SWIRE PACIFIC

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2019 PRE-CLOSE BRIEFING

10th January 2020 | Hong Kong

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Agenda

- Business Environment
- Key Highlights of 2019
- Business Review by Division
- Sustainable Development
- Outlook
- Q&A

Business Environment

Protests in Hong Kong

Global trade tensions

Slow recovery of offshore industry

Key Highlights of 2019

- Solid results in 1H2019, but overall performance affected by protests in Hong Kong in 2H2019.
- Swire Properties performance was stable, with robust performances from the Hong Kong office and Mainland China retail portfolios. Hong Kong retail and hotel performance were adversely affected by protests.
- Cathay Pacific faced exceptional challenges as a result of protests in Hong Kong and global trade tensions.
- HAECO's results were solid, except for HAECO Americas.
- Swire Coca-Cola performed well, particularly in Mainland China.
- The performance of SPO remained weak. There was an impairment charge in respect of its vessels' carrying value.
- Loss at the Trading & Industrial Division.

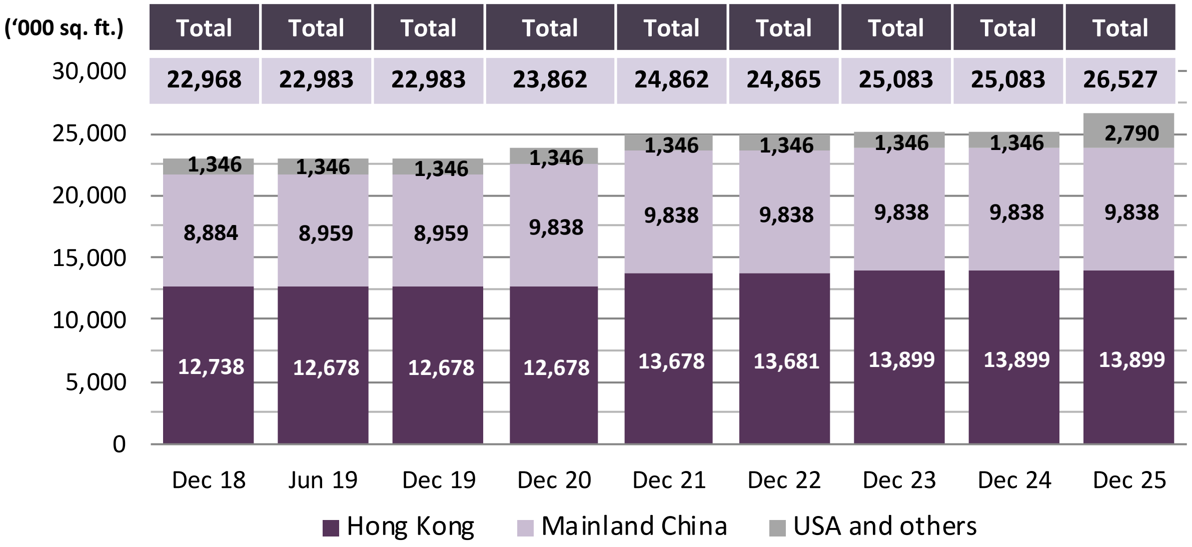
PROPERTY

Highlights

- **Resilient performance in Hong Kong office.**
- **Weak retail sales in Hong Kong in 2H2019 due to protests. Rental concessions offered to some retail tenants.**
- **Strong retail sales growth in Mainland China retail portfolio.**
- **Increasing retail sales and steady office performance in Miami, USA.**
- **Won the bid as part of a consortium to develop a residential property in Wong Chuk Hang, Hong Kong. Trading properties projects completed in Singapore and upcoming in Jakarta, Indonesia.**
- **Underlying profit benefitted from the disposal of Cityplaza Three and Four and 625 King's Road in Hong Kong.**

Future Developments

Completed Principal Property Investment Portfolio*



Projects	Expected completion date
Hong Kong	
Taikoo Place Redevelopment (Two Taikoo Place)	2021/2022
Po Wah Building Redevelopment	2023
Wah Ha, Zung Fu Redevelopment	Compulsory sale application
983-987A King's Road & 16-94 Pan Hoi Street	Compulsory sale application
Mainland China	
Taikoo Li Qiantan	2020
USA	
One Brickell City Centre	Under planning

Profile of Capital Commitments** – for Investment Properties and Hotels at 30th June 2019

(HK$M)	**Expenditure**	Forecast expenditure				**Commitments**
	Six months ended 30th Jun 2019	Six months ending 31st Dec 2019	2020	2021	2022 and later	**at 30th Jun 2019**
Hong Kong	**1,023**	1,323	3,928	2,783	6,786	**14,820**
Mainland China	**72**	721	868	225	144	**1,958**
USA and others	**115**	8	-	-	-	**8**
Total	**1,210**	**2,052**	**4,796**	**3,008**	**6,930**	**16,786**

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

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

AVIATION

Highlights – CX

- Protests in Hong Kong severely affected demand. Passenger traffic reduced significantly, particularly inbound traffic from Mainland China. Yield was under intense pressure.
- Cargo demand was depressed all year as a result of geopolitical tensions.
- 2H financial results of Cathay Pacific are expected to have been significantly below those of 1H.
- Smooth transition after the acquisition of HKE, which continues to operate as a standalone low-cost carrier.

Key Operating Statistics

	Cumulative Nov 2019	YTD Change %
Available seat kilometres (ASK) (‘M)	149,449	+5.7%
Revenue passengers carried (‘000)	32,238	-0.4%
Passenger load factor (%)	82.1%	-2.0% pt
Available cargo tonne kilometres (AFTK) (‘M)	16,082	0.0%
Cargo carried (Tonnes ‘000)	1,844	-6.4%
Cargo load factor (%)	64.2%	-4.7% pt

Efficiency and Cost Reduction Measures – CX

- **Transformation programme continues to counter rising unit cost pressure.**
- **Capacity reductions have been effected in both passenger and cargo to optimise traffic and reduce cost.**
- **Structural consolidation in frequencies on both long-haul and regional routes for 2019 winter schedule.**
- **Realignment of 2020 forward aircraft deliveries and retirements.**
- **Continued focus on productivity.**

Highlights – HAECO

- **Solid results from HAECO Hong Kong and HAECO Xiamen in 2019.**
- **Strong performance by the HAESL engine business.**
- **HAECO Americas continued to incur losses. There was an impairment in respect of goodwill at the cabin solutions business.**

BEVERAGES

Highlights

- Strong performance in Mainland China.
- Stable operating performance in the USA.
- Solid results in Hong Kong and Taiwan.
- Revenue continued to grow faster than volume, reflecting successful revenue growth management.
- Continued investment in smart coolers and vending machines, logistics infrastructure and digital capabilities.

MARINE SERVICES

Highlights

- **Vessel utilisation improved.**
- **Charter hire rates remained depressed due to oversupply of vessels.**
- **A review was undertaken of the carrying value of SPO's fleet. Impairment charges of about HK$2,120 million were made. The offshore industry is not recovering to the extent previously expected. A less optimistic view of the outlook for the industry is being taken.**

TRADING & INDUSTRIAL

Highlights

- **Retail sales at the retail outlets of Swire Resources were adversely affected by the protests in Hong Kong.**
- **Higher losses at Qinyuan Bakery. There was an impairment in respect of goodwill.**
- **Stable performance at Taikoo Motors.**
- **At Swire Environmental Services, the investment in an associated company was written off in June 2019.**

Sustainable Development

Sustainable development is a strategic imperative for our businesses and is integral to our overall approach to building long-term value for our shareholders.

- We are developing 2030 carbon, waste and water targets.
- We have formalised our human rights, flexible working and diversity and inclusion policies.
- We maintained a AAA rating from MSCI ESG Research and are a constituent stock of the following ESG indices:

MSCI | 2018 Constituent MSCI ESG Leaders Indexes

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

Hang Seng Corporate Sustainability Index Series Member 2017-2018

FTSE4Good

Outlook

- We faced stronger headwinds in 2H2019. Protests in Hong Kong and global trade tensions had direct and indirect effects on demand in a number of our businesses.
- Cathay Pacific and retail and retail-related businesses in Hong Kong were adversely affected by the macro environment.
- The diversity of our businesses helps us to weather the challenges.
- We face our challenges from a position of financial strength.
- We are continuing with our core investment plans and are well placed to take advantage of new opportunities that might arise.

Q&A

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