

# ***Cathay Pacific Airways***

## ***2014 Analyst Briefing***



***28 May 2014***



**CATHAY PACIFIC**

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*Now you're really flying*

# ***Operating Performance***

- The challenging business environment continues into the first half of 2014.
- Revenue performance is below expectation.
- Passenger demand is good but, due to stimulatory measures, putting yield under pressure.
- Cargo business, has continued to be weak, with over-capacity putting enormous pressure on rates.
- Listed associated company, Air China Limited, has announced reduced profits.

# ***Performance to Apr 14 - Capacity Data***

<b>CATHAY PACIFIC/ DRAGONAIR COMBINED CAPACITY</b>	<b>Cumulative Apr 2014</b>	<b>% change YTD</b>
Mainland China	3,729,091	-0.8%
North East Asia	5,844,934	4.0%
South East Asia	5,965,673	-0.3%
India, Middle East, Pakistan & Sri Lanka	3,653,640	2.5%
South West Pacific & South Africa	5,979,849	0.3%
North America	11,155,732	16.3%
Europe	6,854,217	1.7%
ASK ('000)	43,183,136	4.7%
Passenger load factor	83.1%	+2.1%pt
Available cargo and mail tonne km ('000)	4,793,517	10.1%
Cargo and mail load factor	62.7%	-0.3pt
ATK ('000)	8,900,177	7.6%

# ***Performance to Apr 14- Traffic Data***

CATHAY PACIFIC AND DRAGONAIR COMBINED TRAFFIC	Cumulative Apr 2014	% change YTD
Mainland China	2,799,215	3.6%
North East Asia	4,684,590	10.1%
South East Asia	4,846,607	2.1%
India, Middle East, Pakistan & Sri Lanka	2,777,458	5.4%
South West Pacific & South Africa	5,101,065	6.1%
North America	9,751,443	15.8%
Europe	5,930,162	2.2%
RPK ('000)	35,890,540	7.5%
Passengers carried	10,230,610	5.8%
Cargo and mail revenue tonne-km ('000) (RTK)	3,007,528	9.7%
Cargo and mail carried kg ('000)	525,046	5.7%
Number of flights	24,317	4.7%

# ***Operating Performance - Passenger***

- Passenger demand is strong on long-haul routes for all classes.
- Capacity increased followed by new services to Newark in the USA and Doha in the Middle East.
- Weak passenger yields in both front- and back-end.
- The Asia Pacific region affected by political unrest in Thailand and Vietnam.
- Inbound China traffic disappointing.

# ***Passenger Services Development in 2014***

## ***Cathay Pacific***

- Launched new services to Newark in the U.S.A. in March 2014.
- Launched new services to Doha in Qatar in late March 2014, and cease flying to Abu Dhabi and Jeddah at the same time.
- Frequencies to Los Angeles will be increased from 3 to 4 daily starting from June 2014 and Chicago will be increased from 7 to 10 weekly starting from August 2014.
- Will introduce new four-times-weekly service to Manchester in the United Kingdom in December 2014.
- Announced the new daily service to Zurich in the Switzerland from March 2015.

# ***Passenger Services Development in 2014***

## ***Dragonair***

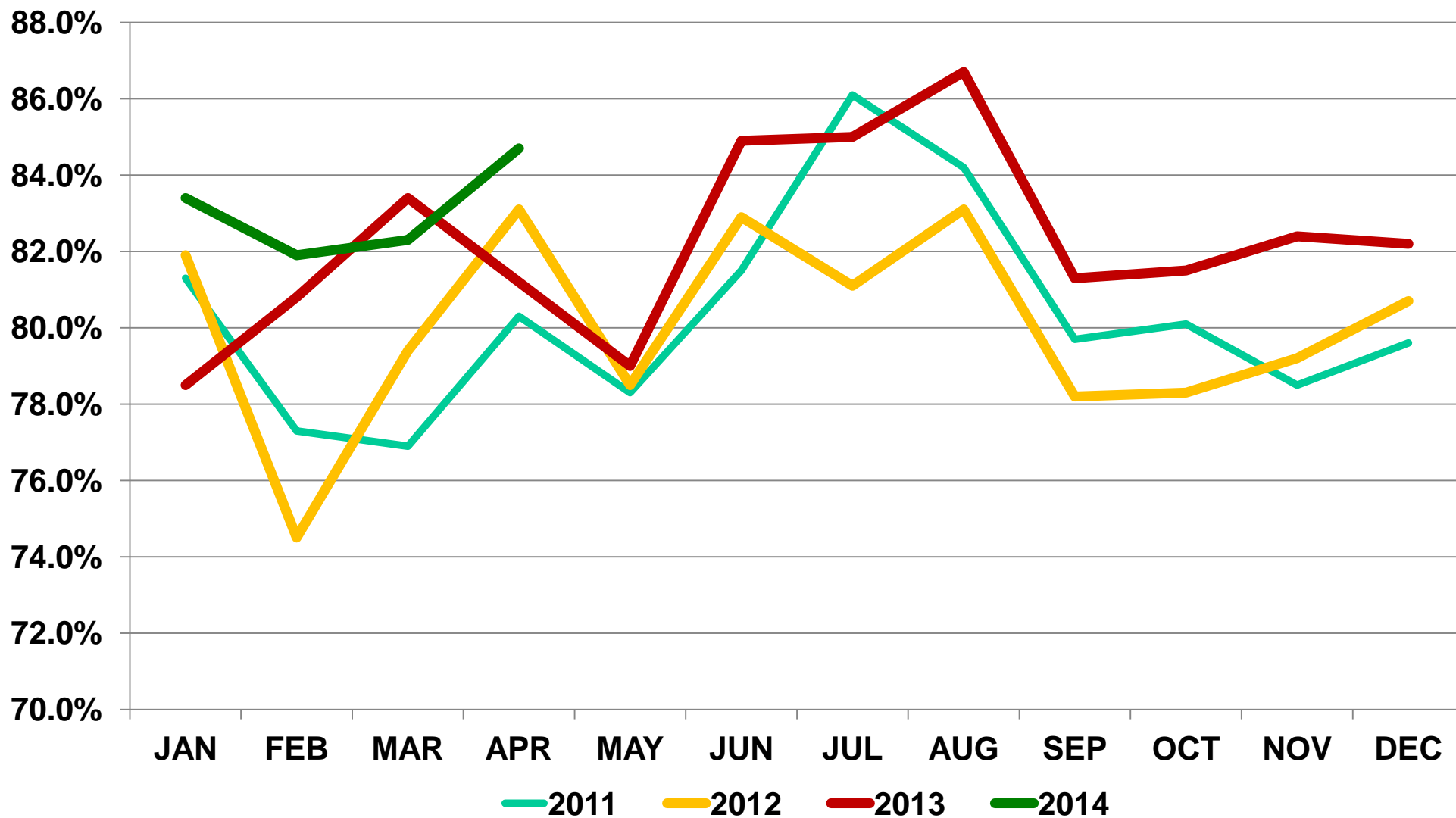
### New services

- Launched new services to Penang in March 2014
- Launched new services to Denpasar, Bali in April 2014.

### Frequency increases

- Da Nang was increased from 4 to 7 weekly in March 2014

# PASSENGER LOAD FACTOR (JAN 2011 – APR 2014)





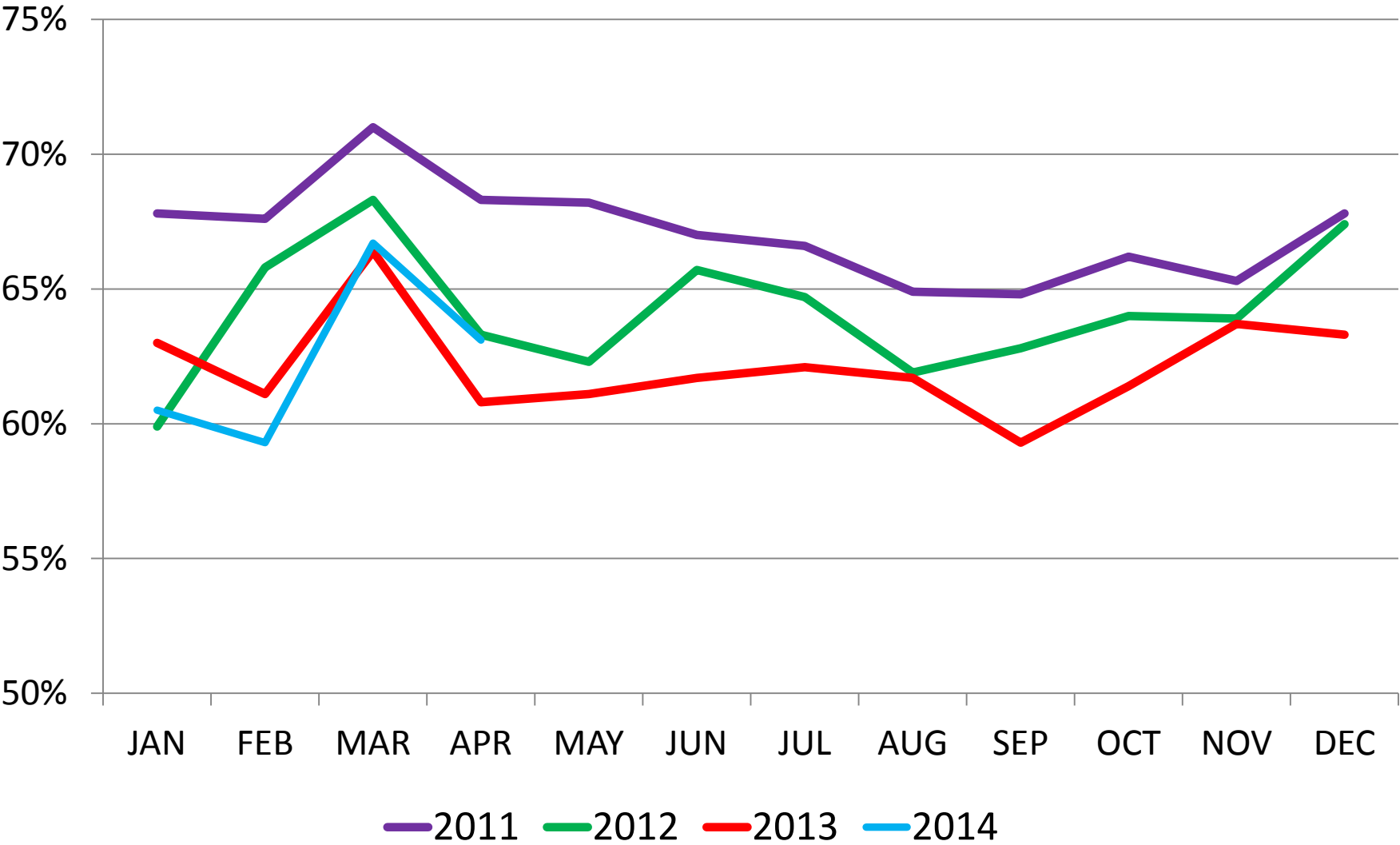
# ***Operating Performance - Cargo***

- Over capacity in all major markets continues through the first half of 2014.
- Some growth from key markets including China and America, however yield is a continuing concern.
- General air cargo market remains weak, particularly in Europe.
- Transpacific routes held up better with good support from Hong Kong, China and Southeast Asia.
- Demand on routes within Asia is relatively robust especially Vietnam.
- Thirteen 747-8Fs drive ATK growth despite reduced freighter frequencies.

# ***Cargo Services Development***

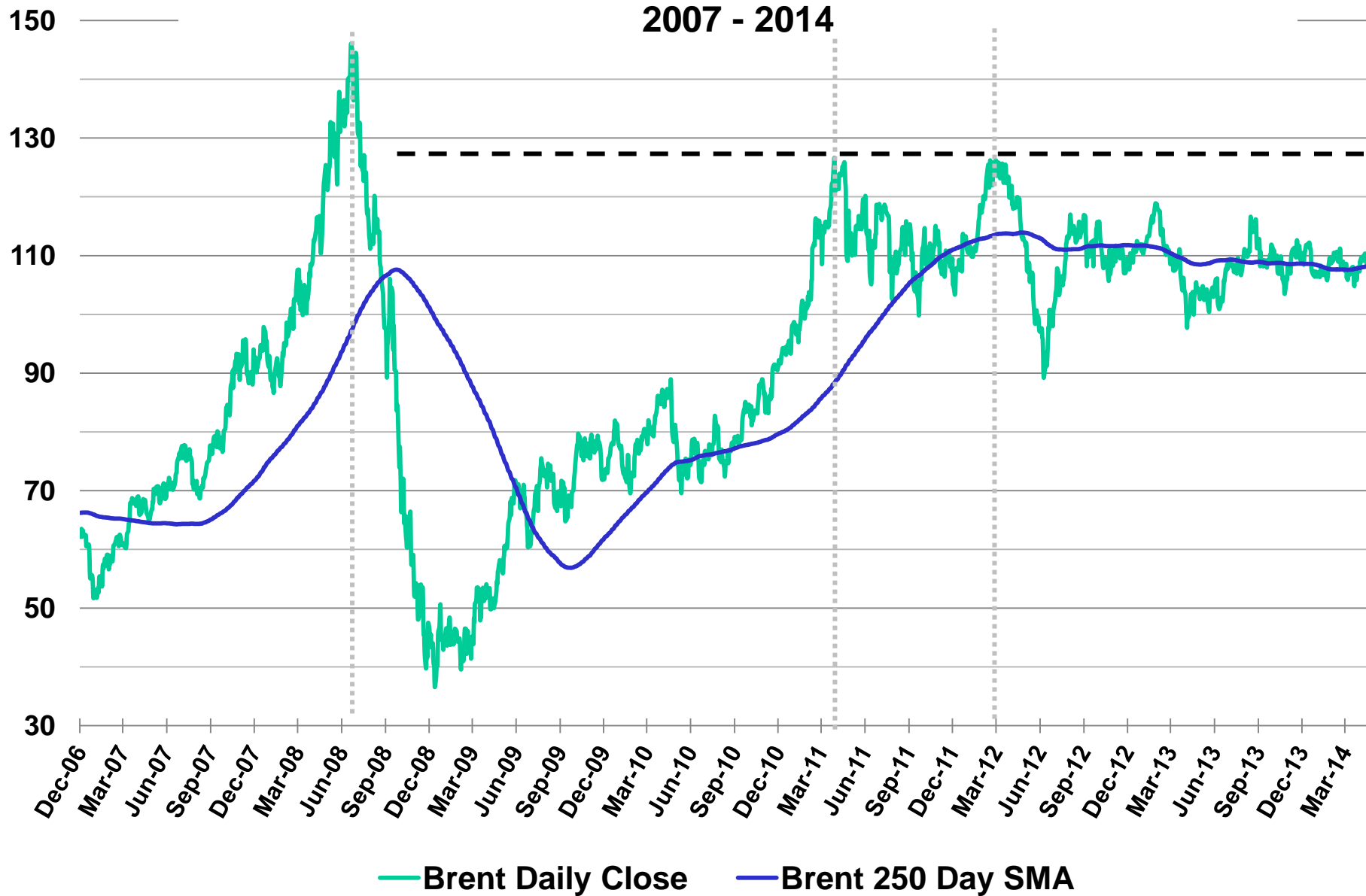
- Launched new freighter services to Guadalajara in Mexico in October 2013. This was extended to three-times-weekly in March 2014 and at the same time Cathay Pacific extended this service to Mexico City.
- Launched new freighter services to Columbus in the United States in late March 2014.

**CARGO AND MAIL LOAD FACTOR (JAN 2011 – APR 2014)**

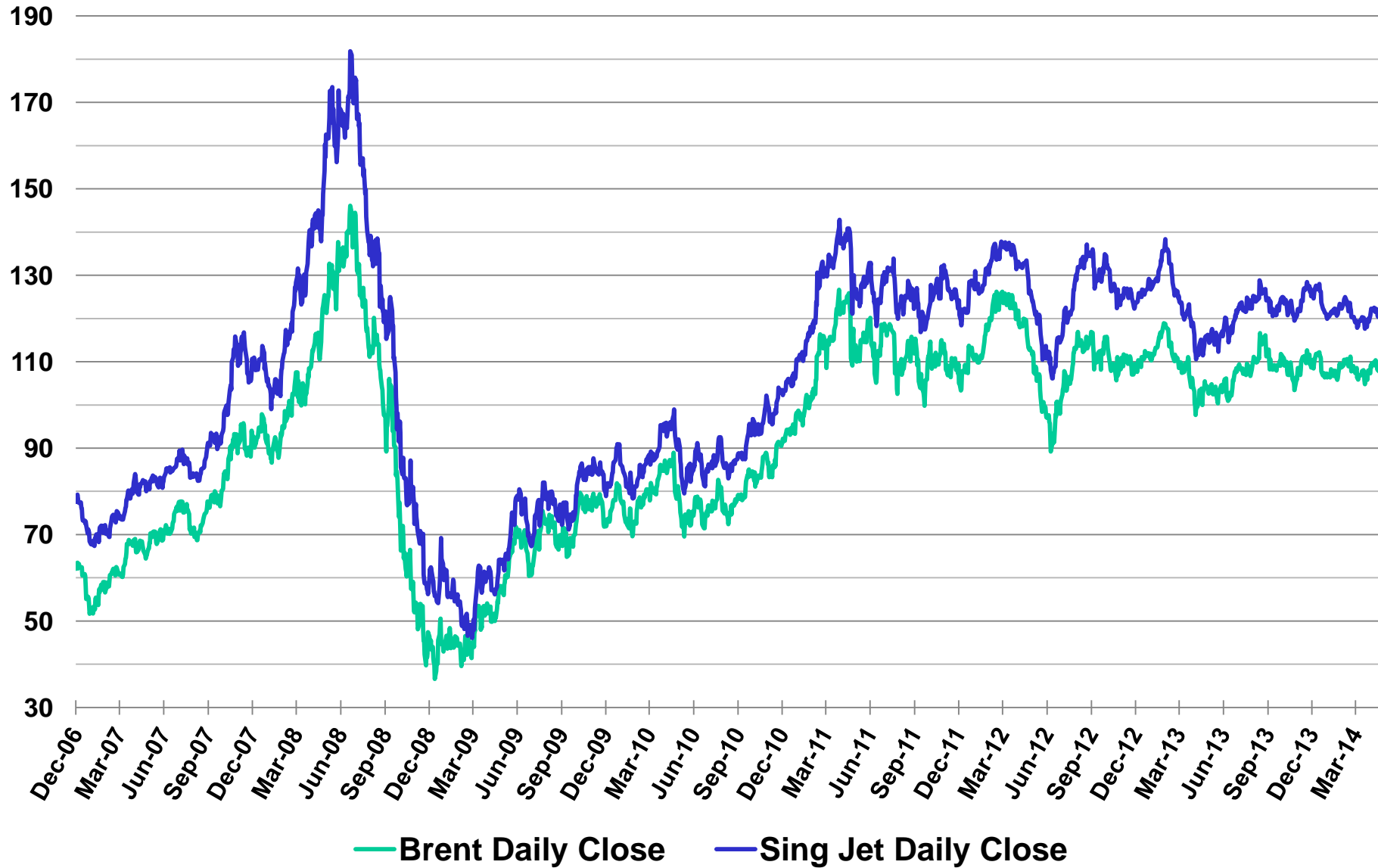


# USD/Bbl - Brent- Daily Closing Price and 250 Day Simple Moving Average

## 2007 - 2014



# USD/Bbl - Brent and Sing Jet Daily Closing Price 2007 - 2014



# ***CX and KA Fleet Plan as at 30 April 2014***

	In operation			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
<b>31 Dec 2013</b>	155	24	<b>179</b>	-	2	<b>2</b>
<b>New deliveries</b>	3		<b>3</b>			
<b>Return to lessors</b>	(2)	-	<b>(2)</b>	-	-	<b>-</b>
<b>Parked aircraft</b>	-	(3)	<b>(3)</b>	-	3	<b>3</b>
<b>Deregistered</b>	(1)	-	<b>(1)</b>	-	-	<b>-</b>
<b>30 April 2014</b>	155	21	<b>176</b>	-	<b>5</b>	<b>5</b>

# ***CX Fleet Profile as at 30 April 2014***

Aircraft type (includes parked aircraft)	Owned	Finance Leased	Operating Leased	Total
A330-300	15	15	6	36
A340-300	6	5		11
747-400	11		1	12
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	9	11	19	39
<b>Total</b>	<b>62</b>	<b>52</b>	<b>27</b>	<b>141</b>

## ***KA Fleet Profile as at 30 April 2014***

Aircraft type	Owned	Finance Leased	Operating Leased	Total
A320	5		10	15
A321	2		5	7
A330	7	1	10	18
<b>Total</b>	14	1	25	40



# ***Aircraft Delivery Plan as at 23 May 2014***

<b>Aircraft</b>									<b>Total</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 and beyond</b>	
B747-8F			1						1
A321-200	1								1
A330-300	4	3							7
A350-900			12	10					22
A350-1000					6	10	10		26
B777-300ER	8	6							14
B777-9X								21	21
<b>Total</b>	<b>13</b>	<b>9</b>	<b>13</b>	<b>10</b>	<b>6</b>	<b>10</b>	<b>10</b>	<b>21</b>	<b>92</b>

# ***Fleet & Scheduling - 744 Retirement Plan***

As at 30 April 2014		
Exit date	Number	Remaining
Oct 13	-1	13
Jan 14	-1	12
May 14	-1	11
Remaining months of 2014	-4	7

# Cargo Fleet Plan

2014

- Fleet composition:

	As at 30 April 2014		
<u>Fleet</u>	<u>Number</u>	<u>Parked</u>	<u>In operation</u>
747-400F	6*	(4)	2
747-400ERF	6		6
747-400BCF	1	(1)	-
747-8F	13		13
Total	<u>26</u>	(5)	<u>21</u>

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

# ***Development in 2014***

## **Passenger**

- 16 aircraft deliveries in 2014, 3 already delivered.
- Projected ASK growth in 2014 is approximately 7.0%.

## **Cargo**

- Projected overall DLATK growth in 2014 is approximately 9.6%.

# *Air China*

- Cathay Pacific has a 20% interest in Air China, and reports their results 3 months in arrears.
- Profits from Air China in the 6 months to 31 March 2014 were significantly down compared to the same period 2013.
- Air China issued profit warning for Q1 results on 21 April 2014, with decrease in the results due to exchange losses resulting from the substantial depreciation of Renminbi.

# ***Air China / Cathay Pacific Cargo Joint Venture***

## **Operating performance**

- Cathay Pacific recorded a smaller loss from Air China Cargo in the first four months of 2014 and reported a profit for April.
- Air China Cargo operates a fleet of ten freighters, with scheduled freighter services to seven countries and regions.
- Expect a decrease in loss in the first half of 2014 compared with first half of 2013.
- Freightier business difficult on weak cargo market.

# Cargo Terminal



- CX group cargo tonnage was below original forecast.
- Now operating smoothly and has secured first 3<sup>rd</sup> party customer – Air Asia.

- HK\$5.9bn investment, commenced in three stages.
- Opened in 3 phases over February to October 2013.
- The new terminal has an annual handling capacity of 2.6 million tonnes.



# ***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 2014 compared with first half of 2013

- **Cathay Pacific Catering Services**

- Growth in the number of meals produced
- Expect an increase in profit in the first half of 2014 compared with first half of 2013

- **Asia Miles**

- Membership exceeds 6 million worldwide
- Increase in redemptions by Asia Miles members. More than 90% of Cathay Pacific flights carry passengers who have redeemed frequent flyer miles through the Asia miles programme



# ***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.
- Improve productivity.
- Continue to develop the strategic relationship with Air China.
- Maintain a prudent approach to financial risk management.



# Inflight Products

# Skytrax – Best Business Class



A photograph of two Cathay Pacific flight attendants in red uniforms standing in the aisle of a business class cabin. The cabin features wide, comfortable-looking seats with blue and white upholstery. A gold award medal is visible in the top left corner of the image.

**CATHAY PACIFIC**

***World's Best Business Class.***  
*We couldn't have done it without you.*

We designed our new Business Class with the help of our passengers at every stage of the design process. The result is an exceptional cabin experience that complements our renowned personal service – plus a "World's Best Business Class" award in the Skytrax survey of over 18 million passengers worldwide. We are proud to call Hong Kong home and we thank you for your support.

[cathaypacific.com/honorbusinessclass](http://cathaypacific.com/honorbusinessclass)

Our new Business Class is only available on our Boeing 777-300ER aircraft. © 2012 Cathay Pacific Airways Limited. All rights reserved. Skytrax and World's Best Business Class are registered trademarks of Skytrax.



CX is the winner of the world's Best Business Class Airline award at the 2012 World Airline Awards held at Farnborough Air Show

# Seats



**FB2 (from Mar11)**



**PEY (from Mar12)**



**LH EYCL (from Mar12)  
KA Regional EYCL (from Feb13)**



**Refresh JCL (from Nov12)**



**Regional JCL (from Jan13)**



**FRCL Refresh (from Jul13)**



# KA New FRCL



# New IFE GUI



Studio<sup>CX</sup>  
Welcome Aboard

Hong Kong (HKG) to Paris (CDG)

Weather at CDG 18°  
Local time at CDG 8:41am

 CATHAY PACIFIC



English

繁體中文

简体中文

日本語

한국어

Français

Deutsch



# Ground Products





# Recent Lounge Development in HKIA



The Cabin Refresh (Oct11)



The Wing JCL Refresh (Mar12)



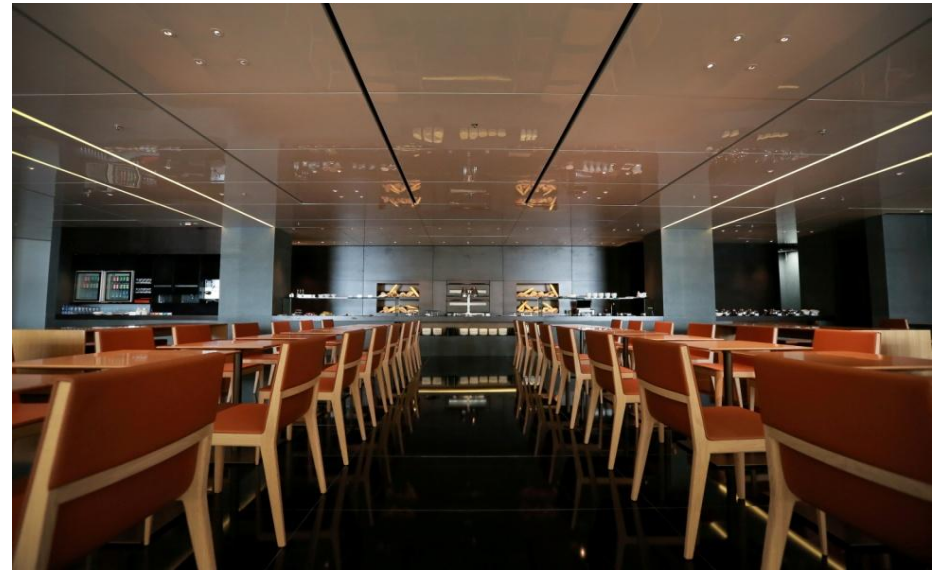
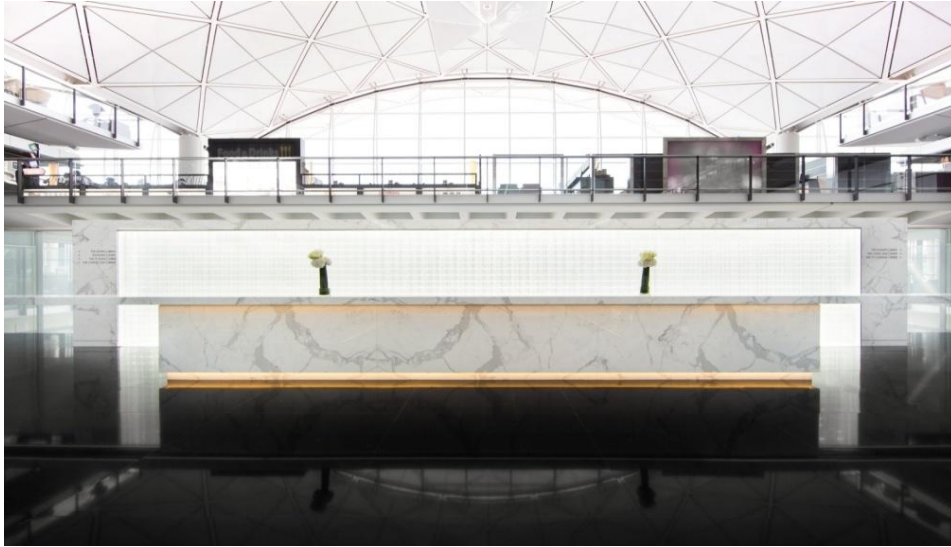
The Wing FRCL Refresh (Feb13)



The Bridge (Oct13)



# The Bridge – Oct 2013



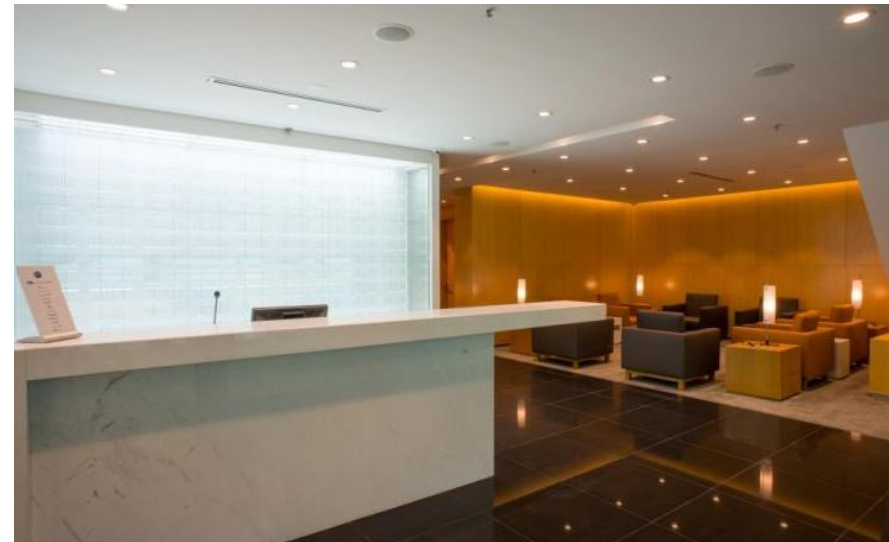
# Outport Lounge Development



SFO Lounge



CDG Lounge




PEN Lounge




# Lounge Wifi Landing Page

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 **CATHAY PACIFIC**



**MARCOPOLO**  
CATHAY PACIFIC

Membership No.


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
## Welcome to Cathay Pacific Lounges


### Newspaper


  
Financial Times

  
SCMP


  
Wall Street Journal


  
The New York Times


  
Sing Tao Daily


  
Apple Daily

### Magazine

  
Wall Street Journal

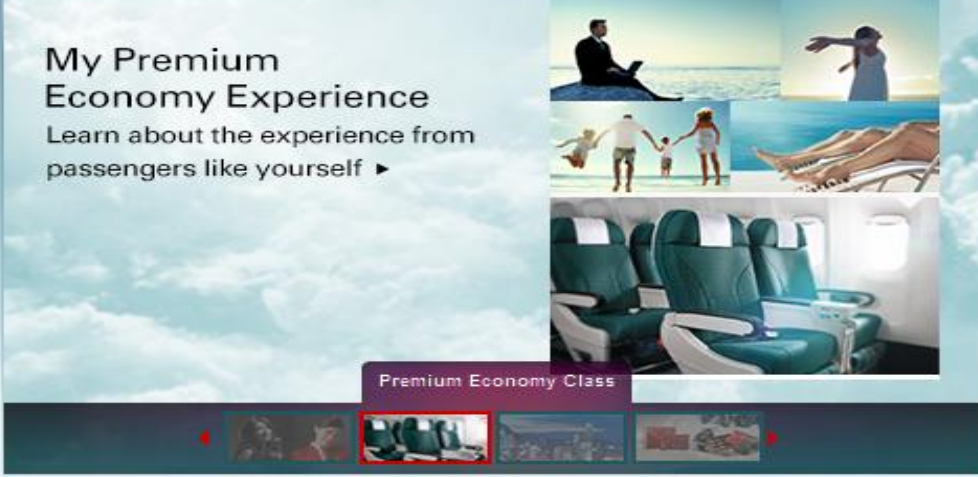
  
The New York Times

  
Sing Tao Daily

  
Apple Daily

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A black and white photograph of a hand holding a lightbulb. The lightbulb's filament is replaced by a detailed image of the Earth, showing continents and clouds. The background is a cloudy sky. A teal banner with white text is overlaid across the middle of the image.

# Other Initiatives

# Products and Services

- Launch of Mobile Boarding Pass service



- Upgrade of new passenger reservation system



# Regional Proposition – Snack box

CX: CEB, SGN  
MNL and TPE (hot box only)

KA: CNX, DAD  
MNL and TPE (hot box only)

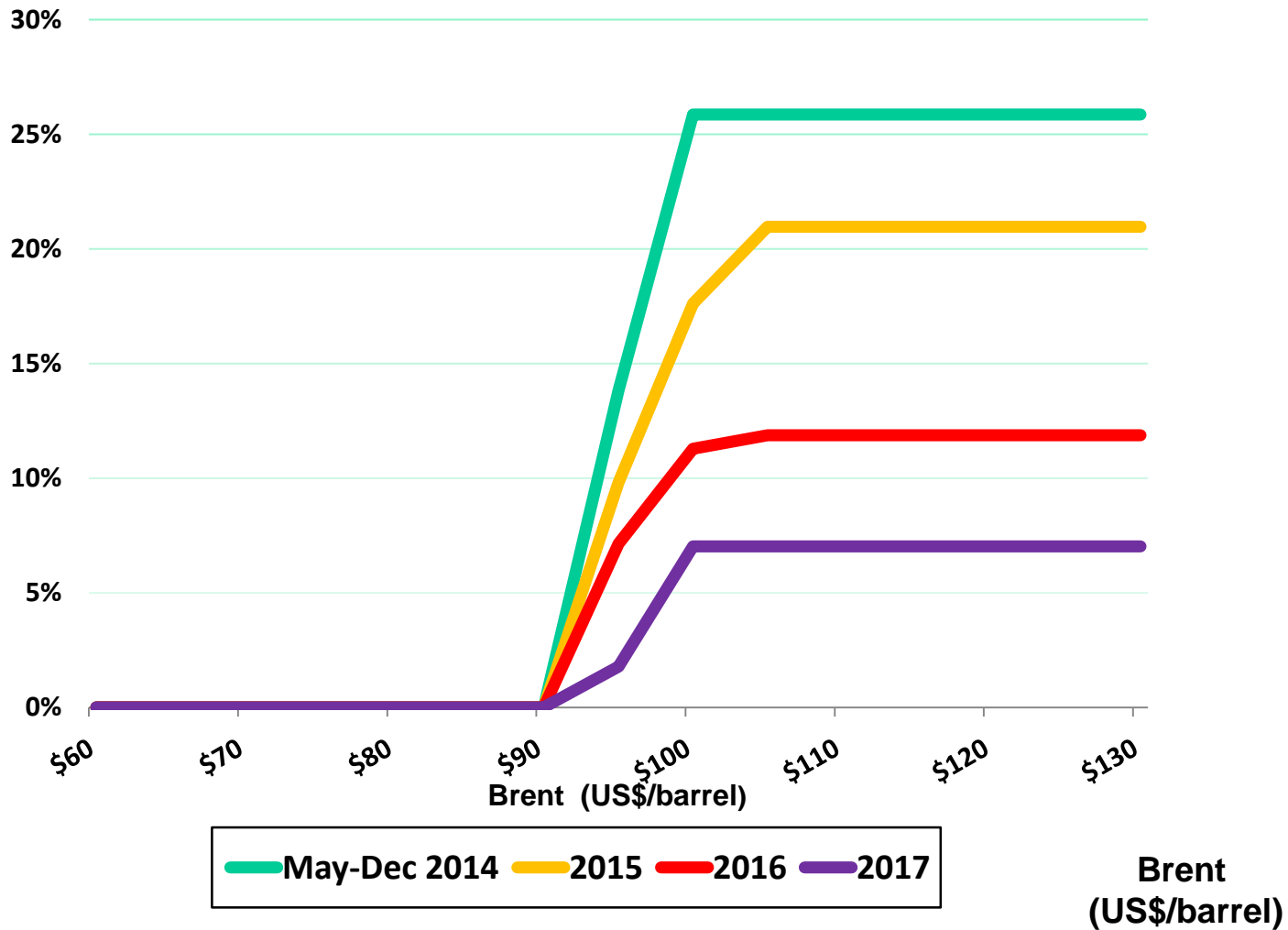


# ***Financial Risk Management***

- 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 2012.
  - Unpledged liquid funds and committed undrawn lines HK\$18.9 billion as at 31 March 2014.
- Interest rates
  - Overall cost of borrowing remains low.
  - During the year, margins have compressed.
  - Strategic management of fixed / floating ratio.

# Fuel Hedging

## Fuel Hedging Coverage





# Outlook

- Revenue performance for the first half is expected to be disappointing.
- Second half is traditionally stronger.
- Strong demand for passenger business should continue, with focus on improving yields. South East Asia is a concern.
- Cargo business remains difficult, with projected DLATK growth of 9.6% in 2014 in a market of excess supply and weak demand.
- Fuel price remains high, but 26% hedged in 2014 at an average Brent price of USD95.
- Subsidiaries and associates should see improved performance in second half.
- Continued 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)***