



Cathay Pacific Airways
2013 Analyst Briefing
25 June 2013



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Operating Performance

- The challenging business environment continues into the first half of 2013.
- Continued weak demand in the air cargo markets.
- Some improvement in the passenger business, particularly long-haul demand, but yield pressure short-haul.
- Persistent high price of jet fuel.
- Lower operating costs due to reduced capacity and the withdrawal of older, less fuel-efficient aircraft.



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Performance to May 13 - Capacity Data

CATHAY PACIFIC/ DRAGONAIR COMBINED CAPACITY	Cumulative May 2013	% change YTD
China	4,720,650	6.3%
North East Asia	6,976,682	0.4%
South East Asia	7,520,384	5.0%
India, Middle East, Pakistan & Sri Lanka	4,471,727	-5.2%
South West Pacific & South Africa	7,386,910	-8.3%
North America	12,215,368	-15.4%
Europe	8,541,190	-5.3%
ASK ('000)	51,832,911	-5.4%
Passenger load factor	80.6%	1.0pt
Available cargo and mail tonne km ('000)	5,463,959	-2.6%
Cargo and mail load factor	62.6%	-1.4pt
ATK ('000)	10,392,953	-4.0%



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Performance to May 13 - Traffic Data

CATHAY PACIFIC AND DRAGONAIR COMBINED TRAFFIC	Cumulative May 2013	% change YTD
China	3,324,448	3.4%
North East Asia	5,231,221	4.8%
South East Asia	5,942,249	3.7%
India, Middle East, Pakistan & Sri Lanka	3,332,313	-7.4%
South West Pacific & South Africa	5,804,126	-4.5%
North America	10,813,510	-13.4%
Europe	7,307,729	-2.3%
RPK ('000)	41,755,596	-4.2%
Passengers carried	12,012,349	1.0%
Cargo and mail revenue tonne-km ('000) (RTK)	3,419,757	-4.7%
Cargo and mail carried kg ('000)	618,382	-1.2%
Number of flights	29,176	5.1%



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Operating Performance - Passenger

- Passenger demand is strong on long-haul routes for all classes.
- Reduced capacity largely in long-haul frequencies, enabled improvement which transpired to yield improvement.
- Demand on regional routes did not keep pace with the increase in capacity.
- The Asia Pacific region was affected by H7N9 avian flu outbreak, political issues in the Korean peninsula and an earthquake in Sichuan.



Passenger Services Development in 2013

Cathay Pacific

- Restored the frequencies on long-haul routes cancelled as part of 2012 cost reduction. In March, services to Toronto were restored from 7 to 10 and from June Los Angeles to 3 times daily. New York will be four times daily from September.
- Added a fifth daily flight between London and Hong Kong in June.
- Increased the service between Bangkok and Hong Kong by adding 5 weekly flights, resulting in 47 weekly flights from July.
- Enhanced Mumbai service from March by changing three weekly flights to non-stop, bringing a total of 10 weekly non-stop flights.



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Passenger Services Development in 2013

Dragonair

New services

- New services to Wenzhou, Yangon and Zhengzhou were introduced in January.
- New service to Da Nang was introduced in March.

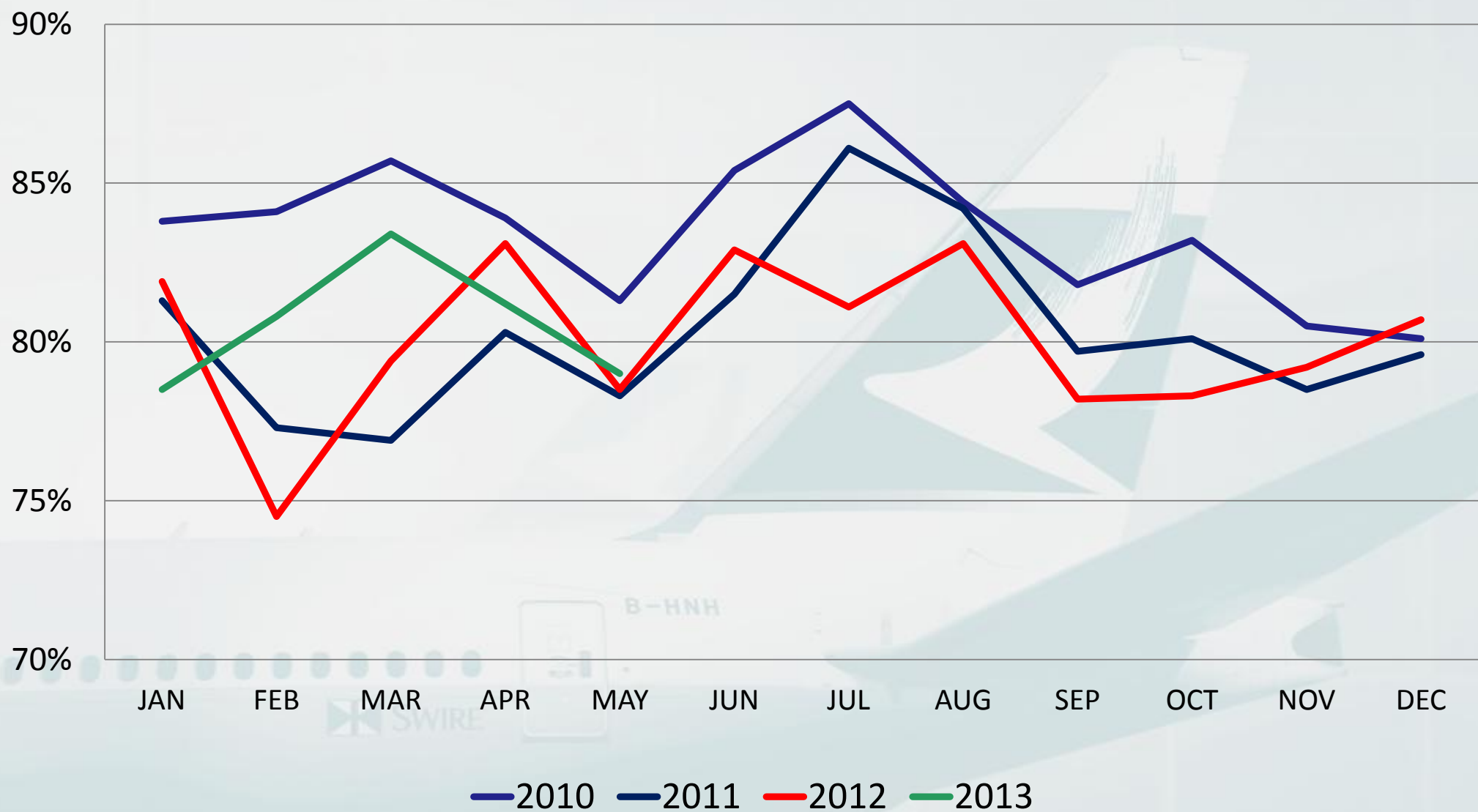
Addition of frequencies

- Increased frequency to Kaohsiung in February.
- Increased frequencies to Chiang Mai, Kota Kinabalu and Wuhan in April.



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PASSENGER LOAD FACTOR (JAN 2010 - MAY 2013)



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Operating Performance - Cargo

- Weak demand in all major markets throughout the first half of 2013.
- Demand out of Hong Kong remained weak.
- General air cargo market remains weak, particularly in Europe.
- Transpacific routes held up better but still below expectations.
- Demand on routes within Asia is relatively robust, but yields are under pressure due to surplus capacity.



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Cargo Services Development

- Suspended freighter operations to Brussels and Stockholm in February.
- Merged the separate services to Chongqing and Chengdu to reduce costs.
- Reduced Zhengzhou freighter schedule from six flights a week to three.

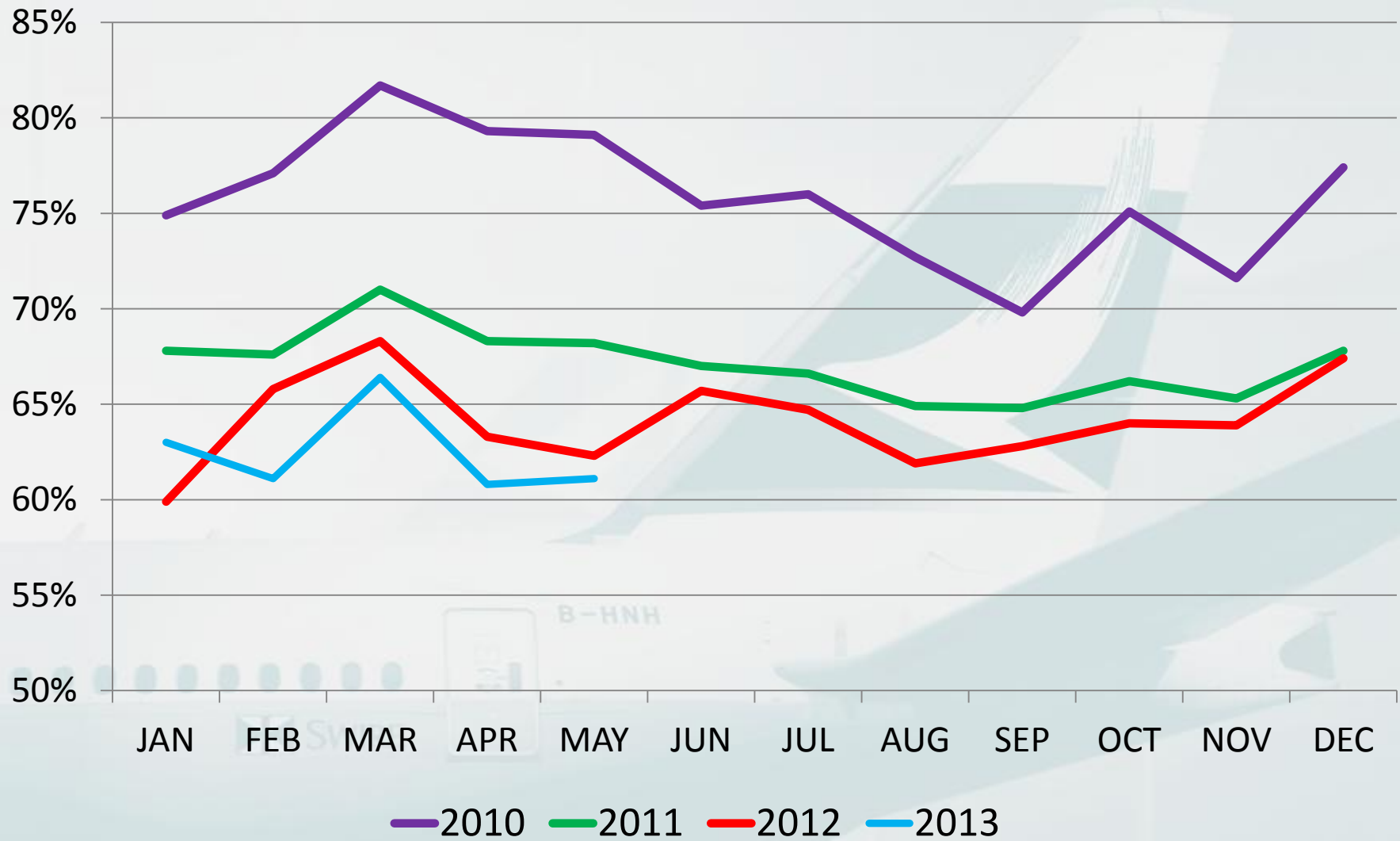


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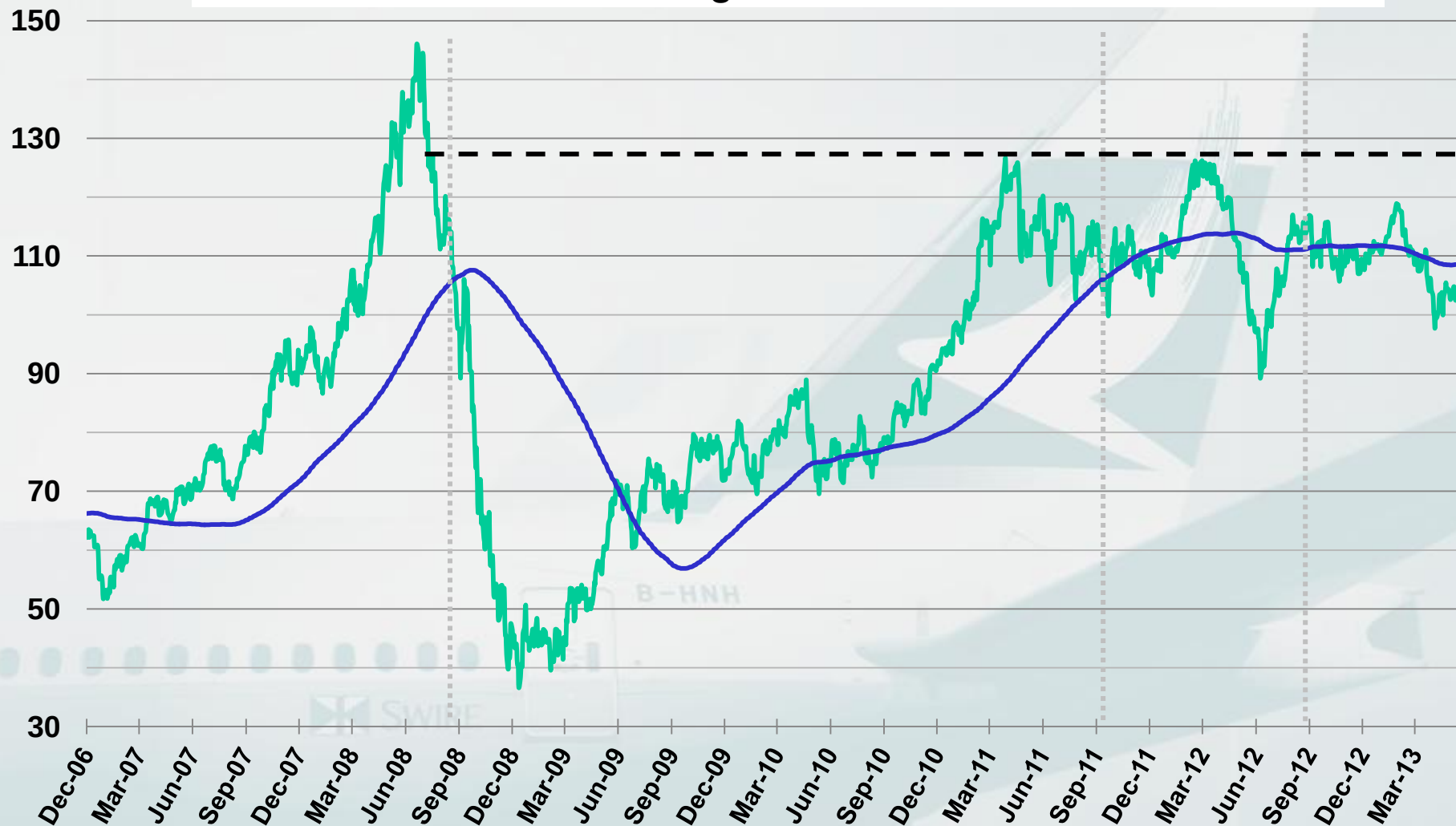
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CARGO AND MAIL LOAD FACTOR (JAN 2010 - MAY 2013)



USD/Bbl - Brent- Daily Closing Price and 250 Day Simple Moving Average 2007 - 2013



— Brent Daily Close

— Brent 250 Day SMA

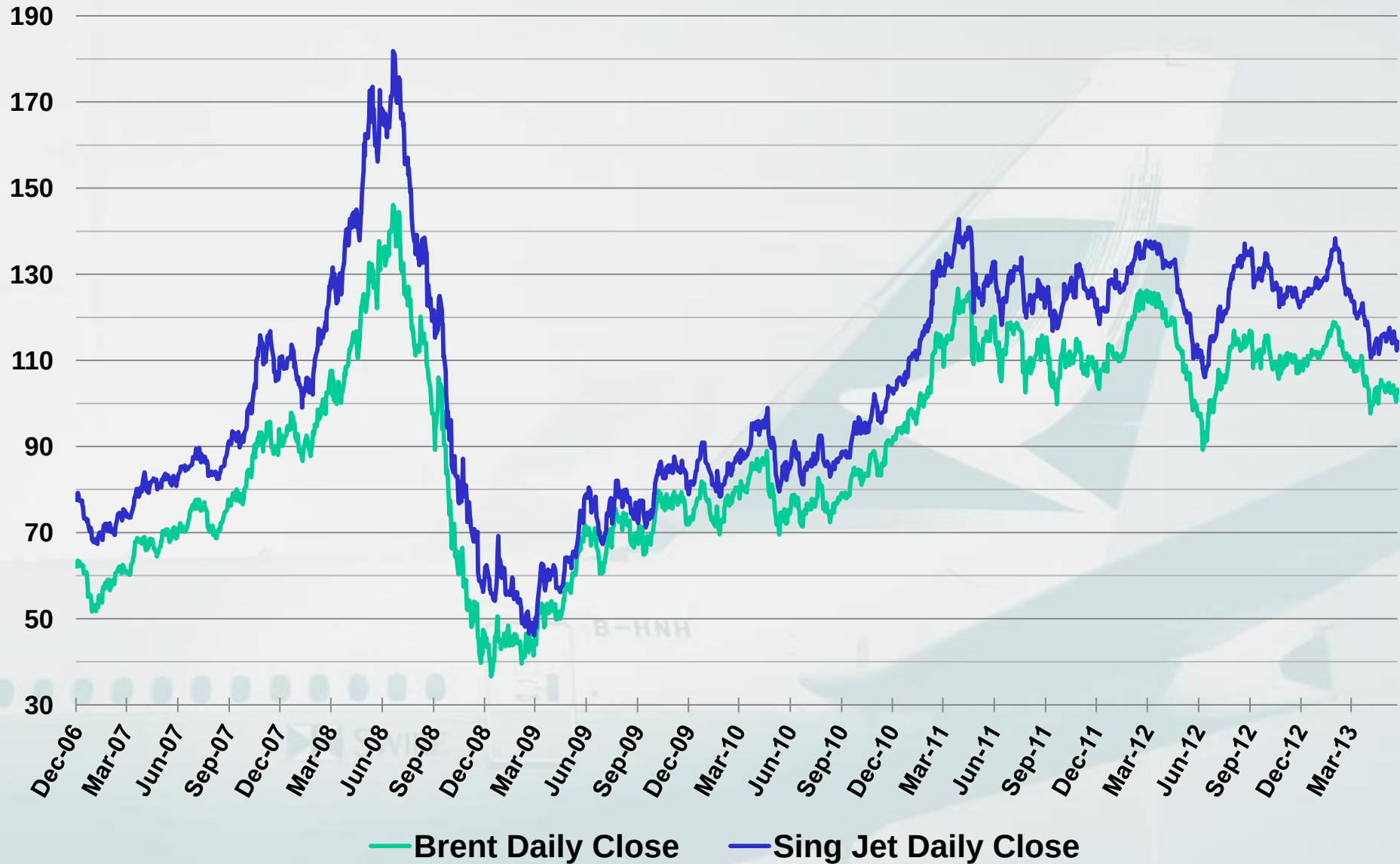


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USD/Bbl - Brent and Sing Jet Daily Closing Price 2007 - 2013



2012 Cost-Saving Measures continued into 1H 2013

- Reduce passenger and cargo capacity.
- Deploy more fuel-efficient aircraft on long-haul flights.
- Accelerate the retirement of the old Boeing 747-400s.
- 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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CX and KA Fleet Plan 2013 till 30 June 2013

	In operation			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
31 Dec 2012	150	23	173	-	3	3
New deliveries ^(a)	5	1	6	-	-	-
Returned to lessor	(1)	-	(1)	-	-	-
Parked aircraft	-	(1)	(1)	-	1	1
Sold to ACCJV	-	(1)	(1)	-	-	-
Sold to Boeing	-	(1)	(1)	-	(2)	(2)
Retired	(1)	-	(1)	-	-	-
Deregistered	(3)	-	(3)	-	-	-
30 Jun 2013 (projected)	150	21	171	-	2	2

(a) Two A330-300, Three B777-300ER and one B747-8F were delivered during the first half of 2013.



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New Aircraft as at June 2013

Orders brought forward at 1 Jan 2013	92
Delivered	(6)
New Orders in February 2013 (Two A321-200)	2
New Orders in March 2013 (Three B747-8F)	3
Cancellation of orders (Eight B777-200F)	(8)
Total as at 30 Jun 2013 (Projected)	83



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Aircraft Delivery Plan as at June 2013

	2013	2014	2015	2016	2017	2018	2019	2020	
B747-8F	4								4
A321-200		2							2
A330-300	3	5	3						11
A350-900				12	10				22
A350-1000						6	10	10	26
B777-300ER	6	8	4						18
Total	13	15	7	12	10	6	10	10	83



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Fleet – out of operation in 2013

Freighter

- Boeing 747-400BCF
 - Four Boeing 747-400BCF were disposed of in a trade-in deal with the Boeing Company entered into in March.
 - Three out of four aircraft were deregistered and in first half 2013.
 - Remaining one to be sold in August.
 - The last of four Boeing 747-400BCF was sold to ACCJV in March.

Passenger

- Boeing 747-400
 - Deregistered three Boeing 747-400s in first half 2013.
 - Retired one Boeing 747-400 in June.



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Fleet & Scheduling - 744 Retirement Plan

As of 24 June 2013

Exit date	Number	Remaining
Mar 13	-3	15
Jun 13	-1	14
Oct 13	-1	13
2014	-6	7



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Cargo Fleet Plan

2013

- Forecast fleet composition as at 30 Jun 2013
 - 23 x 747 Freighters :
6 x 747-400F, 6 x 747-400ERF, 2 x 747-400BCF and 9 x 747-8F.

Latest development

- New delivery
 - 747-8F – 4 orders to be delivered in second half of 2013.



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Development in 2013

Passenger

- 9 aircraft deliveries in second half of 2013 and 14 in 2014.
- Projected ASK contraction in 2013 is approximately 1.7%.

Cargo

- 4 aircraft (B747-8F) to be delivered in second half 2013.
- Projected DL ATK contraction in 2013 is approximately 4.1%.



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 two wet-leased Airbus A300-600F freighters.
 - Expect an increase in profit in the first half of 2013 compared with first half of 2012.
- **Cathay Pacific Catering Services**
 - Growth in the number of meals produced.
 - Expect a decrease in profit in the first half of 2013 compared with first half of 2012 due to increase in operating costs.
- **Asia Miles**
 - Membership exceeds 5 million worldwide.
 - Increase in redemptions by Asia Miles members in first half of 2013. 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, commenced in three stages.
- First stage of operations commenced at February 2013, handling valuable cargo, transit civil mail and interface transfer transshipments.
- Stage Two operations commence in June, handling all transshipments, import cargo.
- Stage Three operations scheduled for September.



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Cargo Terminal Development (Continued)

- Launch of new terminal will provide streamlined cargo solutions and innovative, tailor-made products that suit the needs of customers.
- It will greatly enhance the competitiveness and efficiency of Hong Kong as an airfreight hub.



Air China

- Cathay Pacific has a 20% interest in Air China.
- Cathay Pacific accounts for Air China for the 6 months ended 31 March 2013 and any significant events or transactions during their last quarter.
- Profits from Air China in the 6 months to 31 March 2013 were significantly down compared to the same period 2012 due to similar factors as Cathay Pacific – high oil price, pressure on yield and weak cargo market.



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Air China / Cathay Pacific Cargo Joint Venture

- CX acquired 49% economic interest in Air China Cargo (ACC), with the remaining 51% interest held by Air China.
- On 1 March 2013, ACC entered into agreements pursuant to which ACC has agreed to purchase 8 Boeing 777-200F freighters and to sell 7 Boeing 747-400BCF freighters to The Boeing Company. The 8 Boeing 777-200F are expected to deliver from late 2013 to 2015.
- CX sold the last of four Boeing 747-400BCF to ACCJV in the first half of 2013.

Air China / Cathay Pacific Cargo Joint Venture (Continued)

Operating performance

- Performance of Air China Cargo has been weak but remains strategically important.
- Opened two new routes: Shanghai-Zhengzhou-Amsterdam and Shanghai-Chongqing-Frankfurt in March 2013.



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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

New long-haul Economy Class seats



New Business Class seats



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Product and Services (Continued)

- New Premium Economy Class



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Product and Services (Continued)



New Regional Business Class



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Product and Services (Continued)

New KA Business Class



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Product and Services (Continued)

New KA Economy Class



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Product and Services (Continued)

New Inflight Entertainment System for Dragonair



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Product and Services (Continued)

New Uniform for KA launched on March 2013



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Product and Services (Continued)

Reopened the First Class Lounge in February 2013



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Product and Services (Continued)

Upgrade of flagship web site for CX and KA



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Product and Services (Continued)

Upgrade of flagship web site for CX and KA (con't)



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Product and Services (Continued)

- Mobile Boarding Pass
 - has rolled out in AKL, AMS, BAH, CDG, DXB, FCO, FRA, HKG, JED, KHH, KUL, MXP, LHR, RMQ, TPE, SIN, YVR, YYZ and Japan ports.
- Development of new departure control system.



Awards

- Cathay Pacific awarded the “World’s Best Cabin Staff” and “Best Transpacific Airline” honours in the annual Skytrax World Airline Awards programme in June.
- Dragonair awarded “World’s Best Regional Airline” for the third time and “Best Regional Airline in Asia”.
- Skytrax is one of the most comprehensive customer satisfaction surveys in the airline industry.



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Financial Risk Management

- Currency
 - All major currencies are hedged in compliance with our policy.
- Liquidity
 - A total of HK\$3.2billion with tenors of 5 or 10 years raised through MTN programme since first issue in Oct 2011.
 - Unpledged liquid funds and undrawn committed lines HK\$22.3bn as at 31 May 2013.
- 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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Net debt to equity ratio

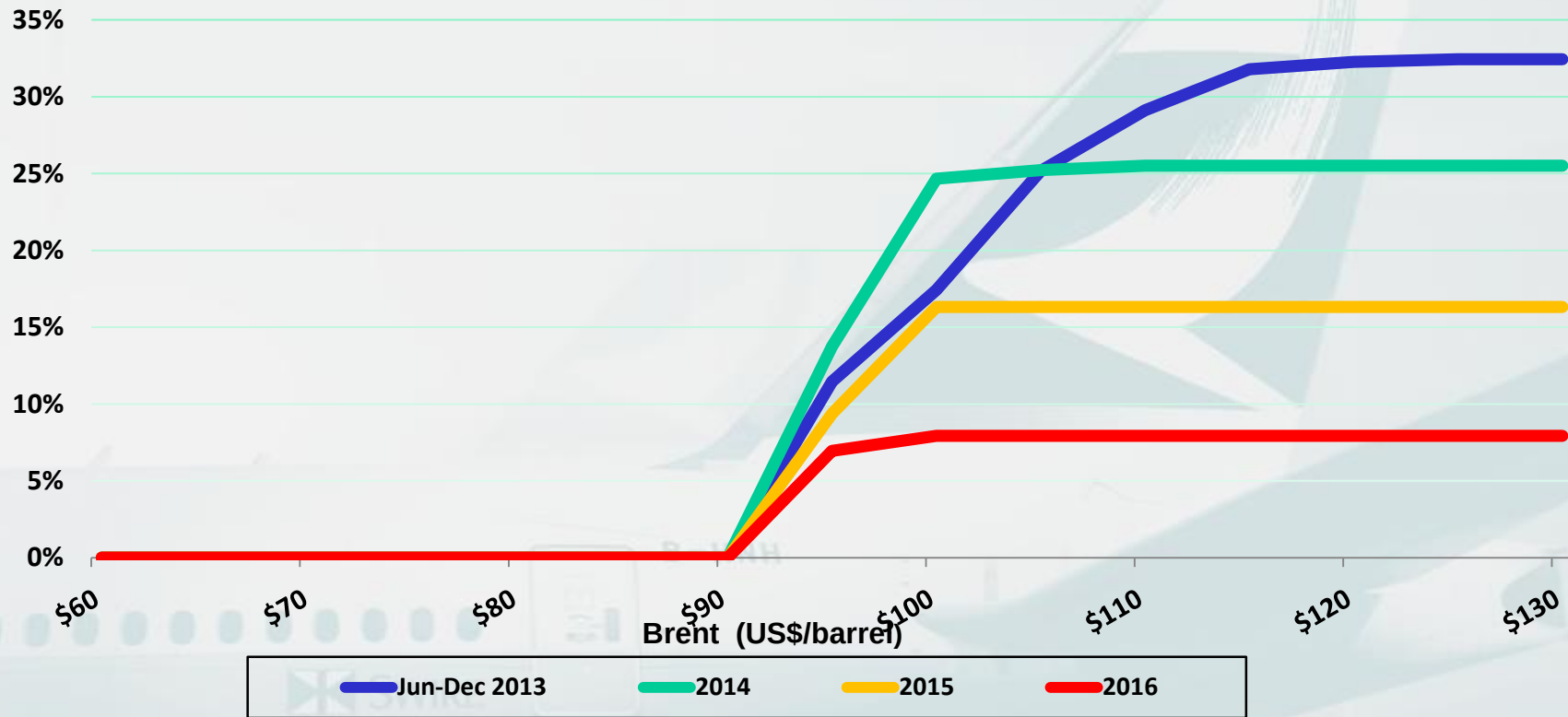
May 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009	Dec 2008	Dec 2007	Dec 2006
0.60	0.62	0.43	0.28	0.62	0.69	0.30	0.36

- Continue to adopt prudent financial strategy, maintain adequate cash reserves.
- CAPEX on new aircraft , product enhancement and cargo terminal will be over HK\$26B in the next 3 years.

Fuel Hedging

Fuel hedging
Coverage

Fuel Hedging Coverage



Brent
(US\$/barrel)



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Outlook

- Global economic uncertainties continue into the second half of 2013, impacting passenger demand.
- Cargo demand remains weak.
- Fuel price remains high, but we benefit from the recent decline.
- Cost cutting measures initiated in 2012 will continue to yield benefits.
- 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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