

# *Cathay Pacific Airways*

## *Interim Results for the six months ended 30<sup>th</sup> June 2014*



*13th August 2014*



**CATHAY PACIFIC**

1

*Now you're really flying*

# Interim Results

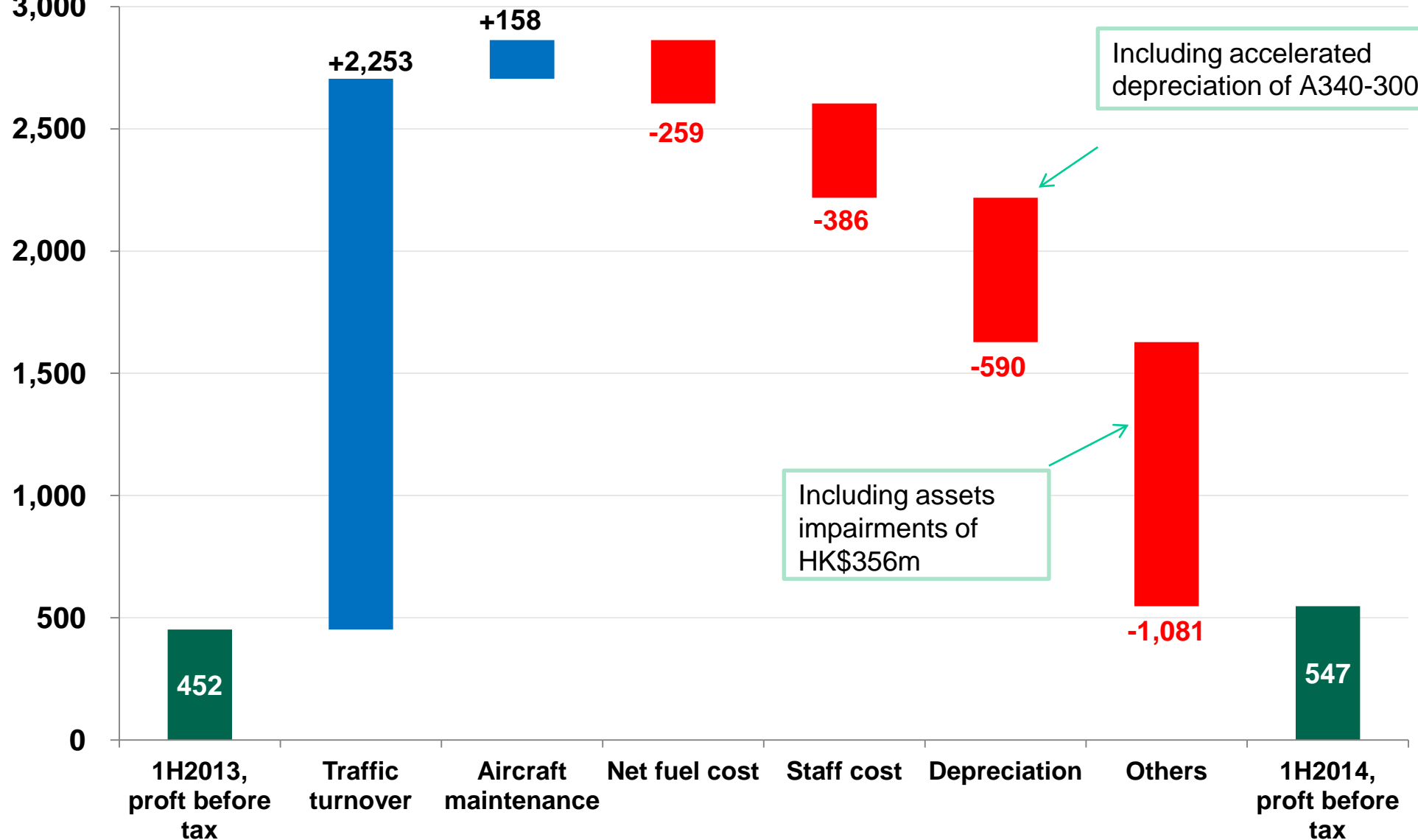
		<u>1H2014</u>	<u>1H2013</u>	<u>Change</u>
Profit attributable to the shareholders of Cathay Pacific	<i>HK\$ million</i>	<b>347</b>	<b>24</b>	+1,346%
Turnover	<i>HK\$ million</i>	<b>50,840</b>	<b>48,584</b>	+4.6%
Profit margin	%	<b>0.7</b>	<b>0.1</b>	+0.6%pt
Earnings per share	<i>HK¢</i>	<b>8.8</b>	<b>0.6</b>	+1,367%
Dividend per share	<i>HK\$</i>	<b>0.10</b>	<b>0.06</b>	+66.7%
<b><i>Operating statistics</i></b>				
Available tonne kilometres (ATK)	<i>million</i>	<b>13,545</b>	<b>12,520</b>	+8.2%
Available seat kilometres (ASK)	<i>million</i>	<b>65,474</b>	<b>62,187</b>	+5.3%
Revenue passengers carried	<i>'000</i>	<b>15,437</b>	<b>14,497</b>	+6.5%
Cargo and mail carried	<i>'000 tonnes</i>	<b>804</b>	<b>741</b>	+8.5%
Cost per ATK (with fuel)	<i>HK\$</i>	<b>3.57</b>	<b>3.69</b>	-3.3%
Cost per ATK (without fuel)	<i>HK\$</i>	<b>2.20</b>	<b>2.23</b>	-1.3%

# Airlines' Interim Results

	<u>1H2014</u> HK\$M	<u>1H2013</u> HK\$M	Change
Airlines' profit before taxation	547	452	+21.0%
Taxation	(148)	(171)	-13.5%
Airlines' profit after taxation	399	281	+42.0%
Share of losses from subsidiaries and associates	(52)	(257)	-79.8%
<b>Profit attributable to the shareholders of Cathay Pacific</b>	<b>347</b>	<b>24</b>	<b>+1,345.8%</b>

# Reconciliation of Airlines' Results

HK\$'M  
3,000



# Passenger Services

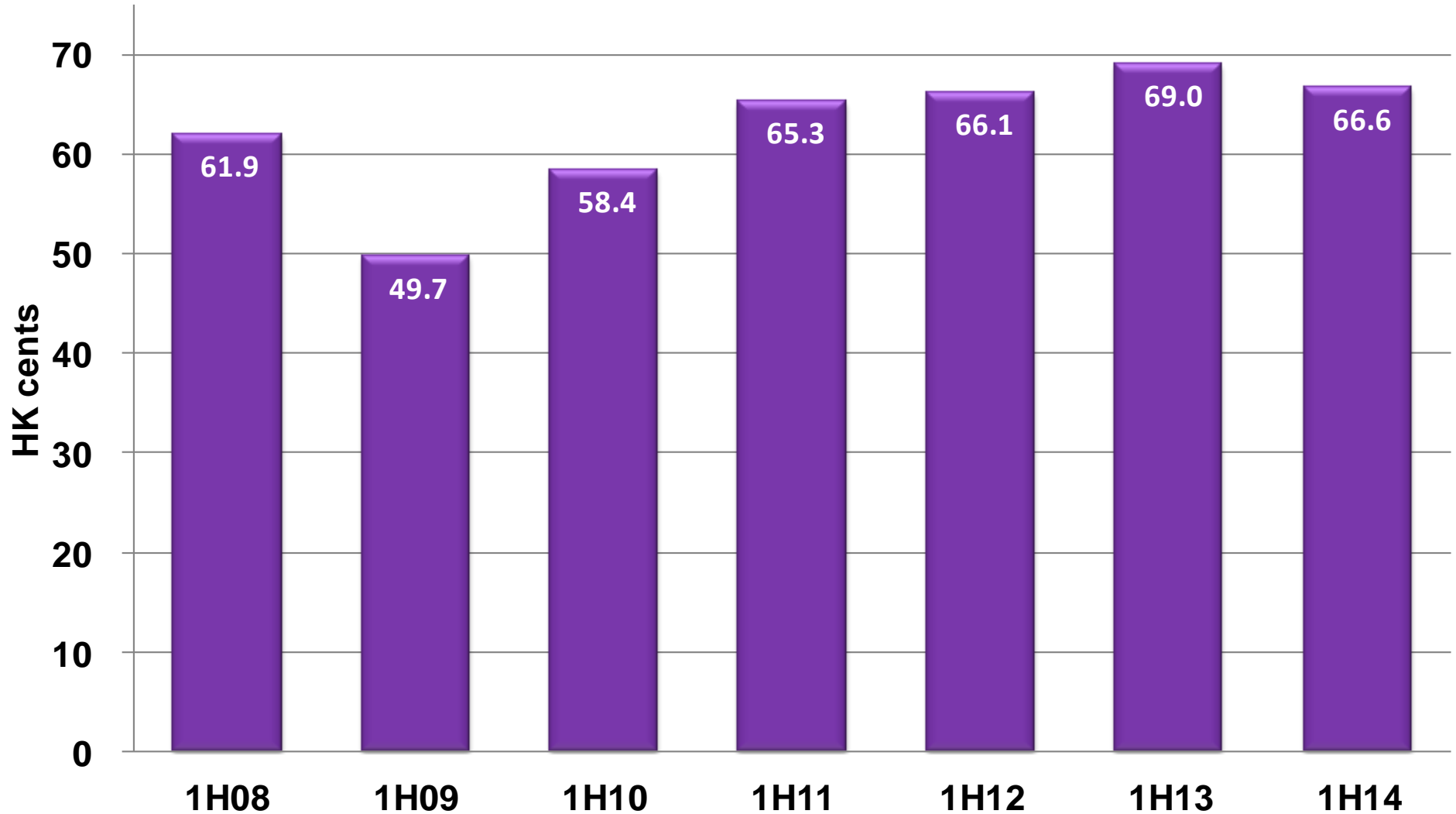
<b>Key Operating Highlights</b>		<b>1H2014</b>	<b>1H2013</b>	<b>Change</b>
Passenger turnover	<i>HK\$ million</i>	<b>36,520</b>	<b>34,978</b>	+4.4%
Available seat kilometres (ASK)	<i>million</i>	<b>65,474</b>	<b>62,187</b>	+5.3%
Revenue passengers carried	<i>'000</i>	<b>15,437</b>	<b>14,497</b>	+6.5%
Passenger yield	<i>HK cents</i>	<b>66.6</b>	<b>69.0</b>	<b>-3.5%</b>
Passenger load factor	<i>%</i>	<b>83.6</b>	<b>81.3</b>	+2.3%pt

# Passenger Services - by Region

	ASK (m)	vs 1H2013	Load factor (%)	vs 1H2013	Yield change
India, Middle East, Pakistan and Sri Lanka	5,512	+2.9%	78.2%	+2.7%pt	-7.0%
Southwest Pacific and South Africa	8,849	+0.8%	84.8%	+6.3%pt	-6.7%
Southeast Asia	8,973	-0.3%	80.4%	+0.9%pt	-3.9%
Europe	10,423	+1.0%	87.4%	+0.6%pt	+2.5%
North Asia	14,431	+3.3%	77.9%	+4.0%pt	-3.4%
North America	17,286	+17.1%	88.7%	-0.6%pt	-4.4%
<b>Overall</b>	<b>65,474</b>	<b>+5.3%</b>	<b>83.6%</b>	<b>+2.3%pt</b>	<b>-3.5%</b>

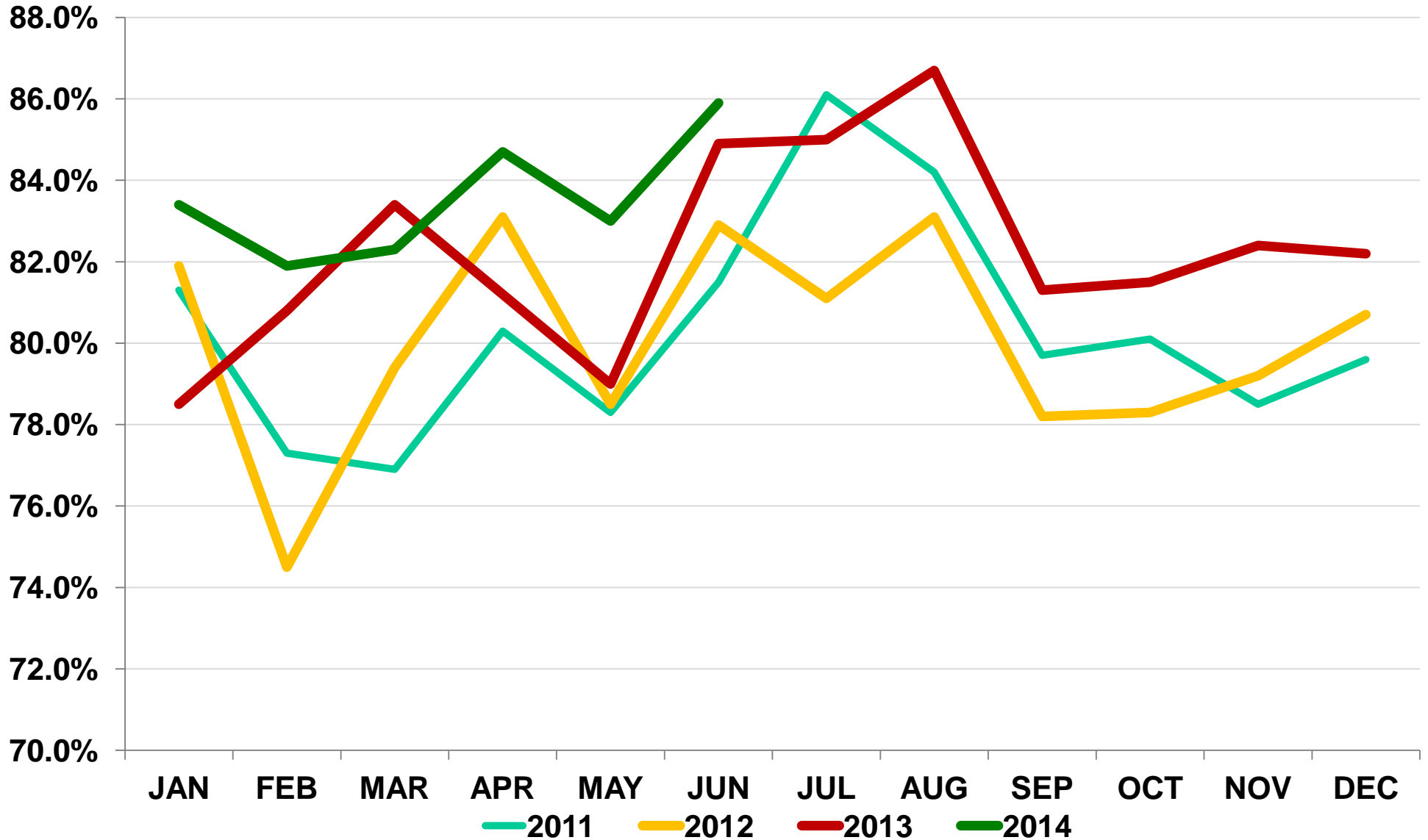
# *Passenger Yield*

## *1H 2008 – 1H2014*



# Passenger Load Factor

Jan 2011 – Jun 2014





# ***Passenger Services Development in 2014***

## ***Cathay Pacific***

### New services

- Launched new services to Newark in the U.S.A. in March.
- Launched new services to Doha in Qatar in March, and ceased flying to Abu Dhabi, Karachi and Jeddah.
- Will introduce a 4-times-weekly service to Manchester in the United Kingdom in December.
- Will also introduce new daily service to Zurich in the Switzerland from March 2015.

### Increases in frequencies

- Added one more daily flight to the Osaka service in February.
- Frequency to Los Angeles was increased from 3 to 4 daily starting from June and Chicago was increased from 7 to 10 weekly starting from August.

# ***Passenger Services Development in 2014***

## ***Dragonair***

### New services

- Launched new services to Penang in March.
- Launched new services to Denpasar-Bali in April.

### Increases in frequencies

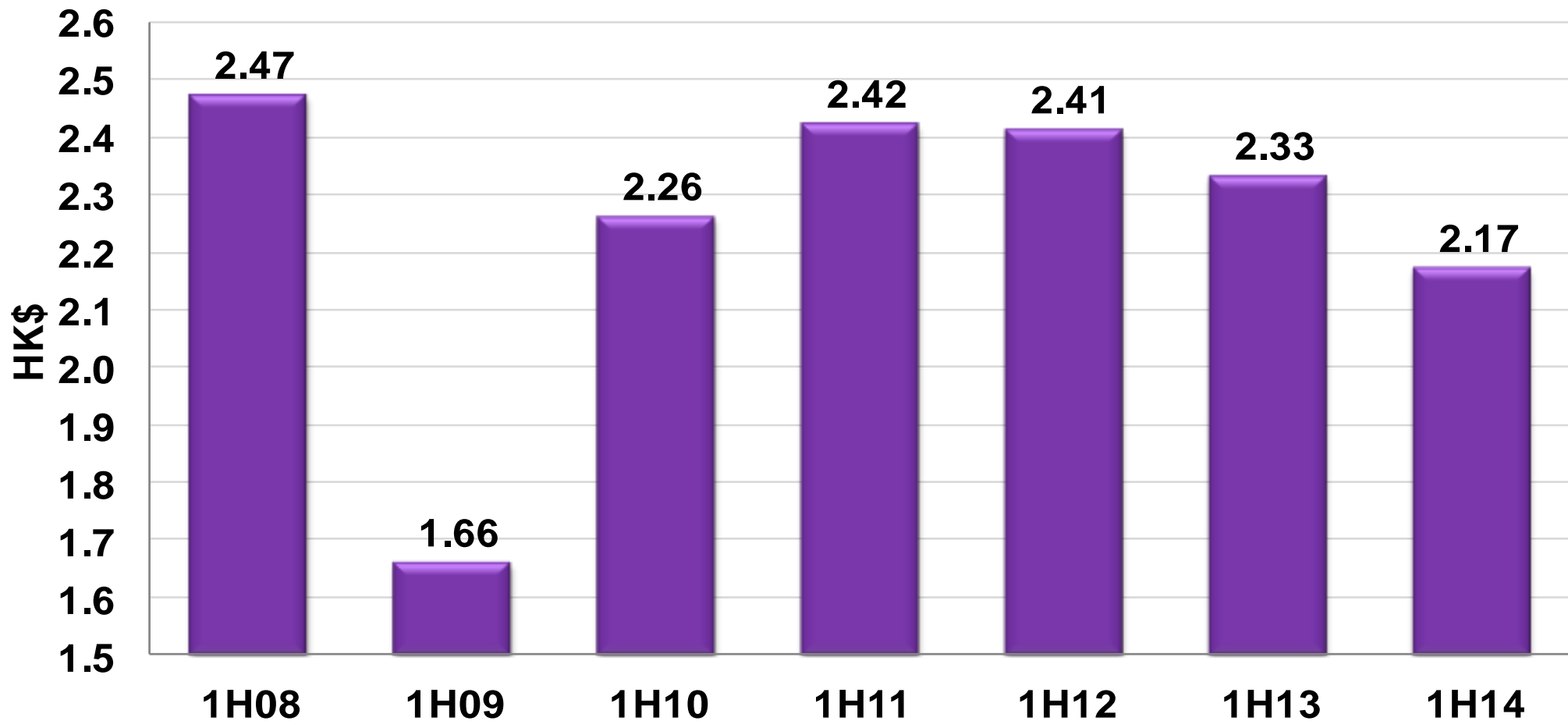
- Increased frequencies on the services to Beijing, Da Nang, Kaohsiung, Phuket and Siem Reap.
- Frequency on the Yangon route will become daily from September.

# Cargo Services

<b>Key Operating Highlights</b>		<b>1H2014</b>	<b>1H2013</b>	<b>Change</b>
Cargo turnover – Group	<i>HK\$ million</i>	<b>11,663</b>	<b>11,278</b>	+3.4%
<b><u>Cathay Pacific and Dragonair</u></b>				
Cargo turnover – Cathay Pacific and Dragonair	<i>HK\$ million</i>	<b>10,028</b>	<b>9,625</b>	+4.2%
Available tonne kilometres (ATK)	<i>million</i>	<b>7,318</b>	<b>6,607</b>	+10.8%
Cargo and mail carried	<i>'000 tonnes</i>	<b>804</b>	<b>741</b>	+8.5%
Cargo and mail yield	<i>HK\$</i>	<b>2.17</b>	<b>2.33</b>	-6.9%
Cargo and mail load factor	<i>%</i>	<b>63.2</b>	<b>62.4</b>	+0.8%pt

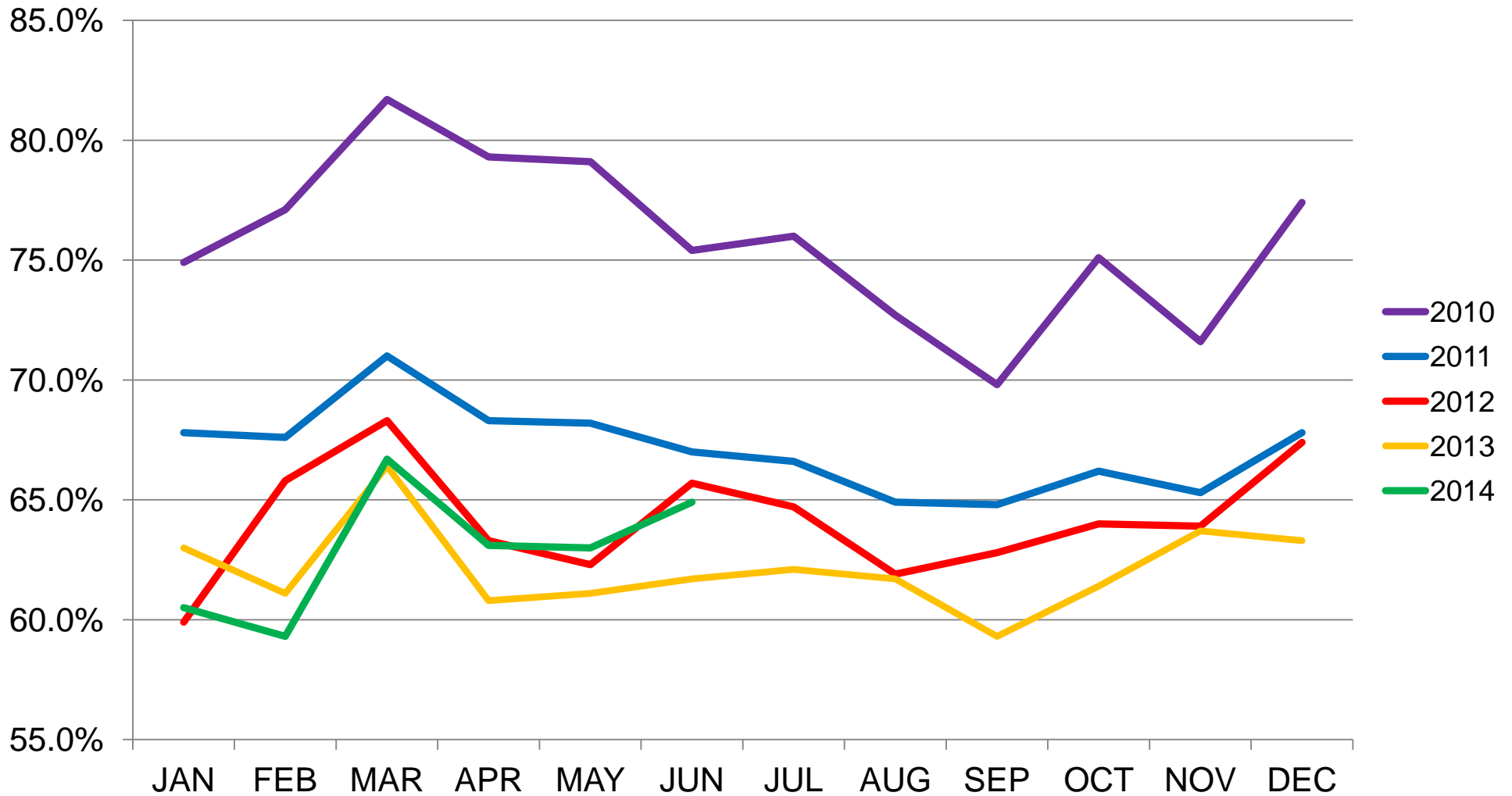
# Cargo & Mail Yield

## 1H 2008 – 1H2014



# ***Cargo and Mail Load Factor***

## ***Jan 2010 – Jun 2014***



# ***Cargo Services Development in 2014***

- Extended Guadalajara cargo service to 3-times-weekly in March and at the same time Cathay Pacific extended this service to Mexico City.
- Launched a twice-weekly service to Columbus in the United States in March and moved to three flights per week from June.
- Increased the frequencies of cargo services to Chicago from 7 to 9 flights a week in March and 11 flights a week in April.
- Increased service to Vancouver from 1 to 3 flights a week in March and Los Angeles from 6 to 8 flights a week in April.
- Stopped operating a cargo service to Manchester in June.
- Will introduce a twice-weekly cargo service to Calgary in Canada from October.

# Group Operating Expenses

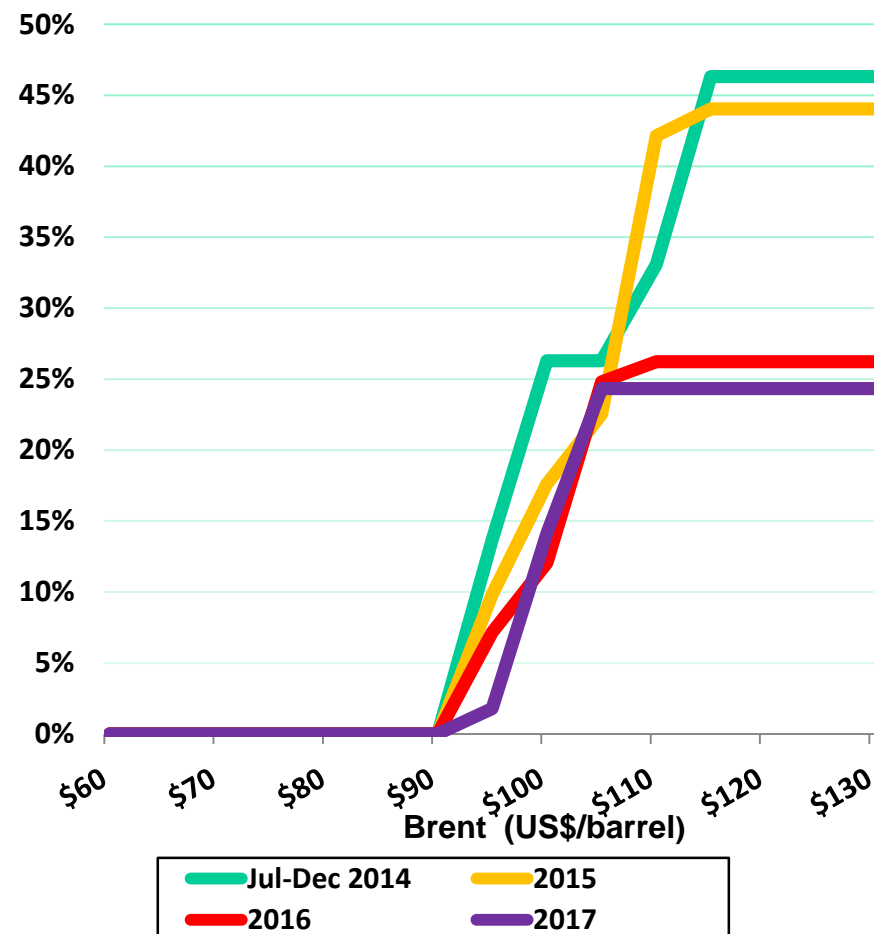
	1H2014	1H2013	Change
	HK\$'M	HK\$'M	
Staff	8,899	8,432	+5.5%
Inflight service and passenger expenses	2,162	1,986	+8.9%
Landing, parking and route expenses	6,944	6,668	+4.1%
Fuel, net of hedging gains	18,930	18,674	+1.4%
Aircraft maintenance	3,664	3,861	-5.1%
Aircraft depreciation and operating leases	5,049	4,565	+10.6%
Other depreciation, amortisation and operating leases	1,039	889	+16.9%
Commissions	401	386	+3.9%
Net finance charges	621	542	+14.6%
Others	2,176	2,088	+4.2%
<b>Total operating expenses</b>	<b>49,885</b>	<b>48,091</b>	<b>+3.7%</b>

# Fuel Expenditure and Hedging

## Fuel expenditure

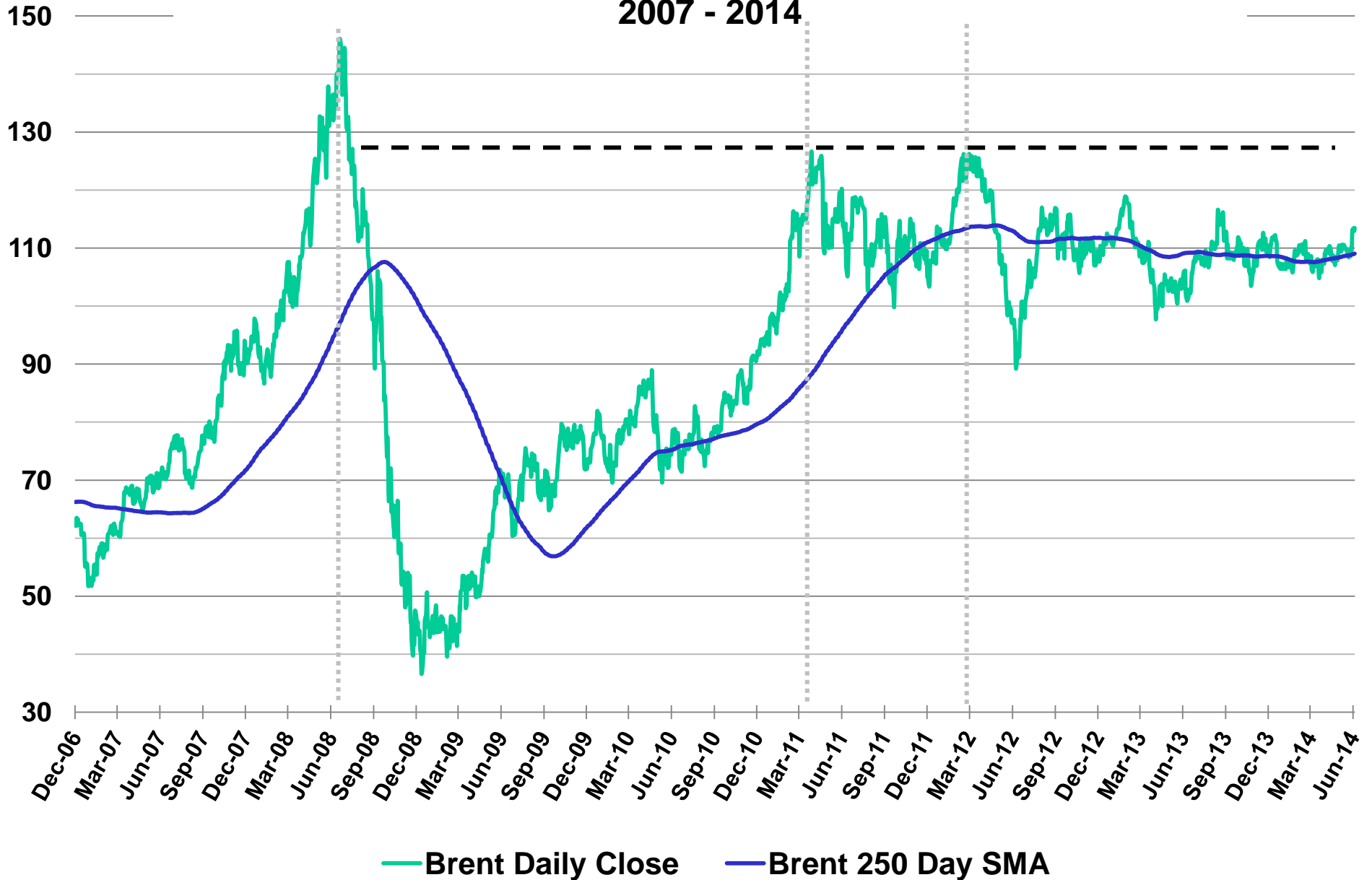
	1H2014	1H2013
	HK\$M	HK\$M
Gross fuel cost	19,954	18,974
Fuel hedging gains	(1,024)	(300)
<b>Net fuel cost</b>	<b>18,930</b>	<b>18,674</b>

## Fuel Hedging Coverage





# USD/Bbl - Brent- Daily Closing Price and 250 Day Simple Moving Average 2007 - 2014



# ***CX and KA Fleet Profile as at 30 June 2014***

	In operations			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
1 January 2014	155	24	<b>179</b>	-	2	<b>2</b>
New deliveries	5	-	<b>5</b>	-	-	-
Return to lessors	(2)	-	<b>(2)</b>	-	-	-
Parked aircraft	-	(3)	<b>(3)</b>	-	3	<b>3</b>
Deregistered	(2)	-	<b>(2)</b>	-	-	-
30 June 2014	156	21	<b>177</b>	-	5	<b>5</b>

# ***CX Fleet Profile as at 30 June 2014***

<b>Aircraft type (includes parked aircraft)</b>	<b>Owned</b>	<b>Finance Leased</b>	<b>Operating Leased</b>	<b>Total</b>
A330-300	16	15	6	37
A340-300	6	5	-	11
747-400	10	-	1	11
747-400F	6	-	-	6
747-400BCF	-	-	1	1
747-400ERF	-	6	-	6
747-8F	2	11	-	13
777-200	5	-	-	5
777-300	8	4	-	12
777-300ER	9	11	20	40
<b>Total</b>	<b>62</b>	<b>52</b>	<b>28</b>	<b>142</b>

# ***KA Fleet Profile as at 30 June 2014***

<b>Aircraft type</b>	<b>Owned</b>	<b>Finance Leased</b>	<b>Operating Leased</b>	<b>Total</b>
A320-200	5	-	10	<b>15</b>
A321-200	2	-	5	<b>7</b>
A330-300	8	-	10	<b>18</b>
<b>Total</b>	<b>15</b>	<b>-</b>	<b>25</b>	<b>40</b>

# ***Aircraft Delivery Plan as at 13 August 2014***

<b>Aircraft type</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 and beyond</b>	<b>Total</b>
B747-8F			1						1
A321-200	1								1
A330-300	2	3							5
A350-900			12	10					22
A350-1000					6	10	10		26
B777-300ER	5	6							11
B777-9X								21	21
<b>Total</b>	<b>8</b>	<b>9</b>	<b>13</b>	<b>10</b>	<b>6</b>	<b>10</b>	<b>10</b>	<b>21</b>	<b>87</b>

# ***Fleet & Scheduling - 744 Retirement Plan***

**As at 30 June 2014**

<b>Exit date</b>	<b>Number</b>	<b>Remaining</b>
Oct 13	-1	13
Jan 14	-1	12
May 14	-1	11
Aug 14	-2	9
Sep 14	-2	7

# ***Fleet & Scheduling – A340 Retirement Plan***

**As at 30 June 2014**

<b>Exit date</b>	<b>Number</b>	<b>Remaining</b>
2015	4	7
2016	4	3
2017	3	0

# Cargo Fleet Profile as at 30 June 2014

Aircraft type	Number	Parked	In operations
747-400F	6*	(4)	2
747-400ERF	6	-	6
747-400BCF	1	(1)	-
747-8F	13	-	13
<b>Total</b>	<b>26</b>	<b>(5)</b>	<b>21</b>

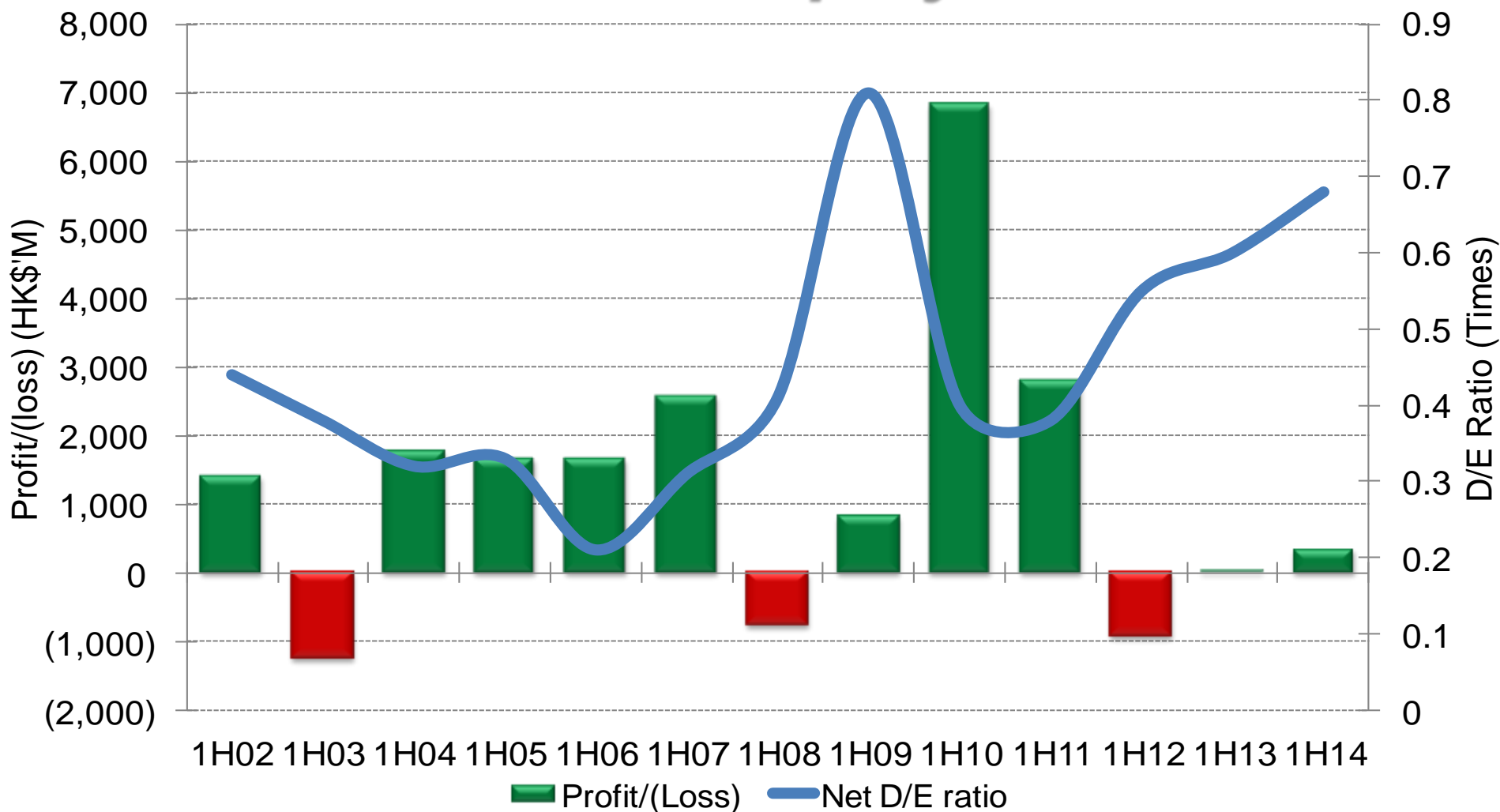
\*These six Boeing 747-400F was sold to The Boeing Company in the December 2013 deal.



# ***Financial Position***

	<u>30 Jun 14</u>	<u>31 Dec 13</u>	<u>Change</u>
	HK'M	HK'M	
Shareholders' Funds	60,830	62,888	-3.3%
Gross Borrowings	61,689	67,052	-8.0%
Less:			
Liquid Funds	(20,241)	(27,736)	-27.0%
Net Borrowings	41,448	39,316	+5.4%
Capital Employed (incl. non-controlling interests)	102,426	102,329	+0.1%
Net Debt/ Equity Ratio	0.68	0.63	+0.05 times

# Results & Net Debt/Equity Ratio



Group Profit Margin	1H 2002	1H 2003	1H 2004	1H 2005	1H 2006	1H 2007	1H 2008	1H 2009	1H 2010	1H 2011	1H 2012	1H 2013	1H 2014
%	9.1	(10.1)	9.7	7.8	7.3	8.9	(1.8)	2.6	16.5	6.0	(1.9)	0.1	0.7

# Liquid Funds Flow

	<u>30 Jun 14</u>	<u>30 Jun 13</u>
	HK'M	HK'M
<b><i>Cash inflow</i></b>		
New financing	2,451	3,955
Operating activities	5,889	6,320
Proceeds from sales of fixed assets and others	476	1,587
<b><i>Cash outflow</i></b>		
Capital expenditure	(5,762)	(6,801)
Loans to associates	(1,377)	-
Purchases of shares in associates	-	(546)
Loan repayments	(8,326)	(4,826)
Dividends paid	(753)	(447)
<b><i>Net outflow</i></b>	<b>(7,402)</b>	<b>(758)</b>
<b>Liquid Funds – Cash and cash equivalent</b>	<b>8,268</b>	<b>8,599</b>
<b>Total Liquid Funds</b>	<b>20,241</b>	<b>23,384</b>

# ***Financial Risk Management***

- **Currency**
  - All major currencies are hedged in compliance with our policy.
- **Liquidity**
  - A total of HK\$3.2 billion with tenors of 5 to 10 years raised through Medium Term Note (“MTN”) programme since its first issue in October 2011.
  - Unpledged liquid funds and committed undrawn lines of HK\$19.6 billion as at 30<sup>th</sup> June 2014 (31<sup>st</sup> December 2013: HK\$26.0 billion).
- **Interest rates**
  - Overall cost of debt remains low.
  - During the year, margins have compressed.
  - Strategic management of fixed / floating ratio – taking advantage of low fixed rates to lock in aircraft financing.

# ***Major subsidiaries***

- **AHK Air Hong Kong**

- Capacity and load factor increased marginally compared with the first half of 2013. Revenue tonne kilometres increased by 1.0%.
- Recorded a higher profit in the first half of 2014 compared with the first half of 2013.

- **Cathay Pacific Catering Services**

- It produced a daily average of 74,000 meals and handled 186 flights per day in the first half of 2014 (an increase of 8.0% and 7.0% respectively over the first half of 2013).
- Reported a rise in profit in the first half of 2014 compared to the first half of 2013. This was due to an increase in business volume and effective management of operating costs.

# ***Major subsidiaries***

- **Asia Miles**

- Membership exceeds 6 million worldwide.
- Recorded an 11% increase in redemptions by Asia Miles members in the first half of 2014 compared to the same period of last year. More than 90% of Cathay Pacific and Dragonair flights carry passengers who have redeemed frequent flyer miles through the Asia Miles programme.

# Cargo Services Development in 2014

- Our new cargo terminal became fully operational in October 2013. It is now operating smoothly and expects to handle 1.4 million tonnes of cargo in 2014. It has begun to handle cargo for airlines outside the Cathay Pacific Group in May.



- The HK\$5.9 billion facility is significantly reducing the time to process and ship cargo in Hong Kong.
- Cathay Pacific Services Limited reported a reduced loss for the first half of 2014 compared with the same period in 2013

# *Air China*

- Cathay Pacific has a 20.13% interest in Air China, and reports results 3 months in arrear.
- The Group recorded a loss from Air China in the first half of 2014. Air China's results were adversely affected by a difficult operating environment and substantial foreign exchange losses caused by the depreciation of the Renminbi.



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

- CX owned 49% economic interest in Air China Cargo (ACC), with the remaining 51% interest held by Air China.
- At 30th June 2014, ACC operated a fleet of 10 freighters. It operates scheduled freighter services to 7 countries and regions.
- The Group recorded a reduced loss from ACC in the first half of 2014 compared to the first half of 2013. This was mainly due to the retirement of older aircraft and the introduction of more modern ones.

# ***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.
- Modernise our fleet and Improve productivity.
- Continue to develop the strategic relationship with Air China.
- Maintain a prudent approach to financial risk management.

# Products & Services



**The Bridge (Oct13)**



**The Wing FRCL Refresh (Feb13)**



**The Bridge (Oct13)**



**The Haven (Relaunch Aug 2014)**



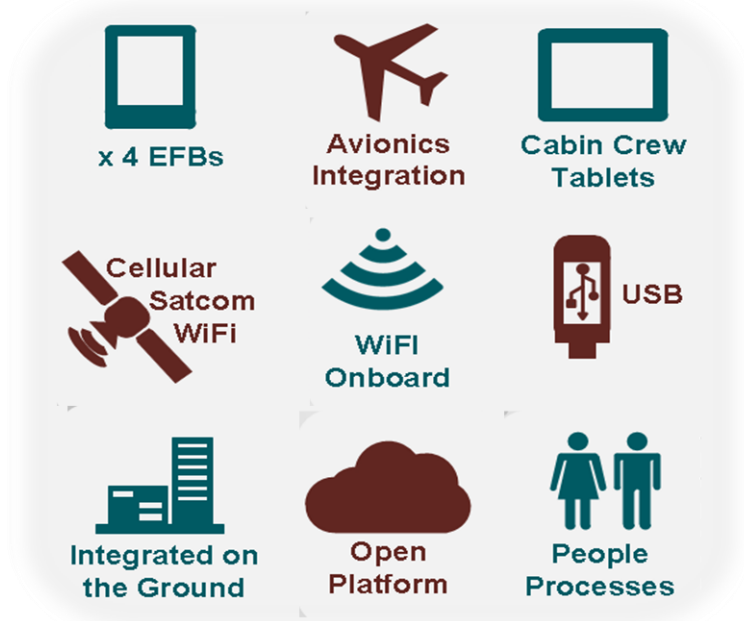
# Advances in technology



Lounge Wifi Landing Page



Mobile Boarding Pass



E-enabled aircraft



Upgrade of new passenger reservation system

# Advances in technology



Your perfect holiday

Inspire me with ideas for

- Beach getaways
- Honeymoon escapes
- Luxury & relaxation
- Family fun
- Ski & snow
- Food & drink
- Adventure trails
- City breaks
- Arts & culture

Showing 71 destinations

Sort these results by **most popular** ▾

✈️ 2h 45m  
2 FLIGHTS DAILY

THAILAND  
**Bangkok**

✈️ 1h 35m  
5 FLIGHTS DAILY

TAIWAN  
**Taipei**

✈️ 3h 45m  
4 FLIGHTS DAILY

SINGAPORE  
**Singapore**

Hong Kong to Tokyo | Tokyo to Hong Kong | Hi

**HKG** → **NRT**  
Hong Kong Int'l | Narita Int'l

CX759

Sat 22 Mar 19:40 3h 15m Sat 22 Mar 21:25

TERMINAL 1 GATE 13 | TERMINAL 2

CLASS: Premium Economy | AIRCRAFT: 175

BOOKING STATUS: Confirmed | ASIA MILES: -- | REFERENCE: BR13KP

Before you fly

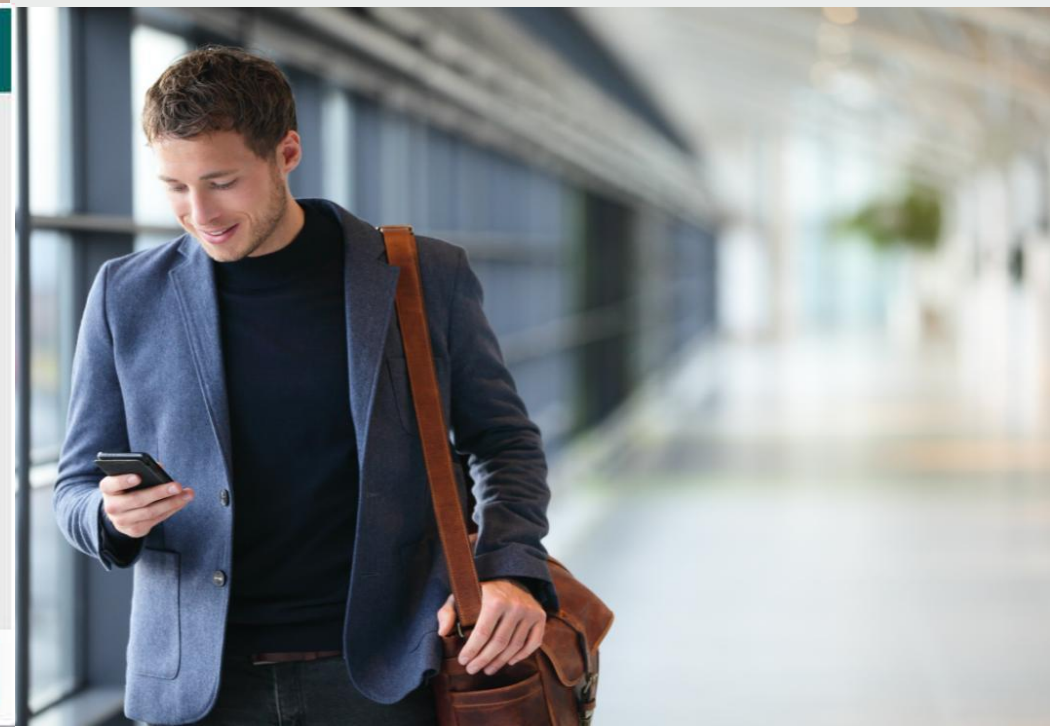
Free baggage allowance  
Your allowance for flight CX759 is 20kg (44lbs) for adults and 10kg (22lbs) for infants.

Drop off your bags at the self check-in bag drop counter at:  
**Hong Kong Int'l Airport**

Arrive before **06:00** | At **Terminal 1**

No baggage? Go straight to your gate.  
Please arrive before **07:40**

Done





# Awards – Airline of the Year

In July, Cathay Pacific was named the World's Best Airline in the annual World Airline Awards run by Skytrax. This is the fourth time we have received this award, which is decided by public voting.



# Outlook

- Second half is traditionally stronger (which includes seasonal peak periods for passenger and cargo demand).
- Significant competition in our passenger business, may continue to impact yields.
- Cargo business remains difficult, with projected DLATK growth of 9.6% in 2014 in a market of excess supply, but small signs of recovery.
- Fuel price remains high, but 47% hedged in 2014 at an average Brent price of USD101.5.
- Continued enhancement of products and services to strengthen our competitive edge.

# Q & A

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