

Cathay Pacific Airways Limited

Annual Results 2013

Analysts Briefing - 12 March 2014



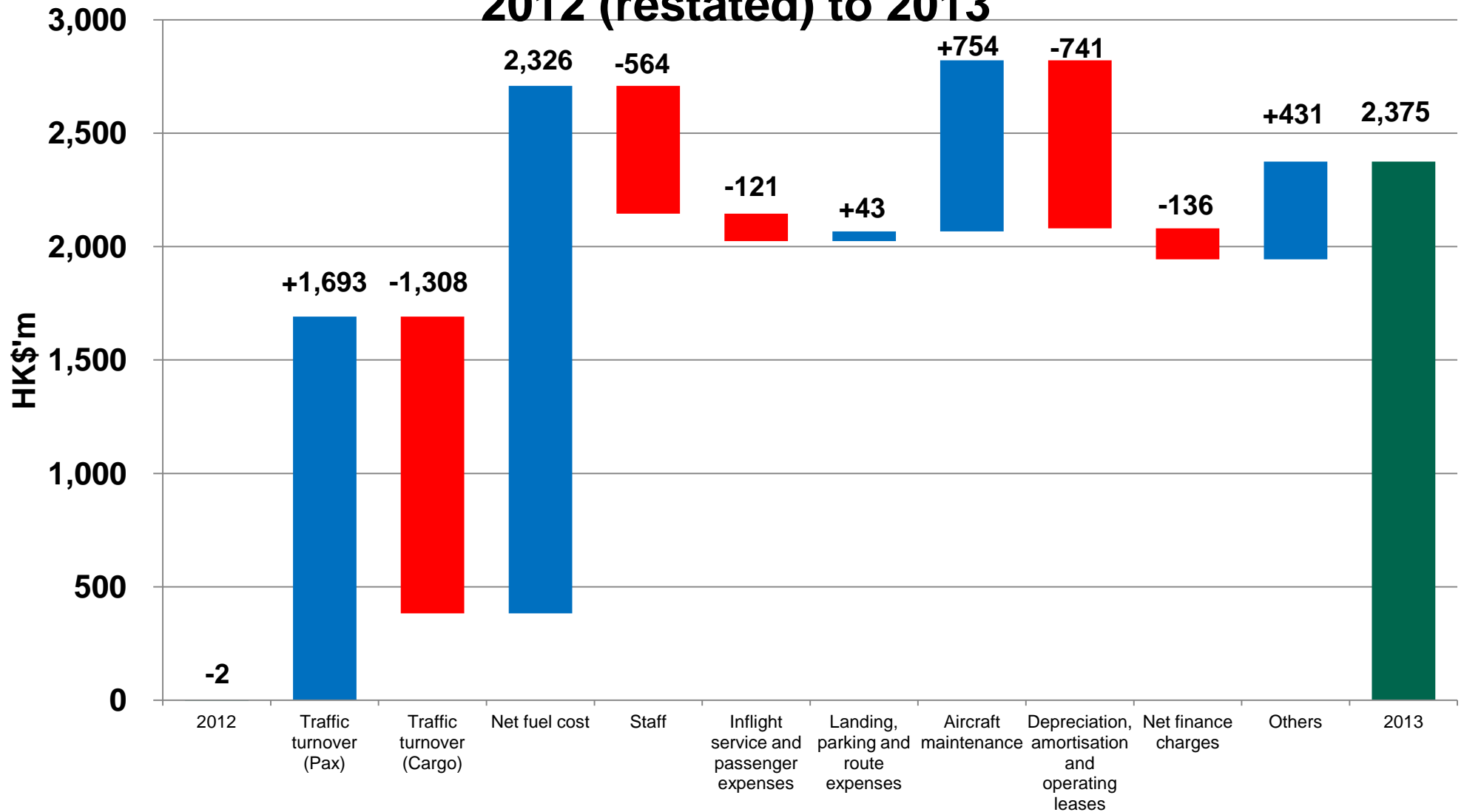
Annual Result

		<u>2013</u>	<u>2012</u> (restated)	<u>Change</u>
Group attributable profit	<i>HK\$ million</i>	2,620	862	+203.9%
Group Turnover	<i>HK\$ million</i>	100,484	99,376	+1.1%
Profit Margin	%	2.6	0.9	+1.7%pt
Earnings per share	<i>HK¢</i>	66.6	21.9	+204.1%
Dividend per share	<i>HK\$</i>	0.22	0.08	+175.0%
Available tonne kilometres (ATK)	<i>million</i>	26,259	26,250	-
Available seat kilometres (ASK)	<i>million</i>	127,215	129,595	-1.8%
Cost per ATK (with fuel)	<i>HK\$</i>	3.58	3.65	-1.9%
Cost per ATK (without fuel)	<i>HK\$</i>	2.16	2.14	+0.9%

Airlines operating results

	<u>2013</u>	<u>2012</u>
	HK\$M	(restated) HK\$M
Airlines' profit/(loss) before taxation	2,375	(2)
Tax charge	(536)	(262)
Airlines' profit/(loss) after taxation	1,839	(264)
Share of profits from subsidiaries & associates	781	1,126
Profit attributable to owners of Cathay Pacific	2,620	862

Reconciliation of airlines' operating profit before tax: 2012 (restated) to 2013



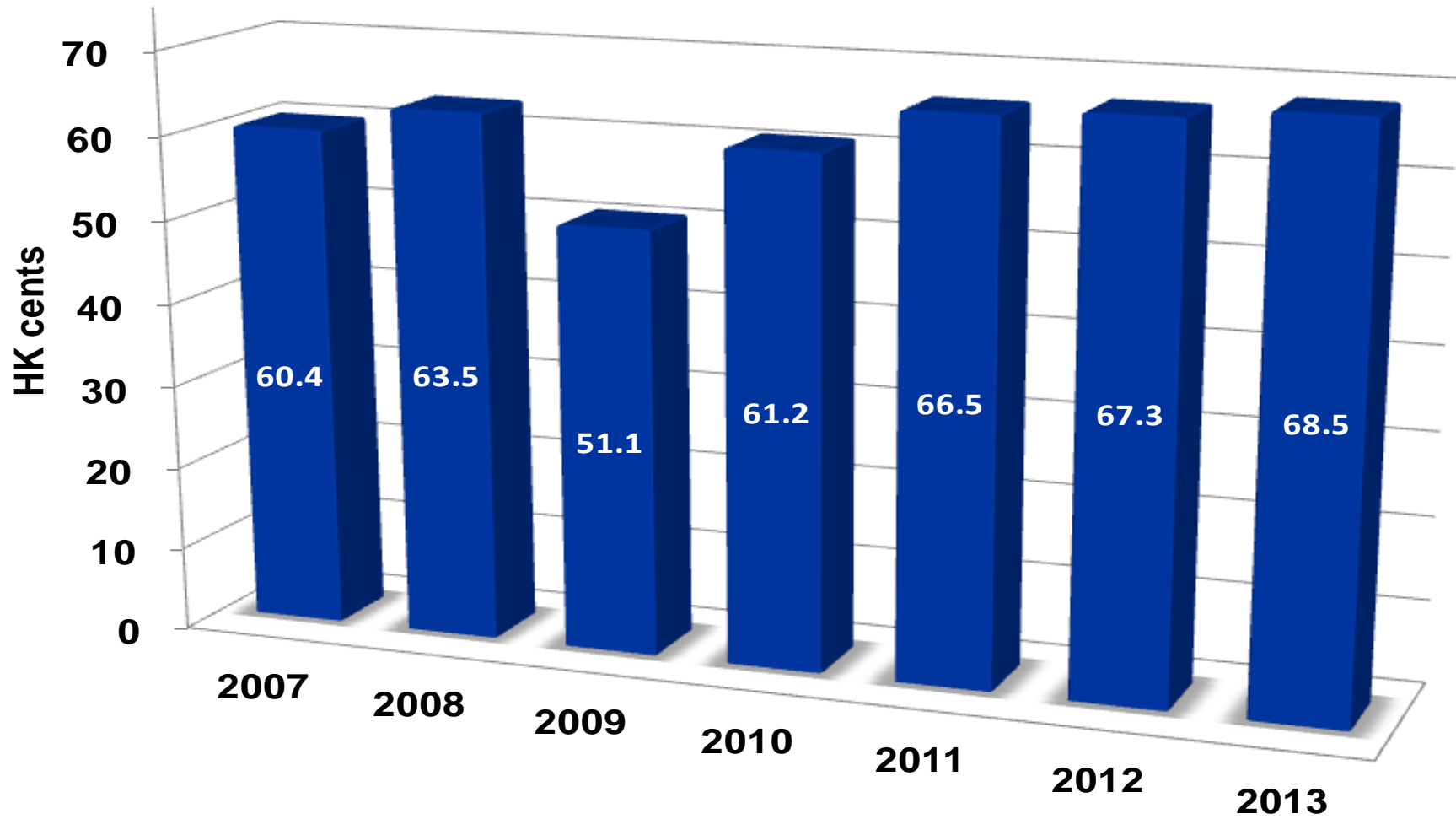
Passenger Service – Key Numbers

		2013	vs 2012
Turnover	<i>HK\$ million</i>	71,826	+2.4%
Available Seat Kilometres (ASK)	<i>Million</i>	127,215	-1.8%
Passenger number	<i>'000</i>	29,920	+3.3%
Passenger yield	<i>HK cents</i>	68.5	+1.8%
Passenger load factor	<i>%</i>	82.2	+2.1%pt

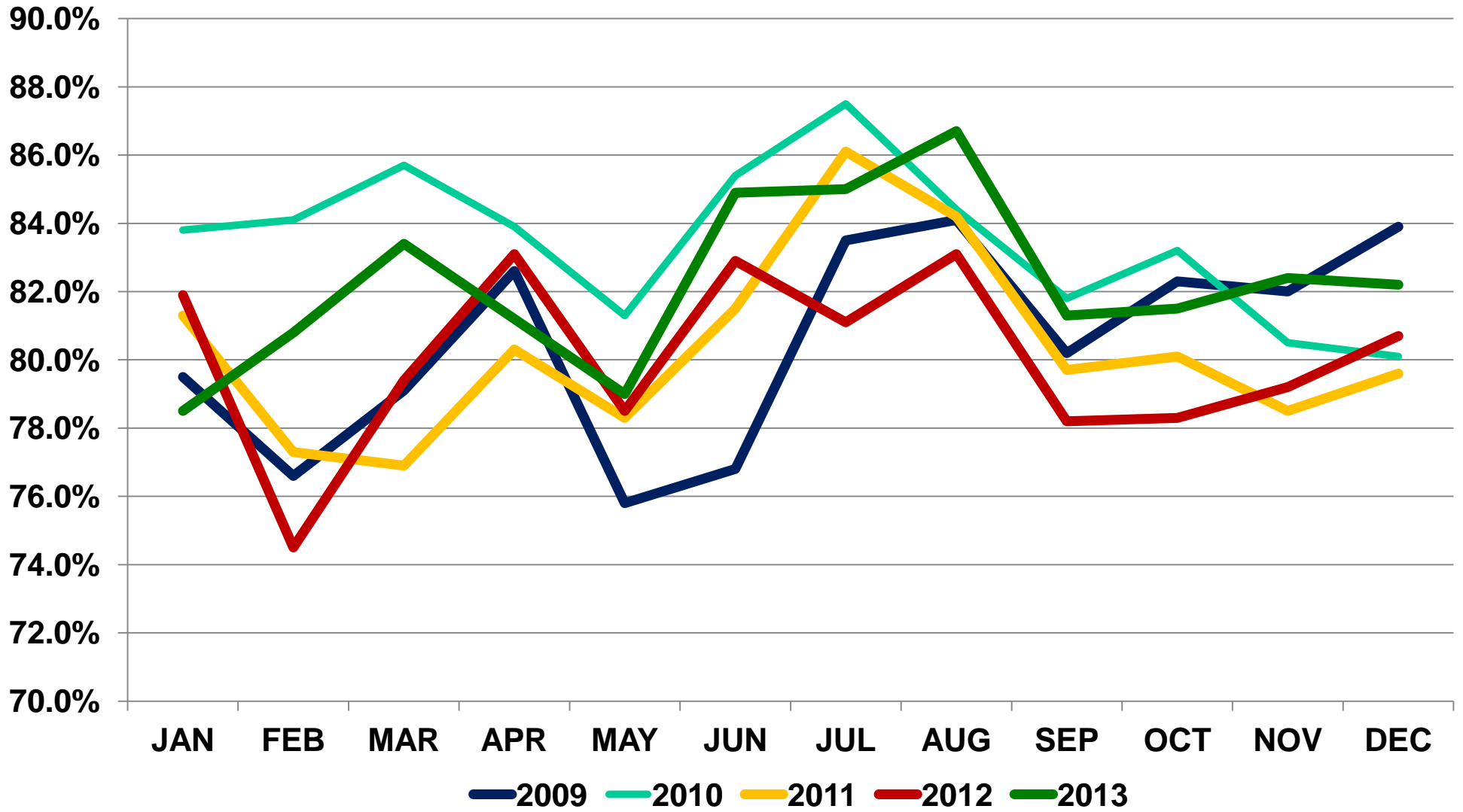
Passenger Service - by Region

	ASK (m)	vs 2012	Load Factor	vs 2012	Yield Change
India, Middle East, Pakistan and Sri Lanka	10,697	-3.2%	75.5	-	-4.5%
Southwest Pacific and South Africa	17,490	-4.4%	80.7	+3.4%pt	-1.2%
Southeast Asia	18,246	+1.2%	80.3	+1.0%pt	+1.0%
Europe	21,536	+0.1%	87.3	+2.3%pt	+3.6%
North Asia	28,450	+1.7%	75.8	+3.9%pt	-1.5%
North America	30,796	-5.9%	88.8	+1.2%pt	+8.3%
Overall	127,215	-1.8%	82.2	+2.1%pt	+1.8%

Passenger Yield 2007 - 2013



PASSENGER LOAD FACTOR (JAN 2009 – DEC 2013)



Passenger Services Development in 2013

Cathay Pacific

- 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 52 weekly flights from October.
- Launched new services to the Maldives with four-times-weekly from October.
- Launched new services to Newark in the U.S.A. in March 2014.
- Will launch new service 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 cease flying to Penang and Dragonair will take over the route in late March 2014.

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.
- New service to Siem Reap was introduced in October.
- Will launch new service to Penang in late March 2014 and Denpasar, Bali in April 2014.

Addition of frequencies

- Added flights to Phuket and Chiang Mai in October.
- Added flights to Da Nang from December 2013 to February 2014.

16 new destinations since 2012

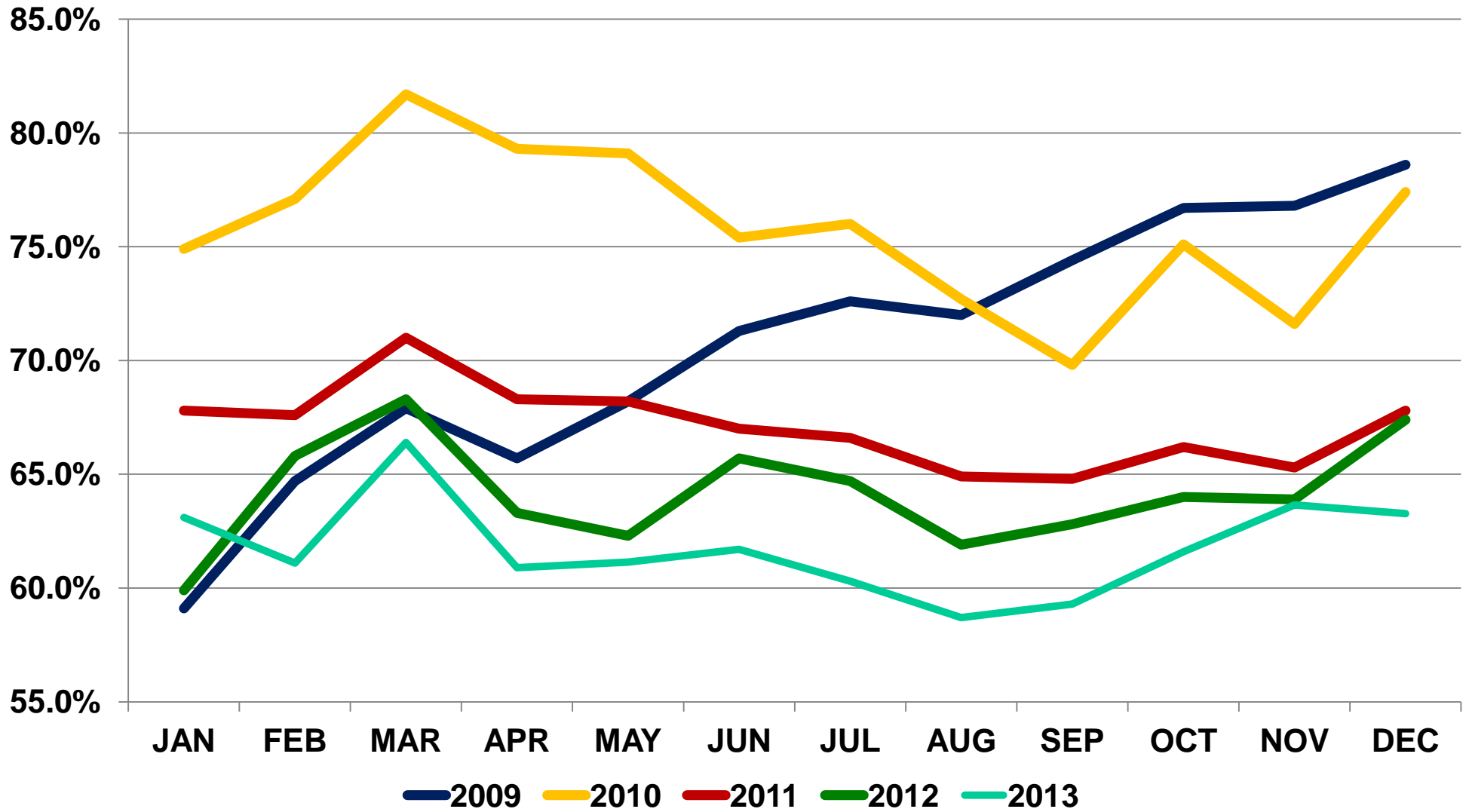


Newark was launched in 1 March 2014

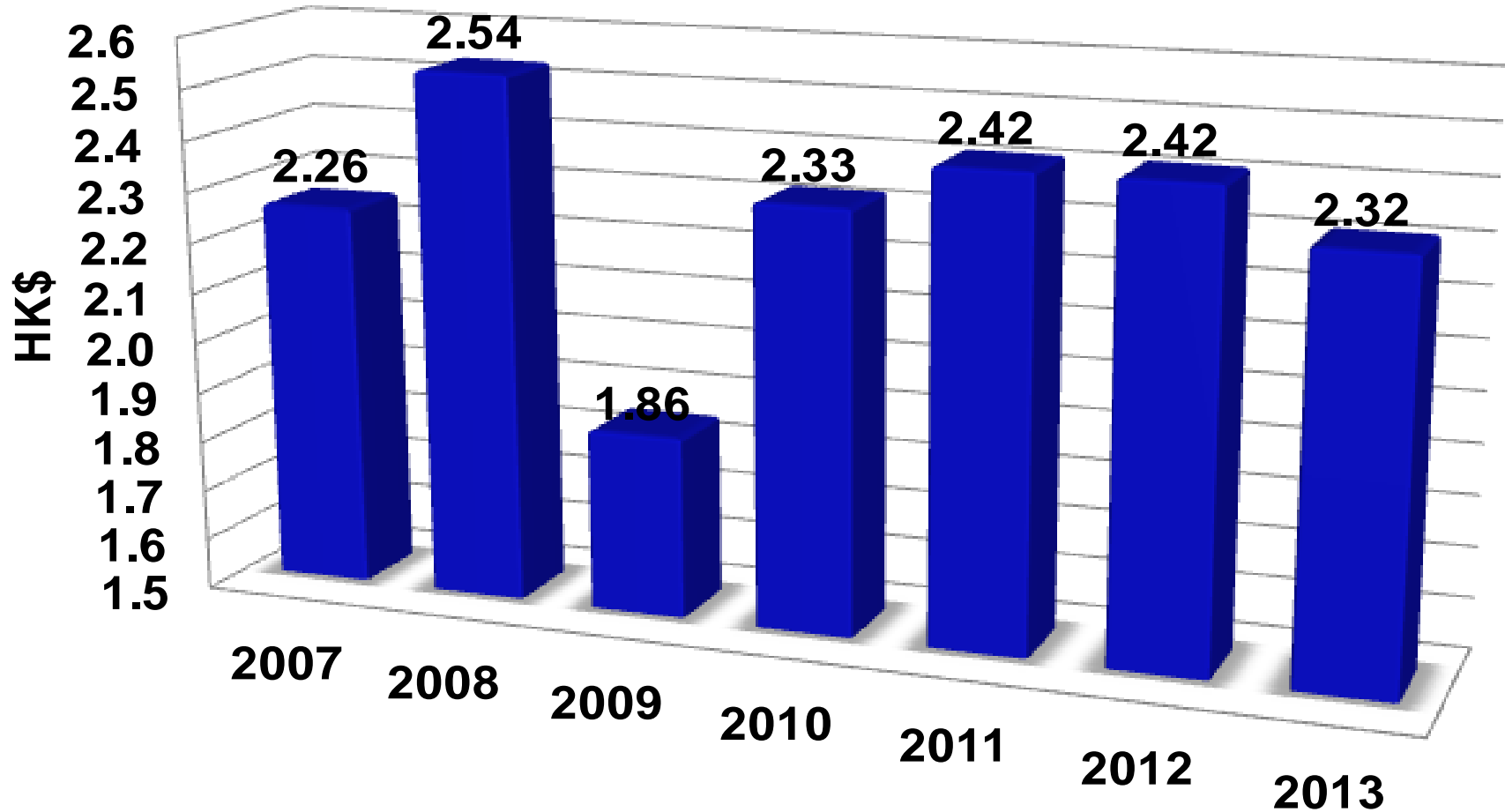
Cargo Service – Key Numbers

		2013	vs 2012
Group turnover	<i>HK\$ million</i>	23,663	-3.6%
<u><i>Cathay Pacific and Dragonair</i></u>			
Turnover	<i>HK\$ million</i>	20,293	-6.1%
Cargo capacity (ATK)	<i>Million</i>	14,162	+1.7%
Cargo and mail carried	<i>'000 tonnes</i>	1,539	-1.5%
Cargo and mail yield	<i>HK\$</i>	2.32	-4.1%
Cargo and mail load factor	<i>%</i>	61.8	-2.4%pt

CARGO AND MAIL LOAD FACTOR (JAN 2009 – DEC 2013)



Cargo & Mail Yield 2007-2013



Cargo Services Development

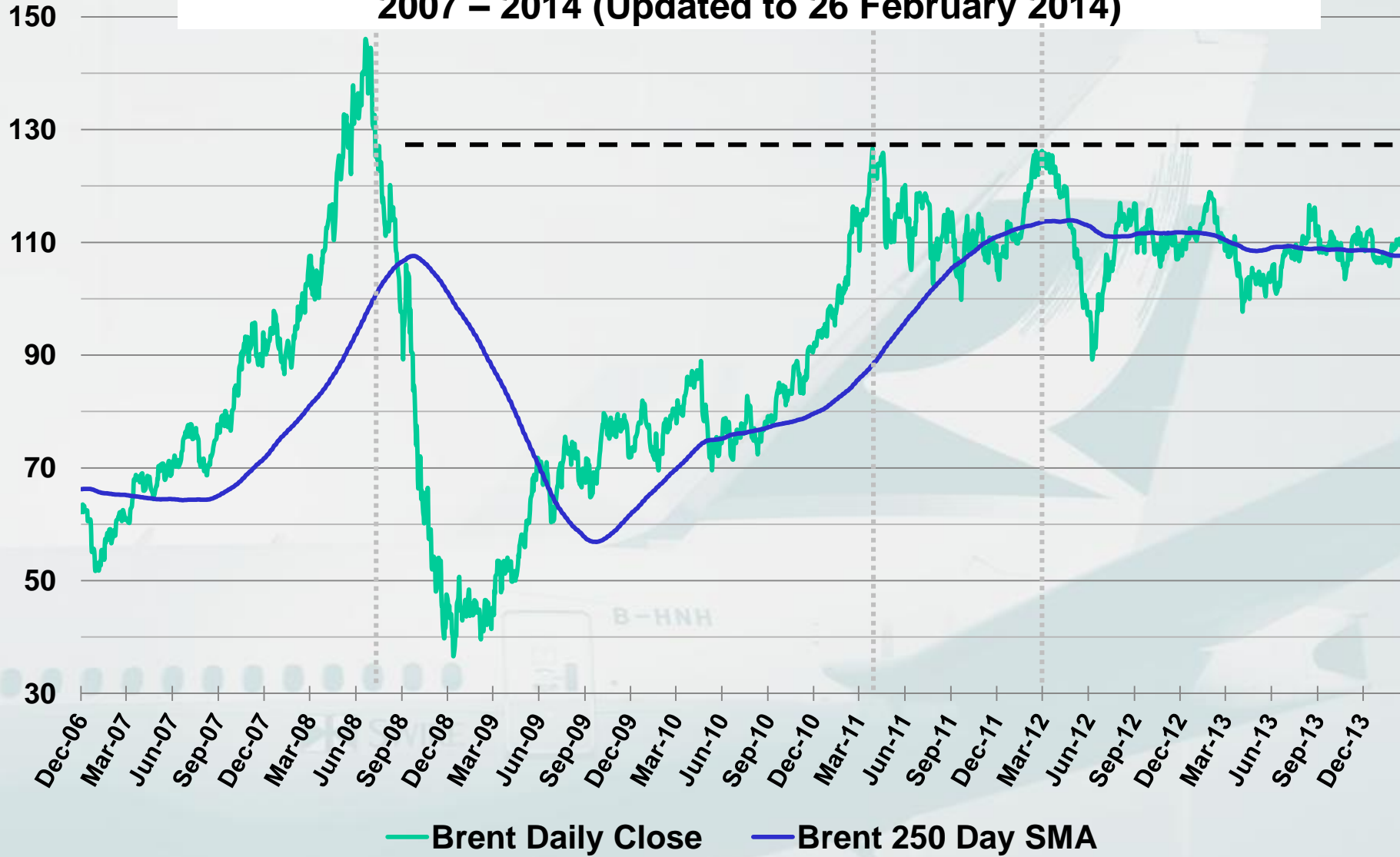
- Suspended freighter operations to Brussels and Stockholm in February.
- Merged the separate services to Chongqing and Chengdu to reduce costs.
- Launched new services to Guadalajara in Mexico operating two flights per week in October. This was extended to three-times-weekly in March 2014 and at the same time we extended this service to Mexico City.
- Will launch new services to Columbus in the United States in late March 2014.

Group Operating Cost

	2013	vs 2012
	HK\$m	%
Staff	17,027	+4.8%
Inflight service and passenger expenses	4,138	+3.0%
Landing, parking and route expenses	13,531	-0.5%
Fuel, net of hedging gains	38,132	-5.8%
Aircraft maintenance	7,542	-8.0%
Depreciation, amortisation and operating leases	11,463	+11.2%
Net finance charges	1,019	+15.3%
Others	4,891	-0.5%
Total operating cost	97,743	-0.9%

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

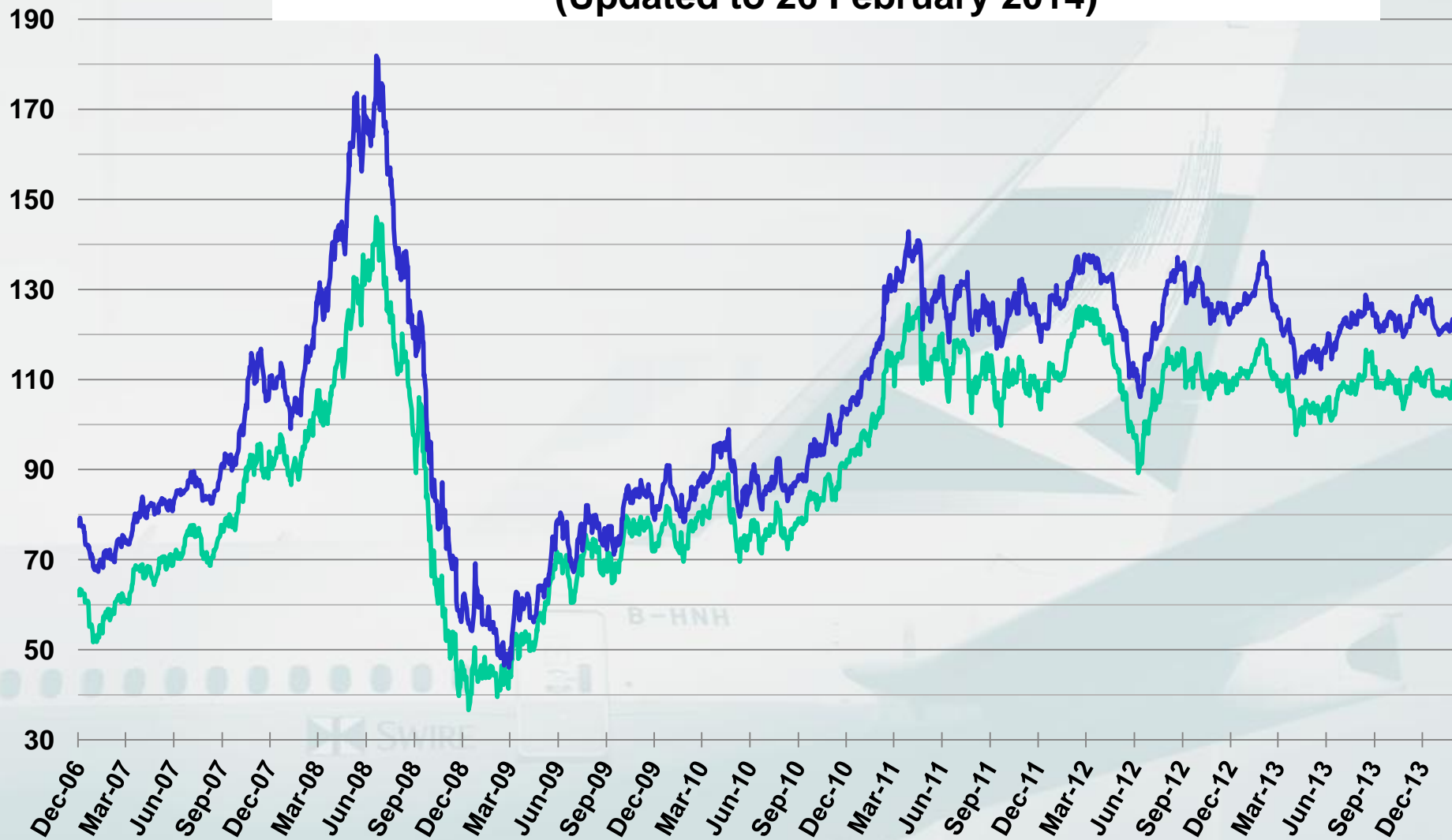
2007 – 2014 (Updated to 26 February 2014)



— Brent Daily Close — Brent 250 Day SMA



USD/Bbl - Brent and Sing Jet Daily Closing Price 2007 – 2014 (Updated to 26 February 2014)



— Brent Daily Close — Sing Jet Daily Close



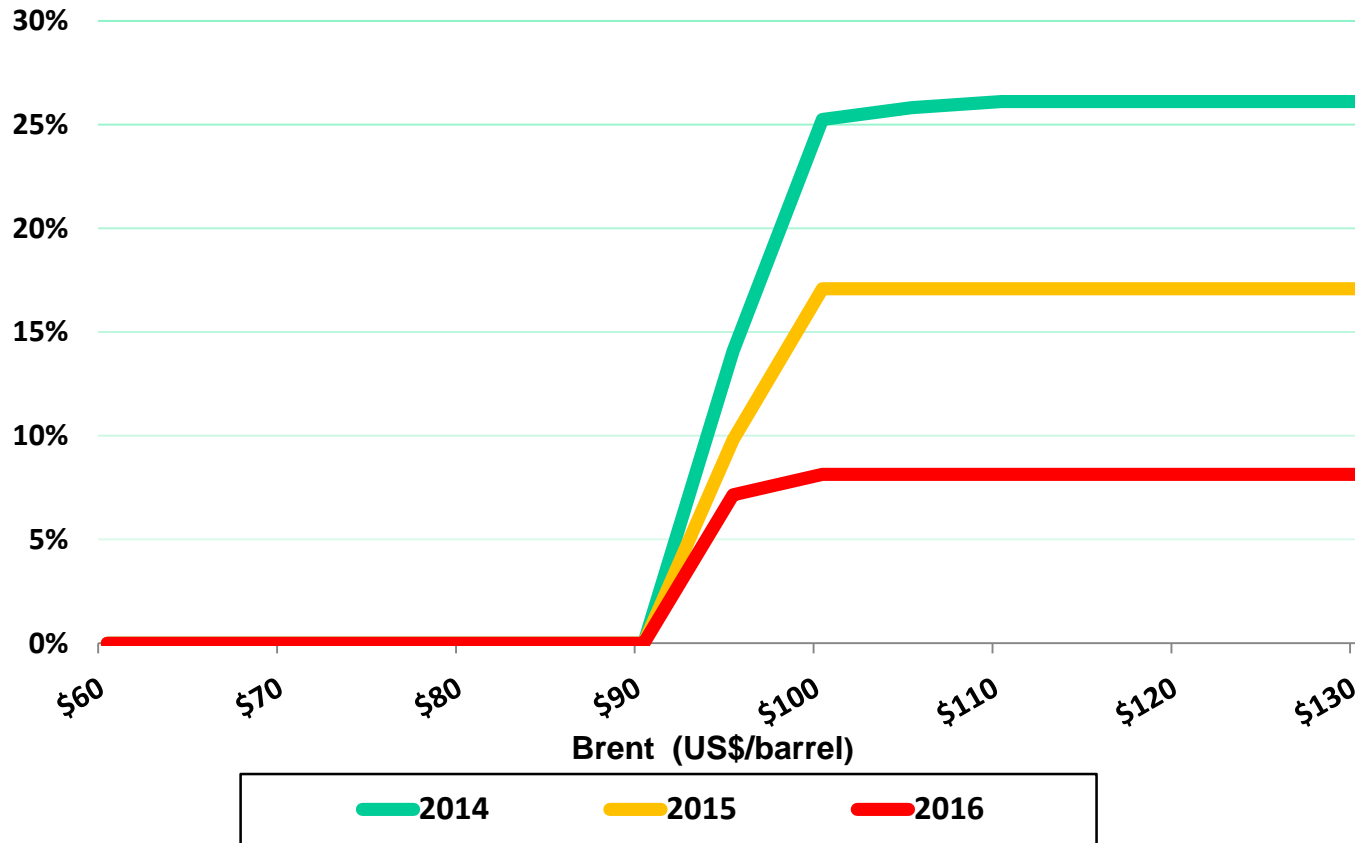
CATHAY PACIFIC

Fuel Hedging

As at 31 December 2013

Fuel hedging coverage

Fuel Hedging Coverage



CX and KA Fleet Plan as at 31 December 2013

	In operation			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
31 Dec 2012	150	23	173	-	3	3
New deliveries	14	5	19	-	-	-
Return to lessors	(4)	-	(4)	-	-	-
Parked aircraft	-	(2)	(2)	-	2	2
Sold to ACCJV	-	(1)	(1)	-	-	-
Sold to Boeing	-	(1)	(1)	-	(3)	(3)
Deregistered	(5)	-	(5)	-	-	-
31 Dec 2013	155	24	179	-	2	2

Aircraft Delivery Plan as at 12th March 2014

Aircraft									Total
	2014	2015	2016	2017	2018	2019	2020	2021 and beyond	
B747-8F			1						1
A321-200	1								1
A330-300	5	3							8
A350-900			12	10					22
A350-1000					6	10	10		26
B777-300ER	9	6							15
B777-9X								21	21
Total	15	9	13	10	6	10	10	21	94

Boeing 777-9X



In December 2013, 21 new B777-9X agreed to be purchased for delivery after 2020.

Fleet & Scheduling - 744 Retirement Plan

As of 12 March 2014

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



CATHAY PACIFIC

Cargo Fleet Plan

2013

- Fleet composition:

	As at 31 December 2013		
<u>Fleet</u>	<u>Number</u>	<u>Parked</u>	<u>In operation</u>
747-400F	6*	(1)	5
747-400ERF	6		6
747-400BCF	1	(1)	-
747-8F	13		13
Total	<u>26</u>	(2)	<u>24</u>

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

Development in 2014

Passenger

- 16 aircraft deliveries in 2014.
- Projected ASK growth in 2014 is approximately 7.0%.

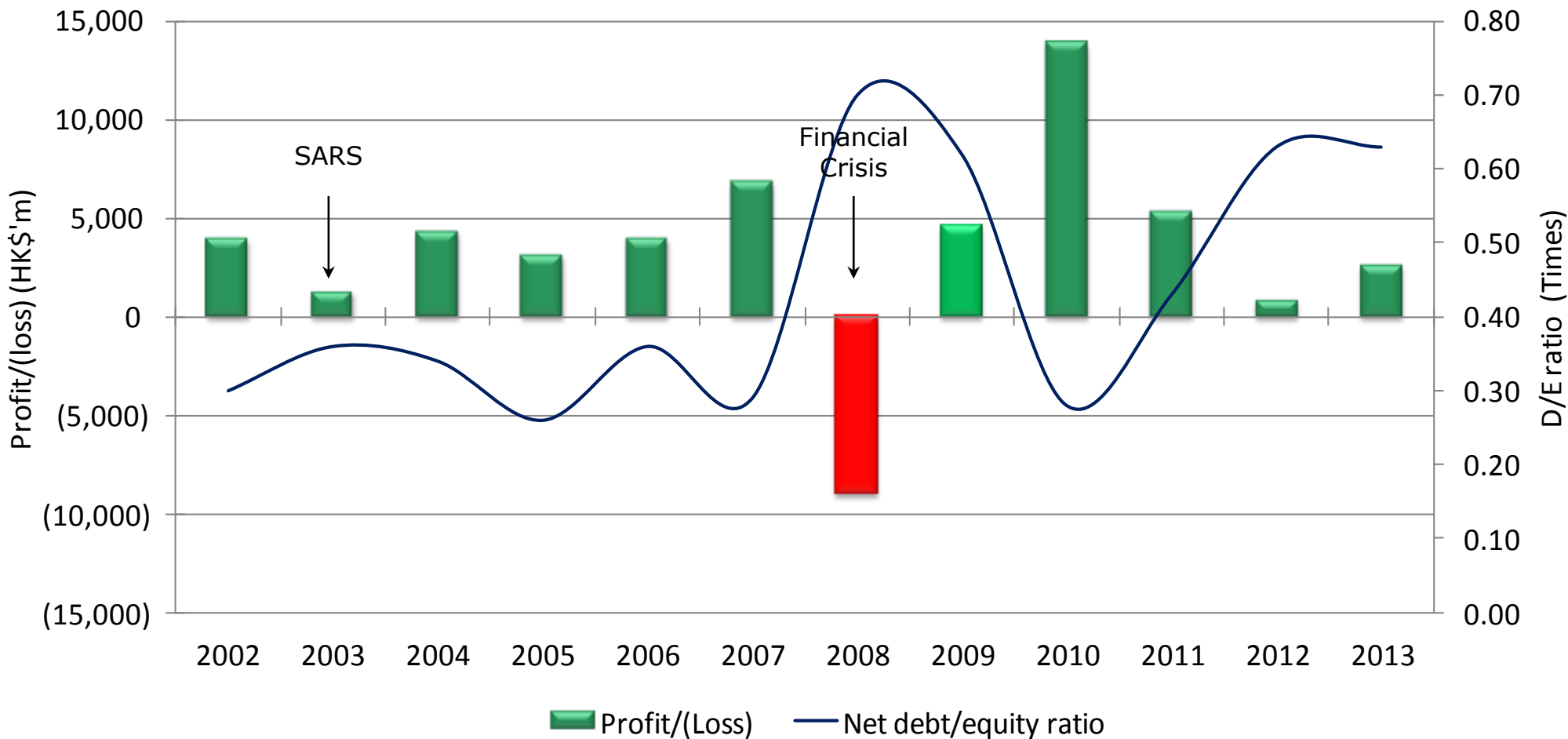
Cargo

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

Statement of Financial Position

	<u>31 Dec 13</u>	<u>31 Dec 12</u> <u>(restated)</u>	<u>vs Dec 12</u>
Shareholders' Funds	HK\$62,888m	HK\$56,021m	12.3%
Gross Borrowings	HK\$67,052m	HK\$59,546m	12.6%
Less:			
Liquid Funds (less OD)	HK\$(27,736m)	HK\$(24,182m)	14.7%
Net Borrowings	HK\$39,316m	HK\$35,364m	11.2%
Capital Employed (incl. non-controlling interests)	HK\$102,329m	HK\$91,502m	11.8%
Net Debt/Equity Ratio	0.63	0.63	0.0%
Investment in Air China	HK\$19,186m	HK\$16,878m	13.7%

Profit & Net Debt/Equity Ratio



Group Profit Margin	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
%	11.2	4.0	10.2	6.2	6.5	9.1	(10.4)	6.9	15.5	5.4	0.9	2.6

Liquid Fund Flow

	<u>2013</u>	<u>2012</u>
	<u>HK\$'M</u>	<u>HK\$'M</u>
<i>Inflow</i>		
New financing	16,348	25,218
Operating activities	12,676	7,440
Sale of fixed assets and others	4,682	3,518
<i>Outflow</i>		
Capital expenditure	(20,534)	(20,975)
Loan repayment	(8,193)	(9,025)
Dividend paid	(829)	(1,565)
Purchases of shares in associates	(636)	(138)
Net inflow	3,514	4,473
Liquid funds @ 31 Dec	27,736	24,182

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\$26.0 billion as at 31 Dec 2013.
- Interest rates
 - Overall cost of borrowing remains low.
 - During the year, margins have compressed.
 - Strategic management of fixed / floating ratio.

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 A300-600F.
- Capacity increased by 3%, load factor dropped by 1%pts and RTK improved by 2%.
- Higher profit in 2013 compared to 2012.

- **Cathay Pacific Catering Services**

- Growth in the number of meals produced.
- Higher profit in 2013 compared to 2012.

- **Asia Miles**

- Membership exceeds 5 million worldwide.
- 21% increase in redemptions by Asia Miles members in 2013. More than 90% of Cathay Pacific flights carry passengers who have redeemed frequent flyer miles through the Asia miles programme.

Cargo Terminal



- Stage Three operations commenced in October, and the phased-in operation transition for CX, KA and Air Hong Kong has been completed.
- The new terminal has an annual handling capacity of 2.6 million tonnes.

- 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.



Air China

- Cathay Pacific has a 20.13% interest in Air China.
- Cathay Pacific accounts for Air China for the 12 months ended 30 September 2013 and any significant events or transactions during their last quarter.
- Profits from Air China are down compared to the same period in 2012.

Air China / Cathay Pacific Cargo Joint Venture

Operating performance

- Cathay Pacific recorded a decreased loss from Air China Cargo in 2013, which was due to the retirement of older aircraft, which resulted in a decrease in maintenance costs.
- Air China Cargo operated a fleet of eight freighters. It operates scheduled freighter services to seven countries and regions.
- On 1 March 2013, ACC entered into agreements with Boeing to :
 - purchase 8 Boeing 777-200F freighters (expected delivery from late 2013 to 2015) and
 - sell 7 Boeing 747-400BCF freighters.

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.

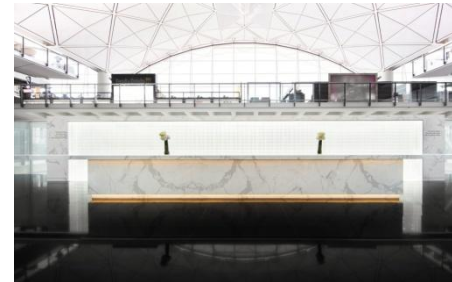
Product, services and brand

Outport lounge : 16 (7,900 sqm)

HKG lounge : 6 (13,000 sqm)

No. of aircraft with new product (By Dec13)

LH	F Refresh	10	24 (by3Q14)
	J FB2	64	✓
	PEY	85	✓
	Y	64	✓
Regional	CX	13	21 (byJul14)
	KA	18	✓



IT systems



CSS



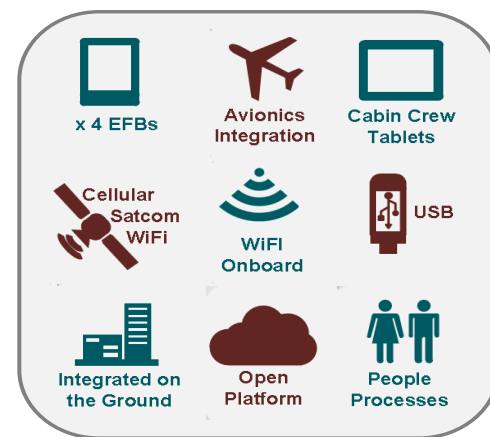
Mobile



ICE

Horizon 8

PSS
Check-in to the future



E-enabled aircraft

People



- Cathay Pacific awarded the “World’s Best Cabin Staff” and “Best Transpacific Airline” honours in the annual Skytrax World Airline Awards programme in June 2013.

Outlook

- Passenger business continues to improve.
- ASK growth projected at 7.0% in 2014 with stronger demand in some of our major markets.
- 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.
- Continued enhancement of products and services to strengthen our competitive edge.

Q & A

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