CATHAY PACIFIC

2018 Interim Results

8 August 2018

Agenda

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

Hosted by:

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

Briefing highlights

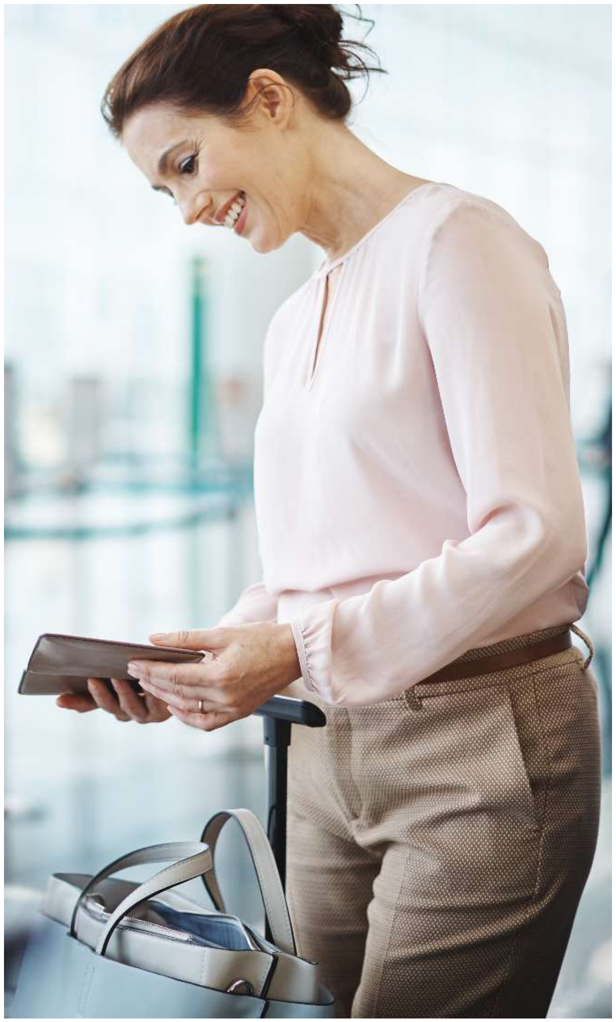
Continued recovery driven by the airlines

HK$'m	1H2018	1H2017
Airlines' loss before taxation	**(743)**	(3,755)
Gains on disposal of investment and deemed partial disposal of associate	**-**	830
Taxation	**(161)**	160
Airlines' loss after taxation	**(904)**	(2,765)
Share of profits from subsidiaries & associates	**641**	714
Group attributable loss	**(263)**	(2,051)

The Group reported an attributable loss of HK$(263) million for the first six months of 2018.

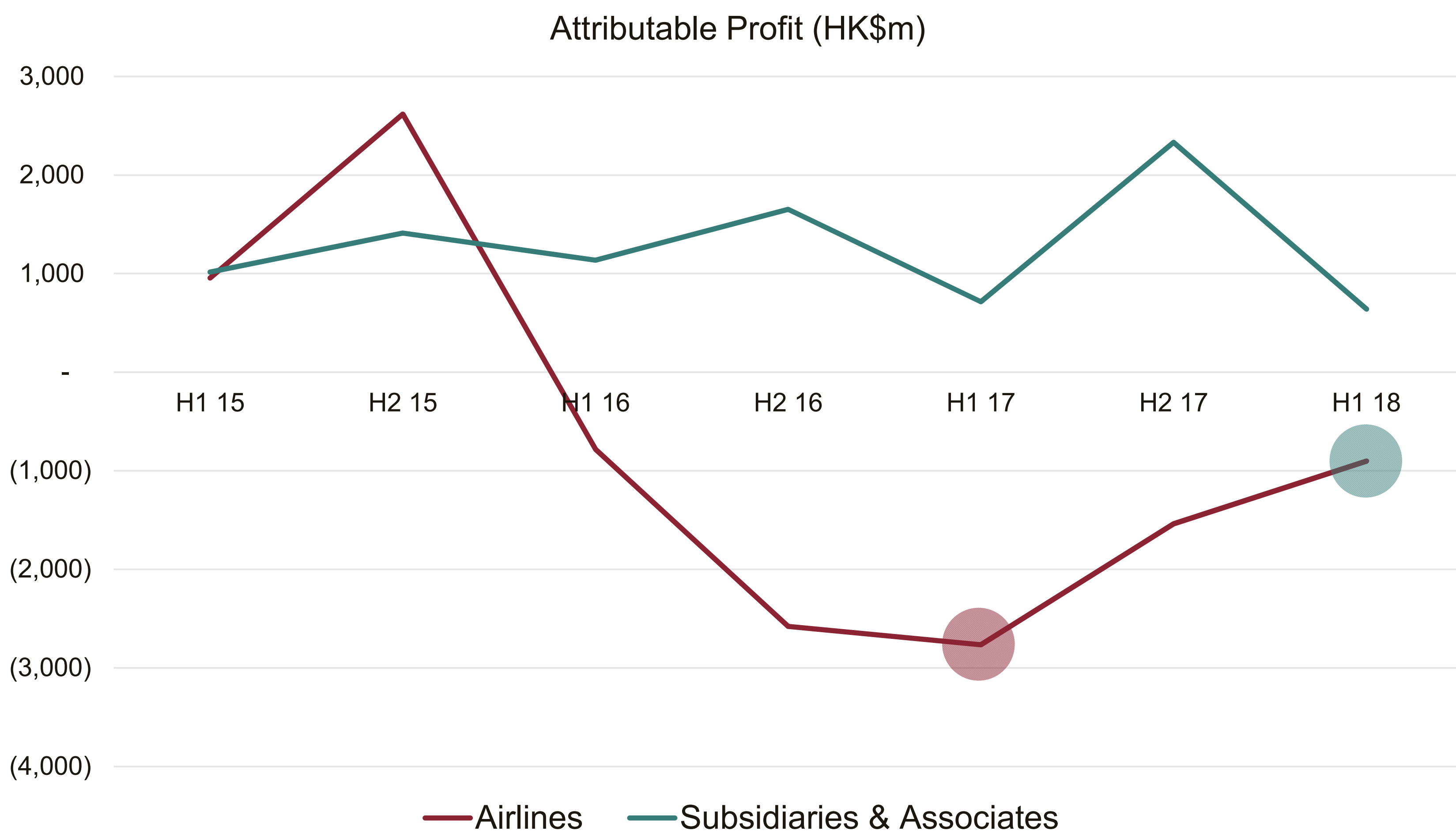
This compares to a loss of HK$(2,051) million in the first half of 2017.

Positive revenue momentum despite headwinds; cost pressures remain



- Strong revenue growth across all categories (Passenger, Cargo & Ancillary).
- Transformation programme – focus on customer service and revenue management in the passenger business has resulted in yield improvement.
- Cargo continues recovery with positive momentum in capacity, yield and load factor.
- Operating costs increased due to higher fuel costs, FX movements, a new accounting standard, investment in fleet and customer-facing initiatives.
- Satisfactory performance from subsidiaries.
- Growth in Air China (reported 3 months in arrears) offset by June 2018 FX losses in Air China Cargo JV following RMB depreciation.
- Stronger cash generation and debt reduction

Transformation delivering results



Financial & operating highlights

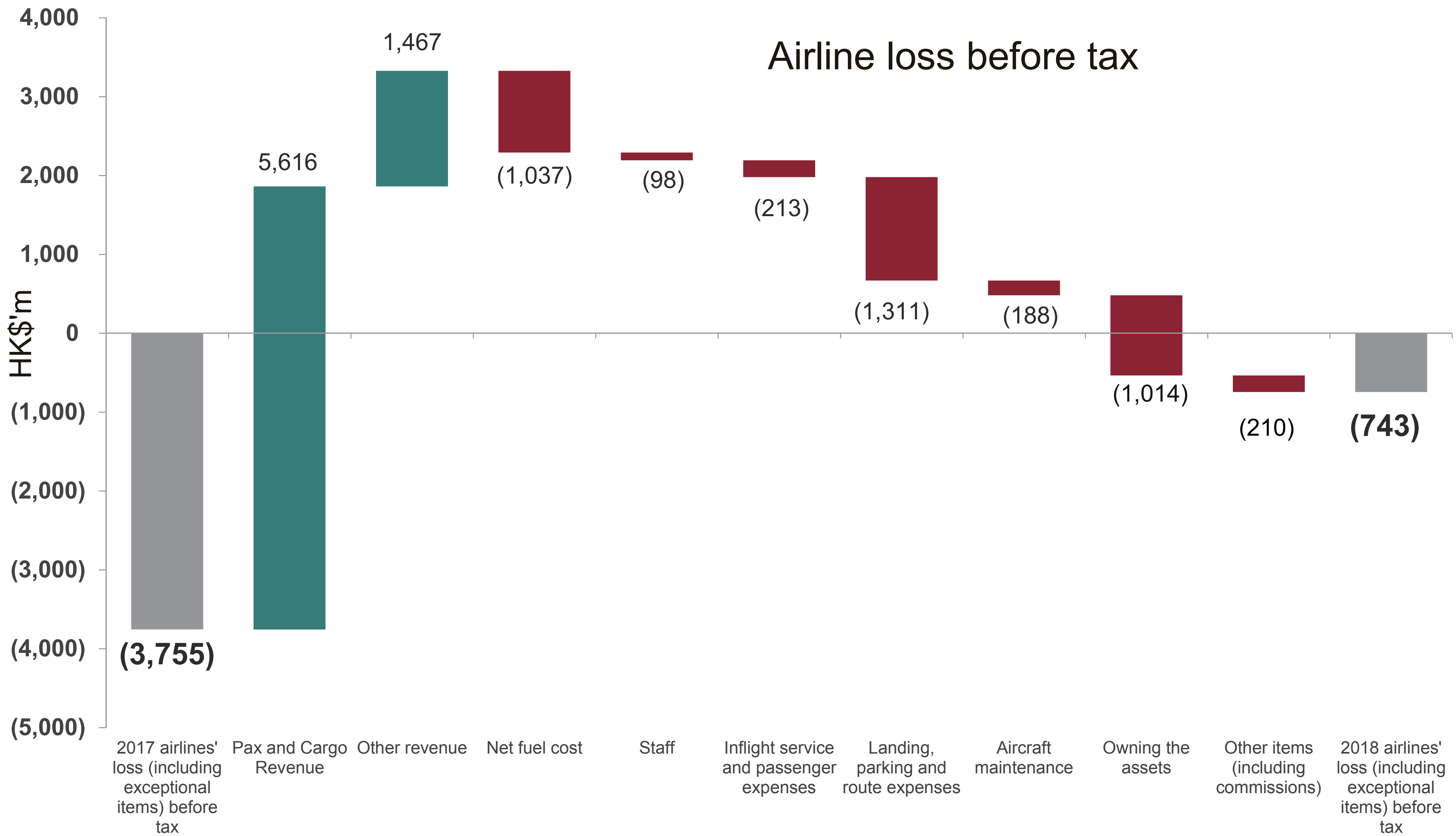
Group Financial Statistics		1H2018	1H2017	Change
Group Revenue	HK$m	**53,078**	45,858	+7,220
Airlines' loss after taxation	HK$m	**(904)**	(2,765)	+1,861
Group attributable profit/(loss)	HK$m	**(263)**	(2,051)	+1,788

The company has declared a 1st interim dividend of HK$10 cents

Operating Statistics – Cathay Pacific & Cathay Dragon		1H2018	1H2017	Change
Available tonne kilometres (ATK)	million	**15,747**	15,190	+3.7%
Available seat kilometres (ASK)	million	**75,770**	73,444	+3.2%
Available cargo & mail tonne kilometres (AFTK)	million	**8,542**	8,206	+4.1%
Passenger yield	HK₵	**55.4**	51.5	+7.6%
Cargo and mail yield	HK$	**1.93**	1.66	+16.3%
Cost per ATK (with fuel)	HK$	**3.29**	3.14	+4.8%
Cost per ATK (without fuel)	HK$	**2.29**	2.17	+5.5%
Underlying* cost per ATK (without fuel)	HK$	**2.20**	2.13	+3.3%

* Excludes exceptional items and is adjusted for the effect of foreign currency movements and adoption of HKFRS 15

Strong revenue growth partially offset by cost pressures*

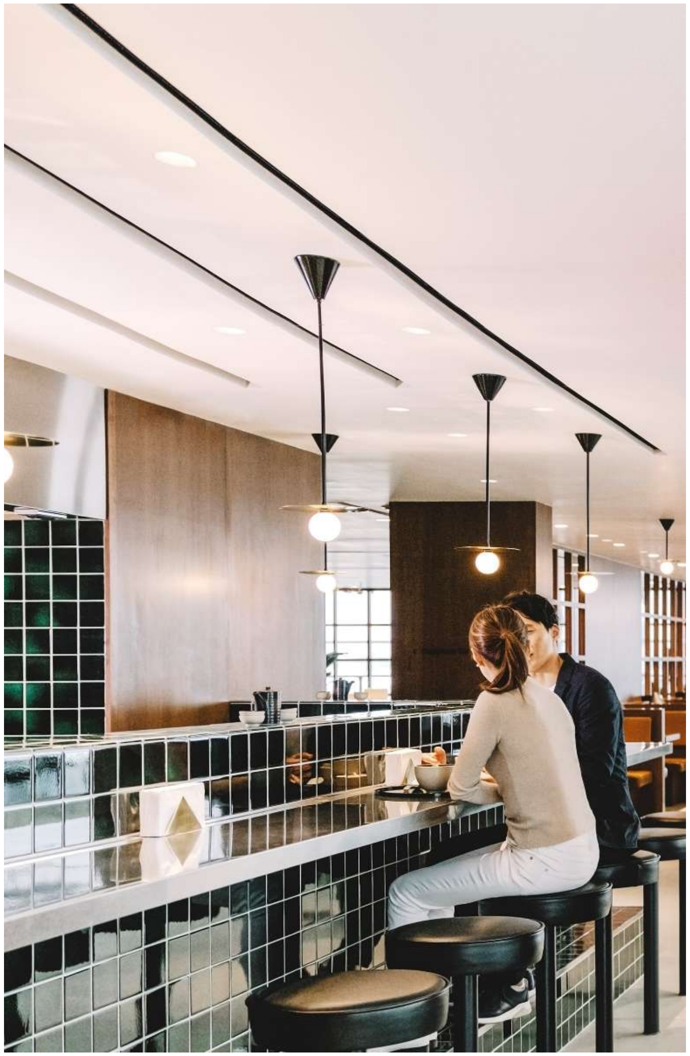


* Reported costs (include exceptional items and before adjustment for year-on-year foreign currency movements and adoption of HKFRS15)

Operating performance

Passenger Services

Traffic volume and yield growth despite intense competition

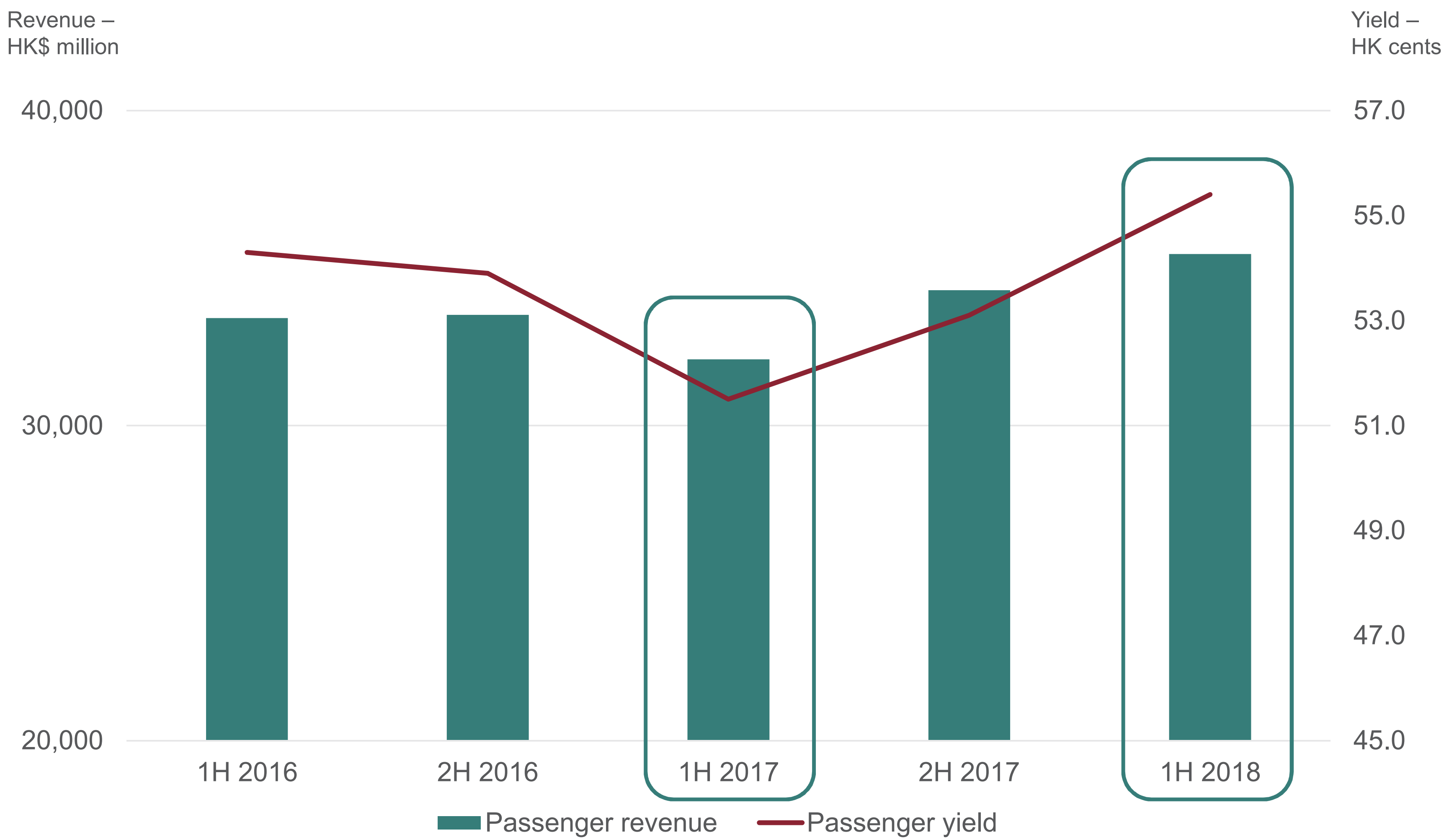


		1H 2018	1H 2017	% Var
ASK	Million	**75,770**	73,444	+3.2%
RPK	Million	**63,810**	62,242	+2.5%
Revenue Passengers carried	'000	**17,485**	17,163	+1.9%
Passenger load factor	%	**84.2**	84.7	-0.5%pt
Passenger revenue	*HK$ million*	**35,452**	32,105	+10.4%
Passenger yield	*HK cents*	**55.4**	51.5	+7.6%*
Passenger Revenue per ASK	*HK cents*	**46.8**	43.7	+7.1%

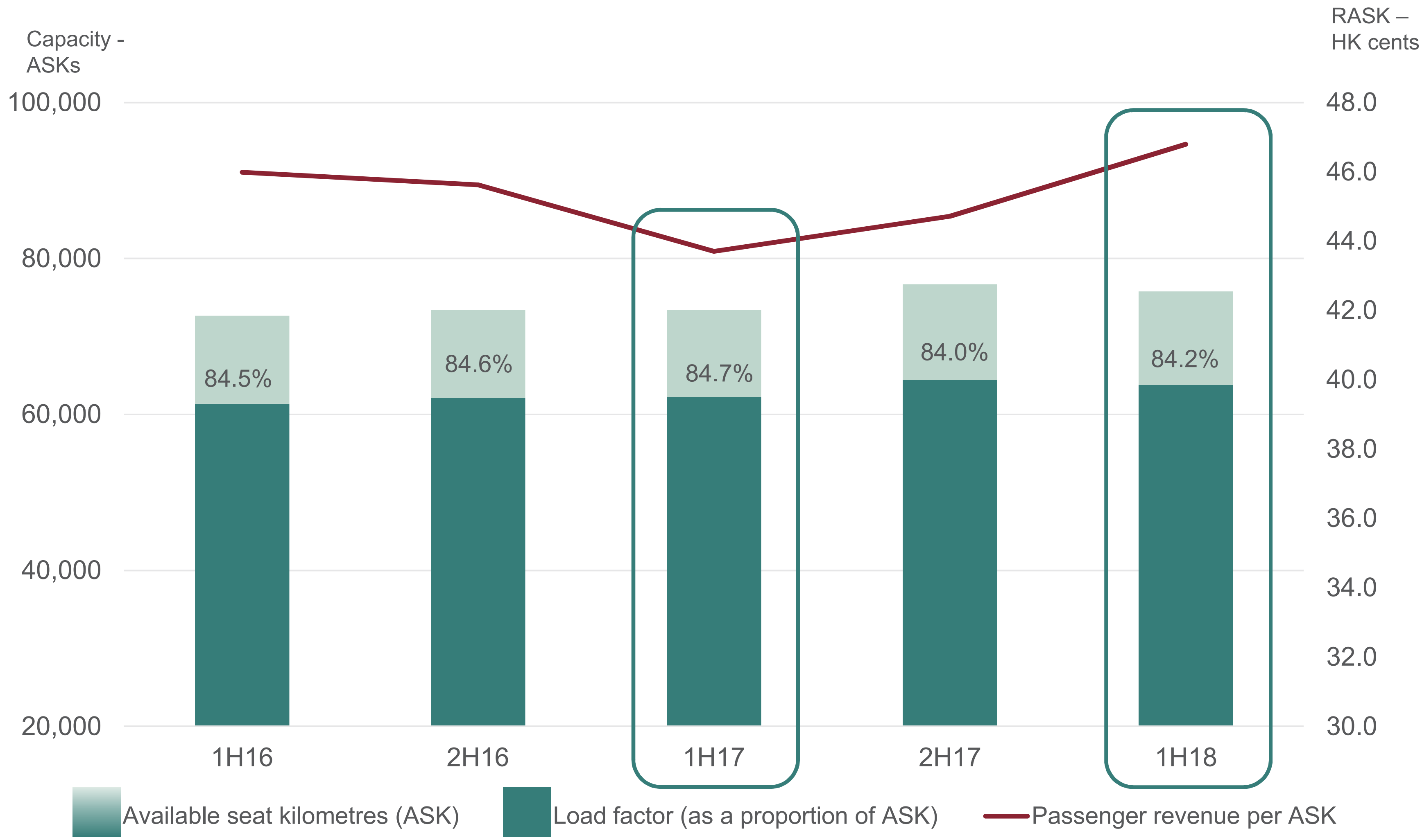
** +6.6% excluding IFRS15 impacts*

- Capacity growth reflects the introduction of five new routes, increased frequencies on existing routes and the use of larger aircraft on popular routes.
- Yield improvement reflects improvements in revenue management, strong premium class demand, favourable foreign currency movements and increased revenue from fuel surcharges.

Passenger revenue and yield – continued recovery



Capacity growing and revenue efficiency strengthening



New destinations and frequencies strengthen the network

January	•	Introduced a four-times weekly service to **Nanning**
February	•	Announced new seasonal service to **Cape Town** with three-times weekly in November
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, reintroduced **Tokyo Haneda** service
April	• •	Announced new four-times weekly to **Davao** and three-times weekly to **Medan** in October **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 new four-times weekly to **Seattle** in March 2019
September	•	Introduction of a four-times weekly service to **Washington D.C.**
October	•	Increased services to **Tel Aviv** from six times weekly to daily and **Adelaide** from five to six times weekly

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 June 2018 statistics (*excluding HKFRS15 impact on yield*)

Europe

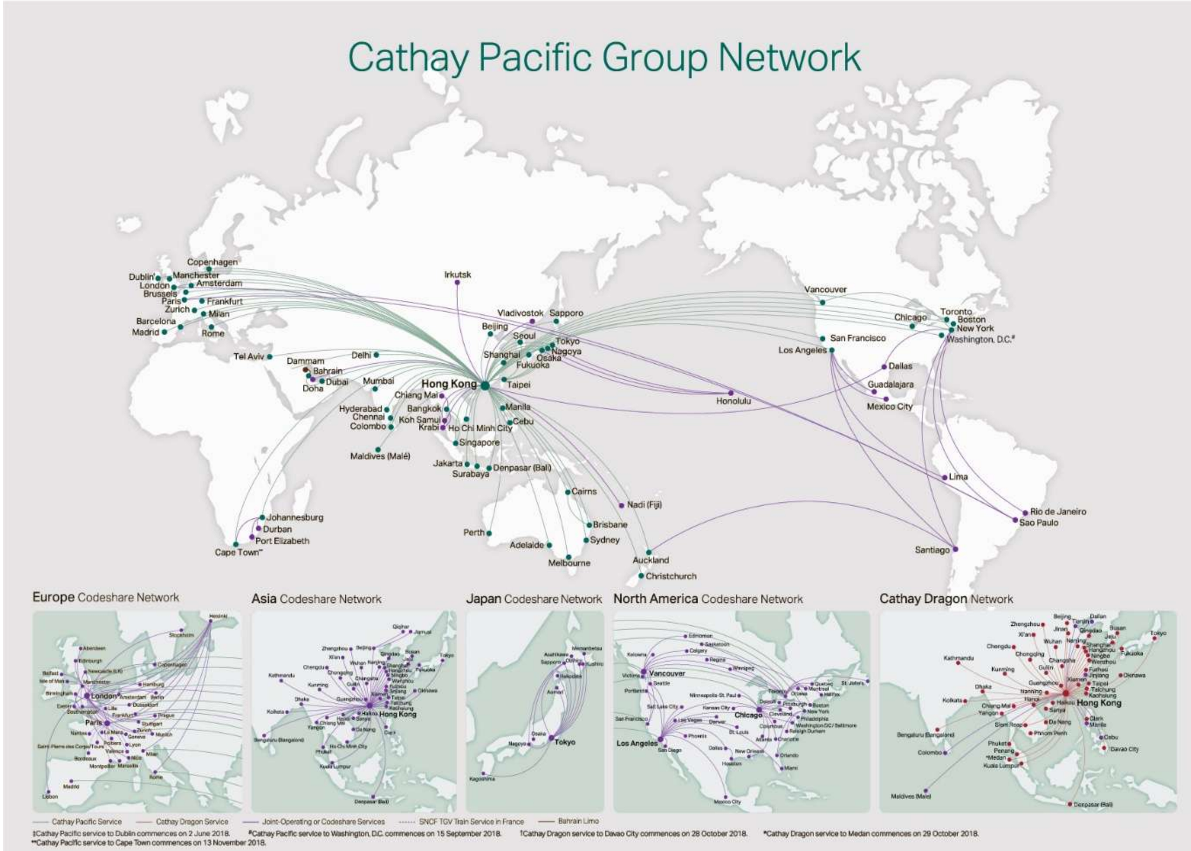
ASK: **+11.8%**
LF: **-2.8%pts**
Yield: +9.7%

Southwest Pacific

ASK: **+6.2%**
LF: **-3.6%pts**
Yield: +3.0%

Southeast Asia

ASK: **+2.7%**
LF: **-1.0%pts**
Yield: +9.0%



North Asia

ASK: **+1.6%**
LF: **+0.4%pt**
Yield: +7.4%

India, Middle East, Sri Lanka and South Africa
ASK: **-0.2%**
LF: **-1.9%pts**
Yield: +11.5%

Americas

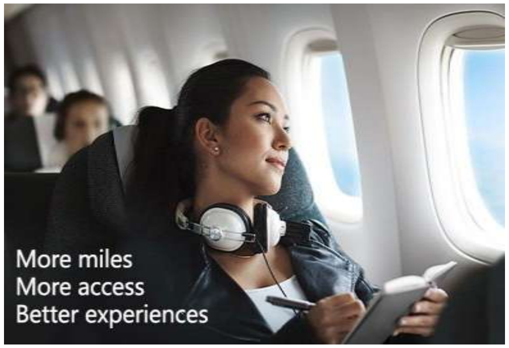
ASK: **-1.6%**
LF: **+2.4%pts**
Yield: +4.2%

Actual 1H 2018 ASK: **+3.2%**	+	Planned 2H 2018 ASK growth **+ 5.4%**	=	Planned 2018 System wide ASK growth **+4.3%**

Customer investment - On the Ground

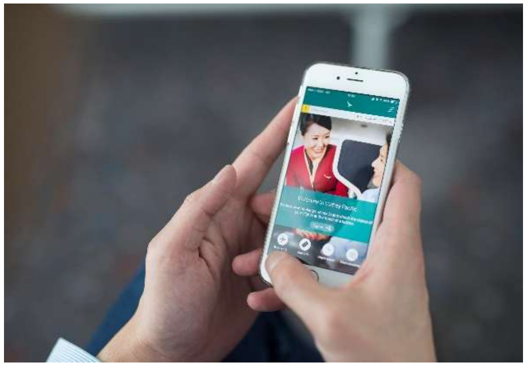
Asia Miles – more miles and more seats

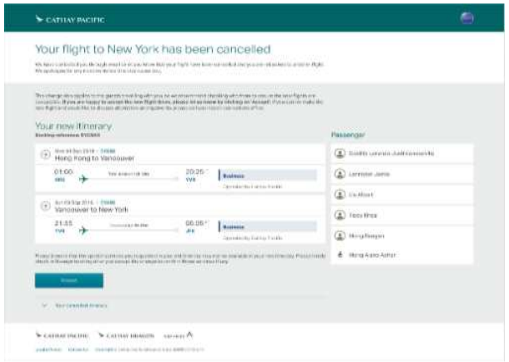
ASIA MILES



- Enhancement of the Asia Miles program announced in June
- Customers will earn more miles on flights and a 20% increase in seat availability for redemption

Disruption communications and self-service on mobile





- 4 new flight disruption notification and self service applications to be launched (Disruption, Protection, Seat change, Flight number change)
- Passengers can choose to accept protection and booking will be confirmed and ready to go

Customer investment - In the Air

New and more comfortable economy seats

- New economy class seats to be installed on the 777 fleet
- Consistent and improved passenger experience across long haul aircraft

New business class long haul dining and service experience

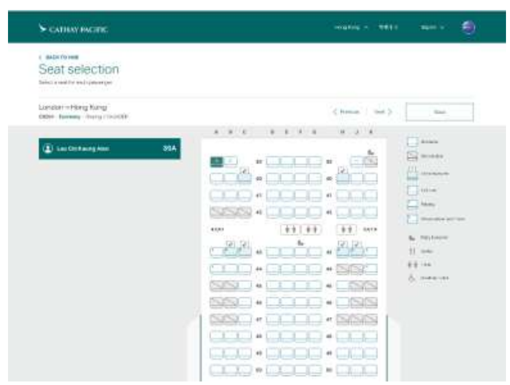
- A la carte menu, plated meals, more choices, increased Hong Kong signatures
- Breakfast card, healthy options, express meals
- More crew interaction

Customer investment - Digital

Inflight connectivity on all Boeing 777s and A330s

- Already available on all A350s
- Now installation of the Gogo 2KU system has started
- All Boeing 777 and A330 fleets to be equipped by 2020

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

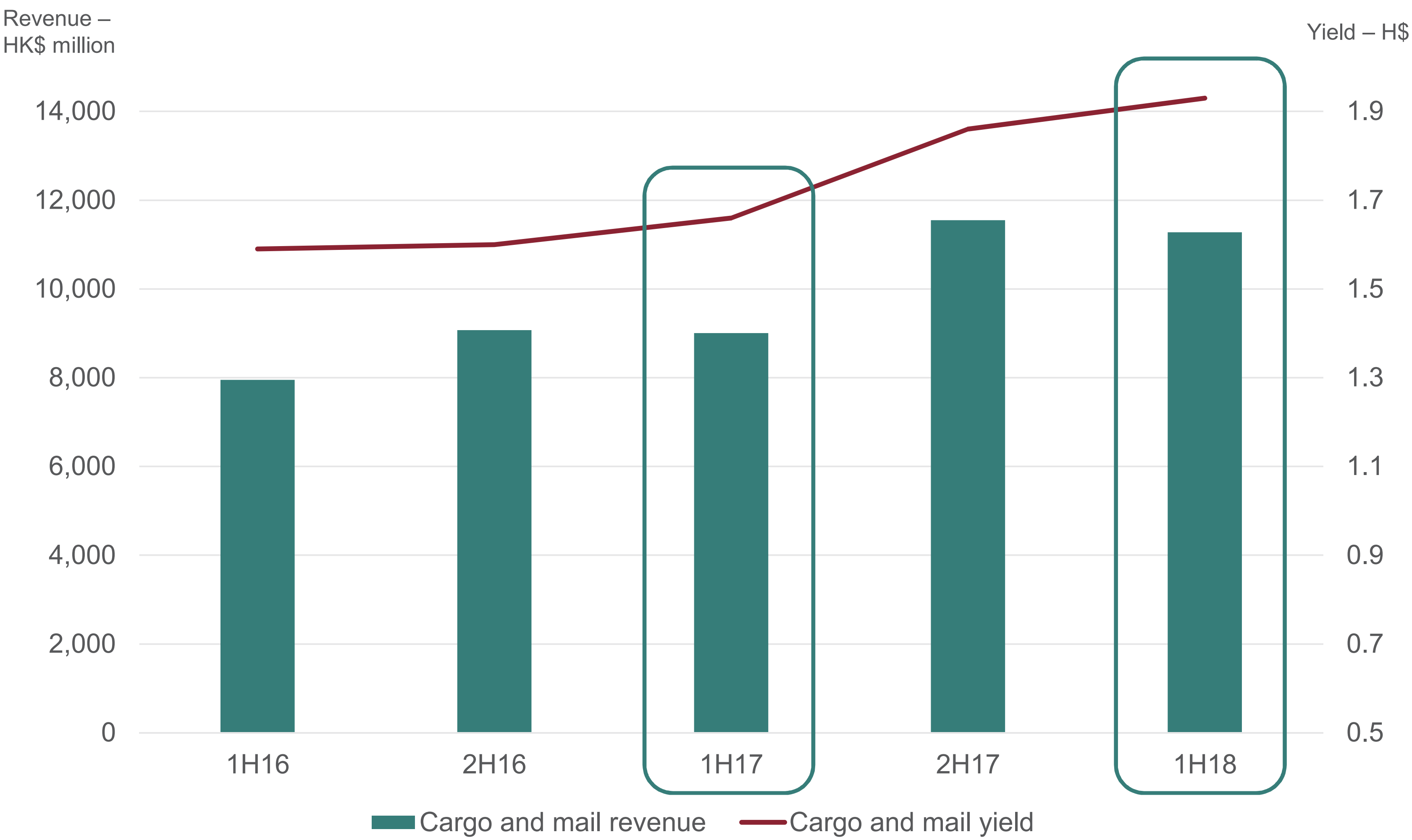
Cargo Services

Strong growth in tonnage, yield and revenue efficiency on modest capacity increase

		1H 2018	1H 2017	% Var
Available cargo & mail Tonne Kilometres (AFTK)	Million	**8,542**	8,206	+4.1%
Cargo and mail RFTK	Million	**5,831**	5,435	+7.3%
Cargo & mail carried	'000 tonnes	**1,038**	966	+7.5%
Cargo & mail load factor	%	**68.3**	66.2	+2.1%pt
Cargo and mail revenue	*HK$ million*	**11,276**	9,007	+25.2%
Cargo and mail yield	*HK$*	**1.93**	1.66	+16.3%
Cargo and mail revenue per AFTK	*HK$*	**1.32**	1.10	+20.0%

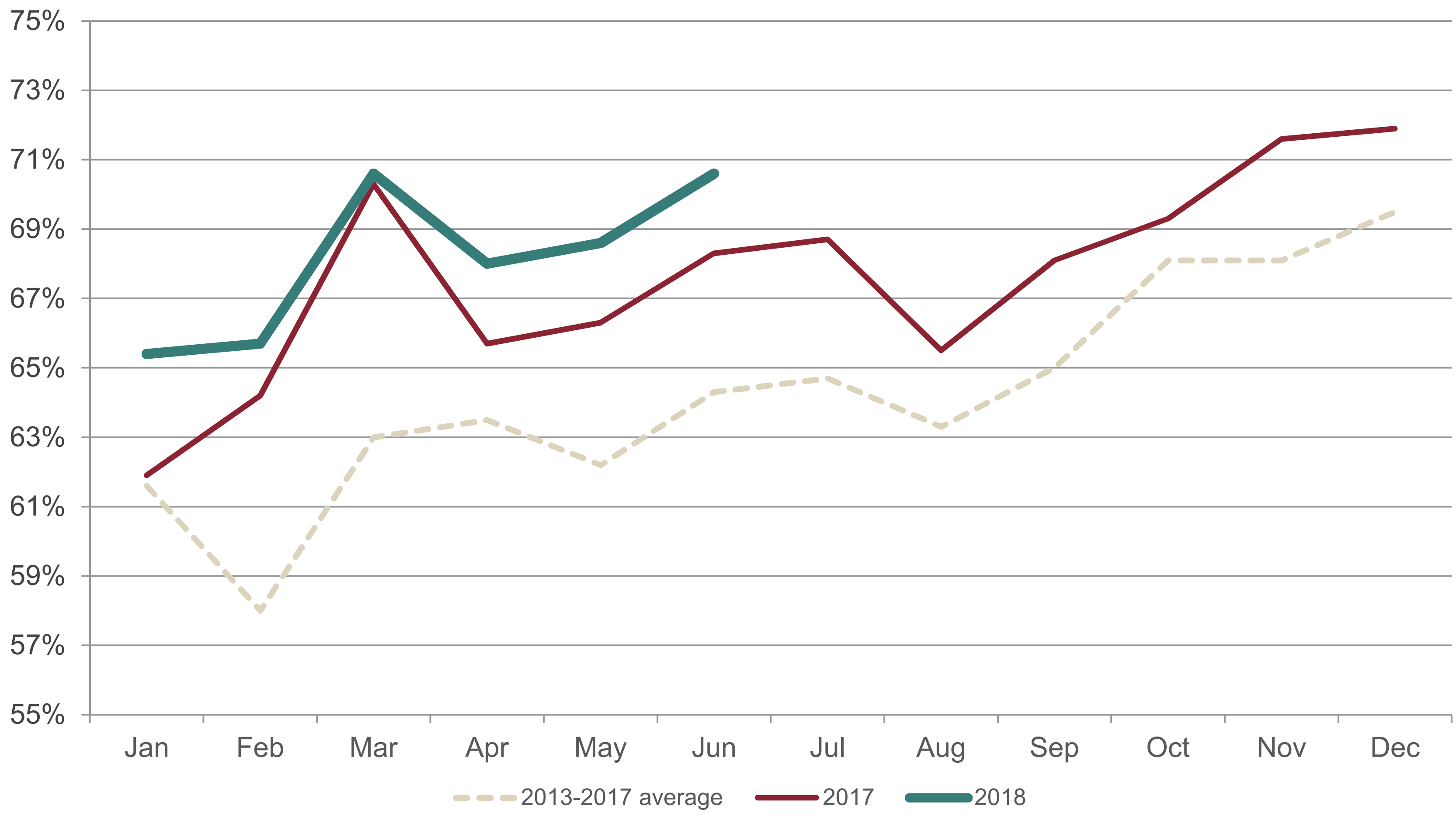
- Capacity growth reflects good freighter and passenger belly utilisation.
- Load factor improving; HK and China stable whilst rest of network strong.
- Strong yield improvement.
- Increased demand for specialist cargo shipments and the movement of higher value goods to and from Asia.

Cargo revenue and yield – growth continues

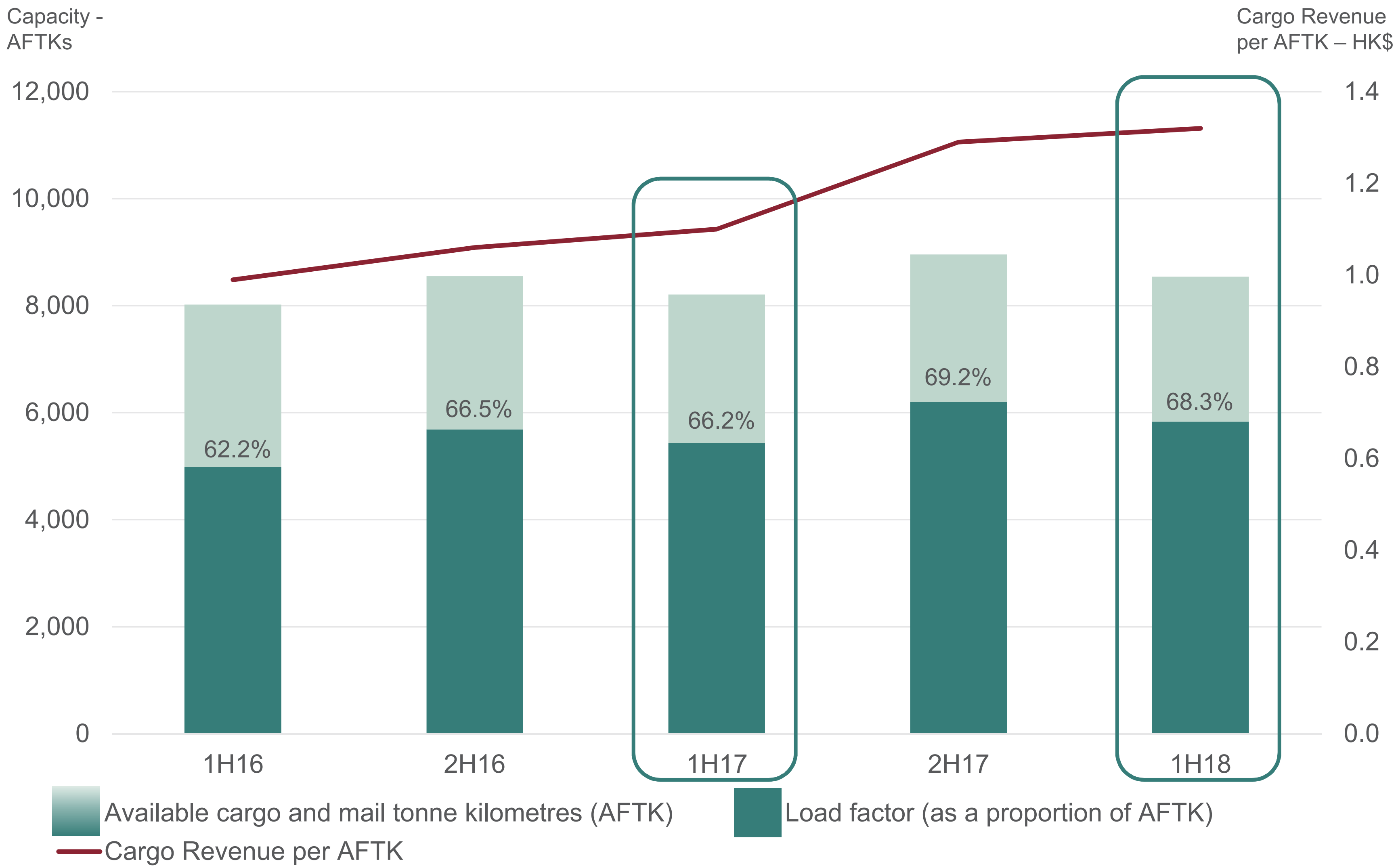


Load factor; continuous improvement

Year to June Load Factor
2017 : 66.2%
2018 : 68.3%



Capacity, load factor and revenue efficiency growth



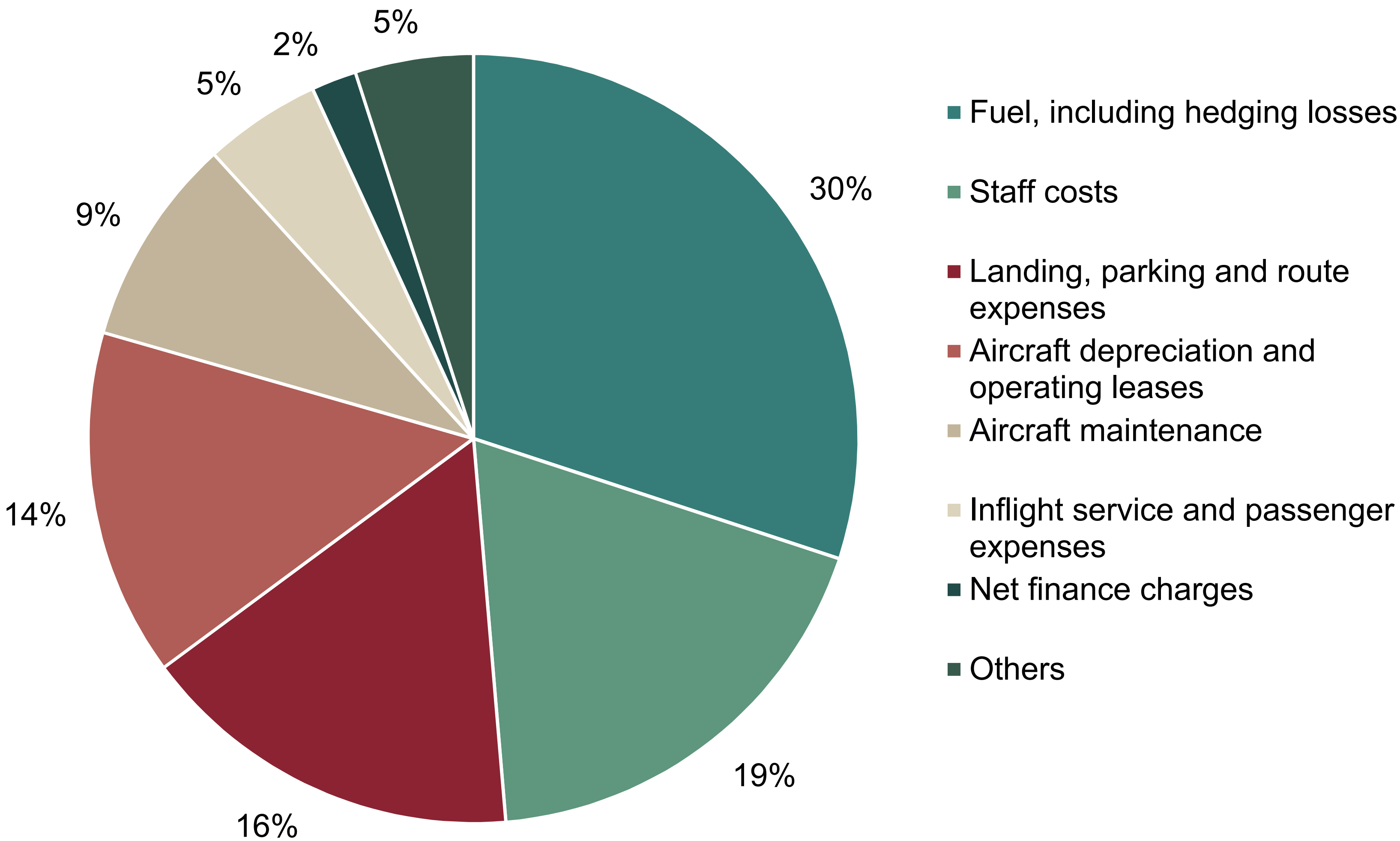
Operating performance

Operating costs

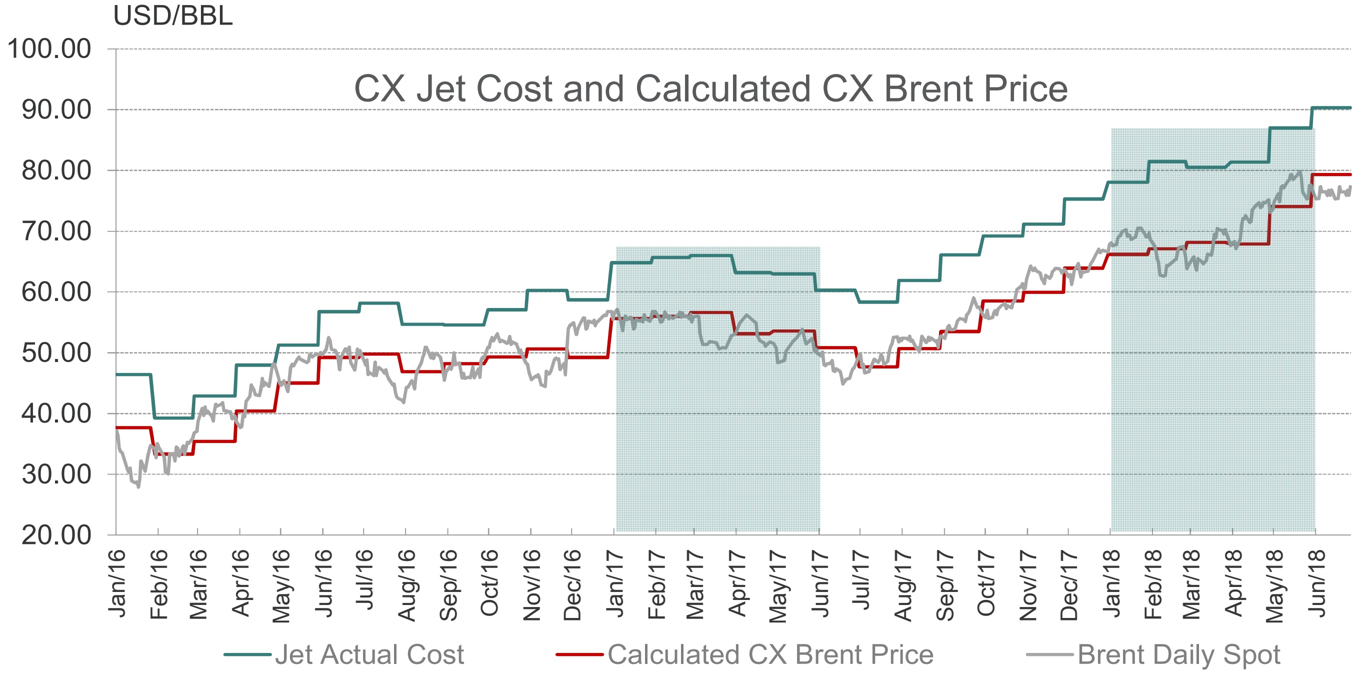
Increased external pressure on underlying operating costs per ATK (with and without fuel)

- Significant increase in fuel price, partially offset by smaller hedging losses
- Higher depreciation and finance charges on investment in new fleet (to be fully leveraged in 2H18), partially offset by efficiencies in fuel consumption
- Increase in route-related expenses on higher navigation, overflying and landing & parking charges
- Accelerated investment in customer experience

Operating cost - breakdown



Average into-plane fuel prices rose 27.9% year on year; Brent rising and crack spread widening



Fuel costs and KPI's	1H 2018	1H 2017	% Var
Group gross fuel cost (HK$m)	15,393	11,700	31.6%
Group fuel hedging losses (HK$m)	653	3,237	-79.8%
Group fuel cost (HK$m)	16,046	14,937	7.4%

Average calculated Airlines Brent price (US$/bbl)	$70.5	$54.1	30.4%
Average into-plane fuel price ex hedges (US$/bbl)	$88.0	$68.8	27.9%
Airlines Fuel consumption per mRTK (bbl)	1,840	1,888	-2.5%

Forward fuel hedging position

Fuel hedging coverage - CFH reserve at June 2018 a credit of HK$846m

Period	Fuel hedging cover	Average strike price (Brent, USD/Bbl)
3rd Quarter 2018	45.1%	80.41
4th Quarter 2018	45.2%	80.58
1st Quarter 2019	31.0%	67.84
2nd Quarter 2019	29.5%	69.68
3rd Quarter 2019	31.7%	60.58
4th Quarter 2019	25.4%	61.76
1st Quarter 2020	17.6%	63.50
2nd Quarter 2020	7.2%	67.18
3rd Quarter 2020	0.3%	68.66

Underlying costs per ATK (ex fuel) up 3.3%

As reported (HK$M):	2018	2017	% Var
Staff	**8,834**	8,736	+1.1%
Inflight service and passenger expenses	**2,625**	2,412	+8.8%
Landing, parking and route expenses	**8,472**	7,161	+18.3%
Aircraft maintenance	**4,490**	4,302	+4.4%
Depreciation, amortisation and operating leases	**7,257**	6,446	+12.6%
Net finance charges	**896**	693	+29.3%
Others (including commissions)	**3,459**	3,249	+6.5%
Total operating costs (without fuel)	**36,033**	32,999	+9.2%

Cost per ATK (without fuel)	**2.29**	2.17	+5.5%
Underlying * cost per ATK (without fuel)	**2.20**	2.13	+3.3%

* Underlying costs exclude exceptional items and are adjusted for the effect of foreign currency movements and adoption of HKFRS 15. Exceptional items include a HK$101 million gain on the disposal of CO_2 emissions credits (2017: provisions for a European Commission airfreight fine of Euros 57.12 million (equivalent to approximately HK$498 million) and redundancy costs of HK$224 million for the re-organisation of our head office).

Net benefits of a weaker US$ in the early part of the period have partially unwound (DXY Index)

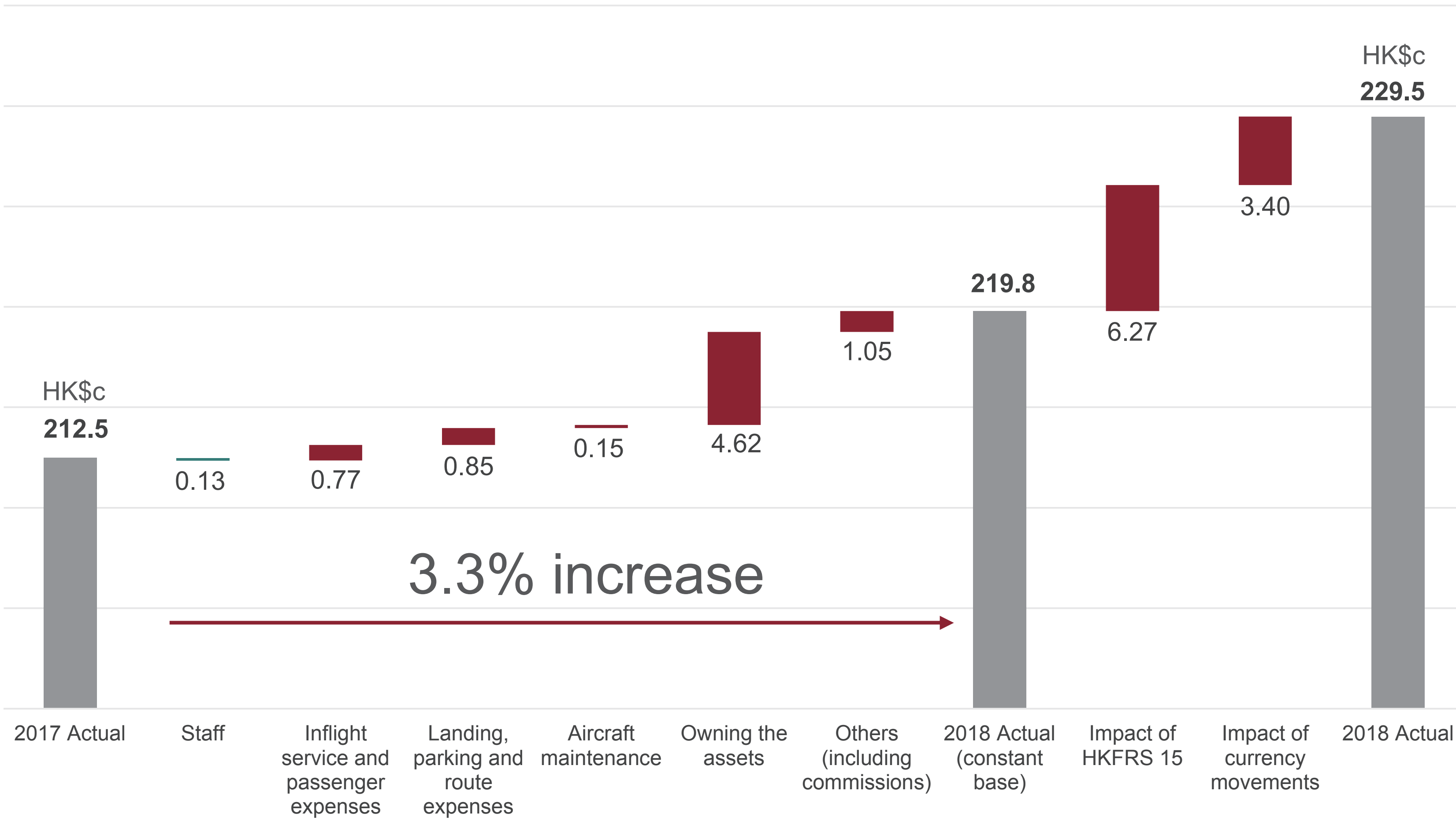
A weaker US$ has a beneficial impact on our revenues, but an adverse impact on cost

Airlines constant base adjustments

HK$ millions	Reported 2018	Exceptional	HKFRS15	Currency	Constant base 2018
Passenger & cargo services	46,728		(375)	(793)	45,560
Catering, recoveries and other services	4,299		(613)	(19)	3,667
Total revenue	**51,027**	**-**	**(988)**	**(812)**	**49,227**
				-	-
Staff	(8,834)			31	(8,803)
Inflight service and passenger expenses	(2,625)		(12)	16	(2,621)
Landing, parking and route expenses	(8,472)		761	154	(7,557)
Fuel, including hedging losses	(15,737)			2	(15,735)
Aircraft maintenance	(4,490)			6	(4,484)
Owning the assets	(8,153)			24	(8,129)
Others (including commissions)	(3,459)	(101)	239	304	(3,017)
Total operating expenses	**(51,770)**	**(101)**	**988**	**537**	**(50,346)**
Airlines profit before taxation	**(743)**	**(101)**	**-**	**(275)**	**(1,119)**

The exceptional item represents a HK$101 million gain on the disposal of EU CO2 emissions credits

Underlying cost per ATK without fuel (before exceptional items) movement



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

- Increase in material and staff costs more than offset an increase in revenue

ASIA MILES

- Membership exceeds ten million worldwide, increased business volume YOY

CPSL

- 3% increase in tonnage handled. Results impacted by higher volume of transit cargo and increased cost pressures

Associates

- Cathay Pacific has **18.13%** interest in 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 higher than the same period in 2017
- Traffic and revenue growth for both passenger and cargo, together with the benefits of a stronger RMB through the first quarter of 2018. This was partly offset by rising fuel costs

- 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
- Unrealised exchange losses on USD denominated loan and lease obligations more than offset the improved operating result

Operating performance

Other financials

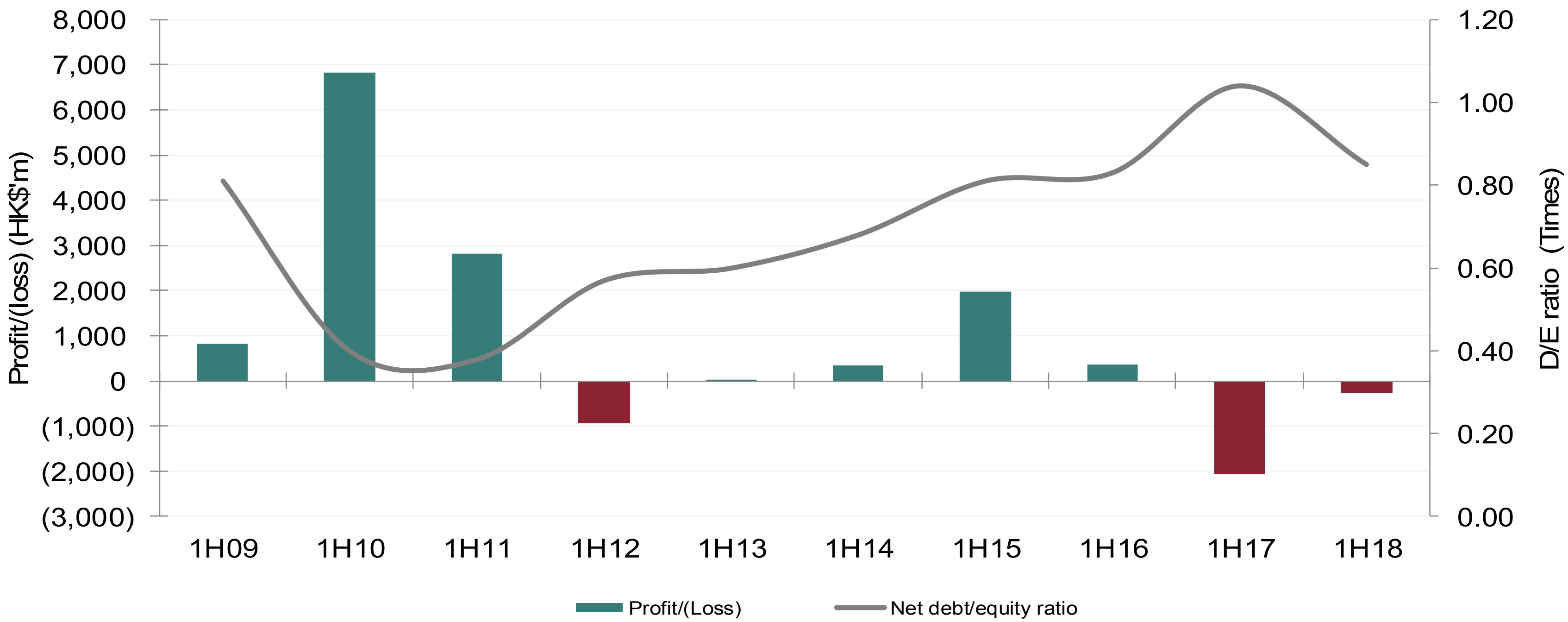
Strong group cash flow; capital employed steady and gearing reducing

Cash Flow	30 Jun 2018 HK$M	30 Jun 2017 HK$M	% Var
Net cash inflows from operating activities	8,493	2,786	+204.8%
Net cash outflows from investing activities*	(3,769)	(7,093)	-46.9%
Net cash inflow/(outflow) pre financing	**4,724**	**(4,307)**	**n/a**
Net (out)/in flows from financing activities	(8,486)	1,037	n/a

* Excluding movement in other liquid funds (non-cash & non-cash equivalents)

Balance Sheet	30 Jun 2018 HK$M	31 Dec 2017 HK$M	% Var
Shareholders' Funds	65,056	61,101	6.5%
Net Borrowings	55,272	59,300	-6.8%
Capital Employed (including non-controlling interests)	120,507	120,572	-0.1%
Net Debt/Equity Ratio	0.85	0.97	-0.12 times

1H Group profit/(loss) and net debt/equity ratio 10 year comparison



Group Profit Margin	1H 2009	1H 2010	1H 2011	1H 2012	1H 2013	1H 2014	1H 2015	1H 2016	1H 2017	1H 2018
%	2.6	16.5	6.0	(1.9)	0.1	0.7	3.9	0.8	(4.5)	(0.5)

Fleet Profile

CX & KA Fleet profile as at 30 June 2018

Aircraft type Includes parked aircraft	Owned	Finance Leased	Operating Leased	Total
A320-200	5	-	10	**15**
A321-200	2	-	6	**8**
A330-300	30	11	17	**58**
A350-900	16	4	2	**22**
A350-1000	1	-	-	**1**
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	**93**	**43**	**59**	**195**

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

Continued investment in more fuel-efficient fleet providing enhanced customer experience

- New modern aircraft deliveries.
  - 22 A350-900 aircraft are in service
  - Our first A350-1000 was delivered in June and a second aircraft delivered in July. We expect to receive six more deliveries by the end of 2018

- Retirement of older fleet types.
  - Three A330-300 aircraft were returned up to June 2018

In operation	Passenger	Freighter	Total
1 January 2018	176	20	196
New deliveries	1	-	1
Returned from AHK	-	1	1
Returned to lessors	(3)	-	(3)
30 June 2018	174	21	195

Fuel efficient forward deliveries

Scheduled new aircraft deliveries as at 30 June 2018

Aircraft type	2018	2019	2020	>2021	Total
A321NEO			9	23	32
A350-900		2	4		6
A350-1000	7*	4	3	5	19
777-9X				21	21
Total	**7***	**6**	**16**	**49**	78

** The second of the A350-1000s for 2018 was delivered in July*

Transformation Update

Growth-led transformation: the context

Market context

Structural challenges continue

- Capacity is growing to our key markets
- Direct flights are increasing
- Competition is improving
- Customer expectations are evolving

Economic context

Positive global economy but uncertainty increasing

- US$ strengthening, revenue pressure
- Greater geopolitical and trade uncertainty, impact on corporate & consumer sentiment
- HK$ strengthening

Progress in first half of 2018, building on strategic foundations laid in 2017…

Organisation change

- New HQ organisation fully embedded & greater synergies realised between KA / CX
- Outports and subsidiaries restructuring underway from mid-2018
- Centers of excellence driving expertise and efficiency
- Subsidiaries management restructuring

Digital Capability

- Rapid experimentation – 80+ proof of concepts undertaken
- AML Blockchain POC to improve customer experience
- 24 Core Digital Capabilities now prioritised and being delivered, e.g. Phase 2 of Integrated Operational Datahub & partnership with AWS to implement machine learning

Customer wins

- Enhanced Asia Miles program - 20% increase in redemption seat availability
- Disruption Management from Customer Mobile
- Enhanced Online Booking Management
- Dining and service enhancements in Long Haul Business Class

….with marked progress being realised across the strategic pillars…

Customer Centric

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

Operational Excellence

- Global Contact Centers overhaul underway (July 2018)
- New crew rostering system
- Operational review commencing
- Line Maintenance productivity drive outside of Hong Kong

High Performance

- “Serve to Lead”: front line experience for Senior Leaders
- Revamped service delivery training
- Modernised approach to Employee Reward
- 605 Lean practioners trained so far

…and drive towards continuous improvement

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

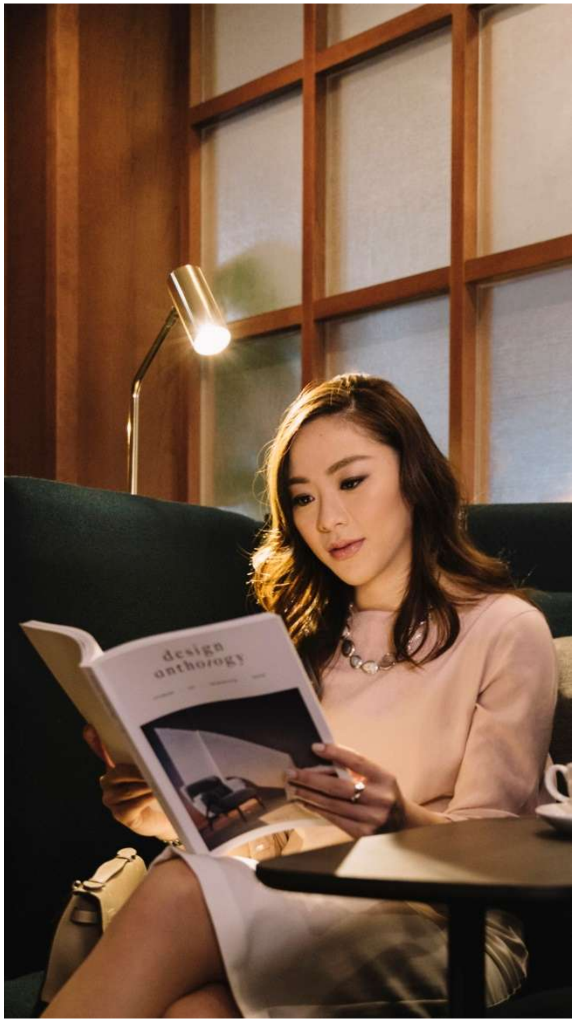
- 2,100 Lean practioners (yellow belt +)
- Digital and analytical capability being invested in
- Robotic process automation removes repetitive tasks, reducing costs and errors

Global Business Service

- GBS team established Q4 2017 and now has >70 people
- As processes are redesigned, transactional tasks will shift to GBS
- 20% reduction in employee cost realised to date

Outlook

Outlook



- The overall business environment is expected to remain challenging with the strength 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, but our hedging losses will reduce.
- Operational challenges and constraints will continue to impose costs on the Group.

But

- We expect the airlines 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.
- Our new fleet improves the customer experience, provides network optionality and reduces our fuel consumption.
- Transfomation programme remains on target to take us 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

HKFRS 9 & 15

IFRS 9

- IFRS9 changes the treatment and categorisation of financial assets previously classified as “available for sale’ with fair value gains and losses recognised through OCI (recycled to P&L on disposal). Under IFRS9, equity investments are classified as fair value through P&L, unless an irrevocable election on initial recognition is made for OCI (with no recycling).

IFRS15

- IFRS15 impacts the timing of revenue recognition and the presentation of revenue.
  - Timing: Brings forward the recognition of ticket breakage revenue according to the pattern of rights exercised by the customer
  - Presentation:
    - Gross up of revenue where we are deemed as the principal rather than agent
    - Alignment of revenue presentation with the underlying performance obligations

Impact of adoption of HKFRS 9 & 15

Opening retained profit reserve

- **IFRS15: +HK$631 million** on advance recognition of ticket breakage from unearned transportation revenue under HKFRS 15 (Airlines and Air China, net of tax)

- **IFRS9: +HK$725 million** net transfer from investment revaluation reserves upon classification of equity investments at fair value through P&L vs OCI under HKFRS 9 (Airlines and Air China)

In year profit or loss account reclassifications (IFRS15)

- **+HK$761 million** cargo handling revenue gross up and **HK$239 million** freightage revenue gross up (both to other revenue)

- **HK$350 million** and **HK$37 million** flight related ancillary income reclassified from other revenue to passenger services and cargo services respectively which are not considered distinct from the travel or carriage component

Brent prices