



Analyst Briefing 2022 Interim Results

10 August 2022

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Agenda



- Briefing highlights & responses to COVID-19
- Group financial highlights
- Operating performance
- Outlook
- Summary
- Q&A

Hosted by

- Rebecca Sharpe, Chief Financial Officer
- Ronald Lam, Chief Customer and Commercial Officer



Briefing highlights & responses to COVID-19

1H 2022 vs 1H 2021 at a glance



HK\$18.6bn

Revenue

HK\$15.9bn

HK\$(2.5)bn

Cathay Pacific plus
subsidiaries loss

HK\$(6.2)bn

HK\$(5.0)bn

Group attributable
loss

HK\$(7.6)bn

HK\$26.7bn

Available
unrestricted liquidity

HK\$32.8bn

0.74

Gearing
(pre HKFRS16)

0.82

Dynamic responses to COVID-19 challenges



1H 2022

Liquidity

- Extension of the drawdown period for the HK\$7.8bn HKSARG bridge loan facility until Jun 2023
- Operating cash generative towards the end of the period

Operating costs

- Total costs (without fuel)*: 1H 2022: HK\$16.1bn
- Cash preservation & cost optimisation initiatives continue

Capacity*

- Operated 4% of pre-pandemic passenger capacity
- Operated 32% of pre-pandemic cargo capacity
- Adjusted restrictions and quarantine rules enabled capacity to be progressively added back from May

Fleet

- Fleet:
Jun 2022: 228 aircraft (69 parked)
- 2 new aircraft deliveries and 8 lease returns

FY 2021

Liquidity

- Liquidity:
Jun 2021: HK\$32.8bn
Dec 2021: HK\$30.3bn
- Secured new funding from a range of capital markets
- Reduced monthly operating cash burn

Operating costs

- Total costs (without fuel)*:
1H 2021: HK\$17.7bn
2H 2021: HK\$20.0bn
- Cash preservation & cost optimisation initiatives
- Executive pay cuts and voluntary unpaid leave

Capacity*

- Operated 8% of pre-pandemic passenger capacity
- Eased quarantine rules enabled some capacity to be reactivated from May to Dec
- 2H 2021: 68% of pre-pandemic cargo capacity (vs 47% in 1H 2021)

Fleet

- Fleet:
Jun 2021: 238 aircraft (89 parked)
Dec 2021: 234 aircraft (74 parked)
- 9 aircraft deliveries and 14 lease returns

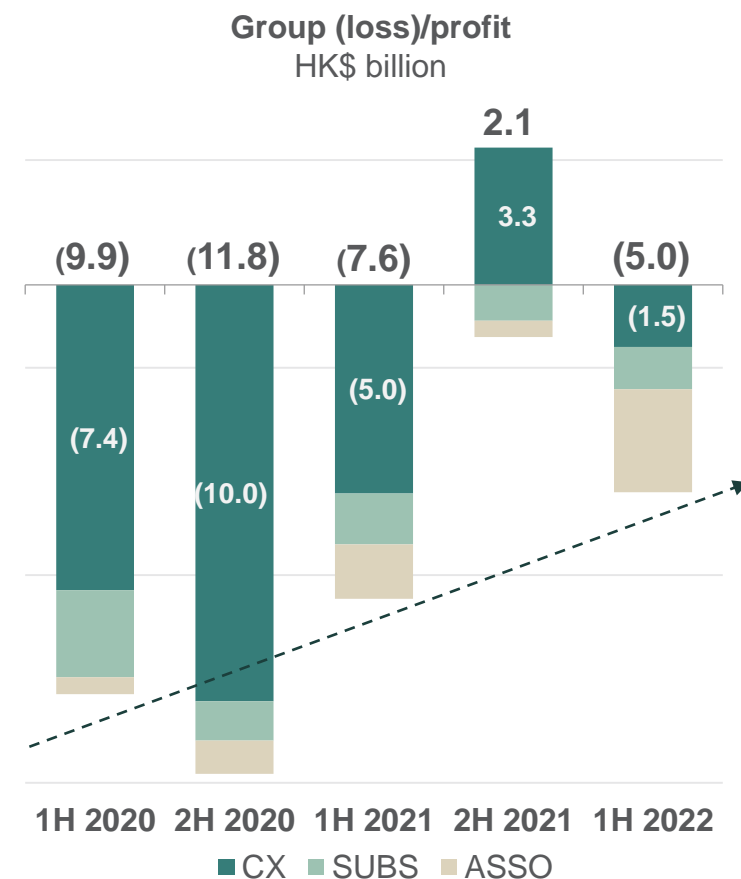


Group financial highlights

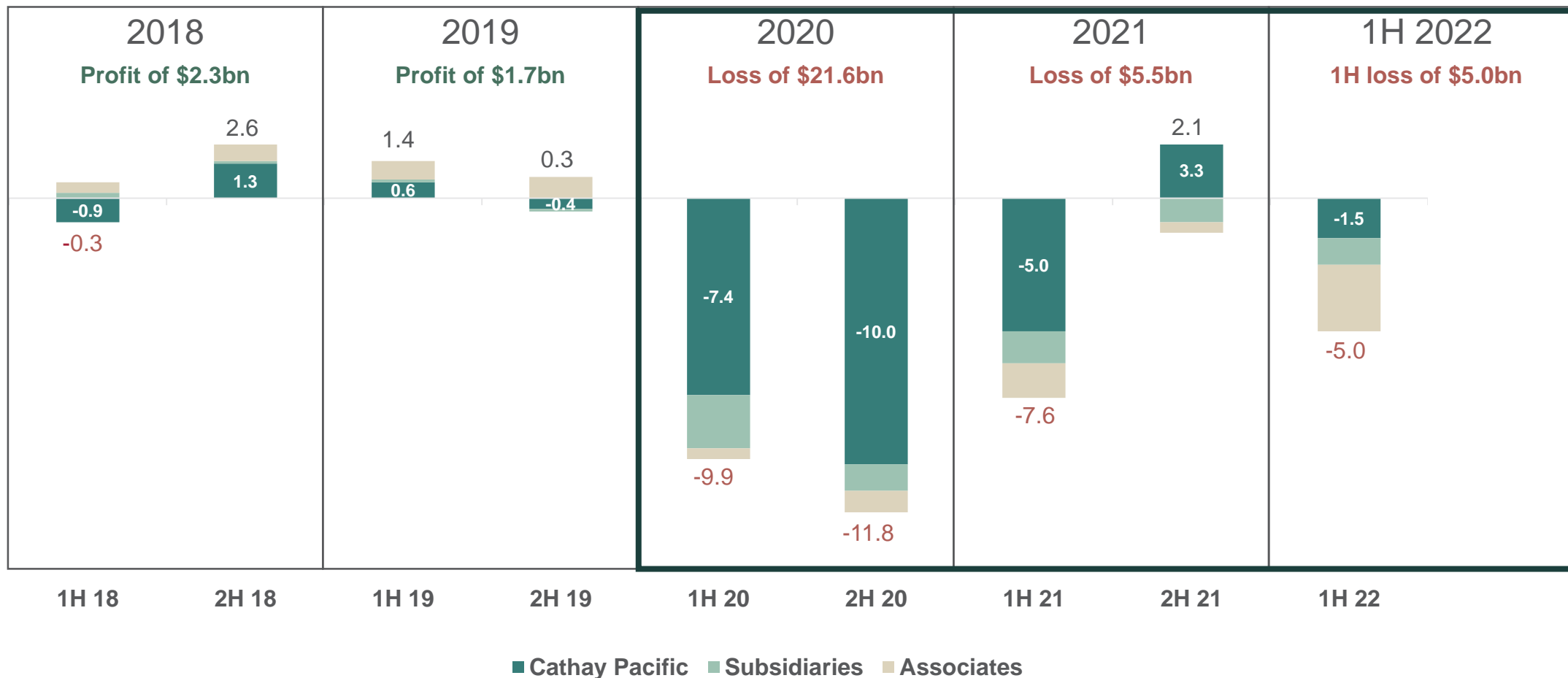
Improved first half result compared to 2020 and 2021



HK\$ million	2022 1H	2021 1H	2021 2H	2021 Full Year	2020 1H	2020 2H	2020 Full Year
Cathay Pacific's (loss)/profit after taxation	(1,501)	(5,031)	3,303	(1,728)	(7,361)	(10,032)	(17,393)
Share of losses from subsidiaries	(1,015)	(1,224)	(865)	(2,089)	(2,095)	(948)	(3,043)
Share of losses from associates	(2,483)	(1,310)	(400)	(1,710)	(409)	(803)	(1,212)
Group attributable (loss)/profit	(4,999)	(7,565)	2,038	(5,527)	(9,865)	(11,783)	(21,648)



Improved first half result compared to 2020 and 2021



Profit/Loss figures stated are attributable to the shareholders of Cathay Pacific (excludes non-controlling interests)

No impairment or restructuring charges were recognised 1H 2022



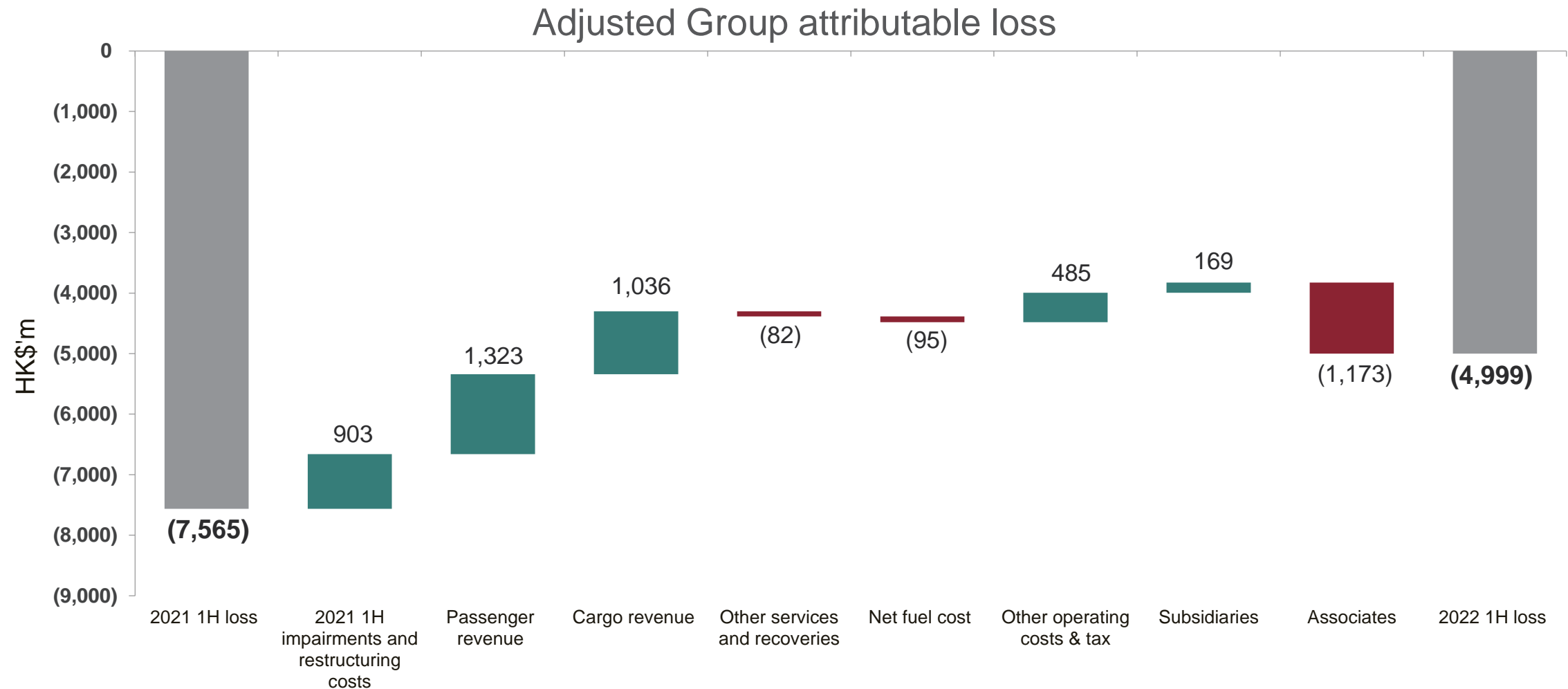
HK\$ million	1H 2022	1H 2021
Adjusted attributable result	(4,999)	(6,662)
Impairment and related charges – aircraft ⁽¹⁾	-	(460)
Impairment and related charges – subsidiary assets ⁽²⁾	-	(40)
Restructuring costs	-	(403)
Attributable result	(4,999)	(7,565)

Notes:

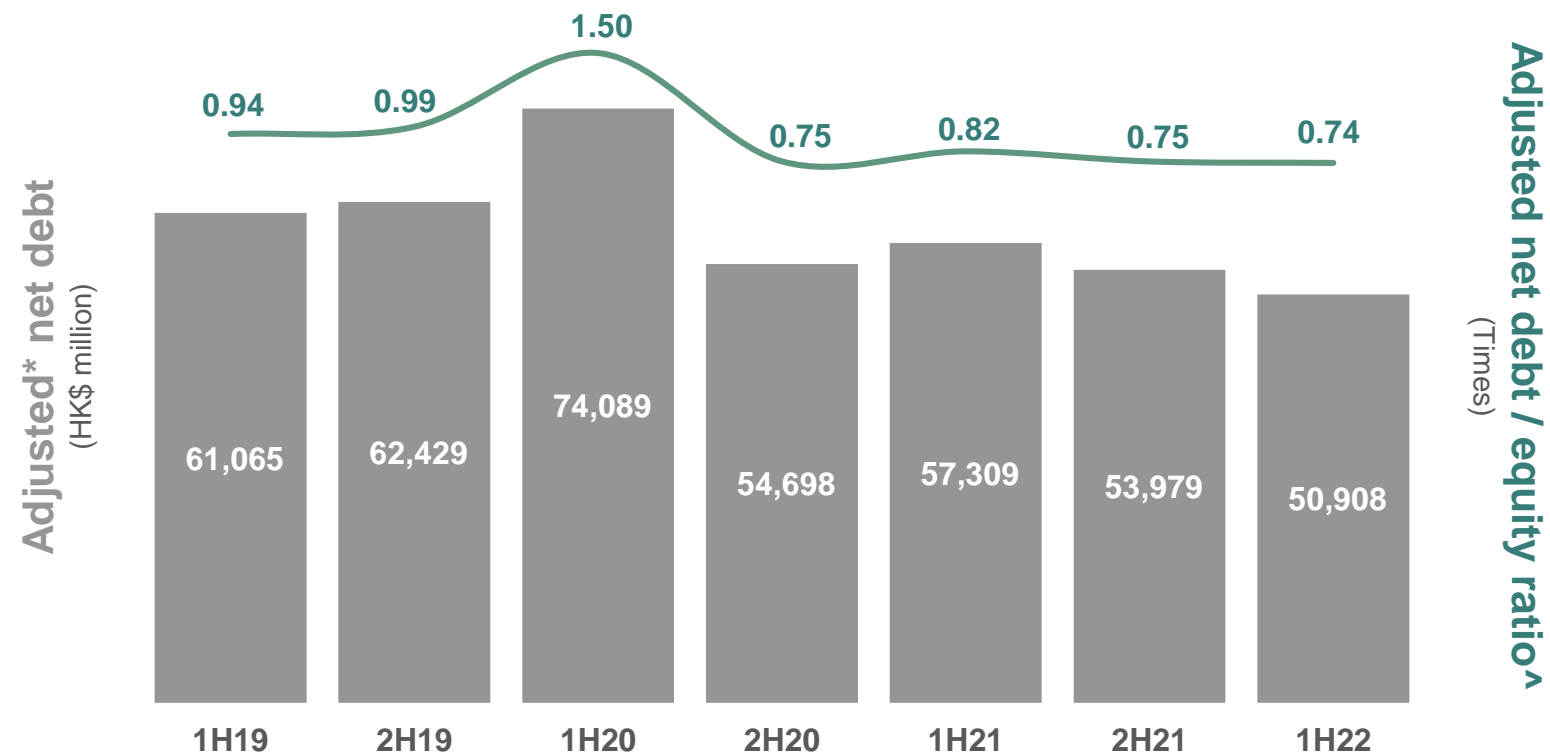
(1) Impairment and related charges – aircraft: 2021 included eight Cathay Pacific aircraft that were unlikely to re-enter meaningful economic service before they retire or are returned to lessors

(2) Impairment and related charges – subsidiary assets: 2021 included three HK Express aircraft that were unlikely to re-enter meaningful economic service before they retire or are returned to lessors

Passenger and cargo revenue improved significantly from 1H 2021



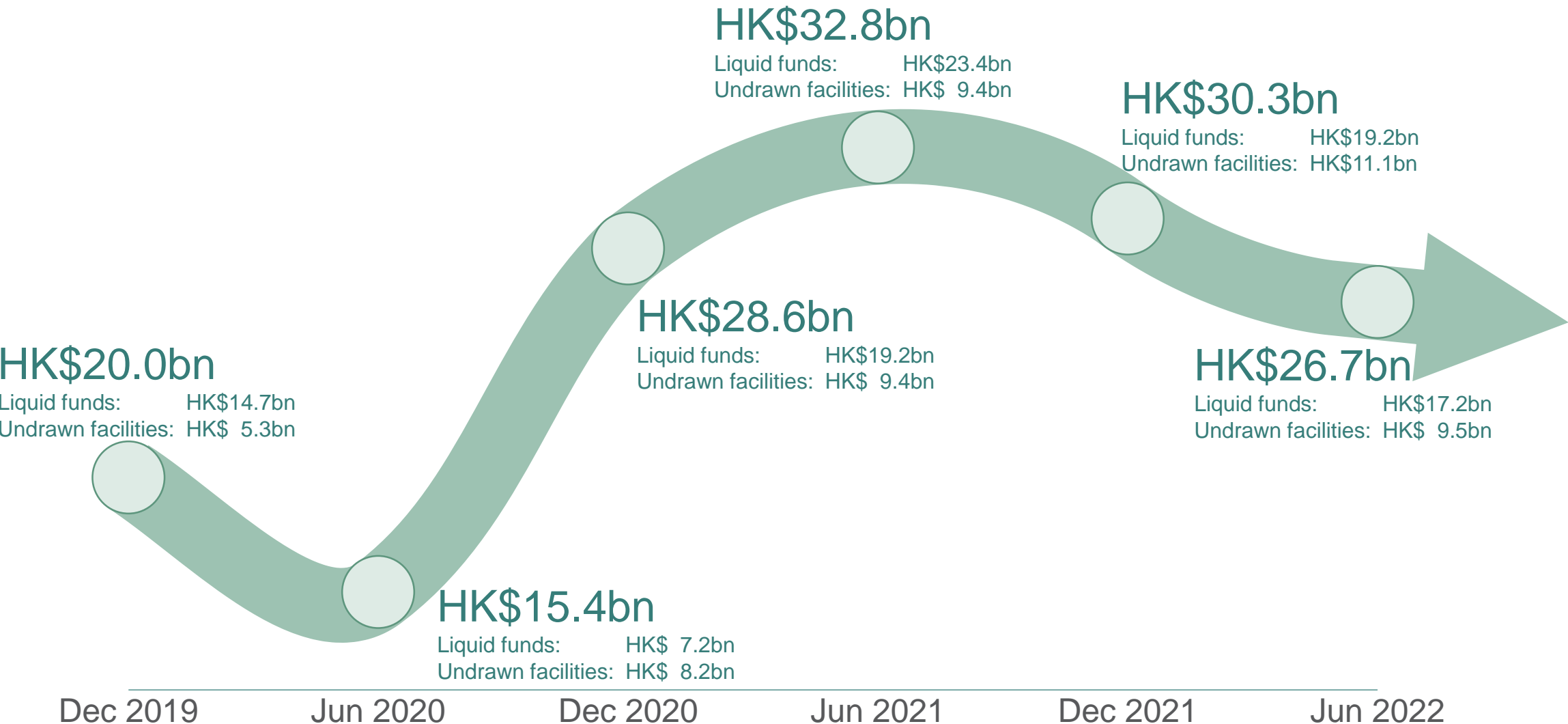
Adjusted net debt position



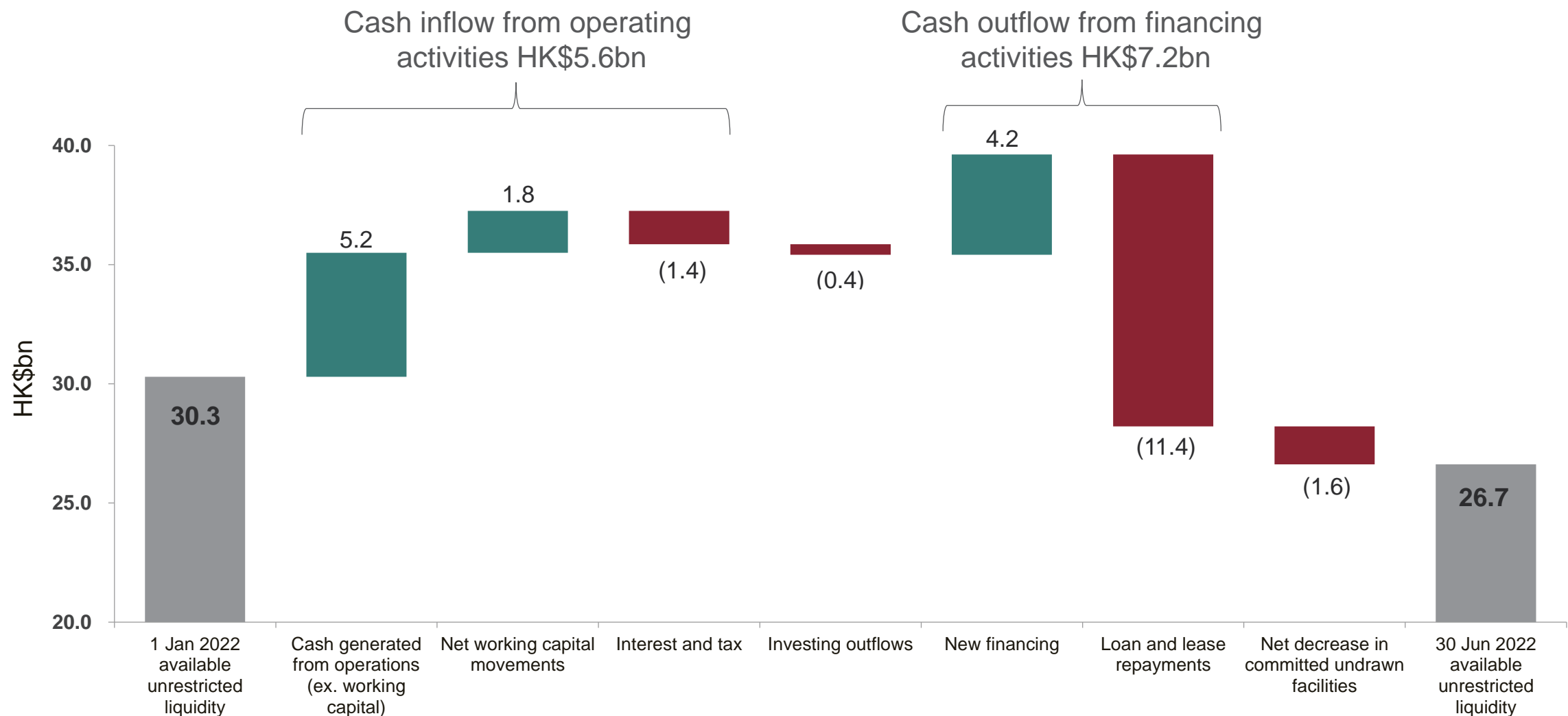
*: Adjusted net debt excludes operating lease liabilities

[^]: Adjusted net debt/ equity ratio and is calculated in line with debt covenants, which is set at a limit of 2.0 times

Continue to maintain an elevated liquidity position



Strong operating cash performance is supporting the liquidity position



Cathay Pacific commits to net-zero carbon emissions by 2050



- Launched Asia's first major Corporate Sustainable Aviation Fuel (SAF) Programme
- Introducing SAF at HK International Airport
- An important step towards our commitment to use 10% SAF by 2030



- Published our 2021 Sustainable Development Report, addressing:
 - Climate change;
 - Safety;
 - Sustainability in operations;
 - Biodiversity;
 - Diversity & inclusion;
 - Our people; and
 - Community



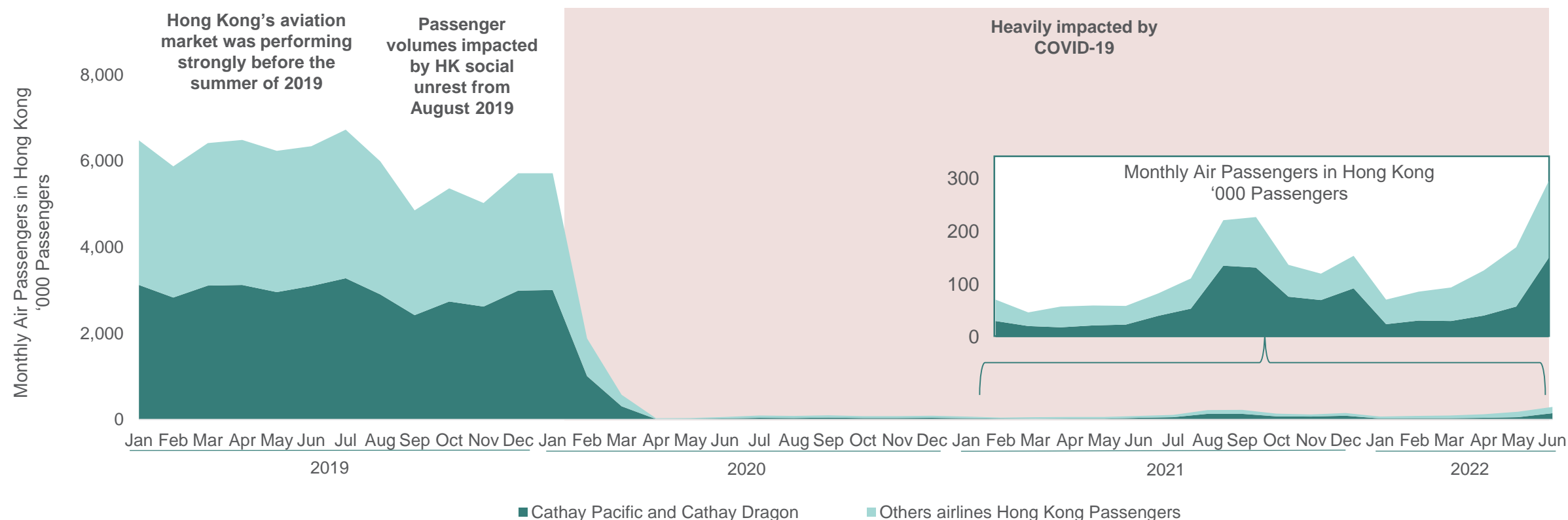
- Secured the first sustainability-linked aircraft financing in Asia-Pacific in June 2022 for a brand new Airbus A321neo aircraft



Travel and cargo businesses

Cathay Pacific

Hong Kong's aviation environment remains subdued, but the latest passenger numbers are encouraging



Sources: Hong Kong International Airport, Cathay Investor Relations

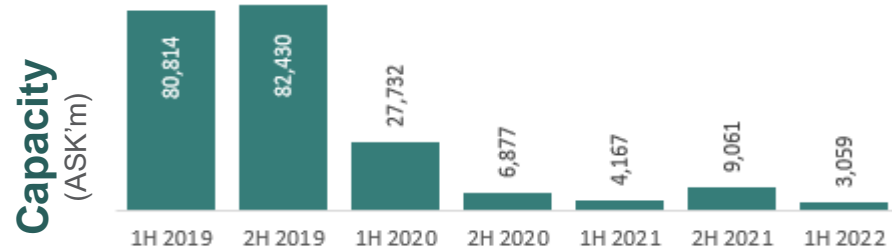
Revenue growth despite reduction in capacity



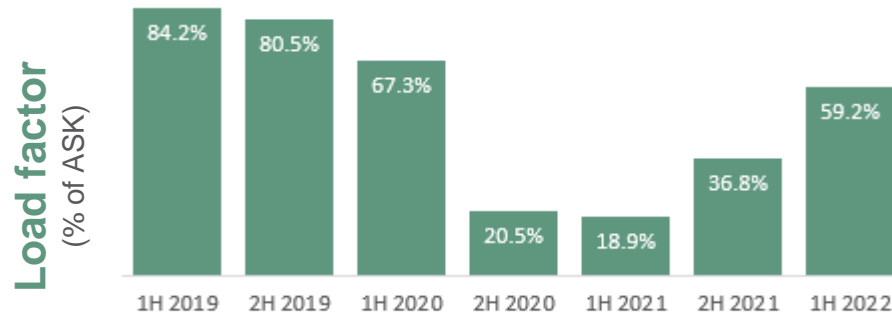
		1H 2022	1H 2021	% Var
Cathay Pacific passenger revenue	<i>HK\$ million</i>	2,068	745	+177.6%
Available seat kilometres (ASK)	<i>Million</i>	3,059	4,167	-26.6%
Revenue passenger kilometres (RPK)	<i>Million</i>	1,810	788	+129.7%
Revenue passengers carried	<i>'000</i>	335	157	+113.4%
Passenger load factor	<i>%</i>	59.2	18.9	+40.3%pt
Passenger yield	<i>HK cents</i>	114.3	94.5	+21.0%
Passenger revenue per ASK	<i>HK cents</i>	67.6	17.9	+277.7%

- Tightened restrictions intended to combat the virus in the first few months of 2022 significantly reduced our passenger flight capacity compared to the end of 2021 (and 1H 2021)
- Our passenger capacity averaged 4% of pre-pandemic levels for the 1H 2022, though resumed to 11% in June
- Passengers carried more than double that of 1H 2021

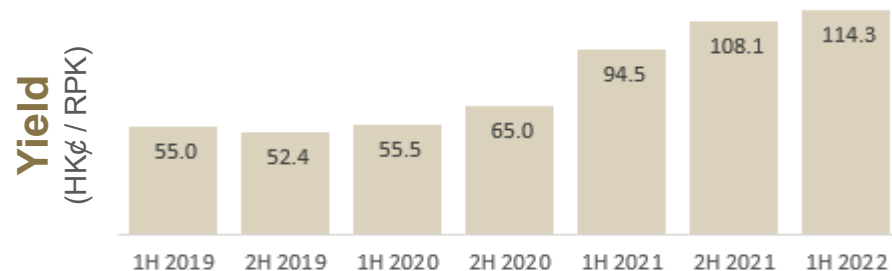
Stronger load factor and yield supported revenue performance



- Across 1H 2022 we operated 4% of pre-pandemic capacity, compared to 11% in 2H 2021, and 5% in 1H 2021



- Load factor gradually improved from 2H 2021 with pockets of demand within Asia and student travel



- With lower capacity, yields remained at elevated levels

Strong Cargo performance continued despite lower capacity



		1H 2022	1H 2021	% Var
Cathay Pacific cargo revenue	HK\$ million	12,148	11,112	+9.3%
Available cargo tonne kilometres (AFTK)	Million	2,801	4,058	-31.0%
Cargo revenue tonne kilometres (RFTK)	Million	2,123	3,301	-35.7%
Cargo carried	'000 tonnes	526	549	-4.2%
Cargo load factor	%	75.8	81.4	-5.6%pt
Cargo yield	HK\$	5.72	3.37	+69.7%
Cargo revenue per AFTK	HK\$	4.34	2.74	+58.4%

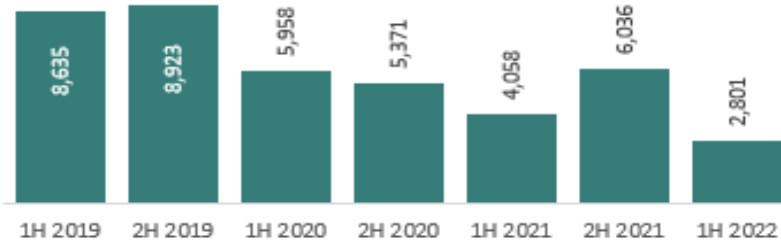
Additional cargo-carrying capacity created by:

Cargo-only
passenger flights

'Freighters'

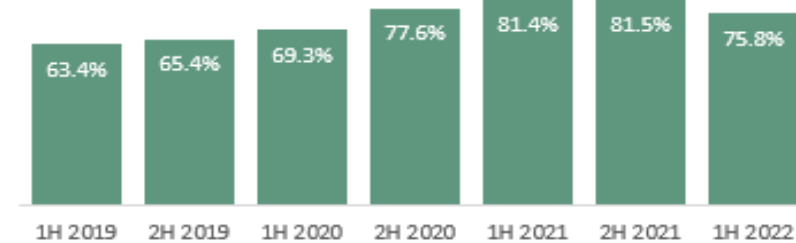
Constrained capacity and a regional focus supported very strong yields ➤

Capacity
(AFTK'm)



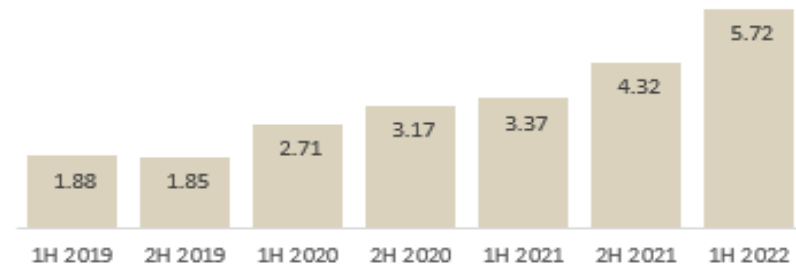
- Operated a reduced long-haul cargo schedule with limited long-haul freighter flights in 1H 2022, including suspending all freighter and cargo-only passenger flights for the first week of the year
- Cargo capacity constrained by limited passenger aircraft belly space

Load factor
(% of AFTK)



- High load factors maintained since 2H 2020

Yield
(HK\$ / RFTK)



- Yields remained at elevated levels



Operating costs

Cathay Pacific

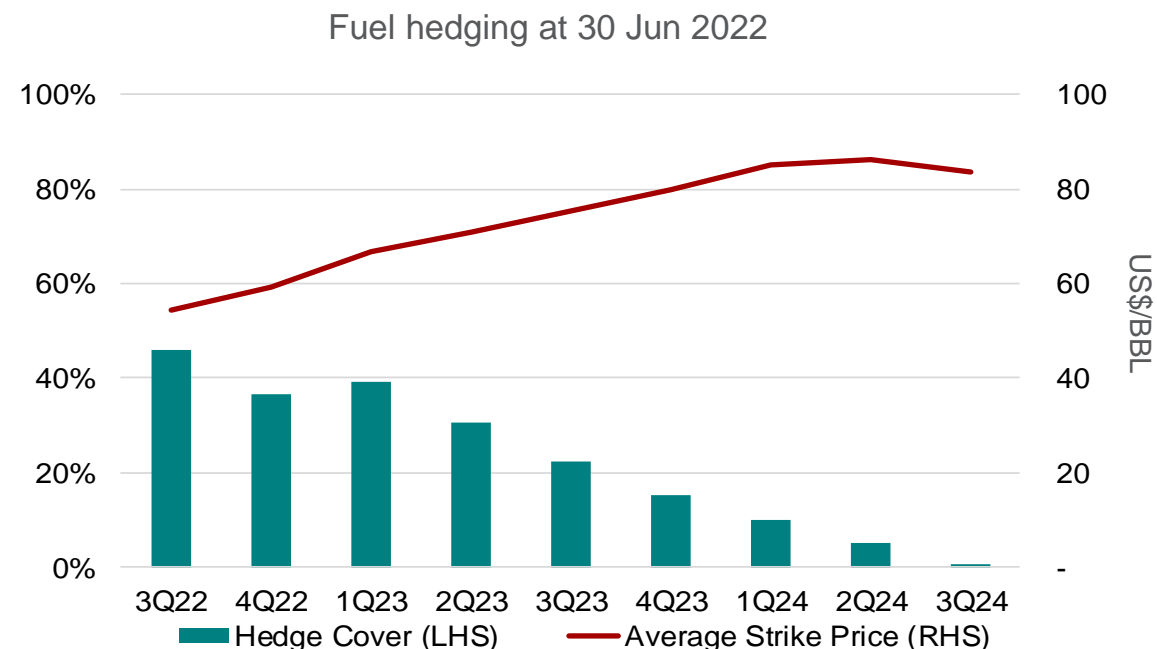
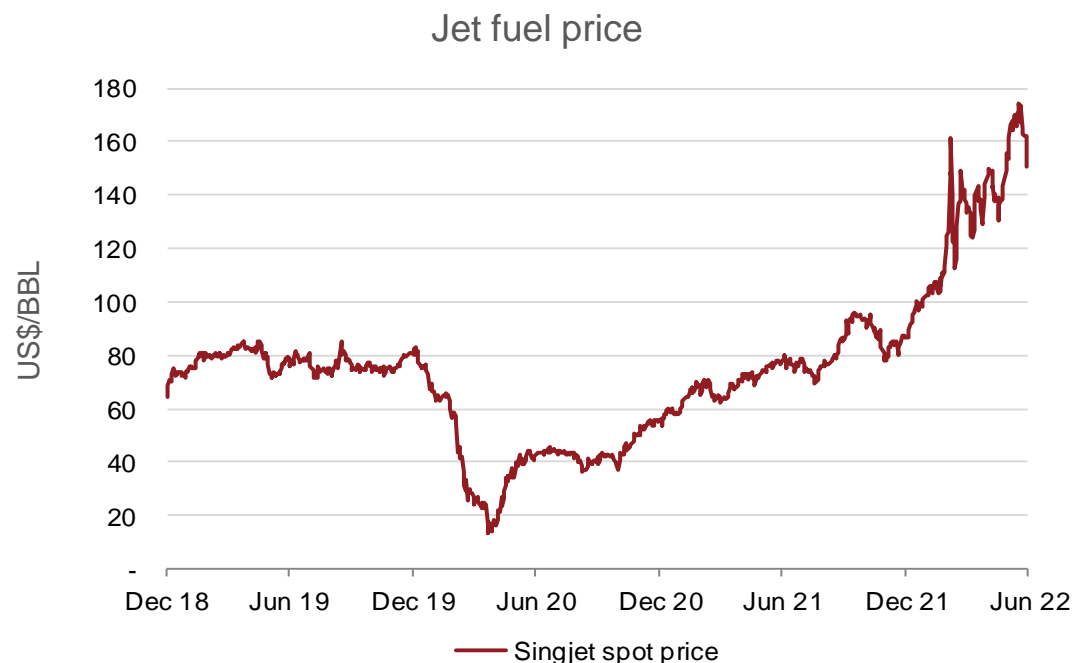
Further cost savings reflect capacity reductions and prudent cost management



HK\$ million	1H 2022	1H 2021	% Var
Staff	4,210	4,853	-13.2%
Inflight service and passenger expenses	166	140	+18.6%
Landing, parking and route expenses	2,091	2,080	+0.5%
Aircraft maintenance	1,093	1,451	-24.7%
Depreciation, amortisation and rentals	5,490	5,666	-3.1%
Net finance charges	966	947	+2.0%
Other items (including commissions)	2,040	1,738	+17.4%
Total underlying costs (without fuel)	16,056	16,875	-4.9%
Impairment and related charges	-	460	-100.0%
Restructuring costs	-	403	-100.0%
Total costs (without fuel)	16,056	17,738	-9.5%
Cost per ATK (without fuel)	5.19	3.98	+30.4%
Underlying* cost per ATK (without fuel)	5.19	3.79	+36.9%

* Underlying costs exclude impairment and related charges and restructuring costs. Please refer to announcement for details.

85% increase in into-plane fuel price was offset by capacity reductions and fuel hedging gains



Fuel costs		1H 2022	1H 2021	% Var
Group gross fuel cost	HK\$ million	4,618	2,937	57.2%
Group fuel hedging gains	HK\$ million	(1,988)	(625)	218.1%
Group fuel cost	HK\$ million	2,630	2,312	13.8%

CX Average into-plane fuel price ex hedging	US cents/AG	305.2	164.9	85.1%
CX Fuel consumption per million ATK	bbl	1,316	1,109	18.7%

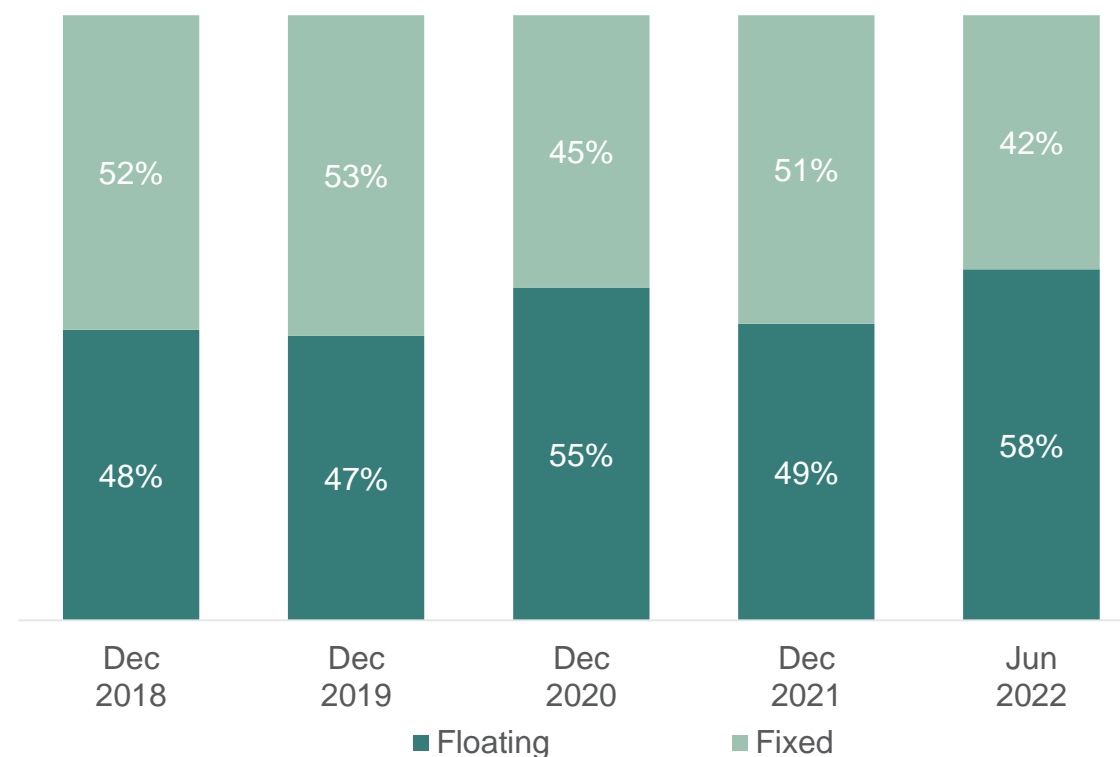
Financing charges and interest rate profile



Net financing charges (HK\$bn)

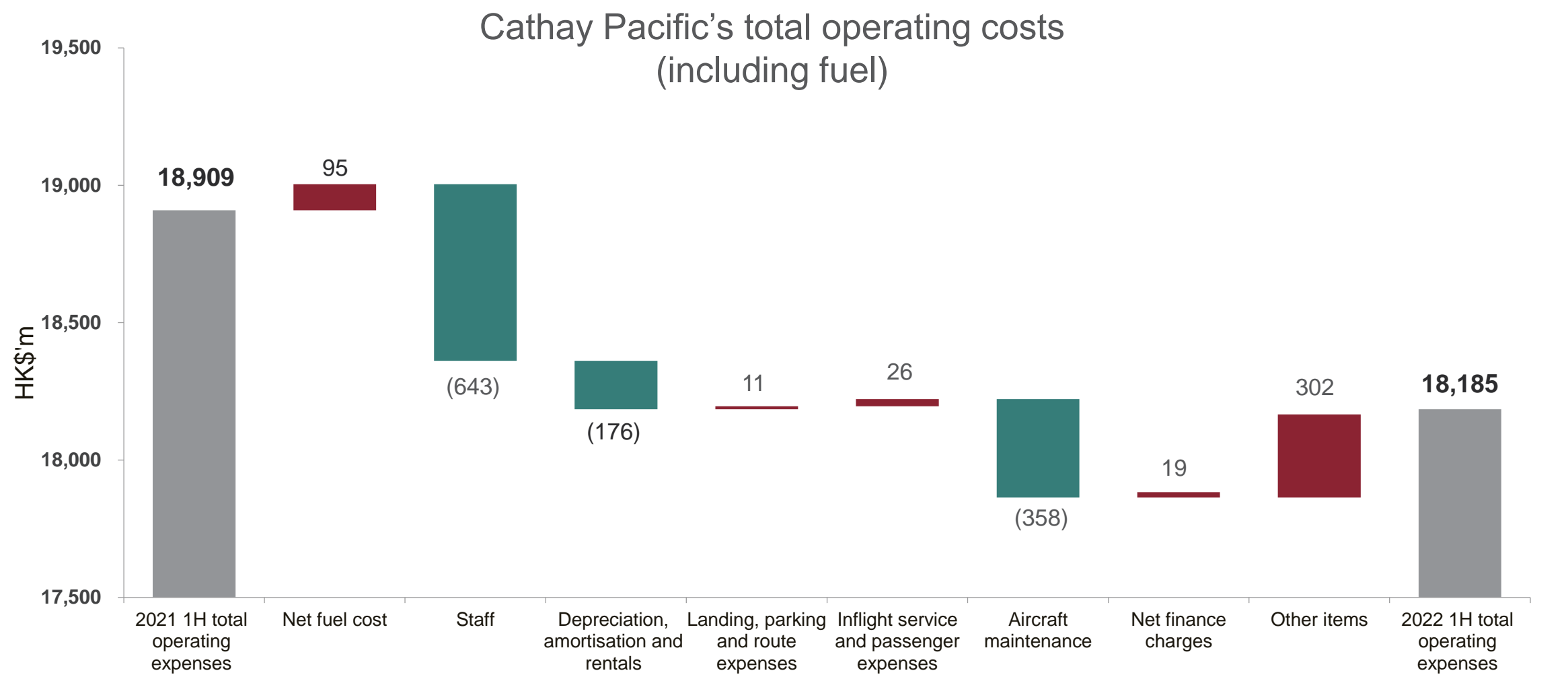


Interest rate profile: borrowings (after derivatives)



Includes outstanding loans and borrowings, lease liabilities, and interest rate swaps which are hedge accounted for

Reductions in operating costs





Subsidiaries and associates



Financial performance		1H 2022	1H 2021	% Var
Total Revenue	HK\$ million	34	10	+240.0%
Loss after taxation	HK\$ million	(824)	(976)	-15.6%
Operating statistics		1H 2022	1H 2021	% Var
Available seat kilometres (ASK)	Million	69	26	+165.4%
Revenue passenger kilometres (RPK)	Million	13	2	+550.0%
Passenger yield	HK cents	140.1	191.3	-26.8%
Cost per ASK (with fuel)	HK cents	1,163.9	3,663.6	-68.2%
Passenger load factor	%	18.5	6.9	+11.6%pt
Aircraft utilisation	Hours/ day	0.1	0.1	-
On-time performance	%	96.9	97.9	-1.0%pt
Average age of fleet	Years	5.2	5.1	+0.1 year

- HK Express reported a significant loss for 1H 2022
- Operated flights to Bangkok, Kaohsiung, Phuket, Singapore, Taipei and Tokyo

Other major subsidiaries



air Hongkong

Air Hong Kong's financial results improved compared with those of 1H 2021, despite reduced capacity (ATK) by 9.9% to 428m



Produced an average of 3,800 meals for 34 flights per day, an increase versus 1H 2021 of 52% and 36% respectively



Handled 0.56m tonnes of cargo, a decrease of 6% compared to 1H 2021



The number of flights handled by the ramp and passenger handling businesses increased 11% and 27% against 1H 2021



Processed 12m items (1H 2021: 13m), reflecting lower demand in the aviation industry

Major associates



- The Cathay Pacific Group has an 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. Consequently, our 1H 2022 results include Air China's results for the six months ended 31 March 2022
- Air China's financial results declined in the six months to 31 March 2022



- The Cathay Pacific Group owns an equity and an economic interest totaling 24%
- Our share of Air China Cargo's results is based on its financial statements drawn up three months in arrears. Consequently, our 1H 2022 results include Air China Cargo's results for the six months ended 31 March 2022



Outlook

Preparing for recovery



- Aircraft parked overseas are being gradually brought back to Hong Kong



- Cathay Pacific commenced a comprehensive recruitment plan to hire more than 4,000 front-line employees to meet the airline's operational needs over the next 18-24 months.



- Our subsidiaries including catering, cargo terminal and airport handling also plan to recruit several thousand additional new staff

Travel outlook



- Capacity will be progressively restored, we are targeting a quarter of pre-pandemic levels by the end of the year
- Further increase remains constrained by crew quarantine requirements
- As of June, 45 destinations have already been resumed, and target close to 60 by end of the year

Cargo outlook



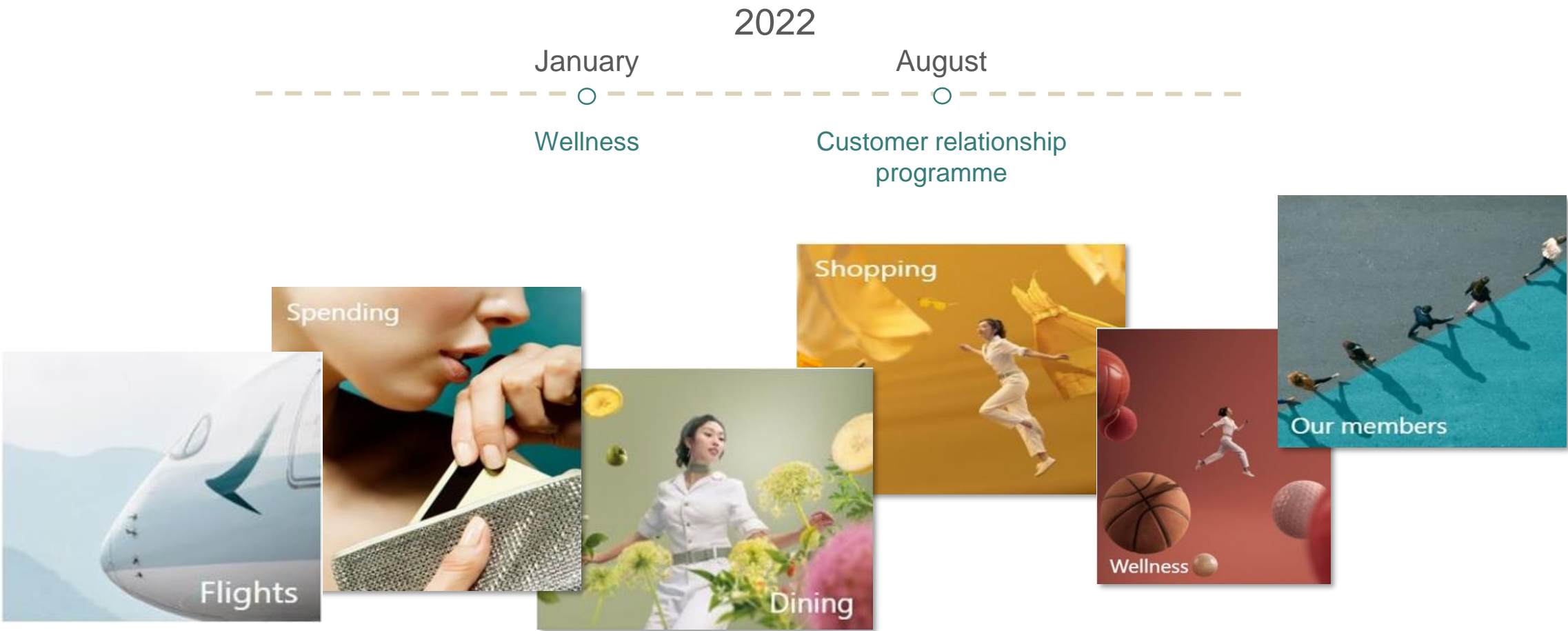
Capacity

- Quarantine requirement adjustments for freighter crews from May allowed the resumption of full freighter capacity in June
- Capacity will be further supplemented by increased passenger frequencies and cargo-only passenger flights
- Targeting 65% of pre-pandemic cargo capacity by the end of the year

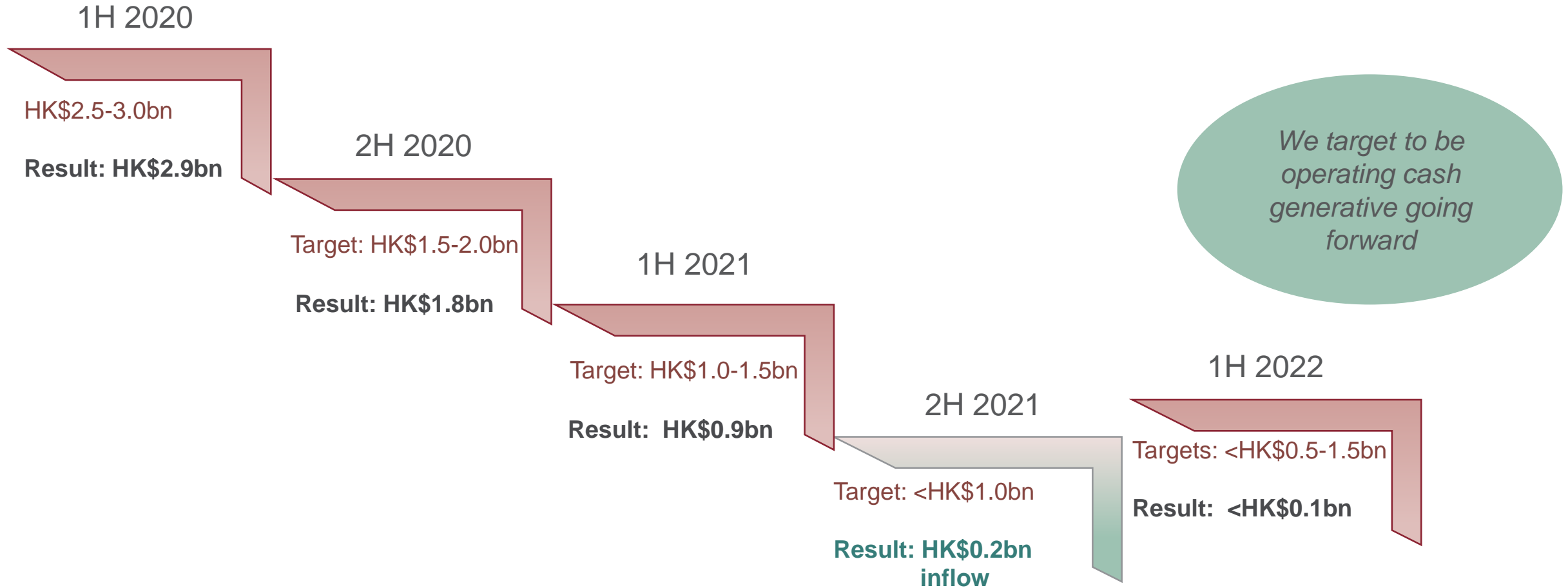
Demand

- Supply chain disruption continues to impact consistency of demand
- Solid peak season expected assuming minimal supply chain disruption

Lifestyle brand and experience



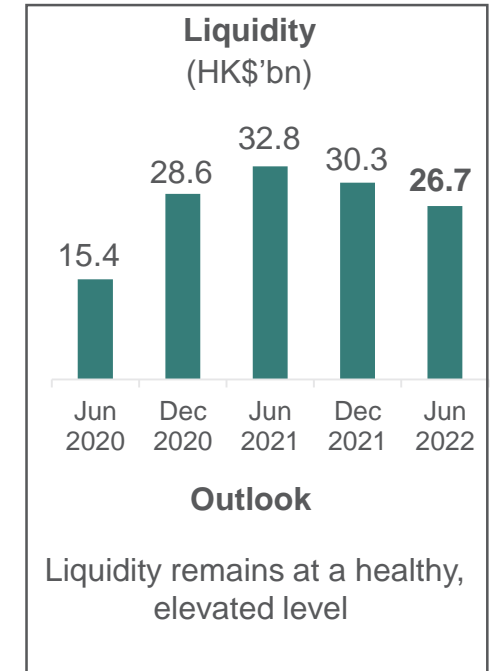
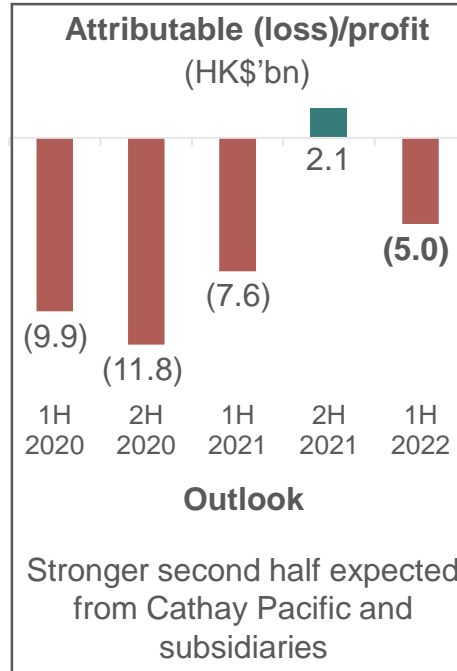
Cash performance was impacted by a difficult start to the year, but we were operating cash generative towards the end of the half





Summary

Summary



- We are confident that our airlines and our subsidiaries will see a stronger second-half than first-half performance, however results of associates will remain very challenging
- The recent commencement of flight operations on the Third Runway at HKIA gives us confidence and we are determined to play our part in the revival of a thriving Hong Kong aviation hub



Q&A

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

For queries, please email us at ir@cathaypacific.com

