



# *Cathay Pacific Airways*

*Interim Results for the six months ended 30 June 2012*



*8 August 2012*



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*Now you're really flying*

# Interim Result

		<u>1H2012</u>	<u>1H2011</u>	<u>Change</u>
Group attributable (loss) / profit	<i>HK\$ million</i>	(935)	2,808	-133.3%
Group Turnover	<i>HK\$ million</i>	48,861	46,791	+4.4%
(Loss) / profit Margin	%	(1.9)	6.0	-7.9%pt
(Loss) / earnings per share	<i>HK¢</i>	(23.8)	71.4	-133.3%
Dividends per share	<i>HK¢</i>	-	18.0	-100.0%
Available tonne kilometres (ATK)	<i>million</i>	12,944	12,846	+0.8%
Available seat kilometres (ASK)	<i>million</i>	65,351	61,136	+6.9%
Cost per ATK (with fuel)	<i>HK\$</i>	3.72	3.35	+11.0%
Cost per ATK (without fuel)	<i>HK\$</i>	2.18	1.94	+12.4%



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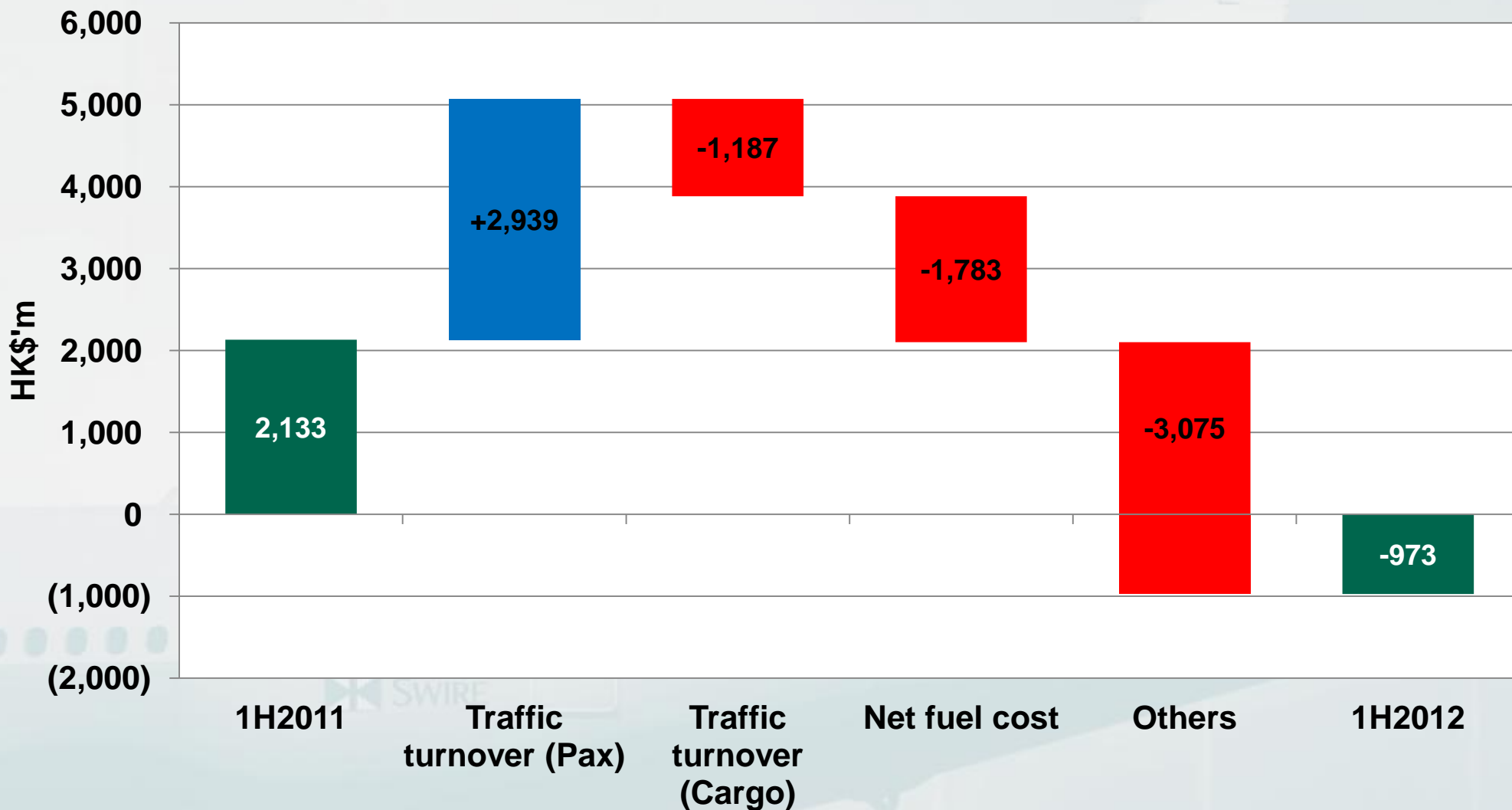
# Airlines interim operating (loss) / profit

	<u>1H2012</u>	<u>1H2011</u>
	HK\$M	HK\$M
Airlines'(loss) / profit before tax	(973)	2,133
Tax credit / (charge)	8	(380)
Airlines' (loss) / profit after tax	(965)	1,753
Share of profits from subsidiaries & associates	30	1,055
<b>(Loss) / profit attributable to owners of Cathay Pacific</b>	<b>(935)</b>	<b>2,808</b>



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# Reconciliation of airlines' operating profit before tax: 1H2011 to 1H2012



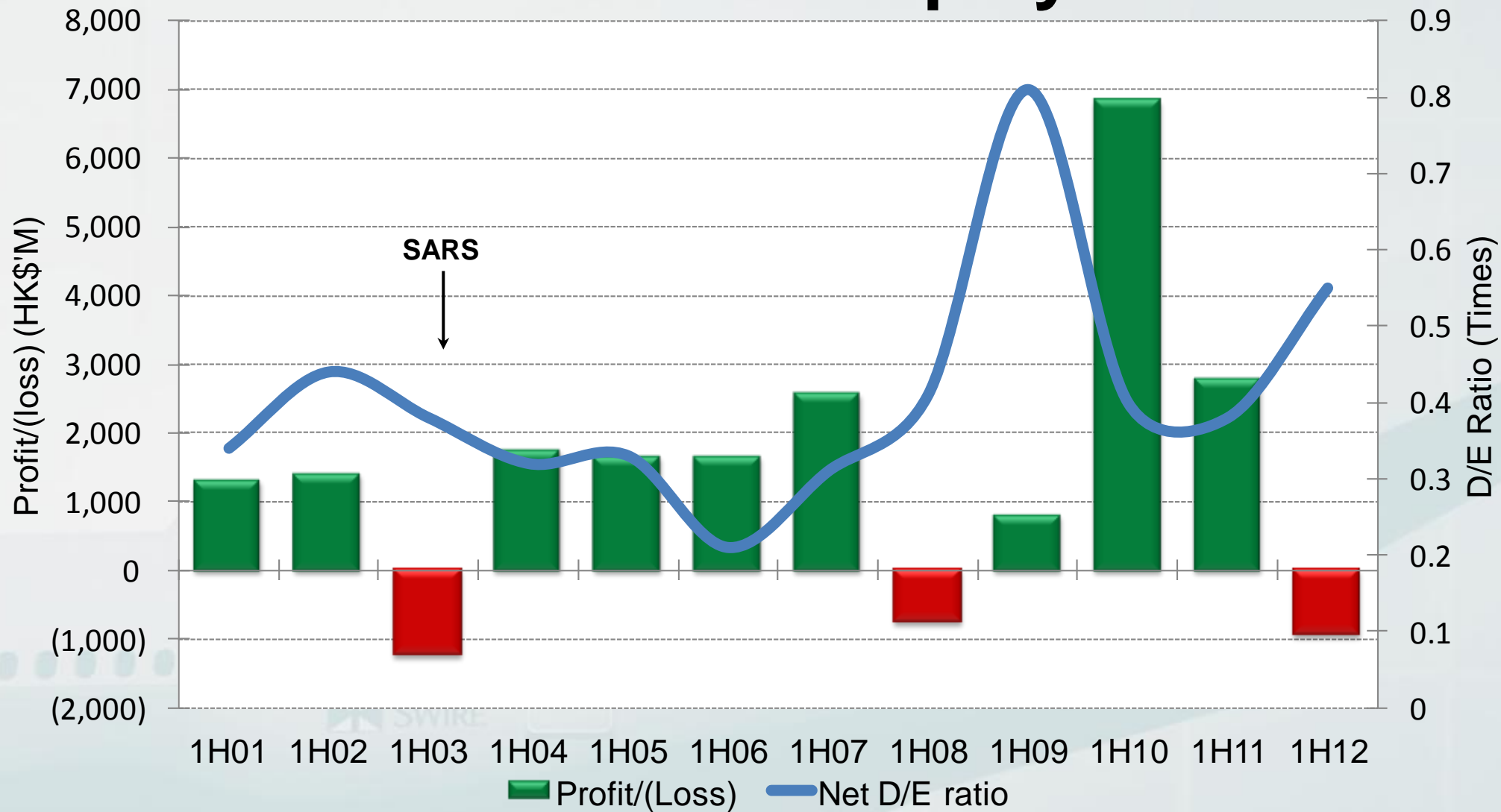
# Balance Sheet

	<u>30 Jun 12</u>	<u>31 Dec 11</u>	<u>vs Dec 11</u>
Shareholders' Funds	HK\$53,385m	HK\$55,809m	4.3% down
Gross Borrowings	HK\$49,572m	HK\$43,335m	14.4% up
Less:			
Liquid Funds (less OD)	HK\$(20,020m)	HK\$(19,597m)	2.2% up
Net Borrowings	HK\$29,552m	HK\$23,738m	24.5% up
Capital Employed (incl. non-controlling interests)	HK\$83,066m	HK\$79,682m	4.2% up
Net Debt/Equity Ratio	0.55	0.43	+0.12 times
Investment in Air China	HK\$15,545m	HK\$15,777m	1.5% down



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# Profit & Net Debt/Equity Ratio



# Liquid Fund Flow

## Inflow

New financing  
Operating activities  
Sale of fixed assets and others

## Outflow

Capital expenditure  
Loan repayment  
Dividend paid

**Net inflow / (outflow)**

**Liquid funds @ 30 Jun**

<u>HK\$'M</u>	<u>HK\$'M</u>
12,664	3,197
3,731	7,034
1,672	885
(9,811)	(9,440)
(6,378)	(4,084)
(1,453)	(3,149)
425	(5,557)
20,022	18,641



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# ***Financial Risk Management***

- Currency
  - All major currencies are hedged in compliance with our policy.
- Liquidity
  - A total of HK\$2.7 billion with tenors of 5 or 7 years raised through MTN programme since first issue in Oct 2011
  - Unpledged liquid funds and committed undrawn lines HK\$22.7 billion as at 30 June 2012.
- 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.



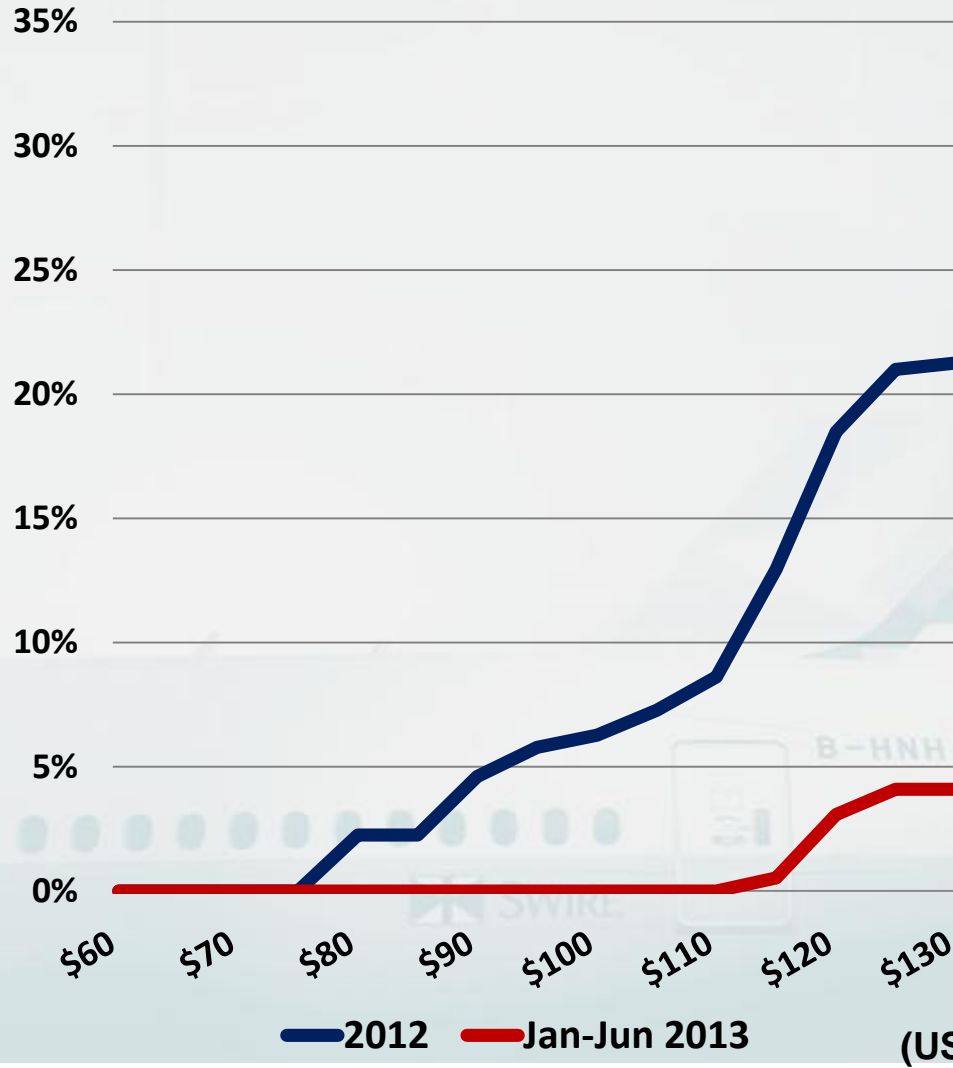
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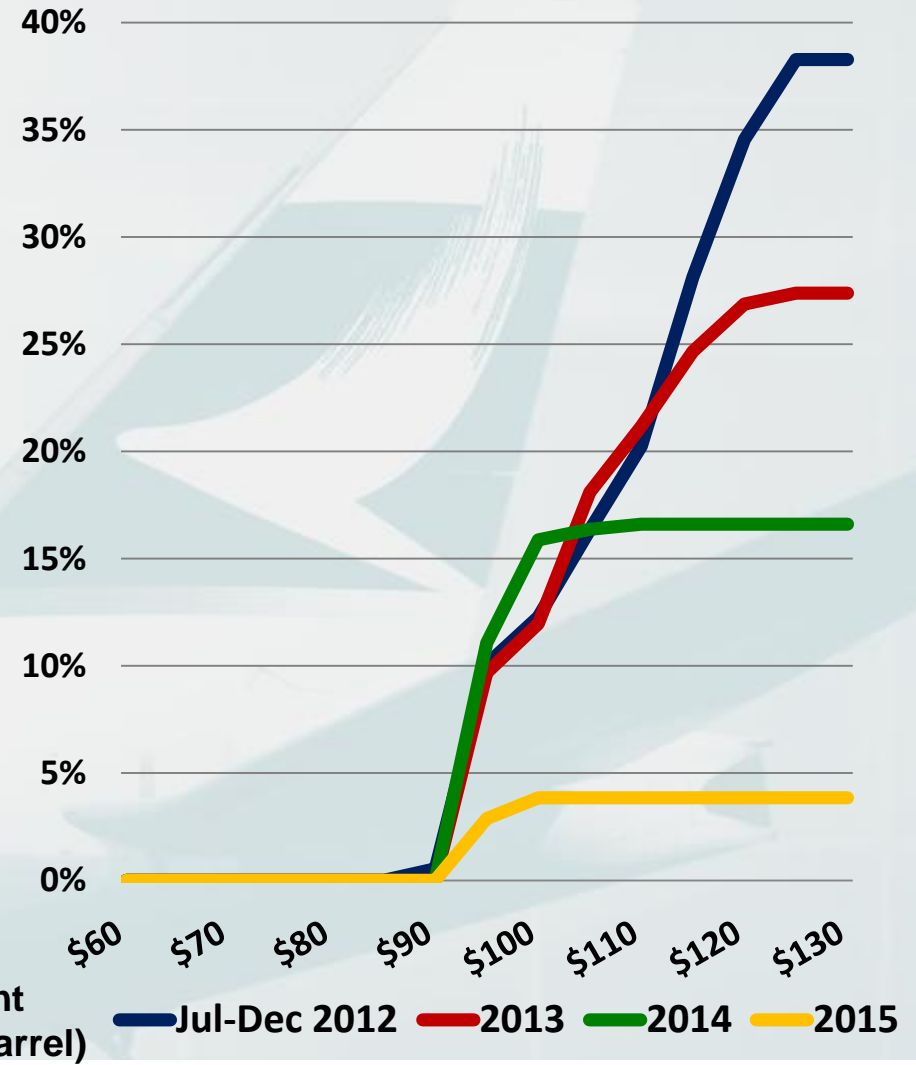
# Fuel Hedging

Fuel hedging  
coverage

As at 14 March 2012



As at 1 August 2012



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# Passenger Service – Key Numbers

		1H2012	vs 1H2011
Turnover	<i>HK\$ million</i>	34,713	+9.2%
Seat capacity (ASK)	<i>Million</i>	65,351	+6.9%
Passenger number	<i>'000</i>	14,312	+8.6%
Passenger yield	<i>HK cents</i>	66.1	+1.2%
Load factor	<i>%</i>	80.1	+0.8%pt



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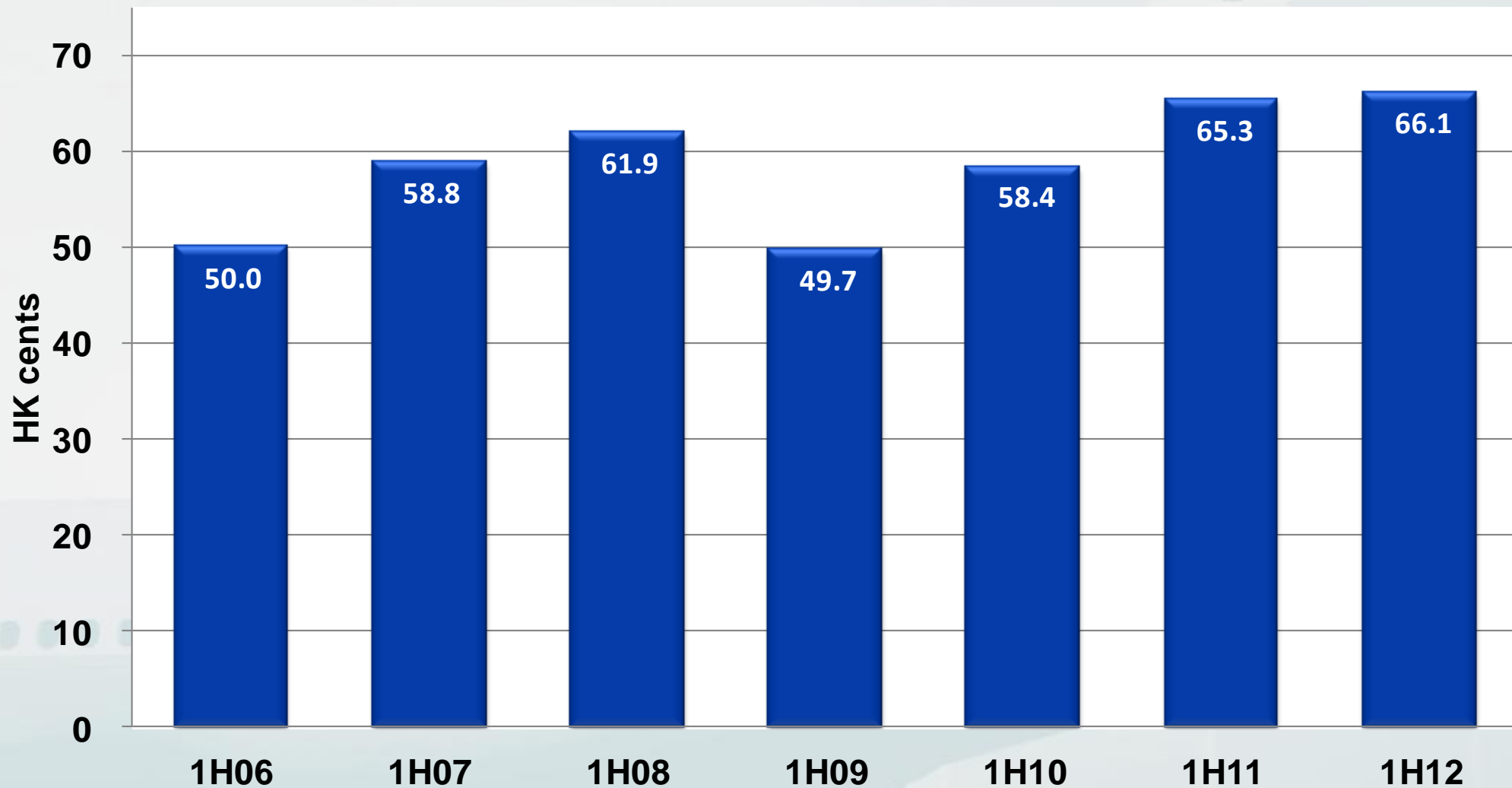
# Passenger Service - by Region

	ASK (m)	vs 1H2011	Load Factor	vs 1H2011	Yield Change
India, Middle East, Pakistan and Sri Lanka	5,605	+1.1%	77.3%	+1.4%pt	+3.9%
Southeast Asia	8,612	+11.6%	80.3%	-2.4%pt	+2.0%
Southwest Pacific and South Africa	9,482	+0.4%	75.2%	+1.9%pt	+2.4%
Europe	10,812	-3.1%	84.0%	+2.8%pt	+2.1%
North Asia	13,616	+9.4%	72.2%	+2.5%pt	-1.4%
North America	17,224	+16.2%	87.4%	-1.9%pt	-0.3%
<b>Overall</b>	<b>65,351</b>	<b>+6.9%</b>	<b>80.1%</b>	<b>+0.8%pt</b>	<b>+1.2%</b>



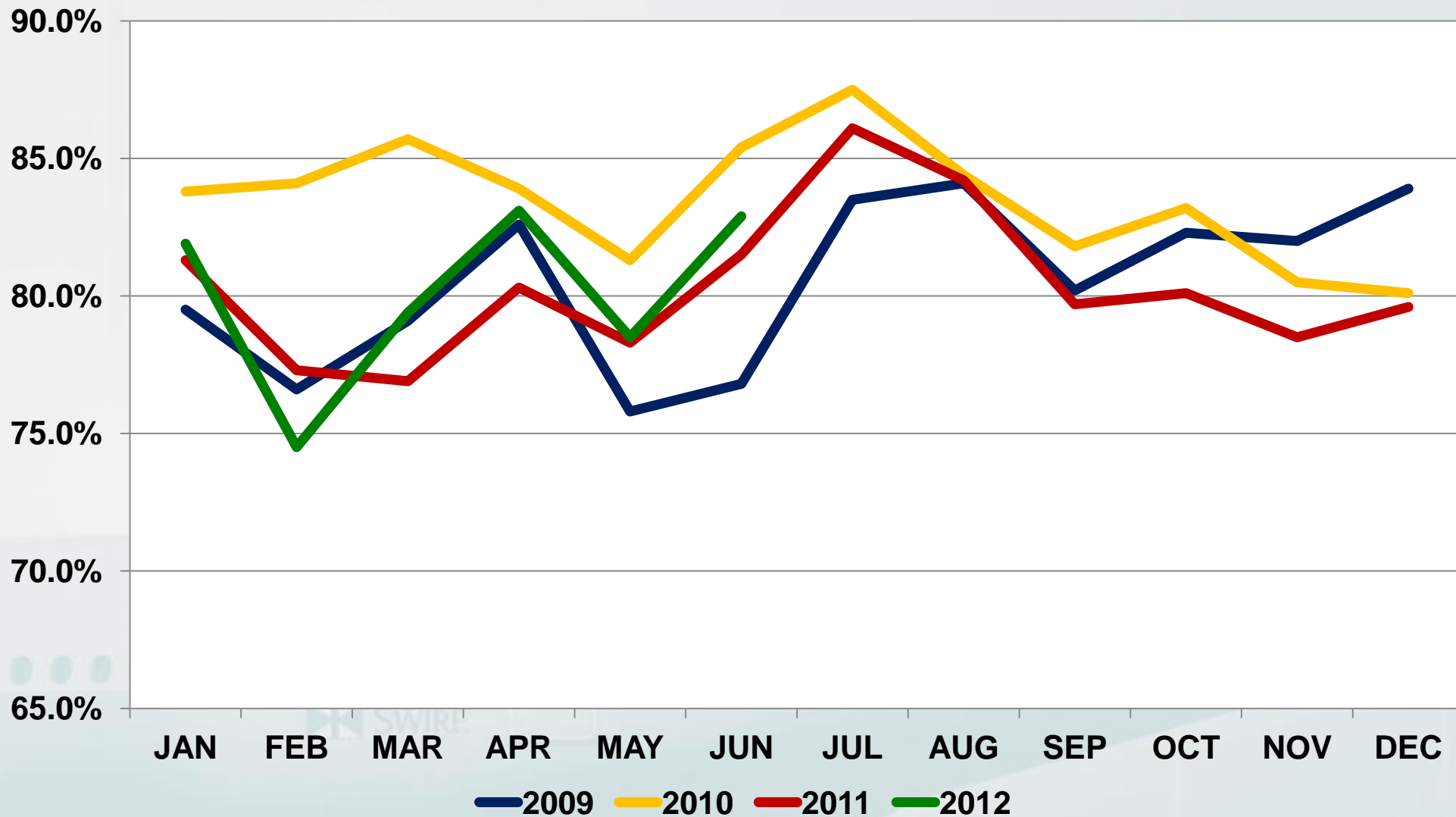
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# Passenger Yield 1H2001 - 1H2012



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## PASSENGER LOAD FACTOR (JAN 2009 – JUNE 2012)



# ***Passenger Services Development in 2012***

## ***Cathay Pacific***

- Will reduce the frequencies on long-haul routes to North America and Europe
- Added regional flights to Taipei, Kuala Lumpur, Penang, Bangkok, Nagoya and Singapore in March
- Increased the services between Seoul and Hong Kong from five to six flights daily effective from 15 July
- Will increase the frequencies between Chennai and Hong Kong from four flights a week to daily effective from 1 September



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# ***Passenger Services Development in 2012***

## ***Dragonair***

- Added flights to Ningbo, Qingdao and Okinawa
- Used larger aircraft for some flights on the Xiamen, Guangzhou and Kunming routes
- Resumed services to Xi'an in April and to Guilin and Taichung in May
- New services to Jeju and Clark were introduced in May
- New service to Chiang Mai were introduced in July
- Intend to introduce service to Kolkata and Haikou later in the year



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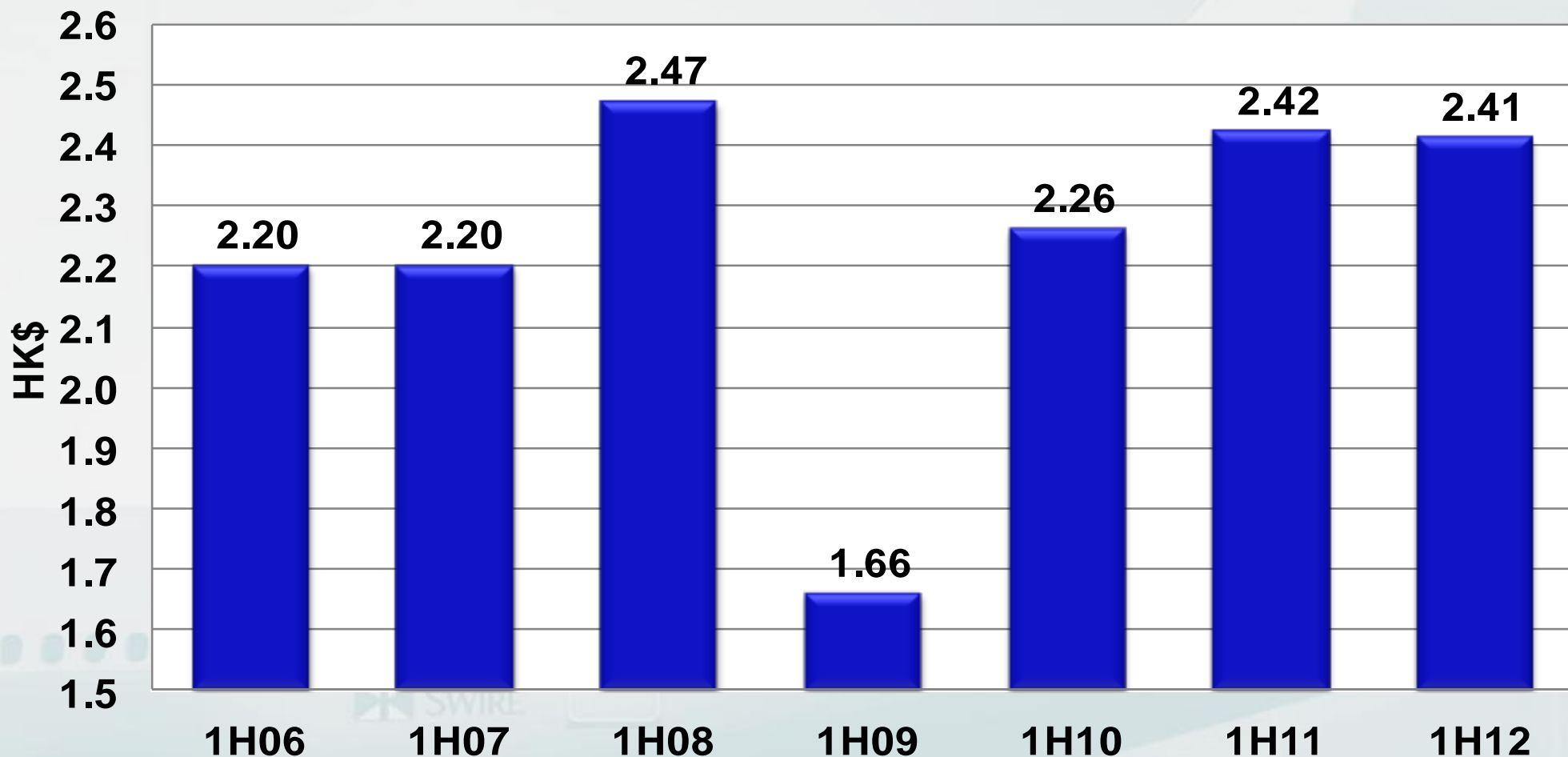
# Cargo Service – Key Numbers

		1H2012	vs 1H2011
Group turnover	HK\$ million	11,897	-7.6%
<u>Cathay Pacific and Dragonair</u>			
Turnover	HK\$ million	10,441	-10.2%
Cargo capacity (ATK)	Million	6,729	-4.3%
Cargo and mail carried	'000 tonnes	754	-9.8%
Cargo and mail yield	HK\$	2.41	-0.4%
Load factor	%	64.3	-4.1%pt



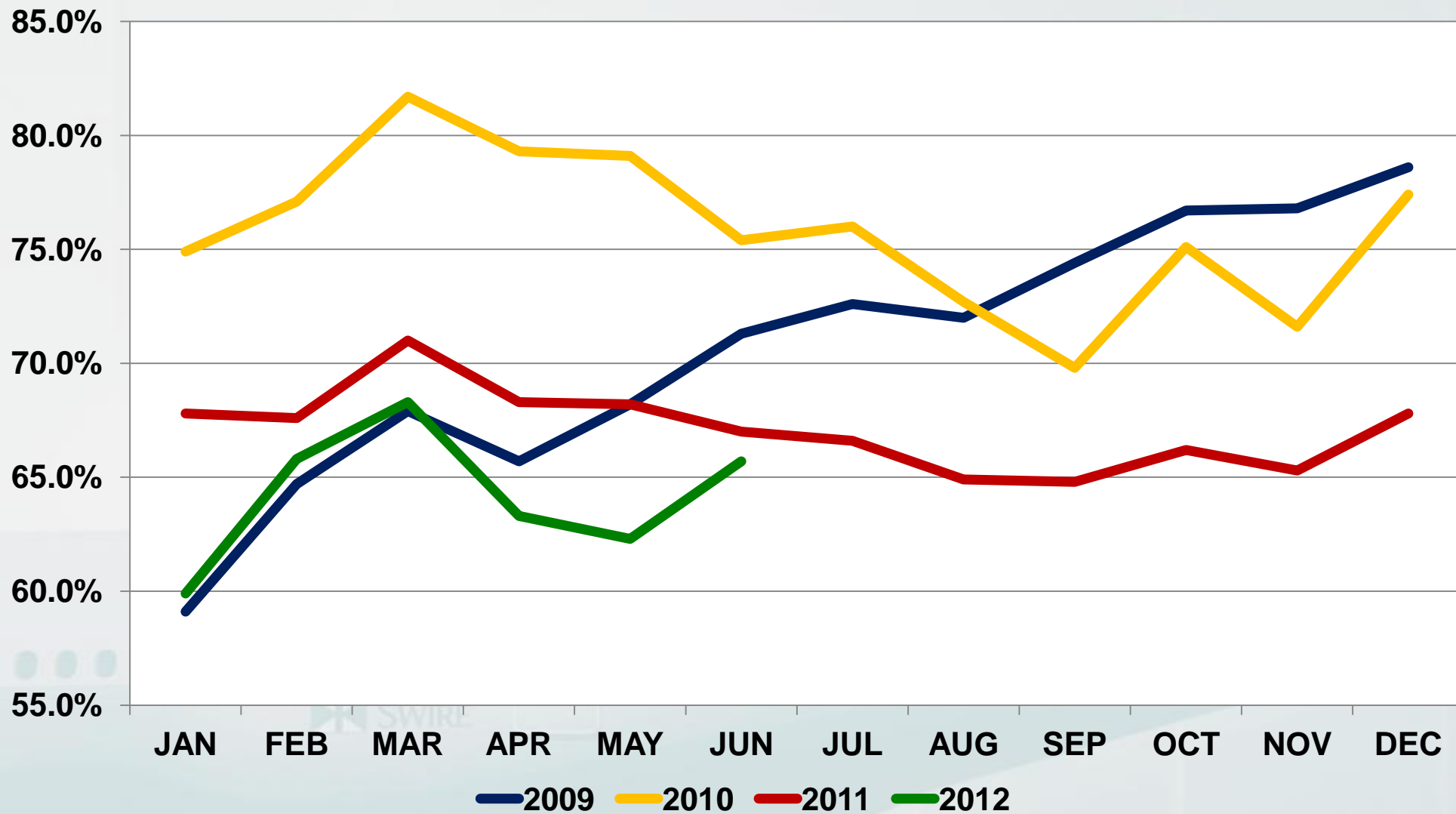
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# Cargo & Mail Yield 1H2001 - 1H2012



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# CARGO AND MAIL LOAD FACTOR (JAN 2009 – JUNE 2012)



# ***Cargo Services Development***

- Introduced new freighter service to Zhengzhou in Henan Province, Central China in March
- Introduced new service to Hyderabad, India in May
- Added flights to Bengaluru, India, from two to three flights a week
- Reduced freighter frequencies to Europe and North America



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# Cargo Development

## Cargo Terminal

- HK\$5.9 billion investment, spend to May 2012 HK\$4.9 billion
- Good progress in construction and operation preparation, topping-out ceremony on 17 Nov 2011
- On schedule for opening early 2013
- It will greatly enhance the competitiveness and efficiency of Hong Kong as an airfreight hub



# ***CX and KA Fleet Plan as at June 2012***

	In operation			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
<b>31 Dec 2011</b>	138	24	162	2	-	2
<b>New deliveries</b>	8	1	9	-	-	-
<b>Return to lessors</b>	-	-	-	(2)	-	(2)
<b>Parked aircraft</b>	-	(2)	(2)	-	2	2
<b>Deregistered</b>	-	-	-	-	(1)	(1)
<b>30 Jun 2012</b>	<b>146</b>	<b>23</b>	<b>169</b>	<b>-</b>	<b>1</b>	<b>1</b>



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# New Aircraft as at 8 August 2012

<b>Orders brought forward at 1 Jan 2012</b>	<b>93</b>
Delivered	(9)
<i>B777-300ER</i>	(4)
<i>B747-8F</i>	(1)
<i>A330-300</i>	(2)
<i>A320-200</i>	(2)
New Orders in January 2012	8
<i>A350-900</i>	6
<i>A320-200</i>	2
<b>Outstanding orders as at 30 Jun 2012</b>	<b>92</b>
Delivered in July 2012 – <i>B747-8F</i>	(1)
New orders in August 2012 – <i>A350-1000</i>	10
<b>Total as at 8 Aug 2012</b>	<b>101</b>



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# Aircraft Delivery Plan as at 8 August 2012

	2012	2013	2014	2015	2016	2017	2018	2019	2020	
B747-8F	2	2								4
B777-200F			4	2	2					8
A320-200	2									2
A330-300	4	5	5	3						17
A350-900				2	10	10				22
A350-1000							6	10	10	26
B777-300ER	1	9	7	5						22
Total	9	16	16	12	12	10	6	10	10	101



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# Fleet - 744 Retirement Plan

As of 8 August 2012

Exit date	Number	Remaining
Sep 12	-3	18
Mar 13	-2	16
Jun 13	-1	15
Sep 13	-1	14
Nov 13	-1	13
Jan 14	-1	12



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# Cargo Fleet Plan

## 2012

- Fleet composition as at 30 Jun 2012
  - 24 x 747 Freighters :  
6 x 747-400F, 6 x 747-400ERF , 7 x 747-400BCF and 5 x 747-8F

## Latest development

- Sold one 747-400BCF to Air China Cargo in July 2012 and leaving one aircraft remaining to be sold.
- New delivery
  - 747-8F – 1 in 1H2012, 3 in 2H2012 and 2 in 2013
  - 777-200F – 4 in 2014, 2 in 2015 and 2 in 2016



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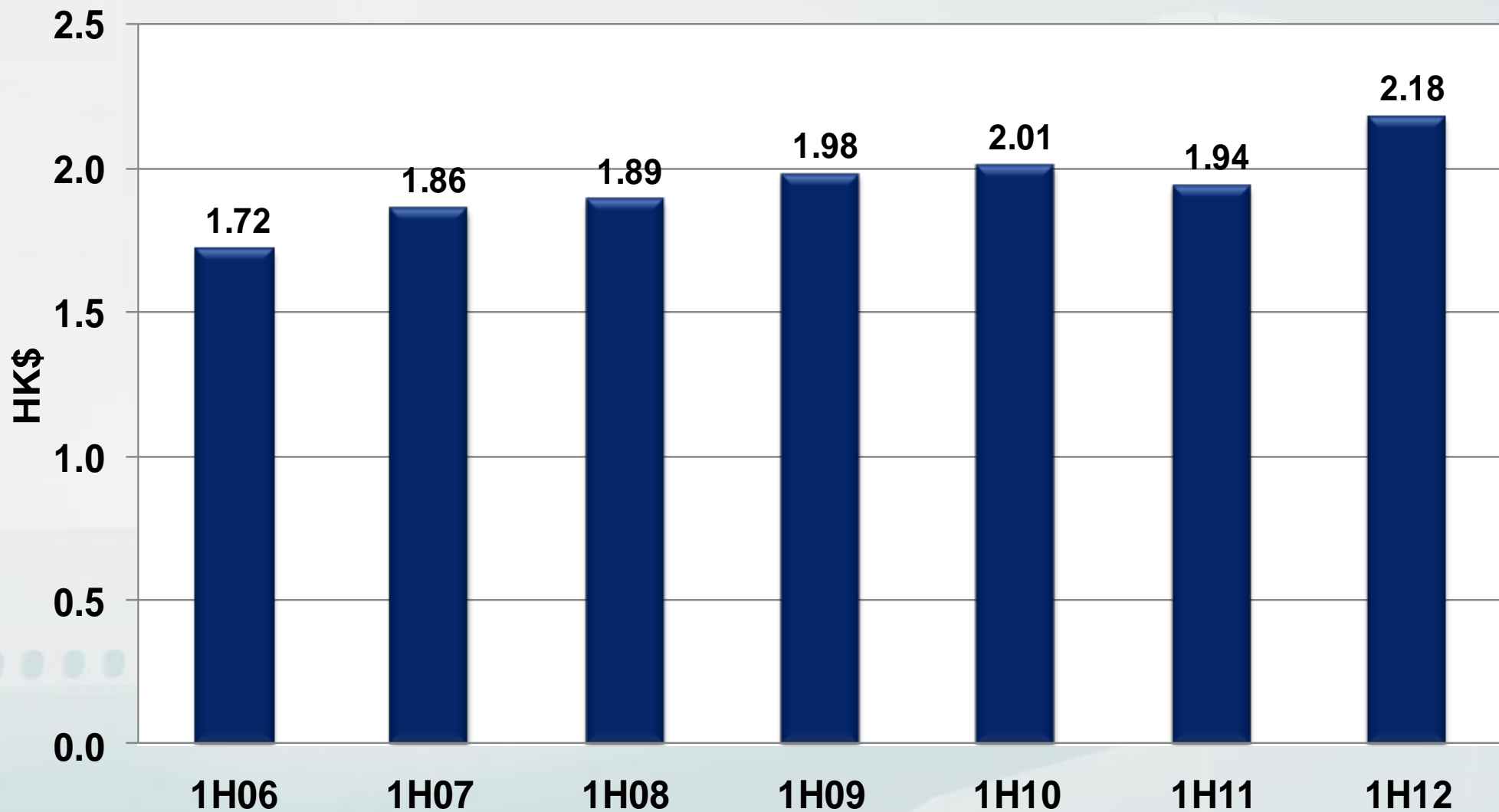
# Group Operating Cost

	1H2012	vs 1H2011
	HK\$m	%
Staff	7,956	+10.4
Inflight service and passenger expenses	1,979	+10.1
Landing, parking and route expenses	6,714	+7.3
Fuel	20,407	+9.9
Aircraft maintenance	4,643	+23.5
Depreciation, amortisation and operating leases	5,084	+8.8
Net finance charges	381	+21.3
Others	2,299	+32.5
<b>Total operating cost</b>	<b>49,463</b>	<b>+11.6</b>



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# Airlines Cost per ATK (without fuel)



# Cost-Saving Measures

- Reduce passenger and cargo capacity
- Deploy more fuel-efficient aircraft on long-haul flights
- Accelerate the retirement of the old Boeing 747-400
- Hiring freeze on new or replacement ground staff except those who are critical to operations
- Offer voluntary unpaid leave for cabin crew
- Cancel all non-essential business travel
- Reduce marketing and IT spend



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# Product and Services

- Introduction of the new Premium Economy Class



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# Product and Services (Continued)

## New long-haul Economy Class seats



## New Business Class seats



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# Product and Services (Continued)

- Reopened Business Class Lounge of The Wing in January



# ***Product and Services (Continued)***

- Launch of Mobile Boarding Pass service



- Upgrade of new passenger reservation system



# 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 one wet-leased Boeing 727.
- Load factor dropped by 5%pts but yield improved by 4%.
- Higher profit in 1H2012 compared to 1H2011.

- **Cathay Pacific Catering Services**

- Growth in the number of meals produced.
- Higher profit in 1H2012 compared to 1H2011.

- **Asia Miles**

- Membership exceeds 4 million worldwide.
- 1% increase in redemptions by Asia Miles members in 1H2012. More than 90% of Cathay Pacific flights carry passengers who have redeemed frequent flyer miles through the Asia miles programme.



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# Air China

- Cathay Pacific has a 19.53% interest in Air China.
- Cathay Pacific accounts for Air China for the 12 months ended 31<sup>st</sup> March 2012 and any significant events or transactions during their last quarter.
- Profits from Air China in the first half of 2012 were significantly down compared to the first half of 2011 due to similar factors as Cathay Pacific – a high oil price, pressure on yield and a weak cargo market.

# ***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, another one just sold in July 2012 and leaving one aircraft remaining to be sold)
  - 2 spare engines (one sold in 2011 and leaving one spare engine remaining to be sold)
- Performance of Air China Cargo has been weak but remains strategically important

# 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 continue into the second half, impacting passenger demand
- Cargo demand remains weak
- Fuel price remains high, but we benefit from the recent decline
- Cost cutting measures will be realised in the second half
- Continued enhancement of products and services to strengthen our competitive edge



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# Q & A

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



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