

Cathay Pacific Airways

Annual Results for the year ended 31st December 2011



14 March 2012



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Annual Result

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Group attributable profit	HK\$5,501m	HK\$14,048m	-60.8%
Group Turnover	HK\$98,406m	HK\$89,524m	+9.9%
Profit Margin	5.6%	15.7%	-10.1%pt
Return on Capital Employed	8.6%	22.0%	-13.4%pt
Earnings per share	HK¢139.8	HK¢357.1	-60.9%
Dividends per share	HK¢52	HK¢111	-53.2%
Available tonne kilometres	26,383m	24,461m	+7.9%
Cost per ATK (with fuel)	HK\$3.45	HK\$3.16	+9.2%
Cost per ATK (w/o fuel)	HK\$2.01	HK\$2.02	-0.5%
Revenue Load Factor	77.0%	81.1%	-4.1%pt
Breakeven Load Factor	72.2%	69.3%	+2.9%pt



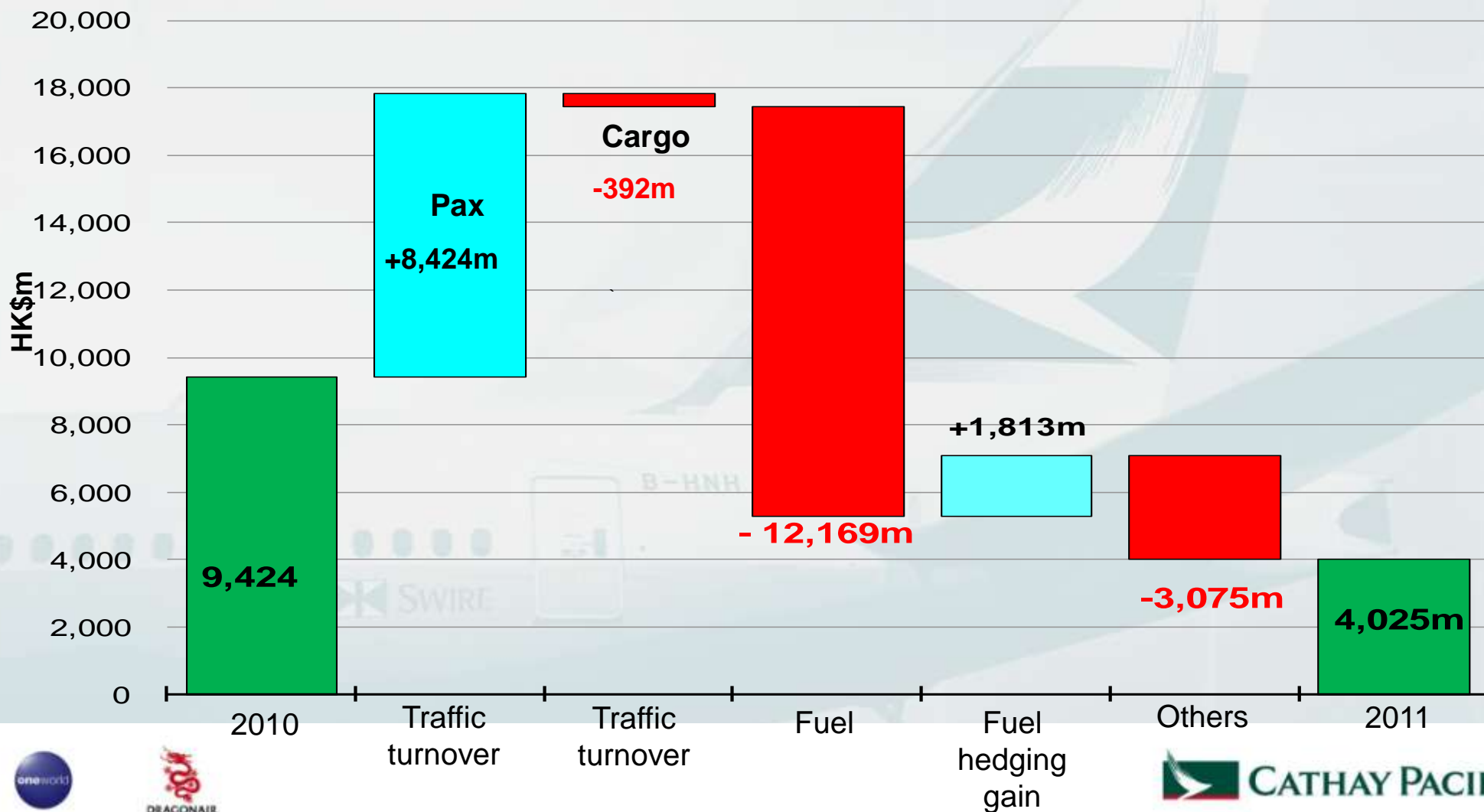
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Airlines operating profit

	<u>2011</u> HK\$M	<u>2010</u> HK\$M
Airlines' operating profit before non-recurring items and tax	4,025	9,465
Profit on disposal of HAECO and HACTL shares	-	2,165
Gain on deemed disposal of Air China shares	-	868
Tax charge	(609)	(1,347)
Airlines' profit after tax	3,416	11,110
Share of profits from subsidiaries & associates	2,085	2,938
Profit attributable to owners of Cathay Pacific	5,501	14,048



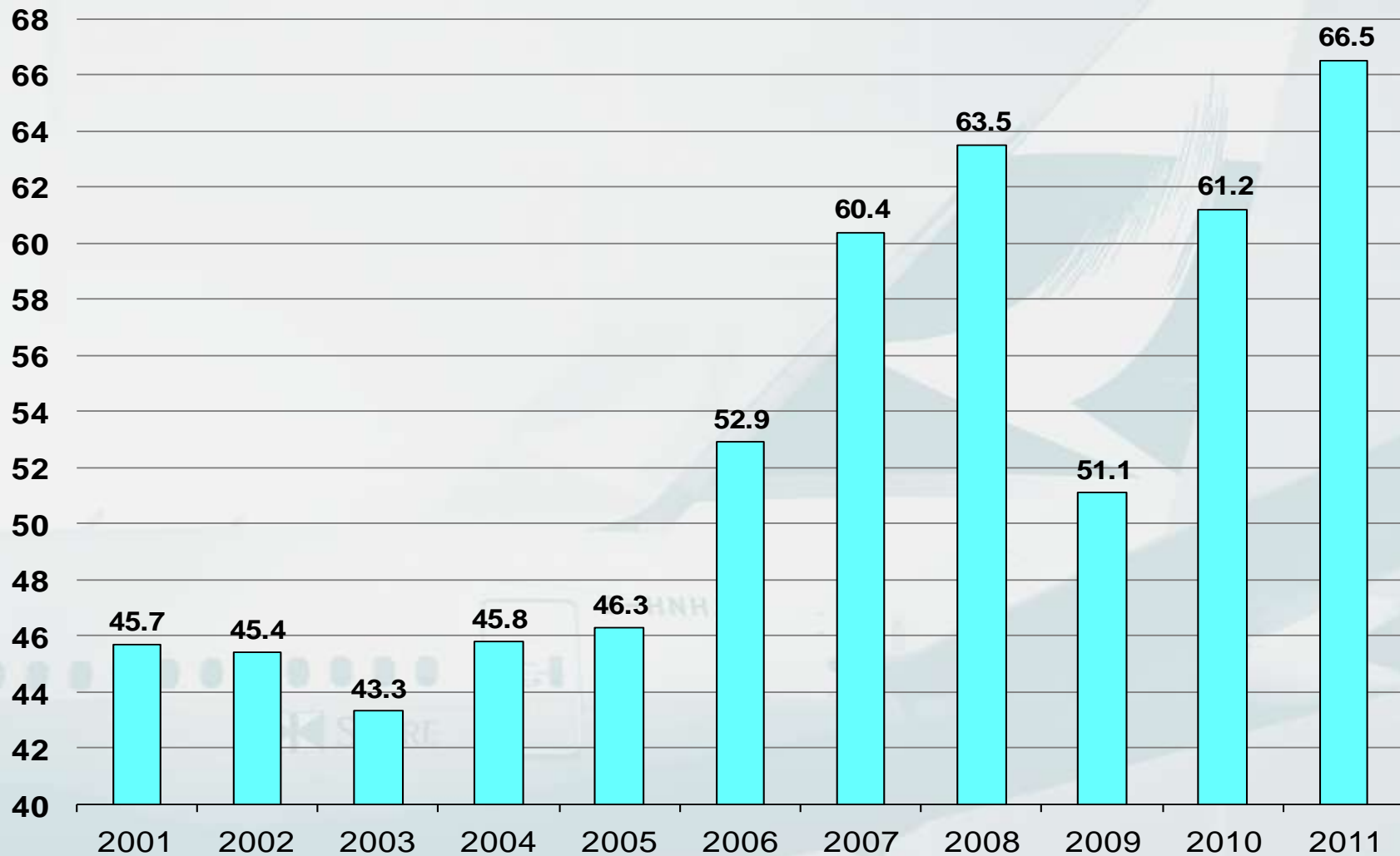
Reconciliation of airlines' operating profit before non-recurring items and tax : 2010 to 2011



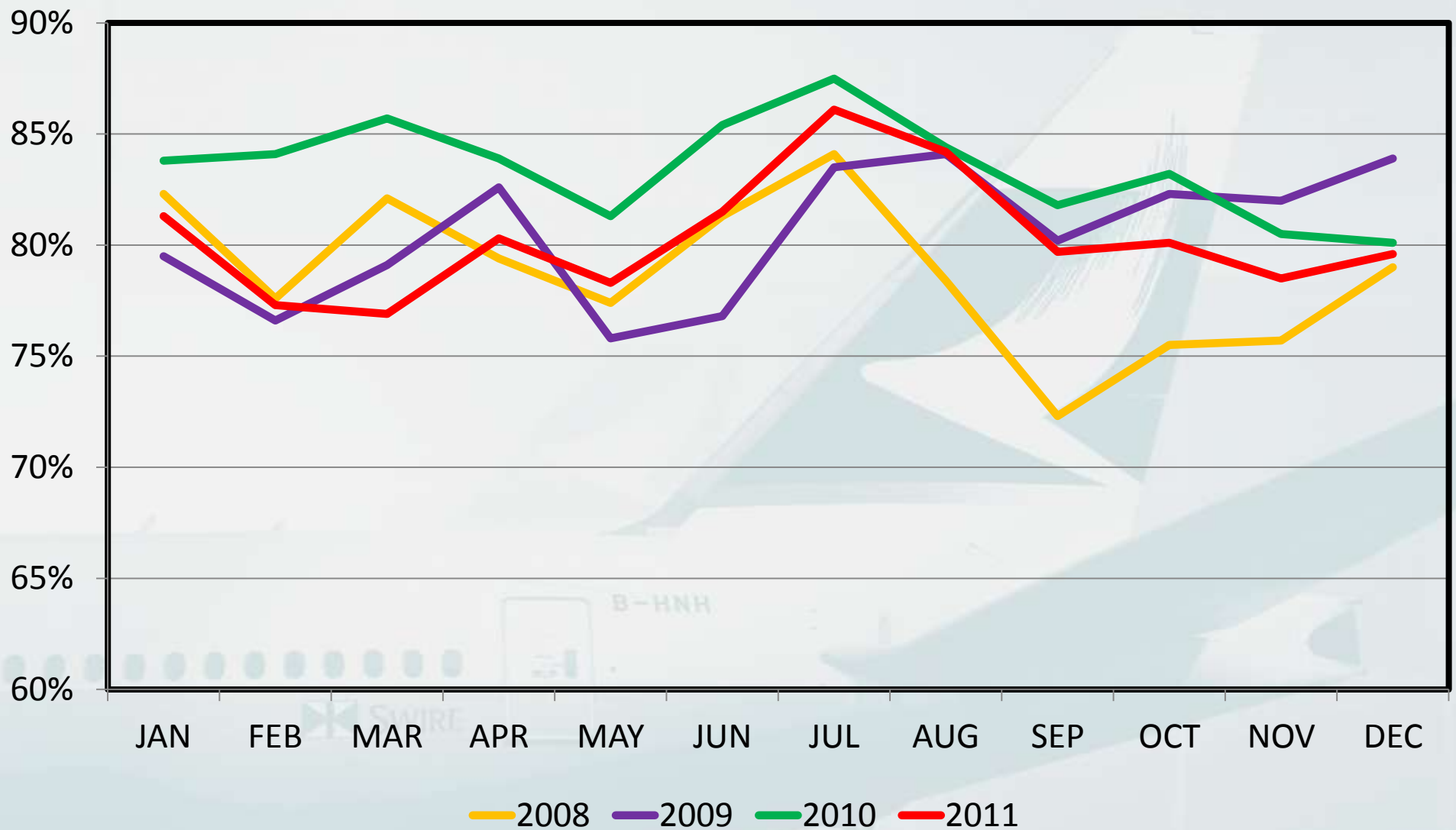
Passenger Service - Key Numbers

	<u>2011</u>	<u>vs 2010</u>
Turnover	HK\$67,778m	+ 14.2%
Seat Capacity (ASK)	126,340m	+9.2%
Passenger Number	27.6m	+2.9%
Yield per Revenue Pax Km	HK¢66.5	+8.7%
Load Factor	80.4%	-3.0% pt

Passenger Yield



PASSENGER LOAD FACTOR (JAN 2008 - DEC 2011)



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Passenger Service - by Region

	ASK (m)	vs 2010	Load Factor	vs 2010	Yield Change
India, Middle East, Pakistan and Sri Lanka	11,467	+4.4%	74.2%	-3.3% pt	+9.5%
Southeast Asia	16,020	+11.9%	82.6%	-0.2% pt	+7.5%
SW Pacific and South Africa	19,082	+4.1%	76.3%	-3.9% pt	+10.7%
Europe	22,552	+7.4%	83.7%	-2.2% pt	+10.1%
North Asia	25,375	+4.4%	73.5%	-6.2% pt	+14.8%
North America	31,844	+18.7%	87.1%	-2.8% pt	+4.0%
Systemwide	126,340	+9.2%	80.4%	-3.0% pt	+8.7%



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Passenger Services Development in 2011

- New passenger services to Abu Dhabi (2 Jun) and Chicago (1 Sep)
- Increased frequencies to:-
 - Paris : double daily (including 3 flights per week via Amsterdam)
 - Taipei: 108 flights per week
 - Toronto: double-daily
 - New York: four flights a day
 - Milan: daily
 - Jakarta : three-times-daily
 - Surabaya : daily
 - Singapore : eight-times-daily
 - Increased capacity in Mainland China & Taipei



Passenger Services Development in 2012

- Planned increased frequencies of Cathay Pacific :-
 - Penang : 10 flights a week
 - Nagoya : three-times-daily
 - Singapore : 61 flights a week
 - Kuala Lumpur : four-times-daily
 - Bangkok : six-times-daily
 - Taipei : 114 flights a week

Passenger Services Development in 2012

- Planned increased flight frequencies of Dragonair :-
 - Okinawa: to 4 flights a week
 - Ningbo: to double daily
 - Qingdao: to 10 flights a week
- Resume scheduled services to Xian and Guilin



Cargo Service - Key Numbers

Group Turnover

Cathay Pacific and Dragonair

Cargo Capacity (ATK)

Cargo Carried

Yield per tonne km

Load factor

2011

vs 2010

HK\$25,980m

+0.3%

14,367m

+ 6.9%

1,649k tons

- 8.6%

HK\$2.42

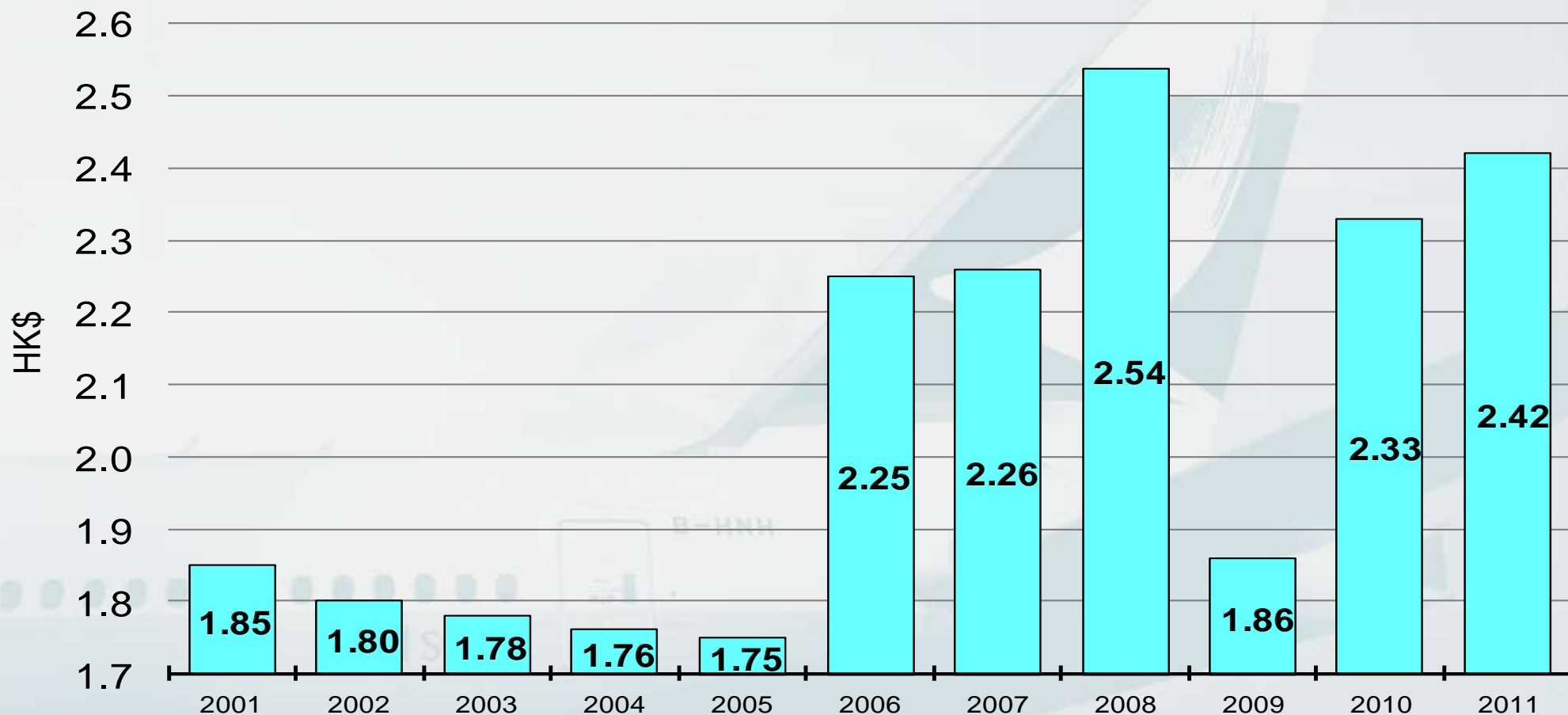
+ 3.9%

67.2%

-8.5%pt

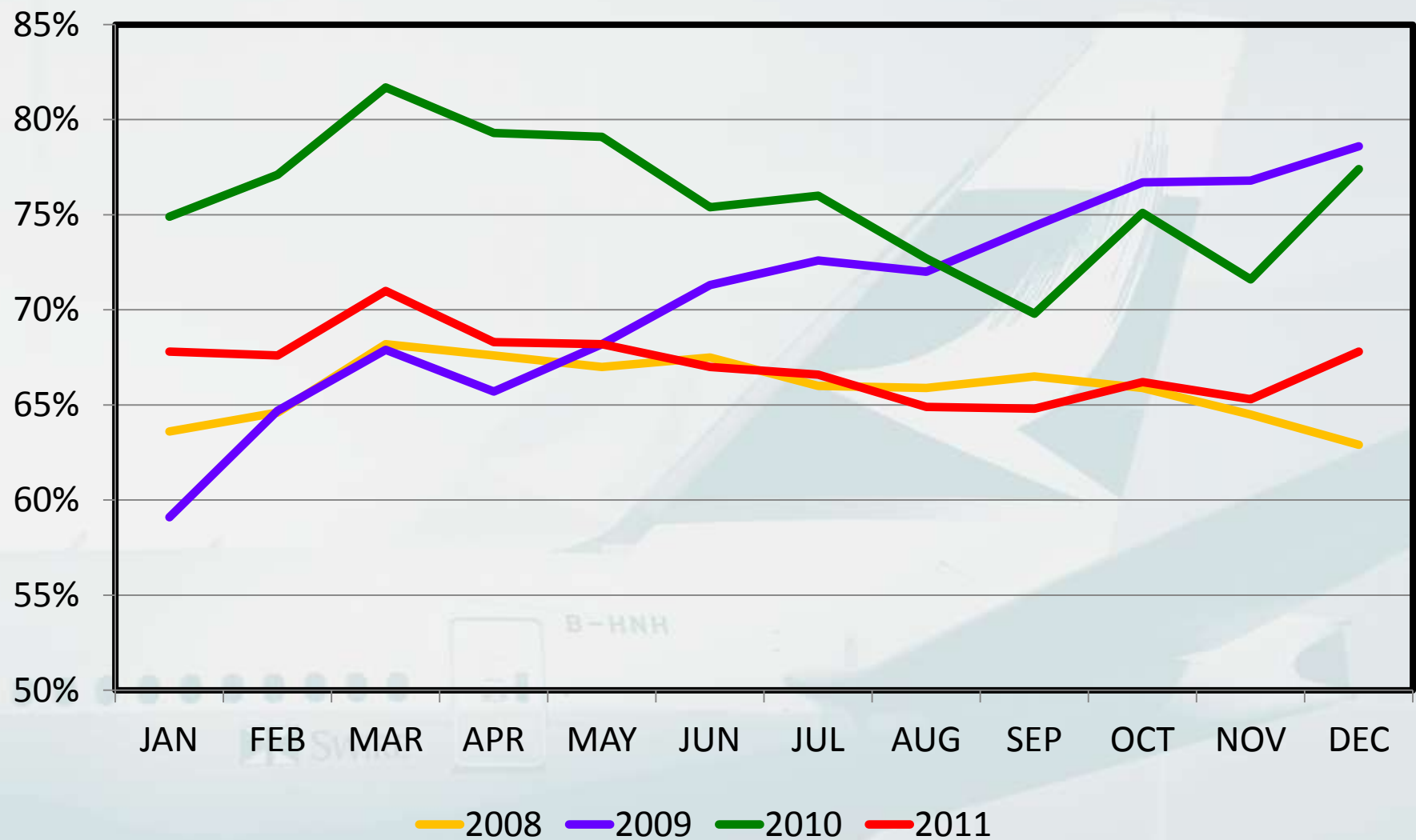


Cargo & Mail Yield



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CARGO AND MAIL LOAD FACTOR (JAN 2008 - DEC 2011)



Cargo Operating Performance 2011

- Managed capacity to keep in line with demand.
- Continue to seek opportunities in new markets :
 - Bengaluru
 - Chongqing and Chengdu
 - Zaragoza
- Expanded network through passenger airline growth.



Cargo Terminal



Total investment costs	HK\$ billion
Up to 2010	1.9
2011	2.4
2012	1.4
2013	-
Total	5.7

Fleet composition changes (CX/KA)

Fleet @ 31 Dec 2010

	159
Deliveries (6x777-300ERs, 4x747-8Fs, 3xA330-300)	13
Returned (2xA340-300, 1xA330-300)	(3)
Deregistered (1x747-400)	(1)
Leased out (3 x747-400BCF to AHK)	(3)
Sold (1x747-400BCF)	(1)

Fleet @ 31Dec2011

	164
Parked (2x A340-300)	(2)

Operating fleet @ 31 Dec 2011

	162
Passenger aircraft	138
Freighter	24



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New Aircraft as at March 2012

Orders brought forward at 1 Jan 2011	67
Delivered	(13)
New Orders	
March 2011	25
August 2011	12
December 2011	2
Total as of 31 Dec 2011	93
New Orders in January 2012	8
Delivered in February 2012	(5)
Total as of 14 March 2012	96



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Aircraft Delivery Plan as at March 2012

	2012	2013	2014	2015	2016	2017	2018	2019	
B747-8F	3	2							5
B777-200F			4	2	2				8
A320-200	2								2
A330-300	5	4	6	3					18
A350-900				2	10	10	12	4	38
B777-300ER	4	8	8	5					25
Total	14	14	18	12	12	10	12	4	96

Cargo Fleet Plan

2011

- Fleet composition as at 31 Dec 2011
 - 24 x 747 Freighters :
6 x 747-400F, 6 x 747-400ERF , 8 x 747-400BCF and 4 x 747-8F

Future development

- Sale
 - 2 x 747-400BCF to Air China Cargo
- New delivery
 - 747-8F – 4 in 2012 and 2 in 2013
 - 777-200F – 4 in 2014, 2 in 2015 and 2 in 2016

HK\$250m impairment on B747-BCFs



Products and Services

- New business class seats
 - 15 aircraft of these types had been installed at end of 2011.
 - 50 aircraft are expected to be retrofitted with the new products by end of 2012, 63 by end of 2013.
- New Premium Economy cabins – 87 aircraft by end 2013.
 - started to install the new cabins in our long-haul aircraft.
- New economy class seat – 63 aircraft by end 2013.
- Continue to upgrade lounges.

Group Operating Cost

	<u>2011</u> HK\$m	<u>vs 2010</u>
Staff	14,772	+ 6.7%
Inflight service & passenger	3,794	+14.7%
Landing, parking & route	13,105	+16.0%
Fuel	38,877	+ 37.5%
Aircraft maintenance	8,468	+ 19.7%
Depreciation, amortisation & leases	9,402	+ 0.1%
Net finance charges	744	- 23.9%
Others	4,488	- 14.8%
Total Operating Cost	93,650	+ 17.9%

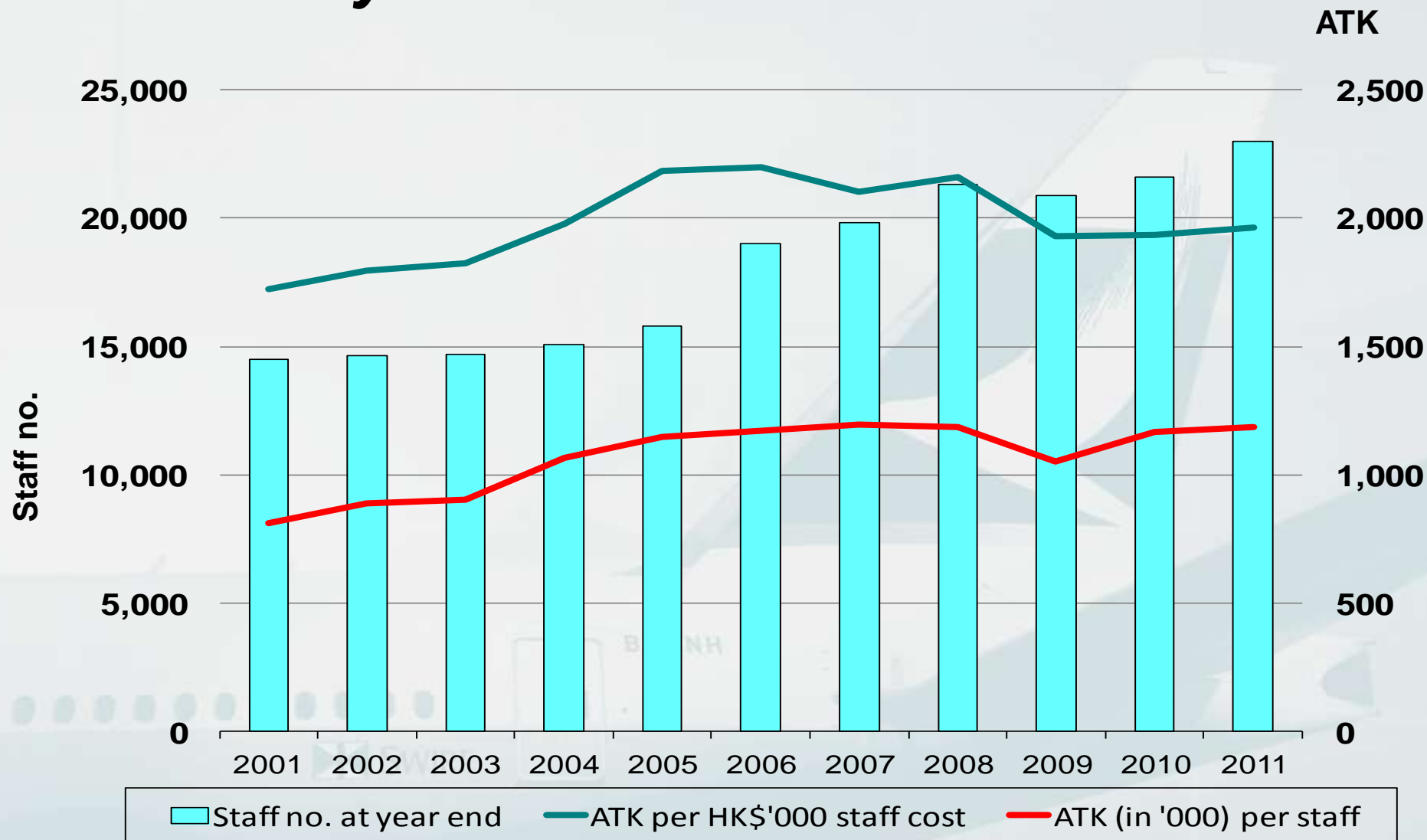


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Airlines Cost per ATK without Fuel



Productivity - Staff



Note: Includes KA from Oct06



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Financial Risk Management

- Currency
 - All major currencies are hedged in compliance with our policy.
- Liquidity
 - First issue on new MTN programme in 2011 of HK\$658m - 7 yrs.
 - Further SGD150 million in 2012 - 5 yrs.
 - Unpledged liquid funds and undrawn committed lines HK\$22bn at 31 Dec 2011.
- Interest rates
 - Overall cost of debt remains low.
 - Margins have widened, but yield curve at historically attractive levels.
 - Strategic management of fixed / floating ratio – taking advantage of low fixed rates to lock in aircraft financing.

Fuel hedging as at 14 March 2012

Fuel hedging
coverage

25%

20%

15%

10%

5%

0%

\$60

\$70

\$80

\$90

\$100

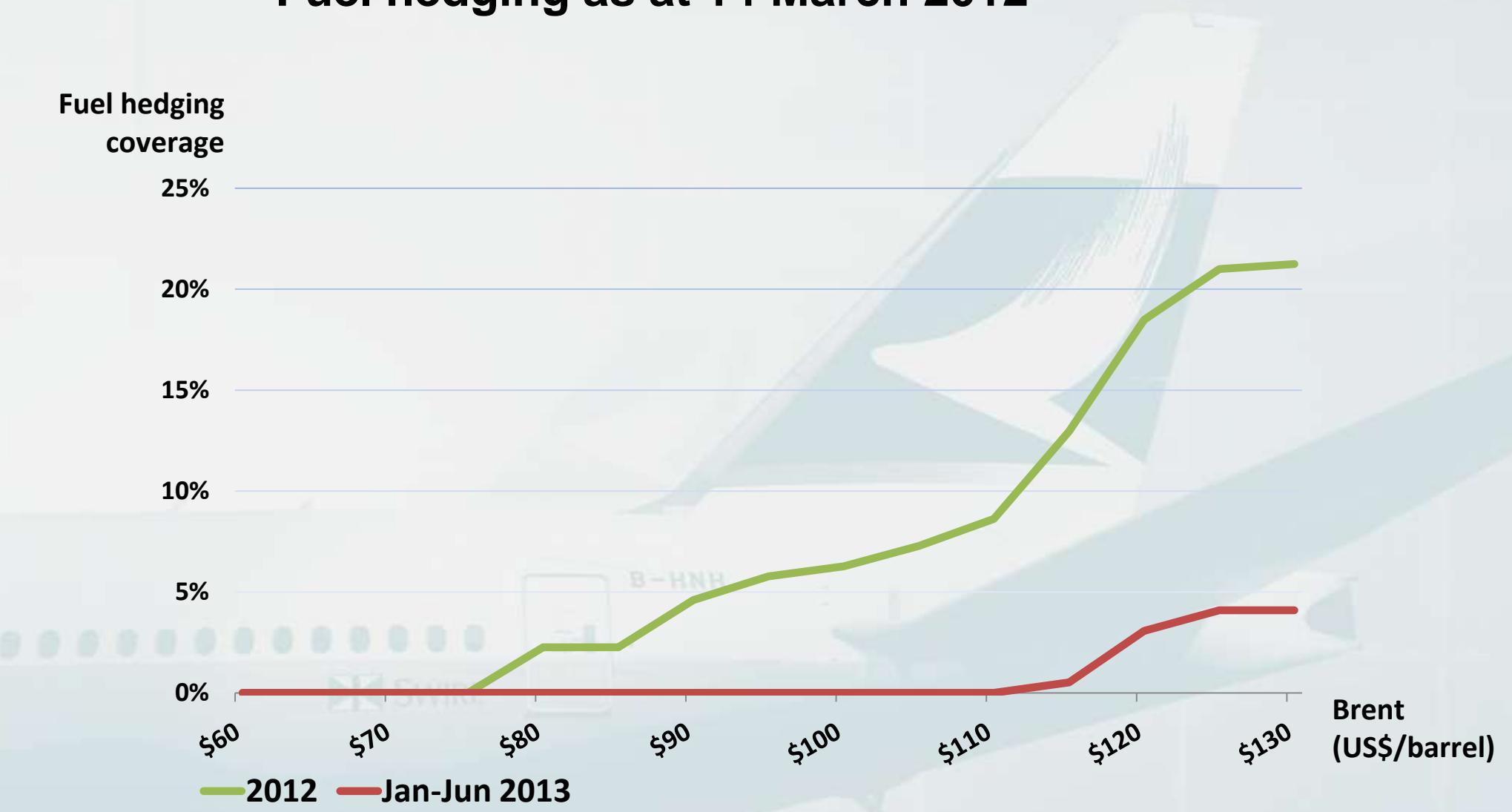
\$110

\$120

\$130

Brent
(US\$/barrel)

— 2012 — Jan-Jun 2013



Major subsidiaries

- AHK Air Hong Kong
 - Operates a fleet of eight owned Airbus A300-600F and three dry-leased aircraft.
 - Load factor dropped by 3% points but yield improved by 19%.
 - Lower profit in 2011 compared to 2010.
- Cathay Pacific Catering Services
 - Produced 22.9 million meals, an increase of 4%
 - Market share is 64% in 2011.
 - Increase in the volume of sales and profit, but cost increase in raw material, fuel and wages resulted in a lower profit margin.
- Asia Miles
 - Membership exceeds 4 million worldwide, 46% of whom reside in Mainland China.
 - Won Best FFP award for the seventh consecutive year.



Air China

- Cathay Pacific has a 19.53% interest in Air China.
- Air China plays an important role in our business, contributing approximately 31.1% of our consolidated profits before tax in 2011.
- Cathay Pacific accounts for Air China for the 12 months ended 30th September 2011 and any significant events or transactions during their last quarter.



Air China / Cathay Pacific Cargo Joint Venture

- CX acquired 49% economic interest in Air China Cargo (ACC) and the cargo joint venture was formally approved and established on 28 Feb 2011 and officially launched in May 2011.
- CX Group selling assets to ACC
 - 4 x 747-400BCFs (one was sold in 2010; one was sold in 2011, the other 2 will be sold in 2012)
 - 2 spare engines (one sold in 2011 and one to be sold in 2012)

Strategic Objective: Grow Air China Cargo to become pre-eminent cargo carrier in Beijing & Shanghai



Balance Sheet

	<u>31 Dec 11</u>	<u>31 Dec 10</u>	<u>vs Dec 10</u>
Shareholders' Funds	HK\$55,809m	HK\$54,274m	2.8% up
Gross Borrowings	HK\$43,335m	HK\$39,629m	9.4% up
Less:			
Liquid Funds (less OD)	HK\$(19,597m)	HK\$(24,194m)	19.0% down
Net Borrowings	HK\$23,738m	HK\$15,435m	53.8% up
Capital Employed (incl. non-controlling interests)	HK\$79,682m	HK\$69,864m	14.1% up
Net Debt/Equity Ratio	0.43	0.28	+0.15 times
Investment in Air China	HK\$15,777m	HK\$12,553m	25.7% up



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Liquid Fund Flow

Inflow

New financing

Operating activities

Disposals & others

Outflow

Capital expenditure

Acquisition of additional
shareholding in an associate

Loan repayment

Dividend paid

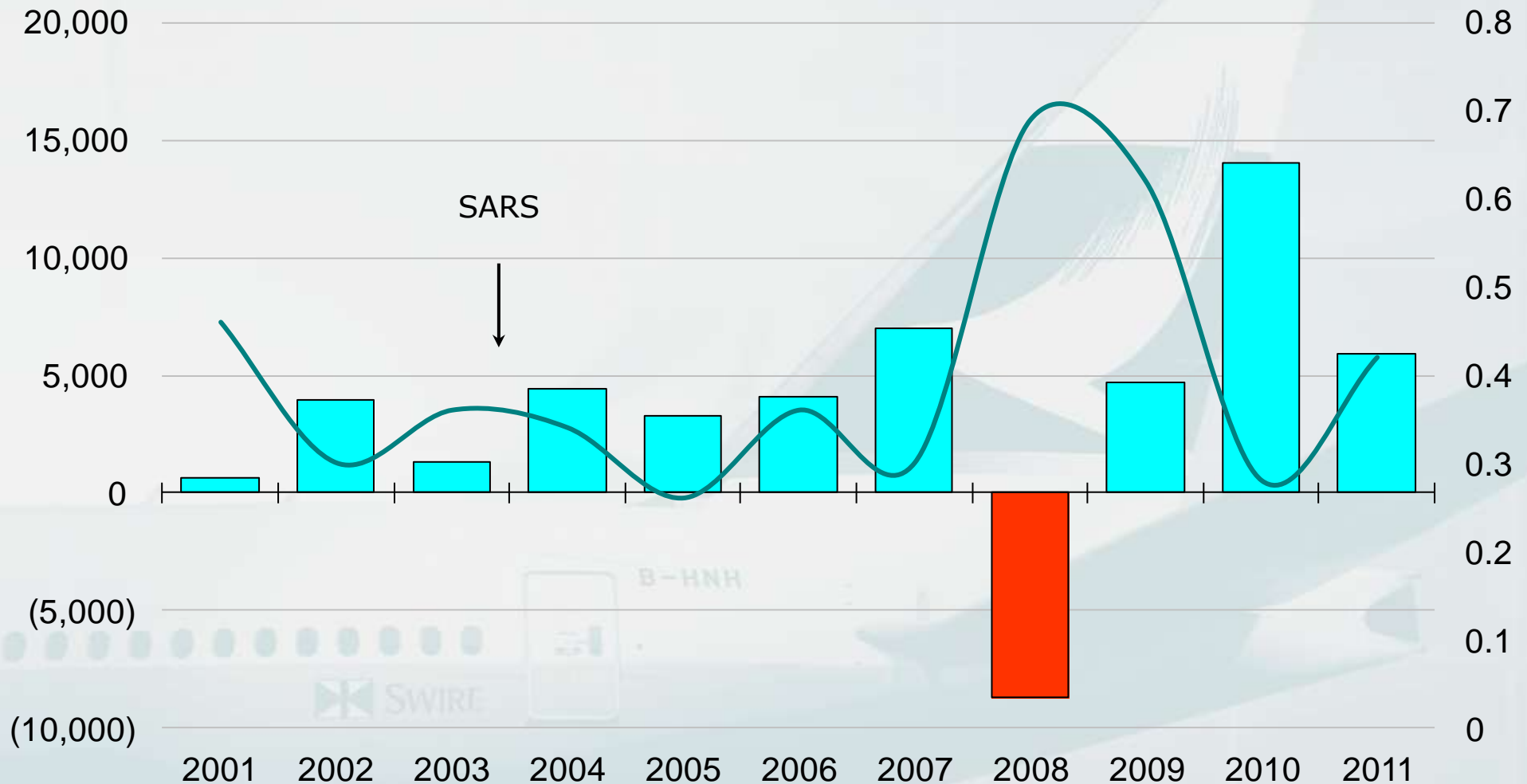
Net (outflow) / inflow

<u>2011</u>	<u>2010</u>
<u>HK\$'M</u>	<u>HK\$'M</u>
12,187	5,815
13,980	17,599
2,840	4,915
(17,610)	(8,299)
(3,098)	(1,130)
(8,930)	(9,349)
(3,966)	(1,868)
(4,597)	7,683

Profit & Net Debt/Equity Ratio

Profit / (loss) - HK\$ m

D/E ratio - times



Profit/(Loss)

Net debt/equity ratio



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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.
- Continue to develop the strategic relationship with Air China.
- Maintain a prudent approach to financial risk management.



Outlook

- Global economic uncertainties continues into 2012.
- Softening in pax demand being seen.
- Cargo demand remains weak.
- High fuel price remains a concern.
- Continue enhancement of products and services to strengthen our competitive edge.

Q & A

For more information, please visit our website
www.cathaypacific.com



Audit Qualification

HKSA 600

- Audits of Group Financial Statements.
- Effective from 2010 for December year ends.
- Applies to the CX Group including components (i.e. subsidiaries and associated companies).
- A full audit is required to be performed on each component of individual financial significance to the Group.

Audit Qualification

Appendix 1 - 2

Accounting for Air China

- Air China's audited financial statements are not available at the time CX publishes its annual results for the year to 31st December.
- CX therefore consolidates Air China's results based on results 3 months in arrears i.e. the 31 December annual report uses 12 months of Air China's results to 30 September, and any significant events or transactions for the period from 1 October to 31 December.
- Air China's quarterly results are prepared in accordance with PRC GAAP. These results are adjusted to comply with IFRS.



Audit Qualification

Accounting for Air China

- Air China's results under PRC GAAP for the period 1 October 2010 to 30 September 2011 were RMB10.6bn.
- Q3 2011 results announced on 27 October 2011 were in full compliance with PRC regulatory requirements although not audited. It was not practical to perform a full audit of the specific split of the results for the 12 months to 30 Sept 2011 prior to release of Q3 2011 results.

Implications

- Air China is be a significant component of CX Group's results for the year to 31st December 2011.

Audit Qualification

Implications

- Air China was not deemed to be a significant component for the year ended 31st December 2010.
- Whilst the accounts are produced on a consistent basis with prior years, there is a technical audit qualification.
- Air China's results to 31 December is audited by their auditor, Ernst & Young. Air China has always had unqualified audit opinions.
- The working relationship and co-operation between CX and Air China remains healthy and positive.