Agenda

• Briefing highlights
• Shareholder analysis
• Operating performance
• Transformation Programme update
• Outlook
• Q&A

• Hosted by:
  • Martin Murray, Chief Financial Officer
  • Paul Loo, Chief Customer & Commercial Officer
Briefing highlights
Passenger business and yield remains challenging. Robust cargo performance.

- Passenger business remains under intense competition from other airlines.
- Back-end longhaul behind ASK growth.
- Growth in inbound over-night visitors to Hong Kong.
- Volume growth for premium traffic, with yield decline reducing.
- Robust cargo business performance, with strong growth in capacity, yield and load factor over the previous year.
Higher fuel costs and operational challenges remain, but transformation programme well underway.

- Higher fuel prices compared to the previous year. Fuel Surcharge ex-HK remains suspended.
- Delay and disruption costs due to adverse weather.
- Transformation programme driving initiatives over revenue management, productivity improvement and cost management.
Shareholder analysis
Shareholder Analysis

Shareholding %

- **Swire Pacific** committed to supporting Cathay Pacific’s long-term growth.

- Cross share-holding with **Air China** continues to benefit Cathay in the Chinese outbound travel market.

- Cathay Pacific and **Qatar Airways** build on strong Oneworld Alliance partnership.

- Continued commitment to engage other investors.
Operating performance

Passenger Services
Capacity growth, improving frontend demand offset by continued pressure on yield

- Increased capacity (ASK)
  - Increased frequencies on some existing routes, and the on-going impact of the London Gatwick service in the 2nd half of 2016.
  - Introduction of Tel Aviv route in March, and a seasonal service to Barcelona between July-October.

- Yield under pressure
  - Increased capacity by competitors.
  - Yield decline in both business and economy classes compared to the previous year, but decline reducing.
  - Partly offset by improving frontend demand and increased fuel surcharge collection into Hong Kong.

- Stable overall load factor

<table>
<thead>
<tr>
<th></th>
<th>Year to Q3 2017</th>
<th>Year to Q3 2016</th>
<th>% Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASK</td>
<td>Million</td>
<td>111,971</td>
<td>109,729</td>
</tr>
<tr>
<td>Passengers carried</td>
<td>'000</td>
<td>26,000</td>
<td>25,967</td>
</tr>
<tr>
<td>Passenger load factor</td>
<td>%</td>
<td>84.8</td>
<td>84.9</td>
</tr>
</tbody>
</table>
Stable overall passenger load factor similar to 2016

Year to September Load factor
2017 : 84.8%
2016 : 84.9%
### Regional operating performance

#### YTD Sept statistics

<table>
<thead>
<tr>
<th>Region</th>
<th>ASK</th>
<th>LF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>+11.7%</td>
<td>+1.6%pts</td>
</tr>
<tr>
<td>India, Middle East &amp; Sri Lanka</td>
<td>-9.3%</td>
<td>+3.0%pts</td>
</tr>
<tr>
<td>Southwest Pacific &amp; South Africa</td>
<td>+2.5%</td>
<td>-2.5%pts</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>-1.7%</td>
<td>-0.8%pt</td>
</tr>
<tr>
<td>North Asia</td>
<td>-1.2%</td>
<td>+1.6%pt</td>
</tr>
<tr>
<td>North America</td>
<td>+2.8%</td>
<td>-2.3%pt</td>
</tr>
</tbody>
</table>
New destinations and frequencies strengthen the network

<table>
<thead>
<tr>
<th>Month</th>
<th>Announcements</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>• Announced a seasonal four-times weekly service to <strong>Barcelona</strong> commencing in July</td>
</tr>
<tr>
<td>February</td>
<td>• Announced a seasonal three-times weekly service to <strong>Christchurch</strong>, commencing in December</td>
</tr>
<tr>
<td>March</td>
<td>• Introduced a four-times weekly service to <strong>Tel Aviv</strong></td>
</tr>
<tr>
<td></td>
<td>• Increased frequency of the <strong>Boston</strong> route to a daily service</td>
</tr>
<tr>
<td></td>
<td>• Increased frequency of the <strong>Vancouver</strong> service to 17 flights per week</td>
</tr>
<tr>
<td>June</td>
<td>• Increased frequency of the <strong>London Gatwick</strong> route to a daily service</td>
</tr>
<tr>
<td></td>
<td>• Increased frequency of the <strong>Manchester</strong> service to five-times weekly</td>
</tr>
<tr>
<td>August</td>
<td>• Announced new services to <strong>Brussels</strong>, <strong>Dublin</strong> and <strong>Copenhagen</strong> commencing in 2018</td>
</tr>
<tr>
<td>September</td>
<td>• Announced a year-round service to <strong>Barcelona</strong> commencing in April 2018</td>
</tr>
<tr>
<td>November</td>
<td>• Announced a new service to <strong>Nanning</strong> commencing in January 2018</td>
</tr>
</tbody>
</table>
Network growth in 2018

2018 ASK growth by region

Overall network growth: 4.3%

New destinations:
- Nanning – 8th January
- Brussels – 25th March
- Copenhagen – between 2nd May-12th October
- Dublin – 2nd June

+ two more to be announced
Improving the customer experience

MARCO POLO CLUB

Regional travel within Asia
Including flights from Hong Kong to Taipei, Shanghai, Tokyo, and more destinations

Long-haul and ultra-long haul travel
Including flights from Hong Kong to London, New York, Copenhagen, and more destinations

Economy low-fare classes (S, N, Q)
Including flights from Hong Kong to a wide range of destinations such as Sydney and Tel Aviv

Taipei Hot Meal

- In response to customer feedback, hot food options are being trialed on Taipei flights
- Trials commenced on 1 October for all meal time flights

Reflex 2.0

- Digital post-flight survey
- Text analytics capability
- Review survey data in real-time
- Enable frontline teams to take more timely actions

Singapore Lounge

- Reflex 2.0 utilized to monitor new lounge performance
- Refine offering based on quantitative and qualitative feedback
New products and travel experiences
Digital platforms
Operating performance

Cargo Services
Robust growth in capacity, yield and load factor

- Strong cargo demand continued into the 3rd quarter
  - Tonnage carried grew well ahead of capacity growth.
  - A joint business agreement with Lufthansa Cargo between Hong Kong and Europe started from February 2017.
  - A strategic partnership with Atlas Air started from June 2017, providing additional capacity and access to new markets.

- Yield improvement compared to prior year
  - Stronger market demand.
  - Resumption of cargo fuel surcharges from April 2017.

<table>
<thead>
<tr>
<th></th>
<th>Year to Q3 2017</th>
<th>Year to Q3 2016</th>
<th>% Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cargo capacity (ATK)</td>
<td>Million</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>12,650</td>
<td>12,259</td>
<td>+3.2%</td>
</tr>
<tr>
<td>Cargo &amp; mail carried</td>
<td>'000 tonnes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,495</td>
<td>1,340</td>
<td>+11.6%</td>
</tr>
<tr>
<td>Cargo &amp; mail load factor</td>
<td>%</td>
<td></td>
<td>+3.8%pt</td>
</tr>
</tbody>
</table>
Improving cargo load factors

Year to September Load factor
2017 : 66.7%
2016 : 62.9%
Operating performance

Others
Fuel
Fuel prices and fuel cost

Brent - Daily Closing Price and 250 Day Simple Moving Average 2011 - 2017

USD/BBL
Fuel hedging – fuel prices

CX Jet Cost and Calculated CX Brent Price

USD/BBL

Jet Actual Cost
Calculated CX Brent Price
Brent Daily Spot

Widening Crack spread
# Fuel hedging

## Fuel hedging coverage (as at 30 September 2017)

<table>
<thead>
<tr>
<th>Period</th>
<th>Fuel hedging cover</th>
<th>Average strike price (Brent, USD/Bbl)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4&lt;sup&gt;th&lt;/sup&gt; Quarter 2017</td>
<td>54.4%</td>
<td>88.77</td>
</tr>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; Quarter 2018</td>
<td>45.2%</td>
<td>80.81</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Quarter 2018</td>
<td>46.2%</td>
<td>81.13</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt; Quarter 2018</td>
<td>45.8%</td>
<td>80.41</td>
</tr>
<tr>
<td>4&lt;sup&gt;th&lt;/sup&gt; Quarter 2018</td>
<td>46.7%</td>
<td>80.58</td>
</tr>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; Quarter 2019</td>
<td>16.3%</td>
<td>75.35</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Quarter 2019</td>
<td>16.8%</td>
<td>75.45</td>
</tr>
</tbody>
</table>
Fleet profile
Investments in our fleet
Fleet modernisation programme

- New modern aircraft deliveries.
  - Nine A350-900 aircraft delivered up to September 2017, bringing the fleet total to 19 aircraft of this type.
  - Three more A350-900 deliveries in the remainder of 2017; two were delivered in October and the remaining one to be delivered in December.
  - 22 Airbus A350-900 aircraft expected to be in service by the end of the year.

- Retirement of older fleet types.
  - The final four Airbus A340-300 in the fleet were retired in 1H 2017.
  - Two Boeing 747-400 converted freighters were retired in 2017.

<table>
<thead>
<tr>
<th>In operation</th>
<th>Passenger</th>
<th>Freighter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2017</td>
<td>168</td>
<td>21</td>
<td>189</td>
</tr>
<tr>
<td>New deliveries</td>
<td>9</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Leased out to AHK</td>
<td>-</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Returned from AHK</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Retirements</td>
<td>(4)</td>
<td>(2)</td>
<td>(6)</td>
</tr>
<tr>
<td>30 September 2017</td>
<td>173</td>
<td>20</td>
<td>193</td>
</tr>
</tbody>
</table>
### Cathay Pacific and Cathay Dragon fleet profile – as at 30 September 2017

<table>
<thead>
<tr>
<th>Aircraft type</th>
<th>Owned</th>
<th>Finance Leased</th>
<th>Operating Leased</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A320-200</td>
<td>5</td>
<td>-</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>A321-200</td>
<td>2</td>
<td>-</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>A330-300</td>
<td>30</td>
<td>11</td>
<td>20</td>
<td>61</td>
</tr>
<tr>
<td>A350-900</td>
<td>13</td>
<td>4</td>
<td>2</td>
<td>19</td>
</tr>
<tr>
<td>747-400ERF</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>747-8F</td>
<td>3</td>
<td>11</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td>777-200</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>777-300</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>777-300ER</td>
<td>19</td>
<td>11</td>
<td>23</td>
<td>53</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>89</td>
<td>43</td>
<td>61</td>
<td>193</td>
</tr>
</tbody>
</table>

- **Fleet simplification**
  - Simplifying the number of sub-fleets will reduce costs and reduce the complexity in our deployment.
  - Nine fleet types as at 30 September 2017 compared to 11 fleet types as at 31 December 2016.
## Fuel efficient forward deliveries

### Deliveries

<table>
<thead>
<tr>
<th>Aircraft type</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>&gt;2021</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A321NEO</td>
<td></td>
<td></td>
<td></td>
<td>9</td>
<td>23</td>
<td>32</td>
</tr>
<tr>
<td>A350-900</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>A350-1000</td>
<td>8</td>
<td>4</td>
<td>3</td>
<td>5</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>B777-9X</td>
<td></td>
<td></td>
<td></td>
<td>21</td>
<td></td>
<td>21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3</td>
<td>8</td>
<td>6</td>
<td>16</td>
<td>49</td>
<td>82</td>
</tr>
</tbody>
</table>
People
Investments in our People

**Employee Engagement Survey**

- 78% I believe we need to change the way we work to succeed
- 74% I understand how my work contributes to the strategy
- 64% I feel proud to work for the airline
- 63% I am motivated to go the extra mile in my role

**Digital Employee Experience**

- New careers website for both Cathay Pacific and Cathay Dragon
- New onboarding platform for new starters
- New responsive, personalised communications and collaboration hub

**Improved Communications**

- **Start the Week** – new weekly email to all employees
- **The Journey** – English and (digital) Chinese internal magazine
- **In the Know** – dedicated communications update for C+ level leaders

**Reward and Recognition**

- More focus on our internal recognition programmes for all employees through Work Well Done and Niki and Betsy Awards
Associates & subsidiaries
Associates

- 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 arrear.
- Contribution from the share of profits lower than the same period in 2016.

- Stronger results in the first three quarters of 2017 compared to 2016.
- Higher fuel prices were more than offset by higher yields.
Major subsidiaries – mixed results

**air Hongkong**
- Marginal increase in performance up to 3Q of 2017 compared to 2016.
- Lower profit compared to previous year.
- An expanded facility with 40% additional capacity started to operate in May 2017, resulting in increased operating costs.

**ASIA MILES**
- Membership exceeds nine million worldwide.
- Increase in profit in compared with 2016 due to increased business volume.

**CPSL**
- Improvement in compared 2016, reflecting the increase in tonnage carried and the effective management of operating costs.
air Hongkong developments

2002 to 2018 - Current Contractual Arrangement

- Joint Venture Agreement (JVA)
- Current Block Space Agreement (BSA)
- JVA and Current BSA will expire in Dec 2018

Nov 2017 - Contracts were signed for the following transactions

- Freighter Sale & Leaseback
- Share Sale
- New Block Space Agreement

2019 Onward - Implication to CX Group

- Improved Returns
- CX owns 100% AHK
Transformation Programme update
Repositioning for success

• Decisive steps taken to:
  - Reposition business to adapt to changing industry landscape.
  - Establish the platform for future success while maintaining our high standards of excellence.
  - Emerge as a leaner, more agile and profitable, flagship airline.
  - Achieve long-term sustainable recovery in revenue and future performance.

• Core targets of Transformation Programme:
  - Target to achieve ROCE above WACC by 2019.
  - Reducing unit costs (ex-fuel) over the 3 year plan.
  - ASK and DLATK to grow by 4% over next 3 years.
  - 30% reduction in HQ Management Costs.
## Transformation Programme

### 2017

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
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</tr>
</tbody>
</table>

#### Organisational changes

- **Time to Win launched**
- **Transformation Office setup**
- **EPMO revamped**
- **HQ organisational Design**
- **Outport organisational design**
- **Embedding the HQ organisational design**
- **Global Business Services (GBS) setup**

#### Transformational initiatives

- **Progress against initiatives (productivity & cost reduction) to achieve the $4bn target)**
- **8-week review to generate additional transformational initiatives**
- **All initiatives consolidated into WAVE tracking tool**
- **Pillar process to drive Initiatives**

Transformational initiatives surround our 4 Time to Win pillars:
- Customer centric
- Operational excellence
- Productivity and value focused
- High performance culture
Transformation Progress update

<table>
<thead>
<tr>
<th>CUSTOMER CENTRIC</th>
<th>OPERATIONAL EXCELLENCE</th>
<th>PRODUCTIVITY AND VALUE FOCUSED</th>
<th>HIGH PERFORMANCE CULTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• New ports: Dublin, Copenhagen, and Brussels coming in 2018.</td>
<td>• Digital study to optimise block design for Base and Line maintenance.</td>
<td>• Global Business Services launched in September, 57 staff transferred.</td>
<td>• New career website launched in September.</td>
</tr>
<tr>
<td>• Big improvements to MPO points accrual.</td>
<td>• Established Schedule Council: Integrated Ops planning process.</td>
<td>• Lean Academy launched with 28 yellow and green belts graduated.</td>
<td>• Learning Academy in place bringing together all training.</td>
</tr>
<tr>
<td>• Social customer care team formed, average response time of 60 minutes.</td>
<td>• Digital analysis of “Aircraft On Ground” due to Engineering issues to improve asset utilization.</td>
<td>• SAP cut over on schedule for January 2018.</td>
<td>• Leading High Performance teams completed for outport staff.</td>
</tr>
<tr>
<td>• New Taipei route catering trial proved very successful.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Continue to execute cost saving initiatives and align the business with new management vision
- Productivity and cost management expected to deliver positive impact to the bottom line in 2018
Outlook
Outlook

• The overall business environment will remain challenging for the remainder of 2017.

• Passenger yield to continue to be under pressure, back end longhaul behind ASK growth.

• Fuel costs will be higher than the previous year.

• Operational challenges and constraints still remain.

But

• Strong performance expected for Cargo.

• Transformation programme well established
  • Initiatives to improve unit revenue
  • Managing cost per unit through productivity and efficiency initiatives as we grow
  • Leaner management structure

• Management actively committed to driving and delivering transformation to reposition Cathay for future success.

• Solid performance from Associates.
Q&A

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