

Cathay Pacific Airways

Analyst Briefing



21 November 2014

Operating Performance

- Passenger demand remains strong, although growth in North America is significantly short of increase in capacity.
- Demand for leisure and business travel into Hong Kong remains largely unaffected by the protests in the city.
- Cargo boosted by additional capacity and better utilisation whilst yield remains under pressure.
- The Company will benefit from a lower fuel price, partially offset by hedging losses.

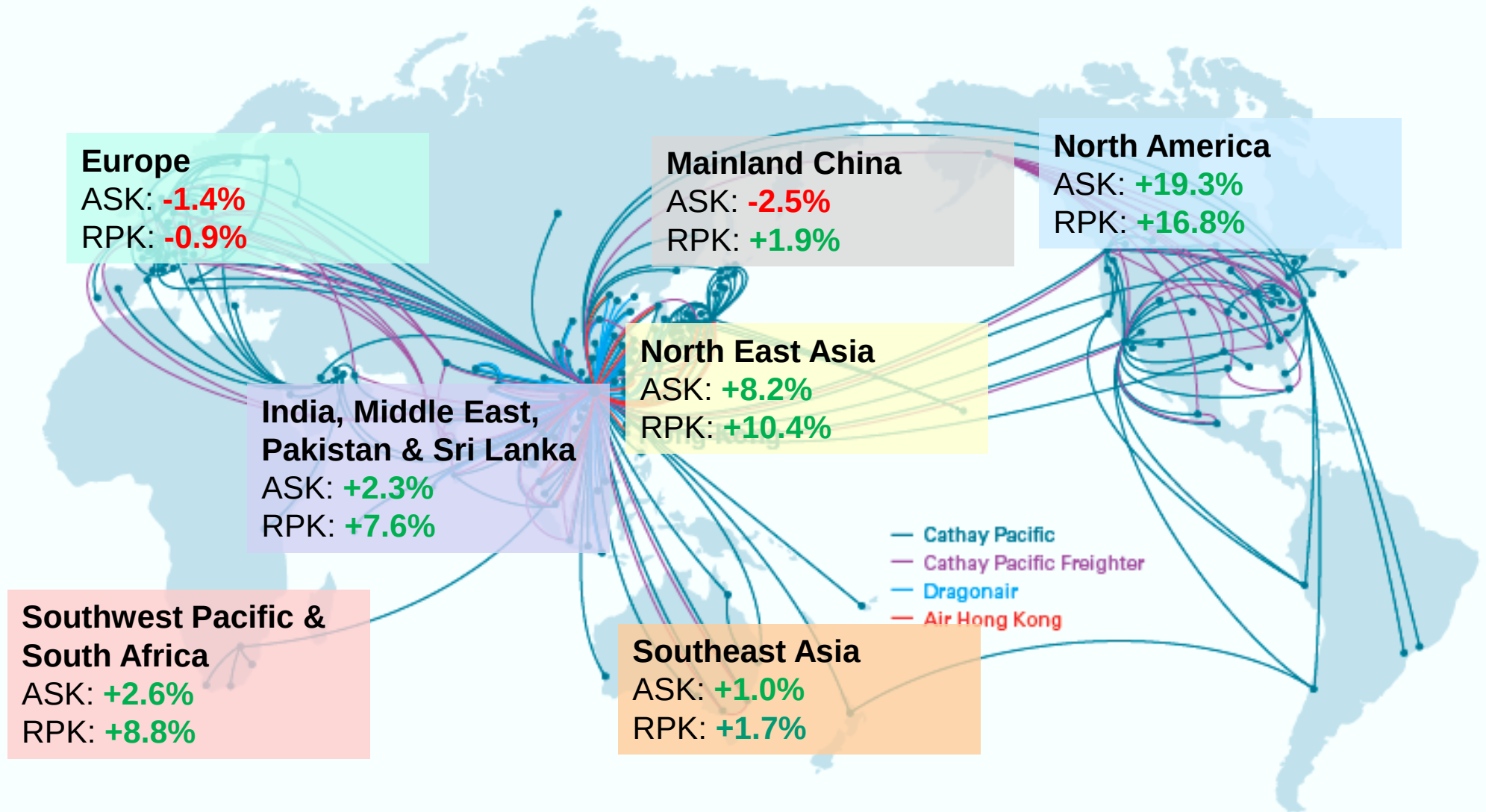
Passenger Services

Key Operating Highlights		YTD Oct 2014	YTD Oct 2013	Change
Available seat-kilometres (ASK)	<i>million</i>	111,805	105,502	+6.0%
Revenue passenger-kilometres (RPK)	<i>million</i>	93,473	86,797	+7.7%
Revenue passengers carried	<i>'000</i>	26,228	24,839	+5.6%
Passenger load factor	<i>%</i>	83.6	82.3	+1.3%pt

Operating Performance - Passenger

- Passenger demand is strong on long-haul routes for all classes.
- Southwest Pacific, India and Korea continue to benefit from strong demand.
- Pressure on passenger yields in both front- and back-end.
- Ebola outbreak may affect the travel sentiment to South Africa.

Passenger Services - by Region



Passenger Services Development in 2014

Cathay Pacific

Mar/14

- Launched new services to Newark in the U.S.A..
- Launched new services to Doha in Qatar and ceased flying to Abu Dhabi and Jeddah at the same time.

Jun/14

- Frequencies to Los Angeles increased from 3 to 4 daily.

Aug/14

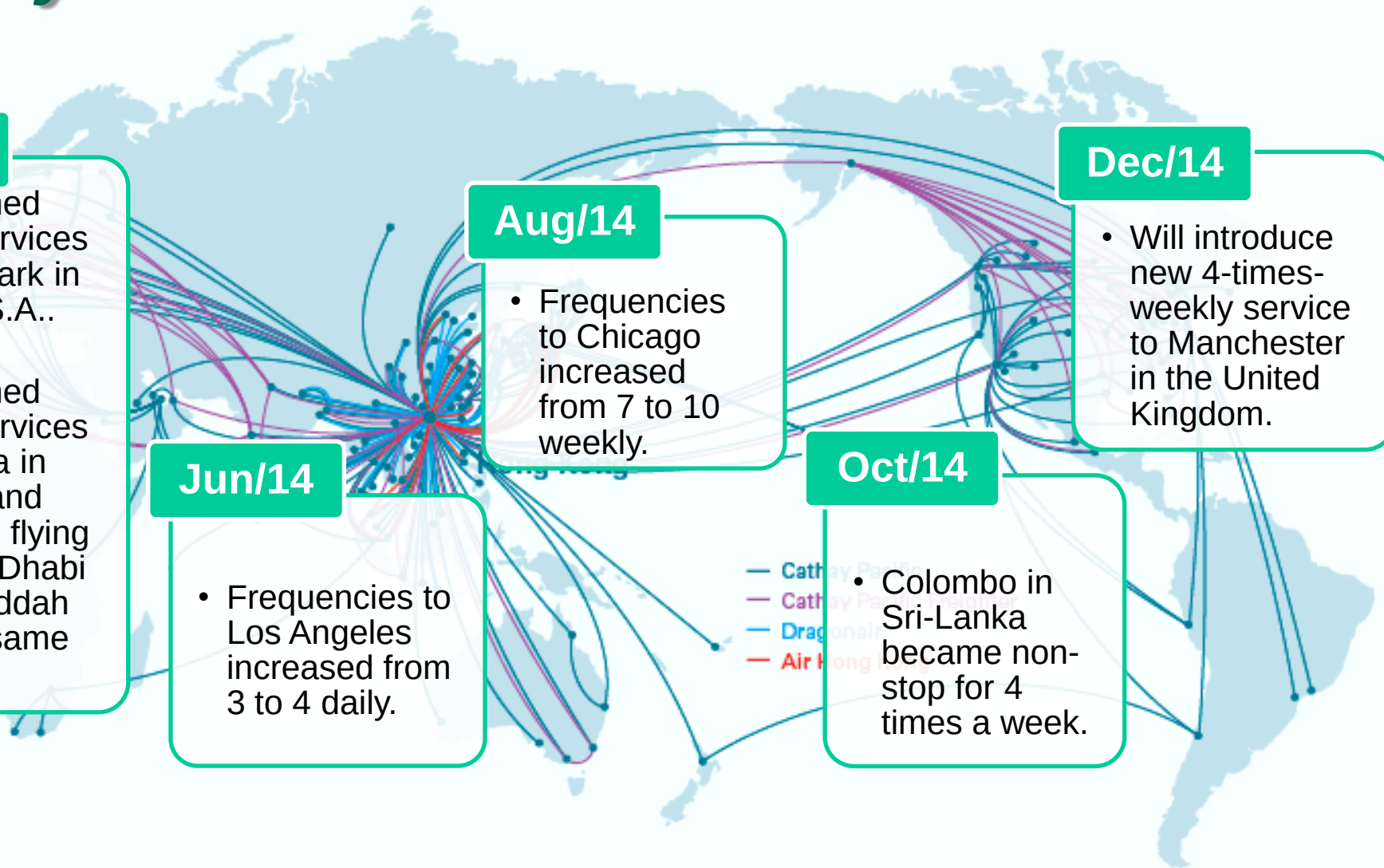
- Frequencies to Chicago increased from 7 to 10 weekly.

Oct/14

- Colombo in Sri-Lanka became non-stop for 4 times a week.

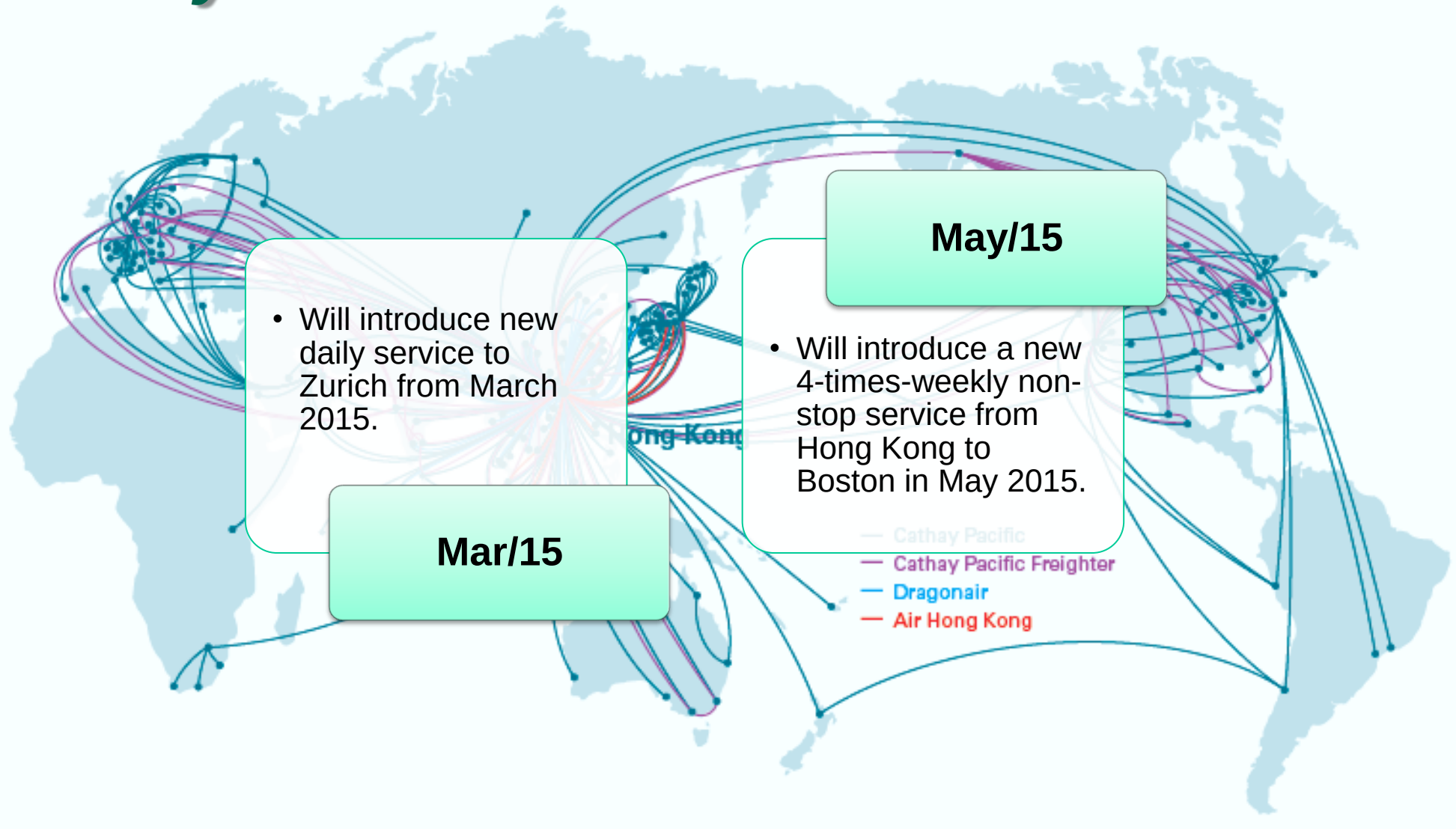
Dec/14

- Will introduce new 4-times-weekly service to Manchester in the United Kingdom.



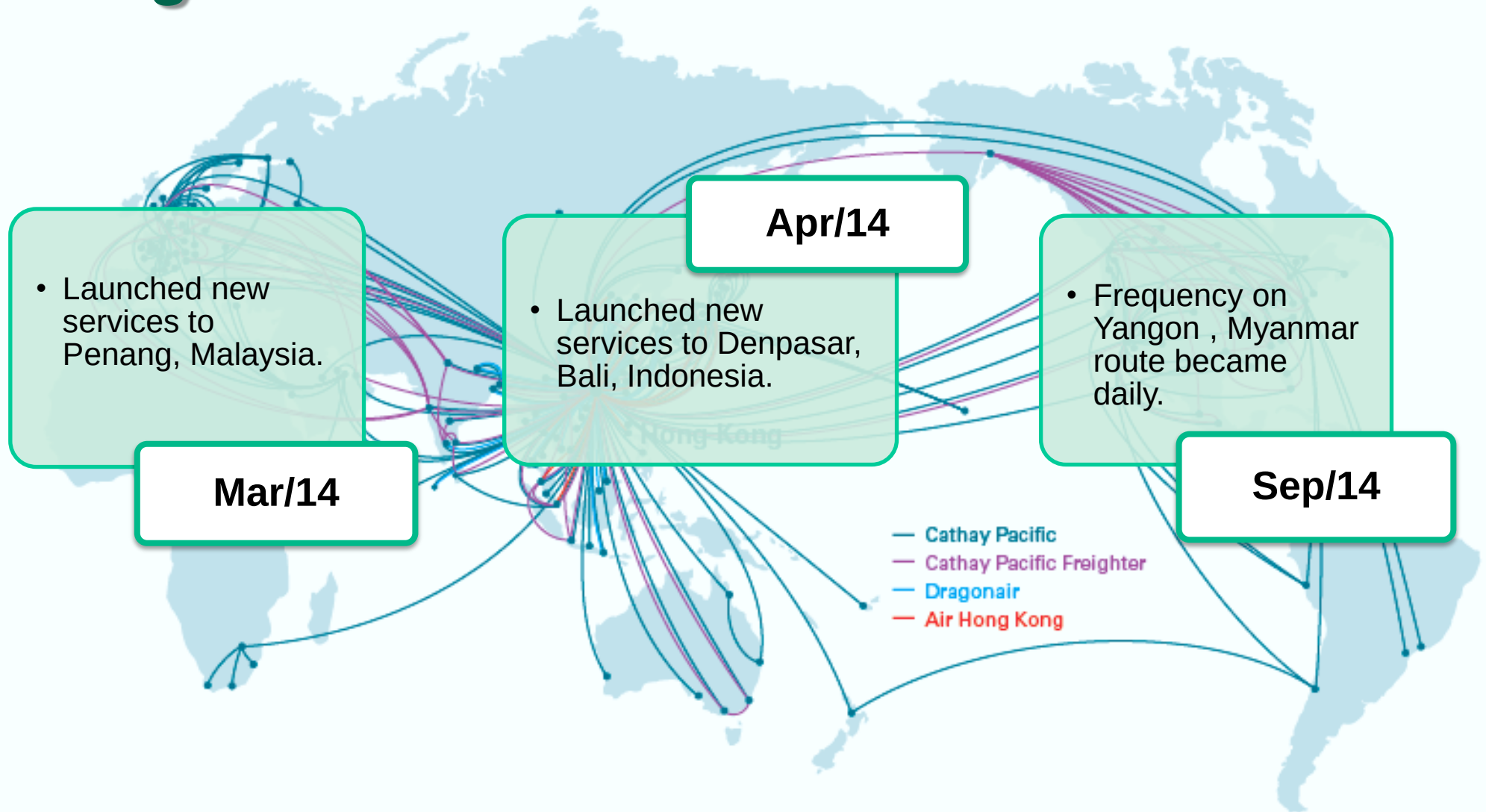
Passenger Services Development in 2015

Cathay Pacific

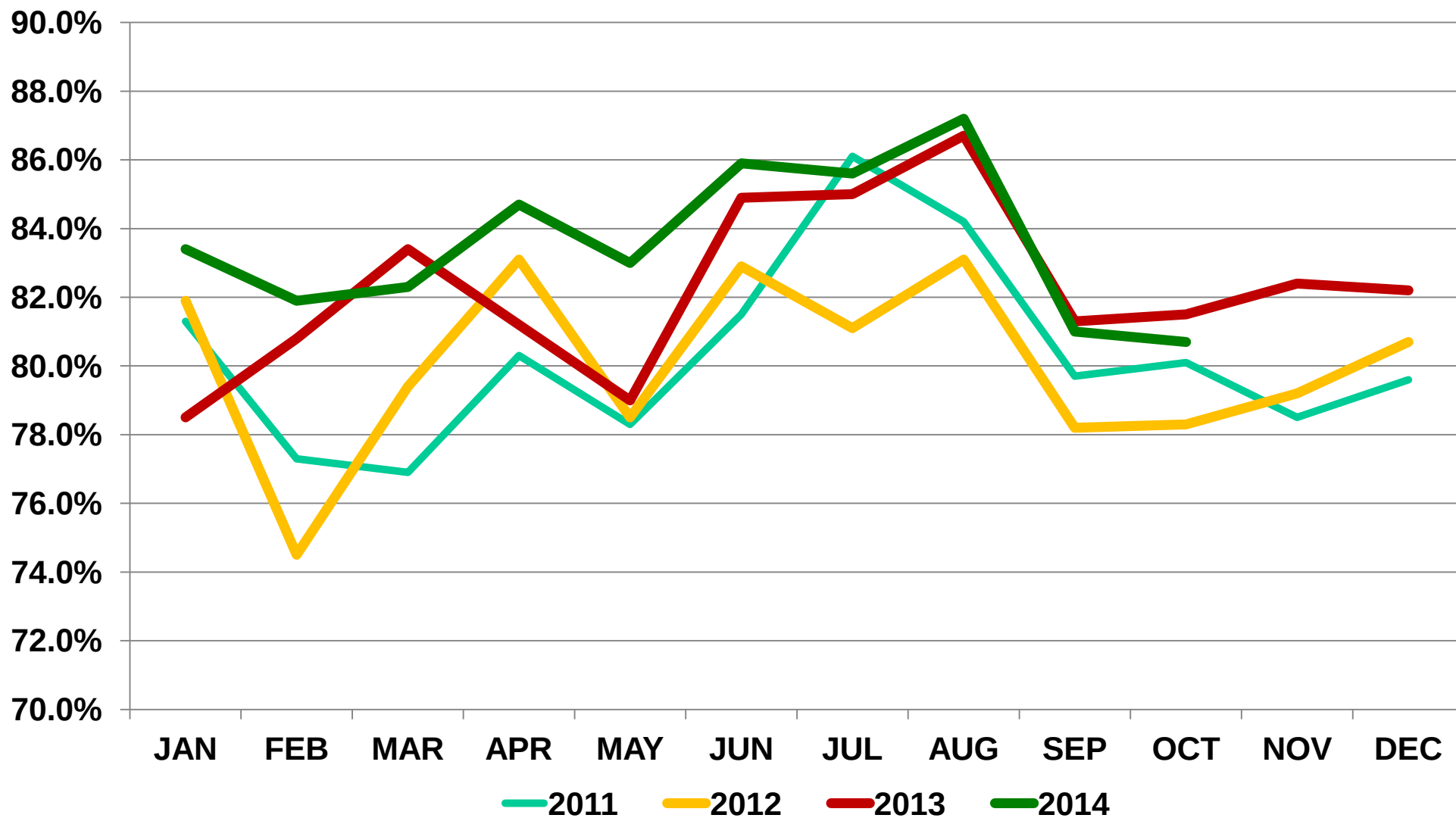


Passenger Services Development in 2014

Dragonair



PASSENGER LOAD FACTOR (JAN 2011 – OCT 2014)



Operating Performance - Cargo

- Production of new consumer IT products has boosted demand on Americas and India routes.
- Port congestion on US West coast has led to sea to air conversion also helping yields and volumes to Americas.
- Loads to Europe are also improving.
- Demand in shipments out of Hong Kong and major manufacturing centres in Mainland China and Southeast Asia expected to stay strong.

Cargo Services

Key Operating Highlights		YTD Oct 2014	YTD Oct 2013	Change
Available tonne-kilometres (ATK)	<i>million</i>	23,432	21,523	+8.9%
Available cargo & mail tonne-kilometres	<i>million</i>	12,800	11,490	+11.4%
Cargo and mail revenue tonne-kilometres (RTK)	<i>million</i>	8,112	7,054	+15.0%
Cargo and mail carried	<i>'000 tonnes</i>	1,402	1,252	+11.9%
Cargo and mail load factor	<i>%</i>	63.4	61.4	+2.0%pt

Cargo Services Development in 2014

Mar/14

- Extended Guadalajara cargo service to 3-times weekly.
- Launched new freighter services to Columbus in the United States.
- Increased service to Vancouver from 1 to 3 flights a week.

Apr/14

- Increased service to Los Angeles from 6 to 8 flights a week.
- Increased service to Chicago to 11 flights a week.

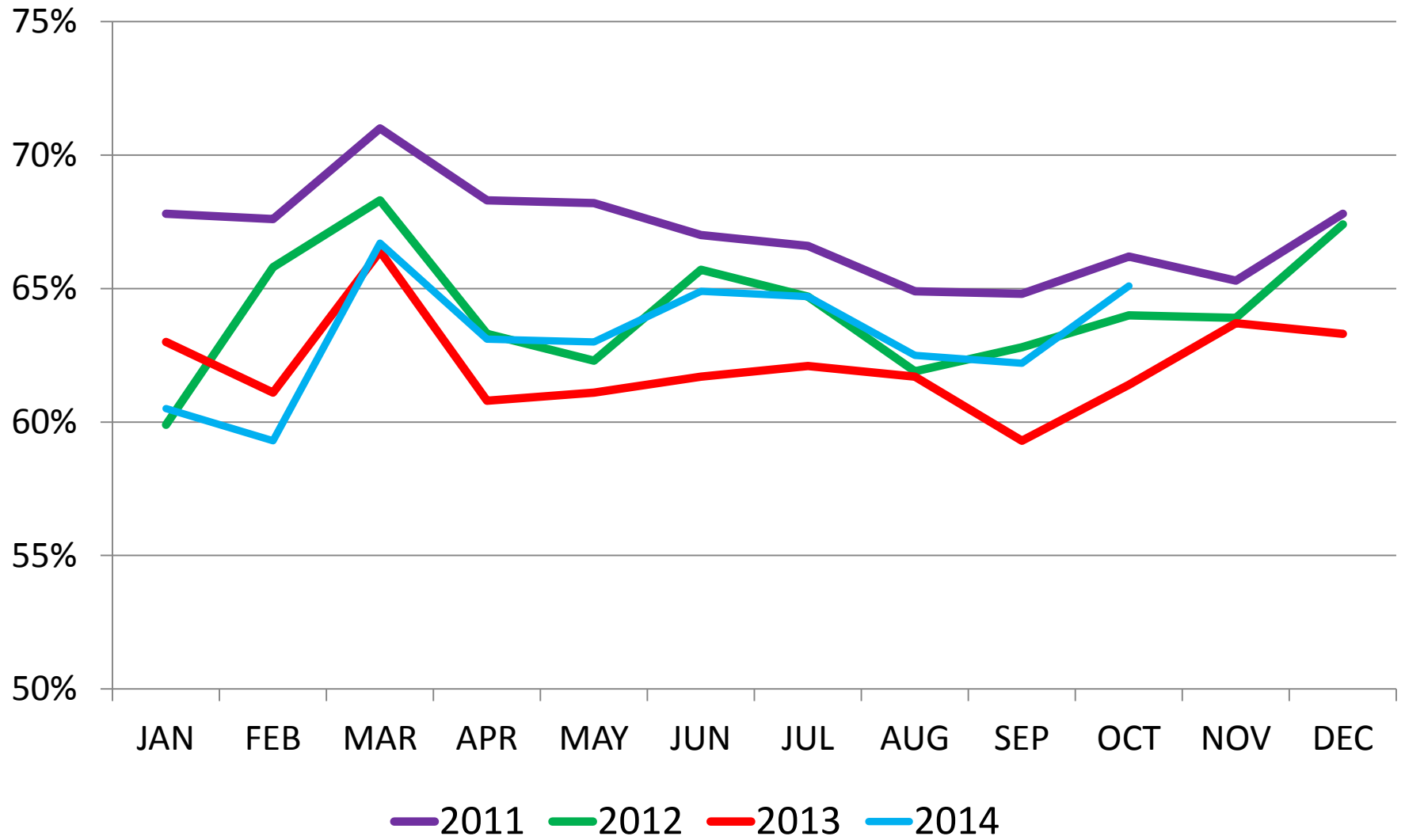
Oct/14

- Boosted freighter services to Calgary with a new 2-times-weekly scheduled service to Calgary.
- Manila has been added as a new freighter port.
- Increased service to Mexico and Guadalajara to 5 times a week.

Nov/14

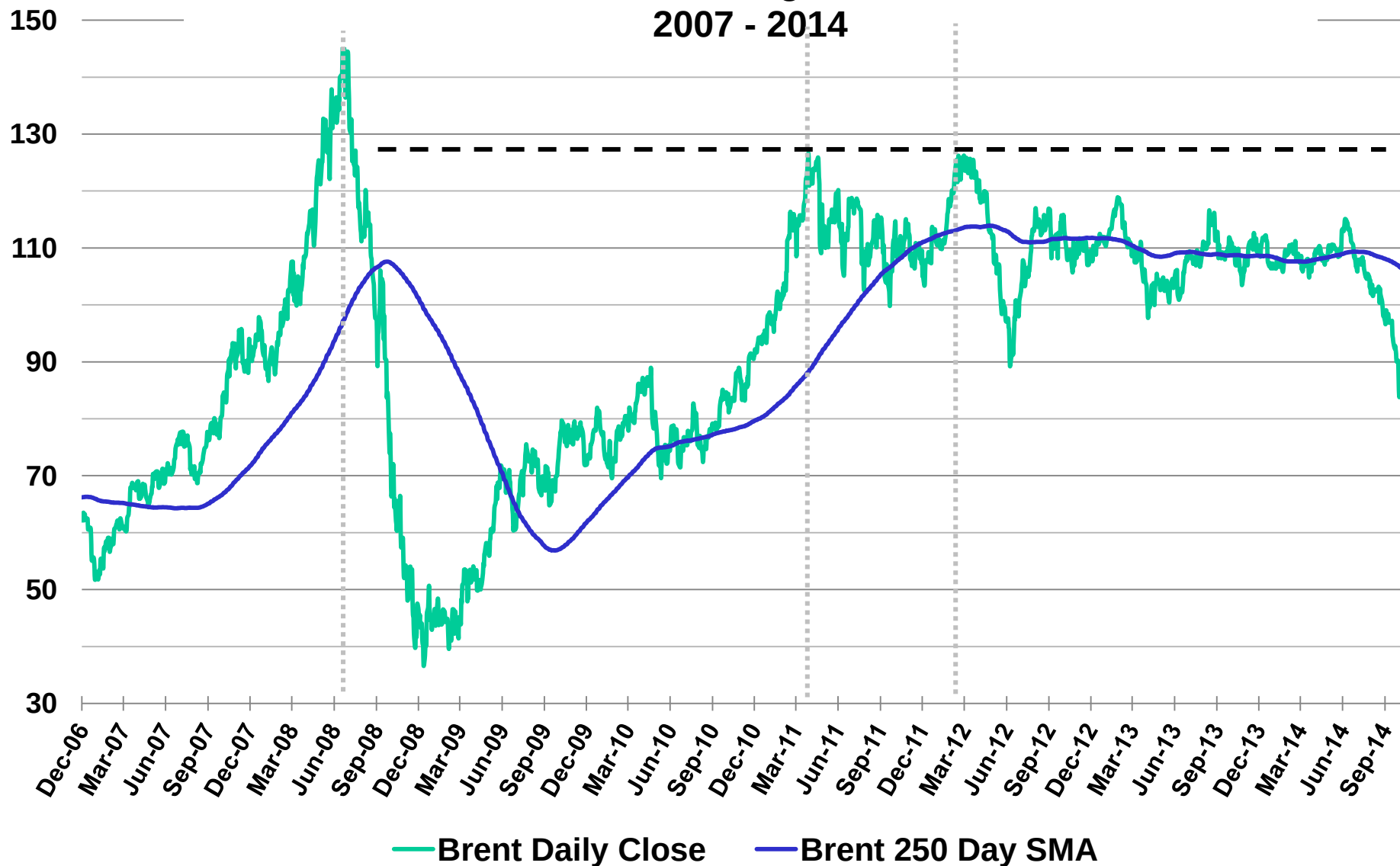
- Announced the launch of a new freighter service to Phnom Penh, Cambodia.

CARGO AND MAIL LOAD FACTOR (JAN 2011 – OCT 2014)

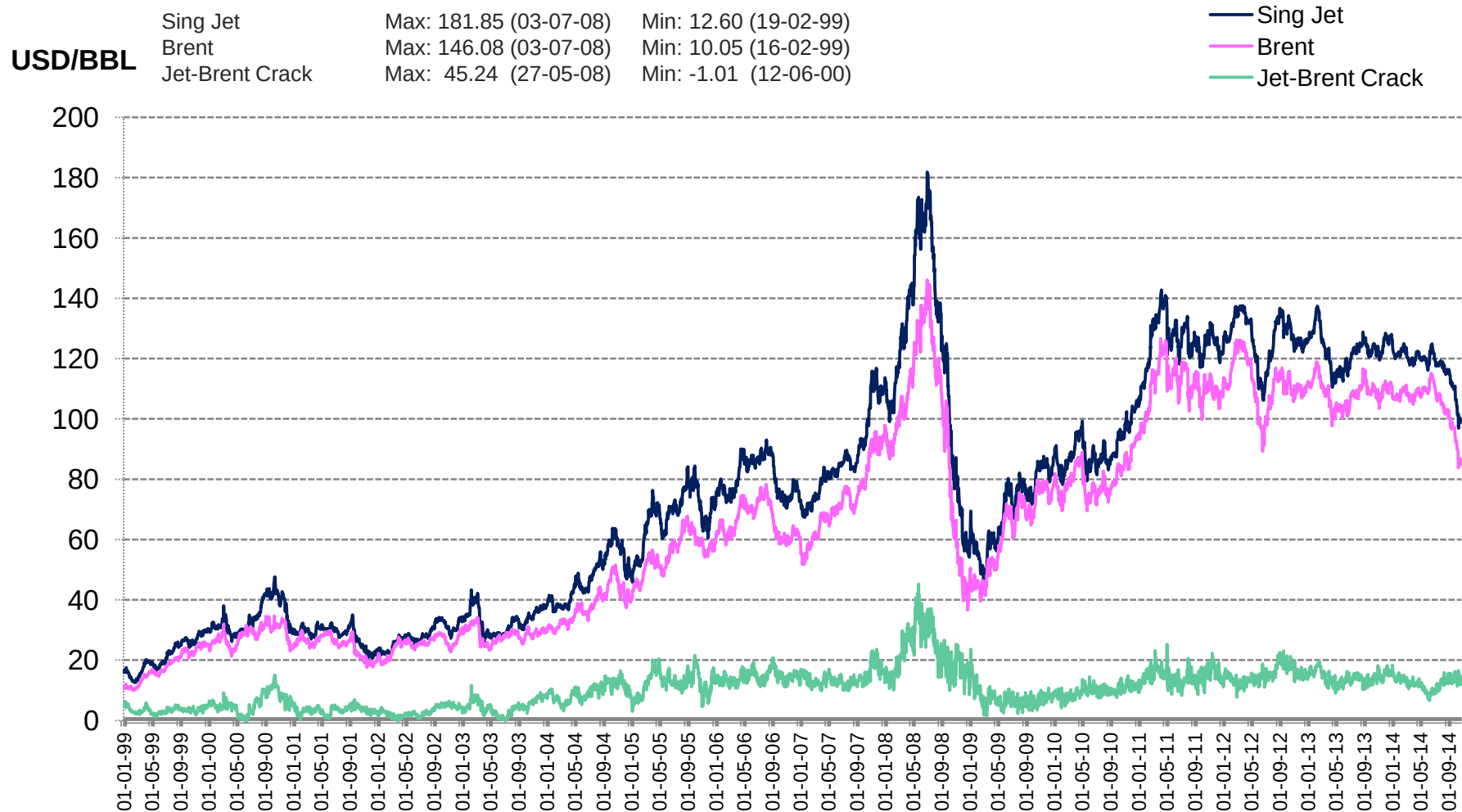


USD/Bbl - Brent- Daily Closing Price and 250 Day Simple Moving Average

2007 - 2014

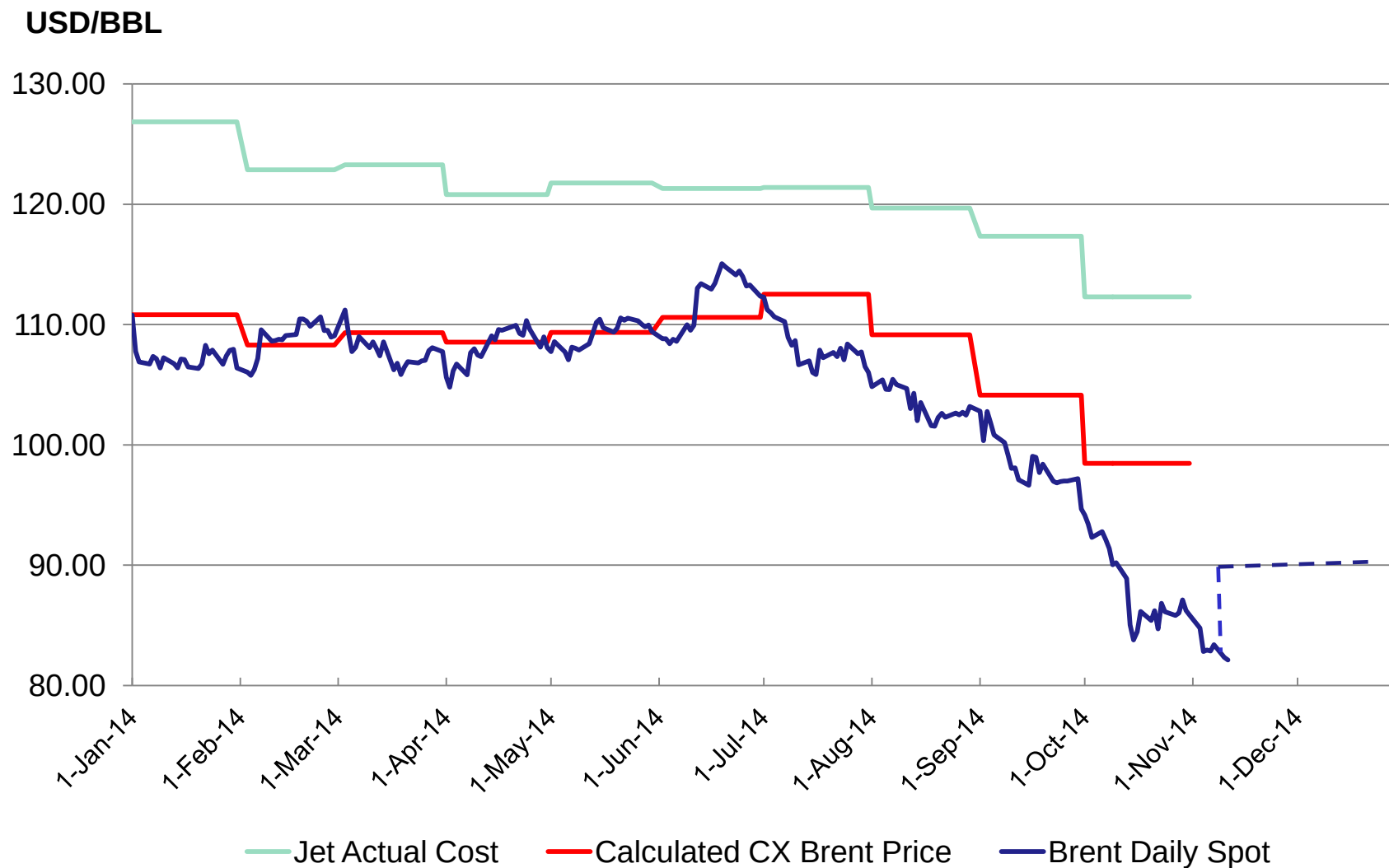


Brent Hedges Not Jet Kerosene Hedges



Correlation between Singapore Jet Kerosene and Brent (Daily Spot) is 0.9945

CX Jet Cost and Calculated CX Brent Price

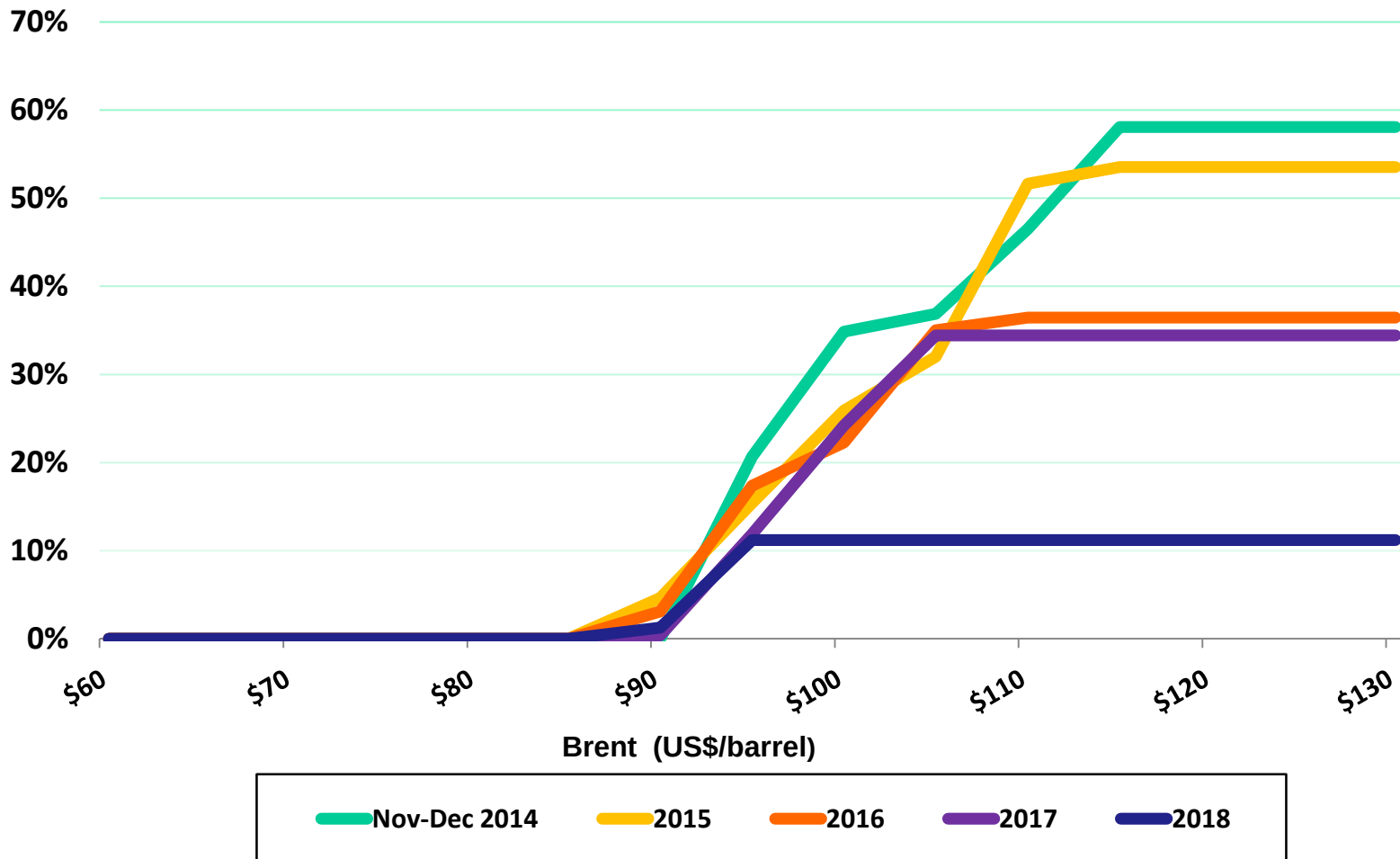


Note: Jet Actual Cost is net of 3rd party handling charges

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

Fuel Hedging

Fuel Hedging Coverage



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 2011.
 - Liquid funds and committed undrawn lines HK\$20.6 billion as at 31 October 2014.
- Interest rates
 - Overall cost of borrowing remains low.
 - During the year, margins have compressed.
 - Strategic management of fixed / floating ratio.

CX and KA Fleet Profile as at 31 October 2014

	In operation			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
1 Jan 2014	155	24	179	-	2	2
New deliveries	14	-	14	-	-	-
Return to lessors	(2)	-	(2)	-	-	-
Parked aircraft	-	(2)	(2)	-	2	2
Deregistered	(6)	-	(6)	-	-	-
31 Oct 2014	161	22	183	-	4	4

CX Fleet Profile as at 31 October 2014

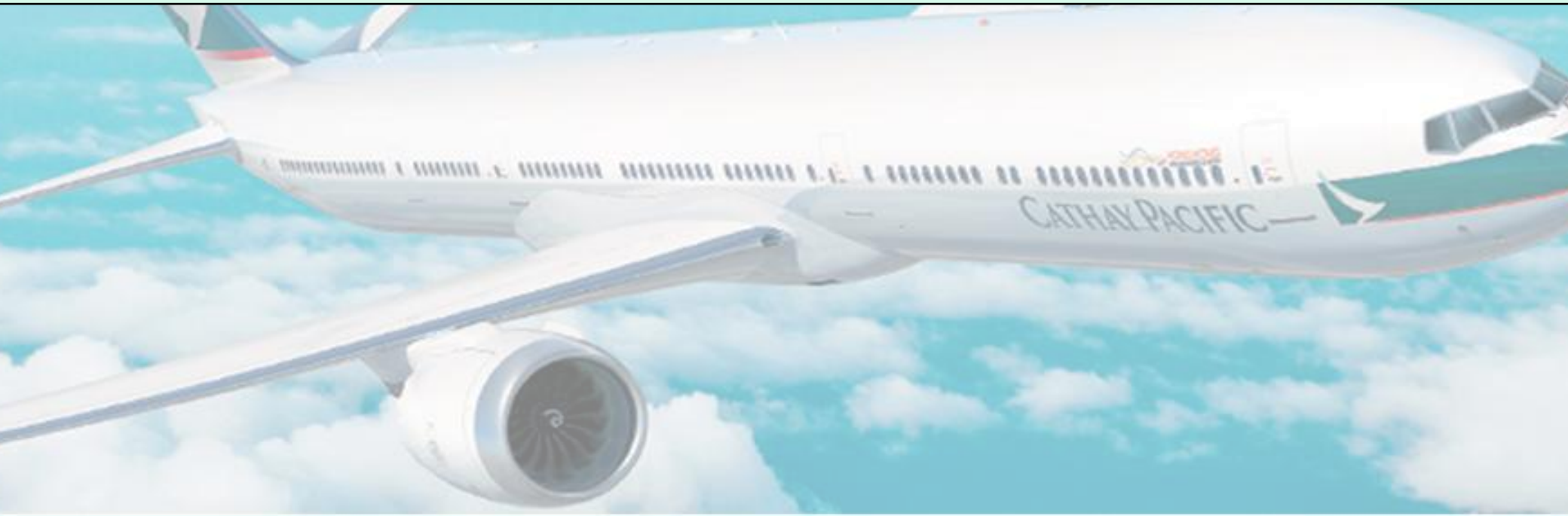
Aircraft type (includes parked aircraft)	Owned	Finance Leased	Operating Leased	Total
A330-300	19	15	6	40
A340-300	8	3	-	11
747-400	6	-	1	7
747-400F	6	-	-	6
747-400BCF	-	-	1	1
747-400ERF	-	6	-	6
747-8F	2	11	-	13
777-200	5	-	-	5
777-300	8	4	-	12
777-300ER	11	11	23	45
Total	65	50	31	146

KA Fleet Profile as at 31 October 2014

Aircraft type	Owned	Finance Leased	Operating Leased	Total
A320	5	-	10	15
A321	2	-	6	8
A330	9	-	9	18
Total	16	-	25	41

Aircraft Delivery Plan as at 20 November 2014

Aircraft type	2014	2015	2016	2017	2018	2019	2020	2021 & beyond	Total
B747-8F			1						1
A330-300		3							3
A350-900			12	10					22
A350-1000					6	10	10		26
B777-300ER	2	6							8
B777-9X								21	21
Total	2	9	13	10	6	10	10	21	81



Fleet & Scheduling – 744/ A340 Retirement Plan

As at 31 October 2014 – 744 retirement plan		
Exit date	Number	Remaining
Oct 13	-1	13
Jan 14	-1	12
May 14	-1	11
Aug 14	-2	9
Sep 14	-2	7

As at 31 October 2014– A 340 retirement plan		
Exit date	Number	Remaining
2015	-4	7
2016	-3	4
2017	-4	0

Cargo Fleet Profile as at 31 October 2014

Aircraft type	<u>Number</u>	<u>Parked</u>	<u>In operation</u>
747-400F	6*	(3)	3
747-400ERF	6	-	6
747-400BCF	1	(1)	-
747-8F	13	-	13
Total	26	(4)	22

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

Development in 2014

Passenger

- 16 aircraft deliveries in 2014 – 14 have already been delivered as of 31 October 2014.
- Projected ASK growth in 2014 is approximately 6.3%.

Cargo

- Projected overall DLATK growth in 2014 is approximately 10.8%.

Air China

- Cathay Pacific has a 20.13% interest in Air China.
- Profits from Air China have decreased in 2014 compared to the same period of 2013. Air China's results were adversely affected by
 - i. a difficult operating environment and
 - ii. substantial foreign exchange losses caused by the depreciation of the Renminbi.
- As we account for Air China's results three months in arrears, the benefits of lower fuel price will be reflected in the first quarter of 2015.

Air China / Cathay Pacific Cargo Joint Venture

- CX owns 49% economic interest in Air China Cargo (ACC), with the remaining 51% interest held by Air China.
- Air China Cargo operates a fleet of 8 freighters, with 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.

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.

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

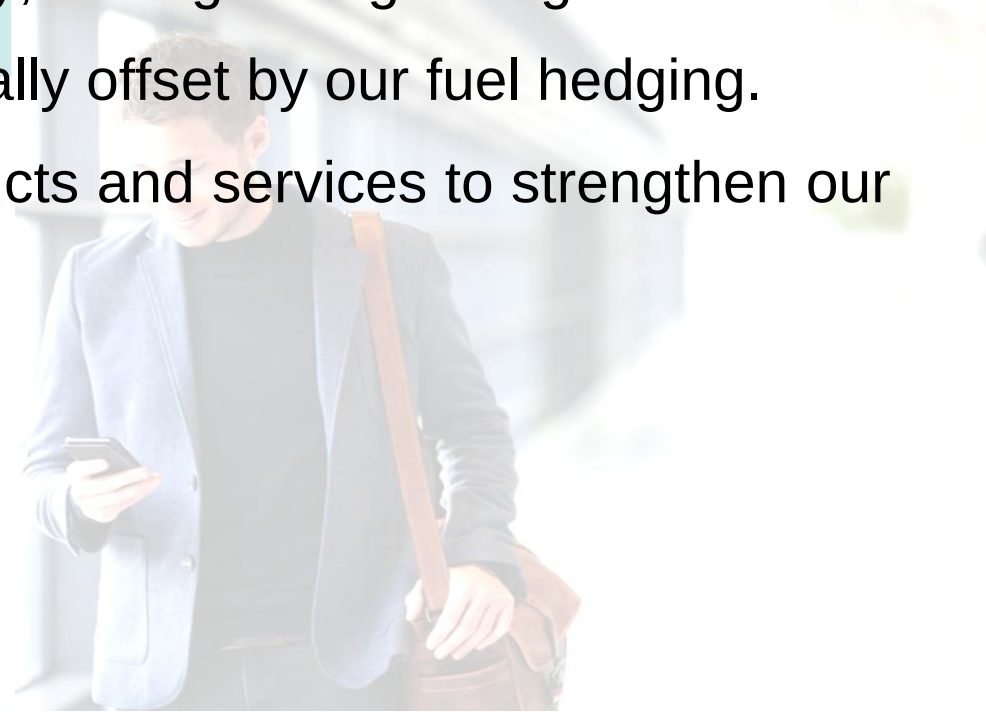
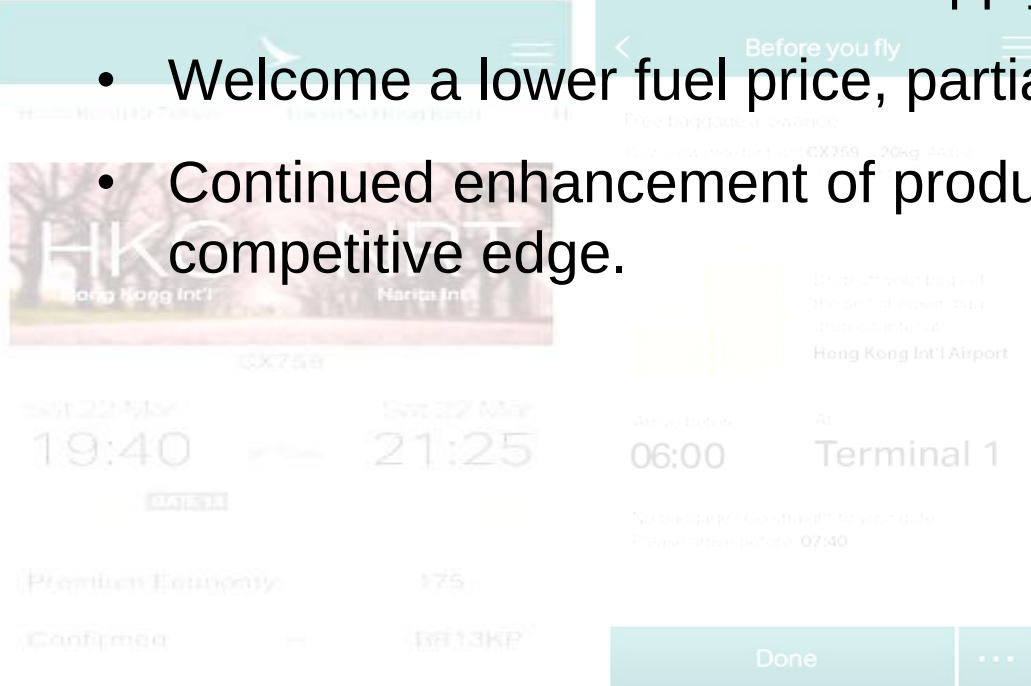
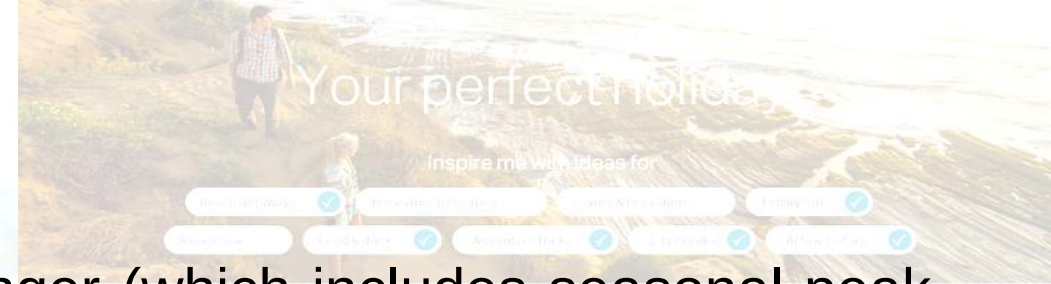
- It produced a daily average of 74,000 meals and handled 186 flights per day in the first half of 2014 (an increase of 8.0% and 7.0% respectively over the first half of 2013).
- Reported a rise in profit in the first half of 2014 compared to the first half of 2013. This was due to an increase in business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

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.

Outlook

- Second half is traditionally stronger (which includes seasonal peak periods for passenger and cargo demand).
- Significant competition in our passenger business will continue to impact yields.
- Cargo business buoyant, with projected DLATK growth of 10.8% in 2014 in a market of excess supply, but signs of growing demand.
- Welcome a lower fuel price, partially offset by our fuel hedging.
- Continued enhancement of products and services to strengthen our competitive edge.



Products & Services



The Haven (Relaunch Aug 2014)

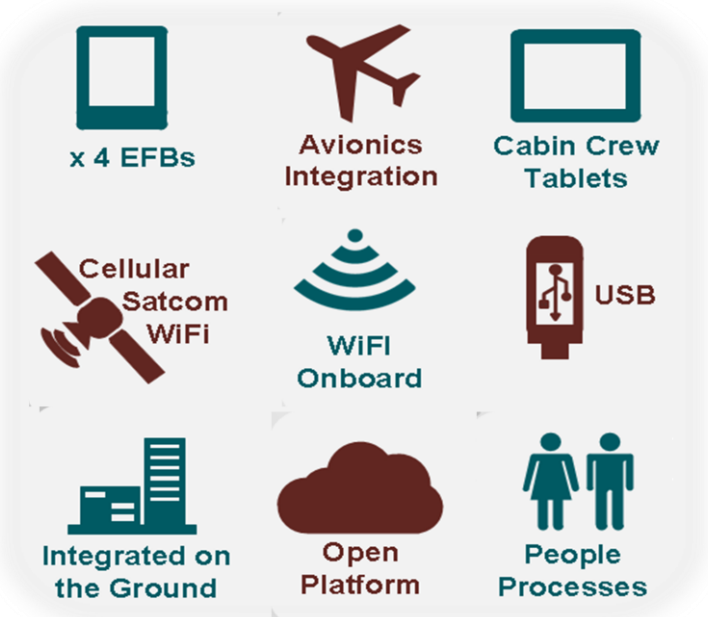
Advances in technology



Lounge Wifi Landing Page



Mobile Boarding Pass



E-enabled aircraft



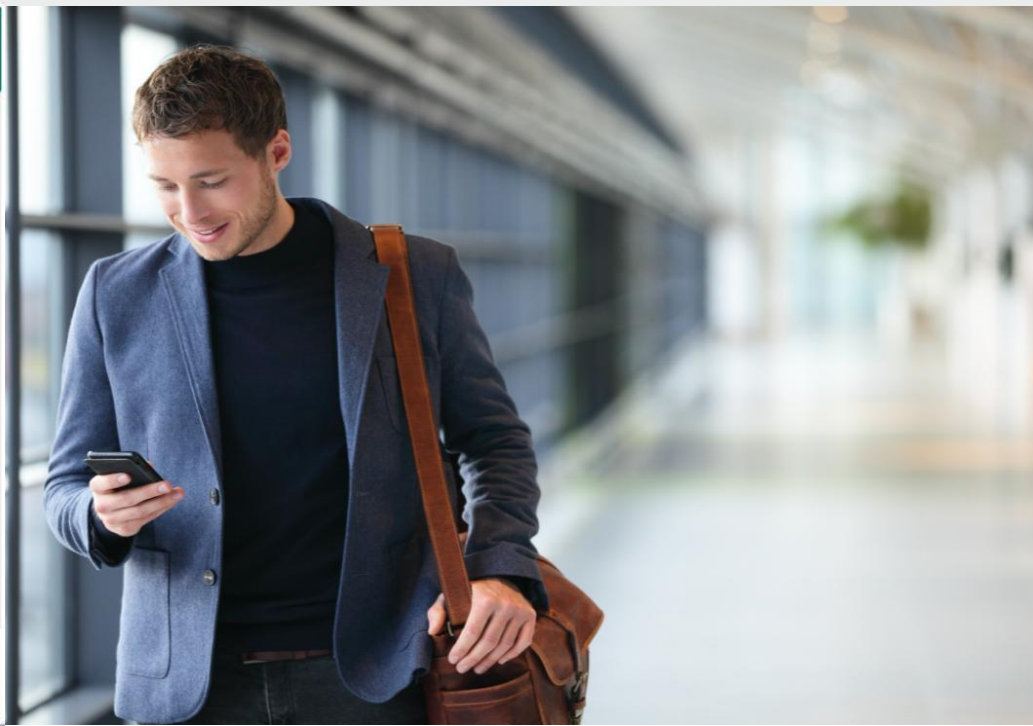
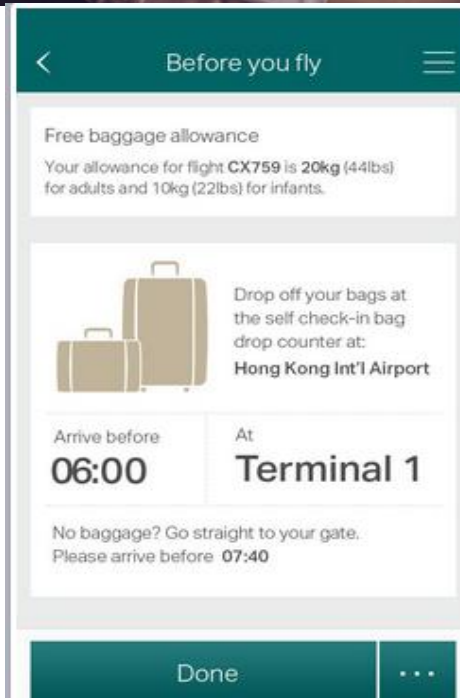
Upgrade of new passenger reservation system

Advances in technology



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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.



Q & A

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