CATHAY PACIFIC

Analysts Briefing

28th November 2018

Agenda

- Briefing highlights
- Operating performance
  - Passenger Services
  - Cargo Services
  - Operating costs
  - Subsidiaries and Associates
- Fleet Profile
- Transformation Update
- Outlook
- Q&A

Hosted by:

- Martin Murray, Chief Financial Officer
- Paul Loo, Chief Customer and Commercial Officer

Briefing highlights

Positive momentum continues in the face of challenging macro environment

- The passenger business improving thanks to continued focus on customer service and revenue management, yield improvement, sustained load factors, and capacity growth.
- The cargo business recovery continues with positive momentum in capacity, yield and load factor.
- Fuel costs continue to rise through 2018 but short-term volatility in recent weeks
- Transformation programme enabled operating costs to be managed despite inflationary pressures.
- Strengthening US$ negatively impacts our net income.
- Air China & Air China Cargo show improved growth but negatively impacted by US$ loan revaluations on weakening RMB.

Data breach

- Data breach affecting approximately 9.4 million customers announced last month. No evidence of any personal information being misused. Separate from flight operations systems. Flight safety not affected.
- After full scale investigation, customers notified and programme launched to support affected customers. The Company has notified the Hong Kong Police and relevant authorities.
- The Company has not received any formal claims for compensation by affected passengers. At this point in time, any assessment as to the amount of potential claims or pecuniary losses will be purely speculative.
- Information relating to the incident can be found at: www.legco.gov.hk

Operating performance

Passenger Services

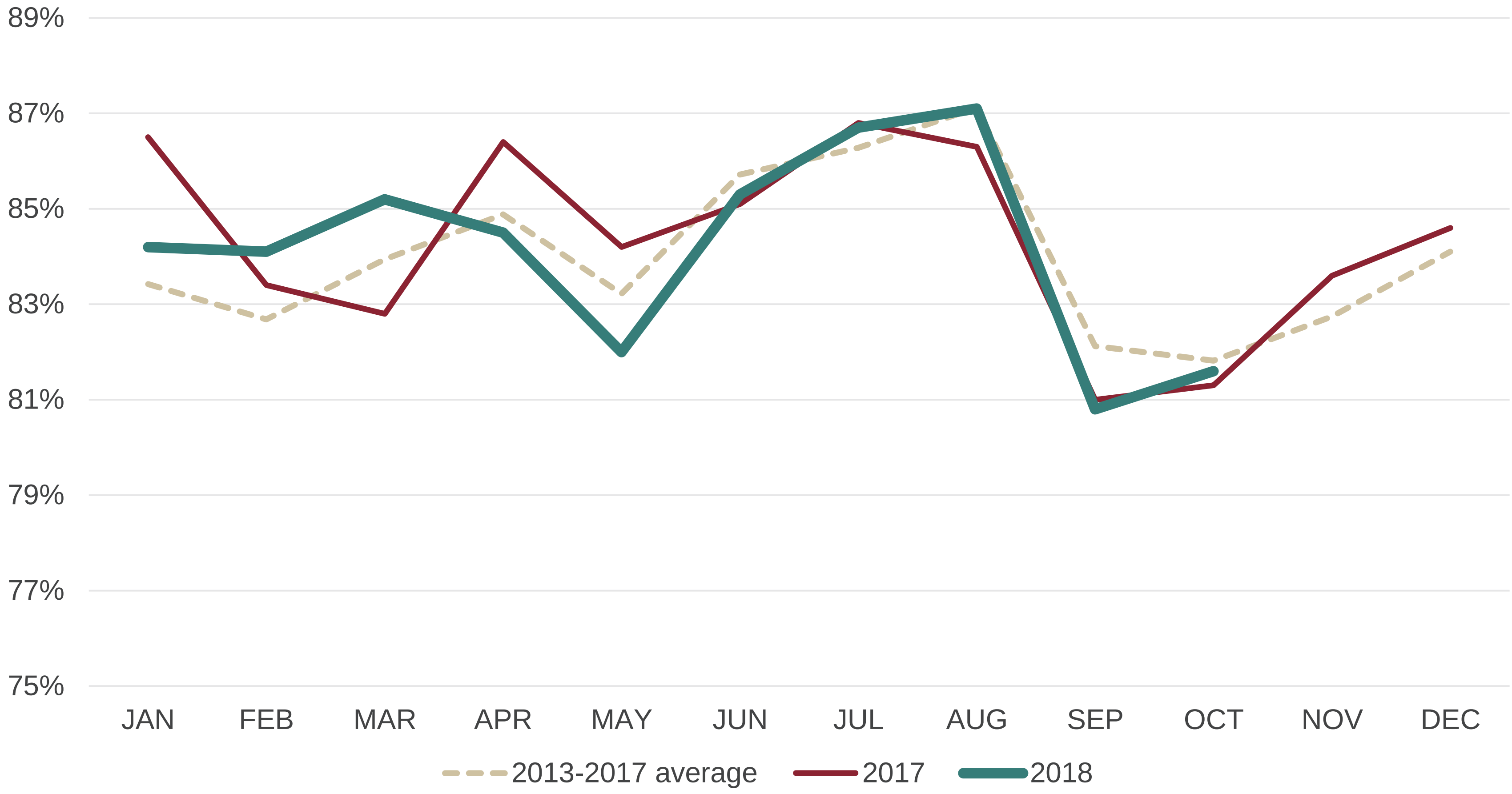
Continued traffic and yield growth despite intense competition and stronger USD

		Up to Oct 2018	Up to Oct 2017	% Variance
ASK	Million	**128,790**	124,876	+3.1%
RPK	Million	**108,423**	105,406	+2.9%
Revenue Passengers carried	'000	**29,479**	28,924	+1.9%
Passenger load factor	%	**84.2**	84.4	-0.2%pt

- Capacity growth reflects the introduction of eight new routes, increased frequencies on existing routes and the use of larger aircraft on popular routes.
- Strong growth in Europe helped RPK to grow in line with ASK increase.
- Frontend demand remained robust whilst intense competition in the backend carried through Q3.
- Yield growth continues, partly driven by higher fuel surcharges, but offset by a strengthening USD.

Passenger load factor remains stable despite market environment

Year to October Load factor
2018 : 84.2%
2017 : 84.4%



New destinations and frequencies continue to strengthen the network

January	• Introduced a four-times weekly service to **Nanning**
March	• Introduced a four-times weekly service to **Brussels** and **Jinan** • Increased services to **Tel Aviv** from four to six times weekly and **Fukuoka** from eleven to fourteen times weekly
April	• **Barcelona** service becomes year-round
May	• Introduced a three-times weekly seasonal service to **Copenhagen**
June	• Introduced a four-times weekly service to **Dublin**
July	• Announced a new four-times weekly service to **Seattle** from March 2019
September	• Introduction of a four-times weekly service to **Washington D.C.** • Announced a new two-times weekly seasonal service to **Tokushima** from December 2018
October	• Introduced a four-times weekly service to **Davao City** and a three-times weekly service to **Medan** • Increased services to **Adelaide** from five to six times weekly • Increased services to **Tokyo (Narita)** from five to six times daily
November	• Introduced a three-times weekly seasonal service to **Cape Town**

Cities in green are not directly served by any other airline from Hong Kong

Capacity growth focused on Europe and SW Pacific; robust load factors to the Americas

YTD October 2018 statistics

Europe

ASK: +11.4%
LF: -1.4%pts

South West Pacific

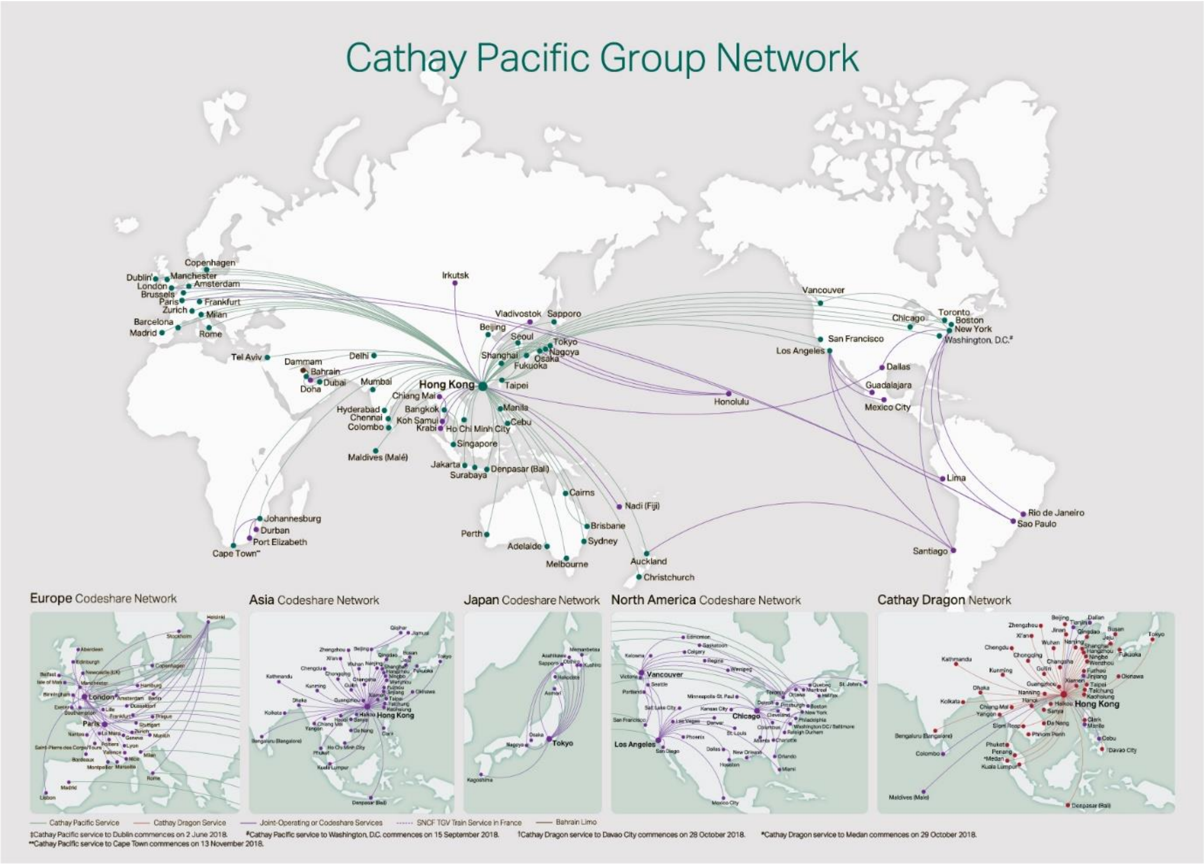
ASK: +4.2%
LF: -2.6%pts

North East Asia

ASK: +3.5%
LF: -1.0%pts

South East Asia

ASK: +2.7%
LF: -1.4%pts



China

ASK: +0.6%
LF: +1.4%pt

South Asia, Middle East & Africa
ASK: -0.1%
LF: -0.5%pts

Americas

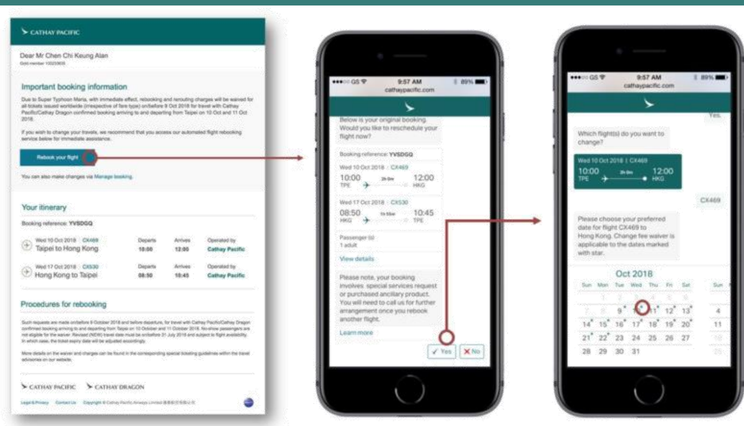
ASK: -1.5%
LF: +2.1%pts

Customer investment - On the Ground

Marco Polo Club Membership Benefits at Pure Fitness and Pure Yoga

- Post-flight wellness proposition: Diamond and Gold members worldwide can now enjoy a one-day pass with free classes at anyone of the Pure Fitness or Yoga in HKG with a CX boarding pass (within 48 hours)

Disruption communications and self-service on mobile



- New Chatbot was launched in early November for customers to conveniently rebook alternative flights ahead of foreseeable disruption (e.g. typhoon)

- The rebooking takes into consideration special ticket guidelines (e.g fee waiver) issued.

Customer investment - In the Air

New and more comfortable economy seats

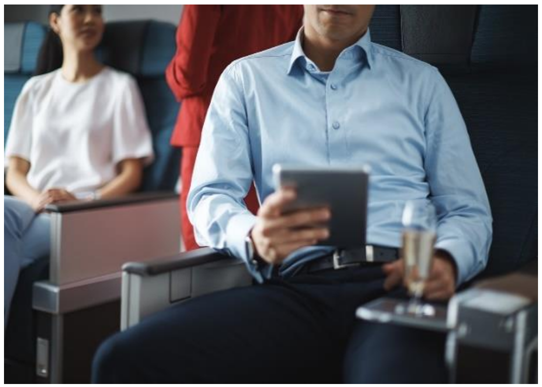
- New economy class seats already installed on 17 Boeing 777 aircrafts
- Consistent and improved passenger experience across long haul aircraft

New business class long haul dining and service experience

- A la carte menu, plated meals, more choice, Hong Kong Favourites, breakfast order card
- Rolled out on 12 routes, London Heathrow commences in December
- Rollout will be completed by July 2019

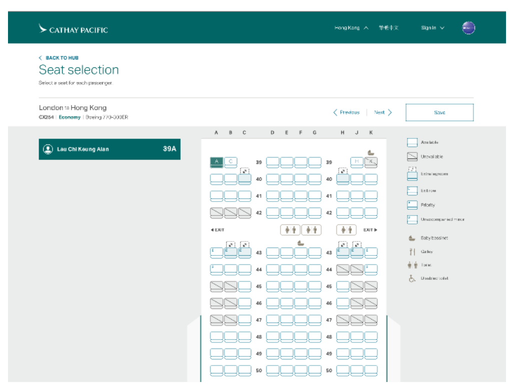
Customer investment - Digital

Inflight connectivity on all Boeing 777s and A330s



- Already available on all A350s
- Installation of the latest Gogo 2KU system has started
- 12 Boeing 777 have already been equipped

New and improved online booking management



- New user interface for easy and intuitive navigation launched in May
- Enables more self-service functions allowing more choice and better understanding

Operating performance

Cargo Services

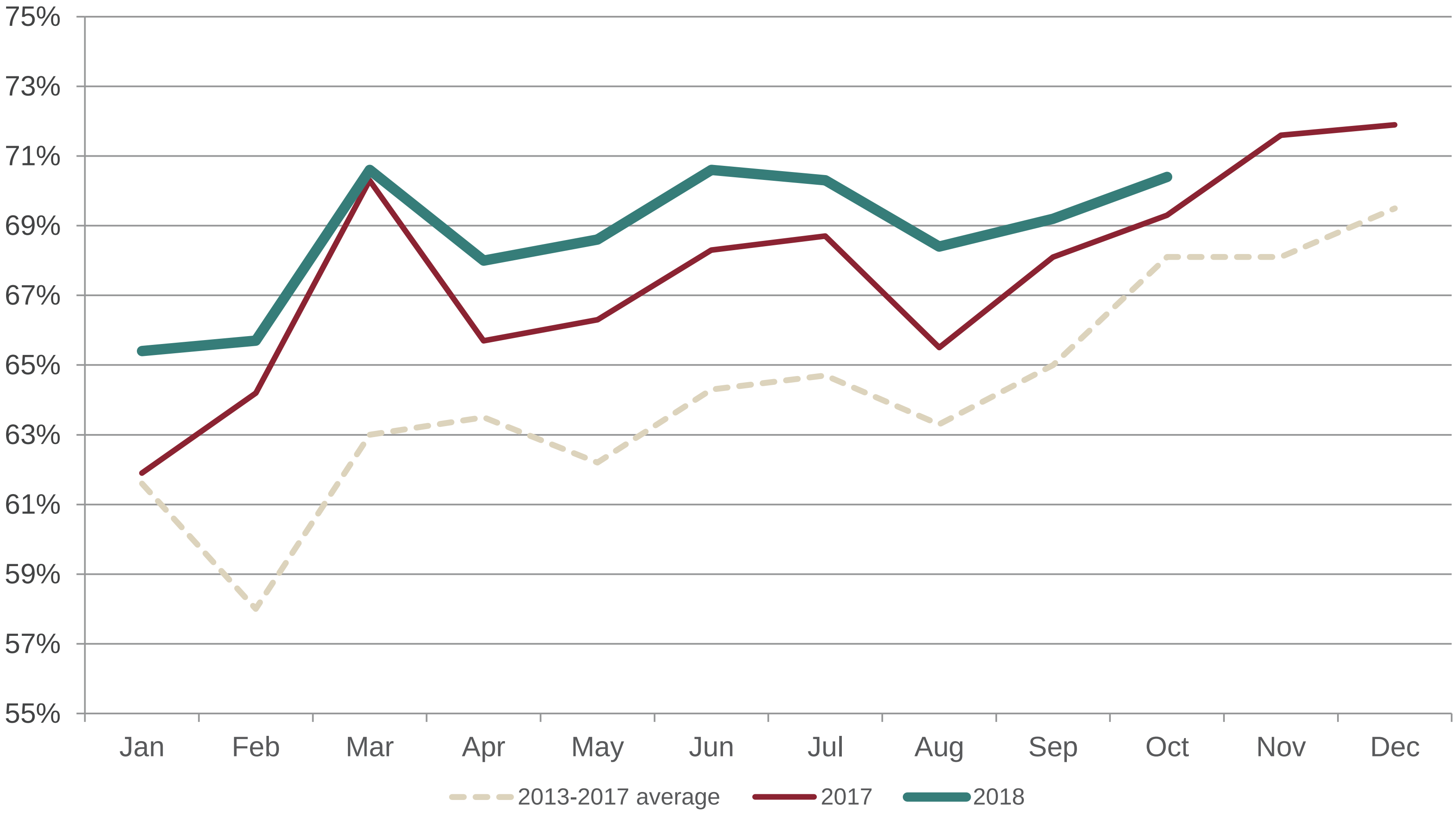
Robust tonnage and yield on modest capacity increase

		Up to Oct 2018	Up to Oct 2017	% Variance
Available cargo & mail Tonne Kilometres (AFTK)	Million	**14,569**	14,129	+3.1%
Cargo and mail RFTK	Million	**10.024**	9,457	+6.0%
Cargo & mail carried	'000 tonnes	**1,784**	1,676	+6.4%
Cargo & mail load factor	%	**68.8**	66.9	+1.9%pt

- Tonnage carried grew faster than capacity.
- Load factor increase driven by specialist cargo shipments (particularly seasonal foods, pharmaceuticals, aircraft engines and auto parts).
- 2H growth narrowing, but good momentum carried into the end-of-year peak months.
- Positive yield improvement in all markets, partly driven by higher fuel surcharges, but offset by a strengthening USD.

Load factor; continuous improvement

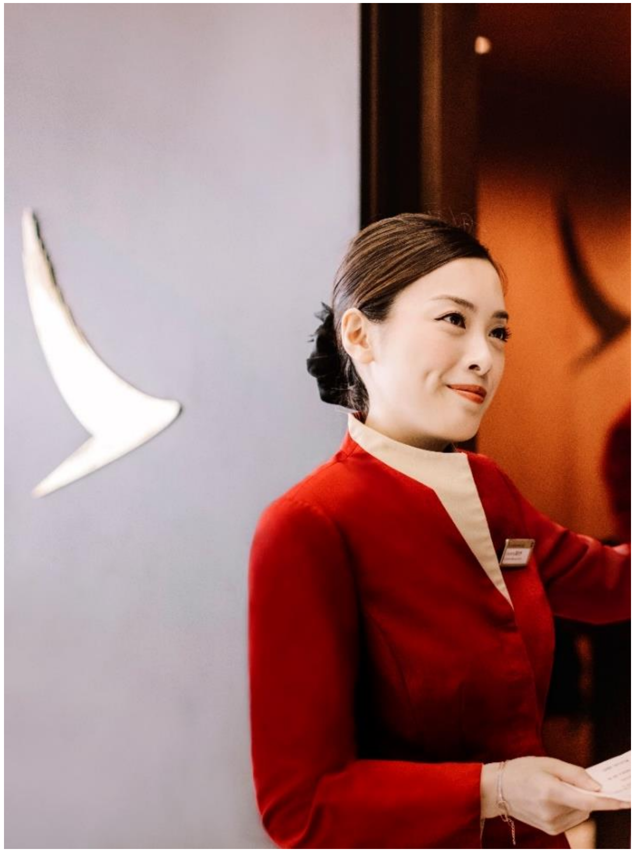
Year to October Load Factor
2018 : 68.8%
2017 : 66.9%



Operating performance

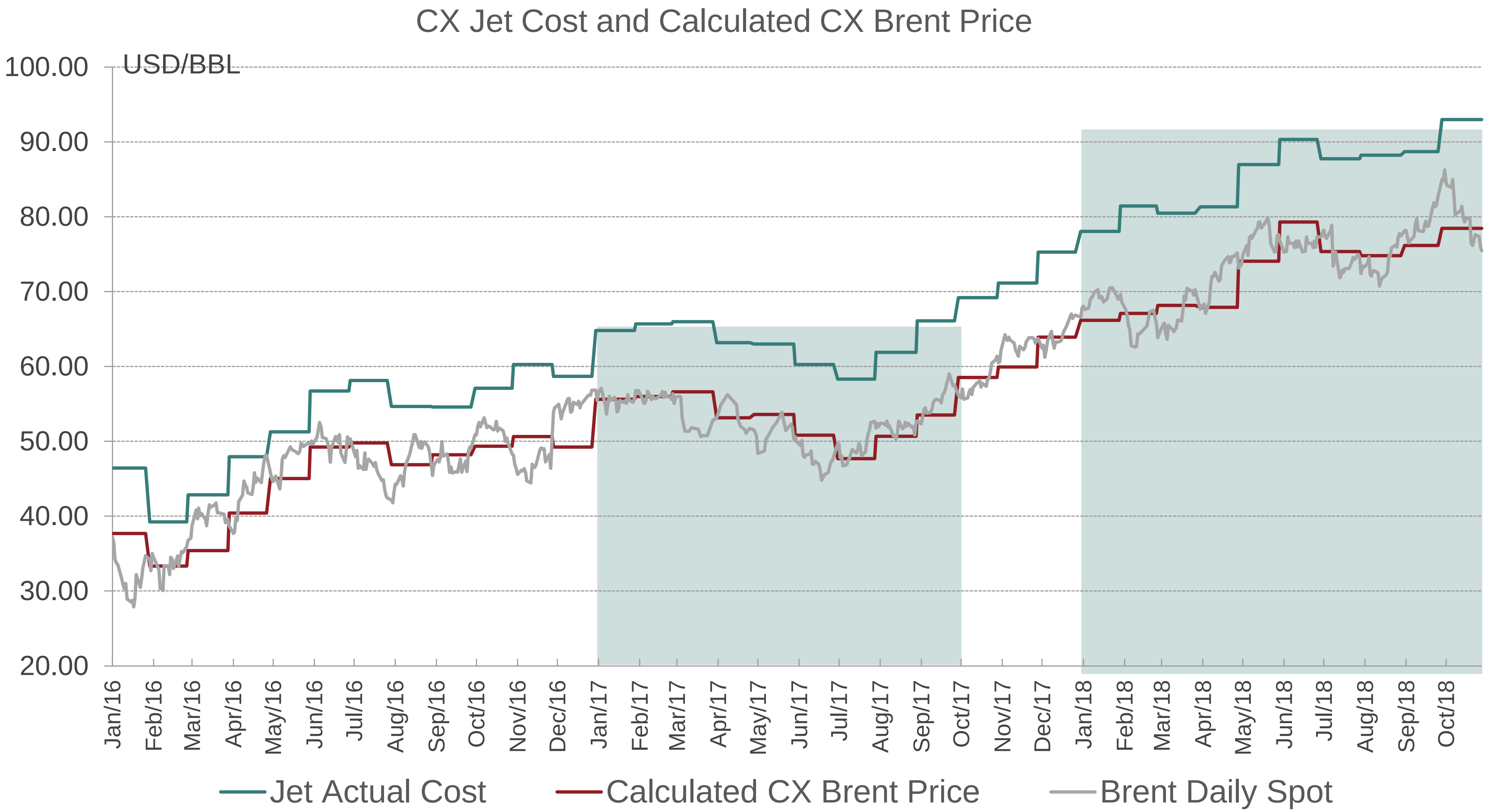
Operating costs

Transformation countering external pressure on underlying operating costs per ATK (with and without fuel)



- Significant increase in fuel price (+30.9% YOY into plane fuel price); hedging losses reduced.
- Higher depreciation and finance charges on new fleet. This was partially offset by efficiencies in fuel consumption.
- Route related expenses and inflationary pressures continue to be managed by transformation initiatives.
- HK$ weakened against US$: negative impact on revaluation of US$ loans.
- Next wave of the transformation project continues to reposition CX for future success in an increasingly competitive market.

Fuel Prices



CX Jet Cost and Calculated CX Brent Price
USD/BBL
100.00
90.00
80.00
70.00
60.00
50.00
40.00
30.00
20.00
Jan/16
Feb/16
Mar/16
Apr/16
May/16
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Jet Actual Cost
Calculated CX Brent Price
Brent Daily Spot

Forward fuel hedging position

Fuel hedging coverage as at end October

Period	Fuel hedging cover	Average strike price (Brent, USD/Bbl)
4th Quarter 2018	45.9%	80.58
1st Quarter 2019	31.0%	67.84
2nd Quarter 2019	29.8%	69.71
3rd Quarter 2019	33.8%	61.40
4th Quarter 2019	30.3%	63.61
1st Quarter 2020	25.9%	66.43
2nd Quarter 2020	17.2%	69.80
3rd Quarter 2020	9.3%	71.42
4th Quarter 2020	1.6%	72.56

A strengthening US$ has an overall adverse impact on net revenues

DXY Index

Operating performance

Subsidiaries and Associates

Major subsidiaries

air Hongkong

- Performance remains steady
- Fleet modernisation
- At the end of 2018, CX will acquire the remaining 40% shareholding in Air Hong Kong to become a wholly owned subsidiary

Cathay Pacific Catering Services

- Impacted by cost pressures including higher material costs, utilities and depreciation

Asia Miles

- Increased business volume YOY, membership exceeds eleven million worldwide

CPSL

- Marginal increase in tonnage handled, results impacted by higher mix of transit cargo and increased cost pressures

Associates

- Cathay Pacific has **18.13%** interest in Air China
- 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 2017
- Traffic and revenue growth for passenger business, partially offset by higher fuel costs
- Significant FX exchange losses in 2018 (as compared to gains in 2017) due to weakening of RMB against USD

- Contribution from the share of profits lower than the same period in 2017
- Favourable operating result with an improved cargo yield, despite higher fuel costs
- Improved operating results offset by unrealised exchange losses on USD denominated loan and lease obligations

Fleet Profile

CX & KA Fleet profile as at 31 October 2018

Aircraft type Includes parked aircraft	Owned	Finance Leased	Operating Leased	Total
A320-200	5	-	10	**15**
A321-200	2	-	6	**8**
A330-300	31	10	17	**58**
A350-900	16	4	2	**22**
A350-1000	3	2	-	**5**
747-400ERF	-	6	-	**6**
747-8F	3	11	-	**14**
777-200	4	-	-	**4**
777-300	13	-	-	**13**
777-300ER	20	10	23	**53**
Total	**97**	**43**	**58**	**198**

- Fleet simplification
  - Simplifying the number of sub-fleets will reduce cost and complexity in our deployment.

Investment in modern and fuel-efficient fleet providing improved customer experience and enhanced efficiency

- New modern aircraft deliveries.
  - 22 A350-900 aircraft are in service
  - Five A350-1000 aircraft delivered up to October 2018
  - Three more A350-1000 deliveries in the remainder of 2018

- Retirement of older fleet types.
  - Three A330-300 aircraft and one 747-400BCF aircraft were returned up to October 2018
  - A 777-200 aircraft was donated to the Pima Air and Space Museum in Arizona, USA

In operation	Passenger	Freighter	Total
1 January 2018	176	20	196
New deliveries	6	-	6
Returned from AHK	-	1	1
Returned to lessors	(3)	(1)	(4)
Retirement	(1)	-	(1)
31 October 2018	178	20	198

Fuel efficient forward deliveries

Scheduled new aircraft deliveries as at 31 October 2018

Aircraft type	2018	2019	2020	>2021	Total
A321NEO			9	23	32
A350-900		2	4		6
A350-1000	3*	4	3	5	15
777-9X				21	21
Total	**3***	**6**	**16**	**49**	**74**

** Two A350-1000s for 2018 are delivered in November, one to be delivered in December*

Transformation Update

2018 has been about execution, building on solid foundations laid in 2017…

Organisation Change

- CX Operations outside of Hong Kong undergo restructuring
- Investment in Digital, Lean and Global Business Services driving process and technological change across the business

Digital Capability

- New Digital Capabilities are being delivered, e.g. roll out of new digital analytical tools for the Business to use
- Cargo Blockchain POC to improve contractual management of cargo handling
- Better data visualisation available across large swathes of the business

Customer Wins

- Dining and service enhancements in Long Haul Business Class changing
- Asia Miles changes around proposition well received with increased seat availability for redemption
- Enhanced ‘Manage my Booking’

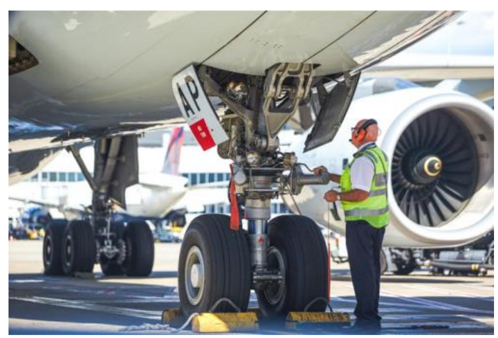
….with significant change at different stages being registered across the strategic pillars …

Customer Centric

- Record-breaking network expansion continues fueled by new aircraft such as A350-1000
- In-flight connectivity increasing across A350, A330 & Boeing 777 fleet
- More comfortable Economy seats

Operational Excellence

- New conditions of service for pilot recruits rolled out
- IOC Transformation efforts have commenced in November 2018
- Global Contact Centers overhaul started in July ‘18
- More aircraft types now covered by new crew rostering system



High Performance

- Revamped service delivery training allowing changes to inflight proposition including faster delivery and higher standards
- “Serve to Lead”: front line experience for Senior Leaders

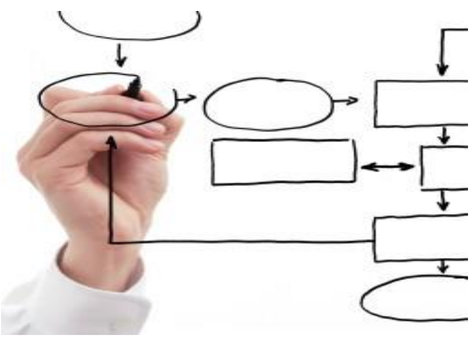
…and drive towards stronger delivery of business value in 2019 and beyond

Productivity and Value Management

End-to-end process re-design

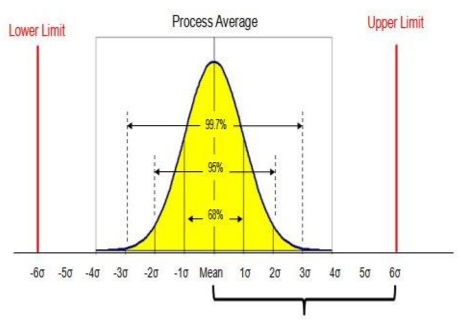
Process Transformation

- Commitment to transform our 9 core processes
- 6 are already underway with the rest to start by Q1 '19
- Will provide the platform to drive digitization and apply new technologies to our business



Digital / Lean

- 659 Lean practitioners trained so far (yellow belt +)
- Invested in digital and analytical capability
- Robotic process automation removes repetitive tasks, reducing costs and errors



Global Business Service

- GBS increasing in efficiency
- As processes are redesigned, transactional tasks will shift
- Steadily adding new capability (Cargo Invoices now handled in GBS and AP Processes outside of HKG being studied)

Outlook

Outlook

- The overall business environment is expected to remain challenging with the appreciation of the US dollar and the uncertainty arising from global trade concerns.
- Passenger business will continue to be affected by intense competition, particularly in the back-end.
- Higher fuel costs will adversely affect results, hedging losses expected to reduce.
- Operational challenges and constraints will continue to impose costs on the Group.

But

- Airlines expected to perform better in the second half of the year than the first half.
- Passenger yields expected to continue to improve and the cargo business is expected to remain strong.
- New fleet improves the customer experience, provides network optionality and reduces our fuel consumption.
- Transfomation programme remains on target to take CX back to achieving sustainable long-term performance for our airline business and position us for future growth.

Q&A

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