



2013 Interim Results Analyst Briefing

15th August 2013 | Hong Kong

Financial Summary

Attributable Profit



Turnover

Jun 2012: HK\$22,075m

+8%

Jun 2013: HK\$23,776m

Underlying Profit

Jun 2012: HK\$2,234m

+48%

Jun 2013: HK\$3,297m

Dividends Per Share

Jun 2012:
 HK\$1.00 per 'A' share
 HK\$0.20 per 'B' share

0%

Jun 2013:
HK\$1.00 per 'A' share
HK\$0.20 per 'B' share

Cash Generated from Operations

Jun 2012: HK\$2,439m

+169%

Jun 2013: HK\$6,572m

Net Debt

Dec 2012: HK\$44,254m

+7%

Jun 2013: HK\$47,524m

Gearing Ratio

Dec 2012: 17.8%

+0.9% pts

Jun 2013: 18.7%

Equity Attributable to the Company's Shareholders

Dec 2012: HK\$208,467m

+2%

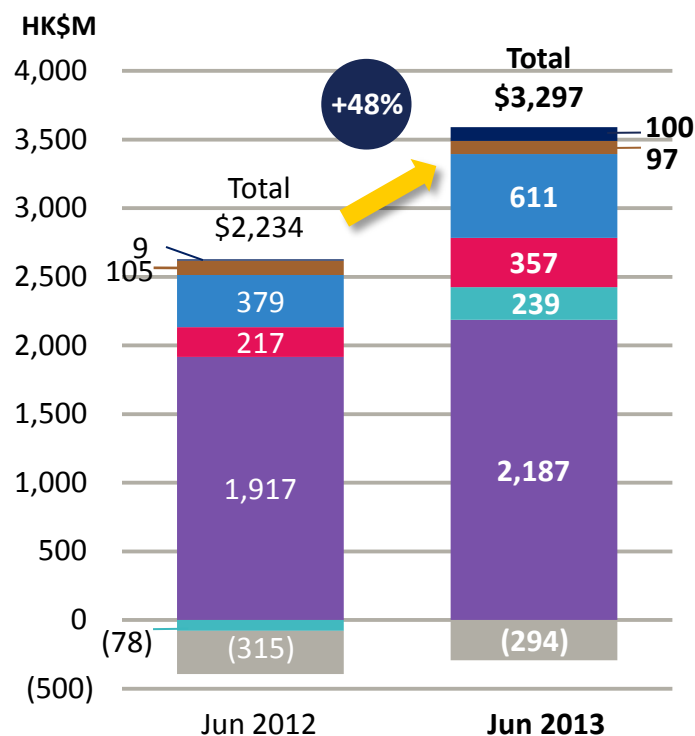
Jun 2013: HK\$212,727m

Notes:

- Underlying profit principally adjusts for changes in the valuation of investment properties.
- The comparative figures have been restated as a result of the adoption of HKFRS 11 "Joint Arrangements" and amendment to HKAS 19 "Employee Benefits".

Financial Summary

Underlying Profit



- Property
- Aviation
- Beverages
- Marine Services
- Trading & Industrial
- Head Office
- Capital profits less impairments

For the period ended 30th June 2013	Underlying Profit HK\$M	Capital Profits less Impairments HK\$M	Adjusted Underlying Profit HK\$M
Property	2,190	(3)	2,187
Aviation	271	(32)	239
Beverages	355	2	357
Marine Services	679	(68)	611
Trading & Industrial	96	1	97
Head Office	(294)	-	(294)
Total	3,297	(100)	3,197

Financial Summary

Profit Bridge

	Jun 12 HK\$M	Jun 13 HK\$M
Attributable profit	8,420	6,608
Less: adjustments in respect of investment properties	(6,186)	(3,311)
Underlying profit attributable to the Company's shareholders	2,234	3,297
Other significant items:		
Profit on sale of property, plant and equipment and other investments	(19)	(39)
Profit on sales of investment properties	(9)	-
Net impairment / (impairment reversal) of property, plant and equipment, leasehold land and intangible assets	19	(61)
Adjusted underlying profit	2,225	3,197

SPO recorded a profit of HK\$60m on disposal of four vessels in 1H 2013 and a profit of HK\$14m on disposal of three vessels in 1H 2012.

The Group sold a few small investment properties in Hong Kong.

Financial Summary

Financing

	Dec 12	Jun 13
Net debt (HK\$M)	44,254	47,524
Gearing (%)	17.8%	18.7%
Interest cover (underlying) – times	6.7	4.8
Cash interest cover (underlying) – times	5.4	4.0

Net Debt Reconciliation

	HK\$Bn
Net debt at 1st January 2013	44.3
Cash from operations	(6.6)
Net dividend paid	3.6
Capex and investments less proceeds	4.9
Net interest paid	0.9
Tax paid	0.4
Net debt at 30th June 2013	47.5

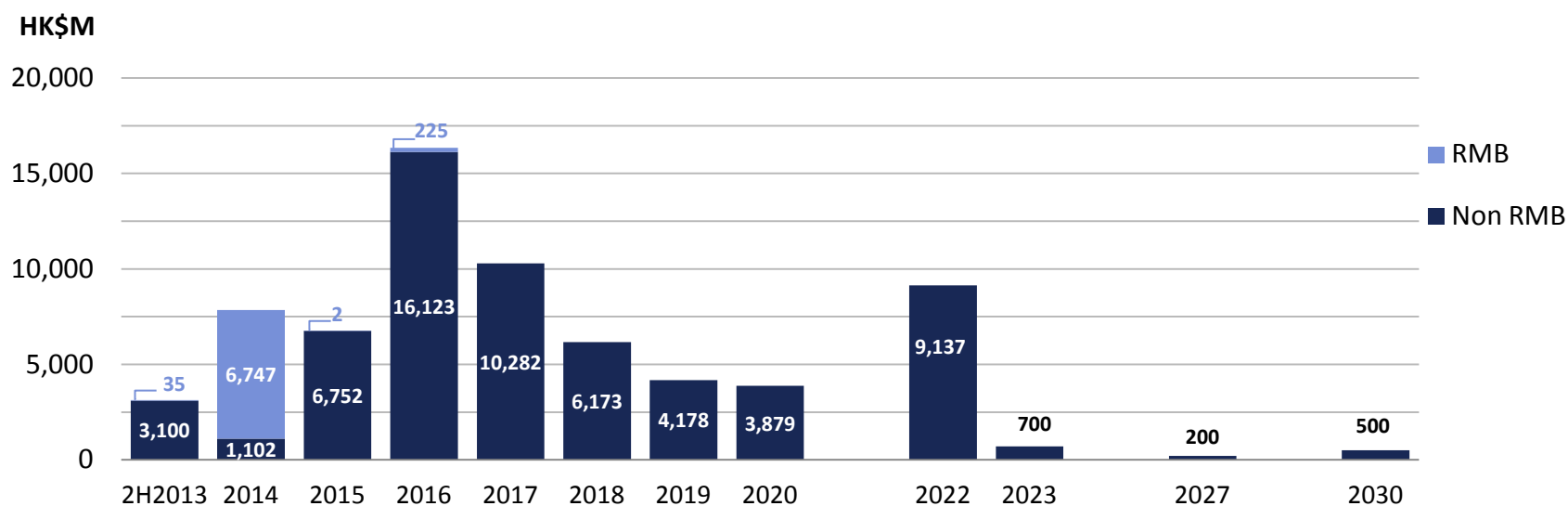
Financial Summary

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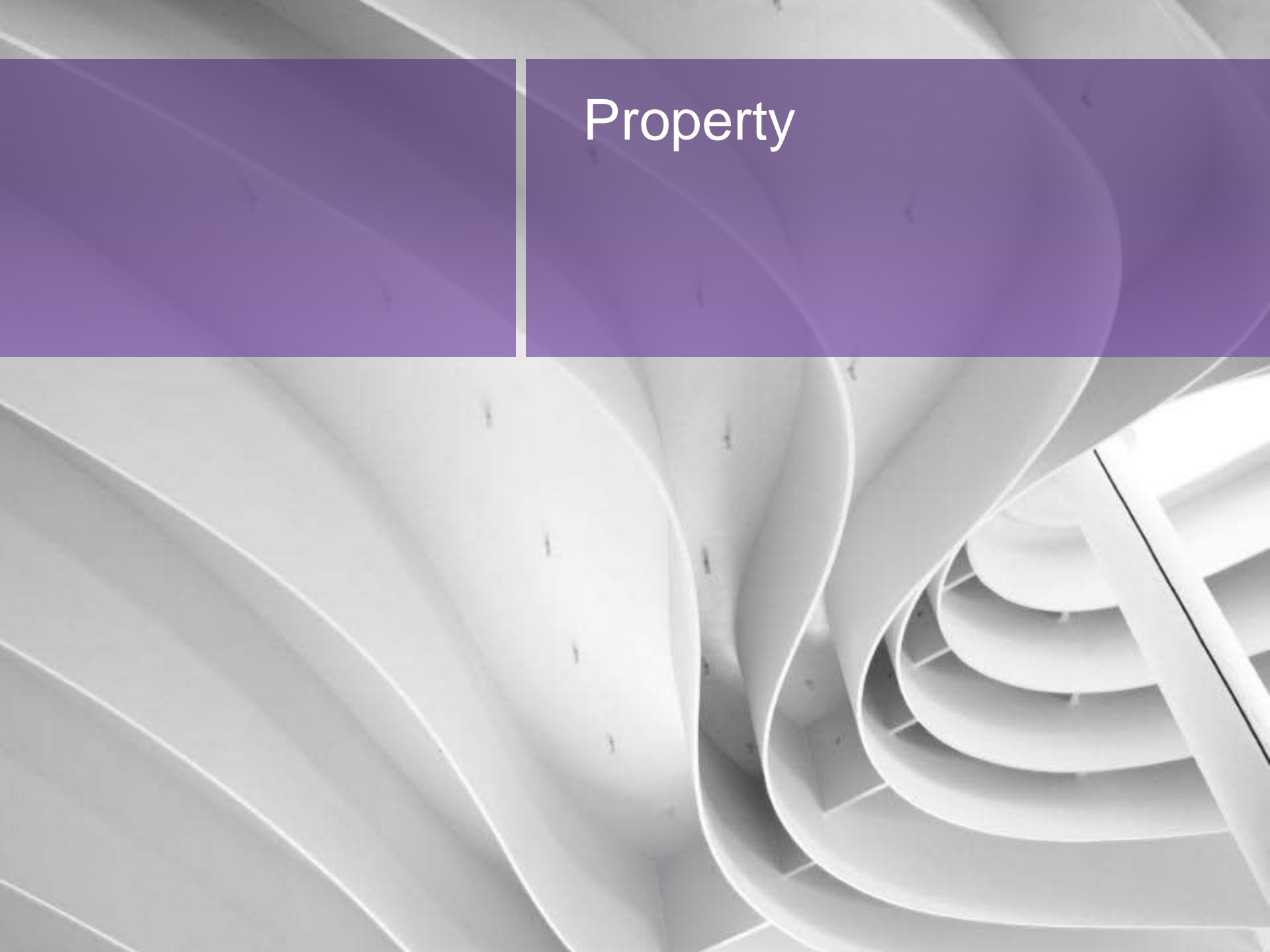
Liquidity

	Dec 12 HK\$M	Jun 13 HK\$M	Change %
Bank balances and short-term deposits	6,091	8,344	+37%
Total undrawn facilities			
- Committed	16,361	14,543	-11%
- Uncommitted	7,701	8,197	+6%

Refinancing Profile at 30th June 2013



Property



Results Highlights

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HK\$M (Swire Properties - 100% basis)	Jun 12	Jun 13	Change %
Attributable profit	9,854	6,952	-29%
Underlying profit	2,435	2,812	+15%
Valuation gains on investment properties	7,103	4,068	

HK\$M (Swire Pacific's share)	Jun 12	Jun 13	Change %
Attributable profit	8,031	5,656	-29%
Underlying profit	1,911	2,190	+15%

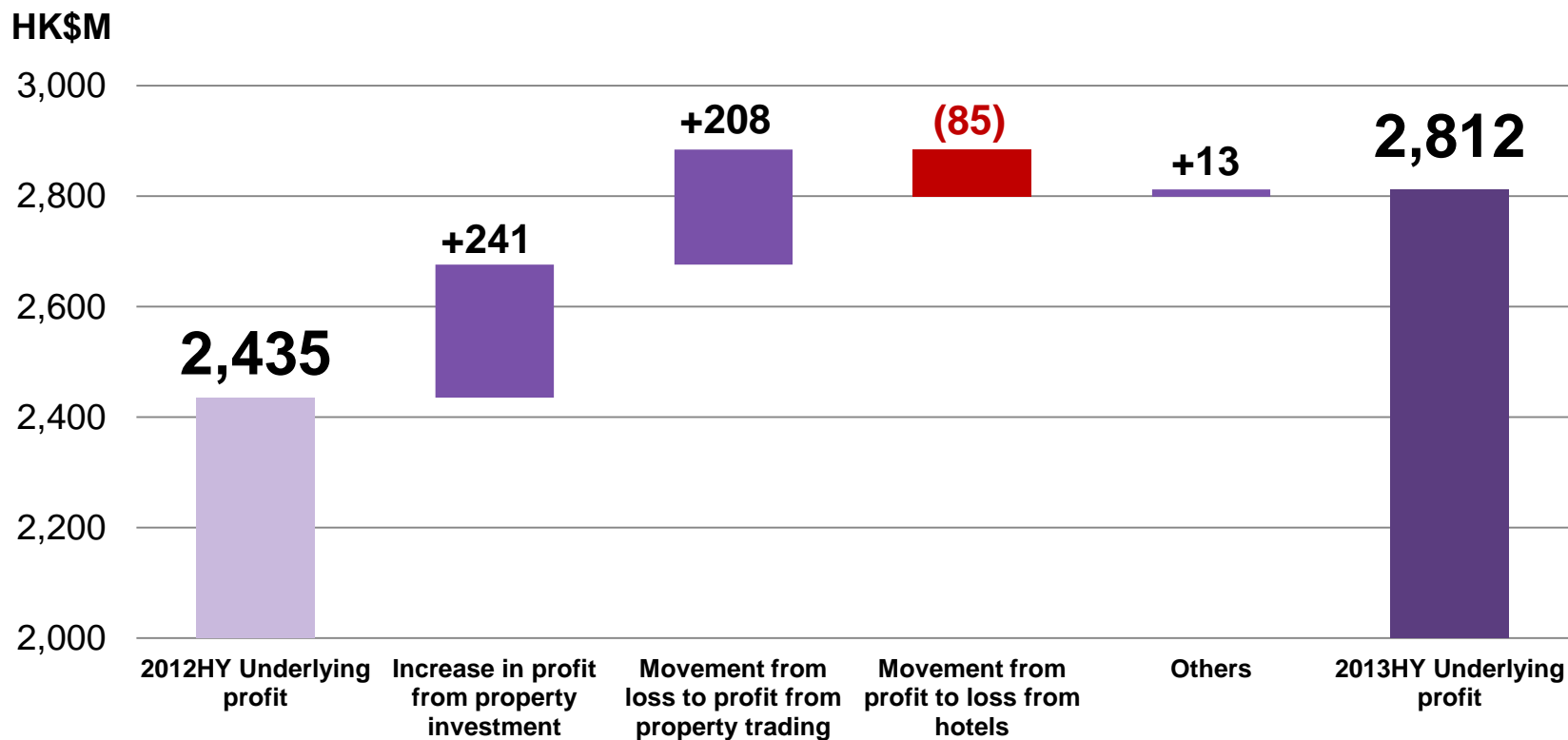
Key Highlights

- Underlying attributable profit increased by HK\$279 million to HK\$2,190 million.
- Positive rental reversions at the office and retail properties in Hong Kong and at TaiKoo Hui in Guangzhou and Taikoo Li Sanlitun in Beijing.
- Profit from property trading principally reflects closings of 12 units at the AZURA residential development in Hong Kong.
- Performance at the hotel portfolio deteriorated.



Movement in Underlying Profit (Swire Properties - 100% basis)

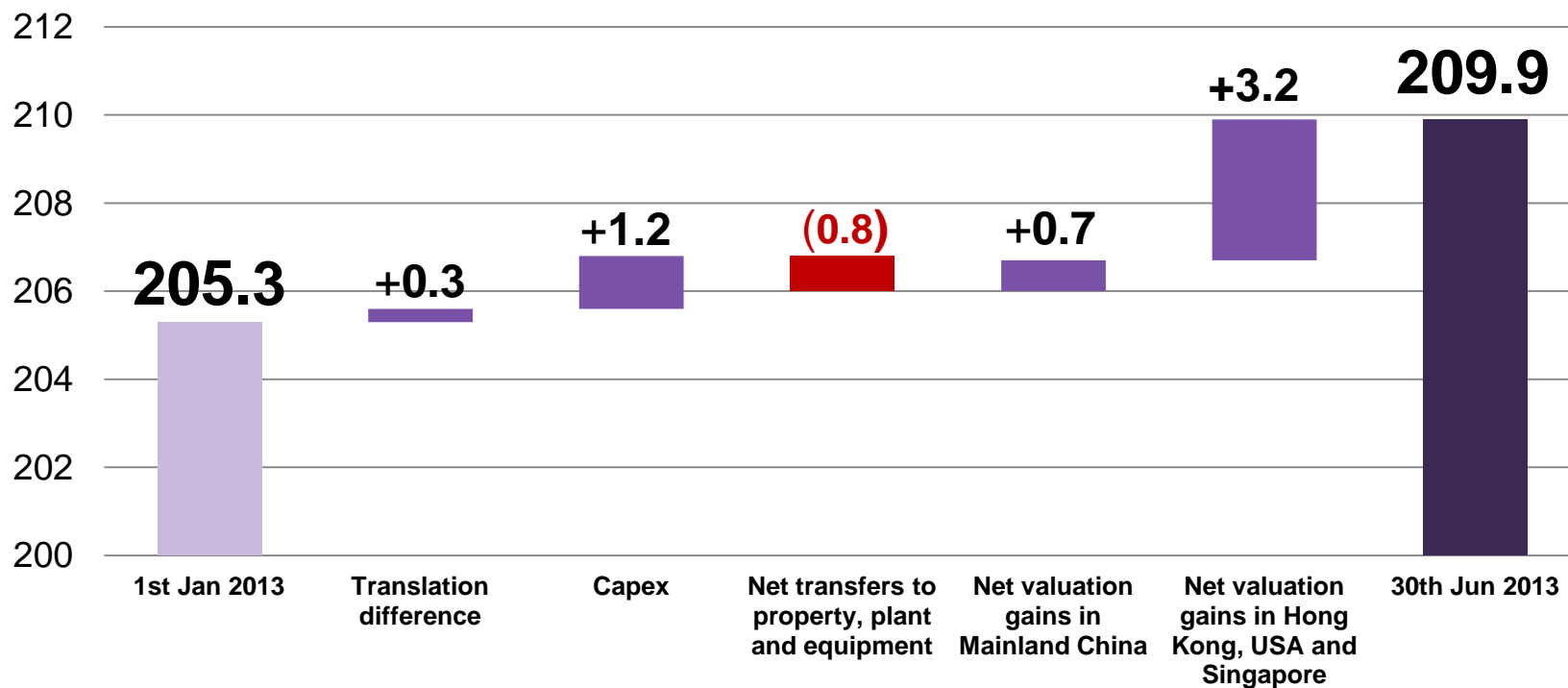
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Movement in Investment Properties

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HK\$Bn

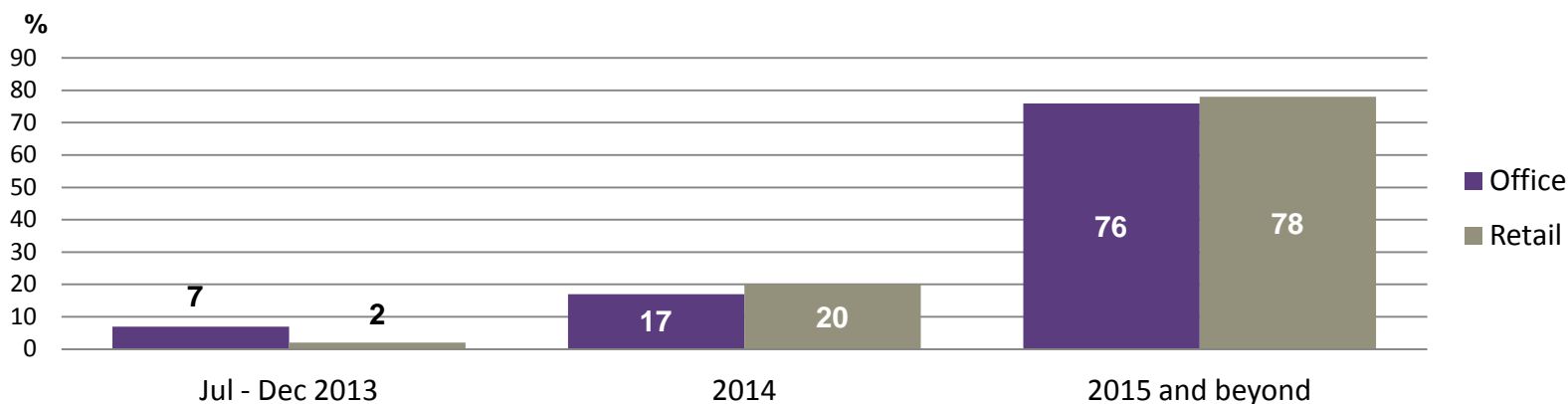


- Revaluation gains of HK\$3.9Bn in the first half of 2013 (excluding the Group's share of revaluation movements of joint venture and associated companies).
- The increase in the valuation of the investment property portfolio principally reflects improved rental rates for the Hong Kong portfolio.

Operating Statistics

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Hong Kong Lease Expiry Profile* - at 30th June 2013



* Based on percentage of the total rental income attributable to the division for the month ended 30th June 2013.

Latest Rentals	
	HK\$ per sq. ft.
One & Two Pacific Place	95-110
Three Pacific Place	90-95
Island East	Low to mid 40s
Techno-centres ⁽¹⁾	Low to mid 20s
One Island East	Mid 50s to high 60s

Occupancies at 30th June 2013	
	Occupancy rate ⁽²⁾
Office and techno-centres ^{(1),(3)}	98%
TaiKoo Hui office	85%
ONE INDIGO	95%
Taikoo Li Sanlitun	92%
INDIGO Mall	88%

⁽¹⁾ Excluding Somerset House which is due for redevelopment in the second half of 2013

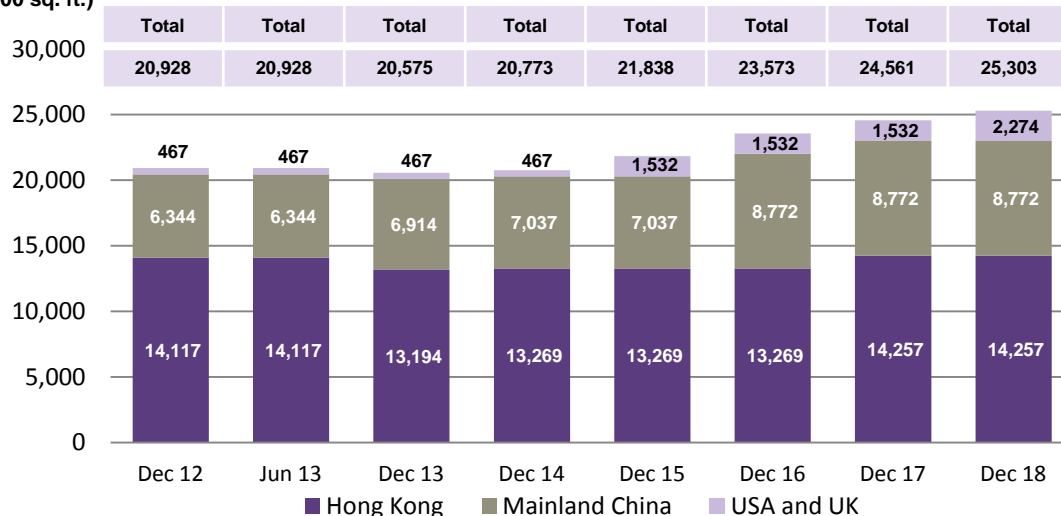
⁽²⁾ Based on lettable area ⁽³⁾ Wholly-owned properties

Future Developments

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Completed Principal Property Investment Portfolio*

('000 sq. ft.)



* Gross floor area represents 100% of space owned by Group companies and the division's attributable share of space held by joint venture and associated companies.

Projects	Expected completion date
Hong Kong	
23 Tong Chong Street	2014
Somerset House (Redevelopment)	2017 (2013)
Mainland China	
Daci Temple, Chengdu	2014
Dazhongli, Shanghai	2016
USA	
Brickell CityCentre	Q4 2015 / 2018

Profile of Capital Commitments — for Investment Properties and Hotels at 30th June 2013

(HK\$M)	Expenditure	Forecast period of expenditure				Commitments
	Six months ended 30th Jun 2013	Six months ending 31st Dec 2013	2014	2015	2016 & beyond	at 30th Jun 2013
Property Project						
Hong Kong projects	829	528	704	661	3,416	5,309
Mainland China projects	712	2,235	2,751	1,365	513	6,864
USA and other projects	892	408	1,940	224	25	2,597
Total	2,433	3,171	5,395	2,250	3,954	14,770*

*Including the division's share of the capex and capital commitments of its joint venture companies.

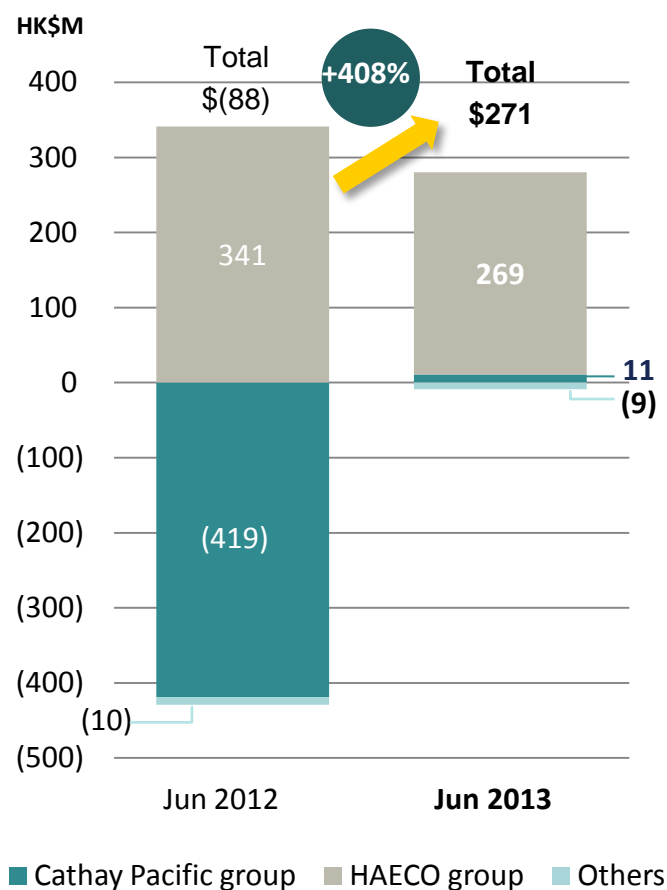
Aviation



Results Highlights

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Attributable Profit



Key Financial Data

	Jun 2013 HK\$M	Change %
HAECO group		
Turnover	3,222	+11% ↑
Operating profit	174	-39% ↓
Attributable profit	269	-21% ↓
Share of post-tax profits from associated companies		
Cathay Pacific group	11	+103% ↑



Cathay Pacific Group Highlights

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Key Highlights

- The Cathay Pacific group reported profit on a 100% basis of HK\$24m compared with a loss of HK\$929m in 1H 2012.
- Cathay Pacific's core business continued to be affected by the high price of jet fuel and persistently weak air cargo demand.
- As a result of measures announced in 2012, certain operating costs were significantly lower.
- The passenger business improved. Passenger revenue increased by 1% compared with a 5% decrease in capacity. Yield improved by 4%.
- Air cargo markets continued to be weak. There was a 2% reduction in tonnage carried and a 5% reduction in cargo revenue.



Key Financial Data

CX group (100% basis)

	Jun 2013 HK\$M	Change %
Total turnover	48,584	-1%
Passenger services	34,978	+1%
Cargo services	11,278	-5%
Others	2,328	+3%
Attributable profit	24	+103%

Key Operating Statistics

	Jun 2013	Change %
Available tonne kilometres (ATK) ('M)	12,520	-3%
Revenue passengers carried ('000)	14,497	+1%
Passenger yield (HK\$)	69.0	+4%
Cargo and mail carried (Tonnes '000)	741	-2%
Cargo and mail yield (HK\$)	2.33	-3%

HAECO Group Highlights

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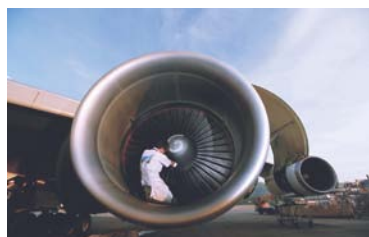
Key Highlights

- A shortage of skilled and semi-skilled labour resulted in a significant reduction in HAECO's airframe maintenance capacity during the first half of the year.
- Results from TAECO improved, reflecting higher demand for its airframe maintenance services.
- HAESL's profit, including that derived from its interest in SAESL, was at a similar level to 1H 2012.

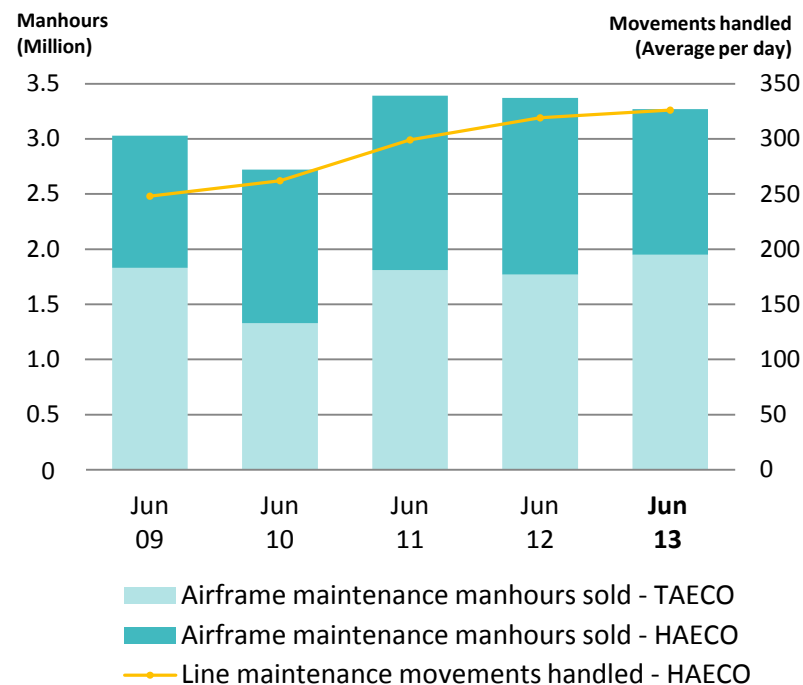
Key Financial Data

Attributable Profit/(Loss) (100% basis)

	Jun 2013 HK\$M	Change %
HAECO	44	-75%
TAECO	62	+35%
HAESL and SAESL	255	+0%
Others	(2)	+91%
Total	359	-21%



Key Operating Statistics



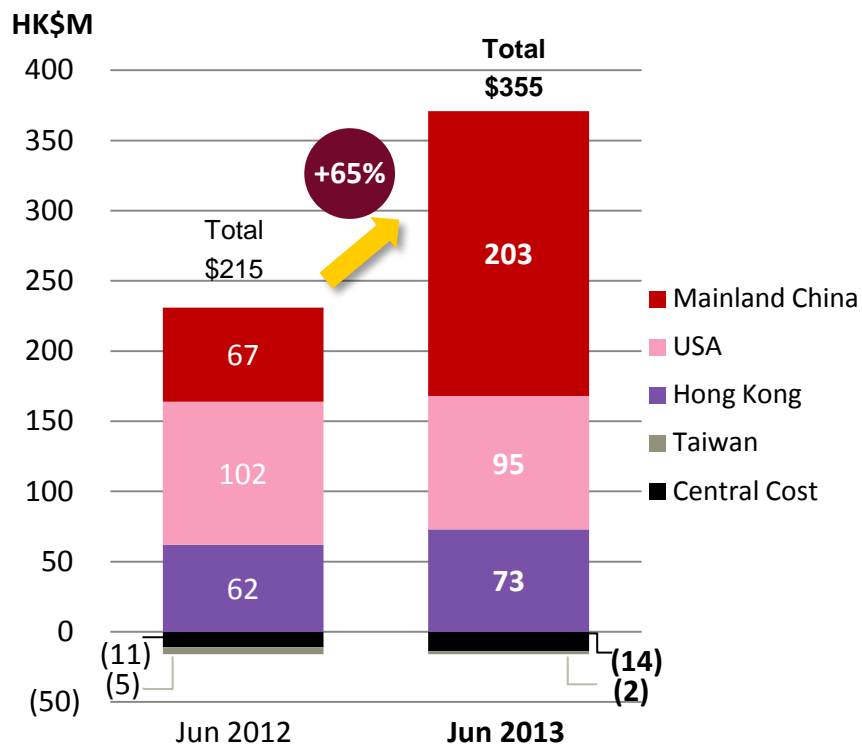
Beverages



Results Highlights

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Attributable Profit



Key Financial Data

	Jun 2013 HK\$M	Change %
Operating profit	373	+9% ↑
Share of post-tax profits from joint venture and associated companies	202	+206% ↑
Attributable profit	355	+65% ↑

Key Highlights

- The Beverages Division attributable profit increased by 65% to HK\$355m.
- Excluding a non-recurring profit of HK\$69m in Mainland China, attributable profit increased by 33%.
- Mainland China benefitted from lower raw material prices and a favourable sales mix.
- Hong Kong benefitted from price increases, lower raw material prices and effective cost management.
- The USA and Taiwan were affected by weaker pricing.

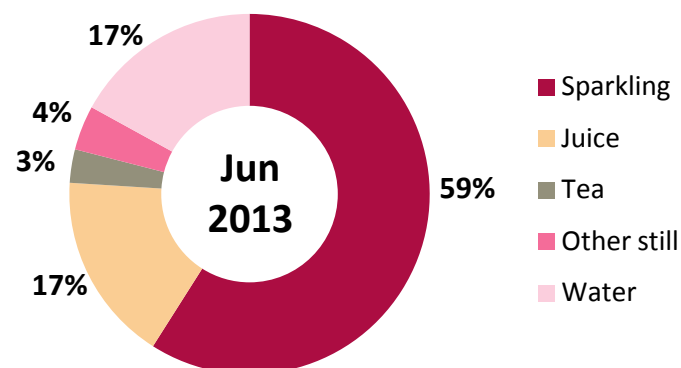
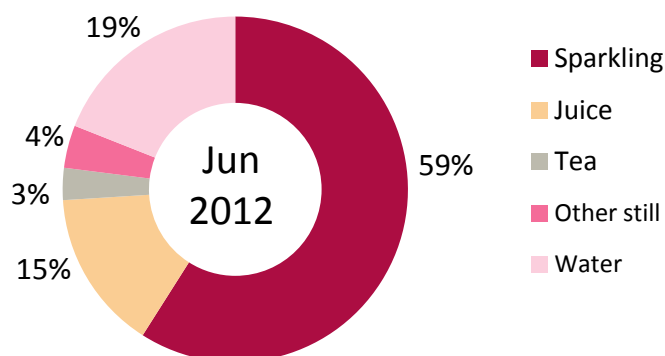


Volume Analysis

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- Overall sales volume grew by 1% to 476 million unit cases.

Volume by Category



Segment Information

Mainland China*			Hong Kong		
Turnover	Attributable Profit	Sales Volume	Turnover	Attributable Profit	Sales Volume
↑ HK\$8,027m	↑ HK\$203m	↑ 378.2m u/c	↑ HK\$993m	↑ HK\$73m	— 29.8m u/c
Taiwan			USA		
Turnover	Attributable Loss	Sales Volume	Turnover	Attributable Profit	Sales Volume
↓ HK\$657m	↑ HK\$(2)m	↓ 27.2m u/c	↓ HK\$1,853m	↓ HK\$95m	— 40.3m u/c

*Attributable to the Beverages Division's seven Coca-Cola franchises in Mainland China.

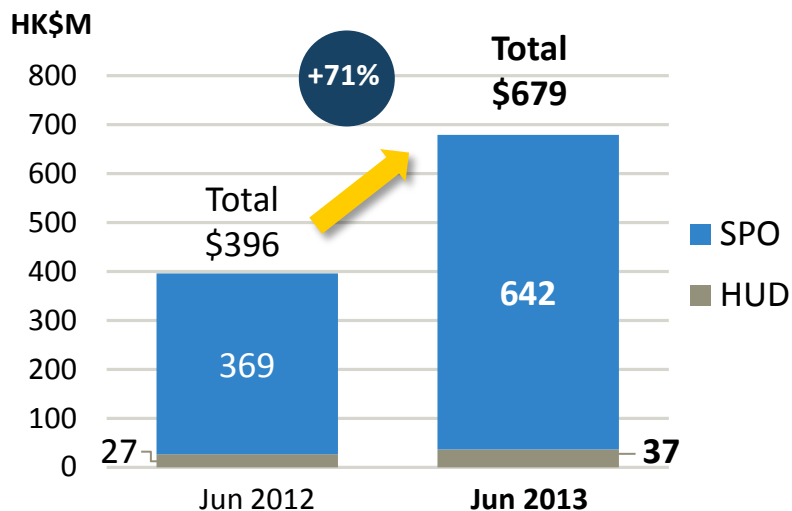
Marine Services



Results Highlights

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Attributable Profit



Key Financial Data

Swire Pacific Offshore group

	Jun 2013 HK\$M	Change %
Charter hire revenue	2,412	+30% ↑
Non-charter hire revenue	465	+17% ↑
Charter hire related operating profit	452	+105% ↑
Non-charter hire related operating profit	256	+45% ↑
Attributable profit	642	+74% ↑

Key Highlights

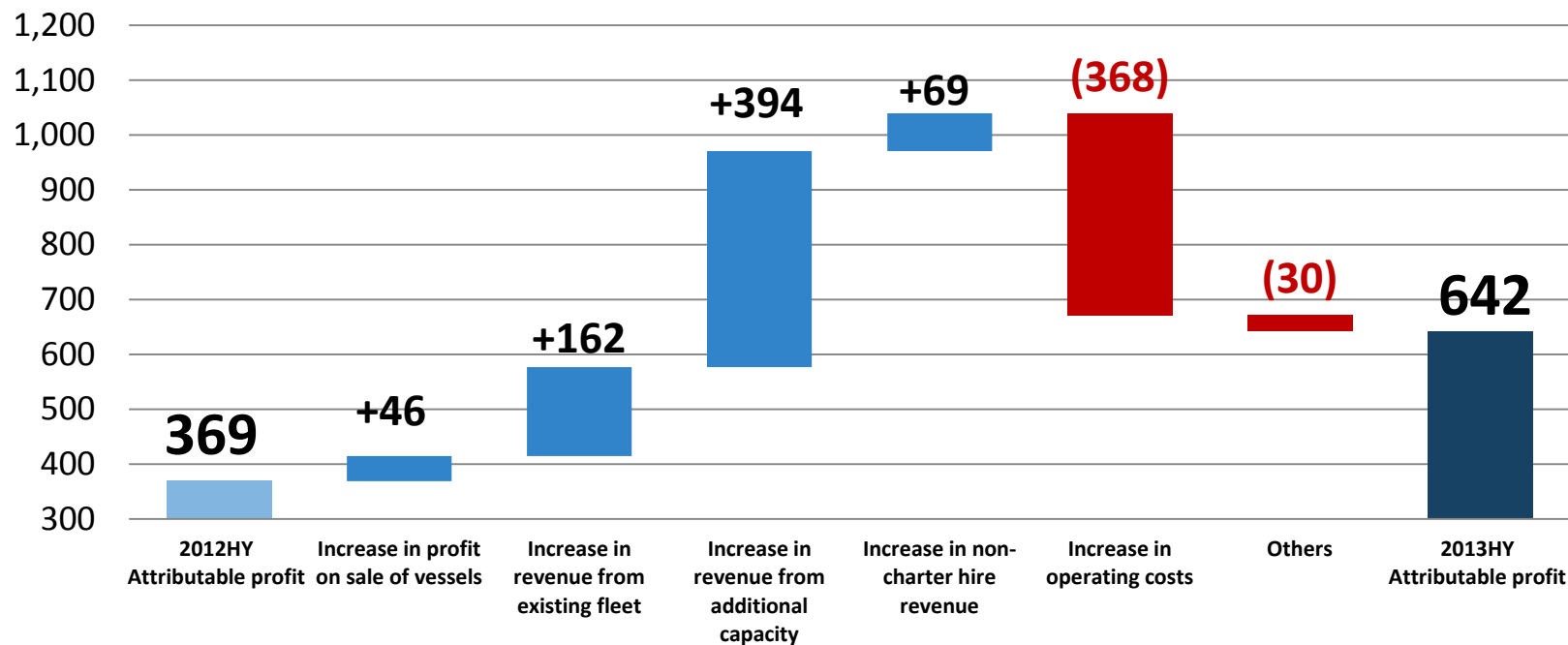
- The Marine Services Division reported an attributable profit of HK\$679 million, a 71% increase from 1H 2012.
- SPO benefitted from the additional contribution from new vessels and the higher day rates achieved by its fleet of construction and specialist vessels.
- SPO's overall average fleet utilisation fell by 2% pts to 87% while average charter hire rates increased by 30% to US\$25,100 per day.



SPO – Movement in Attributable Profit

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HK\$M



SPO Outlook

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SPO Fleet Growth

Vessel class	2012	Additions	Disposals	Half-year	Vessels expected to be received in		
		30th June 2013			2013	2014	2015
Anchor Handling Tug Supply Vessels	47	-	4	43	-	-	-
Large Anchor Handling Tug Supply Vessels	15	2	-	17	3	4	-
Platform Supply Vessels	8	-	-	8	-	2	4
Large Platform Supply Vessels	3	1	-	4	-	4	4
Construction and Specialist Vessels	7	1	-	8	1	-	-
Total	80	4	4	80	4	10	8

Note: SPO's fleet includes one PSV and one CSV chartered from external parties.

Profile of Capital Commitments – at 30th June 2013

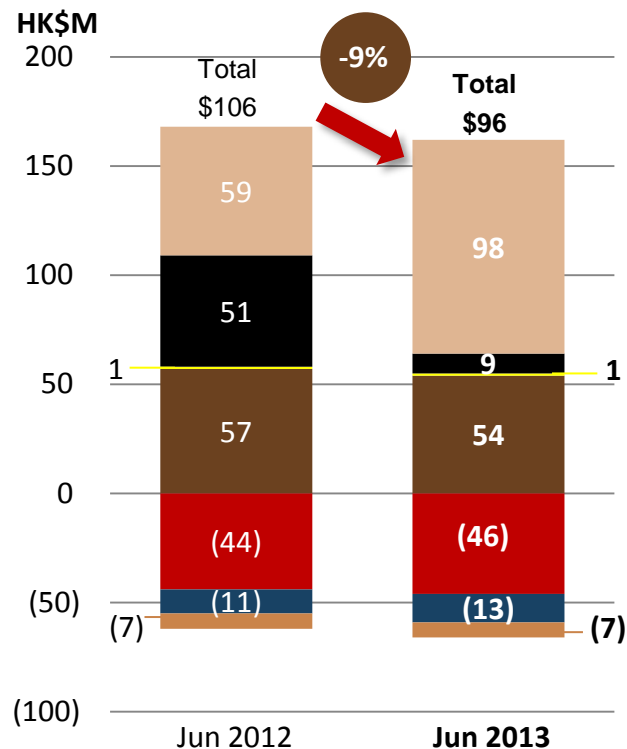
(HK\$M)	Expenditure	Forecast period of expenditure				Commitments
	Six months ended 30th Jun 2013	Six months ending 31st Dec 2013	2014	2015	2016	at 30th Jun 2013
Anchor Handling Tug Supply Vessels and Platform Supply Vessels	2,026	2,434	3,240	1,651	108	7,433
Construction and Specialist Vessels	581	368	-	-	-	368
Other fixed assets	57	29	27	9	-	65
Total	2,664	2,831	3,267	1,660	108	7,866

Trading & Industrial



Results Highlights

Attributable Profit



- Swire Resources group
- Swire Foods group
- Taikoo Motors group
- Akzo Nobel Swire Paints
- Campbell Swire
- Swire Pacific Cold Storage group
- Other activities

Key Highlights

Taikoo Motors group

- Attributable profit in 1H 2013 decreased by 82% to HK\$9 million.
- This principally reflected a decrease in the number of vehicles sold.

Akzo Nobel Swire Paints

- Attributable profit in 1H 2013 rose to HK\$98 million.
- This reflected increased sales volume and a favourable product mix.

Campbell Swire

- HK\$46 million attributable loss in 1H 2013.
- Sales volume increased but costs remained high.

Swire Pacific Cold Storage

- Attributable loss of HK\$13m in 1H 2013 reflecting the cost of business development.



Prospects

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Property	<u>Positive Factors</u>	<u>Negative Factors</u>
Aviation	<ul style="list-style-type: none"> Rents are expected to remain robust at Island East due to high occupancy. 	<ul style="list-style-type: none"> Demand for the Group's office space in Hong Kong is likely to continue to be affected by weak demand, particularly in Central.
Beverages	<ul style="list-style-type: none"> Demand from retailers for space in prime locations and well-managed malls in Hong Kong remains strong. 	<ul style="list-style-type: none"> Weak demand for luxury residential properties in Hong Kong following the imposition of higher levels of stamp duties.
Marine Services	<ul style="list-style-type: none"> Retail sales in the Group's malls in Mainland China, particularly in Guangzhou, are expected to remain firm. 	
Trading & Industrial	<ul style="list-style-type: none"> Property trading profits are expected from the completion of pre-sales in the ARGENTA residential development. 	

Prospects

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Property		
Aviation	<u>Positive Factors</u> <ul style="list-style-type: none"> ▪ The financial position of the Cathay Pacific group remains strong. ▪ 2012's cost reductions have resulted in improved financial performance. ▪ The passenger business has shown improvement. ▪ Cathay Pacific will take delivery of 13 aircraft in 2H 2013. ▪ Demand for TAECO's airframe maintenance services is expected to be good. 	<u>Negative Factors</u> <ul style="list-style-type: none"> ▪ Cathay Pacific continues to operate in a challenging environment of high fuel prices and weak cargo demand. ▪ Forward bookings for HAECO's airframe maintenance services are weak by historical standards. ▪ HAECO's airframe maintenance capacity will continue to be affected by shortages of skilled and semi-skilled labour. ▪ HAESL is expected to be affected by a reduction in demand for engine overhaul services.
Beverages		
Marine Services		
Trading & Industrial		

Prospects

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Property

Aviation

BeveragesMarine
ServicesTrading &
Industrial

Positive Factors

- Profits in 2H 2013 will reflect the fact that consumption of soft drinks peaks in the summer months.
- Mainland China is expected to benefit from increased sales and low raw material costs.
- Hong Kong is expected to experience robust consumption as well as price increases and low raw material costs.
- Territory grant in Western USA proceeding according to agreed timelines.

Negative Factors

- Continued pressure on pricing from competitors.
- Weak economic environment in Taiwan.

Prospects

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Property

Aviation

Beverages

**Marine
Services**Trading &
Industrial

Positive Factors

- The oil price remains high and demand for larger and more sophisticated vessels is expected to increase.
- SPO is well-placed to meet this demand as a result of its fleet expansion.
- 22 new vessels are expected to be delivered by the end of 2015.

Negative Factors

Prospects

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Property

Aviation

Beverages

Marine
Services

Trading &
Industrial

Positive Factors

- Taikoo Motors is setting up new Volkswagen dealership businesses in Mainland China and Malaysia.
- Akzo Nobel Swire Paints expects sales of premium products to continue to grow.
- Campbell Swire intends to expand the product range offered to its retail and catering trade customers.

Negative Factors

- Taikoo Motors is cautious about 2H 2013 following reduced sales of VW passenger cars in 1H 2013.

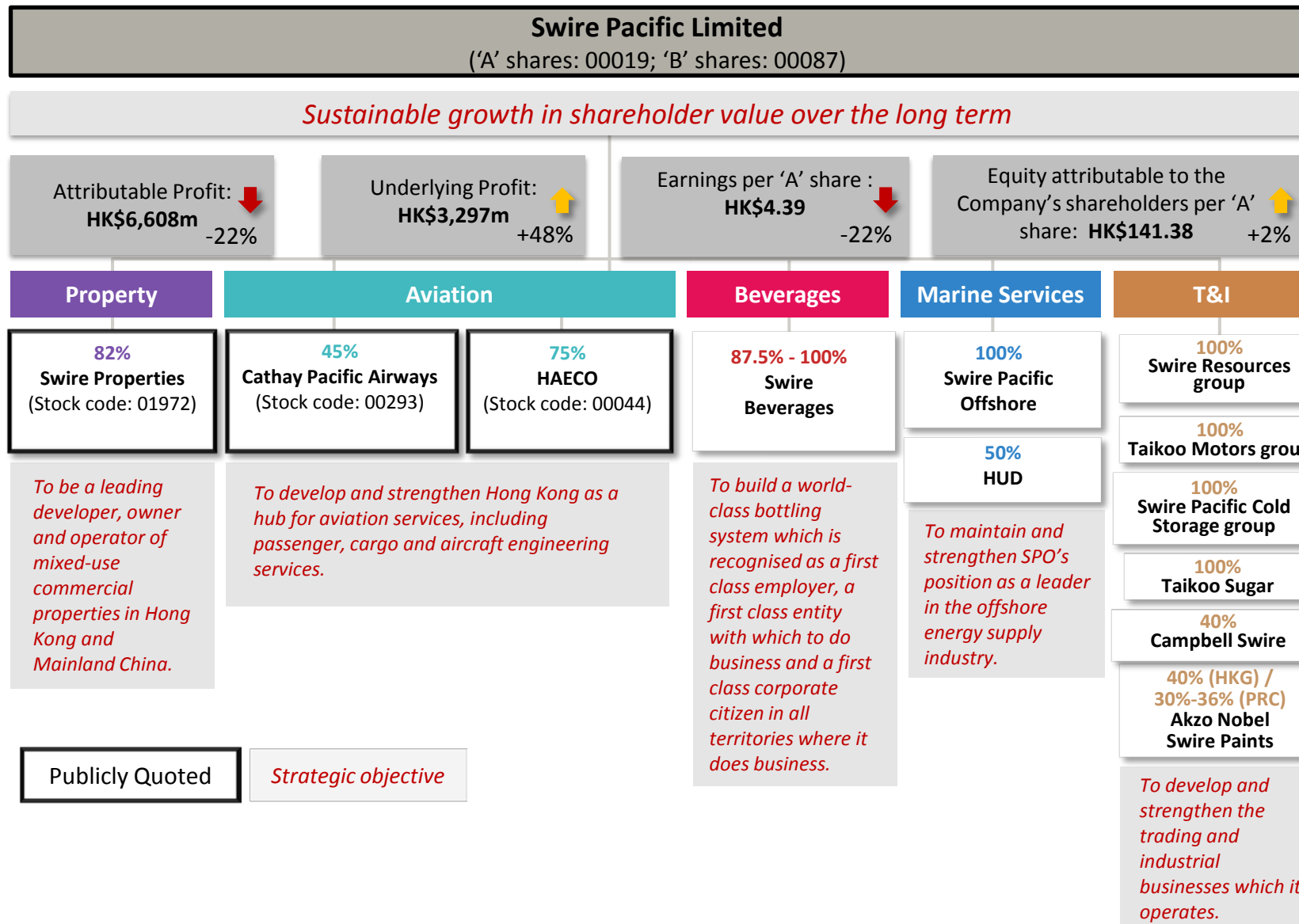


Appendix

Appendix - Corporate Structure

As at 30th June 2013

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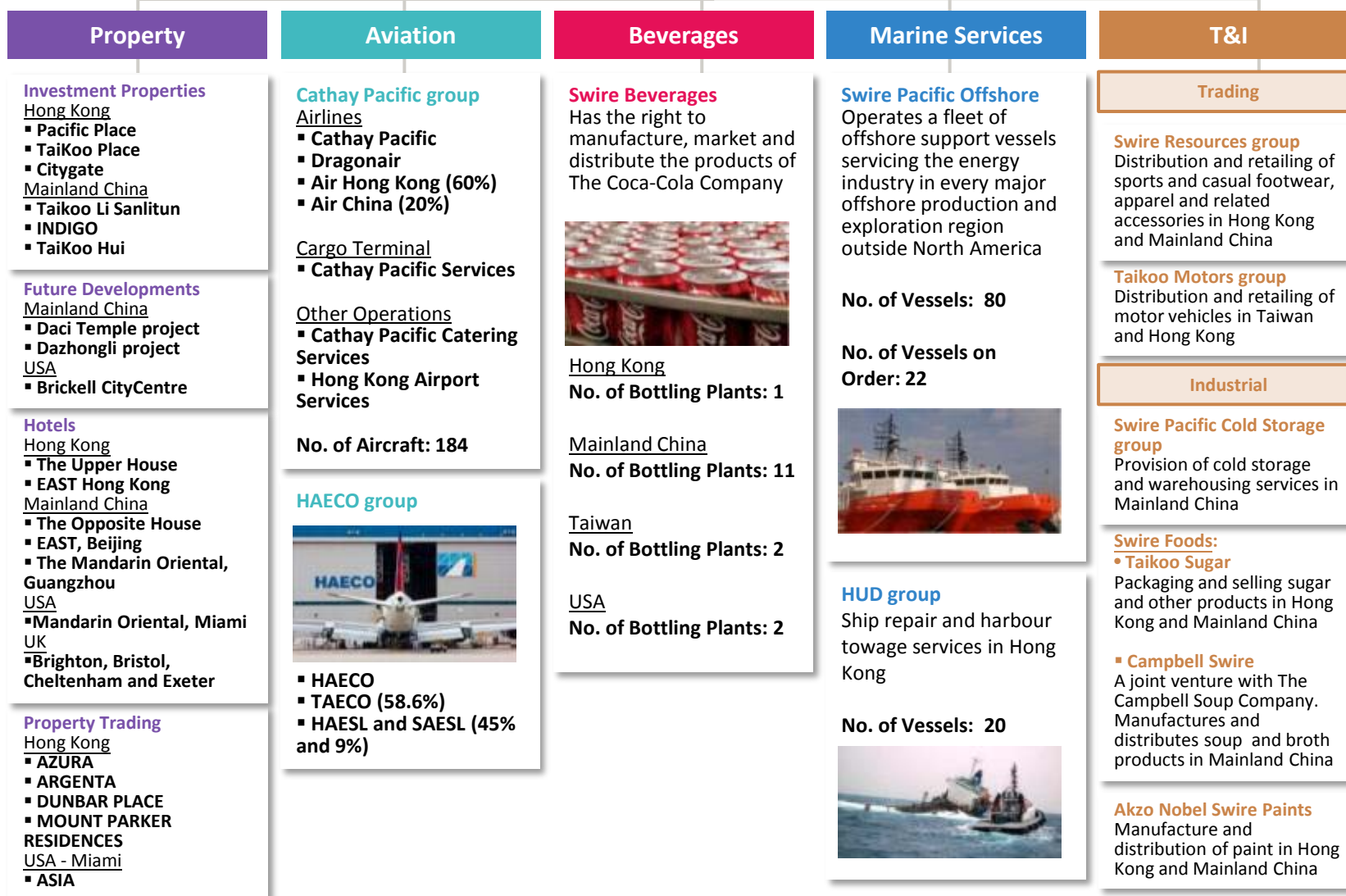


Appendix - Corporate Structure

As at 30th June 2013

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Swire Pacific Limited





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