



Analysts Briefing

19 August 2015

Interim Results

| <i>Group Financial Statistics</i> | | 1H2015 | 1H2014 | Change |
|-----------------------------------|--------------|---------------|--------|--------------|
| Group attributable profit | <i>HK\$m</i> | 1,972 | 347 | +468.3% |
| Revenue | <i>HK\$m</i> | 50,388 | 50,840 | -0.9% |
| Profit margin | % | 3.9 | 0.7 | +3.2%pt |
| Earnings per share | <i>HK¢</i> | 50.1 | 8.8 | +469.3% |
| Dividend per share | <i>HK\$</i> | 0.26 | 0.10 | +160.0% |

| Operating Statistics – Cathay Pacific & Dragonair | | 1H2015 | 1H2014 | Change |
|--|---------|--------|--------|--------|
| Available tonne kilometres (ATK) | million | 14,598 | 13,545 | +7.8% |
| Available seat kilometres (ASK) | million | 69,689 | 65,474 | +6.4% |
| Revenue passengers carried | '000 | 16,800 | 15,437 | +8.8% |
| Cost per ATK (with fuel) | HK\$ | 3.24 | 3.57 | -9.2% |
| Cost per ATK (without fuel) | HK\$ | 2.12 | 2.20 | -3.6% |

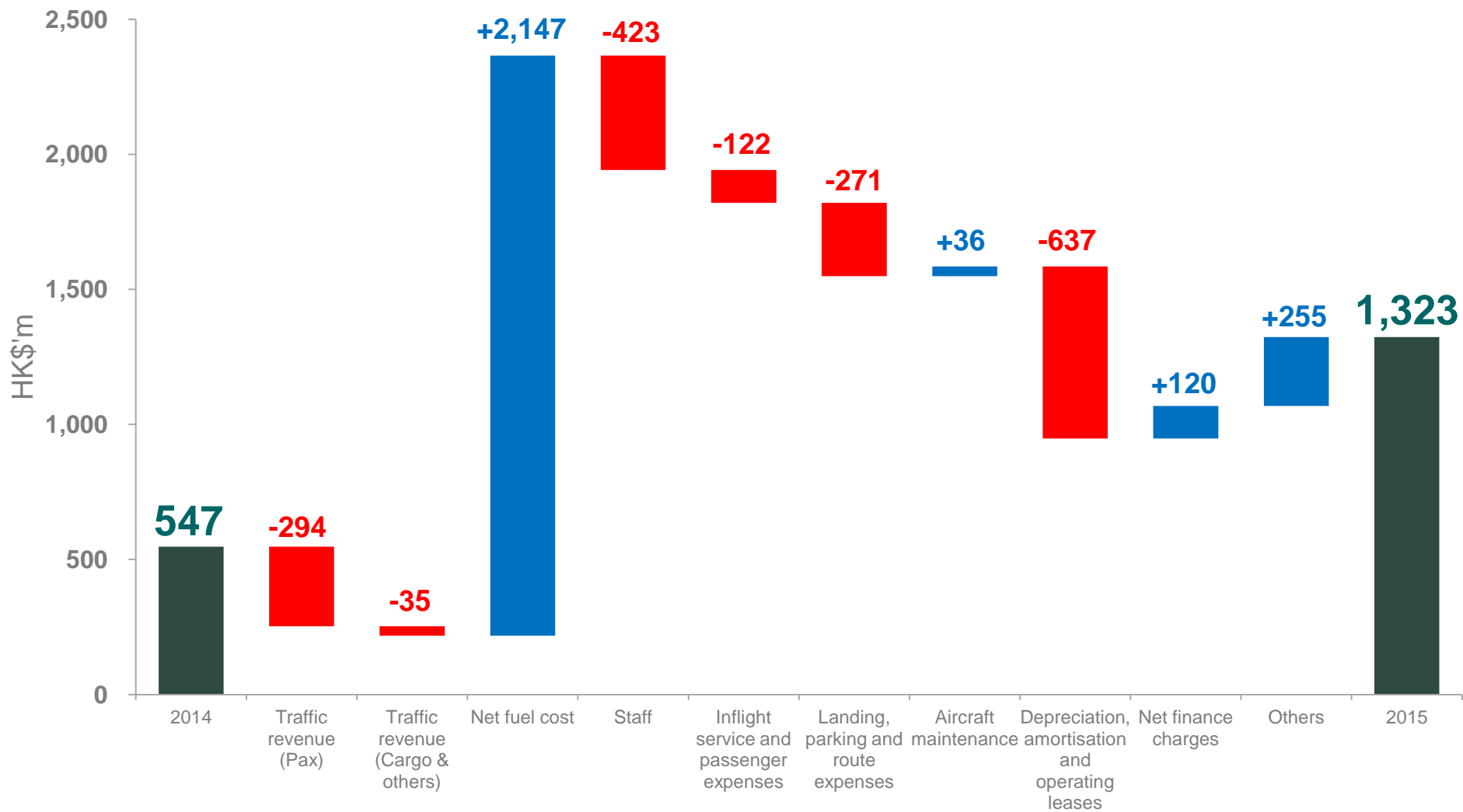
Airlines' profit

- The Group reported an attributable profit of **HK\$1,972 million** for the first six months of 2015. This compares to a profit of HK\$347 million in the first half of 2014.
- Below is the split between airlines' profit and share of results from subsidiaries & associates.

| <i>HK\$m</i> | 1H2015 | 1H2014 |
|--|--------------|--------|
| Airlines' profit before taxation | 1,323 | 547 |
| Taxation | (368) | (148) |
| Airlines' profit after taxation | 955 | 399 |
| Share of profits/(losses) from subsidiaries & associates | 1,017 | (52) |
| Group attributable profit | 1,972 | 347 |



Reconciliation of airlines' profit before tax



Passenger Services



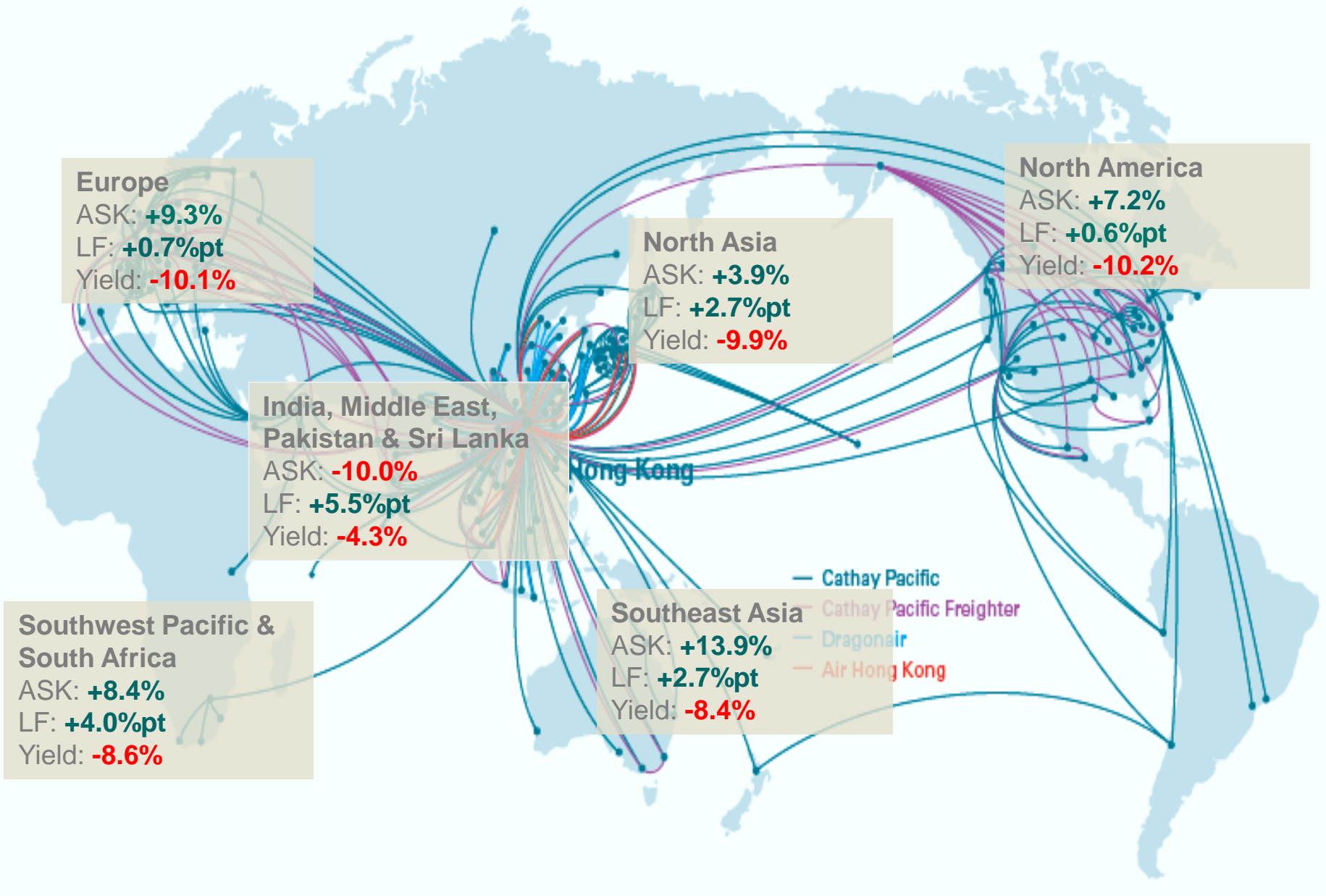
Passenger Services

- High load factor
 - strong economy class demand; and
 - premium class on long haul weaker than expected.
- Adverse factors putting yield under pressure
 - strong competition;
 - significant reduction in fuel surcharges;
 - impact of some weak currencies; and
 - higher proportion of passengers were connecting through Hong Kong.

| | | 1H2015 | vs 1H 2014 |
|-----------------------|----------------|---------------|--------------|
| Passenger revenue | <i>HK\$m</i> | 36,226 | -0.8% |
| ASK | <i>Million</i> | 69,689 | +6.4% |
| Passengers carried | <i>'000</i> | 16,800 | +8.8% |
| Passenger yield | <i>HK¢</i> | 60.4 | -9.3% |
| Passenger load factor | <i>%</i> | 85.9 | +2.3%pt |



Passenger Services – By Region





Network development



Dragonair

- | | |
|-----|---|
| Mar | • Launched a daily service to Haneda in Tokyo. |
| Mar | • Increased frequency to Okinawa from four times weekly to daily. |
| May | • Increased frequency to Kolkata from five times weekly to six times weekly. |
| Aug | • Launched a twice-weekly service to Hiroshima in Japan. |

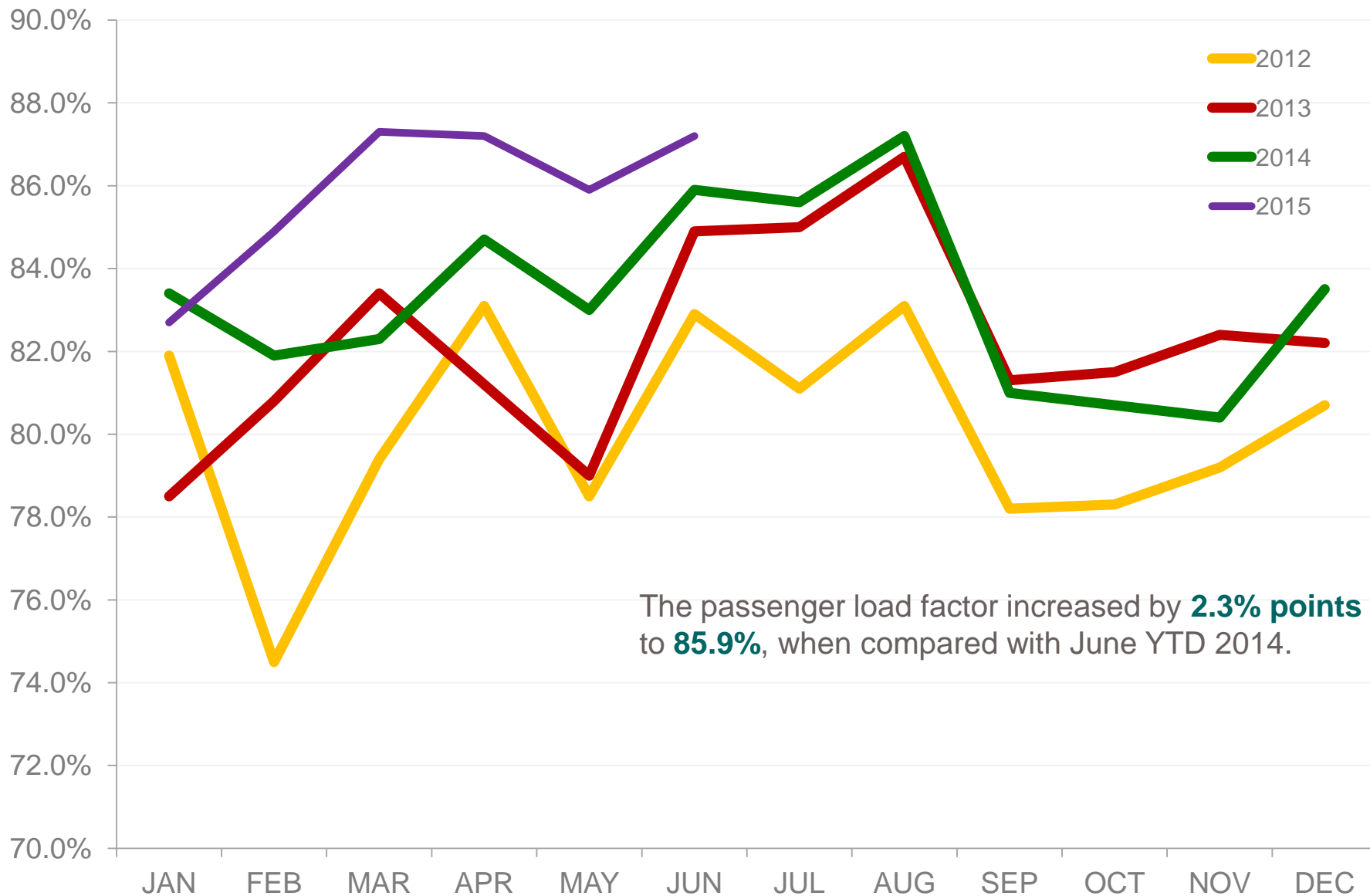


Cathay Pacific

- | | |
|-----|--|
| Mar | • Introduced a daily service to Zurich . |
| May | • Introduced a 4-times-weekly service to Boston . |
| Jun | • Discontinued service to Moscow . |
| Jun | • Increased services to San Francisco to 17 flights per week. |
| Sep | • Will introduce a 4-times-weekly service to Dusseldorf . |

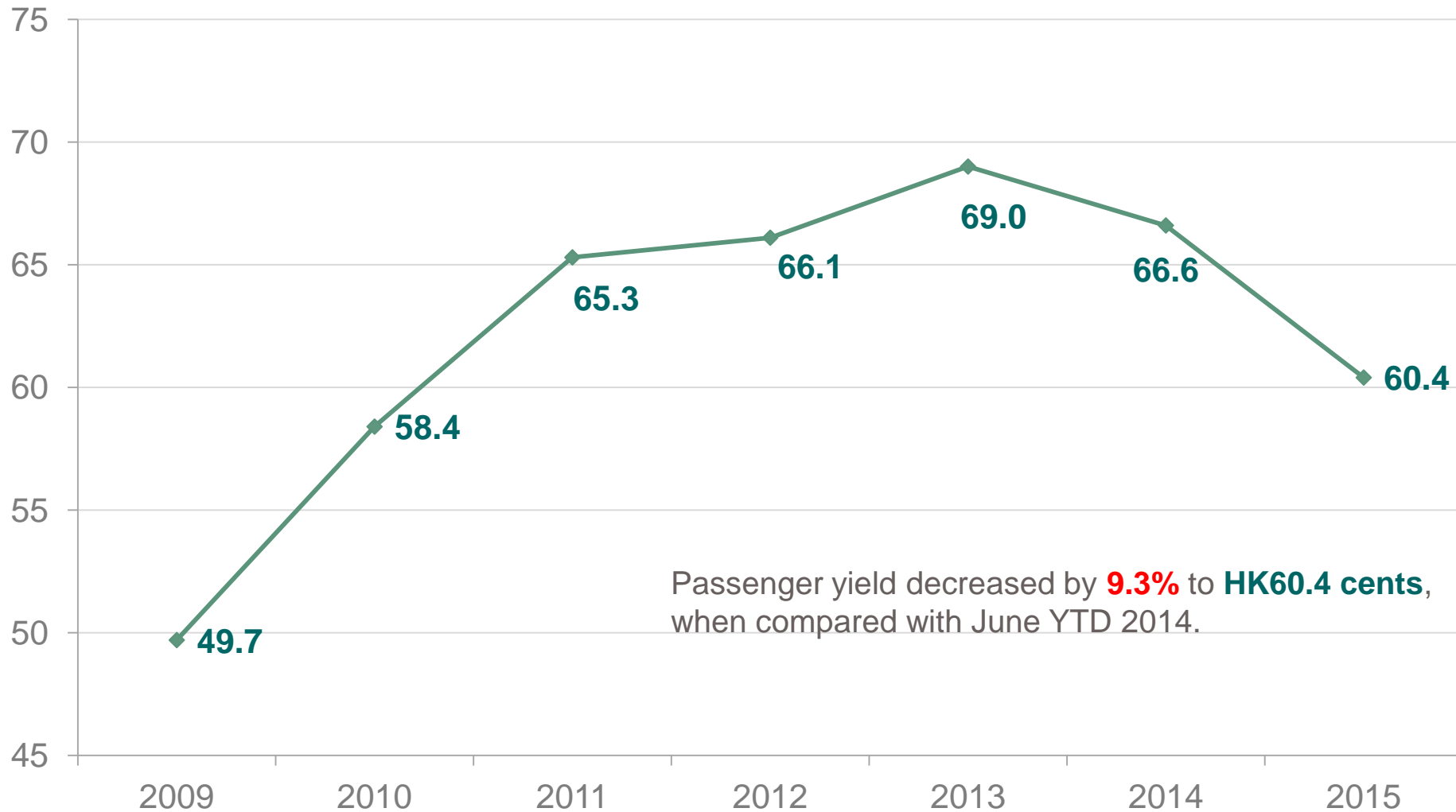


Monthly Passenger Load Factor



Passenger Yield – 2009 to 2015

HKcents



Cargo Services



Cargo Services

- Strong demand in the first few months of 2015 but slackened in the second quarter.
- Adverse factors putting yield under pressure
 - strong competition;
 - over capacity in the air cargo market; and
 - significant reduction in fuel surcharges.
- Cargo to Europe fell short of expectations.

| | | 1H2015 | vs1H2014 |
|-------------------------------------|-------------|--------|----------|
| Group cargo revenue | HK\$m | 11,376 | -2.5% |
| Cathay Pacific and Dragonair | | | |
| Cargo revenue | HK\$m | 9,865 | -1.6% |
| Cargo capacity (ATK) | Million | 7,971 | +8.9% |
| Cargo and mail carried | '000 tonnes | 868 | +8.0% |
| Cargo and mail yield | HK\$ | 1.93 | -11.1% |
| Cargo and mail load factor | % | 64.1 | +0.9%pt |

Network Development



2015

Mar

- Introduced a twice-weekly freighter service to **Kolkata**.

Mar

- Increased the frequency of service to **Delhi** from 7 to 8 flights a week.

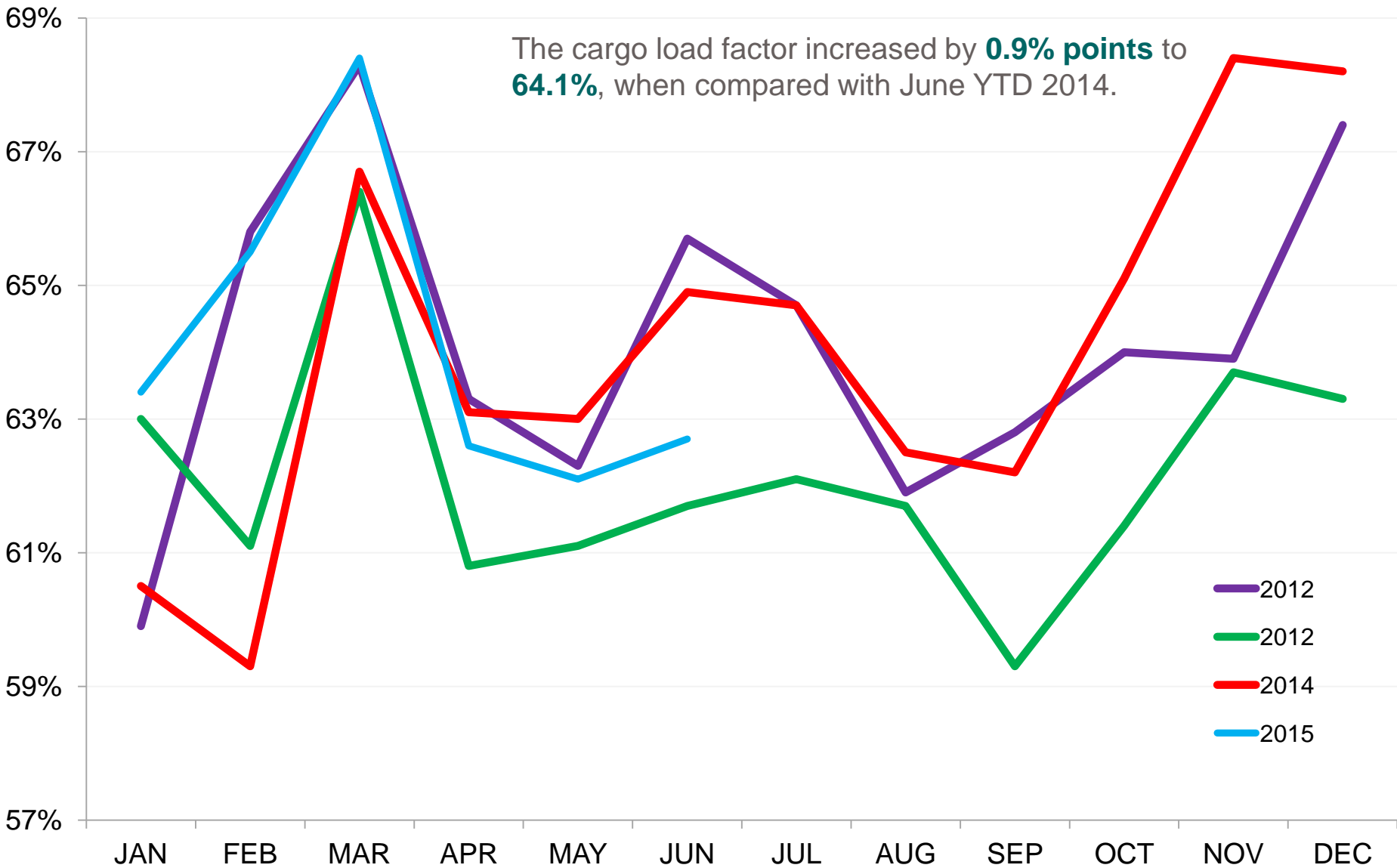
Apr

- Added two weekly services to **North America** to become 37 flights per week.

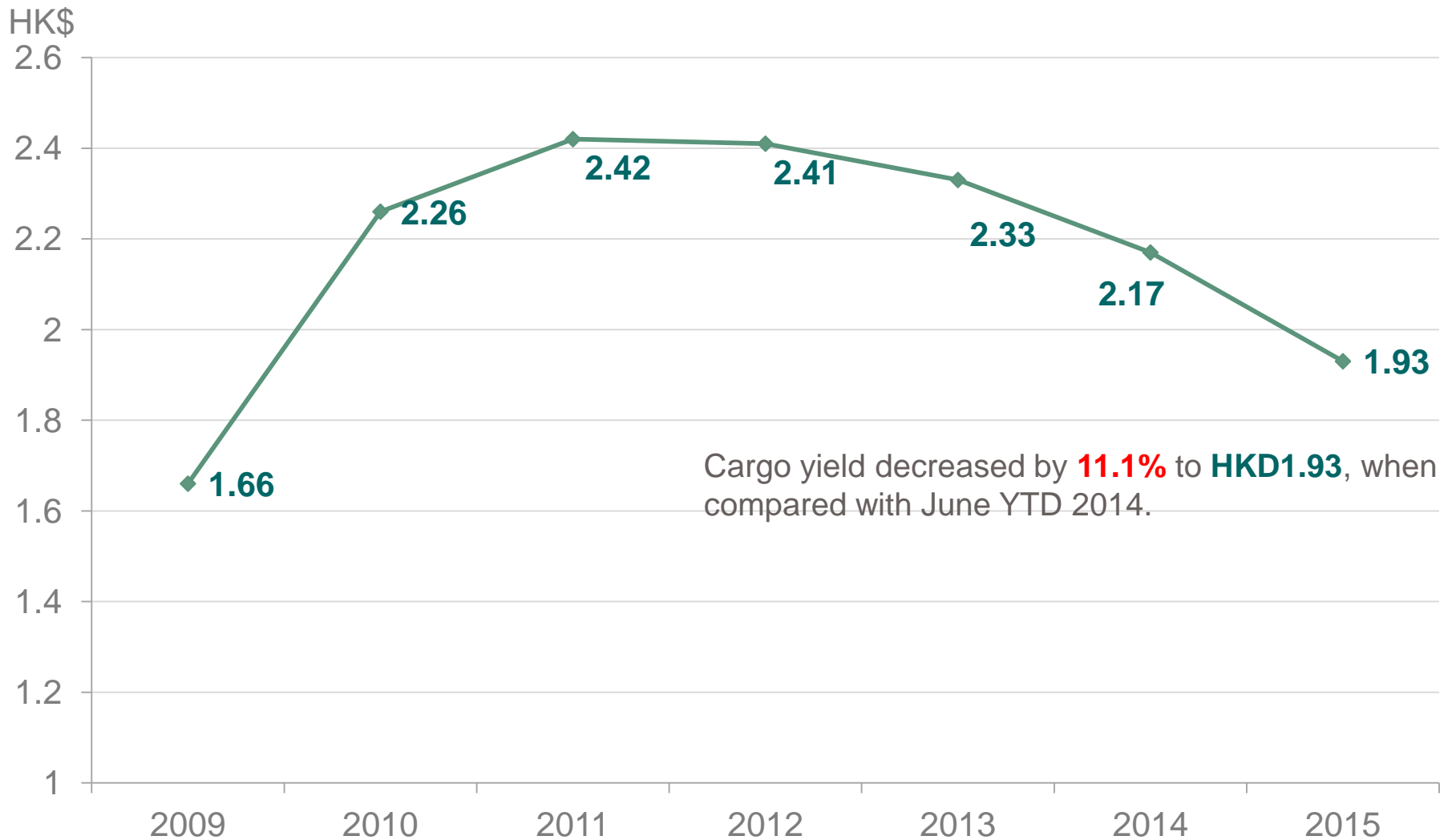


Monthly Cargo Load Factor

The cargo load factor increased by **0.9% points** to **64.1%**, when compared with June YTD 2014.



Cargo Yield – 2009 to 2015



Operating Costs



Operating Costs - Group

- Fuel remains the Group's most significant costs – accounted for **34.2%** of our total operating costs, a reduction of 3.7% points compared to the same period in 2014.
- Operating costs were reduced due to lower fuel prices (partially offset by hedging losses) and effective management of non-fuel costs.

| | 1H2015 | vs1H2014 |
|---|---------------|--------------|
| | HK\$m | % |
| Staff | 9,373 | +5.3% |
| Inflight service and passenger expenses | 2,284 | +5.6% |
| Landing, parking and route expenses | 7,266 | +4.6% |
| Fuel, net of hedging losses/(gains) | 16,619 | -12.2% |
| Aircraft maintenance | 3,653 | -0.3% |
| Depreciation, amortisation and operating leases | 6,701 | +10.1% |
| Net finance charges | 559 | -10.0% |
| Others (including commissions) | 2,130 | -17.3% |
| Total operating costs | 48,585 | -2.6% |

USD/Bbl - Brent and Sing Jet Daily Closing Price 2007 - 2015



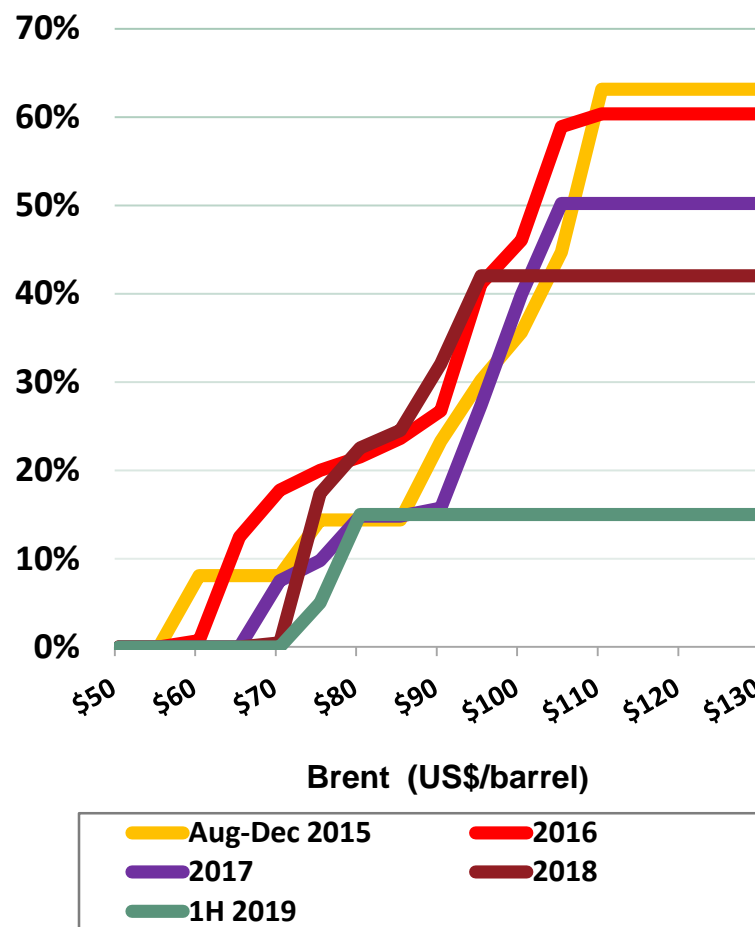
Fuel Expenditure and Hedging

Fuel expenditure

- In the first half of 2015, lower fuel costs were partially offset by hedging losses, resulting in our net fuel costs decreasing by **HK\$2,311 million** (or **12.2%**).

| HK\$'m | 1H2015 | 1H2014 |
|-----------------------------|---------------|---------------|
| Gross fuel cost | 12,876 | 19,954 |
| Fuel hedging losses (gains) | 3,743 | (1,024) |
| Net fuel cost | 16,619 | 18,930 |

Fuel hedging coverage (as at 18 Aug 2015)



Fleet Profile



CX & KA Fleet Profile as at 30 June 2015

- At 30th June 2015, Cathay Pacific operated **148** aircraft and Dragonair operated **41** aircraft (a total of **189** aircraft for the Group).

| | In operations | | | Parked | | |
|------------------|---------------|-----------|------------|-----------|-----------|----------|
| | Passenger | Freighter | Total | Passenger | Freighter | Total |
| 1 Jan 15 | 163 | 22 | 185 | - | 3 | 3 |
| New deliveries | 7 | - | 7 | - | - | - |
| Deregistered | (6) | - | (6) | - | - | - |
| 30 Jun 15 | 164 | 22 | 186 | - | 3 | 3 |

CX Fleet Profile – as at 30 June 15

| Aircraft type (includes parked aircraft) | Owned | Finance Leased | Operating Leased | Total |
|--|-----------|----------------|------------------|------------|
| A330-300 | 22 | 15 | 6 | 43 |
| A340-300 | 6 | 2 | - | 8 |
| 747-400 (note a) | 3 | - | 1 | 4 |
| 777-200 | 5 | - | - | 5 |
| 777-300 | 9 | 3 | - | 12 |
| 777-300ER | 17 | 11 | 23 | 51 |
| Passenger aircraft | 62 | 31 | 30 | 123 |
| 747-400F (note b) | 5 | - | - | 5 |
| 747-400BCF (note c) | - | - | 1 | 1 |
| 747-400ERF | - | 6 | - | 6 |
| 747-8F | 2 | 11 | - | 13 |
| Freighter | 7 | 17 | 1 | 25 |
| Total | 69 | 48 | 31 | 148 |

note a: The operating lease of the aircraft expired in June 2015 and the aircraft will leave the fleet by the end of 2015.

note b: Two aircraft were parked in January 2014 of which one aircraft was delivered to The Boeing Company in July 2015.

note c: The aircraft was parked in August 2013 and will return to service in September 2015



KA Fleet Profile – as at 30 June 15

| Aircraft type | Owned | Finance Leased | Operating Leased | Total |
|---------------|-----------|----------------|------------------|-----------|
| A320-200 | 5 | - | 10 | 15 |
| A321-200 | 2 | - | 6 | 8 |
| A330-300 | 10 | - | 8 | 18 |
| Total | 17 | - | 24 | 41 |

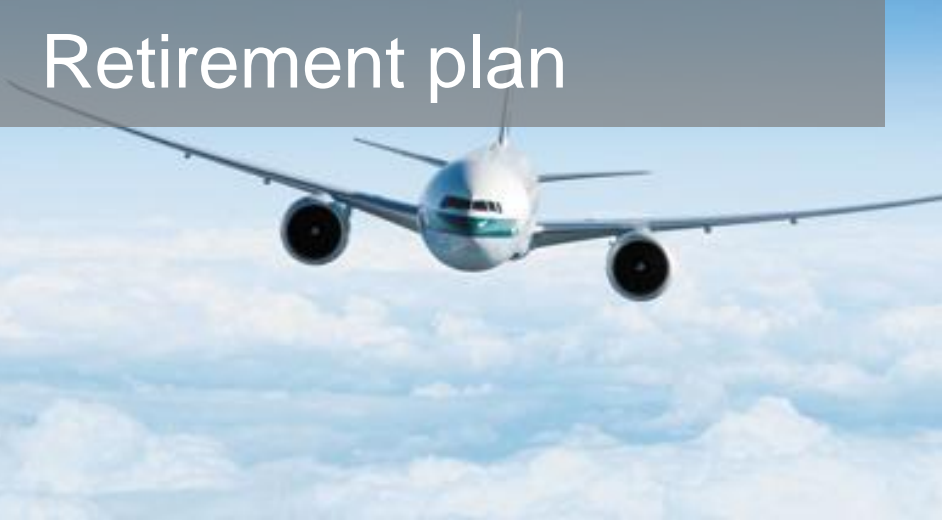


Aircraft Delivery Plan as at 30 June 2015

- At 30th June 2015 we had **72** new aircraft due for delivery up to 2024.
- Our first Airbus A350-900XWB aircraft is scheduled to be delivered in February 2016.
We took delivery of the first of two simulators for Airbus A350 aircraft in May.

| Aircraft type | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 & beyond | Total |
|---------------|----------|-----------|-----------|----------|-----------|-----------|---------------|-----------|
| B747-8F | | 1 | | | | | | 1 |
| A350-900 | | 12 | 10 | | | | | 22 |
| A350-1000 | | | | 6 | 10 | 10 | | 26 |
| B777-300ER | 2 | | | | | | | 2 |
| B777-9X | | | | | | | 21 | 21 |
| Total | 2 | 13 | 10 | 6 | 10 | 10 | 21 | 72 |

Retirement plan



B744 - As at 30 June 2015

| Exit date | Number | Remaining |
|-----------|--------|-----------|
| 2017 | -3 | 0 |

A340 - As at 30 June 2015

| Exit date | Number | Remaining |
|-----------|--------|-----------|
| 2H2015 | -1 | 7 |
| 2016 | -3 | 4 |
| 2017 | -4 | 0 |



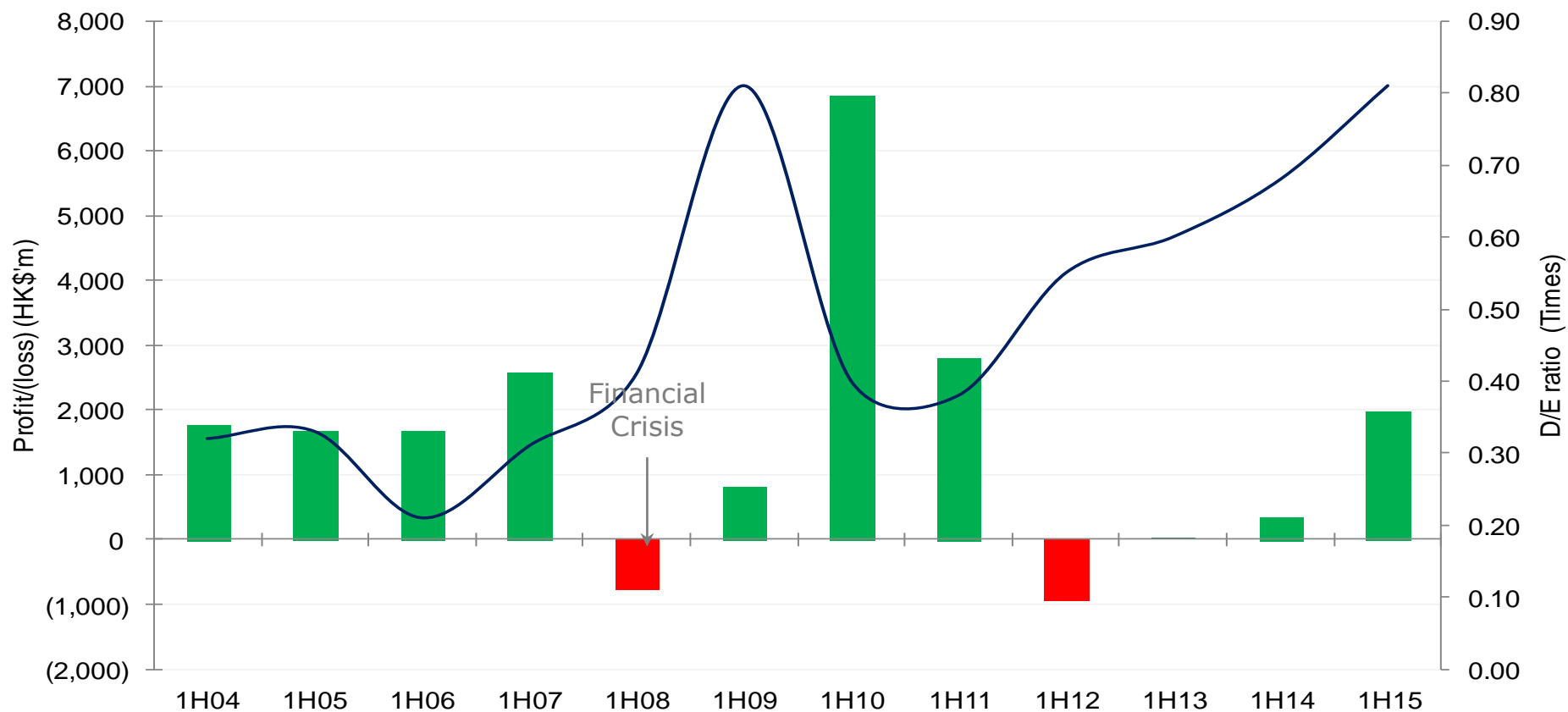
Other Financials



Financial Position

| | <u>30 Jun15</u> | <u>31 Dec14</u> | <u>Change</u> |
|--|-----------------|-----------------|--------------------|
| | HK\$m | HK\$m | % |
| Shareholders' Funds | 54,816 | 51,722 | +6.0% |
| Gross Borrowings | 63,441 | 65,096 | -2.5% |
| <i>Less: Liquid Funds</i> | (19,252) | (21,098) | -8.7% |
| Net Borrowings | 44,189 | 43,998 | +0.4% |
| Capital Employed (incl. non-controlling interests) | 99,154 | 95,851 | +3.4% |
| Net Debt/ Equity Ratio | 0.81 | 0.85 | -0.04 times |
| Investment in Air China | 18,930 | 19,150 | -1.1% |

Profit & Net Debt/Equity Ratio



■ Profit/(Loss)

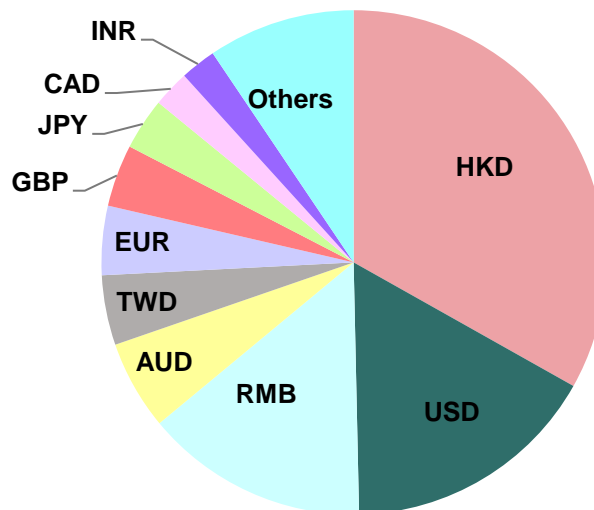
— Net debt/equity ratio

| Group Profit Margin | 1H 2004 | 1H 2005 | 1H 2006 | 1H 2007 | 1H 2008 | 1H 2009 | 1H 2010 | 1H 2011 | 1H 2012 | 1H 2013 | 1H 2014 | 1H 2015 |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| % | 9.7 | 7.8 | 7.3 | 8.9 | (1.8) | 2.6 | 16.5 | 6.0 | (1.9) | 0.1 | 0.7 | 3.9 |

Financial Risk Management

- Currency

- All major currencies are hedged in compliance with our policy.
- Traffic revenue by sales territories



- Liquidity

- A total of HK\$3.2 billion with tenors of 5 or 10 years raised through MTN programme since first issue in Oct 2011.
- Unpledged liquid funds of HK\$18.9 billion as at 30 Jun 2015.

- Interest rates

- Overall cost of borrowing remains low.
- During the year, margins have compressed.
- Strategic management of fixed / floating ratio.

Subsidiaries & Associates



Subsidiaries

AHK Air Hong Kong

- **Higher profit** in 1H2015 compared to 1H2014.
- Operates a fleet of eight owned Airbus A300-600F freighters, two dry leased Airbus A300-600F freighters and three Boeing 747-400BCF converted freighters dry leased from Cathay Pacific.
- Capacity and load factor increased marginally compared with the first half of 2014. Revenue tonne kilometres increased by **2.0%**.

Cathay Pacific Catering Services

- Increase in the number of meals produced.
- **Higher revenue but lower profit** in 1H2015 compared to 1H2014.

Asia Miles

- Membership exceeds 7 million worldwide.
- **Increase in profit** in 1H2015 compared with 1H2014.

Subsidiaries

Cathay Pacific Services Limited (Cargo Terminal)

- **Improvement in results** in 1H2015 compared to 1H2014. This reflected the addition of customers and effective management of operating costs
- Our new cargo terminal became fully operational in October 2013. Capacity to handle 2.6 million tonnes of cargo annually. The terminal handled more than 0.8 million tonnes of cargo during 1H2015.
- Provided cargo handling services to eight airlines (Cathay Pacific, Dragonair, Air Hong Kong and five others) in 1H2015.

Associates

Air China

- Cathay Pacific had a **20.13%** interest in Air China as at 30 June 2015.
- Cathay Pacific accounts for Air China for the six months ended 31 March 2015 and any significant events or transactions during their last quarter.
- In July, Air China proposed the issue of 994,200,497 A shares. When the issue happens, Cathay Pacific's shareholding in Air China will be diluted from 20.13% to 18.71%.
- Air China's results **improved significantly** in the six months to 31st March 2015. This reflected lower fuel prices, strong passenger demand and lower exchange losses from depreciation of the Renminbi.

Associates

Air China Cargo

- **An improved results** from Air China Cargo in the first half of 2015.
- This reflected the general improvement in the air cargo market, lower fuel prices and improved operating efficiency resulting from the replacement of old aircraft with new aircraft



Our Products / Services





**First Class Lounge at The Pier
June 2015**



Bangkok Lounge

June 2015



Manila Lounge

May 2015



Awards



- Cathay Pacific won the Best Transpacific Airline in the Skytrax World Airline Awards in June 2015.
- Dragonair won the World's Best Regional Airline and the Best Regional Airline in Asia in the Skytrax World Airline Awards in June 2015.



Outlook



- We usually perform better in the second half than in the first . We expect our business to do well in the remainder of 2015.
- Projected ASK growth in 2015 is approximately **8.4%**. Projected overall DLATK growth in 2015 is approximately **9.2%**.
- Passenger demand is expected to stay strong but yield remained under pressure.
- Overcapacity in a soft cargo market.
- Continue to benefit from lower net fuel costs.
- Continue to manage non-fuel costs effectively.
- **9** aircraft deliveries in 2015 – 8 have already been delivered as of 19 August 2015.
- Improved share of results from the subsidiaries/ associates.



Q&A

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

