



Analysts Briefing

17 August 2016

Cathay Pacific Airways Limited



Interim results

Group Financial Statistics		1H2016	1H2015	Change
Group attributable profit	HK\$m	353	1,972	-82.1%
Revenue	HK\$m	45,683	50,388	-9.3%
Profit margin	%	0.8	3.9	-3.1%pt
Earnings per share	HK¢	9.0	50.1	-82.0%
Dividend per share	HK\$	0.05	0.26	-80.8%

Operating Statistics – Cathay Pacific & Dragonair		1H2016	1H2015	Change
Available tonne kilometres (ATK)	million	14,929	14,598	+2.3%
Available seat kilometres (ASK)	million	72,646	69,689	+4.2%
Revenue passengers carried	'000	17,249	16,800	+2.7%
Cost per ATK (with fuel)	HK\$	2.98	3.24	-8.0%
Cost per ATK (without fuel)	HK\$	2.11	2.12	-0.5%

Interim results - overview



- Challenging business environment.
- Intense pressure on yields.
 - Suspension of fuel surcharge.
 - Adverse currency movements.
 - Intense competition and increased market capacity.
 - Increased proportion of connecting traffic.
 - Weak corporate travel.
- Load factor lower than expectations.
- Weak passenger demand, particularly in premium class.
- Lower net fuel costs, but benefit partially offset by hedging.
- Solid performance from our share in associate companies, but impacted by RMB volatility.
- Productivity improvements kept the increase of non-fuel costs below the increase in capacity.

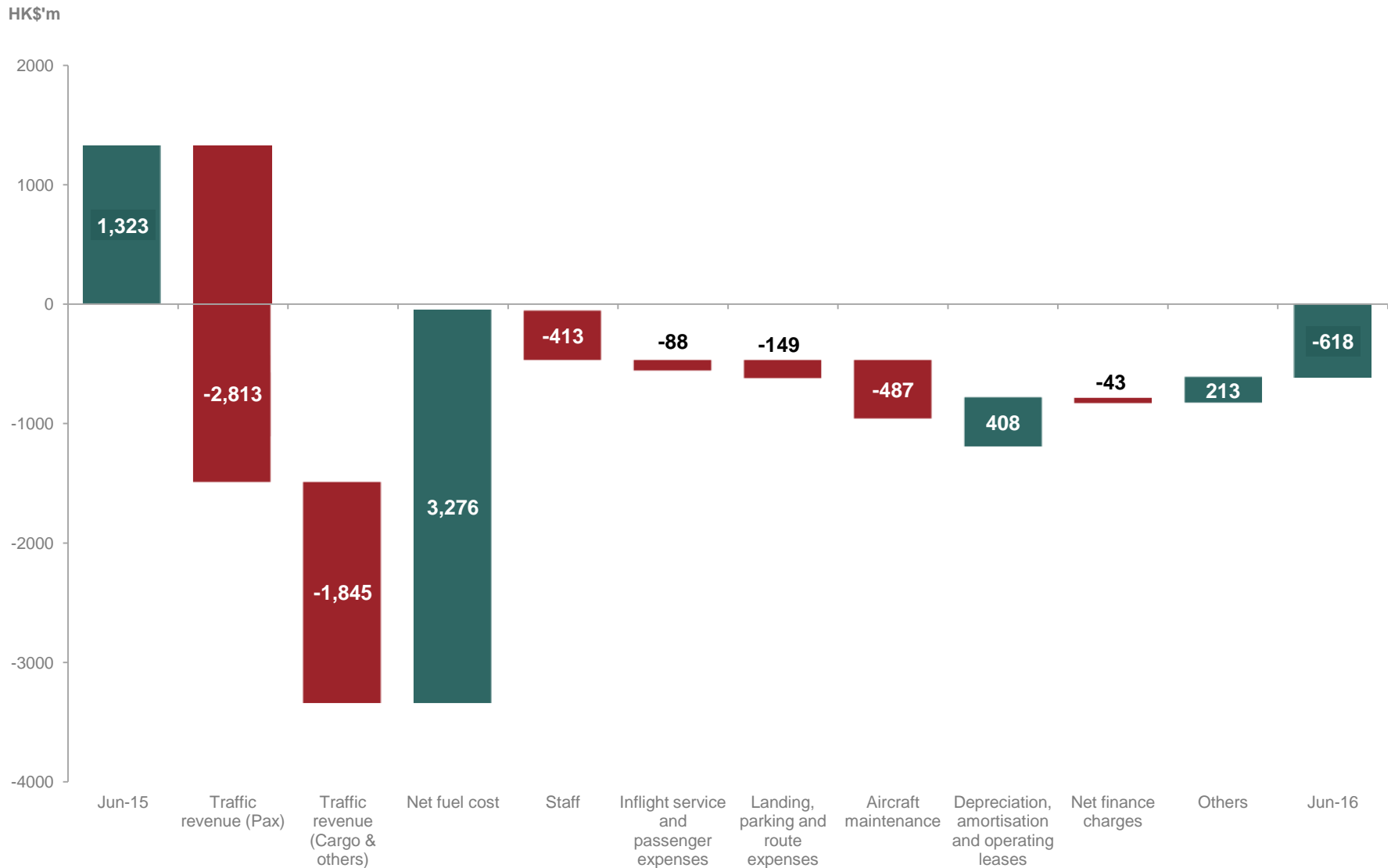
Airlines' result

- The Group reported an attributable profit of **HK\$353 million** for the first six months of 2016. This compares to a profit of HK\$1,972 million in the first half of 2015.

HK\$m	1H2016	1H2015
Airlines' (loss)/profit before taxation	(618)	1,323
Taxation	(165)	(368)
Airlines' (loss)/profit after taxation	(783)	955
Share of profits/(losses) from subsidiaries & associates	1,136	1,017
Group attributable profit	353	1,972



Reconciliation of airlines' profit before tax



Passenger Services



Operating performance - Passenger

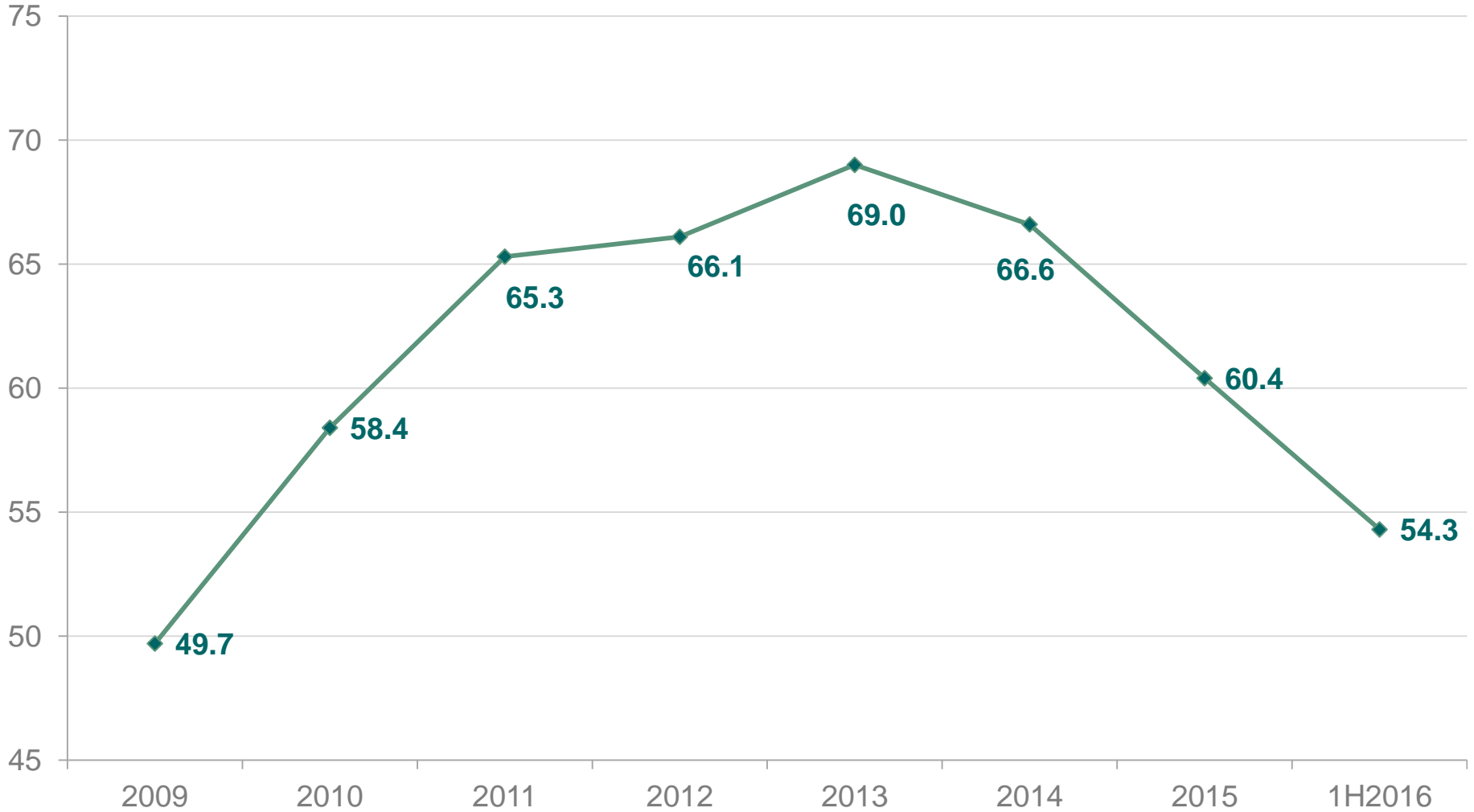
- Increased capacity (ASK)
- Yield under pressure
 - Suspension of passenger fuel surcharge collection from February 2016.
 - Adverse currency movements.
 - Intense competition and increased market capacity.
 - Increased proportion of connecting traffic.
 - Weak corporate travel.
- Softening passenger load factor
 - Weakening back-end demand.
 - Front-end particularly weak.

		1H2016	vs 1H 2015
Passenger revenue	HK\$m	33,413	-7.8%
ASK	Million	72,646	+4.2%
Passengers carried	'000	17,248	+2.7%
Passenger yield	HK¢	54.3	-10.1%
Passenger load factor	%	84.5	-1.4%pt

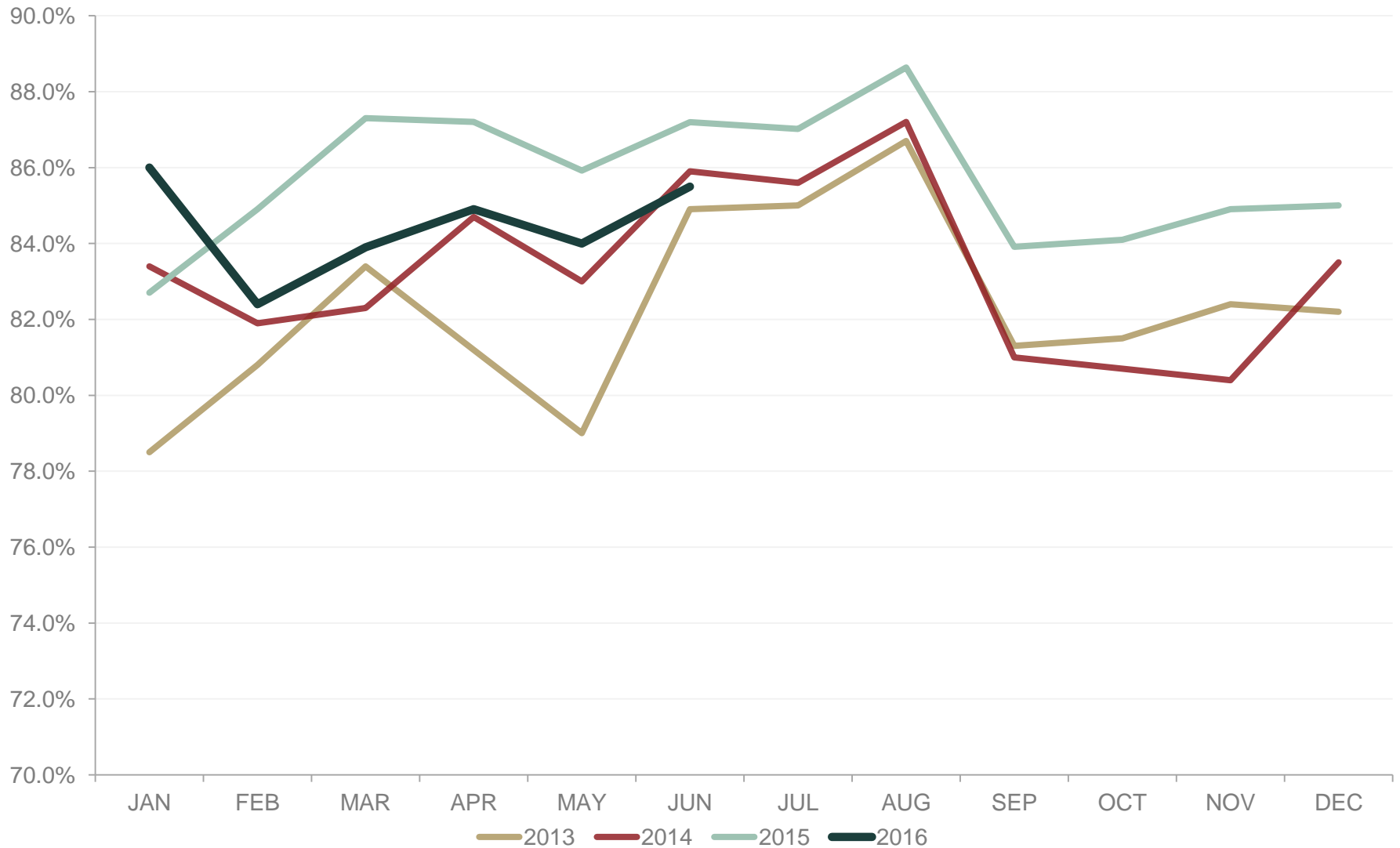


Passenger yield

HKcents



Passenger Load Factors



Operating performance – Regions

Europe

ASK: +8.4%

LF: -1.4%pt

North Asia

ASK: +2.7%

LF: -1.4%pt

North America

ASK: +6.0%

LF: -3.1%pt

India, Middle East, Pakistan & Sri Lanka

ASK: -5.6%

LF: -3.0%pt

Southeast Asia

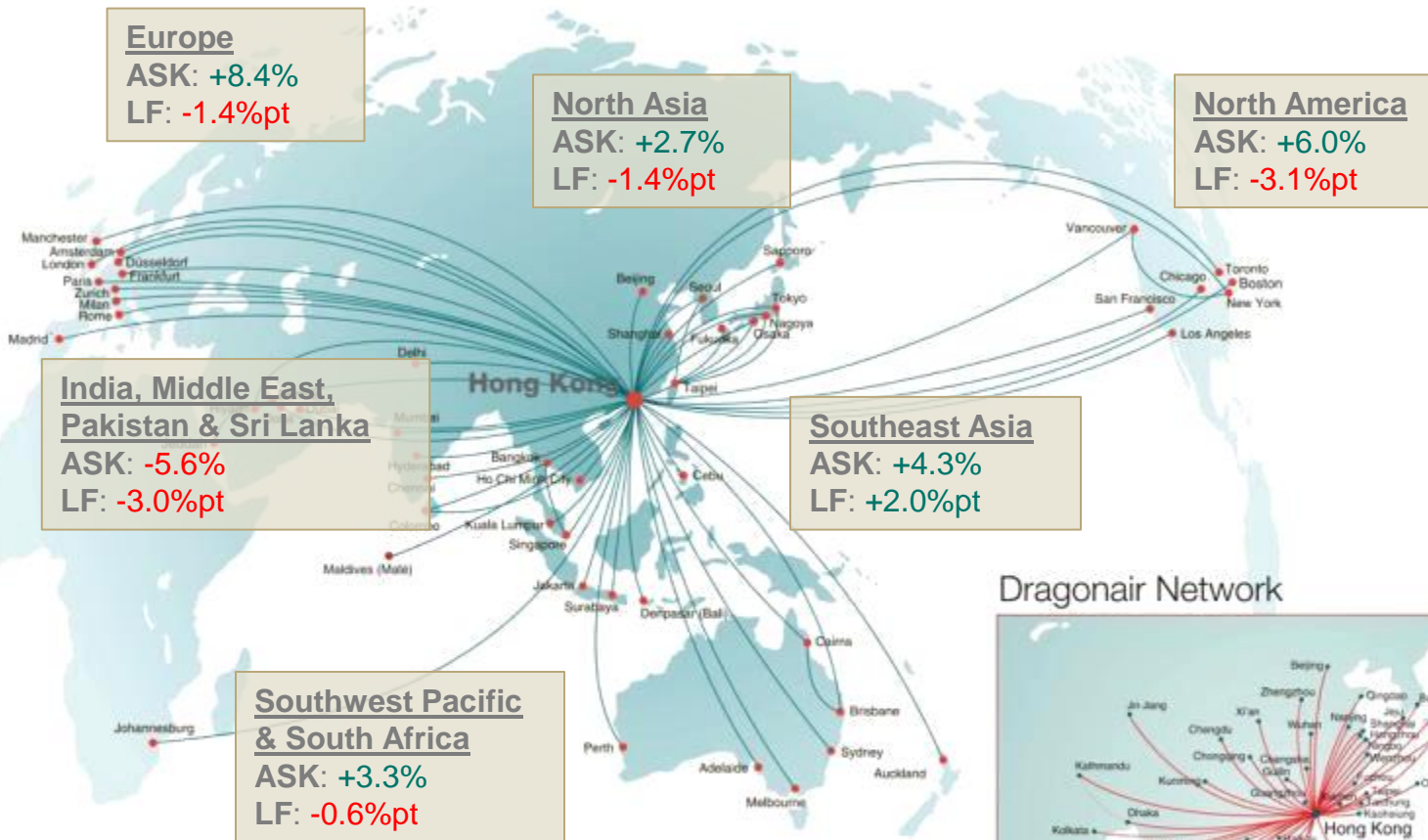
ASK: +4.3%

LF: +2.0%pt

Southwest Pacific & South Africa

ASK: +3.3%

LF: -0.6%pt



Dragonair Network



2011 operating and codeshare services are not shown.
 — Cathay Pacific Service — Dragonair Service

*Cathay Pacific service to Madrid commences on 2 June 2018, subject to government approval.

Network development


2016

- | | |
|-------------|---|
| Mar | ▪ Seasonal increase of one additional flight per week on the Sapporo route |
| May | ▪ Seasonal increase of frequency on the Boston route to a 5-times-weekly service |
| June | ▪ Introduced a 4-times-weekly service to Madrid |



Cargo Services

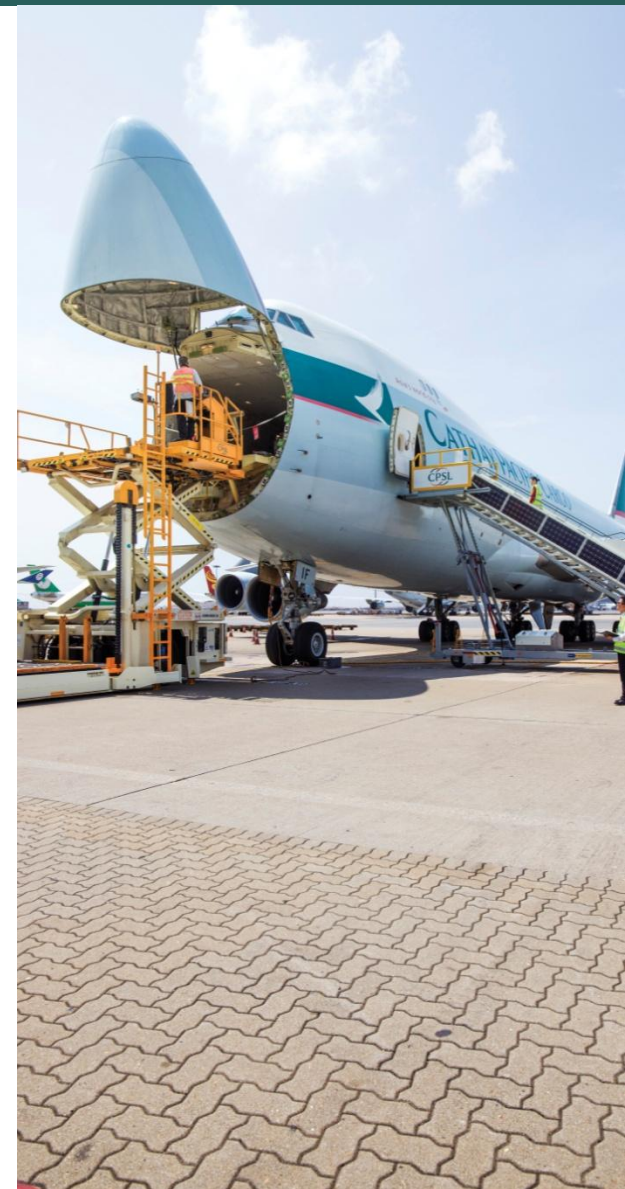
CATHAY PACIFIC CARGO



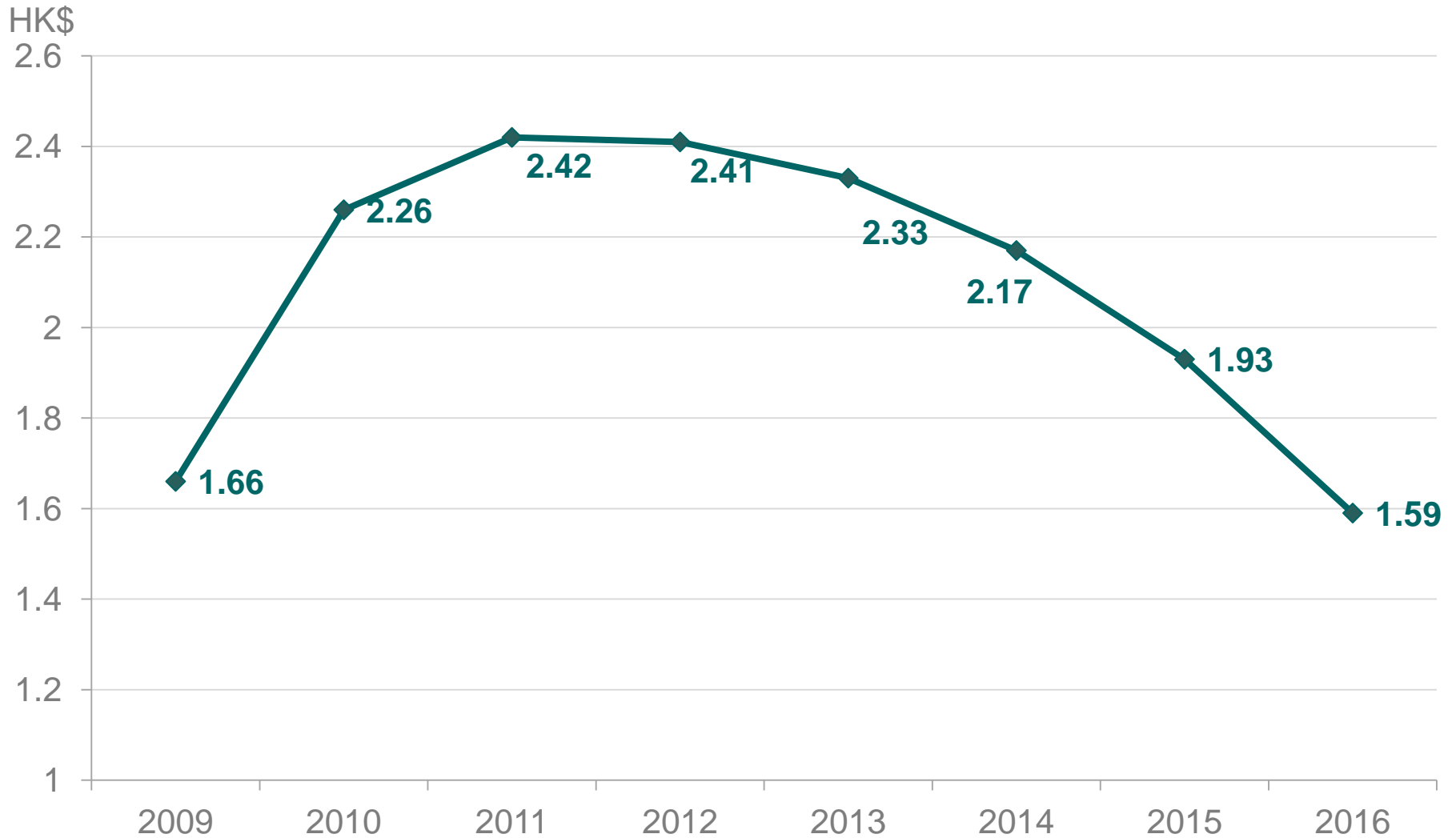
Operating performance – Cargo

- Weak demand
- Modest capacity growth
- Yields under pressure
 - Strong competition.
 - Suspension of cargo fuel surcharge collection from April 2016.
 - Over-capacity in the air cargo market.
 - More 6th Freedom traffic.
- Reduced load factor

		1H2016	1H2015	% Var
Group cargo revenue	HK\$m	9,415	11,376	-17.2%
Cathay Pacific and Dragonair				
Cargo revenue	HK\$m	7,951	9,865	-19.4%
Cargo capacity (ATK)	Million	8,021	7,971	+0.6%
Cargo and mail carried	'000 tonnes	866	868	+0.2%
Cargo and mail yield	HK\$	1.59	1.93	-17.6%
Cargo and mail load factor	%	62.2	64.1	-1.9%pt



Operating performance – Cargo yield



Operating performance – Cargo Load Factors



Operating Costs

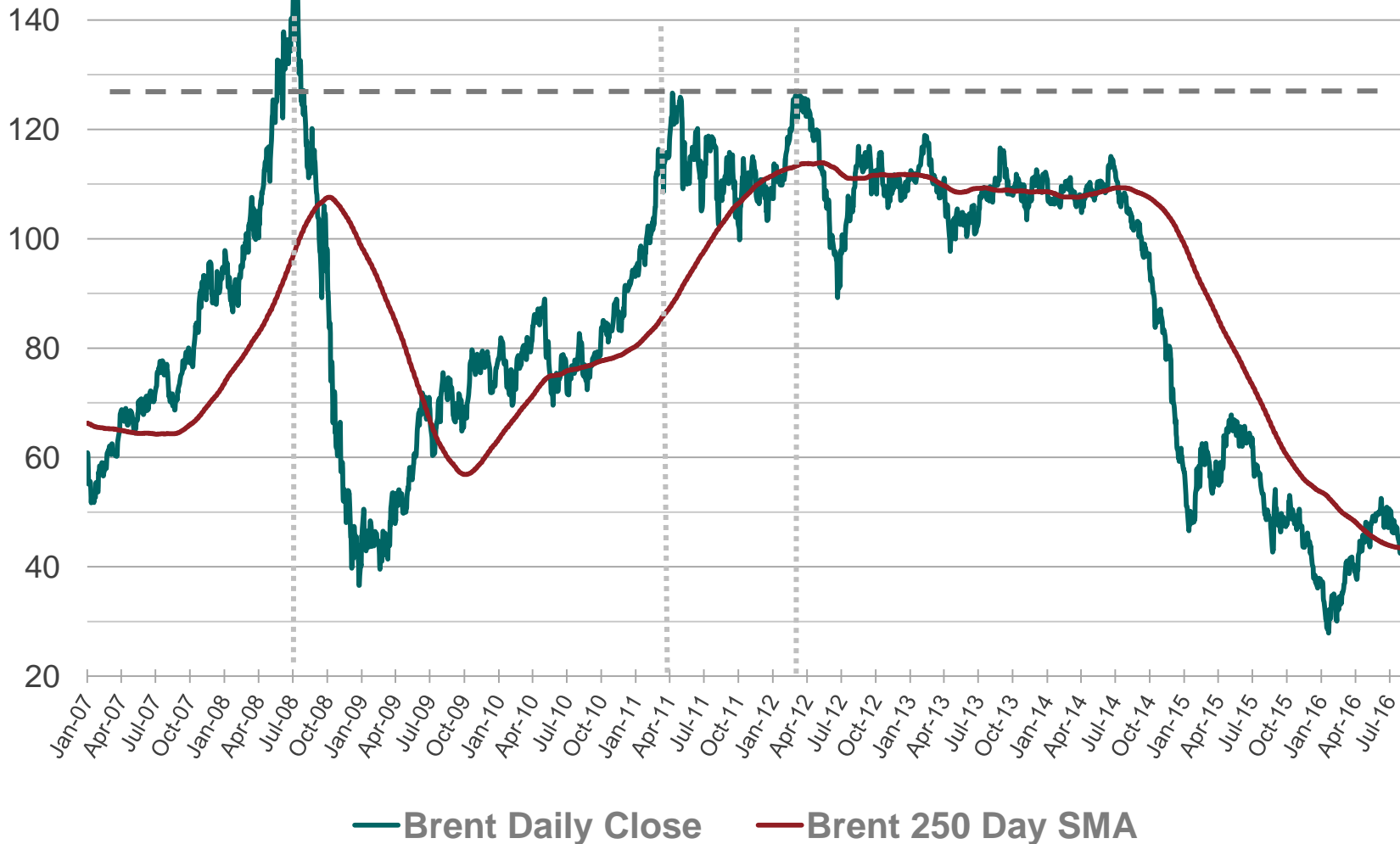


Operating Costs - Group

	1H2016	1H2015	% Var
Staff	9,867	9,373	+5.3%
Inflight service and passenger expenses	2,372	2,284	+3.9%
Landing, parking and route expenses	7,376	7,266	+1.5%
Fuel, including hedging losses	13,259	16,619	-20.2%
Aircraft maintenance	4,170	3,653	+14.2%
Depreciation, amortization and operating leases	5,065	5,568	-9.0%
Net finance charges	1,213	1,133	+7.1%
Others (including commissions)	2,304	2,689	-14.3%
Total operating costs	45,626	48,585	-6.1%

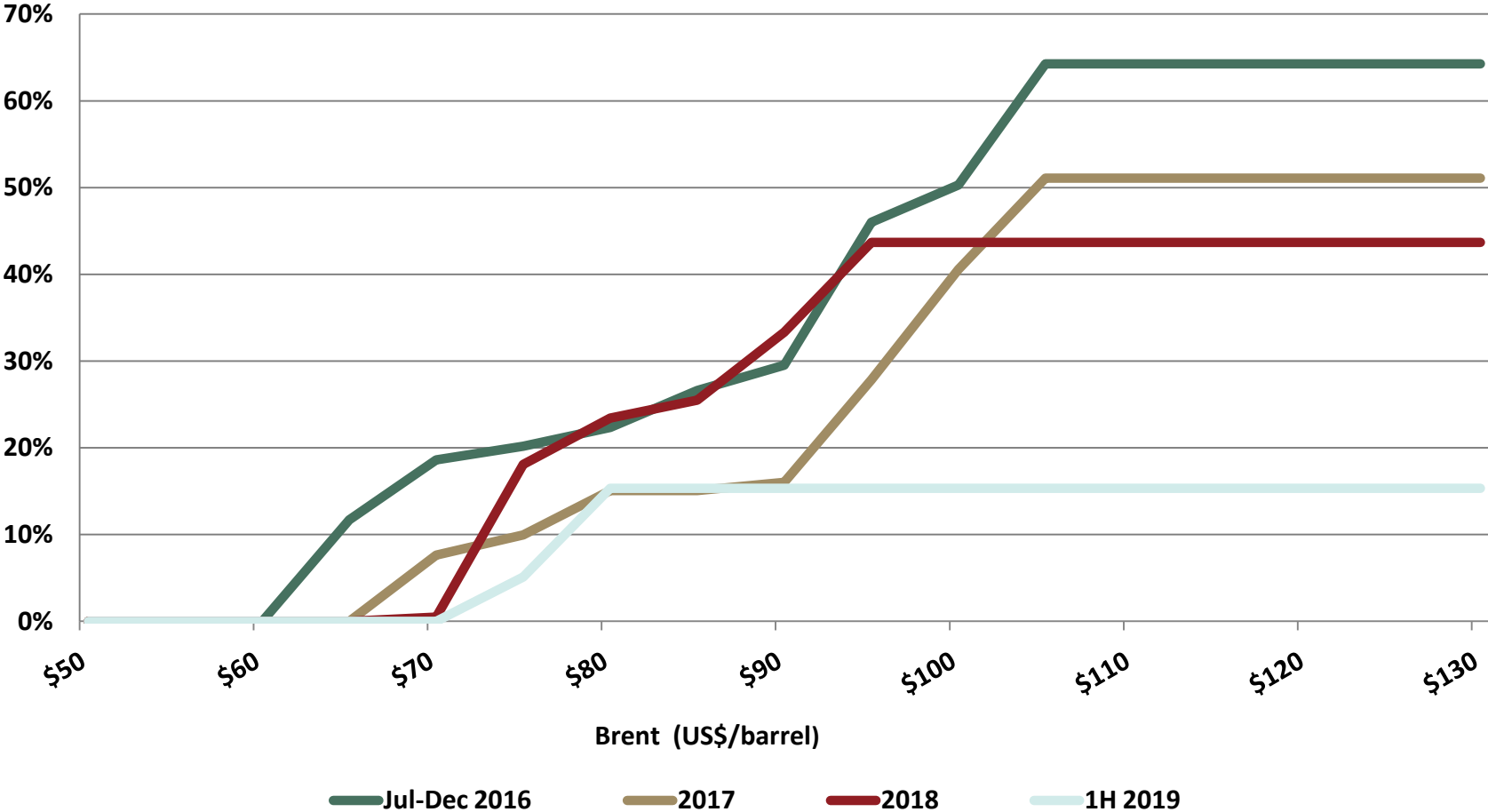
Fuel Hedging - Fuel prices

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



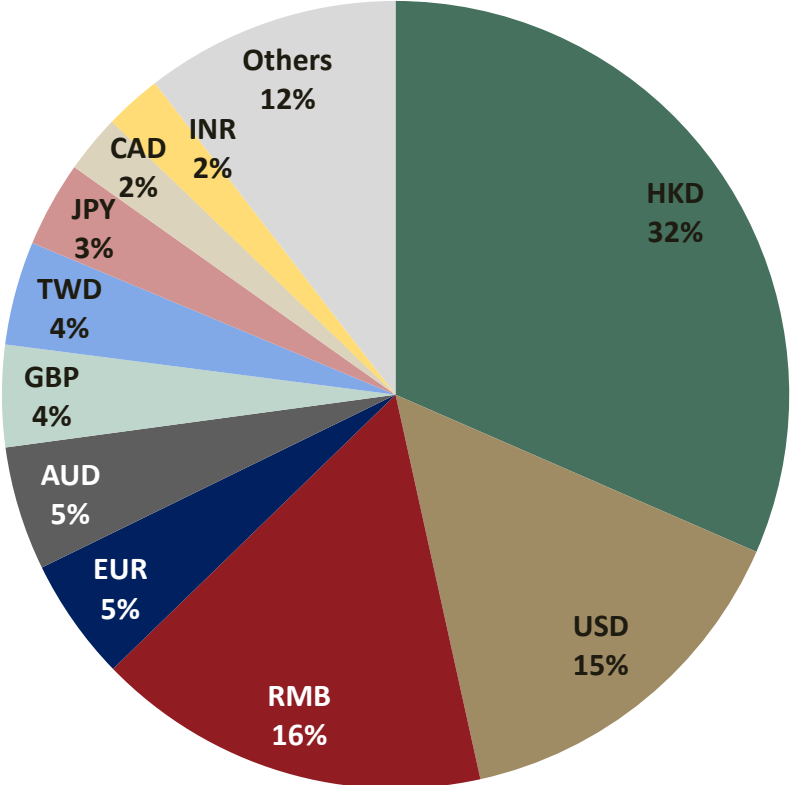
Fuel Hedging

Fuel hedging coverage (as at 30 Jun 2016)

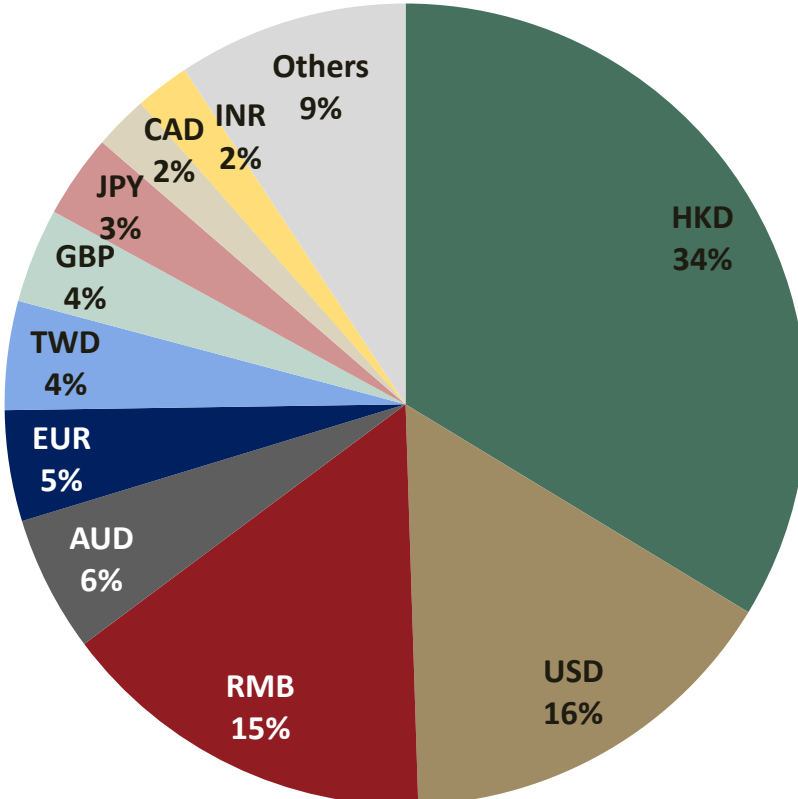


Revenue mix – by currency

YTD June-2016



FY 2015



Foreign Currency Movements – 8 Biggest

	1 st Half 2016	FY2015	FY2014
RMB	-1.72%	-4.40%	-2.42%
AUD	2.03%	-10.96%	-8.00%
EUR	2.30%	-10.26%	-12.10%
TWD	1.79%	-3.73%	-5.77%
GBP	-9.73%	-5.45%	-5.97%
JPY	16.81%	-0.40%	-12.13%
INR	-2.05%	-4.23%	-1.81%
CAD	7.20%	-16.10%	-8.41%

Increased Charges

▪ Revised Scheme of Airport Charges

- Upward adjustment of landing and parking charges.
- In effect from September 2016.
- Increase in parking charges once implemented.
- Phased increase of landing charges, spread over three years.

▪ Airport Construction Fee (ACF)

- Fee collected on tickets issued on or after 1 August 2016.
- Tiered charge based on class, distance and type of travel through HKIA.

Origin-Destination passengers	First/Business Class	Economy Class
Long Haul	HK\$180 per passenger	HK\$160 per passenger
Short Haul	HK\$160 per passenger	HK\$90 per passenger

Transit/transfer passengers	First/Business Class	Economy Class
Long Haul	HK\$180 per passenger	HK\$160 per passenger
Short Haul	HK\$160 per passenger	HK\$70 per passenger

Fleet Profile



CX and KA Fleet Profile

- At 30th June 2016, Cathay Pacific operated **145** aircraft and Dragonair operated **42** aircraft (a total of **187** aircraft for the Group).

	In operations			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
1 Jan 16	164	23	187	-	1	1
New deliveries	1	-	1	-	-	-
Deregistered	(2)	-	(2)	-	-	-
30 Jun 16	163	23	186	-	1	1

CX Fleet Profile – as at 30 June 2016

Aircraft type (includes parked aircraft)	Owned	Finance Leased	Operating Leased	Total
A330-300	23	13	6	42
A340-300	4	1	-	5
A350-900	-	-	1	1
747-400	3	-	-	3
777-200	5	-	-	5
777-300	12	-	-	12
777-300ER	19	11	23	53
Passenger aircraft	66	25	30	121
747-400F	4	-	-	4
747-400BCF	-	-	1	1
747-400ERF	-	6	-	6
747-8F	2	11	-	13
Freighter	6	17	1	24
Total	72	42	31	145

KA Fleet Profile – as at 30 June 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

New deliveries – As at 30 June 2016

Aircraft type	2016	2017	2018	2019	2020	2021 & beyond	Total
B747-8F	1						1
A350-900	11	10					21
A350-1000			6	10	10		26
B777-9X						21	21
Total	12	10	6	10	10	21	69

* We will be taking delivery of five B777-300 used aircraft from 2018-2019.

Retirements

B744 - As at 30 June 2016

Exit date	Number	Remaining
2016	-3	0

A340 - As at 30 June 2016

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

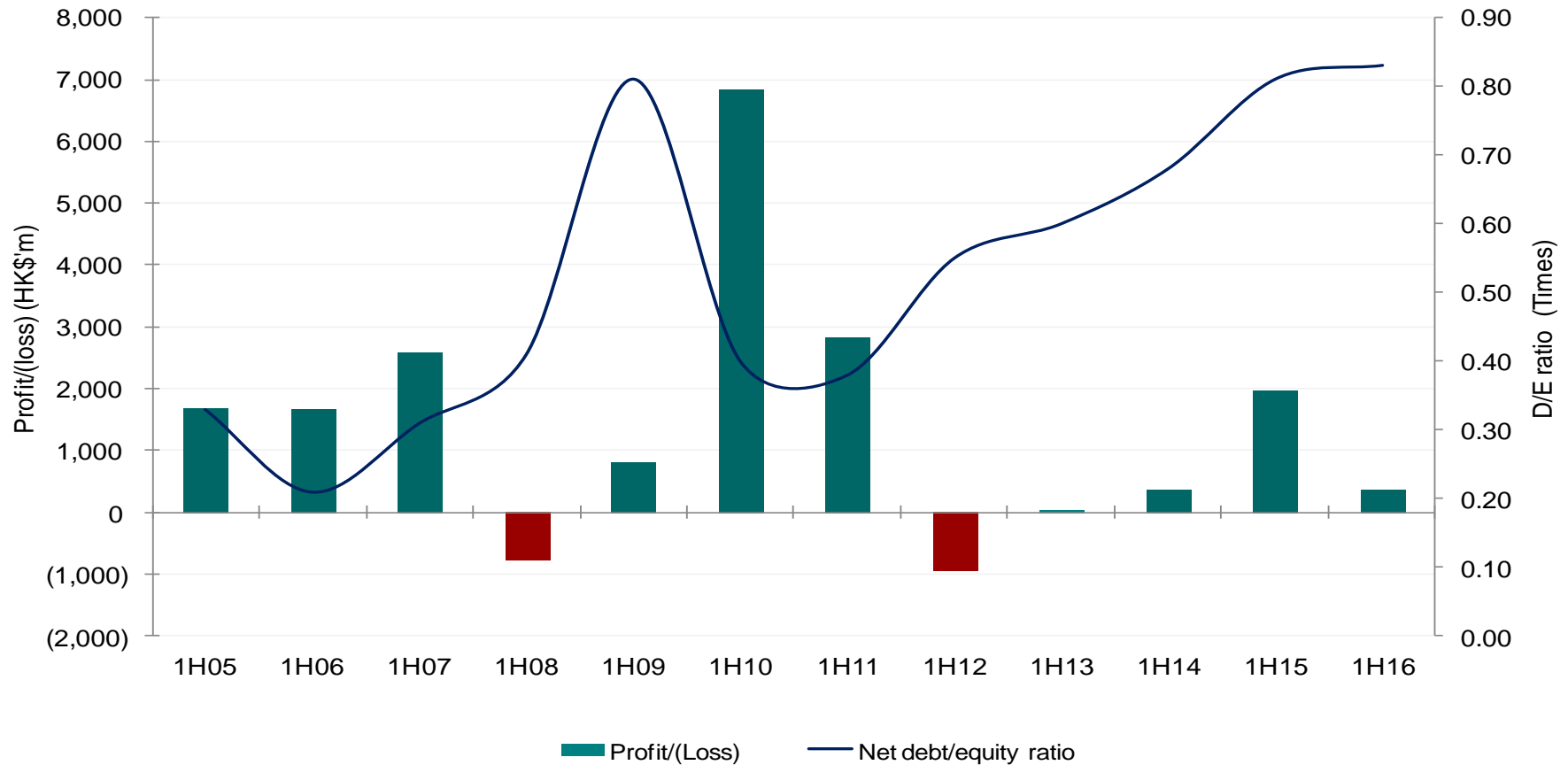
Other Financials



Extract of Consolidated Statement of Financial Position

	30 June 2016 HK\$ million	31 December 2015 HK\$ million	% Var
Shareholders' Funds	50,664	47,927	+5.7%
Gross Borrowings	63,034	63,105	-0.1%
Less: Liquid Funds	(21,096)	(20,647)	+2.2%
Net Borrowings	41,938	42,458	-1.2%
Capital Employed (including non- controlling interests)	92,760	90,525	+2.5%
Net Debt/Equity Ratio	0.83	0.89	-0.06 times
Investment in Air China	18,989	19,164	-0.9%

Profit and 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	1H 2016
%	9.7	7.8	7.3	8.9	(1.8)	2.6	16.5	6.0	(1.9)	0.1	0.7	3.9	0.8

Subsidiaries & Associates



Major Subsidiaries

AHK Air Hong Kong

- Lower profit in 1H2016 compared to 1H2015.
- 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 increased marginally compared with the first half of 2015.
- Load factor decreased and revenue tonne kilometres decreased by **1.6%**.

Cathay Pacific Catering Services

- Increase in the number of meals produced.
- Higher revenue but lower profit in 1H2016 compared to 1H2015.

Asia Miles

- Membership exceeds 8 million worldwide.
- Increase in profit in 1H2016 compared with 1H2015.

Cargo Terminal

- **Improvement in results** in 1H2016 compared to 1H2015. 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 1H2016.
- Provided cargo handling services to 12 airlines in 1H2016.



Air China

- Cathay Pacific had a **20.13%** interest in Air China as at 30 June 2016.
- Cathay Pacific accounts for Air China for the six months ended 31 March 2016 and any significant events or transactions during their last quarter.
- In July 2015, Air China proposed the issue of A shares. As of 20th July 2016, the Public Offering Review Committee of China Securities Regulatory Commission has reviewed the application for the non-public issue of A shares and gave it a preliminary approval. When the issue happens, Cathay Pacific's shareholding in Air China will be diluted.
- Air China's results **improved significantly** in the six months to 31st March 2016. This reflected lower fuel prices, strong passenger demand and lower exchange losses from depreciation of the Renminbi.

Air China Cargo

- A loss was recorded from Air China Cargo in the first half of 2016 compared to a profit in the first half of 2015.
- This reflected the lower yield in the highly competitive air cargo market and adverse exchange impact due to the depreciation of the Renminbi.

Investment in our Customer Experience





Airbus A350-900



The Pier Business Class Lounge

Reopened June 2016

Vancouver lounges

Opened May 2016





Cabin Crew tablets

Improved capabilities



Travel Retail Platform

Introduced to Japan, Indonesia & Taiwan



Self Service bag drop

Introduced to HKIA & Amsterdam



Kiosk bag tagging

Introduced to multiple outports

2016 Outlook



- The challenging business environment is expected to continue.
- Yields are expected to continue to be under intense pressure.
- Lower Hong Kong traffic with more 6th Freedom travel.
- The cargo business will continue to be adversely affected by overcapacity and economic fragility.
- Performance in the 2nd half of the year is traditionally stronger than the 1st half.
- Air China expected to perform well.
- Congestion and operational issues in our home hub remains a challenge.

Q&A

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

