



Stock Code : 2612 TT

Investor Presentation

by : **James Tarng, Vice President**

15th August 2019

Summary of Presentation

- Outlook and Strategies
- World Economic and Shipping Market Trends
- The Company Overview
- Appendices

Outlook and Strategies



Outlook and Strategies

Vale Resumes Brucute Mine Production

- Vale gradually resumes production of suspended mines to positively impact iron ore seaborne trade

PRC Demand for Raw Materials

- PRC's thirst for iron ore and coal remains to be the main driving force for capesize market

2020 Sulphur Cap

- IMO bunker sulphur content regulation will come into force on 1st January 2020 creating uncertainty for market

Tonnage Supply Tightens

- Installation of scrubbers will positively impact supply/demand balance

Flexible Chartering Strategies

- We continue to forge strong relationships with major miners and operators to have a mixture of long and short period charters in order to prevail in a cyclical market

Shipping Market Outlook

Demand



Iron Ore- Brazilian exports decrease due to dam collapsing incident while PRC demand remains stable with -2% y-o-y drop

Coal- PRC domestic production increases while market expects drop in steam coal imports but coking coal imports to remain stable



Market Mechanism

PRC Jan-Jun 2019 import -6% y-o-y

91 cape NBs to be delivered in 2019

PRC Jan-Jun 2019 import +6% y-o-y

23 Vessels scrapped between Jan-Jun 2019

Supply



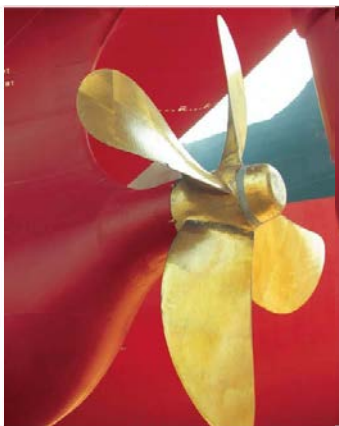
Newbuildings- newbuilding deliveries remain high with 31 ships joining fleet in 1H 2019; fleet to grow by 2% this year

Tonnage Supply- Vintage VLOCs' scrapping and slow-steaming will be key to market's supply-demand balance



Source: Clarksons Platou

World Economy and Shipping Market Trends



World Economy Decelerates

- Global GDP to grow by 3.3% in 2019
- Uncertainties: USA/PRC trade wars, tension in PG and fluctuation in oil prices

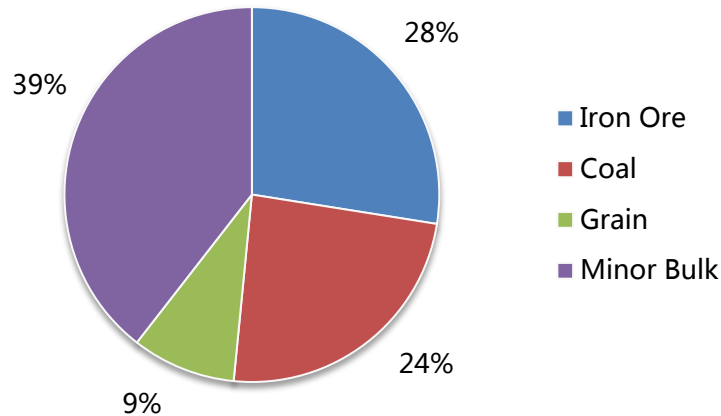


Source: IMF

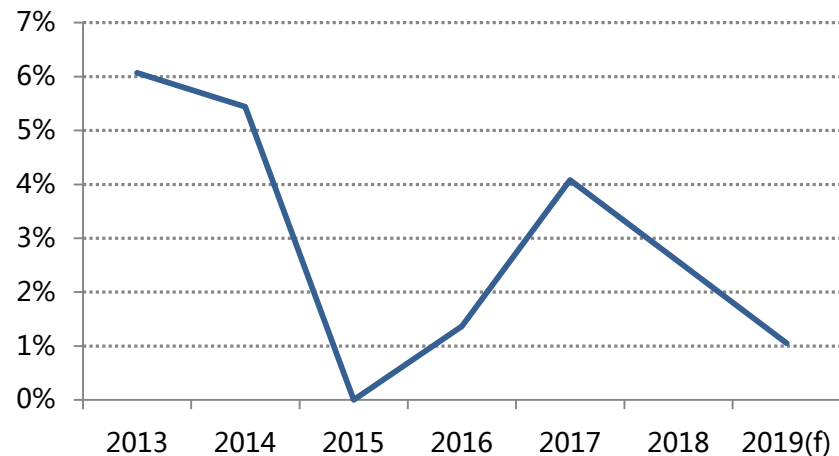
Dry Bulk Seaborne Trade Expects to Grow by 1.1% in 2019

- Dry bulk seaborne trade has been stable in last three years but likely to decline due to Vale tail dam incident this year
- Major Driving Force: PRC' s demand for iron ore and coal together with demand for minor bulk from other markets

% of Dry Bulk Cargoes



— YOY Growth

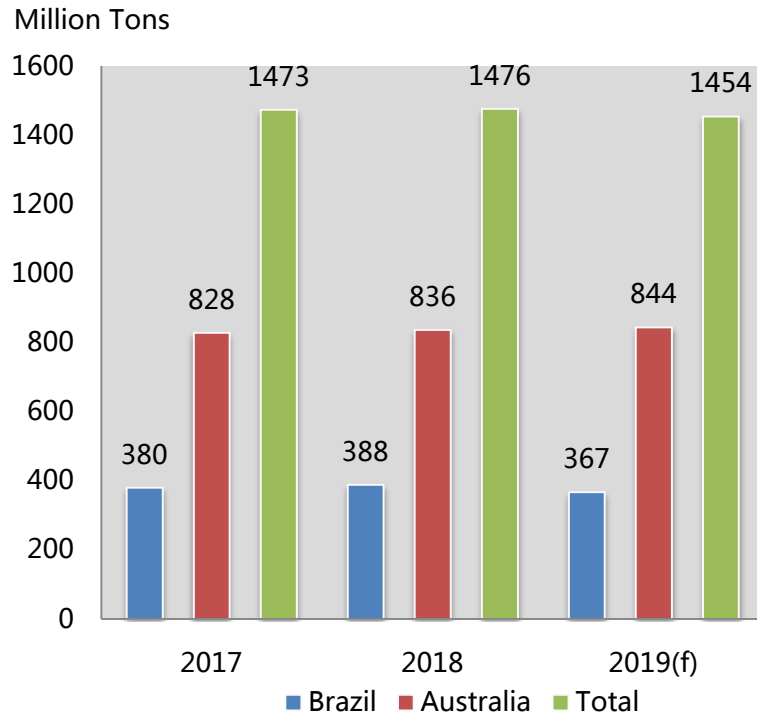


Source: Clarksons Platou

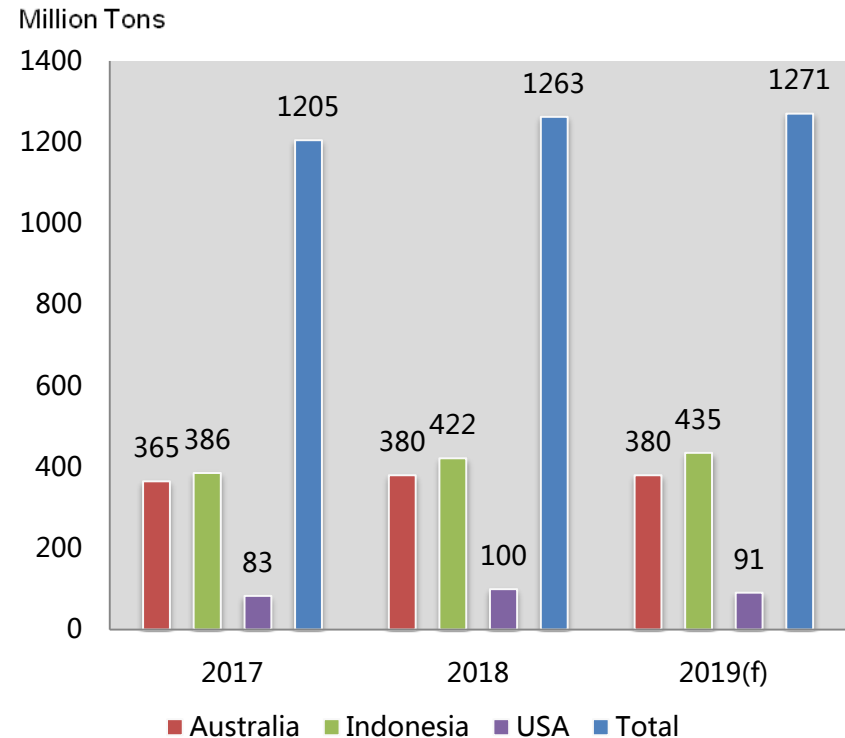
Global Iron Ore/Coal Exports

- Vale tail dam disaster negatively impacts Brazilian export volume by -21 million tons or -5.4%
- Clarksons Platou forecasts global iron ore export to reduce by 1.5% while coal exports to increase by 0.6% in 2019

Iron Ore

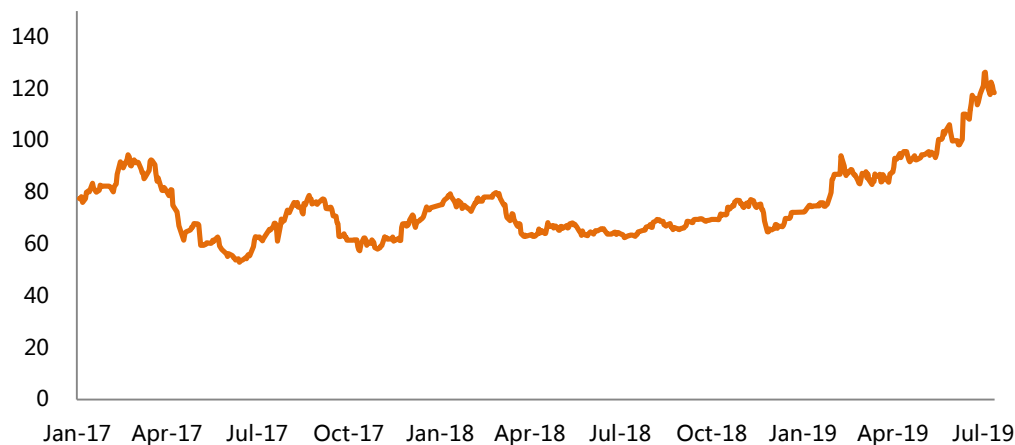


Coal

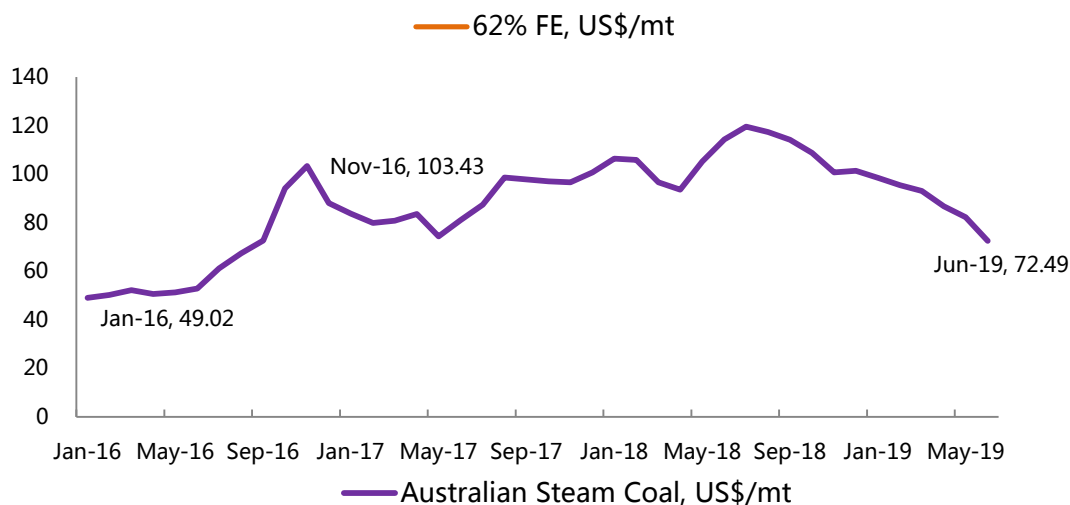


Source: Clarksons Platou

Iron Ore/Coal Prices



- Iron ore (62% Fe Content) price averaged \$91/ton in 1H 2019; price surged to \$126/ton in July 2019



- Australian steam coal prices averaged \$88/ton in 1H 2019 as prices softens due to import restrictions in PRC

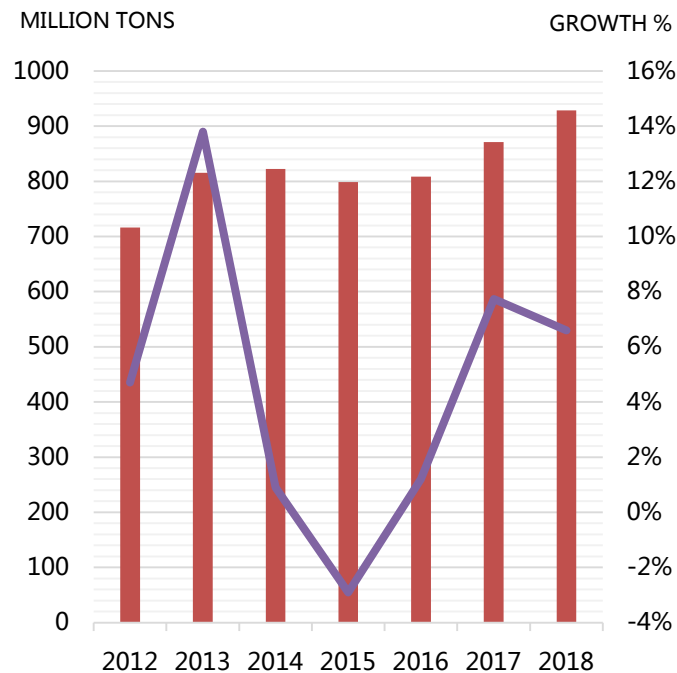
Source: GFI Iron Ore & Steel

Chinese Crude Steel Production and Electricity Consumption

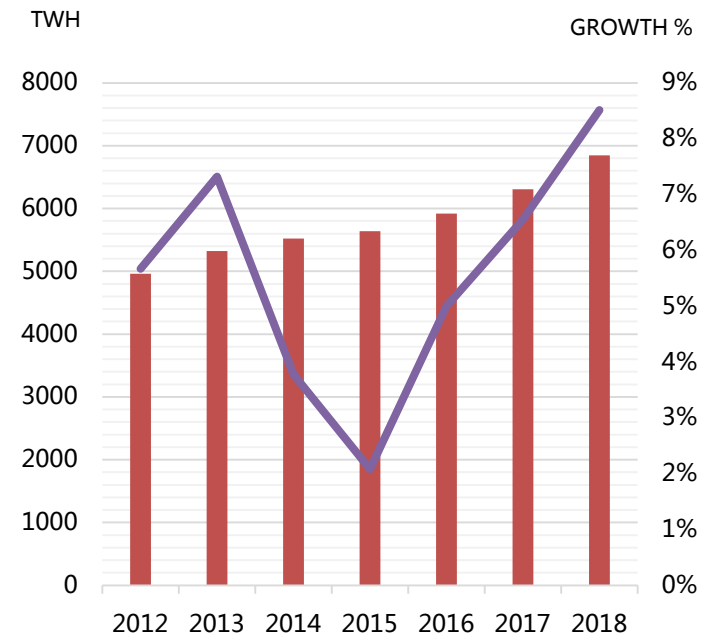
Jan-Jun 2019 accumulated growth rate in production:10.1%

Jan-Jun 2019 accumulated growth rate in consumption: 9.4%

China Crude Steel Production



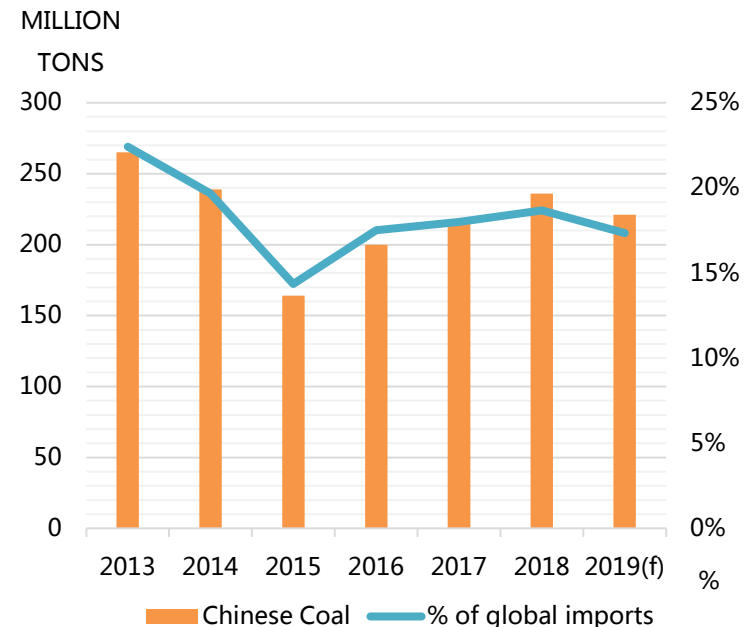
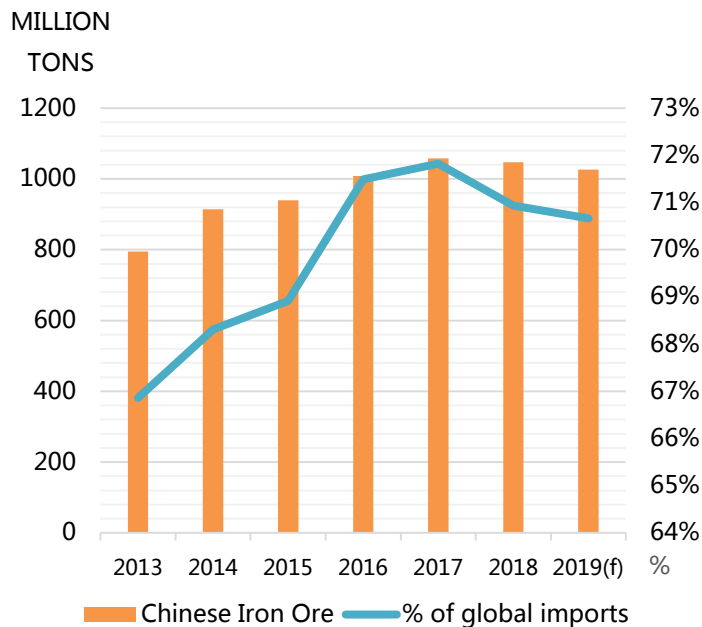
China Electricity Consumption



Source: World Steel Association & 中國國家能源局

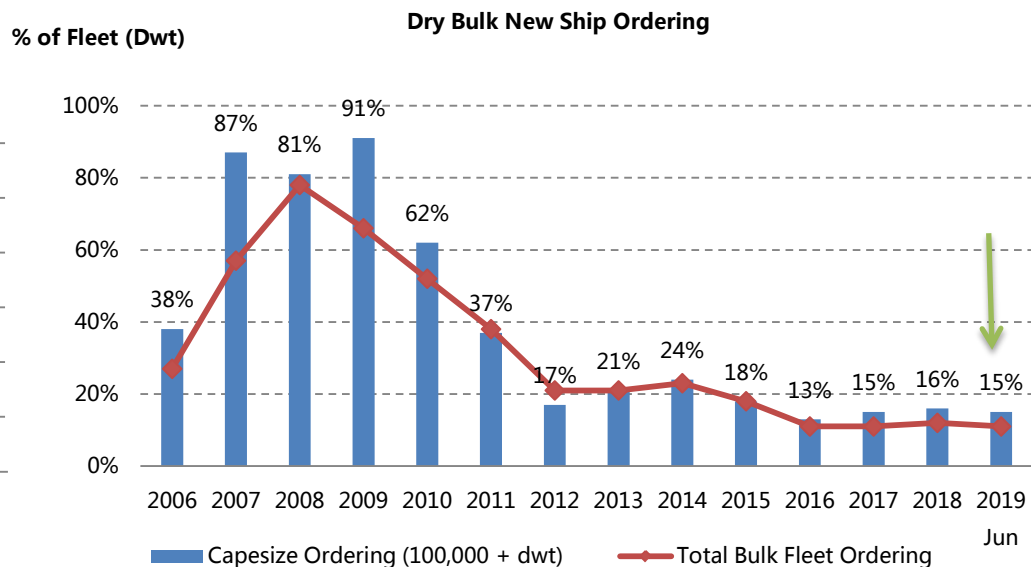
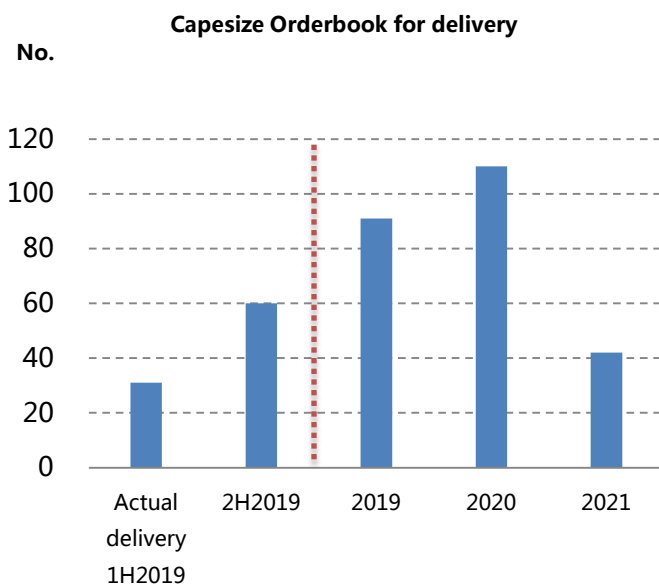
Chinese Iron Ore/Coal Imports Slow Down





- PRC' s demand for iron ore is estimated to decrease by 2% in 2019 to 1.026 billion tons
- PRC' s demand of coal imports is projected to decrease by 6% to 221 million tons
- PRC invests in bauxite mines in West Africa to meet domestic demand; imports will grow by 8% to 93 million tons in 2019



Source: Clarksons Platou

Capesize Newbuilding Orders

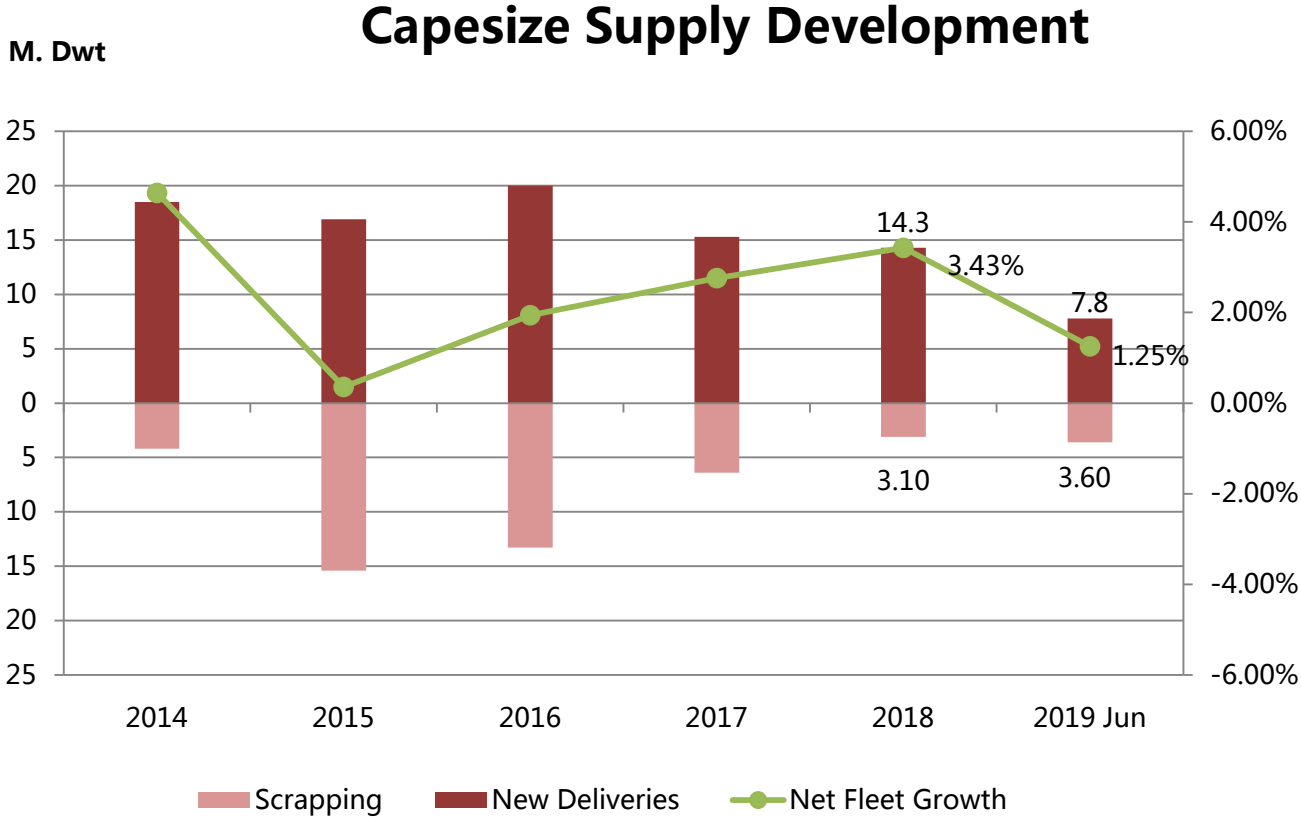


	ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 20 YEARS OLD	1H19 SCRAPPING AS % OF EXISTING FLEET (ANNUALIZED)
 Handysize (10,000 - 40,000 dwt)	5%	11.3	13%	0.30%
 Handymax (incl. Supramax & Ultramax) (40,000 - 65,000 dwt)	8%	9.3	7%	0.20%
 Panamax (incl. Kamsarmax) (65,000 - 100,000 dwt)	11%	9.7	7%	0.09%
 Capesize (100,000 + dwt)	15%	8.5	5%	1.06%
Total Dry Bulk > 10,000 dwt	11%	9.9	7%	0.53%

Source: Clarksons Platou

Capesize Fleet Supply

Between January-June 2019, global fleet's net growth is 1.25%



Source: Clarksons Platou

Newbuilding/Secondhand Sale Prices

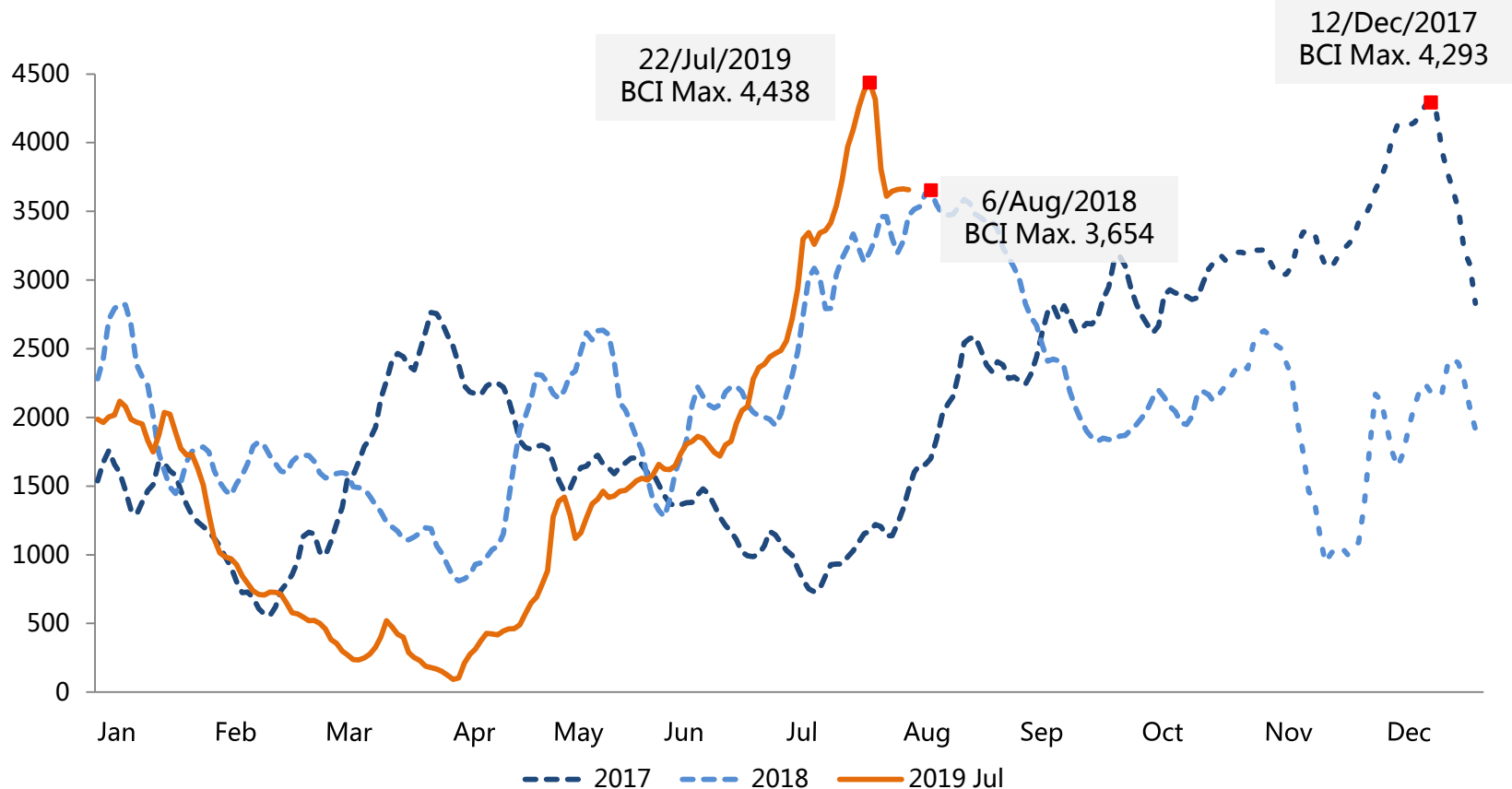
Market softens in 1H 2019 but 2nd hand transactions pick up in recent months

Prices (US\$ Million)		At End of Year		
		2017	2018	Jun-19
180,000 dwt	NB	44.0	50.0	51.0
180,000 dwt	Resale	46.5	52.0	52.0
180,000 dwt	5 - yr	33.0	33.5	30.0
180,000 dwt	10 - yr	20.5	24.0	23.5
170,000 dwt	15 - yr	13.0	15.0	14.0

Source: Clarksons Platou

Capesize Freight Gradually Recovers in 2H 2019

Baltic Exchange Capesize Index

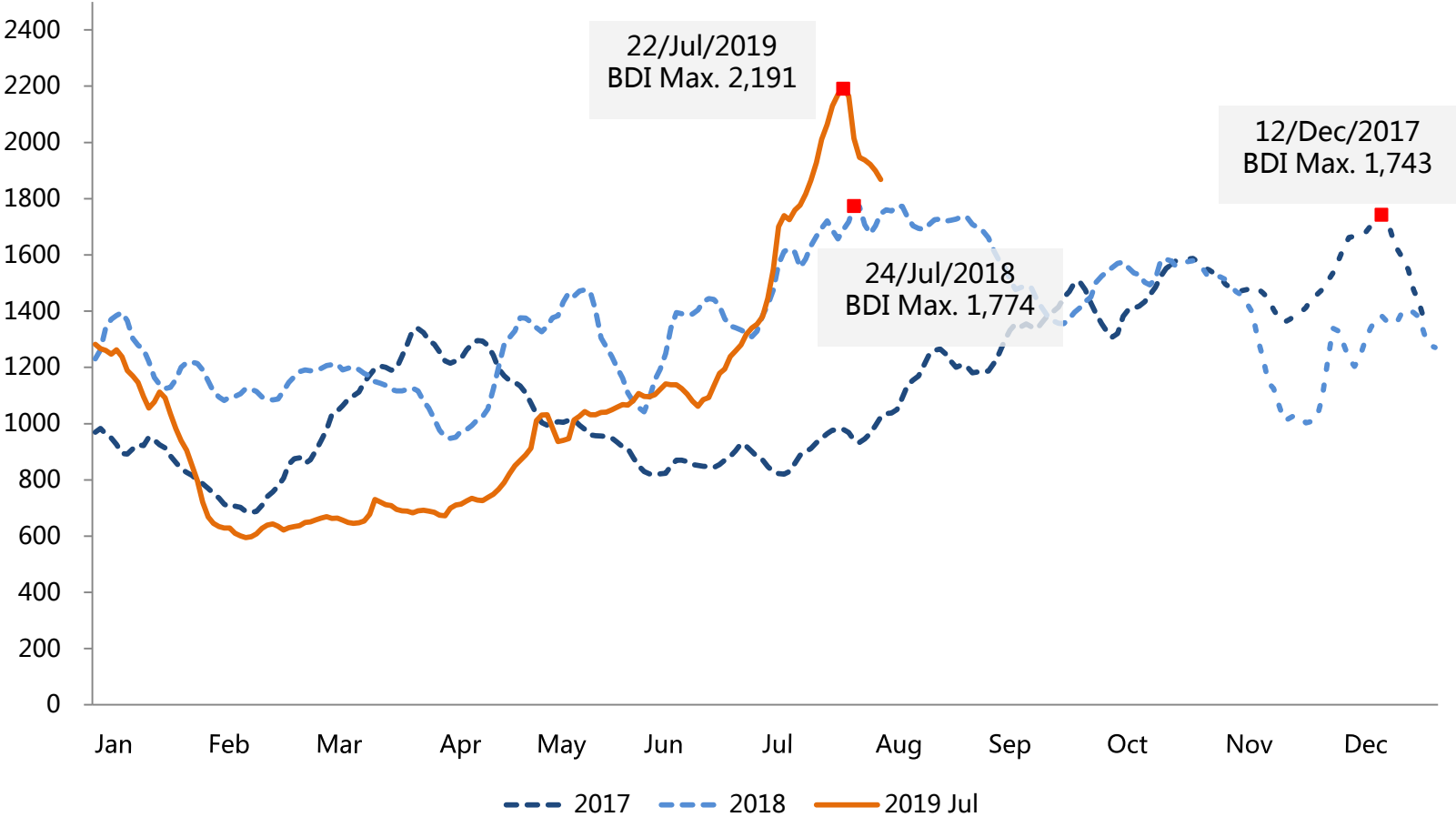


- BCI average 1,112 between January and June 2019; the average was 1,768 in same period last year
- 5TC average \$10,028 between January and June 2019; the average was \$13,954 in same period last year

Source: Clarksons Platou

Dry Bulk Freight Gradually Recovers in 2H 2019

Baltic Exchange Dry Index



■ BDI average 887 between January and June 2019; the average was 1,217 in the same period last year

Source: Clarksons Platou

Stringent Maritime Regulations

- **IMO: Low Sulphur Fuel Oil Requirement**
 - Sulphur content will be capped at 0.5% m/m (versus 3.5% m/m now) from 1st January 2020
 - Presently no plans to install scrubbers; CMT Fleet to burn low sulphur fuels
- **IMO: Ballast Water Management Convention**
 - Enter into force on 8th September 2019
 - CMT fleet' s BWTS retrofitting to be completed by 2021

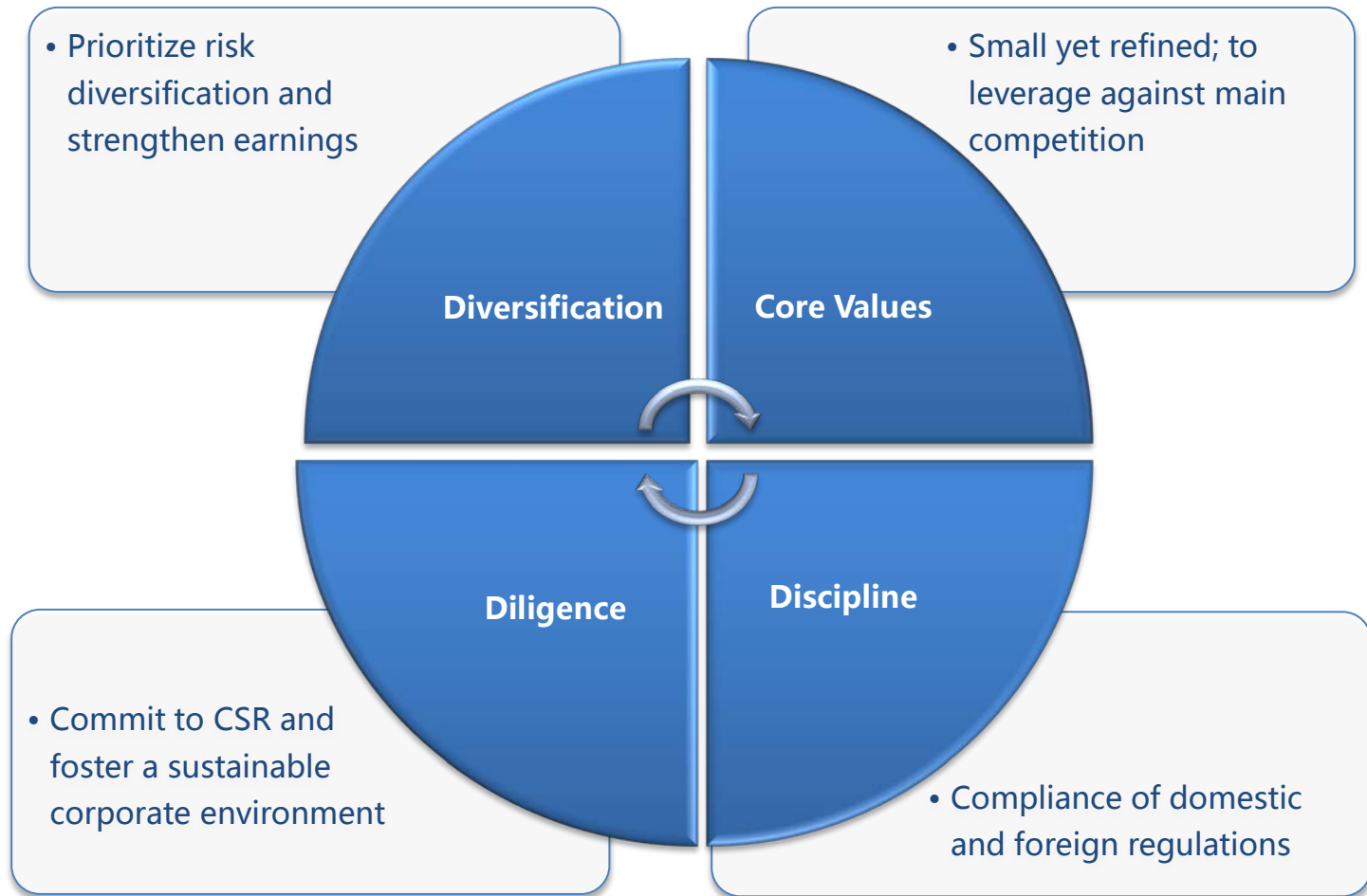


Photo : IMO

The Company Overview



4 Operating Philosophies



Major Operating Entities

% of Total Revenue in 2019 1H



CMT Capesize Fleet

船名	年份	船籍	船級	噸載重位	吃水(米)
中華和平 China Peace	2005	香港	ABS	174,413	18.10
中華富進 China Progress	2006	香港	ABS	174,322	18.10
中華榮耀 China Pride	2009	香港	ABS	177,856	18.10
中華光輝 China Triumph	2010	香港	ABS	203,028	18.10
中華鴻運 China Prosperity	2011	香港	ABS	203,028	18.10
中華先鋒 China Pioneer	2012	香港	ABS	206,079	18.49
中華偉運 China Fortune	2013	新加坡	ABS	206,061	18.49
中華和諧 China Harmony	2016	香港	ABS	179,505	18.10
中華偉業 China Enterprise	2017	新加坡	ABS	207,984	18.50
中華名望 China Honour	2017	香港	ABS	179,562	18.10

- Fleet Size: 10 Capesize Bulk Carriers
- Total DWT: 1.91 Million Tons
- Average Age: 7.4 Years

Inland Trucking



- Associated Transport Inc., is one of Taiwan's largest intermodal container trucking operators, providing inland container drayage and related services
- CMT stresses safe, punctual, efficient service and is fully responsive to customers' requirement of transporting empty/laden containers to designated depots and locations
- Currently owns 266 modern tractors and over 488 semi-tractors

Terminal and Logistics



- CMT Logistics Co., Ltd. is located in Yangmei, Taoyuan County in northern Taiwan
- Inland container terminal with area coverage of 33,429.19 square meters, providing services of consolidation, repairs, warehousing, logistics, and distribution centers for major shipping lines
- Except for obtaining ISO9002QA certification and Taiwan Customs Bureau' s authorization to operate independently

CMT Air Cargo Department





- CMT Air Cargo Department is the General Sales Agent (GSA) of Saudi Arabian Airlines (Saudia). Saudia is the flag carrier of the Kingdom of Saudi Arabia and a member of the SkyTeam Alliance



- Saudia has a complete modern fleet a total of 222 aircrafts, including Boeing-777, 787,747F; Airbus-A330, A320. It reaches 109 destinations in KSA and worldwide

Image Source: <https://www.arabianbusiness.com/transport/398084-saudia-offers-free-whatsapp-data-package-on-domestic-international-flights>
<https://www.flickr.com/photos/canvaswings/15739042055>

Major Investment and Joint Venture

Name of Company	Holding Since	Effective Ownership Interest as of 30 th June 2019	Main Operating Activities
 <p>Taiwan Navigation, Co., Ltd.</p>	2006	10.41%	50,000-80,000 DWT Bulk Carriers
 <p>Global Energy Maritime Co., Ltd.</p>	2011	12.00%	Crude and Product Tankers including VLCCs

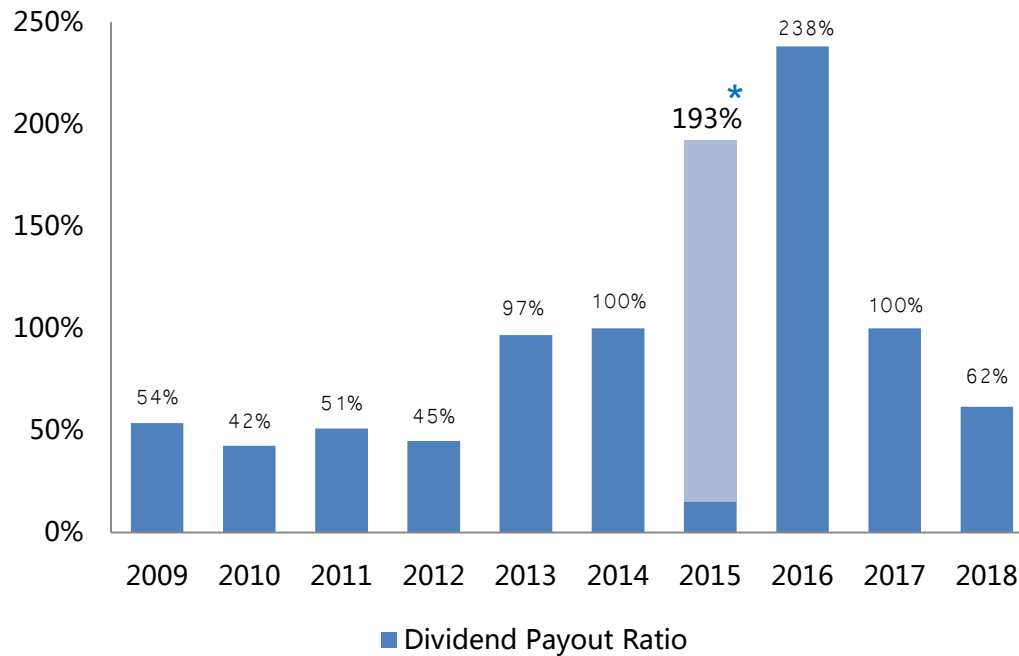
2014-2019 1H Finance Highlights

Expressed in thousands of New Taiwan Dollars

Year	2014	2015	2016	2017	2018	2019 1H
Revenue	3,491,281	3,361,457	3,294,834	3,218,366	3,820,224	1,913,623
Net Profit/(Loss)	332,714	332,787	47,941	98,052	513,711	189,912
EPS	1.30	1.30	0.21	0.5	2.6	0.96
Cash on hand	4,610,003	4,506,458	3,685,514	2,939,548	3,345,205	3,527,249
ROE %	3.19%	3.04%	0.45%	0.99%	5.24%	3.73%
ROA %	2.27%	2.08%	0.89%	1.30%	3.48%	1.81%
Liability %	50%	48%	52%	53%	50%	51%

Dividends Distribution

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Cash dividends/ Capital Reduction (NT\$)	6.00	3.20	2.00	1.00	1.50	1.30	2.50 *	0.50	0.50	1.6
EPS (NT\$)	11.20	7.53	3.92	2.23	1.55	1.30	1.30	0.21	0.50	2.6



*Cash dividend NT\$ 0.20 plus capital reduction NT\$2.30 = NT\$2.50

Appendix 1 : Condensed Balance Sheet

	Millions of New Taiwan Dollars		
	Dec 31,2018	Jun 30,2018	Jun 30,2019
Assets			
Current assets	4,107.046	3,856.622	4,314.985
Property, plant and equipment	14,439.746	14,746.688	14,239.537
Intangible assets	12.655	14.096	12.245
Other non current assets	1,863.870	1,761.443	2,376.370
Total assets	20,423.317	20,378.849	20,943.137
Liabilities and Equity			
Current liabilities	2,338.599	2,137.320	3,355.185
Non Current liabilities	7,897.903	8,470.890	7,398.176
Total liabilities	10,236.502	10,608.210	10,753.361
Equity attributable to owners of parent			
Common stock	1,974.846	1,974.846	1,974.846
Capital surplus	53.411	53.411	53.411
Retained earnings	8,437.441	8,111.898	8,311.378
Other equity interest	(278.883)	(369.525)	(149.859)
Non-controlling interests	0	9	0
Total equity	10,186.815	9,770.639	10,189.776
Total liabilities and equity	20,423.317	20,378.849	20,943.137

Appendix 2 : Condensed Statement of Comprehensive Income

	Thousands of New Taiwan Dollars		
	2018	2018 1H	2019 1H
Operating Revenues	3,820,224	1,795,233	1,913,623
Operating costs	2,850,536	1,373,175	1,464,150
Gross profit	969,688	422,058	449,473
Operating expenses	362,829	175,249	183,083
Net operating income	606,859	246,809	266,390
Non operating income and expenses	(47,626)	(35,602)	(45,664)
Profit before tax	559,233	211,207	220,726
Less: tax expense	45,522	23,018	30,814
Profit (attributable to owners of parent)	513,711	188,189	189,912
Other comprehensive income, net	337,780	247,117	129,024
Comprehensive income (attributable to owners of parent)	851,491	435,306	318,936
Earnings per share	2.60	0.95	0.96

Appendix 3 : Corporate Bonds Issuance

Tranche	2016-1	2016-2	2017
Tenor	5 Years	5 Years	5 Years
Due Date	03-16-21	03-16-21	04-10-22
Interest Rate	0.88%	1.00%	1.13%
Amount (NT\$ 100M)	9	14	8
Interest Payment	Annually	Annually	Annually
Guarantee Bank	Bank of Taiwan	Mega Bank	Shanghai Commercial Bank

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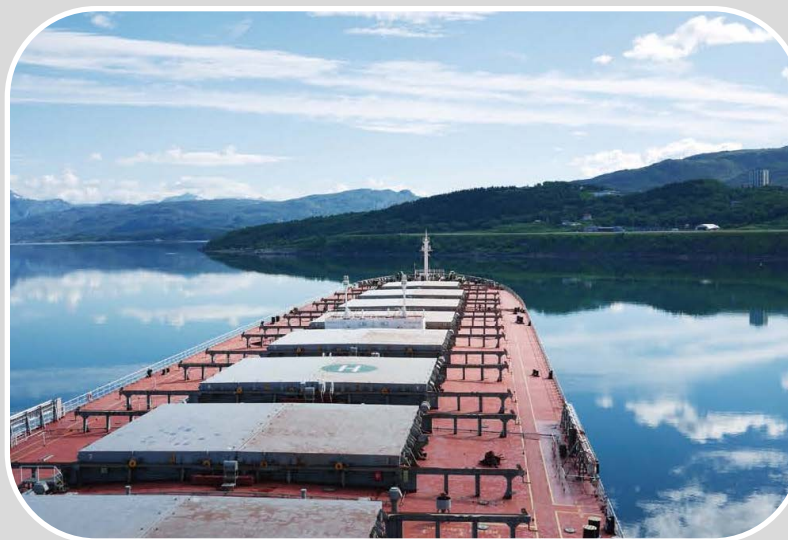
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Thank You !

