

Cathay Pacific Airways

2012 Analyst Briefing

28 June 2012



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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

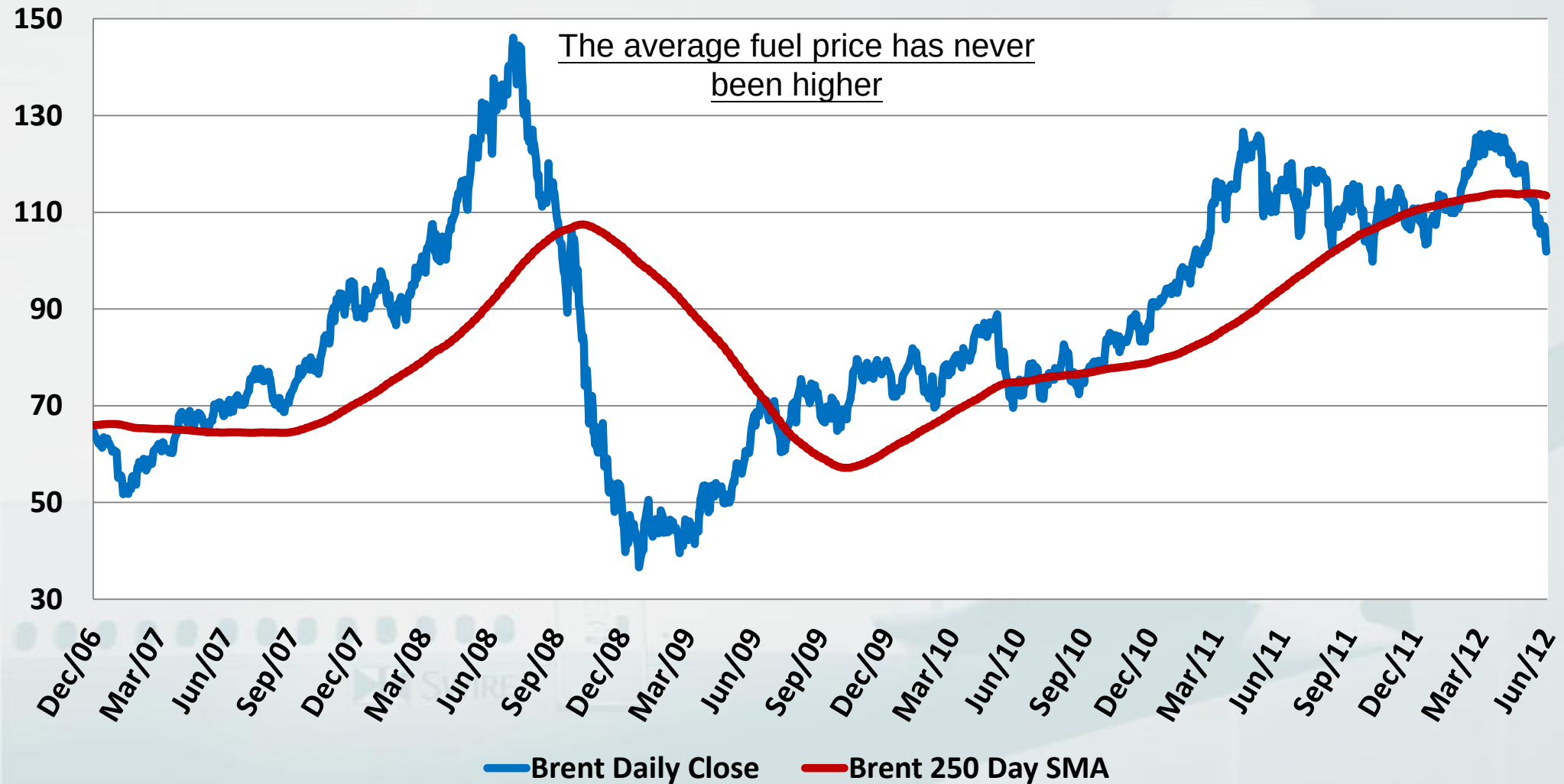


Operating Performance

- Issued Trading Statement on 9th May 2012
- Stubbornly high price of jet fuel, despite the recent decline
- Softening yield in the passenger cabins
- Persistent weak demand in the air cargo markets
- Introduction of cost saving measures
- Gearing and liquidity remain strong



USD/Bbl - Brent-Daily Closing Price and 250 Day Simple Moving Average 2007-2012



Operating Performance - Passenger

- Passenger volume growth exceeds capacity growth
- Premium traffic is under increasing pressure with yield softening
- Demand in economy class met expectations but yield continues to decline



Performance to May 12 - Capacity Data

CATHAY PACIFIC/ DRAGONAIR COMBINED CAPACITY	Cumulative May 2012	% change YTD
China	4,440,511	8.1%
North East Asia	6,951,363	8.9%
South East Asia	7,159,918	12.4%
India, Middle East, Pakistan & Sri Lanka	4,717,872	3.2%
Europe	9,019,546	-3.3%
South West Pacific & South Africa	8,053,399	0.8%
North America	14,433,774	18.6%
ASK ('000)	54,776,383	7.6%
Passenger load factor	79.6%	0.8%pt
Available cargo and mail tonne km ('000)	5,611,488	-4.1%
Cargo and mail load factor	64.0%	-4.7%
ATK ('000)	10,820,620	1.2%



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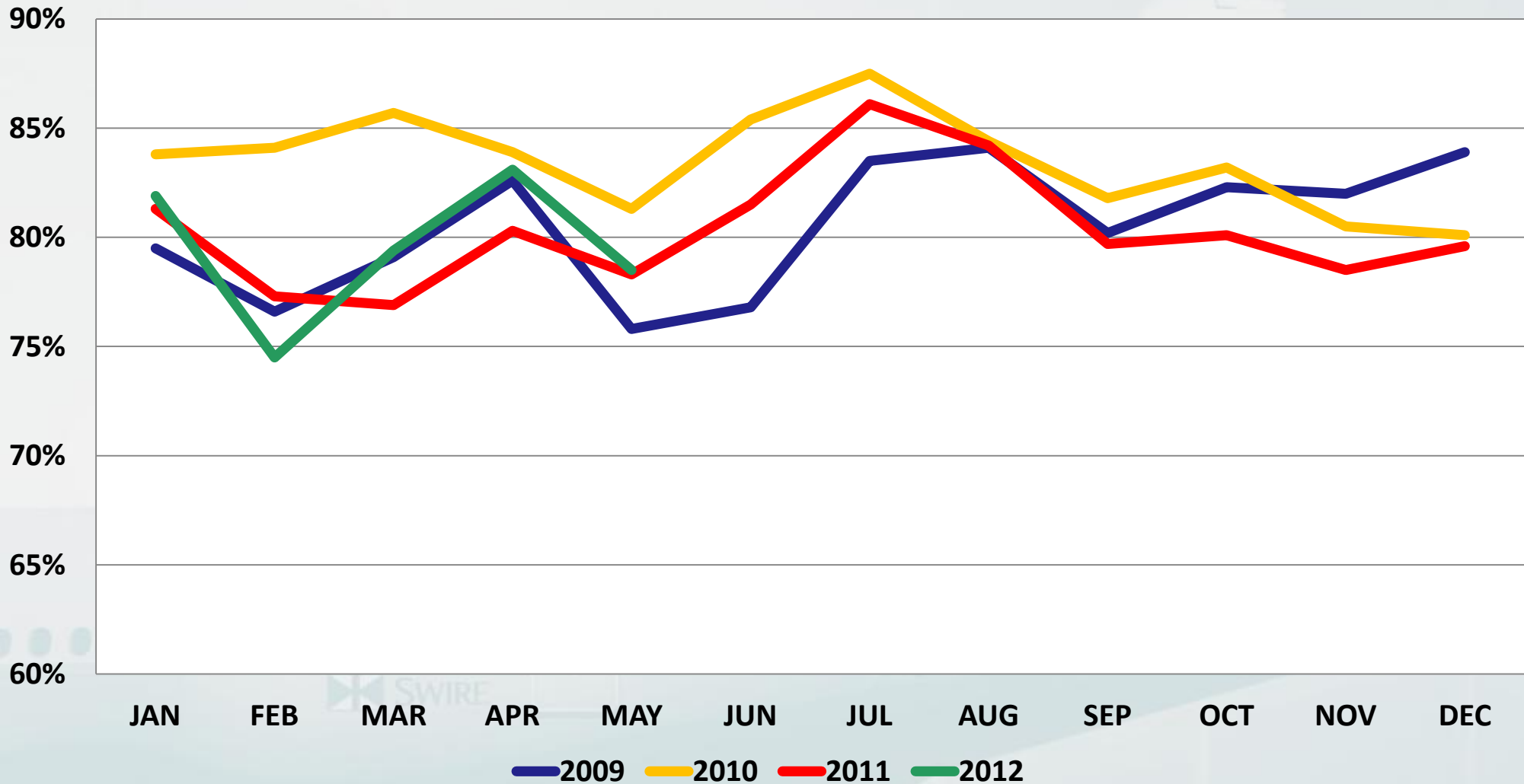
Performance to May 12 - Traffic Data

CATHAY PACIFIC AND DRAGONAIR COMBINED TRAFFIC	Cumulative May 2012	% change YTD
China	3,216,435	11.6%
North East Asia	4,990,937	15.2%
South East Asia	5,730,209	9.4%
India, Middle East, Pakistan & Sri Lanka	3,596,970	3.7%
Europe	7,478,346	-0.2%
South West Pacific & South Africa	6,077,755	3.5%
North America	12,486,487	15.0%
RPK ('000)	43,577,139	8.5%
Passengers carried	11,898,012	9.1%
Cargo and mail revenue tonne-km ('000) (RTK)	3,590,261	-10.7%
Cargo and mail carried kg ('000)	626,203	-10.7%
Number of flights	27,756	6.9%



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PASSENGER LOAD FACTOR (JAN 2009 - MAY 2012)



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Operating Performance - Cargo

- Weak demand in most major markets throughout the first half of 2012
- Significant drop in demand out of our key markets, Hong Kong and Mainland China, with temporary boost in March
- General air cargo market remains weak, especially to Europe
- Profitability on our freighter flights materially affected by high fuel prices, particularly on long-haul routes
- Zhengzhou added to our freighter network in March
- Expands cargo presence in India with new service to Hyderabad and increased frequency to Bengaluru



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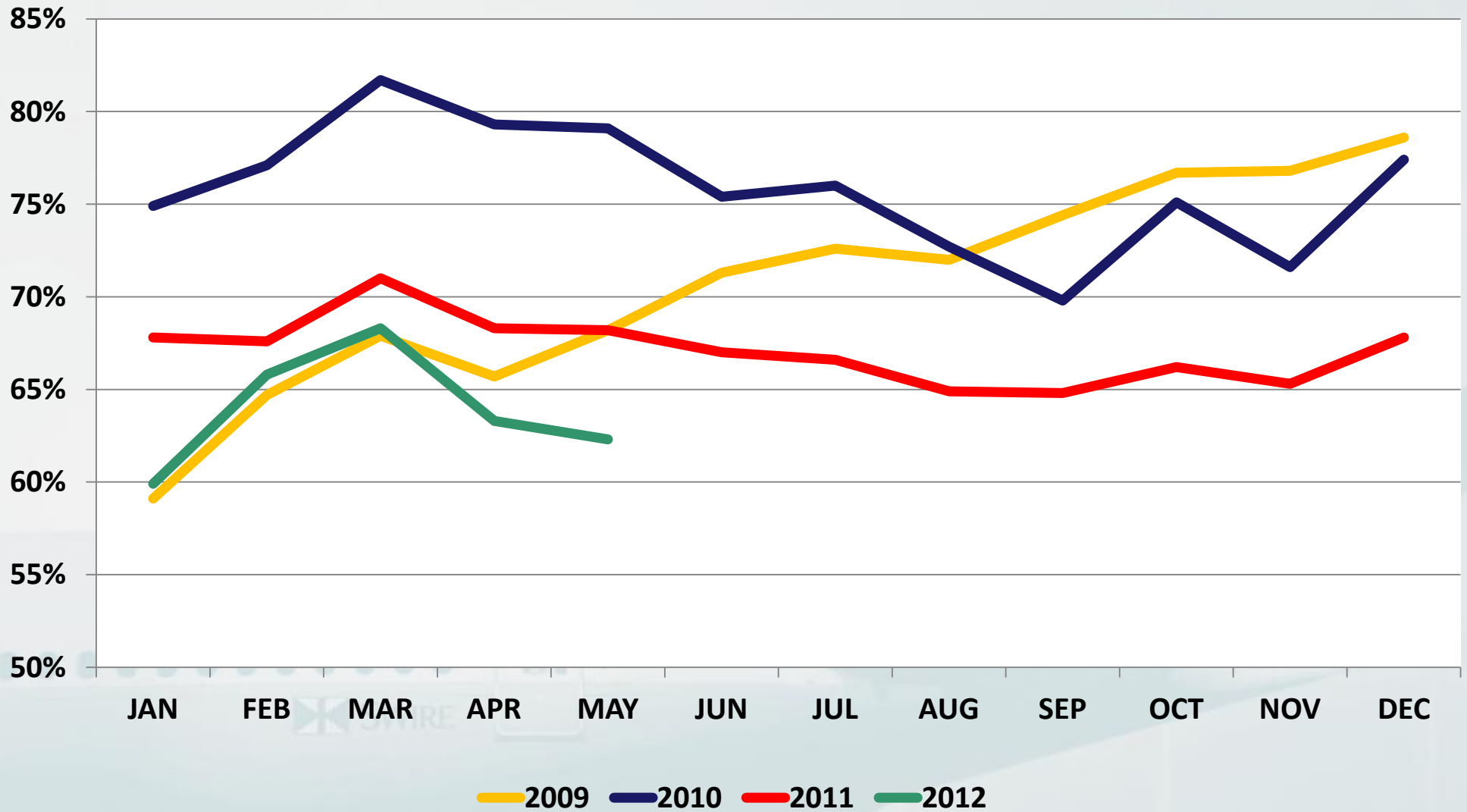
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CARGO AND MAIL LOAD FACTOR (JAN 2009 - MAY 2012)



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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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Fleet & Scheduling - CX

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



Fleet & Scheduling – KA

- 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 will run from 1 July to end of September
- Intends to introduce service to Kolkata later in the year



Cargo Scheduling

- 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
- Reduce freighter frequencies to Europe and North America



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CX and KA Fleet Plan 2012

	In operation			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
31 Dec 2011	138	27	165	2	-	2
New deliveries	8	1	9	-	-	-
Return to lessors	-	-	-	(2)	-	(2)
Dry leased to Air Hong Kong	-	(3)	(3)	-	-	-
Parked aircraft	-	(2)	(2)	-	2	2
Deregistered	-	-	-	-	(1)	(1)
30 Jun 2012 (projected)	146	23	169	-	1	1



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Fleet & Scheduling - 744 Retirement Plan

As of 28 June 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

- Forecast 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

- Sale – 2 x 747-400BCF to Air China Cargo in second half of 2012
- New delivery
 - 747-8F – 4 in 2012 and 2 in 2013
 - 777-200F – 4 in 2014, 2 in 2015 and 2 in 2016



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New Aircraft as at June 2012

Orders brought forward at 1 Jan 2012	93
Delivered	(9)
New Orders in January 2012	8
Total as at 28 Jun 2012	92



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Aircraft Delivery Plan as at June 2012

	2012	2013	2014	2015	2016	2017	2018	2019	
B747-8F	3	2							5
B777-200F			4	2	2				8
A320-200	2								2
A330-300	4	5	5	3					17
A350-900				2	10	10	12	4	38
B777-300ER	1	9	7	5					22
Total	10	16	16	12	12	10	12	4	92



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Key Cost Savings

- Aircraft maintenance
- Navigation and overflying charges
- Staff costs
- Potential fuel costs savings derived from the replacement of the old and less fuel-efficient Boeing 747-400

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

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



Air China

- Air China publishes its results on a quarterly basis and the loss for the 6 months period from 1 Oct 2011 to 31 March 2012 amounted to RMB 0.6bn, compared to profit RMB 3.8bn for the same period last year

Air China Cargo

- Performance of Air China Cargo has been weak but remains strategically important



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Shanghai Airport Ground Handling Joint Venture

- Strategic Objective – to leverage on the resources & management expertise of each of the shareholders to enhance the hub operations and efficiency of ground handling services at the two Shanghai airports
- Shanghai International Airport Services Co., Limited is jointly owned and managed by Shanghai Airport Authority, Shanghai International Airport Co., Ltd., Air China Limited and Cathay Pacific Airways
- CX Group injected RMB90 million for 25% shareholding
- Expected to commence operations in the fourth quarter of 2012 subject to approval by the relevant Chinese government authorities



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Financial Risk Management

- Currency
 - All major currencies are hedged in compliance with our policy
- Liquidity
 - A total of HK\$2.7billion with tenors of 5 or 7 years raised through MTN programme since first issue in Oct 2011
 - Unpledged liquid funds and undrawn committed lines HK\$21bn as at 31 May 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



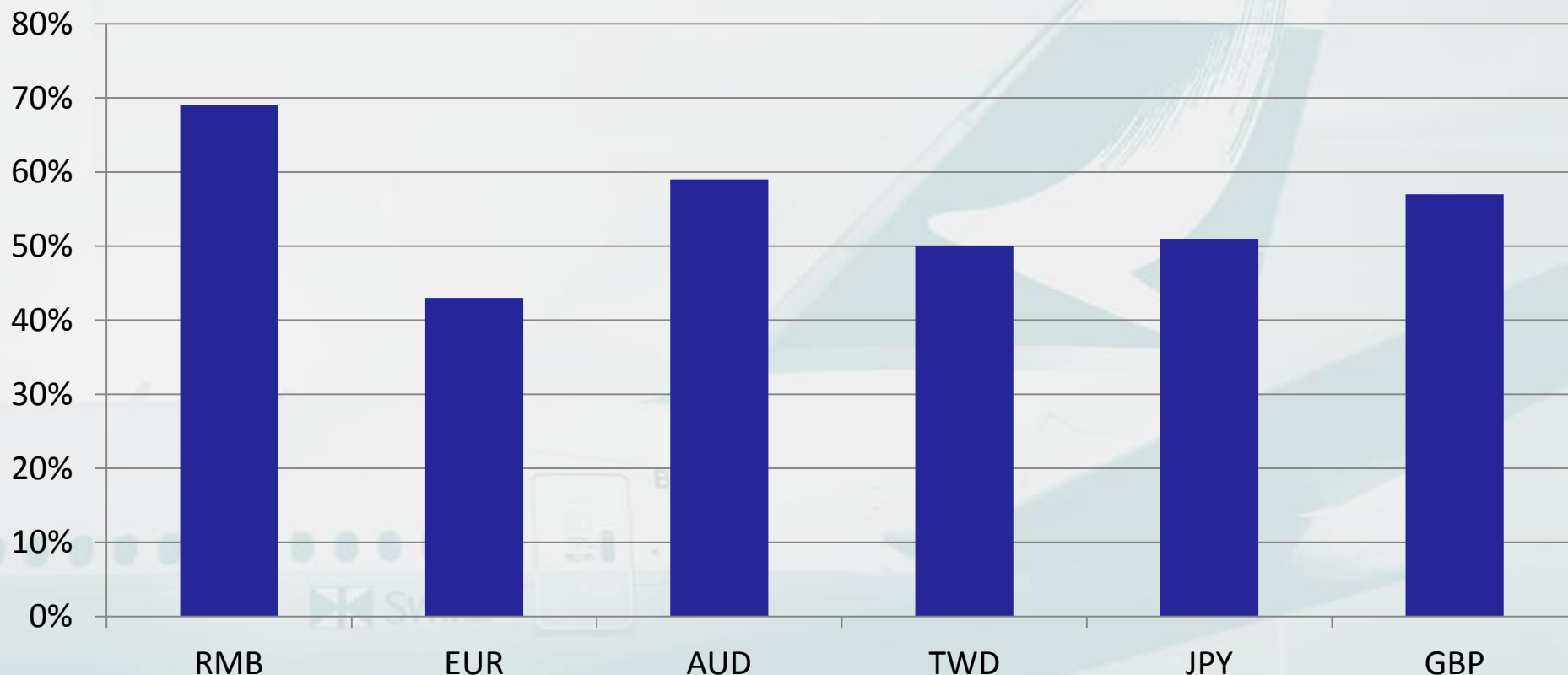
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Financial Risk Management (Continued)

Net exposure (after hedging) of major currencies – next 12 months



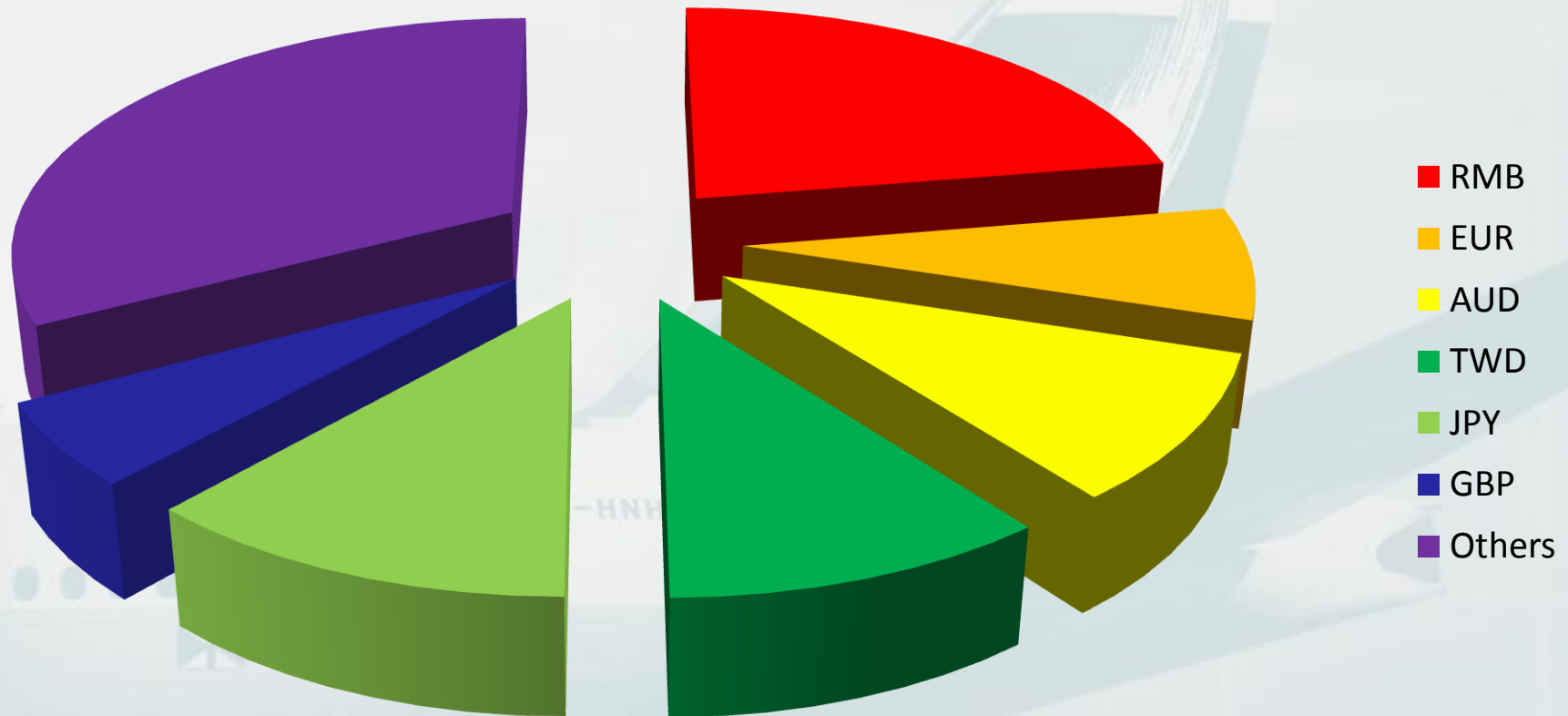
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Financial Risk Management (Continued)

Projected Composition of forex exposure (after hedging)
– next 12 months



Net debt to equity ratio

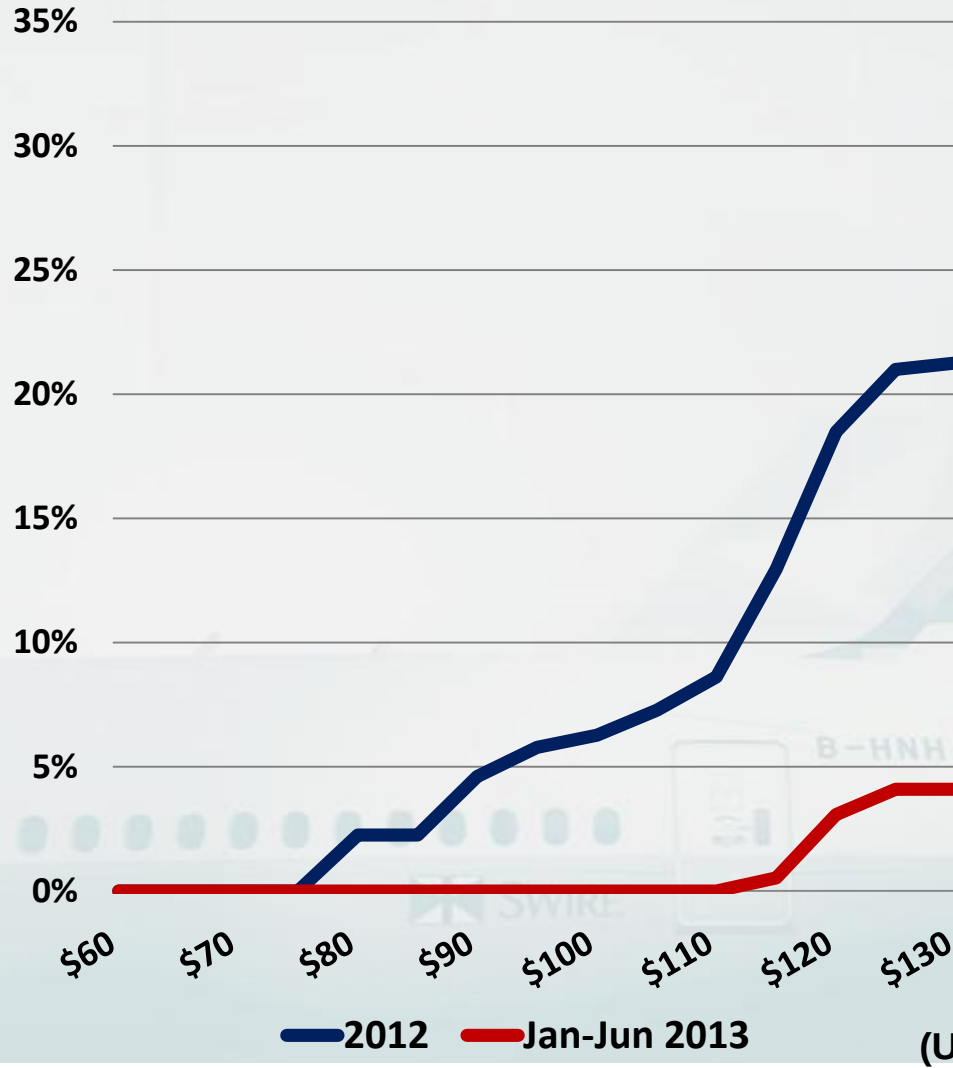
May 2012	Dec 2011	Dec 2010	Dec 2009	Dec 2008	Dec 2007	Dec 2006	Dec 2005
0.57	0.43	0.28	0.62	0.69	0.30	0.36	0.26

- Continue to adopt prudent financial strategy, maintain adequate cash reserves
- CAPEX on new aircraft , product enhancement and cargo terminal will be over HK\$46B in the next 3 years

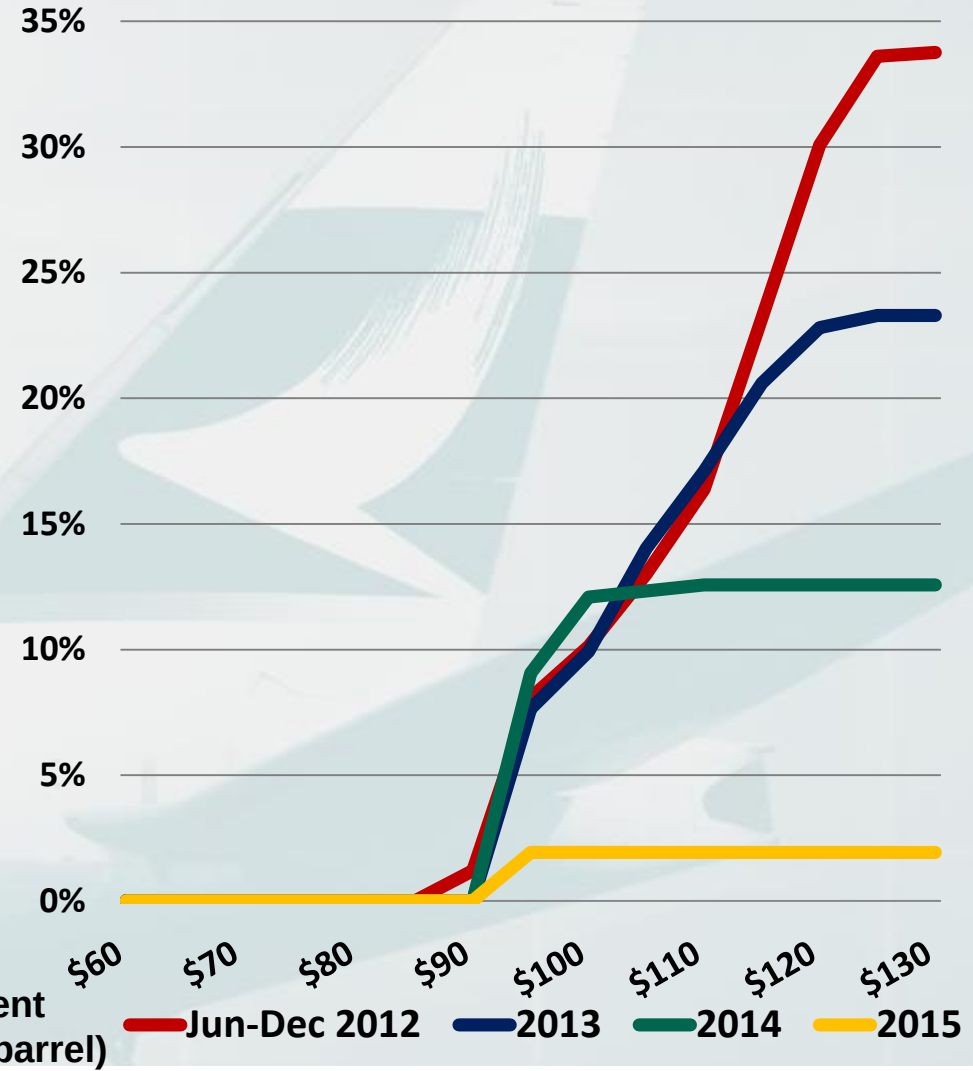
Fuel Hedging

Fuel hedging
coverage

As at 14 March 2012



As at 26 June 2012



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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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