Orient Overseas (International) Ltd

Interim Results Presentation

2016

August 8th 2016

Key Financial and Operational Highlights

Revenue	(2016 1H):	US$ 2.6 billion
Loss after tax	(2016 1H):	(US$ 57 million)
Debt	(2016 Jun 30):	US$ 4.0 billion
Liquid Assets	(2016 Jun 30):	US$ 2.3 billion
Net Debt / Equity	(2016 Jun 30):	36%
OOCL Lifting	(2016 1H):	2.9 million TEU
Fleet Size	(Jun 2016):	594,065 TEU

2016 1H Group Highlights

- **Poor Market Environment**
  - **Disappointment in Demand**
  - **NB Deliveries + slow vessel withdrawal**
  - **Most Trades under pressure**

- **Ocean Alliance**

- **New Long Beach Terminal Phase 1**

- **Forward Growth**

OOIL 1H 2016

Group Results

Group Results Breakdown

US$M	2016 Interim	2015 Interim	Var
Container Transportation and Logistics	(109.1)	183.6	(292.7)
Property and Investments			
Wall Street Plaza	8.7	7.8	0.9
Hui Xian	23.4	27.4	(4.0)
Interest, Investments and Others	20.3	19.8	0.5
	52.4	55.0	(2.6)
Total	(56.7)	238.6	(295.3)

Analysis of Earnings

US$M	2016 Interim	2015 Interim
<u>**Container Transportation and Logistics**</u>		
EBITDA	**134.7**	**380.0**
EBIT	**(65.5)**	**222.4**
<u>**Property and Investments**</u>		
EBIT		
Wall Street Plaza	13.9	13.3
Hui Xian	23.4	27.4
Interest, Investments and Others	20.3	19.8
	57.6	**60.5**
OOIL GROUP		
EBITDA	**192.3**	**440.5**
EBIT	**(7.9)**	**282.9**
Finance Costs	**(39.6)**	**(30.1)**
Taxation	**(9.2)**	**(14.2)**
OOIL Group (Loss)/Profit After Taxation	**(56.7)**	**238.6**

Group Balance Sheet Highlights

US$M	30-Jun-2016	31-Dec-2015
Non-current Assets	6,728	6,815
Current Assets	2,691	2,917
Total Assets	9,419	9,732
Non-current Liabilities	3,502	3,725
Current Liabilities	1,229	1,209
Total Liabilities	4,731	4,934
Shareholders' Funds and Total Equity	4,688	4,798

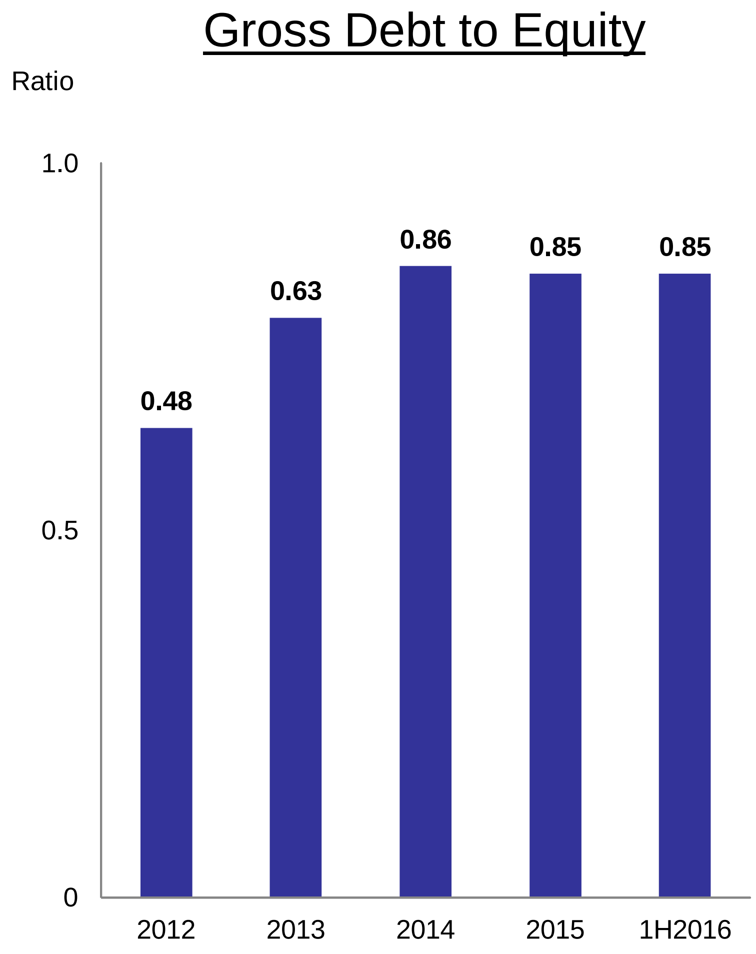
Total Liquid Assets

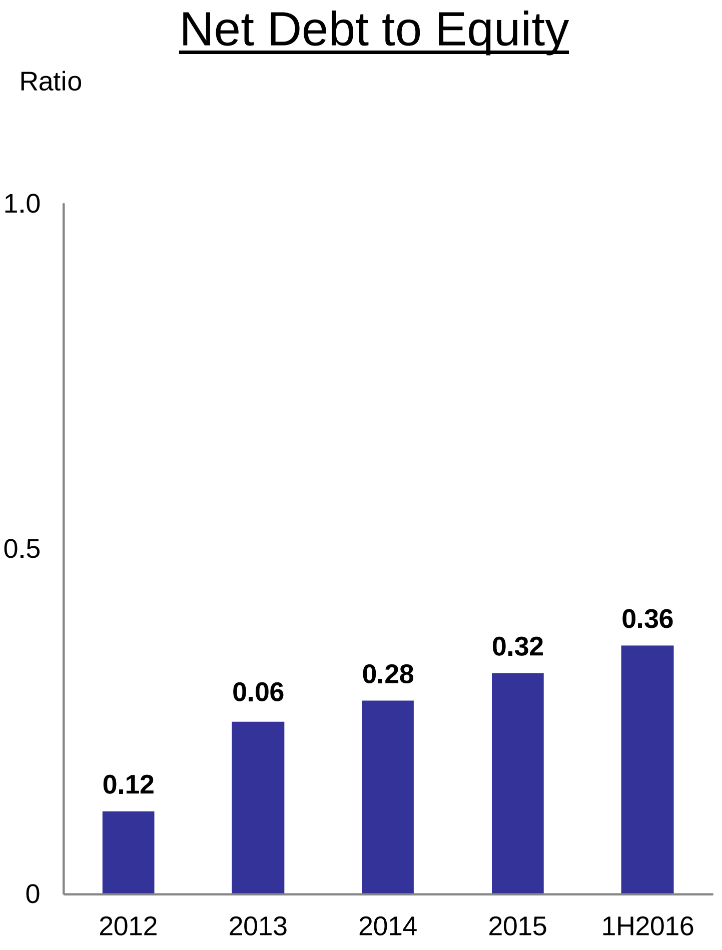
US$M	30-Jun-2016	31-Dec-2015
Cash and Bank Balances	1,757	2,016
Portfolio Investments, Equities and Bonds	544	532
Restricted Bank Balances	2	1
Total	2,303	2,549

Net Debt Position

US$M	30-Jun-2016	31-Dec-2015
Liquid Assets	2,303	2,549
Debt	3,998	4,102
Net Debt	1,695	1,553

Debt-to-Equity Ratios





Industry Environment
2016

Industry Environment – 2016 I

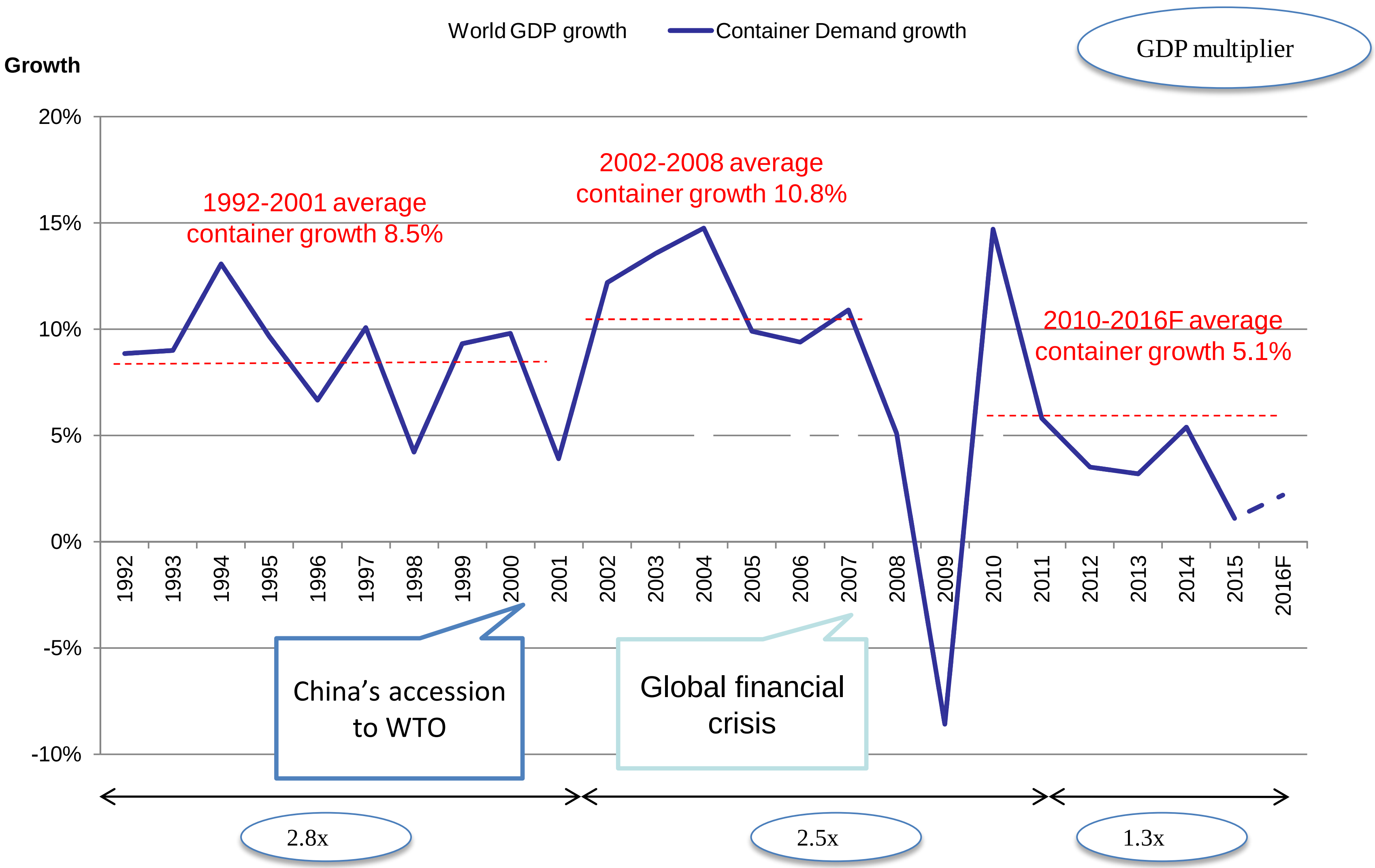
Negative

- Containerised global trade growth vs GDP Growth
- Global GDP growth uninspiring
- Muted demand growth

Positive

- Consolidation activities good for industry
  - M & A Activities including CMA + NOL, COSCO + CSCL, HL + UASC
  - 4 Alliances become 3
- Scrapping at record level and expected to exceed 450,000 TEU in 2016 (2.2%)

Global Container Trade Growth is Slowing



Source: IMF, Drewry
Updated Jun-2016

Global Demand and Supply Forecasts

Global		2008	2009	2010	2011	2012	2013	2014	2015	2016F	2017F
Demand:											
Alphaliner demand	Jun16	5.9%	-8.4%	14.2%	8.4%	4.8%	3.5%	5.3%	1.2%	1.3%	2.0%
Citi Bank	Dec15						3.8%	5.3%	1.1%	1.7%	
Clarkson demand	May16(#2Q2016)	4.1%	-9.2%	13.7%	7.8%	3.1%	5.1%	5.4%	2.3%	3.8%	4.2%
CLSA	Jan16	4.8%	-10.3%	12.5%	6.1%	2.1%	4.3%	3.7%	2.0%	4.0%	6.0%
Daiwa	Mar16									3.0%	3.0%
Deutsche Bank	May16			14.2%	8.4%	4.8%	3.5%	5.2%	1.1%	1.0%	1.8%
Drewry demand	Apr16(#1Q2016)	5.1%	-8.6%	14.7%	5.8%	3.5%	3.2%	5.4%	1.1%	2.2%	
Goldman Sachs	Mar16								1.5%	4.4%	5.4%
J.P. Morgan	May16	4.0%	-9.2%	13.7%	7.7%	3.1%	5.1%	5.4%	2.4%	3.3%	4.2%
UBS	Feb16	4.6%	-8.5%	11.8%	7.0%	3.1%	5.1%	5.3%	0.1%	4.2%	4.5%
Seabury	May16	2.5%	-9.2%	14.0%	6.1%	2.7%	3.2%	5.0%	1.2%	3.6%	4.4%
Average Demand *		**4.4%**	**-9.1%**	**13.6%**	**7.2%**	**3.4%**	**4.1%**	**5.1%**	**1.4%**	**3.0%**	**3.9%**
Supply:											
Alphaliner supply	Jun16	13.2%	5.5%	9.1%	7.9%	6.0%	5.8%	6.3%	8.5%	3.6%	6.0%
Daiwa	Mar16									5.0%	5.0%
Citi Bank	Dec15						5.8%	6.3%	8.5%	3.9%	
Clarkson supply	May16(#2Q2016)	11.2%	4.8%	9.6%	7.9%	5.9%	5.5%	6.5%	8.1%	3.9%	3.8%
CLSA	Jan16	13.1%	-2.8%	8.6%	9.1%	4.2%	4.5%	5.5%	7.1%	6.1%	4.0%
Drewry supply	Apr16(#1Q2016)	10.5%	4.0%	3.2%	8.7%	4.3%	3.0%	4.9%	8.1%	4.2%	
Goldman Sachs	Mar16								7.3%	4.4%	4.2%
J.P. Morgan	May16	12.9%	-4.5%	4.7%	6.3%	3.6%	2.1%	4.3%	5.8%	3.4%	4.6%
UBS	Feb16	12.1%	5.5%	9.2%	7.6%	5.7%	5.3%	6.0%	7.6%	4.5%	3.9%
Average Supply *		**12.2%**	**2.1%**	**7.4%**	**7.9%**	**5.0%**	**4.6%**	**5.7%**	**7.6%**	**4.3%**	**4.5%**

Updated: Jun-2016

Net capacity growth

Trade Volume – YTD Jun2016

Trade	YTD Jun 2016	FY 2015 v 2014	FY 2014 v 2013
Transpacific EB	3.7%	3.6%	6.0%
Asia Europe WB	1.2%	-3.2%	7.4%
Intra Asia (IADA)	-1.6%	0.2%	1.9%
Trans Atlantic WB	2.9%	4.7%	8.9%

Sources: JoC, CTS, IADA

Industry Environment – 2016 II

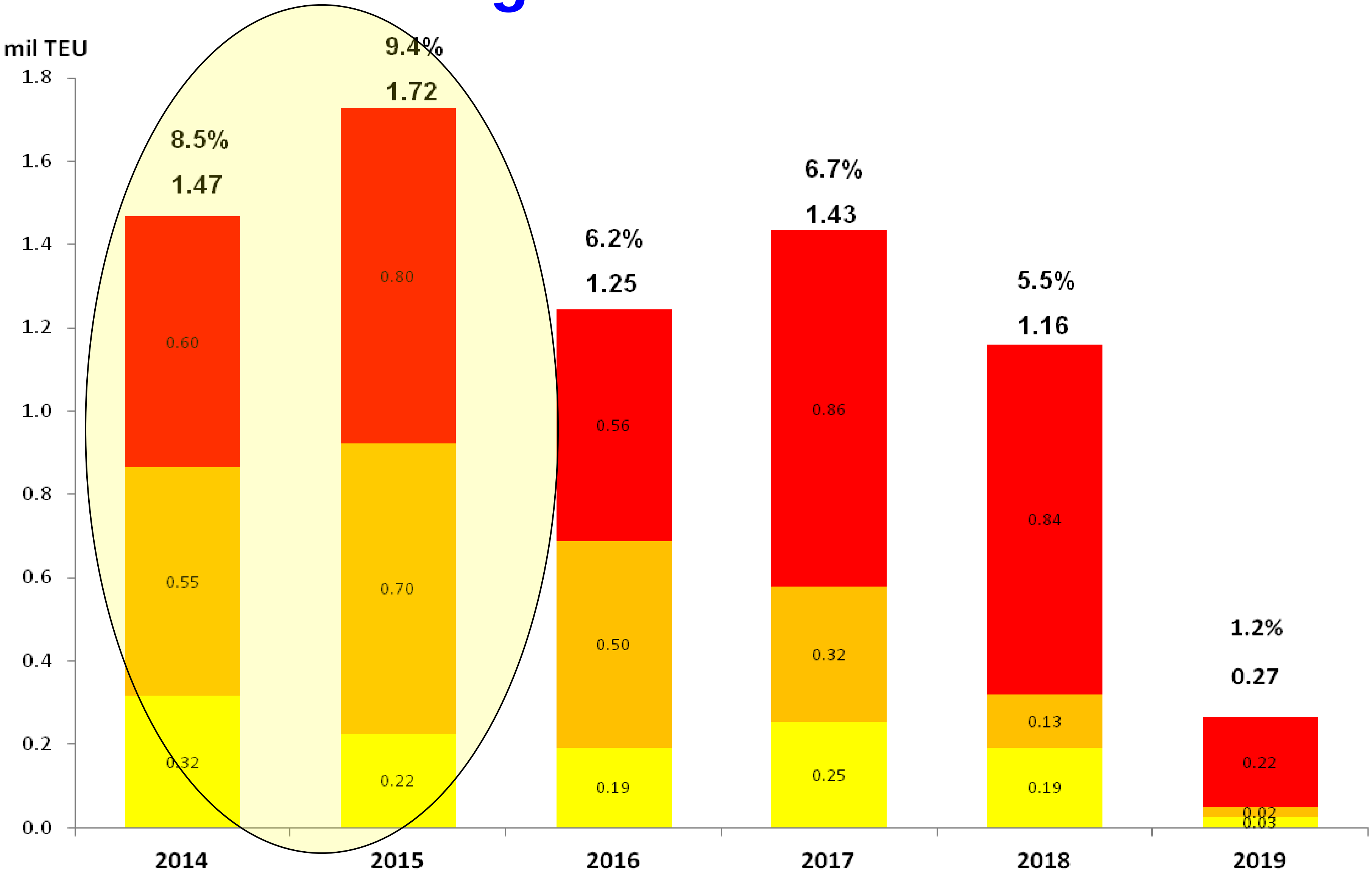
Negative

- Capacity Overhang persists
- Carriers slow to withdraw tonnage in 1H
- Freight Rate Under Pressure
  - Idle fleet at 4.6%
  - Sector expected to be loss making in 1H 2016

Positive

- Capacity adjustment by carriers extending 3Q 2016
- Shipyards 10kt+ limited orders
- Net supply growth dropping

New Building Deliveries - Static Slots



Source: Alphaliner
Jul-2016

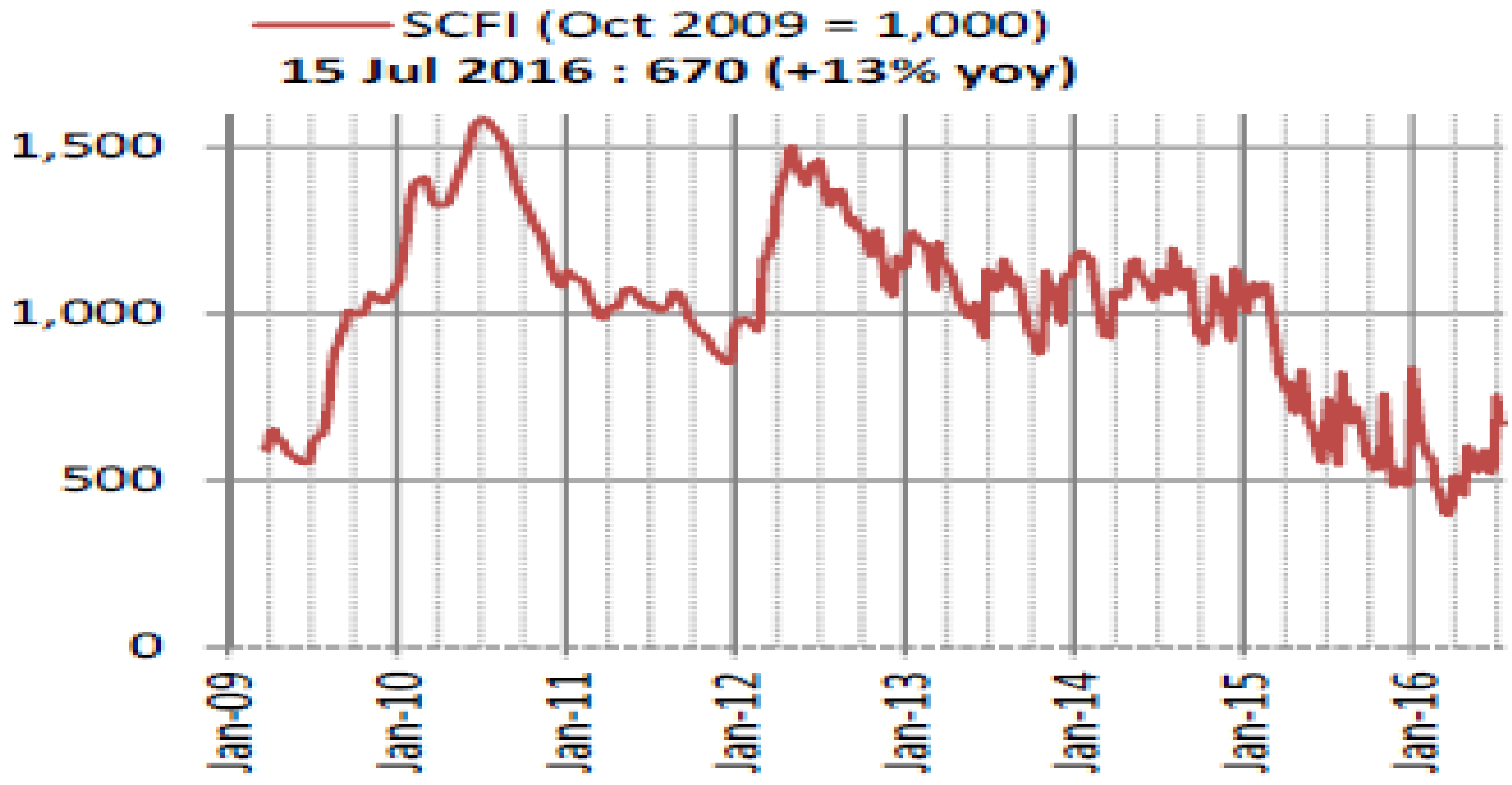
Market W
Capacity Growth - Upsizing

Market Weekly Service Capacity	Asia Europe		Transpacific	
	TEU	yoy	TEU	yoy
1Q14	334,146	-8.4%	388,092	3.1%
2Q14	368,304	-0.6%	399,794	2.8%
3Q14	380,364	2.3%	421,148	2.1%
4Q14	382,490	3.5%	414,594	3.5%
1Q15	362,021	8.3%	393,936	1.5%
2Q15	394,794	7.2%	416,148	4.1%
3Q15	394,297	3.7%	445,217	5.7%
4Q15	381,821	-0.2%	438,211	5.7%
1Q16	379,998	5.0%	427,605	8.5%
2Q16	385,693	-2.3%	433,646	4.2%
Jul16	403,497	2.1%	435,396	-1.6%

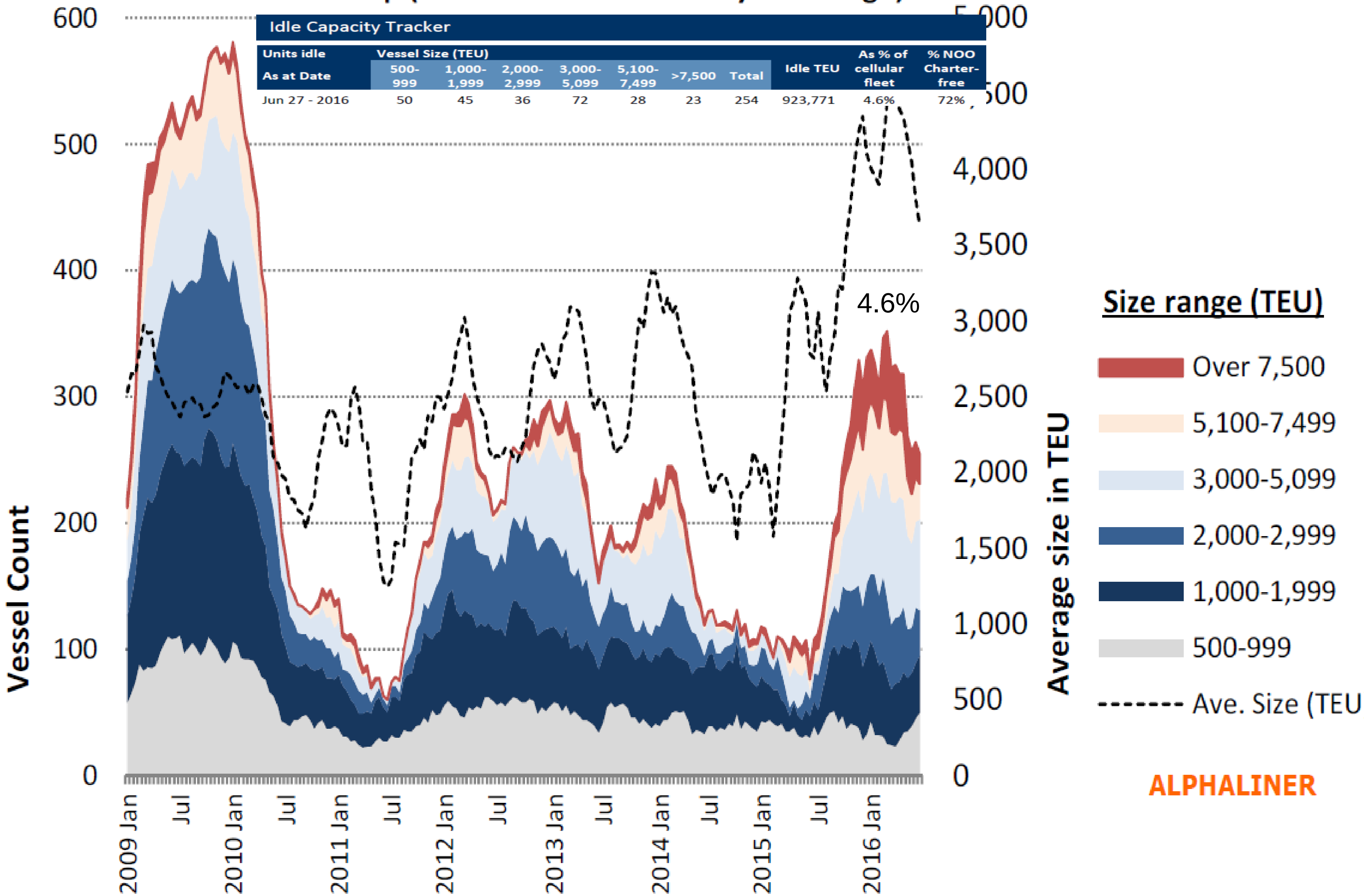
Source: Alphaliner, IADA
Updated Jul 2016

Market Freight Rate Tracker – SCFI

Lowest Freight Rates Since 2009

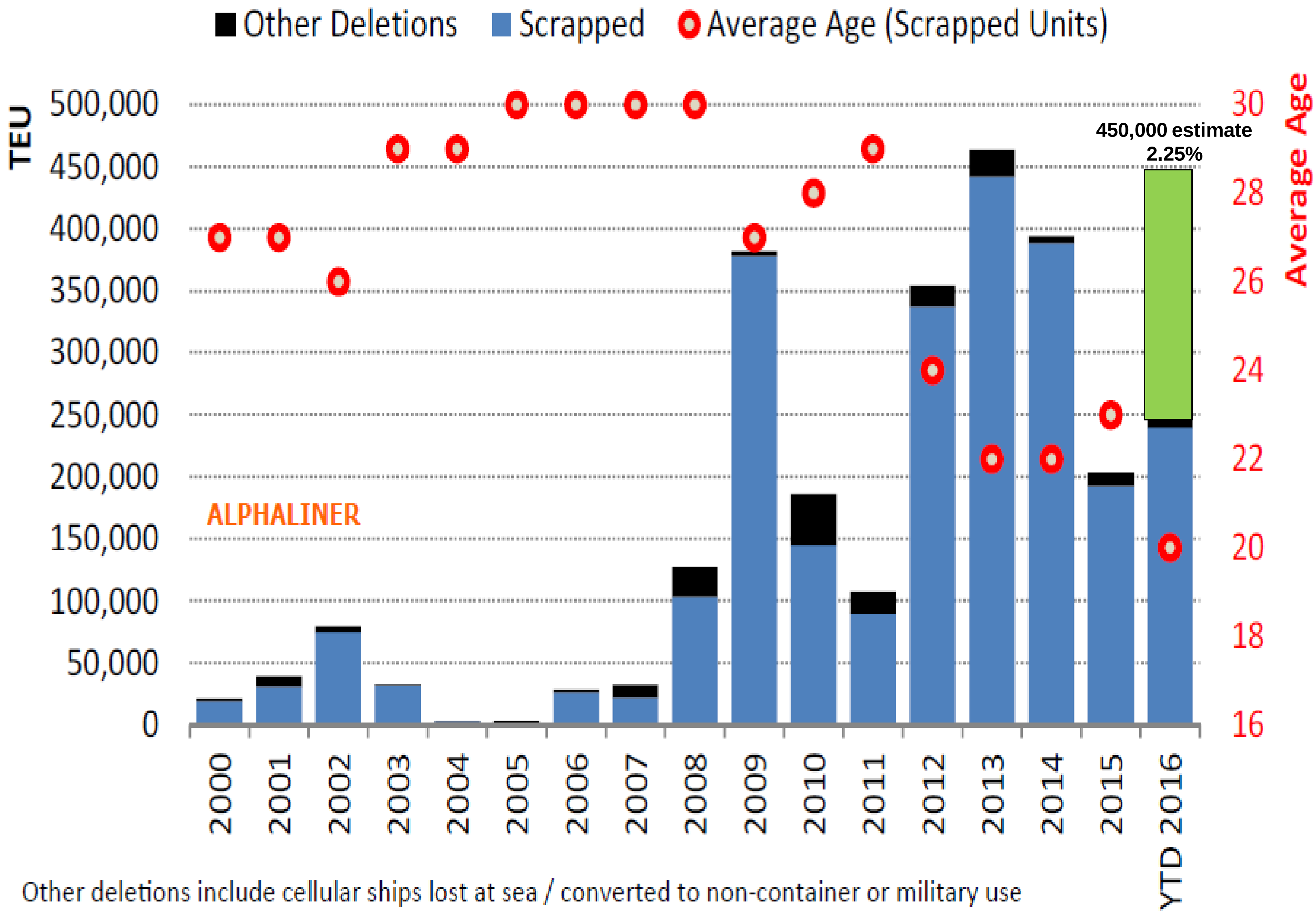


Idle containership (units idle breakdown by size range)



Idle Capacity Tracker

Units idle As at Date	Vessel Size (TEU) 500-999	1,000-1,999	2,000-2,999	3,000-5,099	5,100-7,499	>7,500	Total	Idle TEU	As % of cellular fleet	% NOO Charter-free
Jun 27 - 2016	50	45	36	72	28	23	254	923,771	4.6%	72%



Other deletions include cellular ships lost at sea / converted to non-container or military use

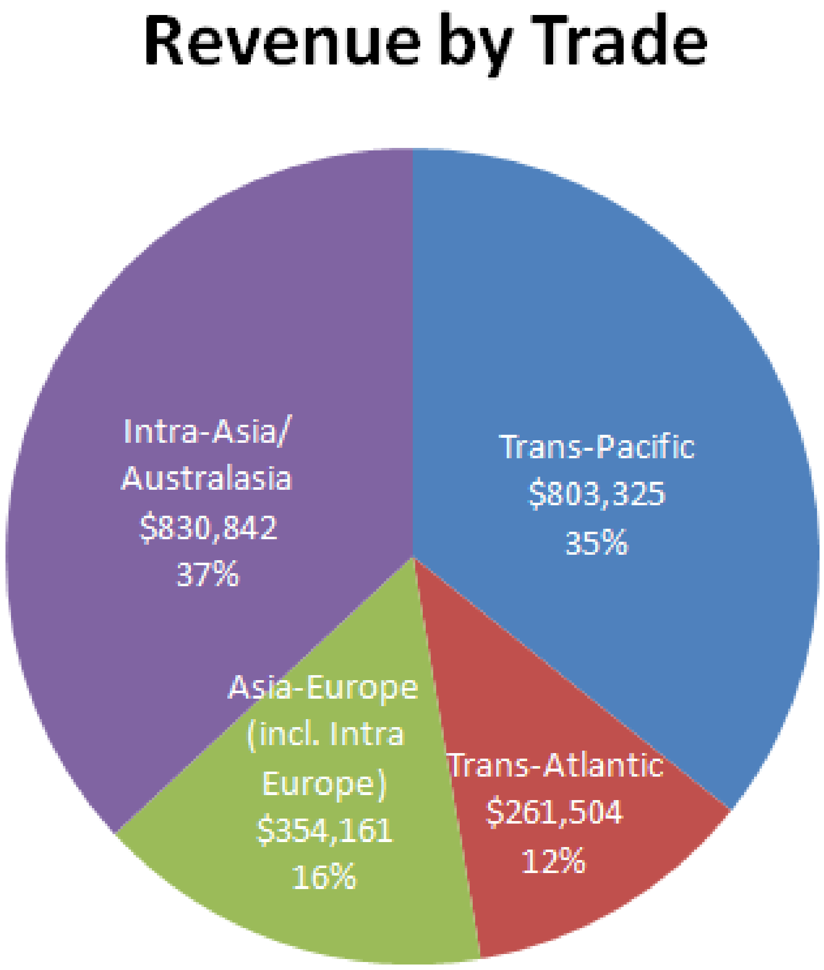
Year	Deleted during year: Units	Deleted during year: TEU	Of which scrapped: Units	Of which scrapped: TEU	Of which scrapped: Ave. TEU	Of which scrapped: Ave. Age
2016YTD	74	247,033	70	239,704	3,424	20

6-20-2016

OOCL

1H 2016

OOCL Revenue – 1H2016



Total US$2,250 mil

OOCL 1H 2016

- Poor market drives down Revenue per TEU
- Continuous Yield Management
- Cost Performance
    - Continued focus but offset by freight revenue drop

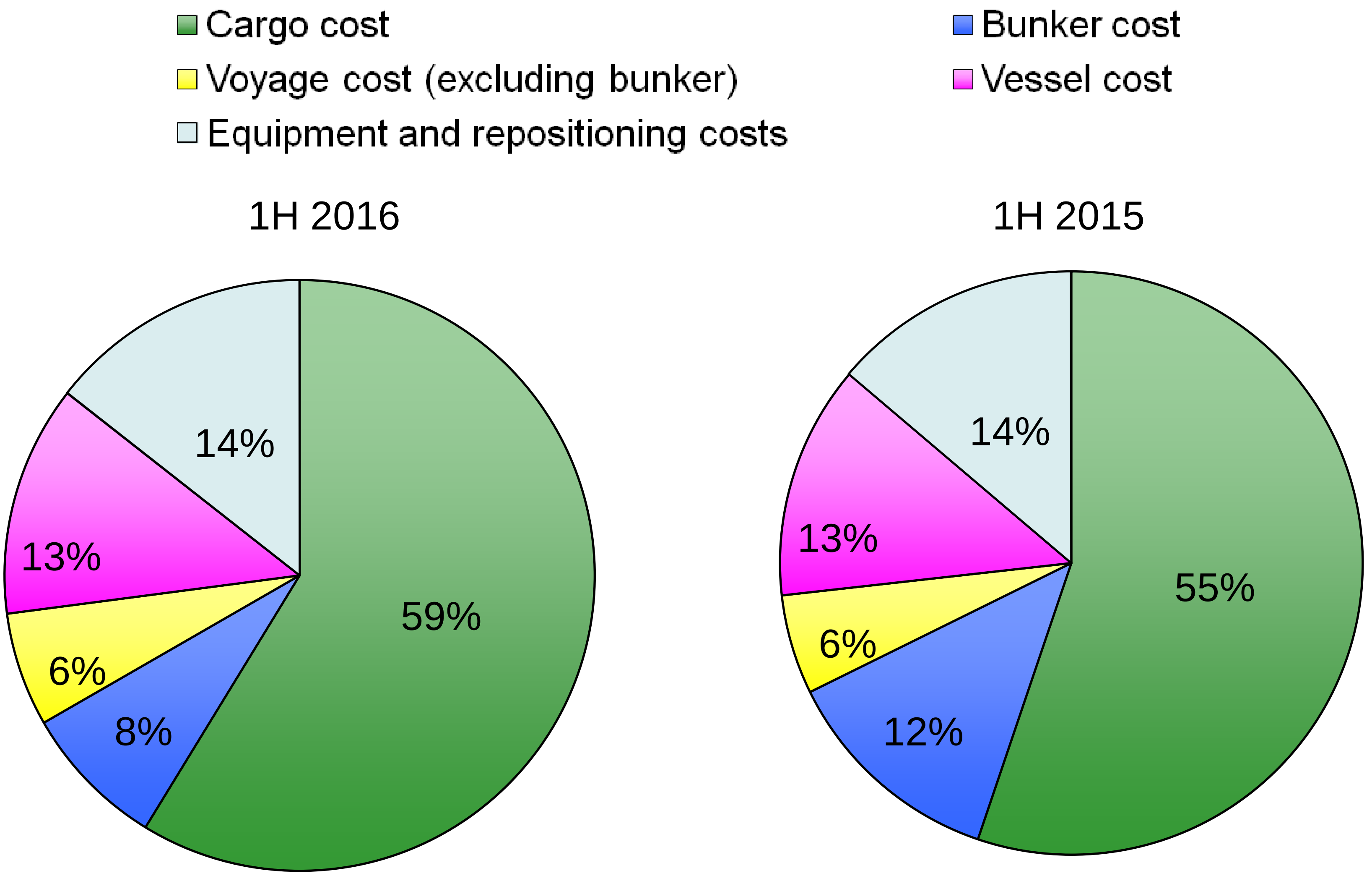
Container Transportation Performance

US$ / TEU	1H 2016	1H 2015
Revenue (US$M)	2,250	2,706
Revenue Per TEU (US$)	778	987

Container Transportation Performance

US$ / TEU	1H 2016	1H 2015	% ▲
Net Operating Capacity (TEU)	594,065	589,772	0.7%
Liftings ('000 TEU)	2,890	2,741	5.4%
Load Factor round trip (%)	84.5%	83.8%	0.7%

Total Operating Costs – 1H2016



Note: The cost of OOCL Logistics is included in Cargo Cost

Unit Operating Cost Saving 1H 2016

Per Lifting	1H2016 / 1H2015 % ▲	1H2016 Proportion
Total cost	**-12%**	**100%**
Cargo cost	**-7%**	**59%**
Equipment and repo costs	**-8%**	**14%**
Vessel Voyage cost	**-10%**	**19%**
Bunker cost	**-45%**	**8%**

Cost Saving Ex Bunker 1H 2016

	2016 1H	2015 1H
Operating Cost (1) (include Logistics)	2,404	2,606
Other Cost (2)	225	220
Bunker Cost (3)	191	326
Total Cost excl. Bunker (4) = (1) + (2) – (3)	2,438	2,500
Total Unit Cost excl. Bunker (4) ÷ total lifting	844	912

Major Events

- **OCEAN Alliance**
  - OOCL / CMA / COSCO Shipping / Evergreen
    - Larger platform (Largest TP and AE)
    - Likeminded partners / growth aspiration
    - Alliance with Largest Mega Vessel Fleet
    - Leverage effect : Pairing Up with #3/4/5

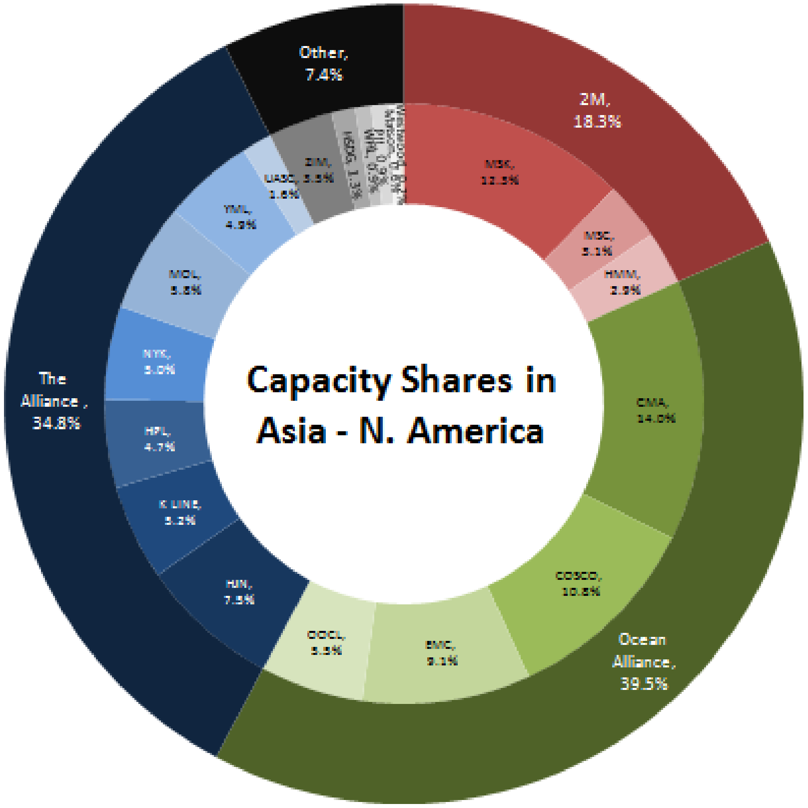
- **A3 Consortium services Asia to and from Australia**

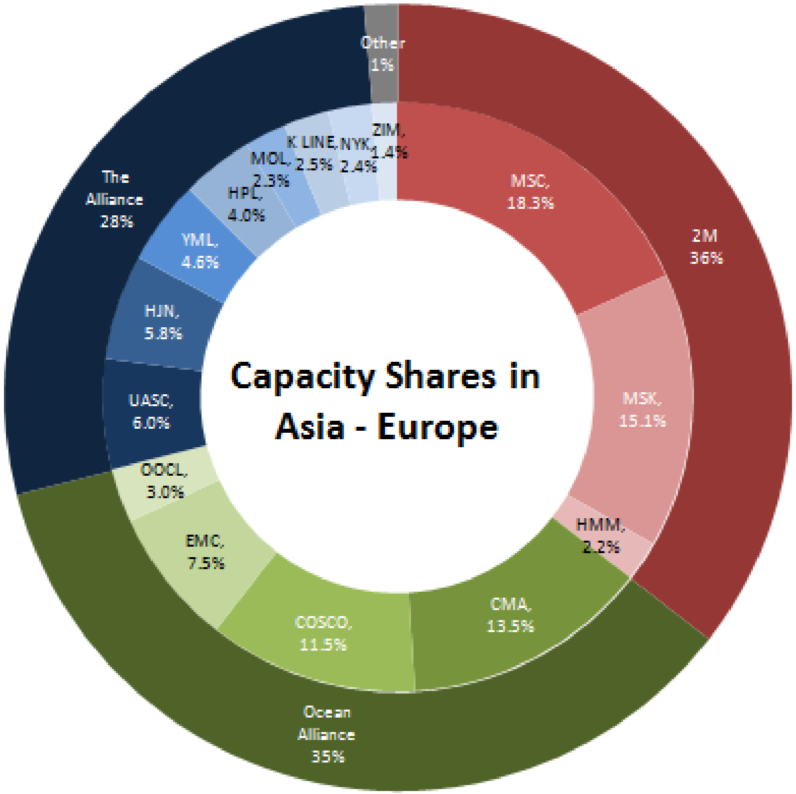
- **Long Beach Terminal commencement 1H 2016**

- **IRIS rollout**

Ocean Alliance capacity comparison

Superior capacity sharing across both major trade routes





Source: Alphaliner
July 2016

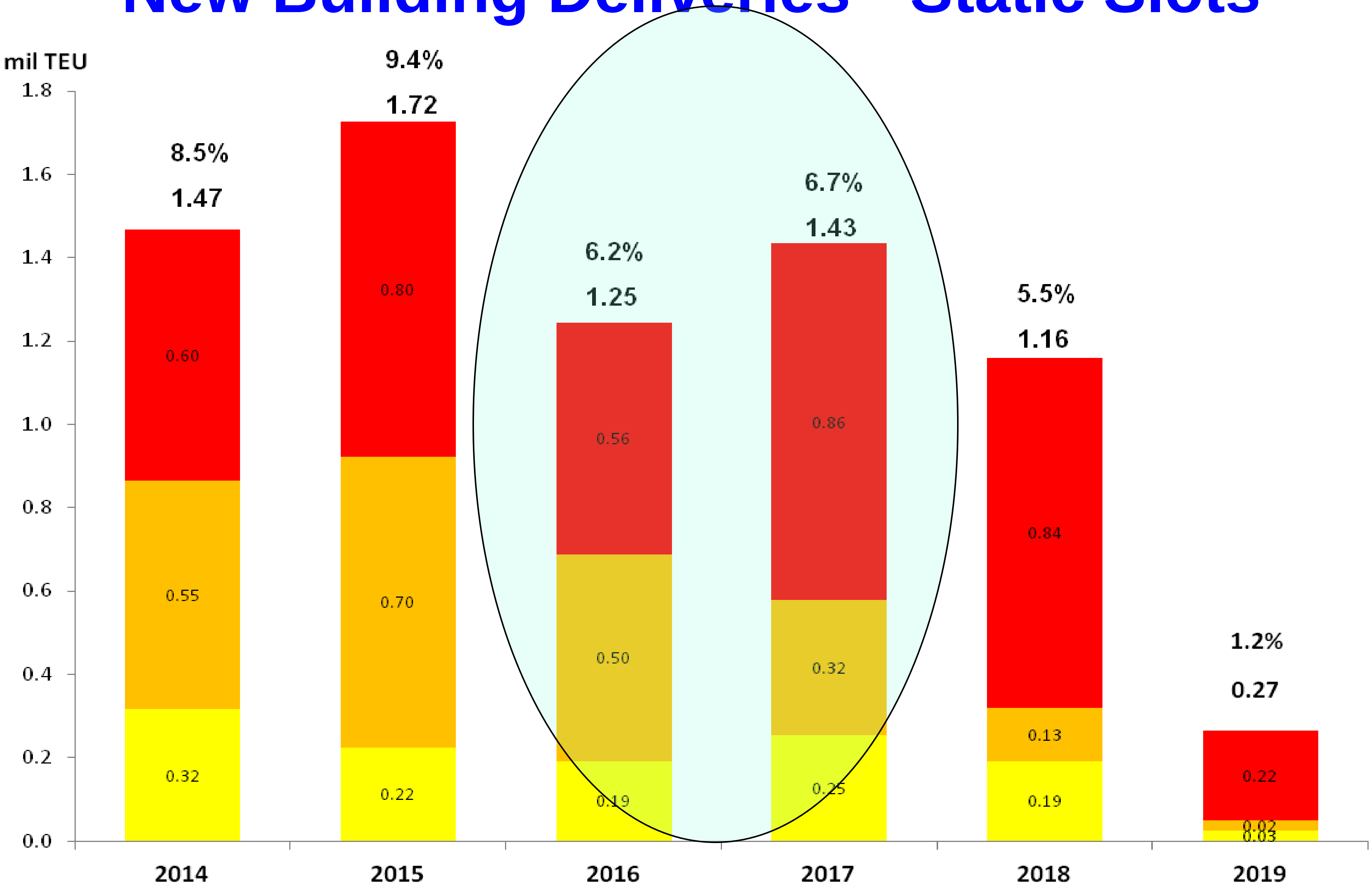
Industry Environment

2H 2016

2H 2016 Industry Environment

- Over Capacity Persists
- Recent volume and rate improvement
- Volatility persists
- Supply balance in 2017/18 is looking better

New Building Deliveries - Static Slots



Source: Alphaliner
Jul-2016

OOCL

2H 2016 and 2017

2H 2016 and 2017

- Continuous Cost Improvement
- Network Deployment Review
- Long Beach Container Terminal
- Continuous IT Development
- Fleet Development

Net Operating Capacity Breakdown

As at June 30, 2016	No of Vessels	Capacity (TEU)	Average (TEU)	% of Total Fleet
Owned	55	415,157	7,548	70%
Long Term Chartered	7	41,216	5,888	7%
Short Term Chartered	44	150,900	3,430	25%
Charter-Out	(1)	(13,208)	(13,208)	(2%)
Total	105	594,065		100%

OOCL Fleet for Future Deliveries

2017   20,000 TEU Class X 6

*OOCL incl. return of 13,208 TEU ships from NYK to OOCL,
For current fleet number, CMA incl. APL; COSCO incl. CSCL

Average Vessel Size

Average vessel size (Total operating fleet)

Current fleet (Jul 1, 2016)		
1	UASC	9,663
2	HMM	7,249
3	HJN	6,212
4	MOL	6,195
5	KL	5,749
6	**OOCL**	**5,658**
7	MSC	5,606
8	YML	5,590
9	HPL	5,551
10	COSCO	5,441
11	NYK	5,137
12	HSDG	5,088
13	EMC	5,088
14	MSK	5,081
15	ZIM	4,486
16	CMA	4,403
17	PIL	2,513

Current fleet + NB (till 2019)		
1	HMM	7,297
2	MOL	7,125
3	HPL+UASC	6,742
4	COSCO	6,580
5	**OOCL***	**6,552**
6	KL	6,313
7	HJN	6,212
8	YML	6,202
9	NYK	6,122
10	MSC	6,105
11	EMC	5,828
12	MSK	5,448
13	HSDG	5,009
14	CMA	4,637
15	ZIM	4,485
16	PIL	3,281

*OOCL incl. return of 13,208 TEU ships from NYK to OOCL,
For current fleet number, CMA incl. APL; COSCO incl. CSCL

Average Vessel Size

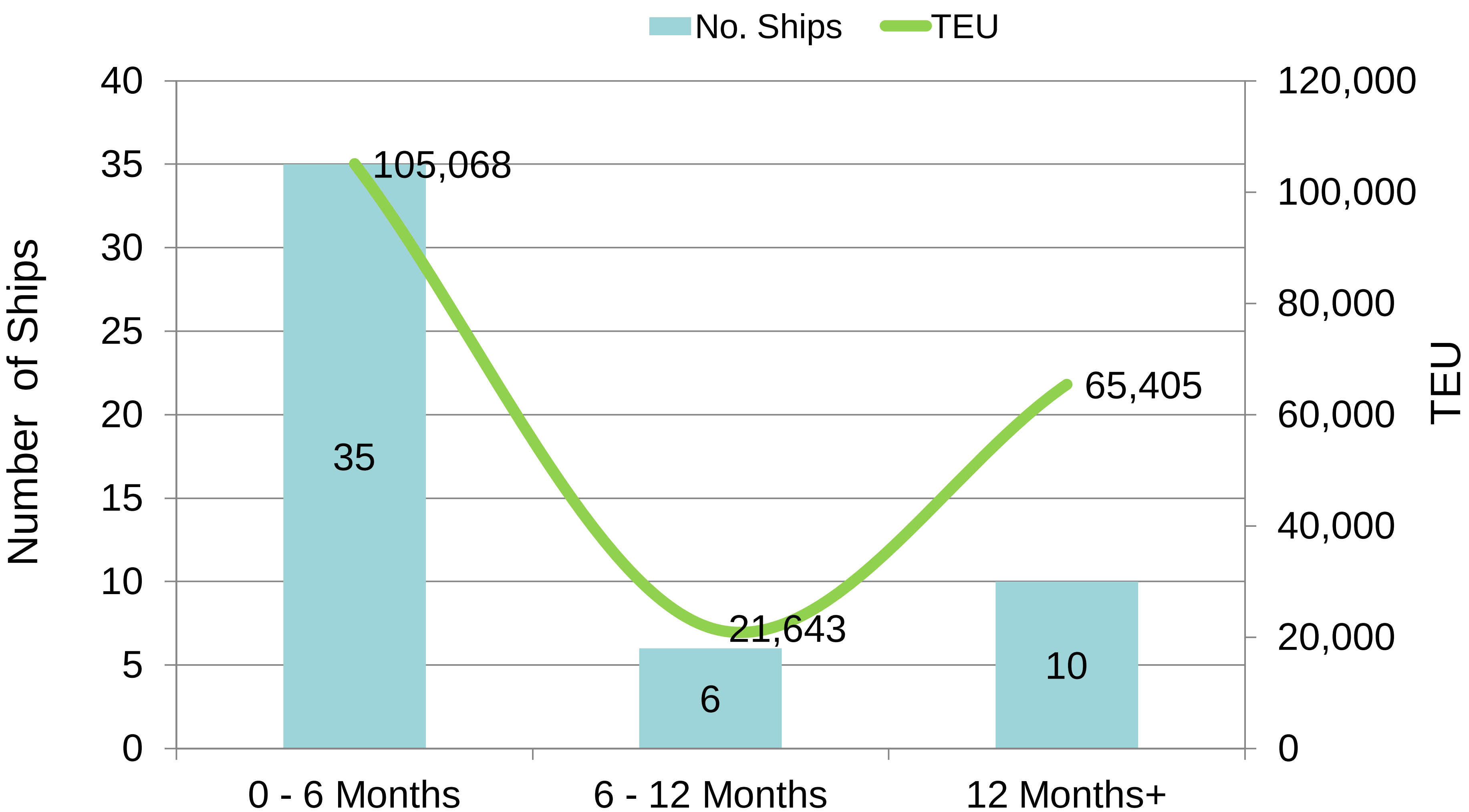
Data source: Alphaliner Jul 1, 2016

Average vessel size (If only "owned fleet" is counted)

Current fleet (Jul 1, 2016)		
1	UASC	11,032
2	HMM	7,504
3	OOCL	7,444
4	HJN	7,408
5	CMA	7,269
6	HPL	7,229
7	MOL	6,878
8	MSK	6,697
9	KL	6,679
10	HSDG	6,643
11	NYK	5,945
12	COSCO	5,560
13	MSC	5,556
14	EMC	5,209
15	YML	4,740
16	ZIM	4,579
17	PIL	2,472

Current fleet + NB (till 2019)		
1	MOL	8,920
2	OOCL	8,881
3	HPL+UASC	8,763
4	CMA	7,519
5	COSCO	7,506
6	HMM	7,504
7	HJN	7,408
8	MSK	7,342
9	KL	6,679
10	HSDG	6,406
11	NYK	5,945
12	MSC	5,556
13	EMC	4,830
14	YML	4,740
15	ZIM	4,579
16	PIL	3,320

OOCL Charter Flexibility

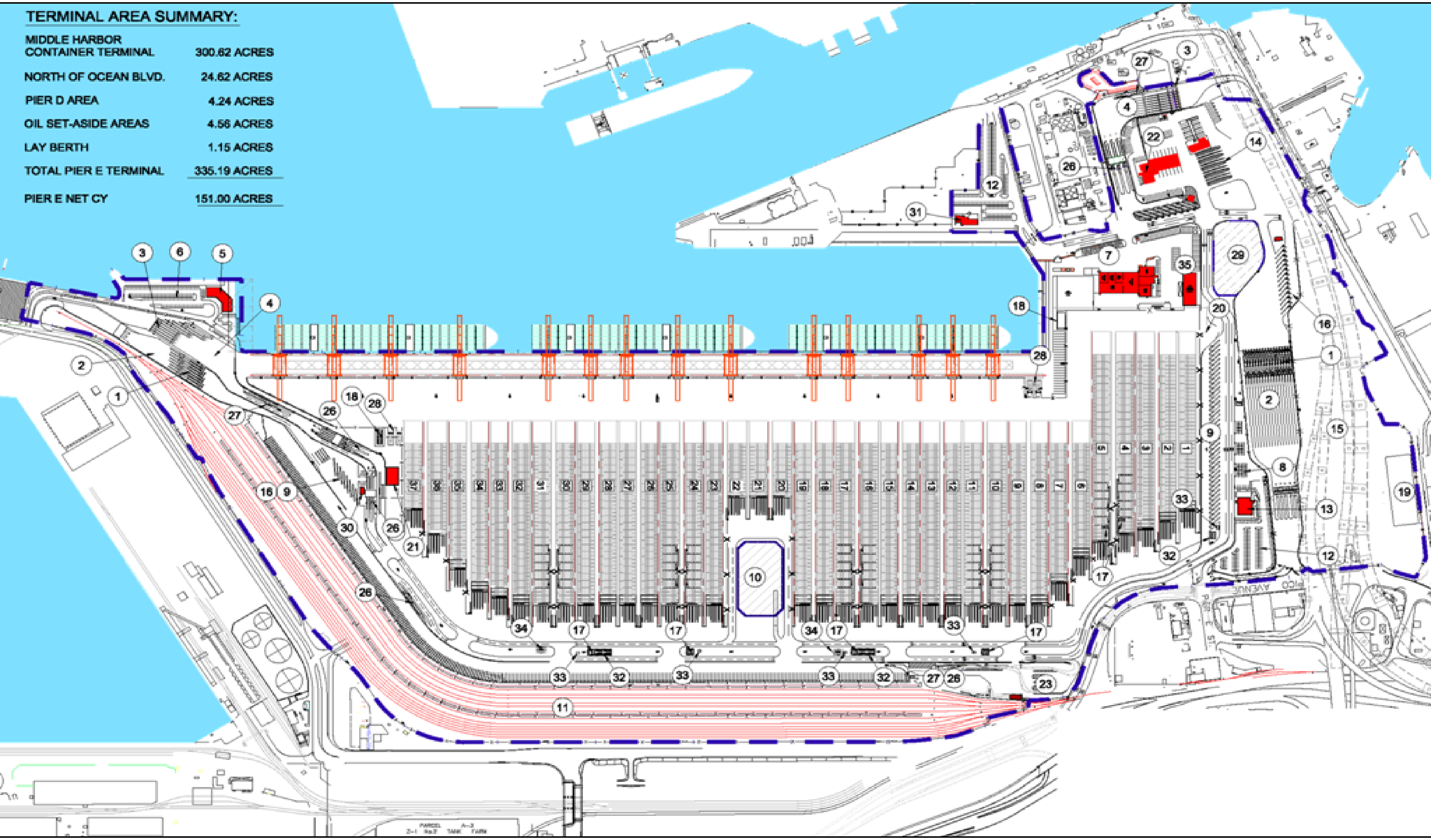


Long Beach Container Terminal

A significant investment in the future


TraPac
(MOL)
2016: 0.5 x 13,000
2020: 1 X 13,000
Automation
WBCT
(YMN)
2016: 0.5 x 13,000
2020: 1 X 13,000
WBCT
(CSCL)
1 x 13,000
Pier A
(MSC)
2016: Nil
2020: 1 x 13,000
Matson
SSAT
(MTN)
2016: Nil
2020: Nil
LBCT
2016: 1 X 13,000
2020: 3 x 13,000
YTI
(NYK)
2016: Nil
2020: 1 x 13,000
TTI
(HJN)
2016: 2 x 13,000
2020: 2 X 13000
ITS
(KL)
2016: 0.5 x 13,000
2020: 1 X 13,000
STS
(EMC)
2016: Nil
2020: 1 x 13,000
GGS
(APL &
CMA?)
2016: 1 X 13,000
2020: 1 x 18,000
MSC 49%
Will be able to handle 18,000
LBCT
When completed in 2019
Full automation
Will be able to handle 18,000
PCT
(COSCO)
2016: 1 X 13000
2020: 2 x 13,000
APMT
(MSK)
2016: 2 X 13,000
2020: 1 x 18,000
CUT
(HMM)
Gerald Desmond Bridge
will be raised to allow 18,000
to cross
CMA uses this terminal now
But will get Gateway after
purchase of APL
Current capacity: 7.5 mega ships
2020 capacity: 17.5 mega ships
Vincent Thomas Bridge
13,000 clearance only
Long Beach
Hilton Long Beach
E Ocean Blvd
W Shoreline Dr
Pine Ave
Aquarium of the Pacific
E Shoreline Dr
S Harbor Scenic Dr
PORT OF
LONG BEACH
The Queen Mary
Seaside Fwy
Navy Way
Terminal Way
Ferry St
Terminal
Island
Battleship USS Iowa
S Harbor Blvd
S Seaside Ave
Miner St
E 22nd St

Project Completion 2020



LBCT Operating Status July 2016

	Automated	Pre-Automation
Truck Turn Time	48 minutes	85 minutes
Per Crane Move	21 mph	25 mph
Unloaded Time: 8800 TEU vessel with 7800 moves	4 days	6 days

OOCL

- Yield Management / EBIT Focused
  - Balancing Unit Revenue / Utilisation
  - Maximising Contribution / Making rational decisions
    - IT
    - Organisation & Culture
- Cost Efficiency
  - Alliance
  - Hardware
  - IT
  - Execution
  - Organisation & Culture
- Investing into the future

Property Investment

Beijing Oriental Plaza, Beijing

Wall Street Plaza, New York

Property Investment

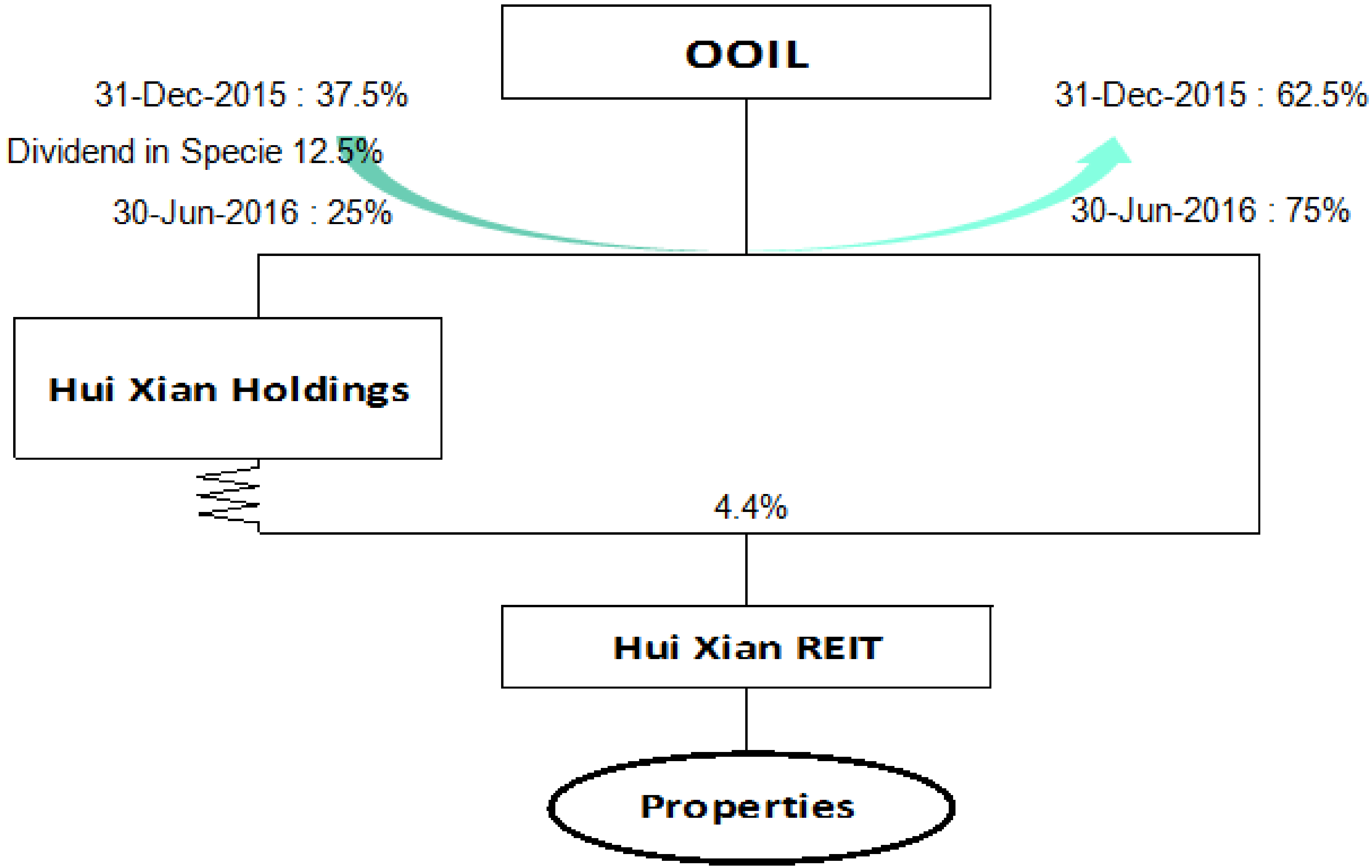
Wall Street Plaza

- Fair value gain of US$9.7 million for 1H2016
- Valuation of US$210 million as at 30 June 2016
- Performance is in line with expectations
- Vacancy rate of 2.2% as at end of 30 June 2016

Beijing Oriental Plaza

- Directly and indirectly holding approx. 4.4% of Hui Xian REIT
- Valuation of US$116.6 million as at 30 June 2016
- US$14.3 million Dividend-in-Specie of 12.5% from Hui Xian Holdings
- Direct holding of Hui Xian REIT increased to 75%

Beijing Oriental Plaza – 30 Jun 2016



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OOIL GROUP

Proven Track Record

Clear Direction

Shareholder Management Alignment

Forward Looking

Financial Prudence