

Hutchison Port Holdings Trust

Your Preferred Port-of-Call

**2018 Financial Results Presentation
for the Year Ended 31 December 2018**

Disclaimer

This presentation should be read in conjunction with, and figures herein are based on, the results of Hutchison Port Holdings Trust (“HPH Trust”) for the year ended 31 December 2018 in the SGXNET announcement.

This presentation may contain forward-looking statements that involve risks and uncertainties. Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. As these statements and financial information reflect our current views concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Hutchison Port Holdings Management Pte. Limited, a trustee-manager of HPH Trust, of future events.

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1 Key Highlights

Key Highlights

- 2018 full year throughput of HPH Trust's ports was 1% below last year. YICT's throughput was 4% above last year. Combined throughput of HIT, COSCO-HIT and ACT (collectively "HPHT Kwai Tsing") was 7% below last year
- The overall trend in outbound cargoes to the US was positive in 2018. Full year growth in US outbound cargoes was 5%; with 2018 fourth quarter growth increasing to 10% driven by the frontloading of cargoes in anticipation of the 25% tariff implementation originally scheduled in January 2019 by the US to Chinese exports. On the other hand, outbound cargoes to the EU was weak in 2018 and below 2017 by 1%. YICT's full year throughput growth was mainly attributed to growth in the US and transshipment cargoes. The drop in HPHT Kwai Tsing's throughput was mainly due to reduction in transshipment cargoes
- Following the asset impairment assessment performed during the period and in view of the mounting global trade uncertainties, the behavioural changes in multinational corporations caused by the current trade tensions, including accelerating the diversification of production bases outside of China and the effects stemming from the structural changes within the shipping line industry, the Group has recognised non-cash impairment losses of HK\$12,289.0 million
- NLAT for the year was HK\$10,246.0 million, HK\$12,463.5 million or 562% below last year. NLAT attributable to unitholders was HK\$11,551.3 million, HK\$12,495.5 million or 1,323% below last year, mainly due to the aforementioned non-cash impairment losses

Key Highlights (cont'd)

- Excluding the impairment impact, 2018 full year NPAT was HK\$2,043.0 million, 8% below last year. NPAT attributable to unitholders was HK\$737.7 million, 22% below last year
- 2018 full year Distribution Per Unit (“DPU”) is 17.00 HK cents
- On 8 January 2019, HIT, COSCO-HIT, ACT and Modern Terminals Limited entered into a Hong Kong Seaport Joint Operating Alliance Agreement regarding the terms on which they will collaborate with each other for the efficient management and operation of the 23 berths in Kwai Tsing

2 Outlook and Prospects

Outlook and Prospects

Overview

- Fiscal 2019 has commenced with forecasts of slower international trade and further structural changes to container shipping lines. These developments make forecasting cargo volumes challenging and consequently the Trustee-Manager will continue to focus on cost discipline and efficiency improvements to better serve its customers and protect the business from any downturn in cargoes handled
- A number of macro-economic and political uncertainties are believed to be behind the forecast international trade slowdown including:
 1. A slowing Chinese economy, mainly attributable to Government policy to address the growth of debt;
 2. A slowing EU economy;
 3. The absence of a parliamentary approved agreement on Britain's withdrawal from the EU and its effect on business sentiment; and
 4. Uncertainty as to whether trade negotiations will result in the normalisation of US/China trade. Regardless of the outcome of the negotiations, there is a risk that long established supply chains in southern China will be altered over time to the detriment of HPH Trust

Outlook and Prospects (cont'd)

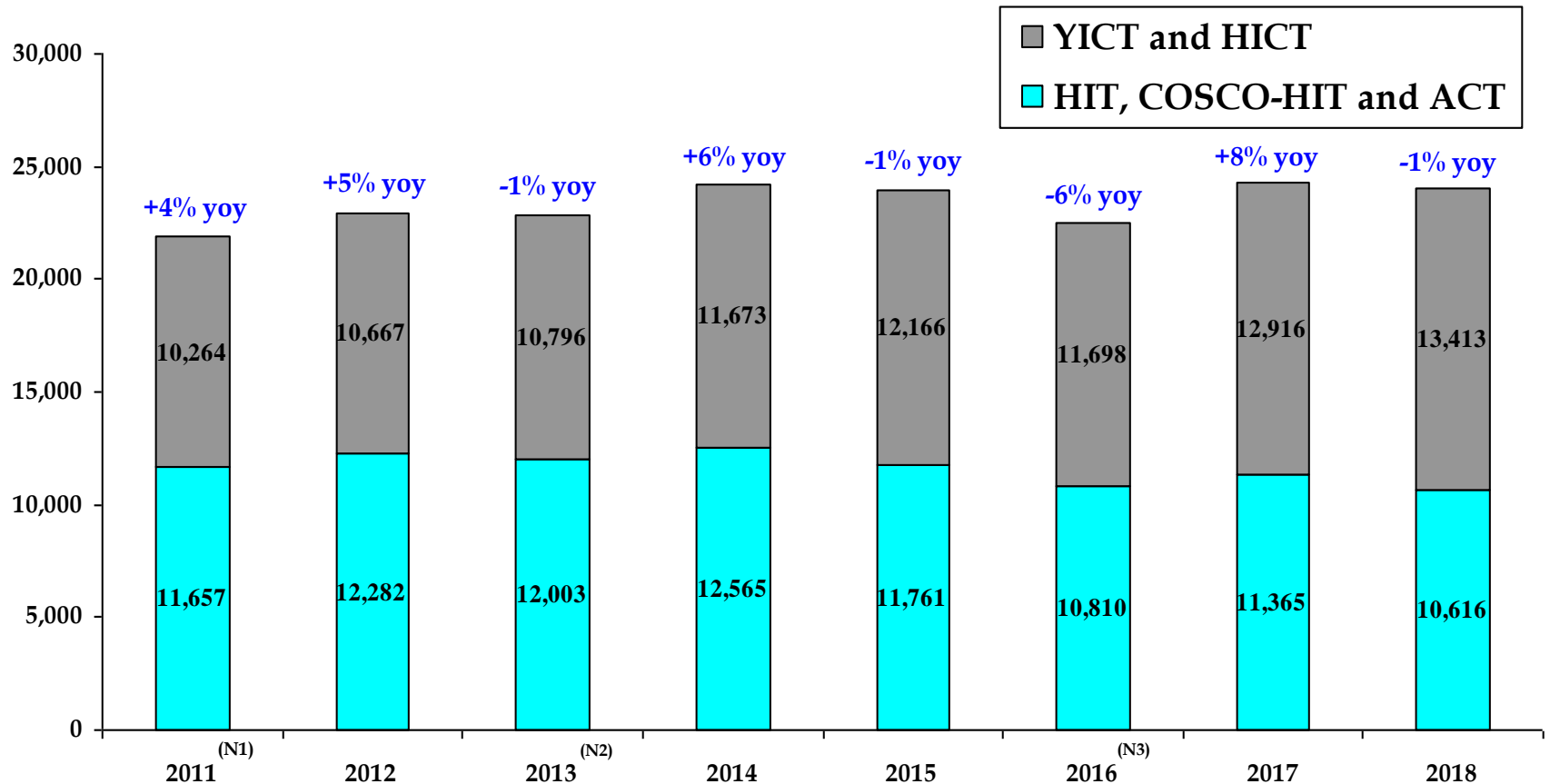
Overview

- Further structural changes to container shipping lines are anticipated. While the creation of further cost sharing alliances is not expected, further deployment of mega vessels will continue necessitating investment in port equipment and processes by deep water port operators handling these vessels. HPH Trust is committed to serving its customers with ongoing investment in facilities and services. In Hong Kong, the Trustee-Manager believes the formation of the Hong Kong Seaport Alliance, announced in January 2019 between HIT, COSCO-HIT, ACT and Modern Terminals Limited will enable better vessel berth planning and deployment and cost efficiencies to be achieved

3 Business Review for the Year Ended 31 December 2018

Key Business Update

Throughput Volume (TEU in thousand)



N1 2011 throughput volume is on full year basis (i.e. include the throughput volume before listing) for comparison purpose

N2 Includes throughput volume of ACT after the acquisition in March 2013

N3 Includes throughput volume of HICT after the acquisition in December 2016

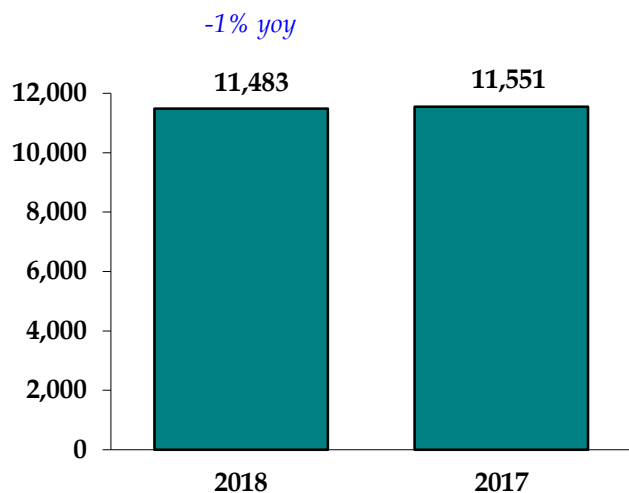
4 Key Financial Performance

Key Financial Performance

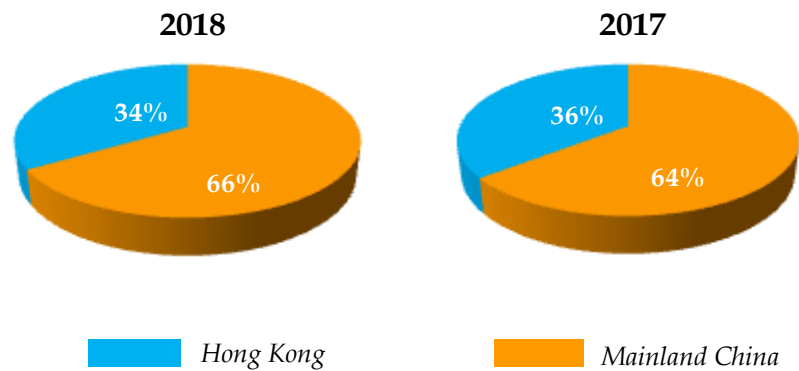
Revenue and other income

For the year ended 31 December 2018

(HK\$ Million)



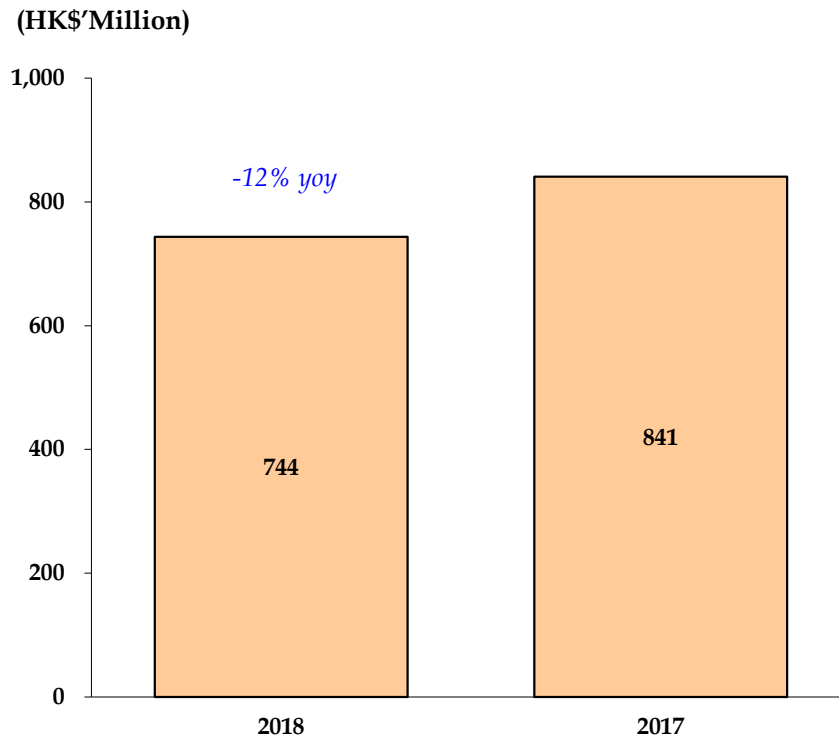
Segment Information



Key Financial Performance

Total Capex

For the year ended 31 December 2018



Key Financial Performance

Financial Position

	At 31 December 2018 HK\$'Million	At 31 December 2017 HK\$'Million
Short Term Debt	\$2,519.1	\$4,247.1
Long Term Debt	\$29,170.4	\$28,452.4
Total Consolidated Debt	\$31,689.5	\$32,699.5
Total Consolidated Cash	\$6,566.4	\$6,768.1

Key Financial Performance

Distribution

**For the period from
1 January 2018 to
30 June 2018**

**For the period from
1 July 2018 to
31 December 2018**

Distribution Amount

HK\$742.2 million

HK\$738.7 million

Distribution Per Unit (“DPU”)

8.52 HK cents

8.48 HK cents

DPU for the year ended 31 December 2018

17.00 HK cents

2018 distribution – yield (%)

8.9% (at US\$0.245 market price on 31 December 2018)

Ex-distribution date

19 February 2019

Books closure date

5:00p.m. 20 February 2019

Payment of distribution

29 March 2019

HPH Trust's Results

Full Year 2018 against Last Year

	1 January to 31 December		
	2018 <u>Actual</u>	2017 <u>Actual</u>	% variance <u>Fav/(Unfav)</u>
(HK\$'Million)			
Revenue and other income	11,482.6	11,551.0	(1%)
Cost of services rendered	(4,143.5)	(4,131.6)	-
Staff costs	(286.5)	(288.0)	1%
Depreciation and amortisation	(3,076.0)	(3,003.3)	(2%)
Other operating income	129.1	25.4	408%
Other operating expenses	(553.9)	(552.0)	-
Total operating expenses	(7,930.8)	(7,949.5)	-
Operating profit	3,551.8	3,601.5	(1%)
Interest and other finance costs	(1,021.8)	(856.9)	(19%)
Share of profits/(losses) after tax of Associated Cos/JVs	(52.6)	(40.0)	(32%)
Profit before tax	2,477.4	2,704.6	(8%)
Taxation	(434.4)	(487.1)	11%
Profit after tax before impairment losses (a)	2,043.0	2,217.5	(8%)
Impairment losses (N1)	(12,289.0)	-	N/A
(Loss)/profit after tax (b)	(10,246.0)	2,217.5	(562%)
Profit after tax attributable to non-controlling interests (c)	(1,305.3)	(1,273.3)	3%
Profit after tax attributable to unitholders of HPH Trust before impairment losses (a) - (c)	737.7	944.2	(22%)
(Loss)/profit after tax attributable to unitholders of HPH Trust after impairment losses (b) - (c)	(11,551.3)	944.2	(1,323%)

N1 An asset impairment assessment was performed during the period which resulted in non-cash impairment losses of HK\$12.3 billion in 2018

There are no material differences between HKFRSs and IFRSs and no material adjustments are required to restate the financial statements of HPH Trust in accordance with IFRSs

HPH Trust's Results

4th Quarter 2018 against Last Year

(HK\$'Million)

Revenue and other income

Cost of services rendered

Staff costs

Depreciation and amortisation

Other operating income

Other operating expenses

Total operating expenses

Operating profit

Interest and other finance costs

Share of profits/(losses) after tax of Associated Cos/JVs

Profit before tax

Taxation

Profit after tax before impairment losses (a)

Impairment losses (N1)

(Loss)/profit after tax (b)

Profit after tax attributable to non-controlling interests (c)

Profit after tax attributable to unitholders of HPH Trust

before impairment losses (a) - (c)

(Loss)/profit after tax attributable to unitholders of HPH Trust

after impairment losses (b) - (c)

	1 October to 31 December		
	2018	2017	% variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
Revenue and other income	2,999.4	2,856.8	5%
Cost of services rendered	(1,128.0)	(1,111.2)	(2%)
Staff costs	(65.2)	(70.4)	7%
Depreciation and amortisation	(768.5)	(769.5)	-
Other operating income	7.6	14.9	(49%)
Other operating expenses	(145.4)	(137.5)	(6%)
Total operating expenses	(2,099.5)	(2,073.7)	(1%)
Operating profit	899.9	783.1	15%
Interest and other finance costs	(270.4)	(214.7)	(26%)
Share of profits/(losses) after tax of Associated Cos/JVs	(3.6)	(18.7)	81%
Profit before tax	625.9	549.7	14%
Taxation	(117.5)	51.7	(327%)
Profit after tax before impairment losses (a)	508.4	601.4	(15%)
Impairment losses (N1)	(12,289.0)	-	N/A
(Loss)/profit after tax (b)	(11,780.6)	601.4	(2,059%)
Profit after tax attributable to non-controlling interests (c)	(325.6)	(363.6)	(10%)
Profit after tax attributable to unitholders of HPH Trust			
before impairment losses (a) - (c)	182.8	237.8	(23%)
(Loss)/profit after tax attributable to unitholders of HPH Trust			
after impairment losses (b) - (c)	(12,106.2)	237.8	(5,191%)

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Statements of Financial Position as at 31 December 2018 and 31 December 2017

(HK\$'Million)	<u>2018</u>	<u>2017</u>
ASSETS		
Non-current assets		
Fixed assets	24,629.6	24,626.4
Projects under development	996.4	1,970.2
Leasehold land and land use rights	38,373.3	39,724.2
Railway usage rights	11.6	12.7
Customer relationships	5,836.0	6,170.2
Goodwill	11,270.0	22,629.0
Associated companies	945.3	754.2
Joint ventures	2,683.8	3,835.9
Other non-current assets	560.9	739.3
Deferred tax assets	18.5	22.7
Total non-current assets	<u>85,325.4</u>	<u>100,484.8</u>
Current assets		
Cash and bank balances	6,566.4	6,768.1
Trade and other receivables	3,060.9	3,446.2
Inventories	103.1	109.7
Total current assets	<u>9,730.4</u>	<u>10,324.0</u>

Statements of Financial Position as at 31 December 2018 and 31 December 2017 (cont'd)

(HK\$'Million)	<u>2018</u>	<u>2017</u>
Current liabilities		
Trade and other payables	5,928.2	6,741.6
Bank and other debts	2,517.5	4,241.2
Current tax liabilities	358.2	409.6
Total current liabilities	<u>8,803.9</u>	<u>11,392.4</u>
Net current assets/(liabilities)	<u>926.5</u>	<u>(1,068.4)</u>
Total assets less current liabilities	<u>86,251.9</u>	<u>99,416.4</u>
Non-current liabilities		
Bank and other debts	28,974.2	28,248.9
Pension obligations	56.6	80.6
Deferred tax liabilities	10,290.9	10,635.1
Other non-current liabilities	262.1	129.9
Total non-current liabilities	<u>39,583.8</u>	<u>39,094.5</u>
Net assets	<u>46,668.1</u>	<u>60,321.9</u>
EQUITY		
Units in issue	68,553.8	68,553.8
Reserves	(41,786.1)	(28,260.3)
Net assets attributable to unitholders of HPH Trust	<u>26,767.7</u>	<u>40,293.5</u>
Non-controlling interests	19,900.4	20,028.4
Total equity	<u>46,668.1</u>	<u>60,321.9</u>

Statements of Cash Flows

Full Year 2018 and 2017

(HK\$'Million)	<u>1 January to 31 December 2018</u>	<u>1 January to 31 December 2017</u>
Operating activities		
Cash generated from operations	6,055.3	7,143.4
Interest and other finance costs paid	(984.7)	(757.9)
Tax paid	(825.5)	(645.5)
Net cash from operating activities	<u>4,245.1</u>	<u>5,740.0</u>
Investing activities		
Purchase of an associated company	-	(672.8)
Loan to an associated company	(40.1)	(315.4)
Purchase of fixed assets, projects under development, leasehold land and land use rights	(743.6)	(841.4)
Proceeds on disposal of fixed assets	22.1	2.2
Dividends received from investments	48.8	21.6
Dividends received from associated companies and joint ventures	78.5	130.8
Interest received	100.0	64.5
Repayment of loans by joint ventures	181.7	1.6
Net cash used in investing activities	<u>(352.6)</u>	<u>(1,608.9)</u>
Financing activities		
New borrowings	5,040.8	11,736.8
Repayment of borrowings	(6,077.0)	(12,746.7)
Upfront debt transaction costs and facilities fees of borrowings	(8.8)	(29.3)
Distributions to unitholders of HPH Trust	(1,709.1)	(2,273.6)
Dividends to non-controlling interests	(1,340.1)	(1,050.1)
Net cash used in financing activities	<u>(4,094.2)</u>	<u>(4,362.9)</u>
Net changes in cash and cash equivalents	(201.7)	(231.8)
Cash and cash equivalents at beginning of the year	6,726.1	6,957.9
Cash and cash equivalents at end of the year	<u>6,524.4</u>	<u>6,726.1</u>

Statements of Cash Flows

4th Quarter 2018 and 2017

(HK\$ Million)

Operating activities

	<u>1 October to 31 December 2018</u>	<u>1 October to 31 December 2017</u>
Cash generated from operations	1,824.8	1,767.2
Interest and other finance costs paid	(257.4)	(181.2)
Tax paid	(52.6)	(154.6)
Net cash from operating activities	<u>1,514.8</u>	<u>1,431.4</u>

Investing activities

Loan to an associated company	-	(80.4)
Purchase of fixed assets, projects under development, leasehold land and land use rights	(180.3)	(223.2)
Proceeds on disposal of fixed assets	7.1	1.8
Dividends received from investments	41.0	13.4
Dividends received from associated companies and joint ventures	14.5	38.0
Interest received	27.3	16.8
Repayment of loans by joint ventures	81.7	1.6
Net cash used in investing activities	<u>(8.7)</u>	<u>(232.0)</u>

Financing activities

New borrowings	1,170.0	-
Repayment of borrowings	(1,342.3)	(873.2)
Upfront debt transaction costs and facilities fees of borrowings	(8.8)	-
Dividends to non-controlling interests	-	(293.3)
Net cash used in financing activities	<u>(181.1)</u>	<u>(1,166.5)</u>
Net changes in cash and cash equivalents	1,325.0	32.9
Cash and cash equivalents at beginning of the quarter	5,199.4	6,693.2
Cash and cash equivalents at end of the quarter	<u>6,524.4</u>	<u>6,726.1</u>

THE WORLD'S LEADING PORT NETWORK