



## 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

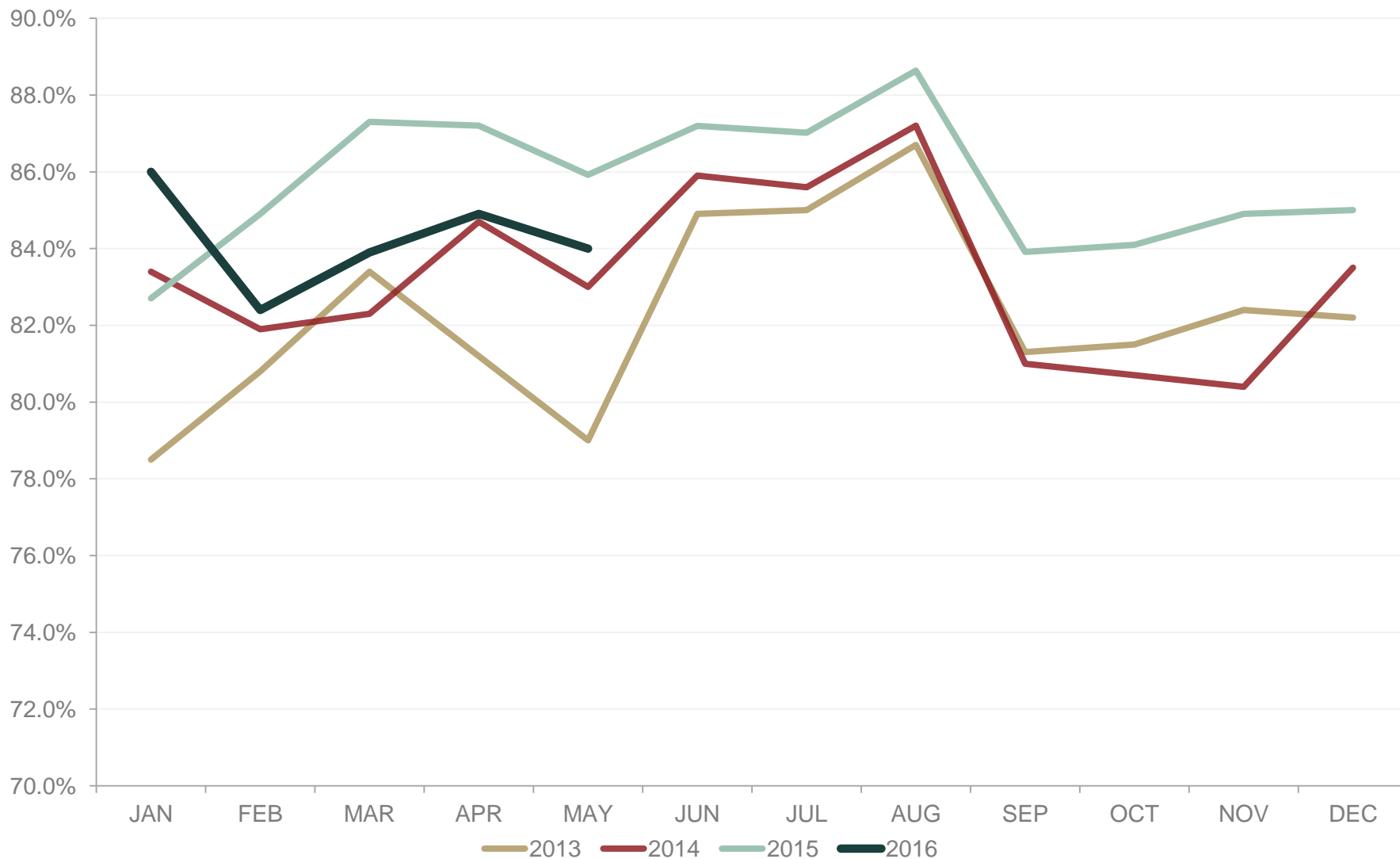
- Increased capacity (ASK)
  - Introduction of the Madrid route in June.
- Softening passenger load factor
  - Weakening back-end demand.
  - Front-end particularly weak.
- Yield under pressure
  - Suspension of passenger fuel surcharge collection from February 2016.
  - Strong competition.
  - Increased 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 <b>Sapporo</b> route
May	▪ Seasonal increase of frequency on the <b>Boston</b> route to a 5-times-weekly service
June	▪ Introduced a 4-times-weekly service to <b>Madrid</b>



# Cargo Services





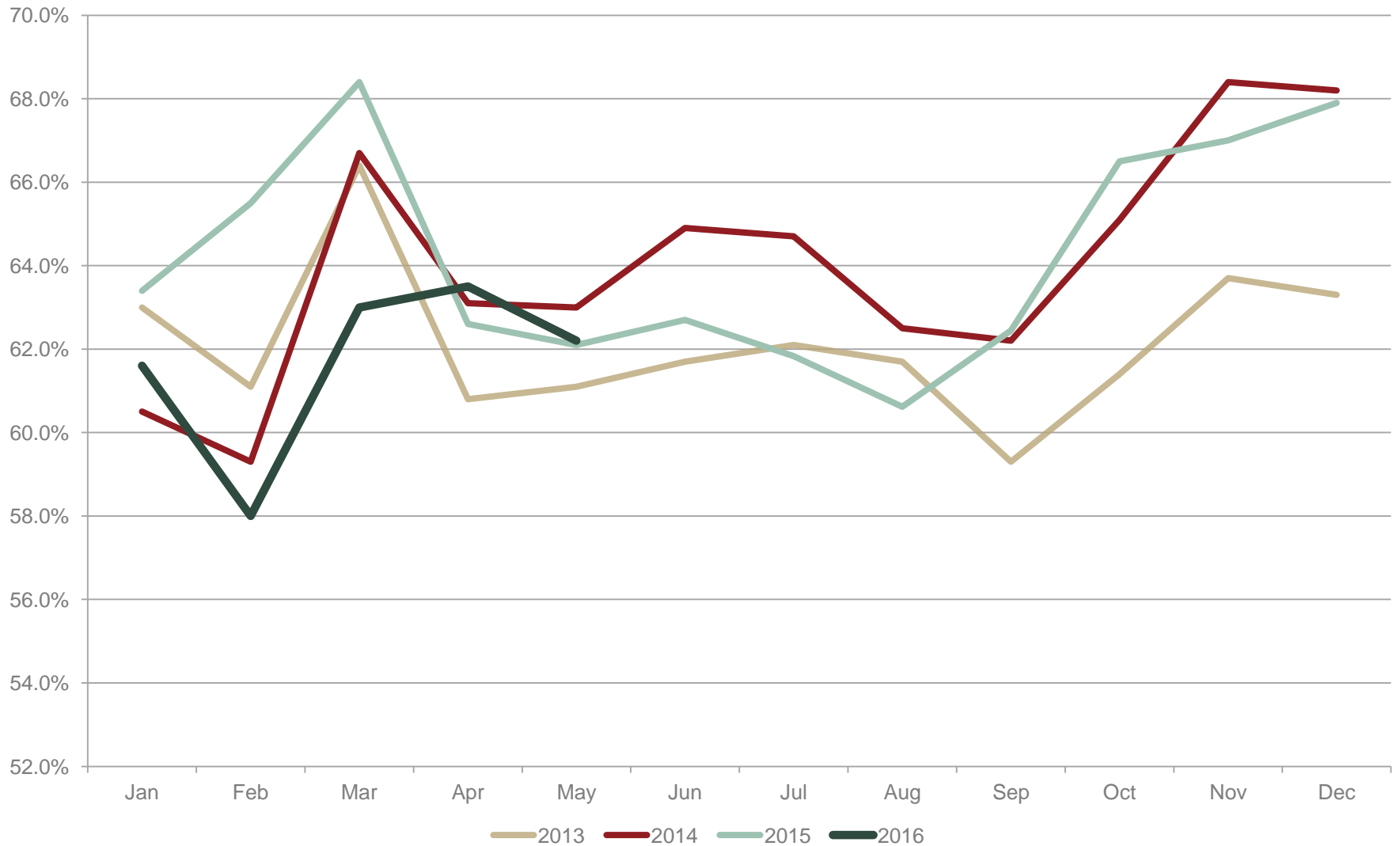
# Operating performance – Cargo

- 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 6<sup>th</sup> 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



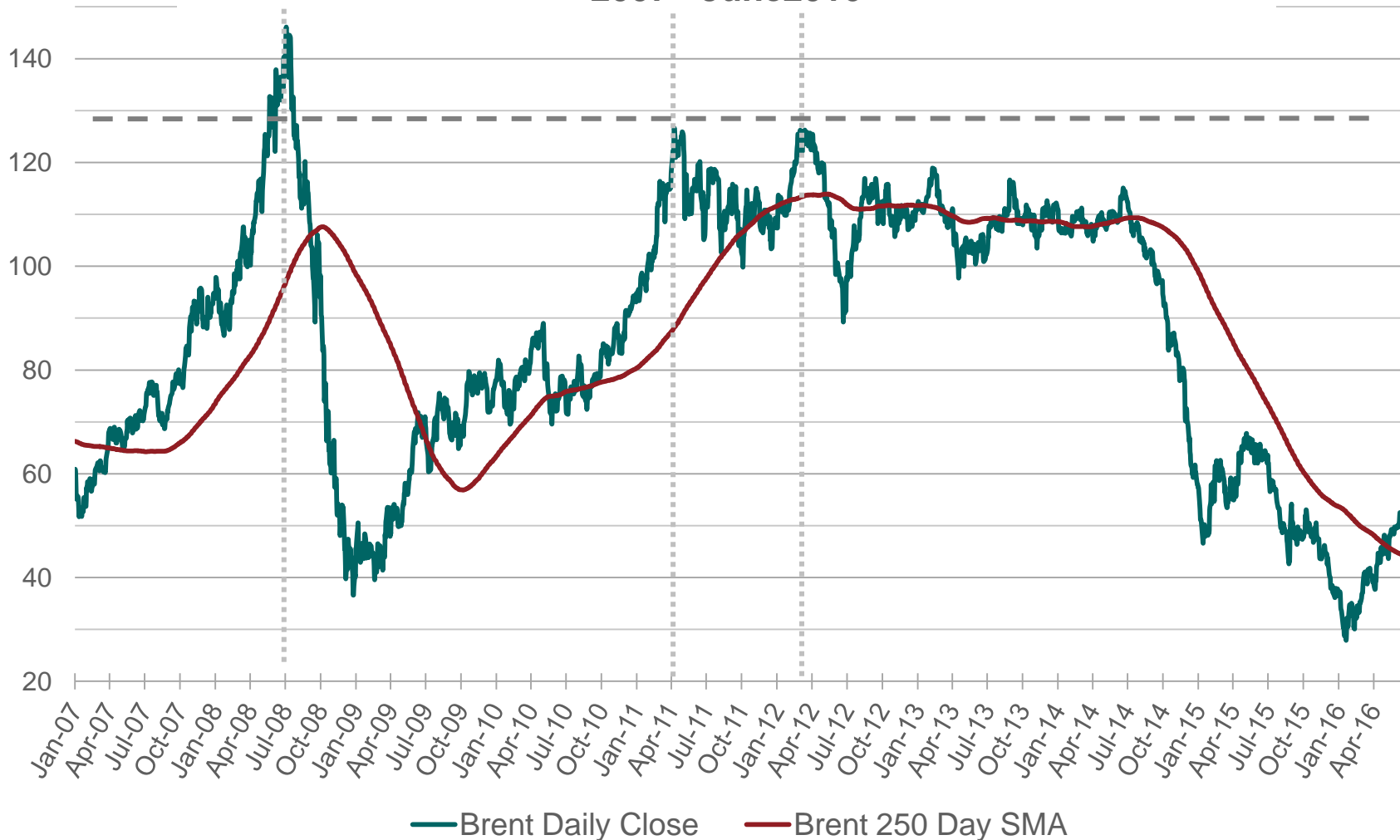
Fuel





# Fuel Hedging - Fuel prices

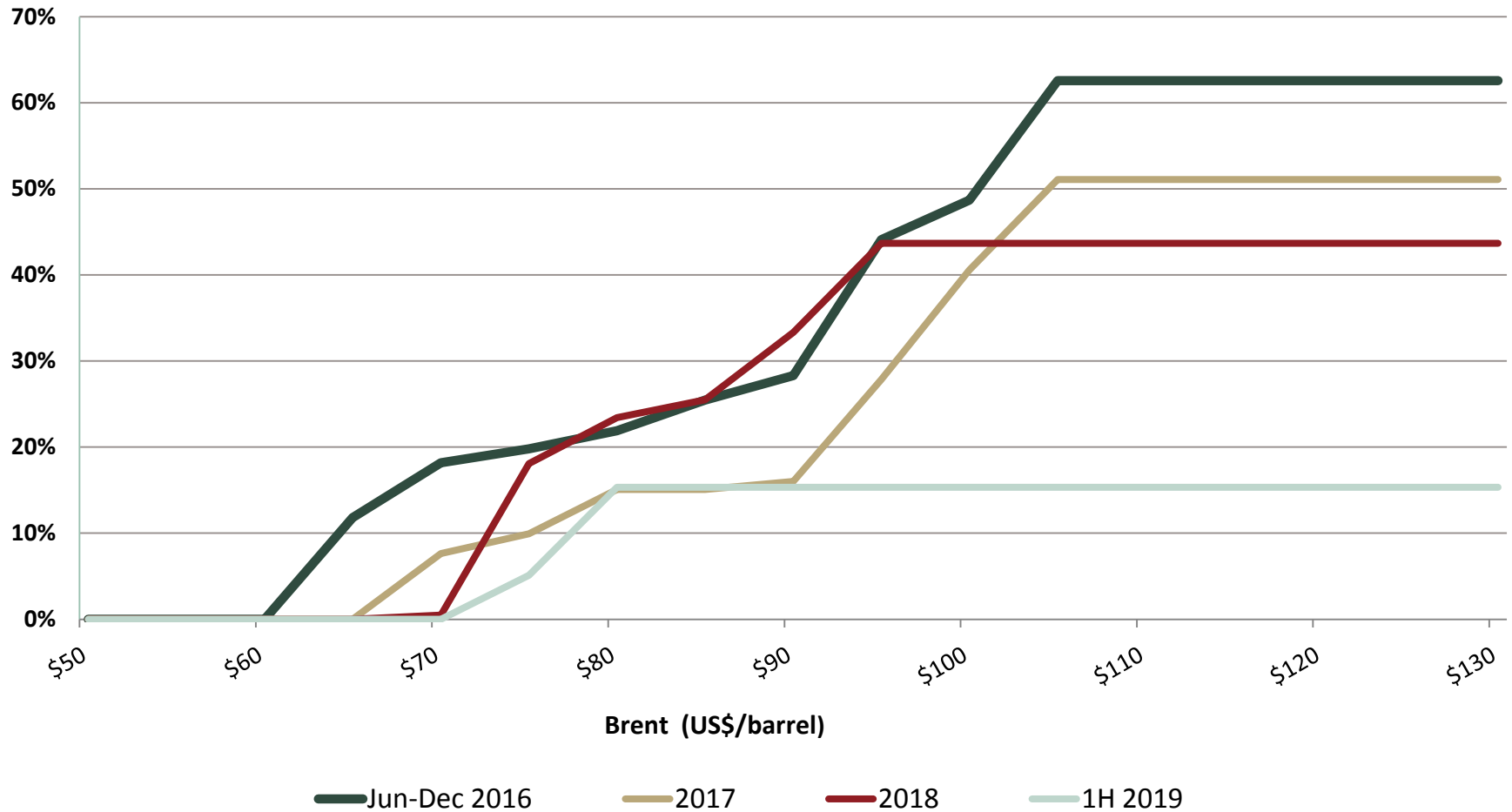
USD/Bbl - Brent- Daily Closing Price and 250 Day Simple Moving Average  
2007 - June 2016





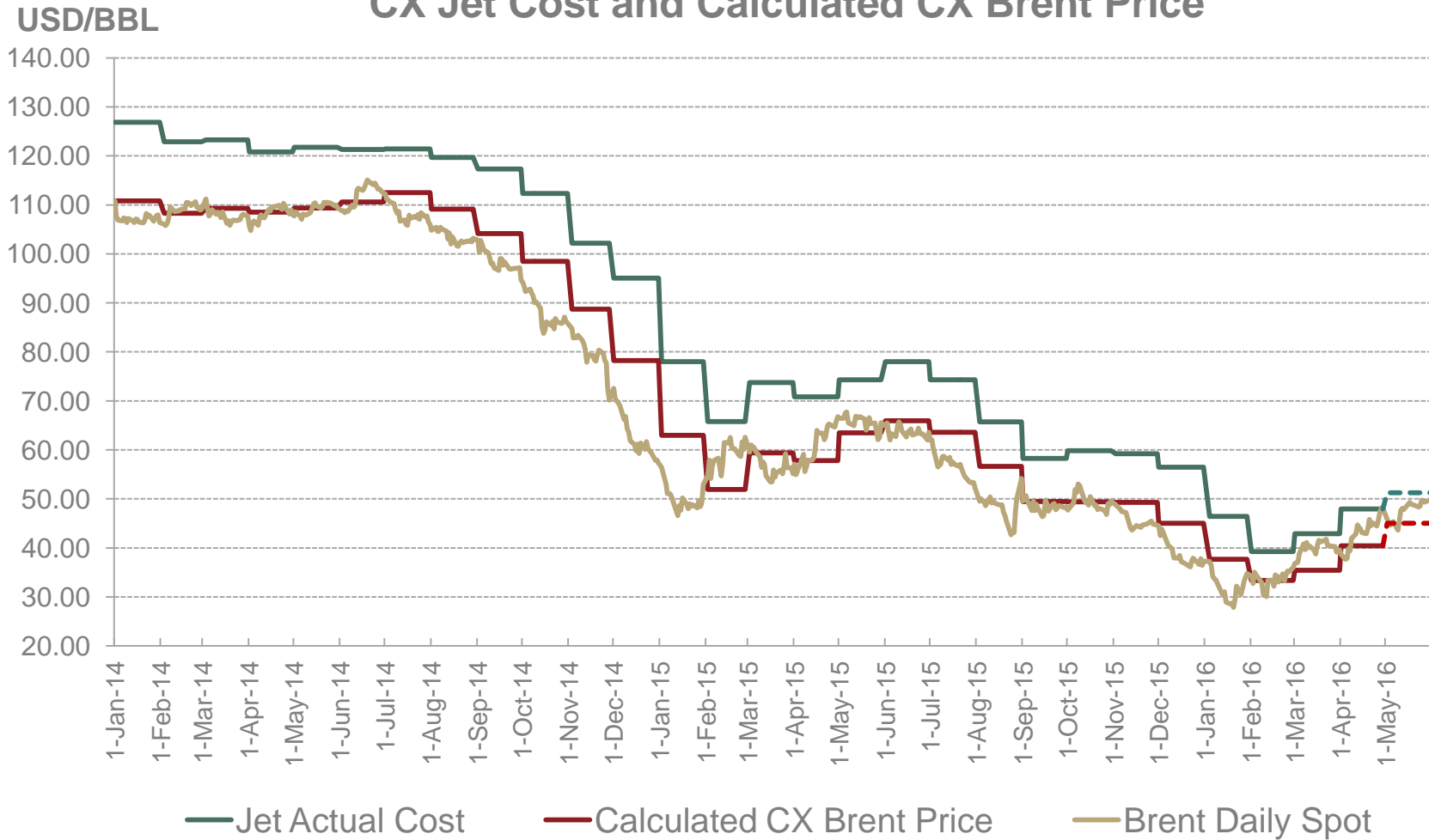
# Fuel Hedging

Fuel hedging coverage  
(as at 10 Jun 2016)



# Fuel Hedging - Fuel prices

## CX Jet Cost and Calculated CX Brent Price

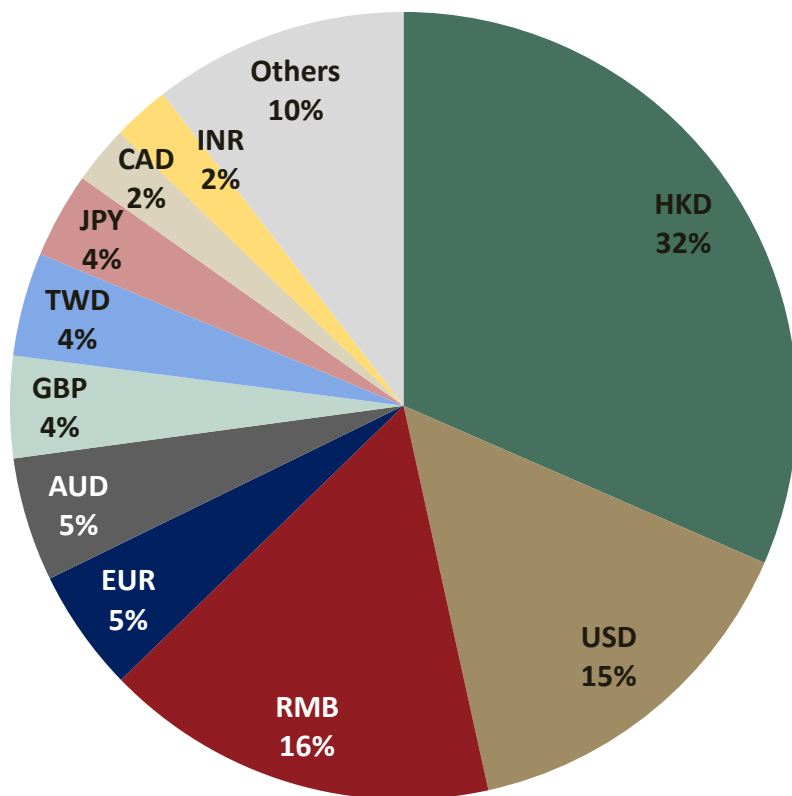


Note: Jet Actual Cost is net of 3<sup>rd</sup> party handling charges

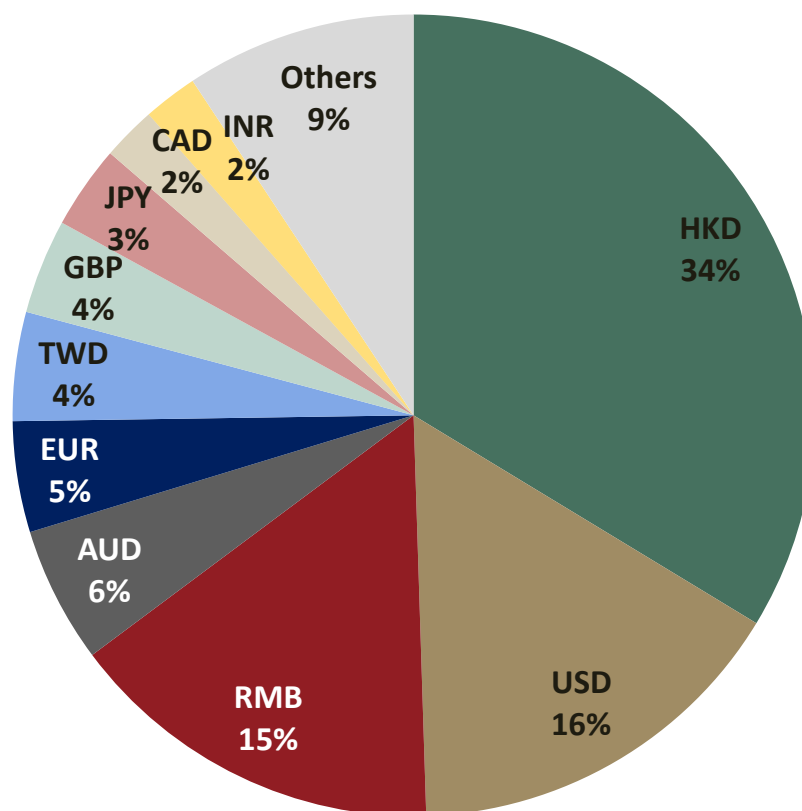
Calculated CX Brent Price = Jet Actual Cost minus Crack, where Crack is assumed based on prior-month Sing Jet- Brent Crack

# Revenue mix – by currency

YTD May-2016



FY 2015



# Foreign Currency Movements – 8 Biggest

	From 1 <sup>st</sup> Jan to 31 <sup>st</sup> May 2016	From 1 <sup>st</sup> Jan to 31 <sup>st</sup> Dec 2015	From 1 <sup>st</sup> Jan to 31 <sup>st</sup> 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

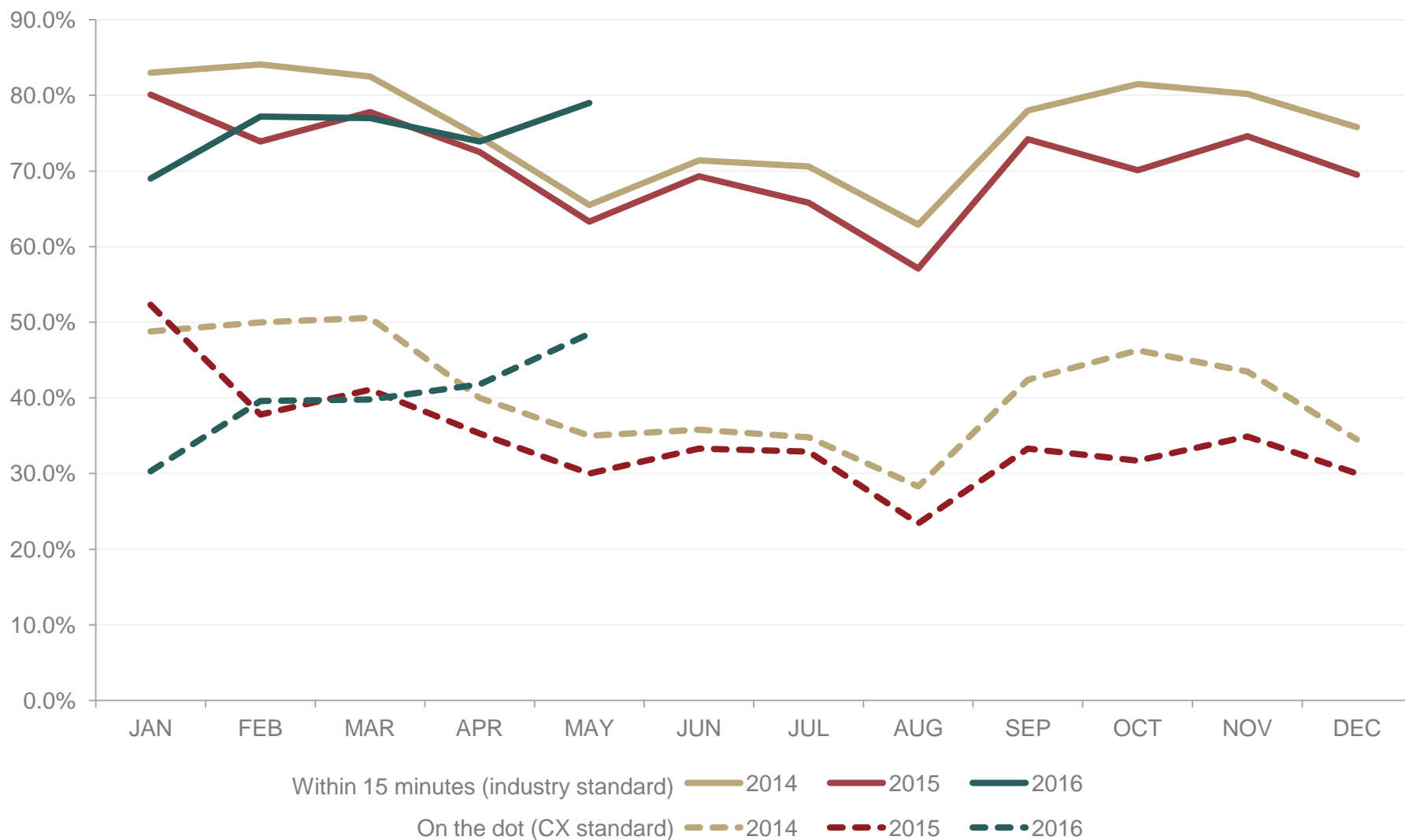
## ▪ Revised Scheme of Airport Charges

- 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**



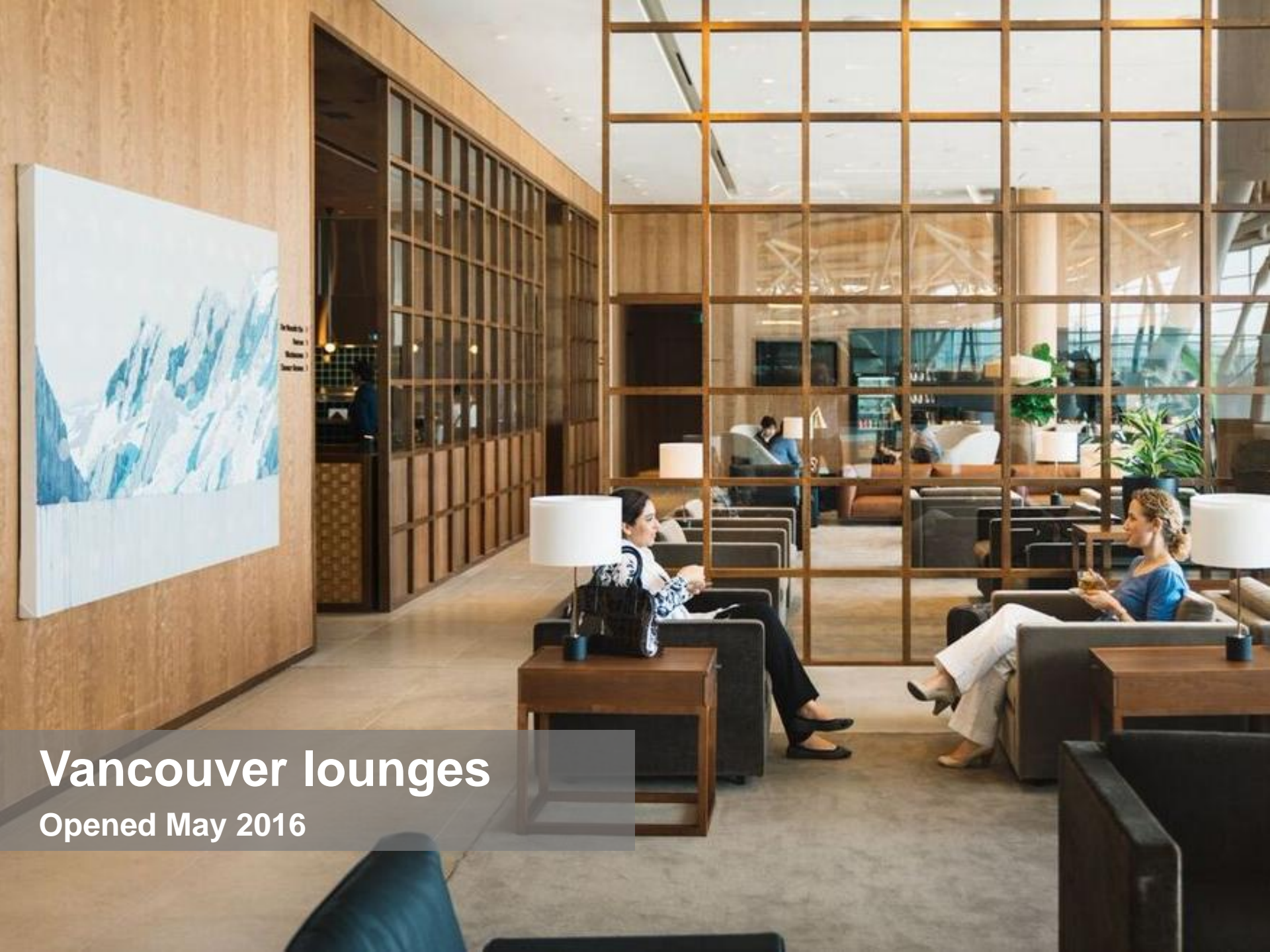


# The Pier Business Class Lounge

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 6<sup>th</sup> 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](http://www.cathaypacific.com)

