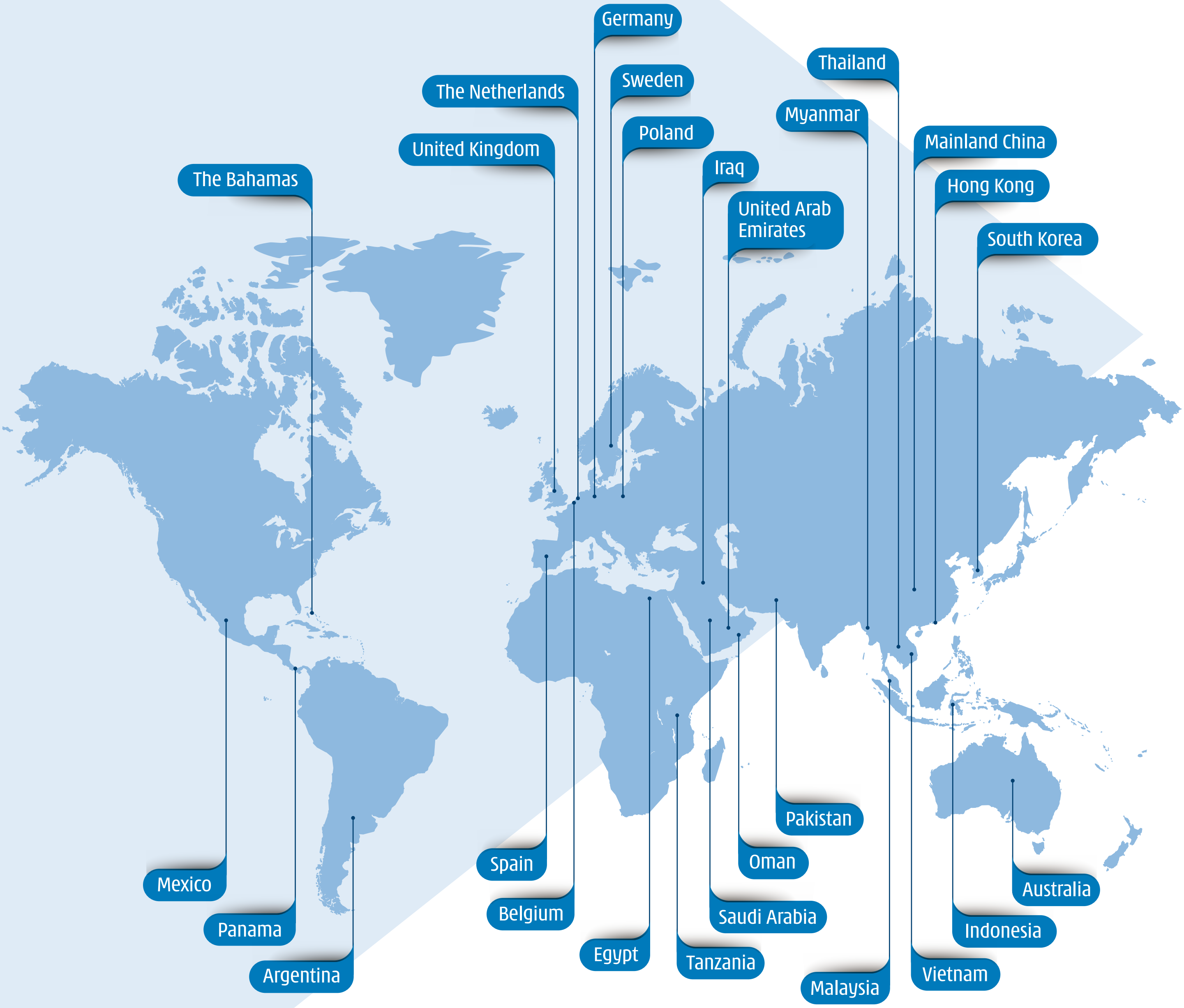
Operations Review

Hutchison Ports ECT Rotterdam celebrates 50 years of business relations with global shipping line Hapag Lloyd.

Ports

and Related Services

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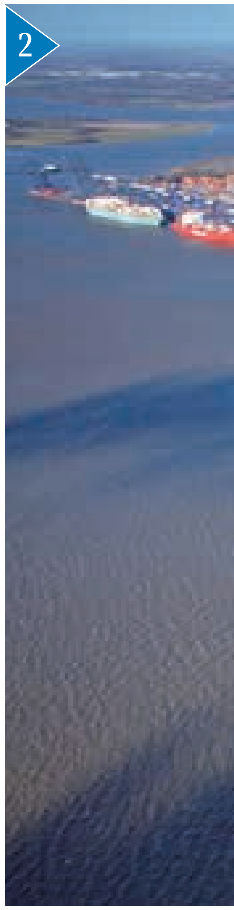
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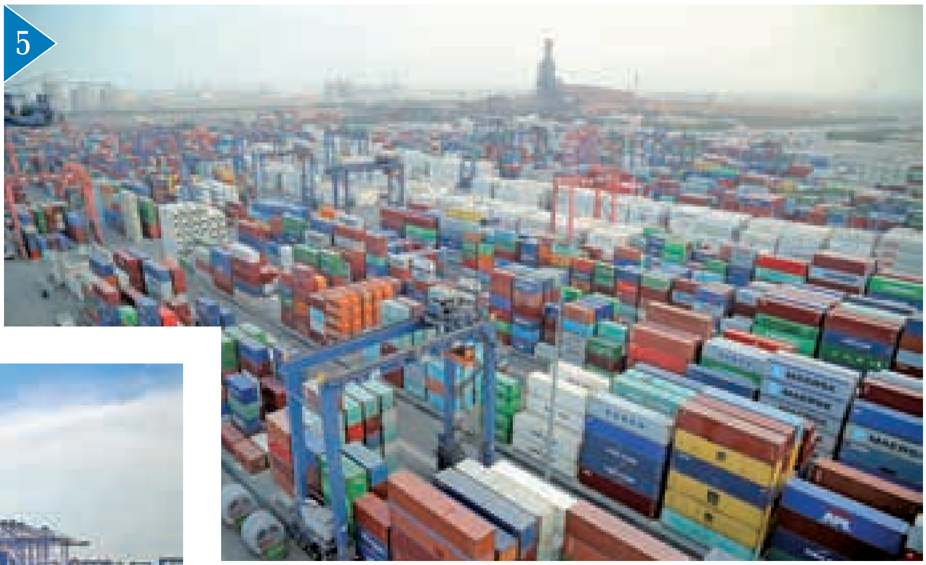

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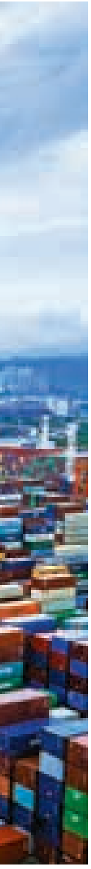

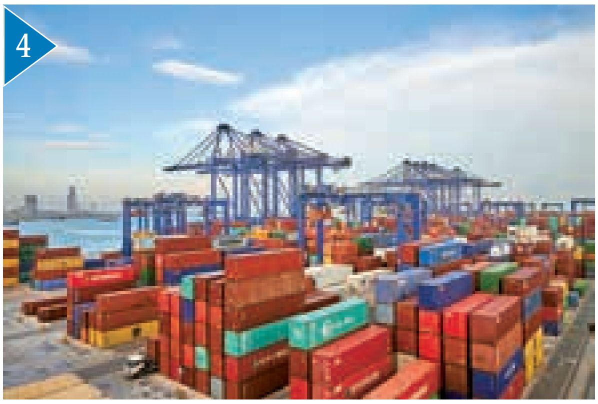

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1. Hutchison Ports Alexandria in Egypt adds four new hybrid rubber-tyred gantry cranes to improve terminal efficiency.

2. Port of Felixstowe's new paved container yard is under construction to create additional storage capacity and enhance terminal operation efficiency.

3. Hutchison Ports Yantian is located at the Greater Bay Area. With its operation and service excellence, it is the preferred port of call for mega container vessels.

4. Hutchison Ports Pakistan is the only container terminal in the region equipped with remote-controlled facilities.

5. Hutchison Ports Sohar's Terminal C achieves new milestone, having handled 3 million TEU since operations began in 2014.

This division is the world's leading port network, and has interests in 51 ports comprising 288 operational berths in 26 countries.

Group Performance

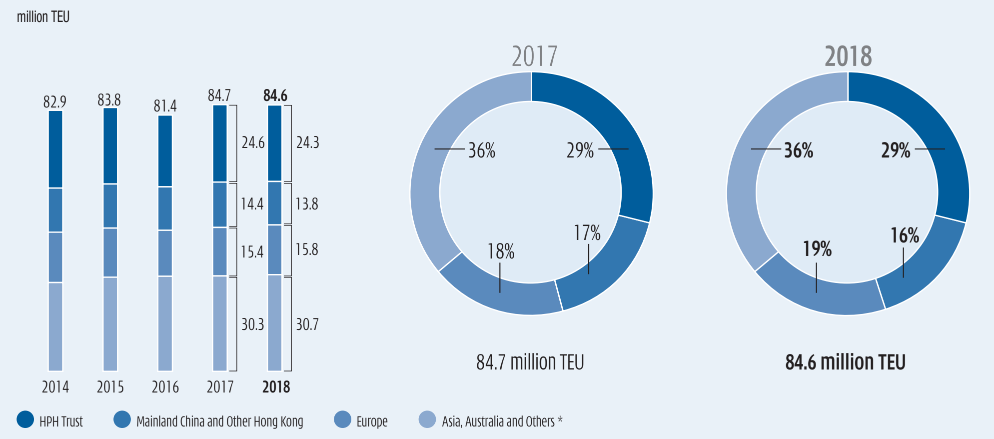
The Group operates container terminals in five of the 10 busiest container ports in the world. The division comprises the Group's 80% interest in the Hutchison Ports group of companies and its 30.07% interest in the HPH Trust, which together handled a total of 84.6 million twenty-foot equivalent units ("TEU") in 2018.

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue [(1)]	**35,175**	34,146	+3%	+3%
EBITDA [(1)]	**13,392**	12,563	+7%	+7%
EBIT [(1)]	**8,726**	8,219	+6%	+7%
Throughput (million TEU)	**84.6**	84.7	–	
Number of berths	**288**	287	+1 berth	

Note 1: Total revenue, EBITDA and EBIT have been adjusted to exclude non-controlling interests' share of results of HPH Trust.

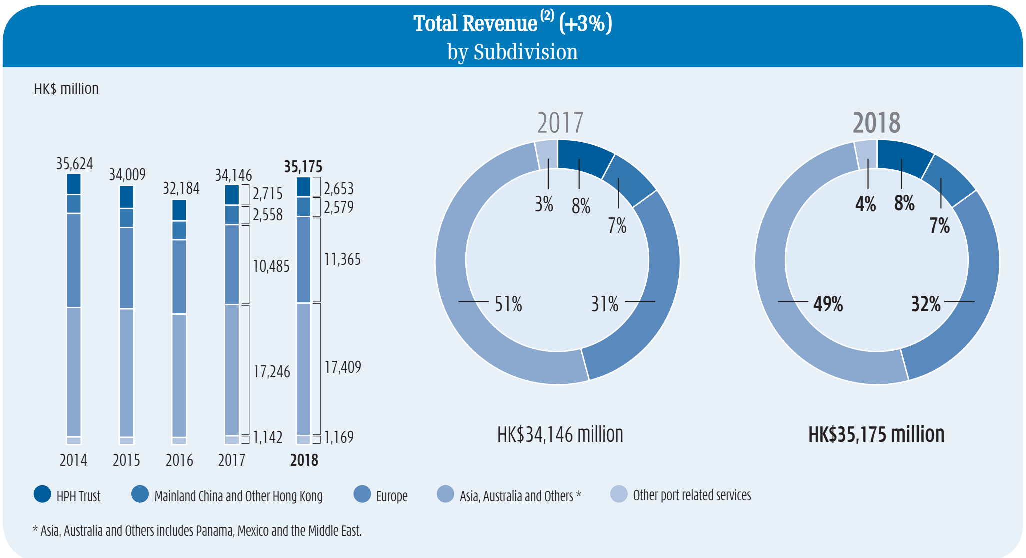
Overall throughput remained flat at 84.6 million TEU in 2018, with growth in Europe (mainly Rotterdam and Barcelona) and Asia, Australia and others (mainly Asian ports and resumption of trade volumes at Freeport, partly offset by Panama's intense competition), being fully offset by lower throughput in the Mainland (mainly Shanghai) and in HPH Trust.

Total Container Throughput (stable against 2017)
by Subdivision



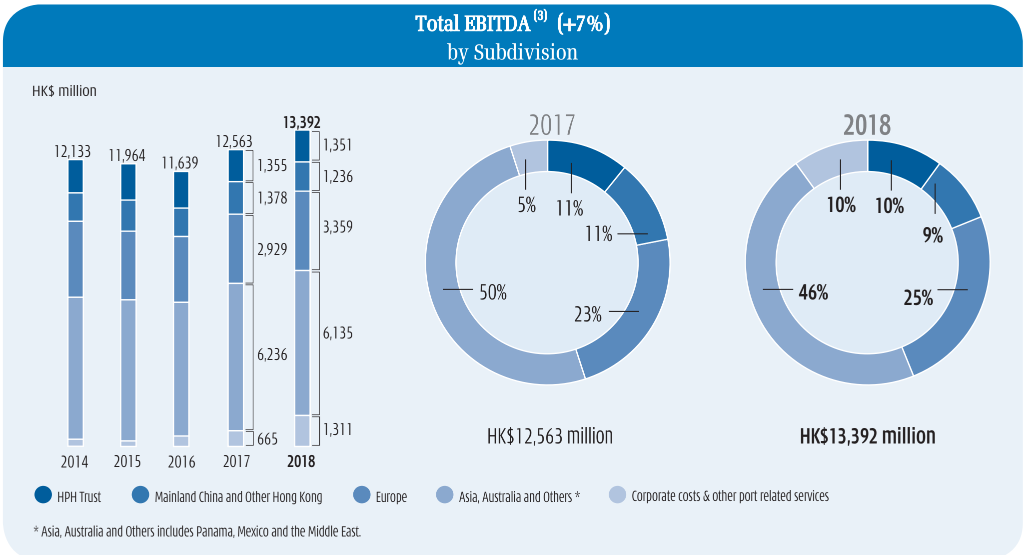
* Asia, Australia and Others includes Panama, Mexico and the Middle East.

Total revenue increased 3% to HK$35,175 million in 2018 driven primarily by higher throughput in Barcelona, better performance in Rotterdam in the Netherlands, as well as full-year contribution from new deep water port in Karachi, Pakistan, partly offset by lower revenue contribution from reduced throughput of ports in Panama and Dammam from keen competition and in the UK due to unanticipated adverse effects on operations arising from implementation of a new terminal operating system.



Note 2: Total revenue has been adjusted to exclude non-controlling interests' share of revenue of HPH Trust.

EBITDA and EBIT increased 7% and 6% to HK$13,392 million and HK$8,726 million respectively, mainly due to higher revenue and stringent cost discipline across all business units. The improvements were partly offset by lower profitability of HPH Trust, Panama, Ajman, Dammam and the UK. In November 2018, the division disposed of its 70% interest in Shantou International Container Terminals for cash consideration of HK$1,628 million and realised a pre-tax gain of approximately HK$914 million.



Note 3: Total EBITDA has been adjusted to exclude non-controlling interests' share of EBITDA of HPH Trust.

As at 31 December 2018, the division had 288 operating berths[4], one berth more than 2017, reflecting new berths commencing operations in Yantian (+2 berths) and Laem Chabang (+1 berth), and the disposal of Shantou port (-2 berths).

Note 4: Based on 300 metres per berth and is computed by dividing the total berth length by 300 metres.

Segment Performance

HPH Trust

	2018 HK$ million	2017 HK$ million	Change
Total Revenue [5]	**2,653**	2,715	-2%
EBITDA [5]	**1,351**	1,355	–
EBIT [5]	**627**	648	-3%
Throughput (million TEU)	**24.3**	24.6	-1%
Number of berths	**52**	50	+2 berths

Note 5: Total revenue, EBITDA and EBIT have been adjusted to exclude non-controlling interests' share of results of HPH Trust.

Overall throughput decreased 1% and total revenue of the ports operated by HPH Trust decreased 2%. This was mainly attributable to lower transhipment volume in Hong Kong, partly offset by increase in US and transhipment cargoes for the Yantian port operations driven by the frontloading of cargoes in the fourth quarter of 2018 in anticipation of the 25% tariff implementation originally scheduled in January 2019 by the US to China exports. Despite the lower revenue, the Group's share of EBITDA was broadly in line with the results reported for 2017 due to offsetting impact of cost control initiatives. The Group's share of EBIT was 3% lower due to additional depreciation on a higher asset base and expansion at West Port Phase II.

Following an asset impairment assessment performed during the year and in view of the mounting global trade uncertainties, behavioural changes in multinational corporations caused by the current trade tensions, including accelerating the diversification of production bases outside of the Mainland and the effects stemming from the structural changes within the shipping line industry, a non-cash impairment loss was recognised by HPH Trust in 2018. The Group's share of this non-cash impairment loss of HK$4,781 million has been included under the Finance & Investments and Others segment.

Mainland China and Other Hong Kong

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**2,579**	2,558	+1%	-1%
EBITDA	**1,236**	1,378	-10%	-12%
EBIT	**966**	1,122	-14%	-16%
Throughput (million TEU)	**13.8**	14.4	-4%	
Number of berths	**42**	44	-2 berths	

The Mainland China and other Hong Kong segment's revenue, EBITDA and EBIT decline in local currencies was mainly attributable to the lower throughput as well as tariff reduction for local laden containers in Shanghai and Ningbo. 2017 also included non-recurring business interruption compensation for the port operations in Ningbo.

Europe

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**11,365**	10,485	+8%	+4%
EBITDA	**3,359**	2,929	+15%	+10%
EBIT	**2,319**	1,947	+19%	+15%
Throughput (million TEU)	**15.8**	15.4	+3%	
Number of berths	**61**	61	–	

The improvement in performance in the Europe segment during the year was mainly due to higher contributions from the ports in Barcelona and ECT Rotterdam, which was partly offset by weaker performance in the UK due to unanticipated adverse effects on operations arising from implementation of a new terminal operating system.

Asia, Australia and Others

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**17,409**	17,246	+1%	+4%
EBITDA	**6,135**	6,236	-2%	+1%
EBIT	**3,714**	4,085	-9%	-6%
Throughput (million TEU)	**30.7**	30.3	+1%	
Number of berths	**133**	132	+1 berth	

Adverse exchange rate movements resulted in a decline in the contribution from the Asia, Australia and others segment during 2018. In local currencies, total revenue and EBITDA increased by 4% and 1% respectively, mainly due to throughput-driven growth in Pakistan and Argentina and recovery of handling capacity at the Bahamas operations from hurricane damage. This is partly offset by fierce competition in Panama, lower year-on-year net insurance recovery in the Bahamas and lower contribution from Ajman and Dammam. EBIT declined by 6% in local currencies as the higher depreciation charge from expanded facilities in Thailand and Pakistan, together with the accelerated depreciation on Dammam port's assets to concession expiry more than offset the marginal growth in EBITDA in local currenices.