



Cathay Pacific Airways

Analyst Briefing

27 November 2013

2013 Operating Performance to date:

- Passenger yield and load factor growth on lower ASKs.
- Continued weak demand in the air cargo markets coupled with excess supply.
- Persistent high price of jet fuel partially offset by hedging.
- Lower operating costs due to reduced capacity and the withdrawal of older, less fuel-efficient aircraft.
- Lower profits from subsidiaries and associates.

Performance to Oct 13 - Capacity Data

CATHAY PACIFIC/ DRAGONAIR COMBINED CAPACITY	Cumulative Oct 2013	% change YTD
China	9,594,282	5.0%
North East Asia	14,092,966	0.1%
South East Asia	15,083,406	1.5%
India, Middle East, Pakistan & Sri Lanka	8,827,245	-3.9%
South West Pacific & South Africa	14,484,997	-5.1%
North America	25,389,422	-8.8%
Europe	18,029,392	-0.8%
ASK ('000)	105,501,710	-2.8%
Passenger load factor	82.3%	2.1pt
Available cargo and mail tonne km ('000)	11,490,453	0.9%
Cargo and mail load factor	61.4%	-2.5pt
ATK ('000)	21,522,773	-0.9%

Performance to Oct 13 - Traffic Data

CATHAY PACIFIC AND DRAGONAIR COMBINED TRAFFIC	Cumulative Oct 2013	% change YTD
China	6,950,749	4.6%
North East Asia	11,011,642	8.6%
South East Asia	12,069,541	3.1%
India, Middle East, Pakistan & Sri Lanka	6,692,722	-3.8%
South West Pacific & South Africa	11,586,302	-0.6%
North America	22,589,474	-7.2%
Europe	15,896,491	2.2%
RPK ('000)	86,796,921	-0.2%
Passengers carried	24,838,685	3.2%
Cargo and mail revenue tonne-km ('000) (RTK)	7,054,356	-3.0%
Cargo and mail carried kg ('000)	1,252,105	-1.8%
Number of flights	59,432	4.9%

Operating Performance - Passenger

- Passenger demand strengthened on long-haul routes.
- Long-haul frequencies cut in 2012 have been restored.
- Short haul to short haul connecting traffic over HK grew despite LH reduction in ASKs.
- Premium Economy selling well and helping boost BE yields.
- The profitability of our passenger services has improved by the use of more Boeing 777-300ER aircraft across the long-haul network.

Passenger Services Development – 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.
- Will launch new services to Newark in the U.S.A. in March 2014.
- 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.

Passenger Services Development - Dragonair

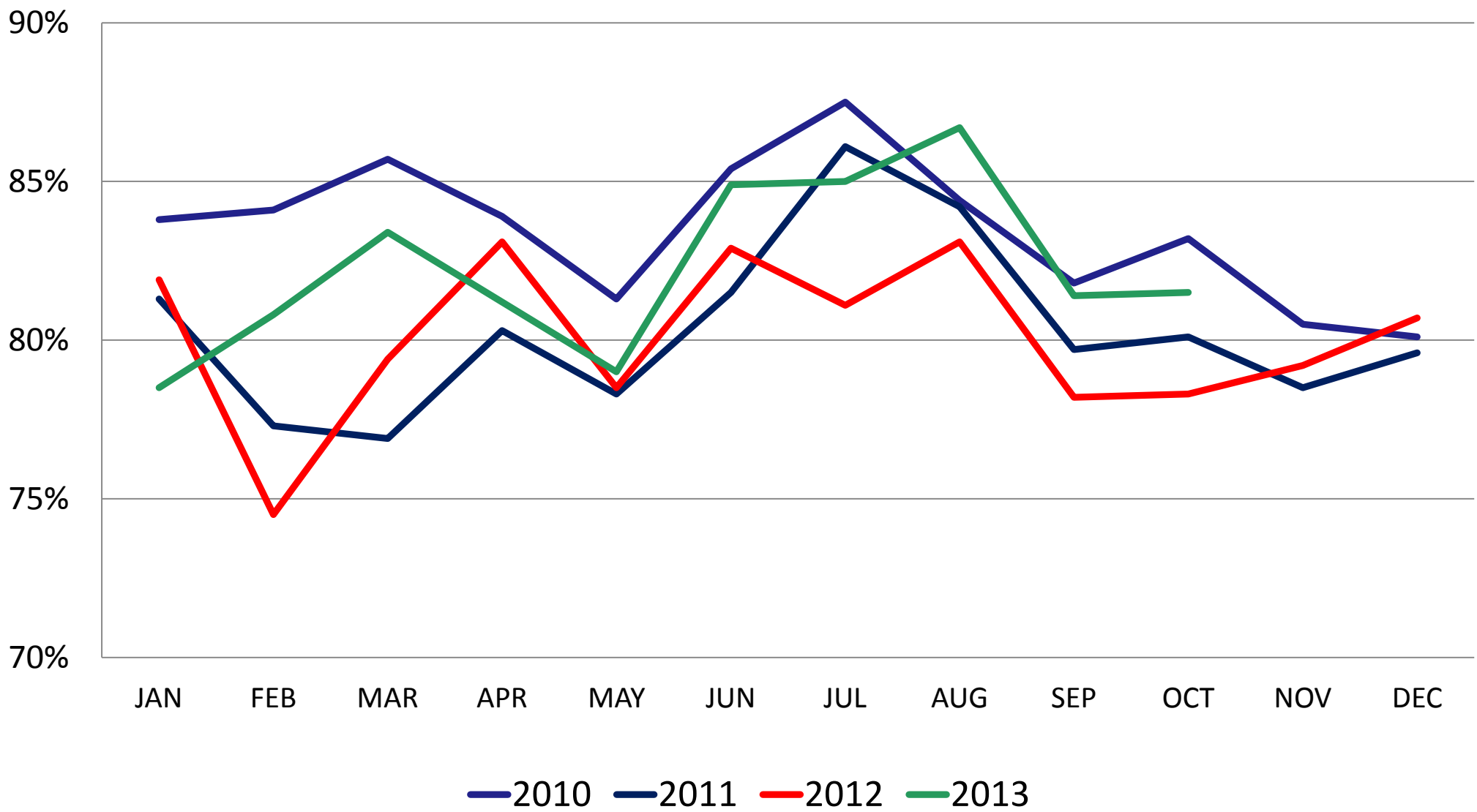
New services

- 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 was introduced in October.

Addition of frequencies

- Added flights to Phuket and Chiang Mai in October.
- Will add flights to Da Nang from 18 December 2013 to 10 February 2014.

PASSENGER LOAD FACTOR (JAN 2010 - OCT 2013)



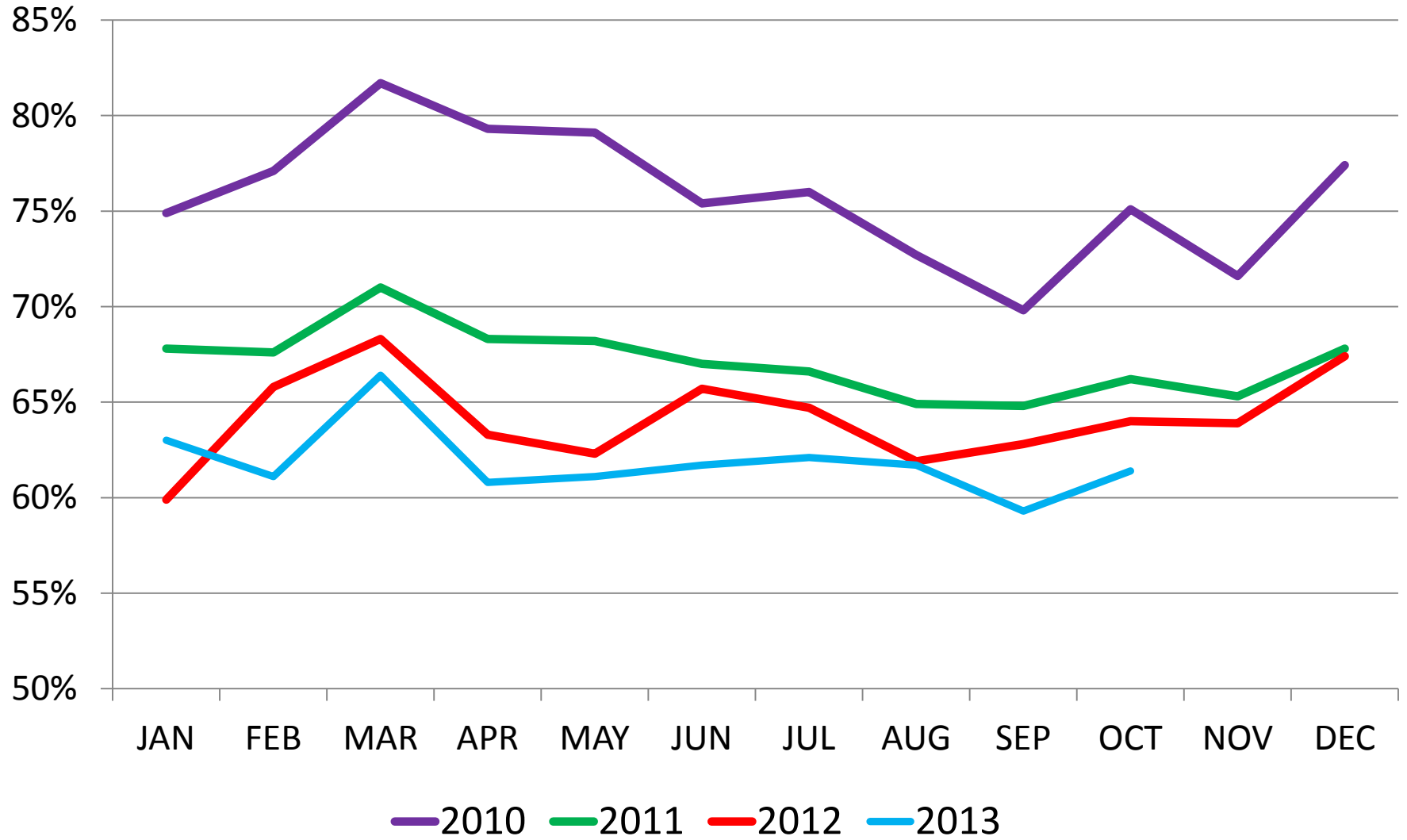
Operating Performance - Cargo

- Weak demand in all major markets for most of the year.
- General air cargo market remains weak, particularly to Europe.
- Transpacific routes more robust but still below expectations.
- Demand on routes within Asia is relatively robust, but yields are under pressure due to surplus capacity.
- Late peak season pick-up from 2nd half October.

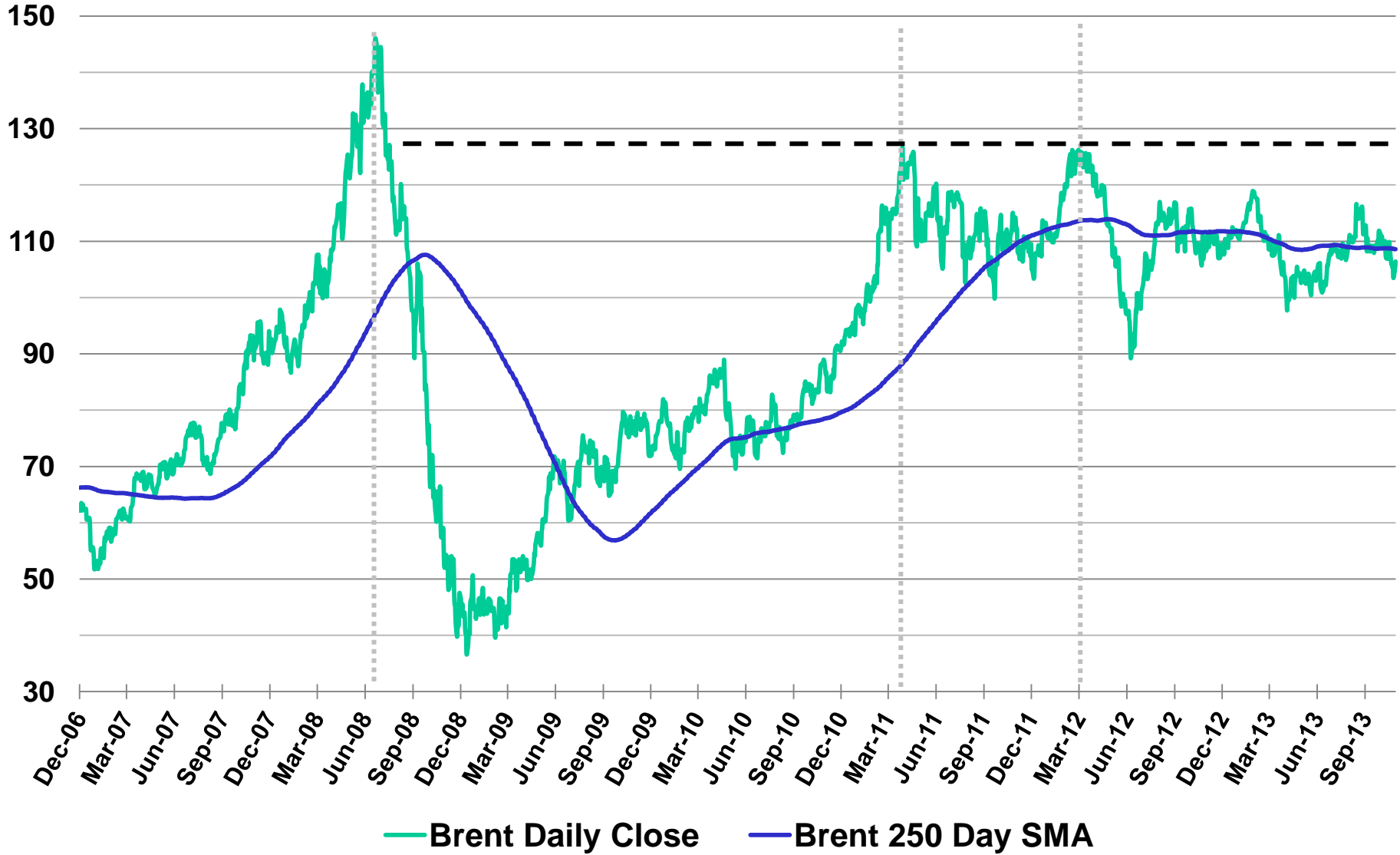
Cargo Services Development

- 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.

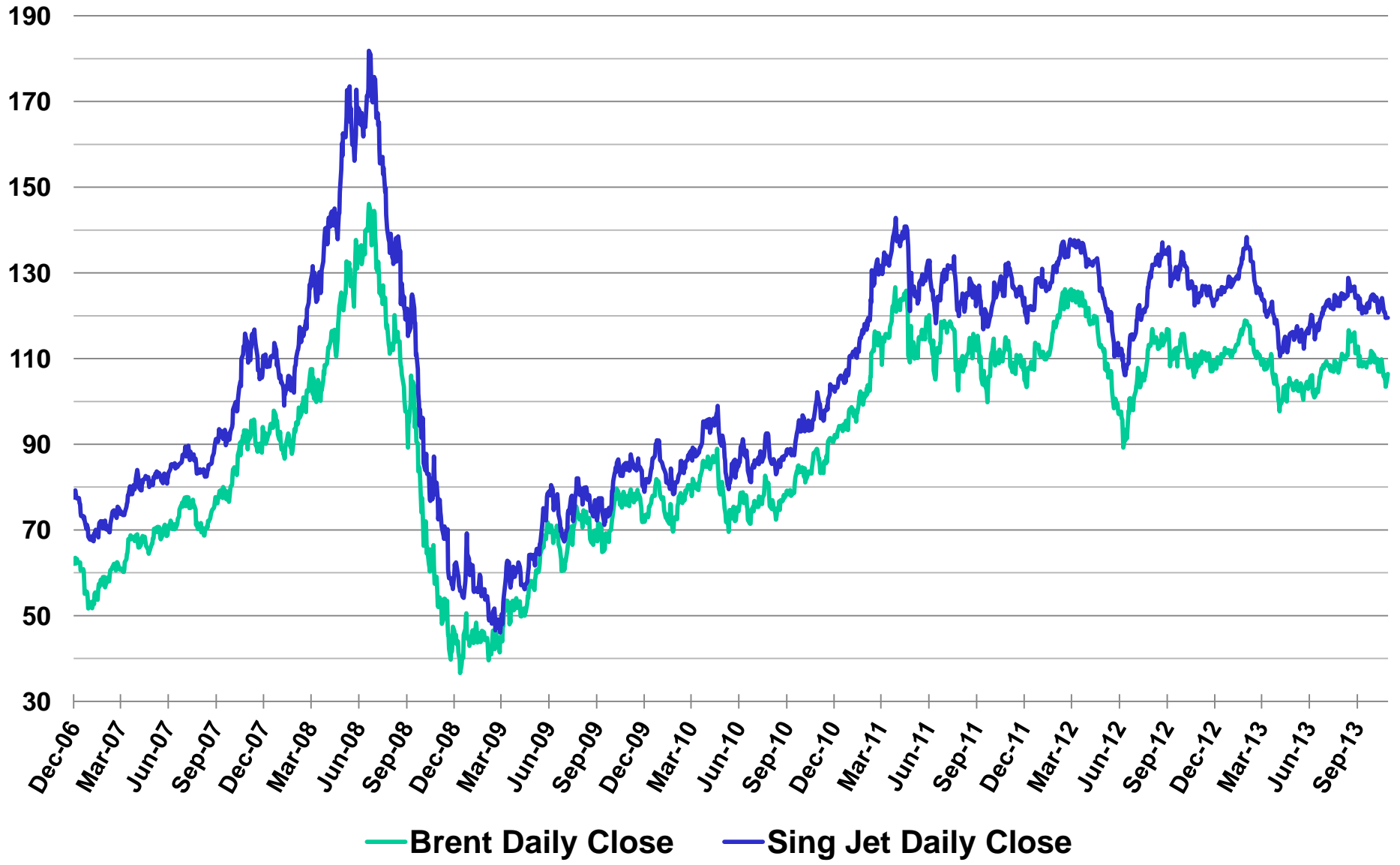
CARGO AND MAIL LOAD FACTOR (JAN 2010 - OCT 2013)



USD/Bbl - Brent- Daily Closing Price and 250 Day Simple Moving Average 2007 - 2013



USD/Bbl - Brent and Sing Jet Daily Closing Price 2007 - 2013

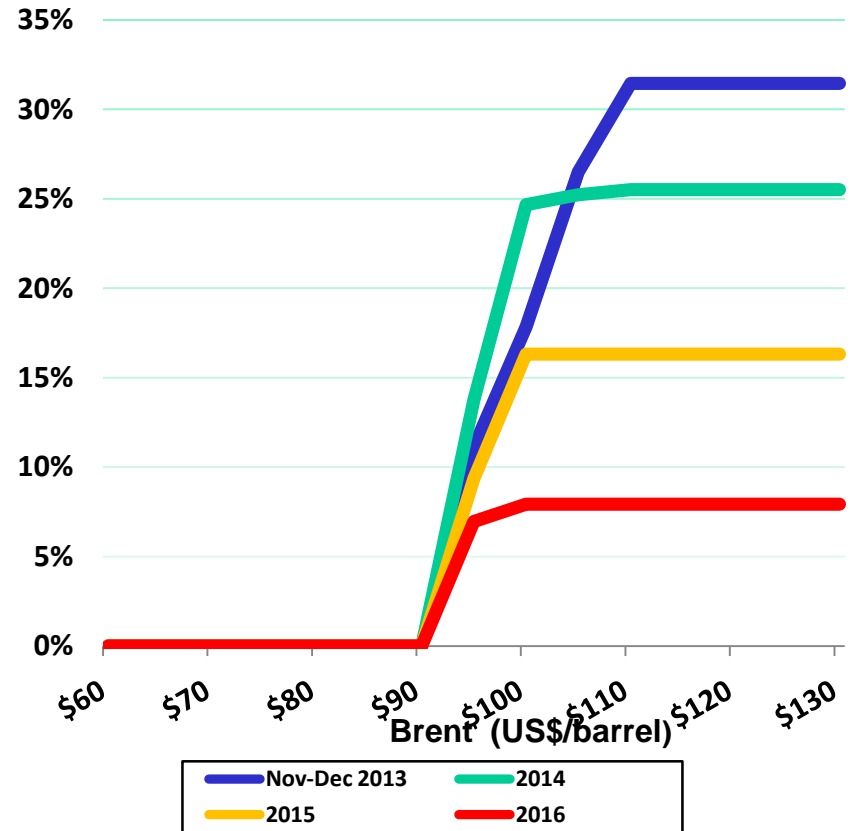


Fuel Expenditure and Hedging

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



CX and KA Fleet Plan 2013 at 31 October 2013

	In operation			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
31 Dec 2012	150	23	173	-	3	3
New deliveries ^(a)	12	2	14	-	-	-
Returned to lessor	(3)	-	(3)	-	-	-
Parked aircraft	-	(2)	(2)	-	2	2
Sold to ACCJV	-	(1)	(1)	-	-	-
Sold to Boeing	-	(1)	(1)	-	(3)	(3)
Retired	(1)	-	(1)	-	-	-
Deregistered	(4)	-	(4)	-	-	-
31 October 2013	154	21	175	-	2	2

(a) Five A330-300, seven B777-300ER and two B747-8F were delivered from 1 January 2013 to 31 October 2013

New Aircraft as at 31 October 2013

Orders brought forward at 1 Jan 2013	92
Delivered	(14)
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 31 October 2013	75

Fleet & Scheduling - 744 Retirement Plan

As of 31 October 2013

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

Cargo Fleet Plan

2013

- Fleet composition:

	<u>As at 31 October 2013</u>			<u>After 31 October 2013 till December 2013</u>	
<u>Fleet</u>	<u>Number</u>	<u>Parked</u>	<u>In operation</u>	<u>New Delivery</u>	<u>In operation till December 2013</u>
747-400F	6	(1)	5		5
747-400ERF	6		6		6
747-400BCF	1	(1)	-		-
747-8F	10		10	3	13
Total	<u>23</u>	(2)	<u>21</u>	3	<u>24</u>

Development in 2013

Passenger

- 16 aircraft deliveries in 2014.
- Projected ASK contraction in 2013 is approximately 1.6%.
- Projected ASK growth in 2014 is approximately 6.3%.

Cargo

- No aircraft deliveries in 2014.
- Projected DL ATK growth in 2013 is approximately 1.1%.
- Projected DL ATK growth in 2014 is approximately 9.9%.

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 Airbus A300-600F freighters
- Achieved an increase in profit in the first half of 2013 compared with first half of 2012

- **Cathay Pacific Catering Services**

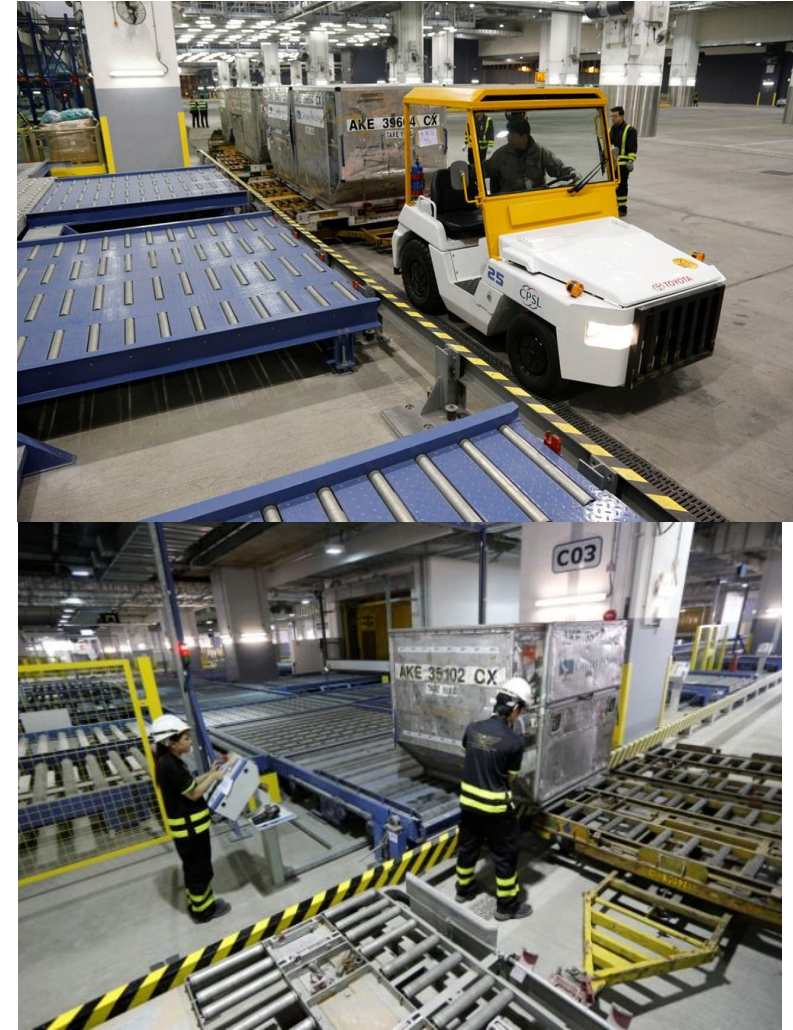
- Growth in the number of meals produced
- Reported a decrease in profit in the first half of 2013 compared with first half of 2012 due to higher operating costs

- **Asia Miles**

- Membership exceeds 5 million worldwide
- There was a 22% increase in redemptions by Asia Miles members in first half of 2013. More than 90% of Cathay Pacific flights carry passengers who have redeemed frequent flyer miles through the Asia miles programme

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 transshipments.
- Stage Two operations commence in June, handling all transshipments, import cargo.
- Stage Three operations commenced in October, and the phased-in operation transition for CX, KA and Air Hong Kong has been completed.



Cargo Terminal Development (Continued)

- Launch of new terminal will provide streamlined cargo solutions and innovative, tailor-made products that suit the needs of customers.
- It will greatly enhance the competitiveness and efficiency of Hong Kong as an airfreight hub.
- Operating performance impacted by weak cargo volumes.



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 due to similar factors impacting Cathay Pacific – high oil price, competition putting 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), 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.
- Fleet of eight B777F and three B744F.
- New fleet much more fuel efficient with B777F approximately 24% more fuel efficient than B747-400 BCF.

Air China / Cathay Pacific Cargo Joint Venture ***(Continued)***

Operating performance

- Performance of Air China Cargo has been weak but remains strategically important.
- Opened two new routes: Shanghai-Zhengzhou-Amsterdam and Shanghai-Chongqing-Frankfurt in March 2013.
- Providing capacity to the express parcels market.

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.

Product

New Business Class seats



New Premium Economy Class



New Regional Business Class
seats

Services

New lounge 'The Bridge'



Reopened First Class lounge



I.T.

Upgrade of flagship web site for CX and KA



Mobile boarding pass



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.
- Dragonair awarded “World’s Best Regional Airline” for the third time and “Best Regional Airline in Asia”



- Asia Miles has been named Best Frequent Flyer Programme in the 2013 Business Traveller Asia-Pacific Awards for ninth consecutive year.

Financial Risk Management

- Currency
 - All major currencies are hedged in compliance with our policy.
- Liquidity
 - A total of HK\$3.2bn with tenors of 5 or 10 years raised through MTN programme since first issue in Oct 2011.
 - Unpledged liquid funds and undrawn committed lines HK\$23.1bn as at 31 October 2013.
- 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.

Outlook

- Passenger business continues to improve.
- ASK growth projected at 6.3% in 2014 with stronger demand in some of our major markets.
- Cargo business remains difficult, with projected DLATK growth of 9.9% in 2014 in market of excess supply and weak demand.
- Fuel price remains high, but 25% hedged in 2014 at 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