

A stylized world map composed of a grid of small white squares, centered on the page. The map is light blue and white, set against a light blue background. The text is overlaid on the map.

2009 Interim Results

Analyst Briefing

6th August 2009 Hong Kong



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2009 Interim Highlights

- Gross rental income in the Property Division increased by 10% year-on-year. Underlying profit for the division decreased by 3%, mainly as a result of losses from the hotel interests and lower trading profits. Rental reversions in the office portfolio generally remained positive
- Cathay Pacific group's results were adversely impacted by a substantial reduction in demand for premium travel and very weak cargo demand. Recovery in the forward prices of fuel since year-end resulted in hedging gains
- Strong volume growth for Beverages, particularly in the inland provinces of Mainland China. Margins improved due to lower raw material costs
- Swire Pacific Offshore recorded a modest increase in profit despite lower utilisation in a softer market
- Trading & Industrial businesses were adversely affected by the economic conditions
- Over HK\$4bn of financing was raised. Cash and undrawn committed facilities amounted to HK\$13.2bn at 30th June 2009



Financial Summary

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	HY2008 HK\$M	HY2009 HK\$M	% Change
Attributable profit	12,341	3,231	-74%
Underlying profit	3,226	3,798	+18%
Cash generated from operations	3,621	3,900	+8%
Interim dividend per 'A' share (HK\$)	\$0.90	\$0.60	-33%
	31st Dec 2008	30th Jun 2009	
Equity attributable to the Company's shareholders	134,741	136,295	+1%
Net debt	30,446	31,895	+5%
Gearing ratio	22.4%	23.2%	+0.8%pt



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Earnings Analysis

	HY2008	HY2009
	HK\$M	HK\$M
Attributable profit	12,341	3,231
Net investment properties adjustments	(8,166)	567
Deferred tax written back on b/f valuation gains	(949)	-
Underlying profit	3,226	3,798
Other significant items:		
- Capital profits		
Interests in subsidiary companies	(53)	-
Vessels	(35)	-
Properties previously occupied by the Group	-	(110)
- Impairment of land and stand-alone hotels	-	75
	(88)	(35)
Adjusted profit	3,138	3,763



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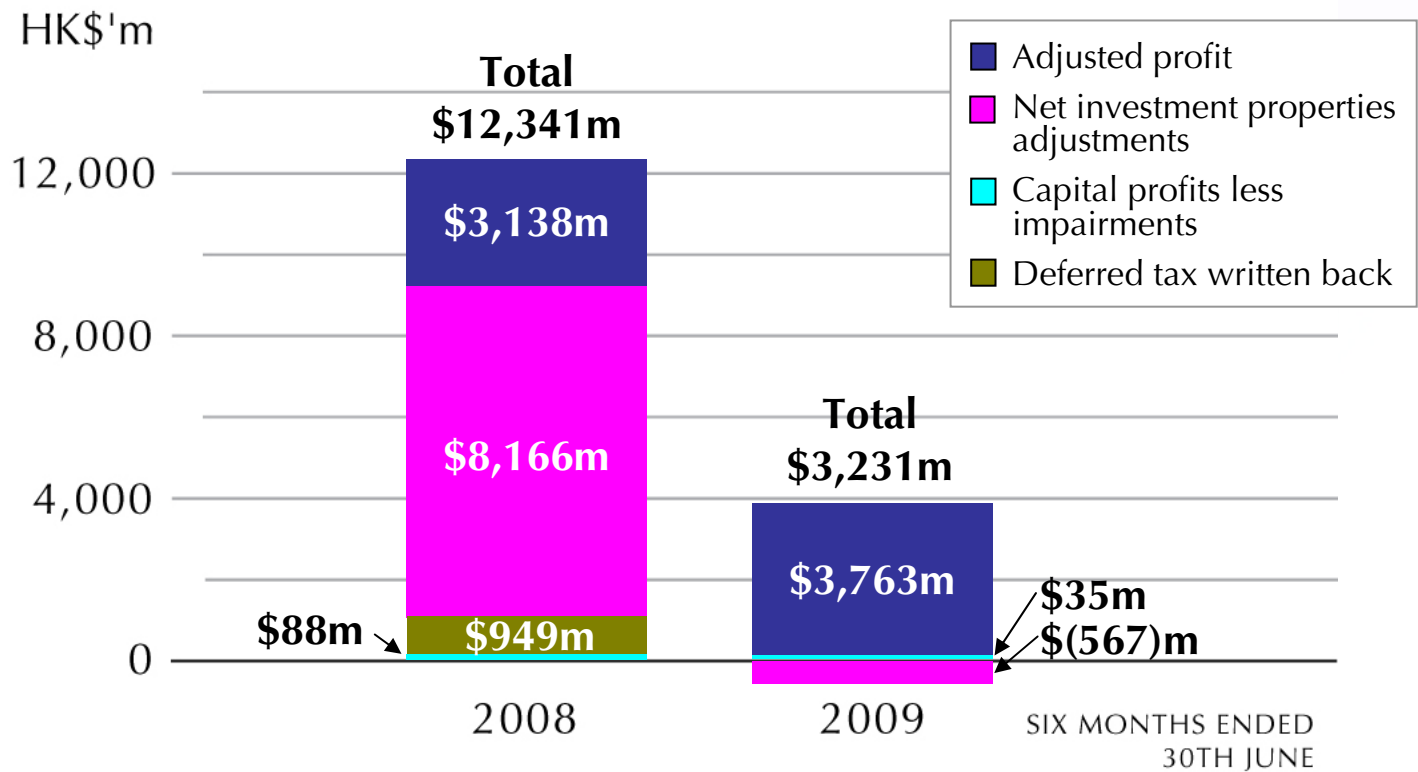
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Attributable Profit





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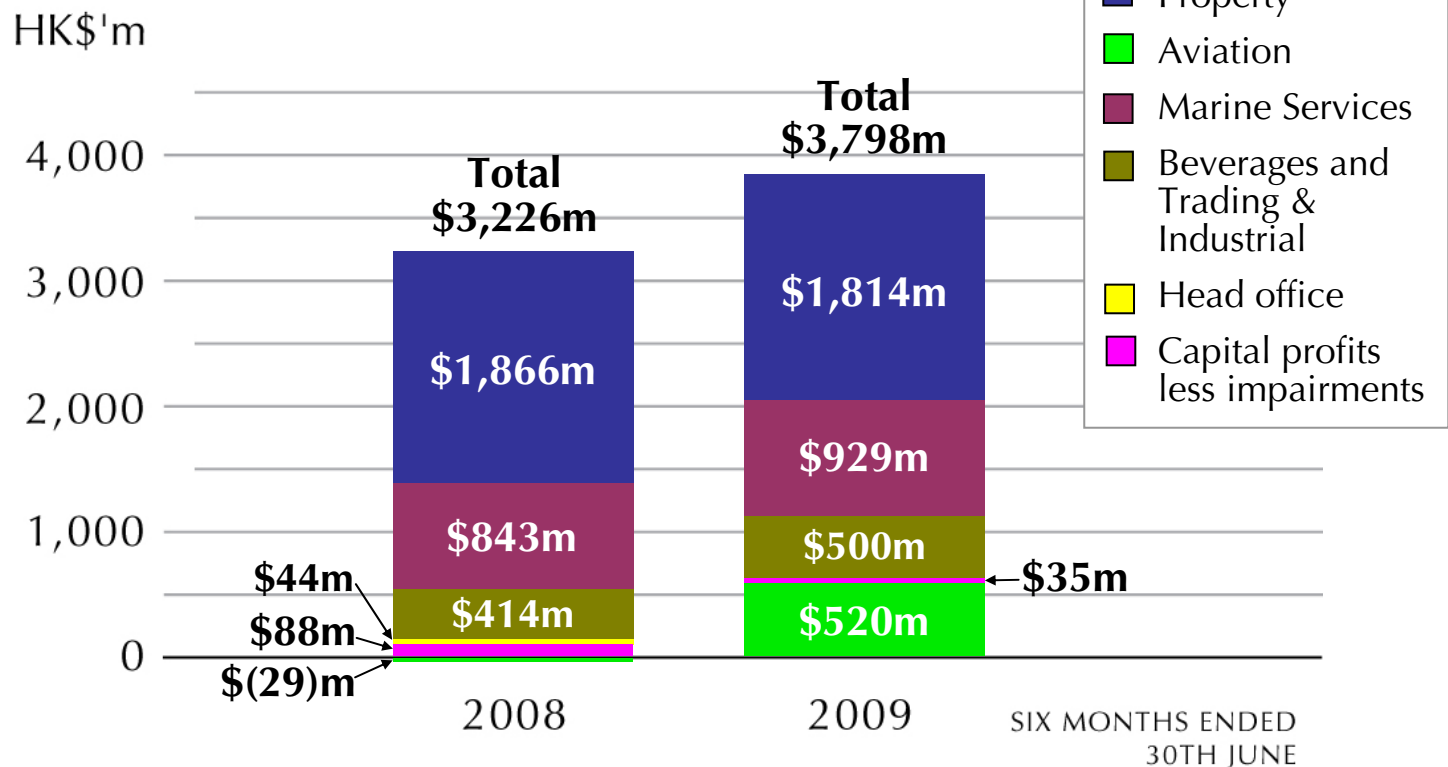
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Underlying Profit



Underlying attributable profit principally adjusts for the impact of HKAS 40 and HKAS-Int 21 on investment properties and deferred tax respectively


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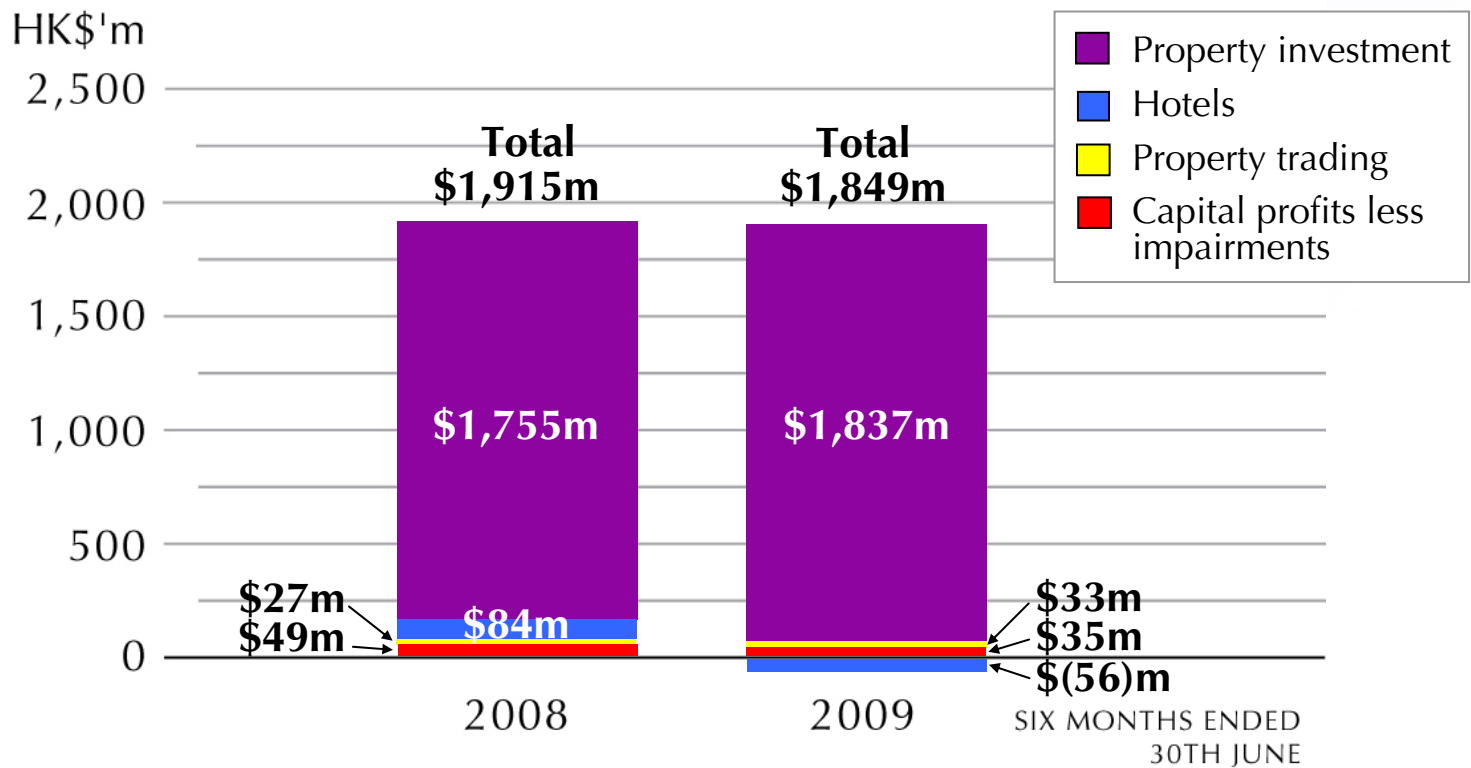
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Results – Property Division





Highlights – Property Division

- Gross rental income grew by 10% to HK\$3,596m
- Underlying profit decreased by 3% to HK\$1,849m
- Although demand for office space in Hong Kong weakened, office rental reversions remained generally positive
- Demand for Hong Kong retail space remained firm. Trading in The Village South picked up strongly after a post-Olympic lull. The opening of The Village North in September will complement and support further growth
- Revaluation losses on completed properties in Hong Kong and Mainland China, reflecting current market conditions. These were partly offset by a revaluation uplift on investment properties under development resulting from new accounting treatment (previously held at cost)
- Steady progress on new Mainland China projects and hotels
- Trading profit of HK\$33m (including Island Lodge and Asia)


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Movement in Investment Properties

	HK\$M
Balance at 31st December 2008	134,539
Translation differences/transfers to PP&E	(37)
Transfer in of IPUDs (at cost at 1st January 2009)	4,336
Capex on IP	1,117
Revaluation surplus on IPUDs	2,748
Revaluation deficit on Mainland China IP	(714)
Revaluation deficit on Hong Kong IP	(3,212)
	}*
Balance at 30th June 2009	138,777

* Loss of HK\$1,178m (as shown in income statement)


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Profile of Capital Commitments for Investment Properties and Hotels - at 30th June 2009

(HK\$M)	<u>Spend</u>	Forecast period of spend				<u>Commitments</u> at 30th Jun 2009
		2H09	2010	2011	2012 & beyond	
<u>Property project</u>	1H09					
Hong Kong projects	693	791	802	719	133	2,445
Mainland China projects	1,618	2,886	3,452	1,503	922	8,763
UK hotels	29	53	302	164	50	569
USA hotels	5	-	-	-	-	-
Total	2,345	3,730	4,556	2,386	1,105	11,777


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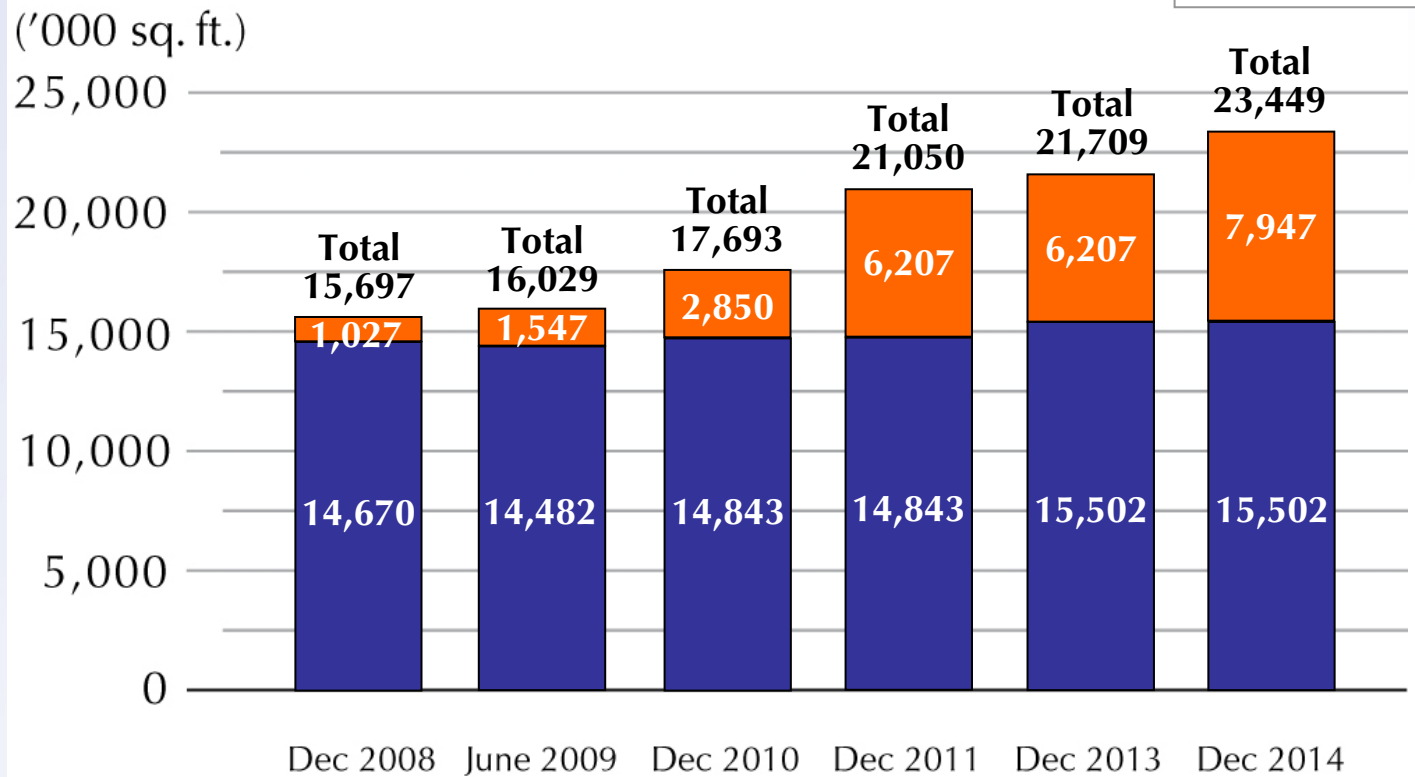
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Completed Property Investment Portfolio in Hong Kong and Mainland China

■ Mainland China
■ Hong Kong





Swire Properties Update

Vacancies at 30th June 2009	Vacancy (sq. ft.)*	
Office and techno-centres	159,940**	1.9%
Retail (principally The Village South)	68,852	2.4%
Residential	105,299	21.9%

Latest rentals	HK\$ per sq. ft.
One & Two Pacific Place	low 80s
Three Pacific Place	mid 70s
Island East	30
Techno-centres	20
One Island East	40s

* Based on lettable area

** Wholly-owned properties


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Swire Properties Hong Kong Update – Expiry Profile

	2H09 sq. ft.	2010 sq. ft.	2011 sq. ft.
<hr/>			
Total office and techno-centres lettable area (8,526,705 sq. ft.)*	426,888	1,357,394	1,590,768
	5%	16%	19%
Financial services tenants	176,459	626,065	307,394
	2%	7%	4%
<hr/>			
Average lease length from inception			
Retail		4.1 years	
Office and techno-centres		5.9 years	

* Wholly-owned properties



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Swire Properties Update – Top 10 Office Tenants

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

Total area: 1,691,066 sq. ft.

19.8% of total office and techno-centres lettable area



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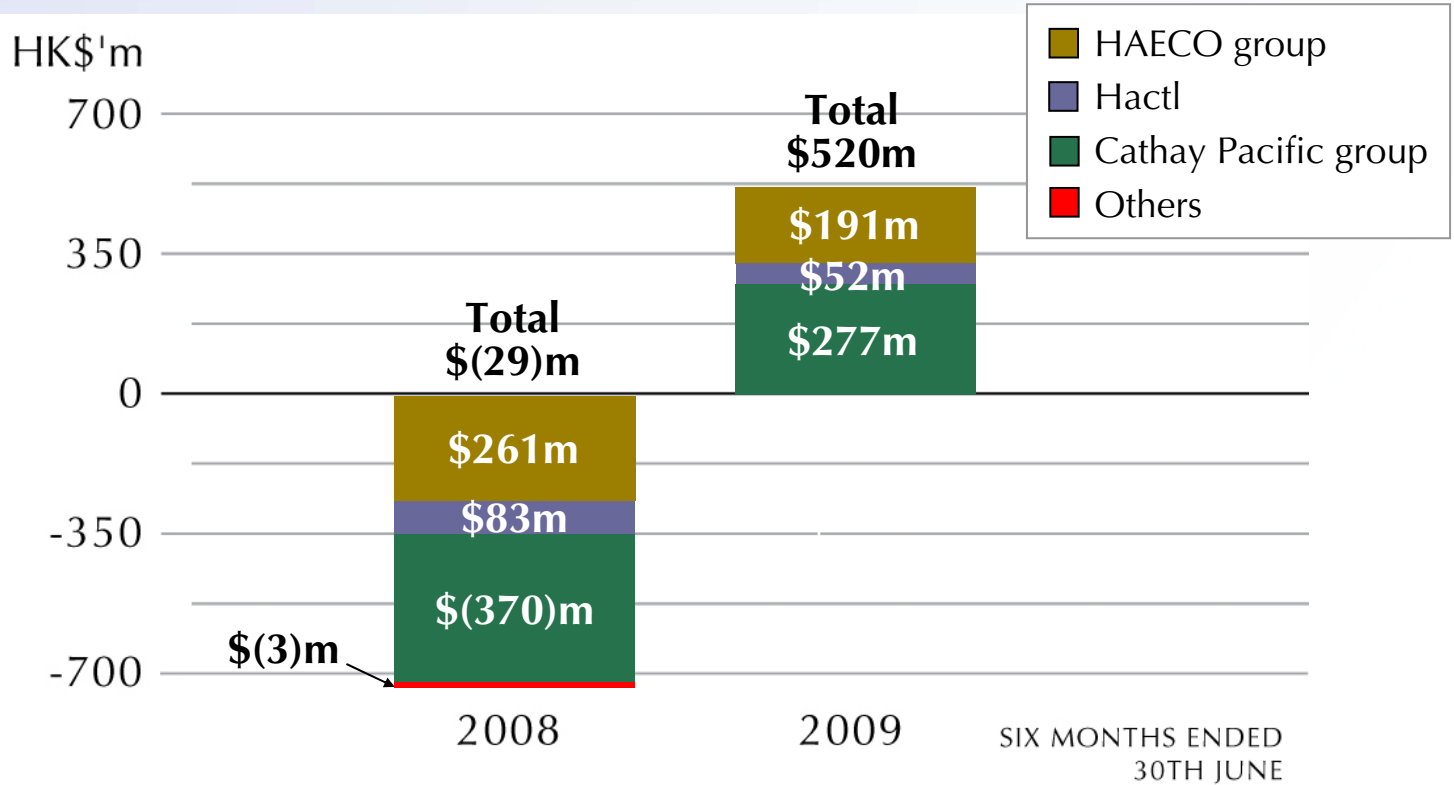
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Results – Aviation Division





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Highlights – Aviation Division

- Attributable profit of HK\$520m, compared to a loss of HK\$29m in the first half of 2008
- Cathay Pacific group's turnover fell by 27% as the global economic recession had a severe effect on passenger and cargo revenues
- Cost-saving measures taken by the airlines included a reduction in capacity and the introduction of an unpaid leave scheme
- Recovery in the forward prices of fuel since year-end resulted in unrealised hedging gains of HK\$2.1bn
- HAECO group's profit fell by 27% as airline customers deferred maintenance and conversion services
- Hactl registered a 21.5% decline in cargo throughput



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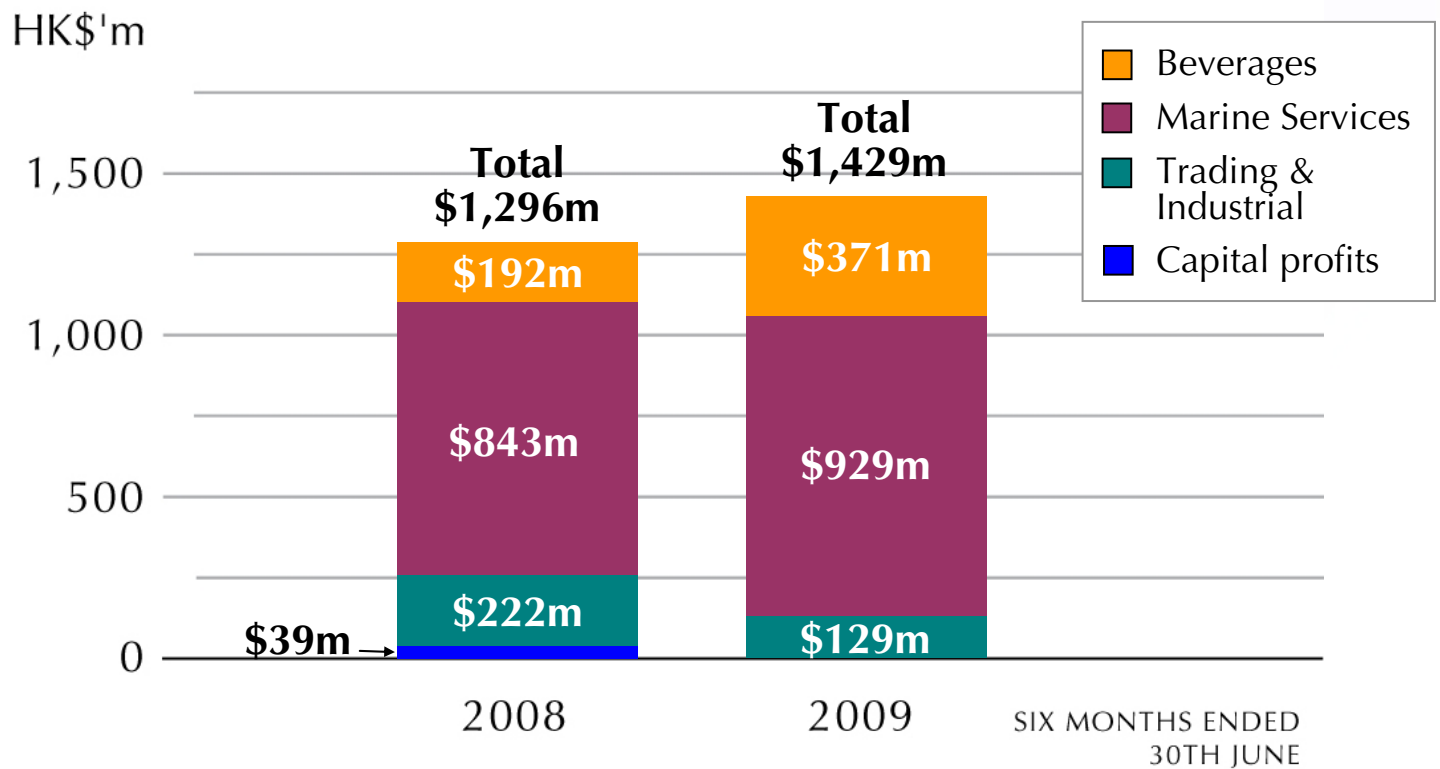
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Results – Other Divisions





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Highlights – Beverages Division

- Attributable profit rose by 89% to HK\$371m
- Overall sales volume growth of 14%
- Mainland China, Taiwan and Hong Kong recorded strong volume growth as they continued to benefit from an expanded product portfolio
- Particularly strong volume growth in the inland provinces of Mainland China
- Volumes in the USA were adversely impacted by the economic conditions
- Margins improved principally due to a reduction in raw material costs



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Highlights – Marine Services Division

- SPO's attributable profit increased by 6% to HK\$888m
- Lower oil prices, the global economic recession and a substantial increase in the delivery of newly built tonnage all adversely affected fleet utilisation
- Average charter rates were in line with those in 2008 as many contracts were fixed in 2008
- No change in fleet size or new vessel orders during the period. 1 vessel is expected to be delivered in the second-half. Capital commitments at 30th June totalled HK\$3,146m
- 60% of SPO's second-half 2009 fleet capacity already fixed at 30th June, but at lower rates than those achieved in the first-half
- Share of profit from HUD group fell slightly, reflecting weakness in the container-shipping industry



SPO – Fleet Growth

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Vessel class	BHP	Vessels in operation 30th Jun 2009	Vessels on order to be received in		
			2H09	2010	2011
Survey	2,500-6,500	3	-	1	-
AHTS	2,500-5,500	27	-	4	4
AHTS	6,000-12,250	32	1	3	-
AHTS	18,000	-	-	1	3
PSV	6,300	5	-	-	-
Ice-breaking	23,200	2	-	-	-
Accommodation barge		-	-	2	-
		69	1	11	7



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Highlights – Trading & Industrial Division

- Attributable profit fell by 45% to HK\$129m
- Swire Resources' profit fell by 59%, primarily due to a lower contribution from the PUMA associate
- Taikoo Motors sold 16% fewer cars as market conditions remained challenging
- Contribution from CROWN Beverage Cans fell by 12% on lower sales volumes in Mainland China
- Contribution from Akzo Nobel Swire Paints rose slightly as tight cost control more than offset changes in the sales mix
- There was no contribution from Swire SITA following its sale in October 2008



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Financial Highlights - Liquidity

	31st Dec 2008	30th Jun 2009
	HK\$Bn	HK\$Bn
Bank balances and short-term deposits	4.2	2.0
Undrawn facilities		
- Committed	6.4	11.2*
- Uncommitted	3.9	3.4**
	10.3	14.6
	HY2008	HY2009
Interest cover (underlying)	10.4	7.7
Cash interest cover (underlying)	5.7	5.8

* of which HK\$8.1bn is available at Head Office level

** of which HK\$1.2bn is available at Head Office level



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Financing in 1st Half of 2009

Date	Amount	Transaction	Tenor
March	US\$20m	RCL	1 year
March	RMB300m	Term loan	2 years
March	RMB2,000m	Term loan	5 years
April	US\$38m	RCL	2 years
May	HK\$200m	MTN	4 years
May	HK\$200m	MTN	4 years
Jun	HK\$100m	MTN	4 years
Jun	HK\$500m	Term loan	4 years
Total	HK\$4,059m		
July	HK\$500m	Term loan	5 years
July	HK\$500m	Term loan	5 years



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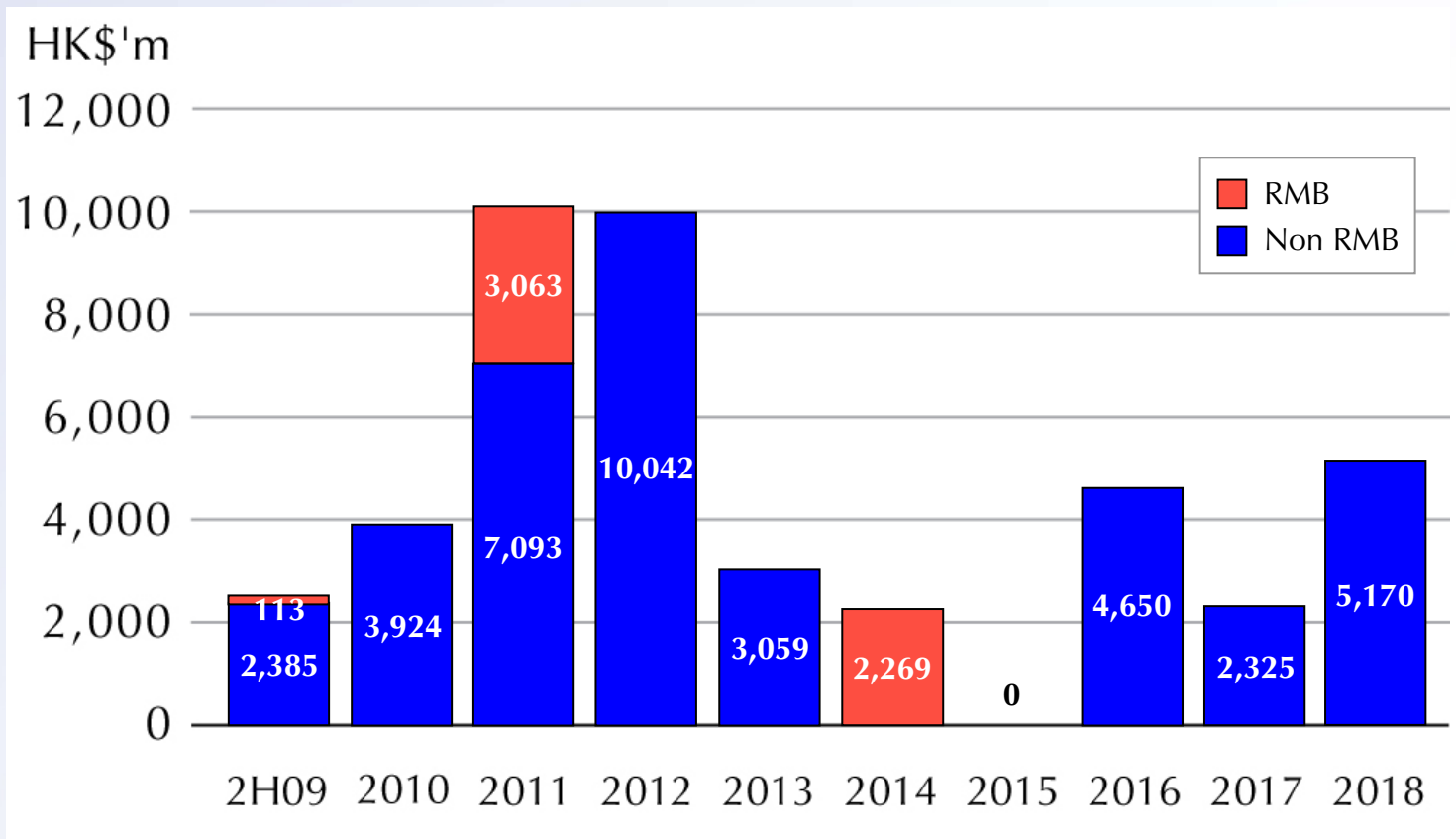
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Refinancing Profile at 30th June 2009





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Net Debt Reconciliation

	HK\$Bn
Net debt at 1st January 2009	30.4
Cash from operations	(3.9)
Net dividend paid	1.7
Capex and investments less proceeds	2.8
Net interest paid	0.7
Tax paid	0.2
Net debt at 30th June 2009	31.9



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Prospects

- Although there are signs of recovery in demand, conditions in the Hong Kong office and retail markets are expected to be similar in the second half of 2009 to those in the first-half
- There is no indication when a sustained recovery in airline business will begin. The Cathay Pacific group will take further cost-saving measures as necessary
- Business activity for the HAECO group will be substantially weaker in the second-half as demand continues to decline
- The Beverages Division is expecting more difficult trading conditions, in particular in the USA. Margins will decline if the recent increase in commodity prices is sustained
- Utilisation and charter rates for SPO are expected to be under pressure as oil companies cut exploration budgets and a significant number of new vessels enters the offshore market
- The Trading & Industrial Division expects conditions to remain challenging in all markets in the second-half



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Dividends

	Six months ended 30th Jun		Year ended 31st Dec
	2008 HK\$	2009 HK\$	2008 HK\$
'A' shares	0.90	0.60	2.380
'B' shares	0.18	0.12	0.476

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 Properties Adjustments

	HY08 HK\$M	HY09 HK\$M
Revaluation movement shown in income statement	10,023	(1,178)
Included in share of profits of JCEs and associates	219	1,130
Total revaluation movement	10,242	(48)
Deferred tax on revaluation movements*	(1,896)	(455)
Depreciation of investment properties occupied by the Group	(6)	(2)
Minority interests' share of revaluation less deferred tax	(174)	66
Impairment of hotel held as part of a mixed-use development	-	(128)
Total effect on attributable profit	8,166	(567)

* 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, set against a light blue background. A solid dark blue vertical bar is on the left side of the slide.

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