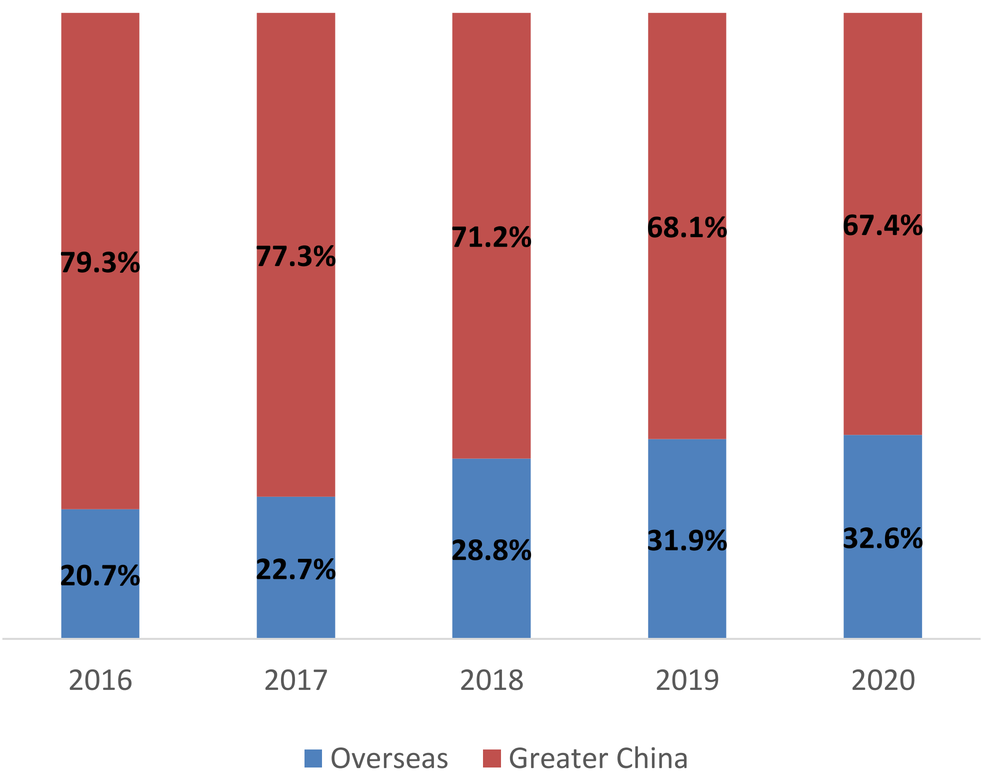
Q & A Session

Thank you!

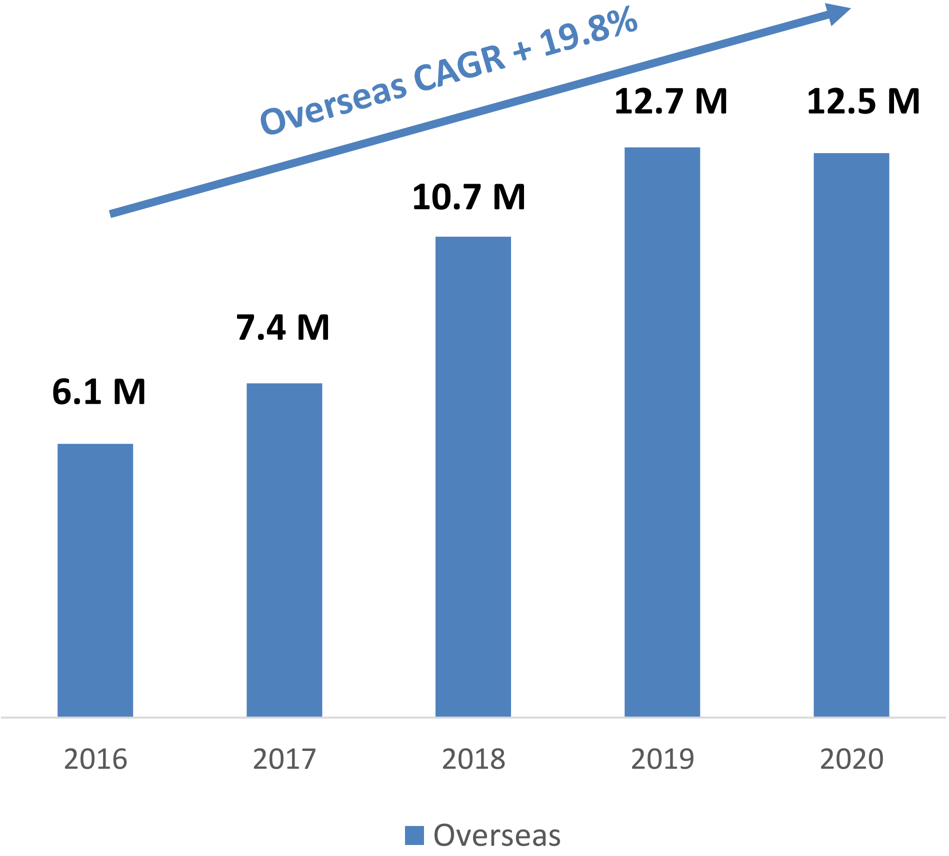
Agenda

Increasing Overseas Exposure

Equity Throughput by geographic location (%)



Overseas Equity Throughput (TEU)



On Track to Achieve Our 5-Year Target

2016
Restructuring

- As a pure port operator
- 3 core strategies

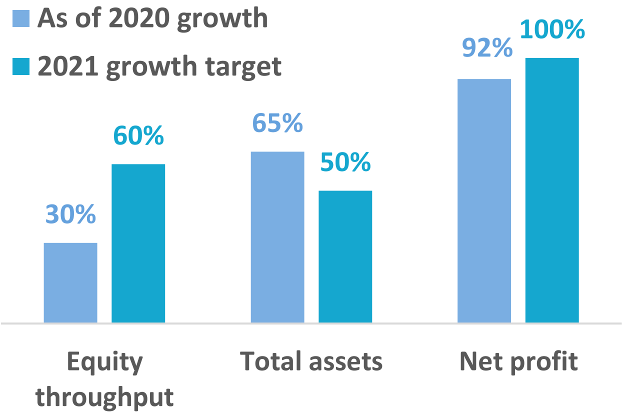
	2016 Base Year	Change	2021 Target
Equity throughput	29.5 mn TEU	**+60%**	**47.2 mn TEU**
Total assets	US$6,786.5 mn	**+50%**	**US$10,179.8 mn**
Net profit	US$180.9 mn[1]	**+100%**	**US$361.8 mn**

Notes:

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

2020
Where we were

- No. of subsidiaries increased to 14 (FY2016: 10)
- Industry leader in terms of total container throughput



2021
Vision

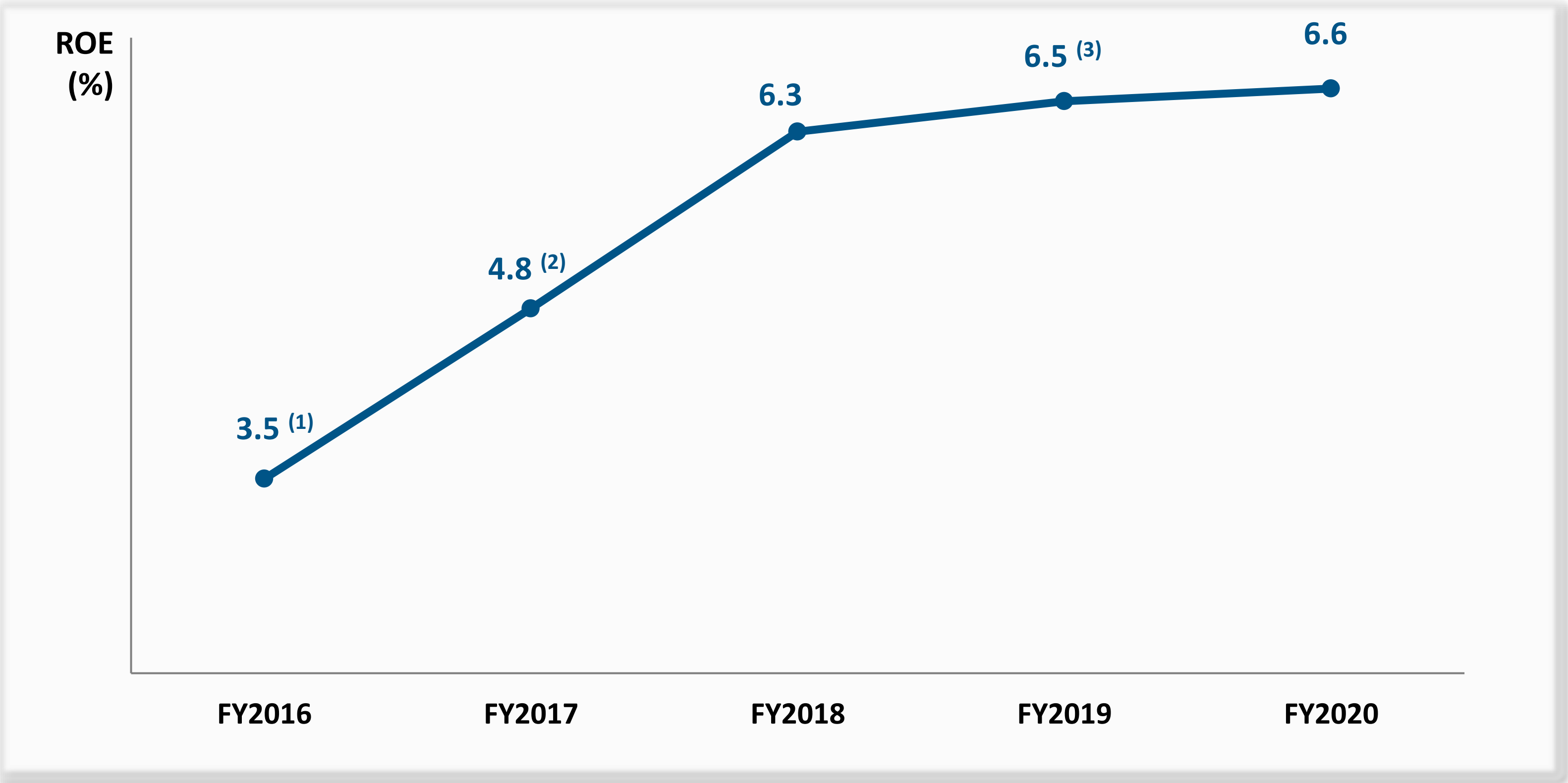
Operations:

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

Financials:

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

Return On Equity (ROE) Improvement – Newly Acquired Terminals to Catch Up



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.

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 [3]	Growth Rate of Revenue [3]	EVA Indicator
1st batch	33.3%	Commencing on the first trading day after the expiration of the Restriction Period [1] and ending on the last trading day of 60 months from the Grant Date [2]	≥ 6.0% [4]	≥ 15.0% [5]	Must reach assessment target [6]
2nd 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 [2]	≥ 6.5% [4]	≥ 25.0% [5]	Must reach assessment target [6] and EVA > 0
3rd 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 [2]	≥ 7.0% [4]	≥ 40.0% [5]	Must reach assessment target [6] 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.*

Sustainability Framework

- Providing a healthy and safe working environment
- Building an inclusive, diversified and sustainable workforce

- Ensuring operational compliance
- Promoting inclusive development

- Transitioning to "Green Ports"
- Managing energy consumptions and emission to respond to climate change

- Enhancing supply chain management
- Fostering fair operating practices

- Harnessing the power of technology
- Strengthening our global terminal network

Aligning Global Principles

We support the Sustainable Development Goals (SDGs) of the United Nations and identify how these global sustainability challenges relate to our business and integrate them into our daily operations:

SUSTAINABLE DEVELOPMENT GOALS

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

Global Recognition and Advocacy:

CDP™

DISCLOSURE INSIGHT ACTION

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Thank you!