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

The Ports for ALL

1H2020 Results Presentation

With strong financial position and captive demand, we are confident of standing out on the ride of recovery momentum

August 27, 2020

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1. Sustainability & Recovery
2. Financial Highlights
3. Operational Review
4. Outlook
5. Appendix

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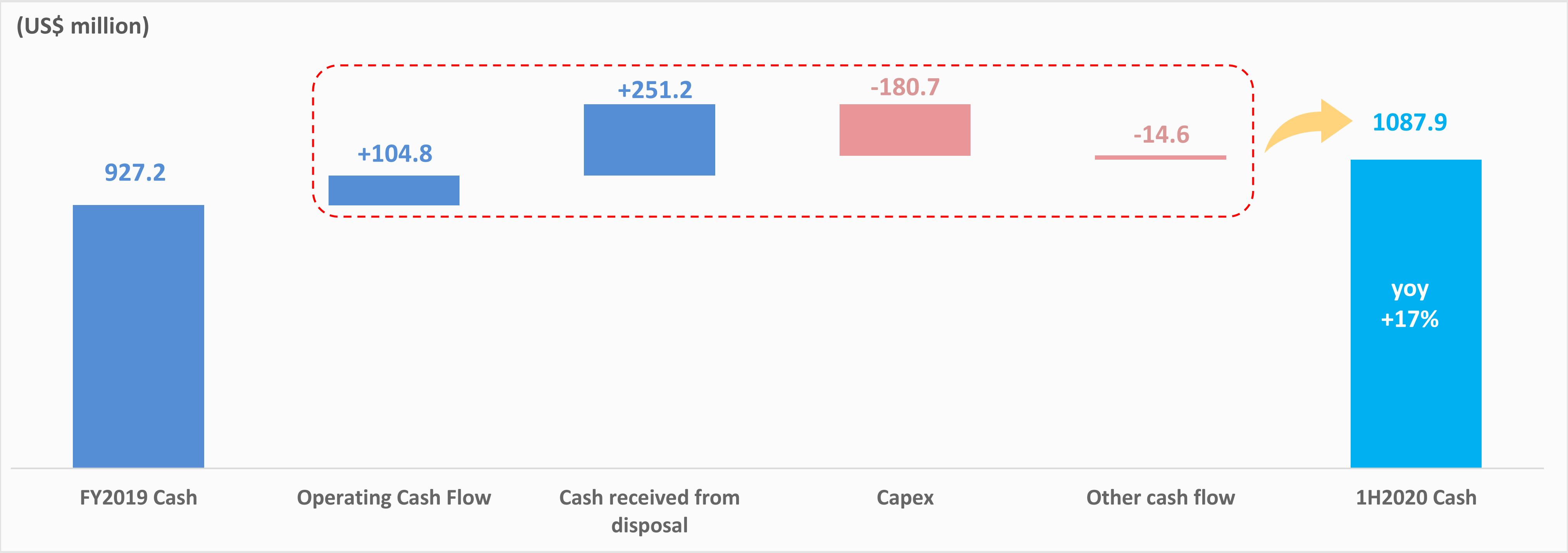
Strong Cash Flow to Maintain Dividend Policy

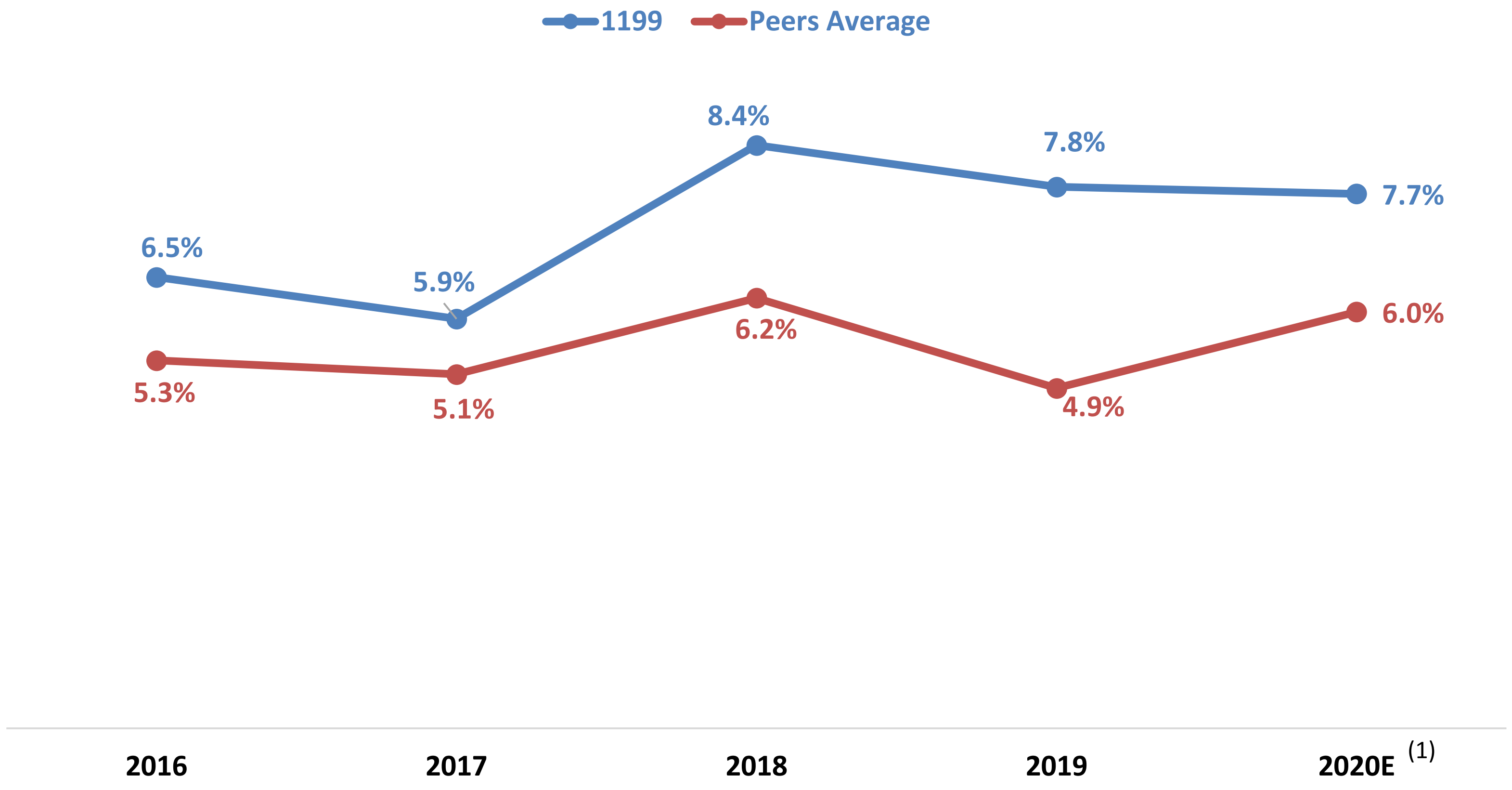
Increasing cash flow during 1H2020

- Our total cash reached USD$1,088M at the end of June 2020, an increase of 17% comparing to the end of FY2019 due to operating cash inflow, cash received from disposal of interest in Yangzhou and Zhangjiagang terminals, Capex and other cash flow during 1H2020 as the chart shown below
- In 2H2020, we expect cash received from disposal of interest in Jiangsu Yangtze Petrochemical Terminal at a consideration of approximately RMB 250 million as well as the potential disposal of equity interest in Taicang Terminal will also bring strong cash flow to our Company
- Our strong cash flow helps maintain 40% payout ratio of our dividend policy



Sustainable Dividend Yield and Long-term Investment Value

Dividend yield (2)



- ***Amid economic uncertainties, some other companies have cut or even cancelled their dividend; however, we expect to maintain our dividend policy***
- ***Our dividend yield has always been higher than the peers average since the year of 2016***

Notes:

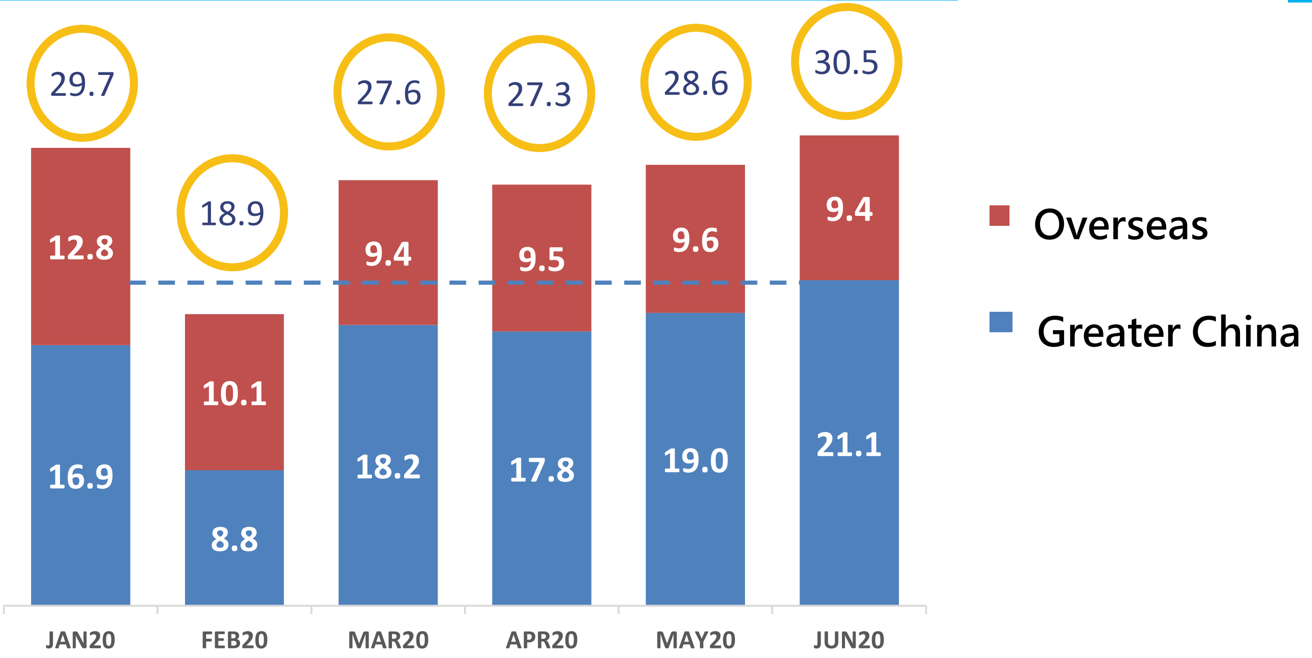
(1) Source: 2020 expected dividends of COSCO SHIPPING Ports and our peers are the sum of 2019 2H actual dividend and 2020 1H dividend estimated by Bloomberg.

(2) COSCO SHIPPING Ports' dividend yield is calculated by historical dividend divided by its closing price as at 10/8/2020. And peers (China Merchants Ports, Qingdao Port, Tianjin Port, Xiamen Port and Dalian Port) average is calculated by dividend of each company divided by its closing price as at 10/8/2020 and then taken by the average of 5 companies.

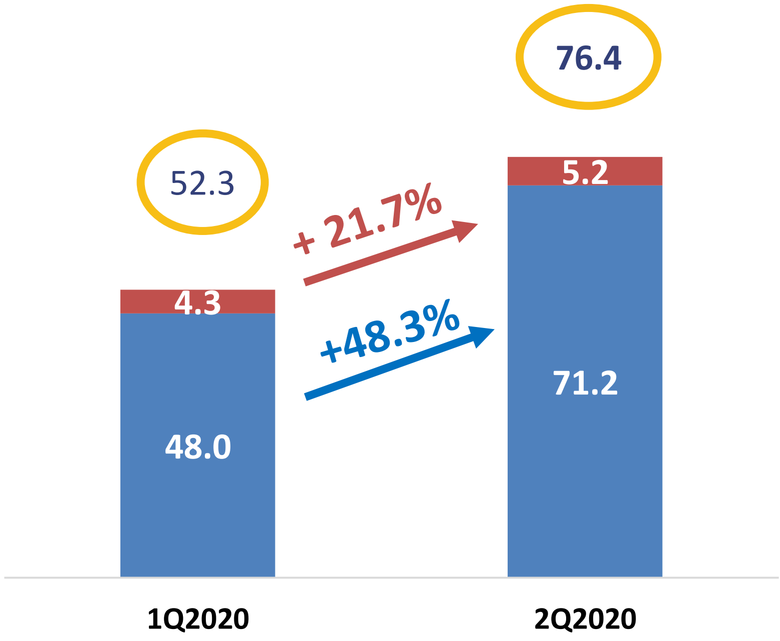
Improving Profitability in terminals of Greater China Region

- *Although overall subsidiaries' EBITDA decreased by 15.9% YoY in 2Q 2020, demand in Greater China's subsidiaries in June recovered as their EBITDA for the month reached USD$21.1 M, up 11.1% MoM and slightly down 0.7% YoY, the highest level since Jan 2020*
- *Share of profits from JVs and associates of Greater China in 2Q 2020 increased by 48.3% QoQ and 4.6% YoY*

Subsidiaries EBITDA (million USD) (1)



Share of profits from JVs and associates (million USD) (2)



Note:

(1) Subsidiaries EBITDA is calculated by the figures of individual terminals level as well as excluded EBITDA from Yangzhou and Zhangjiagang terminals due to their disposal

(2) Nanjing Longtan and Yangtze Petrochemical terminals were excluded due to their disposal

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Financial Highlights – 1H2020 Interim Dividend Increased by 8.8% YoY

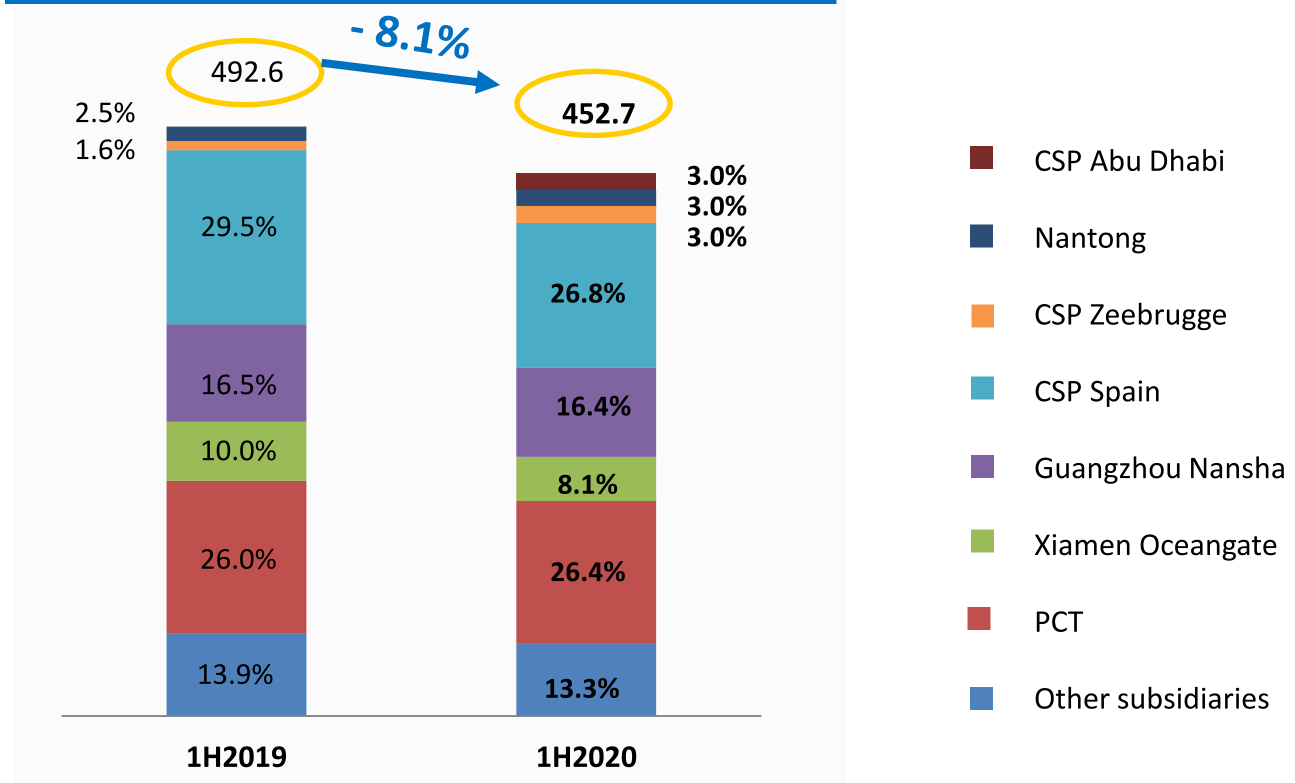
(US$ million, unless stated otherwise)	**Reported**			**Adjusted (Excluding disposal of Nanjing Longtan, Zhangjiagang, Yangzhou and Yangtze Petrochemical terminals)**		
	1H2020	1H2019	YoY Change	**1H2020**	1H2019	YoY Change
Revenue	**452.7**	517.9	-12.6%	**452.7**	492.6	-8.1%
Cost of sales	**353.5**	364.5	-3.0%	**353.5**	349.5	+1.1%
Gross profit	**99.2**	153.4	-35.4%	**99.2**	143.1	-30.7%
Share of profits from JVs & Associates	**128.7**	144.6	-11.0%	**128.6**	143.3	-10.2%
Net profit attributable to shareholders	**163.4**	147.8	+10.5%	**94.8** [(1)]	144.6	-34.5%
EPS (US cents)	**5.17**	4.75	+8.8%	**3.00** [(1)]	4.65	-35.5%
Interim dividend per share (US cents)	**2.068**	1.900	+8.8%			
Payout ratio	**40%**	40%	-			

Notes:

(1) Excluding after-tax gain of USD$61.5M on disposal of interest in Yangzhou Terminal and Zhangjiagang Terminal as well as after-tax gain of USD$7.1M on disposal of interest in Jiangsu Yangtze Petrochemical Terminal

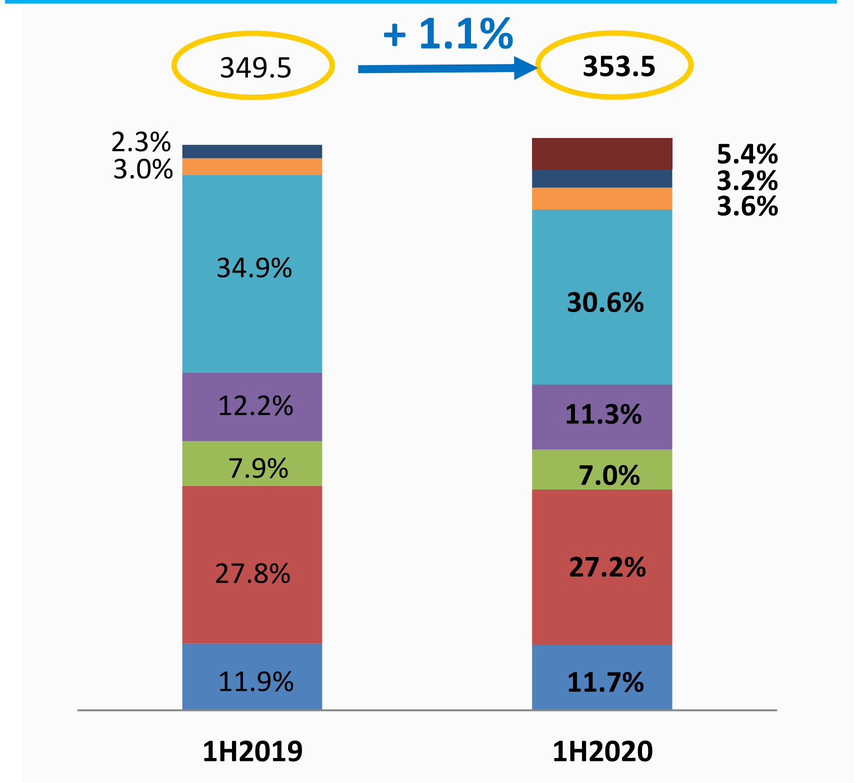
Revenue & Costs [(1)] – 1H2020 Revenue Decreased in Greater China Region Due To COVID-19

Revenue (US$ million)



(US$ million)	1H2019	%	1H2020	%	YoY
Greater China	211.6	43%	**184.1**	**41%**	*-12.8%*
Overseas	281.0	57%	**268.6**	**59%**	*-4.6%*
Total	492.6	100%	**452.7**	**100%**	*-8.1%*

Costs of Sales (US$ million)



(US$ million)	1H2019	%	1H2020	%	YoY
Greater China	119.7	34%	**116.4**	**33%**	*-2.4%*
Overseas	229.8	66%	**237.1**	**67%**	*+3.0%*
Total	349.5	100%	**353.5**	**100%**	*+1.1%*

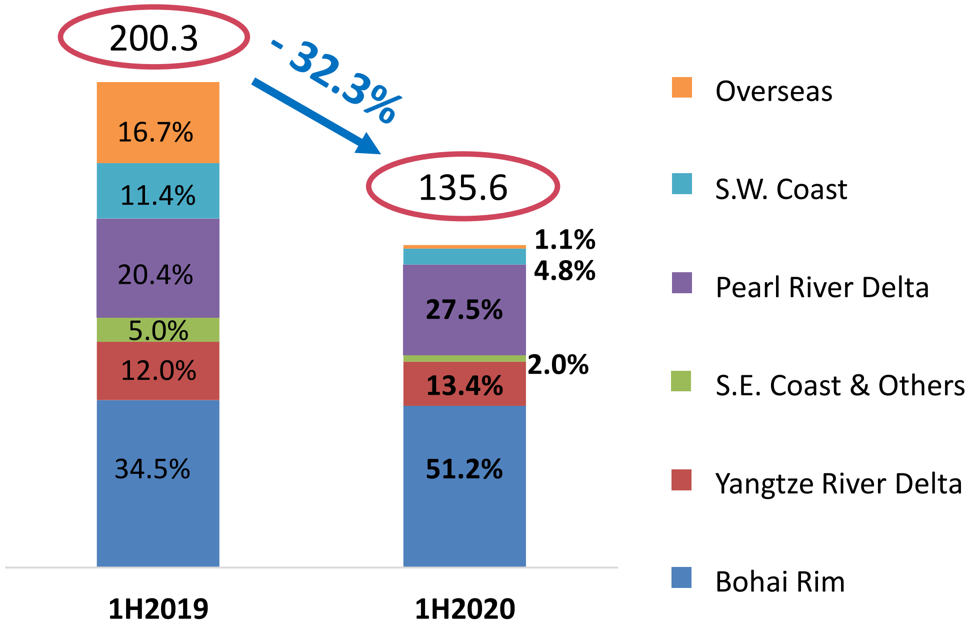
Note:

(1) All financial figures on this slide excluding financial data from Yangzhou and Zhangjiagang terminals which have already been disposed

Terminals Profit [1] – Overseas Terminals Profit Impacted by Depreciation Cost and COVID-19

- ***Greater China's terminals profit accounted for higher percentage of total terminals profit in 1H2020, benefiting from the profitability improvement in June and containment for COVID-19 in China***
- ***The percentage of terminals profit from overseas decreased mainly due to depreciation cost of newly developed terminals such as Abu Dhabi and decreasing throughput from CSP Spain***

Terminals Profit by Regions (US$ million)



Top 10 Terminal Contributors

1H2019		1H2020	
QPI	25.1%	QPI	40.6%
Yantian	11.8%	Yantian	14.5%
Beibu Gulf	10.2%	**PCT**	**6.0%**
PCT	**7.6%**	Shanghai Pudong	5.9%
Kumport	5.4%	**Guangzhou Nansha**	**5.6%**
Shanghai Pudong	4.7%	Shanghai Mingdong	4.5%
Guangzhou Nansha	**4.0%**	Beibu Gulf	4.5%
Xiamen Ocean Gate	**3.3%**	Kumport	4.2%
Euromax	2.9%	COSCO-PSA	3.7%
Shanghai Mingdong	2.8%	COSCO-HIT	2.9%
Total:	**77.8%**	**Total:**	**92.3%**

(US$ million) [3]	1H2019	1H2020	YoY
Terminals Profit	200.3	**135.6**	-32.3%
- Other expenses/cost	(55.7)	**(40.8)**	-26.6%
= Adjusted net profit attributable to shareholders [2]	144.6	**94.8**	-34.5%

Notes:

(1) All financial figures on this slide excluding financial data from Nanjing Longtan, Yangzhou, Zhangjiagang and Yangtze Petrochemical terminals which have already been disposed

(2) Excluding after-tax gain of USD$61.5M on disposal of interest in Yangzhou Terminal and Zhangjiagang Terminal as well as after-tax gain of USD$7.1M from disposal of interest in Jiangsu Yangtze Petrochemical Terminal

(3) Terminal profit – Other expenses/cost = Adjusted net profit attributable to shareholders

Financial Position – Healthy Balance Sheet with Strong Cash Position

We are more prudent to the cash management amid challenging and uncertain environment in 2020

- ***Cash of USD$1,088M at the end of June 2020, up 17% comparing to end of FY19***
- ***Net gearing ratio of 29.0% at the end of June 2020, which was 5 percentage points lower than that at the end of FY19***

(US million, unless stated otherwise)	As at 31 Dec 2019	**As at 30 Jun 2020**
Total assets	10,477	**10,366**
Net asset	5,765	**5,806**
Total debt	2,916	**2,802**
Cash and cash equivalents	927	**1,088**
Net debt to equity	34.0%	**29.0%**
Book value per share (HK$) (1)	12.4	**12.4**
Average bank borrowing cost	3.77%	**3.36%**

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 June 2020.

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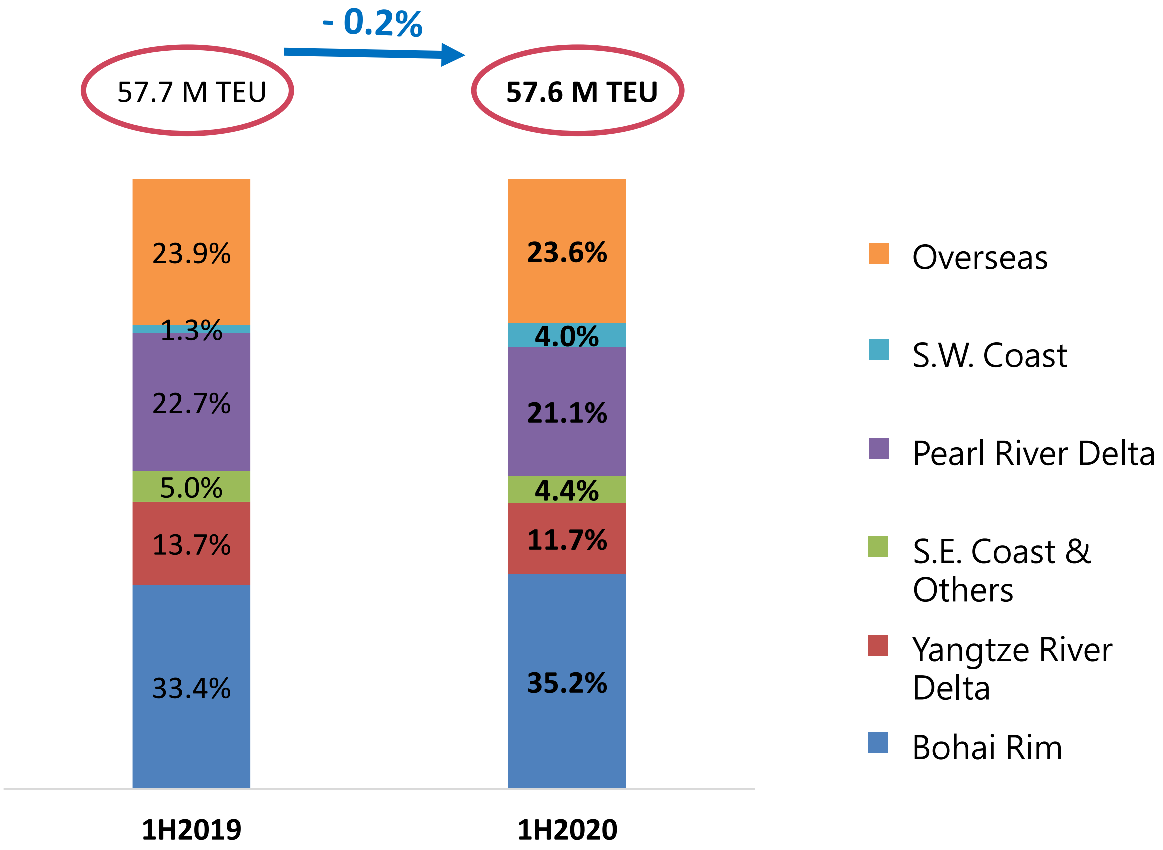
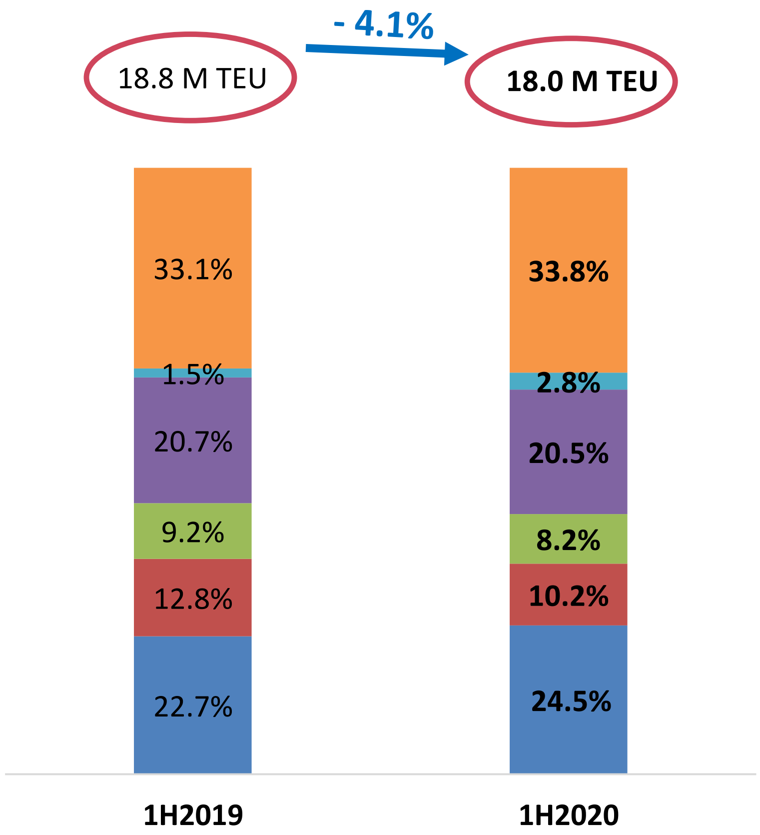
Operational Results [1] – Overseas Region Contributed 1/3 to Our Total Equity Throughput

Total Throughput ('000 TEU)	1H2019	1H2020	YoY
Total throughput	57,696	**57,554**	-0.2%
- Subsidiaries	11,873	**10,422**	-12.2%
- Non-subsidiaries	45,823	**47,132**	+2.9%

Equity Throughput ('000 TEU)	1H2019	1H2020	YoY
Equity throughput	18,803	**18,035**	-4.1%
- Subsidiaries	7,594	**6,756**	-11.0%
- Non-subsidiaries	11,209	**11,277**	+0.6%





Note:

(1) All throughput figures on this slide excluding throughput data from Nanjing Longtan, Yangzhou and Zhangjiagang terminals which have already been disposed

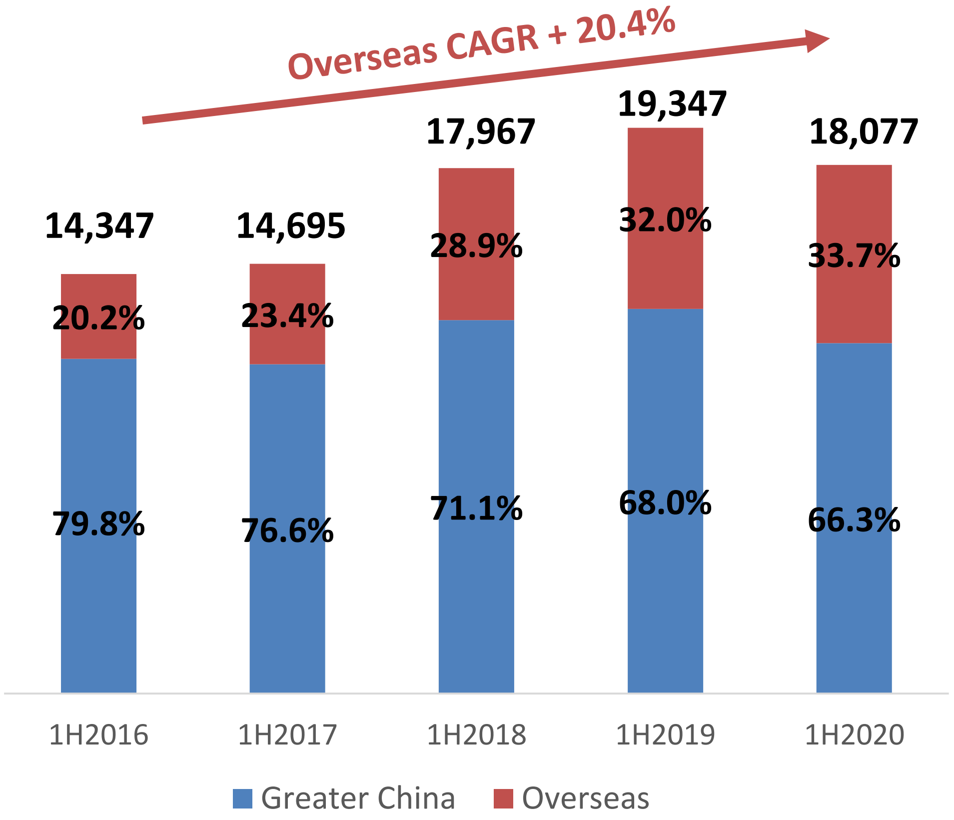
Worldwide M&A Opportunites

Terminals	Annual Designed Capacity (TEU)
PCT	6,200,000
CSP Spain Group	5,100,000
Antwerp	3,700,000
Euromax	3,200,000
Kumport	2,100,000
Vado Reefer	250,000
CSP Zeebrugge	1,300,000
Suez Canal	5,000,000
COSCO-PSA	4,850,000
CSP Abu Dhabi	2,500,000
Chancay	1,000,000
Seattle	400,000
Busan Port	4,000,000
Total	39,600,000

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

Increasing Overseas Exposure

Equity Throughput in '000 TEU (by geographic location)



Asset Investments

2016

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

Example:
- Euromax

2017

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

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

2018

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

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

2019

CAPEX:
Investments – US$224m
PP&E – US$400m

Examples:
- QPI (Added equity interest)
- Beibu Gulf Port (Added equity interest)
- 2 warehouses in CSP Zeebrugge terminal

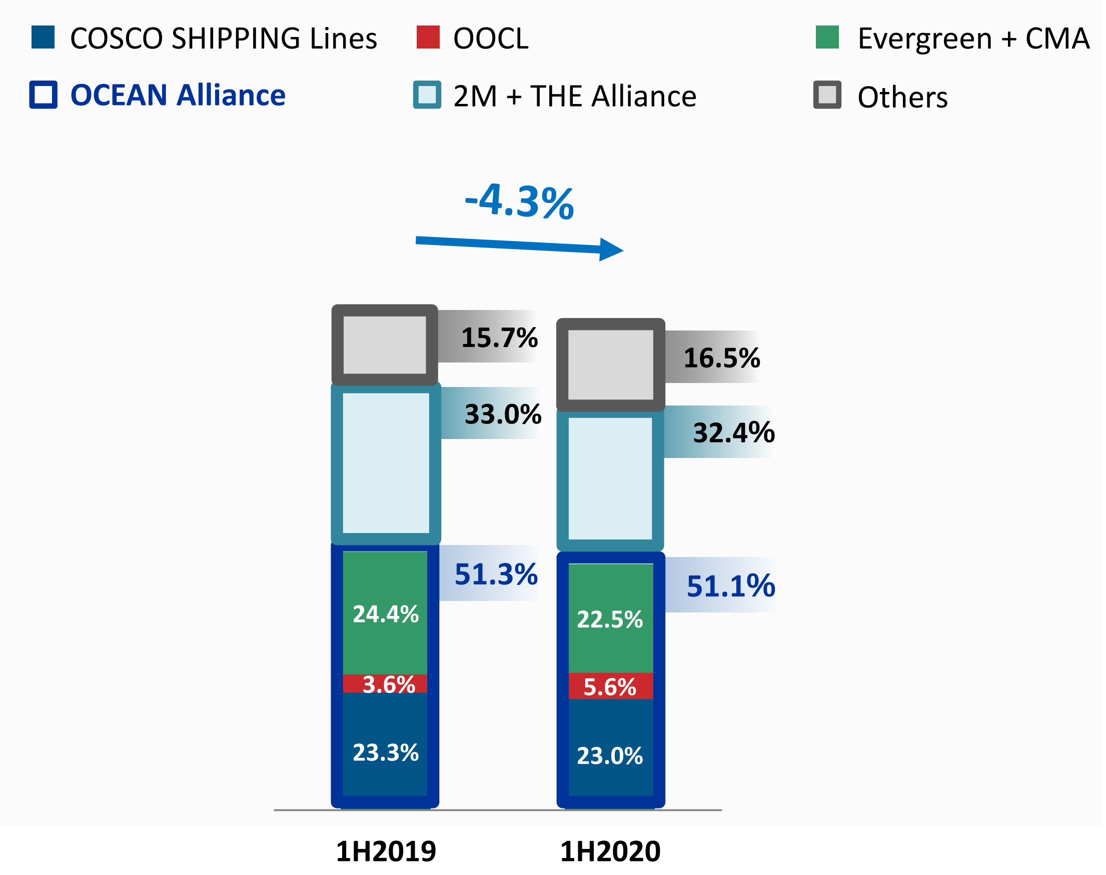
1H2020

CAPEX:
Investments – US$57m
PP&E – US$86m

Examples:
- QPI (Added equity interest to 19.79%)

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] (1H2019 vs 1H2020)

-5.6% **COSCO SHIPPING Lines**

+46.5% **OOCL** [3]

-4.8% **OCEAN Alliance**

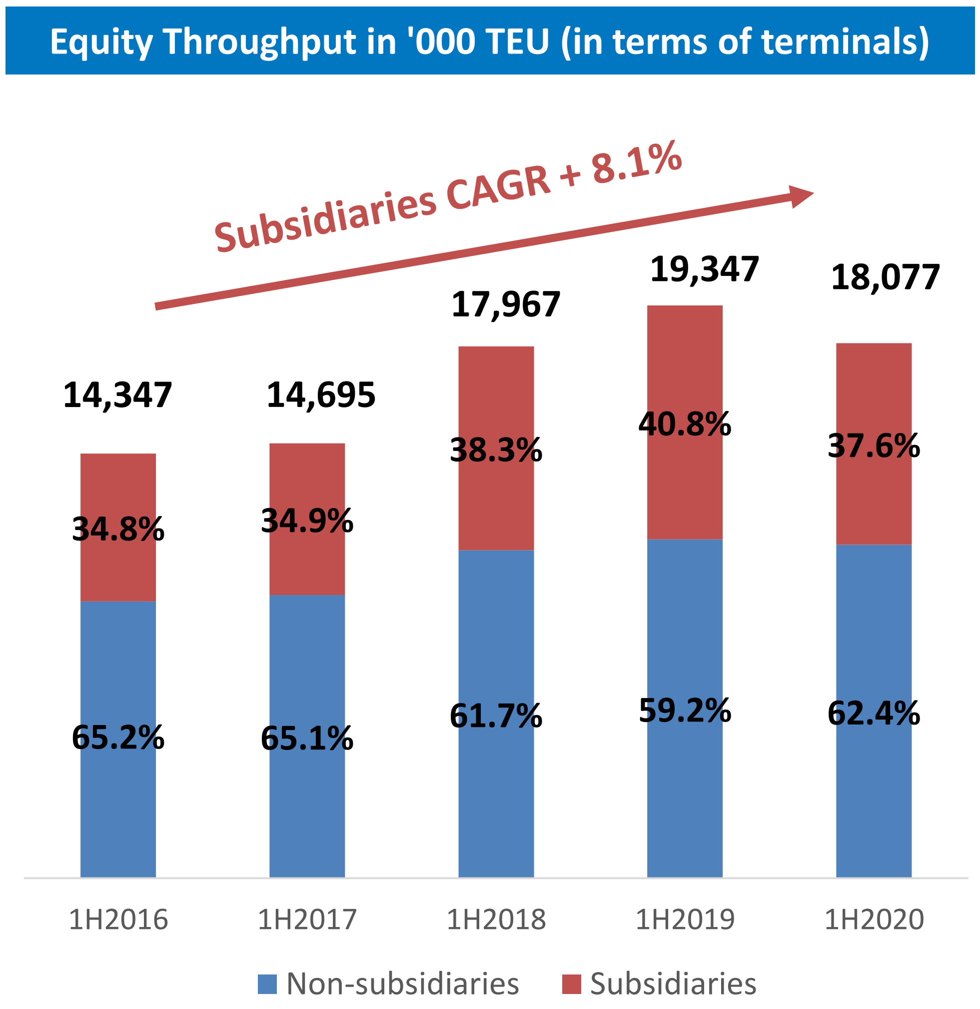
-5.8% **2M + THE Alliance** [4]

- **Throughput from COSCO SHIPPING Lines and OCEAN Alliance remained stable, which accounted for 1/4 and 1/2 of total throughput**
- **Throughput from OOCL surged 46.5% YoY, of which PCT, Zeebrugge and Abu Dhabi terminals increased significantly YoY during 1H2020**

Notes:

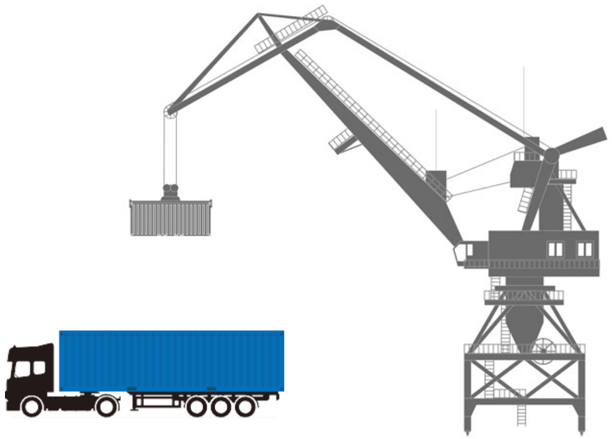
(1) Based on Alphaliner figures as at 29/07/2020, our major customers OCEAN Alliance, 2M and THE Alliance together were accounted for about 81% of global container fleet market shares
(2) Total throughput of 7 major subsidiary terminals at which 3 major Shipping Alliances call
(3) Throughput from OOCL at PCT, Zeebrugge and Abu Dhabi YoY increased significantly during 1H2020
(4) Throughput from 2M and THE Alliance at CSP Spain and Zeebrugge terminals YoY decreased during 1H2020

Increasing Equity Throughput from Subsidiaries



With more control, we could provide more value-added services in our terminals, such as:

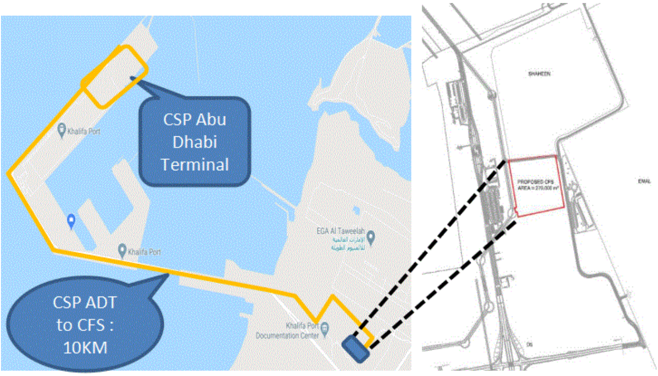
- **Developing High-end warehouses and logistics parks**
- **Promoting technology and innovation for efficiency improvement and cost reduction such as Navis N4 and GSBN blockchain technology**



Company Updates – Value-Added Services and Technology Development

	Total Area (sqm)	Warehouse Area (sqm)	Capex (Million)	Commencement date
CSP Abu Dhabi CFS	273,970	105,225	138mUSD	October 2020
CSP Verbrugge CFS	77,869	41,580	13mEUR	Now operating
Nansha CFS	206,200	N/A	986mRMB	2022 Expected
Xiamen CFS	23,800	N/A	130mRMB	2022 Expected

CSP Abu Dhabi CFS



CSP Verbrugge CFS

GSBN

Further enhance shipping and logistics operation capabilities through the extensive use of blockchain technology

navis N4

2020 | **Coming 3-4 years**

CSP Spain and Quan Zhou Pacific terminals will implement Navis N4 system in 2H2020.

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

Assets Divestment for Capital Recycling

The disposal of the interest in Yangzhou Yuanyang Terminal and Zhangjiagang Terminal was completed on 10 Feb 2020. The disposal gain after tax was approximately USD$61M.

The PB ratio of these terminals was at about 1.7 times. CSPL has now traded at around 0.4 times, we believe that CSPL is deeply undervalued and the transaction is also value enhancing to our shareholders.

The after-tax gain for disposal of interest in Jiangsu Yangtze Petrochemical was approximately USD$7M.

The PB ratio of this transaction was at about 1.5 times. Our management strongly believes that the disposal is also value-accretive to our shareholders.

It is expected that we will sell its interest in Taicang Terminal in 2020.

We will continue strengthening our portfolio in the YRD region, including development of Nantong Tonghai Terminal and CSP Wuhan Terminal.

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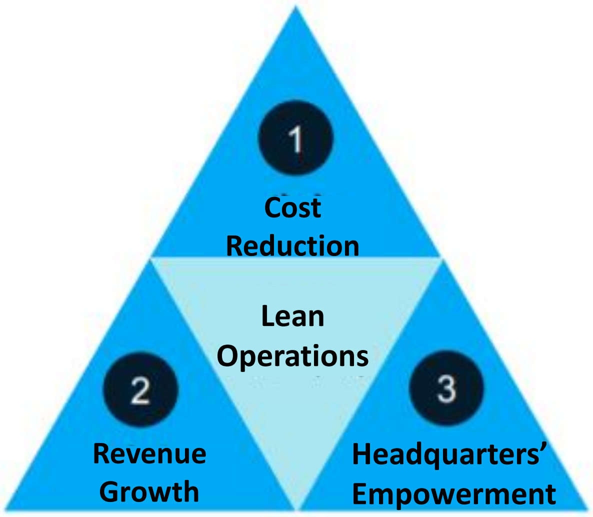
Lean Operations – Cost Reduction



Cost Reduction

- **Establish the cost management system which focuses on financial management and control and bases on "cost per TEU"** to place great emphasis on the importance of ports operation and management. **Introduce "cost per TEU"** in the KPI to formulate operational cost control target of subsidiaries.

- **Accelerate informatization and digitization, unify terminal operating system and continue to implement Navis N4 system in the subsidiaries;** Base on Navis N4 system and SAP finance system, formulate the Company's information management system, establish MIS system, unify the key operation and commercial index of terminals to enhance the automation construction of terminals.

- **Fine-tune cost analysis model, analyze the composition and percentage of terminal costs, set up operational cost control target and formulate cost control plan.** Cultivate the mindset of cost-oriented in marketing and daily operation, formulate feasible, systematic and effective measures with clear target. Find out cost-optimizing parts, procedures to enhance competitive advantage in cost reduction.

Lean Operations – Revenue Growth and Headquarters' Empowerment

Revenue Growth

- **Build customer value analysis model** to mainly analyze the profit contribution from different shipping companies and different boxes to understand the profit comes from which customer and business. Headquarters and terminals can precisely target each customer based on the customer value analysis results and **formulate more effective marketing and negotiation strategies based on each terminals' situation, in order to further tap customer value and improve terminals' throughput and revenue.**
- **Enhance the Company's overall sales and marketing, fine-tune marketing organization structure and maximize synergy.** Continue to optimize and enhance the Company's overall operational capability, including strengthening sales and marketing teams' capability of market insight and customers value analysis as well as supporting our ports' networking and relationship with shipping liners systematically.
- **Innovate sales and marketing strategies and develop supply chain business.** The Company is actively developing the ports extended supply chain platform to enhance supply chain warehousing service based on terminals and establish logistics network leveraging on supply chain platform. CFS business also increases the number of shipping lines and the increase in shipping lines will bring more CFS and supply chain services demand.

Headquarters' Empowerment

- **The Headquarters is empowered to be a co-solver of problems impeding cost reduction and revenue growth by the terminal operators**, as well as an enabler of good business decision making. Through the application approaches such as information visualization and lean operation center, it is realized that our company's role has transformed from "passive review" to "business partners" which improves our ports' performance in cost reduction and revenue growth.
- **Actively execute action plan and strengthen the operation and management of terminals.**

2H2020 Throughput Outlook

Challenges

- Some overseas terminals are still affected by COVID-19
- Sino-US trade disputes

Opportunities

- A rebound in throughput of exsiting China's terminals since April as we have been always ready to grasp opportunities
- Low interest-rates environment promotes consumption and investment

1. The worst impact from Covid-19 on the ports industry has gone.
2. The Company 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.

With strong financial position and captive demand, we are confident of standing out on the ride of recovery momentum

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

Q&A

Thank you!

Agenda

Upgrading with Professionalism for Quality Enhancement

Upgrading with Professionalism

1. **Senior management team > an average of 20 years of experiences in shipping and port industry**
2. **Effective strategies: Globalization, Synergy and Control**
3. **Terminal extension business, e.g. terminal extended business to Guangzhou, Abu Dhabi, Nantong, Xiamen, Wuhan and other regions**

Quality Enhancement

1. **Strong capability and professionalism, e.g. PCT and Xiamen**
2. **Improving portfolio quality by adding good projects but disposing of under-performing assets strategically**

On Track to Achieve Our 5-Year Target

2016
Restructuring

- As a pure port operator
- 3 core strategies

2019
Where we were

- No. of subsidiaries increased to 16 (FY2016: 10)
- Industry leader in terms of total container throughput

2021
Vision

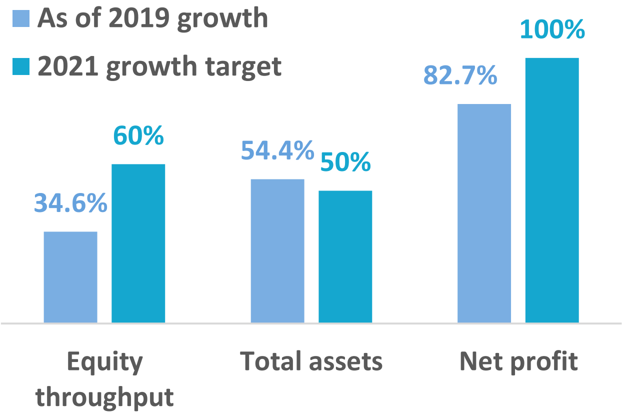
Operations:

- 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

	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**

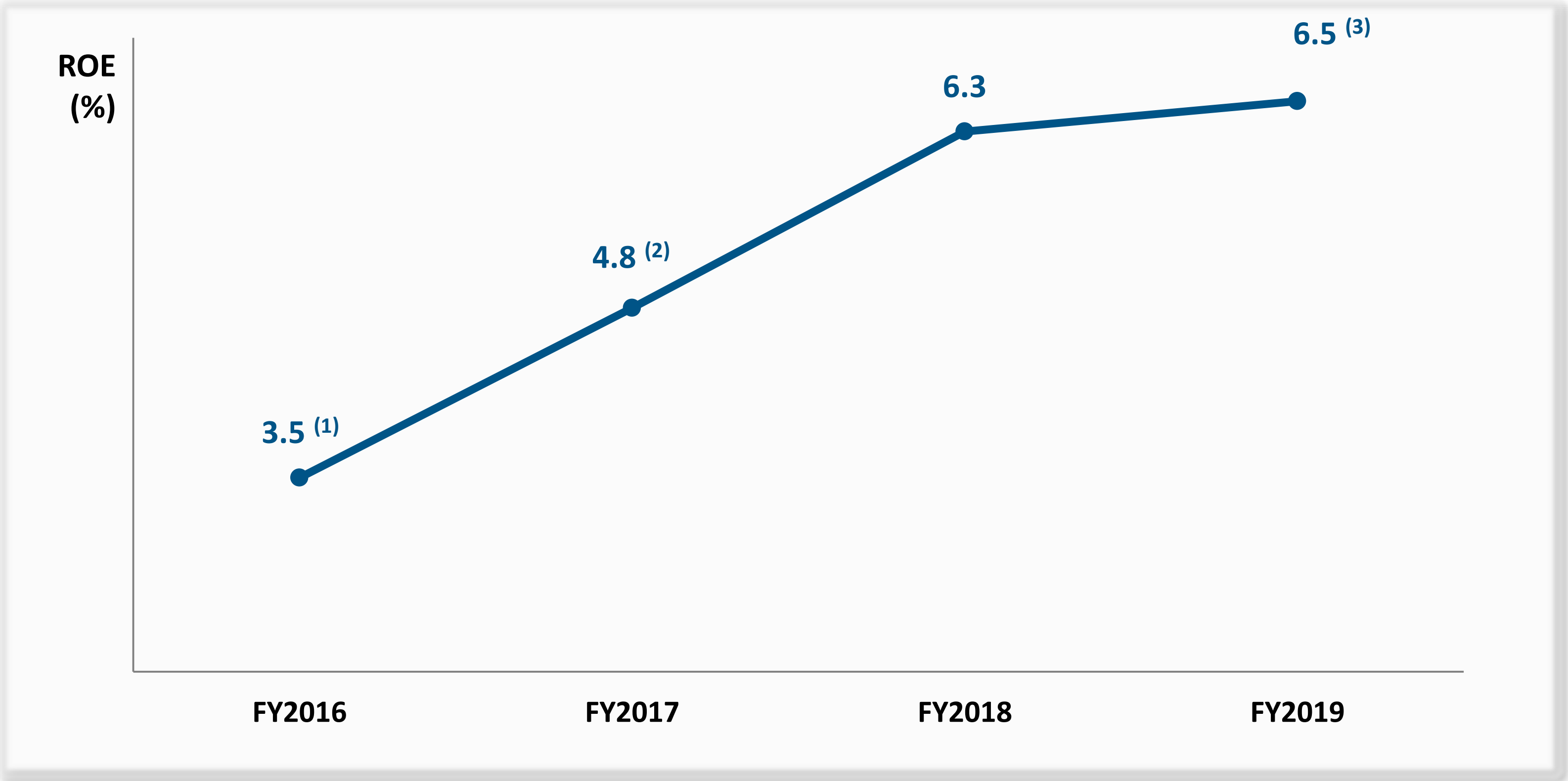


Notes:

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

(2) Excluding one-off dilution effect on equity interests in QPI of US$22.6M

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

Greater China Portfolio (As of the end of June 2020)

Region	Annual Designed Capacity (TEU)
Bohai Rim	31,450,000
Yangtze River Delta	15,520,000
S.E. Coast & others	9,000,000
Pearl River Delta	25,600,000
S.W. Coast	12,000,000
Total	93,570,000

Disclaimer

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COSCO SHIPPING Ports Limited

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Thank you!