

# ***Cathay Pacific Airways Limited***

***Annual Results 2013***

***Analysts Briefing - 12 March 2014***



# Annual Result

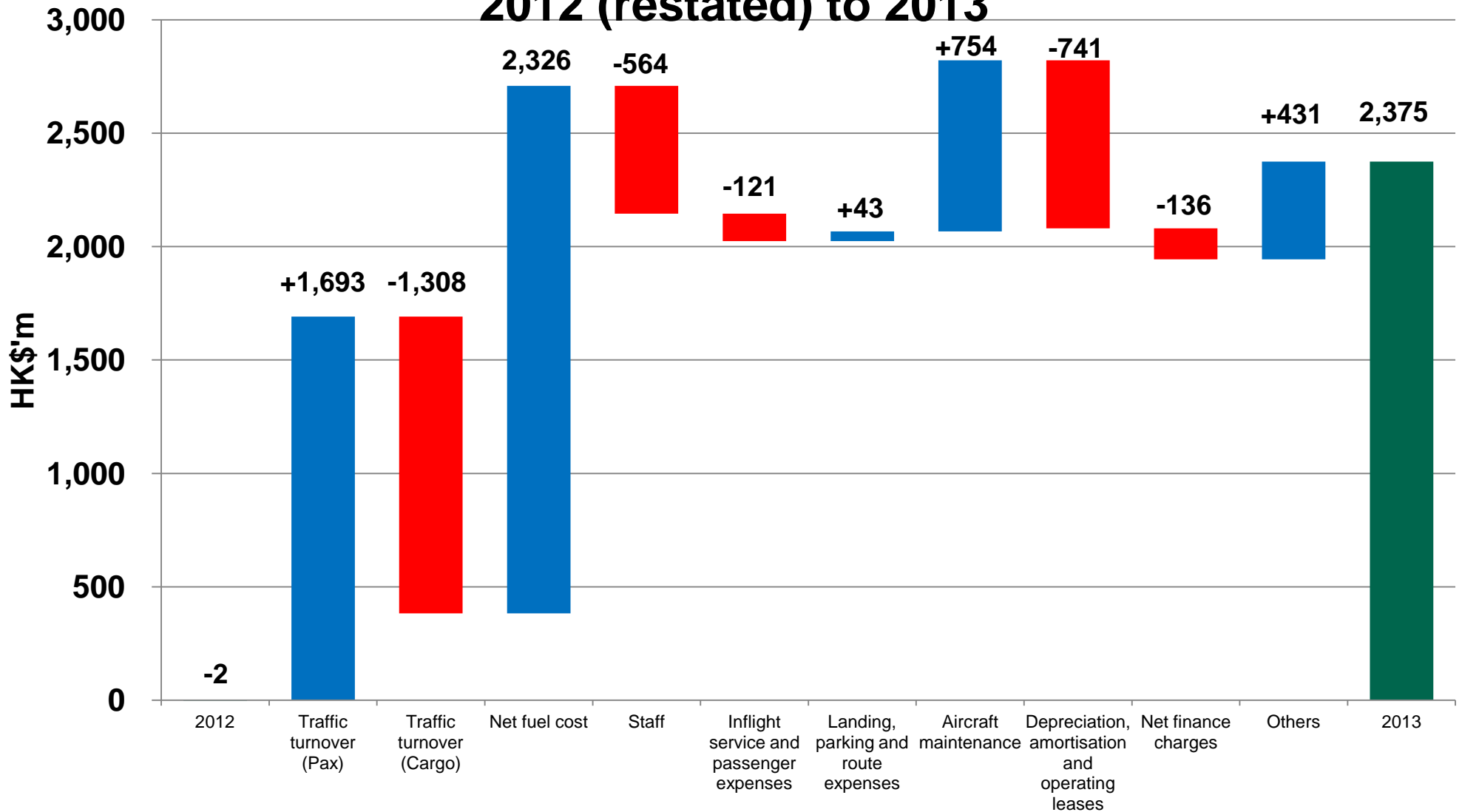
		<u>2013</u>	<u>2012</u> (restated)	<u>Change</u>
Group attributable profit	<i>HK\$ million</i>	2,620	862	+203.9%
Group Turnover	<i>HK\$ million</i>	100,484	99,376	+1.1%
Profit Margin	%	2.6	0.9	+1.7%pt
Earnings per share	<i>HK¢</i>	66.6	21.9	+204.1%
Dividend per share	<i>HK\$</i>	0.22	0.08	+175.0%
Available tonne kilometres (ATK)	<i>million</i>	26,259	26,250	-
Available seat kilometres (ASK)	<i>million</i>	127,215	129,595	-1.8%
Cost per ATK (with fuel)	<i>HK\$</i>	3.58	3.65	-1.9%
Cost per ATK (without fuel)	<i>HK\$</i>	2.16	2.14	+0.9%

## *Airlines operating results*

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	<u>2013</u>	<u>2012</u>
	HK\$M	(restated) HK\$M
Airlines' profit/(loss) before taxation	2,375	(2)
Tax charge	(536)	(262)
Airlines' profit/(loss) after taxation	1,839	(264)
Share of profits from subsidiaries & associates	781	1,126
<b>Profit attributable to owners of Cathay Pacific</b>	<b>2,620</b>	<b>862</b>

# Reconciliation of airlines' operating profit before tax: 2012 (restated) to 2013



# Passenger Service – Key Numbers

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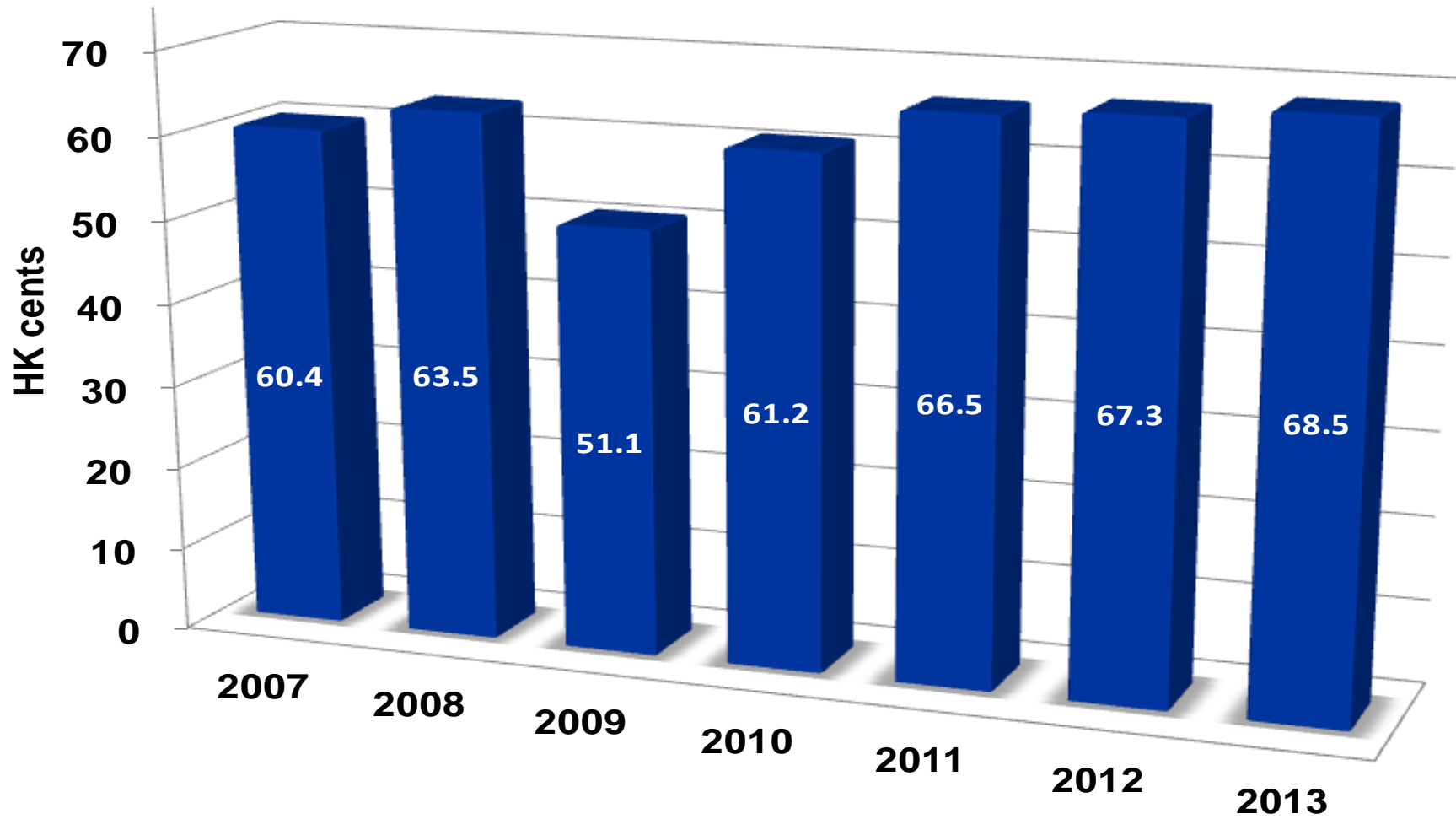
		2013	vs 2012
Turnover	<i>HK\$ million</i>	71,826	+2.4%
Available Seat Kilometres (ASK)	<i>Million</i>	127,215	-1.8%
Passenger number	<i>'000</i>	29,920	+3.3%
Passenger yield	<i>HK cents</i>	68.5	+1.8%
Passenger load factor	<i>%</i>	82.2	+2.1%pt

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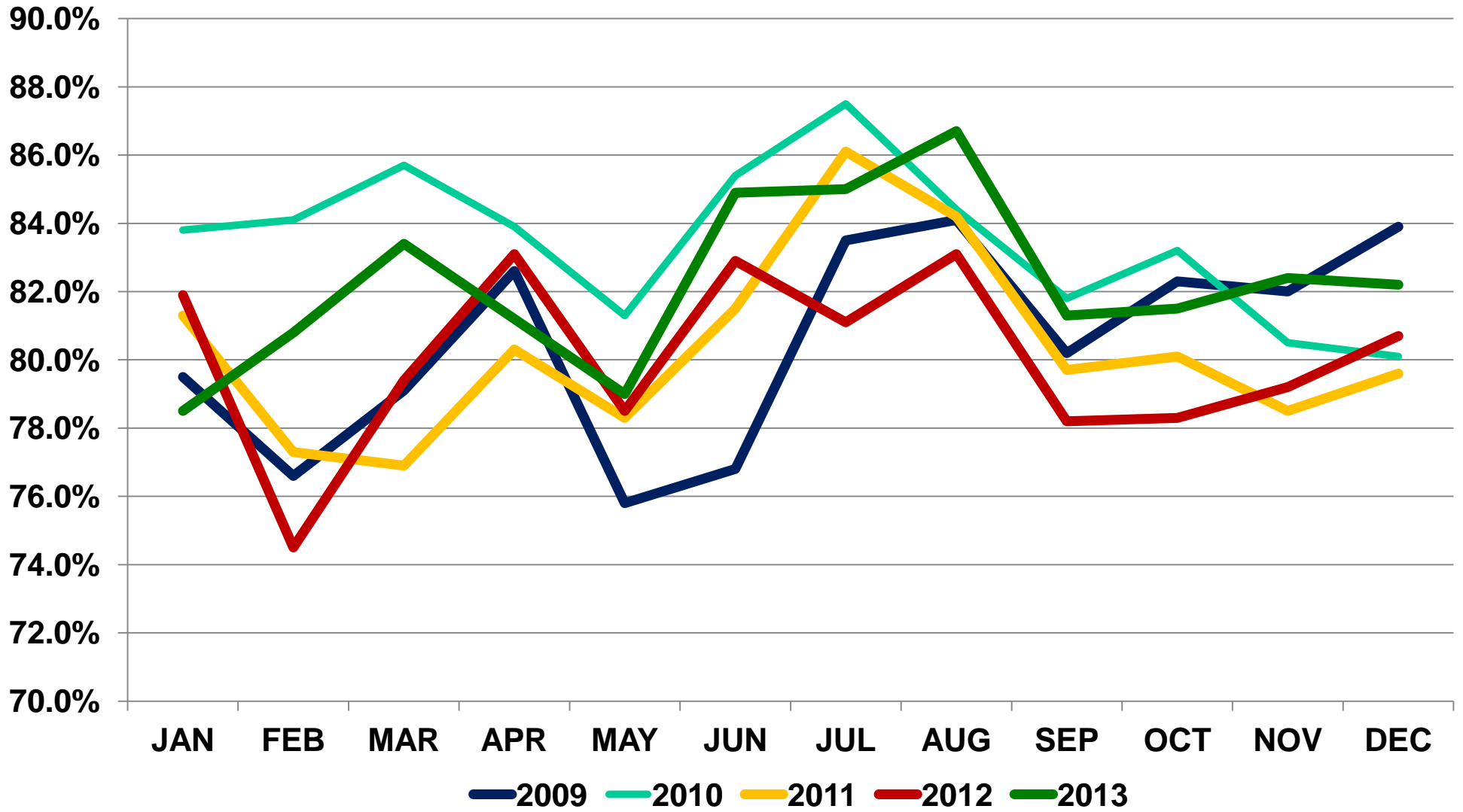
# Passenger Service - by Region

	ASK (m)	vs 2012	Load Factor	vs 2012	Yield Change
India, Middle East, Pakistan and Sri Lanka	10,697	-3.2%	75.5	-	-4.5%
Southwest Pacific and South Africa	17,490	-4.4%	80.7	+3.4%pt	-1.2%
Southeast Asia	18,246	+1.2%	80.3	+1.0%pt	+1.0%
Europe	21,536	+0.1%	87.3	+2.3%pt	+3.6%
North Asia	28,450	+1.7%	75.8	+3.9%pt	-1.5%
North America	30,796	-5.9%	88.8	+1.2%pt	+8.3%
<b>Overall</b>	<b>127,215</b>	<b>-1.8%</b>	<b>82.2</b>	<b>+2.1%pt</b>	<b>+1.8%</b>

# Passenger Yield 2007 - 2013



# PASSENGER LOAD FACTOR (JAN 2009 – DEC 2013)





# ***Passenger Services Development in 2013***

## ***Cathay Pacific***

- Added a fifth daily flight between London and Hong Kong in June.
- Increased the service between Bangkok and Hong Kong by adding 5 weekly flights, resulting in 52 weekly flights from October.
- Launched new services to the Maldives with four-times-weekly from October.
- Launched new services to Newark in the U.S.A. in March 2014.
- Will launch new service to Doha in Qatar in late March 2014, and cease flying to Abu Dhabi and Jeddah at the same time.
- Frequencies to Los Angeles will be increased from 3 to 4 daily starting from June 2014 and Chicago will be increased from 7 to 10 weekly starting from August 2014.
- Will cease flying to Penang and Dragonair will take over the route in late March 2014.

# ***Passenger Services Development in 2013***

## ***Dragonair***

### New services

- New services to Wenzhou, Yangon and Zhengzhou were introduced in January.
- New service to Da Nang was introduced in March.
- New service to Siem Reap was introduced in October.
- Will launch new service to Penang in late March 2014 and Denpasar, Bali in April 2014.

### Addition of frequencies

- Added flights to Phuket and Chiang Mai in October.
- Added flights to Da Nang from December 2013 to February 2014.

# 16 new destinations since 2012

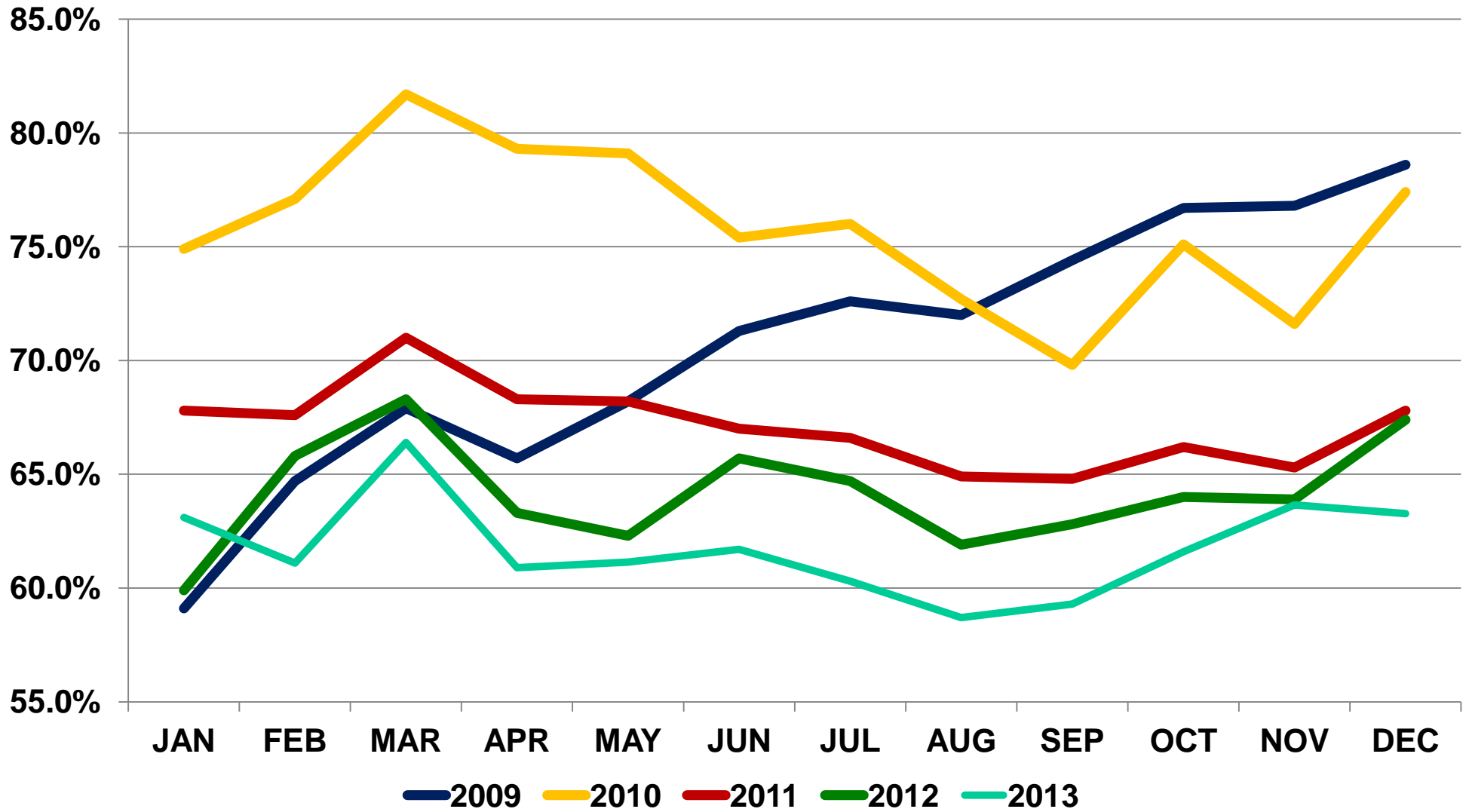


Newark was launched in 1 March 2014

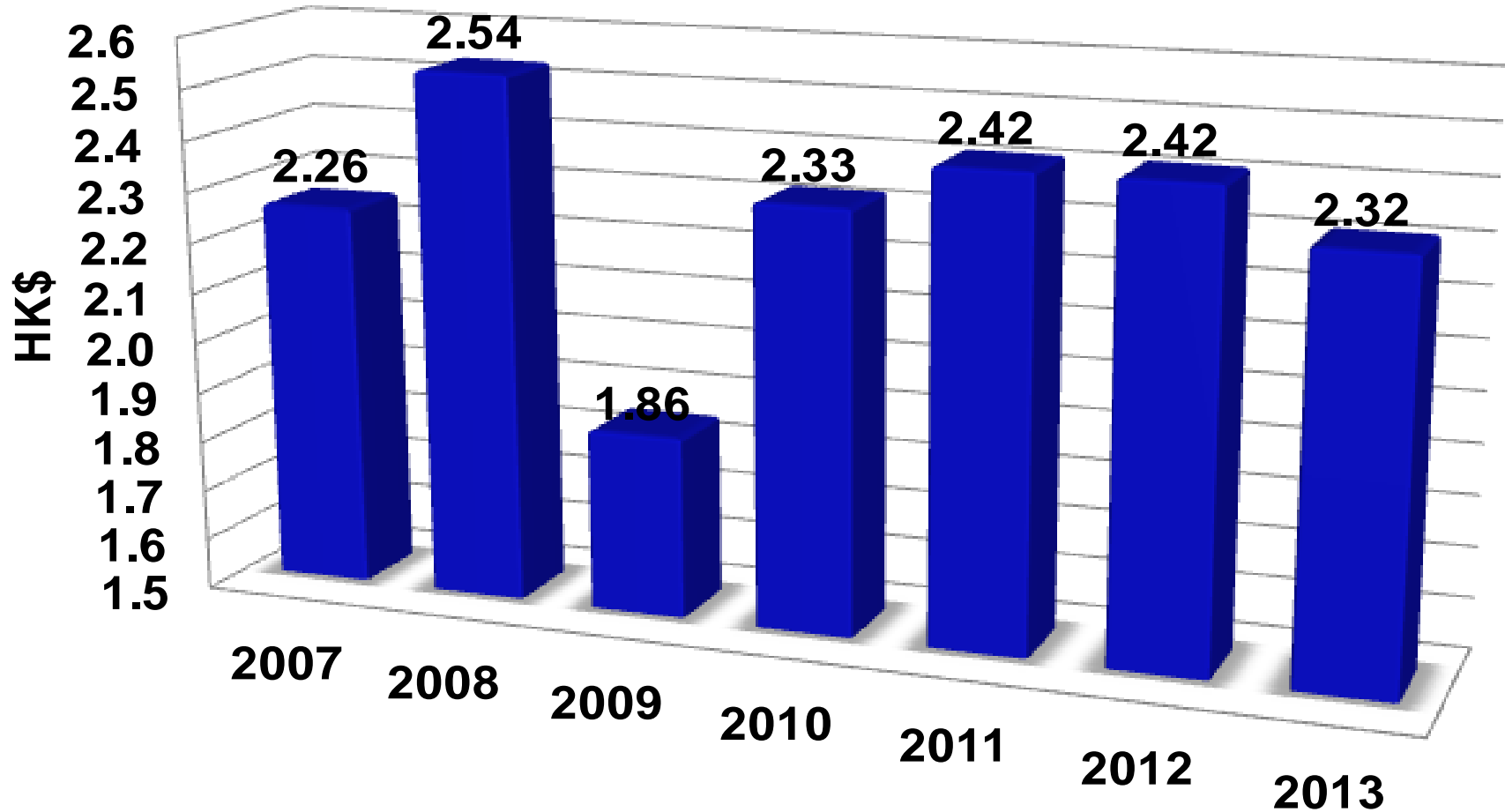
# Cargo Service – Key Numbers

		2013	vs 2012
Group turnover	<i>HK\$ million</i>	23,663	-3.6%
<u><i>Cathay Pacific and Dragonair</i></u>			
Turnover	<i>HK\$ million</i>	20,293	-6.1%
Cargo capacity (ATK)	<i>Million</i>	14,162	+1.7%
Cargo and mail carried	<i>'000 tonnes</i>	1,539	-1.5%
Cargo and mail yield	<i>HK\$</i>	2.32	-4.1%
Cargo and mail load factor	<i>%</i>	61.8	-2.4%pt

# CARGO AND MAIL LOAD FACTOR (JAN 2009 – DEC 2013)



# Cargo & Mail Yield 2007-2013



# ***Cargo Services Development***

- Suspended freighter operations to Brussels and Stockholm in February.
- Merged the separate services to Chongqing and Chengdu to reduce costs.
- Launched new services to Guadalajara in Mexico operating two flights per week in October. This was extended to three-times-weekly in March 2014 and at the same time we extended this service to Mexico City.
- Will launch new services to Columbus in the United States in late March 2014.

# Group Operating Cost

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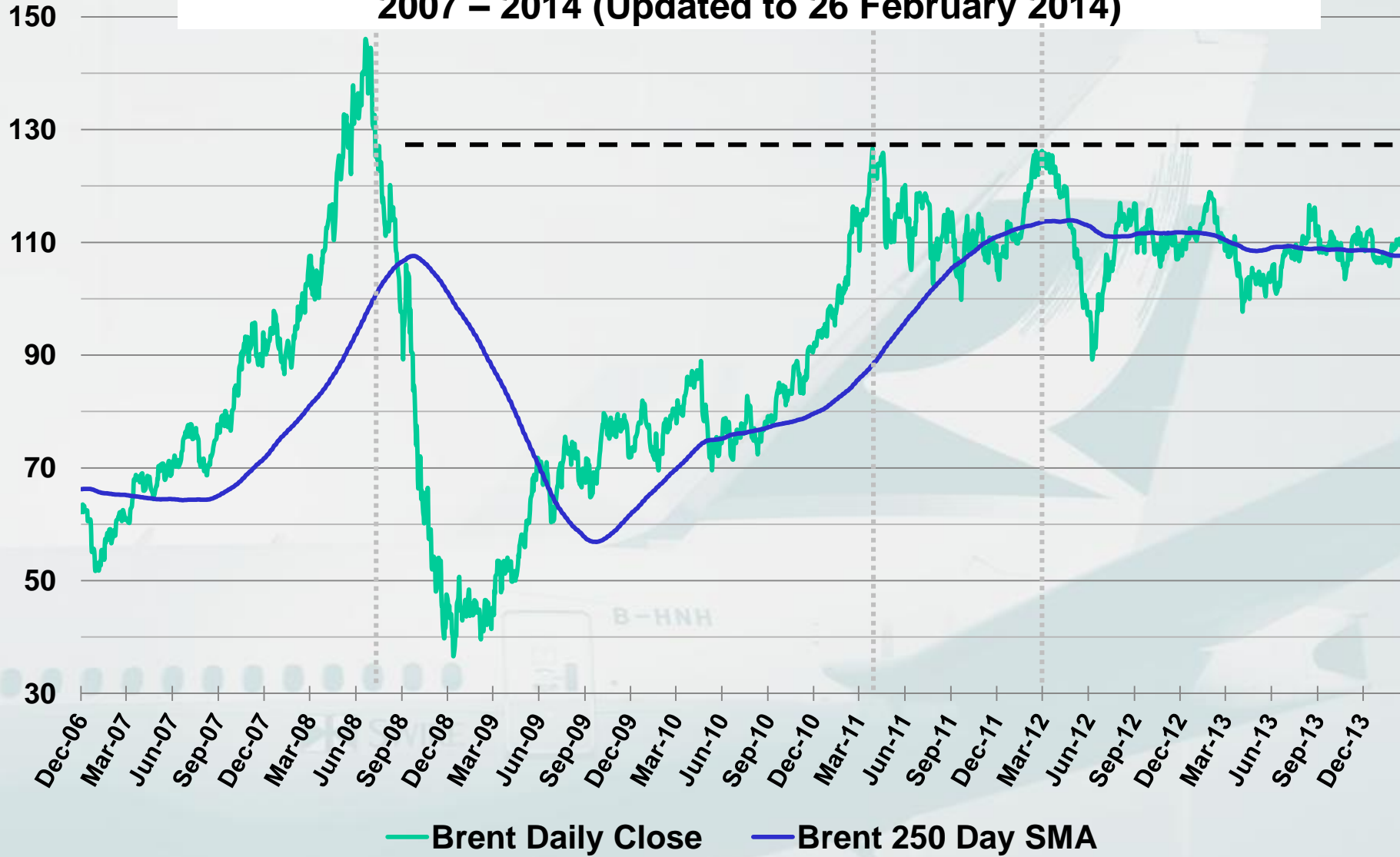
	2013	vs 2012
	HK\$m	%
Staff	17,027	+4.8%
Inflight service and passenger expenses	4,138	+3.0%
Landing, parking and route expenses	13,531	-0.5%
Fuel, net of hedging gains	38,132	-5.8%
Aircraft maintenance	7,542	-8.0%
Depreciation, amortisation and operating leases	11,463	+11.2%
Net finance charges	1,019	+15.3%
Others	4,891	-0.5%
<b>Total operating cost</b>	<b>97,743</b>	<b>-0.9%</b>

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# USD/Bbl - Brent- Daily Closing Price and 250 Day Simple Moving Average

2007 – 2014 (Updated to 26 February 2014)

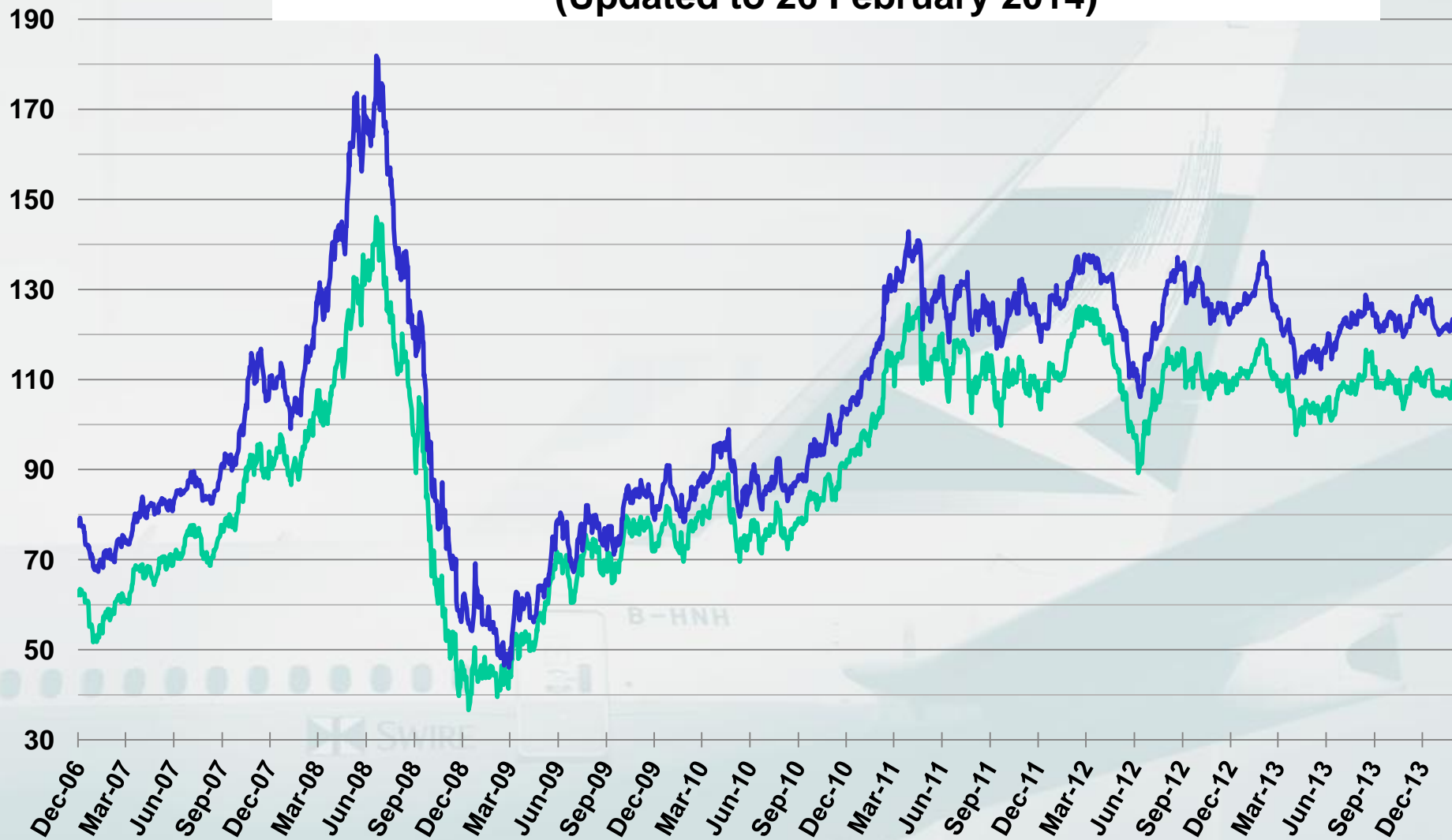


— Brent Daily Close — Brent 250 Day SMA



CATHAY PACIFIC

# USD/Bbl - Brent and Sing Jet Daily Closing Price 2007 – 2014 (Updated to 26 February 2014)



— Brent Daily Close      — Sing Jet Daily Close



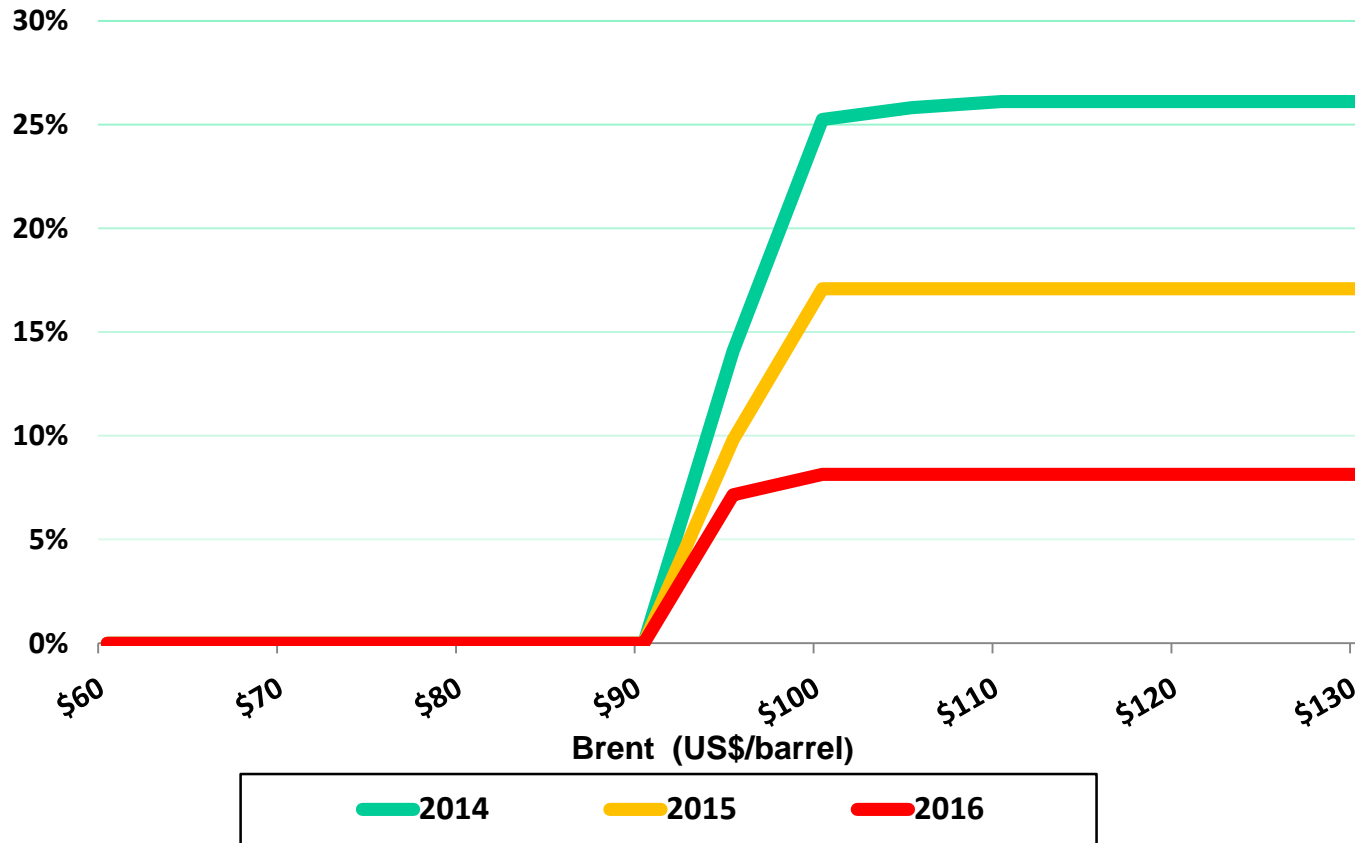
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# Fuel Hedging

As at 31 December 2013

Fuel hedging coverage

## Fuel Hedging Coverage



# ***CX and KA Fleet Plan as at 31 December 2013***

	<b>In operation</b>			<b>Parked</b>		
	<b>Passenger</b>	<b>Freighter</b>	<b>Total</b>	<b>Passenger</b>	<b>Freighter</b>	<b>Total</b>
<b>31 Dec 2012</b>	150	23	<b>173</b>	-	3	<b>3</b>
<b>New deliveries</b>	14	5	<b>19</b>	-	-	-
<b>Return to lessors</b>	(4)	-	<b>(4)</b>	-	-	-
<b>Parked aircraft</b>	-	(2)	<b>(2)</b>	-	2	<b>2</b>
<b>Sold to ACCJV</b>	-	(1)	<b>(1)</b>	-	-	-
<b>Sold to Boeing</b>	-	(1)	<b>(1)</b>	-	(3)	<b>(3)</b>
<b>Deregistered</b>	(5)	-	<b>(5)</b>	-	-	-
<b>31 Dec 2013</b>	155	24	<b>179</b>	-	2	<b>2</b>

# ***Aircraft Delivery Plan as at 12<sup>th</sup> March 2014***

<b>Aircraft</b>									<b>Total</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 and beyond</b>	
B747-8F			<b>1</b>						<b>1</b>
A321-200	<b>1</b>								<b>1</b>
A330-300	<b>5</b>	<b>3</b>							<b>8</b>
A350-900			<b>12</b>	<b>10</b>					<b>22</b>
A350-1000					<b>6</b>	<b>10</b>	<b>10</b>		<b>26</b>
B777-300ER	<b>9</b>	<b>6</b>							<b>15</b>
B777-9X								<b>21</b>	<b>21</b>
<b>Total</b>	<b>15</b>	<b>9</b>	<b>13</b>	<b>10</b>	<b>6</b>	<b>10</b>	<b>10</b>	<b>21</b>	<b>94</b>

# ***Boeing 777-9X***



In December 2013, 21 new B777-9X agreed to be purchased for delivery after 2020.

# Fleet & Scheduling - 744 Retirement Plan

As of 12 March 2014

Exit date	Number	Remaining
Mar 13	-3	15
Jun 13	-1	14
Oct 13	-1	13
2014	-6	7



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# Cargo Fleet Plan

## 2013

- Fleet composition:

	As at 31 December 2013		
<u>Fleet</u>	<u>Number</u>	<u>Parked</u>	<u>In operation</u>
747-400F	6*	(1)	5
747-400ERF	6		6
747-400BCF	1	(1)	-
747-8F	13		13
Total	<u>26</u>	(2)	<u>24</u>

\*These six Boeing 747-400F was sold to Boeing in the December 2013 deal.



# ***Development in 2014***

## **Passenger**

- 16 aircraft deliveries in 2014.
- Projected ASK growth in 2014 is approximately 7.0%.

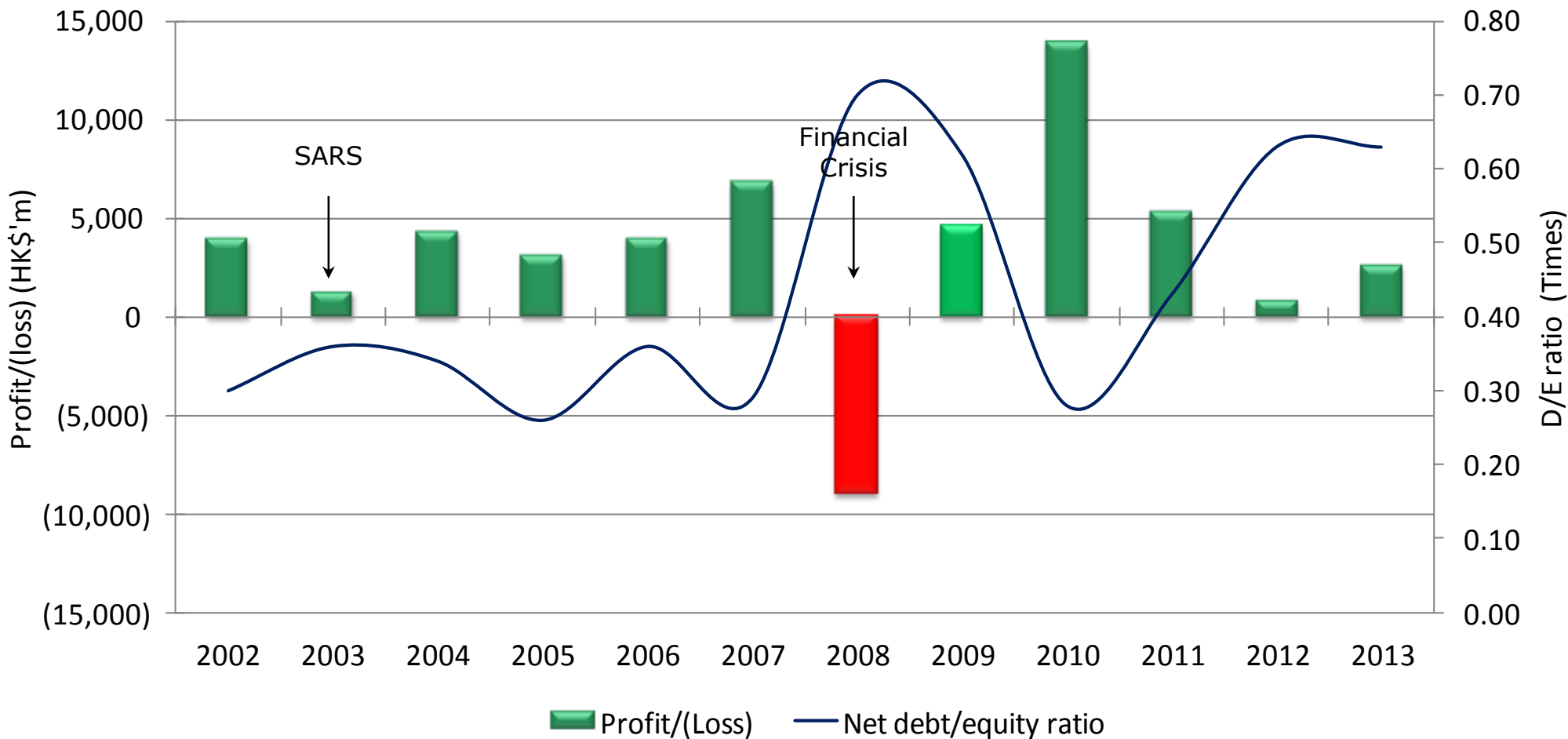
## **Cargo**

- Projected overall DLATK growth in 2014 is approximately 9.6%.

# Statement of Financial Position

	<u>31 Dec 13</u>	<u>31 Dec 12</u> <u>(restated)</u>	<u>vs Dec 12</u>
Shareholders' Funds	HK\$62,888m	HK\$56,021m	12.3%
Gross Borrowings	HK\$67,052m	HK\$59,546m	12.6%
Less:			
Liquid Funds (less OD)	HK\$(27,736m)	HK\$(24,182m)	14.7%
Net Borrowings	HK\$39,316m	HK\$35,364m	11.2%
Capital Employed (incl. non-controlling interests)	HK\$102,329m	HK\$91,502m	11.8%
Net Debt/Equity Ratio	0.63	0.63	0.0%
Investment in Air China	HK\$19,186m	HK\$16,878m	13.7%

# Profit & Net Debt/Equity Ratio



Group Profit Margin	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
%	11.2	4.0	10.2	6.2	6.5	9.1	(10.4)	6.9	15.5	5.4	0.9	2.6

# Liquid Fund Flow

	<u>2013</u>	<u>2012</u>
	<u>HK\$'M</u>	<u>HK\$'M</u>
<b><i>Inflow</i></b>		
New financing	16,348	25,218
Operating activities	12,676	7,440
Sale of fixed assets and others	4,682	3,518
<b><i>Outflow</i></b>		
Capital expenditure	(20,534)	(20,975)
Loan repayment	(8,193)	(9,025)
Dividend paid	(829)	(1,565)
Purchases of shares in associates	(636)	(138)
<b>Net inflow</b>	3,514	4,473
<b>Liquid funds @ 31 Dec</b>	27,736	24,182

# ***Financial Risk Management***

- Currency
  - All major currencies are hedged in compliance with our policy.
- Liquidity
  - A total of HK\$3.2 billion with tenors of 5 or 10 years raised through MTN programme since first issue in Oct 2012.
  - Unpledged liquid funds and committed undrawn lines HK\$26.0 billion as at 31 Dec 2013.
- Interest rates
  - Overall cost of borrowing remains low.
  - During the year, margins have compressed.
  - Strategic management of fixed / floating ratio.

# ***Major subsidiaries***

- **AHK Air Hong Kong**

- Operates a fleet of eight owned Airbus A300-600F, three Boeing 747-400BCF dry-leased from Cathay Pacific and two wet-leased A300-600F.
- Capacity increased by 3%, load factor dropped by 1%pts and RTK improved by 2%.
- Higher profit in 2013 compared to 2012.

- **Cathay Pacific Catering Services**

- Growth in the number of meals produced.
- Higher profit in 2013 compared to 2012.

- **Asia Miles**

- Membership exceeds 5 million worldwide.
- 21% increase in redemptions by Asia Miles members in 2013. More than 90% of Cathay Pacific flights carry passengers who have redeemed frequent flyer miles through the Asia miles programme.

# Cargo Terminal



- Stage Three operations commenced in October, and the phased-in operation transition for CX, KA and Air Hong Kong has been completed.
- The new terminal has an annual handling capacity of 2.6 million tonnes.

- HK\$5.9bn investment, commenced in three stages.
- First stage of operations commenced at February 2013, handling valuable cargo, transit civil mail and interface transfer transshipments.
- Stage Two operations commence in June, handling all transshipments, import cargo.



# *Air China*

- Cathay Pacific has a 20.13% interest in Air China.
- Cathay Pacific accounts for Air China for the 12 months ended 30 September 2013 and any significant events or transactions during their last quarter.
- Profits from Air China are down compared to the same period in 2012.



# ***Air China / Cathay Pacific Cargo Joint Venture***

## **Operating performance**

- Cathay Pacific recorded a decreased loss from Air China Cargo in 2013, which was due to the retirement of older aircraft, which resulted in a decrease in maintenance costs.
- Air China Cargo operated a fleet of eight freighters. It operates scheduled freighter services to seven countries and regions.
- On 1 March 2013, ACC entered into agreements with Boeing to :
  - purchase 8 Boeing 777-200F freighters (expected delivery from late 2013 to 2015) and
  - sell 7 Boeing 747-400BCF freighters.

# ***Airline Strategy***

- Grow our international network, expand frequencies and further develop Hong Kong as one of the world's leading aviation hubs.
- Ensure that quality and our brand are not compromised and the service proposition to the customer remains strong.
- Improve productivity.
- Continue to develop the strategic relationship with Air China.
- Maintain a prudent approach to financial risk management.

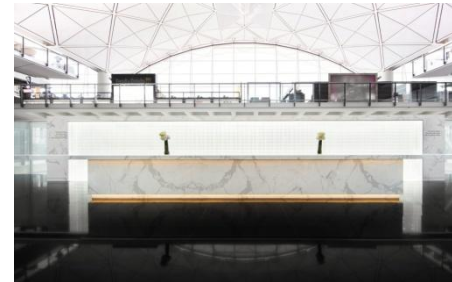
# Product, services and brand

Outport lounge : 16 (7,900 sqm)

HKG lounge : 6 (13,000 sqm)

## No. of aircraft with new product (By Dec13)

LH	F Refresh	10	24 (by3Q14)
	J FB2	64	✓
	PEY	85	✓
	Y	64	✓
Regional	CX	13	21 (byJul14)
	KA	18	✓



# IT systems



CSS



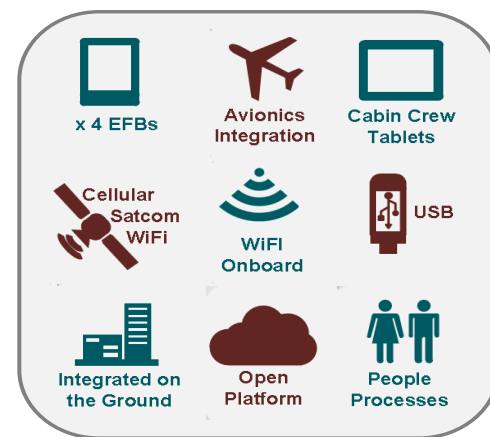
Mobile



ICE

Horizon 8

**PSS**  
Check-in to the future



E-enabled aircraft

# People



- Cathay Pacific awarded the “World’s Best Cabin Staff” and “Best Transpacific Airline” honours in the annual Skytrax World Airline Awards programme in June 2013.

# Outlook

- Passenger business continues to improve.
- ASK growth projected at 7.0% in 2014 with stronger demand in some of our major markets.
- Cargo business remains difficult, with projected DLATK growth of 9.6% in 2014 in a market of excess supply and weak demand.
- Fuel price remains high, but 26% hedged in 2014 at an average Brent price of USD95.
- Subsidiaries and associates should see improved performance.
- Continued enhancement of products and services to strengthen our competitive edge.

# Q & A

**For more information, please visit our website**  
***[www.cathaypacific.com](http://www.cathaypacific.com)***