



Cathay Pacific Airways

Interim Results for the six months ended 30 June 2012



8 August 2012



CATHAY PACIFIC

Interim Result

		<u>1H2012</u>	<u>1H2011</u>	<u>Change</u>
Group attributable (loss) / profit	<i>HK\$ million</i>	(935)	2,808	-133.3%
Group Turnover	<i>HK\$ million</i>	48,861	46,791	+4.4%
(Loss) / profit Margin	%	(1.9)	6.0	-7.9%pt
(Loss) / earnings per share	<i>HK¢</i>	(23.8)	71.4	-133.3%
Dividends per share	<i>HK¢</i>	-	18.0	-100.0%
<hr/>				
Available tonne kilometres (ATK)	<i>million</i>	12,944	12,846	+0.8%
Available seat kilometres (ASK)	<i>million</i>	65,351	61,136	+6.9%
Cost per ATK (with fuel)	<i>HK\$</i>	3.72	3.35	+11.0%
Cost per ATK (without fuel)	<i>HK\$</i>	2.18	1.94	+12.4%



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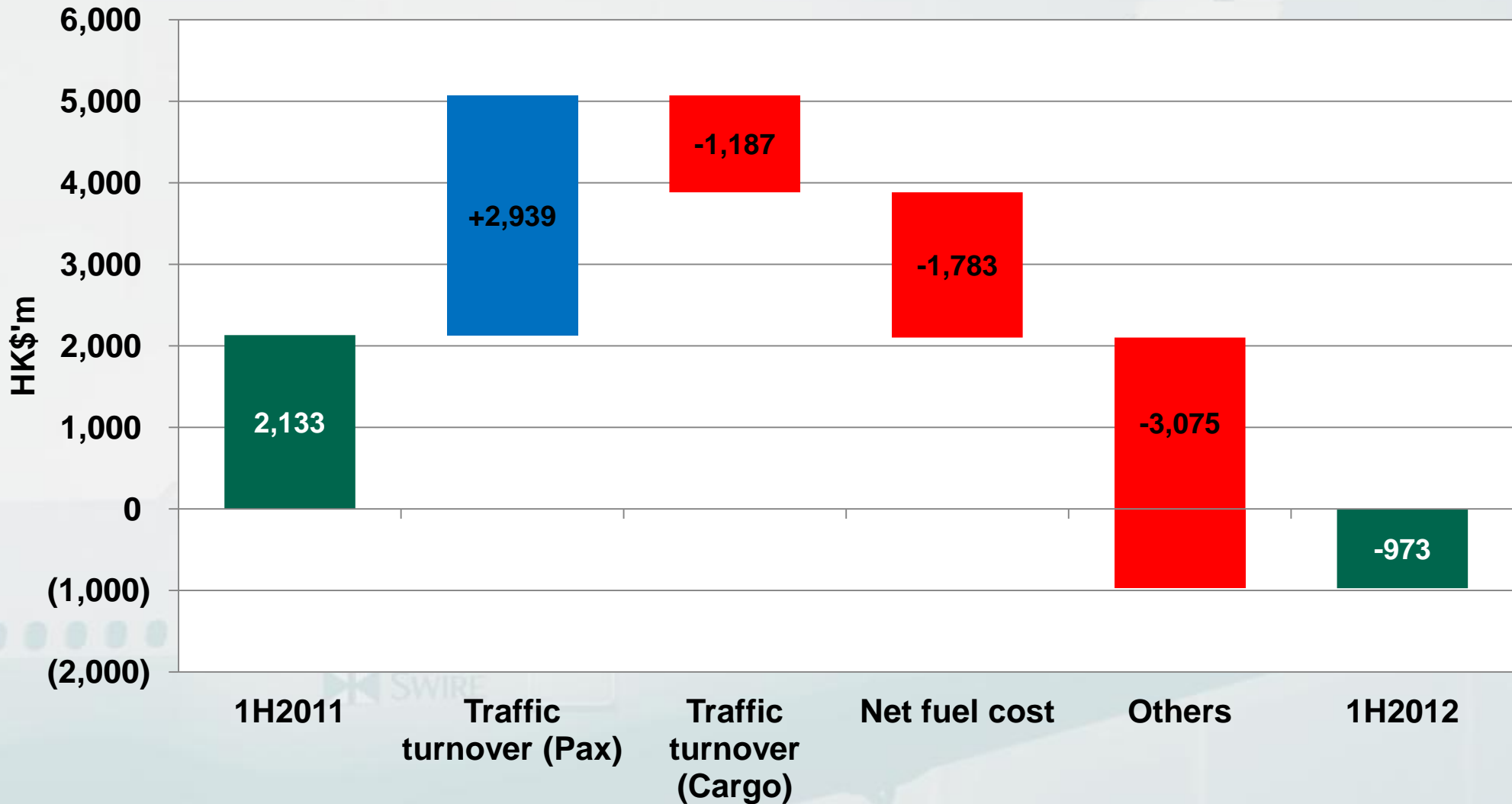
Airlines interim operating (loss) / profit

	<u>1H2012</u>	<u>1H2011</u>
	HK\$M	HK\$M
Airlines'(loss) / profit before tax	(973)	2,133
Tax credit / (charge)	8	(380)
Airlines' (loss) / profit after tax	(965)	1,753
Share of profits from subsidiaries & associates	30	1,055
(Loss) / profit attributable to owners of Cathay Pacific	(935)	2,808



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Reconciliation of airlines' operating profit before tax: 1H2011 to 1H2012



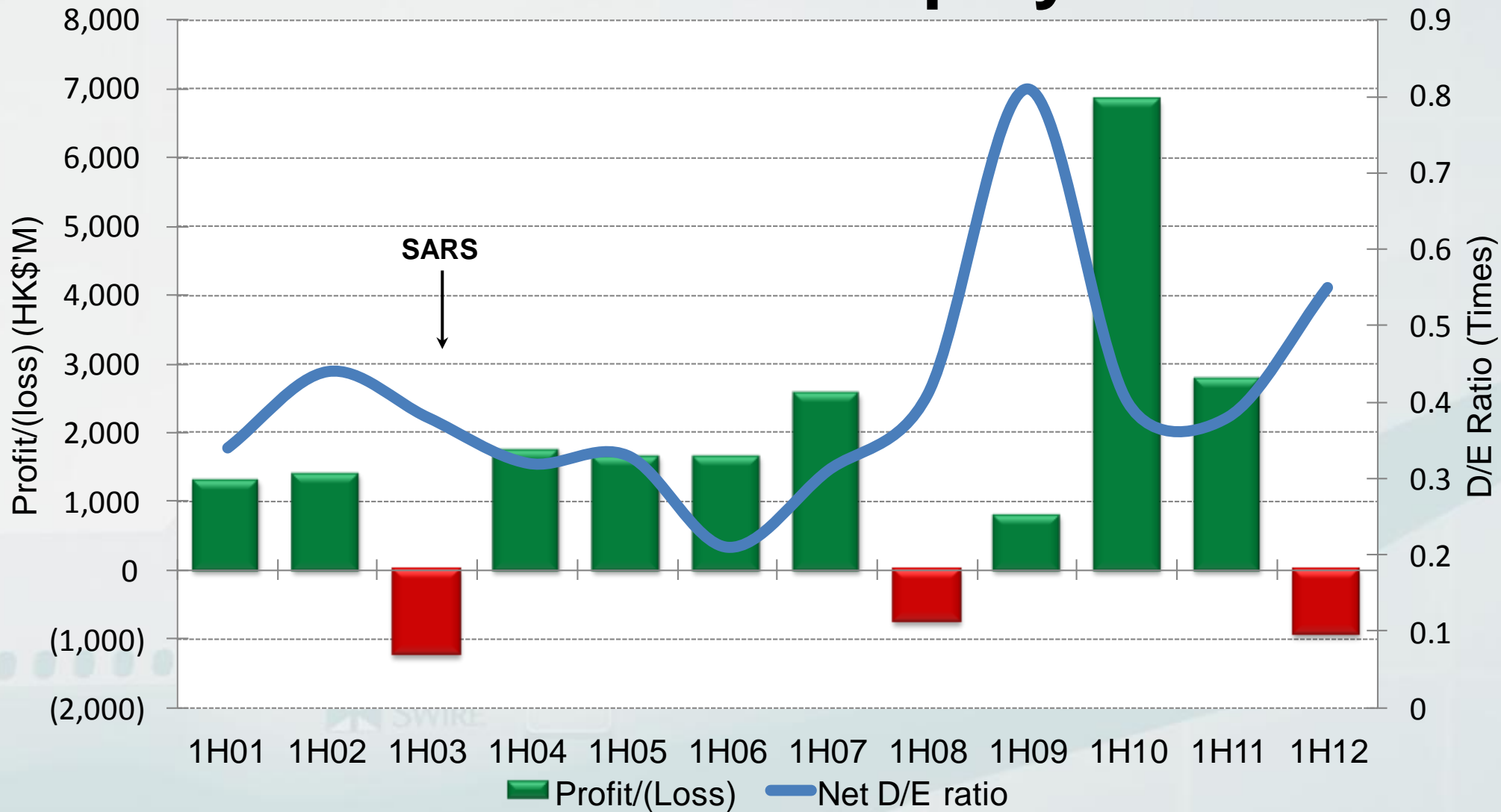
Balance Sheet

	<u>30 Jun 12</u>	<u>31 Dec 11</u>	<u>vs Dec 11</u>
Shareholders' Funds	HK\$53,385m	HK\$55,809m	4.3% down
Gross Borrowings	HK\$49,572m	HK\$43,335m	14.4% up
Less:			
Liquid Funds (less OD)	HK\$(20,020m)	HK\$(19,597m)	2.2% up
Net Borrowings	HK\$29,552m	HK\$23,738m	24.5% up
Capital Employed (incl. non-controlling interests)	HK\$83,066m	HK\$79,682m	4.2% up
Net Debt/Equity Ratio	0.55	0.43	+0.12 times
Investment in Air China	HK\$15,545m	HK\$15,777m	1.5% down



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Profit & Net Debt/Equity Ratio



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Liquid Fund Flow

Inflow

New financing
Operating activities
Sale of fixed assets and others

Outflow

Capital expenditure
Loan repayment
Dividend paid

Net inflow / (outflow)

Liquid funds @ 30 Jun

	<u>HK\$'M</u>	<u>HK\$'M</u>
	12,664	3,197
	3,731	7,034
	1,672	885
	(9,811)	(9,440)
	(6,378)	(4,084)
	(1,453)	(3,149)
	425	(5,557)
	20,022	18,641



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Financial Risk Management

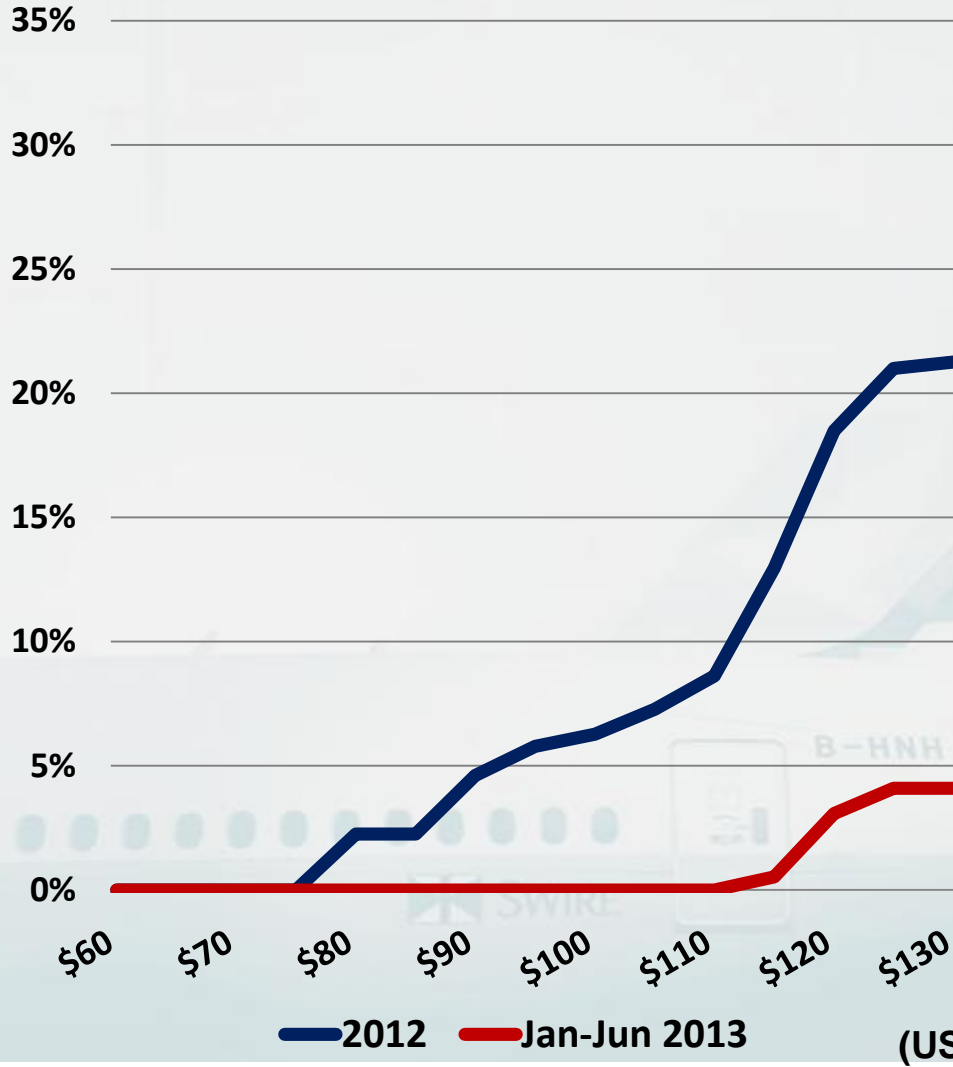
- Currency
 - All major currencies are hedged in compliance with our policy.
- Liquidity
 - A total of HK\$2.7 billion with tenors of 5 or 7 years raised through MTN programme since first issue in Oct 2011
 - Unpledged liquid funds and committed undrawn lines HK\$22.7 billion as at 30 June 2012.
- Interest 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.



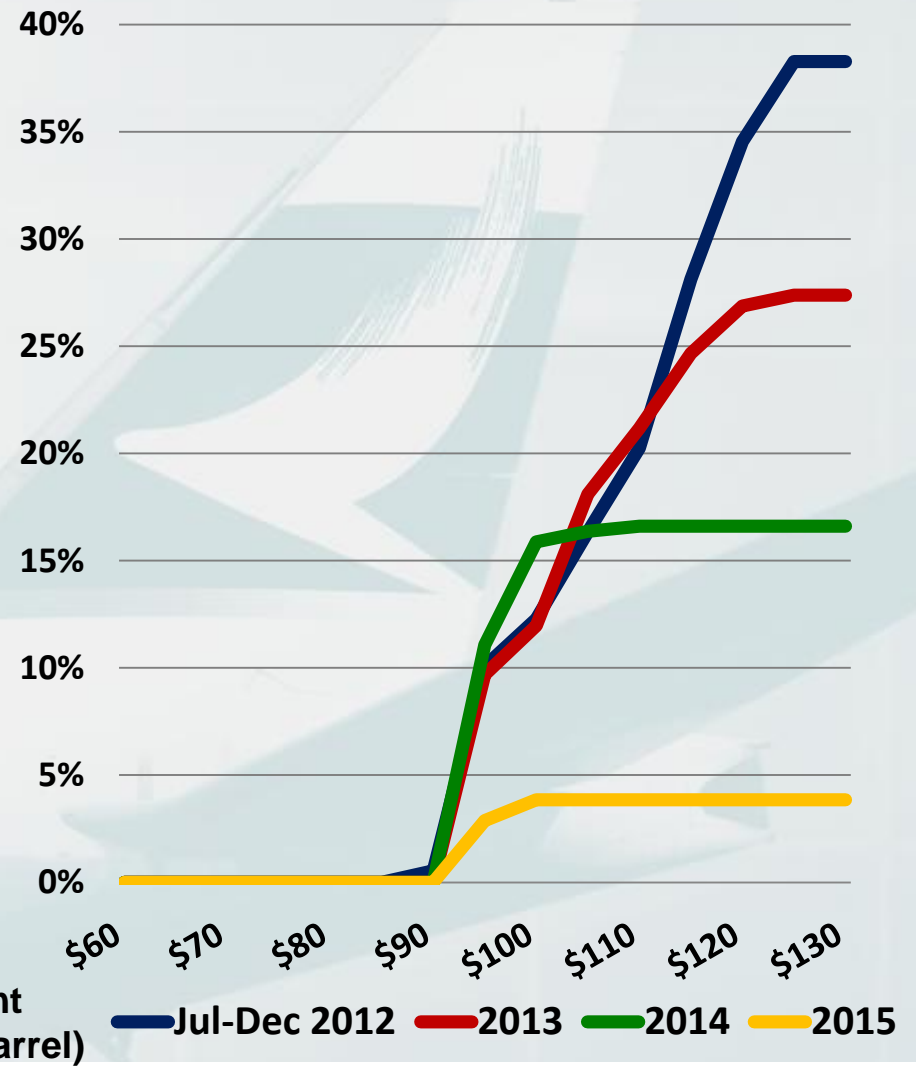
Fuel Hedging

Fuel hedging coverage

As at 14 March 2012



As at 1 August 2012



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Passenger Service – Key Numbers

		1H2012	vs 1H2011
Turnover	<i>HK\$ million</i>	34,713	+9.2%
Seat capacity (ASK)	<i>Million</i>	65,351	+6.9%
Passenger number	<i>'000</i>	14,312	+8.6%
Passenger yield	<i>HK cents</i>	66.1	+1.2%
Load factor	<i>%</i>	80.1	+0.8%pt



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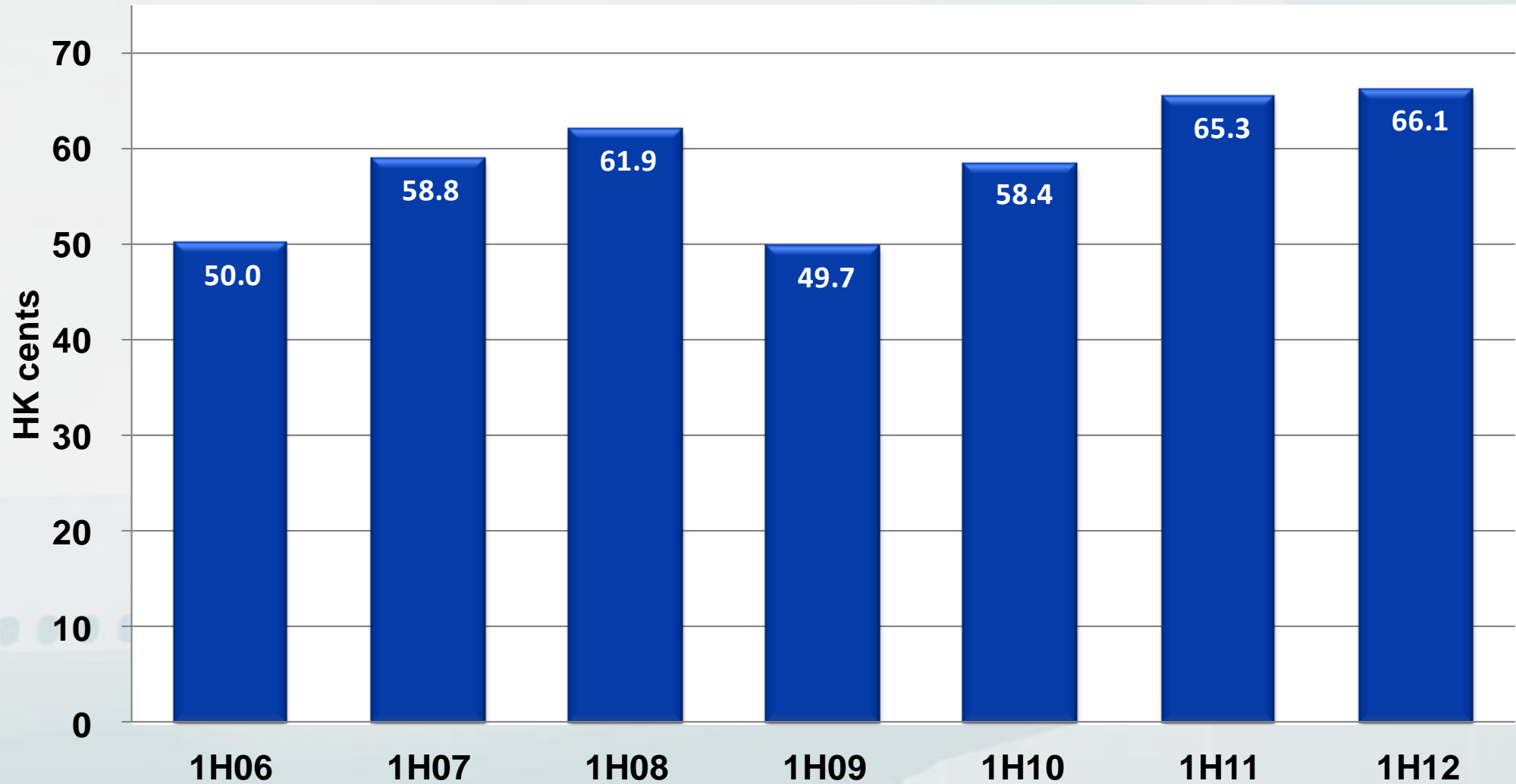
Passenger Service - by Region

	ASK (m)	vs 1H2011	Load Factor	vs 1H2011	Yield Change
India, Middle East, Pakistan and Sri Lanka	5,605	+1.1%	77.3%	+1.4%pt	+3.9%
Southeast Asia	8,612	+11.6%	80.3%	-2.4%pt	+2.0%
Southwest Pacific and South Africa	9,482	+0.4%	75.2%	+1.9%pt	+2.4%
Europe	10,812	-3.1%	84.0%	+2.8%pt	+2.1%
North Asia	13,616	+9.4%	72.2%	+2.5%pt	-1.4%
North America	17,224	+16.2%	87.4%	-1.9%pt	-0.3%
Overall	65,351	+6.9%	80.1%	+0.8%pt	+1.2%



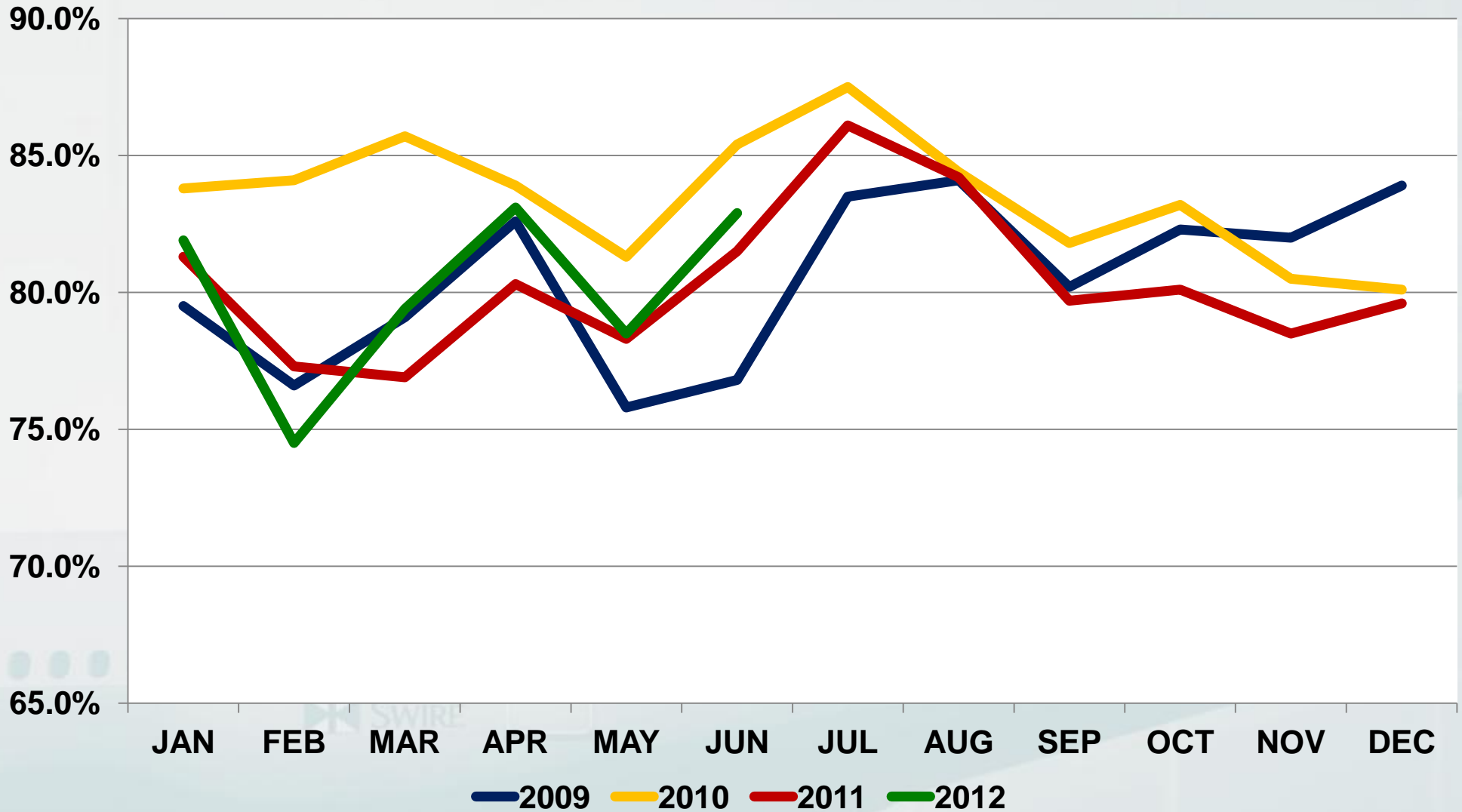
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Passenger Yield 1H2001 - 1H2012



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PASSENGER LOAD FACTOR (JAN 2009 – JUNE 2012)



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Passenger Services Development in 2012

Cathay Pacific

- Will reduce 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
- Will increase the frequencies between Chennai and Hong Kong from four flights a week to daily effective from 1 September



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
- Intend to introduce service to Kolkata and Haikou later in the year



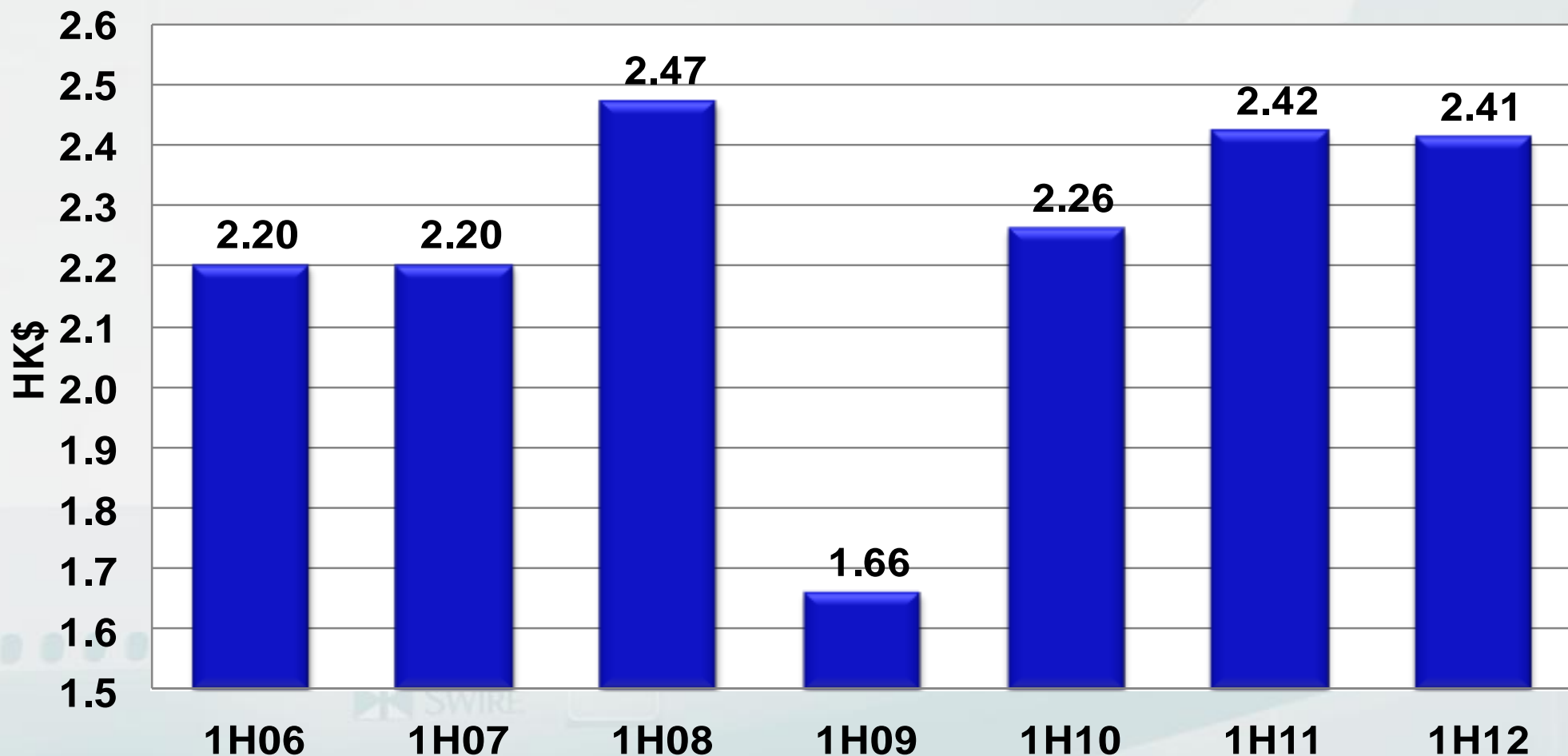
Cargo Service – Key Numbers

		1H2012	vs 1H2011
Group turnover	<i>HK\$ million</i>	11,897	-7.6%
<u>Cathay Pacific and Dragonair</u>			
Turnover	<i>HK\$ million</i>	10,441	-10.2%
Cargo capacity (ATK)	<i>Million</i>	6,729	-4.3%
Cargo and mail carried	<i>'000 tonnes</i>	754	-9.8%
Cargo and mail yield	<i>HK\$</i>	2.41	-0.4%
Load factor	<i>%</i>	64.3	-4.1%pt



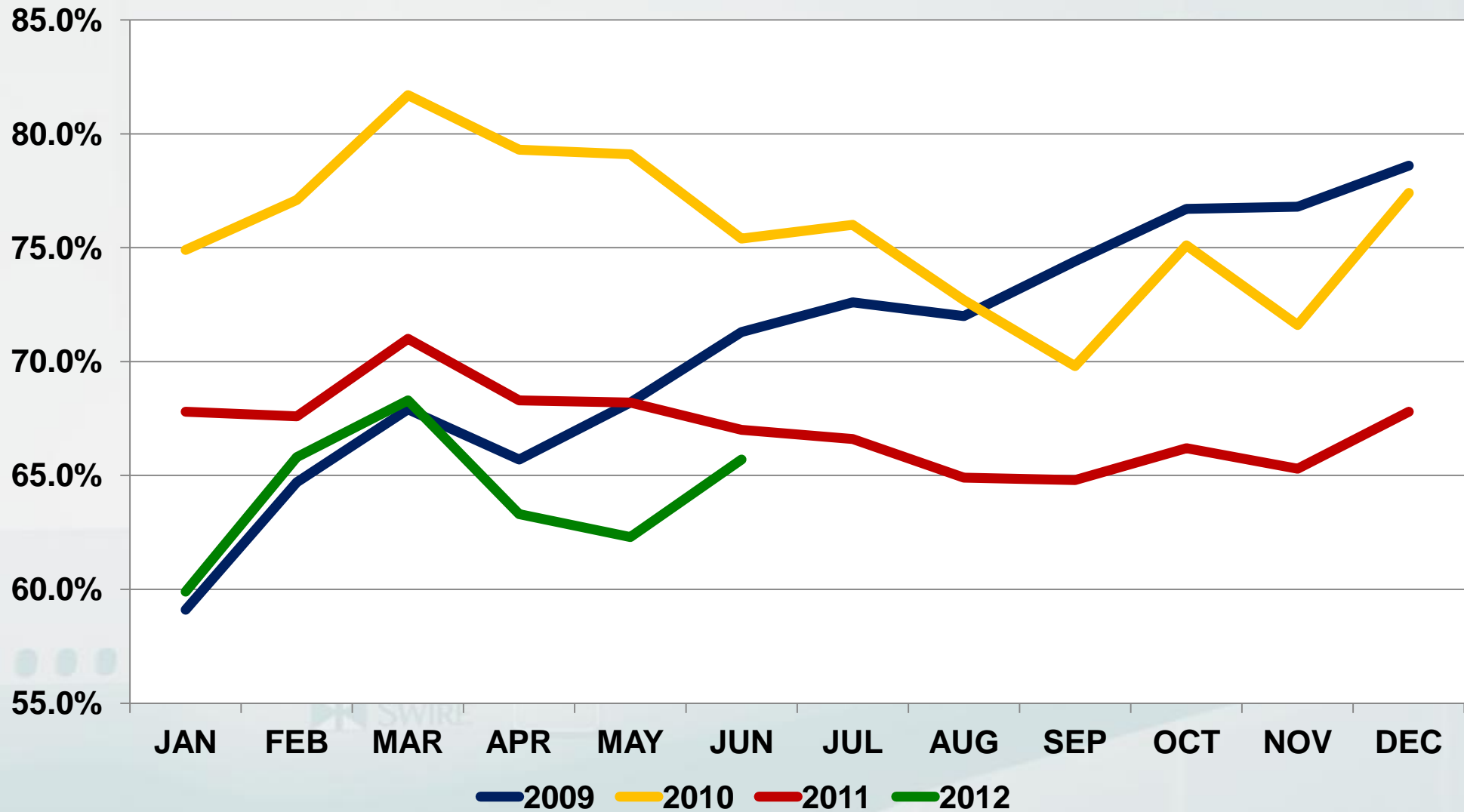
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Cargo & Mail Yield 1H2001 - 1H2012



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CARGO AND MAIL LOAD FACTOR (JAN 2009 – JUNE 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



Cargo Development

Cargo Terminal

- HK\$5.9 billion investment, spend to May 2012
HK\$4.9 billion
- Good progress in construction and operation preparation, topping-out ceremony on 17 Nov 2011
- On schedule for opening early 2013
- It will greatly enhance the competitiveness and efficiency of Hong Kong as an airfreight hub



CX and KA Fleet Plan as at June 2012

	In operation			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
31 Dec 2011	138	24	162	2	-	2
New deliveries	8	1	9	-	-	-
Return to lessors	-	-	-	(2)	-	(2)
Parked aircraft	-	(2)	(2)	-	2	2
Deregistered	-	-	-	-	(1)	(1)
30 Jun 2012	146	23	169	-	1	1



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New Aircraft as at 8 August 2012

Orders brought forward at 1 Jan 2012	93
Delivered	(9)
<i>B777-300ER</i>	(4)
<i>B747-8F</i>	(1)
<i>A330-300</i>	(2)
<i>A320-200</i>	(2)
New Orders in January 2012	8
<i>A350-900</i>	6
<i>A320-200</i>	2
Outstanding orders as at 30 Jun 2012	92
Delivered in July 2012 – <i>B747-8F</i>	(1)
New orders in August 2012 – <i>A350-1000</i>	10
Total as at 8 Aug 2012	101



Aircraft Delivery Plan as at 8 August 2012

	2012	2013	2014	2015	2016	2017	2018	2019	2020	
B747-8F	2	2								4
B777-200F			4	2	2					8
A320-200	2									2
A330-300	4	5	5	3						17
A350-900				2	10	10				22
A350-1000							6	10	10	26
B777-300ER	1	9	7	5						22
Total	9	16	16	12	12	10	6	10	10	101



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Fleet - 744 Retirement Plan

As of 8 August 2012

Exit date	Number	Remaining
Sep 12	-3	18
Mar 13	-2	16
Jun 13	-1	15
Sep 13	-1	14
Nov 13	-1	13
Jan 14	-1	12



Cargo Fleet Plan

2012

- Fleet composition as at 30 Jun 2012
 - 24 x 747 Freighters :
 - 6 x 747-400F, 6 x 747-400ERF , 7 x 747-400BCF and 5 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 and 2 in 2013
 - 777-200F – 4 in 2014, 2 in 2015 and 2 in 2016



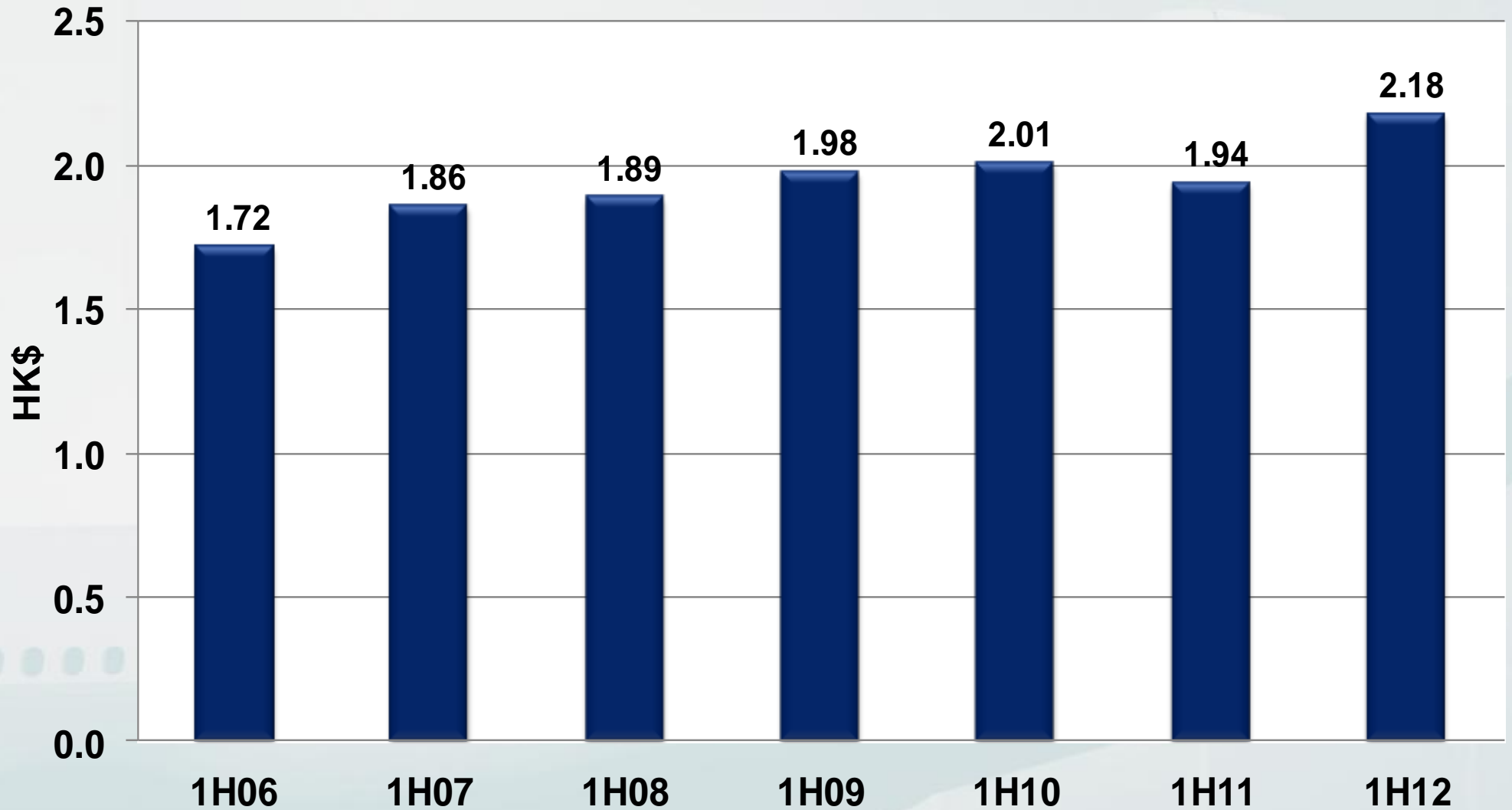
Group Operating Cost

	1H2012	vs 1H2011
	HK\$m	%
Staff	7,956	+10.4
Inflight service and passenger expenses	1,979	+10.1
Landing, parking and route expenses	6,714	+7.3
Fuel	20,407	+9.9
Aircraft maintenance	4,643	+23.5
Depreciation, amortisation and operating leases	5,084	+8.8
Net finance charges	381	+21.3
Others	2,299	+32.5
Total operating cost	49,463	+11.6



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Airlines Cost per ATK (without fuel)



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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



Product and Services

- Introduction of the new Premium Economy Class



Product and Services (Continued)

New long-haul Economy Class seats



New Business Class seats



Product and Services (Continued)

- Reopened Business Class Lounge of The Wing in January



Product and Services (Continued)

- Launch of Mobile Boarding Pass service



- Upgrade of new passenger reservation system

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.



Air China

- Cathay Pacific has a 19.53% interest in Air China.
- Cathay Pacific accounts for Air China for the 12 months ended 31st March 2012 and any significant events or transactions during their last quarter.
- Profits from Air China in the first half of 2012 were significantly down compared to the first half of 2011 due to similar factors as Cathay Pacific – a high oil price, pressure on yield and a weak cargo market.



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)
- Performance of Air China Cargo has been weak but remains strategically important



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



Outlook

- Global economic uncertainties continue into the second half, impacting passenger demand
- Cargo demand remains weak
- Fuel price remains high, but we benefit from the recent decline
- Cost cutting measures will be realised in the second half
- Continued enhancement of products and services to strengthen our competitive edge



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Q & A

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