

Hutchison Port Holdings Trust

2019 Financial Results Presentation

for the Year Ended 31 December 2019

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 2019 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 (incorporated in the Republic of Singapore with limited liability), a trustee-manager of HPH Trust, of future events.

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1 Key Highlights

Key Highlights

- 2019 full year throughput of HPH Trust's ports was 3% below last year. YICT's throughput was 1% below last year. Combined throughput^(N1) of HIT, COSCO-HIT and ACT (collectively "HPHT Kwai Tsing") was 6% below last year
- The overall trend in outbound cargoes to the US was weak in 2019 and declined by 9% when compared to 2018. The drop was enlarged to 19% in the fourth quarter of 2019 due to a high base volume in 2018 caused by the frontloading of US cargoes prior to the expected tariffs hike in 2019. On the other hand, outbound cargoes to the EU was above 2018 by 4%
- Excluding the impairment impact in 2018, 2019 full year NPAT was HK\$1,821.7 million, HK\$221.3 million or 11% below last year and NPAT attributable to unitholders was HK\$528.2 million, HK\$209.5 million or 28% below last year
- 2019 full year Distribution Per Unit ("DPU") is 11.00 HK cents

N1 Represents the allocated throughput from Hong Kong Seaport Joint Operating Alliance with effect from 1 April 2019

2 Outlook and Prospects

Outlook and Prospects

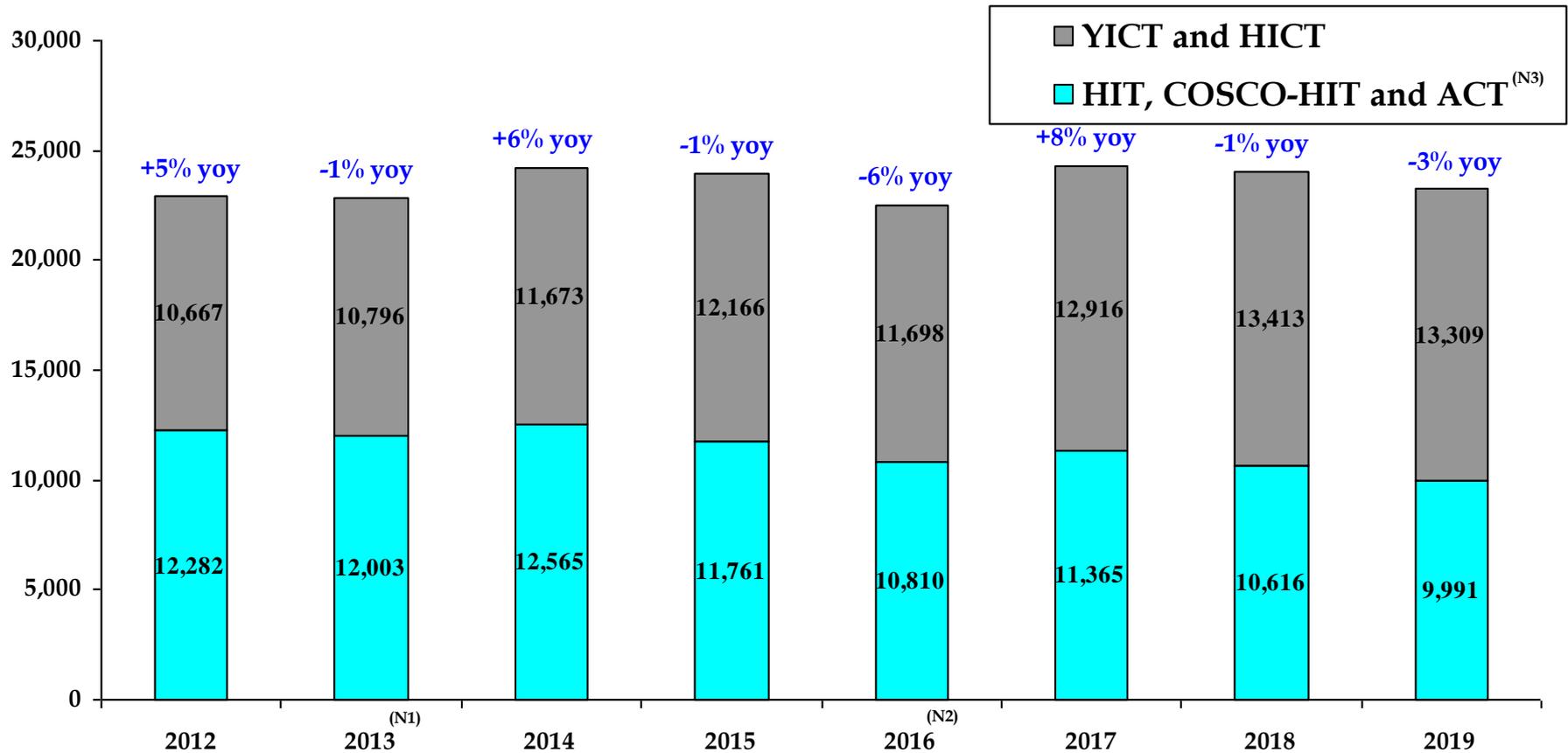
Overview

- Uncertainties subdued the global economy and trade in 2019 and these are expected to persist in 2020 in view of the geopolitical tensions in the Middle East, the yet-to-be-resolved Brexit, US presidential election, the rising trade protectionism and coronavirus outbreak in China
- Outbound cargoes to the US stayed weak and tumbled considerably year-on-year in the fourth quarter of 2019. This was attributed to the volatility of cargoes caused by the trade dispute between the US and China where cargoes were frontloaded in the fourth quarter of 2018, resulting in a high base volume in 2018. Although the US and China have reached agreement on “phase one” trade deal, some of the thorniest issues remain unresolved. It is not expected the trade dispute can be easily and fully settled shortly. The recent coronavirus outbreak in China is halting its business activities and disrupting the supply chain and this may further put pressure on the global trade. Against this backdrop of political and market volatility, HPH Trust management remains cautious about future cargo trends and will continue to exercise cost discipline while pursuing efficiency improvements
- The global trade uncertainties, exacerbated by the rising cost related to the compliance with new low-sulphur fuel regulation with effect from 1 January 2020, create an unfavourable operating environment for shipping lines. While further consolidation of ownership within shipping industry may be limited, increasing coordination among alliance members to optimise fleet and capacity, and on-going deployment of mega vessels to drive cost efficiencies is expected. HPH Trust is committed to serving its customers, supporting and complementing this industry shift through its unparalleled mega-vessel handling capabilities and continuous investment in port facilities and process improvements

3 Business Review for the Year Ended 31 December 2019

Key Business Update

Throughput Volume (TEU in thousand)



N1 Includes throughput volume of ACT after the acquisition in March 2013

N2 Includes throughput volume of HICT after the acquisition in December 2016

N3 Represents the allocated throughput from Hong Kong Seaport Joint Operating Alliance with effect from 1 April 2019

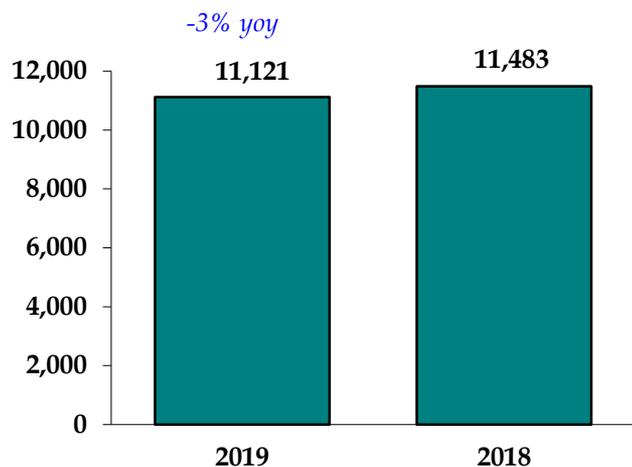
4 Key Financial Performance

Key Financial Performance

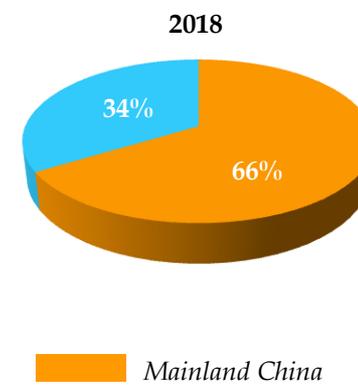
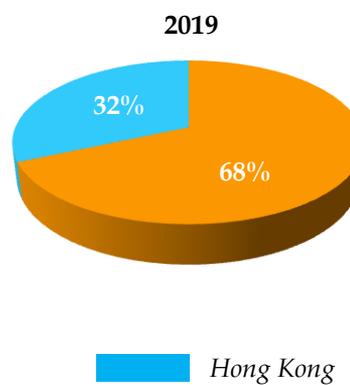
Revenue and other income

For the year ended 31 December 2019

(HK\$ Million)



Segment Information

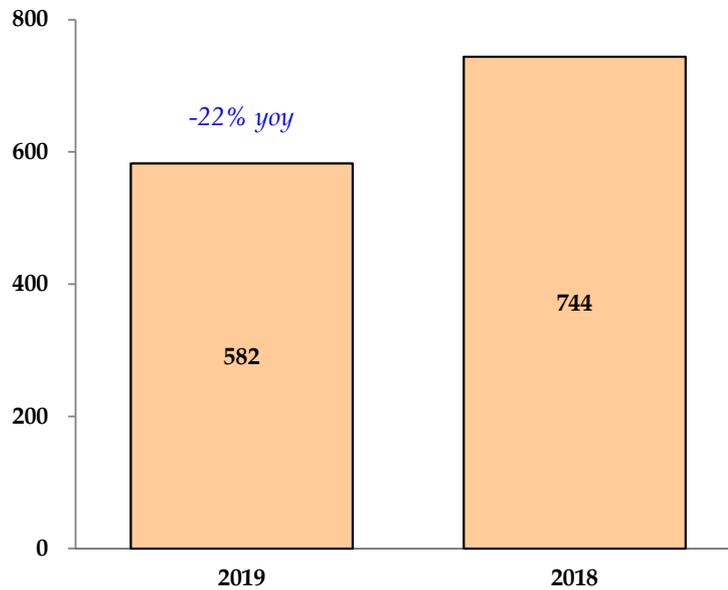


Key Financial Performance

Total Capex

For the year ended 31 December 2019

(HK\$'Million)



Key Financial Performance

Financial Position

	At 31 December 2019 HK\$'Million	At 31 December 2018 HK\$'Million
Short Term Debt	\$4,102.5	\$2,519.1
Long Term Debt	\$26,576.4	\$29,170.4
Total Consolidated Debt	\$30,678.9	\$31,689.5
Total Consolidated Cash	\$7,040.2	\$6,566.4

Key Financial Performance

Distribution

**For the period from
1 January 2019 to
30 June 2019**

**For the period from
1 July 2019 to
31 December 2019**

Distribution Amount

HK\$522.7 million

HK\$435.5 million

Distribution Per Unit (“DPU”)

6.00 HK cents

5.00 HK cents

DPU for the year ended 31 December 2019

11.00 HK cents

2019 distribution – yield (%)

8.2% (at US\$0.172 market price on 31 December 2019)

Ex-distribution date

17 February 2020

Record date

5:00p.m. 18 February 2020

Payment of distribution

27 March 2020

HPH Trust's Results

Full Year 2019 against Last Year

	1 January to 31 December		
(HK\$'Million)	2019	2018	% variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
Revenue and other income	11,120.9	11,482.6	(3%)
Cost of services rendered	(3,881.6)	(4,143.5)	6%
Staff costs	(288.0)	(286.5)	(1%)
Depreciation and amortisation	(3,079.7)	(3,076.0)	-
Other operating income	96.4	129.1	(25%)
Other operating expenses	(537.1)	(553.9)	3%
Total operating expenses	(7,690.0)	(7,930.8)	3%
Operating profit	3,430.9	3,551.8	(3%)
Interest and other finance costs	(1,075.2)	(1,021.8)	(5%)
Share of profits/(losses) after tax of Associated Cos/JVs	(54.0)	(52.6)	(3%)
Profit before tax	2,301.7	2,477.4	(7%)
Taxation	(480.0)	(434.4)	(10%)
Profit after tax before impairment losses (a)	1,821.7	2,043.0	(11%)
Impairment losses	-	(12,289.0)	100%
Profit/(loss) after tax (b)	1,821.7	(10,246.0)	118%
Profit after tax attributable to non-controlling interests (c)	(1,293.5)	(1,305.3)	(1%)
Profit after tax attributable to unitholders of			
HPH Trust before impairment losses (a) - (c)	528.2	737.7	(28%)
Profit/(loss) after tax attributable to unitholders of			
HPH Trust after impairment losses (b) - (c)	528.2	(11,551.3)	105%

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 2019 against Last Year

(HK\$'Million)	1 October to 31 December		
	2019	2018	% variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
Revenue and other income	2,668.1	2,999.4	(11%)
Cost of services rendered	(959.3)	(1,128.0)	15%
Staff costs	(70.7)	(65.2)	(8%)
Depreciation and amortisation	(767.2)	(768.5)	-
Other operating income	17.4	7.6	129%
Other operating expenses	(137.6)	(145.4)	5%
Total operating expenses	(1,917.4)	(2,099.5)	9%
Operating profit	750.7	899.9	(17%)
Interest and other finance costs	(266.3)	(270.4)	2%
Share of profits/(losses) after tax of Associated Cos/JVs	(14.3)	(3.6)	(297%)
Profit before tax	470.1	625.9	(25%)
Taxation	(109.1)	(117.5)	7%
Profit after tax before impairment losses (a)	361.0	508.4	(29%)
Impairment losses	-	(12,289.0)	100%
Profit/(loss) after tax (b)	361.0	(11,780.6)	103%
Profit after tax attributable to non-controlling interests (c)	(298.7)	(325.6)	(8%)
Profit after tax attributable to unitholders of			
HPH Trust before impairment losses (a) - (c)	62.3	182.8	(66%)
Profit/(loss) after tax attributable to unitholders of			
HPH Trust after impairment losses (b) - (c)	62.3	(12,106.2)	101%

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

Statement of Financial Position as at 31 December 2019 and 31 December 2018

(HK\$'Million)	2019	2018
ASSETS		
Non-current assets		
Fixed assets	23,789.5	24,629.6
Projects under development	648.1	996.4
Leasehold land and land use rights	37,047.0	38,373.3
Railway usage rights	10.8	11.6
Customer relationships	5,501.8	5,836.0
Goodwill	11,270.0	11,270.0
Associated companies	952.5	945.3
Joint ventures	2,656.7	2,683.8
Other non-current assets	560.7	560.9
Deferred tax assets	25.0	18.5
Total non-current assets	<u>82,462.1</u>	<u>85,325.4</u>
Current assets		
Cash and bank balances	7,040.2	6,566.4
Trade and other receivables	3,056.0	3,060.9
Inventories	102.4	103.1
Total current assets	<u>10,198.6</u>	<u>9,730.4</u>

Statement of Financial Position as at 31 December 2019 and 31 December 2018 (cont'd)

(HK\$'Million)	<u>2019</u>	<u>2018</u>
Current liabilities		
Trade and other payables	5,783.1	5,928.2
Bank and other debts	4,097.3	2,517.5
Current tax liabilities	473.9	358.2
Total current liabilities	<u>10,354.3</u>	<u>8,803.9</u>
Net current (liabilities)/assets	<u>(155.7)</u>	<u>926.5</u>
Total assets less current liabilities	<u>82,306.4</u>	<u>86,251.9</u>
Non-current liabilities		
Bank and other debts	26,459.1	28,974.2
Pension obligations	41.7	56.6
Deferred tax liabilities	9,918.2	10,290.9
Other non-current liabilities	324.1	262.1
Total non-current liabilities	<u>36,743.1</u>	<u>39,583.8</u>
Net assets	<u>45,563.3</u>	<u>46,668.1</u>
EQUITY		
Units in issue	68,553.8	68,553.8
Reserves	(42,702.9)	(41,786.1)
Net assets attributable to unitholders of HPH Trust	25,850.9	26,767.7
Non-controlling interests	19,712.4	19,900.4
Total equity	<u>45,563.3</u>	<u>46,668.1</u>

Statement of Cash Flows

Full Year 2019 and 2018

(HK\$'Million)

Operating activities

	<u>1 January to 31 December 2019</u>	<u>1 January to 31 December 2018</u>
Cash generated from operations	6,369.3	6,055.3
Interest and other finance costs paid	(999.5)	(984.7)
Tax paid	(735.2)	(825.5)
Net cash from operating activities	<u>4,634.6</u>	<u>4,245.1</u>

Investing activities

Loan to an associated company	(133.2)	(40.1)
Purchase of fixed assets and projects under development	(581.4)	(743.6)
Proceeds on disposal of fixed assets	15.8	22.1
Dividends received from investments	25.7	48.8
Dividends received from associated companies and joint ventures	102.5	78.5
Interest received	147.8	100.0
Repayment of loans by joint ventures	1.6	181.7
Net cash used in investing activities	<u>(421.2)</u>	<u>(352.6)</u>

Financing activities

New borrowings	6,210.0	5,040.8
Repayment of borrowings	(7,219.0)	(6,077.0)
Upfront debt transaction costs and facilities fees of borrowings	(40.8)	(8.8)
Principal elements of lease payments	(4.4)	-
Distributions to unitholders of HPH Trust	(1,261.4)	(1,709.1)
Dividends to non-controlling interests	(1,424.0)	(1,340.1)
Net cash used in financing activities	<u>(3,739.6)</u>	<u>(4,094.2)</u>

Net changes in cash and cash equivalents

Net changes in cash and cash equivalents	473.8	(201.7)
Cash and cash equivalents at beginning of the year	6,524.4	6,726.1
Cash and cash equivalents at end of the year	<u>6,998.2</u>	<u>6,524.4</u>

Statement of Cash Flows

4th Quarter 2019 and 2018

(HK\$ Million)

	<u>1 October to</u> <u>31 December 2019</u>	<u>1 October to</u> <u>31 December 2018</u>
Operating activities		
Cash generated from operations	1,519.5	1,824.8
Interest and other finance costs paid	(235.0)	(257.4)
Tax paid	(127.8)	(52.6)
Net cash from operating activities	<u>1,156.7</u>	<u>1,514.8</u>
Investing activities		
Loan to an associated company	(133.2)	-
Purchase of fixed assets and projects under development	(180.6)	(180.3)
Proceeds on disposal of fixed assets	11.6	7.1
Dividends received from investments	22.6	41.0
Dividends received from associated companies and joint ventures	32.4	14.5
Interest received	43.6	27.3
Repayment of loans by joint ventures	1.6	81.7
Net cash used in investing activities	<u>(202.0)</u>	<u>(8.7)</u>
Financing activities		
New borrowings	3,900.0	1,170.0
Repayment of borrowings	(3,986.2)	(1,342.3)
Upfront debt transaction costs and facilities fees of borrowings	(32.0)	(8.8)
Principal elements of lease payments	(4.4)	-
Net cash used in financing activities	<u>(122.6)</u>	<u>(181.1)</u>
Net changes in cash and cash equivalents	832.1	1,325.0
Cash and cash equivalents at beginning of the quarter	6,166.1	5,199.4
Cash and cash equivalents at end of the quarter	<u>6,998.2</u>	<u>6,524.4</u>

THE WORLD'S LEADING PORT NETWORK