



Analysts Briefing

18 March 2015

Cathay Pacific Airways Limited



Annual Results

		2014	2013	Change
Group attributable profit	<i>HK\$m</i>	3,150	2,620	+20.2%
Group turnover	<i>HK\$m</i>	105,991	100,484	+5.5%
Profit margin	%	3.0	2.6	+0.4%pt
Earnings per share	<i>HK¢</i>	80.1	66.6	+20.3%
Dividend per share	<i>HK\$</i>	0.36	0.22	+63.6%

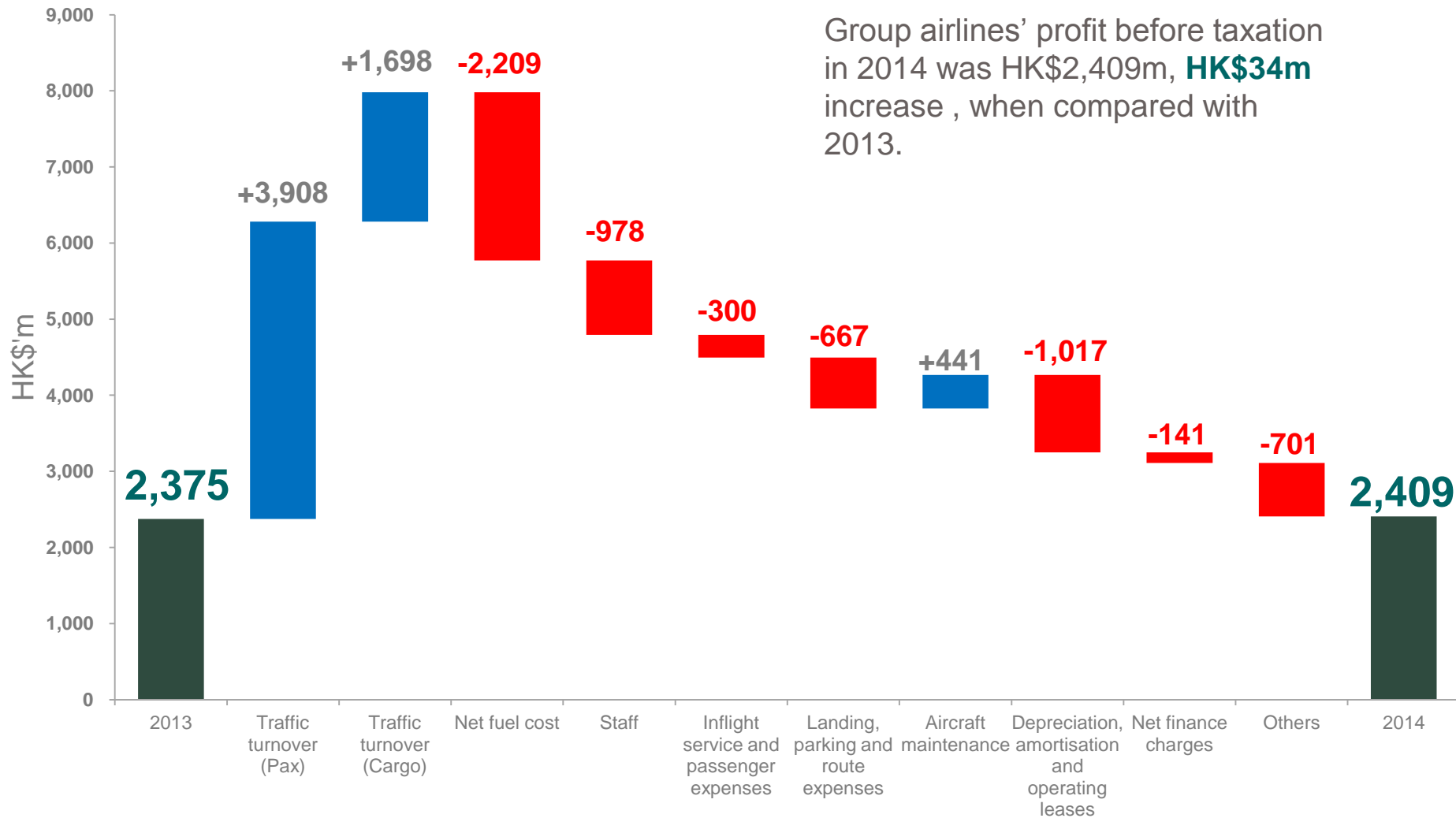
		2014	2013	Change
Available tonne kilometres (ATK)	<i>million</i>	28,440	26,259	+8.3%
Available seat kilometres (ASK)	<i>million</i>	134,711	127,215	+5.9%
Cost per ATK (with fuel)	<i>HK\$</i>	3.50	3.58	-2.2%
Cost per ATK (without fuel)	<i>HK\$</i>	2.12	2.16	-1.9%

Airlines' Profit

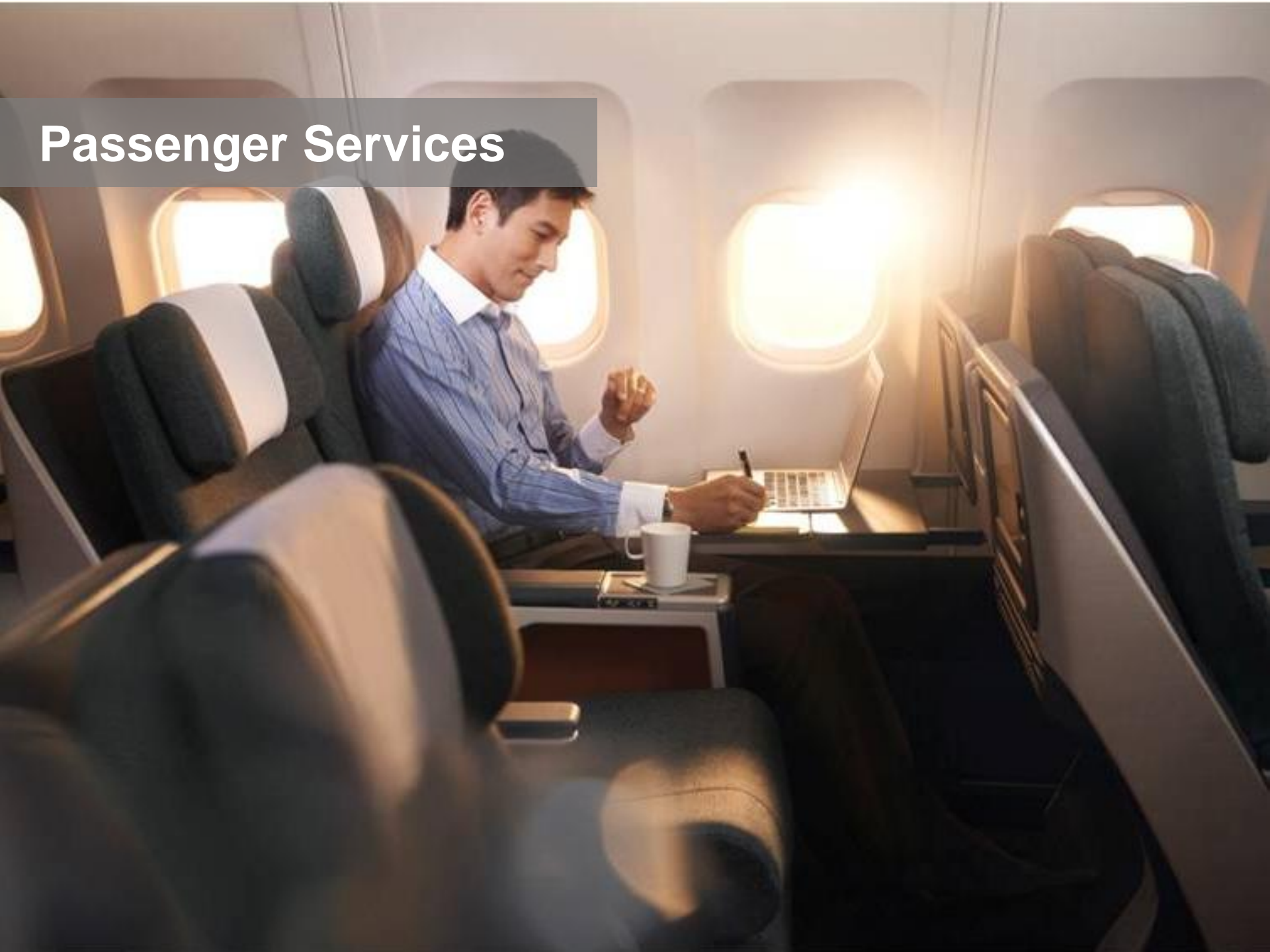
<i>HK\$'m</i>	2014	2013	Change
Group attributable profit	3,150	2,620	+20.2%

<i>HK\$'m</i>	2014	2013	Change
Airlines' profit before tax	2,409	2,375	+1.4%
Tax	(563)	(536)	
Airlines' profit after tax	1,846	1,839	+0.4%
Share of profits from subsidiaries & associates	1,304	781	+67.0%
Group attributable profit	3,150	2,620	+20.2%

Reconciliation of airlines' profit before tax



Passenger Services

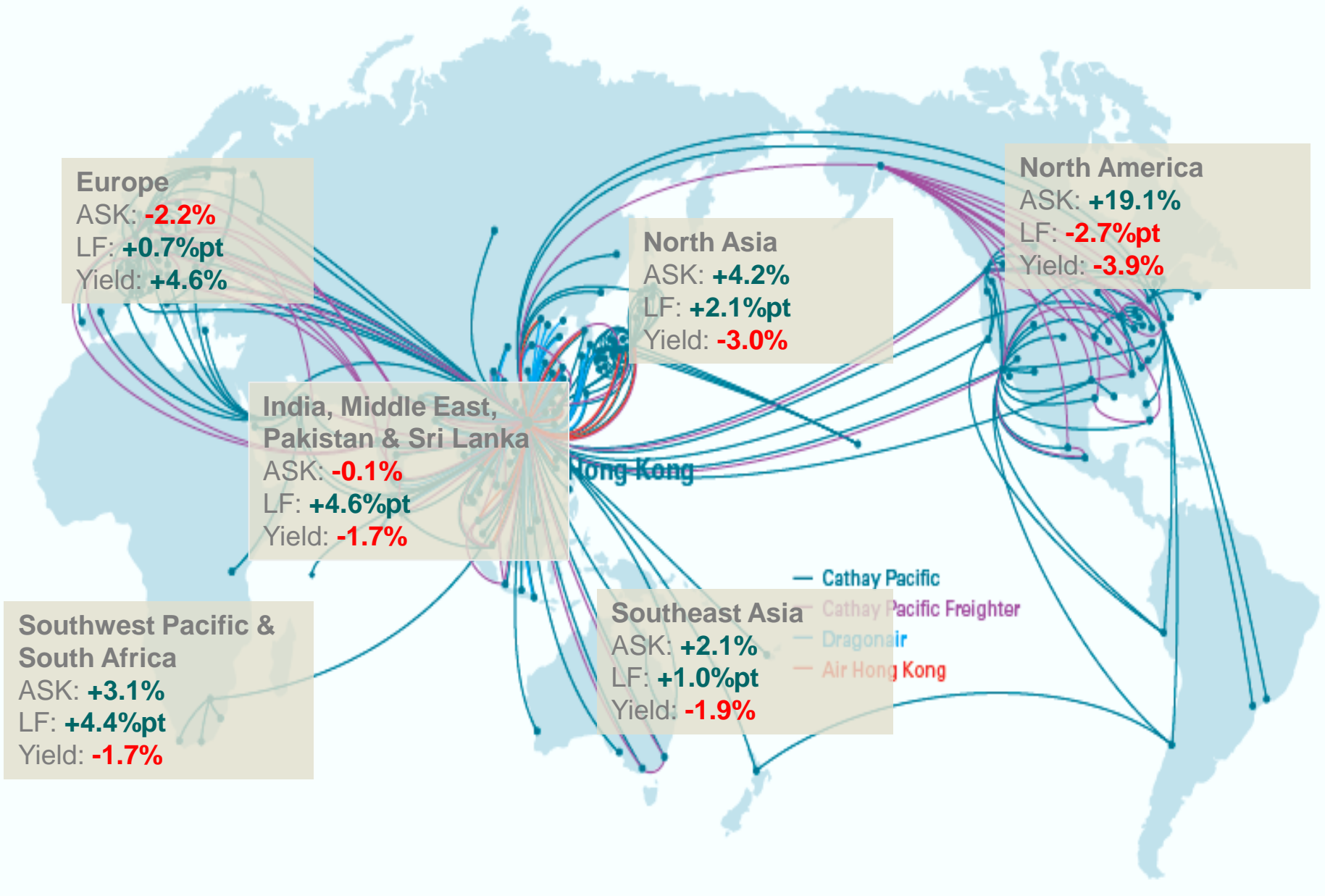


Passenger Services



		2014	vs 2013
Turnover	<i>HK\$m</i>	75,734	+5.4%
ASK	<i>Million</i>	134,711	+5.9%
Passengers carried	<i>'000</i>	31,570	+5.5%
Passenger yield	<i>HK¢</i>	67.3	-1.8%
Passenger load factor	<i>%</i>	83.3	+1.1%pt

Passenger Services – By Region





Cathay Pacific

- Network Development

2014

Mar

- New daily service to **Newark**.
- New daily service to **Doha** in Qatar and ceased flying to **Abu Dhabi** and **Jeddah** at the same time.

Jun

- Increased frequencies to **Los Angeles** to 4-times-daily.

Oct

- **Colombo** became non-stop for 4 times a week.

Dec

- New 4-times-weekly service to **Manchester**.



Cathay Pacific

- Network Development

2015

Mar	• Will introduce a daily service to Zurich .
May	• Will introduce a 4-times-weekly service to Boston .
Jun	• Will increase services to San Francisco to 17 flights per week.
Sep	• Will introduce a 4-times-weekly service to Dusseldorf .



Dragonair

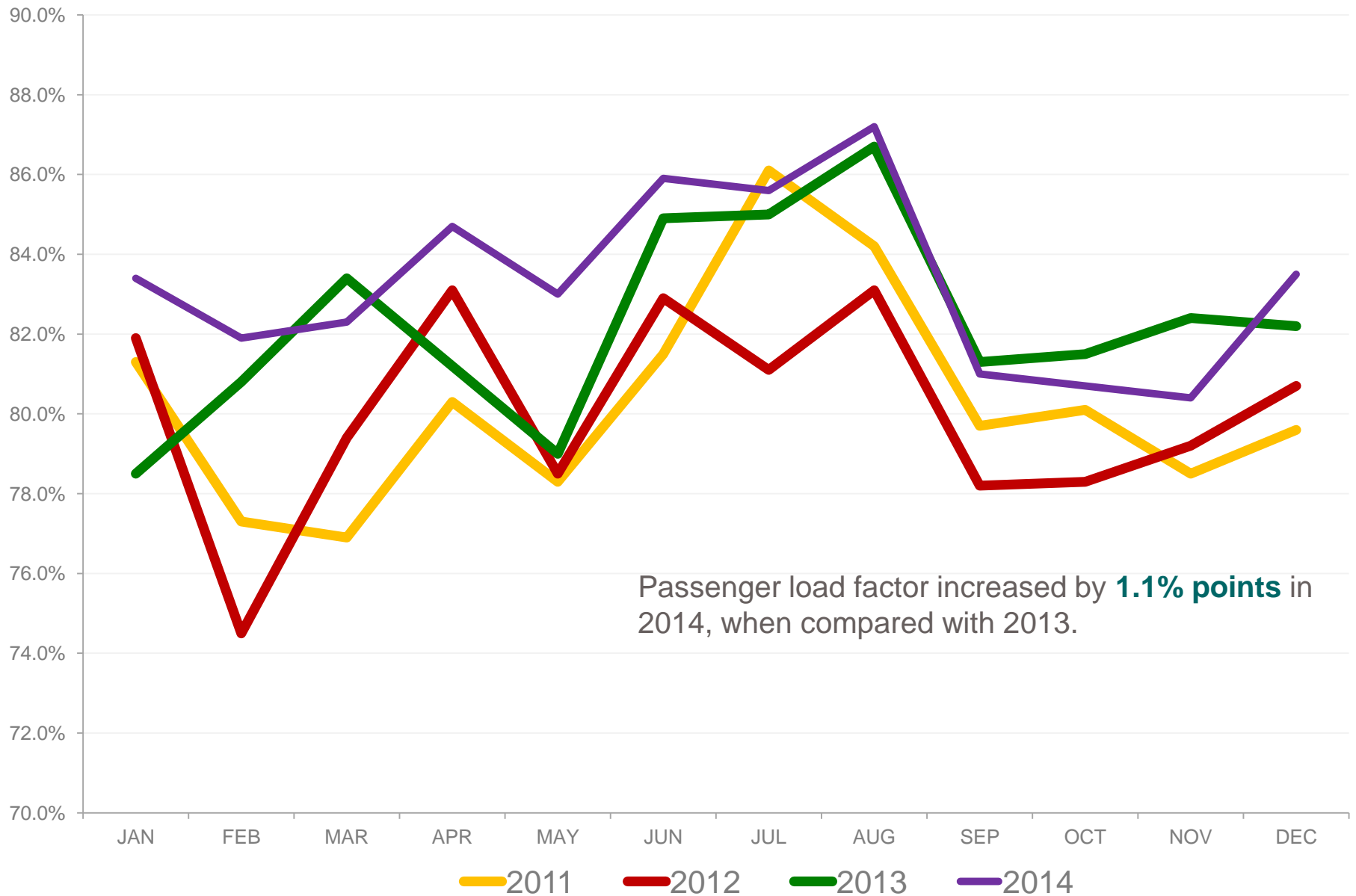
- Network Development

Mar/14	• Launched a new service to Penang .
Apr/14	• Launched a twice-weekly service to Denpasar, Bali .
Sep/14	• Frequency on Yangon route became daily.
Mar/15	• Will launch a daily service to Haneda in Tokyo .

Passenger Yield – 2008 to 2014



Monthly Passenger Load Factor



Cargo Services



Cargo Services

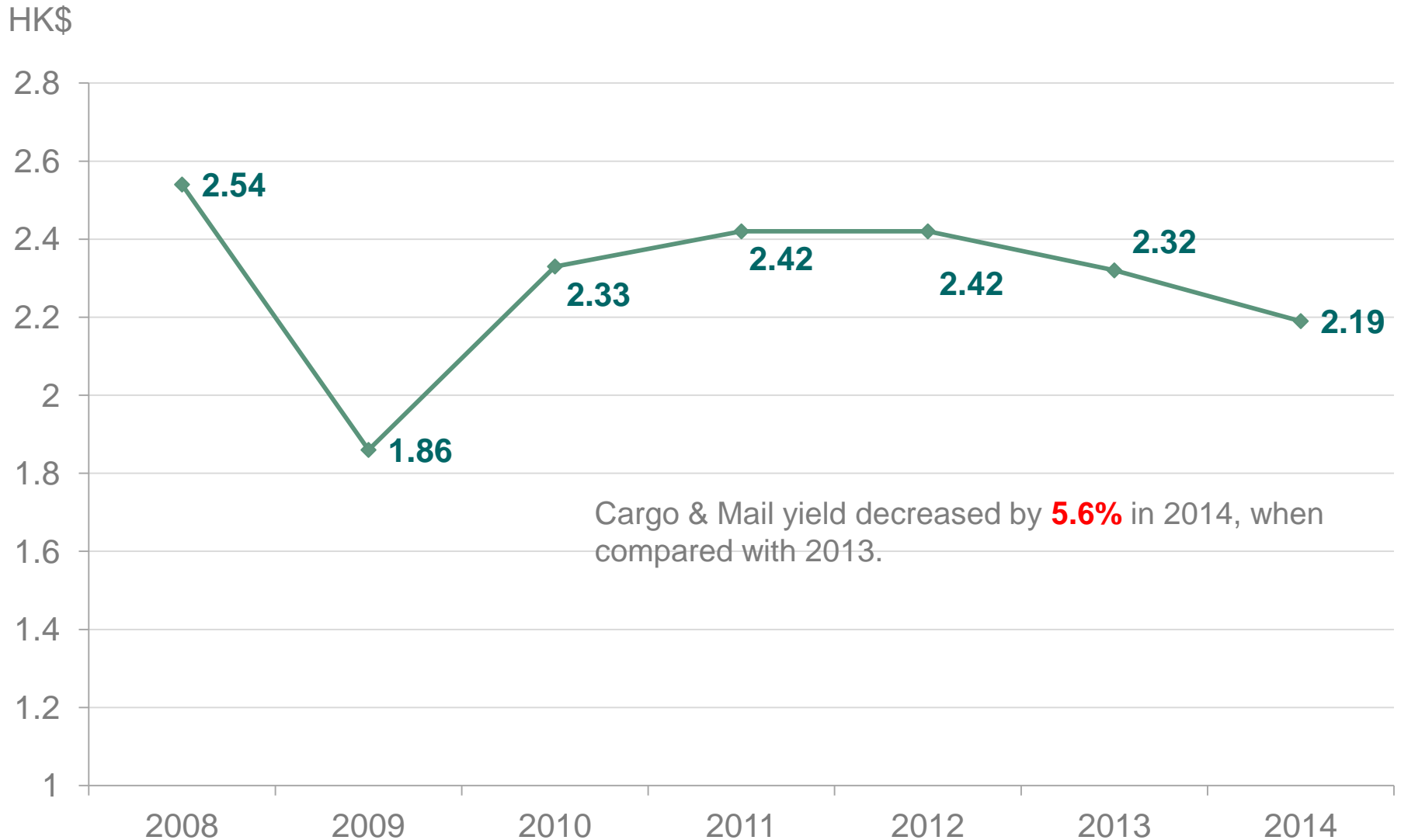


		2014	vs 2013
Group Turnover	<i>HK\$m</i>	25,400	+7.3%
Cathay Pacific and Dragonair			
Turnover	<i>HK\$m</i>	22,035	+8.6%
Cargo capacity (ATK)	<i>Million</i>	15,630	+10.4%
Cargo and mail carried	<i>'000 tonnes</i>	1,723	+12.0%
Cargo and mail yield	<i>HK\$</i>	2.19	-5.6%
Cargo and mail load factor	<i>%</i>	64.3	+2.5%pt

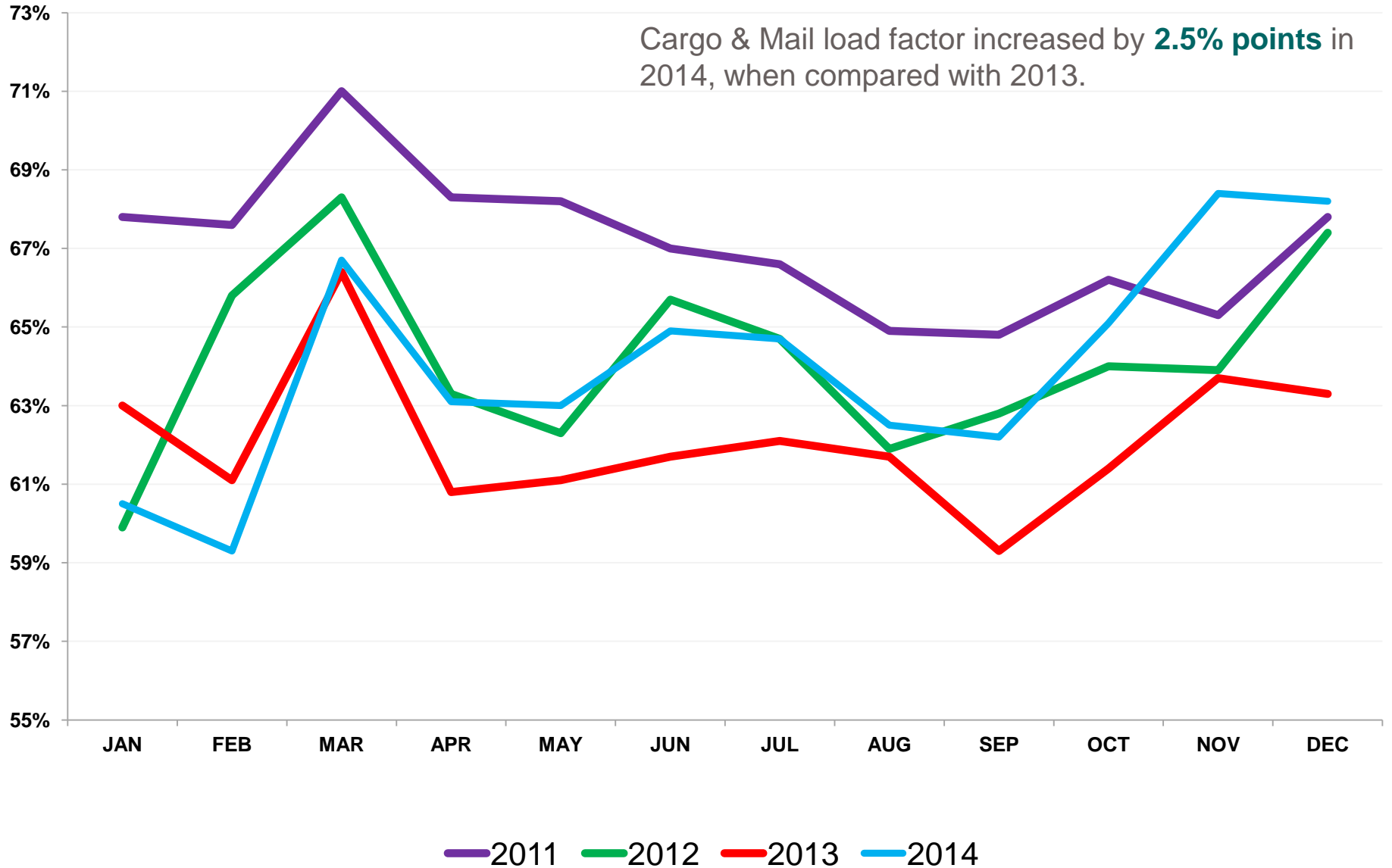
Cargo Services – Network Development

Mar/14	<ul style="list-style-type: none">Extended Guadalajara cargo service to 3-times weekly.Launched a twice-weekly freighter service to Columbus in the United States.
Apr/14	<ul style="list-style-type: none">Increased service to Los Angeles from 6 to 10 flights a week.Increased service to Chicago from 7 to 9 flights a week.
Jun/14	<ul style="list-style-type: none">Increased service to Columbus to 3 flights a week.
Sep/14	<ul style="list-style-type: none">Increased service to Chicago to 11 flights a week.
Oct/14	<ul style="list-style-type: none">Boosted a freighter service to Calgary with a new twice-weekly flight.Added Manila as a new freighter port.Increased service to Mexico and Guadalajara to 5 times a week
Nov/14	<ul style="list-style-type: none">Launched a twice-weekly freighter service to Phnom Penh, Cambodia.
Mar/15	<ul style="list-style-type: none">Introduced a twice-weekly freighter service to Kolkata.

Cargo Yield – 2008 to 2014



Monthly Cargo Load Factor



Operating Costs



Operating Costs - Group

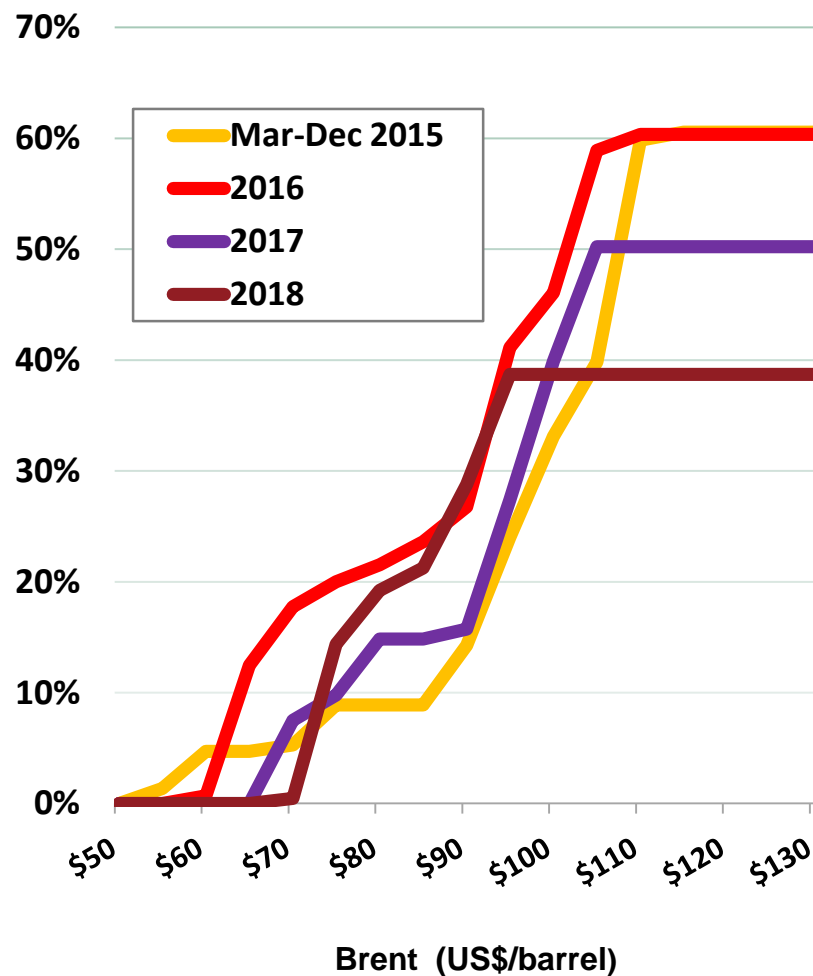
	2014	vs 2013
	HK\$m	%
Staff	18,101	+6.3%
Inflight service and passenger expenses	4,438	+7.2%
Landing, parking and route expenses	14,196	+4.9%
Fuel, net of hedging losses (gains)	40,299	+5.7%
Aircraft maintenance	7,077	-6.2%
Depreciation, amortisation and operating leases	12,527	+9.3%
Net finance charges	1,158	+13.6%
Others	4,918	+0.6%
Total operating costs	102,714	+5.1%

Fuel Expenditure and Hedging

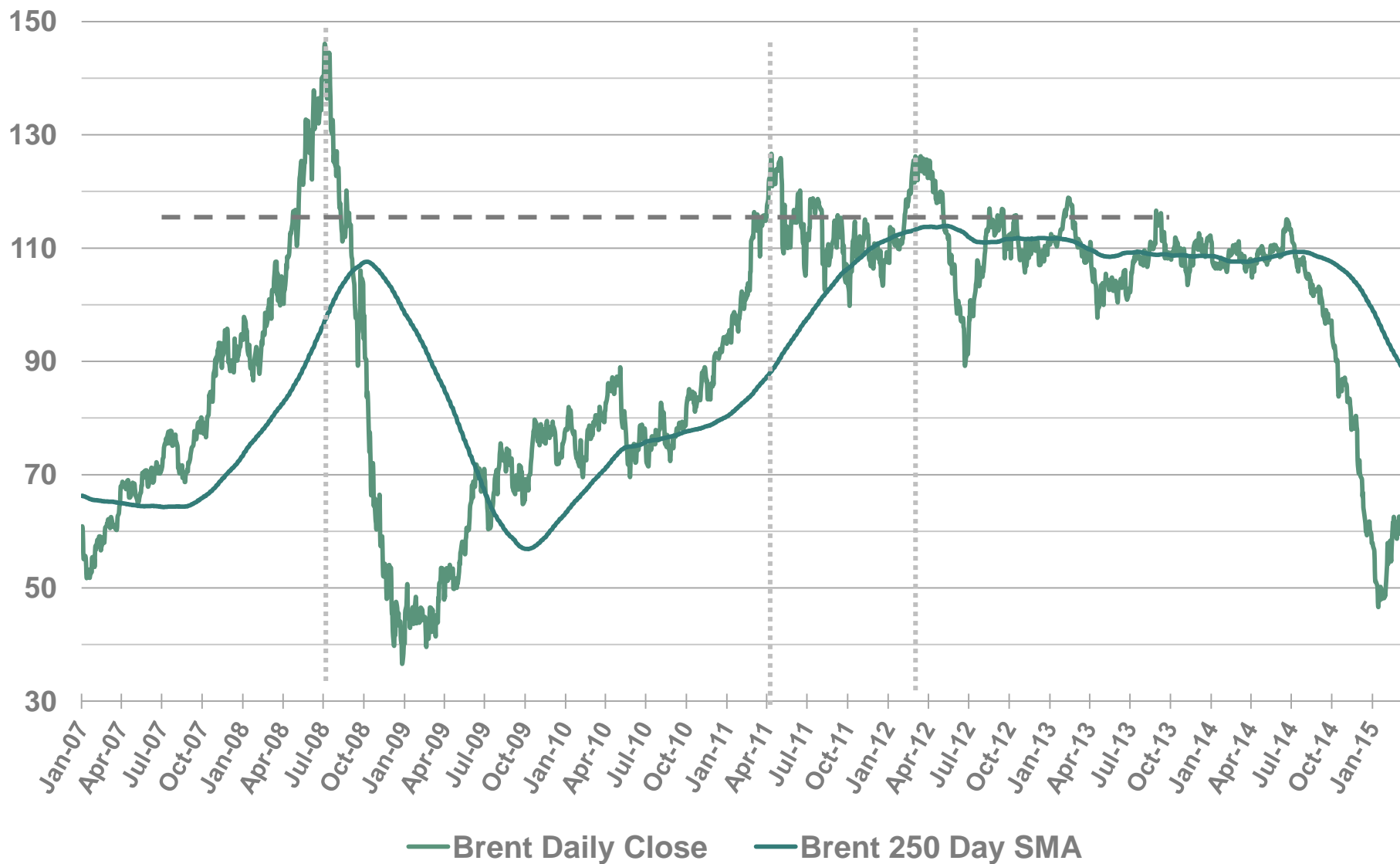
Fuel expenditure

	2014	2013
	HK\$M	HK\$M
Gross fuel cost	39,388	39,117
Fuel hedging losses (gains)	911	(985)
Net fuel cost	40,299	38,132

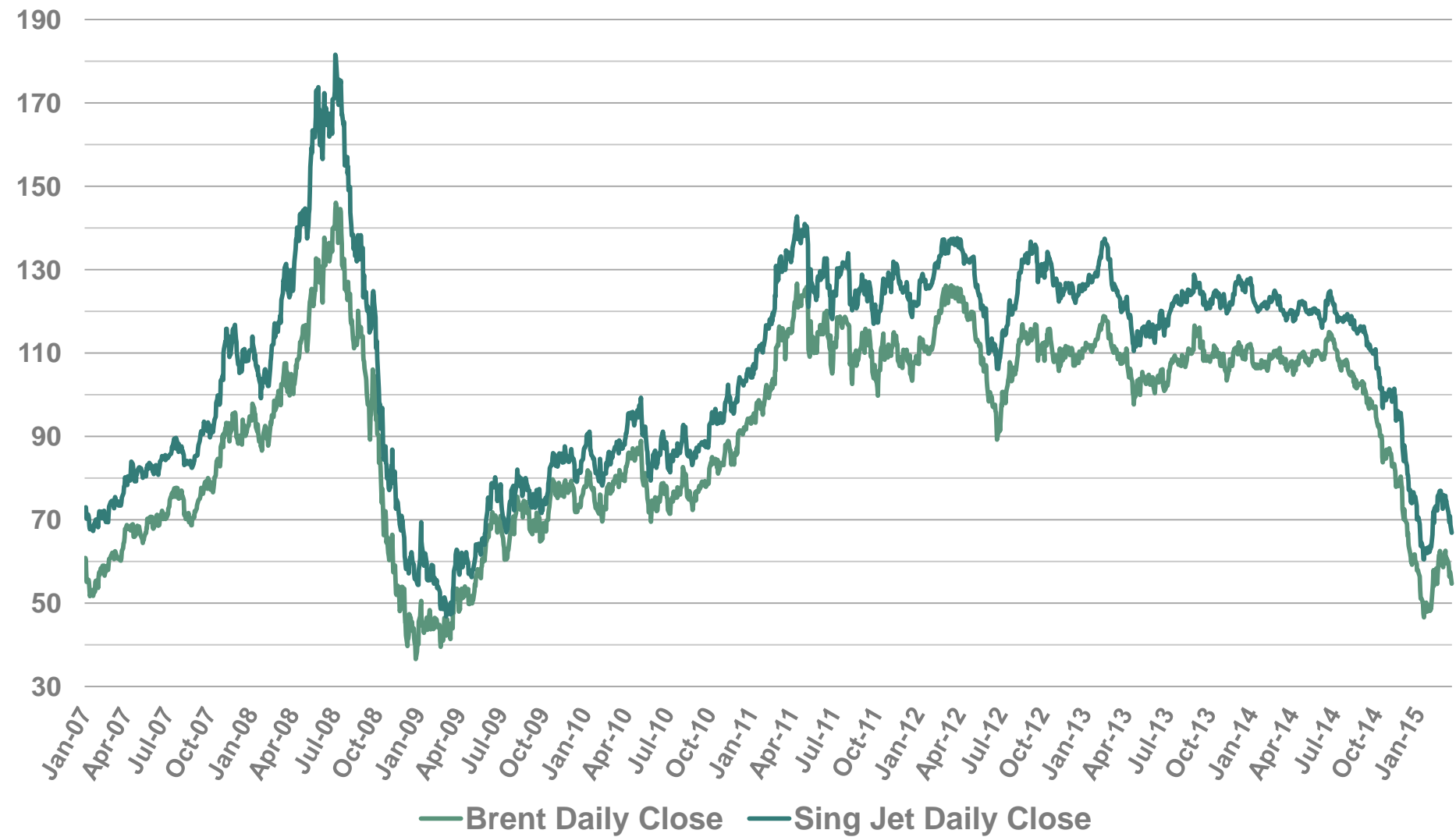
Fuel hedging coverage (as at 16 Mar 2015)



USD/Bbl - Brent- Daily Closing Price and 250 Day Simple Moving Average 2007 – 2015 (up to 17 March 2015)



USD/Bbl - Brent and Sing Jet Daily Closing Price 2007 – 2015 (up to 17 March 2015)



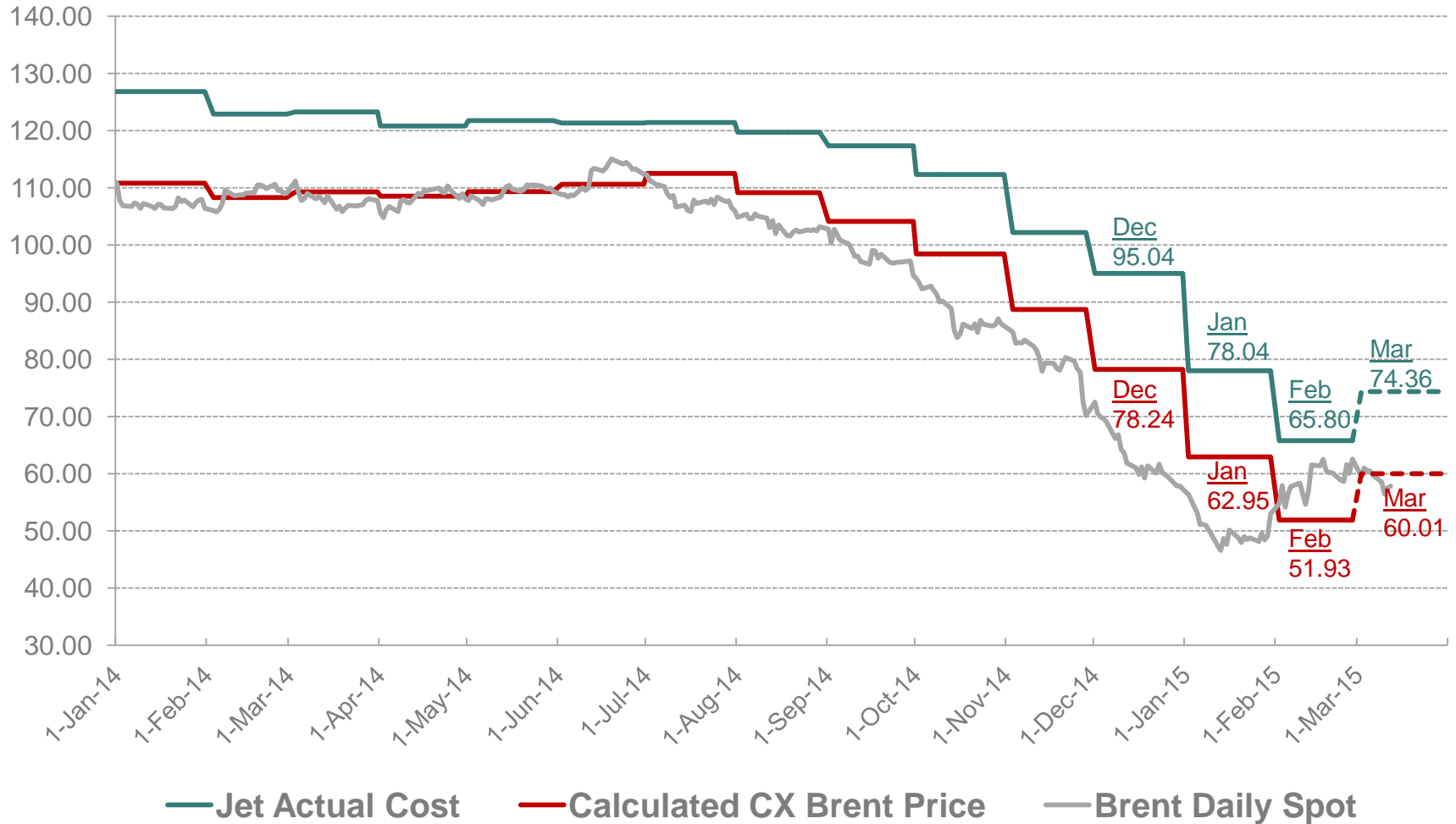
Purpose of Fuel Hedging

Aim of the Fuel Hedging Strategy

- Provide a level of insurance against fuel prices rising beyond the point at which the airline is viable – ‘sustainability insurance’.
- Provide lower earnings volatility (through a reasonable certainty of cost) by giving a level of protection against sudden upward movements in the price of fuel – ‘volatility management’. No speculation.

CX Jet Cost and Calculated CX Brent Price (Updated)

USD/BBL



Note: Jet Actual Cost is net of 3rd party handling charges

Calculated CX Brent Price = Jet Actual Cost minus Crack, where Crack is assumed based on prior-month Sing Jet- Brent Crack

Fleet Profile



CX & KA Fleet Profile

	In operations			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
1 Jan 2014	155	24	179	-	2	2
New deliveries	16	-	16	-	-	-
Return to lessors	(2)	-	(2)	-	-	-
Parked aircraft	-	(2)	(2)	-	2	2
Deregistered	(6)	-	(6)	-	(1)	(1)
31 Dec 2014	163	22	185	-	3	3

CX Fleet Profile – as at 31 Dec 14

Aircraft type (includes parked aircraft)	Owned	Finance Leased	Operating Leased	Total
A330-300	19	15	6	40
A340-300	8	3	-	11
747-400	6	-	1	7
747-400F	5	-	-	5
747-400BCF	-	-	1	1
747-400ERF	-	6	-	6
747-8F	2	11	-	13
777-200	5	-	-	5
777-300	8	4	-	12
777-300ER	13	11	23	47
Total	66	50	31	147

CX Cargo Fleet Profile – as at 31 Dec 14

Aircraft type	Number	Parked	In operations
747-400F	5	(2)	3
747-400ERF	6	-	6
747-400BCF	1	(1)	-
747-8F	13	-	13
Total	25	(3)	22

KA Fleet Profile – as at 31 Dec 14

Aircraft type	Owned	Finance Leased	Operating Leased	Total
A320-200	5	-	10	15
A321-200	2	-	6	8
A330-300	10	-	8	18
Total	17	-	24	41

Aircraft Delivery Plan as at (18 March 2015)

Aircraft type	2015	2016	2017	2018	2019	2020	2021 & beyond	Total
B747-8F		1						1
A330-300	2							2
A350-900		12	10					22
A350-1000				6	10	10		26
B777-300ER	4							4
B777-9X							21	21
Total	6	13	10	6	10	10	21	76

Retirement Plan

B744 - As at 31 December 2014

Exit date	Number	Remaining
Jan 15	-1	6
Mar 15	-3	3
2016	-3	0

A340 - As at 31 December 2014


Exit date	Number	Remaining
2015	-4	7
2016	-3	4
2017	-4	0

A photograph of a passenger sitting in an airplane cabin, holding a cup and looking out the window. The text "Passenger - 2015" is overlaid on a semi-transparent grey box.

Passenger - 2015

- **9** aircraft deliveries in 2015 – 3 have already been delivered as of 18 March 2015.
- Projected ASK growth in 2015 is approximately **8.4%**.

- Projected overall DLATK growth in 2015 is approximately **9.2%**.

A photograph of a Cathay Pacific Cargo Boeing 747-400 aircraft on the tarmac. The text "Cargo – 2015" is overlaid on a semi-transparent grey box.

Cargo – 2015

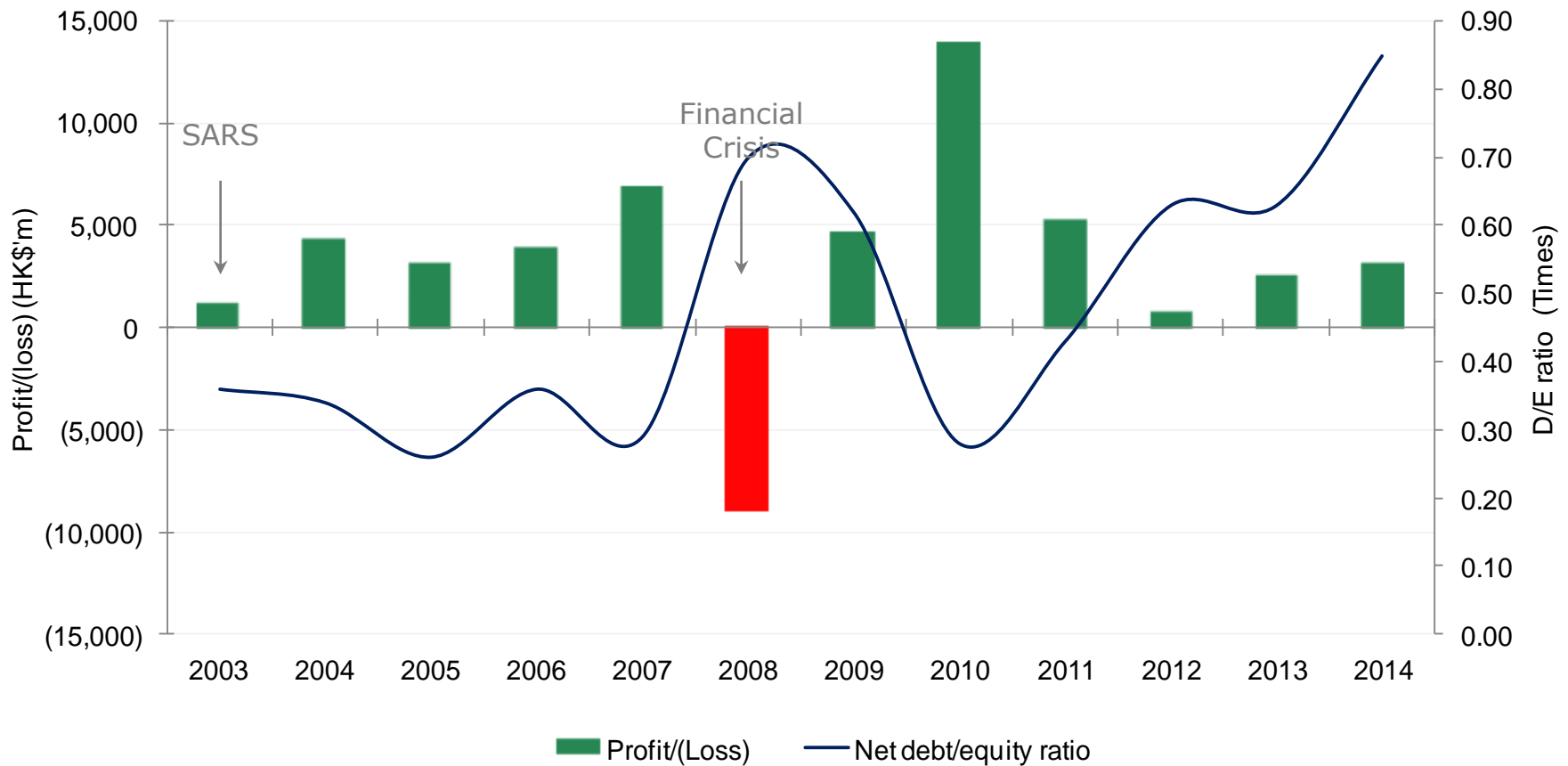
Other Financials



Extract of Consolidated Statement of Financial Position

	<u>31 Dec14</u>	<u>31 Dec 13</u>	<u>Change</u>
	HK'M	HK'M	%
Shareholders' Funds	51,722	62,888	-17.8%
Gross Borrowings			
Less:	65,096	67,052	-2.9%
Liquid Funds	(21,098)	(27,736)	-23.9%
Net Borrowings	43,998	39,316	+11.9%
Capital Employed (incl. non- controlling interests)	95,851	102,329	-6.3%
Net Debt/ Equity Ratio	0.85	0.63	+0.22 times
Investment in Air China	19,150	19,186	-0.2%

Profit & Net Debt/ Equity Ratio



Group Profit Margin	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
%	4.0	10.2	6.2	6.5	9.1	(10.4)	6.9	15.5	5.4	0.9	2.6	3.0

Liquid Fund Flow

HK\$'million	<u>31 Dec14</u>	<u>31 Dec 13</u>
Inflow		
New financing	10,006	16,348
Operating activities	10,285	12,676
Proceeds from sales of fixed assets and others	3,283	4,682
Outflow		
Capital expenditure	(14,818)	(20,534)
Purchases of shares in an associate	(1,240)	(636)
Loans to associates	(1,377)	-
Loan and finance lease repayments	(11,309)	(8,193)
Dividends paid	(1,314)	(829)
Net inflow/ (outflow)	(6,484)	3,514
Total Liquid Funds	21,098	27,736

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 or 10 years raised through MTN programme since first issue in Oct 2012.
 - Unpledged liquid funds of HK\$20.4 billion as at 31 Dec 2014.
- Interest rates
 - Overall cost of borrowing remains low.
 - During the year, margins have compressed.
 - Strategic management of fixed / floating ratio.

Subsidiaries & Associates



Major Subsidiaries

AHK Air Hong Kong

- Operates a fleet of eight owned Airbus A300-600F, three Boeing 747-400BCF converted freighters dry-leased from Cathay Pacific, one dry-leased and one wet-leased A300-600F.
- Capacity increased by **0.3%**, load factor increased by **0.6%pts** and RTK improved by **1.1%**.
- **Higher profit** in 2014 compared to 2013.

Cathay Pacific Catering Services

- Growth in the number of meals produced.
- **Higher turnover and profit** in 2014 compared to 2013.

Asia Miles

- Membership exceeds 7 million worldwide. **16%** increase in redemptions by Asia Miles members in 2014.
- **An increase in profit** in 2014 compared with 2013.

Cargo Terminal

- Our new cargo terminal became fully operational in October 2013.
- Capacity to handle **2.6 million** tonnes of cargo annually. The terminal handled **1.45 million** tonnes of cargo during 2014.
- Provided cargo handling services to **six** airlines (Cathay Pacific, Dragonair, Air Hong Kong and three others) in 2014. A **seventh** airline became a customer in January 2015.
- 2014 was its first year of full operation, and as a consequence, its financial results **improved significantly** in 2014.



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 2014 and any significant events or transactions during their last quarter.
- 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.
- As the year progressed, Air China's results improved as a result of lower fuel prices. Despite this improvement, the Group recorded a decrease in profit from Air China in 2014.

Air China Cargo

- Cathay Pacific recorded an improved results from Air China Cargo in 2014.
- Reflected the general improvement in air cargo market from the summer of 2014 and improved operating efficiency resulting from the replacement of three Boeing 747-400BCF converted freighters with four Boeing 777-200F freighters in 2014.





**Dragonair new business
class seats**



CATHAY PACIFIC



Haneda Lounge

December 2014



The Haven

Re-launched in August 2014



The Noodle Bar



Branding



Life Well Travelled





Technology



Lounge WIFI

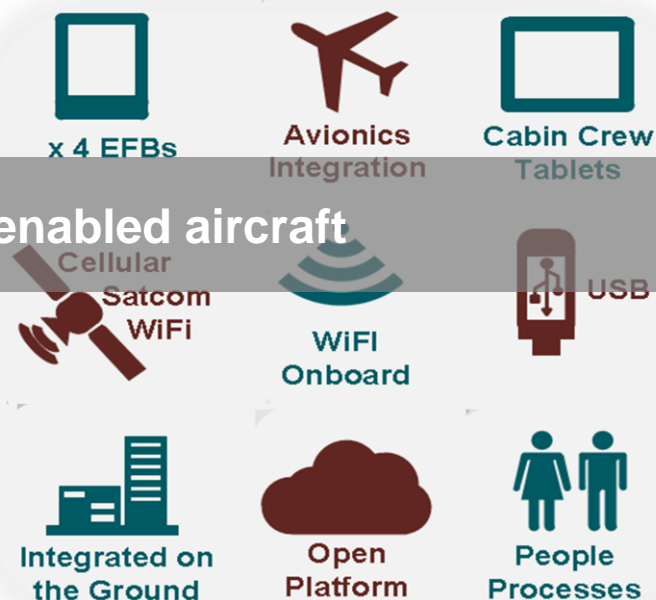
Mobile boarding pass



Cargo mobile applications



E-enabled aircraft



Upgrade of new passenger reservation system



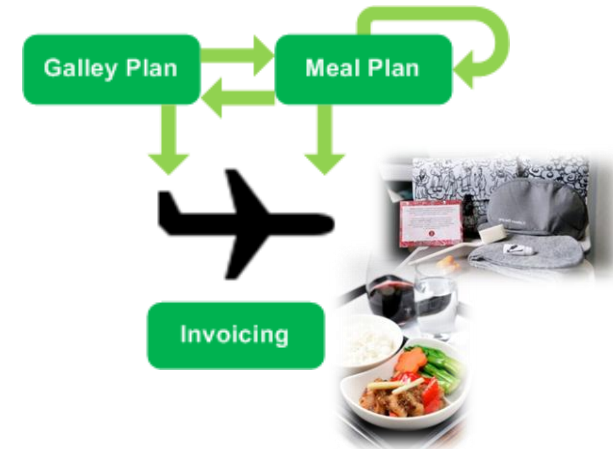
Information Technology Systems



Mobile Apps



Cargo Services System



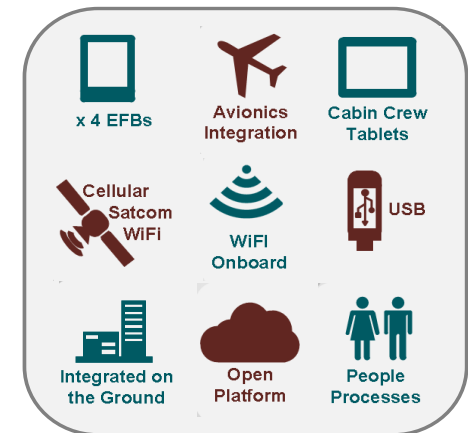
Integrated Catering Solutions
(ICATS)



Integrated Channel Experience

Horizon 8

PSS
Check-in to the future



E-enabled aircraft



The World's Best Airline



the benchmark of
Airline Excellence



the benchmark
Airline Excellence



2015 Outlook

- The overall improvement in our business in 2014 has continued in the first quarter of 2015.
- Demand for passenger business remains strong, although yield is under pressure from growing competition.
- Demand for our cargo business continues to improve.
- We continue to benefit from the lower net fuel price.
- Our associates are also benefiting from the above factors.



Q&A

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

