SWIRE PACIFIC

2008 Interim Results

Analyst Briefing

7th August 2008 Hong Kong

SWIRE PACIFIC

PROPERTY

AVIATION

BEVERAGES

MARINE SERVICES

TRADING & INDUSTRIAL

2008 Interim Highlights

- Attributable earnings of HK$12,380m include net property valuation gains of HK$8,172m and a HK$949m write-back of deferred tax on brought forward property valuation gains
- HK$1,990m reduction in underlying earnings to HK$3,265m due to weakness in Cathay Pacific earnings and a HK$1,355m reduction in asset realisations
- Swire Properties saw good growth in rental levels and consistently high occupancy, which enabled gross rental income to grow by 23%
- The Cathay Pacific group recorded a 23% increase in revenue. However, the strong revenue growth could not compensate for a 60% increase in fuel prices for the period
- Swire Pacific Offshore saw attributable profits grow by 33% to HK$834m driven by higher charter rates and additional capacity

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Financial Summary

	HY2007 HK$M	**HY2008 HK$M**	% Change
Attributable profit	12,493	**12,380**	-1%
Underlying profit	5,255	**3,265**	-38%
Cash generated from operations	2,588	**3,621**	+40%
Interim dividend per 'A' share (HK$)	$0.90	**$0.90**	No change
	31st Dec 2007	**30th Jun 2008**	
Equity attributable to the Company's shareholders	135,517	**145,551**	+7%
Net debt	22,492	**29,150**	+30%
Gearing ratio	16.5%	**19.8%**	3.3%pts

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Earnings Analysis

	HY2007 HK$M	**HY2008 HK$M**
Attributable profit	12,493	**12,380**
Net investment property adjustments	(7,238)	**(8,166)**
Deferred tax written back on b/f valuation gains	-	**(949)**
Underlying profit	5,255	**3,265**
Other significant items:		
- Profits from asset realisations:		
Shekou Container Terminals	(1,078)	**-**
Other interests	(44)	**(53)**
Investment properties	(211)*	**-**
Vessels	(110)	**(35)**
	(1,443)	**(88)**
Adjusted profit	3,812	**3,177**

* $211m is on an underlying basis. The profit is $111m on an attributable basis

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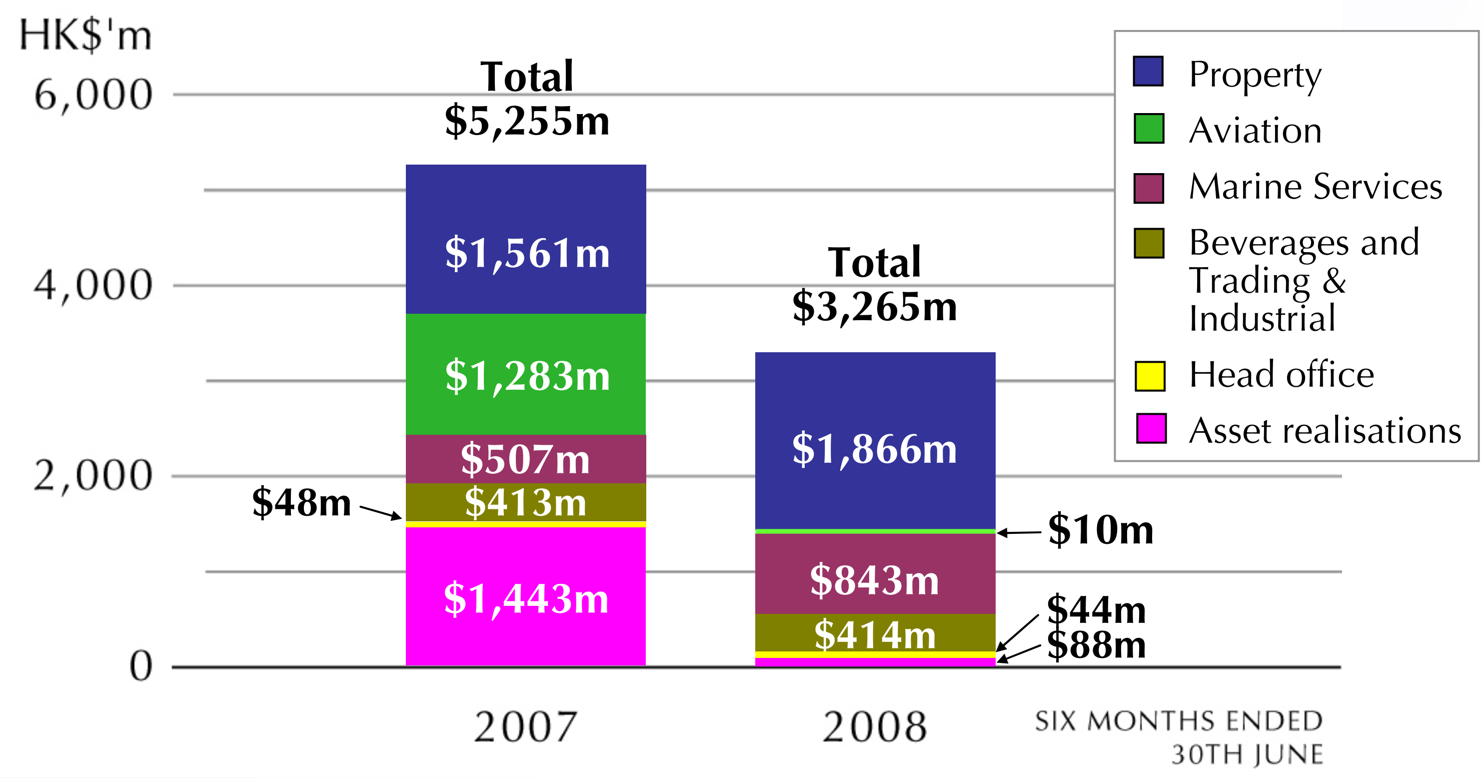
Underlying Profit



Underlying attributable profit adjusts for the impact of HKAS 40 and HKAS-Int 21 on investment property and deferred tax respectively

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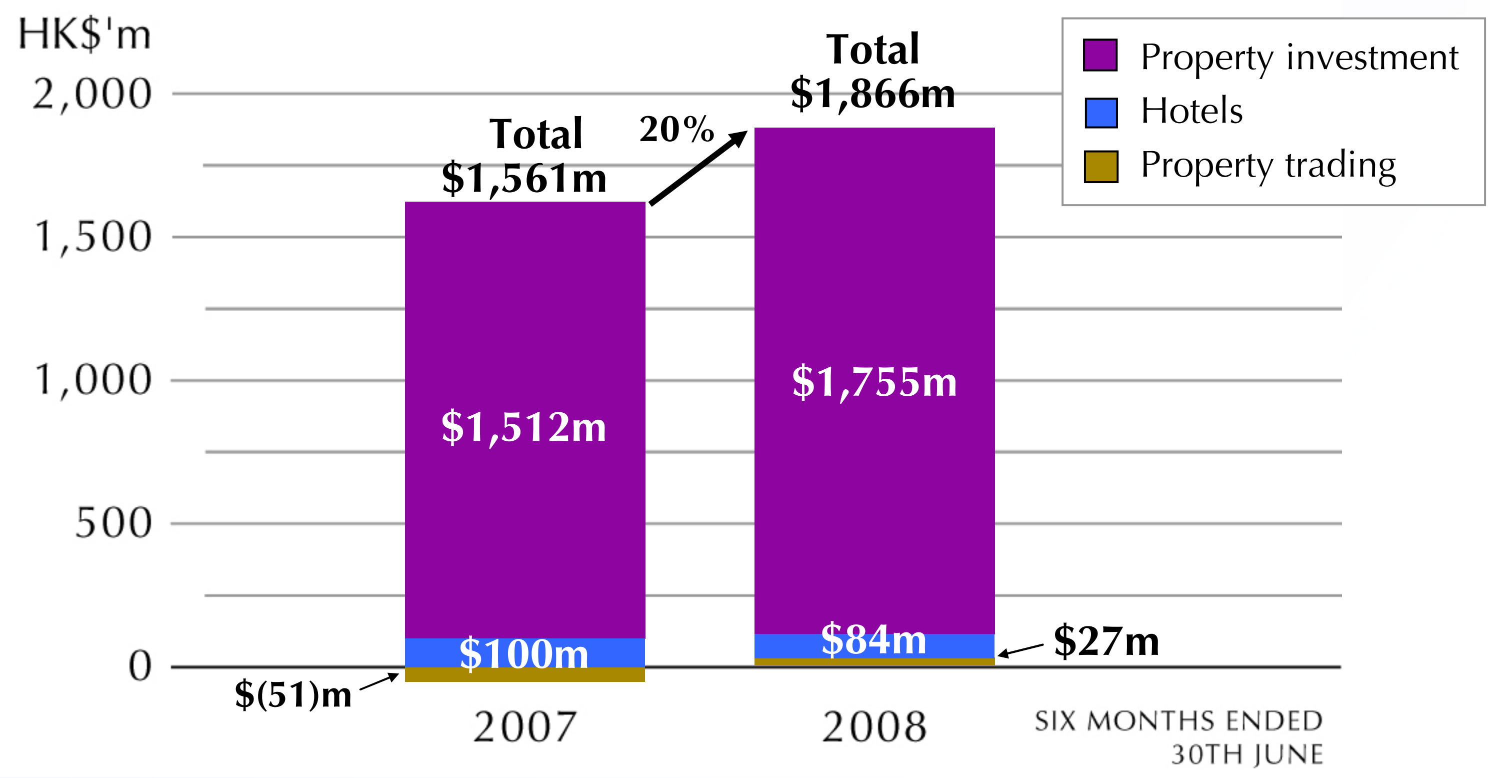
Results* – Property Division



* Excluding non-recurring asset realisations

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Highlights – Property Division

- Gross rental income growth of 23% to HK$3,257 million
- Underlying profit* growth of 20% to HK$1,866 million
- Continued strong demand for office and retail space in Hong Kong
- Office occupancy close to 100%, except One Island East which is now 91% leased
- The Village at Sanlitun retail development in Beijing opened in July
- Closings have begun at the Asia residential development in Miami with 55 units (45%) closed to date

* Excluding non-recurring asset realisations

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Capex & Commitments – Property Division

	Year ended 31st Dec 2007 HK$Bn	**Six months ended 30th Jun 2008 HK$Bn**
Capex in the year/half year		
- Mainland China investments*	6.8	**3.4**
- Hong Kong investments	4.2	**2.9**
- UK hotels	0.3	**-**
Total	11.3	**6.3**
	31st Dec 2007	**30th Jun 2008**
Capital commitments		
- Mainland China investments*	10.4	**12.1**
- Hong Kong investments	3.9	**2.8**
- UK hotels	0.6	**0.6**
Total	14.9	**15.5**

* Including Swire Pacific's share of capex by jointly controlled companies

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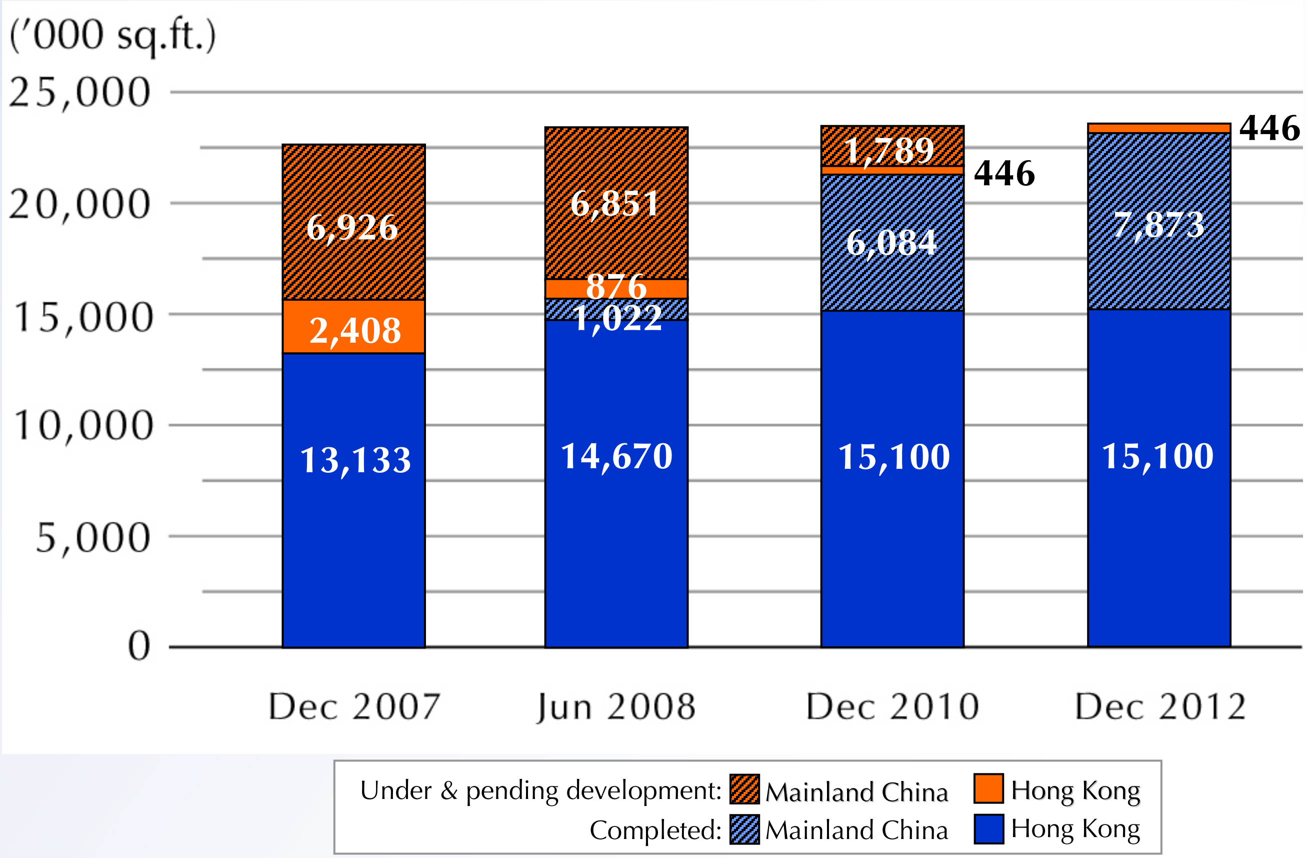
Growth in Property Investment Portfolio
in Hong Kong and Mainland China



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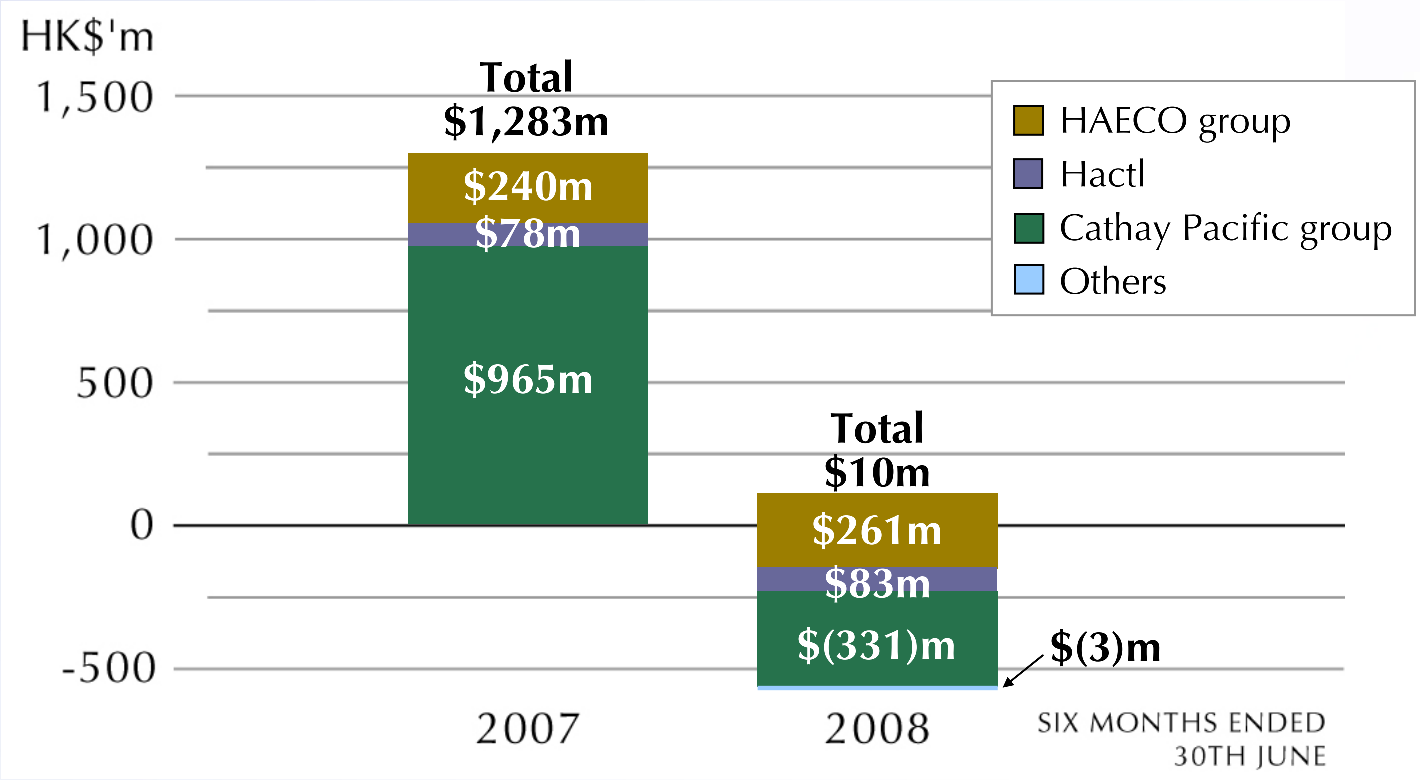
Results – Aviation Division



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Highlights – Aviation Division

- Attributable profit of HK$10m, compared to HK$1,283m in first half of 2007
- 23% increase in Cathay Pacific group turnover supported by higher load factor (80%) and a 14% rise in passenger capacity
- Increase of HK$6,371m in six-month net cost of fuel after surcharges and fuel hedging gains
- US$60m provision made for settlement of US antitrust case
- The HAECO group reported an 8% increase in profits on higher rates and improved capacity utilisation in Hong Kong and Xiamen
- Hactl volume growth of 6%

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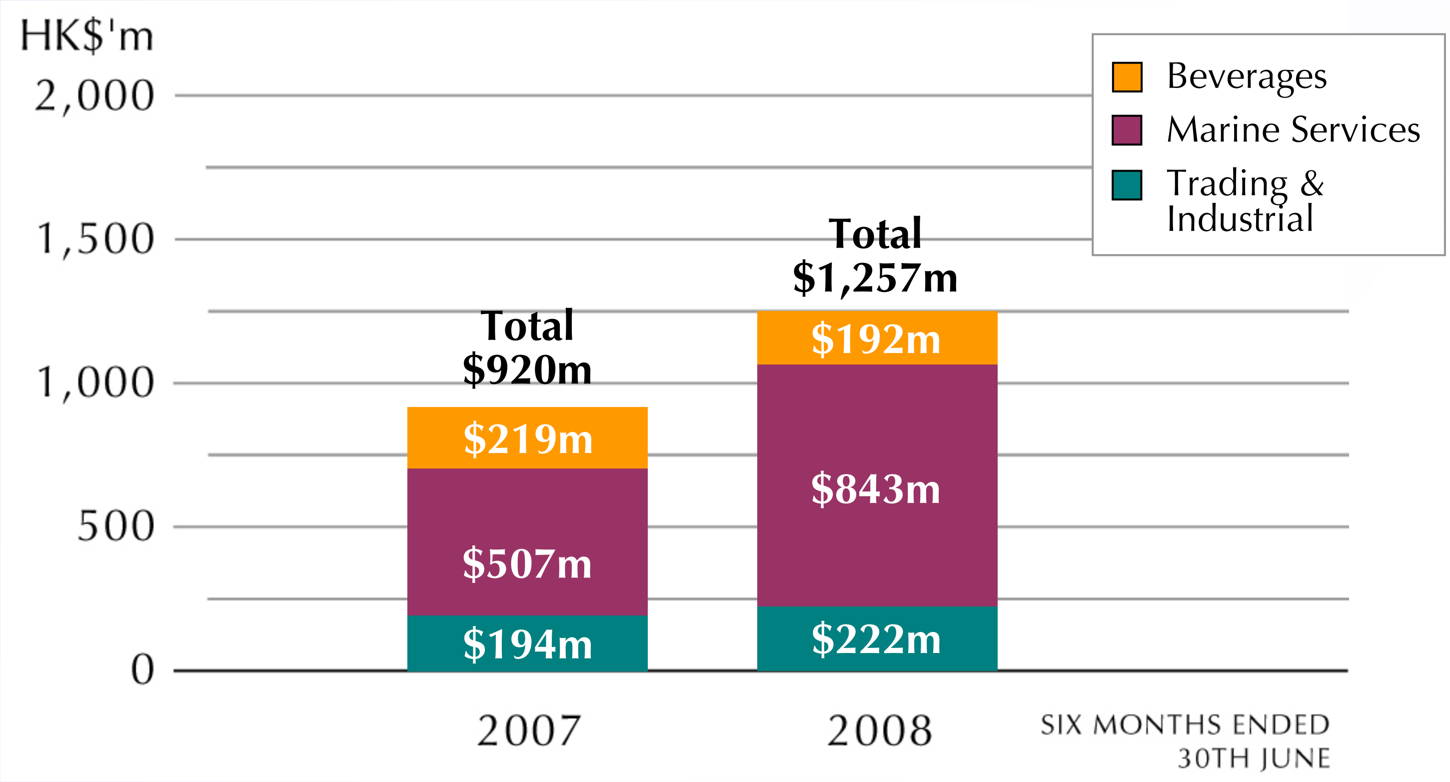
Results* – Other Divisions



* Excluding non-recurring asset realisations

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Highlights – Beverages Division

- The Beverages Division reported a 12% decrease in attributable profit* to HK$192m, as margins fell in all markets on higher raw material and selling costs
- Overall volume growth of 11% driven by Mainland China and Taiwan where volumes grew by 14% and 12% respectively despite poor weather
- Volumes in USA down 1% as US economy weakened while Hong Kong enjoyed modest volume growth

* Excluding non-recurring asset realisations

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Highlights – Marine Services Division

- 70% increase in Swire Pacific Offshore's attributable profit* to HK$799m
- Charter rates for SPO up by an average of 23%
- SPO achieved a record high fleet utilisation of 94%
- SPO operated 65 vessels at 30th June, an increase of 5 over the last 12 months, with a further 22 on order
- 68% of fleet capacity booked for second-half at higher average charter rates
- 57% increase in share of profit from HUD group to HK$44m resulting from strong demand and higher tariffs

* Excluding non-recurring asset realisations

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Highlights – Trading & Industrial Division

- 12% increase in attributable profit to HK$234m although performance across the division was mixed
- Swire Resources' profits nearly doubled, reflecting strong sales demand ahead of the Beijing Olympics
- Market sentiment in Taiwan remained weak leading to a sharp fall in Taikoo Motors' earnings
- ICI Swire Paints reported a 62% increase in attributable profit on continued strong volume growth in Mainland China
- Swire SITA achieved consistent results
- Significant increase in attributable profit at CROWN Beverage Cans on currency gains and improved pricing and product mix

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Financial Highlights - Liquidity

	30th Jun 2007 HK$Bn	30th Jun **2008 HK$Bn**
Bank balances and short-term deposits	1.3	**4.6**
Undrawn facilities		
- Committed	3.7	**6.3**
- Uncommitted	2.7	**3.1**
	6.4	**9.4**

	HY2007	**HY2008**
Interest cover (underlying)	21.8	**10.5**
Cash interest cover (underlying)	11.2	**5.7**

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Net Debt Reconciliation

	HK$Bn
Net debt at 1st Jan 2008	22.5
Cash from operations	(3.6)
Net dividend paid	2.2
Capex incl. loans to JCEs & associates	7.3
Net interest paid	0.6
Tax paid	0.2
Net debt at 30th Jun 2008	29.2

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Prospects

- Property earnings are expected to remain strong on continued high occupancy and strong demand
- A return to satisfactory profitability for the Cathay Pacific group depends on the extent to which increased fuel costs can be recovered by higher fares and fuel surcharges
- Demand for the HAECO group's services expected to remain firm in second-half. The group continues to invest in capacity expansion and other long-term projects
- SPO expected to enjoy a good second-half on high charter rates and continued fleet expansion
- The Beverages and Trading & Industrial Divisions both expect steady performances from their operations in the second-half

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Dividends

	Six months ended 30th Jun		Year ended 31st Dec
	2007 HK$	**2008 HK$**	2007 HK$
'A' shares	0.90	**0.90**	3.23
'B' shares	0.18	**0.18**	0.65

<u>Policy</u>

To pay out half of the sustainable earnings over the economic cycle

<u>Implications</u>

1. Unrealised property revaluation gains are not eligible for distribution
2. Payout may be more or less than half of earnings by reference to the sustainability of any one year's earnings, the current level of net debt and opportunities to deploy significant new capital

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