



Analysts Briefing

16 June 2017

Cathay Pacific Airways Limited



Agenda

- Operating Environment
- 2017 outlook
- Transformation programme progress update
- Summary
- Q&A

Operating environment challenging – Cargo the bright spot



- Intense competition resulting in lower passenger yields
- Higher net fuel costs
- Higher operating costs
- Lower contribution from subsidiaries and associates
- One-off costs – redundancies and European Commission anti-trust decision

BUT:

- Cargo business has outperformed
- Both cargo yield and cargo load factor increased compared to the previous year.

Transformation programme underway to deliver sustainable growth



- Initiated 3-year transformation programme
- Implementing significant measures to turn around profitability
- Early stage cost initiatives are tracking to plan
- Introduced re-organisation for a leaner and more agile organisation



Passenger Services

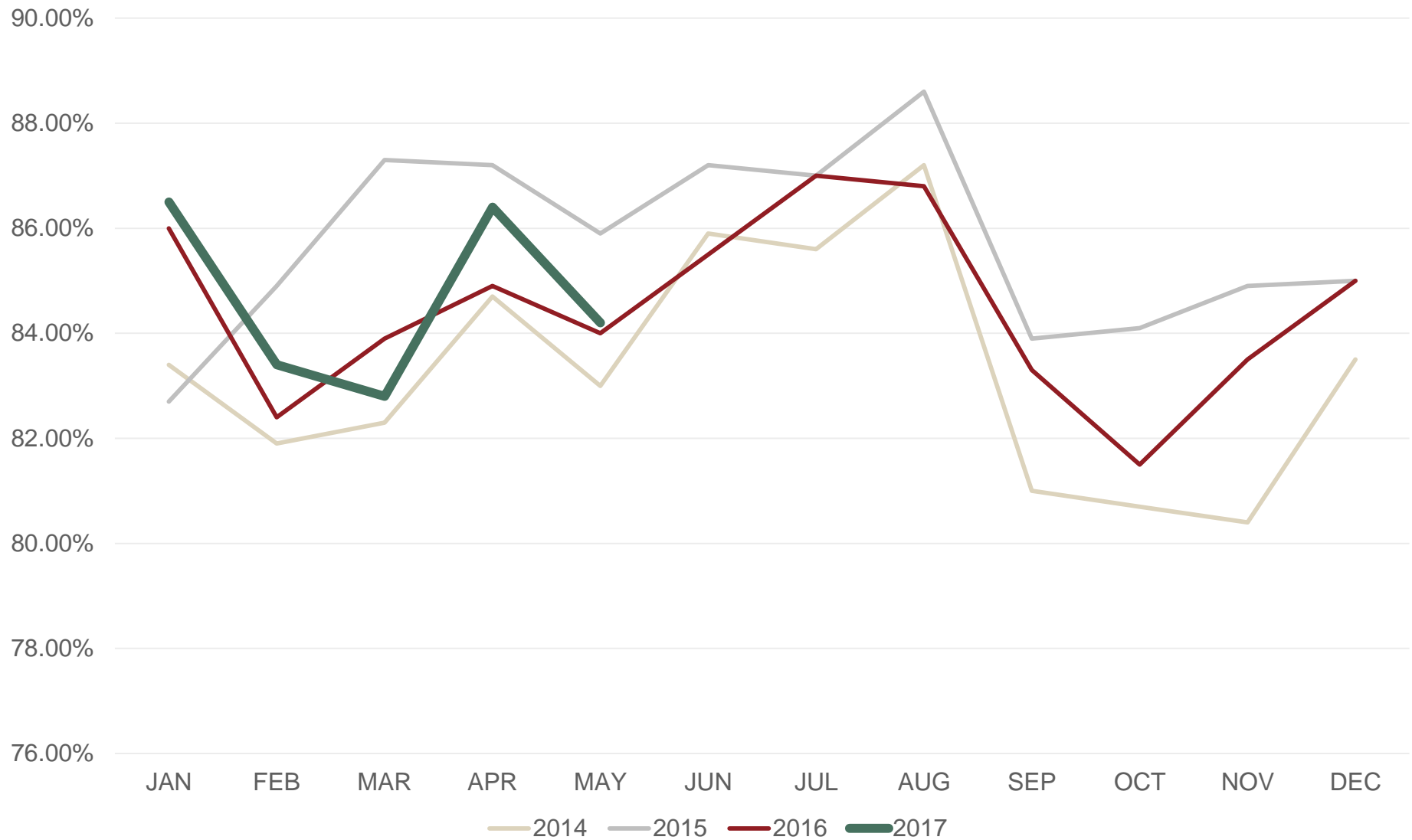
Passenger: difficult environment partly offset by new routes

- Back-end load factors soft
- Front-end load factors improving
- Yield under pressure
 - Strong competition.
 - Promotional fares on premium class tickets.
- Increase in ASK
 - Introduction of Tel Aviv route, which commenced operation in March.

		Year to May 2017	Year to May 2016	% Var
ASK	Million	61,117	60,510	+ 1.0%
Passengers carried	'000	14,585	14,628	- 0.3%
Passenger load factor	%	84.7	84.3	+0.4 pts



Passenger Load Factors



Network Development



2017

January

- Announced a seasonal four-times weekly service to **Barcelona** commencing in July

March

- Introduced a four-times weekly service to **Tel Aviv**
- Increased frequency of the **Boston** route to a daily service
- Increased frequency of the **Vancouver** service to 17 flights per week

Cargo Services



Cargo: modest capacity growth and improved yield

- Modest capacity growth
 - Robust cargo demand, with tonnage growing ahead of capacity.
 - Joint business agreement with Lufthansa Cargo AG from February 2017.
- Yield improvement compared to prior year
 - Stronger market demand, especially for exports from Mainland China.
 - Reintroduction of cargo fuel surcharges from April 2017 will improve yield.

		Year to May 2017	Year to May 2016	% Var
Cargo capacity (ATK)	Million	12,591	12,414	+ 1.4%
Cargo & mail carried	'000 tonnes	795	715	+ 11.2%
Cargo & mail load factor	%	65.8	61.8	+ 4.0 pts



Operating performance – Cargo Load Factors





Fuel & FX

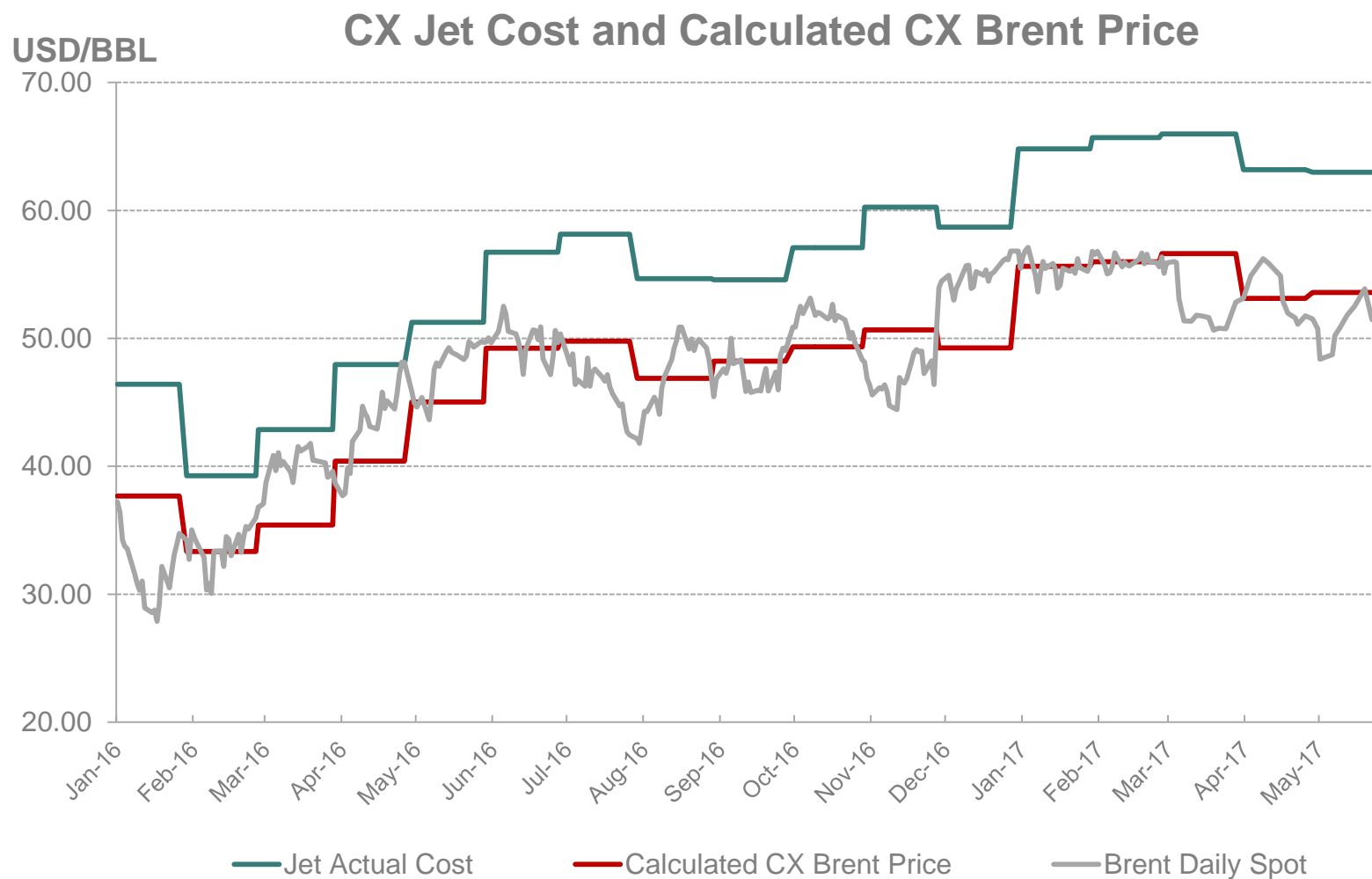
Fuel Hedging - Fuel prices

USD/Bbl - Brent- Daily Closing Price and 250 Day Simple Moving Average 2008 - 2017

USD/BBL



Fuel Hedging - Fuel prices

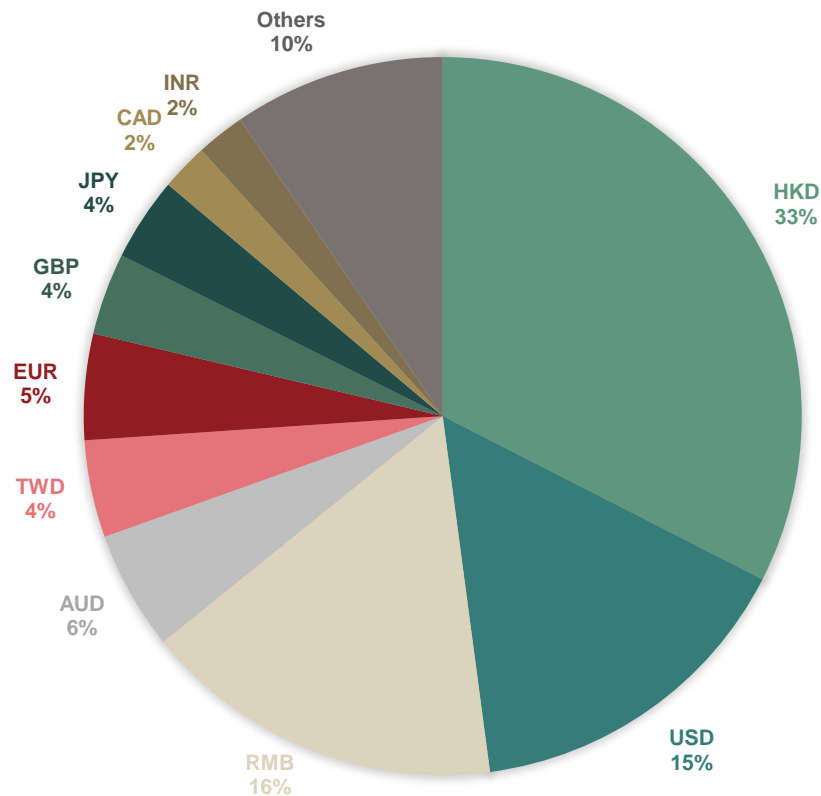


Note: Jet Actual Cost is net of 3rd party handling charges

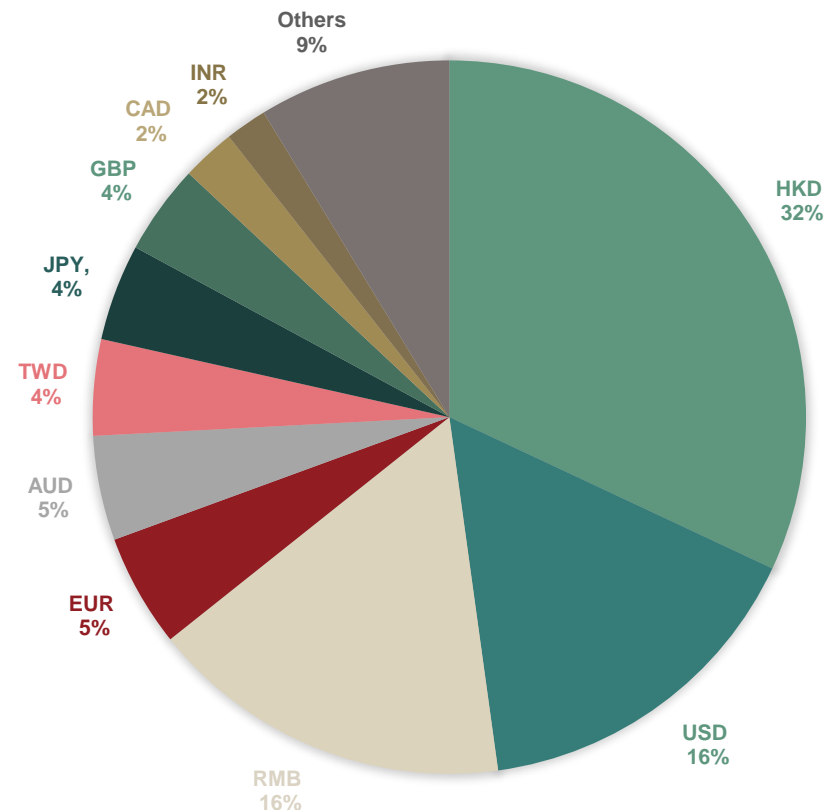
Calculated CX Brent Price = Jet Actual Cost minus Crack, where Crack is assumed based on prior-month Sing Jet- Brent Crack

Revenue mix – by currency

Full year 2016



1st Quarter 2017



Foreign Currency Movements – 8 Biggest exposures

HKD / USD remains strong

	From 1 st Jan to 30 th Apr 2017	From 1 st Jan to 31 st Dec 2016	From 1 st Jan to 31 st Dec 2015	From 1 st Jan to 31 st Dec 2014
RMB	1.02%	-5.93%	-4.40%	-2.42%
AUD	4.23%	-1.30%	-10.96%	-8.00%
TWD	6.98%	1.57%	-3.73%	-5.77%
EUR	4.21%	-3.12%	-10.26%	-12.10%
GBP	5.48%	-16.32%	-5.45%	-5.97%
INR	6.20%	-2.63%	-4.23%	-1.81%
JPY	5.44%	3.07%	-0.40%	-12.13%
IDR	1.10%	2.65%	-9.02%	-1.84%



Fleet Profile

CX and KA fleet modernisation

	In operations		
	Passenger	Freighter	Total
1 Jan 2017	168	21	189
New deliveries	4	-	4
Return to lessors	-	-	-
Retirements	(4)	-	(4)
31 May 2017	168	21	189

- Four additional A350-900 aircraft delivered up to May 2017
- Eight more A350-900 expected deliveries in the remainder of 2017
- 22 A350-900 aircraft expected to be in service by the end of the year

CX and KA Fleet Profile – as at 31 May 2017

Aircraft type (includes parked aircraft)	Owned	Finance Leased	Operating Leased	Total
A320-200	5	-	10	15
A321-200	2	-	6	8
A330-300	30	12	19	61
A350-900	9	3	2	14
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	85	43	61	189

Aircraft Delivery & Retirement Plans as at 31 May 2017

Deliveries

Aircraft type	2017	2018	2019	2020	>2021	Total
A350-900	8					8
A350-1000		6	10	10		26
B777-9X					21	21
Total	8	6	10	10	21	55



Subsidiaries & Associates

Associates

Air China

- Cathay Pacific has a **18.13%** interest in Air China.
- In March 2017, Cathay Pacific's shareholding in Air China was reduced from **20.13%** as a result of a new issue of A shares by Air China.
- Our share of Air China's results is based on its financial statements drawn up three months in arrears.
- Contribution from the share of profits lower than the same period in 2016.

Air China Cargo

- YTD(May) results improved compared to the previous year.

Major Subsidiaries

AHK Air Hong Kong



- Capacity and load factor increased marginally compared with the same period in 2014. Revenue tonne kilometres increased by 2%.
- Marginal decrease in profit for YTD April 2017 compared to 2016.

Cathay Pacific Catering Services



- Decrease in profit compared to the prior year.
- An expanded facility with 40% additional capacity started to operate in May 2017.

Asia Miles



- Membership has hit more than 9 million worldwide.
- Increase in profit for YTD April 2017 compared to 2016.

Cathay Pacific Services Limited (Cargo Terminal)



- Increase in profit compared to the prior year.
- An increase in the number of customers compared to 2016.

2017 Outlook



- Overall 2017 will remain a difficult year but signs of improvements expected in 2H.
- Environment expected to remain challenging, particularly on passenger side.
- Passenger yields remain under intense pressure.
- Productivity and efficiency gains from flight planning and resource deployment reviews.
- Cargo market growth continues.
- Increased leased cargo capacity from two wet-leased Boeing 747-8F freighters from Atlas Air Worldwide.
- Implementation of the transformation programme will drive productivity improvements, sustainability and growth longer term.

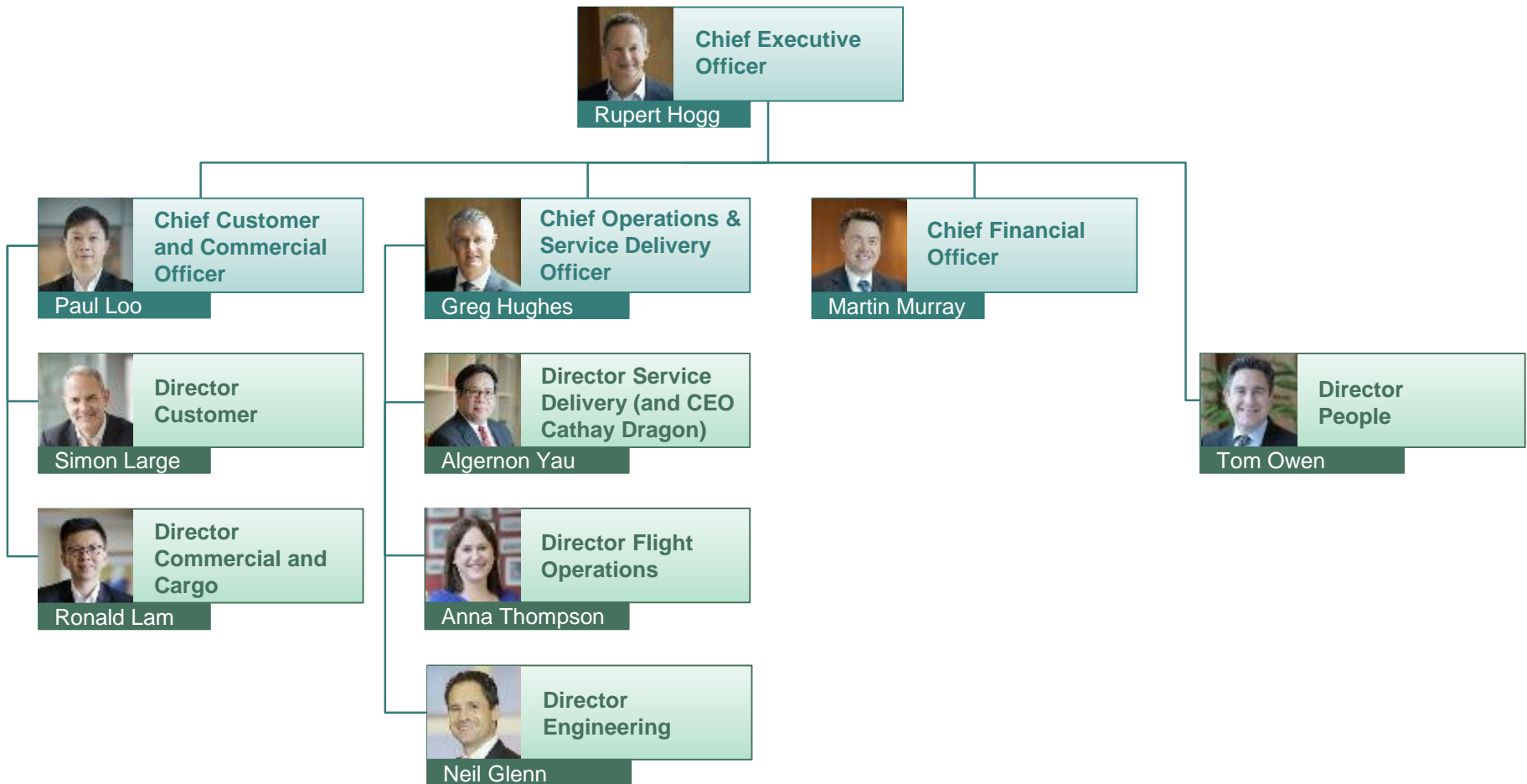


Corporate Transformation Programme

Transformation programme in early stages

- Commenced a 3 year programme of corporate transformation to deliver a more profitable and sustainable business.
- Restructuring commenced to deliver a leaner more agile organisation to support turnaround.
- ASK and DLATK expected to grow approximately 4% p.a. over the next three years
- Implementing significant financial measures to turn around profitability
 - Targeting returns above our 8% hurdle rate by 2019.
 - Focused on keeping costs (ex fuel) flat over next 3 years.
- Continued commitment to investing heavily in the brand and customer experience.

New leadership structure to drive transformation plan forward



Greater alignment to deliver strategic direction

- Brand led – bring alive the idea of a “life well travelled” for our people and our customers.
- Customer centric – putting the customer at the heart of everything we do. Use deep customer insight to drive decisions.
- Operationally excellent – a reliable schedule with high asset utilisation.
- Productivity and value focus – drive waste out of our back office processes through lean, shared services, and robotics.
- High performance culture – empowering our people to drive value for our customers and business. Continuous transformation the norm.
- Investment in digital to improve every aspect of our business.



Implementing significant financial measures to turn around profitability

Immediate measures:

- Progress on short term measures driven from the top, and monitored from monthly Director-led meetings with the Business Unit.

Mid-term measures:

- Targeting returns above our hurdle rate by the end of 2019.
- Non-fuel costs kept flat 2016 to 2019.



Organisational efficiencies to deliver more agility



- Completed the redesign of our Head Office organization.
- Reorganisation performed in-house by our own people to increase buy-in.
- Created larger management spans to increase accountability and reduce decision making time.
- Phased implementation - progressively introduced to 1st August 2017.
- Organisation development activities underway to improve collaboration, accountability and agility.

Summary

- Tough operating environment in passenger expected to continue.
- Intense competition is maintaining pressure on yields.
- Cargo steadily improving.
- Transformation programme underway to deliver a more profitable and sustainable business.
- Delivering our strategic direction throughout multiple initiatives, from brand to digital.
- Next update at our interims in August.



Q&A

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