



Analysts Briefing

24 June 2016

Cathay Pacific Airways Limited



Operating performance - overview



- Challenging business environment.
- Load factor lower than expectations on weakening passenger demand.
- Strong competition puts pressure on yields.
- Premium demand particularly weak.
- Cargo yields under intense pressure due to overcapacity in the market.
- Lower net fuel costs, but significant hedging losses.
- Solid performance from our share in associate companies, but impacted by RMB volatility.



Passenger Services

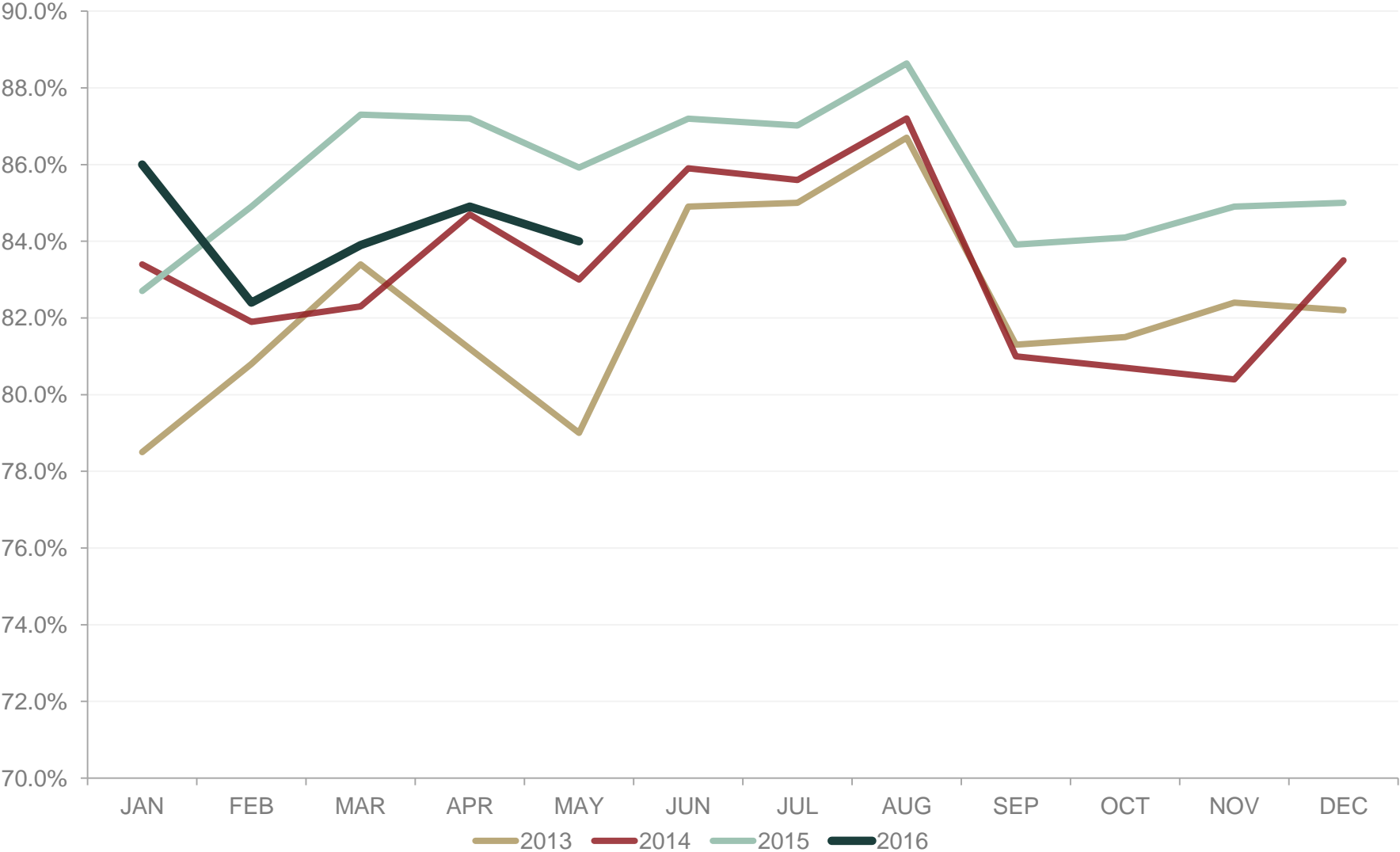
Operating performance - Passenger

- Increased capacity (ASK)
 - Introduction of the Madrid route in June.
- Softening passenger load factor
 - Weakening back-end demand.
 - Front-end particularly weak.
- Yield under pressure
 - Suspension of passenger fuel surcharge collection from February 2016.
 - Strong competition.
 - Increased proportion of connecting traffic.
 - Lower corporate travel.

		Year to May 2016	Year to May 2015	% Var
ASK	Million	60,510	57,937	+4.4
Passengers carried	'000	14,628	14,219	+2.9
Passenger load factor	%	84.3	85.6	-1.3pt



Passenger Load Factors



Operating performance – Regions

Europe

ASK: +7.7%

LF: -1.4%pt

North Asia

ASK: +2.4%

LF: -1.5%pt

North America

ASK: +6.8%

LF: -3.6%pt

India, Middle East, Pakistan & Sri Lanka

ASK: -4.4%

LF: -2.6%pt

Southeast Asia

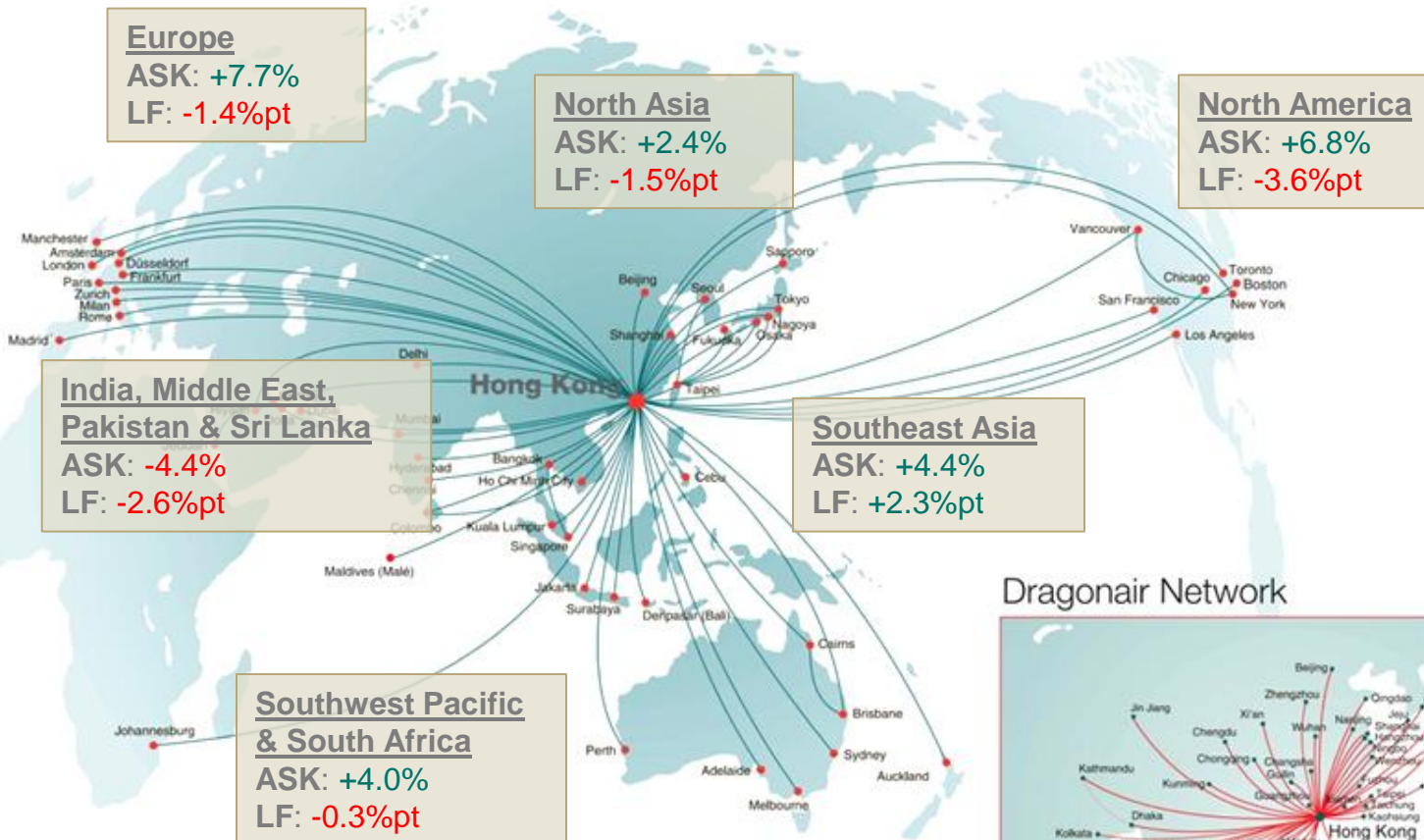
ASK: +4.4%

LF: +2.3%pt

Southwest Pacific & South Africa

ASK: +4.0%

LF: -0.3%pt



Dragonair Network



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

*Cathay Pacific service to Madrid commences on 2 June 2016, 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



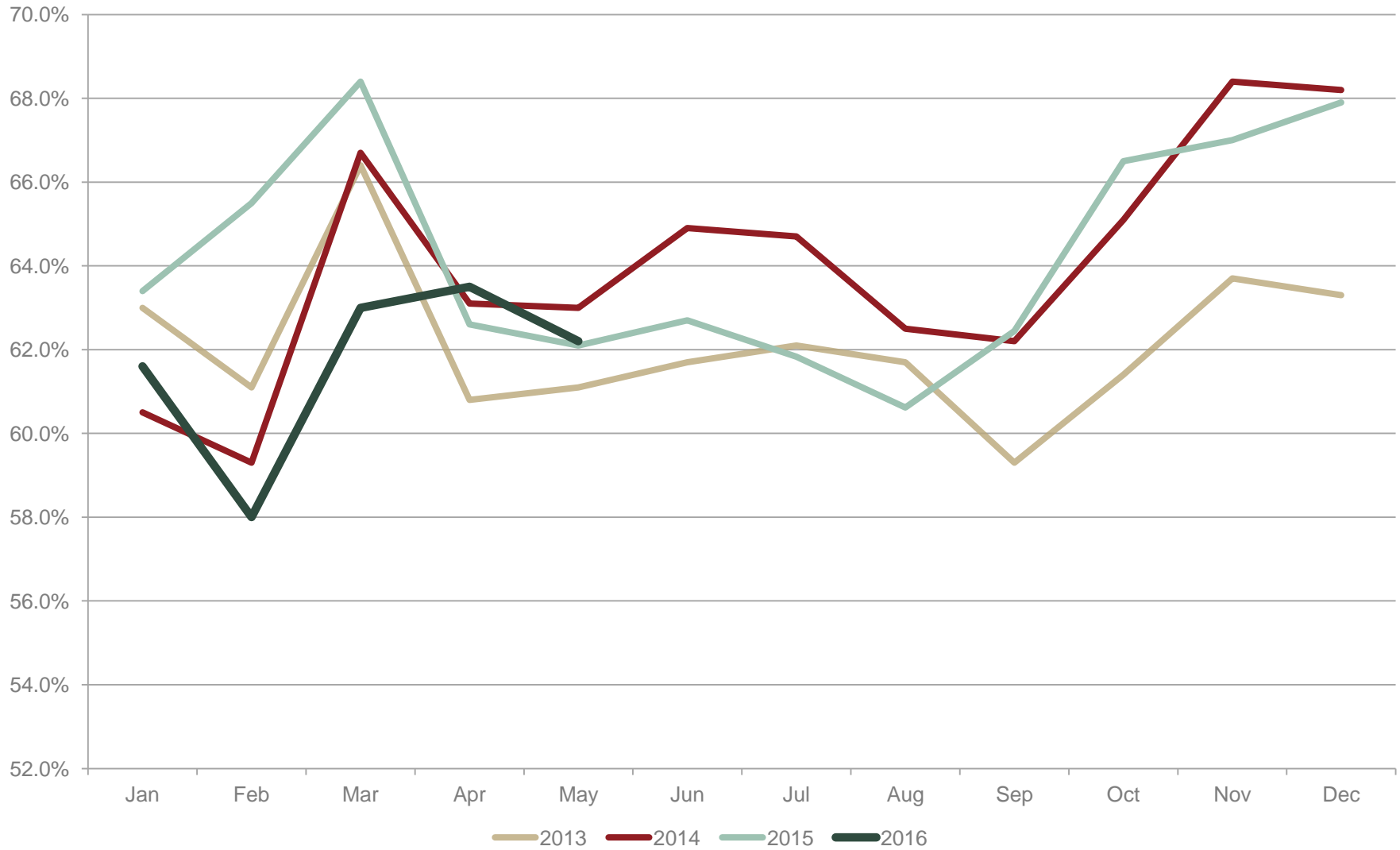
Operating performance – Cargo

- Weak demand
 - Slower start compared to 2015, which benefited from industrial action on the west coast of the US.
- Modest capacity growth
- Reduced load factor
- 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.

		Year to May 2016	Year to May 2015	% Var
Cargo capacity (ATK)	Million	12,414	12,147	+2.2
Cargo & mail carried	'000 tonnes	715	727	-1.7
Cargo & mail load factor	%	61.8	64.3	-2.6pt



Operating performance – Cargo Load Factors

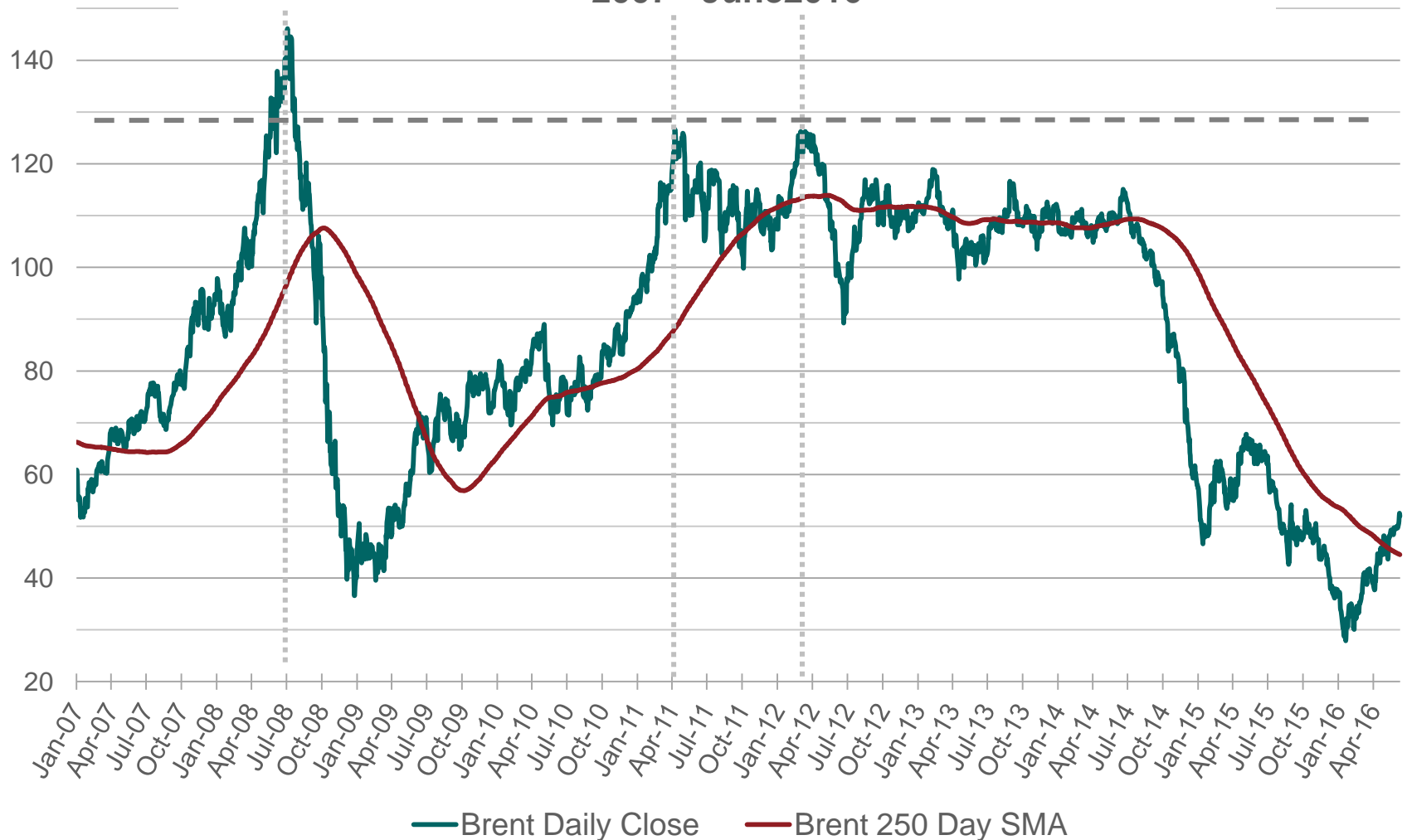


Fuel



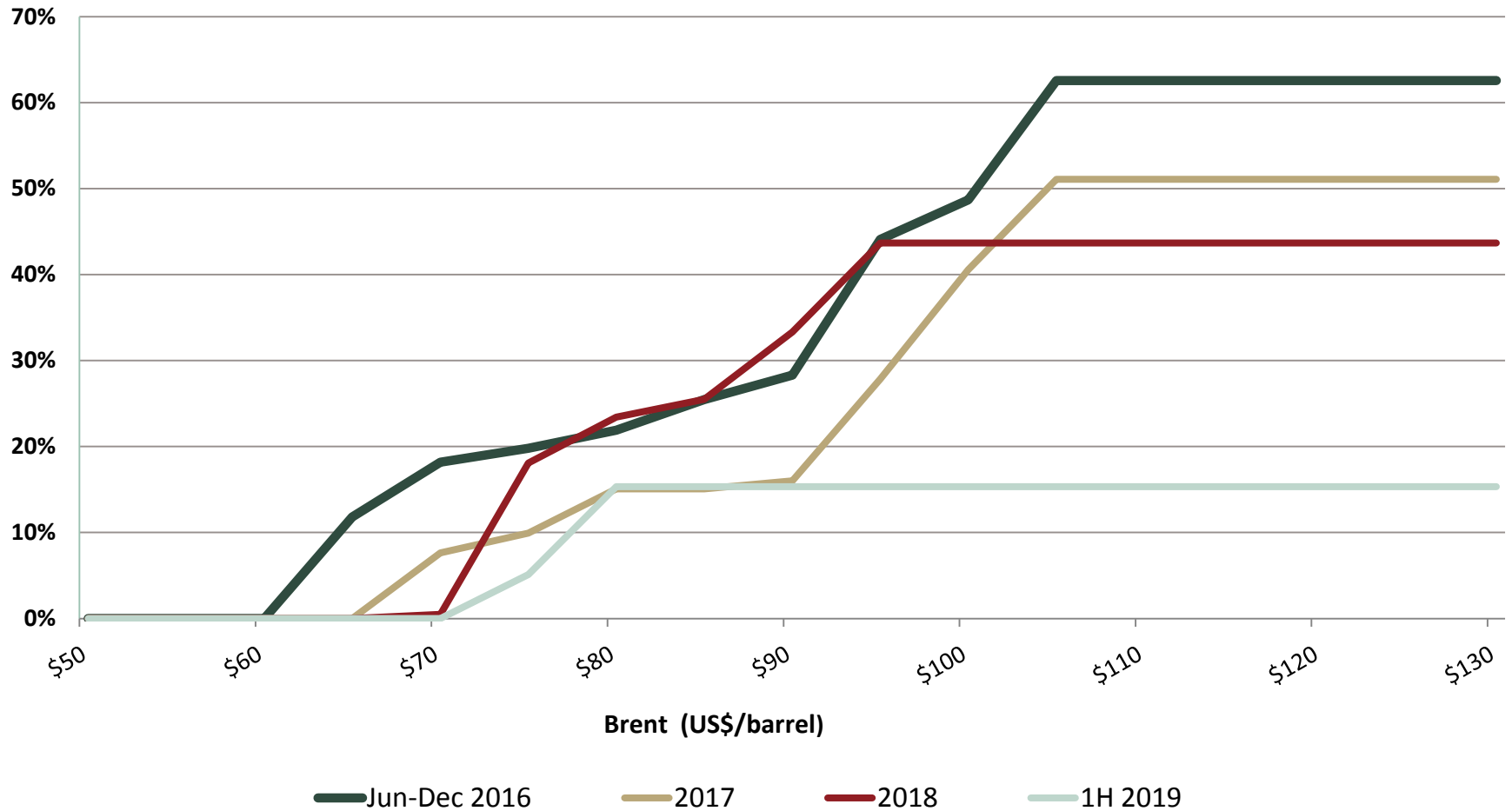
Fuel Hedging - Fuel prices

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



Fuel Hedging

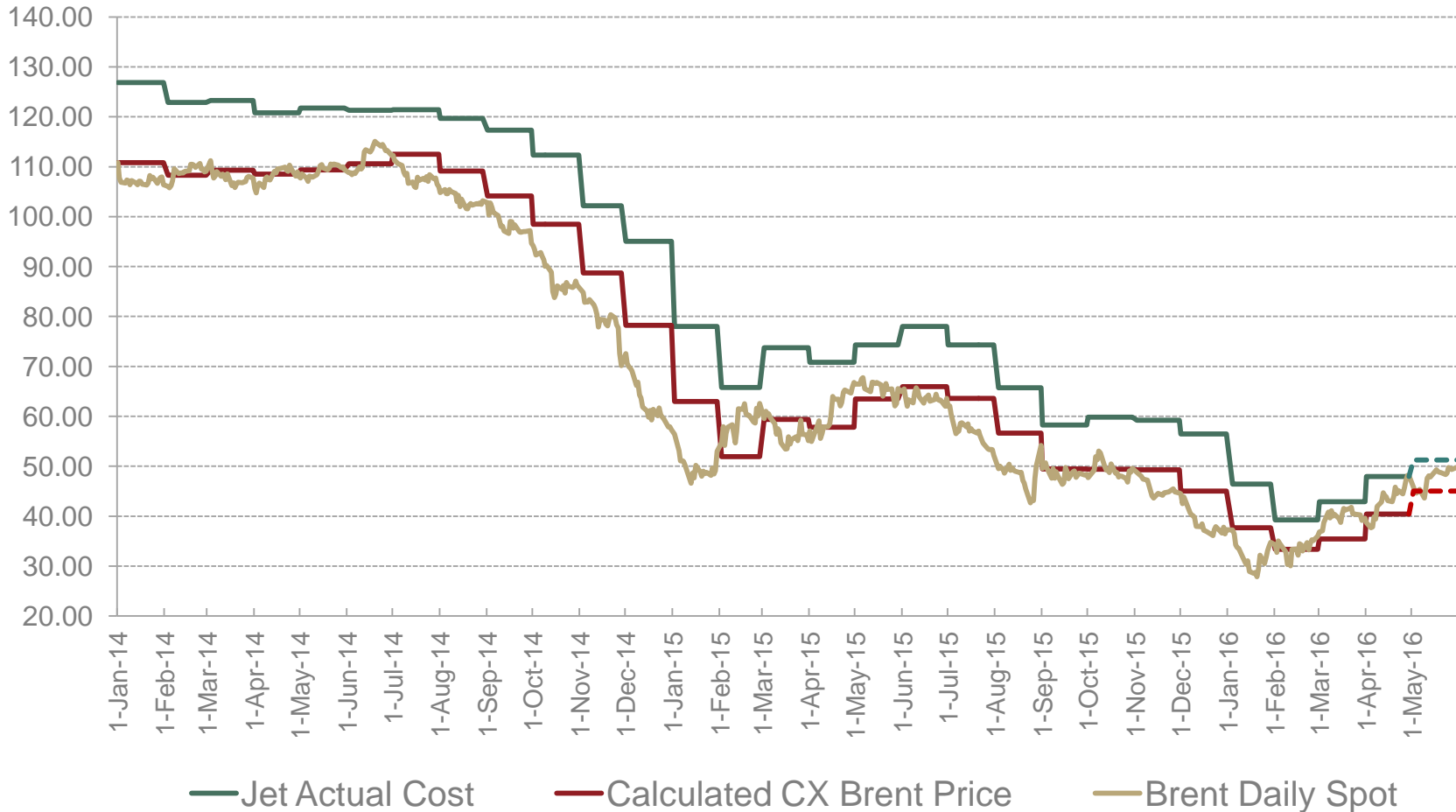
Fuel hedging coverage (as at 10 Jun 2016)



Fuel Hedging - Fuel prices

CX Jet Cost and Calculated CX Brent Price

USD/BBL

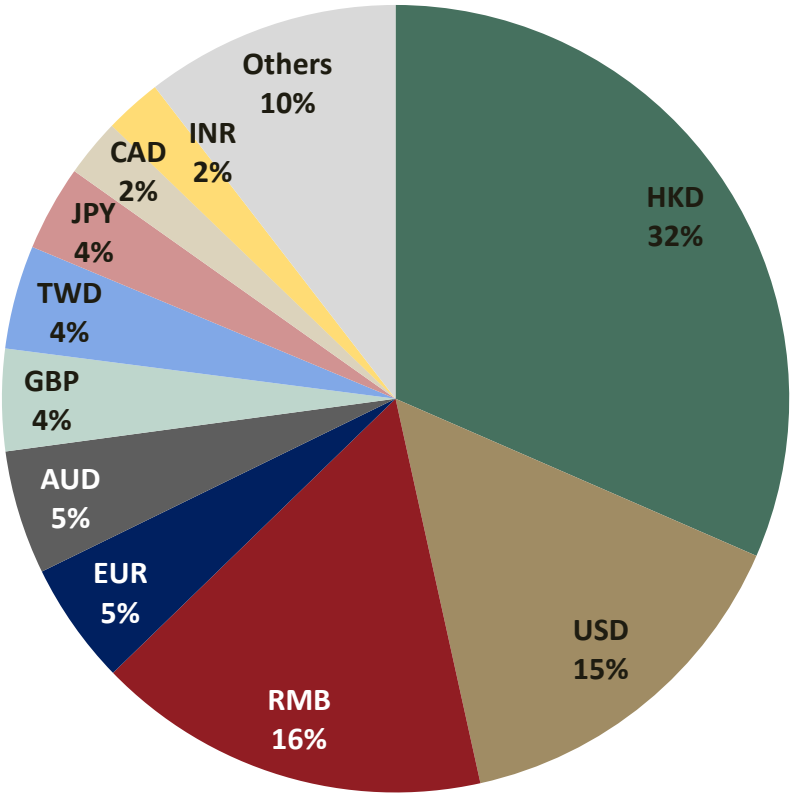


Note: Jet Actual Cost is net of 3rd party handling charges

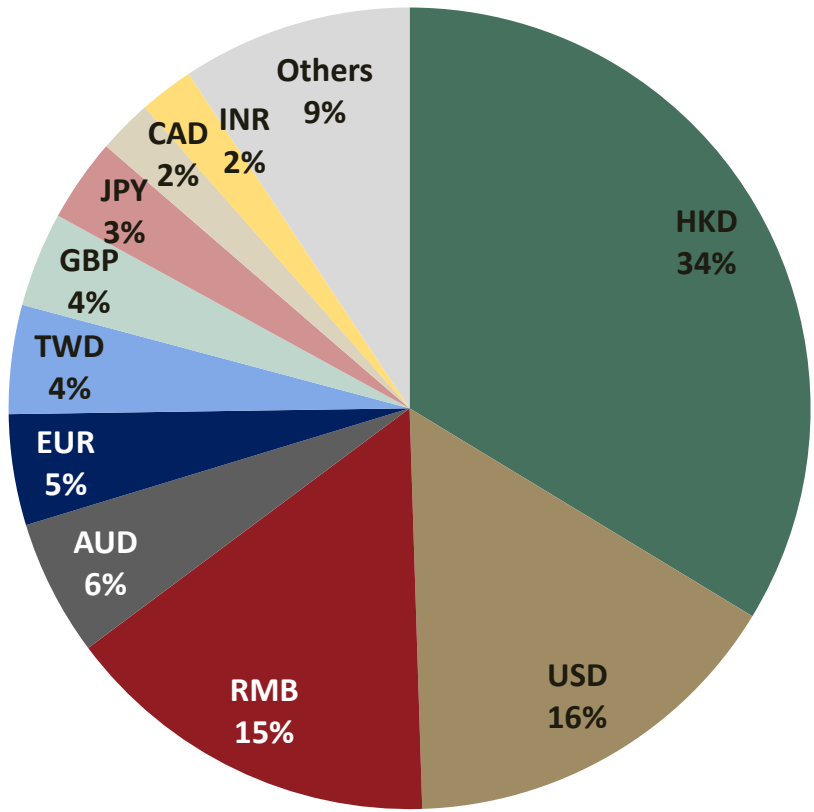
Calculated CX Brent Price = Jet Actual Cost minus Crack, where Crack is assumed based on prior-month Sing Jet- Brent Crack

Revenue mix – by currency

YTD May-2016



FY 2015



Foreign Currency Movements – 8 Biggest

	From 1 st Jan to 31 st May 2016	From 1 st Jan to 31 st Dec 2015	From 1 st Jan to 31 st Dec 2014
RMB	-0.79%	-4.40%	-2.42%
AUD	-0.94%	-10.96%	-8.00%
EUR	2.54%	-10.26%	-12.10%
TWD	0.66%	-3.73%	-5.77%
GBP	-1.78%	-5.45%	-5.97%
JPY	8.87%	-0.40%	-12.13%
INR	-1.67%	-4.23%	-1.81%
CAD	5.82%	-16.10%	-8.41%

Challenges

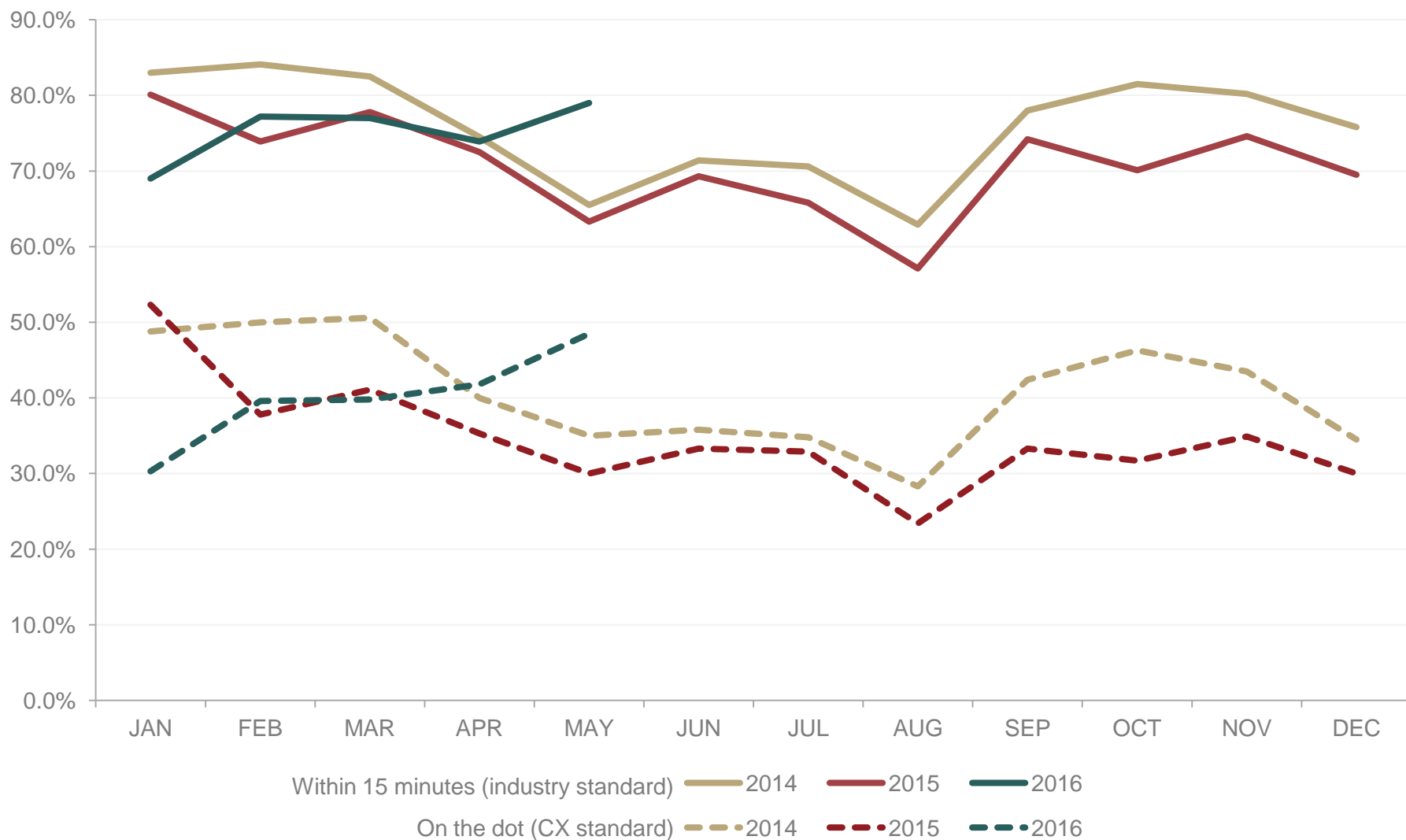
▪ Revised Scheme of Airport Charges

- 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)

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

On time performance



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	1	-	1	-	-	-
Return to lessors	-	-	-	-	-	-
Parked aircraft	-	-	-	-	-	-
Deregistered	(2)	-	(2)	-	-	-
31 May 2016	163	23	186	-	1	1

CX Fleet Profile – as at 31 May 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	0	0	1
747-400	3	-	0	3
747-400F	4	-	-	4
747-400BCF	-	-	1	1
747-400ERF	-	6	-	6
747-8F	2	11	-	13
777-200	5	-	-	5
777-300	12	-	-	12
777-300ER	19	11	23	53
Total	72	42	31	145

CX Cargo Fleet Profile – as at 31 May 2016

Aircraft type	Number	Parked	In operations
747-400F	4	(1)	3
747-400ERF	6	-	6
747-400BCF	1	-	1
747-8F	13	-	13
Total	24	(1)	23

KA Fleet Profile – as at 31 May 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	10					21
A350-1000			6	10	10		26
B777-300ER							0
B777-9X						21	21
Total	12	10	6	10	10	21	69

Retirements

B744 – by end of 2016

Exit date	Number	Remaining
2016	-3	0

A340 - by end of 2016

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

Subsidiaries & Associates



Associates

Air China

- Cathay Pacific has a **20.13%** interest in Air China.
- Robust performance from Air China in 2016 compared to the same period in 2015.
- Results may be impacted by the weakening RMB.
- We account for Air China's results three months in arrears.

Air China Cargo

- Results may be impacted by the weakening RMB.
- Yields under pressure.
- Strong competition in the air cargo market.

Major Subsidiaries

AHK Air Hong Kong



- Capacity and load factor increased marginally.
- Performance largely in line with expectations.

Cathay Pacific Catering Services



- Increase in the number of meals produced.
- Performance impacted by increased costs.
- Expanded facility with additional capacity expected to be operational in Q4 2016.

Asia Miles



- Membership has exceeded 8 million worldwide.
- Increased business volume compared to 2015.

Cathay Pacific Services Limited (Cargo Terminal)



- Addition of new aviation customers in 2016.
- Tighter management of operating costs.

Developments





Airbus A350-900

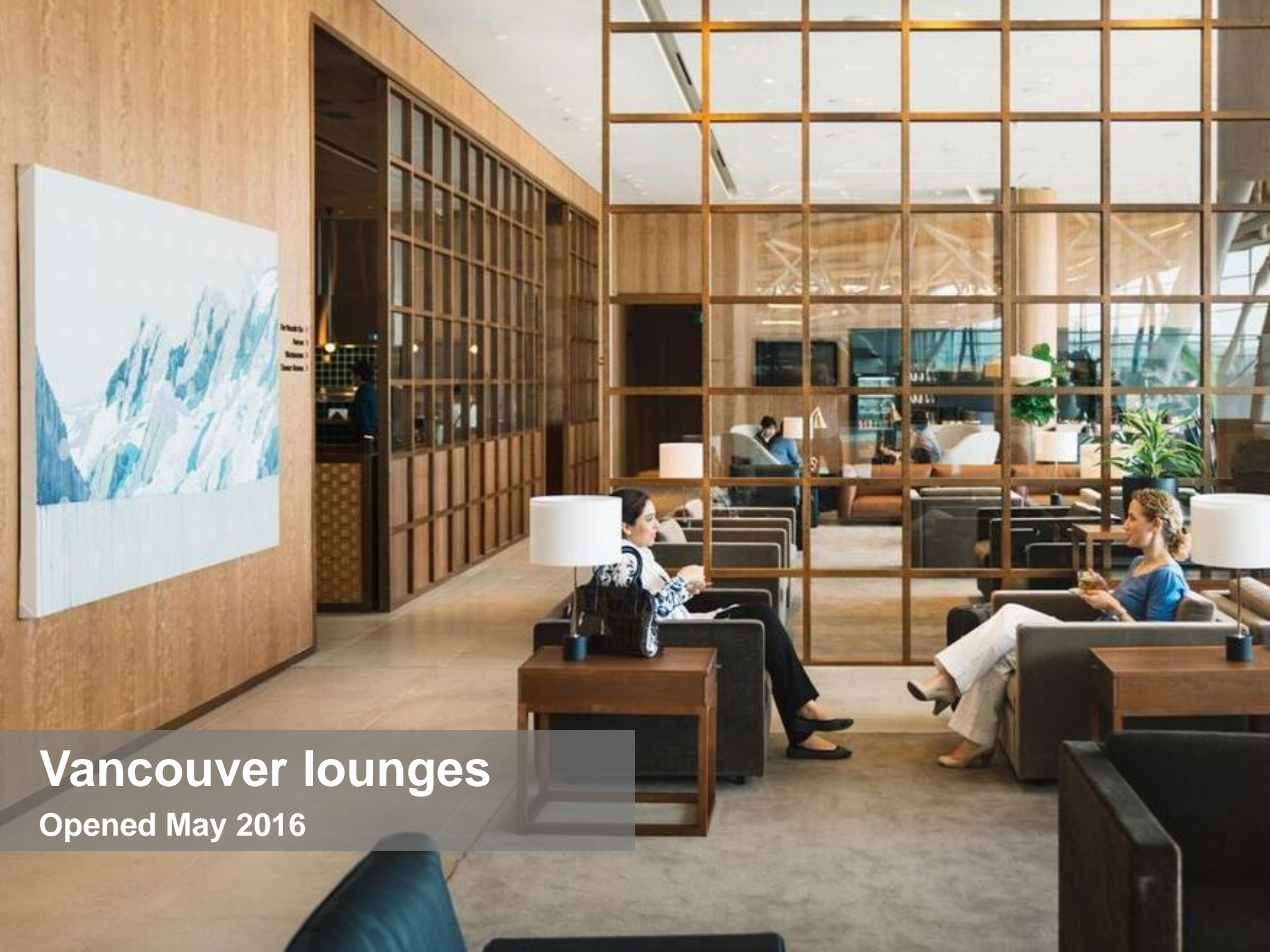
June 2016



The Pier Business Class Lounge

Reopened June 2016





Vancouver lounges

Opened May 2016



Branding

Cathay Dragon



Travel Retail Platform

Introduced to Japan, Indonesia & Taiwan



Self Service bag drop

In use at HKIA from April



2016 Outlook



- The challenging business environment is expected to continue.
- Back-end and front-end to remain weak.
- Lower Hong Kong traffic with more 6th Freedom travel.
- Corporate travel expected to remain slack.
- Cargo tonnage has stabilised, but yields continue to be under intense pressure.
- Solid performance expected from Air China, with other subsidiaries and associates impacted by the declining market.
- Focus on operational efficiencies and productivity improvements.



Q&A

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

