



**Swire Pacific**

**Interim Results 2003  
Presentation**

**7 August 2003**

**Hong Kong**

[www.swirepacific.com](http://www.swirepacific.com)



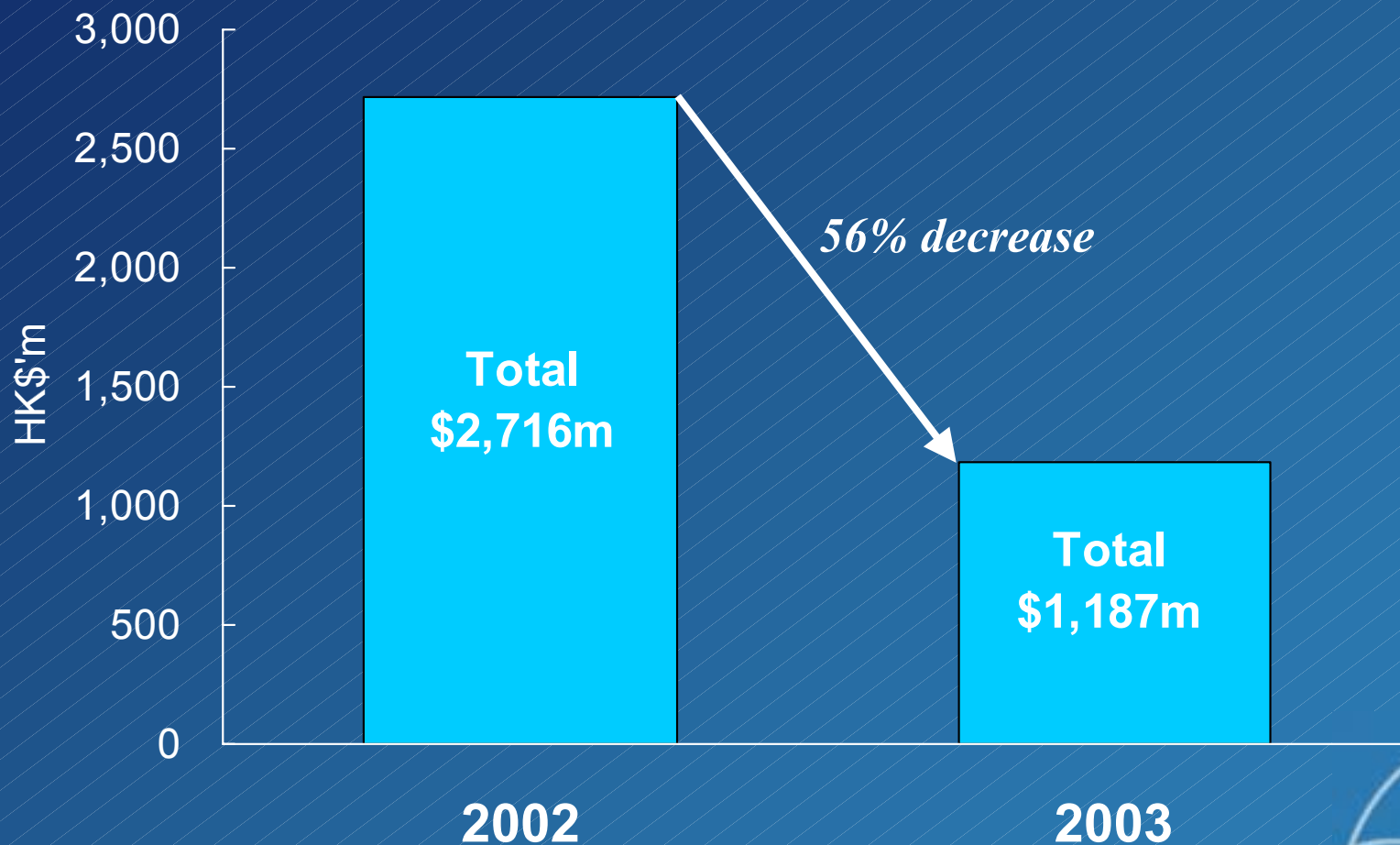
# Interim Highlights

---

- Severe impact of SARS in Q2, resulting in significant losses in aviation
- Property earnings lower due to weak demand in office rental market and slower residential sales
- Relatively strong retail property portfolio
- Beverages delivered improved profitability on good sales growth in Mainland China
- Marine and Trading/Industrial made stable profit contribution
- Strong balance sheet maintained



# Swire Pacific Attributable Profit



Six months ended 30th June



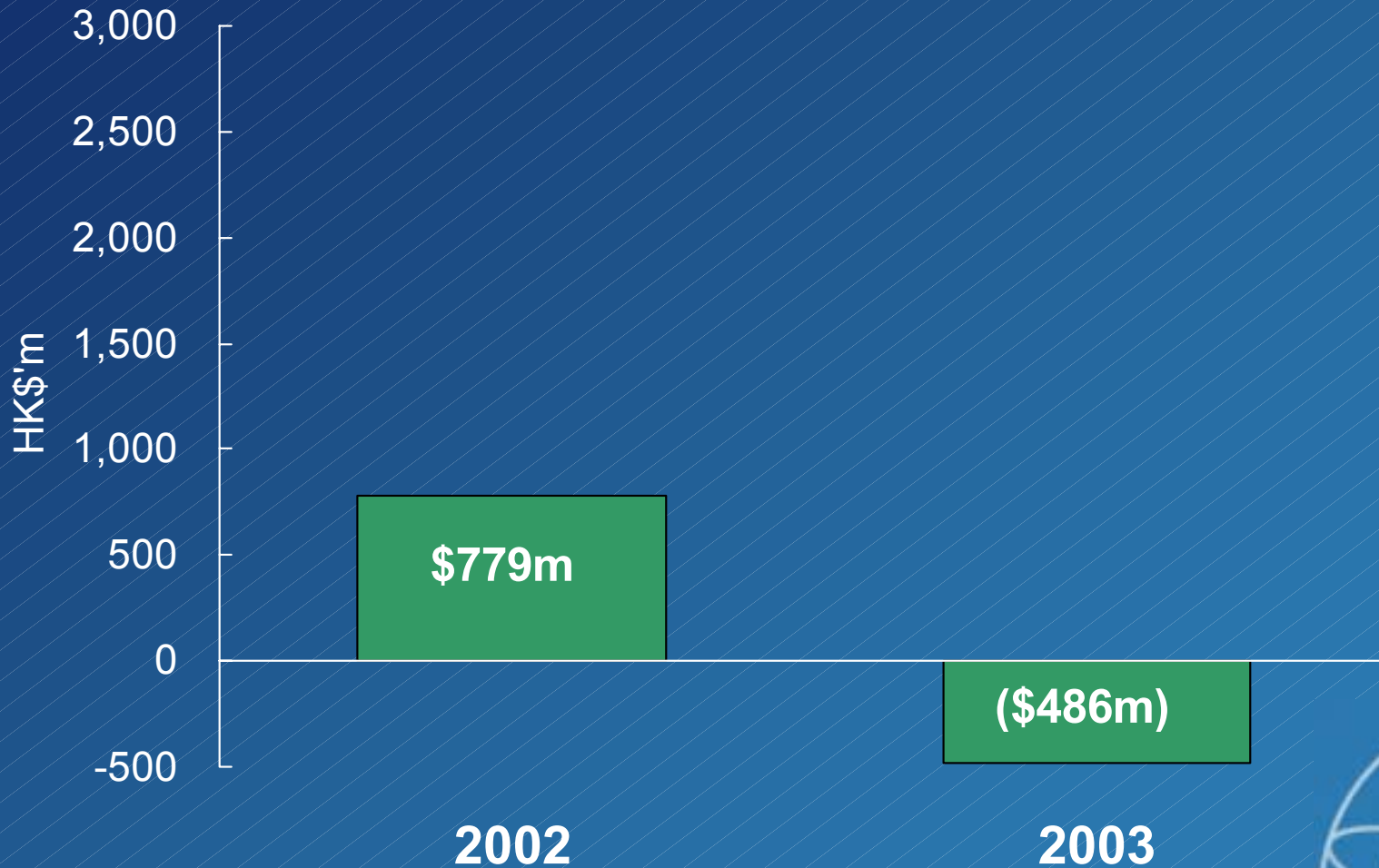
# Swire Pacific – Financial Highlights

---

<i>HK\$ Million</i>	1H02	1H03	% Change
Profit attributable to shareholders	2,716	1,187	-56%
Interim dividends	\$0.40	\$0.32	-20%
Cash generated from operations	2,041	1,942	-5%



# Attributable Profit – Aviation Division



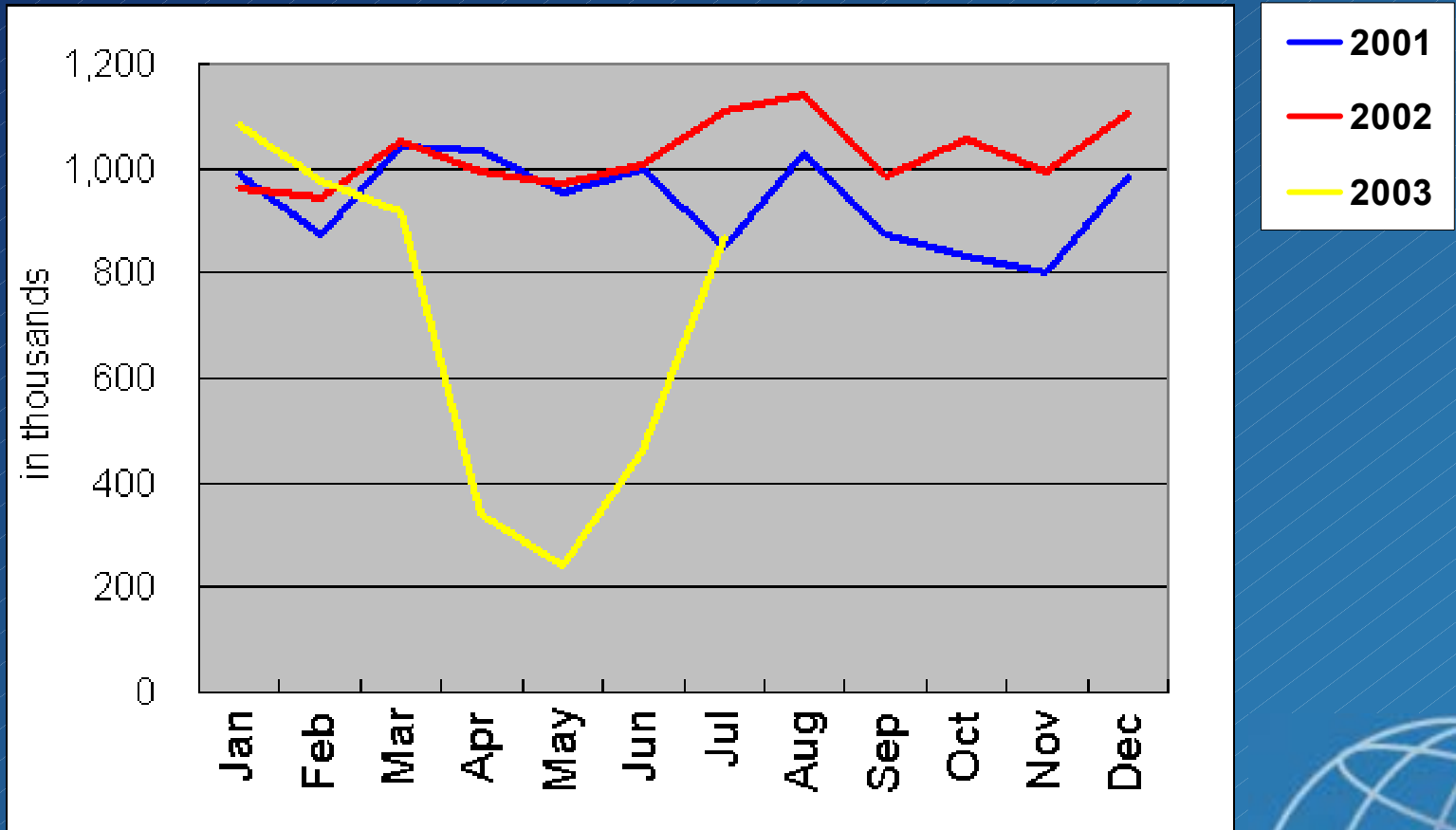
Six months ended 30th June



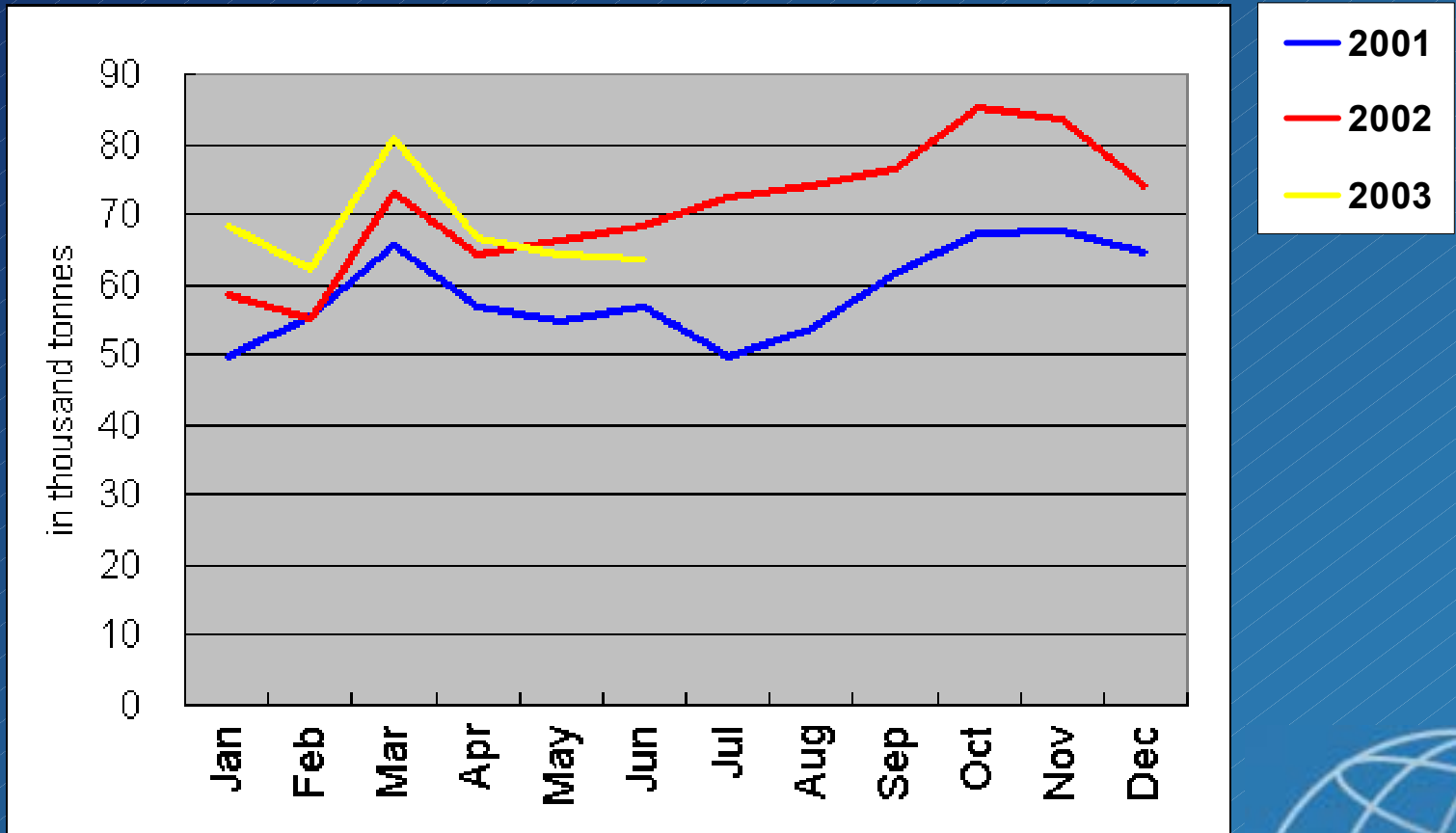
Swire Pacific



# Cathay Pacific Monthly Passenger Numbers



# Cathay Pacific Monthly Cargo Tonnage



Swire Pacific



# Aviation

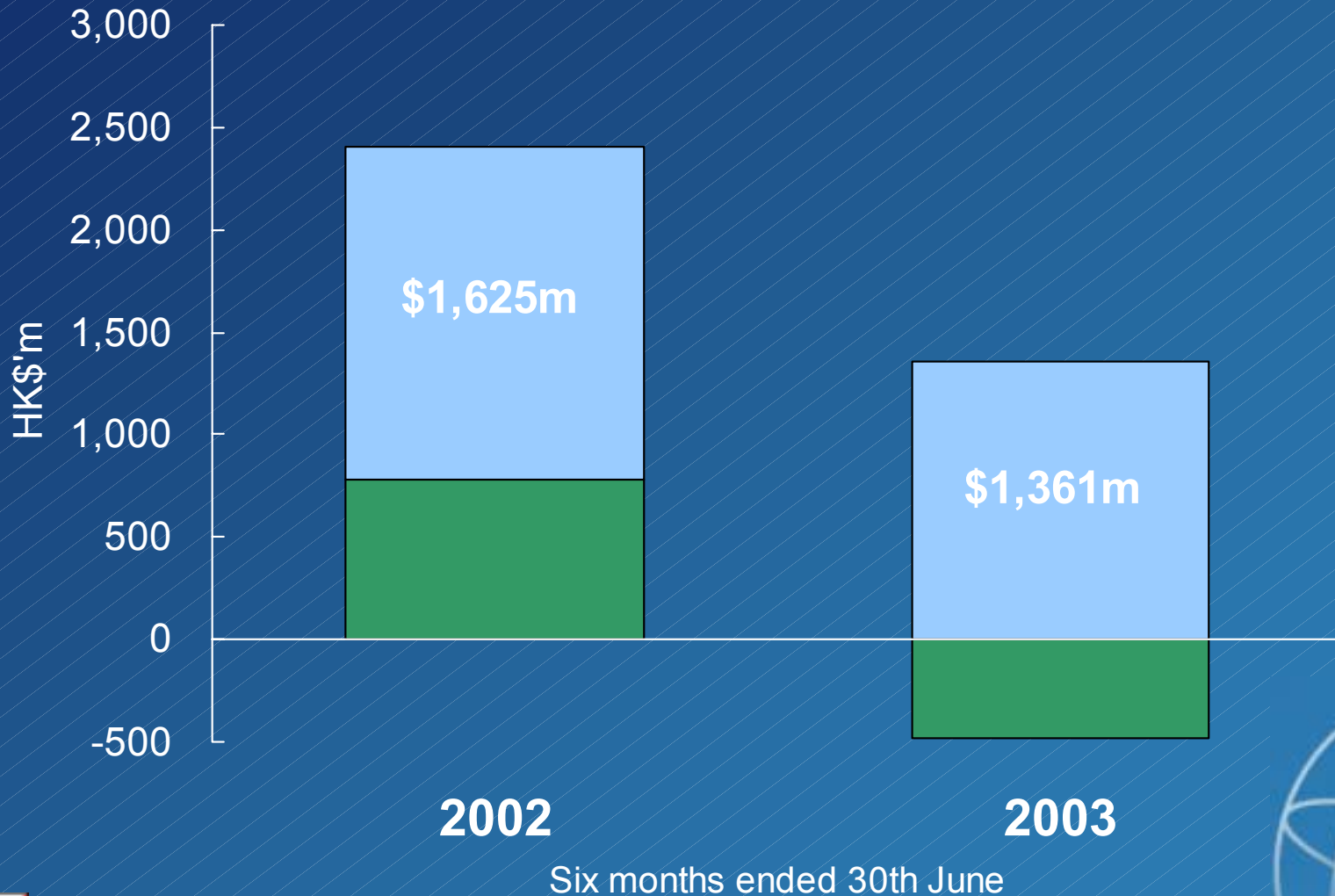
---

- Severe impact of SARS on passenger business resulting in significant losses
- CX passenger numbers for the half-year down 32%
- CX passenger yields fell 6%
- Implemented schedule cutbacks and stringent cost control measures
- Similar adverse impact felt by Dragonair, HAECO, CPCS and HAS
- Cargo business relatively unaffected, achieving tonnage growth despite reduced belly capacity





# Attributable Profit – Property Division



Swire Pacific



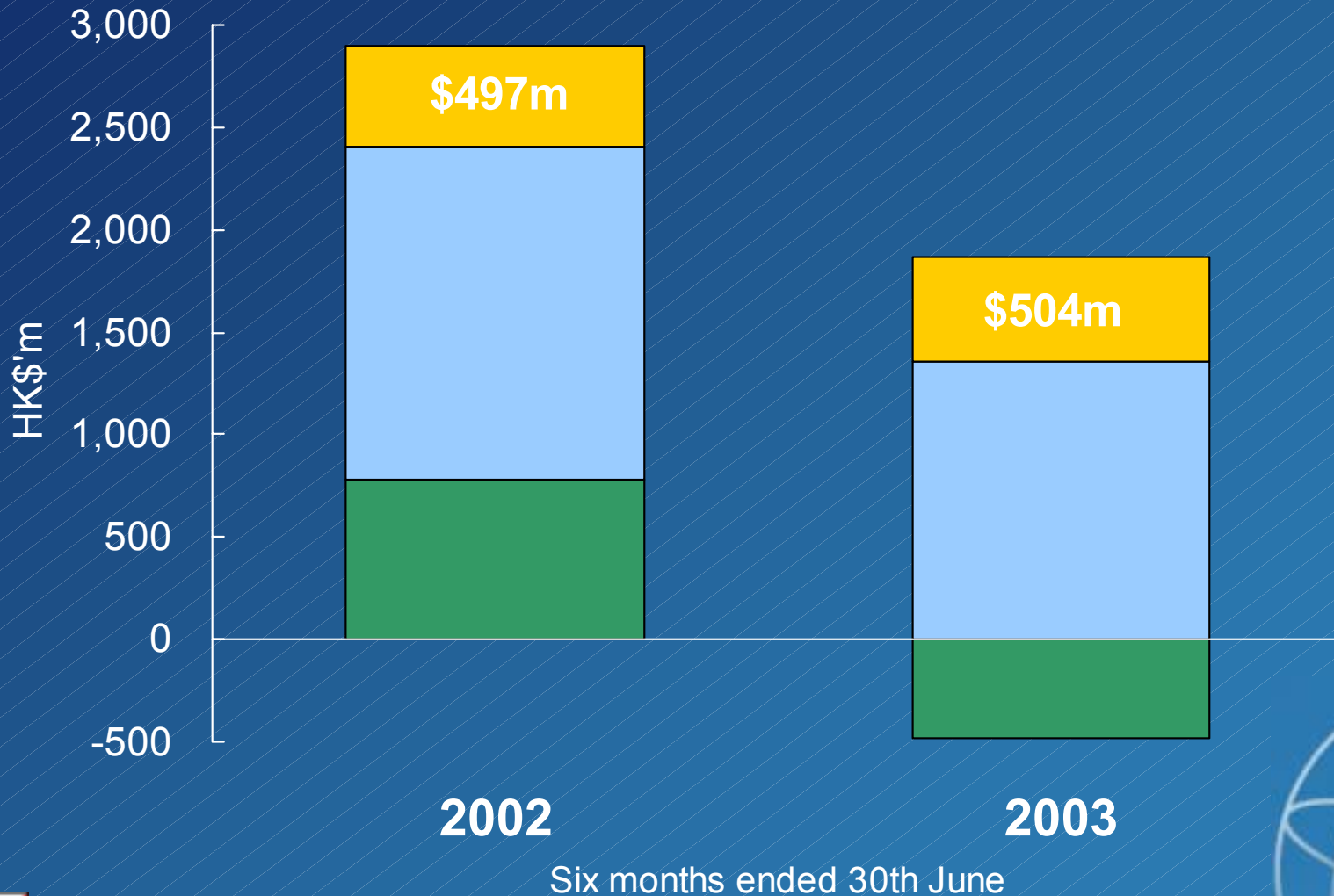
# Property

---

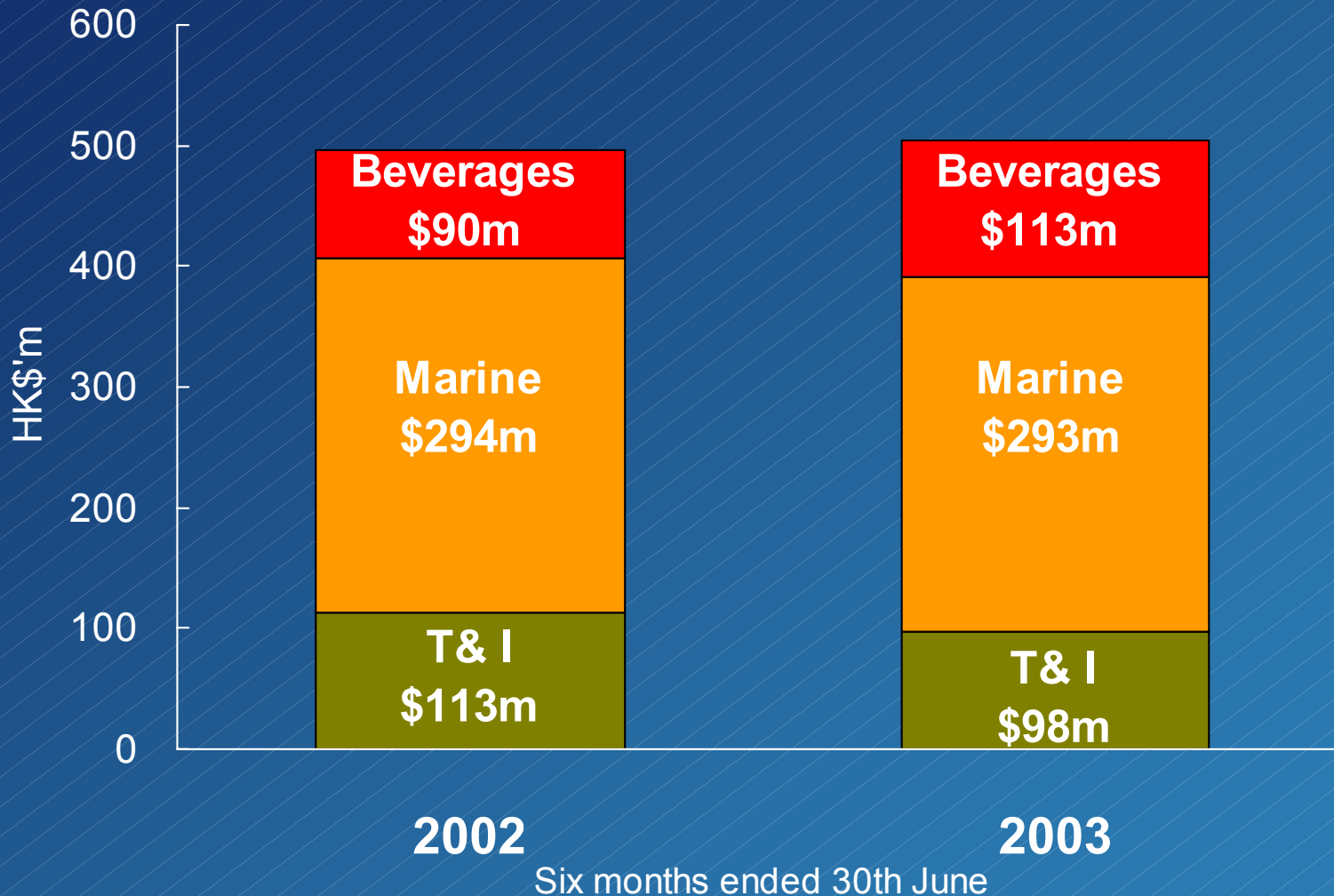
- Attributable profit fell 16%
- Lower office rentals and occupancy rates
- Retail sector held up well
- Difficult property trading market
- Steady sales of USA units
- Taikoo Shing land premium case



# Attributable Profit – Other Divisions



# Attributable Profit from Beverages, Marine Services & Trading/Industrial



# Beverages

---

- Profit contribution up 26% mainly due to good volume growth in Mainland China, and tight cost controls
- Overall volume growth 2%, but Mainland China up 9%
- Q2 Sales in Hong Kong and Taiwan affected by SARS
- USA volume down 2% but offset by price improvements
- Launched new products



# Marine

---

- Stable contribution
- Swire Pacific Offshore revenues grew with expanded capacity, but margins pressured by weakening charter rates and lower fleet utilisation
- Improved results from container terminals with strong throughput growth in Hong Kong and Southern China
- HUD/HKST gain on sale of four tugs



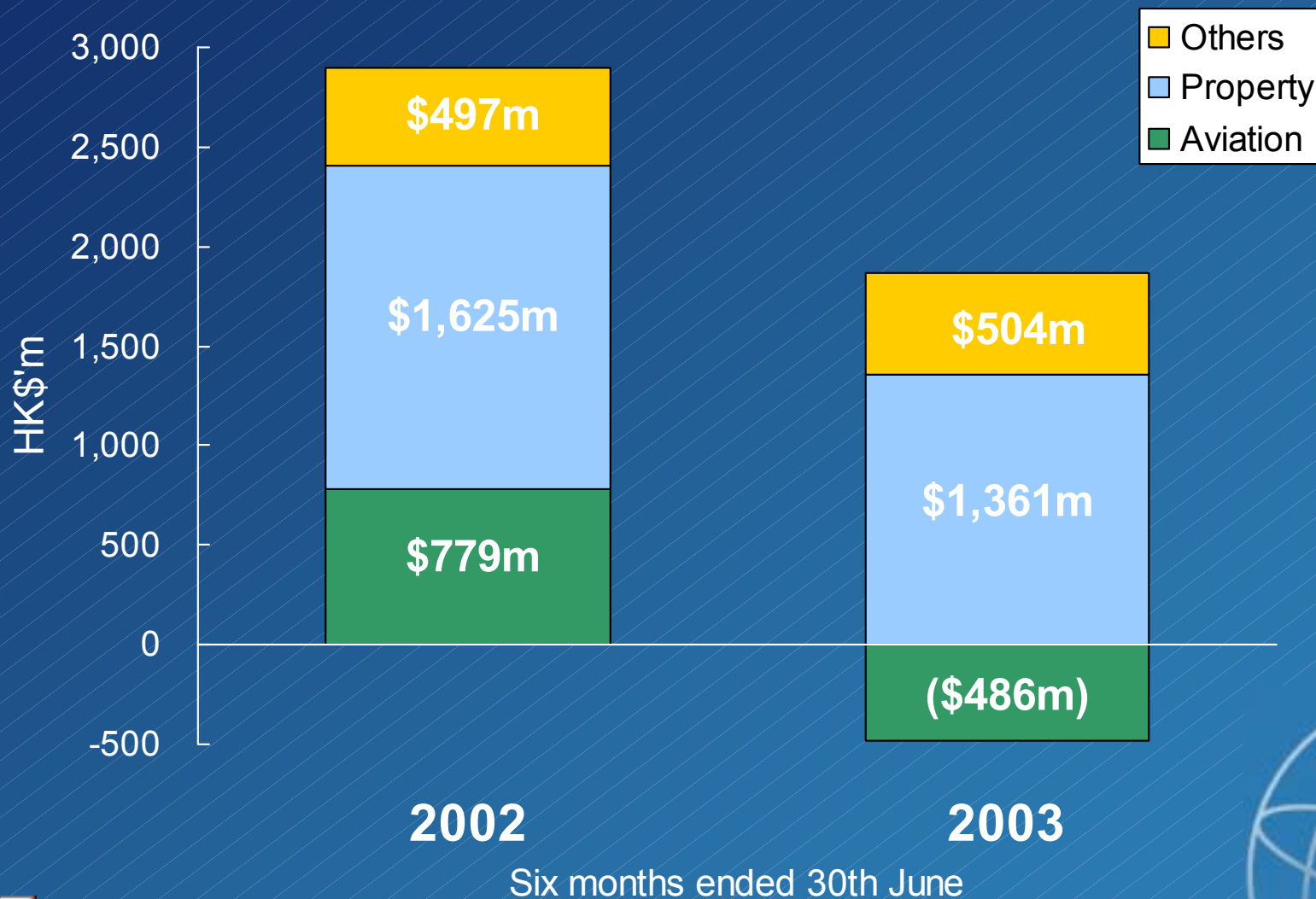
# Trading & Industrial

---

- Contribution down 13%
- Good performances from the joint ventures
- Sports shoes and apparel sales up but margins fell due to sales incentives
- Motors business in Taiwan affected by SARS, further rationalisation in Hong Kong and withdrawal from Mainland China market



# Attributable Profit – Summary by Division





# Financial Highlights – Balance Sheet

---

<i>HK\$ Billion</i>	Dec 2002	Jun 2003
Shareholders' Funds and Minority Interests	73.9	73.3
Net Borrowings	14.2	13.5
Gearing Ratio	0.19	0.18



# Financial Highlights – Liquidity

---

<i>HK\$ Billion</i>	Dec 2002	Jun 2003
<b>Facilities available</b>		
- Committed	5.3	4.1
- Uncommitted	<u>2.1</u>	<u>2.3</u>
	<u>7.4</u>	<u>6.4</u>
<b>Interest Cover</b>	7.9X	8.8X
<b>Cash Interest Cover</b>	5.0X	4.9X



# Outlook

---

- Recovery of aviation businesses underway
- Hong Kong property market remains weak, but rental income cushioned by relatively strong retail portfolio
- Other divisions generally in good shape
- Financially strong despite recent setbacks
- China's continuing rapid economic development offers new investment opportunities



# Appendix

# Attributable Profit Reconciliation by Division

Six months ended 30th June

*HK\$ Million*

	2002			2003		
	Recurrent	One-off	Total	Recurrent	One-off	Total
Property	1,311	314	1,625	1,271	90	1,361
Aviation	779	-	779	(486)	-	(486)
Beverages	90	-	90	113	-	113
Marine Services	294	-	294	293	-	293
Trading & Industrial	95	18	113	98	-	98
Central Items	(156)	(29)	(185)	(192)	-	(192)
Tax changes	-	-	-	80	(80)	-
<b>Total</b>	<b>2,413</b>	<b>303</b>	<b>2,716</b>	<b>1,177</b>	<b>10</b>	<b>1,187</b>



Swire Pacific



# Attributable Profit Reconciliation

## Non-Recurring Items

<i>HK\$ Million</i>	Six months ended 30th June	
	2002	2003
Profit before Non-recurring items	2,413	1,177
Property		
Albany sales	314	90
Trading & Industrial		
Taikoo Motors rationalisation costs	(50)	-
Disposal of Schneider Swire	68	-
Others		
Provision for SESAMi Inc.	(29)	-
Tax changes (accounting policy & tax rate)	-	(80)
Attributable Profit	<u>2,716</u>	<u>1,187</u>



# Financial Highlights – Debt Structure

---

	Year 2002	1st Half 2003
<b>WACD</b>	5.6%	5.8%
<b>excluding perpetuals</b>	4.1%	4.1%
<b>Average maturity</b>	4.4 yrs	4.3 yrs
<b>excluding perpetuals</b>	1.8 yrs	1.5 yrs

