



Analysts Briefing

9 March 2016

Cathay Pacific Airways Limited



Annual Results - 2015

Group Financial Statistics

		2015	2014	% Var
Group Revenue	HK\$m	102,342	105,991	-3.4%
Group attributable profit	Million	6,000	3,150	+90.5%
Earning per share	HK¢	152.5	80.1	+90.4%
Dividend per share	HK¢	0.53	0.36	+47.2%

Group Operating Statistics

		2015	2014	% Var
Available tonne kilometres (ATK)	Million	30,048	28,440	+5.7%
Available seat kilometres (ASK)	Million	142,680	134,711	+5.9%
Revenue passengers carried	'000	34,065	31,570	+7.9%
Cost per ATK (with fuel)	HK\$	3.14	3.50	-10.3%
Cost per ATK (without fuel)	HK\$	2.06	2.12	-2.8%

Operating performance - overview



- High passenger load factors, driven by strong back-end demand.
- Lower net fuel cost.
- Growth in non-fuel costs kept below capacity increase.
- Strong performance from our share in associate companies.

but:

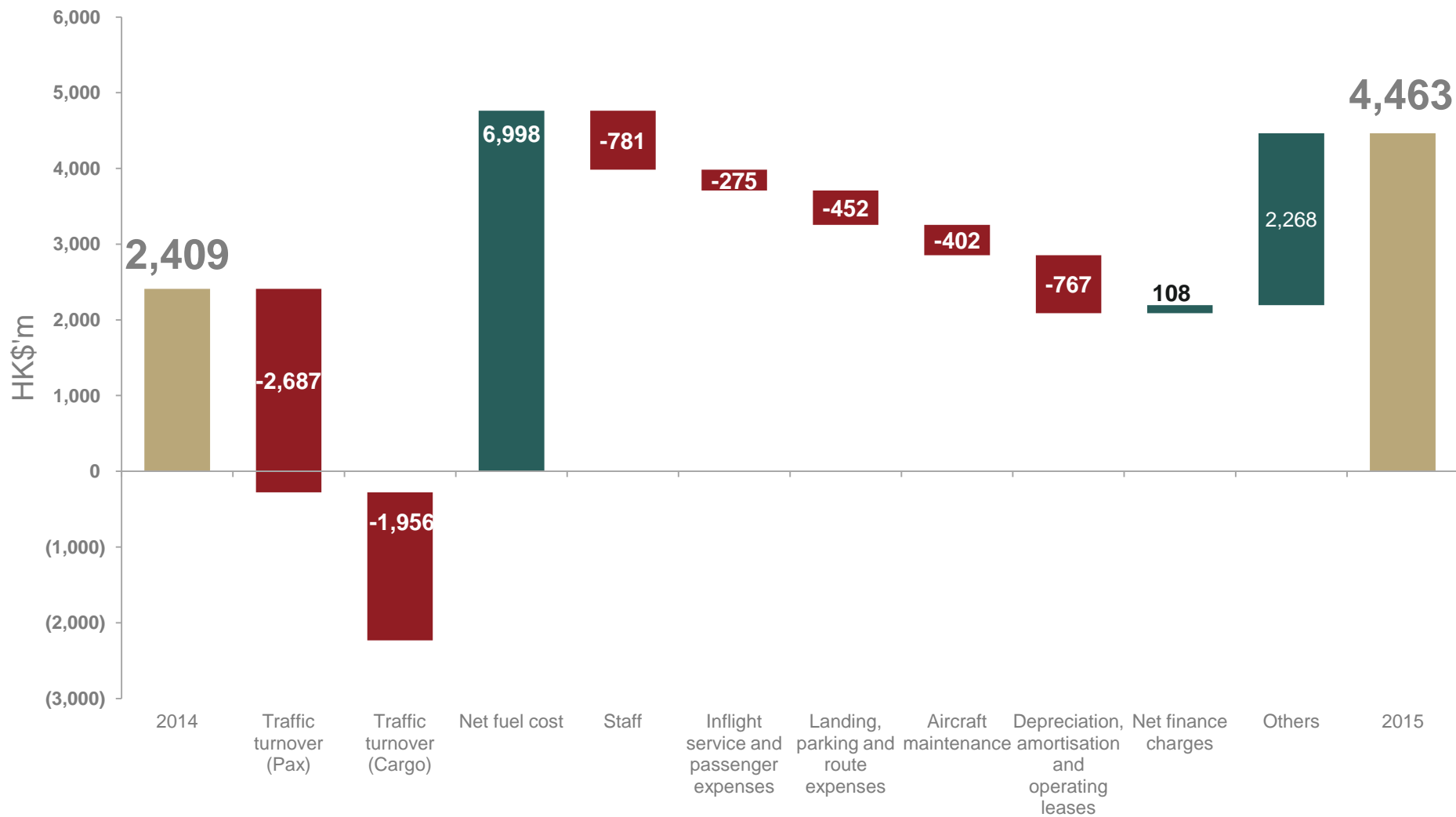
- Passenger front-end demand below expectations.
- Lower passenger yield.
- A very weak cargo market.
- Adverse foreign currency movements.
- Increased air traffic control and congestion issues in our home hub.

Annual Results - 2015



HK\$ million	2015	2014	% change
Airlines' profit before tax	4,463	2,409	+85.3%
Taxation	(891)	(563)	+58.3%
Airlines' profit after tax	3,572	1,846	+93.5%
Share of profits from subsidiaries & associates	2,428	1,304	+86.2%
Group attributable profit	6,000	3,150	+90.5%

Reconciliation of profit before tax





Passenger Services

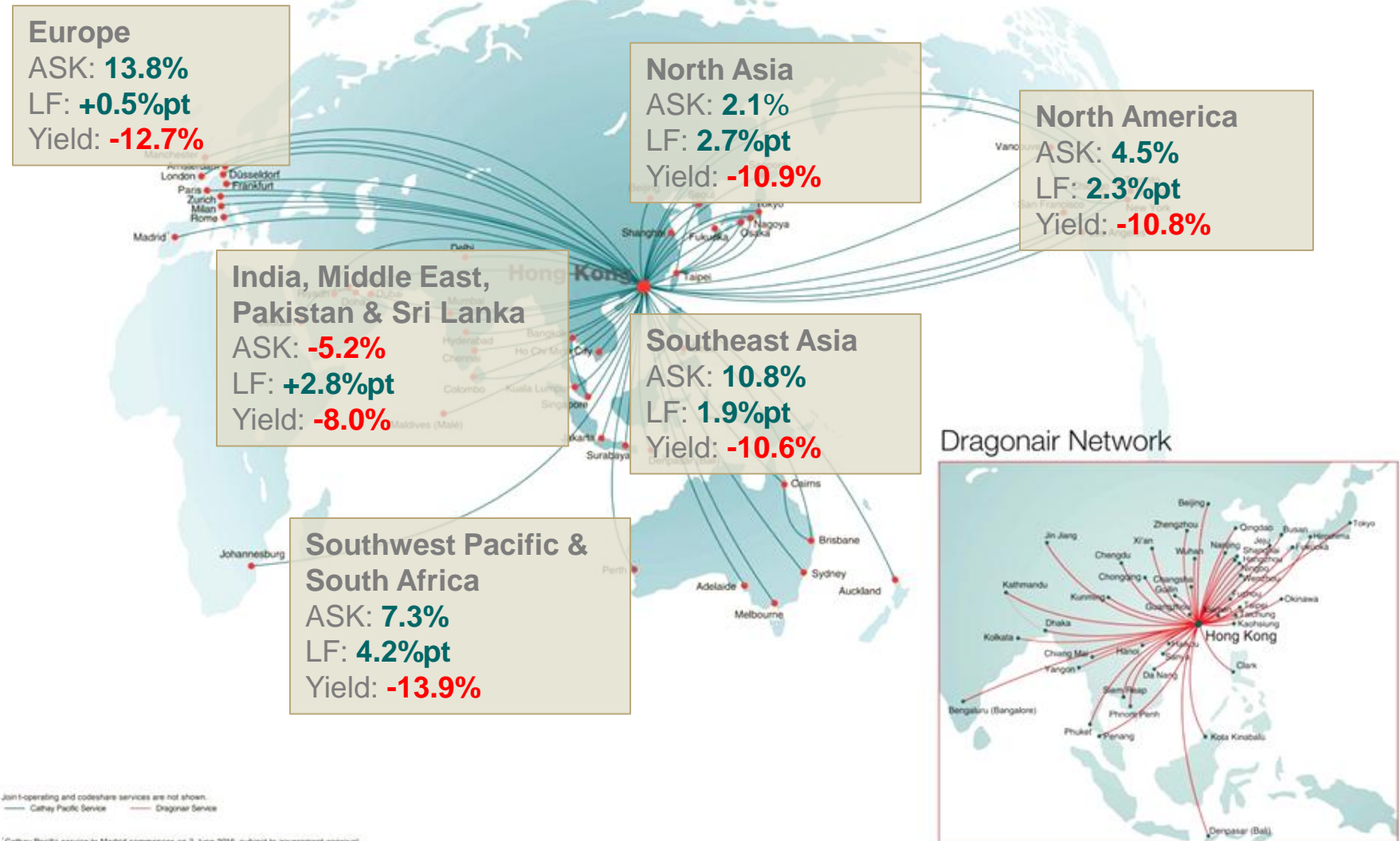
Operating performance - Passenger

		2015	2014	% Var
Revenue	HK\$m	73,047	75,734	-3.5%
ASK	Million	142,680	134,711	+5.9%
Passengers carried	'000	34,065	31,570	+7.9%
Passenger yield	HK¢	59.6	67.3	-11.4%
Passenger load factor	%	85.7	83.8	+2.4%pt

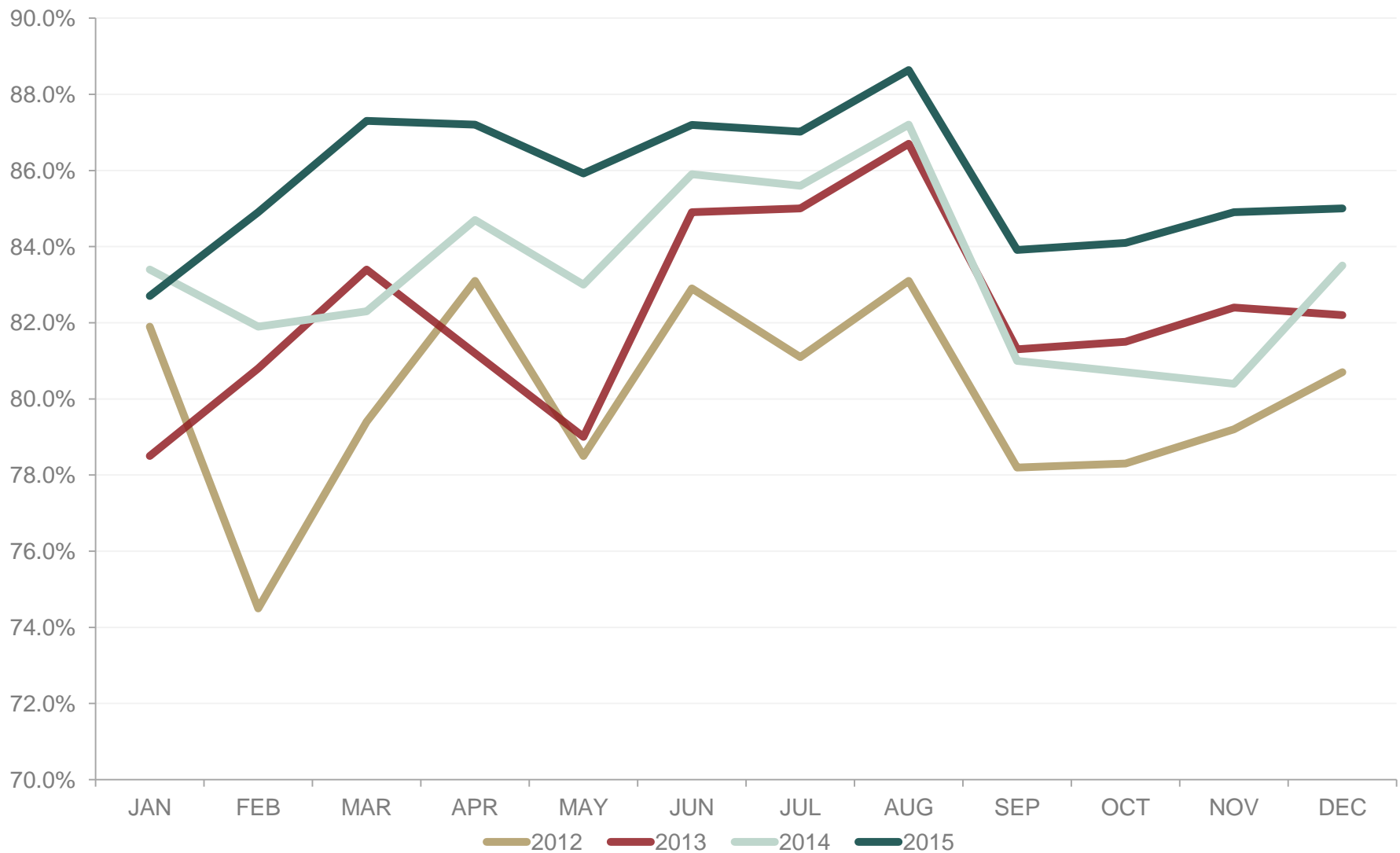
- Increase in capacity (ASK).
- High passenger load factors.
- Yields decline on:
 - Lower fuel surcharges.
 - Strong competition.
 - Unfavourable foreign currency movements.



Operating performance – Regions

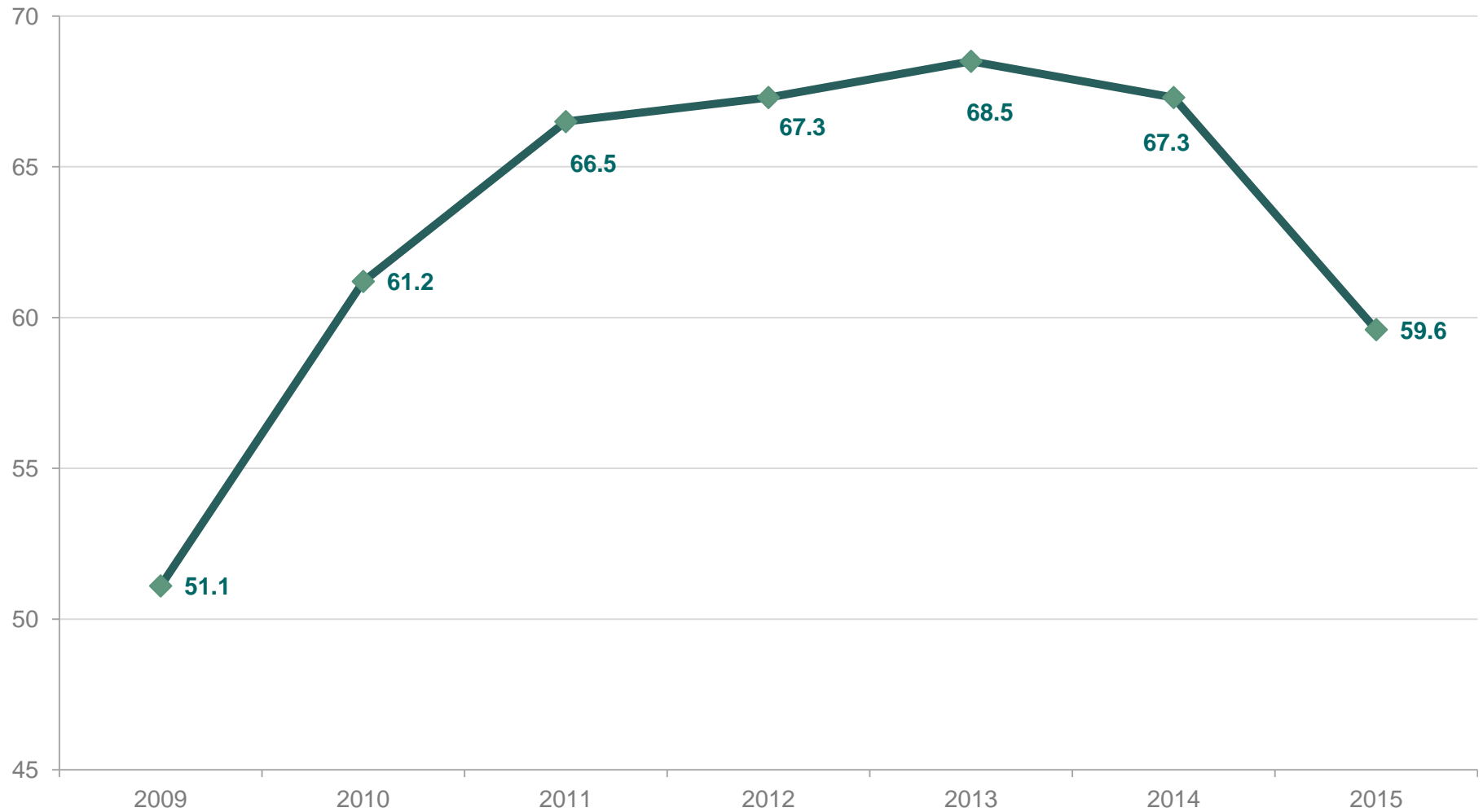


Passenger Load Factors



Passenger Yield

HKcents



Network Development – Cathay Pacific



2015

March	▪ Introduced a daily service to Zurich .
May	▪ Introduced a 4-times-weekly service to Boston .
June	▪ Increased services to San Francisco to 17 flights per week.
Sept	<ul style="list-style-type: none">▪ Introduced a 4-times-weekly service to Dusseldorf.▪ Announcement of a 4-times-weekly service to Madrid to commence from June 2016.
Oct	▪ Increased to a daily direct service to Colombo .
Nov	▪ Increased services to Ho Chi Minh City to 18 flights per week.
Dec	▪ Announcement of a 4-times-weekly service to London Gatwick to commence from September 2016

Network Development - Dragonair

2015

Jan

- Increased service to **Phnom Penh** to 12 flights per week.
- Increased service to **Wuhan** to 11 flights per week.

March

- Launched a daily service to **Haneda** in Tokyo.

May

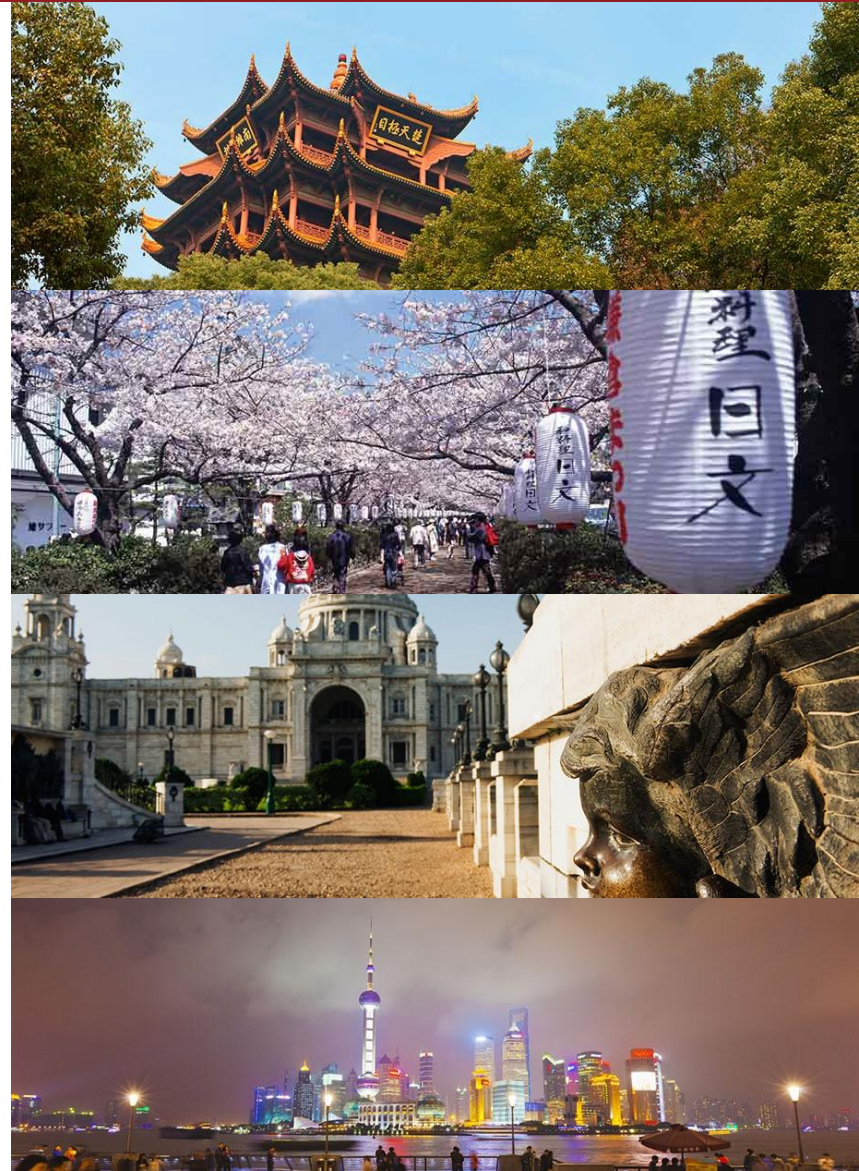
- Increased service to **Kolkata** to six flights per week.

Aug

- Launched a twice weekly service to **Hiroshima**.

Nov

- Increased service to **Shanghai Hongqiao** to nine flights per week.
- Increased service to **Penang** to 12 flights per week.



Cargo Services



Operating performance – Cargo

		2015	2014	% Var
Group Revenue	HK\$m	23,122	25,400	-9.0%
Cathay Pacific and Dragonair				
Revenue	HK\$m	20,079	22,035	-8.9%
Cargo capacity (ATK)	Million	16,481	15,630	+5.4%
Cargo & mail carried	'000 tonnes	1,798	1,723	+4.4%
Cargo & mail yield	HK\$	1.90	2.19	-13.2%
Cargo & mail load factor	%	64.2	64.3	-0.1%pt

- Increase in capacity.
- Flat cargo load factor.
- Yields decline on:
 - Lower fuel surcharge.
 - Overcapacity in a weak market.
 - Unfavourable foreign currency movements.



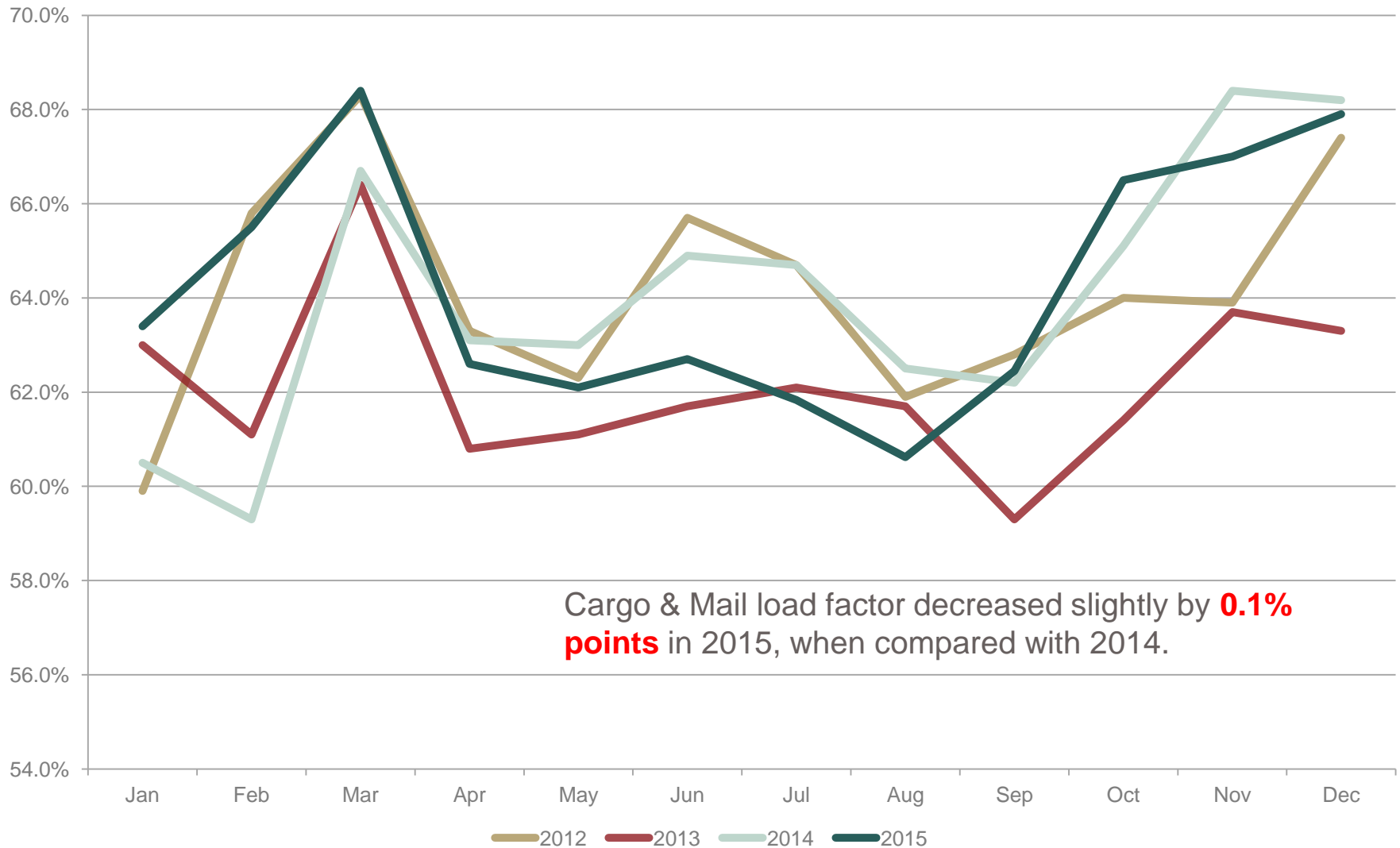
Network Development - Cargo



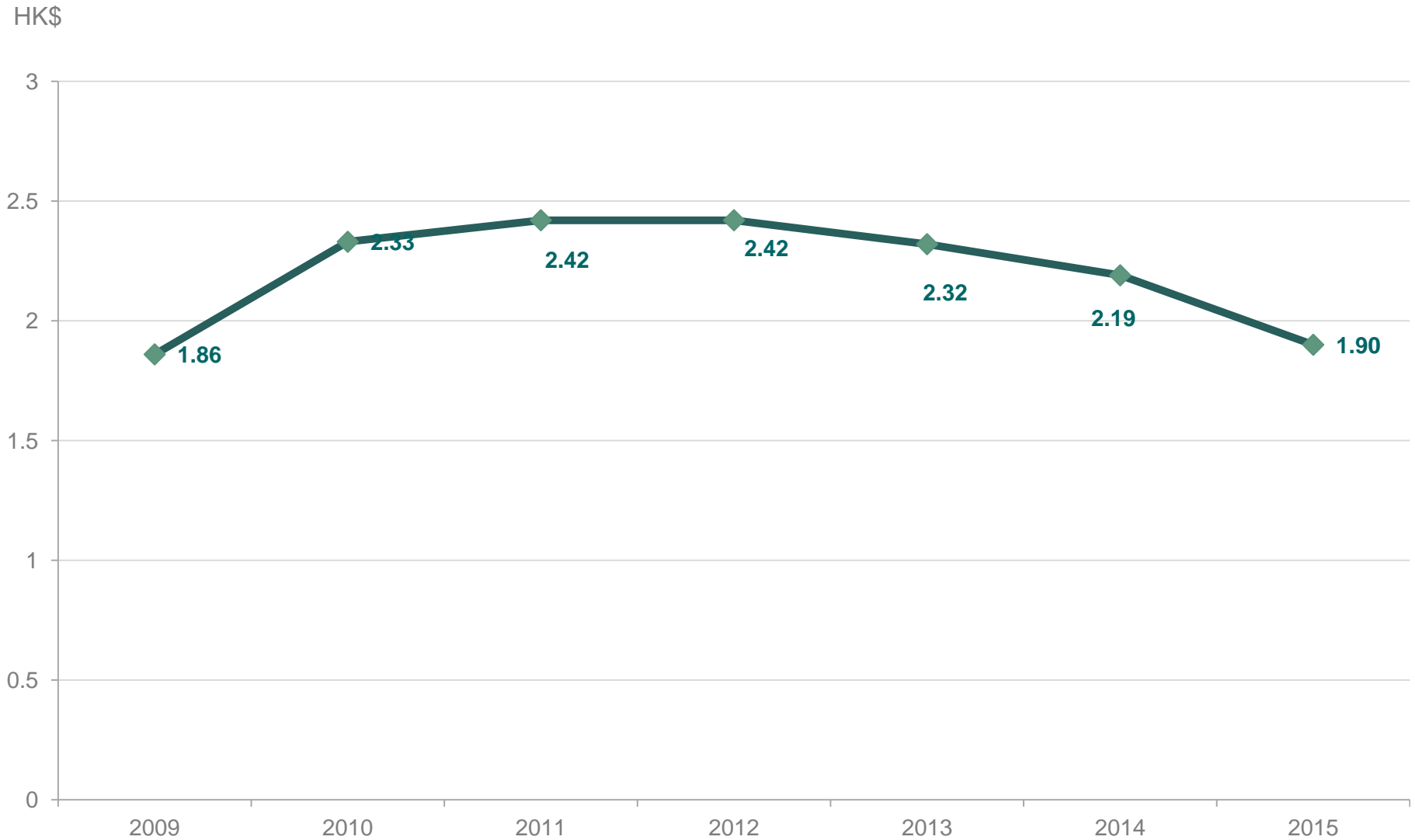
2015

March	<ul style="list-style-type: none">▪ Introduced a twice-weekly freighter service to Kolkata.▪ Increased cargo service to Delhi to eight flights per week.
April	<ul style="list-style-type: none">▪ Added two additional services to North America to become 37 weekly flights.
October	<ul style="list-style-type: none">▪ Increased frequency of the Columbus service from three to four flights a week.

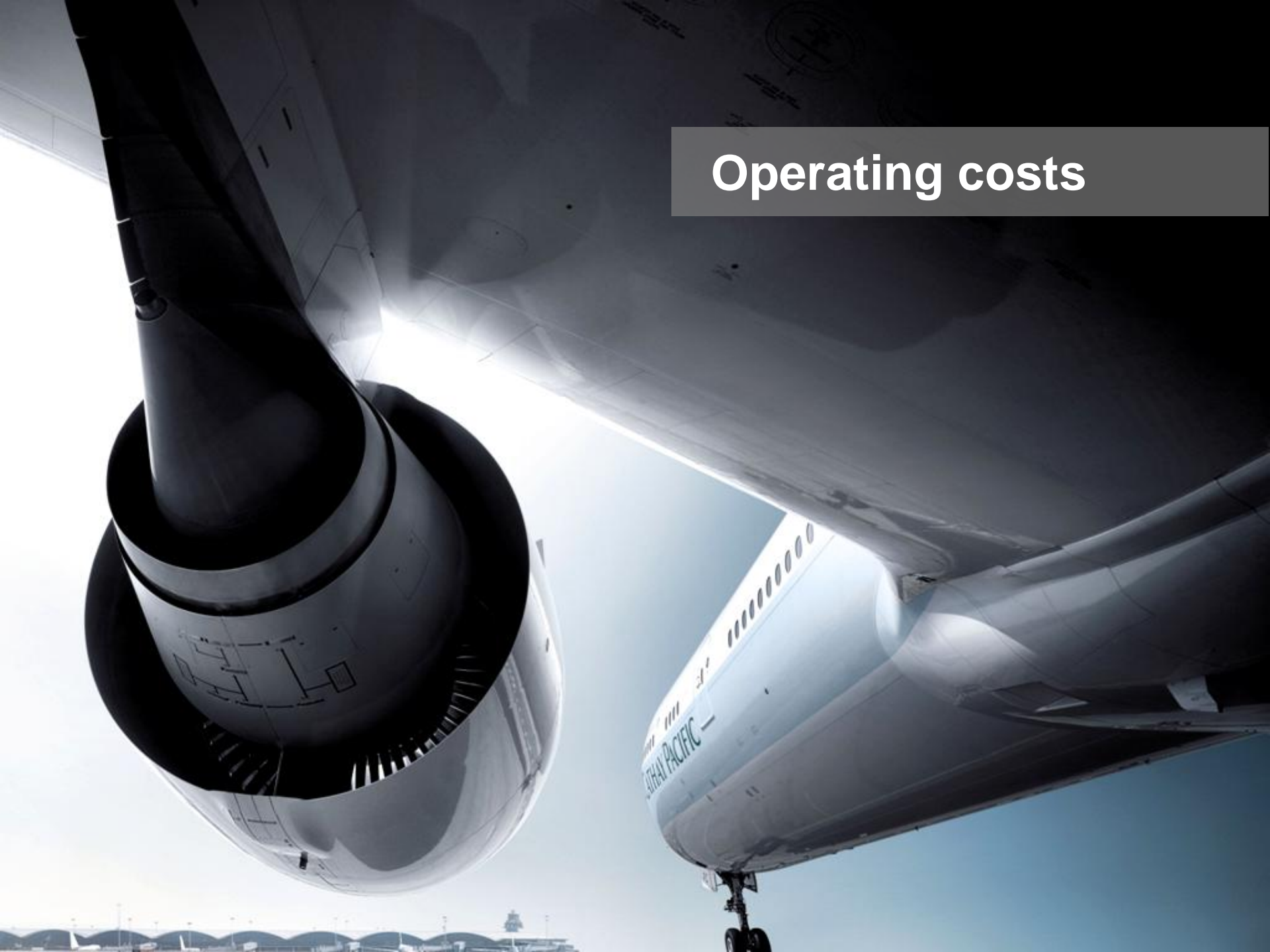
Operating performance – Cargo Load Factors



Cargo Yield



Operating costs



Operating Costs - Group

- Lower net fuel costs.
- Other operating costs increased by 2.3%, below the increase in capacity.

	2015	2014	% Var
Staff	18,990	18,101	+4.9%
Inflight service and passenger expenses	4,713	4,438	+6.2%
Landing, parking and route expenses	14,675	14,196	+3.4%
Fuel, including hedging losses	32,968	40,299	-18.2%
Aircraft maintenance	7,504	7,077	+6.0%
Depreciation, amortization and operating leases	13,193	12,527	+5.3%
Net finance charges	1,164	1,158	+0.5%
Others (including commissions)	3,635	4,918	-26.1%
Total operating costs	96,842	102,714	-5.7%

Financial Risk Management - Fuel

Fuel expenditure

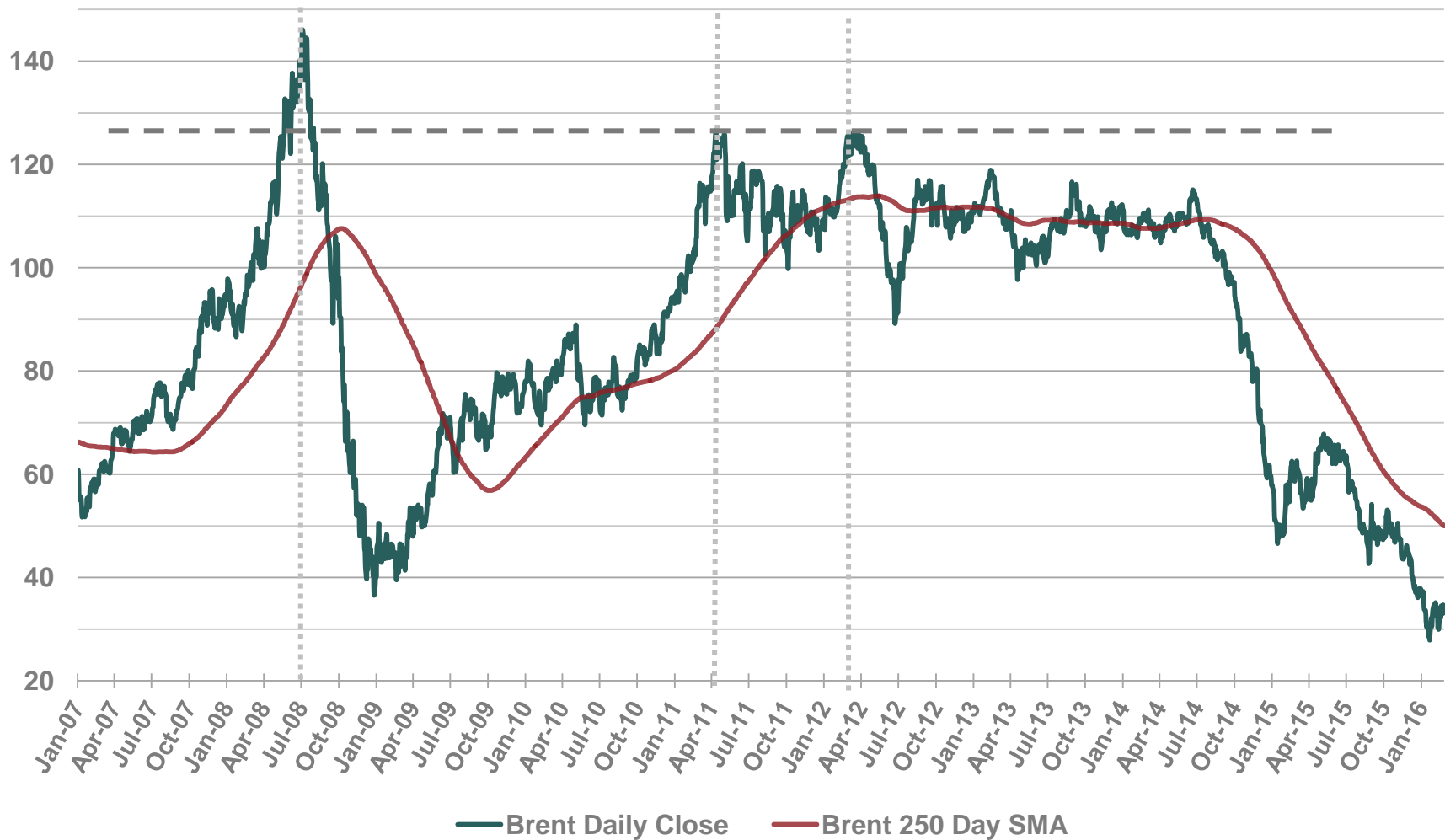
	2015	2014
	HK\$M	HK\$M
Gross fuel cost	24,494	39,388
Fuel hedging losses (gains)	8,474	911
Net fuel cost	32,968	40,299

Fuel hedging coverage (as at 31st Dec 2015)

Year	% coverage	Average Brent strike price (US\$)
2016	62.0%	\$85.48
2017	51.0%	\$89.63
2018	43.7%	\$80.73
2019	7.5%	\$75.40

Fuel Hedging - Fuel prices

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



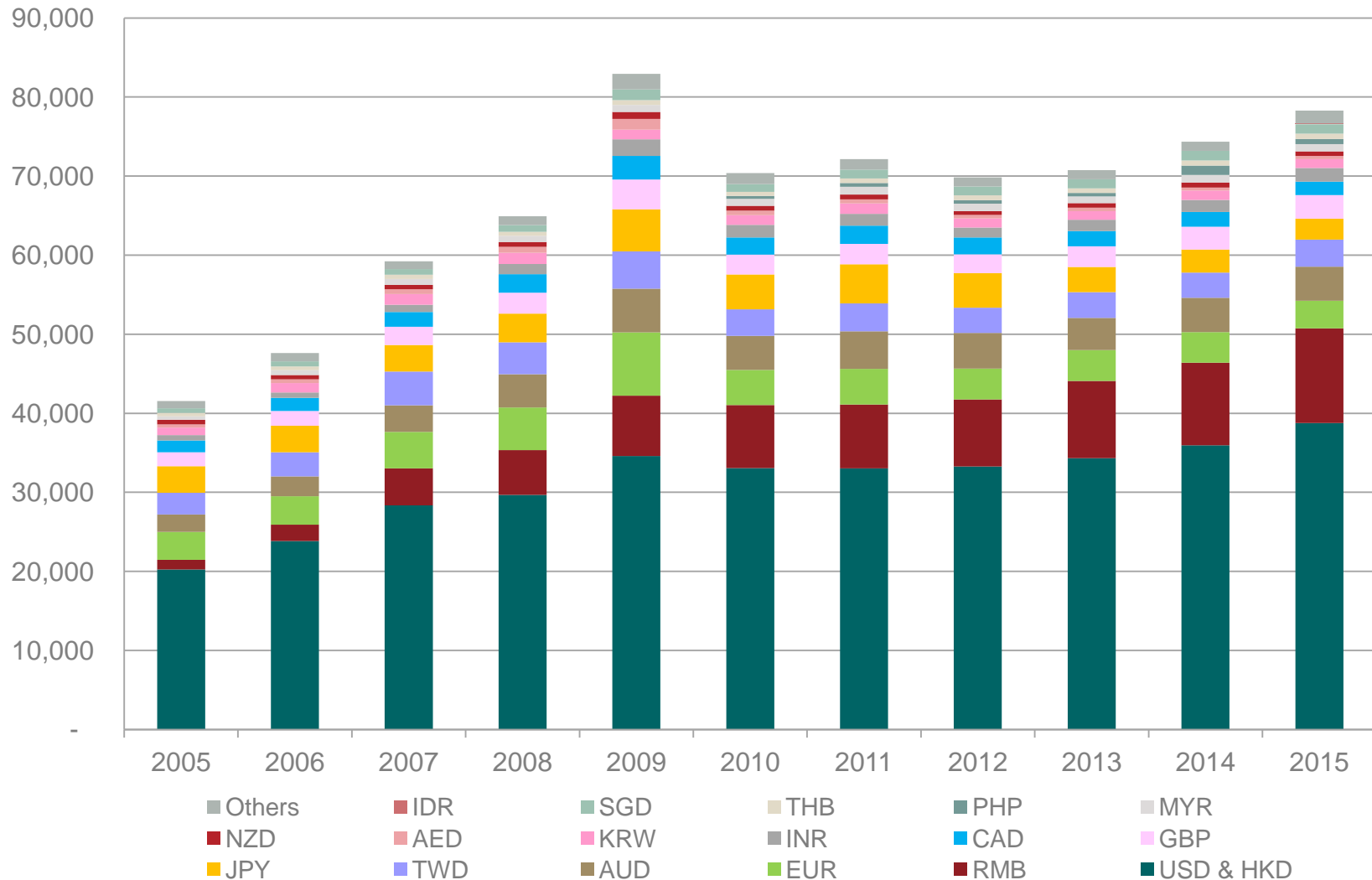
Financial Risk Management - Currency

- 50% of the Group's non-HKD and non-USD revenue arises from foreign currencies.
- The foreign exchange exposure is managed by matching receipts and payments in each currency.
- The Group hedges a percentage of the forecast net foreign currency cashflows to reduce its exposure to foreign exchange risk.
- The Group generates a surplus in most of its revenue currencies.

Revenue mix – by currency

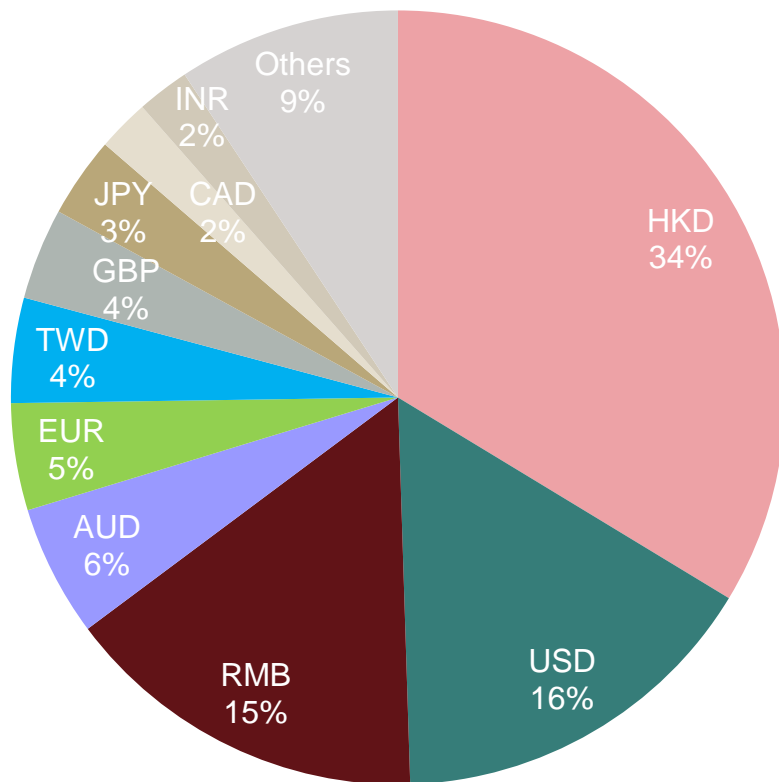
HKD 'M

Total foreign currency revenue in 2015: 50%

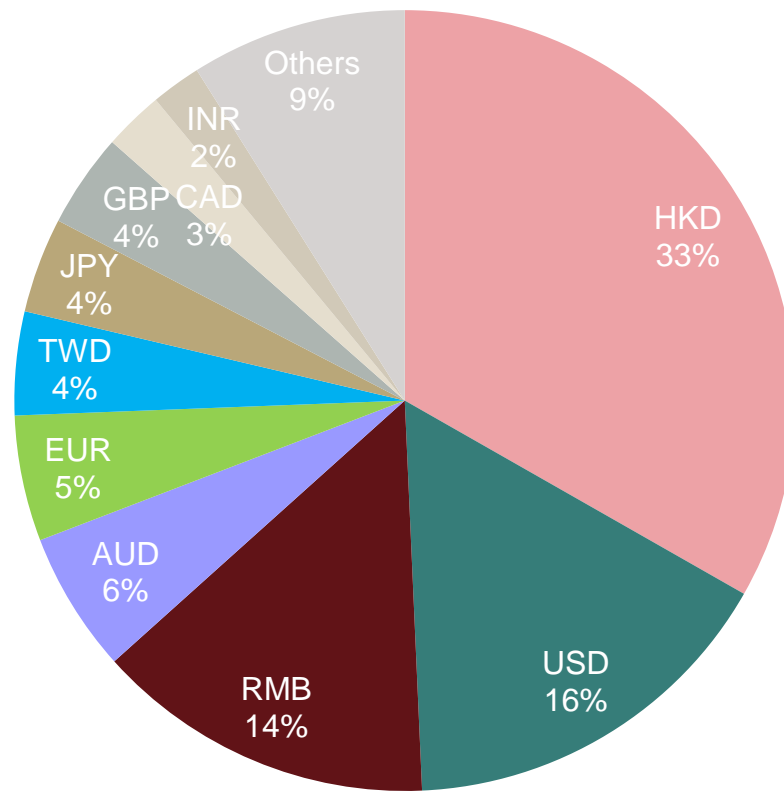


Revenue mix – by currency

FY 2015



FY 2014



Foreign Currency Movements – 8 Biggest

	From 1st January to 31st December 2015	From 1st January to 31st December 2014
RMB	-4.40%	-2.42%
AUD	-10.96%	-8.00%
EUR	-10.26%	-12.10%
TWD	-3.73%	-5.77%
GBP	-5.45%	-5.97%
JPY	-0.40%	-12.13%
INR	-4.23%	-1.81%
CAD	-16.10%	-8.41%

Financial Risk Management

- Liquidity
 - Unpledged liquid funds balance of HK\$20.3 billion as at 31 December, 2015.
 - The company is committed to maintaining a cash balance of circa HK\$20 billion.
 - MTN programme of US\$2 billion in place since 2011.
- Interest rates
 - Overall cost of borrowing remains low.
 - Strategic management of fixed / floating ratio.



Fleet Profile

CX and KA Fleet Profile

	In operations			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
1 Jan 2015	163	22	185	-	3	3
New deliveries	9	-	9	-	-	-
Return to lessors	-	-	-	-	-	-
Parked aircraft	-	1	1	-	(1)	(1)
Deregistered	(8)	-	(8)	-	(1)	(1)
31 December 2015	164	23	187	-	1	1

CX Fleet Profile – as at 31 December 2015

Aircraft type (includes parked aircraft)	Owned	Finance Leased	Operating Leased	Total
A330-300	23	13	6	42
A340-300	5	2	-	7
747-400	3	-	-	3
747-400F	4	-	-	4
747-400BCF	-	-	1	1
747-400ERF	-	6	-	6
747-8F	2	11	-	13
777-200	5	-	-	5
777-300	11	1	-	12
777-300ER	19	11	23	53
Total	72	44	30	146

CX Cargo Fleet Profile – as at 31 December 2015

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 December 2015

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	12	10	-	-	-	-	22
A350-1000	-	-	6	10	10	-	26
B777-300ER	-	-	-	-	-	-	-
B777-9X	-	-	-	-	-	21	21
Total	13	10	6	10	10	21	70

Retirements

B744 - As at 31 December 2015

Exit date	Number	Remaining
2016	-3	0

A340 - As at 31 December 2015

Exit date	Number	Remaining
By end of 2015	-4	7
2016	-3	4
2017	-4	0

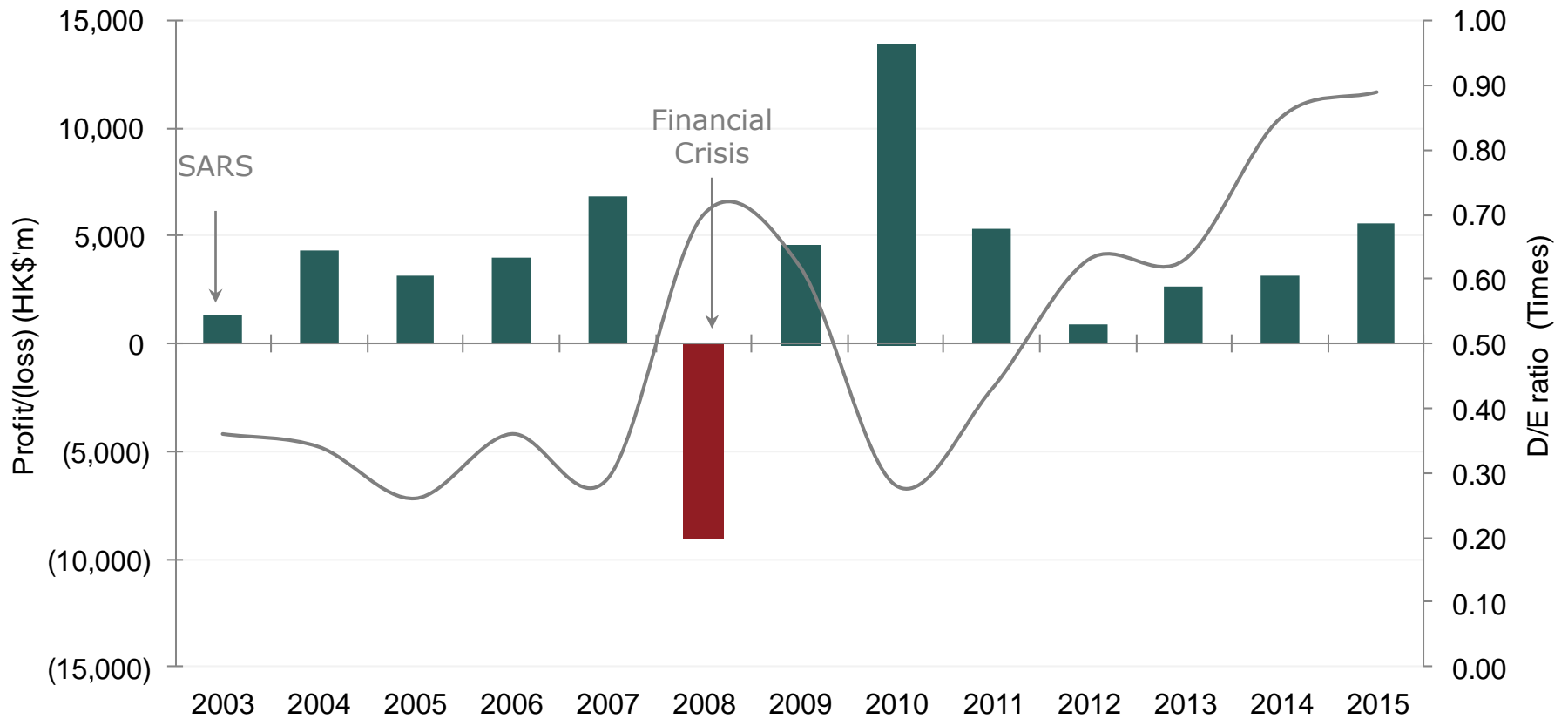


Other financials

Extract of Consolidated Statement of Financial Position

	2015 HK\$ million	2014 HK\$ million	% Var
Shareholders' Funds	47,927	51,722	-7.3%
Gross Borrowings	63,105	65,096	-3.1%
Less: Liquid Funds	(20,647)	(21,098)	-2.1%
Net Borrowings	42,458	43,998	-3.5%
Capital Employed (including non-controlling interests)	90,525	95,851	-5.6%
Net Debt/Equity Ratio	0.89	0.85	+0.04 times
Investment in Air China	19,164	19,150	+0.1%

Profit and Net Debt/Equity Ratio



Group Profit Margin	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
%	10.2	6.2	6.5	9.1	(10.4)	6.9	15.5	5.4	0.9	2.6	3.0	5.9

Liquid Fund Flow

	31 Dec 2015 HK\$ million	31 Dec 2014 HK\$ million
Inflow		
Operating activities	15,995	10,285
Proceeds from sales of fixed assets and others	1,080	3,283
New financing	8,268	10,006
Outflow		
Capital expenditure	(13,179)	(14,818)
Purchase of shares in an associate	-	(1,240)
Loans to associates	(77)	(1,377)
Loan and finance lease repayments	(10,050)	(11,309)
Dividends paid	(2,329)	(1,314)
Net inflow/(outflow)	(292)	(6,484)
Total Liquid Funds	20,647	21,098



**Subsidiaries &
Associates**

Major Subsidiaries

AHK Air Hong Kong

- Operates a fleet of eight owned Airbus A300-600F freighters, two dry leased Airbus A300-600F freighters and three Boeing 747-400BCF converted freighters dry leased from Cathay Pacific.
- Capacity increased by **0.6%**, load factor increased by **0.4%pts** and RTK improved by **1.3%**.
- Higher profit in 2015 compared to 2014.

Cathay Pacific Catering Services

- Growth in the number of meals produced.
- Higher turnover and profit in 2015 compared to 2014.

Asia Miles

- Membership exceeds 8 million worldwide. **10%** increase in redemptions by Asia Miles members in 2015.
- An increase in profit in 2015 compared with 2014.

Cargo Terminal

- Our cargo terminal became fully operational in October 2013.
- The terminal has capacity to handle **2.6 million** tonnes of cargo annually. During 2015, a total of **1.7 million** was handled.
- Provided cargo handling services to **eight** airlines (Cathay Pacific, Dragonair, Air Hong Kong and five others) in 2015. Four more airlines became customers in March 2016
- The 2015 financial results were better than those of 2014. This reflected the addition of new customers and effective management of operating costs.



Air China

- Cathay Pacific has a **20.13%** interest in Air China.
 - In July 2015, Air China proposed the issue of A shares. When the issue happens, the Cathay Pacific shareholding will be diluted.
- Cathay Pacific accounts for Air China for the 12 months ended 30 September 2015 and any significant events or transactions during their last quarter.
- For the year 2015, Air China's results were improved by:
 - Significant decrease in fuel prices;
 - Increase in revenue followed by increase in demand and;
 - Effective cost management through optimizing aircraft model and route structures.
- In August 2015, the devaluation of the Renminbi led to significant foreign exchange losses for Air China.

Air China Cargo

- Air China Cargo's 2015 financial results were in line with those of 2014.
- The adverse effects of exchange losses on retranslation of United States dollar loans and lower yield in the highly competitive air cargo market were offset by the savings from low fuel prices.

Developments & introductions in 2015




Products

A photograph of the interior of an aircraft's first-class cabin. The seats are upholstered in a light beige leather with a fine, cross-hatched texture. Each seat is equipped with a large, curved personal entertainment screen displaying a movie. The cabin features large oval windows and a clean, modern design.


Refreshed First Class seats

A photograph of a passenger in a new business-class seat. The passenger, a man in a light blue shirt, is reclining and wearing large over-ear headphones while holding a glass of water. The seat is dark-colored with a high backrest and a control panel on the side. A flight attendant in a red uniform is partially visible in the background.

New Business Class seats

A photograph of the interior of a lounge. The room has a warm, wood-paneled wall and a large window on the left. In the foreground, there is a low, rustic wooden coffee table and a leather armchair. A modern, tiered pendant light hangs from the ceiling. A potted plant is visible near the window.

The Pier First Class Lounge
Reopened June 2015

A photograph of a lounge area with a large glass wall overlooking an airport tarmac. The interior is furnished with contemporary armchairs, ottomans, and side tables with lamps. The space is bright and airy, with a modern design aesthetic.

Manila, Bangkok and Taipei Lounges
Opened from May - November 2015

Branding



Cathay Dragon



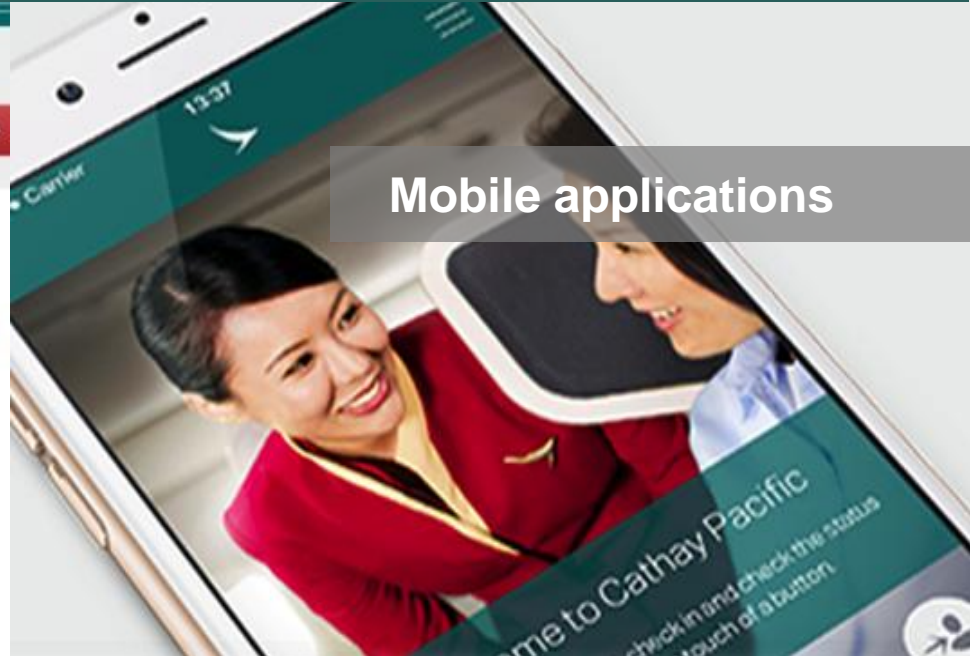
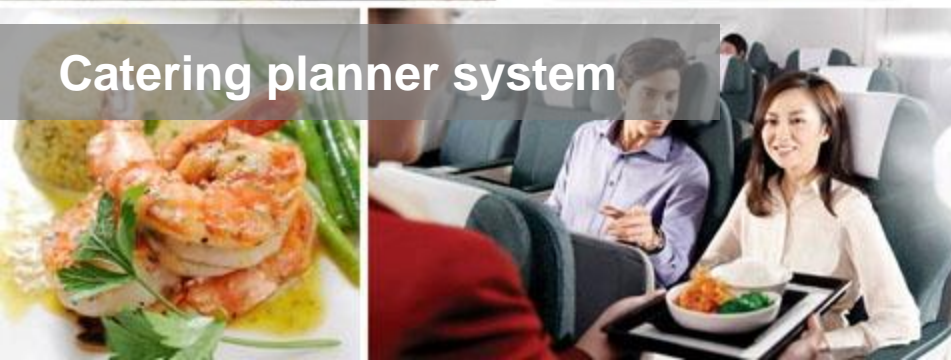
Technology



New Travel Retail Platform



Catering planner system



Mobile applications



Cabin tablet devices

Awards



Cathay

Best Transpacific Airline
Skytrax World Airline Awards 2015



Dragonair

World's Best Regional Airline
Best Regional Airline in Asia
Skytrax World Airline Awards 2015



Best Frequent flyer programme
Business Traveller Asia-Pacific Awards 2015



Cathay Pacific Cargo

Best Airline - Asia-Pacific
Cargo of the Year Awards 2015



Best airline lounge Asia Pacific
Business Traveller Asia-Pacific Awards 2015

2016 Outlook

- 2016 expected to be challenging.
- Passenger yields remain under significant pressure.
- Cargo market expected to remain extremely weak.
- We will continue to be impacted by ATC related delays and increased congestion.

but

- Overall passenger demand is expected to remain strong.
- We expect to benefit from lower net fuel costs.
- Our subsidiaries and associates are expected to perform well.





Q&A

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

