

PROPERTY AVIATION BEVERAGES MARINE SERVICES TRADING & INDUSTRIAL

2011 Final Results Analyst Briefing

15th March 2012 Hong Kong



2011 Key Developments

- In August, Swire Properties sold its entire interest in Festival Walk in Hong Kong for a total net consideration of HK\$18,800m. The underlying profit on the sale, which is calculated by reference to the original cost of Festival Walk was HK\$8,615m.
- In April, Swire Properties acquired two parcels of land adjoining the existing Brickell CitiCentre development in Miami, USA. Plans for a 2.9m square foot mixed-use development have been approved.
- In September, TaiKoo Hui, a 3.8m square foot mixed-use development in Guangzhou was officially opened. The hotel and serviced apartments are scheduled to open in the second half of 2012.
- The Cathay Pacific group announced orders for a further 12 aircraft in August and six aircraft in January 2012. At 31st December 2011, the Cathay Pacific fleet comprised 175 aircraft, with 93 aircraft on order.

2011 Key Developments (continued)

- The Group acquired an additional 2% interest in Cathay Pacific for a total cost of HK\$1,236m increasing its interest to 44.97%.
- During 2011, Swire Pacific Offshore (“SPO”) committed to purchase an additional 27 vessels for delivery between 2011 and 2015.
- In October, the Group submitted a proposal to The Stock Exchange of Hong Kong Limited for the spin-off and separate listing of shares in Swire Properties by way of introduction. The listing of Swire Properties shares in January 2012 was achieved through a distribution in specie by Swire Pacific of approximately 18% of the shares in Swire Properties.

Financial Summary

	Note	2010 HK\$M	2011 HK\$M	% Change
Attributable profit		38,252	32,210	-16%
Underlying profit	(a)	16,143	17,292	+7%
Cash generated from operations		7,627	9,204	+21%
HK\$ per 'A' share				
Interim dividend		HK\$1.00	HK\$1.15	
Final / Second interim dividend		HK\$2.50	HK\$2.35	
Special dividend		-	HK\$3.00	
Total dividend	(b)	HK\$3.50	HK\$6.50	+86%
Equity attributable to the Company's shareholders		204,452	227,559	+11%
Net debt		41,181	35,679	-13%
Gearing ratio		19.7%	15.4%	-4.3%pt

(a) Underlying profit principally adjusts for changes in the valuation of investment properties.

(b) With effect from the year ended 31st December 2011, the Company intends to pay two interim dividends instead of interim dividends and final dividends. Second interim dividends will be in lieu of final dividends. The total amount of dividends paid to shareholders for a year will be the same with two interim dividends as it would have been with interim dividends and final dividends.

Property

Aviation

Beverages

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Trading & Industrial

Earnings Analysis

	2010 HK\$M	2011 HK\$M
Attributable profit	38,252	32,210
Net investment properties adjustments	(22,109)	(14,918)
Underlying profit	16,143	17,292
Other significant items:		
- Capital profits less impairments:		
Interest in Festival Walk	-	(8,615)
Interest in PUMA	-	(148)
Interest in Hactl	(825)	-
Interest in CROWN Beverage Cans group	(771)	-
Interest in (and gain on remeasurement of) PCCW Tower	(342)	-
Investment properties	(576)	-
Property, plant and equipment and other investments	(40)	(91)
Net impairment of property, plant and equipment, leasehold land and intangible assets	57	290
- Gain on remeasurement of previously held interest in HAECO	(2,547)	-
	(5,044)	(8,564)
Adjusted underlying profit	11,099	8,728

Property

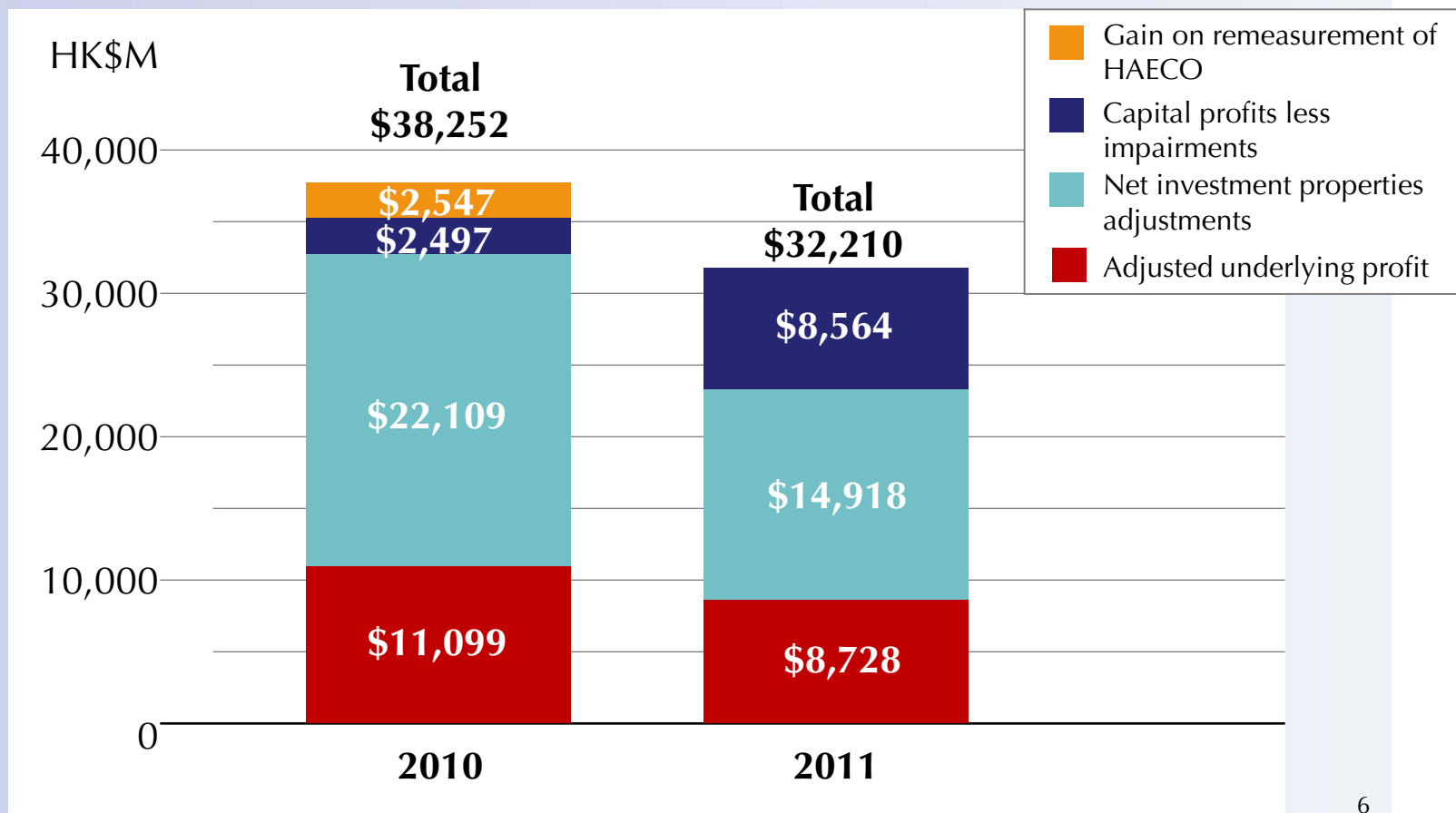
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Attributable Profit



Property

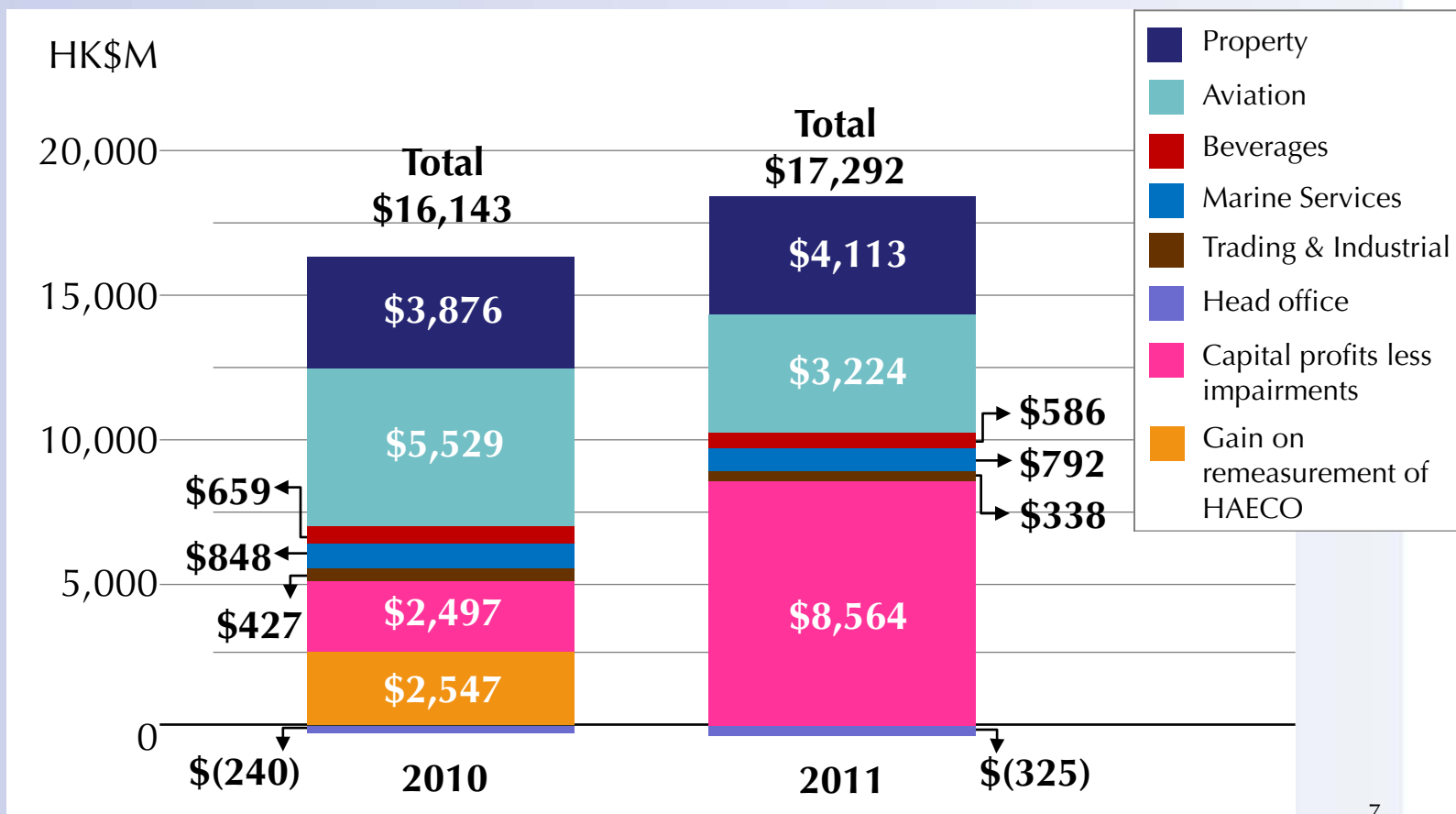
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Marine Services

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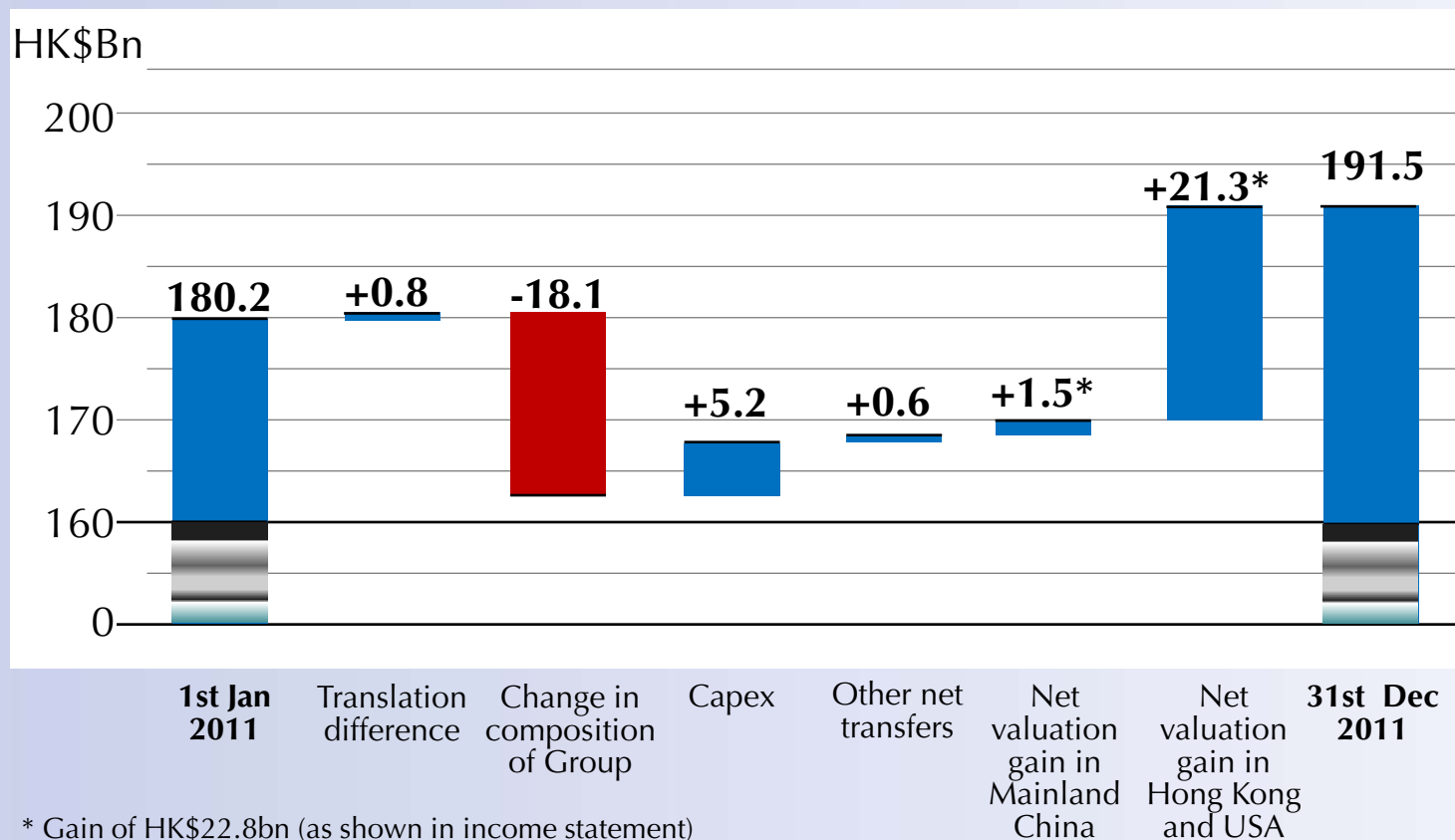
Underlying Profit



Highlights – Property Division

- Investment property revaluation gains of HK\$20,899m were recorded, principally reflecting improved rental rates for the Hong Kong portfolio in the first half of the year.
- Gross rental income increased 9% reflecting positive rental reversions and stronger turnover rents in Hong Kong, partially offset by the loss of rental income from Festival Walk following its sale in August.
- In Hong Kong, the office portfolio was 98% let at the end of the year and the Group's malls were effectively fully let throughout the year. In Mainland China, 93% of space at Village South and 90% of space at Village North in Beijing was leased.
- Excluding impairment losses at the UK hotels, the hotel portfolio recorded a profit of HK\$100m.
- The property trading portfolio recorded an operating loss of HK\$50m primarily as a result of sales and marketing costs incurred in connection with the residential developments in Hong Kong.
- 99 of the 126 units at AZURA have been pre-sold. Completion is expected in the latter part of 2012.

Movement in Investment Properties



Profile of Capital Commitments

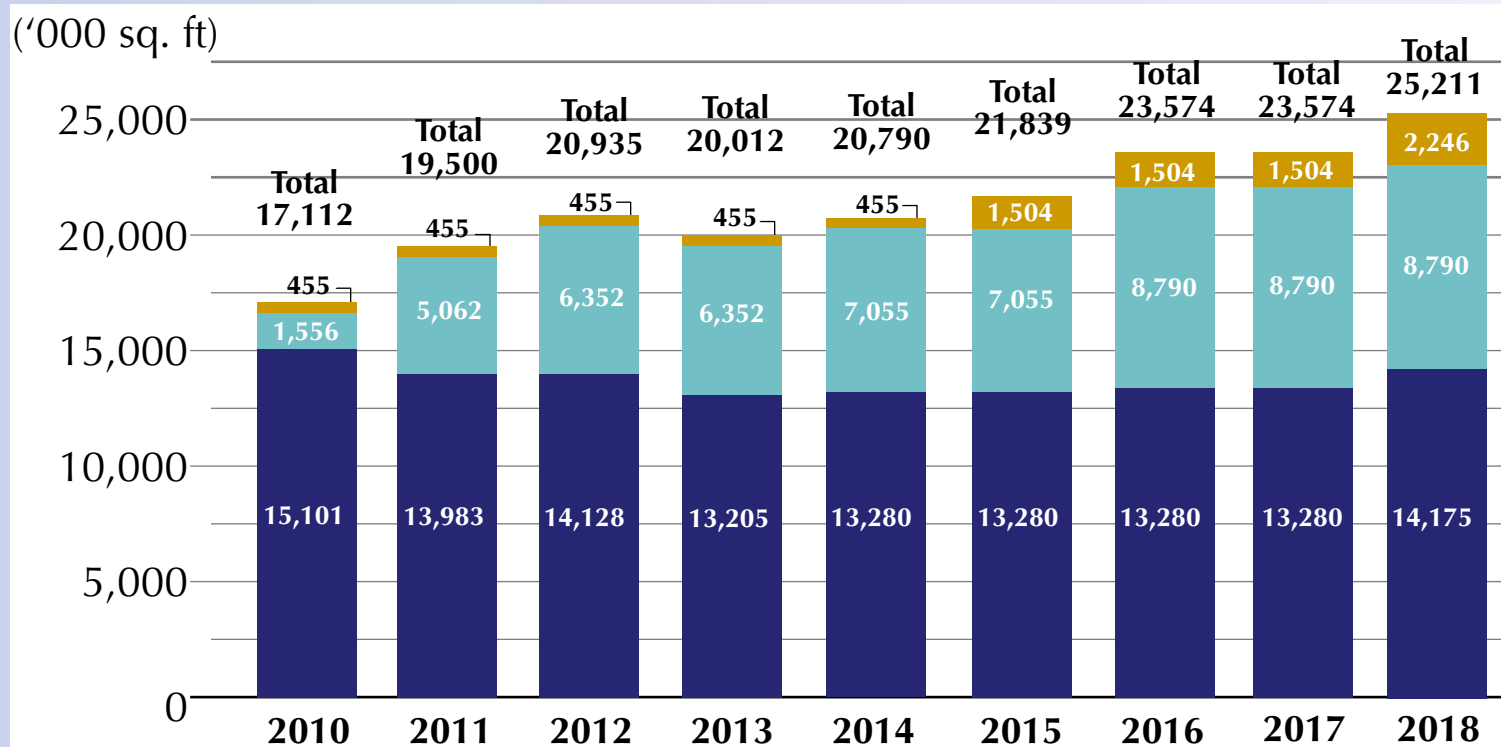
for Investment Properties and Hotels - at 31st December 2011

(HK\$M)	Spend	Forecast year of spend				Commitments at 31st Dec 2011
		2012	2013	2014	2015 & beyond	
Property Project	2011					
Hong Kong projects	3,104	1,099	571	666	4,404	6,740
Mainland China projects	3,180	3,321	1,628	2,062	1,419	8,430
USA projects	7	491	829	1,102	50	2,472
UK hotels	95	38	-	-	-	38
Total	6,386	4,949	3,028	3,830	5,873	17,680*

* Including the Group's share of the capex and capital commitments of its jointly controlled companies.

Completed Principal Property Investment Portfolio

■ Hong Kong
 ■ Mainland China
 ■ UK and USA



Swire Properties Update

Vacancies at 31st Dec 2011

Vacancy (sq. ft.)*

Office and techno-centres

 154,161^{**} 1.9%

Retail

83,961 2.6%

Latest Rentals

HK\$ per sq. ft.

One & Two Pacific Place

120

Three Pacific Place

mid 90s

Island East

high 30s to mid 40s

Techno-centres

low to mid 20s

One Island East

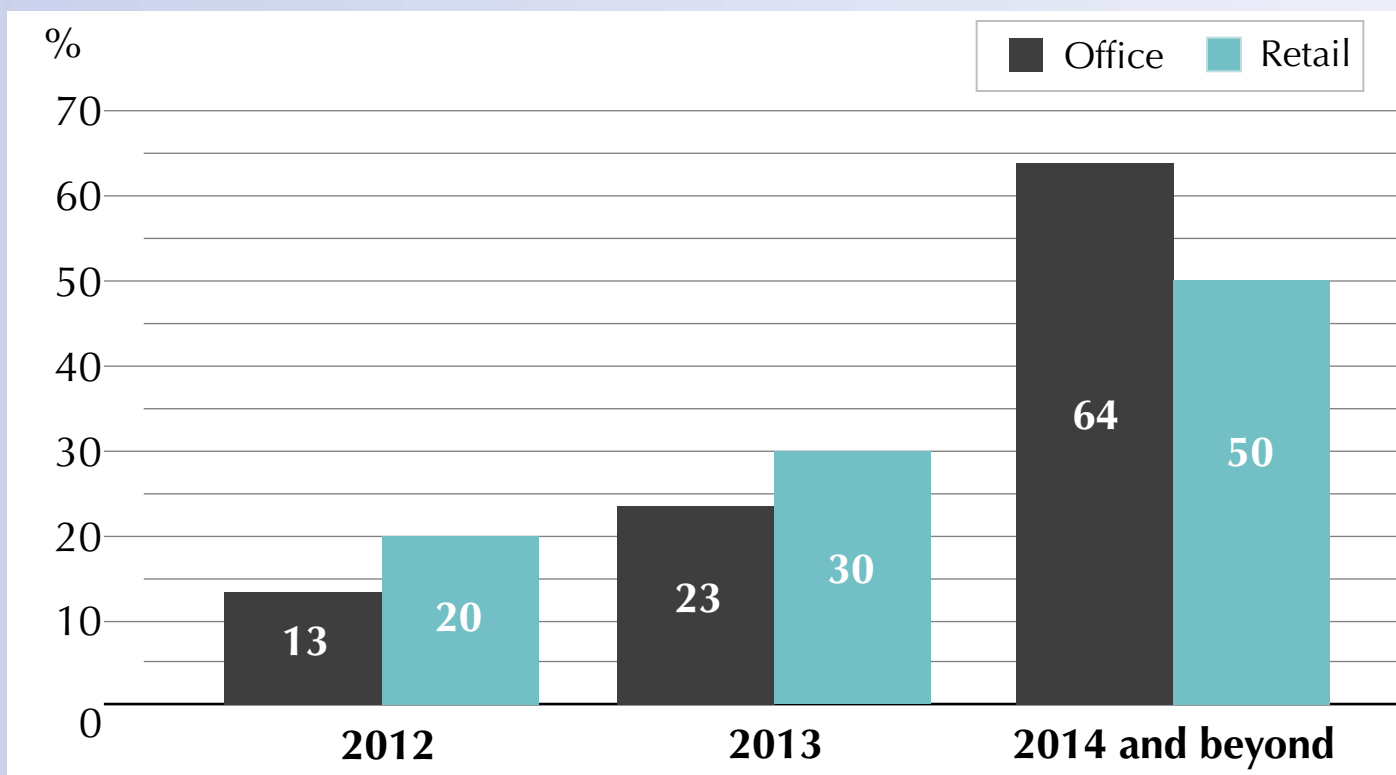
high 50s to high 60s

* Based on lettable area

** Wholly-owned properties

Hong Kong Lease Expiry Profile*

– at 31st December 2011



* Based on percentage of the total rental income attributable to the Group for the month ended 31st December 2011.

Property

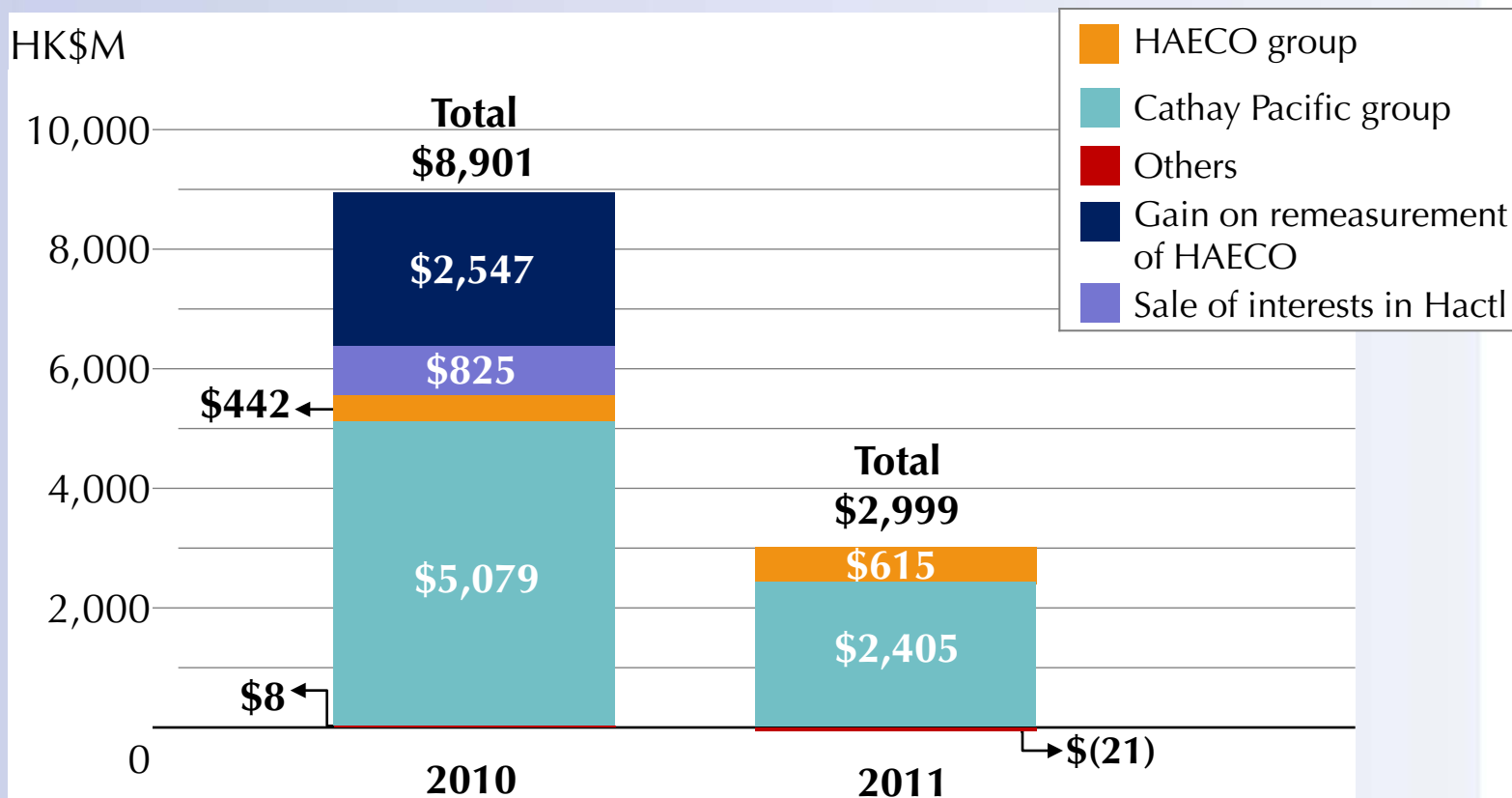
Aviation

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Results - Aviation Division



Highlights – Cathay Pacific group

- Swire Pacific's attributable share of profit of the Cathay Pacific group was HK\$2,405m, compared to HK\$5,079m in 2010.
- The core business of the Cathay Pacific group was materially affected by instability and uncertainty in the world's major economies. The business was also affected by natural disasters, the political situation in the Middle East and high jet fuel prices.
- The passenger business held up relatively well. Passenger revenue increased by 14%. Passenger capacity increased by 9%.
- Cargo revenue was marginally higher in 2011. The cargo business performed reasonably well in the first quarter of 2011 but demand then weakened significantly and remained weak for the rest of the year.
- The Cathay Pacific group continued to benefit from the strong profits earned by its associated company, Air China.

Highlights – HAECO group

- The results of the HAECO group improved in 2011. There was strong demand for HAECO's services in Hong Kong and a significant improvement in TAECO's performance in Mainland China.
- Manhours sold by HAECO for airframe heavy maintenance increased by 9%. Demand for line maintenance services in Hong Kong increased by 10%.
- There was a significant increase in hangar utilisation at TAECO and manhours sold for heavy maintenance increased by 36%.
- The HAECO group's engine overhaul associates (HAESL and SAESL) contributed to the increase in profits.
- There were increased losses from other subsidiaries and jointly controlled companies in the HAECO group principally due to the costs of developing capabilities in their operations in Mainland China, high wage inflation and increased competition.

Property

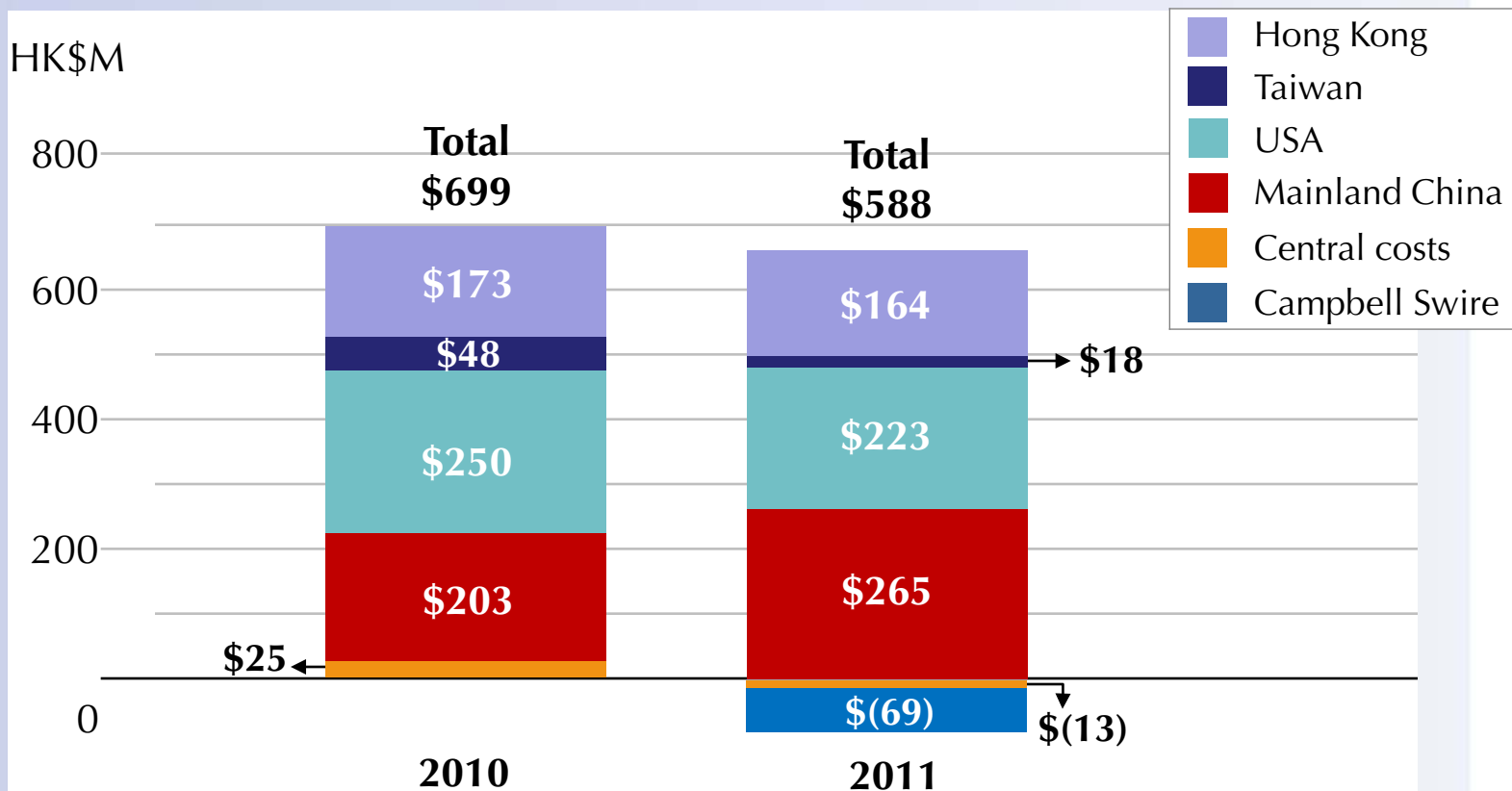
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Results – Beverages Division

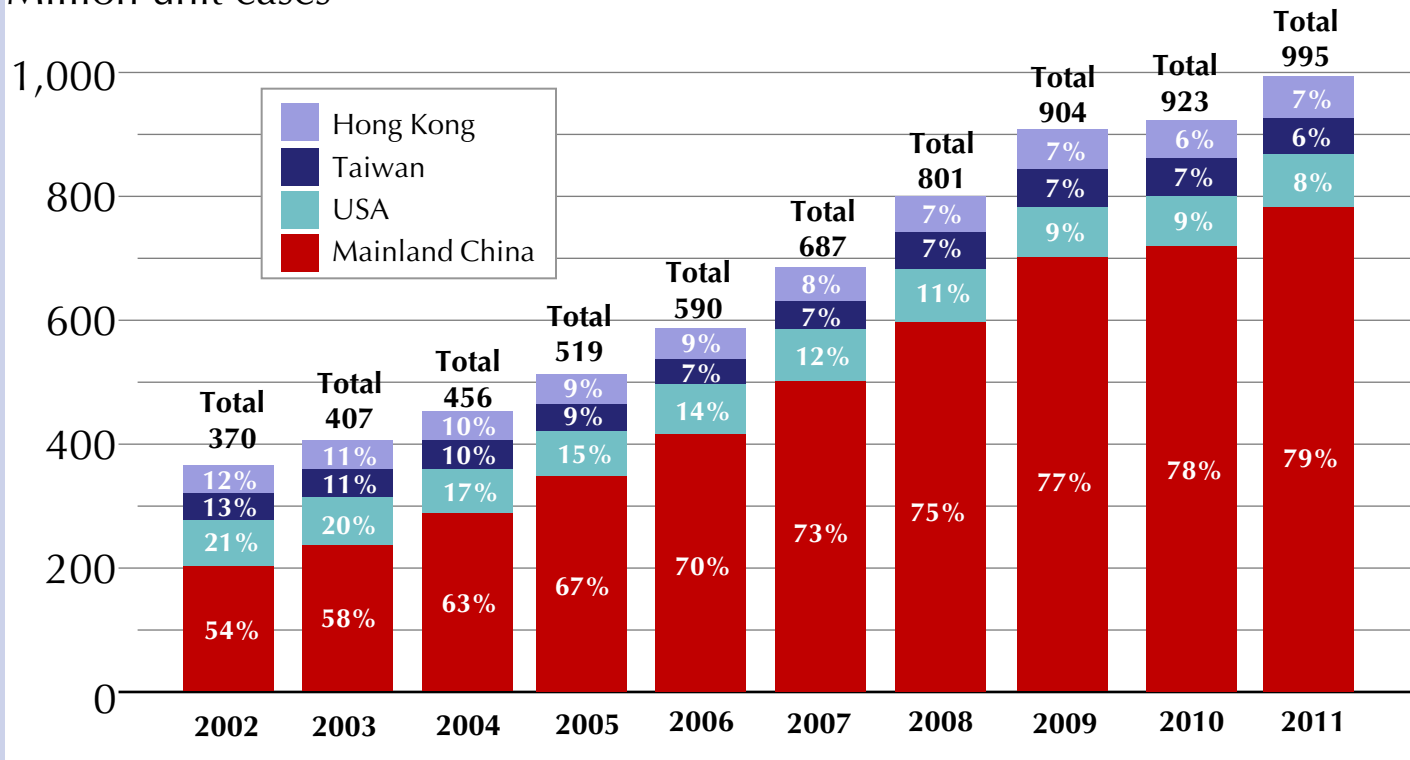


Highlights – Beverages Division

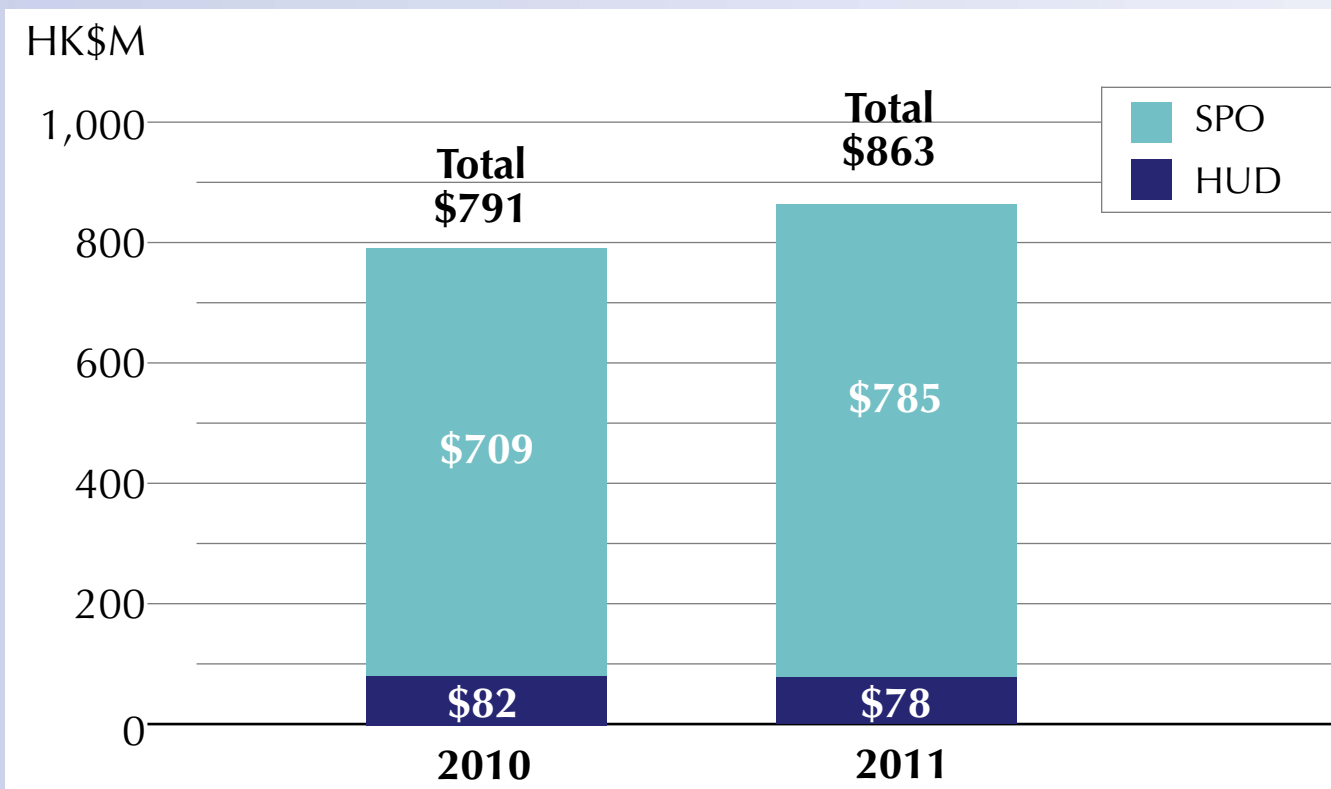
- The Beverages Division recorded a 16% decrease in attributable profit in 2011 to HK\$588m.
- Excluding the loss of HK\$69m incurred in 2011 by the newly formed Campbell Swire joint venture, profit decreased by 6% to HK\$657m.
- Overall sales volume grew by 8% to 995m unit cases.
- There was a significant improvement in performance in Mainland China. Sales volume increased by 10%. Margins improved by 13% per unit case as raw material cost increases were offset by an improvement in the sales mix and higher prices.
- In other markets, price increases (where these were possible) and improvements in the sales mix were insufficient to offset the effect of raw material cost increases.

Swire Beverages – Volume Progression

Million unit cases



Results – Marine Services Division



Highlights – Marine Services Division

- SPO's attributable profit increased by 11% to HK\$785m in 2011. The result included a capital profit of HK\$79m on disposal of seven vessels during the year.
- 2011 saw a gradual improvement in the offshore energy market. Oil prices of more than US\$100 per barrel supported an increase in exploration and production commitments.
- Average fleet utilisation during the year increased six percentage points to 86%. Total charter hire revenue increased by 15%. However, total operating costs increased by HK\$496m.
- SPO took delivery of eight vessels during the year and seven older vessels were sold. The fleet size at the end of the year was 77 vessels.
- SPO committed to purchase an additional 27 vessels in 2011 for delivery before 2015. Capital commitments at 31st December totalled HK\$13.5bn.

SPO – Fleet Growth

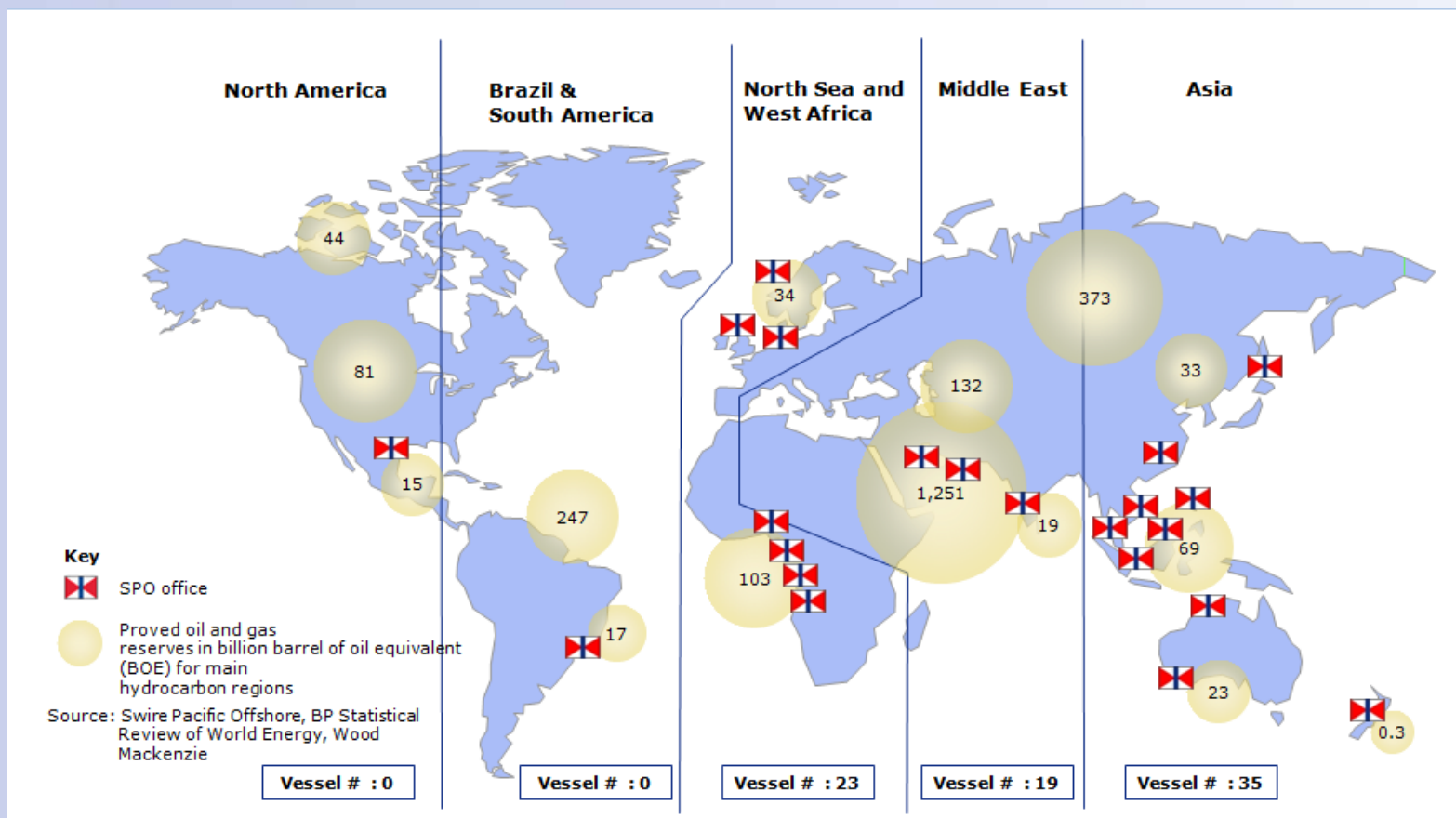
Vessel class	BHP	Vessels in operation	Vessels on order to be received in:			
		31st Dec 2011	2012	2013	2014	2015
Survey	5,000 - 7,800	2	-	-	-	-
AHTS	2,500 - 5,500	31	-	-	-	-
AHTS	6,000 - 12,250	34	-	-	-	-
AHTS	16,310	1	1	2	-	-
AHTS	17,860 - 18,250	-	2	3	3	-
PSV*	6,300 - 11,500	6	-	3	10	5
Ice-breaking vessels*	23,170	3	-	-	-	-
Accommodation barges		-	2	-	-	-
Wind farm installation vessels	32,900	-	2	-	-	-
Inspection, Maintenance and Repair Vessel**		-	1	-	-	-
		77	8	8	13	5

* Includes one H-class vessel and one E-class vessel chartered from external parties. The H-class vessel was delivered during 2011.

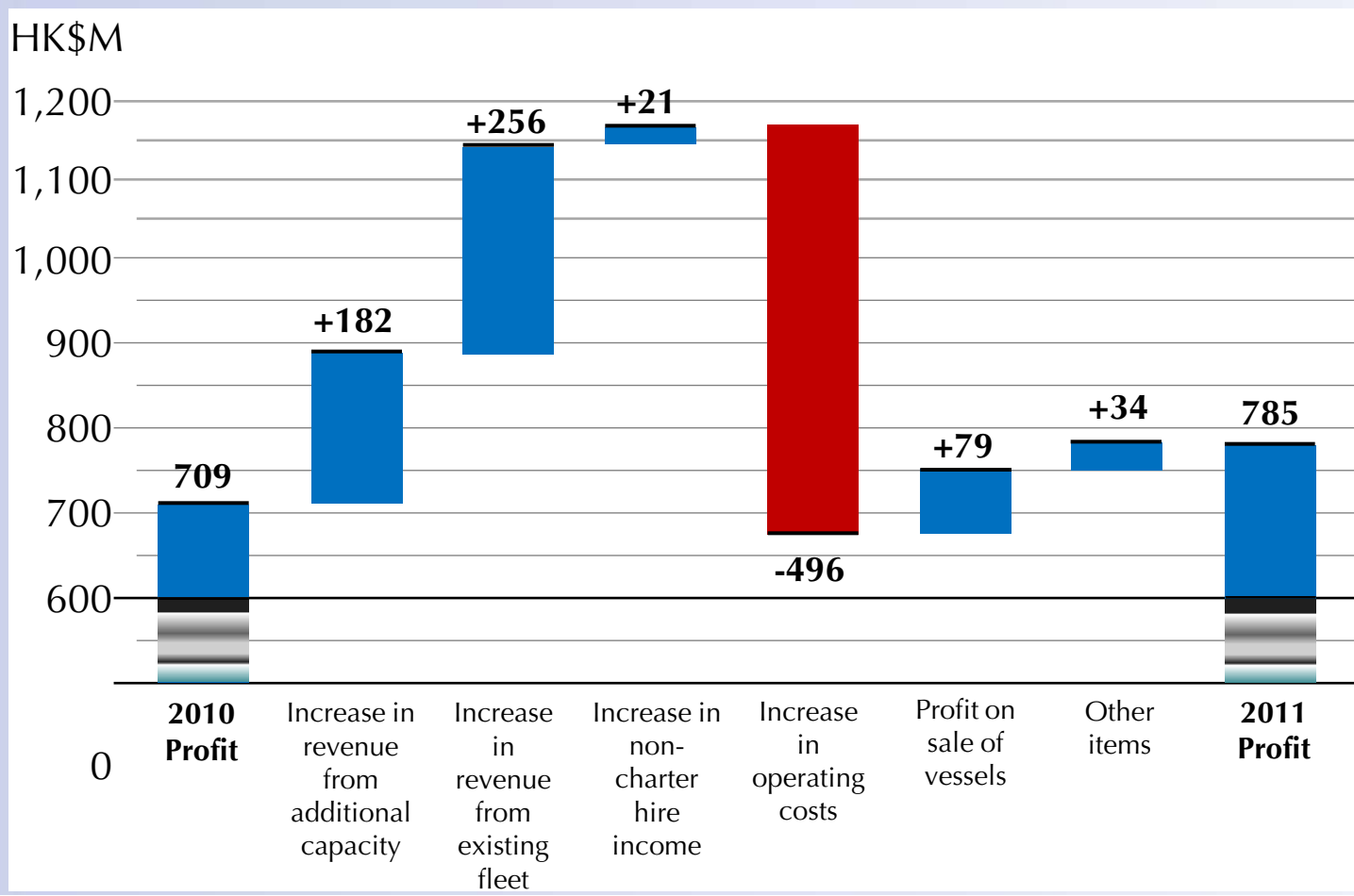
** Vessel owned by Seabed AS, which was acquired by SPO in February 2012.

SPO Global Footprint

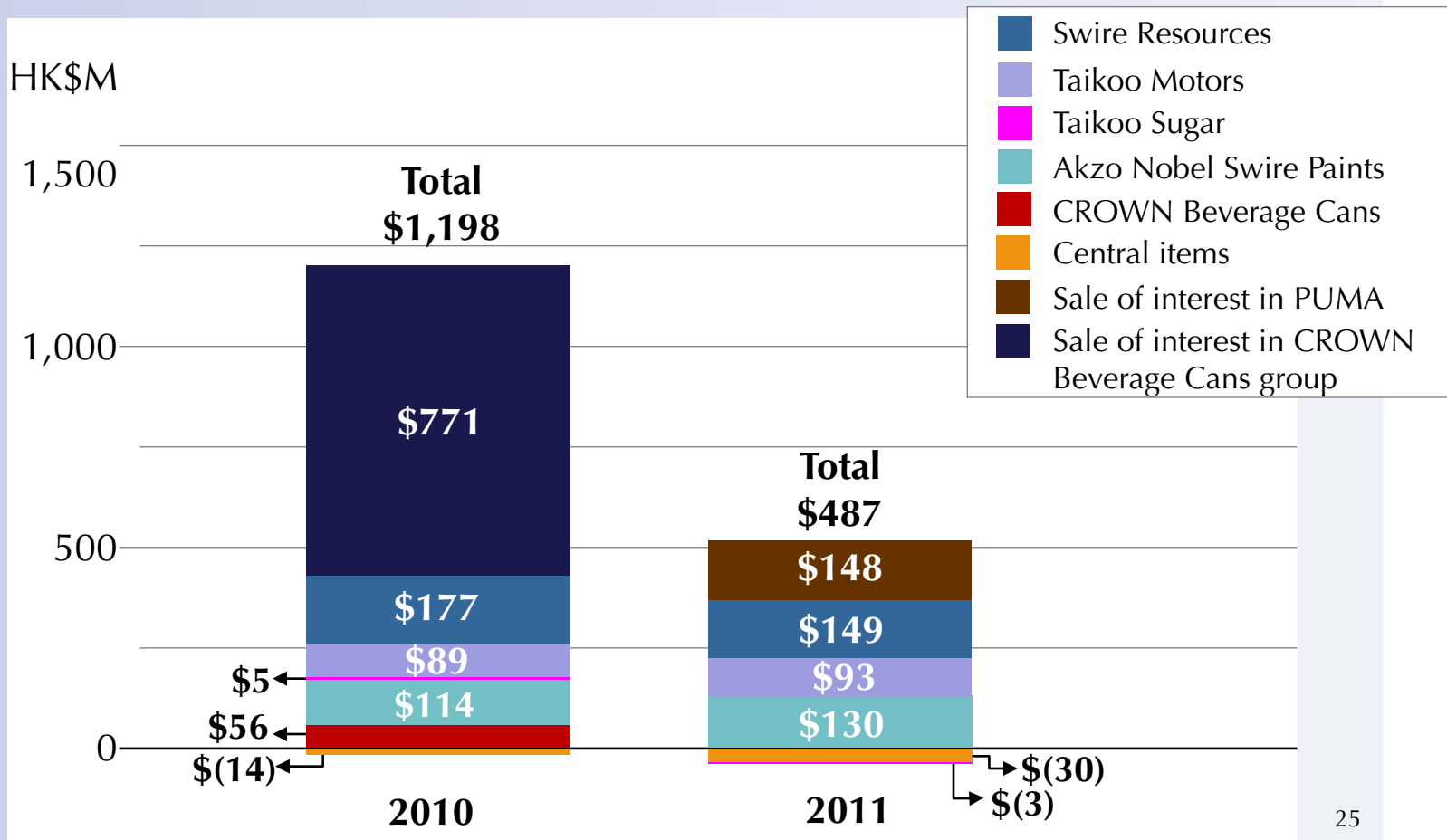
with Extensive Local Retail Network



SPO – Movement in Attributable Profit



Results – Trading & Industrial Division



Highlights – Trading & Industrial Division

- Excluding the HK\$148m gain on disposal of interests in PUMA in January and the HK\$771m gain on disposal of interests in CROWN Beverage Cans in 2010, profit decreased by 21% to HK\$339m, reflecting lost contribution following the sale of these two interests.
- Swire Resources profit decreased by 16% to HK\$149m. Results from the multibrand store chains and the distribution of Columbia products were very good. However, the effect of this was more than offset by the absence of contribution from PUMA and expenditure on acquiring and developing new distributorships.
- Taikoo Motors group recorded a modest 4% increase in profit. Good growth in the car business in Taiwan was partly offset by the costs incurred in establishing new businesses in Taiwan and Hong Kong.
- Akzo Nobel Swire Paints recorded a 14% increase in profit. The profit of Taikoo Sugar was affected by increased sugar costs.

Financial Highlights – Liquidity

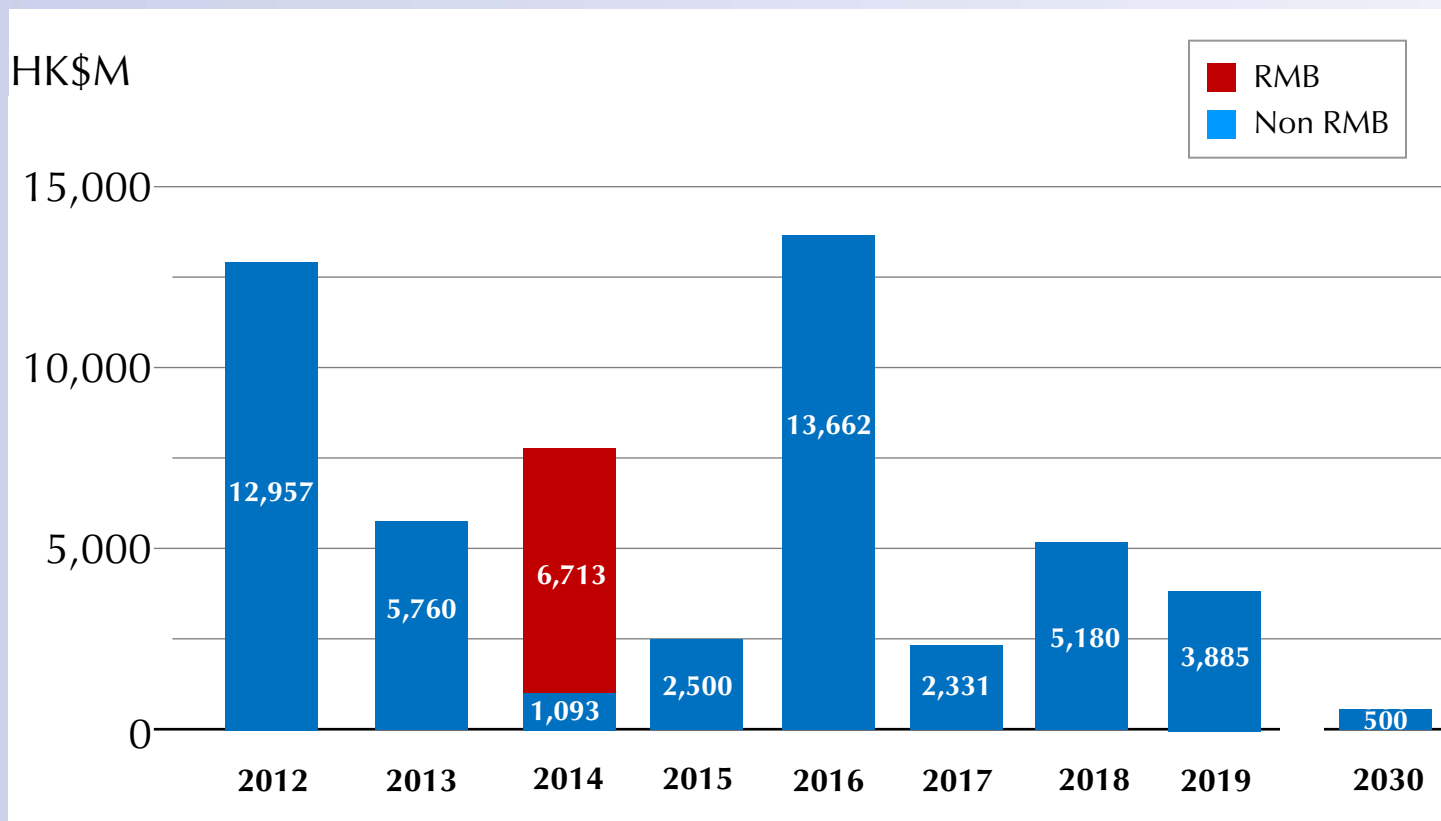
	31st Dec 2010	31st Dec 2011
	HK\$Bn	HK\$Bn
Bank balances and short-term deposits	4.0	3.9
Undrawn facilities		
- Committed	12.3	16.4*
- Uncommitted	5.3	6.4**
	17.6	22.8
	2010	2011
Interest cover (underlying)	10.2	10.4
Cash interest cover (underlying)	8.3	8.3
Cash interest cover (adjusted underlying)	4.7	4.0***

* of which HK\$13.6bn is available at Head Office level.

** of which HK\$1.5bn is available at Head Office level.

*** calculated using adjusted underlying operating profit which excludes the effect of capital profits less impairments.

Refinancing Profile at 31st December 2011



Net Debt Reconciliation

	HK\$Bn
Net debt at 1st January 2011	41.2
Translation differences	0.3
Cash from operations	(9.2)
Net dividend paid	7.3
Capex and investments less proceeds	(6.4)
Net interest paid	1.6
Tax paid	0.9
Net debt at 31st December 2011	35.7

Prospects

- The Property Division expects demand for Hong Kong office space to be affected by uncertain market conditions. Low vacancy rates and a modest supply of new office space should mitigate the effect on rental income.
- Consumer demand and accordingly competition for retail space are expected to remain strong in 2012.
- Results from Sanlitun Village are expected to continue to improve in 2012. TaiKoo Hui and INDIGO are expected to contribute to higher rental income in their first full year of operations.
- Profits from property trading are expected to be significant in 2012, with the completion of and sale of units in the AZURA development in Hong Kong.
- The Cathay Pacific group continues to face challenges in 2012. Economic uncertainties have continued into the first part of the year. While these uncertainties continue, pressure on economy class yields is expected to continue and the cargo business in particular is expected to remain weak. Fuel prices have risen further.

Prospects (continued)

- Demand for HAECO's heavy and line maintenance services in Hong Kong and TAEACO's base maintenance services in Xiamen is expected to grow modestly in 2012.
- The businesses of the Beverages Division are expected to perform reasonably well. However, high raw material, fuel and energy costs and the difficulty of raising prices will mean that margins are likely to be affected.
- SPO's charter hire and utilisation rates are expected to improve in 2012 as exploration and production spending by oil companies increases. SPO's 2012 results will also reflect the full-year contribution of vessels delivered in 2011 and the delivery of the first D-class and wind farm installation vessels in 2012.
- The Trading & Industrial Division expects continued growth in sales for Swire Resources and Taikoo Motors, with the effect of this at Swire Resources likely to be offset by the costs of expanding its distribution network and portfolio of brands.

Dividends

	2010 HK\$	2011 HK\$	Change
'A' shares	3.50	3.50	-
'B' shares	0.70	0.70	

In addition, a special dividend of HK\$3.00 per 'A' share and HK\$0.60 per 'B' share was paid in October 2011 following completion of the sale of Festival Walk.

Policy

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

Implications

1. Non-cash 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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Appendix

Net Investment Properties Adjustments

	2010 HK\$M	2011 HK\$M
Revaluation movement shown in income statement	21,344	22,771
Included in share of profits of JCEs and associates	1,893	720
Total revaluation movement	23,237	23,491
Deferred tax on revaluation movements*	(852)	(523)
Realised profit on sale of investment properties	(211)	(7,977)
Depreciation of investment properties occupied by the Group	(23)	(27)
Non-controlling interests' share of revaluation less deferred tax	(42)	(46)
Total effect on attributable profit	22,109	14,918

* This represents deferred tax on the Group's net revaluation movements in Mainland China plus the Group's share of deferred tax of jointly controlled and associated companies in Mainland China.

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