



*Cathay Pacific Airways*

*2011 Analyst Briefing*

*23 June 2011*

# Airline Strategy

- Grow our international network, expand frequencies and further develop Hong Kong as one of the world's leading aviation hubs
- Fully support the building of a third runway in HKIA
- Ensure that quality and our brand are not compromised and the service proposition to the customer remains strong
- Develop benefits available from strategic relationship with Air China.
- Maintain a prudent approach to financial risk management



# Performance to May 11- Capacity Data

CATHAY PACIFIC/ DRAGONAIR COMBINED CAPACITY	Cumulative May 2011	% change YTD	
China	4,108,589	6.8%	
North East Asia	6,381,068	10.3%	
South East Asia	6,368,716	12.0%	
India, Middle East, Pakistan & Sri Lanka	4,573,531	-0.1%	
Europe	9,328,508	15.0%	
South West Pacific & South Africa	7,987,020	3.0%	
North America	12,172,725	15.1%	
ASK	Total (000)	50,920,157	9.9%
Passenger load factor	78.8%	-5.0pt	
Available cargo and mail tonne km (000)	5,851,483	16.4%	
Cargo and mail load factor	68.7%	-9.9pt	
ATK (000)	10,695,714	13.3%	



# Performance to May 11- Traffic Data

CATHAY PACIFIC AND DRAGONAIR COMBINED TRAFFIC	Cumulative May 2011	% change YTD	
China	2,882,309	-2.3%	
North East Asia	4,332,420	-8.4%	
South East Asia	5,239,928	12.6%	
India, Middle East, Pakistan & Sri Lanka	3,468,140	-3.1%	
Europe	7,490,226	7.9%	
South West Pacific & South Africa	5,873,920	-6.6%	
North America	10,860,002	12.3%	
RPK	Total (000)	40,146,945	3.4%
Passengers carried	10,906,499	1.6%	
Cargo and mail tonne km (000)	4,018,227	1.8%	
Cargo and mail carried (000Kg)	700,899	-3.1%	
Number of flights	25,970	10.4%	



CATHAY PACIFIC

# ***Operating Performance - Passenger***

- Yield improvement in premium and economy cabins
- Premium traffic remained consistently strong
- Demand in economy class was slightly below expectations
- Lower load factor with the airlines' growth in capacity
- Significant drop in demand for Japan routes following the earthquake and tsunami but showed some recovery recently

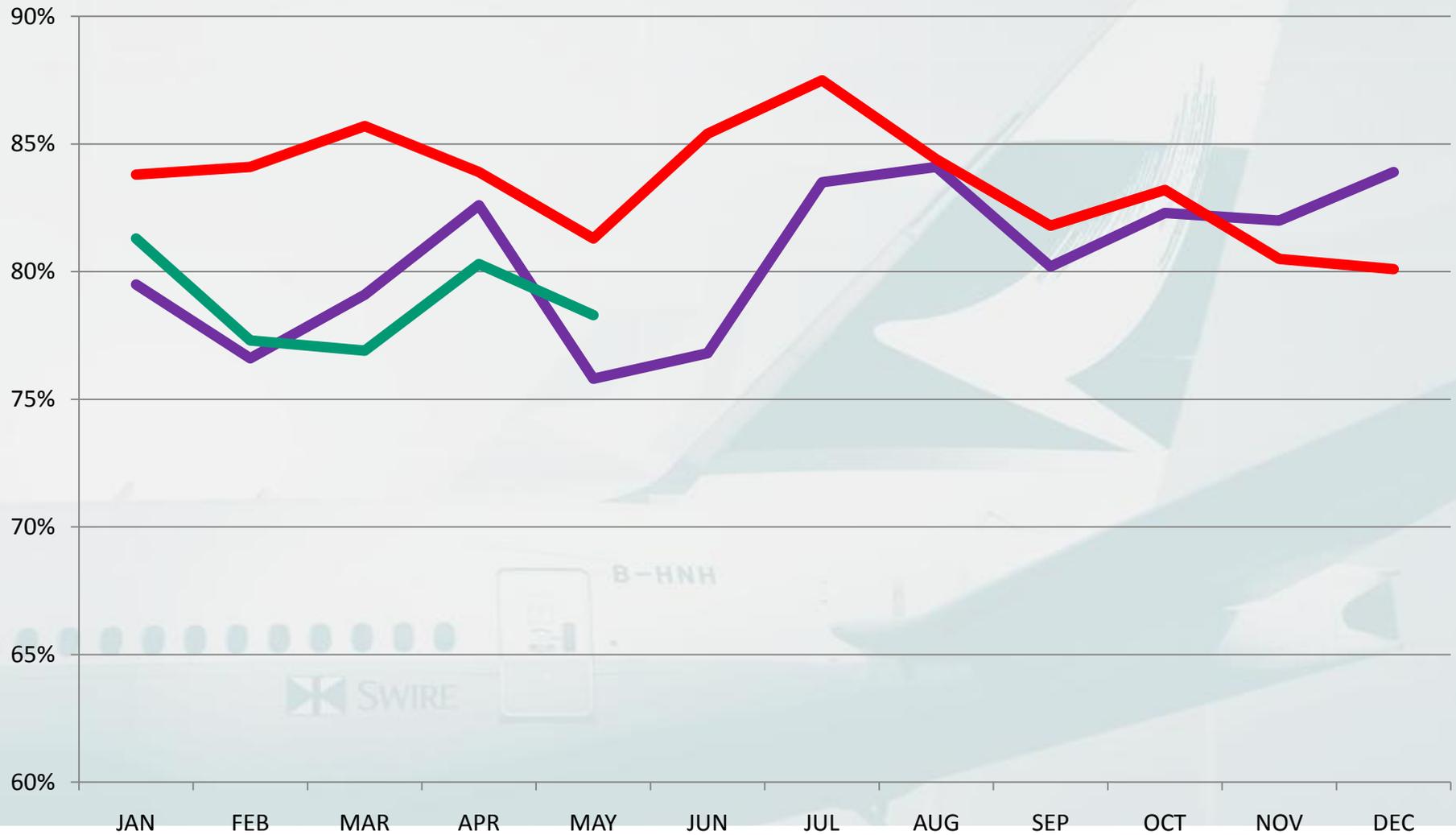


# ***Operating Performance- Passenger***

- New passenger services to Abu Dhabi (Jun) and Chicago (Sep)
- Increased frequencies in the first half of 2011 includes:-
  - Paris. Taipei, Toronto and New York
- Planned further increased frequencies in 2011 to:-
  - Milan: daily from 1 July
- More code-share destinations with American Airlines and Alaska Airlines
- Asia Miles members reached 4 million worldwide, 1 million in Hong Kong



# PASSENGER LOAD FACTOR (JAN 2009 - MAY 2011)



— 2009

— 2010

— 2011



CATHAY PACIFIC

# ***Product and Services***

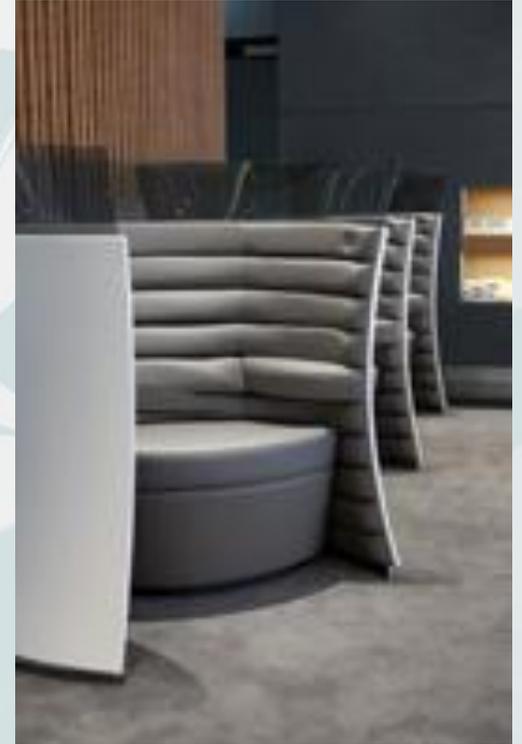
- New business class products installed on our new deliveries
- New uniform to be progressively introduced



**CATHAY PACIFIC**

# Product and Services

- Reopened Business Class Lounge of The Wing in April



CATHAY PACIFIC

# Operating Performance - Cargo

- Sound performance in the first quarter but weakened in the second quarter
- Significant softening in our main markets out of Hong Kong and mainland China from April
- No major drop-off to and from Japan following the earthquake and tsunami
- Better balance of capacity to demand on long haul trade lanes as a result of higher demand for high-end foreign products in China



# Operating Performance - Cargo

- Bangkok added to our freighter network in May
- Capturing strong demand out of Dhaka and Hanoi by separating the Hong Kong service to these two cities into separate flights
- Looking for more opportunities in Central China - Dragonair pax flights to Chongqing and Chengdu upgraded to wide-body aircraft
- Profitability on our freighter flights materially affected by high fuel prices, particularly on ultra-long-haul routes

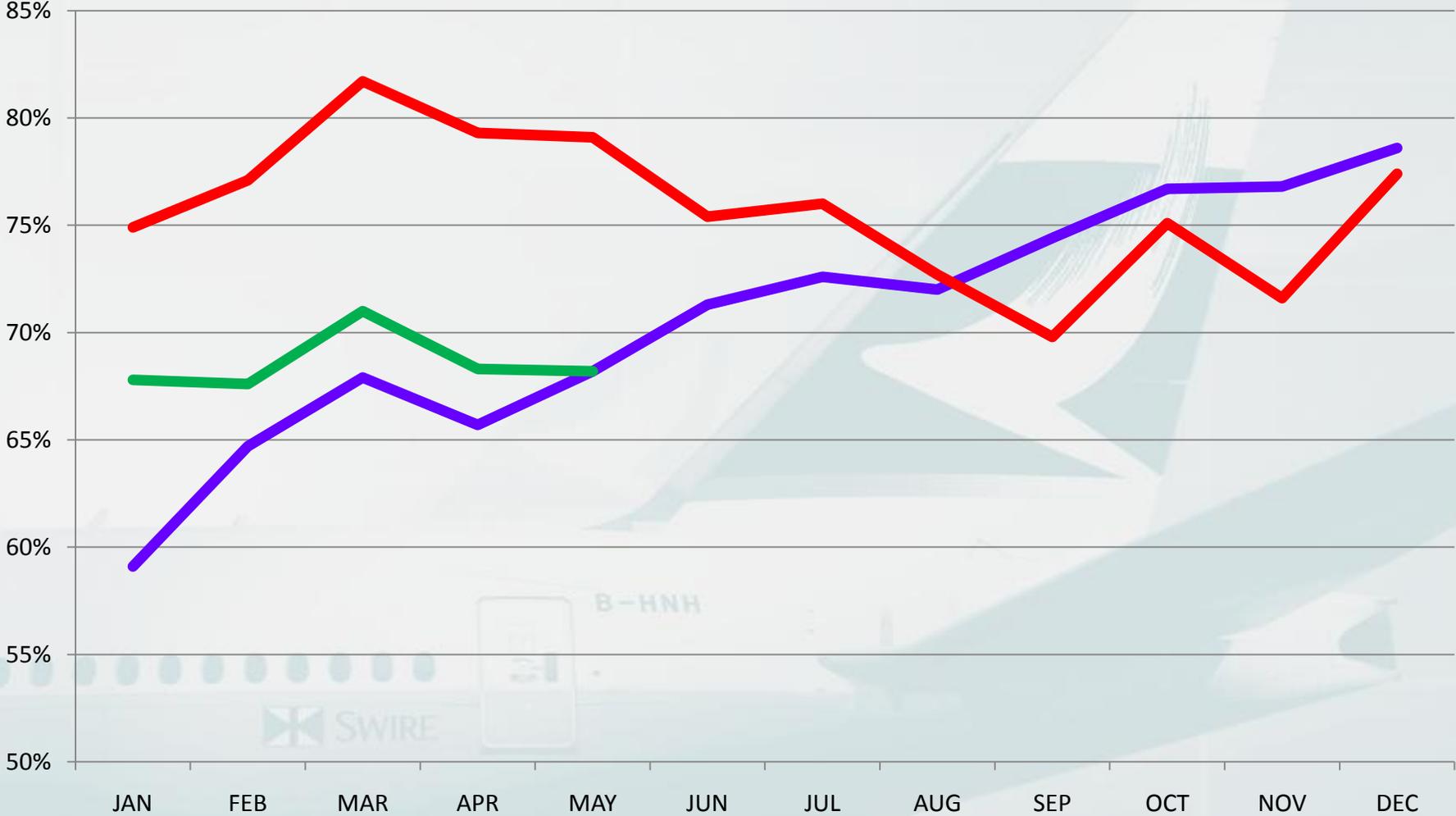


CATHAY PACIFIC

11

Now you're really flying

# CARGO AND MAIL LOAD FACTOR (JAN 2009 - MAY 2011)



— 2009    — 2010    — 2011



CATHAY PACIFIC

# Cargo Terminal



Total investment costs	HK\$ billion
Up to 2010	1.9
2011	2.1
2012	1.0
2013	0.5
<b>Total</b>	<b>5.5</b>



CATHAY PACIFIC

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

- Strategic Objective: to become pre-eminent cargo carrier in Beijing & Shanghai
- Joint management
- CX Group selling assets to ACC
  - 4 x 747-400BCFs
  - 2 spare engines
- Air China Cargo (ACC) successfully formed following formal approval from Mainland China authorities in mid-March 2011
- Modest performance – around 60% loads since March



# Cargo Fleet Plan

## 2011

- Forecast fleet composition as at 30 Jun 2011
  - 22 x 747 Freighters : 6 x 747-400F, 6 x 747-400ERF and 10 x 747-400BCF

## Future development

- Sale
  - 2 x 747-400BCF to Air China Cargo
- Dry lease
  - 2 x 747-400BCF to Air Hong Kong
- New delivery
  - 747-8F – a total of 10 in 2011 and 2012



# Fleet composition changes (CX/KA)

## **Fleet @ 31Dec2010**

Deliveries (4x 777-300ERs, 2x A330-300)	159
Returned (1x A330-300, 1x A340-300)	6
Sold to Air China Cargo (1x 747-400BCF)	(2)
Dry leased to Air Hong Kong (1x 747-400BCF)	(1)
Dismantled (1x747-400)	(1)

## **Forecast fleet @ 30Jun2011**

Parked (3x A340-300)	160
	(3)

## **Forecast operating fleet @ 30Jun2011**

Passenger aircraft	157
Freighter	135
	22

16



# New Aircraft: 2011-2019

<b>Total firm orders for 2011-2019</b>	<b>92</b>
Delivered in the first half 2011 (forecast)	6
<b>Outstanding as at 30 June 2011 (forecast)</b>	<b>86</b>
A330-300s	20
A350-900s	32
B777-300ERs	24
<b>Pax aircraft</b>	<b>76</b>
B747-8F	10
<b>Total</b>	<b>86</b>



# Financial Risk Management

- Currency
  - Currencies appreciated against USD
  - All major currencies are prudently hedged
- Liquidity
  - Strong operating performance lifts cash
  - Unpledged liquid funds and undrawn committed lines exceed HK\$20bn
- Interest rates
  - Overall cost of debt remains below 2%
  - Margins have narrowed, but yield curve has steepened
  - Strategic management of fixed/floating ratio

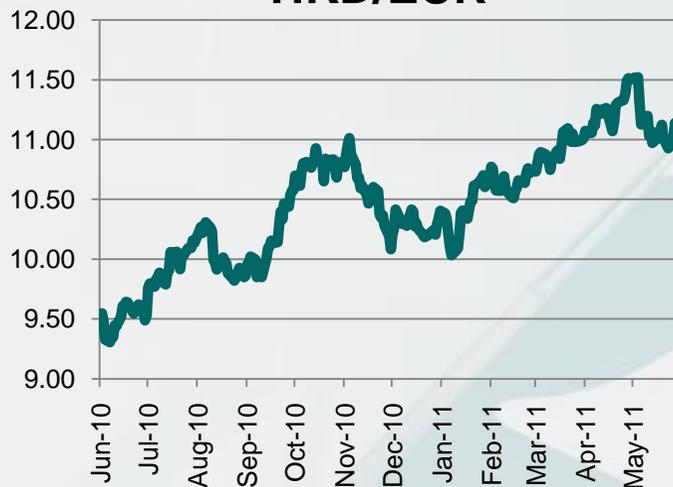


# Spot rates of 6 top currencies (01Jun 10-31May11)

## HKD/RMB



## HKD/EUR



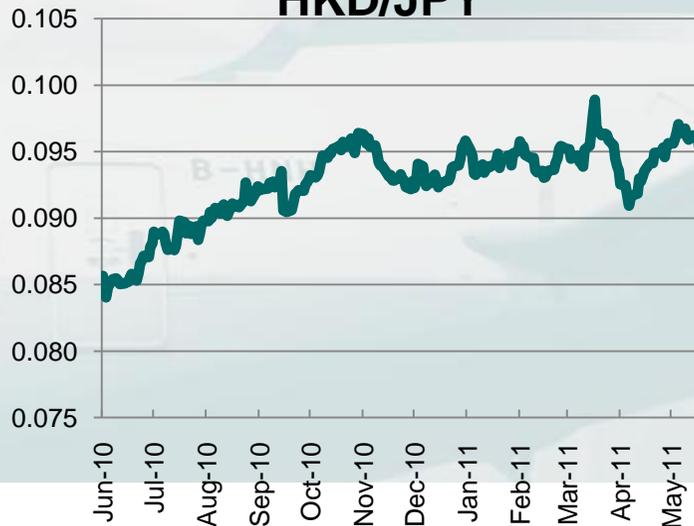
## HKD/AUD



## HKD/TWD



## HKD/JPY



## HKD/GBP

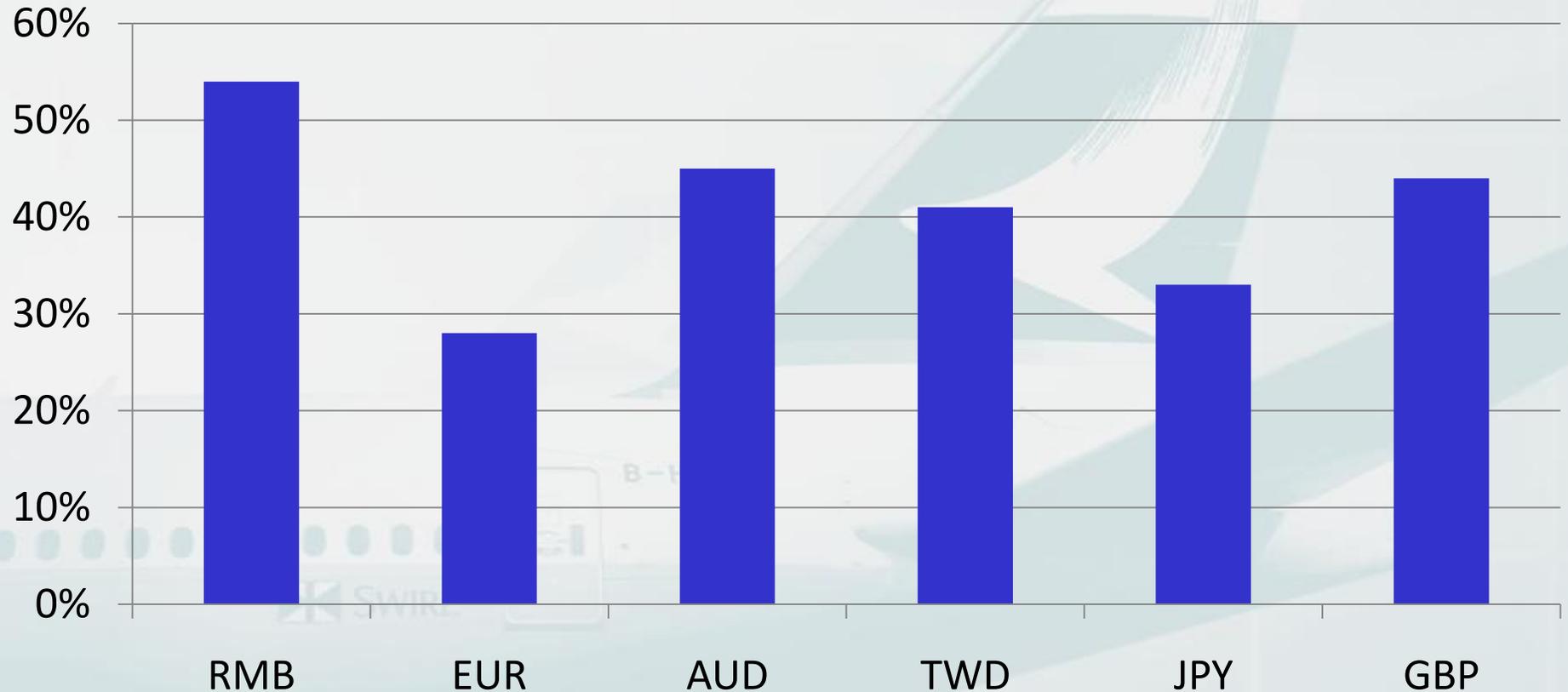


CATHAY PACIFIC

Now you're really flying

# Financial Risk Management

Net exposure (after hedging) of major currencies – next 12 months

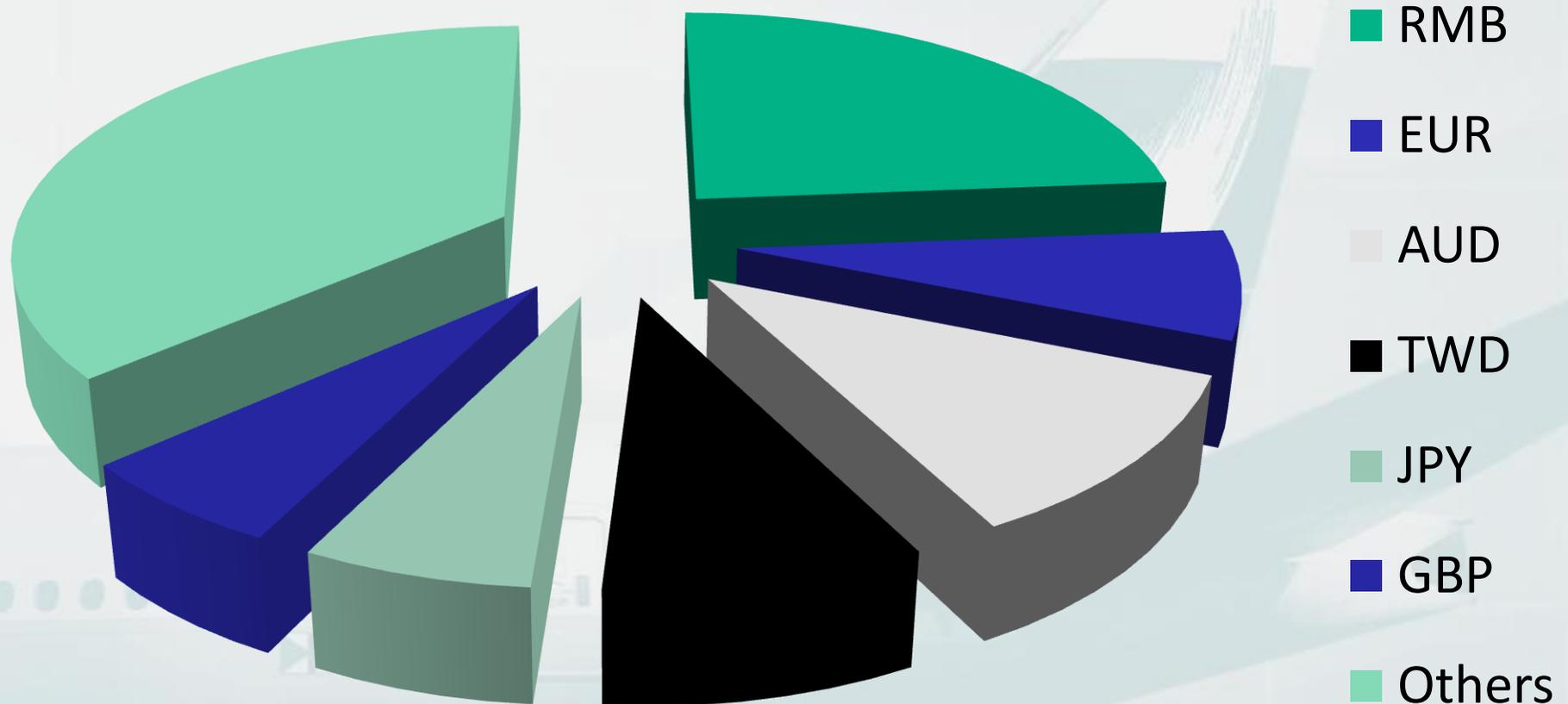


20  
CATHAY PACIFIC

Now you're really flying

# Financial Risk Management

Composition of forex exposure (after hedging) – next 12 months



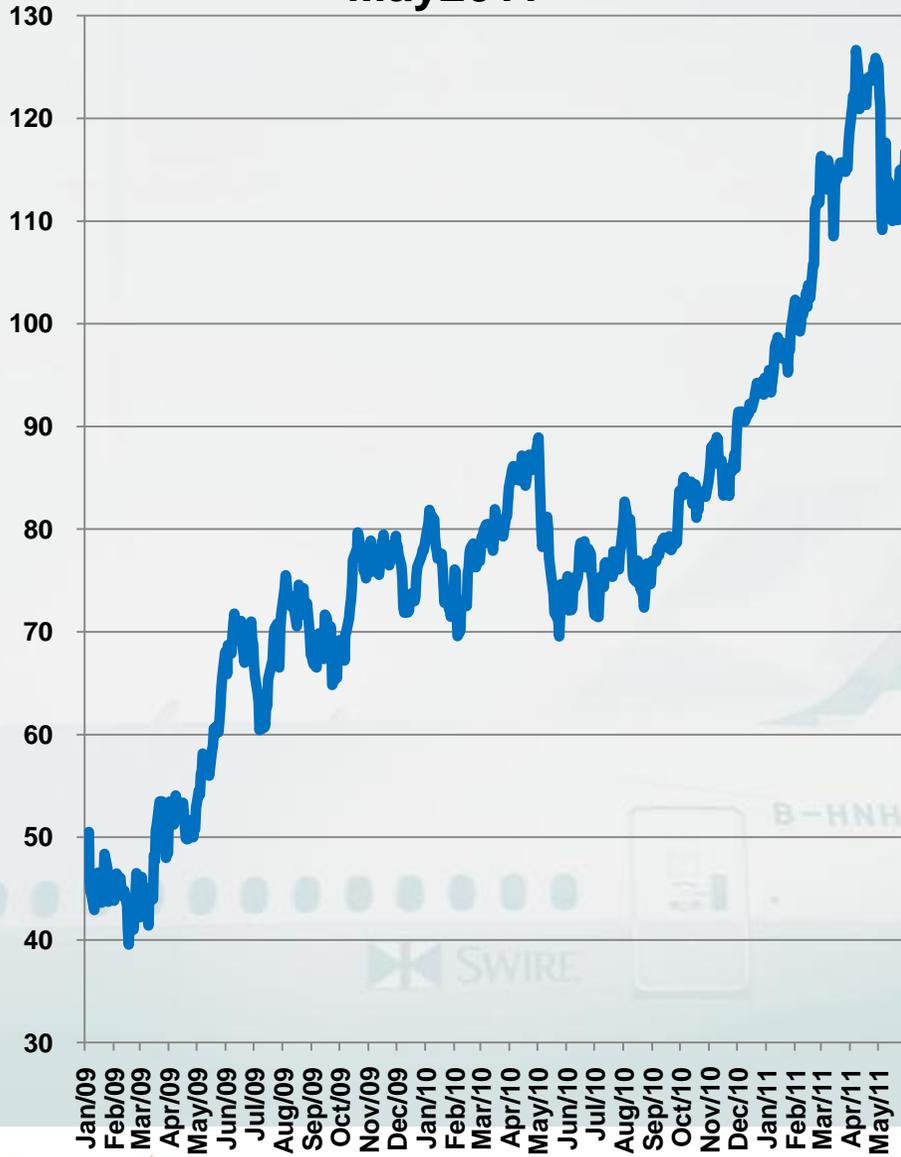
# Net debt to equity ratio

<b>Forecast Jun 2011</b>	<b>Dec 2010</b>	<b>Dec 2009</b>	<b>Dec 2008</b>	<b>Dec 2007</b>	<b>Dec 2006</b>	<b>Dec 2005</b>
Higher than Dec 2010	0.28	0.62	0.69	0.30	0.36	0.26

- Continue to adopt prudent financial strategy, maintain adequate cash reserves
- CAPEX on new aircraft , product enhancement and cargo terminal will be around HK\$50B in the next 3 years



# Daily IPE Brent Price Jan 2009- May 2011



# IPE Brent Forward Price

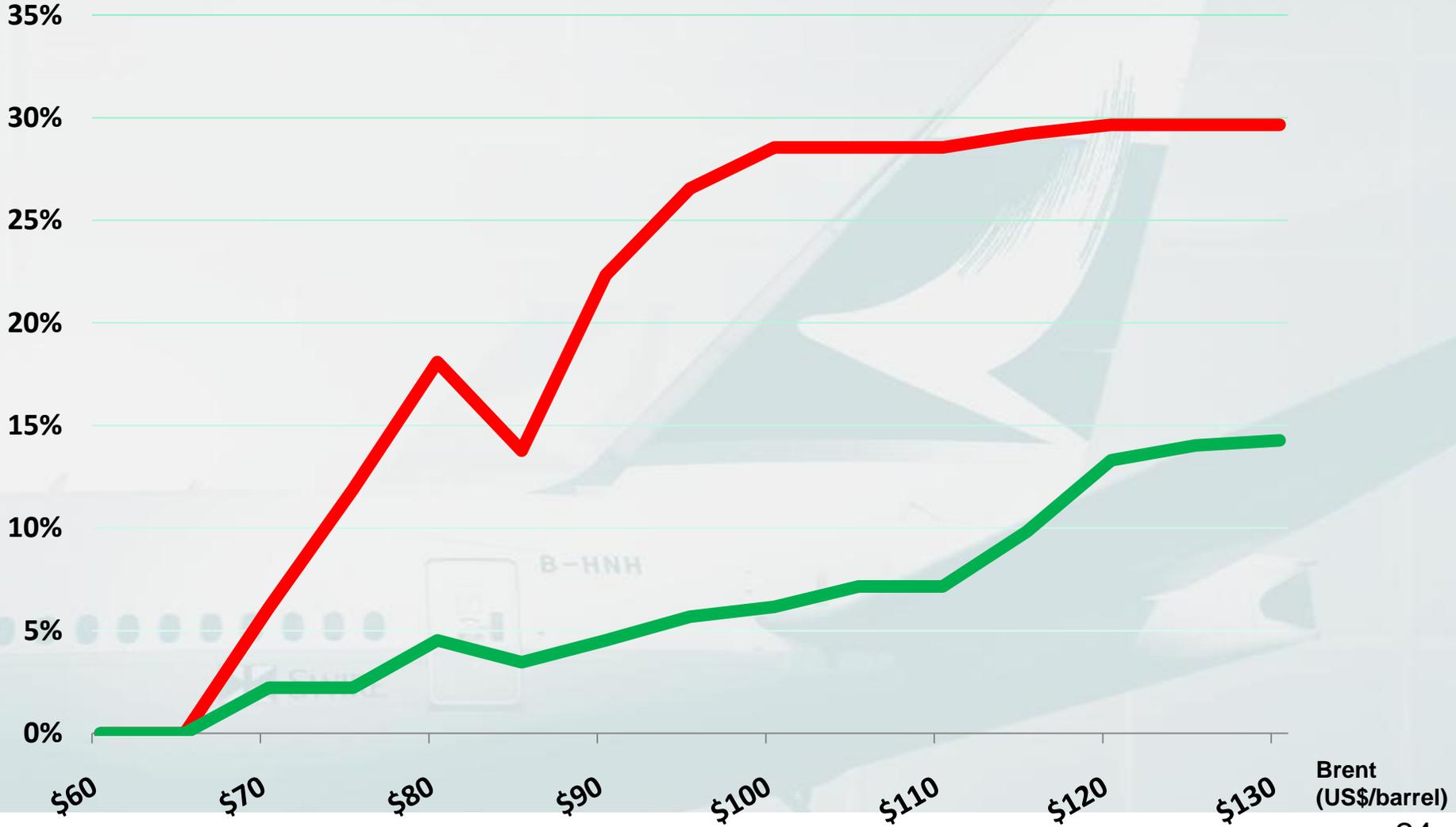


CATHAY PACIFIC

Now you're really flying

# Fuel hedging

Fuel hedging coverage



— Jun-Dec 2011 — 2012



CATHAY PACIFIC

# Summary

- Pax demand remains firm
- Cargo demand has softened
- High fuel price remains a concern
- Looking for growth
- Continued investment in capacity, product and infrastructure
- Maintain strong balance sheet



# Q & A

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



CATHAY PACIFIC

26

Now you're really flying