



Cathay Pacific Airways
Analyst Briefing
27 November 2012



CATHAY PACIFIC

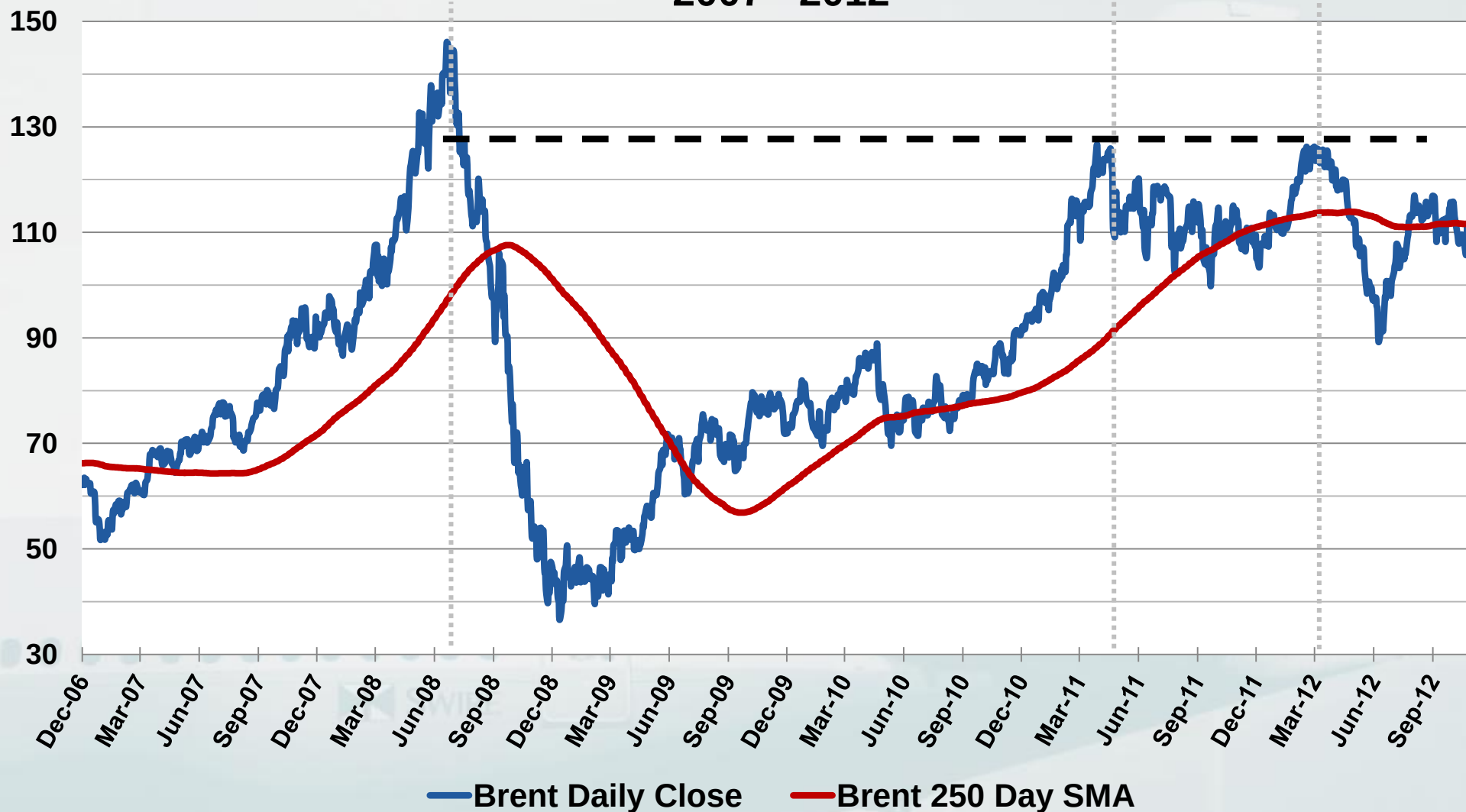
Trading Statement

2012 – A very challenging year

- High fuel prices
- Soft premium demand
- High competition in Economy Class putting pressure on yield
- Reduced cargo loads and weak cargo market
- Replacement plan for less fuel efficient aircraft
- Cost pressure on all fronts



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



USD/Bbl - Brent and Sing Jet Daily Closing Price 2007 - 2012



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Performance to October 12 - Capacity Data

CATHAY PACIFIC/ DRAGONAIR COMBINED CAPACITY	Cumulative October 2012	% change YTD
China	9,134,338	+8.1%
North East Asia	14,085,208	+13.2%
South East Asia	14,859,958	+12.0%
India, Middle East, Pakistan & Sri Lanka	9,188,827	-3.2%
Europe	18,175,178	-4.1%
South West Pacific & South Africa	15,262,381	-2.0%
North America	27,839,735	+6.5%
ASK ('000)	108,545,625	+4.1%
Passenger load factor	80.2%	-0.4%pt
Available cargo and mail tonne km ('000)	11,386,363	-4.3%
Cargo and mail load factor	63.9%	-3.4%pt
ATK ('000)	21,708,512	-0.5%



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Performance to October 12 - Traffic Data

CATHAY PACIFIC AND DRAGONAIR COMBINED TRAFFIC	Cumulative October 2012	% change YTD
China	6,643,609	+6.5%
North East Asia	10,138,576	+11.8%
South East Asia	11,710,797	+7.2%
India, Middle East, Pakistan & Sri Lanka	6,957,865	-1.8%
Europe	15,553,702	-3.0%
South West Pacific & South Africa	11,657,242	-1.4%
North America	24,339,612	+6.1%
RPK ('000)	87,001,403	+3.4%
Passengers carried	24,078,688	+5.4%
Cargo and mail revenue tonne-km ('000) (RTK)	7,275,804	-9.1%
Cargo and mail carried kg ('000)	1,274,788	-7.3%
Number of flights	56,631	+6.9%



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Passenger Services Development in 2012

Cathay Pacific

- Reduced the frequencies on long-haul routes to North America and Europe
- Added regional flights to Taipei, Kuala Lumpur, Penang, Bangkok, Nagoya and Singapore in March
- Increased the services between Seoul and Hong Kong from five to six flights daily effective from 15 July
- Increased the frequencies between Chennai and Hong Kong from four flights a week to daily effective from 1 September, and between Ho Chi Minh City and Hong Kong from 14 to 16 flights per week effective from 28 October
- Will launch a new four-times-weekly service to Hyderabad, India starting from 1 December



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Passenger Services Development in 2012

Dragonair

- 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 were introduced in July
- New service to Haikou and Kolkata were introduced in October and November, respectively



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Passenger Services Development in 2012

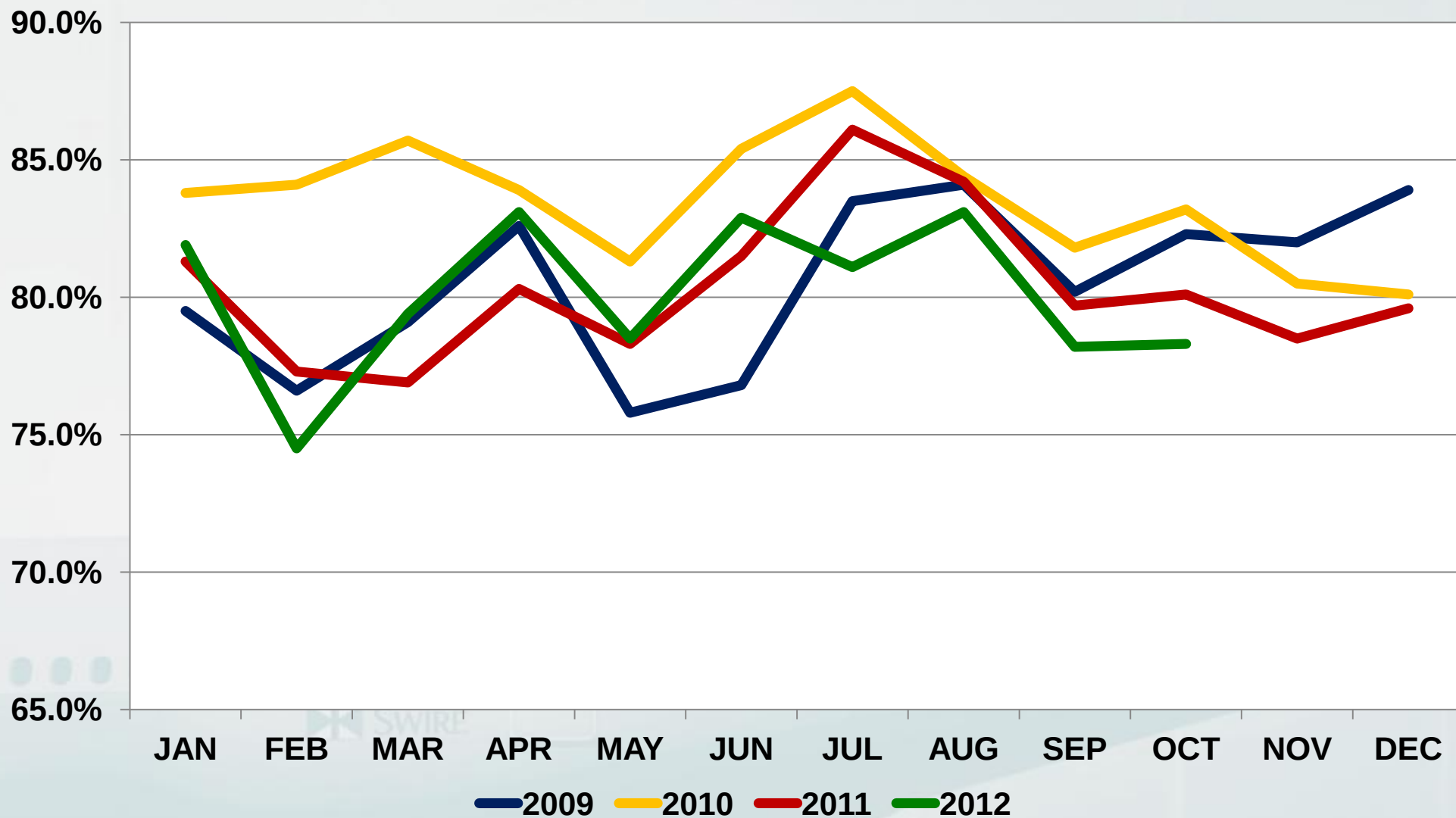
Dragonair (Continued)

- Will launch new service to Zhengzhou starting from January 2013
- Increased frequencies to Phnom Penh and Kota Kinabalu starting from 28 October
- New services to Yangon and Wenzhou will be starting from January 2013 (subject to government approval)



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PASSENGER LOAD FACTOR (JAN 2009 – OCT 2012)



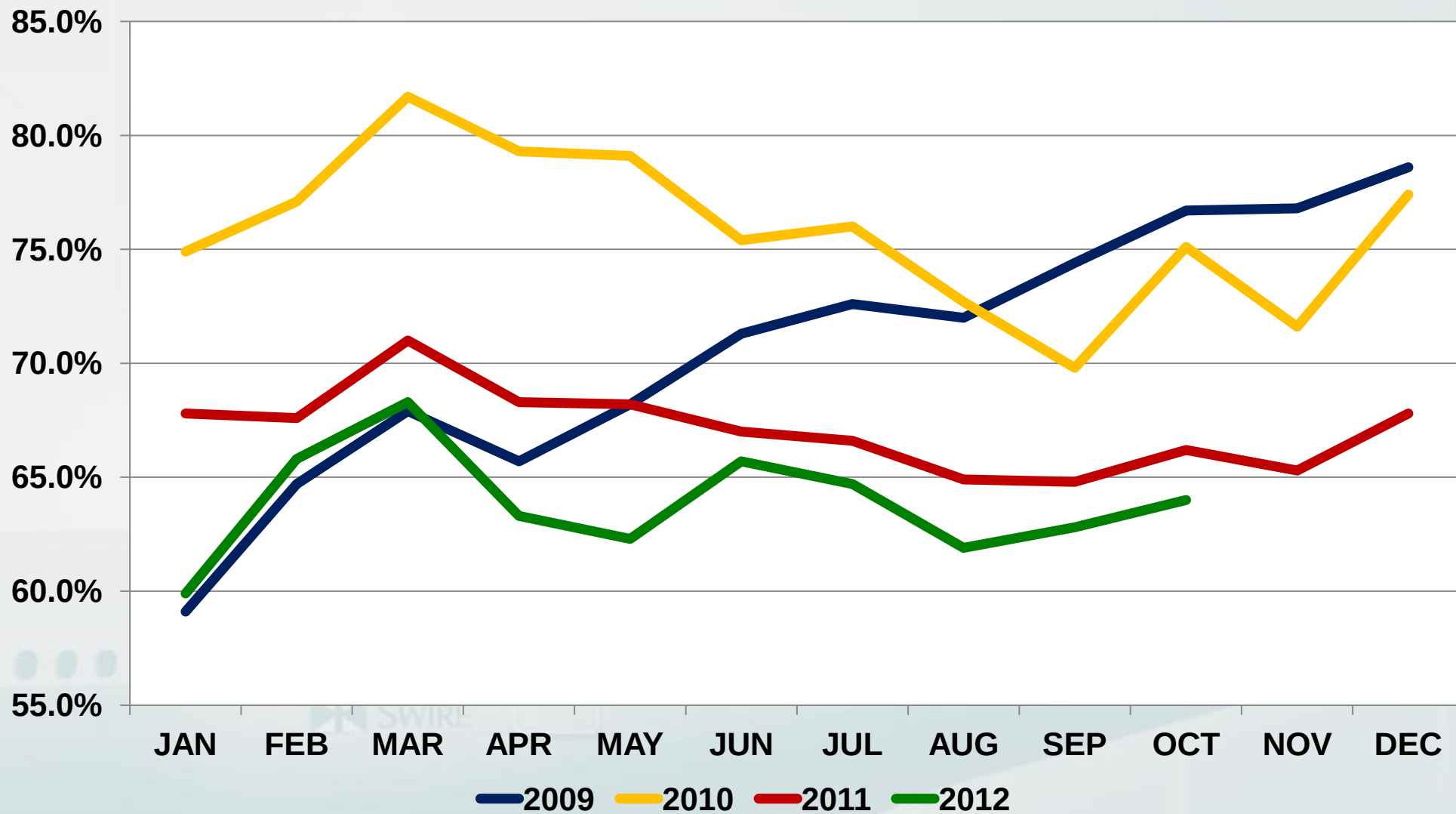
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Cargo Services Development

- Introduced 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
- Reduced freighter frequencies to Europe and North America
- Will launch new weekly freighter service to Colombo in Sri Lanka commencing 2 December 2012 (subject to government approval)



CARGO AND MAIL LOAD FACTOR (JAN 2009 – OCT 2012)



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CX and KA Fleet Plan as at 31 October 2012

	In operation			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
31 Dec 2011	138	24	162	2	-	2
New deliveries⁽¹⁾	11	4	15	-	-	-
Return to lessors	-	-	-	(2)	-	(2)
Parked aircraft	-	(2)	(2)	-	2	2
Sold to ACCJV	-	(1)	(1)	-	-	-
Retired⁽²⁾	(1)	-	(1)	-	-	-
Deregistered	(2)	(1)	(3)	-	-	-
31 Oct 2012	146	24	170	-	2	2

(1) One A320-200 and one A330-300 were delivered on the 16th and 26th of November, respectively.

(2) The retired aircraft was deregistered in November.



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New Aircraft as at 31 October 2012

Orders brought forward at 1 Jan 2012	93
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Delivered	(9)
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New Orders in January 2012	8
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Outstanding orders as at 30 Jun 2012	92
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Delivered in July 2012 – B747-8F	(1)
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New orders in August 2012 – A350-1000 (note 1)	10
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Delivered in August 2012 – B747-8F & B777-300ER	(2)
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Delivered in September 2012 – A330-300	(1)
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Delivered in October 2012 – A330-300 & B747-8F	(2)
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Total as at 31 October 2012	96
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Note 1:

In August 2012, a supplementary agreement was entered and CX agreed to convert an existing order for 16 Airbus A350-900 aircraft into larger Airbus A350-1000 aircraft and exercised an option to purchase an additional 10 Airbus A350-1000 aircraft. The catalogue price of converting the 16 aircraft and acquiring the 10 aircraft is approximately HK\$34,022 million.



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Aircraft Delivery Plan as at 31 October 2012

Aircraft	Delivery Plan									Total
	2012	2013	2014	2015	2016	2017	2018	2019	2020	
B747-8F		2								2
B777-200F			4	2	2					8
A320-200	2									2
A330-300	2	5	5	3						15
A350-900				2	10	10				22
A350-1000							6	10	10	26
B777-300ER		9	7	5						21
Total	4	16	16	12	12	10	6	10	10	96



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Fleet – out of operation in 2012

Freighter

- Boeing 747-400BCF
 - Deregistered one BCF
 - Parked two BCFs
 - Sold one BCF to Air China Cargo

Passenger

- Boeing 747-400
 - Deregistered three B744s (two deregistered by Oct and one in Nov)



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Fleet - 744 Retirement Plan

As of 31 October 2012

Exit date	Number	Remaining
Sep 12	-2	19
Oct 12	-1	18
Mar 13	-3	15
Jun 13	-1	14
Sep 13	-1	13
Nov 13	-1	12
Jan 14	-1	11



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Cargo Fleet Plan

2012

- Fleet composition as at 31 Oct 2012
 - 26 x 747 Freighters:
 - 6 x 747-400F, 6 x 747-400ERF , 6 x 747-400BCF and 8 x 747-8F

Latest development

- Sold one 747-400BCF to Air China Cargo in July 2012 and leaving one aircraft remaining to be sold.
- New delivery
 - 747-8F – 1 in 1H2012, 3 in 2H2012 (of which all delivered by October) and 2 in 2013
 - 777-200F – 4 in 2014, 2 in 2015 and 2 in 2016



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Development in 2013

Passenger

- 14 aircraft deliveries in 2013 and 12 in 2014
- Projected ASK contraction in 2013 is approximately 1.6%

Cargo

- 2 aircraft (B747-8F) deliveries in 2013 and 4 (B777-200F) in 2014
- Projected DL ATK growth in 2013 is approximately 11.9%



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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Major subsidiaries

- **AHK Air Hong Kong**

- Operates a fleet of eight owned Airbus A300-600F, three Boeing 747-400BCF dry-leased from Cathay Pacific and one wet-leased Boeing 727.
- Load factor dropped by 5%pts but yield improved by 4%.
- Higher profit in 1H2012 compared to 1H2011.

- **Cathay Pacific Catering Services**

- Growth in the number of meals produced.
- Higher profit in 1H2012 compared to 1H2011.

- **Asia Miles**

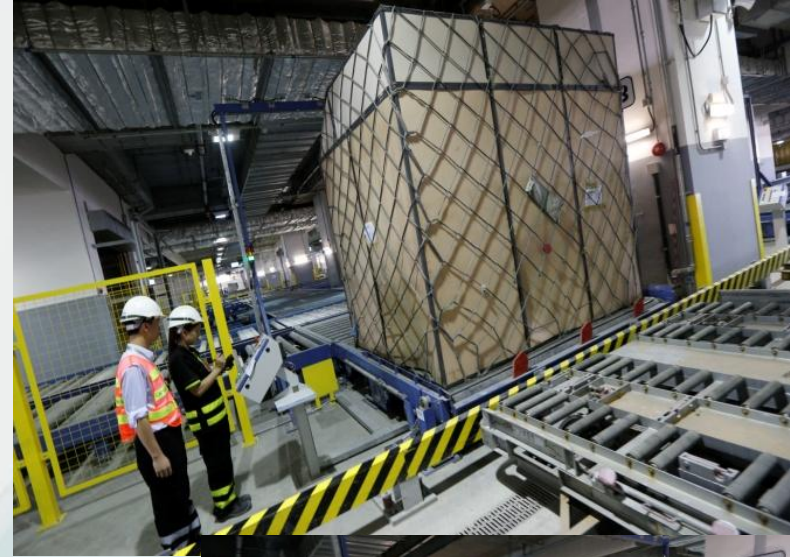
- Membership exceeds 4 million worldwide.
- 1% increase in redemptions by Asia Miles members in 1H2012. More than 90% of Cathay Pacific flights carry passengers who have redeemed frequent flyer miles through the Asia miles programme.



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Cargo Terminal Development

- HK\$5.9bn investment, spend to Oct 2012 HK\$5.3bn
- The Cargo Terminal has received its occupation permit from the HKSAR Government's Buildings Department in September 2012
- First stage of Operation Trial has been commenced since late October and will continue until end of 2012
- Briefings and meeting with terminal users have been conducted since early November



Cargo Terminal Development (Continued)

- Terminal Control Centre (TCC) – the mastermind of the Terminal supervising human resources, system control and all cargo handling activities – is up and running
- On schedule for opening in early 2013
- It will greatly enhance the competitiveness and efficiency of Hong Kong as an airfreight hub



Air China

- Cathay Pacific has a 19.57% interest in Air China.
- Cathay Pacific accounts for Air China for the 12 months ended 30th September 2012 and any significant events or transactions during their last quarter.
- Profits from Air China in the first nine months of 2012 were significantly down compared to the same period 2011 due to similar factors as Cathay Pacific – a high oil price, pressure on yield, a weak cargo market and unfavourable exchange movement.



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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, another one just sold in July 2012 and leaving one aircraft remaining to be sold)
 - 2 spare engines (one sold in 2011 and leaving one spare engine remaining to be sold)



Air China / Cathay Pacific Cargo Joint Venture (Continued)

Operating performance

- Performance of Air China Cargo has been weak but remains strategically important
- Due to high fuel price, profitability remains challenging
- Overall tonnage has increased, but lower yields
- Seeing recent improvement in Pudong and emerging markets (Chengdu, Chongqing, Zhengzhou)
- Addressing flight schedule/network consolidation



New Joint Venture

- **Shanghai International Airport Services Co., Limited**
 - Jointly owned by Shanghai International Airport Co., Ltd, Shanghai Airport Authority, Air China and Cathay Pacific
 - To leverage on the resources and management expertise to enhance the hub operations and efficiency of ground handling services at the two Shanghai airports



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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



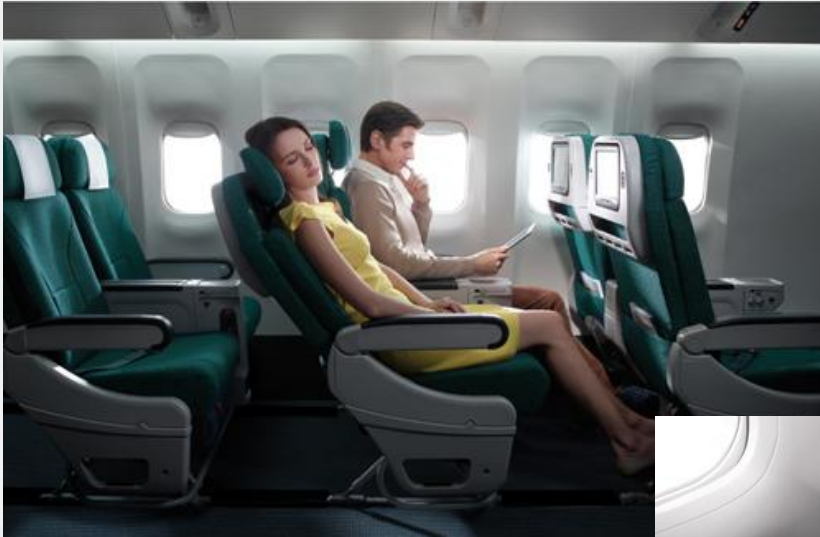
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Product and Services

Introduction of the new Premium Economy Class



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Product and Services (Continued)

New Long-haul Business Class



New Regional Business Class



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Product and Services (Continued)

New long-haul Economy Class seats



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Product and Services (Continued)

Reopened Business Class Lounge of The Wing
in January



Opened new First and
Business Class Lounge in Paris



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Product and Services (Continued)

- Launch of Mobile Boarding Pass service



- Upgrade of new passenger reservation system

Financial Risk Management

- Currency
 - All major currencies are hedged in compliance with our policy.
- Liquidity
 - A total of HK\$2.9 billion with tenors of 5 or 7 years raised through MTN programme since first issue in Oct 2011
 - Unpledged liquid funds and committed undrawn lines HK\$21.9 billion as at 31 Oct 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.



Net debt to equity ratio

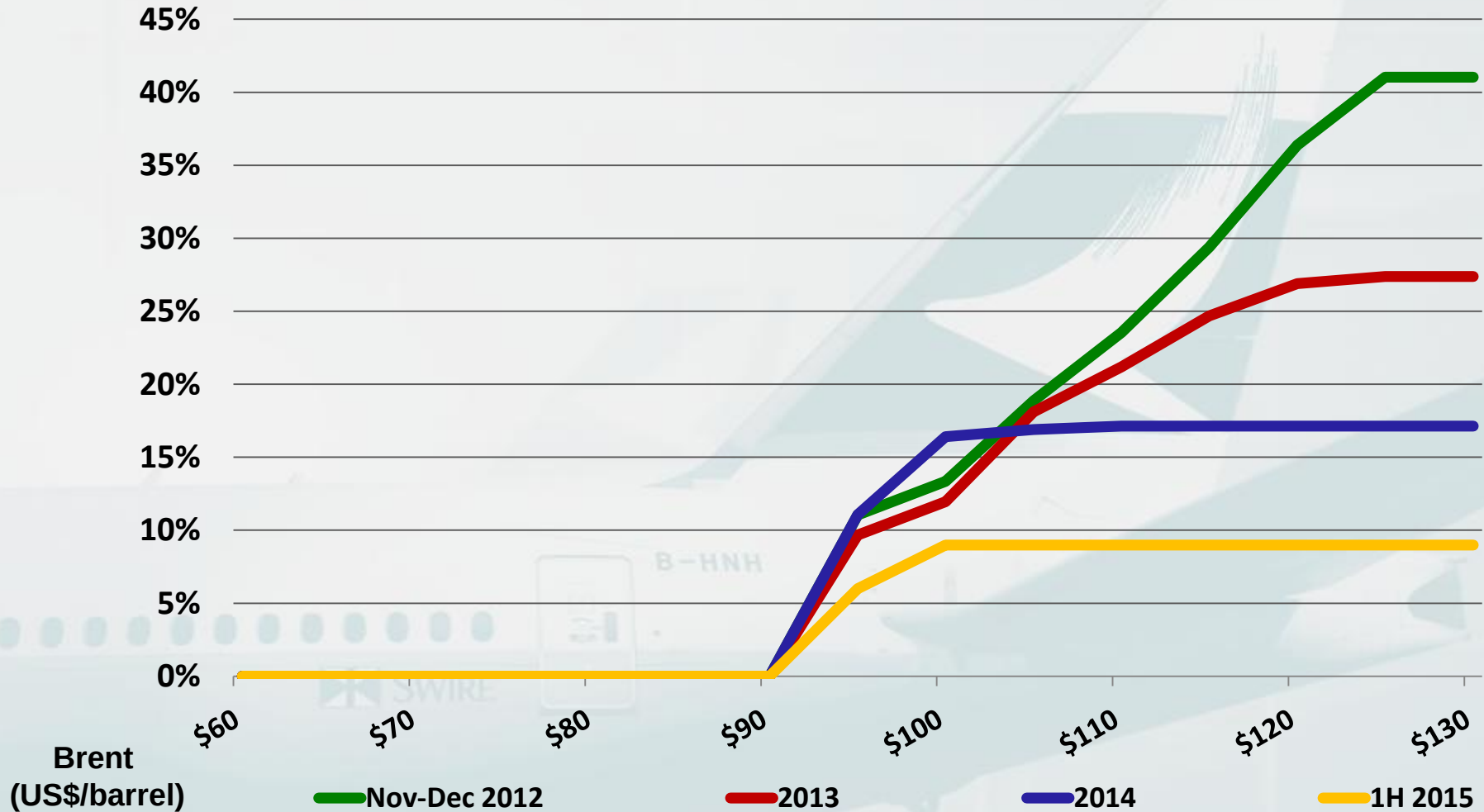
Oct 2012	Jun 2012	Dec 2011	Dec 2010	Dec 2009	Dec 2008	Dec 2007	Dec 2006	Dec 2005
0.64	0.55	0.43	0.28	0.62	0.69	0.30	0.36	0.26

- Continue to adopt prudent financial strategy, maintain adequate cash reserves

Fuel Hedging

As at 16 November 2012

Fuel hedging coverage



Q & A

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



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