



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.



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.



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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.



Passenger Services Development in 2013

Dragonair

New services

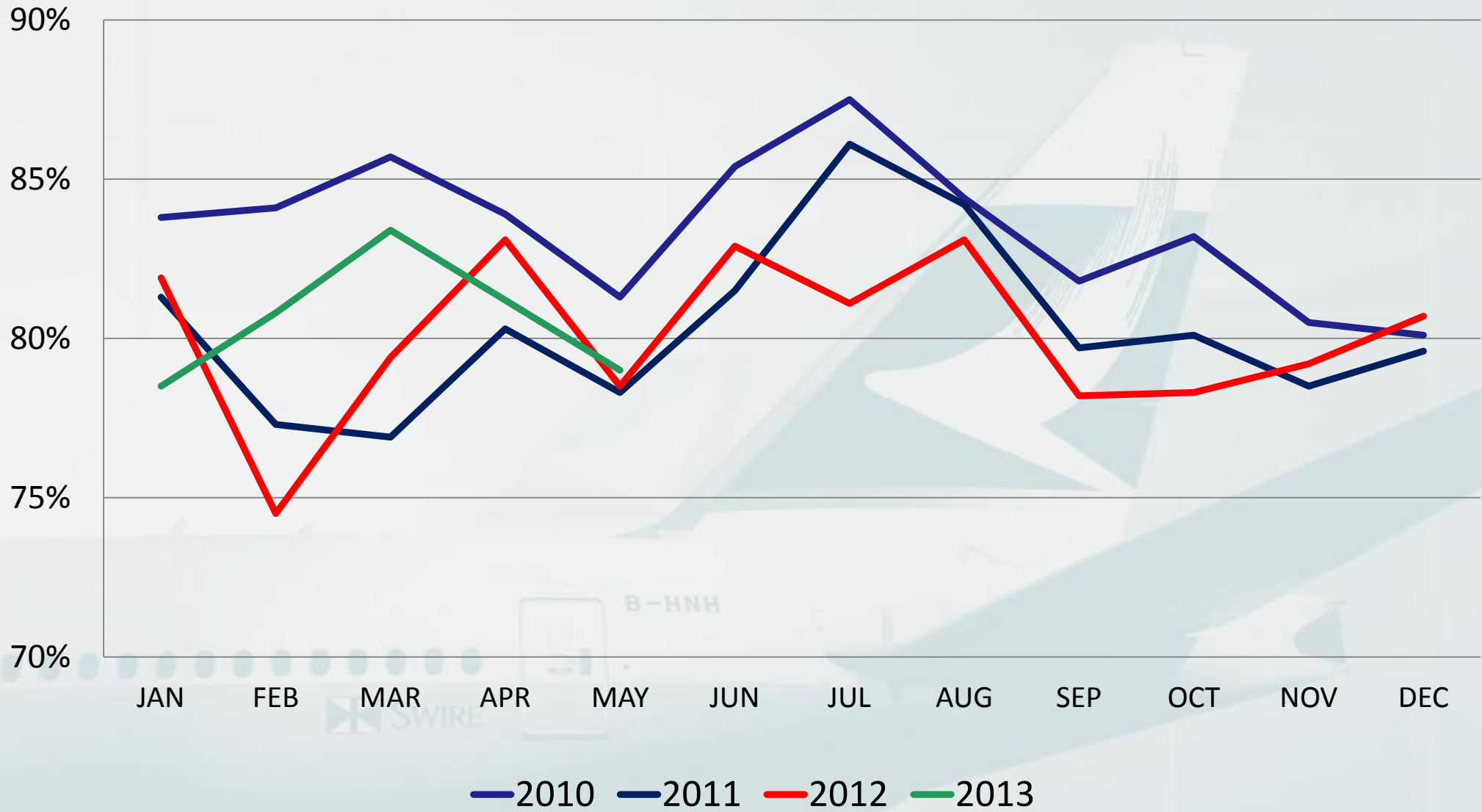
- New services to Wenzhou, Yangon and Zhengzhou were introduced in January.
- New service to Da Nang was introduced in March.

Addition of frequencies

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



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.

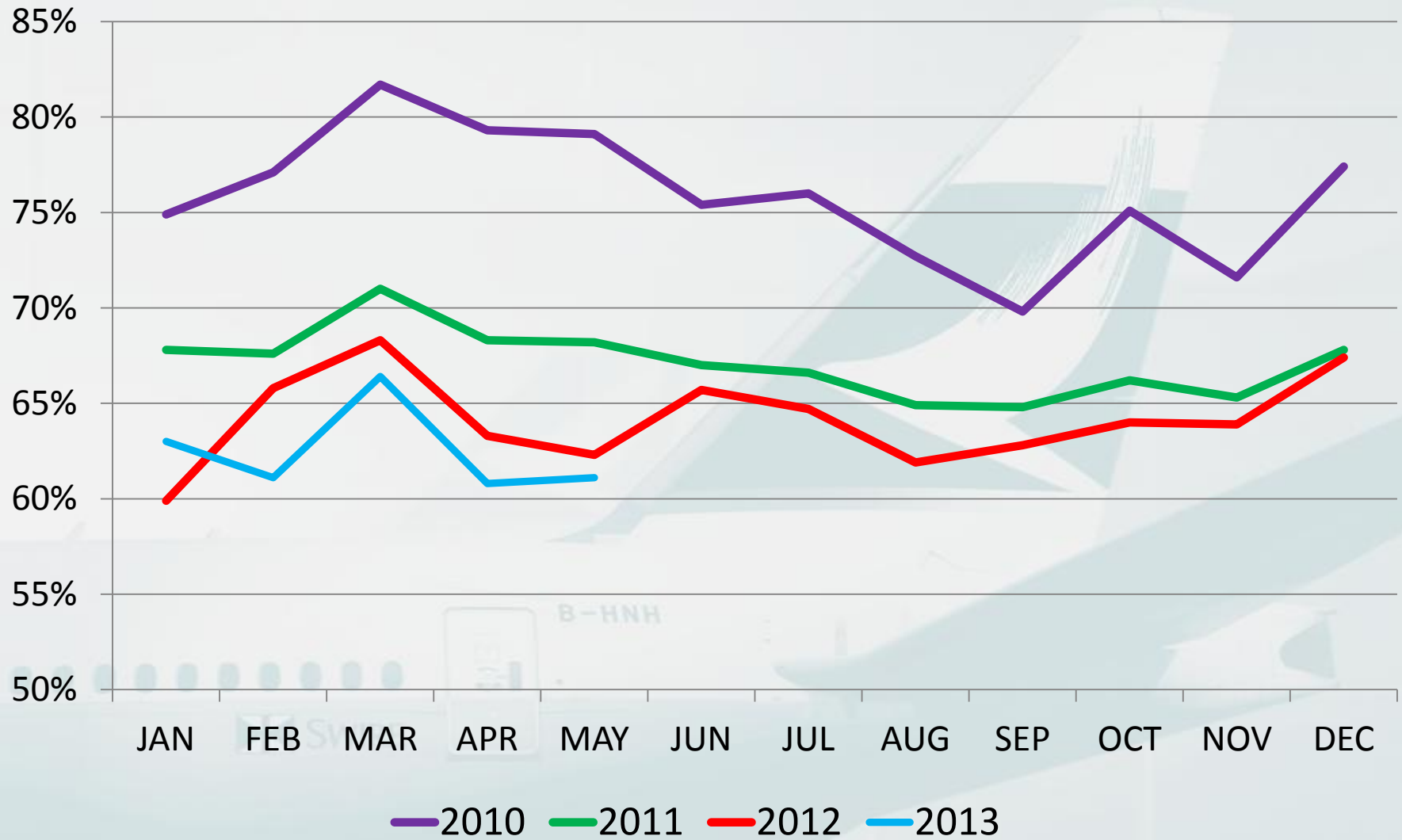


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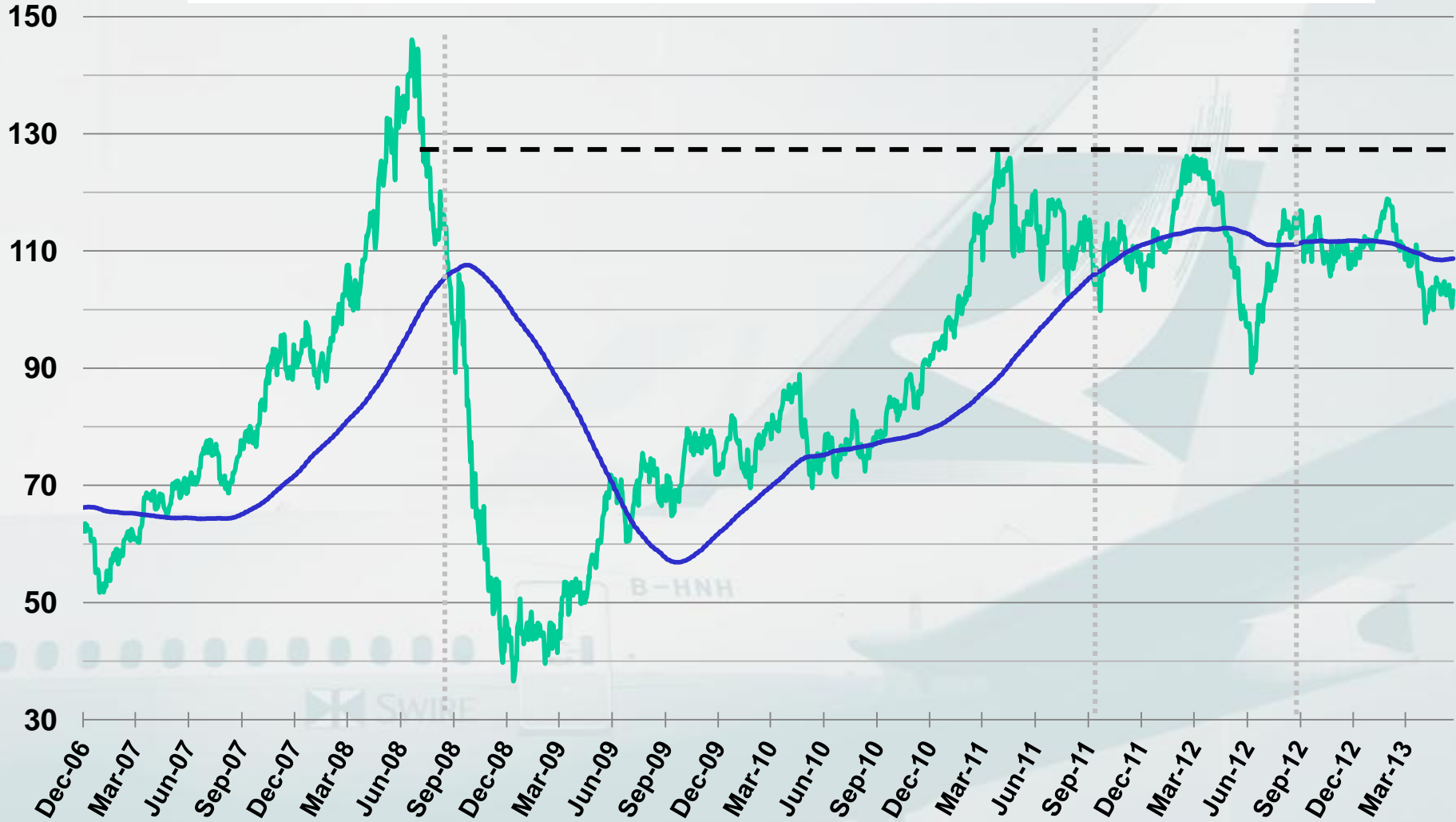
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CARGO AND MAIL LOAD FACTOR (JAN 2010 - MAY 2013)



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

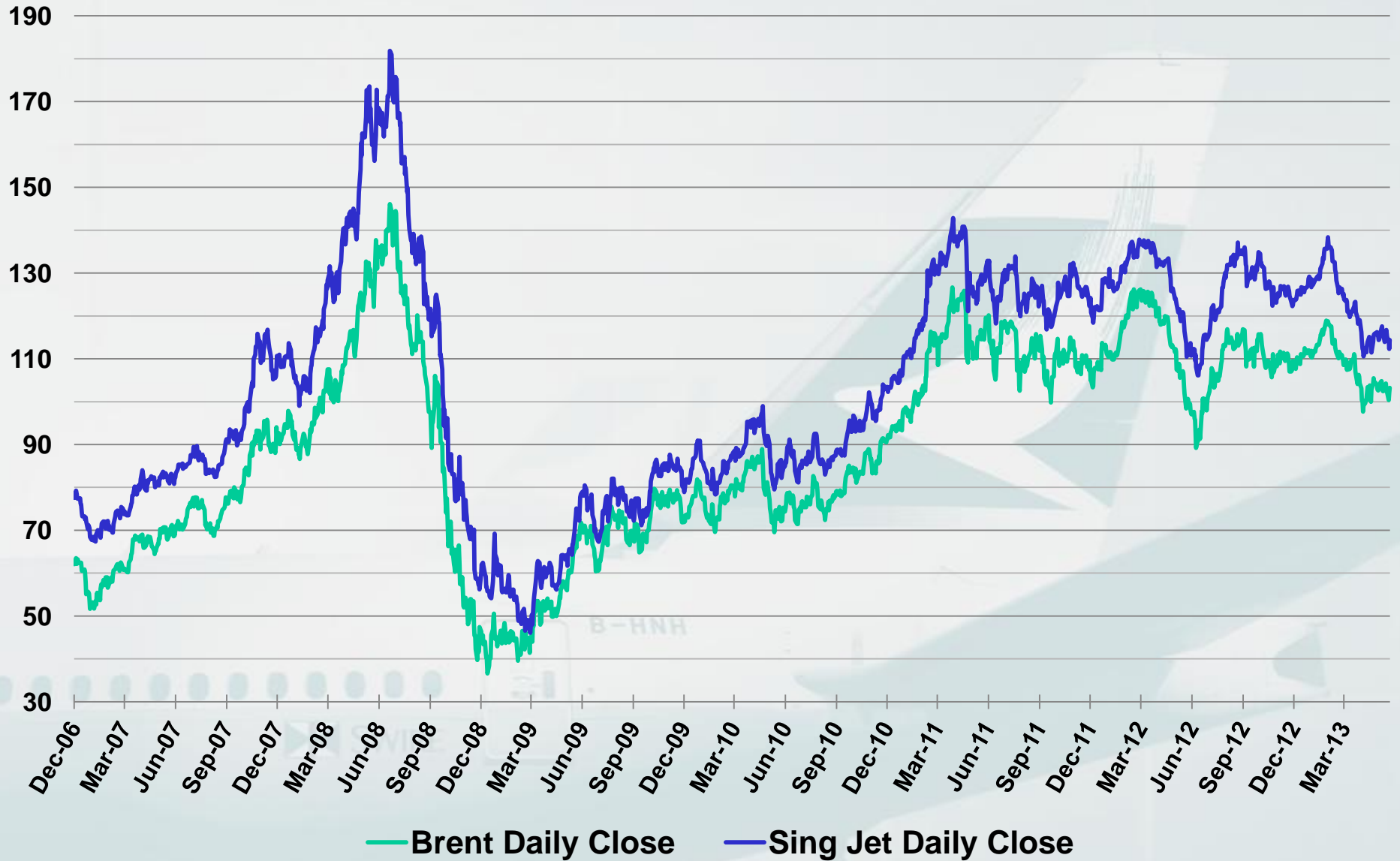


— Brent Daily Close — Brent 250 Day SMA



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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.



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



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.



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%.



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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 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.



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.



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.



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.



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



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

Hong Kong (HKG) to Beijing (PEK)

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

 DRAGONAIR

ENTER

English 繁體中文 简体中文 日本語 한국어 Français Deutsch



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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



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.



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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.



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

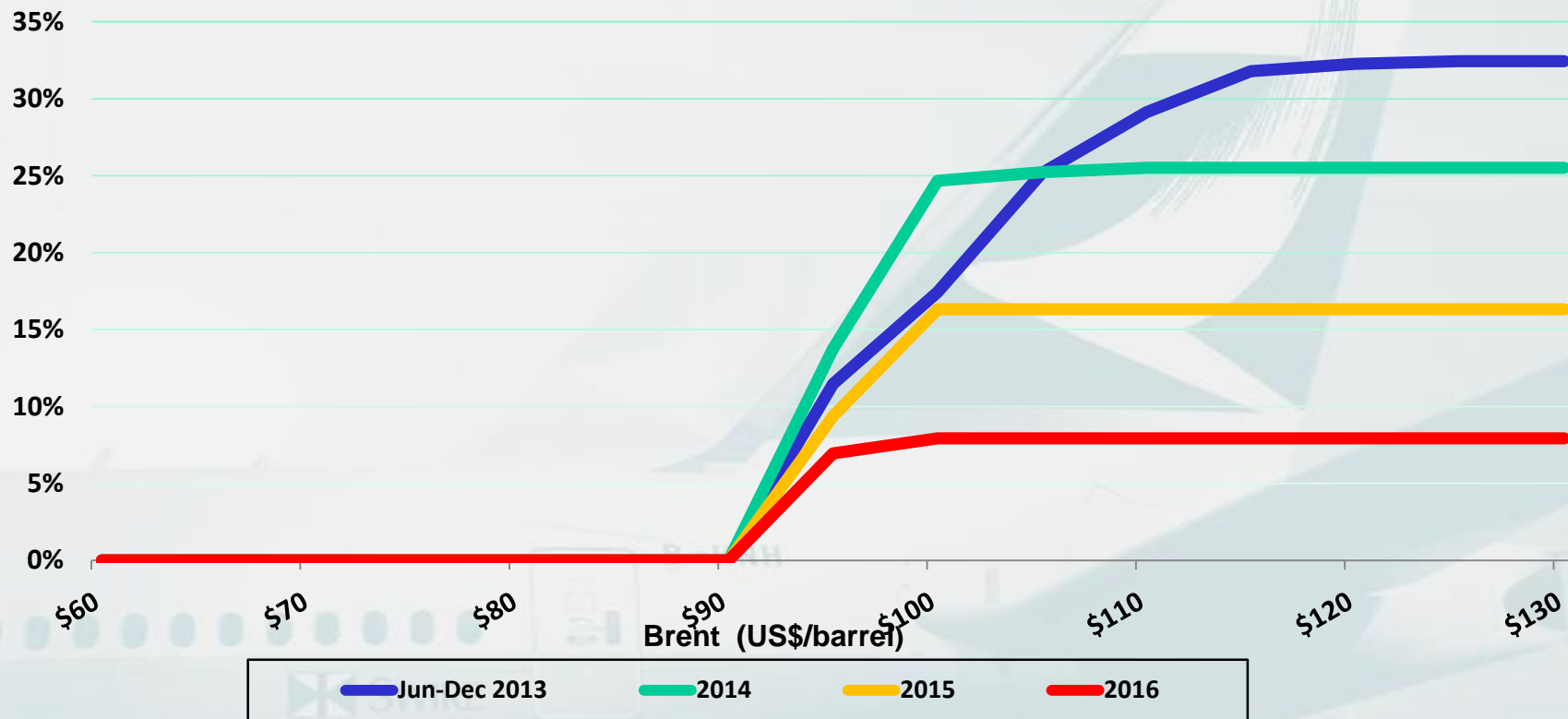
- Continue to adopt prudent financial strategy, maintain adequate cash reserves.
- CAPEX on new aircraft , product enhancement and cargo terminal will be over HK\$26B in the next 3 years.



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.



Q & A

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



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