

# Cathay Pacific's awful profit slump

HONG KONG, CHINA: Cathay Pacific said on Wednesday (13 March) that its 2012 net profit plunged more than 83%, as the airline was buffeted by persistently high fuel prices and the eurozone financial crisis.



The airline said profit stood at HK\$916m, down from the HK\$5.5bn it recorded in 2011. Revenue rose 1.0% to HK\$99.4bn from HK\$98.4 bn in 2011.

Cathay said it carried a total of 29.0m passengers in 2012, a 5.0% rise year-on-year, but its premium class sales were hit as companies cut back on travel for executives.

"It was a challenging year for the aviation industry generally," chairman Christopher Pratt said in a statement to the Hong Kong stock exchange. The airline said that "sustained high levels" of jet fuel prices, which accounts for more than 40% of total operating costs, dragged down its performance.

"The high cost of fuel made it more difficult to operate profitably, particularly on long-haul routes operated by older, less fuel-efficient, Boeing 747-400 and Airbus A340-300 aircraft," said Pratt. Even though Cathay has accelerated its plans to retire fuel-guzzling aircraft, the chairman said fuel costs will remain its "biggest challenge" this year, as the long-haul routes account for a huge chunk of its business.

Cathay ordered three Boeing 747-8 Freighter cargo aircraft earlier this month in a deal worth US\$1bn at list prices, with an option to buy five 777 Freighters in a bid to boost its fuel-efficient fleet. "Economic uncertainty, particularly in the eurozone countries, and an increasingly competitive environment added to the difficulties," Pratt said.

"We believe we have taken the right measures to deal with current challenges and will take whatever further measures are necessary should the business environment not improve," he added.

The weak global economy continued to take a toll on Cathay's air cargo business, with revenue falling 5.5% to HK\$24.6bn in 2012, while demand for shipments in the key markets of Hong Kong and mainland China "was well below expectations".

Cathay, in August, posted a first-half loss of HK\$935m. Airlines around the world have been struggling with fuel costs and softening demand owing to the global economic weakness.

But the International Air Transport Association said in December that profits for global airlines are expected to pick up, with the association forecasting total profits of US\$6.7bn for 2012, up from its previous estimate of US\$4.1bn.

Source: *AFP* via I-Net Bridge

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