



2008 Final Results

Analyst Briefing

12th March 2009 Hong Kong



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2008 Summary

- Demand for space in Hong Kong developments remained firm and rental reversions remained positive
- Profitability of Cathay Pacific group impacted by high fuel prices in the first-half, and unrealised fuel hedging losses and weaker passenger and cargo demand in the second-half
- Another record year for Swire Pacific Offshore driven by high charter rates and vessel sales
- Strong volume growth for Beverages in Mainland China, partly offset by high raw material costs in all markets
- Sale of interest in Swire SITA generated a capital profit of HK\$1.7bn. Mixed results for other Trading & Industrial businesses
- Strong financial metrics with over HK\$11.5bn of financing raised during 2008, including HK\$4.6bn during the second-half
- Cash and undrawn committed facilities amounted to HK\$10.6bn at year-end



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Financial Summary

	2007 HK\$M	2008 HK\$M	Change
Attributable profit	26,260	5,908	-77.5%
Underlying profit	10,283	5,293	-48.5%
Cash generated from operations	5,880	7,580	+28.9%
HK\$ per 'A' share			
Final dividend	\$2.33	\$1.48	-36.5%
Total dividend	\$3.23	\$2.38	-26.3%
Equity attributable to the Company's shareholders	135,517	135,387	-0.1%
Net debt	22,492	30,446	+35.4%
Gearing ratio	16.5%	22.3%	+5.8%pts



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Earnings Analysis

	2007	2008
	HK\$M	HK\$M
Attributable profit	26,260	5,908
Net investment property adjustments	(15,977)	334
Deferred tax written back on b/f valuation gains	-	(949)
Underlying profit	10,283	5,293
Other significant items:		
- Profits from asset realisations:		
Swire SITA	-	(1,721)
Shekou Container Terminals	(1,078)	-
Other interests	(44)	(53)
Investment properties	(211)*	-
Vessels	(215)	(94)
- Impairment of land held for development	-	77
	(1,548)	(1,791)
Adjusted profit	8,735	3,502

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



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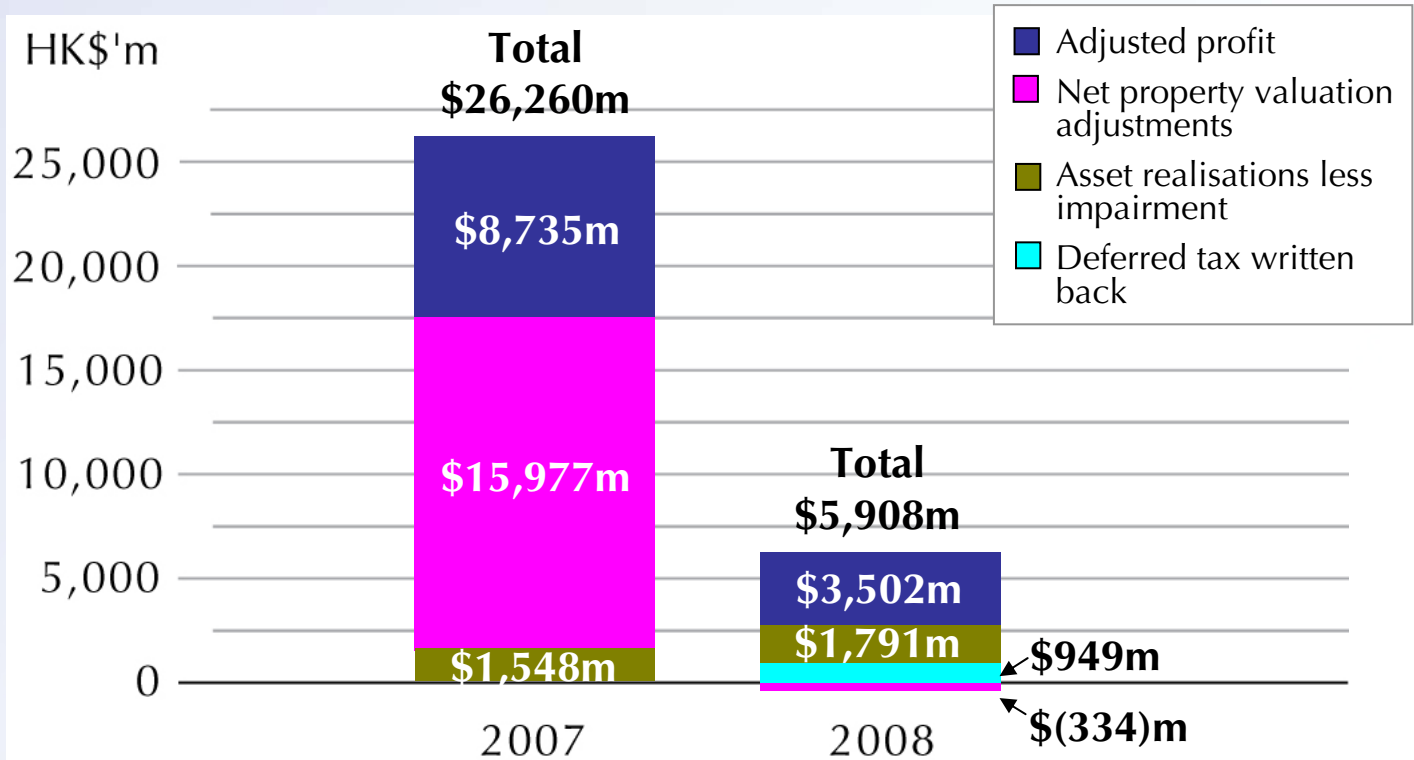
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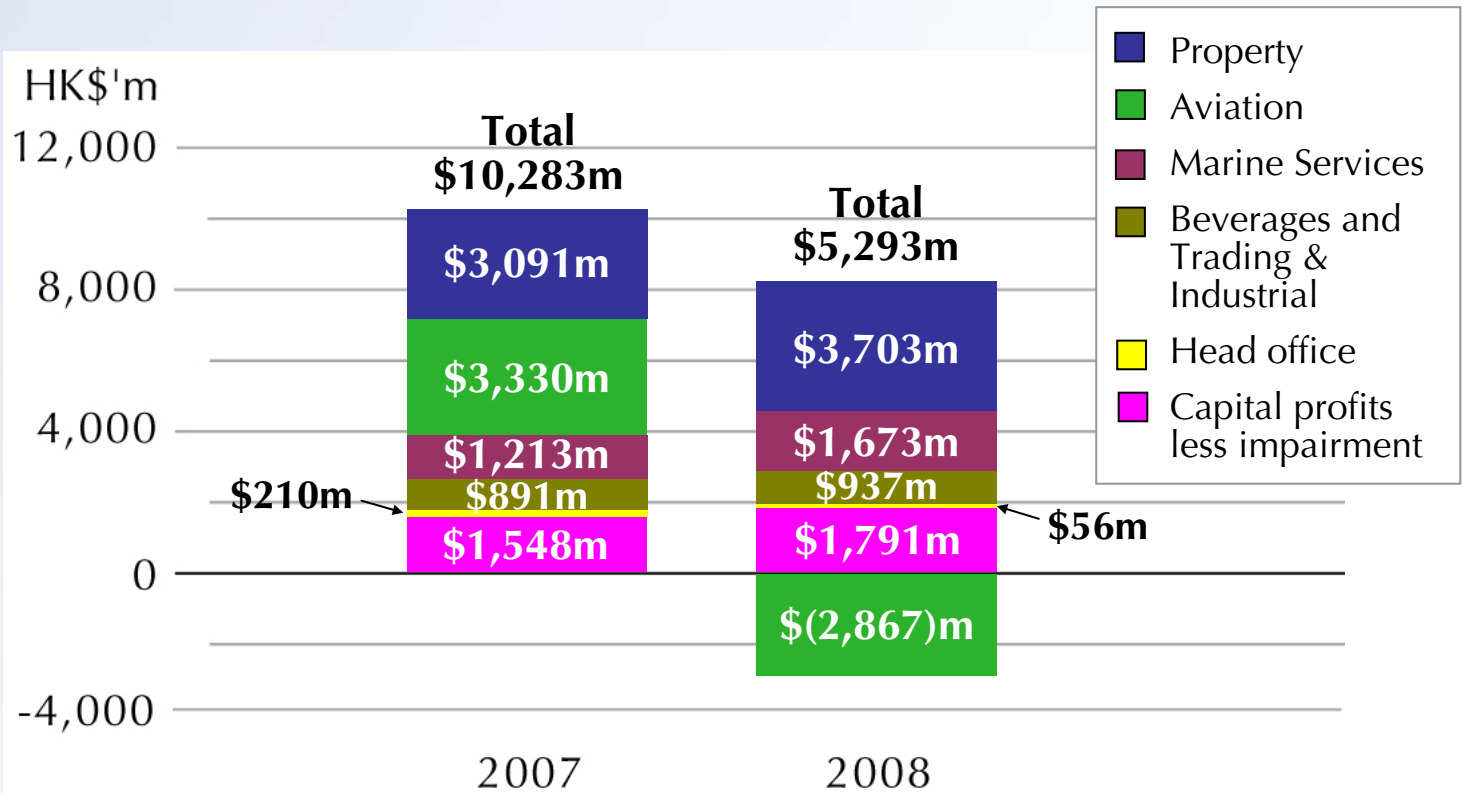
Attributable Profit





Underlying Profit

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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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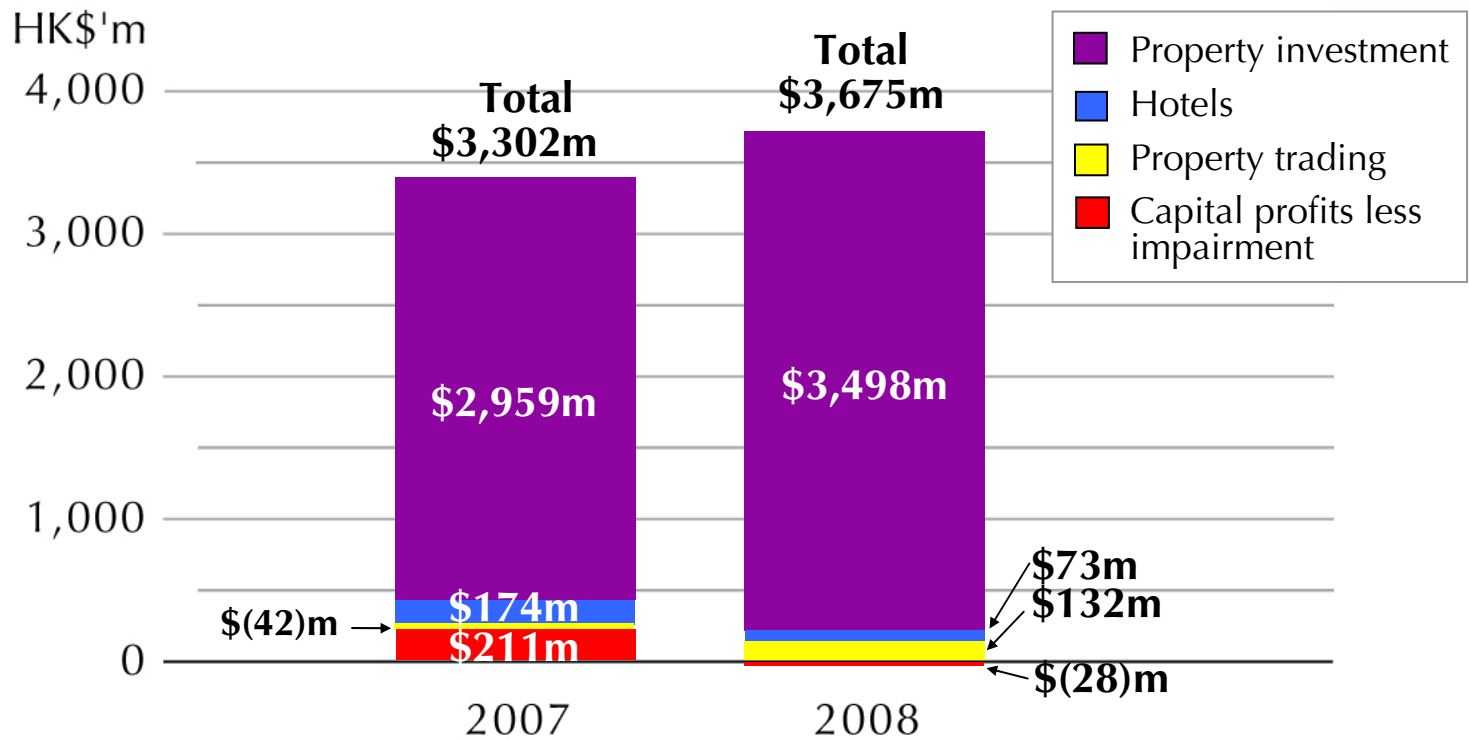
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Results – Property Division





Highlights – Property Division

- Gross rental income growth of 23% to HK\$6,833m
- Underlying profit growth of 11% to HK\$3,675m
- Firm demand for office and retail space in Hong Kong throughout the year with positive rental reversions
- Office occupancy close to 100%, except One Island East which is now 94% leased and 76% physically occupied
- Significant reduction in revaluation gains reflecting the decline in property market fundamentals towards the end of the year
- Successful opening of first phase of Sanlitun development – now 90% leased. Steady progress on other Mainland China projects and new hotels
- Closings of 69 units (56%) at the Asia residential development in Miami. 40 buyers have defaulted


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Profile of Capital Commitments at 31st Dec 2008

(HK\$M)	<u>Spend</u>	<u>Forecast year of spend</u>				<u>Commitments</u> at 31st Dec 2008
		2008	2009	2010	2011	
<u>Property project</u>	2008					
Mainland China projects	3,910	4,505	3,771	1,031	1,082	10,389
Hong Kong projects	4,171	1,320	939	412	137	2,808
UK hotels	36	228	184	72	22	506
USA hotels	-	38	-	-	-	38
Total	8,117	6,091	4,894	1,515	1,241	13,741


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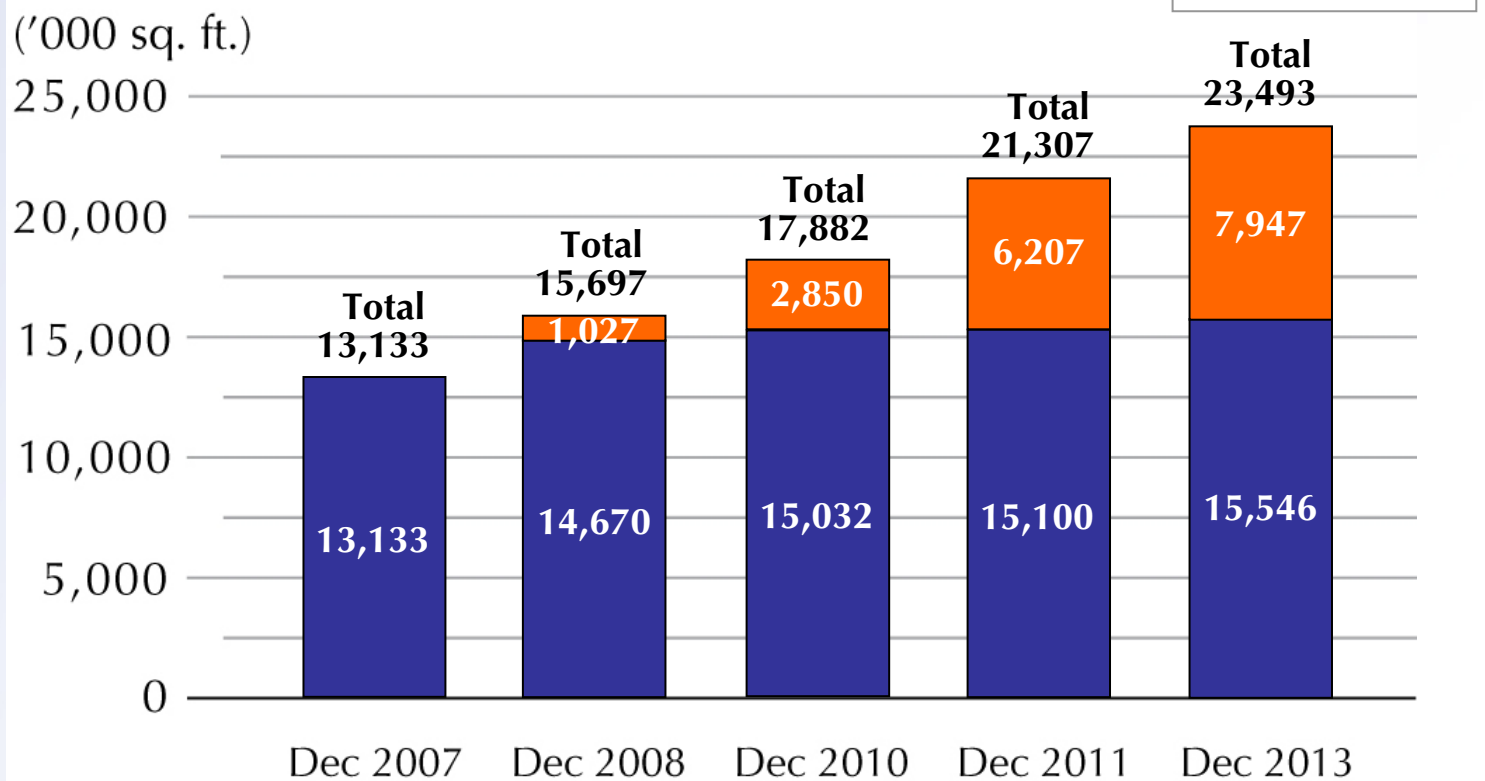
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Completed Property Investment Portfolio in Hong Kong and Mainland China




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Swire Properties Update

<u>Vacancies at 31st Dec 2008</u>	<u>Vacancy (sq. ft.)*</u>	
Office and techno-centres	81,000**	0.95%
Retail (principally The Village South)	57,000	2.0%
Residential	65,000	12.9%

<u>Latest rentals</u>	<u>HK\$ per sq. ft.</u>
One & Two Pacific Place	80s
Three Pacific Place	70s
Island East	Low 30s
Techno-centres	Low 20s
One Island East	40s

* Based on lettable area

** Excludes vacant space at Citygate


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Swire Properties Hong Kong Update – Expiry Profile

	2009 sq. ft.	2010 sq. ft.
<hr/>		
Total office and techno-centres lettable area (8,525,261 sq. ft.)*	999,801	1,478,497
	12%	17%
Financial service tenants	325,596	634,635
	4%	7%
<hr/>		
Average lease length from inception		
Retail	4.3 years	
Office	5.7 years	

* Excludes Citygate



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Swire Properties Update – Top 10 Office Tenants

- DBS
- HSBC
- Citibank
- Deloitte
- J P Morgan
- Turner Broadcasting
- Société Générale
- Citic Ka Wah Bank
- PCCW
- Ove Arup

Total area: 1,670,341 sq. ft.

20% of total office and techno-centres lettable area



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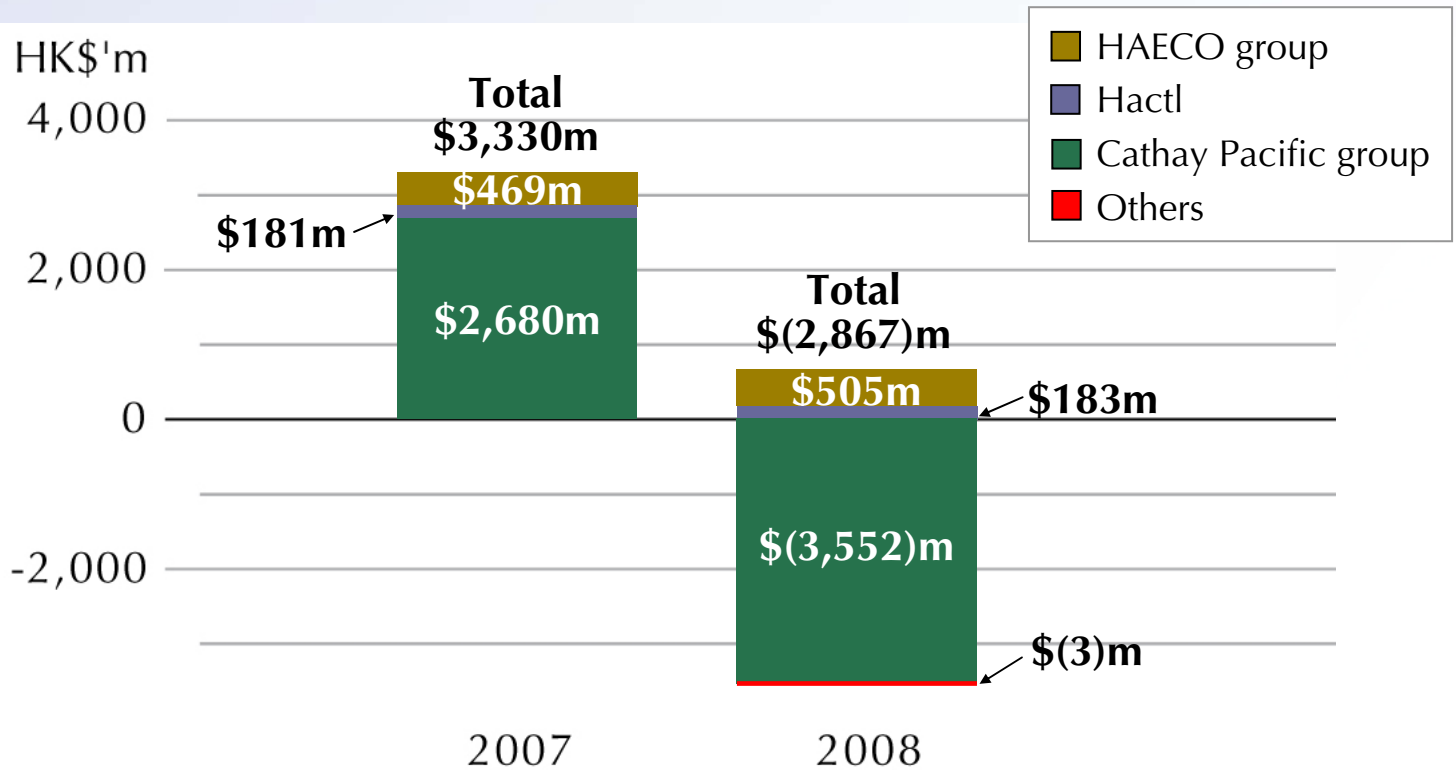
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Results – Aviation Division





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Highlights – Aviation Division

- Profitability of Cathay Pacific group impacted by very high fuel prices in the first-half, followed by unrealised fuel hedging losses in the second-half
- Reduced passenger yields in the second-half due to weak revenue currencies and declining front end demand as passengers trade down from business to economy class
- Slight reductions in full year passenger and cargo load factors (-1.0pt and -0.8pt respectively)
- Share of loss from associate interest in Air China (HK\$435m)
- Capacity is being redeployed to routes where demand is higher. A number of aircraft will be disposed of or parked
- Completion of new air cargo terminal deferred by 2 years to 2013
- Demand continued to be strong for HAECO group's base maintenance services during the second-half



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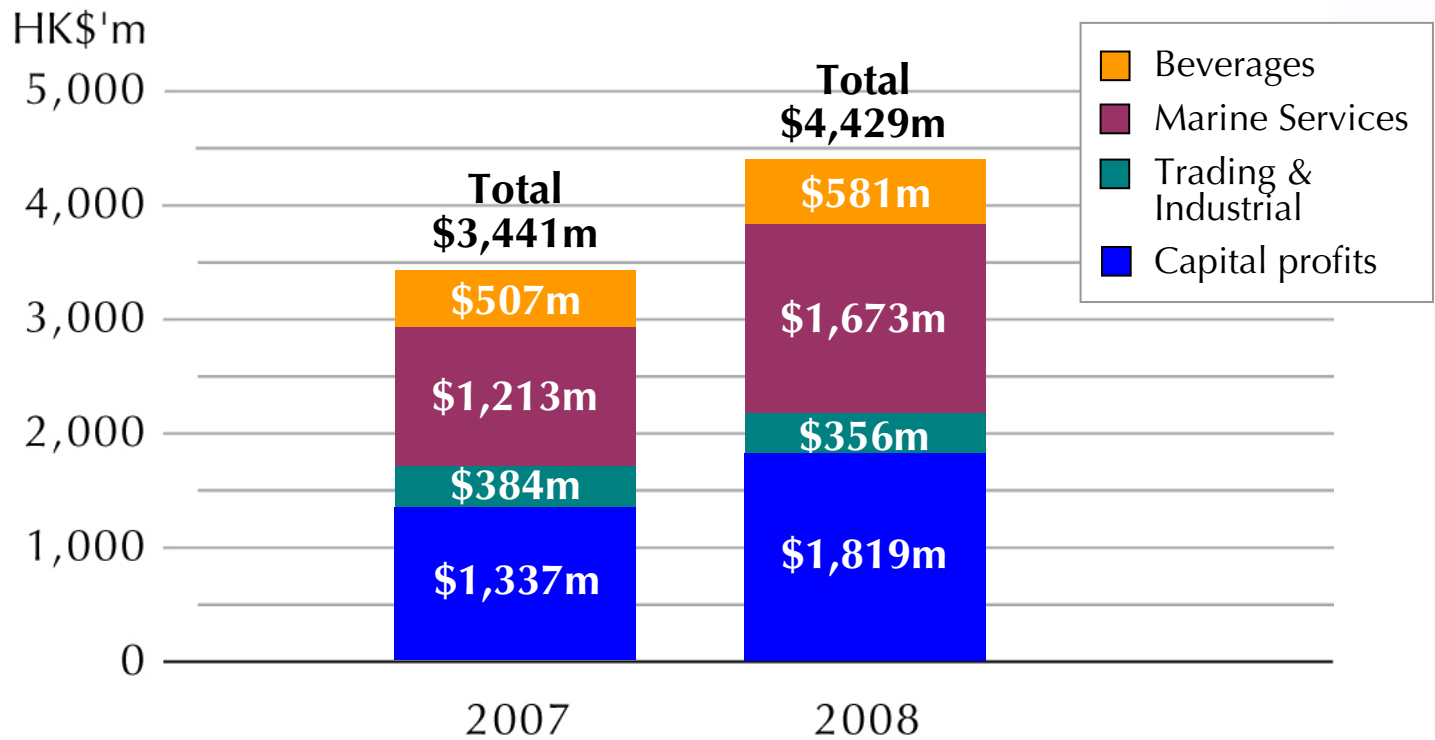
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Results – Other Divisions





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Highlights – Beverages Division

- Attributable profit rose by 15% to HK\$585m
- Overall volume growth of 17% with Mainland China, Taiwan and Hong Kong all showing solid growth in difficult market conditions
- Good volume growth from new products
- Volumes in USA were steady as growth in still beverage sales offset weakness in sparkling beverage sales
- Raw material costs remained high in all markets



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Highlights – Marine Services Division

- 20% increase in Swire Pacific Offshore's attributable profit to HK\$1,691m
- Charter rates for SPO up by an average of 18% to record highs
- SPO achieved a fleet utilisation of 91%, a slight decrease from 2007
- Measured increase in fleet size. Net increase of 6 vessels in 2008 with a further 2 in 2009. Year-end commitments totalled HK\$3,244m
- 58% of SPO's 2009 fleet capacity already fixed at 31st December at rates comparable to those achieved in 2008
- 29% increase in share of profit from HUD group to HK\$76 million as the harbour towage business remained strong for much of the year



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SPO – Fleet Growth

Vessel class	BHP	Vessels in operation 31st Dec 2008	Vessels on order to be received in:		
			2009	2010	2011
Survey	2,500-6,500	3	-	1	-
AHTS	2,500-5,500	27	-	4	4
AHTS	6,000-12,250	32	2	3	-
AHTS	18,250	-	-	1	3
PSV	6,300	5	-	-	-
Ice-breaking	23,200	2	-	-	-
Accommodation barge		-	-	2	-
		69	2	11	7



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Highlights – Trading & Industrial Division

- Profit of HK\$1,721m recognised on sale of interest in Swire SITA
- Excluding the profit on sale of Swire SITA, the division's attributable profit fell by 5% to HK\$379m
- Taikoo Motors sold 36% fewer cars in 2008 as the economy and consumer demand in Taiwan remained weak
- Swire Resources' profits fell by 3% as margins were affected by discounting and stock provisions in the final quarter
- Akzo Nobel Swire Paints reported a 39% increase in attributable profit due to strong volume growth in Mainland China in the first-half
- Contribution from CROWN Beverage Cans more than doubled due to a favourable customer mix, lower raw material costs and appreciation of the RMB



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Financial Highlights – Liquidity

	2007	2008
	HK\$Bn	HK\$Bn
Bank balances and short-term deposits	3.8	4.2
Undrawn facilities		
Committed	8.7	6.4
Uncommitted	3.4	3.9
	12.1	10.3
Interest cover (underlying)	14.7	9.9
Cash interest cover (underlying)	8.0	6.7
Gearing (%)	16.5	22.3



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Financing in 2008

Date	Amount	Transaction	Tenor
Feb	HK\$250m	MTN	10 yrs
March	US\$20m	RCL	1 yr
March	RMB2.4bn	Syndicated loan	3 yrs
April	US\$500m	MTN	10 yrs
June	HK\$100m	MTN	10 yrs
July	HK\$500m	MTN	3 yrs
August	GBP20m	Term loan	5 yrs
August	HK\$250m	MTN	10 yrs
August	HK\$500m	Term loan	1 yr
Sept	HK\$385m	MTN	10 yrs
Dec	HK\$1,400m	Term loan	3 yrs
Dec	HK\$1,000m	RCL	3 yrs
Dec	HK\$310m	MTN	10 yrs
Total	HK\$11,675m*		

* Calculated using year-end exchange rates



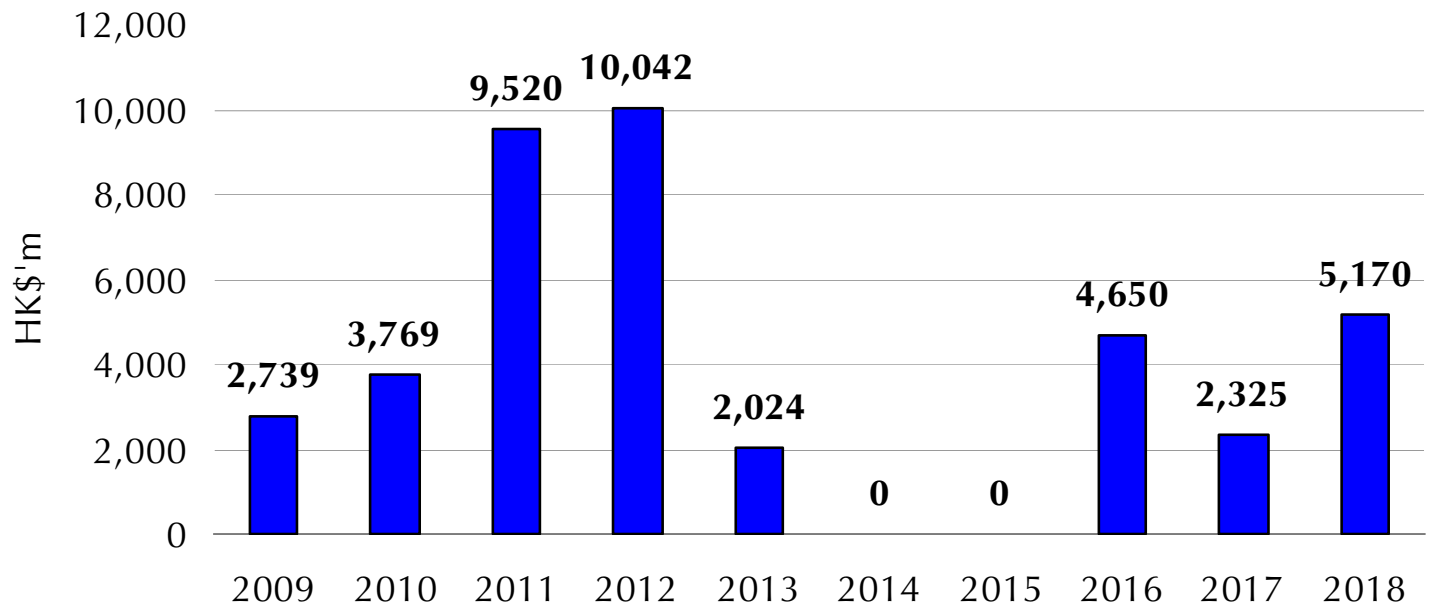
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Refinancing Profile at 31st Dec 2008





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Net Debt Reconciliation

	HK\$Bn
Net debt at 1st Jan 2008	22.5
Cash from operations	(7.6)
Net dividend paid	3.2
Capex and investments incl. loans to JCEs & associates	11.0
Proceeds from disposals and repayment of loans	(1.0)
Net interest paid	1.2
Tax paid	0.5
Repurchase of the Company's shares	0.6
Net debt at 31st Dec 2008	30.4



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Prospects

- Demand for office space is likely to be weak during 2009. However, the Group's office portfolio is virtually fully let with approx. 12% of tenancies due to expire in 2009
- Cathay Pacific expects an extremely challenging year. Continued weakness in passenger yields will require careful management of resources
- A slowdown in demand is expected for the HAECO group's services in 2009
- The Beverages Division is expecting adverse conditions in the USA, partly offset by continued volume growth and margin improvement in Mainland China
- More competitive offshore environment for SPO as additional fleet capacity enters a less buoyant market
- The Trading & Industrial Division expects difficult trading conditions for both Taikoo Motors and Swire Resources, with steady performances from the industrial interests



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Dividends

	2007	2008	
	HK¢	HK¢	Change
'A' shares	323.0	238.0	-26.3%
'B' shares	64.6	47.6	

Policy

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

Implications

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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Net Investment Property Adjustments

	2007 HK\$M	2008 HK\$M
Revaluation movement shown in profit & loss account	19,446	177
Included in share of profits of JCEs and associates	186	57
Total revaluation movement	19,632	234
Deferred tax on revaluation movements*	(3,546)	(318)
Realised profit on sale of investment properties	(100)	-
Depreciation of investment properties occupied by the Group	(9)	(13)
Minority interests' share of revaluation less deferred tax	-	(237)
Total effect on attributable profit	15,977	(334)

* Includes share of deferred tax of jointly controlled and associated companies

A stylized world map composed of a grid of small white squares, centered on the Pacific Ocean. The map is set against a light blue background that transitions to a darker blue on the left side.

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