

Cathay Pacific Airways

Annual Results for the year ended 31st December 2011



14 March 2012



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Annual Result

Group attributable profit

Group Turnover

Profit Margin

Return on Capital Employed

Earnings per share

Dividends per share

Available tonne kilometres

Cost per ATK (with fuel)

Cost per ATK (w/o fuel)

Revenue Load Factor

Breakeven Load Factor

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Group attributable profit	HK\$5,501m	HK\$14,048m	-60.8%
Group Turnover	HK\$98,406m	HK\$89,524m	+9.9%
Profit Margin	5.6%	15.7%	-10.1%pt
Return on Capital Employed	8.6%	22.0%	-13.4%pt
Earnings per share	HK¢139.8	HK¢357.1	-60.9%
Dividends per share	HK¢52	HK¢111	-53.2%
Available tonne kilometres	26,383m	24,461m	+7.9%
Cost per ATK (with fuel)	HK\$3.45	HK\$3.16	+9.2%
Cost per ATK (w/o fuel)	HK\$2.01	HK\$2.02	-0.5%
Revenue Load Factor	77.0%	81.1%	-4.1%pt
Breakeven Load Factor	72.2%	69.3%	+2.9%pt



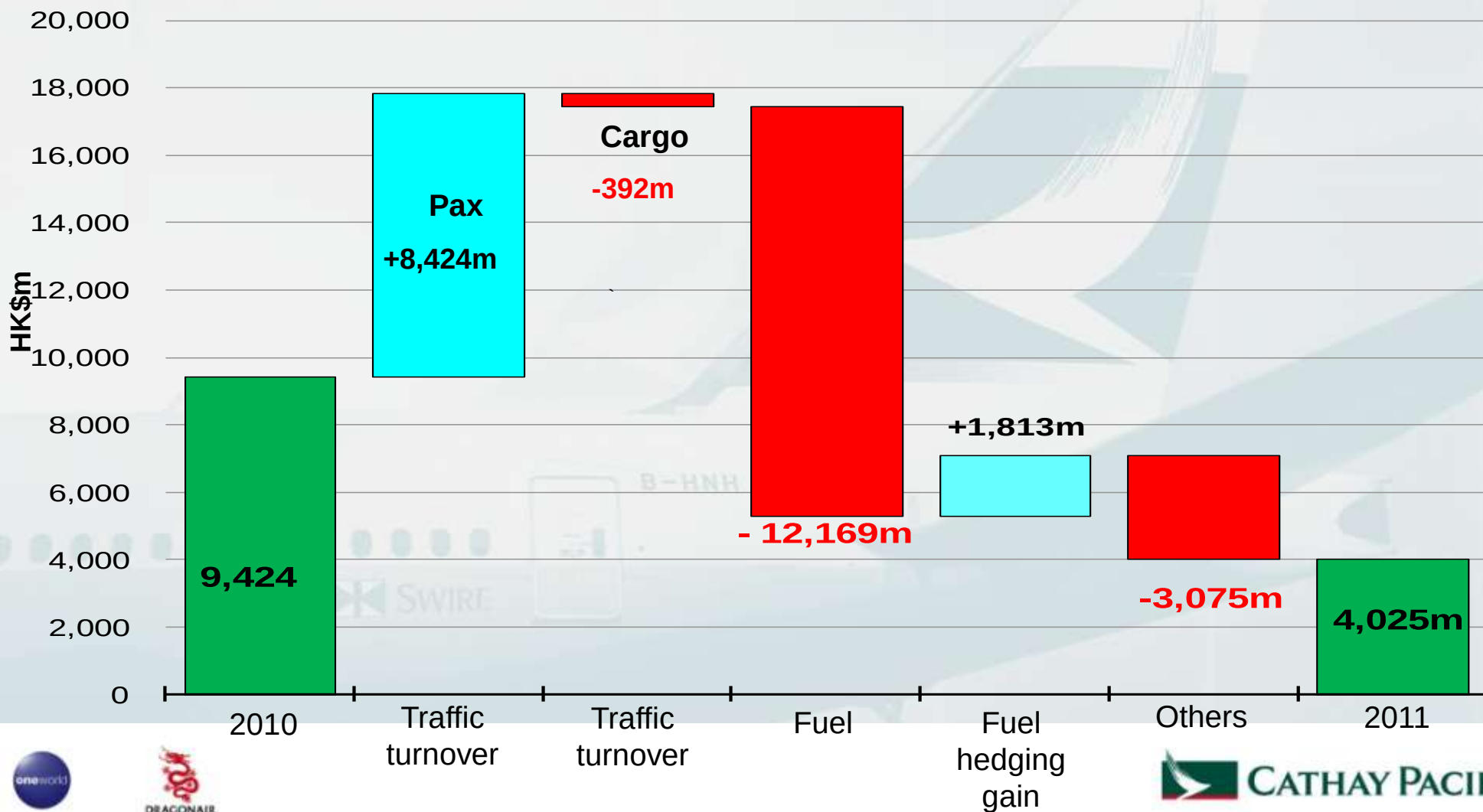
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Airlines operating profit

	<u>2011</u>	<u>2010</u>
	HK\$M	HK\$M
Airlines' operating profit before non-recurring items and tax	4,025	9,465
Profit on disposal of HAECO and HACTL shares	-	2,165
Gain on deemed disposal of Air China shares	-	868
Tax charge	(609)	(1,347)
Airlines' profit after tax	3,416	11,110
Share of profits from subsidiaries & associates	2,085	2,938
Profit attributable to owners of Cathay Pacific	5,501	14,048



Reconciliation of airlines' operating profit before non-recurring items and tax : 2010 to 2011



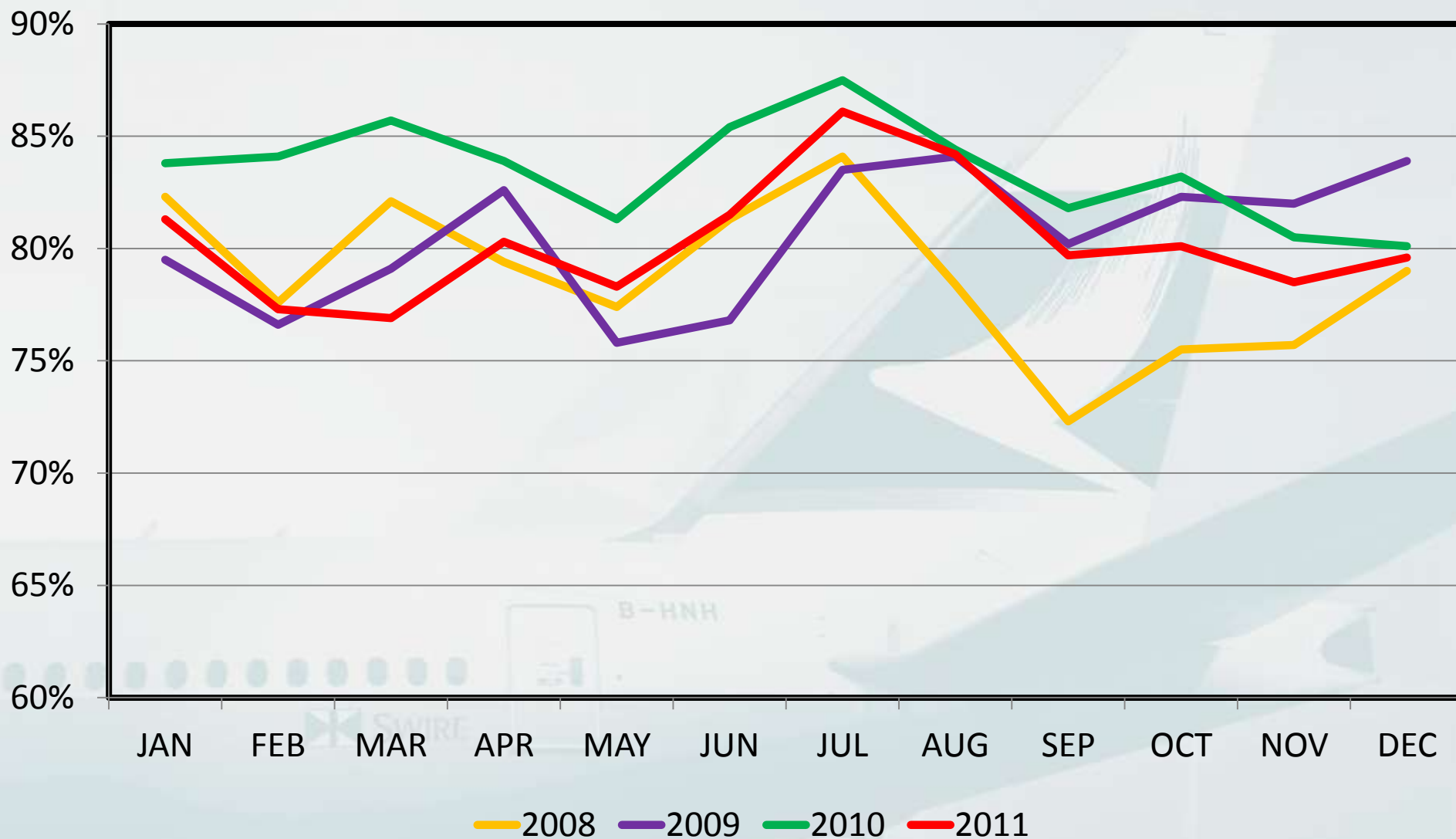
Passenger Service - Key Numbers

	<u>2011</u>	<u>vs 2010</u>
Turnover	HK\$67,778m	+ 14.2%
Seat Capacity (ASK)	126,340m	+9.2%
Passenger Number	27.6m	+2.9%
Yield per Revenue Pax Km	HK¢66.5	+8.7%
Load Factor	80.4%	-3.0% pt

Passenger Yield



PASSENGER LOAD FACTOR (JAN 2008 - DEC 2011)



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Passenger Service - by Region

	ASK (m)	vs 2010	Load Factor	vs 2010	Yield Change
India, Middle East, Pakistan and Sri Lanka	11,467	+4.4%	74.2%	-3.3% pt	+9.5%
Southeast Asia	16,020	+11.9%	82.6%	-0.2% pt	+7.5%
SW Pacific and South Africa	19,082	+4.1%	76.3%	-3.9% pt	+10.7%
Europe	22,552	+7.4%	83.7%	-2.2% pt	+10.1%
North Asia	25,375	+4.4%	73.5%	-6.2% pt	+14.8%
North America	31,844	+18.7%	87.1%	-2.8% pt	+4.0%
Systemwide	126,340	+9.2%	80.4%	-3.0% pt	+8.7%



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Passenger Services Development in 2011

- New passenger services to Abu Dhabi (2 Jun) and Chicago (1 Sep)
- Increased frequencies to:-
 - Paris : double daily (including 3 flights per week via Amsterdam)
 - Taipei: 108 flights per week
 - Toronto: double-daily
 - New York: four flights a day
 - Milan: daily
 - Jakarta : three-times-daily
 - Surabaya : daily
 - Singapore : eight-times-daily
 - Increased capacity in Mainland China & Taipei



Passenger Services Development in 2012

- Planned increased frequencies of Cathay Pacific :-
 - Penang : 10 flights a week
 - Nagoya : three-times-daily
 - Singapore : 61 flights a week
 - Kuala Lumpur : four-times-daily
 - Bangkok : six-times-daily
 - Taipei : 114 flights a week



Passenger Services Development in 2012

- Planned increased flight frequencies of Dragonair :-
 - Okinawa: to 4 flights a week
 - Ningbo: to double daily
 - Qingdao: to 10 flights a week
- Resume scheduled services to Xian and Guilin

Cargo Service - Key Numbers

Group Turnover

2011
HK\$25,980m

vs 2010
+0.3%

Cathay Pacific and Dragonair

Cargo Capacity (ATK)

14,367m

+ 6.9%

Cargo Carried

1,649k tons

- 8.6%

Yield per tonne km

HK\$2.42

+ 3.9%

Load factor

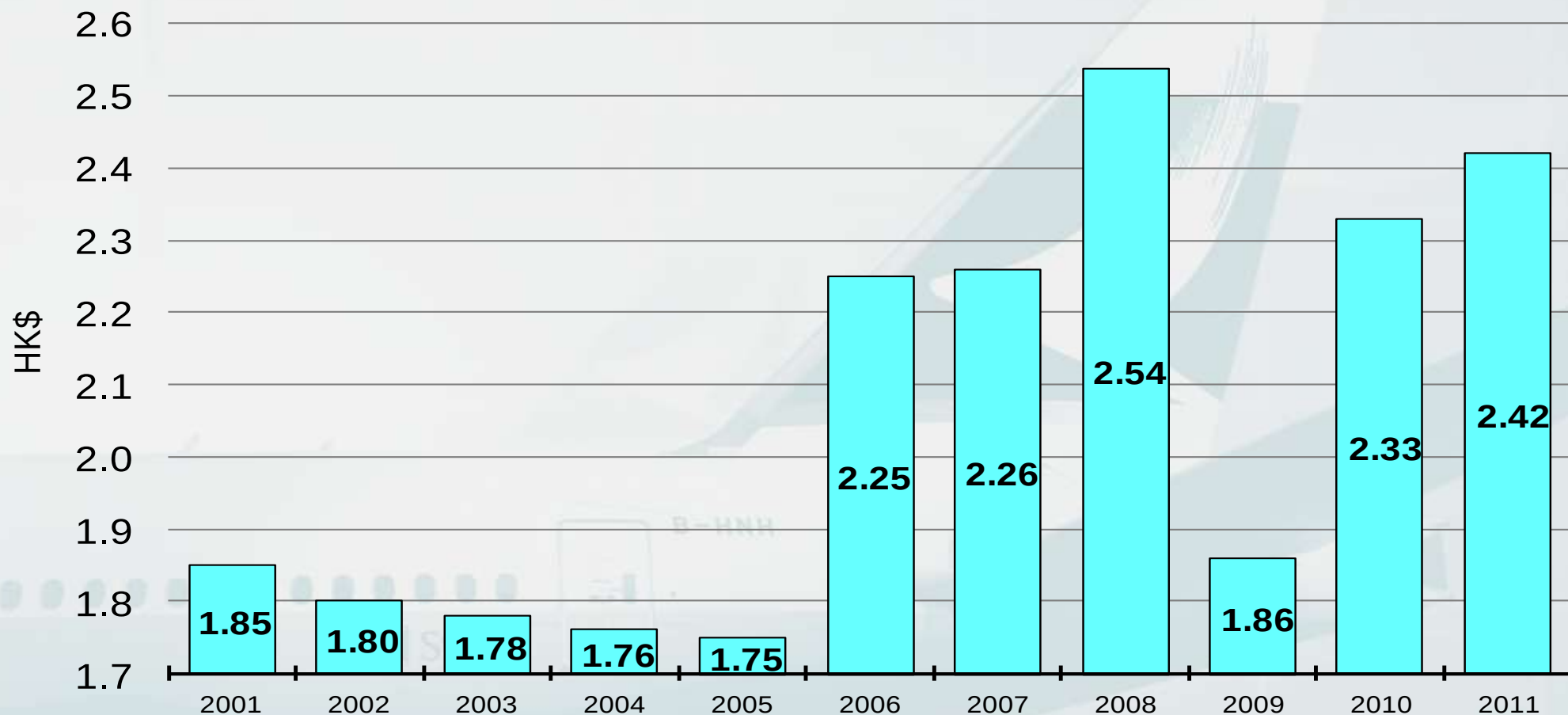
67.2%

-8.5%pt



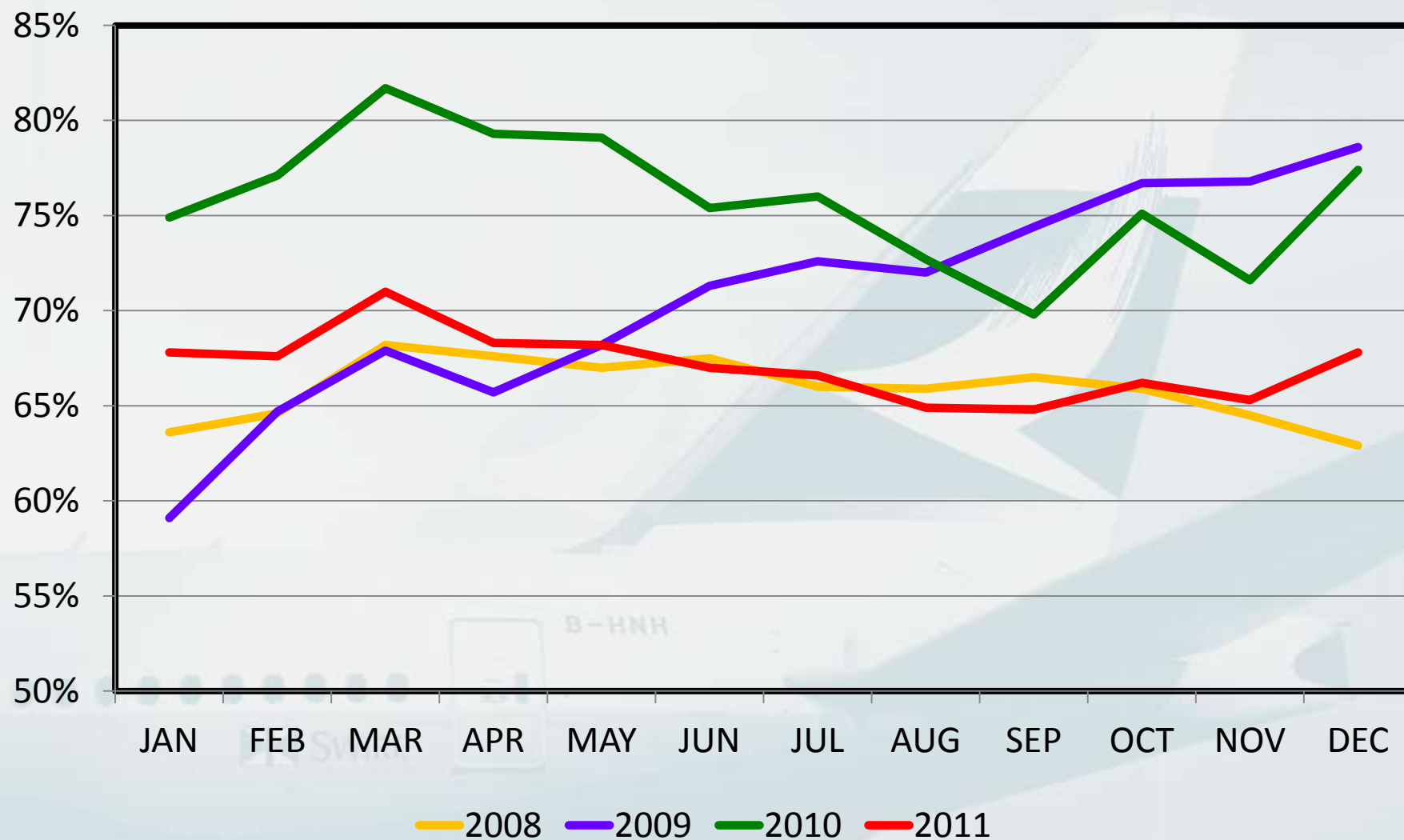
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Cargo & Mail Yield



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CARGO AND MAIL LOAD FACTOR (JAN 2008 - DEC 2011)



Cargo Operating Performance 2011

- Managed capacity to keep in line with demand.
- Continue to seek opportunities in new markets :
 - Bengaluru
 - Chongqing and Chengdu
 - Zaragoza
- Expanded network through passenger airline growth.



Cargo Terminal



Total investment costs	HK\$ billion
Up to 2010	1.9
2011	2.4
2012	1.4
2013	-
Total	5.7

Fleet composition changes (CX/KA)

Fleet @ 31 Dec 2010

	159
Deliveries (6x777-300ERs, 4x747-8Fs, 3xA330-300)	13
Returned (2xA340-300, 1XA330-300)	(3)
Deregistered (1x747-400)	(1)
Leased out (3 x747-400BCF to AHK)	(3)
Sold (1x747-400BCF)	(1)

Fleet @ 31Dec2011

	164
Parked (2x A340-300)	(2)

Operating fleet @ 31 Dec 2011

	162
Passenger aircraft	138
Freighter	24



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New Aircraft as at March 2012

Orders brought forward at 1 Jan 2011	67
Delivered	(13)
New Orders	
March 2011	25
August 2011	12
December 2011	2
Total as of 31 Dec 2011	93
New Orders in January 2012	8
Delivered in February 2012	(5)
Total as of 14 March 2012	96



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Aircraft Delivery Plan as at March 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	5	4	6	3					18
A350-900				2	10	10	12	4	38
B777-300ER	4	8	8	5					25
Total	14	14	18	12	12	10	12	4	96

Cargo Fleet Plan

2011

- Fleet composition as at 31 Dec 2011
 - 24 x 747 Freighters :
6 x 747-400F, 6 x 747-400ERF , 8 x 747-400BCF and 4 x 747-8F

Future development

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

HK\$250m impairment on B747-BCFs



Products and Services

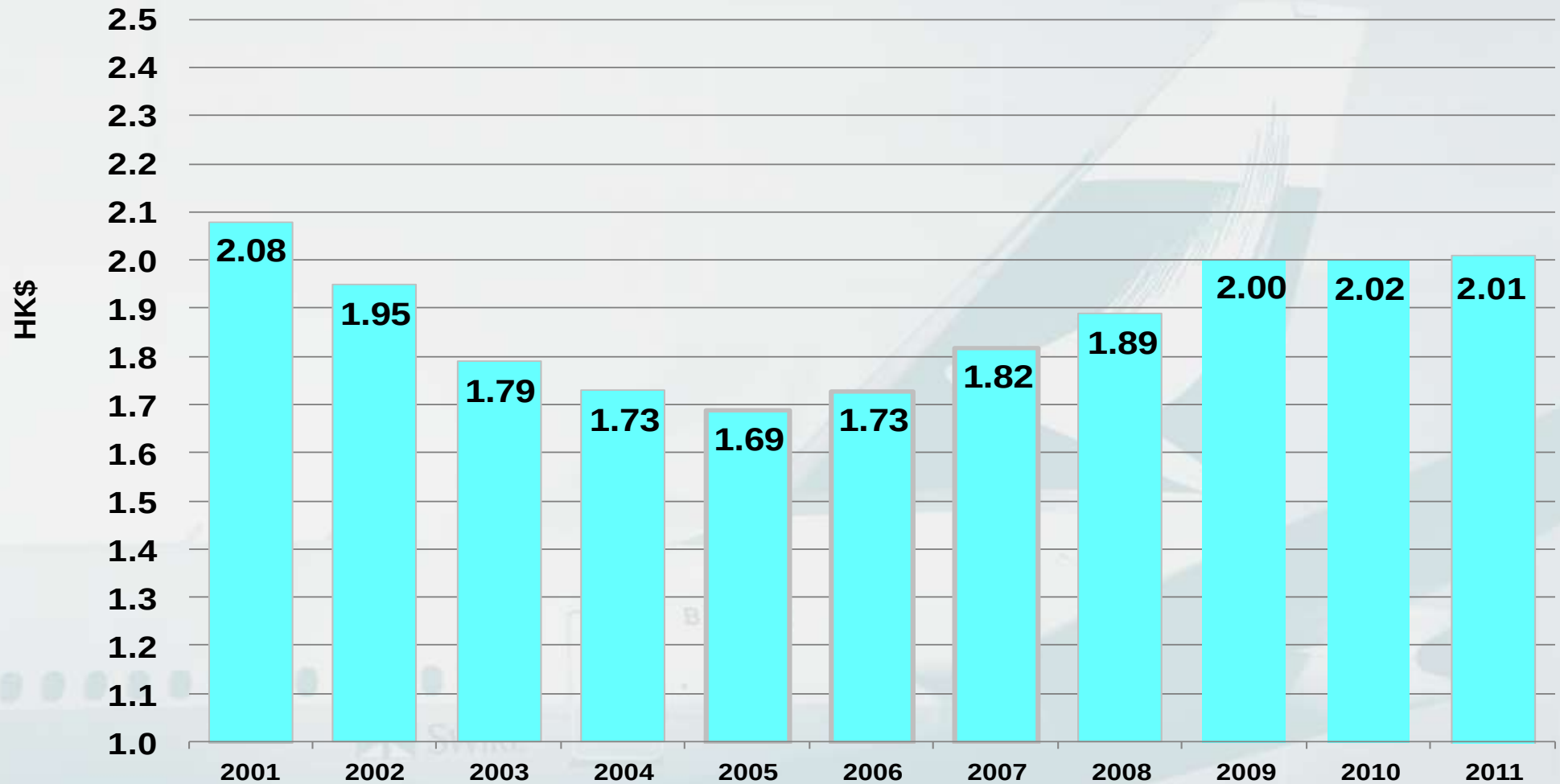
- New business class seats
 - 15 aircraft of these types had been installed at end of 2011.
 - 50 aircraft are expected to be retrofitted with the new products by end of 2012, 63 by end of 2013.
- New Premium Economy cabins – 87 aircraft by end 2013.
 - started to install the new cabins in our long-haul aircraft.
- New economy class seat – 63 aircraft by end 2013.
- Continue to upgrade lounges.

Group Operating Cost

	<u>2011</u> HK\$m	<u>vs 2010</u>
Staff	14,772	+ 6.7%
Inflight service & passenger	3,794	+14.7%
Landing, parking & route	13,105	+16.0%
Fuel	38,877	+ 37.5%
Aircraft maintenance	8,468	+ 19.7%
Depreciation, amortisation & leases	9,402	+ 0.1%
Net finance charges	744	- 23.9%
Others	4,488	- 14.8%
Total Operating Cost	93,650	+ 17.9%



Airlines Cost per ATK without Fuel



Productivity - Staff



Note: Includes KA from Oct06



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Financial Risk Management

- Currency
 - All major currencies are hedged in compliance with our policy.
- Liquidity
 - First issue on new MTN programme in 2011 of HK\$658m - 7 yrs.
 - Further SGD150 million in 2012 - 5 yrs.
 - Unpledged liquid funds and undrawn committed lines HK\$22bn at 31 Dec 2011.
- 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.

Fuel hedging as at 14 March 2012

Fuel hedging
coverage

25%

20%

15%

10%

5%

0%

\$60

\$70

\$80

\$90

\$100

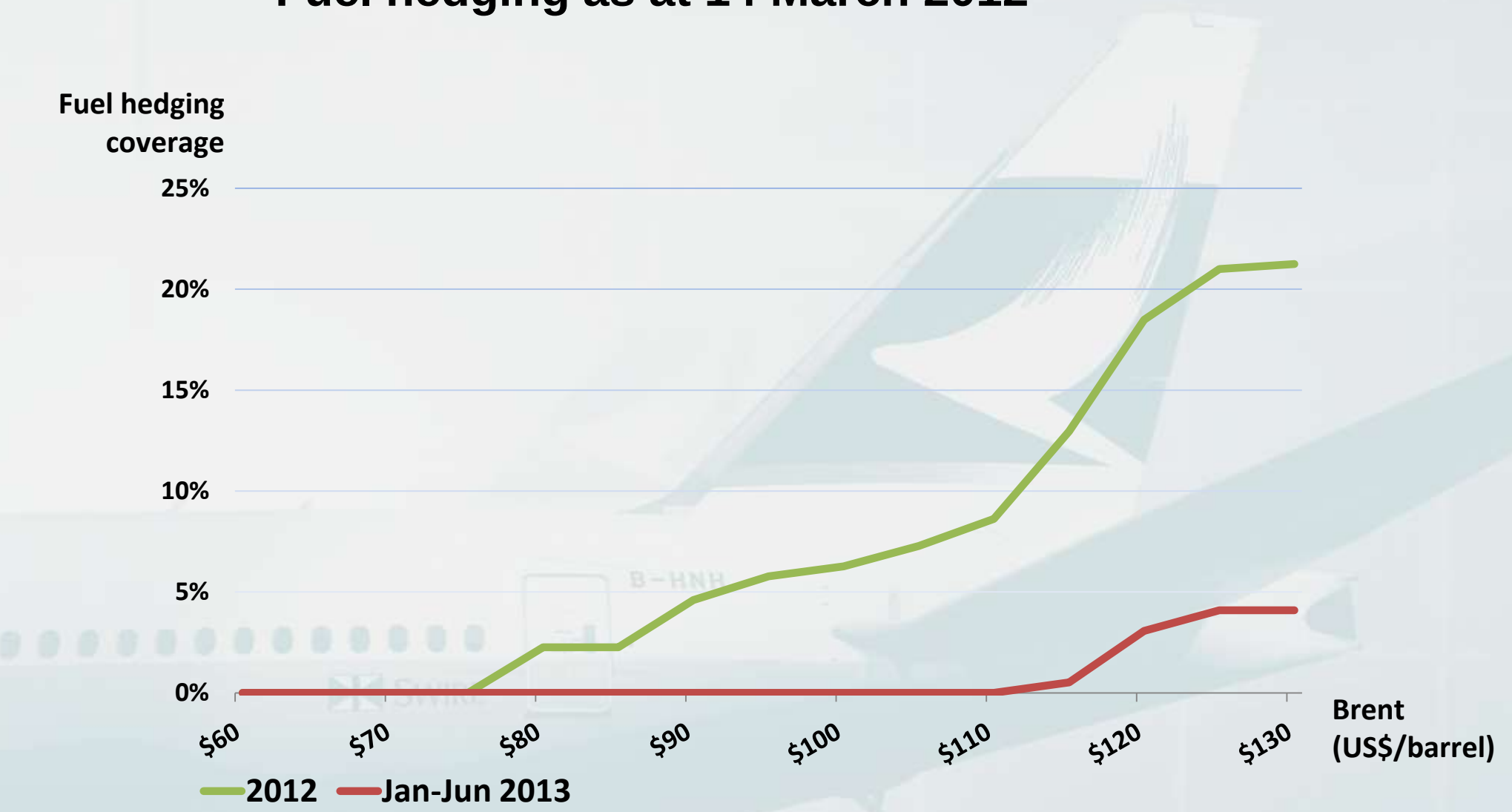
\$110

\$120

\$130

Brent
(US\$/barrel)

— 2012 — Jan-Jun 2013



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Major subsidiaries

- AHK Air Hong Kong
 - Operates a fleet of eight owned Airbus A300-600F and three dry-leased aircraft.
 - Load factor dropped by 3% points but yield improved by 19%.
 - Lower profit in 2011 compared to 2010.
- Cathay Pacific Catering Services
 - Produced 22.9 million meals, an increase of 4%
 - Market share is 64% in 2011.
 - Increase in the volume of sales and profit, but cost increase in raw material, fuel and wages resulted in a lower profit margin.
- Asia Miles
 - Membership exceeds 4 million worldwide, 46% of whom reside in Mainland China.
 - Won Best FFP award for the seventh consecutive year.



Air China

- Cathay Pacific has a 19.53% interest in Air China.
- Air China plays an important role in our business, contributing approximately 31.1% of our consolidated profits before tax in 2011.
- Cathay Pacific accounts for Air China for the 12 months ended 30th September 2011 and any significant events or transactions during their last quarter.



Air China / Cathay Pacific Cargo Joint Venture

- CX acquired 49% economic interest in Air China Cargo (ACC) and the cargo joint venture was formally approved and established on 28 Feb 2011 and officially launched in May 2011.
- CX Group selling assets to ACC
 - 4 x 747-400BCFs (one was sold in 2010; one was sold in 2011, the other 2 will be sold in 2012)
 - 2 spare engines (one sold in 2011 and one to be sold in 2012)

Strategic Objective: Grow Air China Cargo to become pre-eminent cargo carrier in Beijing & Shanghai



Balance Sheet

	<u>31 Dec 11</u>	<u>31 Dec 10</u>	<u>vs Dec 10</u>
Shareholders' Funds	HK\$55,809m	HK\$54,274m	2.8% up
Gross Borrowings	HK\$43,335m	HK\$39,629m	9.4% up
Less:			
Liquid Funds (less OD)	HK\$(19,597m)	HK\$(24,194m)	19.0% down
Net Borrowings	HK\$23,738m	HK\$15,435m	53.8% up
Capital Employed (incl. non-controlling interests)	HK\$79,682m	HK\$69,864m	14.1% up
Net Debt/Equity Ratio	0.43	0.28	+0.15 times
Investment in Air China	HK\$15,777m	HK\$12,553m	25.7% up



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Liquid Fund Flow

Inflow

New financing

Operating activities

Disposals & others

Outflow

Capital expenditure

Acquisition of additional
shareholding in an associate

Loan repayment

Dividend paid

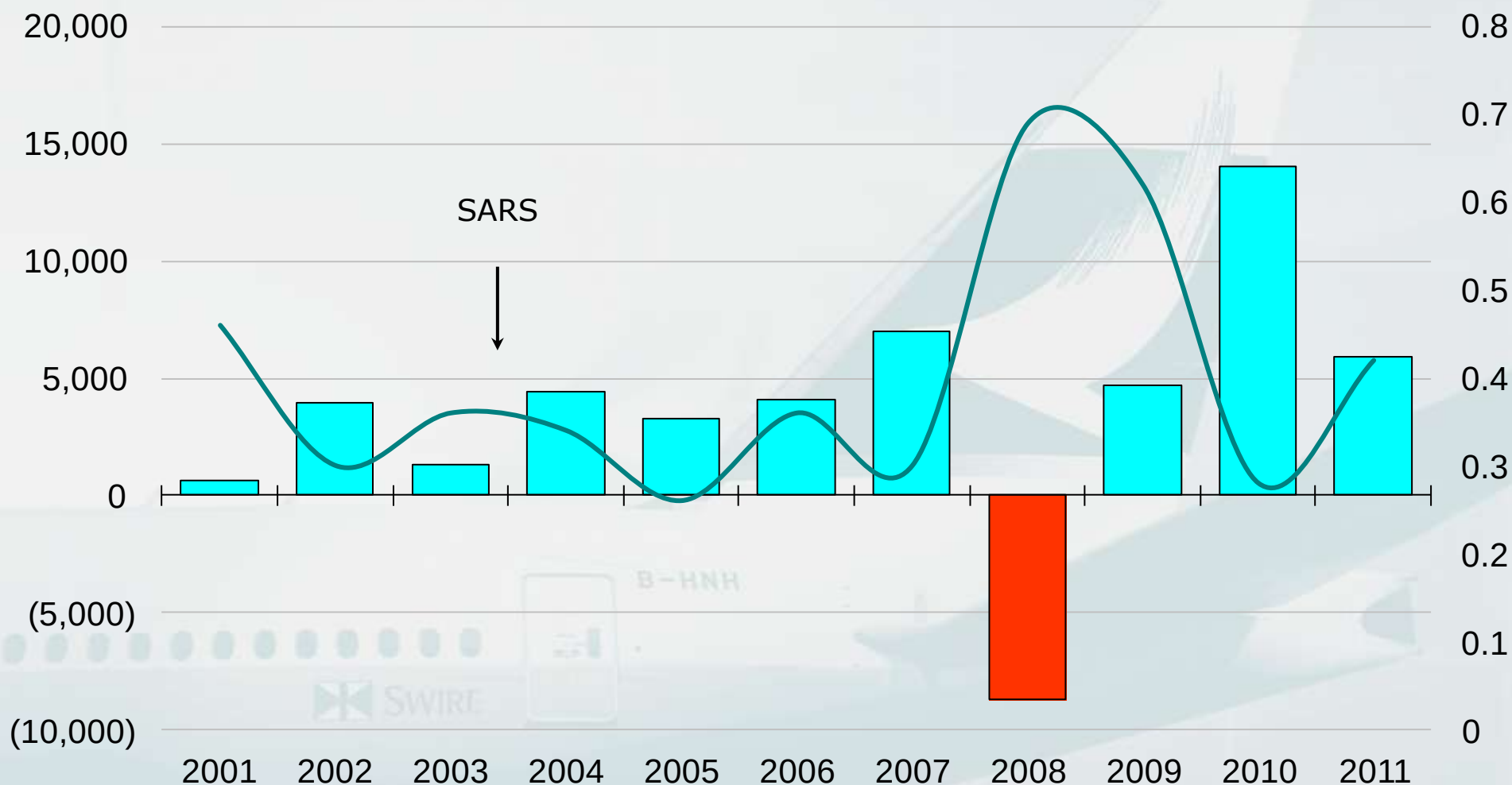
Net (outflow) / inflow

<u>2011</u>	<u>2010</u>
<u>HK\$'M</u>	<u>HK\$'M</u>
12,187	5,815
13,980	17,599
2,840	4,915
(17,610)	(8,299)
(3,098)	(1,130)
(8,930)	(9,349)
(3,966)	(1,868)
(4,597)	7,683

Profit & Net Debt/Equity Ratio

Profit / (loss) - HK\$ m

D/E ratio - times



Profit/(Loss)

Net debt/equity ratio



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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.

Outlook

- Global economic uncertainties continues into 2012.
- Softening in pax demand being seen.
- Cargo demand remains weak.
- High fuel price remains a concern.
- Continue 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)



Audit Qualification

HKSA 600

- Audits of Group Financial Statements.
- Effective from 2010 for December year ends.
- Applies to the CX Group including components (i.e. subsidiaries and associated companies).
- A full audit is required to be performed on each component of individual financial significance to the Group.

Audit Qualification

Appendix 1 - 2

Accounting for Air China

- Air China's audited financial statements are not available at the time CX publishes its annual results for the year to 31st December.
- CX therefore consolidates Air China's results based on results 3 months in arrears i.e. the 31 December annual report uses 12 months of Air China's results to 30 September, and any significant events or transactions for the period from 1 October to 31 December.
- Air China's quarterly results are prepared in accordance with PRC GAAP. These results are adjusted to comply with IFRS.



Audit Qualification

Accounting for Air China

- Air China's results under PRC GAAP for the period 1 October 2010 to 30 September 2011 were RMB10.6bn.
- Q3 2011 results announced on 27 October 2011 were in full compliance with PRC regulatory requirements although not audited. It was not practical to perform a full audit of the specific split of the results for the 12 months to 30 Sept 2011 prior to release of Q3 2011 results.

Implications

- Air China is be a significant component of CX Group's results for the year to 31st December 2011.

Audit Qualification

Implications

- Air China was not deemed to be a significant component for the year ended 31st December 2010.
- Whilst the accounts are produced on a consistent basis with prior years, there is a technical audit qualification.
- Air China's results to 31 December is audited by their auditor, Ernst & Young. Air China has always had unqualified audit opinions.
- The working relationship and co-operation between CX and Air China remains healthy and positive.