



2018 Interim Results Analyst Briefing

9th August 2018 | Hong Kong

Agenda

- **Welcome Remarks and Highlights**
- **Financial Performance**
- **Business Review by Division**
- **Outlook**
- **Q&A**

Michelle Low
Finance Director



Performance Highlights

HK\$1,265m

Underlying Profit
(v. Jun 17)

-67%

HK\$1.20

**Dividend per 'A'
share**
(v. Jun 17)

+20%

HK\$3,026m

Adjusted Underlying Profit
(v. Jun 17)

+40%

HK\$177.39

**Equity attributable to the
Company's shareholders
per 'A' share**
(v. Dec 17)

+5%

Capital Reallocation

**Sale of Kowloon Bay completed,
sales of Cityplaza Three
and Cityplaza Four announced.**



Transformation programme on track.

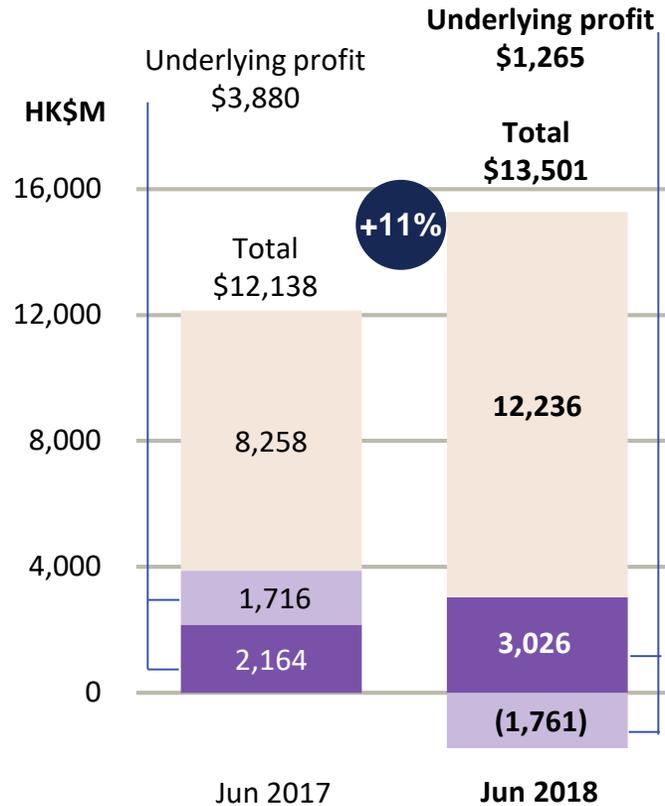


**Sale of the Mainland China
cold storage business.**



Financial Summary

Attributable Profit



- Net investment property revaluations
- Adjusted underlying profit
- Significant non-recurring items

Revenue

Jun 2017: HK\$40,211m

Jun 2018: HK\$42,265m

+5%

Cash Generated from Operations

Jun 2017: HK\$9,459m

Jun 2018: HK\$8,297m

-12%

Underlying Profit

Jun 2017: HK\$3,880m

Jun 2018: HK\$1,265m

-67%

Adjusted Underlying Profit

Jun 2017: HK\$2,164m

Jun 2018: HK\$3,026m

+40%

Dividends Per Share

Jun 2017:
HK\$1.00 per 'A' share
HK\$0.20 per 'B' share

**Jun 2018:
HK\$1.20 per 'A' share
HK\$0.24 per 'B' share**

+20%

Net Debt

Dec 2017: HK\$72,514m

Jun 2018: HK\$67,272m

-7%

Gearing Ratio

Dec 2017: 23.7%

Jun 2018: 20.9%

-2.8% pts

Equity Attributable to the Company's Shareholders

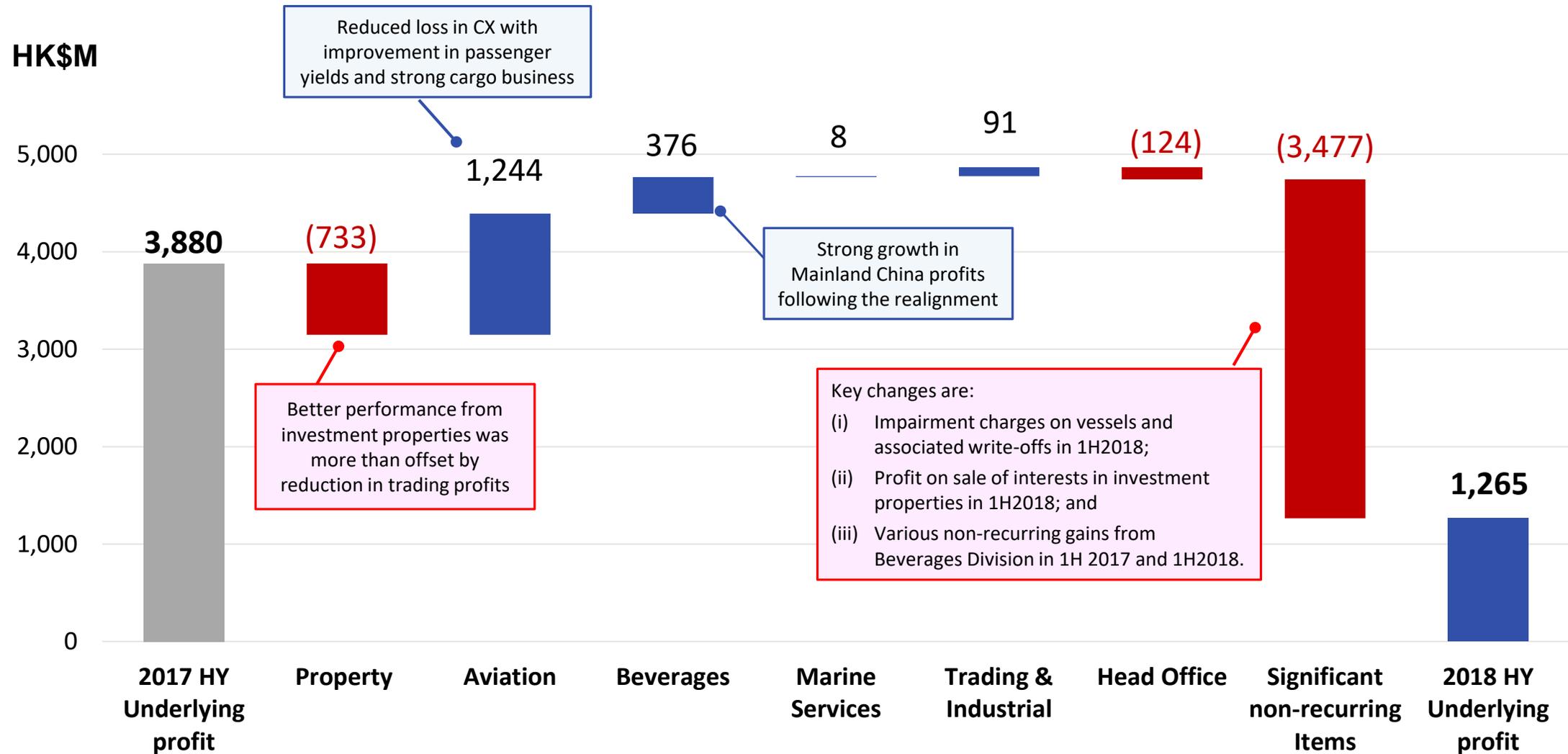
Dec 2017: HK\$253,163m

Jun 2018: HK\$266,360m

+5%

Note : Underlying profit principally adjusts for changes in the valuation of investment properties. Adjusted underlying profit excludes the effect of significant non-recurring items.

Financial Summary - Movement in Underlying Profit



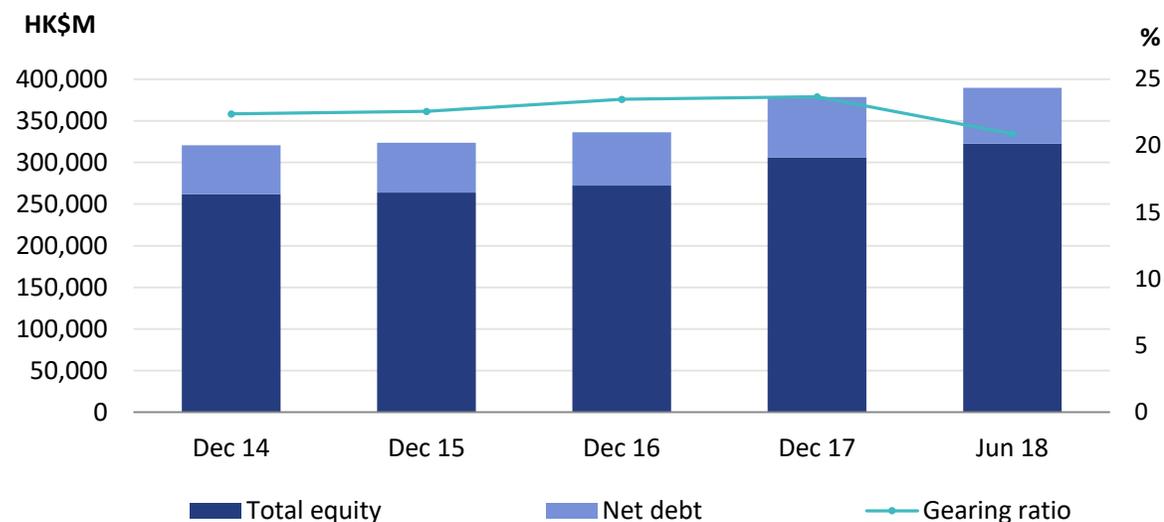
Financial Summary - Financing

	Dec 14	Dec 15	Dec 16	Dec 17	Jun 18
Net debt (HK\$M)	58,624	59,584	64,046	72,514	67,272
Gearing (%)	22.4%	22.6%	23.5%	23.7%	20.9%
Interest cover (underlying) – times	6.1	5.4	3.0	4.7	3.7
Cash interest cover (underlying) – times	4.9	4.6	2.6	4.0	3.3
Liquidity – Committed funds and cash available (HK\$M)	23,876	31,125	30,141	27,379	30,696

Net Debt Reconciliation

	HK\$Bn
Net debt at 1st January 2018	72.5
Cash from operations	(8.3)
Net dividend paid	1.9
Capex and JV investment	7.3
Disposal proceeds	(8.0)
Net interest paid	1.2
Tax paid	0.7
Net debt at 30th June 2018	67.3

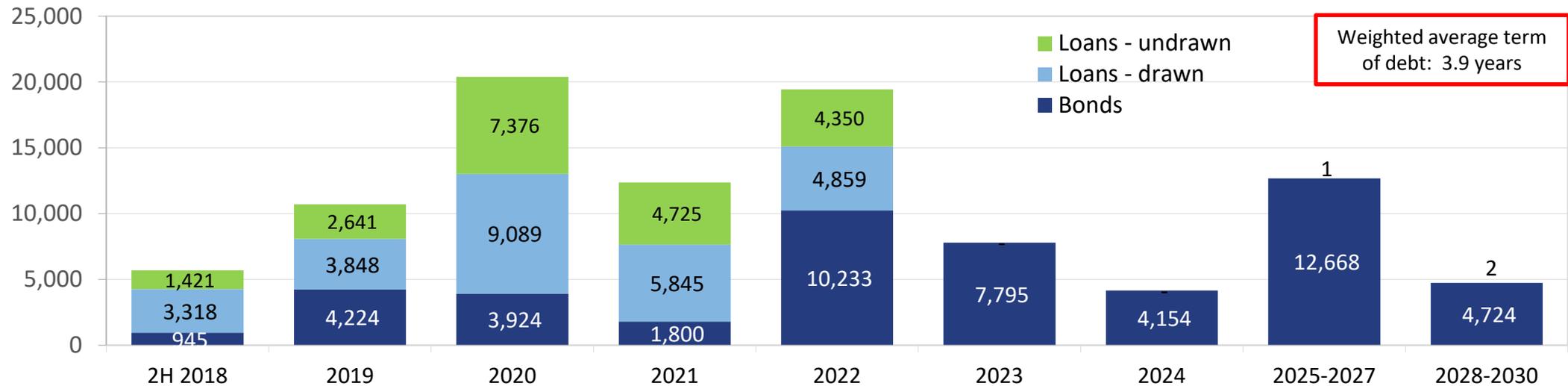
Gearing Ratio



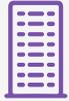
Financial Summary - Liquidity

	Dec 17 HK\$M	Jun 18 HK\$M	Change %
Bank balances and short-term deposits	6,072	10,183	68%
Total undrawn facilities			
- Committed	21,307	20,513	-4%
Group committed liquidity	27,379	30,696	12%
- Uncommitted	11,851	9,691	-18%
Group total liquidity	39,230	40,387	3%

Financing Maturity Profile at 30th June 2018



Capital Allocation



- Sale of Kowloon Bay office building completed in 2018.
- Sale of interests in Cityplaza Three and Cityplaza Four expected to be completed by April 2019.
- A joint venture was formed to develop a 1.25m sq. ft. retail project in Qiantan, Shanghai. Construction is in progress.
- One Taikoo Place due to be completed later in 2018 and Two Taikoo Place in 2021 or 2022.
- Submitted compulsory sale applications in respect of Wah Ha Factory Building and Zung Fu Industrial Building.



- Expansion in USA and realignment of Coca-Cola bottling system in Mainland China completed in 2017.
- Investment in facilities and sales and distribution infrastructure.



- Proposed privatisation of HAECO.



- Four vessels disposed of and five vessels (including one chartered in) delivered in 1H2018.
- SPO's new building programme is completed. Older vessels are regularly evaluated for disposal.



- No. of bakery stores increased from 650 to 668 in 1H2018.
- Disposal of the cold storage business in July 2018.

Forward Capital Allocation Snapshot

Capital Commitments*	Property HK\$M	Aviation HK\$M	Beverages HK\$M	Marine Services HK\$M	Trading & Industrial HK\$M	Total HK\$M
At 1st January 2018	14,200	954	767	1,731	141	17,793
New commitments	8,651	414	926	60	10	10,061
Expenditure (commitments fulfilled)	(3,876)	(262)	(764)	(926)	(76)	(5,904)
Cancelled commitments and other movements	(27)	(330)	(320)	(665)	-	(1,342)
At 30th June 2018	18,948	776	609	200	75	20,608
% of total*	92%	4%	3%	1%	0%	100%

* Includes the Group's share of the capital commitments of its joint venture companies.

Disposal of Non-Core Assets

1H 2018

- Kowloon Bay office building in Hong Kong
- Other investment properties in Hong Kong

Jul 2018

- Cold Storage business in Mainland China

By Apr 2019

- Interests in Cityplaza Three and Cityplaza Four in Hong Kong



Property

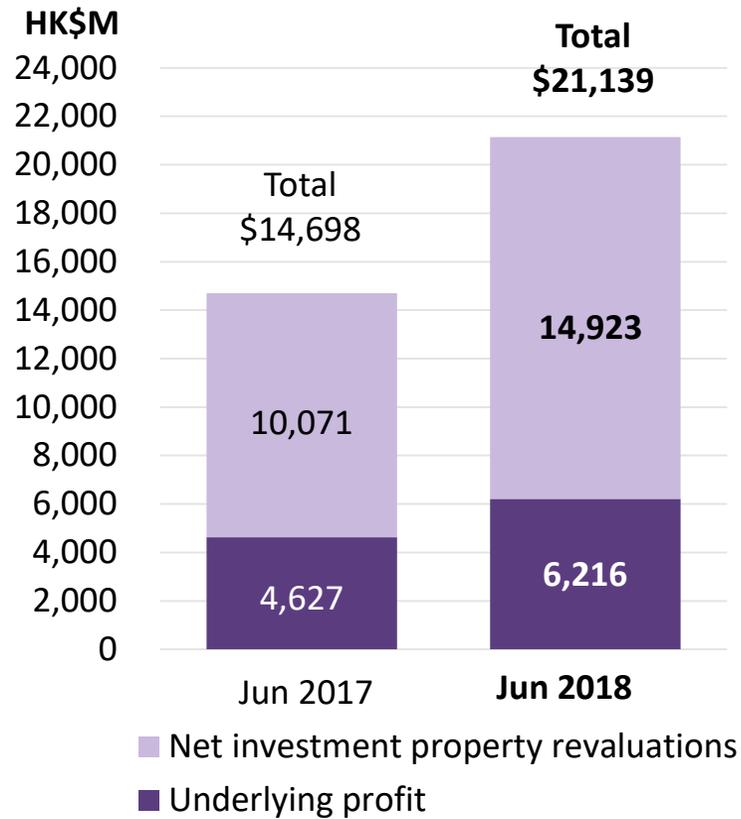


Highlights

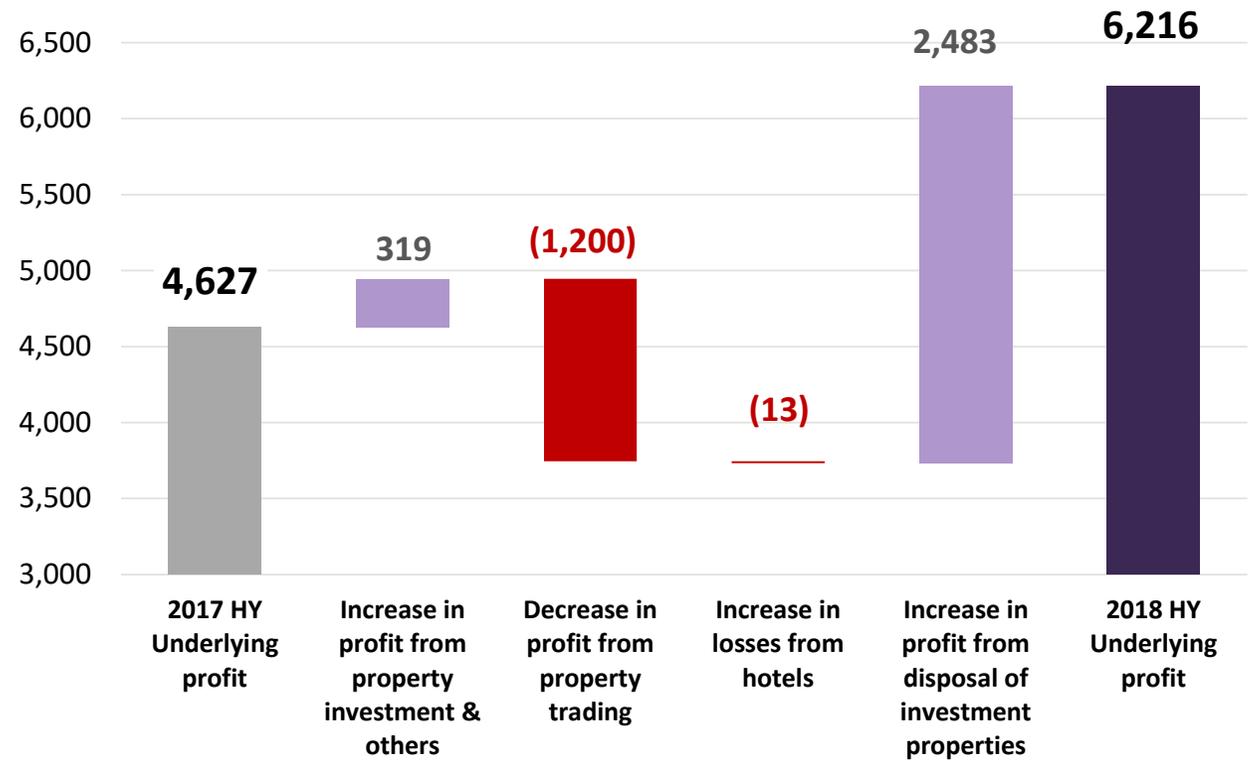
- Underlying profit included profits arising from the disposal of our interests in an office building in Kowloon Bay in Hong Kong and in other investment properties in Hong Kong.
- Recurring underlying profit from property investment increased by 9%, with particularly strong results from Mainland China. Demand for the group's office space in Hong Kong was strong.
- Gross rental income increased, reflecting positive rental reversions at the office properties and higher retail sales.
- Underlying profit from property trading in the first half of 2018 arose mainly from the sale of houses at the WHITESANDS development in Hong Kong and of car parks at the AZURA development in Hong Kong.
- Pre-opening costs at new hotels were higher.

Recurring underlying profit from property investment increased by 9%

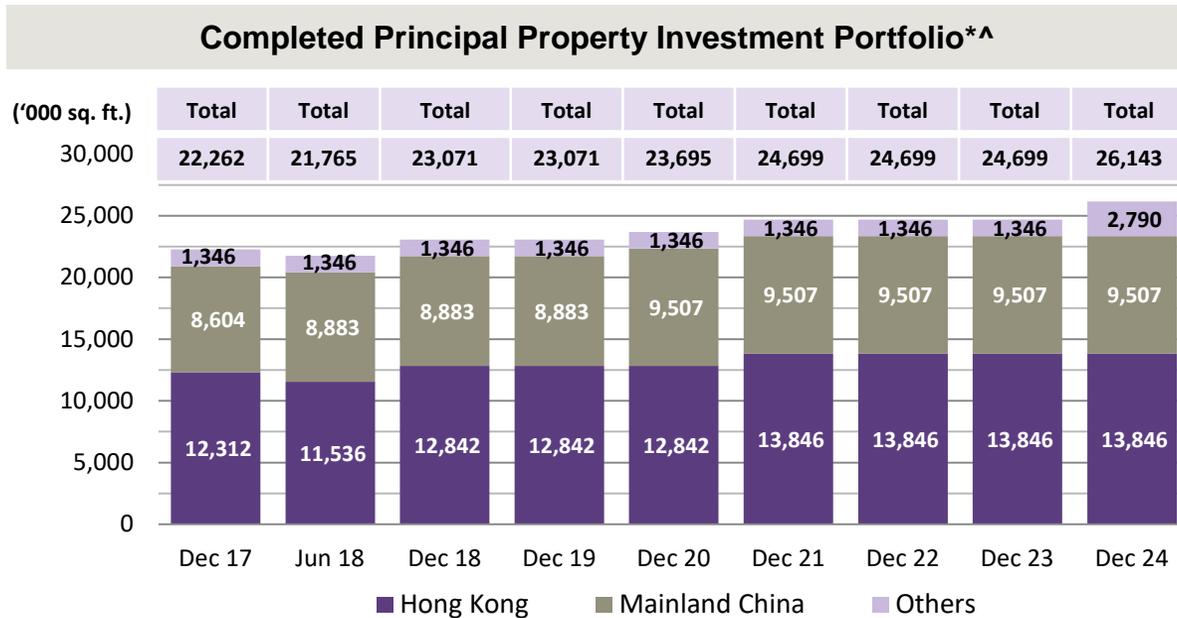
Attributable Profit (100% basis)



Movement in Underlying Profit (100% basis)



Future Developments



Projects	Expected completion date
Hong Kong	
Tung Chung Town Lot No.11	2018
Taikoo Place Redevelopment (One Taikoo Place)	2018
South Island Place	2018
Taikoo Place Redevelopment (Two Taikoo Place)	2021 / 2022
Po Wah, 1-11 Landale, 2-12 Anton Redevelopment	Under planning
Wah Ha, Zung Fu redevelopment	Compulsory sale application
Mainland China	
Qiantan Project	2020
USA	
One Brickell City Centre	Under planning

Profile of Capital Commitments** — for Investment Properties and Hotels at 30th June 2018

(HK\$M)	Expenditure Six months ended 30th Jun 2018	Forecast period of expenditure				Commitments at 30th Jun 2018
		Six months ended 31st Dec 2018	2019	2020	2021 and later	
Hong Kong	3,209	1,778	1,542	4,421	8,452	16,193
Mainland China	2,034	774	1,066	415	68	2,323
USA and others	84	114	273	25	20	432
Total	5,327	2,666	2,881	4,861	8,540	18,948

* 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.

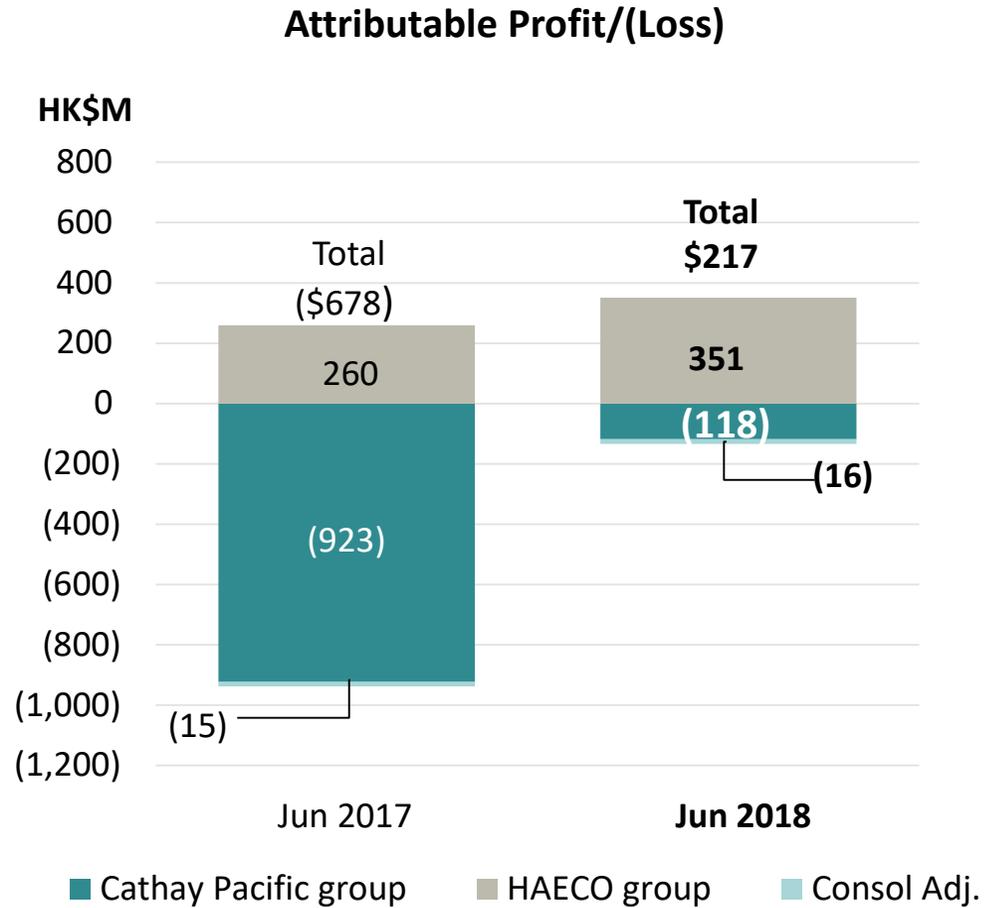
^ Includes only Cityplaza One. The remainder of Cityplaza Three and the whole of Cityplaza Four are excluded.

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

Aviation



CX transformation programme on track



Key Financial Data		
	Jun 2018 HK\$M	Change %
HAECO group		
Revenue	7,325	-1%
Operating profit	553	+19%
Attributable profit	351	+35%
Share of post-tax loss from an associated company		
Cathay Pacific group	118	-87%

Highlights – CX

- Operating loss for CX reduced significantly despite challenging operating environment.
- The airlines' three-year transformation programme is on track to achieving sustainable long-term performance.
- The airlines benefited in the early part of the period from a weak US dollar, but were adversely affected by significantly increased fuel prices.
- Passenger yield improved. The cargo business was strong, with growth in both volume and yield.

Key Financial Data

CX group (100% basis)		
HK\$M	Jun 2018	Change %
Revenue	53,078	+16%
Passenger services	35,452	+10%
Cargo services	12,971	+23%
Others	4,655	+44%
Net fuel cost	16,046	+7%
Share of profits from subsidiaries and associated companies	641	-10%
Attributable loss	263	-87%

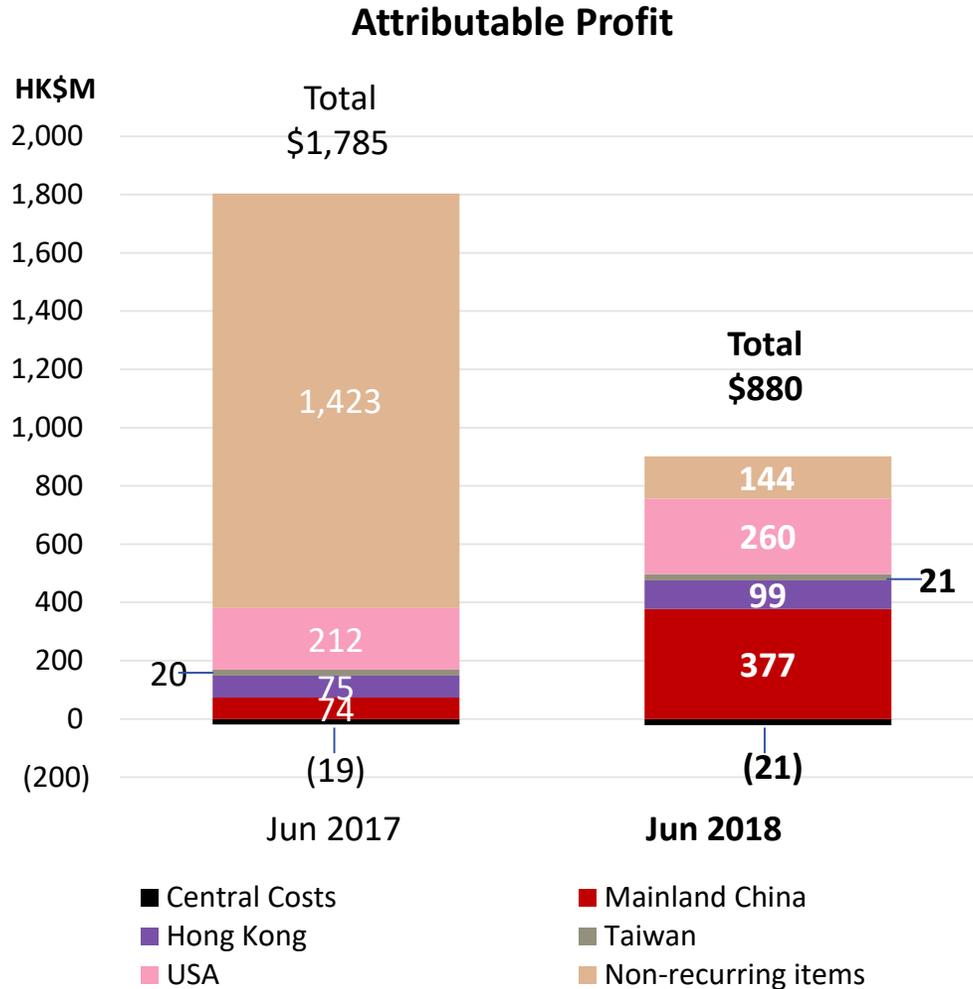
Key Operating Statistics

	Jun 2018	Change %
Available tonne kilometres (ATK) ('M)	15,747	+4%
Revenue passengers carried ('000)	17,485	+2%
Passenger yield (HK¢)	55.4	+8%
Passenger load factor (%)	84.2	-0.5% pt
Passenger revenue per ASK (HK¢)	46.8	+7%
Cargo and mail carried (Tonnes '000)	1,038	+7%
Cargo and mail yield (HK\$)	1.93	+16%
Cargo and mail load factor (%)	68.3	+2.1% pt
Cargo and mail revenue per AFTK (HK\$)	1.32	+20%

Beverages



Recurring profit doubled



Key Highlights

- Sales volume increased by 36%. Revenue (including that of joint venture companies and excluding sales to other bottlers) increased by 38%, principally reflecting the inclusion of new territories in Mainland China and the USA.
- With improved product and package mixes, revenue in all regions grew faster than volume. There were also price increases everywhere.
- Disregarding non-recurring gains, attributable profit more than doubled, to HK\$736m, mainly as a result of increased profits in Mainland China and the USA.

Key Financial Data

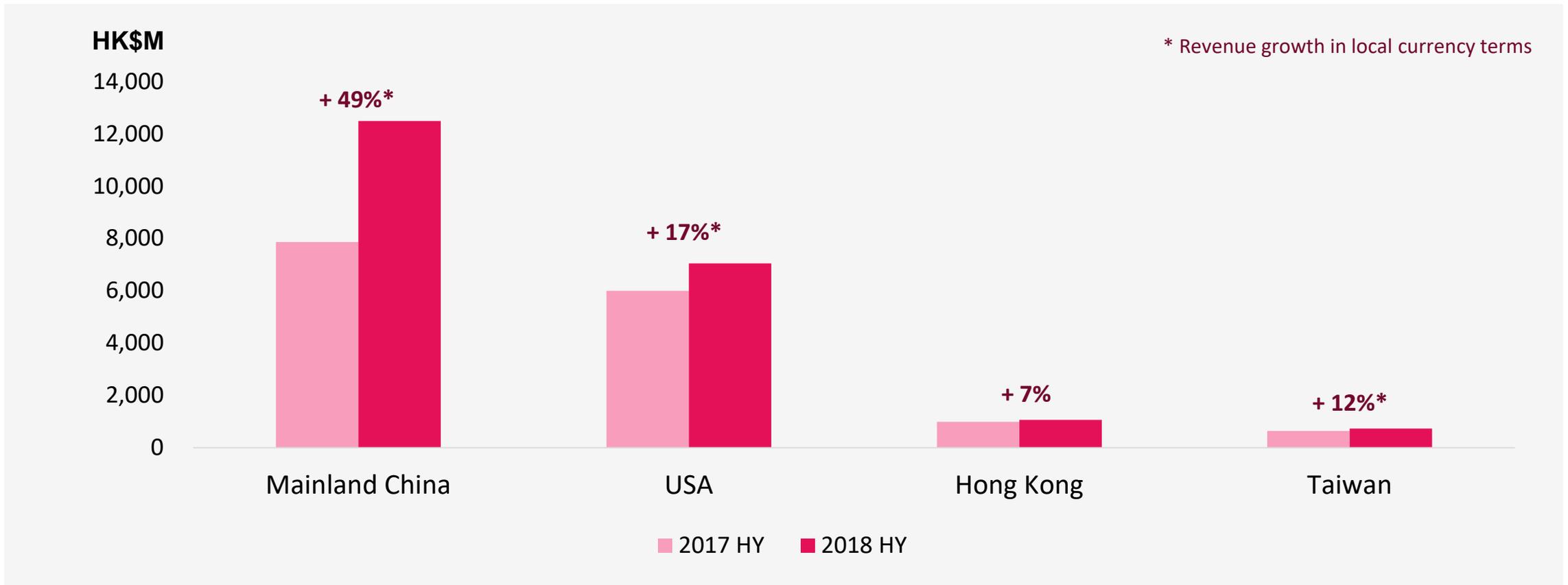
HK\$M	Jun 2018	Change %
Operating profit	1,288	-43%
Attributable profit	880	-51%
Adjusted attributable profit*	736	103%
Recurring (including joint ventures and associates)		
EBITDA**	1,995	+55%
EBIT**	1,249	+69%

* Excludes non-recurring items

** Includes share of profits from joint venture and associated companies but excludes non-recurring items.

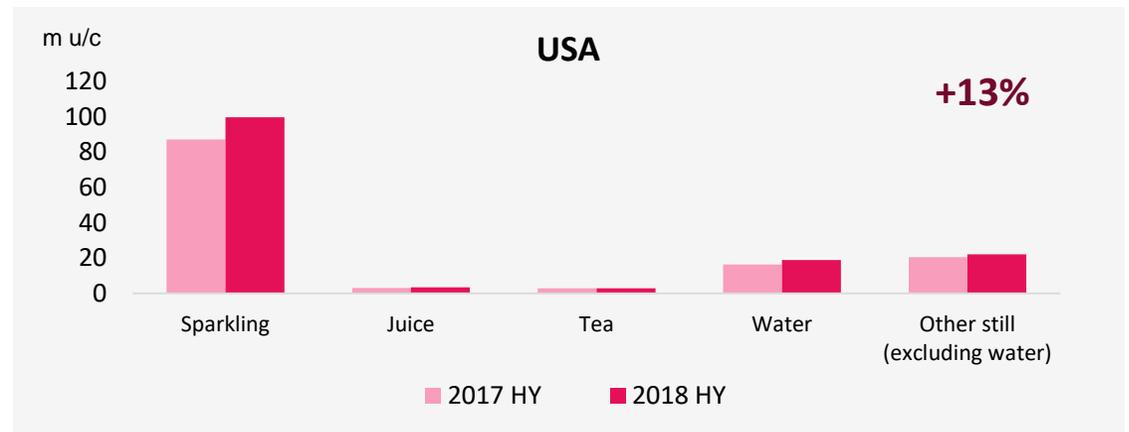
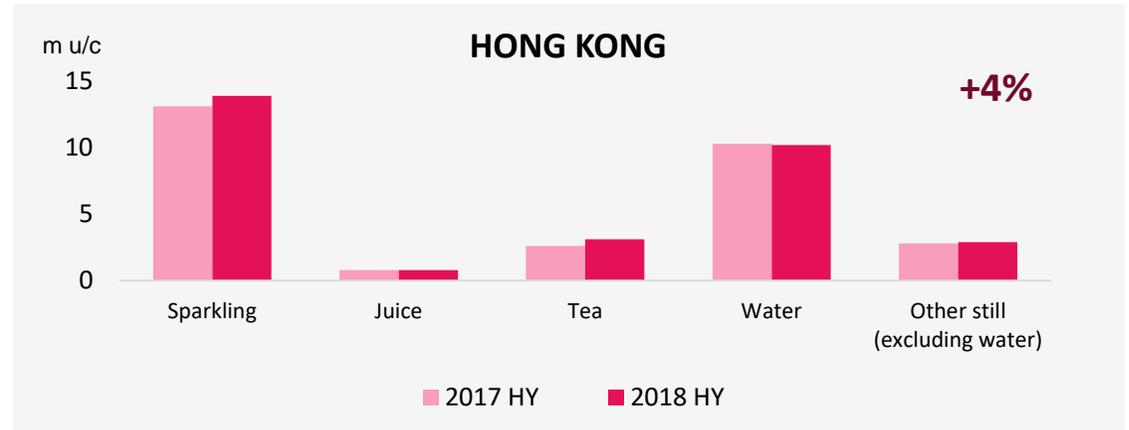
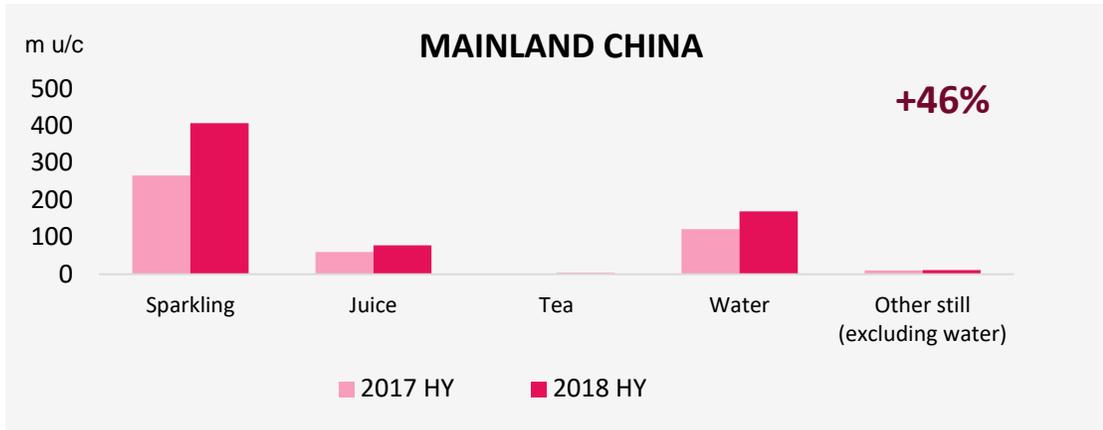
Revenue Analysis

- Revenue (including joint venture companies) increased by **38%**. Volume grew by **36%**.



Volume Analysis

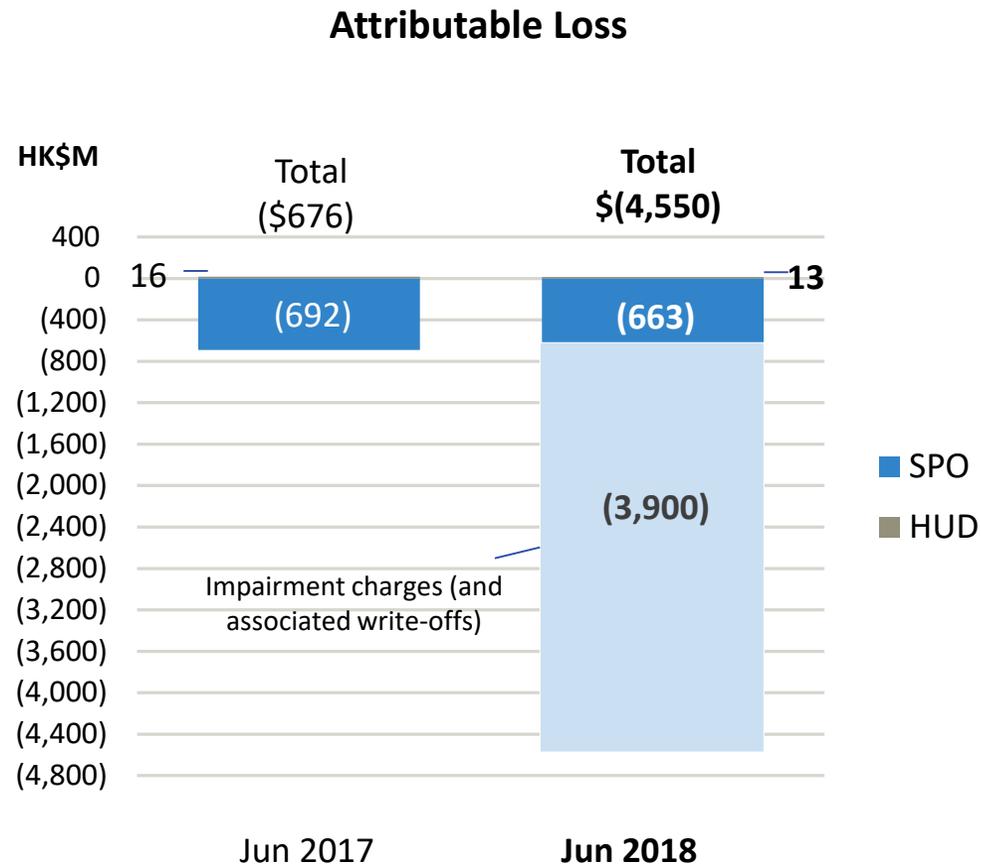
- Overall sales volume increased by **36%** to 873 million unit cases.



Marine Services



Significant impairment charge made



Key Highlights

- The offshore energy market remained difficult. A further impairment charge was made.
- Charter hire rates still under pressure due to oversupply of vessels.
- SPO continued to reduce its operating costs, and to dispose of and stack vessels.

Key Financial and Operating Data

Swire Pacific Offshore group

HK\$M	Jun 2018	Change %
Revenue	1,527	+4%
Operating loss	4,330	+841%
Attributable loss	4,563	+559%
Adjusted attributable loss*	663	-4%
Average daily charter hire rates	USD17,300	-7%
Average fleet utilisation rate	68.9%	+10.0% pts

* Excludes impairment charges (and associated write-offs)

SPO Fleet Size

SPO Fleet Size

Vessel class	2017	Additions	Disposals	Period-end
		30th Jun 2018		
Anchor Handling Tug Supply Vessels (AHTSs)	30	-	1	29
Large Anchor Handling Tug Supply Vessels	19	-	3	16
Platform Supply Vessels (PSVs)	10	4	-	14
Large Platform Supply Vessels	8	-	-	8
Construction and Specialist Vessels (CSVs)	10	1 *	-	11
Total	77	5	4	78

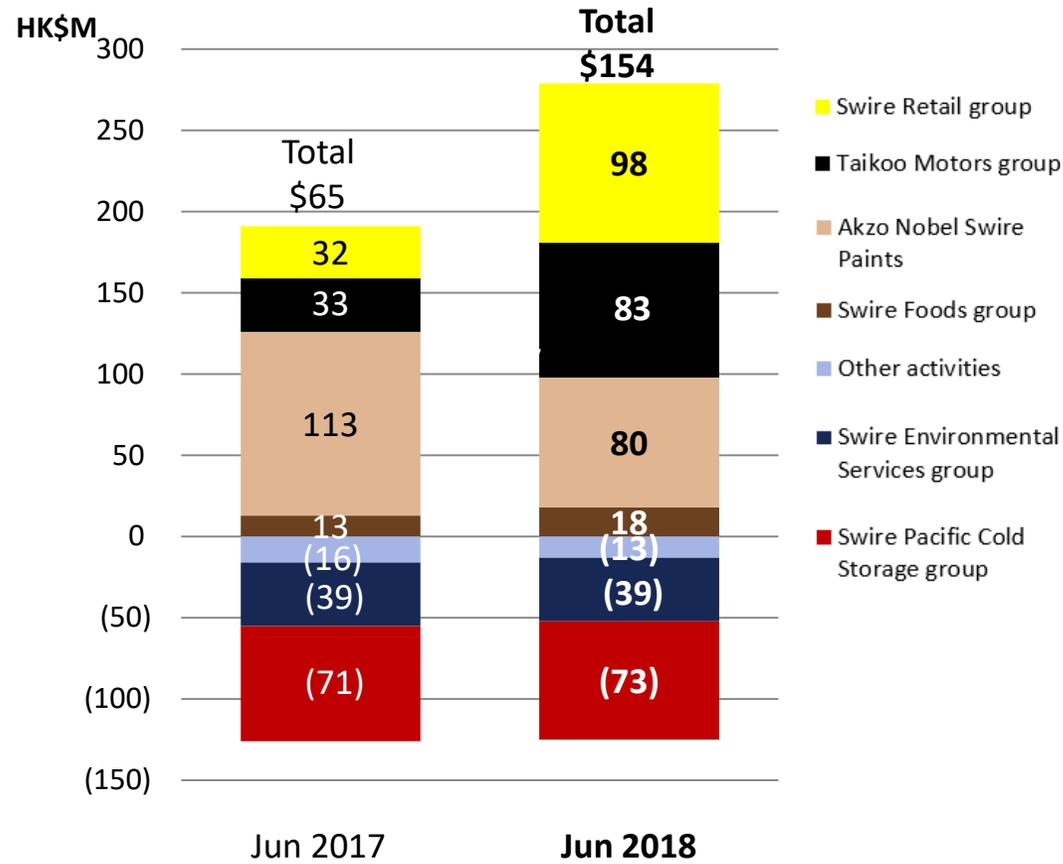
* Subject to an operating lease

Trading & Industrial



Earnings improved

Attributable Profit



Key Highlights

Swire Retail group

- Benefited from cold weather and increased inbound tourism in Hong Kong and a stable sports retail market.

Taikoo Motors group

- Strong improvement reflecting favourable product mix.

Swire Foods group

- Continued to expand network at Qinyuan Bakery.

Swire Pacific Cold Storage

- Sold in July 2018 at a small profit.

Akzo Nobel Swire Paints

- Decrease in sales volume, higher material costs and unfavourable product mix.

Good Second Half Momentum



Continued growth is expected in investment property profits.



Better performance expected in the second half of 2018.



Continued growth in sales volume and revenue is expected in all regions, but with increases in raw material costs.



Charter hire rates remain depressed due to oversupply of vessels.



Overall profits expected to increase in the second half of 2018.

Q&A

Michelle Low, Finance Director

Ivan Chu, Executive Director

David Cogman, Development Director

Corporate Structure

At 30th June 2018

Swire Pacific Limited

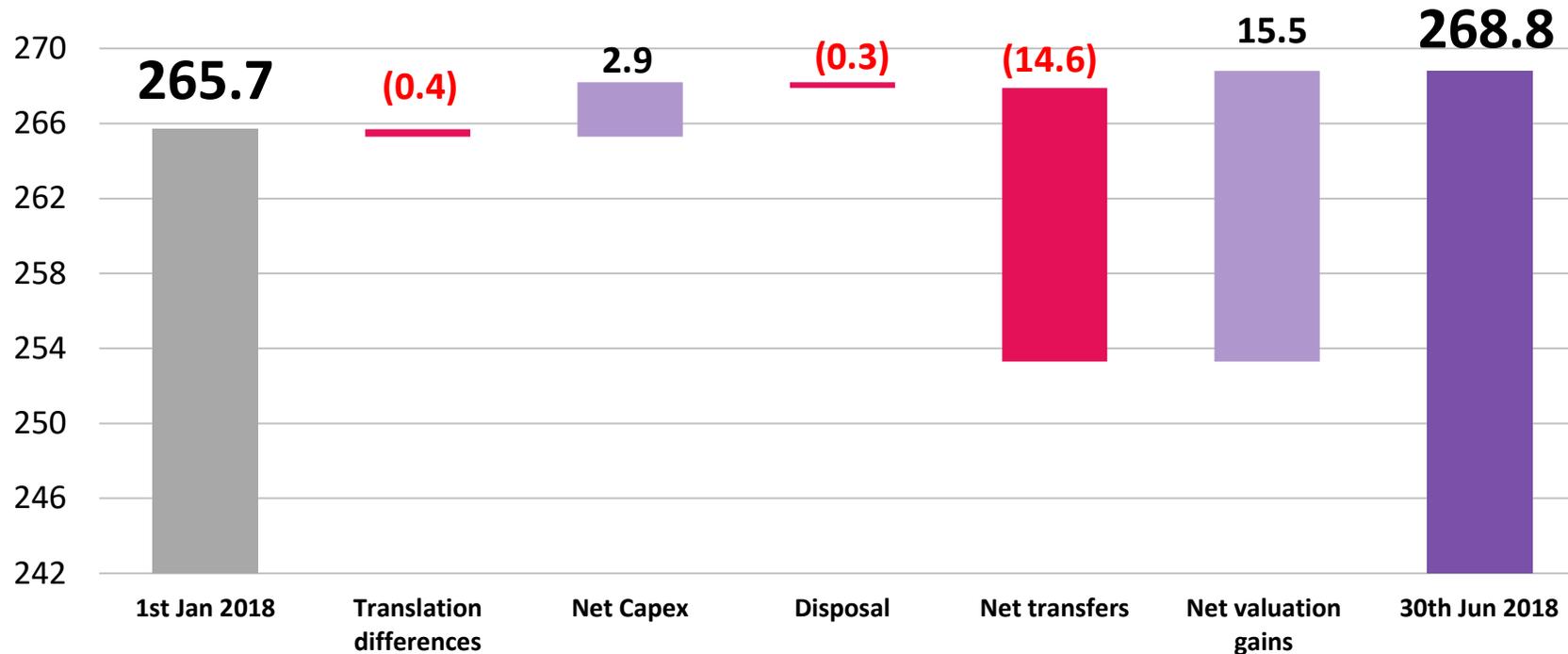
Property	Aviation	Beverages	Marine Services	T&I		
				Trading	Industrial	
<p>Investment Properties</p> <p><u>Hong Kong</u></p> <ul style="list-style-type: none"> ▪ Pacific Place ▪ Taikoo Place ▪ Cityplaza ▪ Citygate <p><u>Mainland China</u></p> <ul style="list-style-type: none"> ▪ Taikoo Li Sanlitun ▪ INDIGO ▪ TaiKoo Hui ▪ HKRI Taikoo Hui ▪ Sino-Ocean Taikoo Li Chengdu <p><u>USA</u></p> <ul style="list-style-type: none"> ▪ First phase of Brickell City Centre 	<p>Future Developments</p> <p><u>Hong Kong</u></p> <ul style="list-style-type: none"> ▪ One and Two Taikoo Place ▪ Tung Chung Town Lot No.11 ▪ South Island Place ▪ Po Wah Building redevelopment ▪ Wah Ha and Zung Fu redevelopment <p><u>Mainland China</u></p> <ul style="list-style-type: none"> ▪ Qiantan project <p><u>USA</u></p> <ul style="list-style-type: none"> ▪ One Brickell City Centre 	<p>Cathay Pacific group</p> <p><u>Airlines</u></p> <ul style="list-style-type: none"> ▪ Cathay Pacific ▪ Cathay Dragon ▪ Air Hong Kong (60%) ▪ Air China (18.13%) <p><u>Cargo Terminal Services</u></p> <ul style="list-style-type: none"> ▪ Cathay Pacific <p><u>Other Operations Catering Services</u></p> <ul style="list-style-type: none"> ▪ Hong Kong Airport Services <p>No. of Aircraft: 206</p>	<p>Swire Beverages</p> <p>Has the right to manufacture, market and distribute products of The Coca-Cola Company</p> <p><u>Hong Kong</u></p> <p>No. of Bottling Plant: 1</p> <p><u>Mainland China</u></p> <p>No. of Bottling Plants: 18</p> <p><u>Taiwan</u></p> <p>No. of Bottling Plants: 1</p> <p><u>USA</u></p> <p>No. of Bottling Plants: 6</p>	<p>Swire Pacific Offshore</p> <p>Operates a fleet of offshore support vessels servicing the energy industry in every major offshore production and exploration region outside the USA</p> <p>No. of Vessels: 78</p> <p>HUD</p> <p>Engineering and harbour towage services in Hong Kong</p> <p>No. of Vessels: 19</p>	<p>Swire Resources</p> <p>Distribution and retailing of footwear, apparel and related accessories in Hong Kong, Macau and Mainland China</p> <p>Swire Brands</p> <p>Investment in Columbia China</p> <p>Taikoo Motors</p> <p>Distribution and retailing of motor vehicles in Taiwan, Hong Kong and Malaysia</p>	<p>Swire Foods group: (including Taikoo Sugar)</p> <p>Distribution of food products, and packaging and selling sugar in Hong Kong and Mainland China</p> <ul style="list-style-type: none"> ▪ Qinyuan Bakery <p>A leading bakery chain in southwest China</p> <p>Swire Pacific Cold Storage</p> <p>Provision of cold storage and warehousing services in Mainland China</p> <p>Akzo Nobel Swire Paints</p> <p>Manufacture and distribution of paint in Mainland China, Hong Kong, and Macau</p>
<p>Hotels</p> <p><u>Hong Kong</u></p> <ul style="list-style-type: none"> ▪ The Upper House ▪ EAST, Hong Kong <p><u>Mainland China</u></p> <ul style="list-style-type: none"> ▪ The Opposite House ▪ EAST, Beijing ▪ The Temple House ▪ The Middle House <p><u>USA</u></p> <ul style="list-style-type: none"> ▪ EAST, Miami 		<p>HAECO group</p> <ul style="list-style-type: none"> ▪ HAECO Hong Kong ▪ HAECO Americas ▪ HAECO Xiamen (58.55%) ▪ HAESL (50%) ▪ TEXL (72.86%) 		<p>Swire Environmental Services group:</p> <ul style="list-style-type: none"> ▪ Swire Waste Management <p>Provision of waste management services in Hong Kong</p> <ul style="list-style-type: none"> ▪ Swire Sustainability Fund <p>Investment in early-stage sustainable technology companies</p>		
<p>Property Trading</p> <p><u>USA - Miami</u></p> <ul style="list-style-type: none"> ▪ Reach and Rise 						

Profit Bridge

	Jun 17 HK\$M	Jun 18 HK\$M	
Attributable profit	12,138	13,501	
Less: adjustments in respect of investment properties	(8,258)	(12,236)	Principally reflects an impairment charge (and associated write-offs) at SPO
Underlying profit attributable to the Company's shareholders	3,880	1,265	
Other significant non-recurring items:			
Net impairment of property, plant and equipment, and intangible assets and write-offs of deferred tax assets	2	3,911	Includes profit from sale of interests in Kowloon Bay office building and other investment properties
Profit on sale of interests in investment properties	(2)	(2,039)	Represents mainly gain on sale of interests in TravelSky and gain on deemed disposal of Air China by CX
Gain by Swire Beverages from territory and business changes in Mainland China and the USA	(1,423)	-	
Profit on sale of property, plant and equipment and other investments	(293)	(111)	Principally arises from the disposal of Beverages' Kaohsiung plant in Taiwan
Adjusted underlying profit	2,164	3,026	

Movement in Investment Properties

HK\$Bn



- Revaluation gains of HK\$15.5Bn in first half of 2018 (excluding the Group's share of revaluation movements of joint ventures).
- The increase in the valuation of the investment property portfolio is mainly due to an increase in the valuation of the office properties in Hong Kong arising from rental increases, together with a reduction of 12.5 basis points in capitalisation rate, partly offset by the exclusion of the valuation of Cityplaza Three and Cityplaza Four.



2018 Interim Results Analyst Briefing

9th August 2018 | Hong Kong