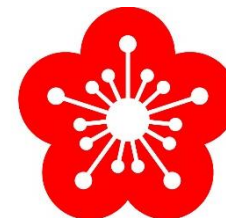




Orient Overseas (International) Limited

ANNUAL REPORT 2018



**Orient Overseas
(International) Limited
Annual Results
2018**

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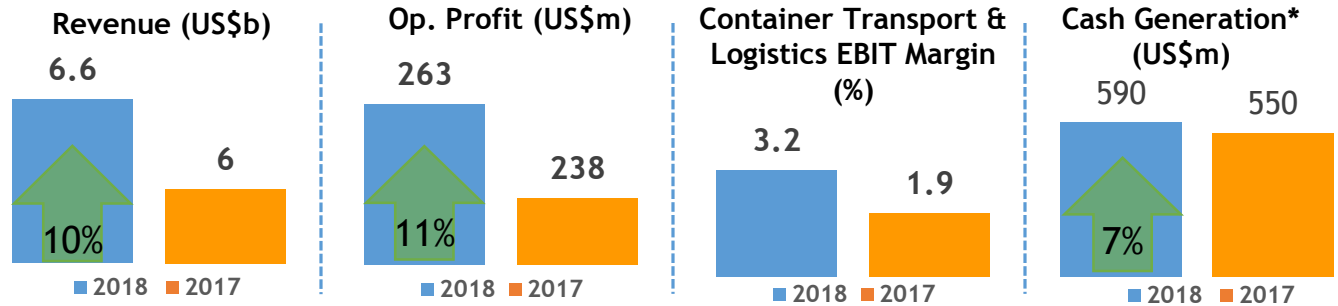
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OOL highlights



Financial



Synergy Savings

- Good progress already made in:
 - Network optimisation
 - Information Technology
 - Joint procurement
 - Equipment Utilisation
- Meaningful impact in 2019

Balance Sheet



Growth

- Liftings 6.7 million TEU 6%
- Loadable capacity 8.1 million TEU 7%
- Progress in digital technology, and build out of logistics business.

* Operating profit before working capital changes.

Group result breakdown



US\$M	31-Dec-2018	Restated 31-Dec-2017
Container Transportation and Logistics – EBIT	210.3	111.4
EBIT margin	3.21%	1.87%
Property and Investments - EBIT		
Wall Street Plaza	48.2	56.2
Hui Xian	13.4	32.3
Interest, Investments and Others	5.4	57.4
	67.0	145.9
OOIL GROUP - EBIT	277.3	257.3
Finance Costs	(143.2)	(97.4)
Taxation	(58.6)	(12.4)
Profit/(loss) from discontinued operation	32.7	(9.8)
OOIL Group Profit After Taxation	108.2	137.7

Group balance sheet highlights



US\$M	31-Dec-2018	31-Dec-2017
Non-current Assets	6,807	7,104
Current Assets	2,774	2,965
Assets held for sale	473	-
Total Assets	10,054	10,069
Non-current Liabilities	3,806	4,007
Current Liabilities	1,372	1,379
Liabilities directly associated with assets classified as held for sale	141	-
Total Liabilities	5,319	5,386
Shareholders' Funds and Total Equity	4,735	4,683

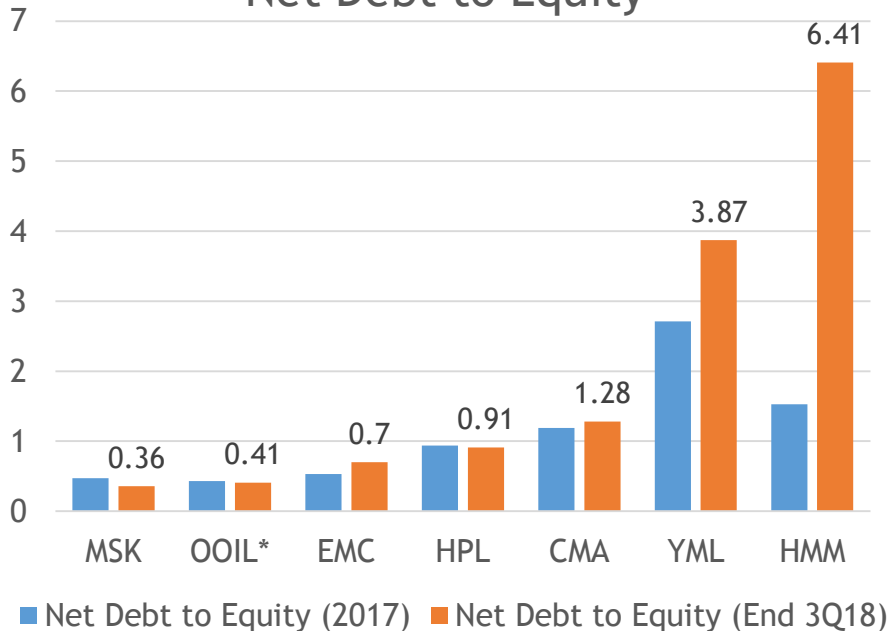
Balance sheet



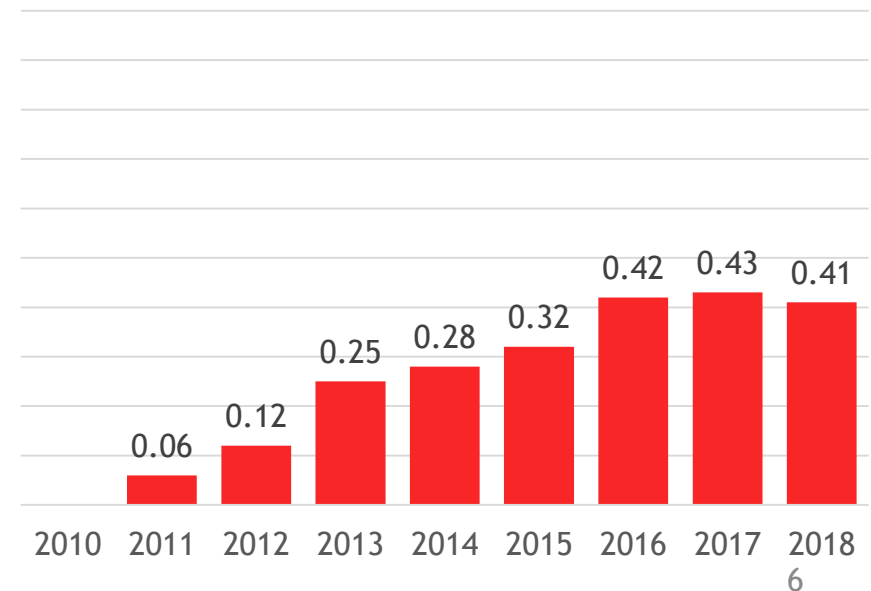
- ❁ Long term borrowings and short-term borrowings reduced US\$234.2 million and US\$122.2 million dollars respectively
- ❁ US\$45.8 million increased finance costs due to increase in interest rates, increased proportion of fixed rate funding, and full year effect of financing newbuildings in 2017 and early 2018.
- ❁ Maintain access to competitive funding arrangements with diversified network of banks

* 2018 Annual Results

Net Debt to Equity



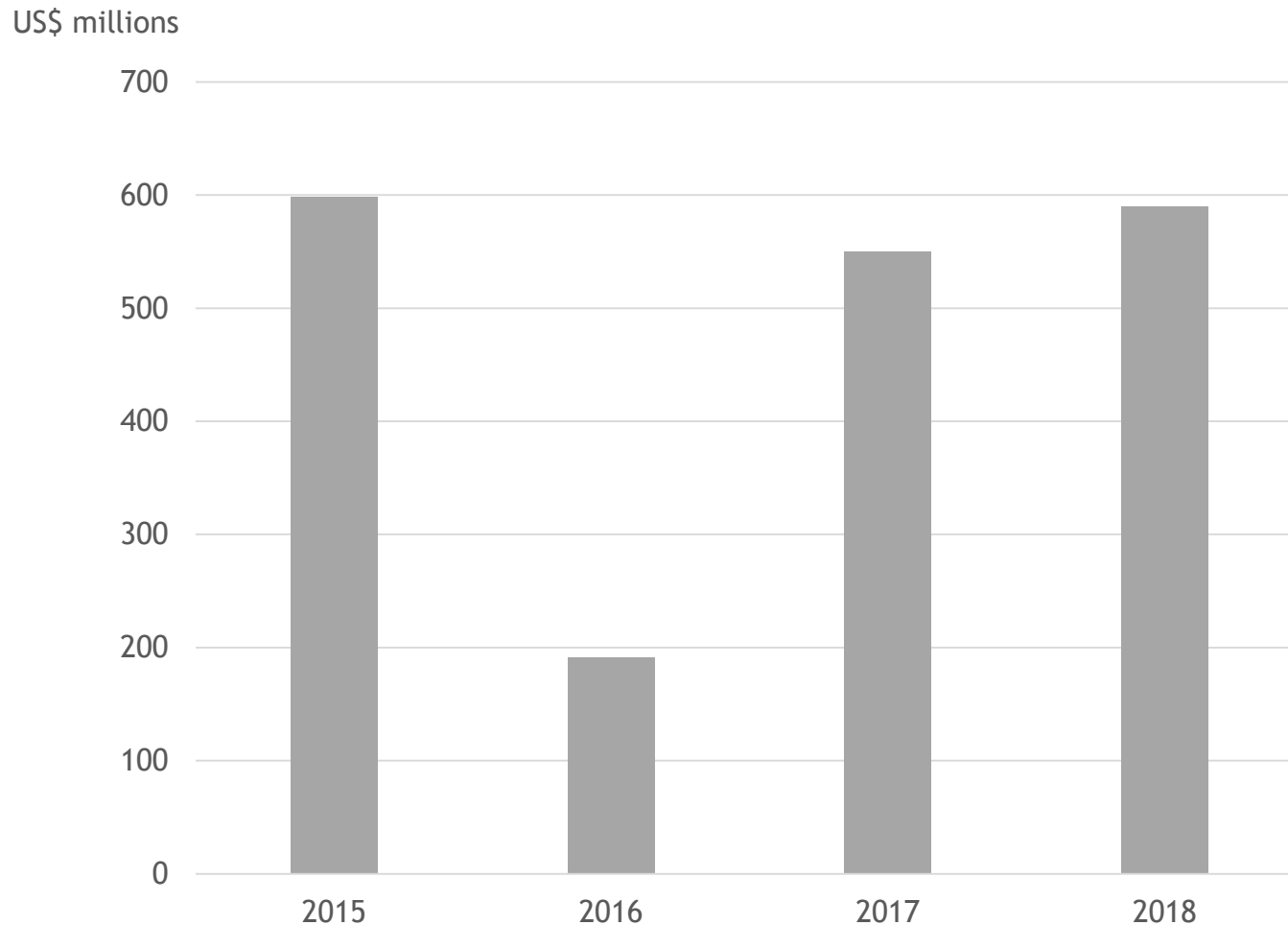
OOIL Net Debt to Equity



Operating cash flow



🌸 Strong cash generation through the cycles



*Operating profit before working capital changes

Total liquid assets



US\$M	31-Dec-2018	31-Dec-2017
Cash and Bank Balances	1,646	2,005
Portfolio Investments, Equities and Bonds	601	529
Total	2,247	2,534

Net debt position



US\$M	31-Dec-2018	31-Dec-2017
Liquid Assets	2,247	2,534
Debt	4,198	4,554
Net Debt	1,951	2,020

Container transportation (excl. logistics)



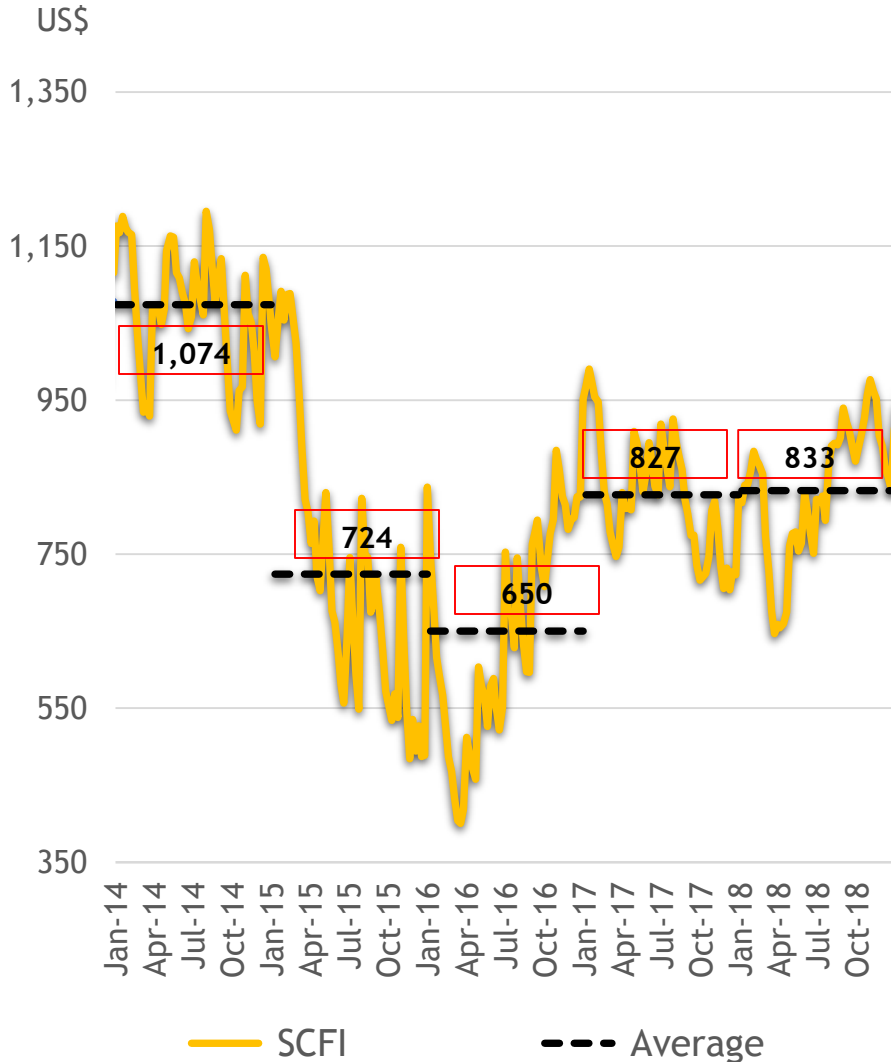
	2018	2017	2018 / 2017 % ▲
Liftings ('000 TEU)	6,697	6,299	6% ▲
Revenue (US\$M)	6,003	5,466	10% ▲
Revenue Per TEU (US\$)	896	868	3% ▲
Net Operating Capacity (TEU)	701,463	698,401	0%
Load Factor (%)	82.9	83.7	0.8% pt ▼

Note: Results presented above include the discontinued operation, Long Beach Container Terminal.

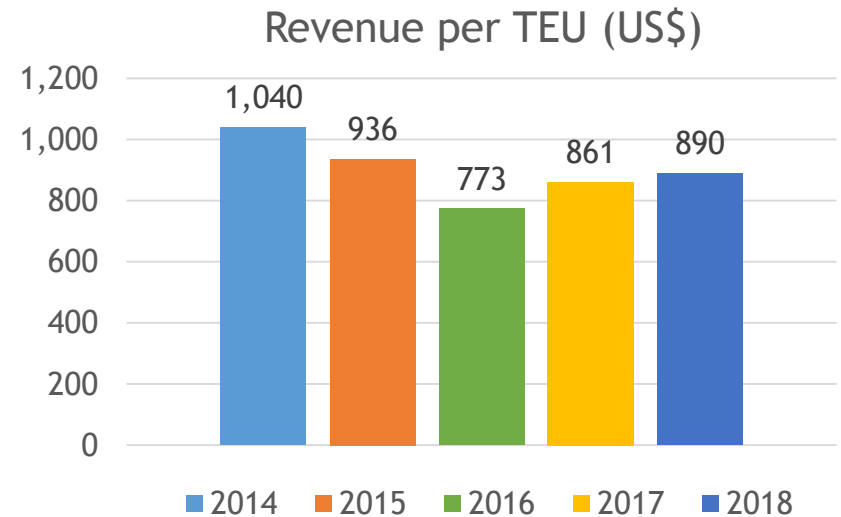
Market situation



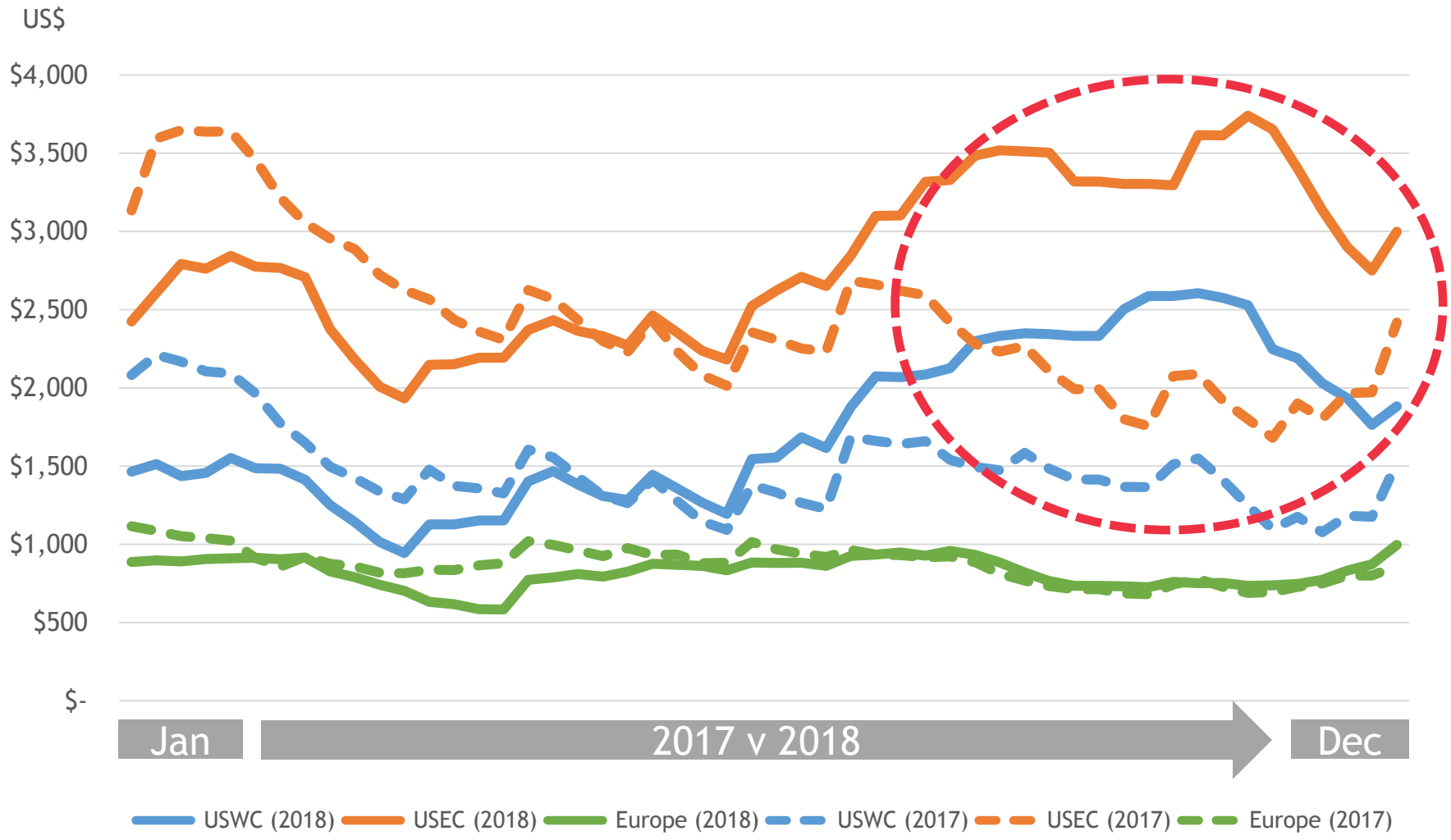
Shanghai Container Freight Index



- Stronger peak season volumes and rates
- SCFI spot rates performed better through fourth quarter seasonality
- Benefit of larger spot market exposure on TransPacific
- Some increase volume may be driven by front-loading

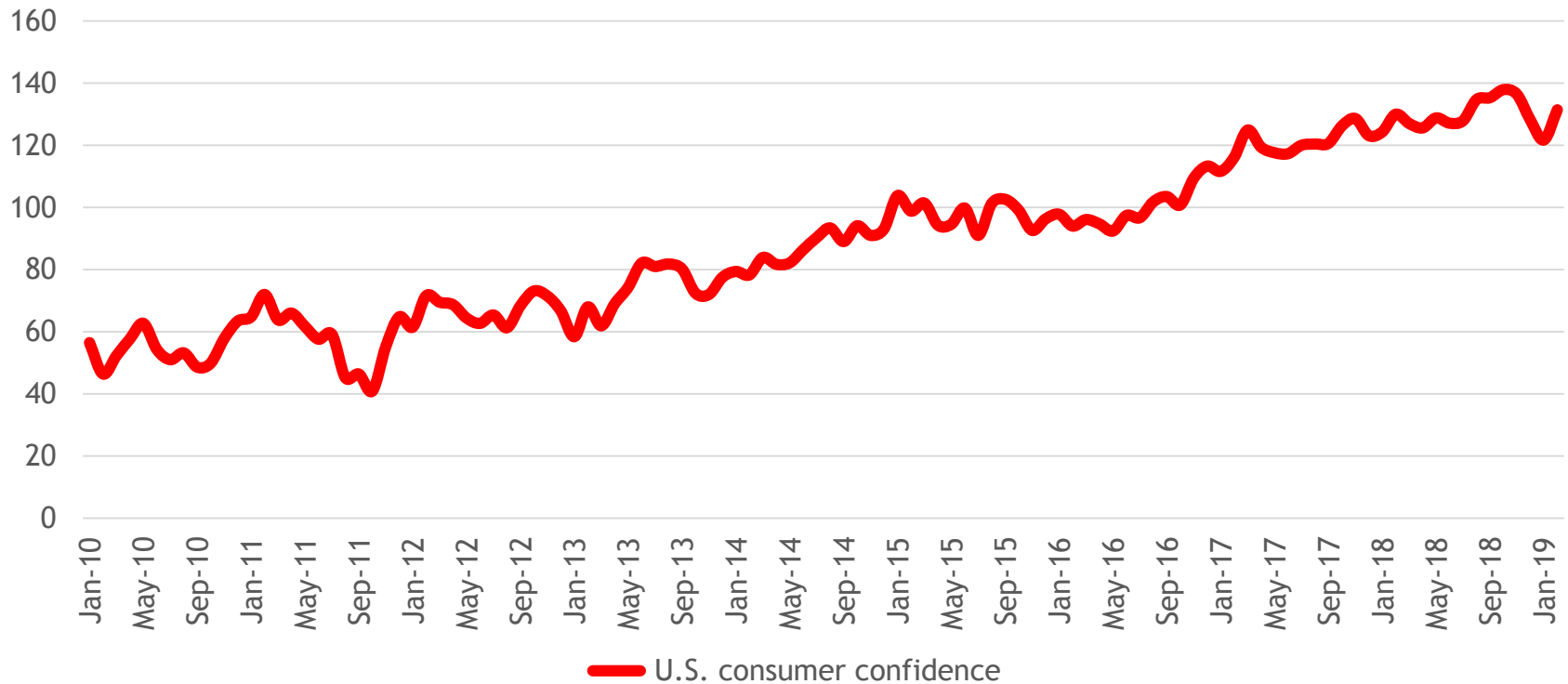


Shanghai Container Freight Index



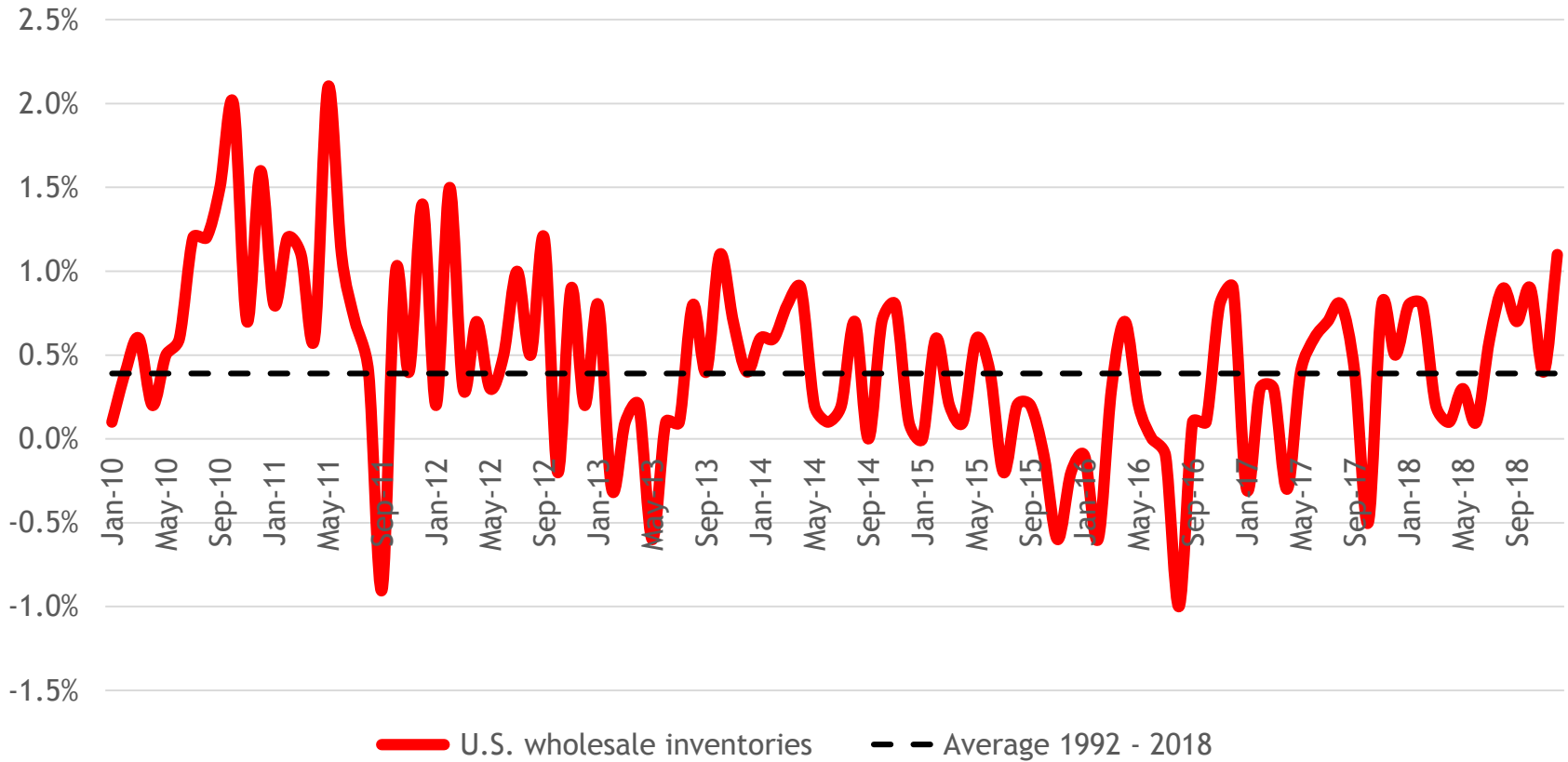
❁ TransPacific vs AsiaEurope divergence is obvious

U.S. Consumer Confidence



- ✿ Rebounded in February, following three months of consecutive declines.
- ✿ Negatively impacted in recent months by financial market volatility and the government shutdown, recovered in February.
- ✿ Consumers expect the economy to continue expanding, however, the pace of expansion is expected to moderate in 2019.

U.S. Wholesale Inventories

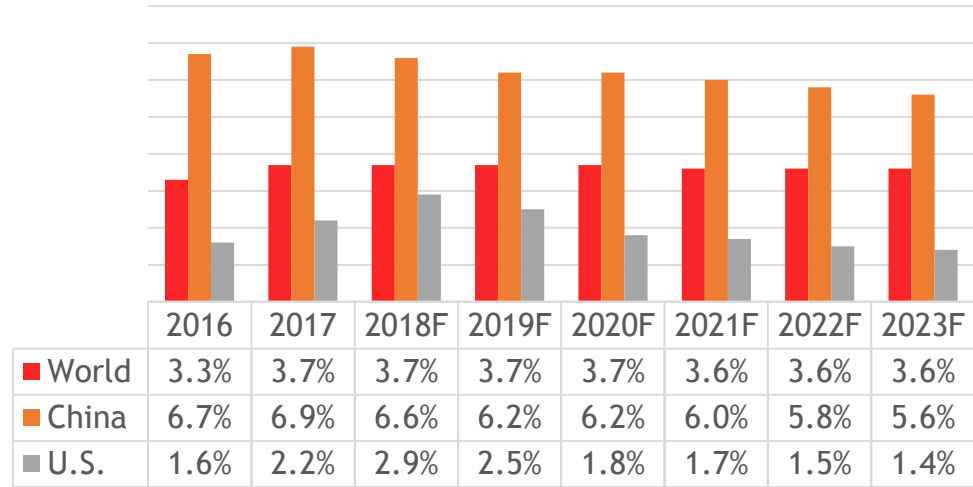


Improving market fundamentals



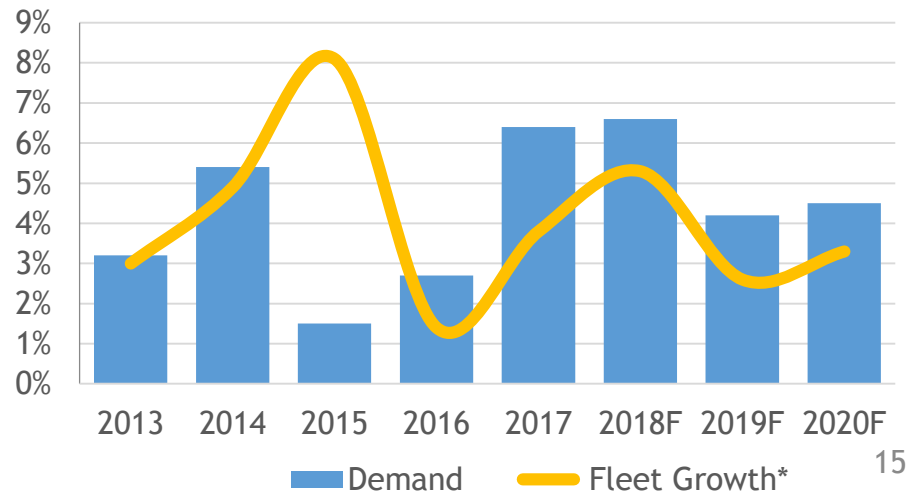
- ❁ 2018 high supply side growth
- ❁ Limited new build ordering in 2018 gives certainty on future supply side risk
- ❁ Major economies continue positive GDP growth albeit slowing
- ❁ Trade negotiations on-going

GDP Growth



Source: IMF

Global Container Trade Demand vs Supply (%)



Source: Drewry

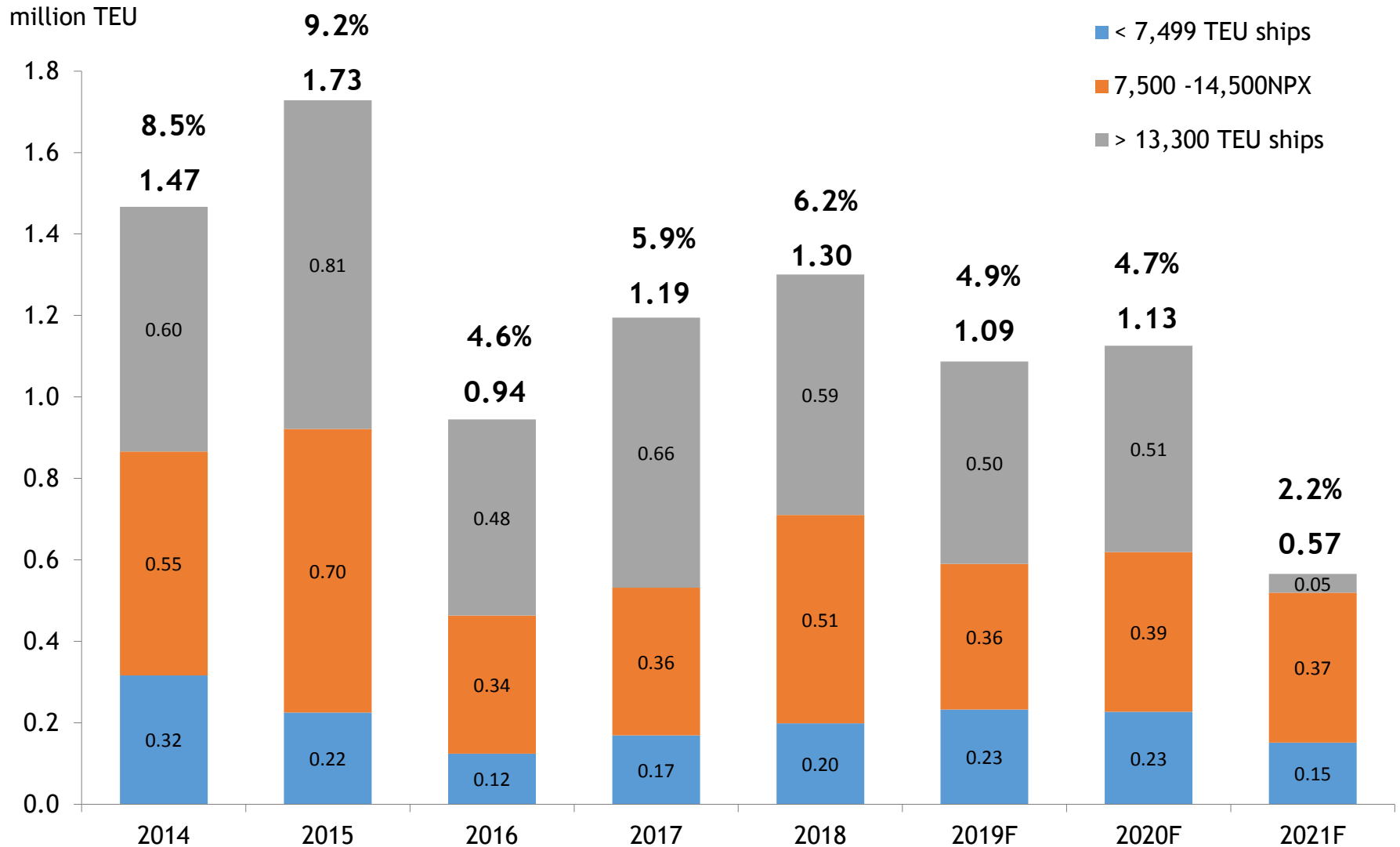
* Drewry's estimated effective capacity or net capacity

Industry trade volume



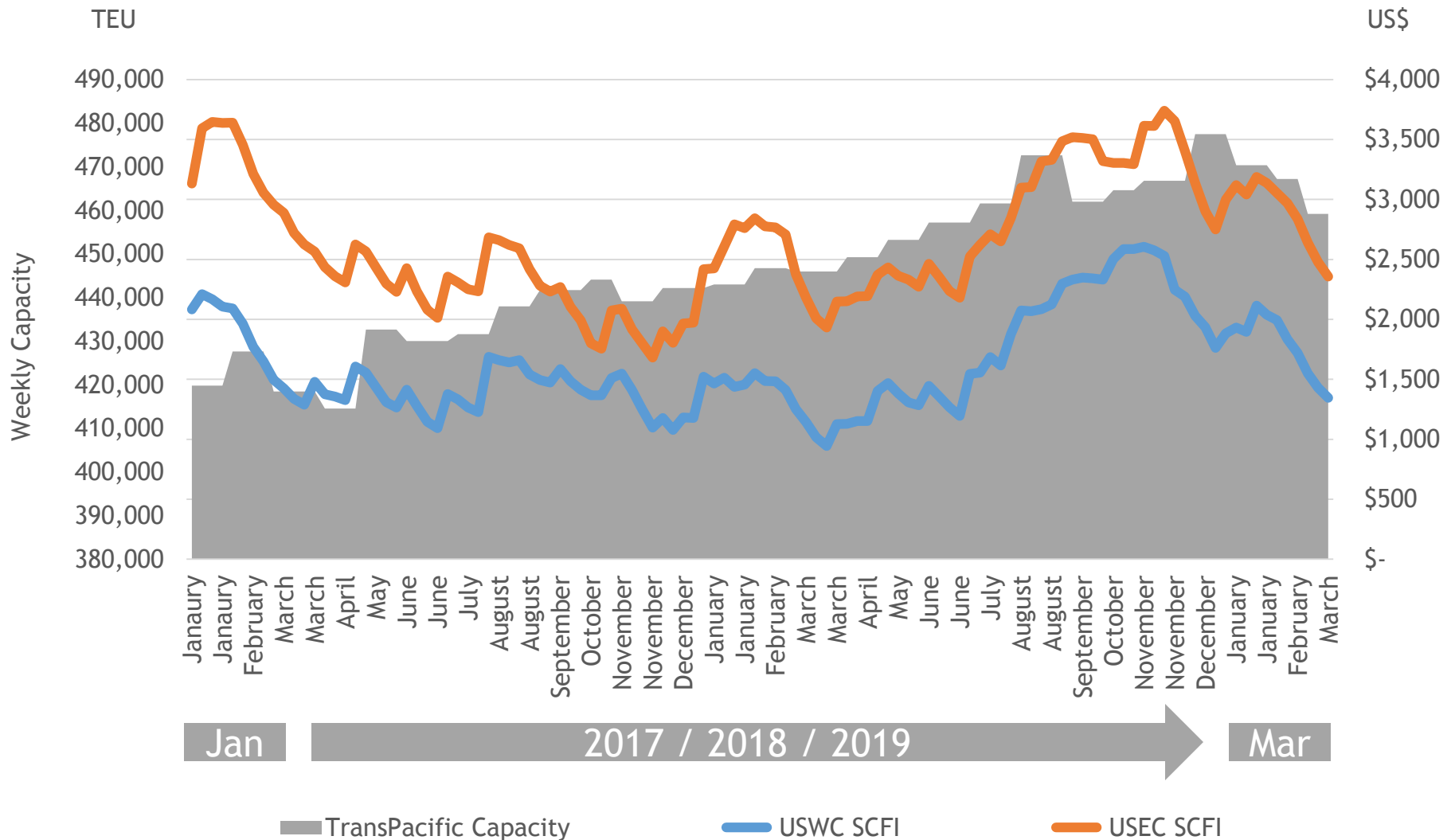
Trade	FY 2018 vs 2017	FY 2017 vs 2016	FY 2016 v 2015
Trans Pacific EB	7.7%	6.2%	4.7%
Asia Europe WB	2.0%	4.4%	3.0%
Intra Asia	5.3%	3.9%	N/A
Trans Atlantic WB	4.4%	7.1%	(1.4%)

Gross new building deliveries

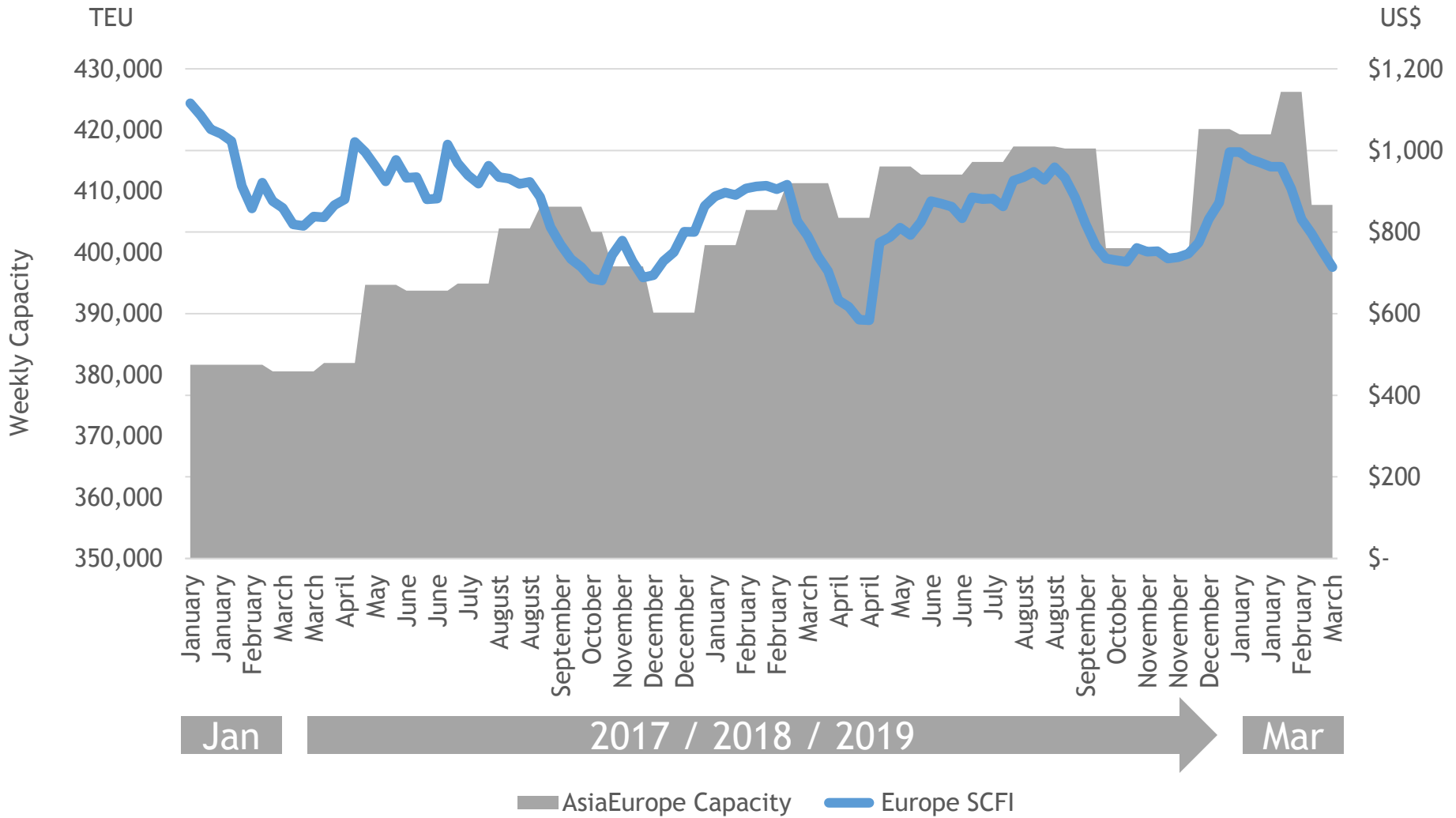


Source: Alphaliner (projections based on orderbook as at 1 March 2019)

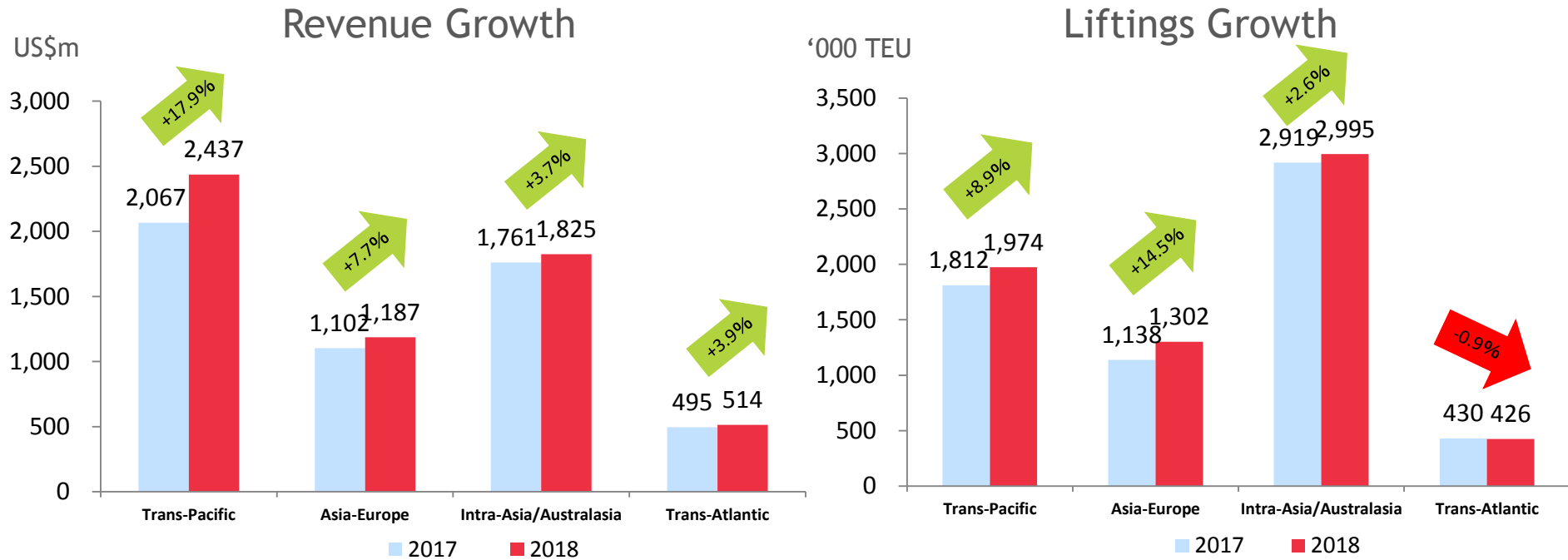
Capacity vs Rates



Capacity vs Rates



Diversified revenue base



- ✿ Remarkable volume growth across all major trade lanes
- ✿ Profitability in trades improving
- ✿ OOCL large exposure to TransPacific being best performing trade in 2018
- ✿ COSCO acquisition giving further benefits to customers:
 - Larger global network
 - Slot sharing and capacity upsizing on complementary trades
 - Trade expansion in Africa and South America, furthering diversification

Operating costs 2018



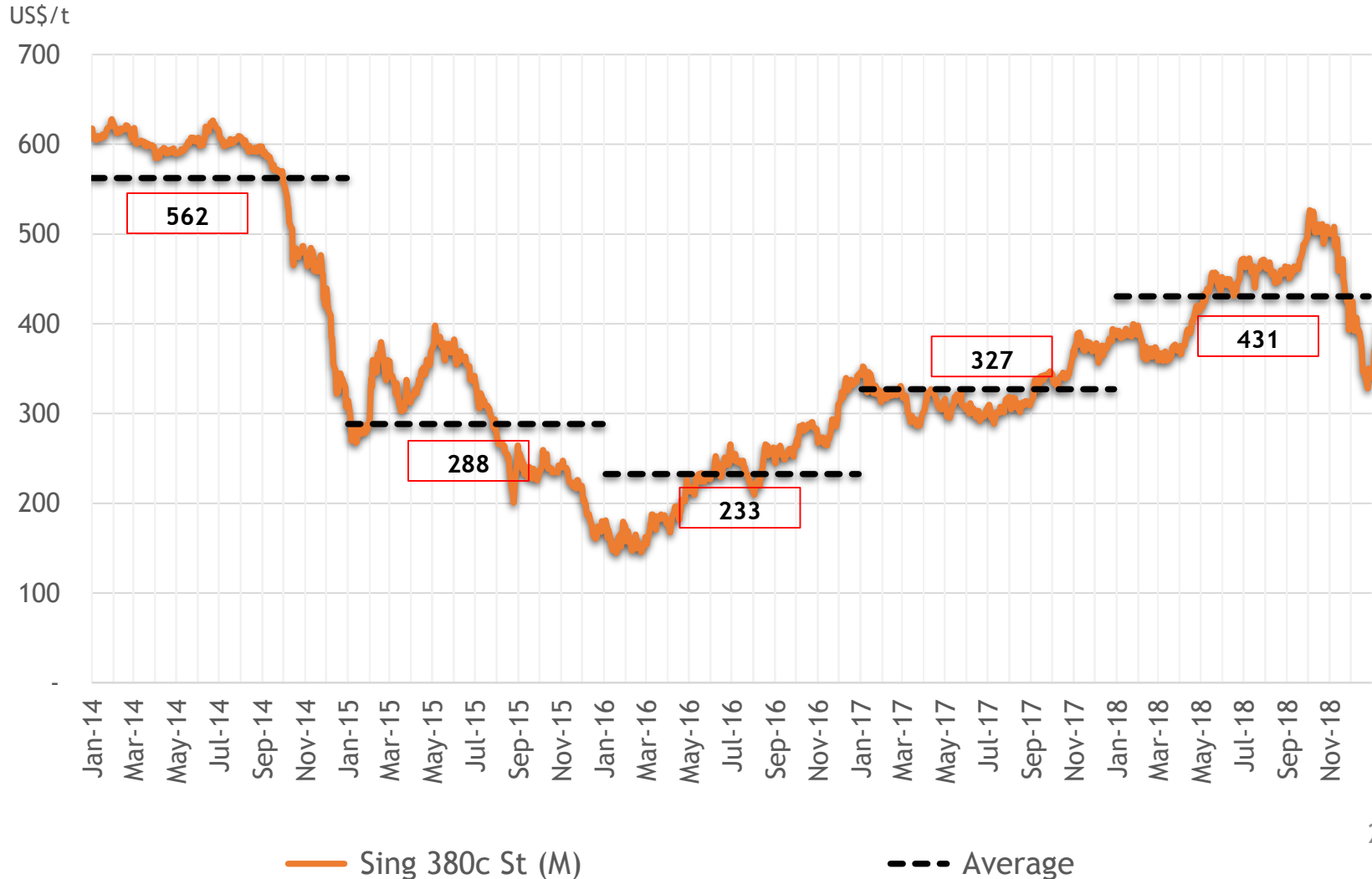
Per Lifting	2018 / 2017 % ▲	2018 Proportion
Total cost	1% ▲	100%
Cargo cost	2% ▼	54%
Equipment and Repo costs	4% ▼	14%
Vessel and Voyage cost	1% ▲	18%
Bunker cost	21% ▲	14%

Note: Results presented above include liner and the discontinued operation Long Beach Container Terminal.

Bunker price - Sing 380c St (M)



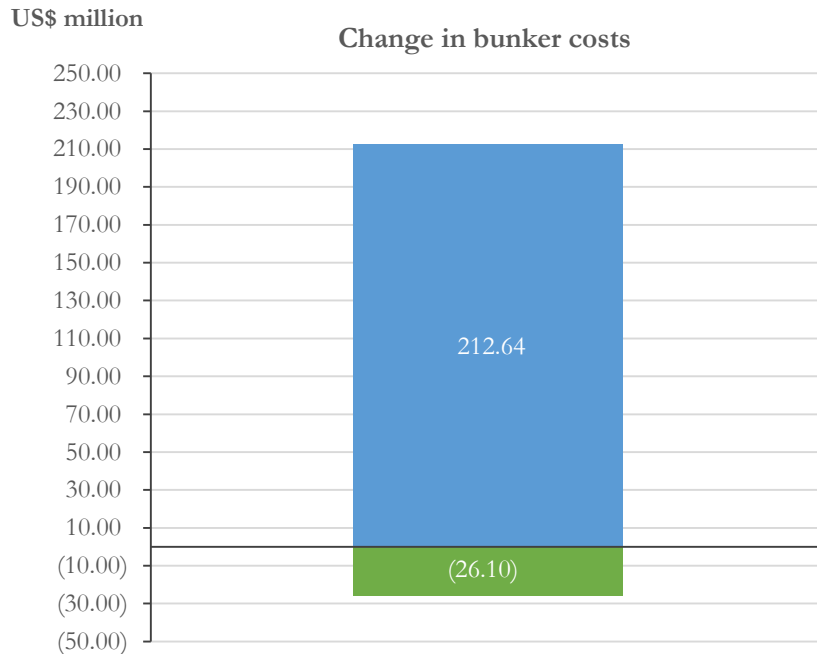
- ✿ Higher average bunker prices throughout 2018
- ✿ Fourth quarter bunker price fall to benefit P&L in 1Q19 due to lag effect



Bunker



- ✿ Bunker consumption reduced in absolute terms
- ✿ Total bunker cost increased due mainly to higher prices
- ✿ Fuel savings program include optimal routing, continuous speed optimisation, efficient use of shaft generator, maintaining optimal trim, and using minimal ballast water for fuel efficiency.



Item	2018	2017	Variance (%)
Bunker Costs (US\$ million)	844.39	657.85	28%
Consumption (Tons '000)	1,935.79	2,015.76	-4%
Average cost (US\$ per ton)	436.20	326.35	34%

- Effect on bunker costs from changes in unit price
- Effect on bunker costs from changes in consumption

COSCO / OOIL synergies



✿ Group synergy savings more than US\$400 million

✿ Multiple working groups identifying synergies

↳ Network optimisation

↳ Joint procurement

↳ Information Technology

↳ Equipment utilisation

✿ COSCO Shipping Holdings (1919.HK) will ensure the identification and maximisation of synergy benefits

↳ VP's appointed from both OOCL and COSCO

↳ 1919.HK roles are concurrent appointments with existing roles



- ✿ Strong revenue and contribution growth
- ✿ Further improvements in our sea-freight NVOCC
- ✿ Warehouse and Distribution
- ✿ Air-freight forwarding business
- ✿ Customs House Brokerage experienced strong growth in 2018



- ✿ Single IT standard
 - data centers
 - global infrastructure
 - cyber security

- ✿ Container inventory management
 - repositioning
 - cost
 - buffer stock

- ✿ Analytics

- ✿ Systems development

- ✿ Artificial Technology

- ✿ Integrated hosting service

US-China trade discussions



- ❁ Impossible to predict impact
 - ❁ Positive steps towards a trade deal being negotiated
 - ❁ Entirely appropriate to be cautious
 - ❁ Some front-loading, but also strong corporate and consumer demand

- ❁ Goods shipped in containers often lower value
 - ❁ Financial impact of tariffs small in US\$ terms
 - ❁ So may not reduce significantly, but could be a brake on growth

- ❁ May take time for alternative supply chains to be set up
 - ❁ New trade deals may be implemented first

Implementation of IFRS 16



- ✿ IFRS16 implemented from January 2019
- ✿ Capitalise all leases as at 1 January 2019 except for lease term of 12 months or less and with low value
- ✿ Recategorise operating leases to being on balance sheet
- ✿ Leases impacted:
 - Smaller vessels
 - >1 year charters, but still short term (typically 2-3 years)
 - No significant distortion of Group credit metrics
- ✿ EBITDA positively impacted as costs move from 'Vessel Costs' to interest and amortisation

Conclusion



- ✿ Recovery in freight rates helping to boost profitability
- ✿ Growth continuing in most major economies, cautious outlook
- ✿ Trade discussions continue to hamper sentiment
- ✿ Supply side risk reducing
- ✿ Synergy savings will continue to benefit P&L
- ✿ COSCO/OOIL look to enhance synergy savings to benefit shareholders and customers



Orient Overseas (International) Limited