

Hutchison Port Holdings Trust

Your Preferred Port-of-Call

**2016 Financial Results Presentation
for the Year Ended 31 December 2016**

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 2016 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

- 2016 full year throughput of HPH Trust's deep-water ports was 6% below last year. YICT's throughput was 4% below last year. Combined throughput of HIT, COSCO-HIT and ACT dropped 8% yoy
- Although outbound cargoes to US and EU showed a positive trajectory in 2016 and grew at a faster rate in the fourth quarter of 2016, YICT's throughput overall declined compared to 2015 as it was adversely impacted by the decrease in empty and transshipment cargoes. The decline in HIT's throughput was mainly attributed to weaker intra-Asia and transshipment cargoes
- Revenue and other income was HK\$11,912.3 million, HK\$700.5 million or 6% below last year
- 2016 full year NPAT was HK\$2,954.0 million, HK\$90.6 million or 3% below last year. NPAT attributable to unitholders was HK\$1,713.6 million, HK\$31.3 million or 2% below last year

Key Highlights (cont'd)

- Excluding HIT's rent and rates refund of HK\$430.0 million and YICT's tax saving arising from its approved "High and New Technology Enterprise" status of HK\$70.5 million in 2016, additional depreciation due to change of an accounting estimate effective from August 2015, and the gain of HK\$155.5 million from cessation of Jiuzhou's economic benefits in 2015, YTD December 2016 NPAT is 11% below last year and NPAT attributable to unitholders is 15% below last year
- 2016 full year Distribution Per Unit ("DPU") is 30.60 HK cents, 11% below last year
- On 19 December 2016, HIT, CHT and ACT entered into a Co-Management Agreement where the three terminals will collaborate for the efficient co-management and operation of the 16 berths across Terminals 4, 6, 7, 8 and 9 in Kwai Tsing
- On 28 December 2016, HPH Trust's subsidiaries Yantian International Container Terminals (Phase III) Limited and Shenzhen Pingyan Multimodal Company Limited acquired 65% and 15% equity interest respectively in Huizhou International Container Terminals Limited ("HICT") for a purchase consideration of USD 86 million (approximately HK\$ 673 million). HPH Trust's effective interest in HICT following the transaction is 41.31%

2 Outlook and Prospects

Outlook and Prospects

Overview

- As a result of the strong rebound in economic activity in the US in the second half of 2016 supported by robust employment data, outbound cargoes to the US escalated in the fourth quarter of 2016. However, there remains a high level of uncertainty on the policy stance of the new US administration and its domestic and global ramifications on the US economy and trade in 2017
- The moderate uplift in outbound cargoes to Europe when compared to 2015 is largely supported by the stable, albeit slower pace of growth of the European economies in 2016. However, continued weak consumer sentiment and high unemployment rate is expected to hinder the speed of economic recovery in Europe and the pickup of the European trade in 2017
- In addition to the economic performances of the US and Europe, HPH Trust's performance is also impacted by the outcomes of the structural consolidation within the container shipping industry. The service rationalization of various global shipping alliances has negatively impacted the transshipment volume of both HIT and YICT in 2016

Outlook and Prospects (cont'd)

Overview

- Shipping lines continue to deploy mega-vessels to achieve economies of scale, reform their carrier alliances to improve efficiency, control costs and expand the coverage of vessel-sharing schemes to enhance competitiveness as seen by the recent announcement by Japan's big three shipping groups, Kline, MOL and NYK to merge their container shipping businesses. HPH Trust is well positioned to be the preferred port of call for mega-vessels given its natural deep-water channels and unparalleled mega-vessel handling capabilities
- The recently signed co-management arrangement for the 16 berths across Terminals 4, 6, 7, 8 and 9 in Kwai Tsing, Hong Kong is expected to deliver cost and operational synergies as a result of a more efficient use of the facilities and manpower resources which will enhance the overall competitiveness of the services offered by HPH Trust in 2017
- The acquisition of HICT in 2016 is expected to provide additional handling capacity and generate operational synergies with Yantian International Container Terminals through sharing of resources and better utilization of port and related facilities in 2017

Outlook and Prospects (cont'd)

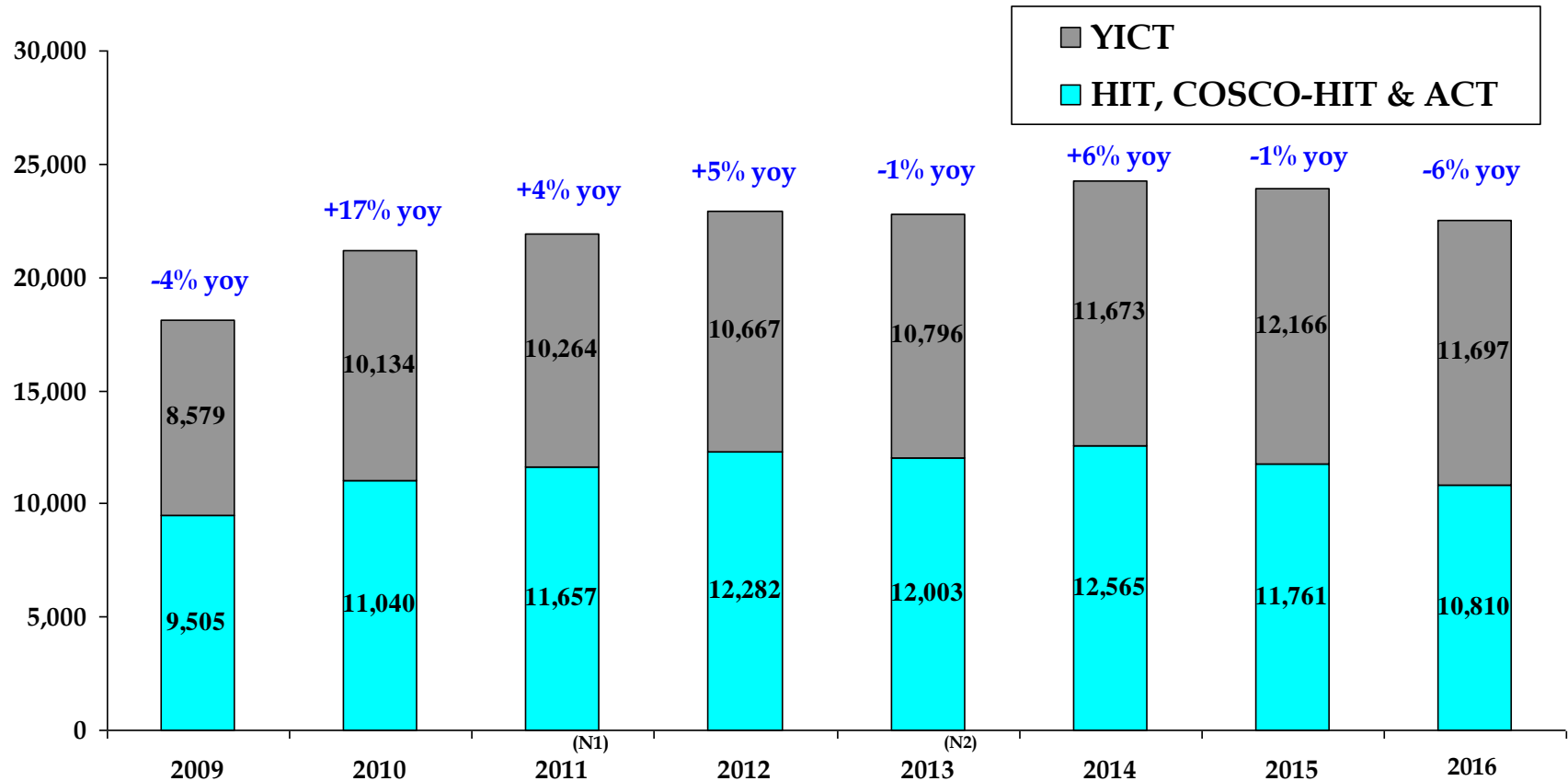
Overview

- Given the uncertainty around global trade outlook, management remains cautious on the expected cargo volume for 2017 and will continue to focus on better cost control through improvements in productivity and efficiency
- Given its strong fundamentals, the Trustee-Manager is confident that HPH Trust is well-equipped to respond promptly and effectively to any adverse external developments and challenges

3 Business Review for the Year Ended 31 December 2016

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 from 7 March 2013, the date of acquisition

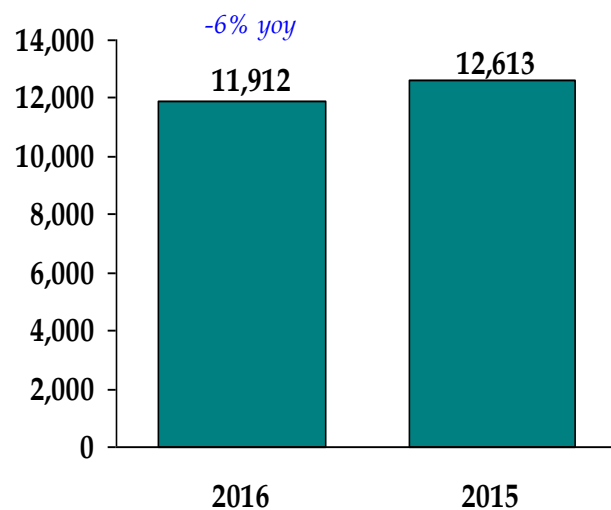
4 Key Financial Performance

Key Financial Performance

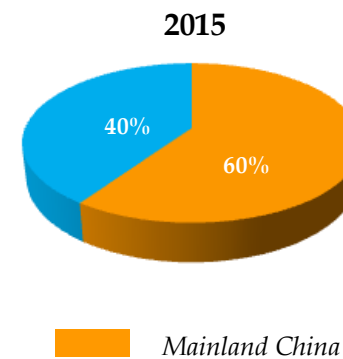
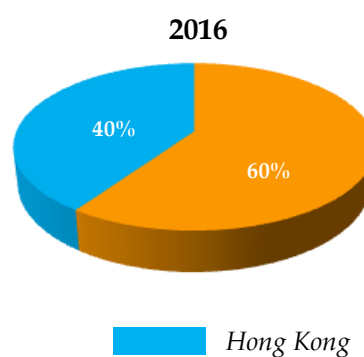
Revenue and other income

For the year ended 31 December 2016

(HK\$ Million)



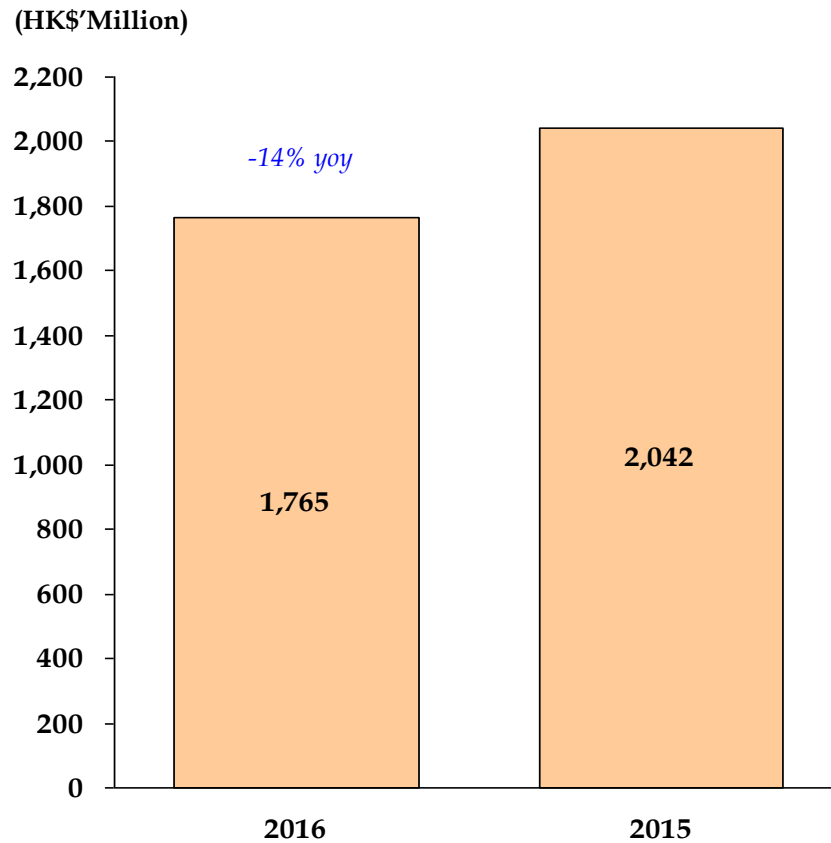
Segment Information



Key Financial Performance

Total Capex

For the year ended 31 December 2016



Key Financial Performance

Financial Position

At 31 December 2016
HK\$'Million

Short Term Debt	\$4,244.5
Long Term Debt	\$29,397.1
Total Consolidated Debt	\$33,641.6
Total Consolidated Cash	\$6,999.9

Key Financial Performance

Distribution

**For the period from
1 January 2016 to
30 June 2016**

**For the period from
1 July 2016 to
31 December 2016**

Distribution Amount

HK\$1,219.6 million

HK\$1,446.0 million

Distribution Per Unit (“DPU”)

14.00 HK cents

16.60 HK cents

DPU for the year ended 31 December 2016

30.60 HK cents

2016 distribution – yield (%)

9.0% (at US\$0.435 market price on 30 December 2016)

Ex-distribution date

16 February 2017

Books closure date

5:00p.m. 20 February 2017

Payment of distribution

30 March 2017

Financial Results of HPH Trust for the Year Ended 31 December 2016 against Last Year

	1 January to 31 December 2016		
	2016 <u>Actual</u>	2015 <u>Actual</u>	% variance <u>Fav/(Unfav)</u>
(HK\$'Million)			
Revenue and other income	11,912.3	12,612.8	(6%)
Cost of services rendered	(4,251.1)	(4,575.1)	7%
Staff costs	(297.4)	(306.6)	3%
Depreciation and amortisation	(2,840.3)	(2,789.6)	(2%)
Other operating income	88.8	76.5	16%
Other operating expenses	(742.0)	(789.2)	6%
Total operating expenses	(8,042.0)	(8,384.0)	4%
Operating profit	3,870.3	4,228.8	(8%)
Interest and other finance costs	(701.2)	(624.2)	(12%)
Share of profits/(losses) after tax of Associated Cos/JVs	76.9	141.0	(45%)
Profit before tax	3,246.0	3,745.6	(13%)
Taxation	(657.6)	(830.7)	21%
Profit after tax and normalisation (a)	2,588.4	2,914.9	(11%)
HIT's rent and rates refund	357.0	-	N/A
Additional depreciation due to the change of an accounting estimate	(61.9)	(25.8)	(140%)
YICT's tax saving due to "High and New Technology Enterprise" status	70.5	-	N/A
Gain from cessation of Jiuzhou's economic benefits	-	155.5	(100%)
Profit after tax (b)	2,954.0	3,044.6	(3%)
Profit after tax attributable to non-controlling interests after normalisation (c)	(1,222.6)	(1,305.0)	(6%)
Profit after tax attributable to non-controlling interests before normalisation (d)	(1,240.4)	(1,299.7)	(5%)
Profit after tax attributable to unitholders of HPH Trust after normalisation (a) - (c)	1,365.8	1,609.9	(15%)
Profit after tax attributable to unitholders of HPH Trust before normalisation (b) - (d)	1,713.6	1,744.9	(2%)

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

Financial Results of HPH Trust for the Quarter Ended 31 December 2016 against Last Year

(HK\$'Million)	1 October to 31 December 2016		
	2016 <u>Actual</u>	2015 <u>Actual</u>	% variance <u>Fav/(Unfav)</u>
Revenue and other income	2,957.5	3,034.7	(3%)
Cost of services rendered	(1,097.5)	(1,049.5)	(5%)
Staff costs	(70.6)	(74.6)	5%
Depreciation and amortisation	(732.1)	(716.7)	(2%)
Other operating income	81.0	48.1	68%
Other operating expenses	(164.5)	(202.4)	19%
Total operating expenses	(1,983.7)	(1,995.1)	1%
Operating profit	973.8	1,039.6	(6%)
Interest and other finance costs	(180.3)	(156.8)	(15%)
Share of profits/(losses) after tax of Associated Cos/JVs	11.6	33.2	(65%)
Profit before tax	805.1	916.0	(12%)
Taxation	(158.2)	(210.9)	25%
Profit after tax and normalisation (a)	646.9	705.1	(8%)
YICT's tax saving due to "High and New Technology Enterprise" status	70.5	-	N/A
Gain from cessation of Jiuzhou's economic benefits	-	155.5	-
Profit after tax (b)	717.4	860.6	(17%)
Profit after tax attributable to non-controlling interests after normalisation (c)	(300.9)	(327.3)	(8%)
Profit after tax attributable to non-controlling interests before normalisation (d)	(331.6)	(327.3)	1%
Profit after tax attributable to unitholders of HPH Trust after normalisation (a) - (c)	346.0	377.8	(8%)
Profit after tax attributable to unitholders of HPH Trust before normalisation (b) - (d)	385.8	533.3	(28%)

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

Statements of Financial Position as at 31 December 2016 and 31 December 2015

(HK\$ Million)	<u>2016</u>	<u>2015</u>
ASSETS		
Non-current assets		
Fixed assets	25,026.5	24,480.8
Projects under development	1,846.9	2,966.2
Leasehold land and land use rights	40,925.1	41,269.8
Railway usage rights	12.4	13.9
Customer relationships	6,504.4	6,838.6
Goodwill	22,629.0	22,629.0
Associated companies	842.5	161.3
Joint ventures	3,869.9	3,898.5
Other non-current assets	773.5	1,272.1
Deferred tax assets	12.5	12.7
Total non-current assets	<u>102,442.7</u>	<u>103,542.9</u>
Current assets		
Cash and bank balances	6,999.9	6,840.8
Trade and other receivables	3,818.2	3,723.4
Inventories	112.3	123.5
Total current assets	<u>10,930.4</u>	<u>10,687.7</u>

Statements of Financial Position as at 31 December 2016 and 31 December 2015 (cont'd)

(HK\$ Million)	<u>2016</u>	<u>2015</u>
Current liabilities		
Trade and other payables	7,648.3	7,295.0
Bank and other debts	4,242.2	8,911.2
Current tax liabilities	259.1	312.7
Total current liabilities	<u>12,149.6</u>	<u>16,518.9</u>
Net current liabilities	<u>(1,219.2)</u>	<u>(5,831.2)</u>
Total assets less current liabilities	<u>101,223.5</u>	<u>97,711.7</u>
Non-current liabilities		
Bank and other debts	29,240.6	24,082.3
Pension obligations	279.1	200.3
Deferred tax liabilities	10,932.7	11,204.7
Other non-current liabilities	89.2	56.8
Total non-current liabilities	<u>40,541.6</u>	<u>35,544.1</u>
Net assets	<u>60,681.9</u>	<u>62,167.6</u>
EQUITY		
Units in issue	68,553.8	68,553.8
Reserves	(27,305.1)	(25,953.7)
Net assets attributable to unitholders of HPH Trust	<u>41,248.7</u>	<u>42,600.1</u>
Non-controlling interests	19,433.2	19,567.5
Total equity	<u>60,681.9</u>	<u>62,167.6</u>

Statements of Cash Flows for the Year Ended 31 December 2016 and 31 December 2015

(HK\$'Million)	<u>1 January to 31 December 2016</u>	<u>1 January to 31 December 2015</u>
Operating activities		
Cash generated from operations	6,769.8	6,778.5
Interest and other finance costs paid	(638.0)	(568.1)
Tax paid	(967.8)	(1,225.7)
Net cash from operating activities	<u>5,164.0</u>	<u>4,984.7</u>
Investing activities		
Purchase of fixed assets, projects under development, leasehold land & land use rights	(1,765.1)	(2,042.0)
Proceeds on disposal of fixed assets	31.8	13.1
Dividends received from investments	22.6	35.6
Dividends received from associated companies and joint ventures	83.0	137.7
Interest received	42.2	73.1
Repayment of loans by joint ventures	1.6	241.8
Restricted deposit	(42.0)	-
Proceeds on cessation of economic benefit of an investment	-	347.2
Net cash used in investing activities	<u>(1,625.9)</u>	<u>(1,193.5)</u>
Financing activities		
New borrowings	9,426.6	14,013.3
Repayment of borrowings	(8,926.5)	(14,642.4)
Upfront debt transaction costs and facilities fees of borrowings	(59.5)	(69.8)
Capital contribution from non-controlling interests	-	345.3
Distributions to unitholders of HPH Trust	(2,848.5)	(3,310.2)
Dividends to non-controlling interests	(1,013.1)	(1,085.4)
Net cash used in financing activities	<u>(3,421.0)</u>	<u>(4,749.2)</u>
Net changes in cash and cash equivalents	117.1	(958.0)
Cash and cash equivalents at beginning of the year	6,840.8	7,798.8
Cash and cash equivalents at end of the year	<u>6,957.9</u>	<u>6,840.8</u>

Statements of Cash Flows for the Quarter Ended 31 December 2016 and 31 December 2015

(HK\$ Million)	<u>1 October to 31 December 2016</u>	<u>1 October to 31 December 2015</u>
Operating activities		
Cash generated from operations	1,625.2	1,816.5
Interest and other finance costs paid	(162.1)	(139.1)
Tax paid	(255.2)	(337.6)
Net cash from operating activities	<u>1,207.9</u>	<u>1,339.8</u>
Investing activities		
Purchase of fixed assets, projects under development, leasehold land and land use rights	(254.5)	(325.0)
Proceeds on disposal of fixed assets	28.6	1.3
Dividends received from associated companies and joint ventures	18.0	44.7
Interest received	10.7	9.2
Repayment of loan by a joint venture	0.6	0.8
Restricted deposit	(42.0)	-
Proceeds on cessation of economic benefit of an investment	-	347.2
Net cash (used in)/from investing activities	<u>(238.6)</u>	<u>78.2</u>
Financing activities		
New borrowings	1,545.4	-
Repayment of borrowings	(1,666.5)	(146.0)
Upfront debt transaction costs and facilities fees of borrowings	-	(0.8)
Dividends to non-controlling interests	(219.9)	(209.0)
Net cash used in financing activities	<u>(341.0)</u>	<u>(355.8)</u>
Net changes in cash and cash equivalents	628.3	1,062.2
Cash and cash equivalents at beginning of the quarter	6,329.6	5,778.6
Cash and cash equivalents at end of the quarter	<u>6,957.9</u>	<u>6,840.8</u>

THE WORLD'S LEADING PORT NETWORK