



Analysts Briefing  
25 November 2016

Cathay Pacific Airways Limited



# Operating performance - overview

- A Trading Statement was issued on 12<sup>th</sup> October 2016.
- The outlook for our airlines' business has deteriorated.
- Overcapacity and strong competition is putting particular pressure on our passenger business.
- Intense pressure on yields.
- The cargo market remains weak.
- Adverse currency movements and hedging impacting results.
- Non-fuel costs are too high.





# Passenger Services



# Operating performance - Passenger

- Increased capacity (ASK)
  - Introduction of the Madrid route in June and London Gatwick in September.
- Yields under intense pressure
  - Significant reduction in fuel surcharges.
  - Strong competition.
  - Overcapacity in the market.
  - Negative impact from currency movements.
- Load factor weaker than prior year

		Year to Oct 2016	Year to Oct 2015	% Var
ASK	Million	122,063	118,549	+3.0%
Passengers carried	'000	28,727	28,353	+1.3%
Passenger load factor	%	84.6	85.9	-1.3pts



# Network Development – Cathay Pacific

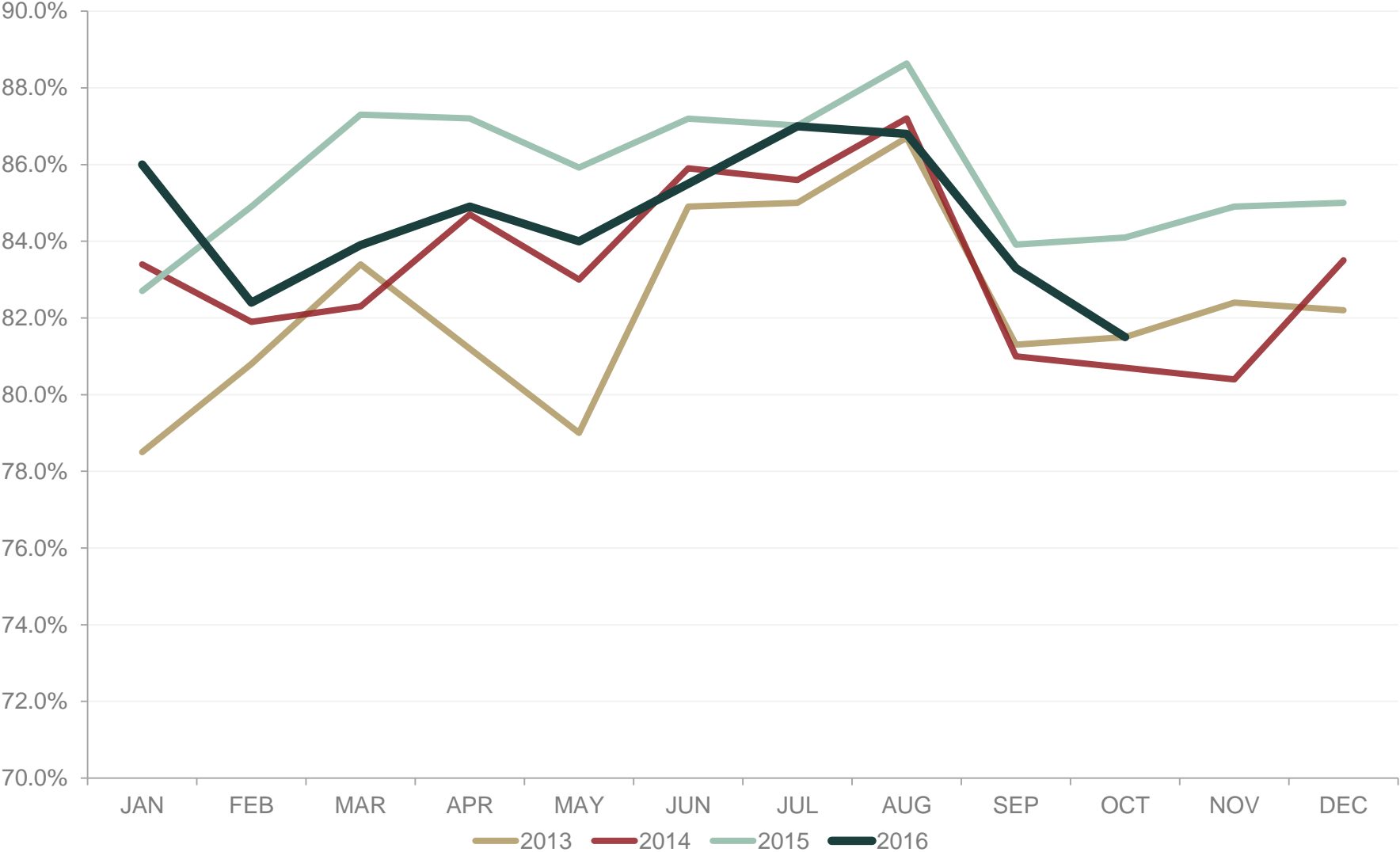


## 2016

<b>Mar</b>	▪ Seasonal increase of one additional flight per week on the <b>Sapporo</b> route
<b>May</b>	▪ Seasonal increase of frequency on the <b>Boston</b> route to a 5-times-weekly service
<b>June</b>	▪ Introduced a 4-times-weekly service to <b>Madrid</b>
<b>Sept</b>	▪ Introduced a 4-times-weekly service to <b>London Gatwick</b>
<b>Oct</b>	▪ Announced a new 4-times-weekly service to <b>Tel Aviv</b> to commence in March 2017



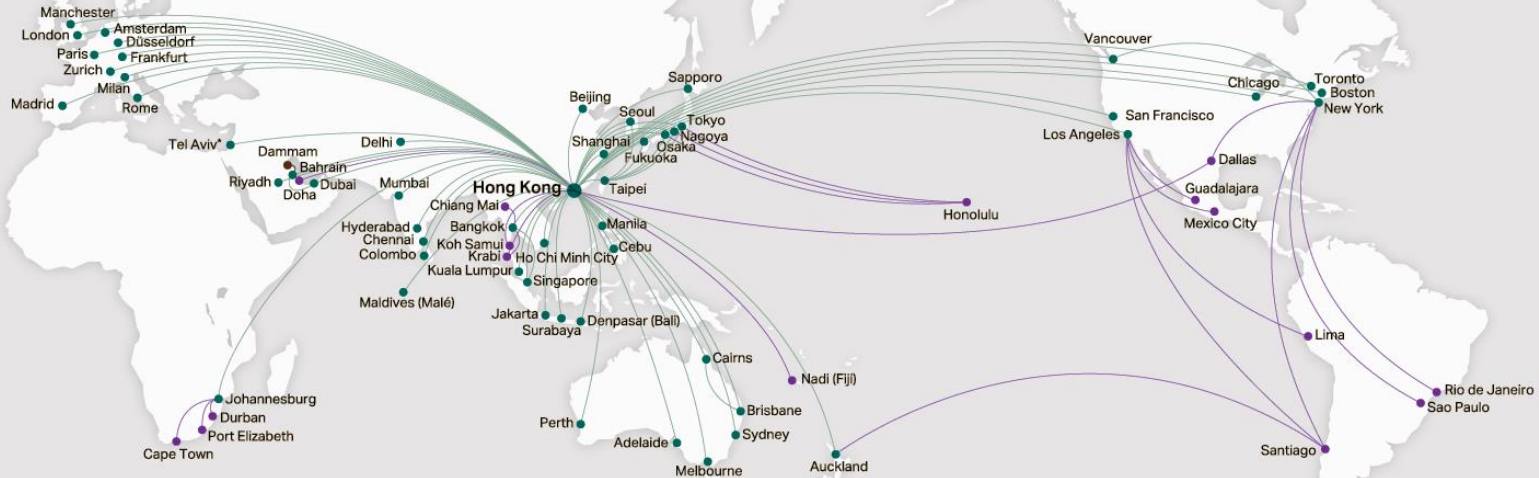
# Passenger Load Factors



# Operating performance – Regions

YTD October performance: 2015 vs 2016

## Cathay Pacific Group Network



Cathay Dragon Network



### Europe

ASK: +8.4%  
LF: -2.3%pt

### Southwest Pacific & South Africa

ASK: +2.1%  
LF: -1.1%pt

### India, Middle East, Pakistan & Sri Lanka

ASK: -8.5%  
LF: -4.0%pt

### Southeast Asia

ASK: +3.1%  
LF: +1.1%pt

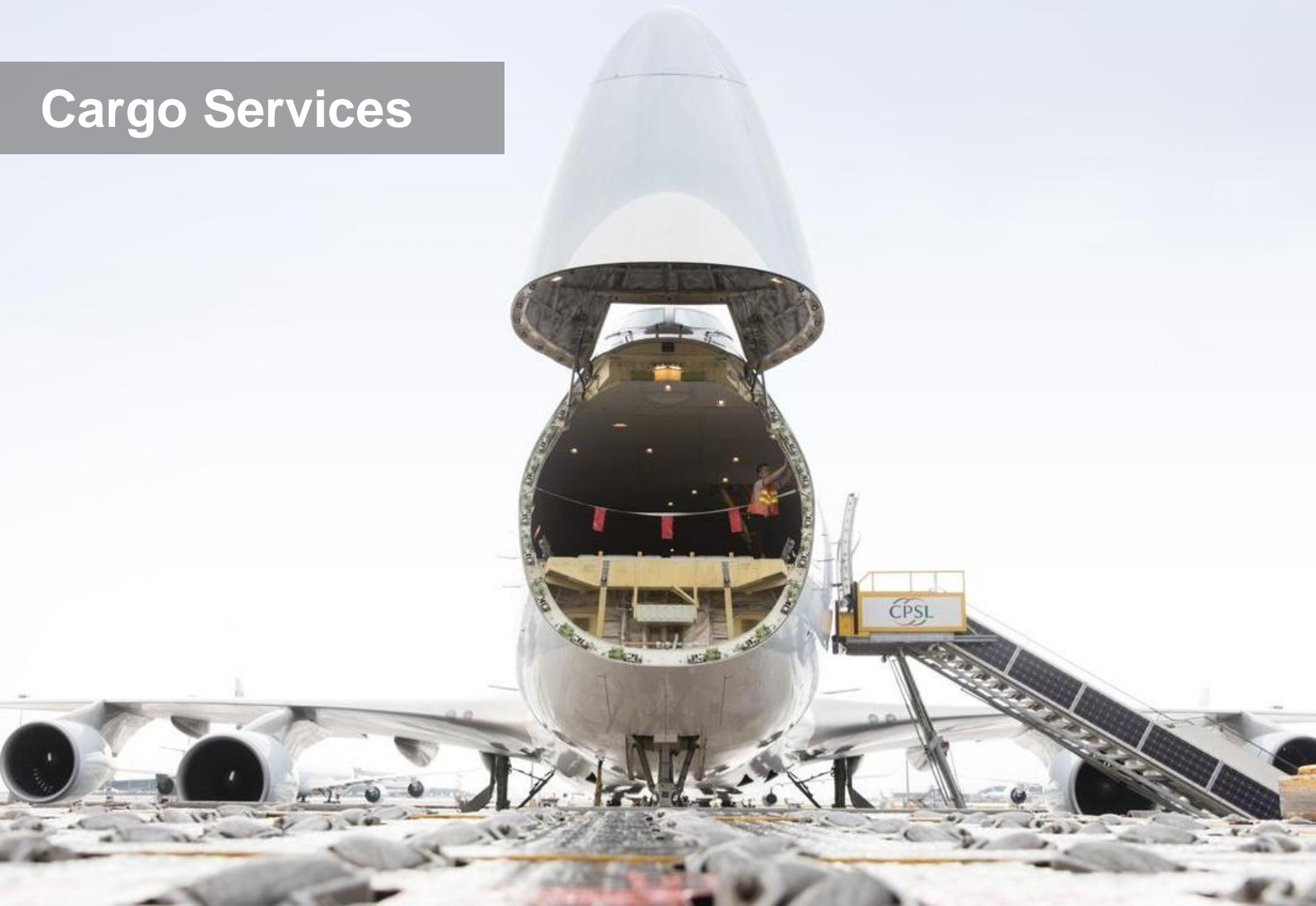
### North Asia

ASK: +2.9%  
LF: -1.7%pt

### North America

ASK: +3.0%  
LF: -1.4%pt

# Cargo Services





# Operating performance – Cargo

- Increased capacity
  - Marginal reduction in load factor.
- Yield remains under pressure
  - Strong competition
  - Significant reduction in fuel surcharge collection
  - Unfavourable currency movements
  - Over-capacity in the air cargo market
- Traditional Q4 peak expected

		Year to Oct 2016	Year to Oct 2015	% Var
Cargo capacity (ATK)	Million	25,310	24,908	+1.6%
Cargo & mail carried	'000 tonnes	1,512	1,479	+2.2%
Cargo & mail load factor	%	63.5	63.6	-0.1pts



# Operating performance – Cargo Load Factors



# Network Development - Cargo



## 2016

July

- Announced a twice weekly freighter service to Portland to commence in November

Oct

- Announced a weekly freighter service to Brisbane West Wellcamp Airport to commence in November

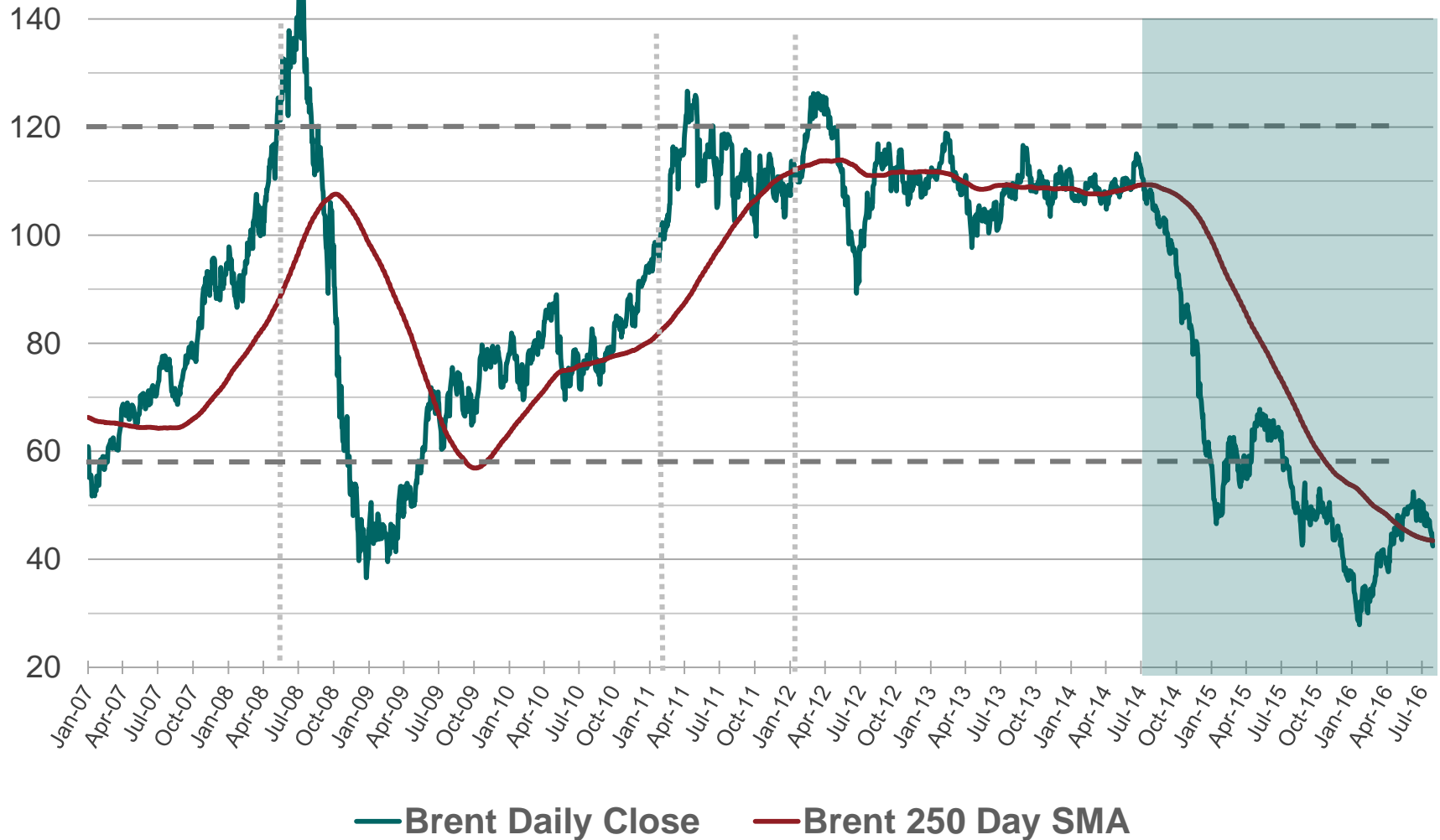


# Fuel



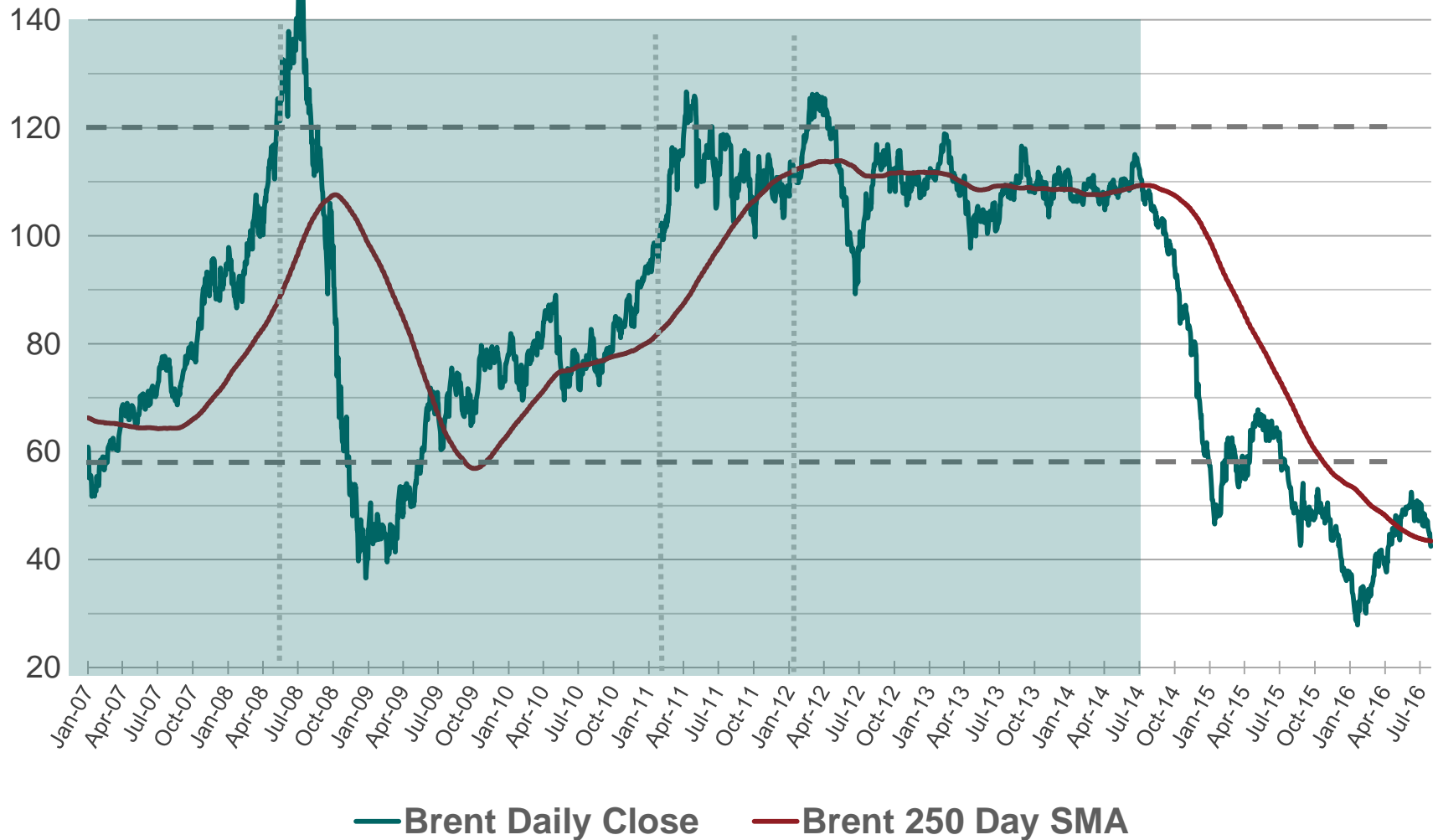
# Fuel Hedging - Fuel prices from Jan 2007 – July 2014

USD/Bbl - Brent- Daily Closing Price and 250 Day Simple Moving Average  
2007 – July 2016



# Fuel Hedging - Fuel prices (unexpected collapse in price)

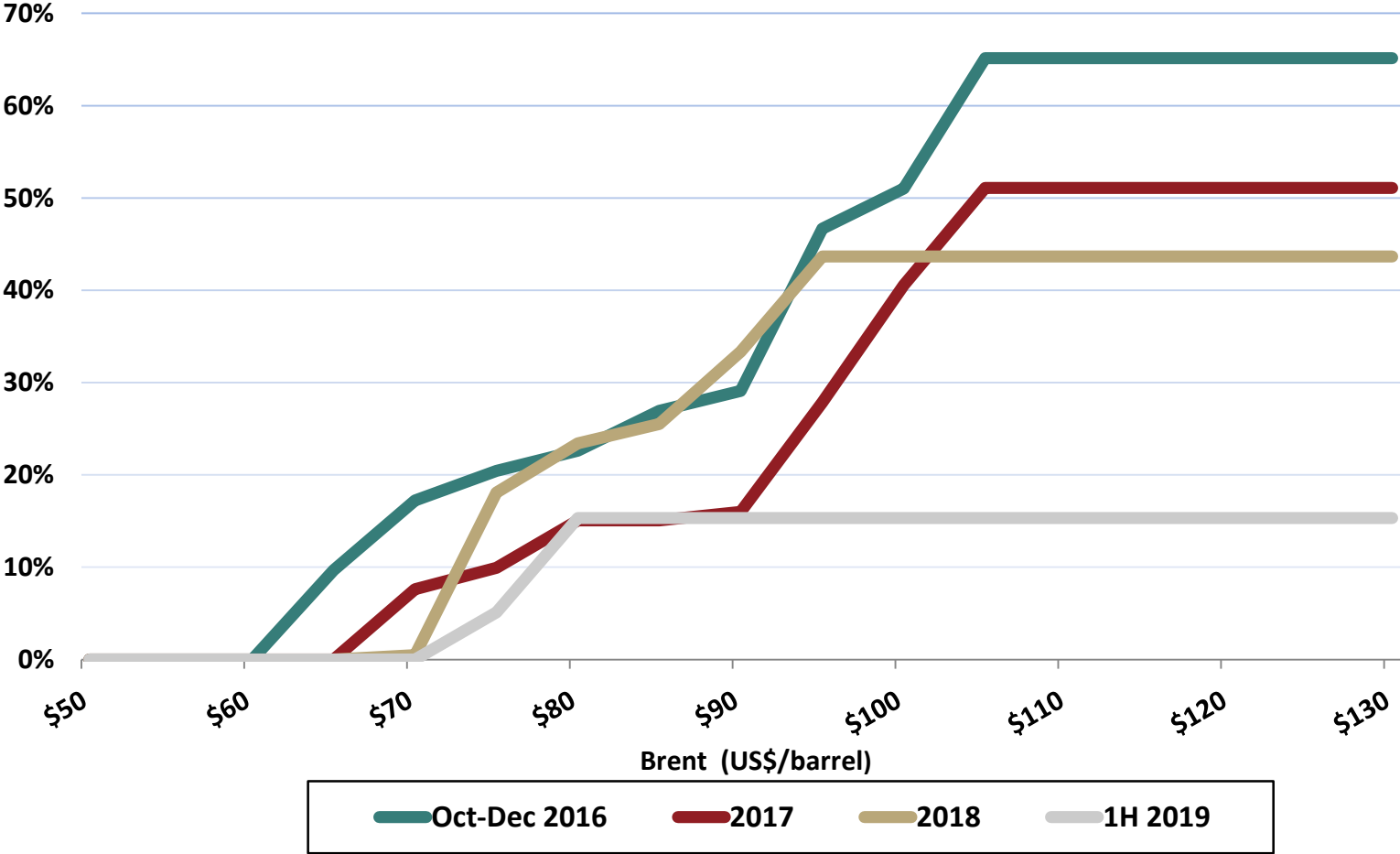
USD/Bbl - Brent- Daily Closing Price and 250 Day Simple Moving Average  
2007 – July 2016





# Fuel Hedging

## Fuel hedging coverage (as at 30 Sep 2016)

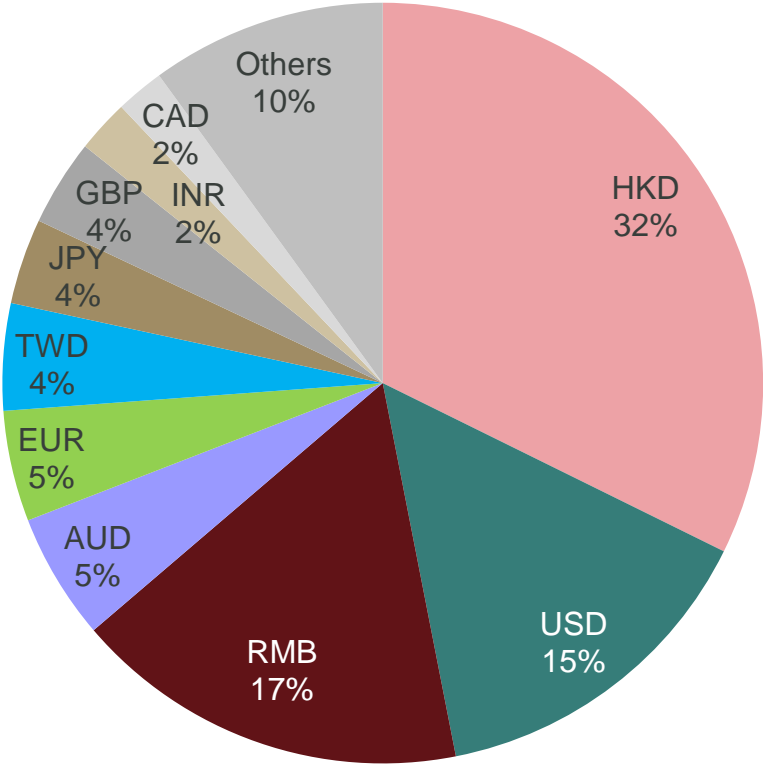


# Our Fuel Hedging Book

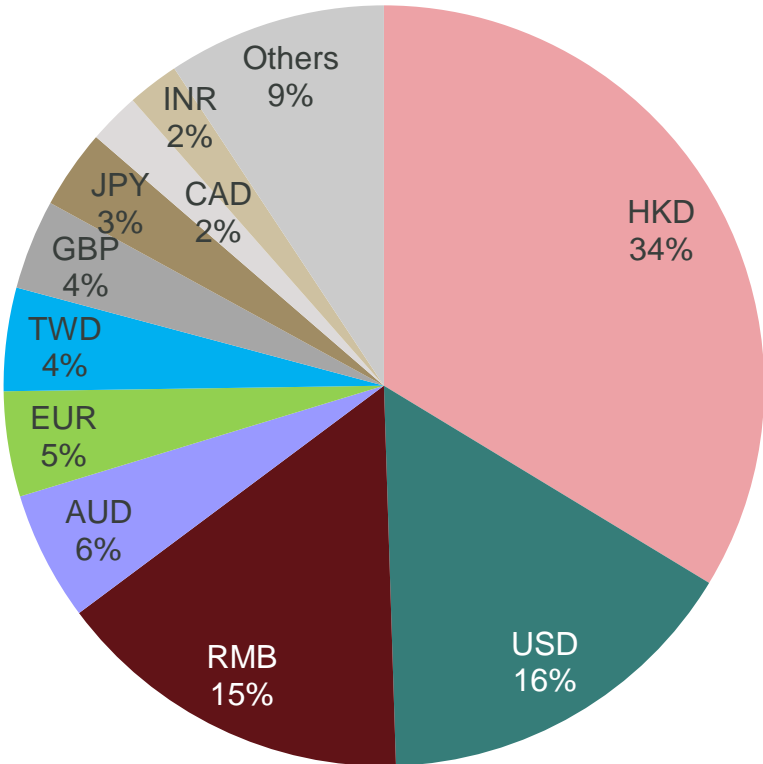
- We hedge to manage risk – we do not speculate on oil prices.
- It is of course wrong to think that hedging itself is risk free.
- Our hedging strategy assumed that oil would remain in a certain price range. The steep fall in oil prices invalidated the assumption.
- Our fuel hedging book is transparent and has been publicly disclosed.
- In 2017 we are 51% hedged at \$89 Brent, 2018 44% at \$80 Brent.
- Average Brent price over last 10 years through 2 cycles : \$87 Brent.
- The unexpected suspension of the FSC also has a significant impact on our results.

# Revenue mix – by currency

YTD Oct-2016



FY 2015





# Foreign Currency Movements – 8 Biggest

	From 1 <sup>st</sup> Jan to 31 <sup>st</sup> Oct 2016	From 1 <sup>st</sup> Jan to 31 <sup>st</sup> Dec 2015
RMB	-3.58%	-4.40%
AUD	4.19%	-10.96%
EUR	1.15%	-10.26%
TWD	4.05%	-3.73%
JPY	15.01%	-0.4%
GBP	-16.98%	-5.54%
INR	-0.96%	-4.23%
CAD	3.33%	-16.10%

Source: All currencies are market rates against USD obtained from Bloomberg

# Fleet Profile



# CX and KA Fleet Profile

	In operations			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
1 Jan 2016	164	23	187	-	1	1
New deliveries	6	1	7	-	-	-
Return to lessors	-	-	-	-	-	-
Parked aircraft	-	-	-	-	-	-
Retired	(5)	(3)	(8)	-	(1)	(1)
31 October 2016	165	21	186	-	-	-



# CX Fleet Profile – as at 31 Oct 2016

Aircraft type (includes parked aircraft)	Owned	Finance Leased	Operating Leased	Total
A330-300	24	12	6	42
A340-300	4	-	-	4
A350-900	2	2	2	6
747-400	1	-	-	1
747-400F	-	-	-	-
747-400BCF	-	-	1	1
747-400ERF	-	6	-	6
747-8F	3	11	-	14
777-200	5	-	-	5
777-300	12	-	-	12
777-300ER	19	11	23	53
Total	70	42	32	144

# KA Fleet Profile – as at 31 Oct 2016

Aircraft type	Owned	Finance Leased	Operating Leased	Total
A320-200	5	-	10	15
A321-200	2	-	6	8
A330-300	10	-	9	19
Total	17	-	25	42

# Aircraft Delivery & Retirement Plans

## Deliveries

Aircraft type	2016	2017	2018	2019	2020	>2021	Total
B747-8F	1						1
A350-900	11	11					22
A350-1000			6	10	10		26
B777-300ER							0
B777-9X						21	21
Total	12	11	6	10	10	21	70

## Retirements

### **B744 – by end of 2016**

Exit date	Number	Remaining
2016	-3	0

### **A340 - by end of 2016**

Exit date	Number	Remaining
2016	-4	3
2017	-3	0

# Subsidiaries & Associates





# Associates

## Air China

- Cathay Pacific has a **20.13%** interest in Air China.
- Reduced profits from Air China compared with prior year.
- Results impacted by the weakening of the RMB.
- We account for Air China's results three months in arrears.

## Air China Cargo

- Lower results from Air China Cargo compared with prior year.
- Strong competition in the air cargo market.

# Major Subsidiaries

## AHK Air Hong Kong



- Marginally lower YTD(Oct) profit compared to prior year

## Cathay Pacific Catering Services



- Growth in the number of meals produced.
- Lower YTD(Oct) profit in 2016 compared to 2015.

## Asia Miles



- Membership exceeds 8 million worldwide.
- More than **90%** of Cathay Pacific and Cathay Dragon flights carry passengers who have redeemed frequent flyer miles through the Asia Miles programme.
- Lower YTD(Oct) profit in 2016 compared to 2015.

## Cathay Pacific Services Limited (Cargo Terminal)



- Improved results for YTD(Oct) 2016 compared to 2015.
- This reflected the addition of customers and effective management of operating costs.



**Investments in our  
Customer Experience**





Premium Fanfare offers



Senior citizens special fares



Enhanced baggage policy



Vantage Pass promotion





Self bag drop facilities



Vancouver lounge  
Opened May 2016



The Pier – Business Class lounge  
Reopened June 2016



Cuisine partnerships





Airbus A350-900



## Brand architecture

The hierarchy of our brands, customer products and programmes is shaped by their scale, function and audience.

**Tier 1** brands are our most visible, recognizable, customer-facing corporate brands. Cathay Pacific is our international brand and Cathay Dragon is our regional brand.



# Cathay Dragon



## Brushwing

Unified brand architecture unites Cathay Pacific and Cathay Dragon around the brushwing. The Cathay Pacific logo features the wings in distinctive Canary Red while the Cathay Dragon logo is the brushwing in iconic Dragon Red.

Our identity employs the streamlined form of the brushwing to establish a clear relationship and continuity platform between the brands while using colour as a strong visual cue to differentiate. Additional guidance on usage, see pages 11 - 44.

As part of the Cathay Pacific brand refresh, the brushwing was updated to bring a sense of freedom and allow the wings to spread wider. It also lends smoother connections from the top of the stream, as depicted with brushwing, have been refined in a way that they can be reproduced consistently at all sizes.

A subtle yet meaningful evolution that smoothly transitions from the previous boxed logo to a symbol of freedom and flight that can be used, in some circumstances, in its own right.



## Brand architecture

### A seamless experience

The refinements to the Cathay Pacific logo and brand architecture streamline the way the company presents and communicates its core brands and supporting programmes.

Cathay Pacific is the leading international brand and Cathay Dragon is the regional brand. The refresh brings the two brands closer together while leveraging their specific strengths. Cathay Dragon brings an in-depth understanding of Chinese travellers and a dash of contemporary Chinese charm to international travel in the region, while Cathay Pacific is Asia's most global airline, ready for the next chapter of its growth.

A more detailed discussion of the brand architecture appears on the following pages.



## Brand applications

As the global brand, Cathay Pacific always leads. The Cathay Pacific logo is our strongest brand identifier and should always be used in brand advertising, magazines and Marco Polo Club.



# 2016 Outlook



- Deterioration in outlook of the business since the 2016 Interim Report.
- Overcapacity and strong competition putting particular pressure on the passenger business.
- Heavy pressure on yield.
- Revenue shortfalls against expectations.
- The cargo business remains weak.
- Congestion and operational issues in our home hub remains a challenge.
- Focus on a critical review of the business to drive revenue improvements and cost reductions.

# Critical Review of the Business

- Strategic Plan to be presented to the Leadership Conference in January.
- 2017 Top Down Targets developed with business units.
- Efficiency Drive across the Company.
- Review of Organisational Structure.
- Digital Transformation.
- People Strategy.



70<sup>th</sup> Anniversary