



Cathay Pacific Airways

Interim Results for the six months ended 30 June 2013



14 August 2013



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Interim Result

		<u>1H2013</u>	<u>1H2012</u> (restated)	<u>Change</u>
Group attributable profit / (loss)	<i>HK\$ million</i>	24	(929)	+102.6%
Group Turnover	<i>HK\$ million</i>	48,584	48,861	-0.6%
Profit / (Loss) Margin	%	0.1	(1.9)	+2.0pt
Earnings / (Loss) per share	<i>HK¢</i>	0.6	(23.6)	+102.5%
Dividends per share	<i>HK\$</i>	0.06	-	+100.0%
Available tonne kilometres (ATK)	<i>million</i>	12,520	12,944	-3.3%
Available seat kilometres (ASK)	<i>million</i>	62,187	65,351	-4.8%
Cost per ATK (with fuel)	<i>HK\$</i>	3.69	3.72	-0.8%
Cost per ATK (without fuel)	<i>HK\$</i>	2.23	2.18	+2.3%



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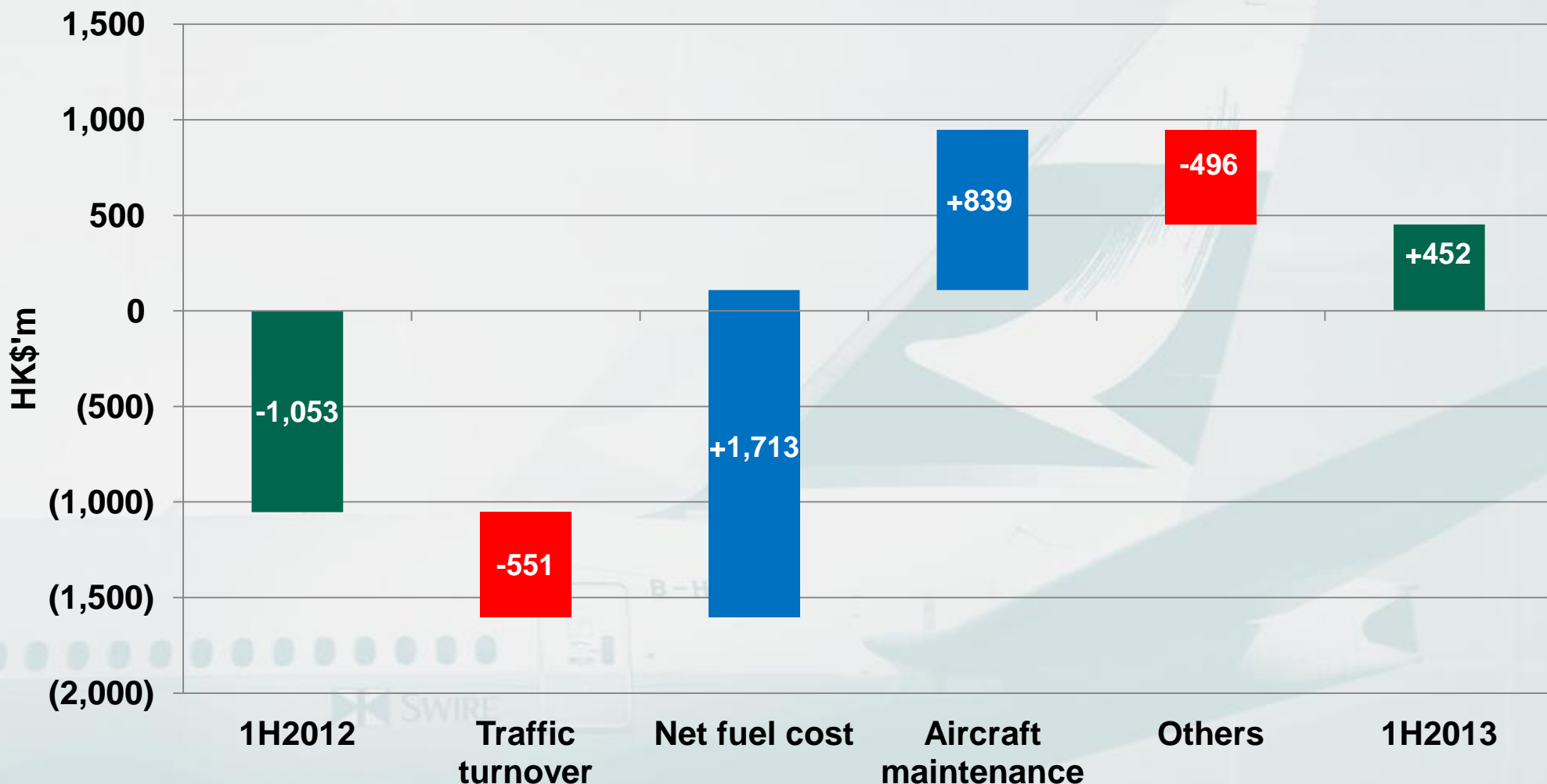
Airlines' interim profit / (loss)

	<u>1H2013</u> HK\$M	<u>1H2012</u> (restated) HK\$M
Airlines' profit/(loss) before taxation	452	(1,053)
Tax (charge) / credit	(171)	16
Airlines' profit / (loss) after taxation	281	(1,037)
Share of (losses)/profits from subsidiaries and associates	(257)	108
Profit/(loss) attributable to the owners of Cathay Pacific	24	(929)



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Reconciliation of airlines' operating profit before tax: 1H2012 to 1H2013



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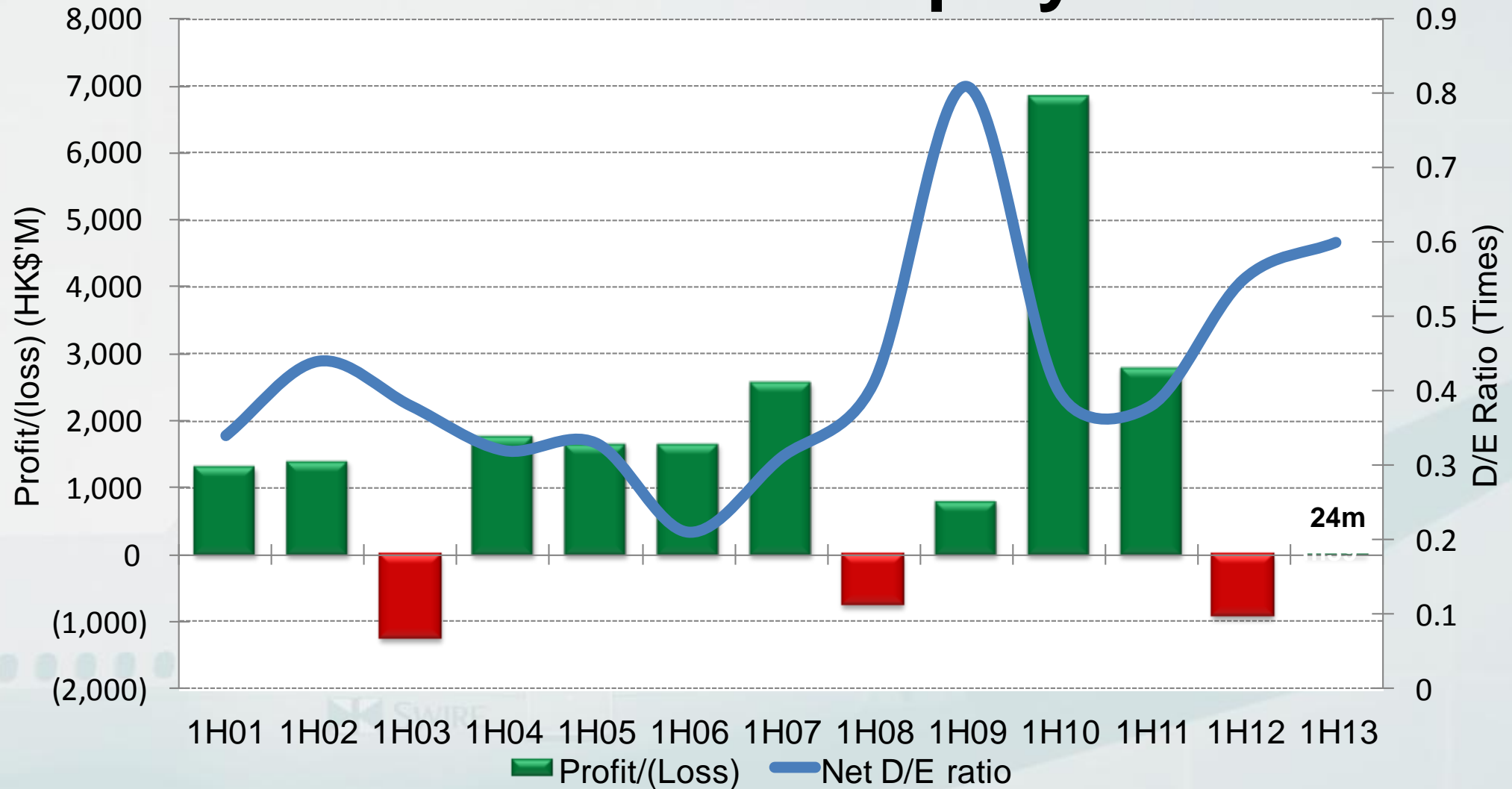
Statement of Financial Position

	<u>30 Jun 13</u>	<u>31 Dec 12</u> <u>(restated)</u>	<u>vs Dec 12</u>
Shareholders' Funds	HK\$57,924m	HK\$56,021m	3.4%
Gross Borrowings	HK\$58,168m	HK\$59,546m	-2.3%
Less:			
Liquid Funds	HK\$(23,384m)	HK\$(24,182m)	-3.3%
Net Borrowings	HK\$34,784m	HK\$35,364m	-1.6%
Capital Employed	HK\$92,834m	HK\$91,502m	1.5%
Net Debt/Equity Ratio	0.60	0.63	-4.8%
Investment in Air China	HK\$17,846m	HK\$16,891m	5.7%



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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 (outflow) / inflow

Liquid funds - Cash at 30 Jun

Total liquid funds at 30 Jun

	<u>1H2013</u>	<u>1H2012</u>
	<u>HK\$'M</u>	<u>HK\$'M</u>
New financing	3,974	12,664
Operating activities	6,320	3,696
Sale of fixed assets and others	888	1,673
Capital expenditure	(6,801)	(9,811)
Loan repayment	(4,845)	(6,378)
Dividend paid	(447)	(1,453)
Net (outflow) / inflow	(911)	391
Liquid funds - Cash at 30 Jun	8,599	10,229
Total liquid funds at 30 Jun	23,384	20,022



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Financial Risk Management

- Currency
 - All major currencies are hedged in compliance with our policy
- Liquidity
 - A total of HK\$3.2billion with tenors of 5 or 10 years raised through US\$2bn MTN programme since first issue in Oct 2011.
 - Unpledged liquid funds and undrawn committed lines HK\$22.0bn as at 30 June 2013.
- Interest rates
 - Overall cost of debt remains low.
 - Margins have narrowed marginally since last year, whilst the yield curve has steepened during 2013
 - Strategic management of fixed / floating ratio – taking advantage of low fixed rates to lock in aircraft financing.

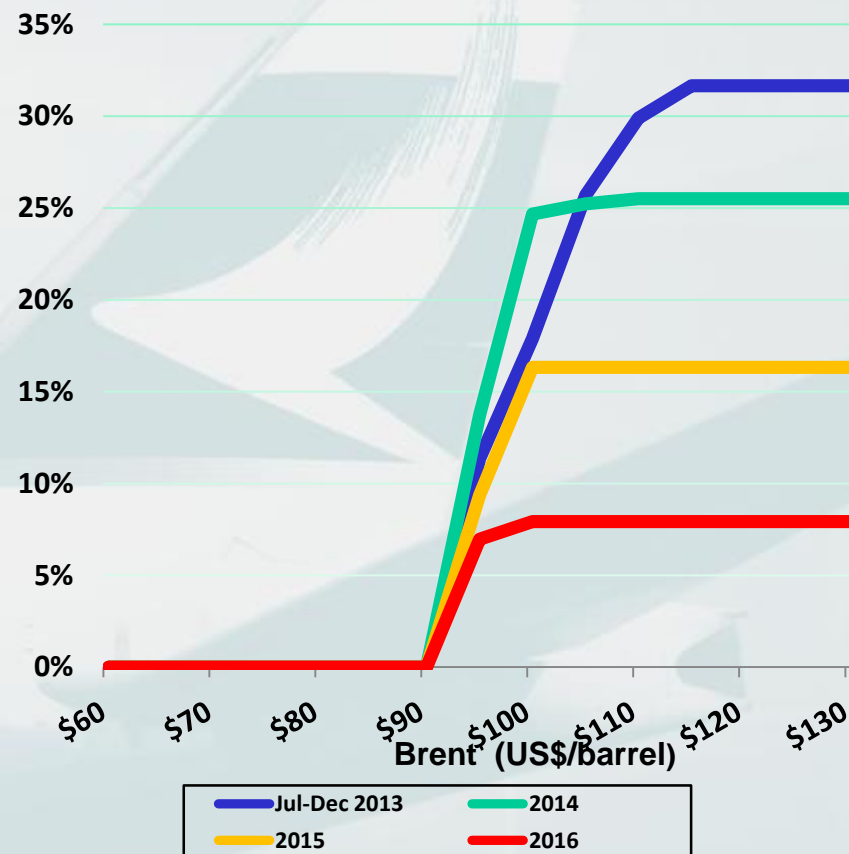


Fuel Expenditure and Hedging

Fuel expenditure

	1H 2013 HK\$M	1H 2012 HK\$M
Gross fuel cost	18,974	20,798
Fuel hedging gains	(300)	(391)
Net fuel cost	18,674	20,407

Fuel Hedging Coverage (12 Aug 2013)



Passenger Service – Key Numbers

		1H2013	1H2012	VS 1H2012
Turnover	<i>HK\$ million</i>	34,978	34,713	+0.8%
Seat capacity (ASK)	<i>Million</i>	62,187	65,351	-4.8%
Passenger carried	<i>'000</i>	14,497	14,312	+1.3%
Passenger yield	<i>HK cents</i>	69.0	66.1	+4.4%
Passenger load factor	<i>%</i>	81.3	80.1	+1.2%pt



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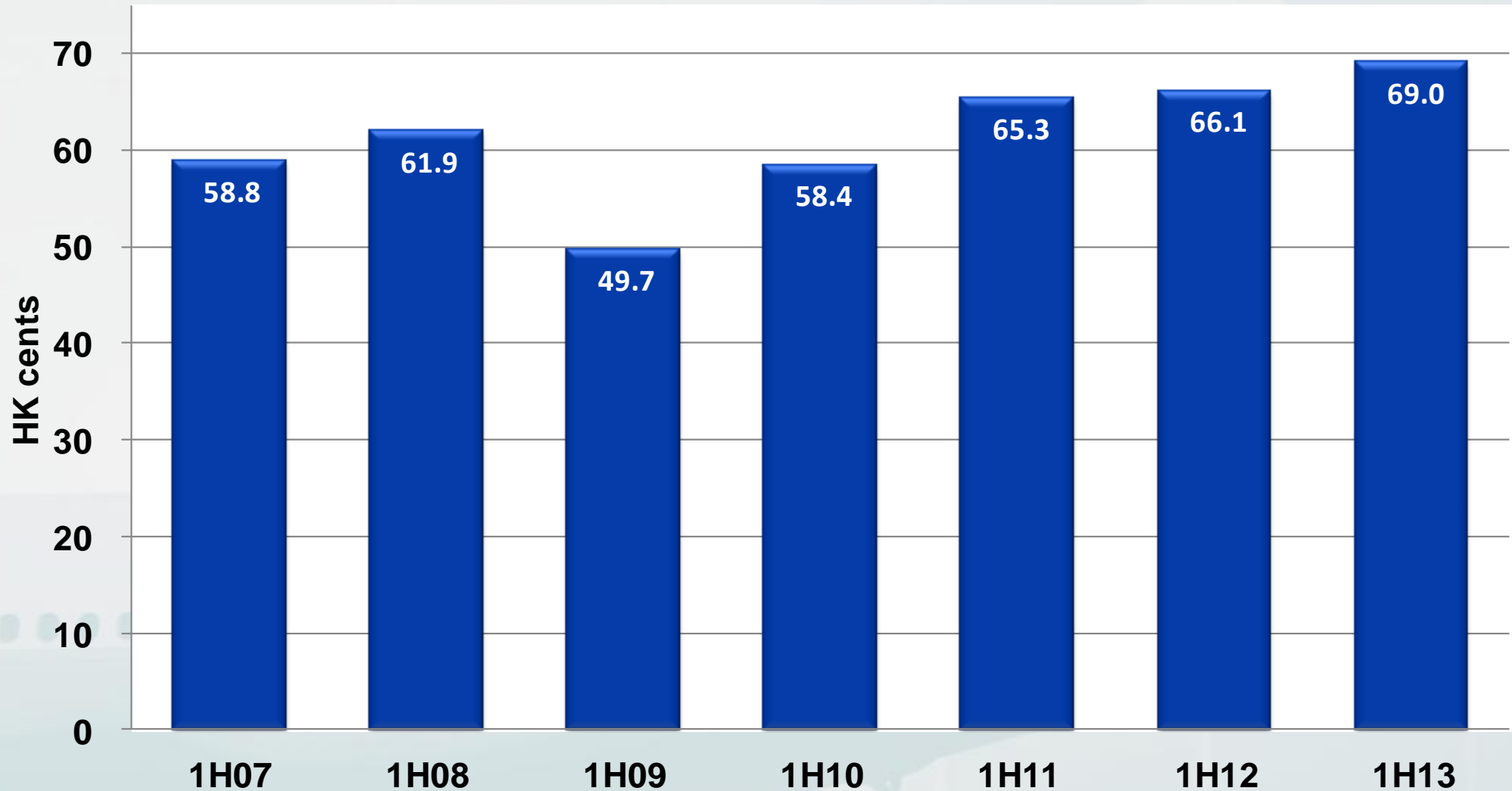
Passenger Service - by Region

	ASK (m)	vs 1H2012	Load Factor (%)	vs 1H2012	Yield Change
India, Middle East, Pakistan and Sri Lanka	5,356	-4.4%	75.5%	-1.8%pt	+2.5%
Southwest Pacific and South Africa	8,783	-7.4%	78.5%	+3.3%pt	+2.3%
Southeast Asia	9,001	+4.5%	79.5%	-0.8%pt	+3.6%
Europe	10,316	-4.6%	86.8%	+2.8%pt	+4.9%
China	5,658	+5.9%	70.5%	-1.9%pt	-3.3%
Northeast Asia	8,315	+0.5%	76.2%	+4.0%pt	-9.1%
North America	14,758	-14.3%	89.3%	+1.9%pt	+13.6%
Overall	62,187	-4.8%	81.3%	+1.2%pt	+4.4%



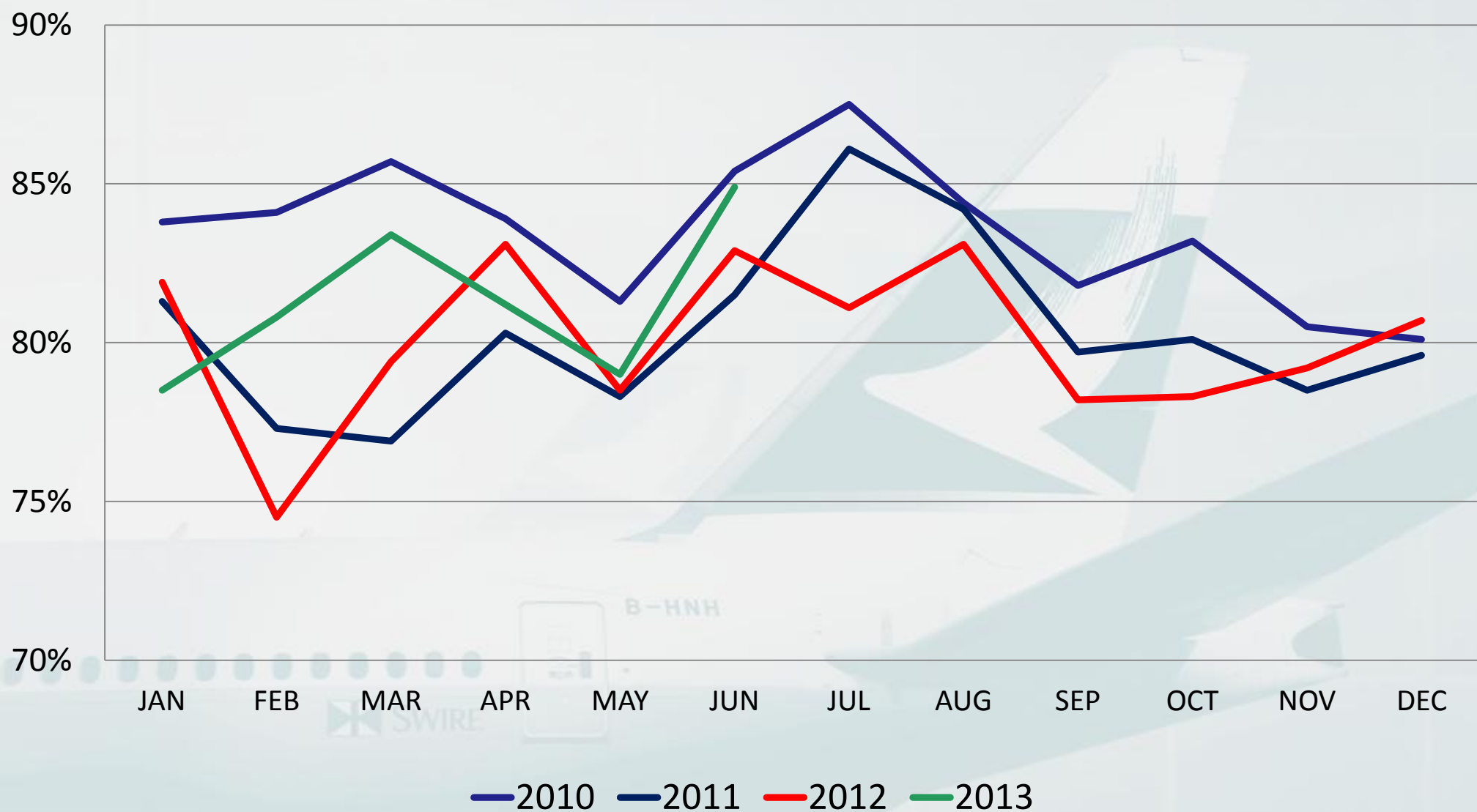
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Passenger Yield 1H2007 - 1H2013



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PASSENGER LOAD FACTOR (JAN 2010 – JUN 2013)



Passenger Services Development in 2013

Cathay Pacific

- Restored the frequencies on long-haul routes cancelled as part of 2012 cost reduction. In March, services to Toronto were restored from 7 to 10 and from June Los Angeles to 3 times daily. New York will be four times daily from September.
- 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 47 weekly flights from July.
- Will introduce a new four-times-weekly service to Male in the Maldives from October, and a new daily service to Newark in the U.S.A. from March 2014.



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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 seasonal service to Siem Reap will be added in October.

Addition of frequencies

- Increased frequency to Kaohsiung in February.
- Increased frequencies to Chiang Mai, Kota Kinabalu and Wuhan in April.



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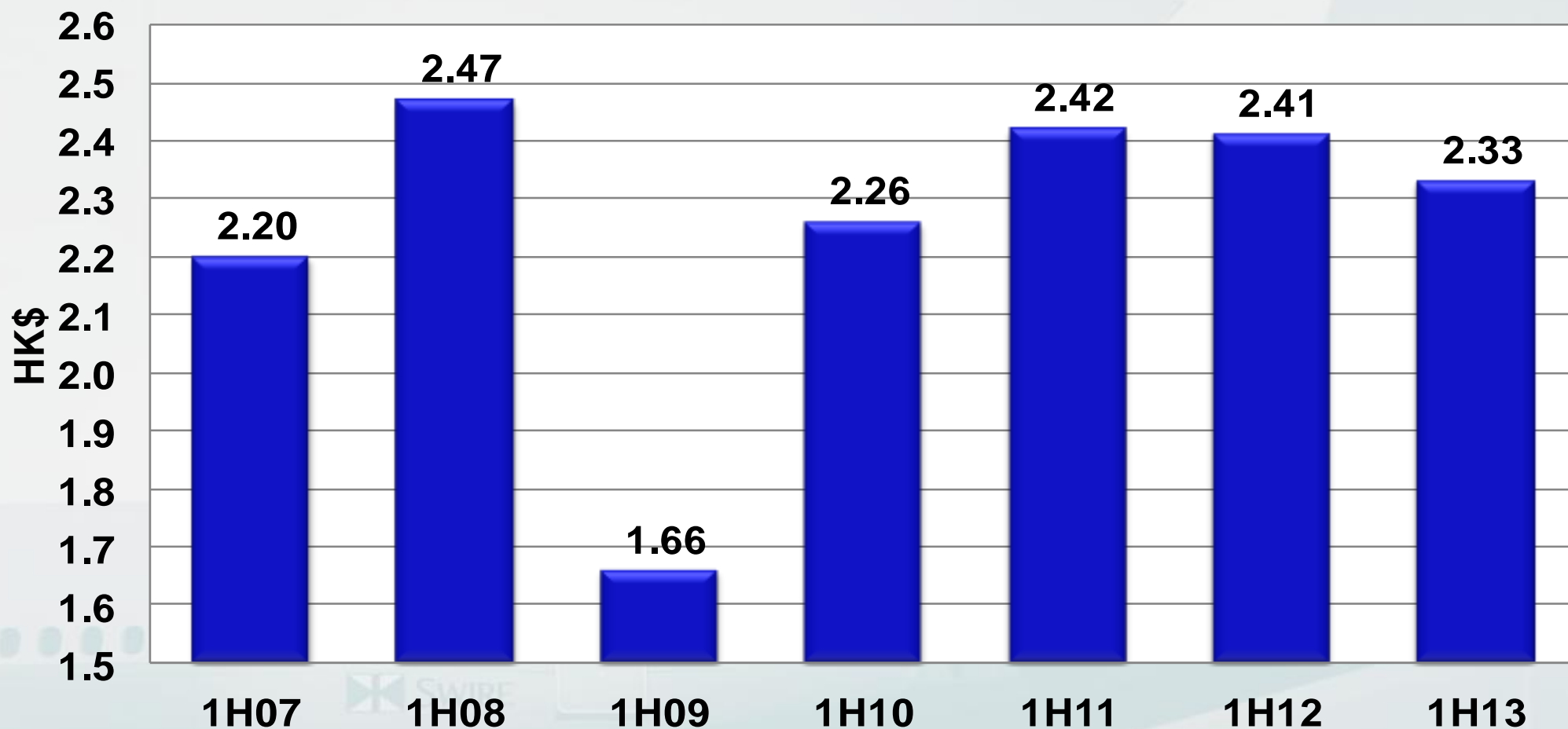
Cargo Service – Key Numbers

		1H2013	1H2012	VS 1H2012
Group turnover	HK\$ million	11,278	11,897	-5.2%
<u>Cathay Pacific and Dragonair</u>				
Turnover	HK\$ million	9,625	10,441	-7.8%
Cargo capacity (ATK)	Million	6,607	6,729	-1.8%
Cargo and mail carried	'000 tonnes	741	754	-1.7%
Cargo and mail yield	HK\$	2.33	2.41	-3.3%
Load factor	%	62.4	64.3	-1.9%pt



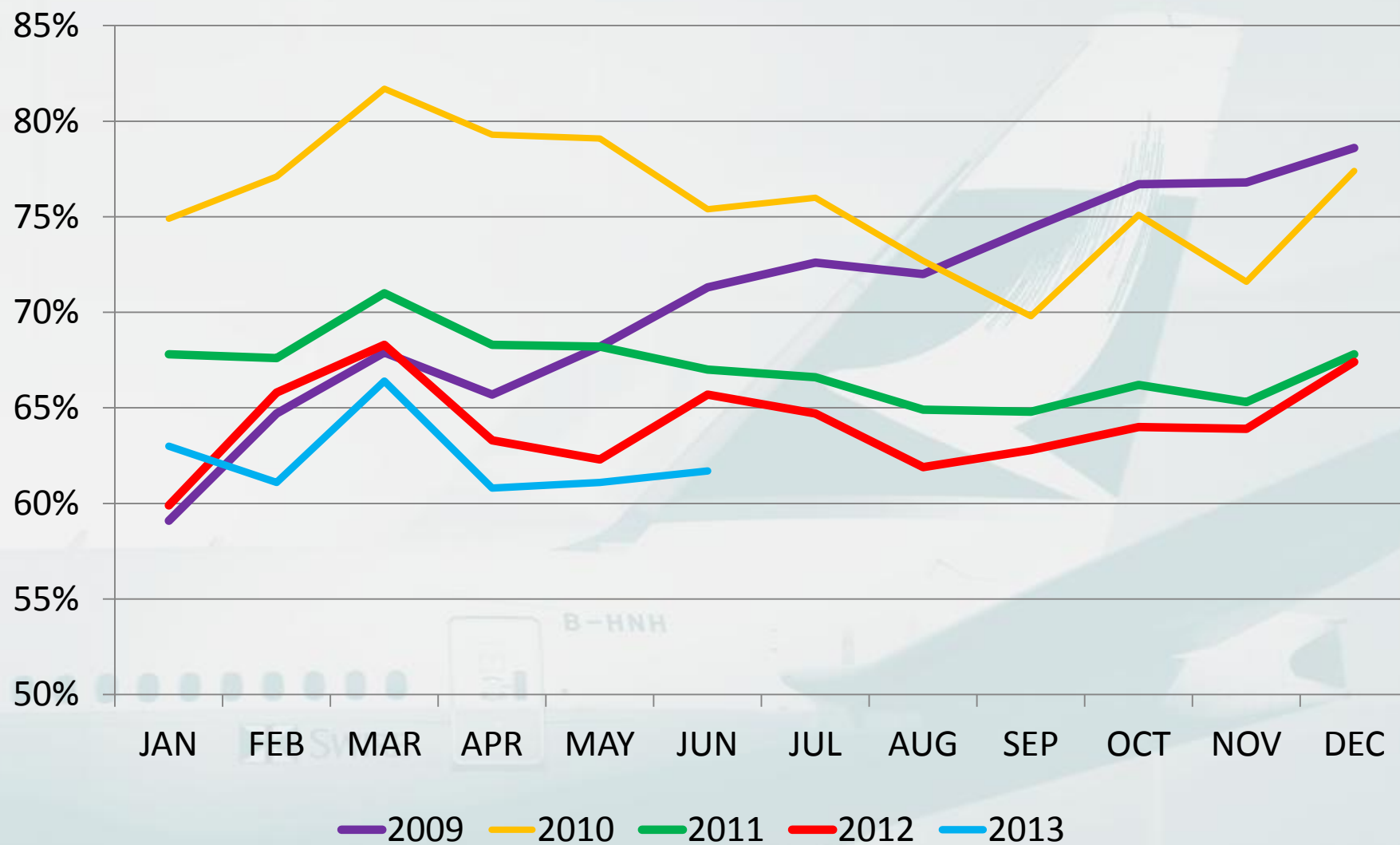
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Cargo & Mail Yield 1H2007 - 1H2013



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CARGO AND MAIL LOAD FACTOR (JAN 2009 - JUN 2013)



Cargo Services Development

- Subject to government approval, new service to Guadalajara in Mexico will be commenced in the last quarter of 2013. It will be operated two flights a week.
- Suspended freighter operations to Brussels and Stockholm in February.
- Merged the separate services to Chongqing and Chengdu to reduce costs.
- Reduced Zhengzhou freighter schedule from six flights a week to three.



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CX and KA Fleet Plan 2013 at 30 June 2013

	In operation			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
31 Dec 2012	150	23	173	-	3	3
New deliveries ^(a)	5	1	6	-	-	-
Returned to lessor	(1)	-	(1)	-	-	-
Parked aircraft	-	(1)	(1)	-	1	1
Sold to ACCJV	-	(1)	(1)	-	-	-
Sold to Boeing	-	(1)	(1)	-	(2)	(2)
Retired	(1)	-	(1)	-	-	-
Deregistered	(3)	-	(3)	-	-	-
30 Jun 2013	150	21	171	-	2	2

(a) Two A330-300, Three B777-300ER and one B747-8F were delivered during the first half of 2013.



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New Aircraft as at 14 August 2013

Orders brought forward at 1 Jan 2013	92
Delivered	(8)
New Orders in February 2013 (Two A321-200)	2
New Orders in March 2013 (Three B747-8F)	3
Cancellation of orders (Eight B777-200F)	(8)
Total as at 14 August 2013 (projected)	81

Aircraft Delivery Plan as at 14 August 2013

	2013	2014	2015	2016	2017	2018	2019	2020	
B747-8F	3								3
A321-200		2							2
A330-300	2	5	3						10
A350-900				12	10				22
A350-1000						6	10	10	26
B777-300ER	6	8	4						18
Total	11	15	7	12	10	6	10	10	81



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Fleet & Scheduling - 744 Retirement Plan

As of 14 Aug 2013

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:

	<u>As at 14 August 2013</u>			<u>After 14 August till December 2013</u>	
<u>Fleet</u>	<u>Number</u>	<u>Parked</u>	<u>In operation</u>	<u>New Delivery</u>	<u>In opeartion till December 2013</u>
747-400F	6		6		6
747-400ERF	6		6		6
747-400BCF	2	(1)	1		1
747-8F	10		10	3	13
Total	<u>24</u>	(1)	<u>23</u>	3	<u>26</u>



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Group Operating Expenses

	1H2013	1H2012 (restated)	vs 1H2012
	HK\$m	HK\$m	%
Staff	8,432	8,046	+4.8
Inflight service and passenger expenses	1,986	1,979	+0.4
Landing, parking and route expenses	6,668	6,714	-0.7
Fuel, net of hedging gains	18,674	20,407	-8.5
Aircraft maintenance	3,861	4,643	-16.8
Depreciation, amortisation and operating leases	5,454	5,084	+7.3
Commissions	386	388	-0.5
Net finance charges	542	381	+42.3
Others	2,088	1,911	+9.3
Total operating expenses	48,091	49,553	-3.0



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Major subsidiaries

- **AHK Air Hong Kong**

- Operates a fleet of eight owned Airbus A300-600F freighters, three Boeing 747-400BCF converted freighters dry-leased from Cathay Pacific and two wet-leased Airbus A300-600F freighters.
- Load factor dropped by 2%pt. Revenue tonne kilometers decreased by 2.2%.
- Higher profit in 1H2013 compared to 1H2012.

- **Cathay Pacific Catering Services**

- Reported a decrease in profit in 1H2013 compared to 1H2012 due to higher operating costs.
- During the period, capacity increased from 80,000 to 100,000 meals a day.

- **Asia Miles**

- Membership exceeds 5 million worldwide.
- 22% increase in redemptions by Asia Miles members in 1H2013. More than 90% of Cathay Pacific flights carry passengers who have redeemed frequent flyer miles through the Asia miles programme.



Cathay Pacific Services Limited (Cargo Terminal Development)

- 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 transhipments.
- Stage Two operations commenced in June, handling all transhipments, import cargo.
- Stage Three operations scheduled for last quarter in 2013.
- Start up costs incurred in the first half of 2013.



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Air China

- Cathay Pacific has a 20.13% interest in Air China.
- Cathay Pacific accounts for Air China for the six months ended 31st March 2013.
- Profits from Air China in the first half of 2013 recorded a decrease compared to the first half of 2012 due to reduced demand and pressure on yields.



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Air China Cargo Co., Ltd.

- CX acquired 49% economic interest in Air China Cargo (ACC), with the remaining 51% interest held by Air China.
- On 1 March 2013, ACC entered into agreements pursuant to which ACC has agreed to purchase 8 Boeing 777-200F freighters and to sell 7 Boeing 747-400BCF freighters to The Boeing Company. The 8 Boeing 777-200F are expected to deliver from late 2013 to 2015.
- A decrease in loss from Air China Cargo were noted in the first half of 2013, which was mainly due to decrease in fuel costs.

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.



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Product and Services

Refreshed First Class seats



Product and Services (continued)

New long-haul Economy Class seats



New Business Class seats



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Product and Services (Continued)

- New Premium Economy Class



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Product and Services (Continued)



New Regional Business Class



Product and Services (Continued)

New KA Business Class



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Product and Services (Continued)

New KA Economy Class



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Product and Services (Continued)

New Inflight Entertainment System for Dragonair



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Product and Services (Continued)

New Uniform for KA launched on March 2013



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Product and Services (Continued)

Reopened the First Class Lounge in February 2013



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Product and Services (Continued)

Upgrade of flagship websites for CX and KA



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Product and Services (Continued)

Upgrade of flagship websites for CX and KA (con't)



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Product and Services (Continued)

- Mobile Boarding Pass
 - has rolled out in AKL, AMS, BAH, CDG, DXB, FCO, FRA, HKG, JED, KHH, KUL, MXP, LHR, RMQ, TPE, SIN, YVR, YYZ and Japan ports
- Development of new departure control system



Awards

- Cathay Pacific awarded the “World’s Best Cabin Staff” and “Best Transpacific Airline” honours in the annual Skytrax World Airline Awards programme in June.
- Dragonair awarded “World’s Best Regional Airline” for the third time and “Best Regional Airline in Asia”.
- Skytrax is one of the most comprehensive customer satisfaction surveys in the airline industry.



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Outlook

- Passenger business has improved, particularly on long haul routes. On short haul routes, increased competition and capacity are putting pressure on yields.
- Cargo demand remains weak.
- Fuel price remains high, but have fuel hedging in place.
- Cost cutting measures initiated in 2012 will continue to yield benefits.
- Continued enhancement of products and services to strengthen our competitive edge.



Q & A

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



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