Safety First, Quality Always
Introduction

Strategies and Challenges
A Home Carrier in Hong Kong

- Founded in **1946**
- Based in **Hong Kong**
- **147** aircraft
- **202** destinations
- **22,000** staff
- **More than 60k pax daily**
Shareholding structure
Dragonair (KA)

- Founded in 1985
- A member of the CX Group since 2006
- 41 aircraft
- 49 destinations worldwide
- 22 of them in the Mainland
- 3,300 staff
- More than 25k pax daily
Air Hongkong (LD)

Founded in **1986**

9 A300 Freighters, 3 B747-400 Converted Freighters

**60% owned by CX, 40% by DHL**
Vogue

- 50th anniversary in 2014
- Airlines, hotels, clubs, shops...
- 28,044 tons = 6,000 elephants
- New factory(2016) - Biggest in Asia

As of Dec 2014
Cathay Pacific Catering Services

- **100,000** meals daily
- **50,400m² = 9 football fields!**
- **65%** market share

As of Dec 2014
HK Airport Services Limited

- 23 airline clients
- 48% of HKIA ramp handling
- 20% of HKIA pax handling

Biggest ground handling company

As of Dec 2014
Asia Miles

An award-winning Lifestyle Reward Programme

- **MEMBERS**: 7M
- **AIR PARTNER**: 25
- **NON-AIR PARTNER**: 500 +
Cathay Pacific
Skytrax World’s Best Airline for the 4th year
Dragonair
Best Regional Airline by TTG
for the 5th year
OPPORTUNITIES

Where we sit – a lot of people!

A lot of people getting wealthier

A lot of people who want to travel
There are more people living inside this circle than outside of it.
Our potential home market

PRD population is 8 times bigger than HK
Propensity to travel grows with income

(Source: ACI, Global Insight, World Bank, McKinsey TTL Practice analysis and estimates)
Increasing international air travellers

IATA: Global Air Pax Trend

- Asia Pacific: 42%
- Europe: 20%
- North America: 20%
- Latin America: 9%
- Middle East: 5%
- Africa: 4%

2014: 3.3 bn million new pax
2034: 7.3 bn

Top destinations:
- China: 856
- US: 559
- India: 266
- Indonesia: 183
- Brazil: 170
CHALLENGES

Uneven economy growth and recovery

Competition will get tougher

And more...
Uneven economy growth and recovery

Global Growth
Picked up only marginally during 2013-14

Developing Countries
Soft oil prices, Stronger US economy
Continued low global interest rates

High Income Countries
US and UK gained momentum
Euro Area and Japan lag behind

Source: World Bank
Trade is slowing down

**International trade / world GDP growth**

Index, 2005 equal to 1

**BEFORE**
Average annual FTK growth: 6.4%

**AFTER**
Average annual FTK growth: 1.2%

Source: IATA
Competition will get tougher
Bigger competition in Asia

Source: IATA
Home market stability
Fuel price

There will be more challenges

HKIA capacity
Geopolitical
Our business model

Premium
- Brand, Product & Service

Full Service
- F / J / PEY / Y
- Freight

Network Carriers
- Frequencies
- Destinations
Our strategy

Safety

Brand, Product & Service Network development
Our strategy

Safety

Product, Brand & Services

Network development
Safety remains a big challenge
2014 – the safest year by no. of fatal accidents
Second worst in terms of average no. of fatality per accident
Significant challenges faced by the industry

- Lithium batteries
- Pilot Shortage
- Fatigue Management
- Operation in airspace with less sophisticated ATC capabilities
- Supplier Management
- Risk prediction
MANAGEMENT OF CX SAFETY
Safety is our number-one priority

Our vision is to be the world’s best airline. Being the best means that we always strive to excel in everything we do. Our dynamic team provides the highest quality service so that our customers are happy they chose Cathay Pacific.

- We put safety first
- We grow a winning team
- We provide outstanding products and services
- We consistently deliver Service Straight From The Heart
- We produce superior financial returns
- We support Hong Kong
- We are a socially and environmentally responsible company
Our culture – Safety First; Quality Always

Safety

Number-one priority

Everyone’s Responsibility

Reporting
Openly

Just
Fair & Balanced

Organisational Culture

Learning
Drive Continuous Improvements

Informed
Decision Making

Quality

Safety First. Quality Always

Operational Excellence is fundamental to safe and secure outcomes.

Compliance
Without Compromise

Competency
Trained Professionals

Consistency
Reliable Delivery

Continuous Improvement
Good to Great

Trust Share Learn
No complacency in safety and quality

Based on 2014 values

One of the Top 10s

Ranked the 1st
We are well positioned in the industry

- Sim 5 for all crew
- Dedicated pilot training resources
- Rigorous 4-month Command Course

- Monthly Air Safety Review Committee (ASRC)
- SPI’s & RIS methodologies
- Established Flight Data Analysis Program – all fleets
- Integrated & embedded SMS

- External validation as part of Governance Structure
- Dedicated external security risk consultant

- LOSA airline – 4th completed 2013
- Operational Supplier Management oversight initiative
- Established FRMS
An effective governance structure

Over 40+ years of history
A well established SPI Program
(Safety Performance Monitoring)

- Full integration into CX SMS process / Committee System
- Leading methodology / framework in the industry
- Better visibility of the composition of the safety risk
- Strong Stake-holder buy-in
A well established Flight Data Analysis Program

- Established program since mid 90
- 100% fleet flight data recording and scanning
- Effective use of flight data in routine exceedence detection, Incident investigation and operational research
Focuses on pilots skill set that uncovered in the current PC/RT simulator training

- Manual handling training

- Extra investment by the company (go beyond the regulatory requirement)
ON-GOING CX SAFETY INITIATIVES
LITHIUM BATTERY
We carry a lot of lithium batteries day to day

**5.5 billion** lithium batteries manufactured in 2013

Growing at **25-30%** annually

**35%** produced in Guangdong

Many exported via Hong Kong
Failure to declare the dangerous goods

Hi dear friends, this power of this kind battery is more than 100W, we will attach the real label inside the cover of the battery and attach one wrong label for battery which is below 100W, on the surface of the battery. Because if the power of the battery is more than 100W, it can't be transported by air. Hope you can understand us, we are so apologized to you for this inconvenience. Thanks.

Description
22.2 10000mAh 25C Max 40C 6S RC LiPo Li-Poly Battery For Airplane Model
Airport awareness campaign

Defences in Cabin

Passenger

Cabin

Risk mitigation measures

Fire Container Cover

EVAS equipped

Cargo

Overall
Flight over conflict zones

- External specialist advice
- Monthly & ad-hoc reports

Current HKG – Europe routings
Past safety performance does not guarantee nor predict future safety performance
Government - industry cooperation is the key
Our strategy

Safety

Brand, Product & Service

Network development
CATHAY PACIFIC

國泰航空公司
Life Well Travelled
We have also invested heavily in our products

- To refresh every cabin, every aircraft
- Invested $6B in the past 5 years
“Best Airline Business Class”
Skytrax (2012)
by Business Traveller China Awards (2013)
“World’s Best Cabin Staff”
Skytrax 2013
Looking forward – better meeting their needs

Up Sell

Non Air Ancillaries

Air Ancillaries
Our strategy

Safety
Brand, Product & Service

Network development
Superior network connecting the world

- **Europe**
  - 8 destinations
  - 90 flights/week

- **Northeast Asia**
  - 13 destinations
  - 340 flights/week

- **North America**
  - 7 destinations
  - 110 flights/week

- **China**
  - 20 destinations
  - 400 flights/week

- **Southeast Asia**
  - 18 destinations
  - 350 flights/week

- **India, ME**
  - 15 destinations
  - 70 flights/week

- **Southwest Pacific**
  - 7 destinations
  - 80 flights/week

- **Hong Kong**
We have been growing rapidly around the globe

21 new destinations in 2012-2015

Hong Kong

Manchester, Dusseldorf, Zurich, Doha, Kolkata, Chiang Mai, Doha, Kimberley, Male, Siem Reap, Yangon, Haikou, Taichung, Wenzhou, Jeju, Xi’an, Guilin, Zhengzhou, Kolkata, Dusseldorf, Zurich, Newark, Boston
Looking forward – fleet modernisation

In 2014-2024:

- 79 new aircraft (A330, A350, B7773ER, B777)
- Growth + network expansion
Our strategy

Safety

Brand, Product & Service Network development
THANK YOU