



2018 Annual Results Analyst Briefing

14th March 2019 | Hong Kong

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Agenda

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

Welcome Remarks and Highlights

Merlin Swire, Chairman





Performance Highlights

HK\$8,523m

Underlying Profit
(v. 2017)

+80%

HK\$7,489m

Recurring Underlying Profit
(v. 2017)

+57%

Performance Highlights

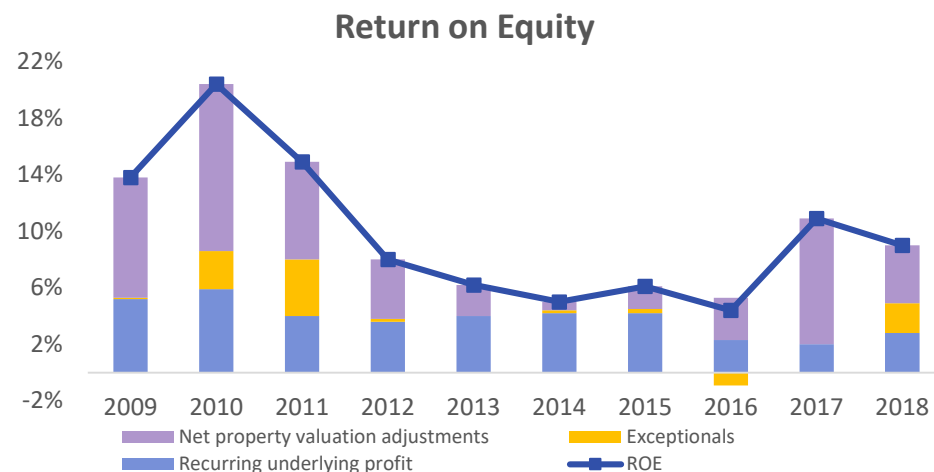
Return on Equity

	2018	5-year average
	9.0%	7.1%

Derived from:

Recurring underlying profit

	2.8%		3.1%	
Exceptionals	2.1%	#	0.3%	#
Net property valuation adjustments	4.1%	#	3.7%	#



For the calculation of ROE and 5-year average ROE in this presentation, the attributable valuation gain of HK\$4.4bn for Cityplaza 3 & 4 is reclassified from net property valuation adjustments to exceptionals.

Dividend per 'A' Share (HK\$)

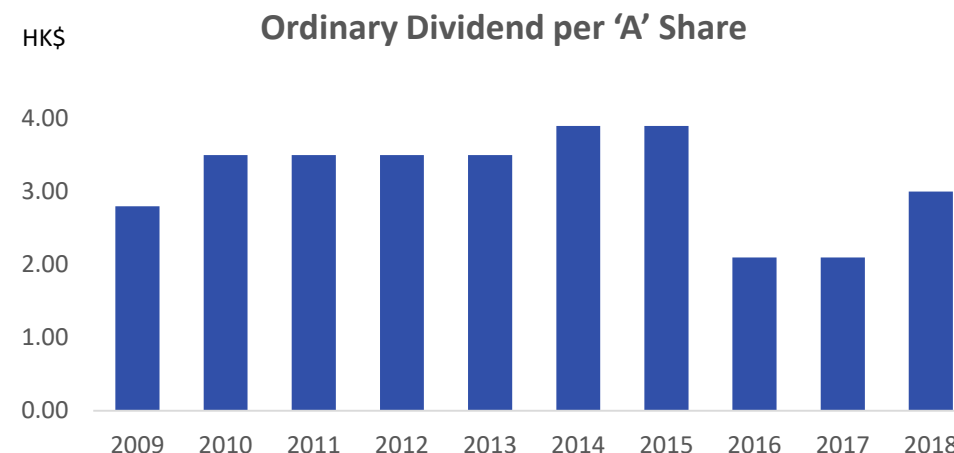
(v. 2017)

	2018	5-year CAGR
	3.00	-3.0%

+43%

Dividend Payout Ratio*

	2018	5-year average
	53%	63%



* Based on underlying profit

Key Operating Highlights of 2018

- A year of consolidation and recovery for Swire Pacific.
- Property continued to deliver solid results.
- Cathay Pacific returned to profitability and transformation programme is on track.
- Successful integration of new Beverages franchises in Mainland China and USA.
- SPO was still under pressure and significant impairment was made.
- Mixed results in Trading & Industrial.

Capital Reallocation

We divest from businesses which have reached their full potential under our ownership, and recycle the capital released into existing or new businesses.

Sale of Kowloon Bay office building completed, sales of Cityplaza Three and Cityplaza Four conditionally agreed. Sales of non-core investment properties.

Sale of the cold storage and paints businesses.

Privatisation of HAECO.



Strategic Divestments of Non-Core Assets

Asset disposals (100% Basis)	Before 2018 HK\$Bn	2018 HK\$Bn	2019 HK\$Bn	Total HK\$Bn
Kowloon Bay Office Building	1.3	5.2	-	6.5
Cityplaza Three and Cityplaza Four	-	3.0	12.0	15.0
Other non-core properties in Hong Kong	-	2.0	1.7	3.7
T&I businesses	-	5.7	0.1	5.8
Total proceeds	1.3	15.9	13.8	31.0

Note : Attributable underlying profit of HK\$4.9bn was recognised in 2018 arising from the strategic divestments.

Investments in Core Businesses



- 1.25m sq. ft. retail project, Taikoo Li Qiantan, is under development. It is expected to be completed in 2020.
- Two Taikoo Place to be completed in 2021 or 2022.
- Submitted compulsory sale applications in respect of Wah Ha and Zung Fu industrial buildings.
- Planning permission to develop the Po Wah Building site for office use was obtained in November 2018.
- A 50% joint venture submitted a compulsory sale application in respect of a site at 983-987A King's Road and 16-94 Pan Hoi Street, Quarry Bay, Hong Kong.



- Significant investment in
 - distribution centres and manufacturing facilities.
 - cold drink equipment, full service vending and digital capabilities.



- HAECO continues to invest in improving capabilities, in particular in the engine and cabin solutions businesses.
- CX continues to invest in fuel-efficient fleet. 71 new aircraft were on order at the year end of 2018.

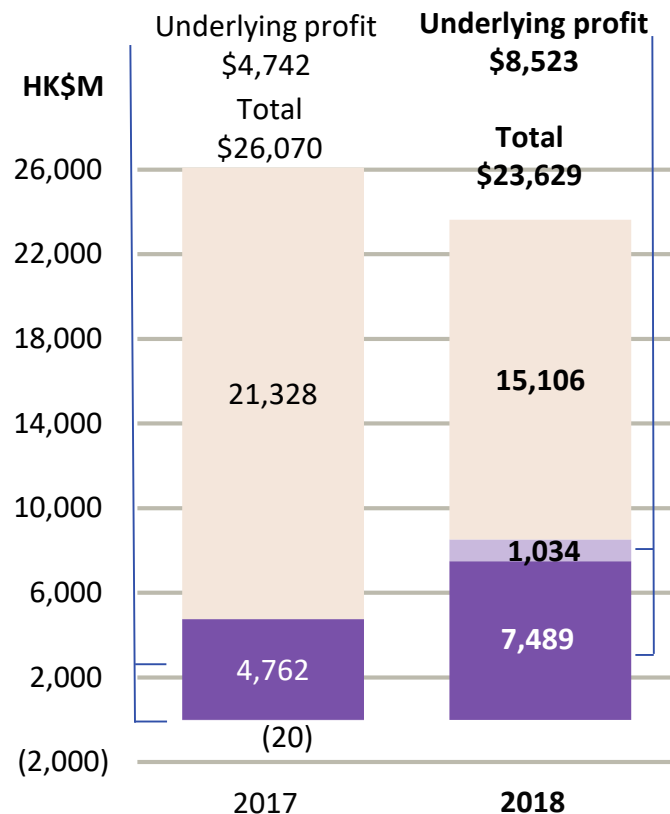
Financial Performance

Michelle Low, Finance Director



Financial Summary

Attributable Profit



- Net property valuation adjustments
- Recurring underlying profit
- Exceptionals

Revenue

2017: HK\$80,289m

2018: HK\$84,606m

+5%

Underlying Profit

2017: HK\$4,742m

2018: HK\$8,523m

+80%

Recurring Underlying Profit

2017: HK\$4,762m

2018: HK\$7,489m

+57%

Dividends Per Share

2017:

HK\$2.10 per 'A' share

HK\$0.42 per 'B' share

2018:

HK\$3.00 per 'A' share

HK\$0.60 per 'B' share

+43%

Cash Generated from Operations

2017: HK\$19,605m

2018: HK\$18,328m

-7%

Net Debt

Dec 2017: HK\$72,514m

Dec 2018: HK\$62,667m

-14%

Gearing Ratio

Dec 2017: 23.7%

Dec 2018: 19.3%

**-4.4%
pt**

Equity Attributable to the Company's Shareholders

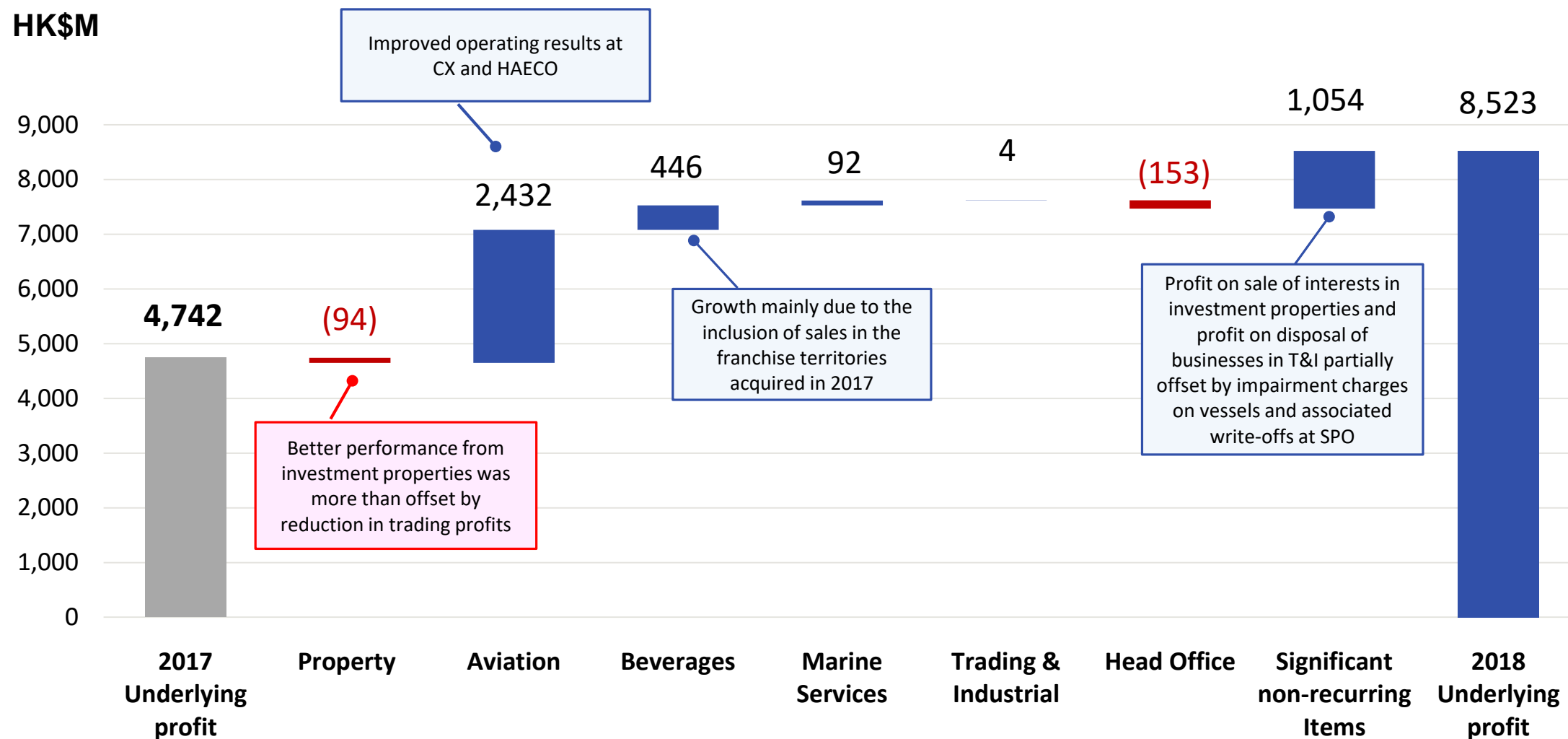
Dec 2017: HK\$253,163m

Dec 2018: HK\$270,424m

+7%

Note : Underlying profit principally adjusts for changes in the valuation of investment properties. Recurring underlying profit adjusts additionally for significant credits and charges of a non-recurring nature, including gains and losses on the sale of businesses and investment properties and non-cash impairments.

Financial Summary - Movement in Underlying Profit

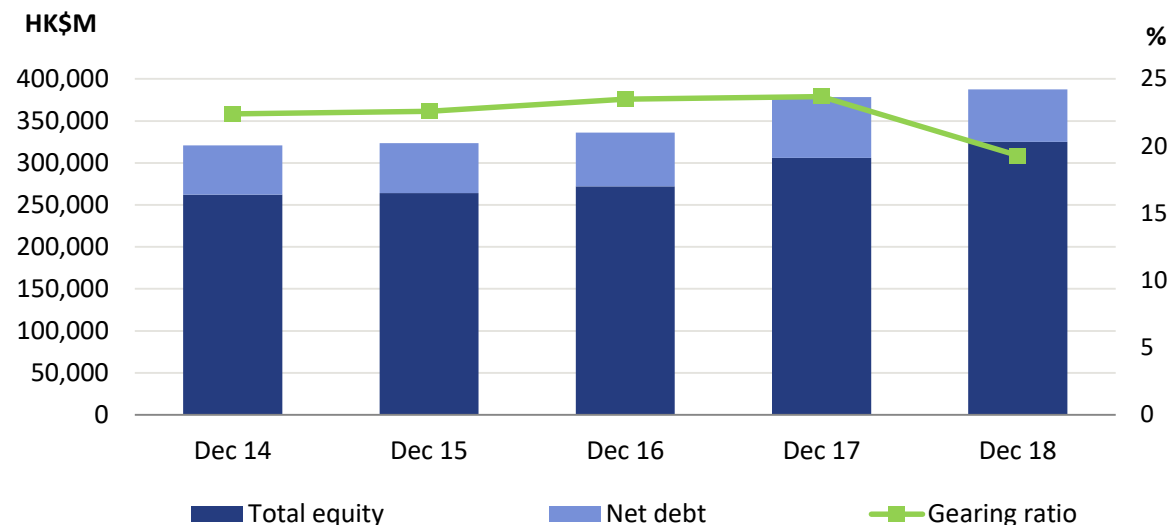


Financial Summary - Financing

Net Debt Movements

	HK\$Bn
Net debt at 1st January 2018	72.5
Cash from operations	(18.3)
Net dividend paid	2.9
Capex and investments	14.6
Disposal proceeds	(14.0)
Net interest paid	2.4
Tax paid	2.2
Others	0.4
Net debt at 31st December 2018	62.7

Gearing Ratio

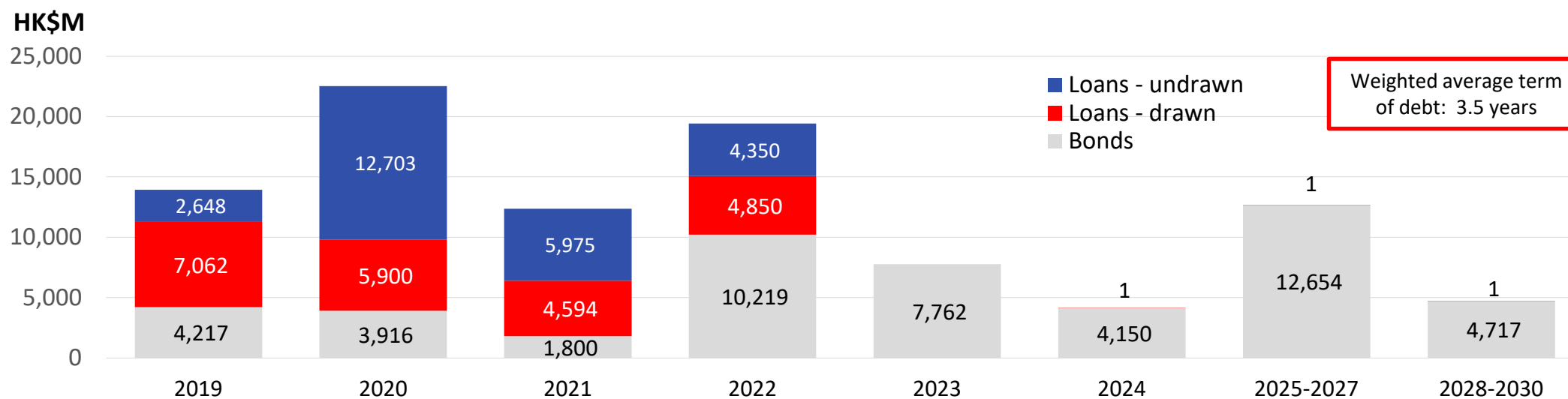


	Dec 17	Dec 18
Interest cover (underlying) – times	4.7	5.6
Cash interest cover (underlying) – times	4.0	5.0
Weighted average cost of debt (%)	3.5%	3.5%
Gross borrowings on fixed rate basis (%)	71%	74%

Financial Summary - Liquidity

	Dec 17 HK\$M	Dec 18 HK\$M	Change %
Bank balances and short-term deposits	6,072	9,112	+50%
Total undrawn facilities			
- Committed	21,307	25,676	+21%
Group committed liquidity	27,379	34,788	+27%
- Uncommitted	11,851	8,450	-29%
Group total liquidity	39,230	43,238	+10%

Financing Maturity Profile at 31st December 2018



Financial Summary – Forward Capital Allocation Snapshot

Capital Commitments*	Property HK\$M	HAECO 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	10,180	593	1,428	99	66	12,366
Expenditure (commitments fulfilled)	(6,676)	(598)	(877)	(628)	(26)	(8,805)
Cancelled commitments and other movements	(82)	(327)	(387)	(659)	(110)	(1,565)
At 31st December 2018	17,622	622	931	543	71	19,789
% of total*	89%	3%	5%	3%	0%	100%

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

Business Review by Division

Merlin Swire, Chairman

Michelle Low, Finance Director

Patrick Healy, Managing Director, Swire Beverages





Property

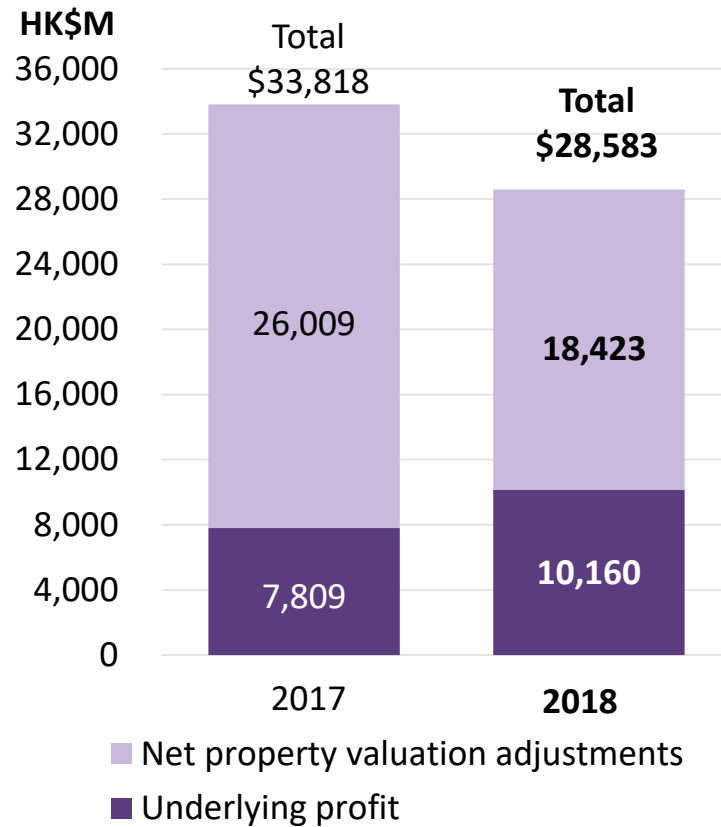


Highlights

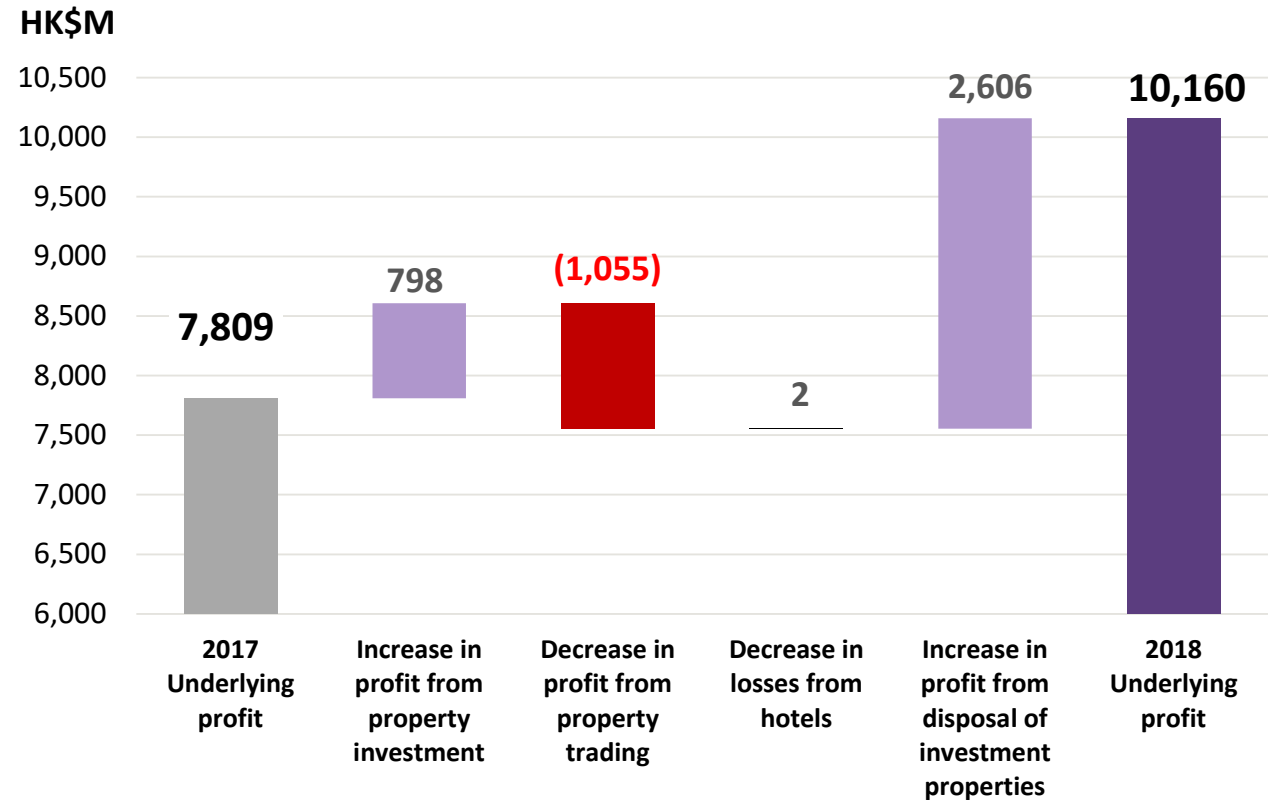
- Hong Kong office rental income increased due to positive rental reversions and firm occupancy. One Taikoo Place opened in the last quarter of 2018.
- Solid growth in Hong Kong retail rental income, reflecting improved market conditions and previous changes to the trade mix.
- Mainland China retail gross rental income grew by 13%. Occupancy rates at the offices in Mainland China were close to 100%.
- Gross rental income in the USA almost doubled, mainly because more shops were open at the shopping centre.
- Profit from property trading decreased with fewer units sold.
- Performance of the hotels continued to improve in 2018, partly offset by pre-opening costs at hotels in Shanghai in Mainland China.

12% increase in recurring underlying profit from property investment

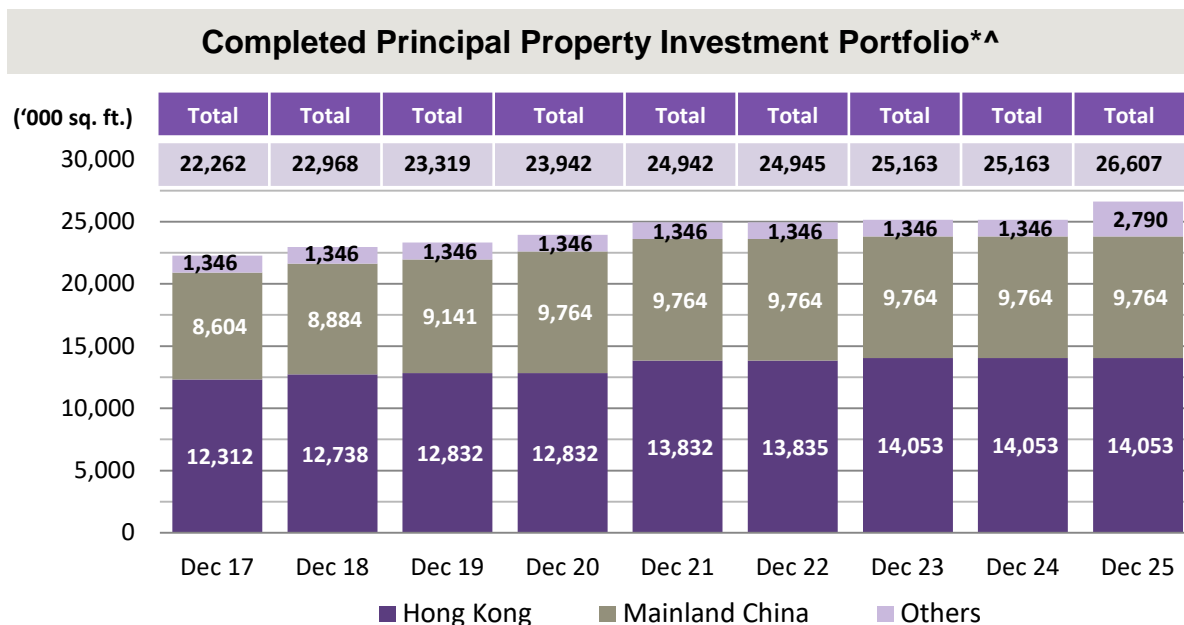
Attributable Profit (100% basis)



Movement in Underlying Profit (100% basis)



Future Developments



Projects	Expected completion date
Hong Kong	
Tung Chung Town Lot No.11	2019
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 31st December 2018

(HK\$M)	Expenditure	Forecast period of expenditure				Commitments
	2018	2019	2020	2021	2022 and later	at 31st Dec 2018
Hong Kong	5,479	1,734	3,924	2,908	6,647	15,213
Mainland China	2,463	1,440	406	90	145	2,081
USA and others	168	266	18	44	-	328
Total	8,110	3,440	4,348	3,042	6,792	17,622

* 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.

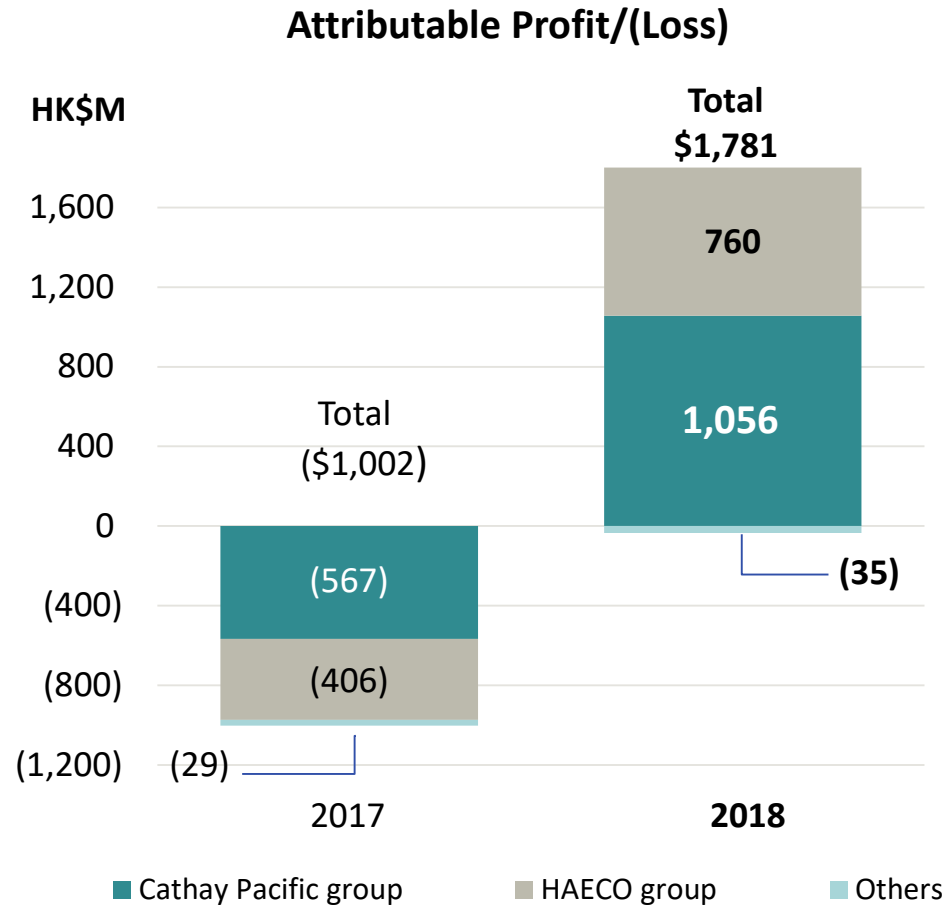
^ The remainder of Cityplaza Three and the whole of Cityplaza Four are excluded from 2018.

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

Aviation



Aviation Division returned to profitability



Key Financial Data		
	2018 HK\$M	Change %
HAECO group		
Revenue	14,892	+2%
Operating profit	1,140	n.a.
Attributable profit	760	n.a.
Share of post-tax profit from an associated company		
Cathay Pacific group	1,056	n.a.

Highlights – CX

- Environment was difficult in 2018. Competition was intense, fuel prices increased and the US dollar strengthened.
- Passenger business benefited from capacity growth, a focus on customer service and improved revenue management.
- Cargo business was strong with increases in capacity, yield and load factors.
- Transformation programme on track.

Key Financial Data		
CX group (100% basis)		
HK\$M	2018	Change %
Revenue	111,060	+14%
Passenger services	73,119	+10%
Cargo services	28,316	+18%
Others	9,625	+38%
Net fuel cost	33,869	+9%
Share of profits from subsidiaries and associated companies	2,104	-31%
Attributable profit	2,345	n.a.

Key Operating Statistics		
	2018	Change %
Available tonne kilometres (ATK) ('M)	32,387	+3%
Revenue passengers carried ('000)	35,468	+2%
Passenger yield (HK¢)	55.8	+7%
Passenger load factor (%)	84.1	-0.3% pt
Passenger revenue per ASK (HK¢)	47.1	+7%
Cargo and mail carried (Tonnes '000)	2,152	+5%
Cargo and mail yield (HK\$)	2.03	+15%
Cargo and mail load factor (%)	68.8	+1.0% pt
Cargo and mail revenue per AFTK (HK\$)	1.40	+17%

Highlights – HAECO

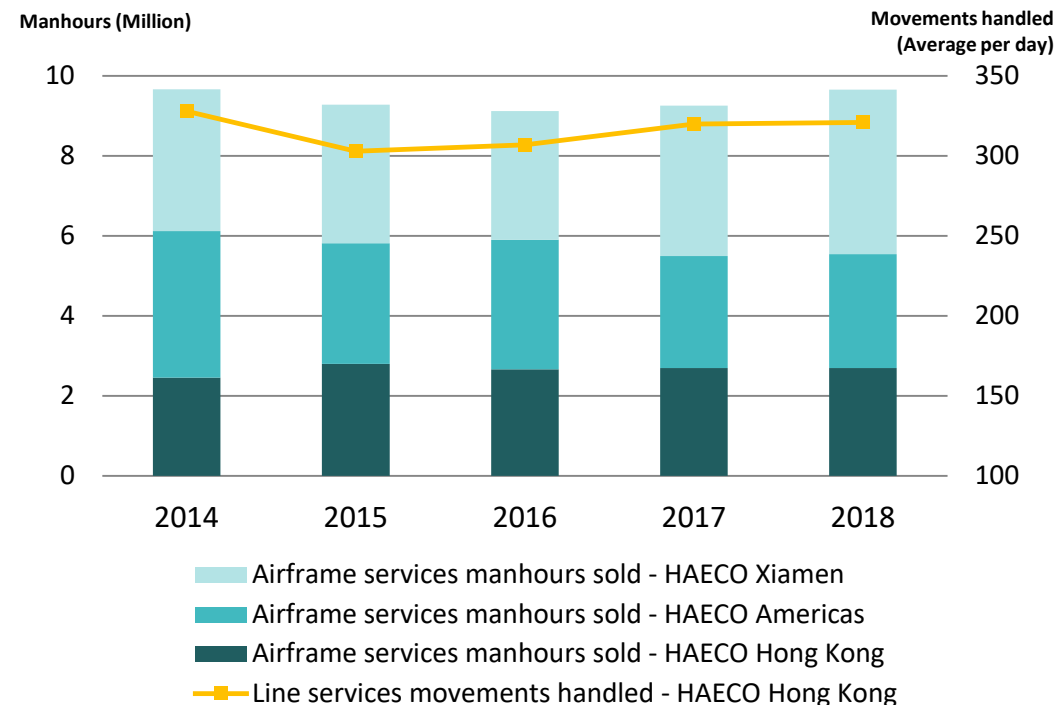
- Privatisation of HAECO was completed in November 2018.
- Loss of HAECO Americas reduced significantly, reflecting higher margin airframe services work and efficiency gain.
- HAECO Xiamen profit increased by 73% due to increase in airframe services work and favourable foreign exchange rate movements.
- HAESL recorded a 53% increase in profit due to increase in engine volume and a heavier work mix.

Key Financial Data

Recurring Profit/(Loss) (100% basis)

	2018 HK\$M	Change %
HAECO Hong Kong	261	+2%
HAECO Americas	(290)	-52%
HAECO Xiamen	233	+73%
TEXL	182	-13%
HAESL	374	+53%
Others	191	+97%
Total	951	+180%

Key Operating Statistics



Beverages

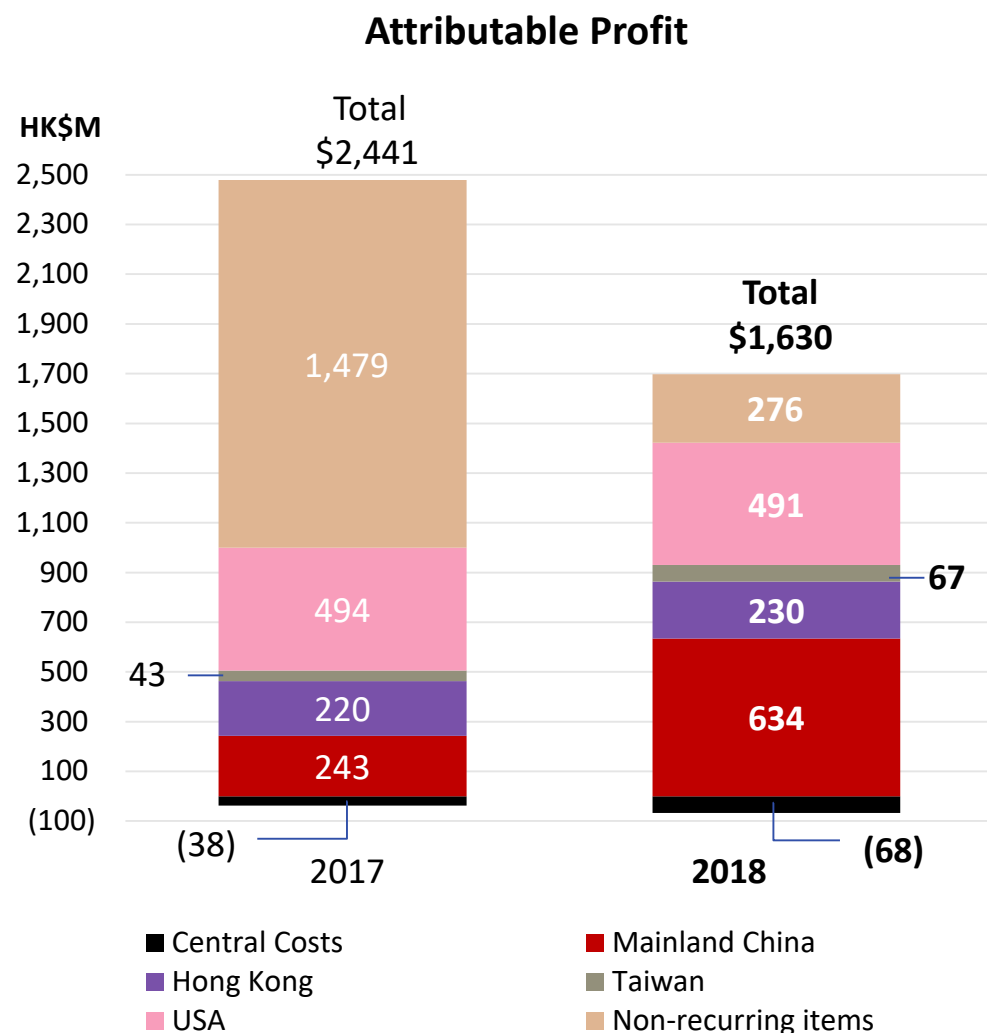




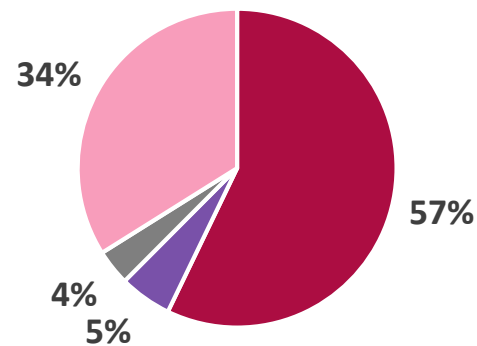
Highlights

- Significant growth in recurring profit principally reflecting the inclusion of new territories and improvement in profitability in existing territories in Mainland China.
- Revenue growth was faster than volume growth due to improvement in product and package mix and price increases in all territories.
- Revenue growth was reflected in improved EBITDA margins in Mainland China and Taiwan. In the USA and Hong Kong, the positive effect of revenue growth on EBITDA margins was more than offset by increases in raw material and operating costs.
- Significant capital expenditure planned on distribution centres, manufacturing facilities, cold drink equipment, full service vending and digital capabilities.
- Continuous expansion of category, product and package portfolio to gain share of overall beverage market.
- Setting up a joint venture to establish Hong Kong's first dedicated PET and HDPE recycling facility.

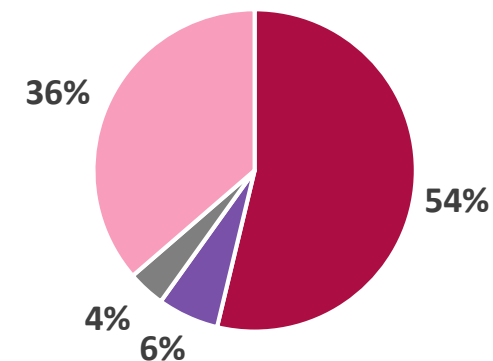
41% increase in recurring profit



2018 Revenue



2017 Revenue



^ Revenue includes that of joint venture companies.

■ Mainland China ■ Hong Kong ■ Taiwan ■ USA

Key Financial Data

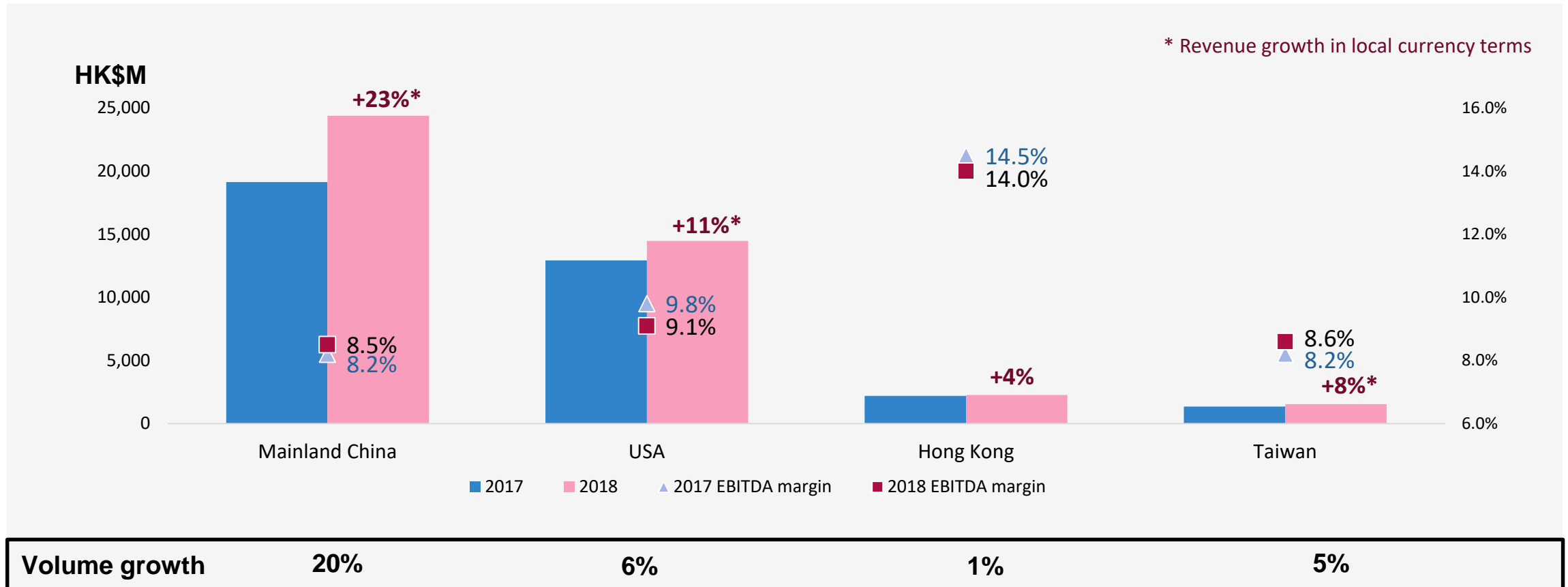
HK\$M	2018	Change %
Attributable profit	1,630	-33%
Recurring profit*	1,354	+41%
Recurring EBITDA [#]	3,840	+18%
EBITDA margin [#]	9.0%	-0.2% pt

* Excludes non-recurring items.

[#] Includes that of joint venture companies and excludes non-recurring gains and central costs.

Revenue and EBITDA Margin Analysis

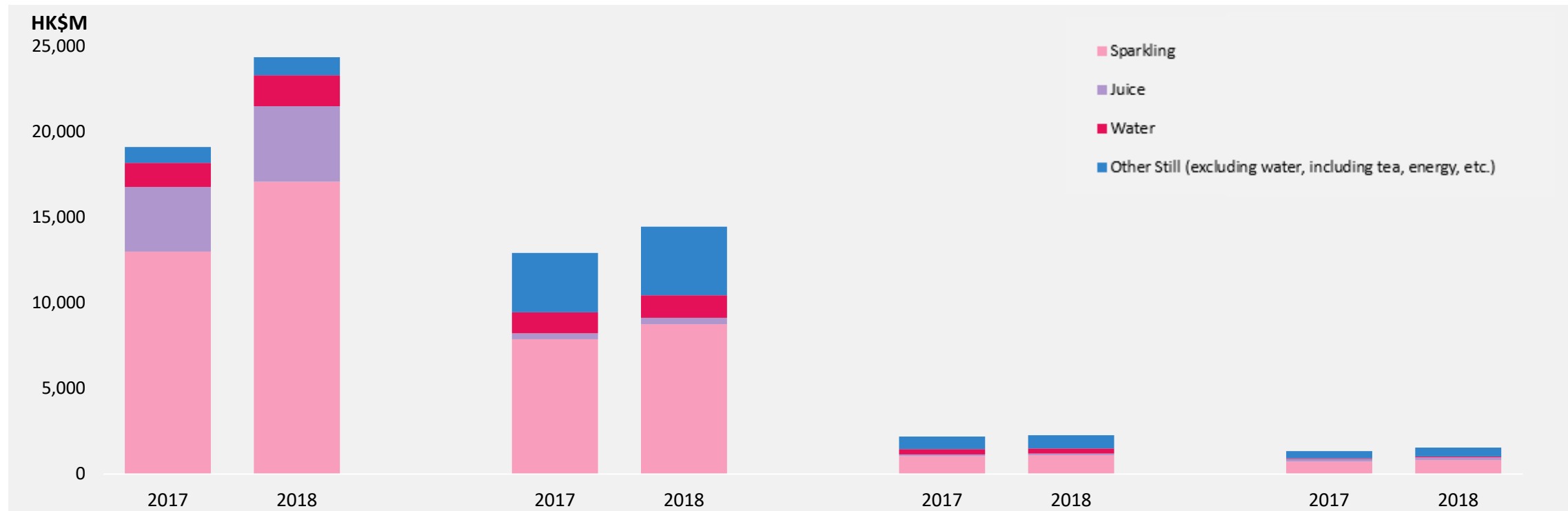
- Revenue increased by **20%** and volume grew by **16%**. Overall EBITDA margin was **9.0%**.



Revenue and volume include that of joint venture companies and exclude sales to other bottlers. EBITDA margin includes that of joint venture companies and excludes non-recurring gains and central costs.

Revenue Analysis by Category

- Revenue growth was faster than volume growth in almost all categories in all regions.



Mainland China

USA

Hong Kong

Taiwan

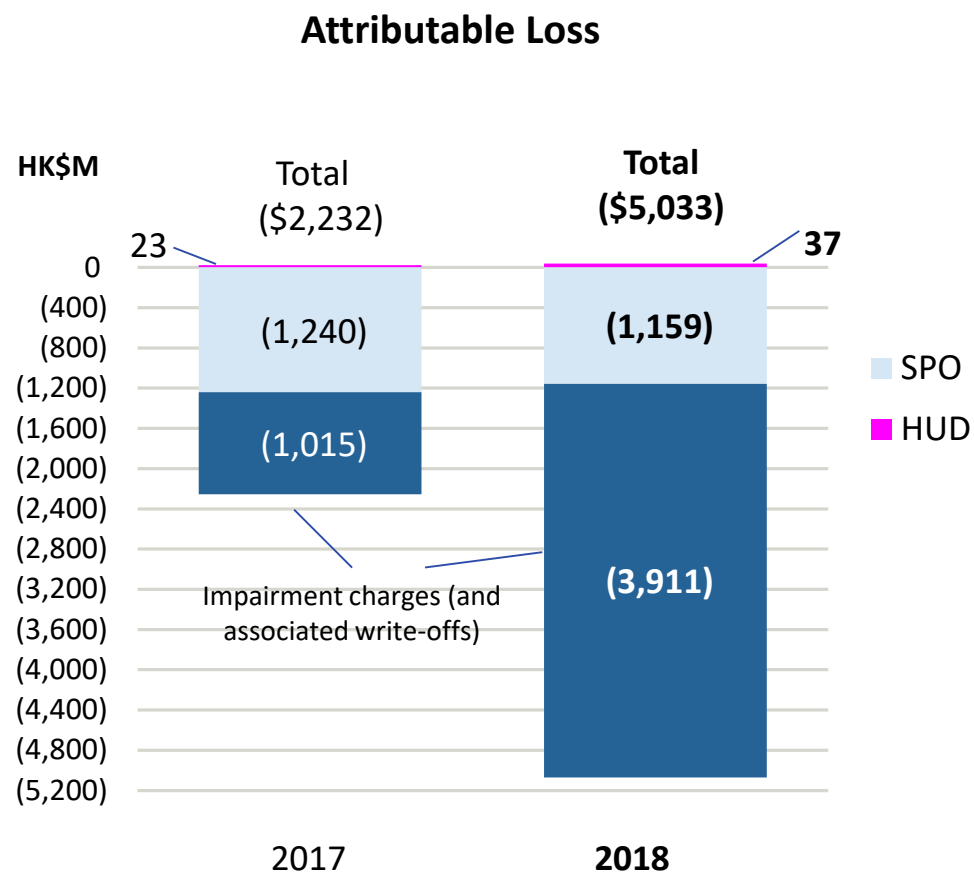
	Sparkling	Juice	Water	Other Still	Sparkling	Juice	Water	Other Still	Sparkling	Juice	Water	Other Still	Sparkling	Juice	Water	Other Still
Revenue Growth*	27%	13%	24%	10%	11%	8%	7%	15%	5%	4%	-6%	6%	4%	4%	54%	12%
Volume Growth	23%	14%	19%	1%	5%	-2%	7%	10%	3%	2%	-3%	3%	1%	4%	33%	11%

* In local currency terms

Marine Services



Significant impairment charge made



Key Highlights

- Industry conditions remain difficult although the market does appear to have bottomed out. A significant impairment charge was made.
- Charter hire rates still under pressure due to oversupply of vessels.
- SPO remains vigilant in its control of costs.
- Positive net cash inflow from operating activities.

Key Financial and Operating Data

Swire Pacific Offshore group

HK\$M	2018	Change %
Revenue	3,019	-2%
Operating loss	4,787	n.a.
Attributable loss	5,070	n.a.
Recurring loss*	1,159	-7%

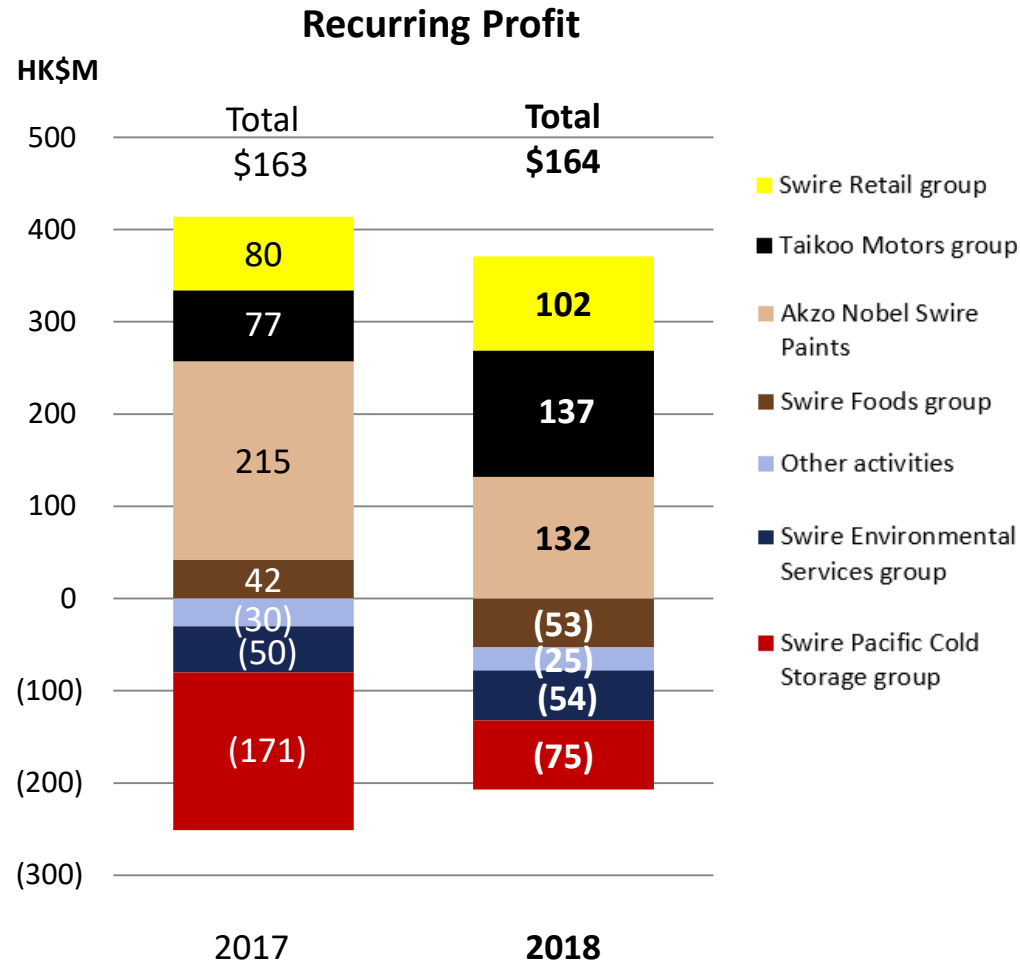
Average daily charter hire rates	USD17,200	-9%
Average fleet utilisation rate	69.9%	+7.4% pt

* Excludes impairment charges (and associated write-offs).

Trading & Industrial



The paints and cold storage businesses were disposed of



Key Highlights

Swire Retail group

- Increased margin because of less discounting and higher margins on new footwear brands.

Taikoo Motors group

- Increase in vehicles sold and lower operating costs as a percentage of revenue.

Swire Foods group

- Qinyuan Bakery incurred a loss mainly due to store and other business rationalisation costs.

Swire Pacific Cold Storage

- The business was sold in July 2018 at a small profit.

Akzo Nobel Swire Paints

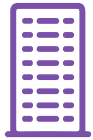
- The business was sold in December 2018 at a profit of HK\$2.8 billion.

Sustainable Development
Michelle Low, Finance Director



Sustainable Development

We invest in sustainable development, because it is the right thing to do and because it supports long-term growth through innovation and improved efficiency.



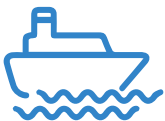
- As at 31st December 2018, 92% of all existing buildings were certified green buildings, with 75% achieving the highest ratings.
- Energy intensity in the Hong Kong and Mainland China portfolios has decreased by 25% (since 2008) and 35% (since 2010).



- In 2018, Cathay Pacific increased fuel efficiency by 1.99%, principally as a result of using more fuel-efficient aircraft.
- The carbon intensity at Cathay Pacific has decreased by 3.5% since 2014.



- At Beverages in 2018, the water use ratio improved by 2% to 1.74 litres per litre of finished beverage.
- Setting up a joint venture to establish Hong Kong's first dedicated PET and HDPE recycling facility.



- SPO published and communicated "Get Home Safe" rules to all staff in 2018.
- Total greenhouse gas emissions at SPO decreased by 13%, representing a total 18% decrease since 2015.

Outlook

Merlin Swire, Chairman



Outlook

*Well positioned to execute our investment plans.
Cautiously optimistic about continued positive momentum for many of our businesses.
Near-term challenges from macro-economic and geopolitical uncertainty.*



Continued growth expected in investment property profits.



Business environment for Cathay Pacific expected to remain challenging. Transformation programme on track.



Mixed prospects for the HAECO group.



Revenue growth expected but increased costs to put pressure on profits.



Charter hire rates remain depressed due to oversupply of vessels.



Overall recurring profits expected to increase.

Q&A

Merlin Swire, Chairman

Michelle Low, Finance Director

Patrick Healy, Managing Director, Swire Beverages

Corporate Structure

At 31st December 2018

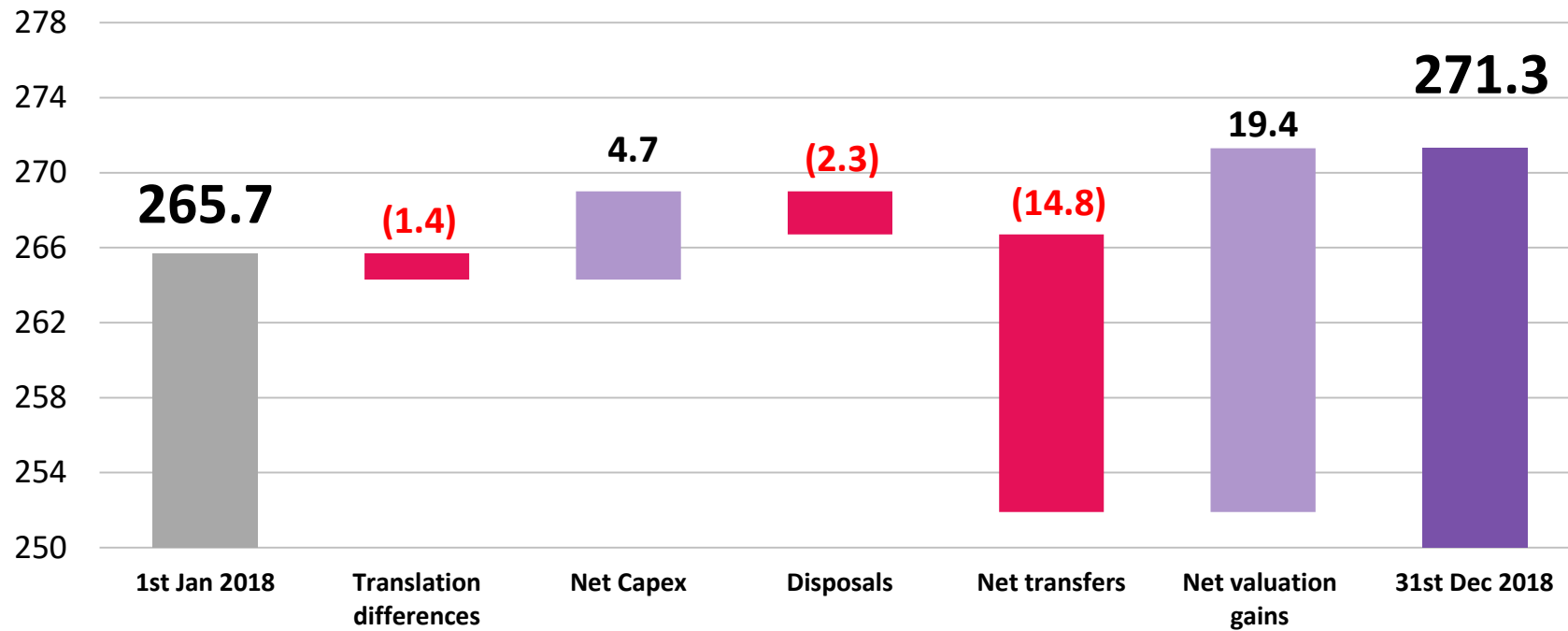
Swire Pacific Limited					
Property		Aviation	Beverages	Marine Services	T&I
Investment Properties Hong Kong <ul style="list-style-type: none">▪ Pacific Place▪ Taikoo Place▪ One Taikoo Place▪ Cityplaza▪ South Island Place▪ Citygate Mainland China <ul style="list-style-type: none">▪ Taikoo Li Sanlitun▪ INDIGO▪ Taikoo Hui▪ HKRI Taikoo Hui▪ Sino-Ocean Taikoo Li Chengdu <ul style="list-style-type: none">▪ First phase of Brickell City Centre	Future Developments Hong Kong <ul style="list-style-type: none">▪ Two Taikoo Place▪ Tung Chung Town Lot No.11▪ Po Wah Building redevelopment▪ Wah Ha and Zung Fu redevelopment▪ 983-987A King's Road & 16-94 Pan Hoi Street Mainland China <ul style="list-style-type: none">▪ Taikoo Li Qiantan▪ One Brickell City Centre	Cathay Pacific group <u>Airlines</u> <ul style="list-style-type: none">▪ Cathay Pacific▪ Cathay Dragon▪ Air Hong Kong▪ Air China (18.13%)▪ Air China Cargo (25%*) <u>Cargo Terminal</u> <ul style="list-style-type: none">▪ Cathay Pacific Services <u>Other Operations</u> <ul style="list-style-type: none">▪ Cathay Pacific Catering Services▪ Hong Kong Airport Services No. of Aircraft: 212 HAECO group <ul style="list-style-type: none">▪ HAECO Hong Kong▪ HAECO Americas▪ HAECO Xiamen (58.55%)▪ HAESL (50%)▪ TEXTL (72.86%)	Swire Beverages Has the right to manufacture, market and distribute products of The Coca-Cola Company <u>Hong Kong</u> No. of Bottling Plant: 1 <u>Mainland China</u> No. of Bottling Plants: 18 <u>Taiwan</u> No. of Bottling Plants: 1 <u>USA</u> No. of Bottling Plants: 6	Swire Pacific Offshore Operates a fleet of offshore support vessels servicing the energy industry in every major offshore production and exploration region outside the USA No. of Vessels: 77 HUD Engineering and harbour towage services in Hong Kong No. of Vessels: 19	Trading Swire Resources Distribution and retailing of footwear, apparel and related accessories in Hong Kong, Macau and Mainland China Taikoo Motors Distribution and retailing of motor vehicles principally in Taiwan Industrial Swire Foods group: <ul style="list-style-type: none">▪ Swire Foods (including Taikoo Sugar) Packaging and selling sugar in Hong Kong and Mainland China <ul style="list-style-type: none">▪ Qinyuan Bakery A leading bakery chain in southwest China Swire Environmental Services group: <ul style="list-style-type: none">▪ Swire Waste Management Provision of waste management services in Hong Kong <ul style="list-style-type: none">▪ Swire Sustainability Fund Investment in early-stage sustainable technology companies
Hotels Hong Kong <ul style="list-style-type: none">▪ The Upper House▪ EAST, Hong Kong Mainland China <ul style="list-style-type: none">▪ The Opposite House▪ EAST, Beijing▪ The Temple House▪ The Middle House USA <ul style="list-style-type: none">▪ EAST, Miami					
Property Trading USA - Miami <ul style="list-style-type: none">▪ Reach and Rise Mainland China <ul style="list-style-type: none">▪ Pinnacle One					

Profit Bridge

	2017 HK\$M	2018 HK\$M	
Attributable profit	26,070	23,629	
Less: adjustments in respect of investment properties	(21,328)	(15,106)	Comprised mainly the impairment charge and associated write-offs at SPO of HK\$3.9bn
Underlying profit attributable to the Company's shareholders	4,742	8,523	
Other significant non-recurring items:			
Net impairment of property, plant and equipment and intangible assets and write-offs of deferred tax assets	1,743	4,185	Profit mainly represented the gain on disposal of the Kowloon Bay office development and gains on disposal of other non-core properties in Hong Kong
Profit on sale of interests in investment properties	(12)	(2,155)	
Loss/(profit) on sale of T&I businesses	94	(2,792)	
Profit on sale of property, plant and equipment and other investments	(294)	(140)	Profit principally arose from the disposal of the paints business
Gain by Swire Beverages from territory and business changes in Mainland China and the USA	(1,511)	(132)	
Recurring underlying profit	4,762	7,489	

Movement in Investment Properties*

HK\$Bn



- Revaluation gains of HK\$19.4Bn in 2018.
- The increase in the valuation of the investment property portfolio is mainly due to rental increases and a reduction of 12.5 basis points in the capitalisation rate applicable to office properties in Hong Kong, partially offset by the transfer of Cityplaza Three and Cityplaza Four properties to assets held for sale.

* Not including joint ventures.



2018 Annual Results Analyst Briefing

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