



Analysts Briefing 2019 Annual Results

11th March 2020

Disclaimer



This document has been prepared by Cathay Pacific Airways Limited (“the “Company”, and together with its subsidiaries, the “Group”) solely for information purposes and certain information has not been independently verified. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the accuracy, fairness, completeness, reasonableness or correctness of the information or opinions presented herein or any verbal or written communication in connection with the contents contained herein. Neither the Company nor any of its affiliates, directors, officers, employees, agents, advisers or representatives shall have any responsibility or liability whatsoever, as a result of negligence, omission, error or otherwise, for any loss howsoever arising in relation to any information presented or contained in this document or otherwise arising in connection with this presentation. The information presented or contained in this document is subject to change without notice and shall only be considered current as of the date of this presentation.

This document may contain certain forward-looking statements that reflect the Company’s beliefs, plans or expectations about the future or future events. These forward-looking statements are based on a number of assumptions, current estimates and projections, and are therefore subject to inherit risks, uncertainties and other factors beyond the Company’s control. The actual results or outcomes of events may differ materially and/or adversely due to a number of factors, including changes in the economies and industries in which the Group operates (in particular in Hong Kong and Mainland China), macro-economic and geopolitical uncertainties, changes in the competitive environment, foreign exchange rates, interest rates and commodity prices, and the Group’s ability to identify and manage risks to which it is subject. Nothing contained in these forward-looking statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.

This document is for information purposes only and does not constitute or form any part of, and should not be construed as, an invitation or offer to acquire, purchase or subscribe for securities nor is it calculated to invite any such offer or invitation, whether in Hong Kong, the United States, or elsewhere.

This document does not constitute, and should not be construed as, any recommendation or form the basis for any investment decisions regarding any securities of the Company. Potential investors and shareholders of the Company should exercise caution when investing in or dealing in the securities of the Company

Agenda



- **Briefing highlights**
- **2019 Group Performance**
- **Operating Performance**
 - Cathay Passenger Services
 - Cathay Cargo Services
 - Cathay Operating costs
 - Subsidiaries and Associates
- **Group Financial Position**
- **Transformation Update**
- **COVID-19 Update**
- **2020 Outlook**
- **Q&A**

Hosted by:

- Martin Murray, Chief Financial Officer
- Ronald Lam, Chief Customer and Commercial Officer



Briefing highlights

2019 performance summary and 2020 outlook



2019 performance impacted by trade tensions and HK social unrest

- HY1 2019 saw impact of US-China trade tensions on cargo and USD strength.
- Slowing global growth impacted passenger travel.
- Situation exacerbated significantly by HK social unrest in HY2 2019. Quick company response to cut capacity from October.
- Transformation Programme helped make company more resilient to new challenges.
- Acquisition of low-cost carrier HK Express completed in July.

Outlook for 2020 uncertain and challenging due to COVID-19

- Challenges in 2019 compounded by onset of COVID-19 in Q1 2020 with passenger numbers collapsing.
- Management fast and agile in response, enacting additional capacity cuts.
- Outlook remains highly uncertain, however, company enters the crisis with relatively strong liquidity and gearing positions.
- Substantial losses projected for HY1 2020.

Financial performance down in 2019 for both passenger and cargo



Group Financial Statistics		2019	2018	Change
Group Revenue	HK\$m	106,973	111,060	-3.7%
Cathay Pacific and Cathay Dragon's profit after taxation	HK\$m	241	384	-37.2%
Group attributable profit	HK\$m	1,691	2,345	-27.9%

Operating Statistics – Cathay Pacific & Cathay Dragon		2019	2018	Change
Available tonne kilometres (ATK)	million	33,077	32,387	+2.1%
Available seat kilometres (ASK)	million	163,244	155,362	+5.1%
Available cargo & mail tonne kilometres (AFTK)	million	17,558	17,616	-0.3%
Passenger yield	HK¢	53.6	55.8	-3.9%
Cargo yield	HK\$	1.87	2.03	-7.9%
Cost per ATK (with fuel)	HK\$	3.06	3.27	-6.4%
Cost per ATK (without fuel)	HK\$	2.19	2.25	-2.7%
Underlying* cost per ATK (without fuel)	HK\$	2.22	2.24	-0.9%

* Excludes exceptional items and non-recurring item, as well as adjusted for the effect of foreign currency movements and adoption of HKFRS 16

Confidential and Proprietary Information

© Cathay Pacific Airways Limited and its subsidiaries

Financial position and cash flows (Pre HKFRS '16)



Cash Flow	31 Dec 2019 HK\$M (Pre HKFRS 16)	31 Dec 2018 HK\$M	% Var (Pre HKFRS 16)
Net cash inflow from operating activities	11,641	14,525	-19.9%
Net cash outflow from investing activities*	(11,604)	(8,632)	+34.4%
Net cash inflow pre financing	37	5,893	n/a
Net cash inflow/(outflow) from financing activities	1,232	(5,122)	+124.1%

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

Balance Sheet

Shareholders' Funds	65,264	63,936	+2.1%
Net Borrowings	62,429	58,581	+6.6%
Capital Employed (including non-controlling interests)	127,696	122,520	+4.2%

Liquidity metrics

Available unrestricted liquidity to the Group	20,011	19,830	+0.9%
Net Debt/Equity Ratio	0.96	0.92	+0.04 times



2019 Group Performance

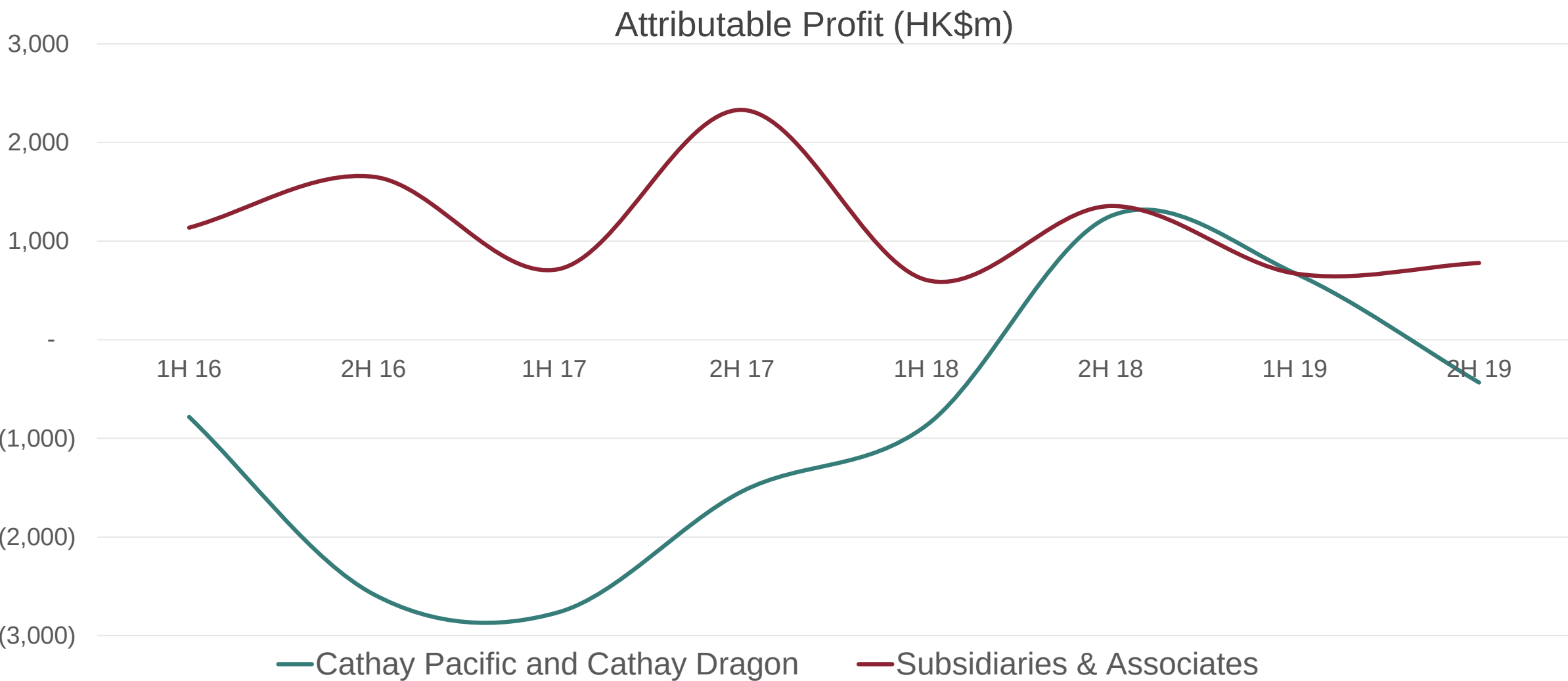
Profit impacted by trade tensions and HK social unrest



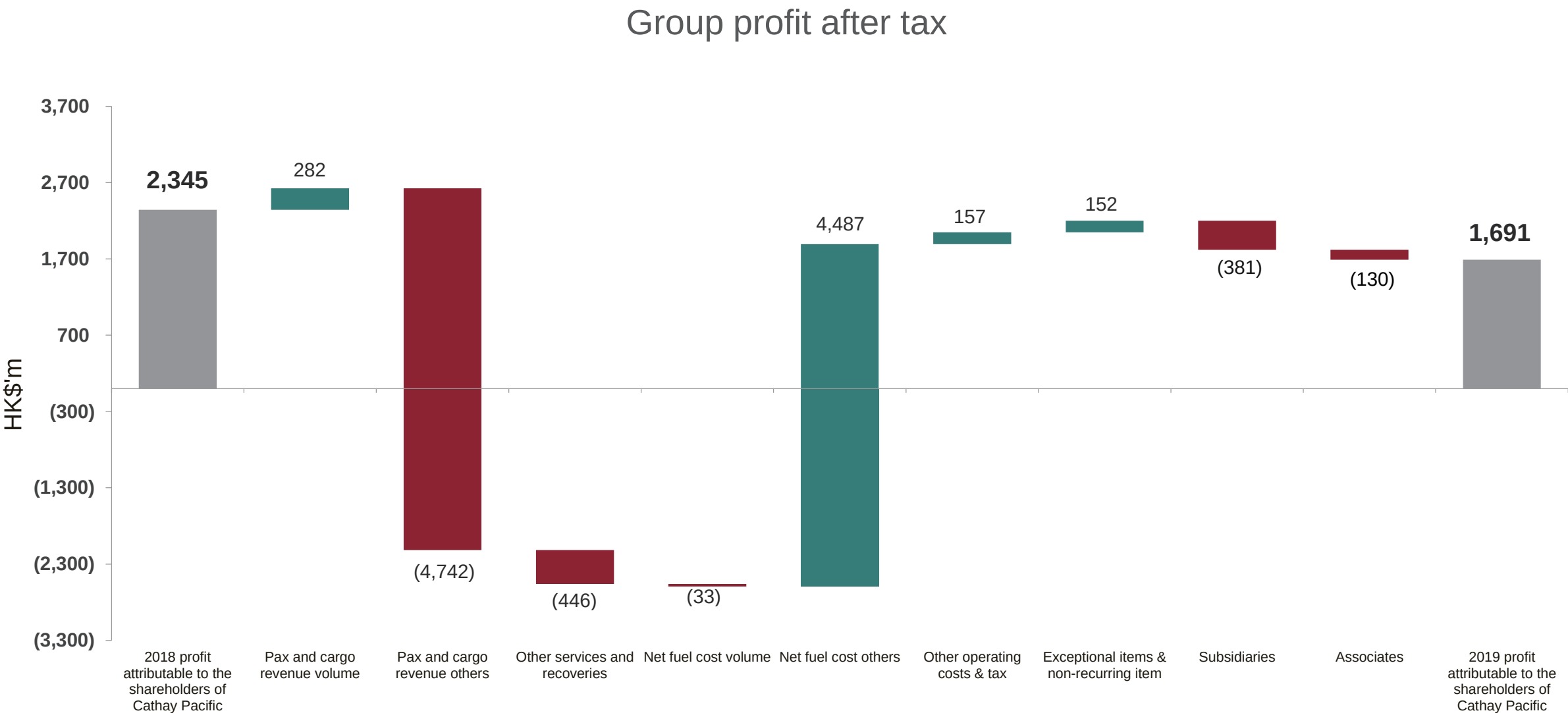
HK\$ million	2019	2018	% change
Cathay Pacific and Cathay Dragon's profit before taxation	505	537	-6.0%
Taxation	(264)	(153)	+72.5%
Cathay Pacific and Cathay Dragon's profit after taxation	241	384	-37.2%
Share of (losses)/profits from subsidiaries	(38)	343	-111.1%
Share of profits from associates	1,488	1,618	-8.0%
Group attributable profit	1,691	2,345	-27.9%

- Positive momentum initially carried through from HY2 2018, however, US-China trade tension constrained cargo volumes and led to yield declines.
- Slowing global growth negatively impacted passenger travel sentiment and was exacerbated by the onset of HK social unrest through HY2 2019 which led to sharp drop in inbound passenger traffic. In response we cut capacity from October.

Second-half results are traditionally stronger than first-half but fell well below expected levels



Attributable profit drop in 2019 due to fall in passenger and cargo revenue





Operating performance

CX & KA Passenger Services

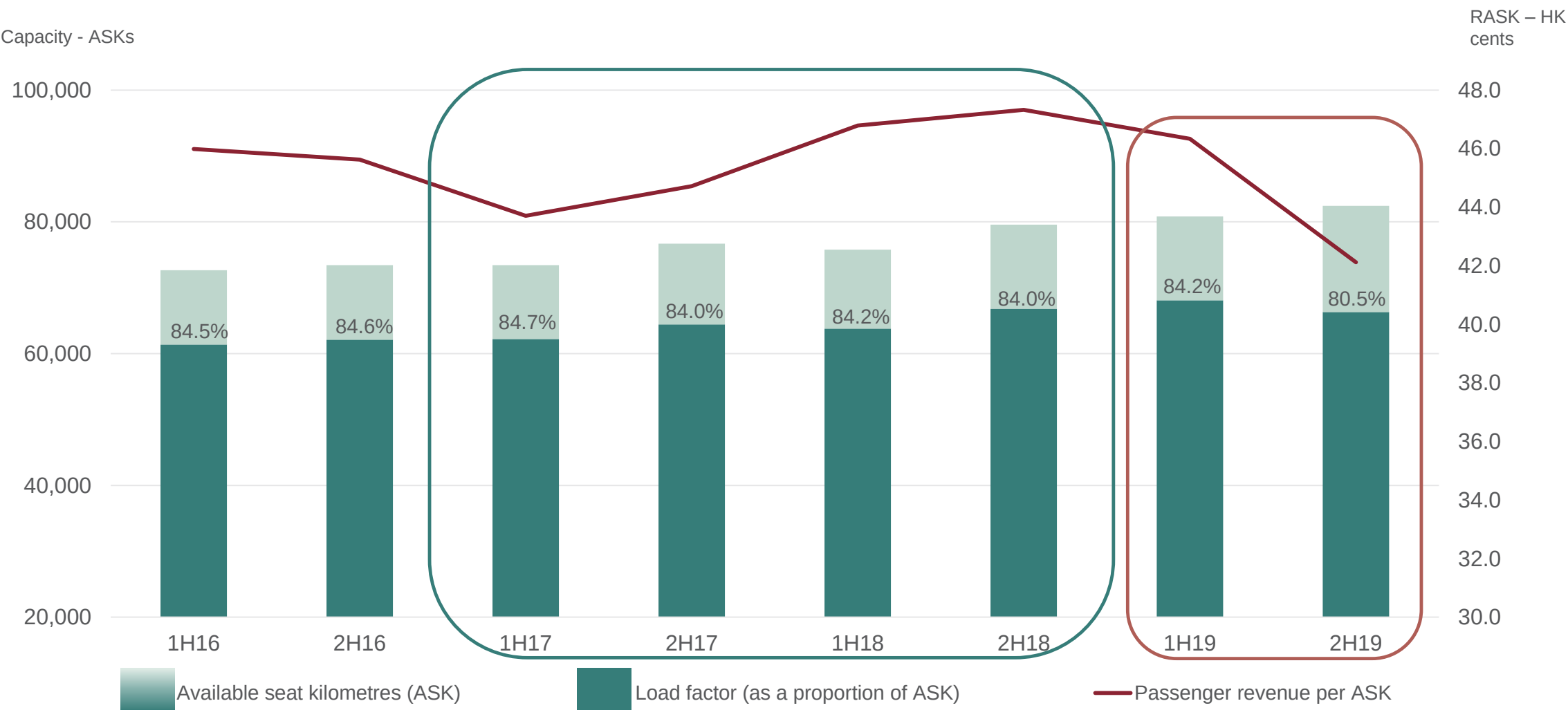
Capacity increase outstripped demand due to slowing economy and HK social unrest



		2019	2018	% Var
Available seat kilometres (ASK)	Million	163,244	155,362	+5.1%
Revenue passenger kilometres (RPK)	Million	134,397	130,630	+2.9%
Revenue Passengers carried	'000	35,233	35,468	-0.7%
Passenger load factor	%	82.3	84.1	-1.8%pt
Passenger revenue	HK\$ million	72,168	73,119	-1.3%
Passenger yield	HK cents	53.6	55.8	-3.9%
Passenger Revenue per ASK	HK cents	44.2	47.1	-6.2%

- Yield decreased by 3.9% to HK53.6 cents, reflecting a strong US dollar, intense competition and reduced travel in the second half of 2019 as a result of the social unrest in Hong Kong.
- Inbound and outbound traffic, particularly on short-haul Mainland China routes, substantially reduced from August to December. We became increasingly reliant on low-yielding transit traffic.
- RPK traffic increased by 2.9%, while ASK capacity increased by 5.1%, albeit this was less than originally expected as frequency cuts were made for the winter season in response to weakened travel sentiment.

Revenue efficiency gains dropped significantly in HY2 2019



Capacity growth in long haul due to full year effect of 2018 expansion and B777 new economy seating



YTD December 2019 statistics

Americas

ASK: **+8.1%**
LF: **-3.6%pts**
Yield: **-5.0%**

Europe

ASK: **+8.1%**
LF: **-0.2%pts**
Yield: **-5.9%**

South Asia, Middle East, and Africa

ASK: **+6.6%**
LF: **-0.1%pts**
Yield: **+0.2%**

Southeast Asia

ASK: **+2.7%**
LF: **-1.9%pt**
Yield: **-1.7%**

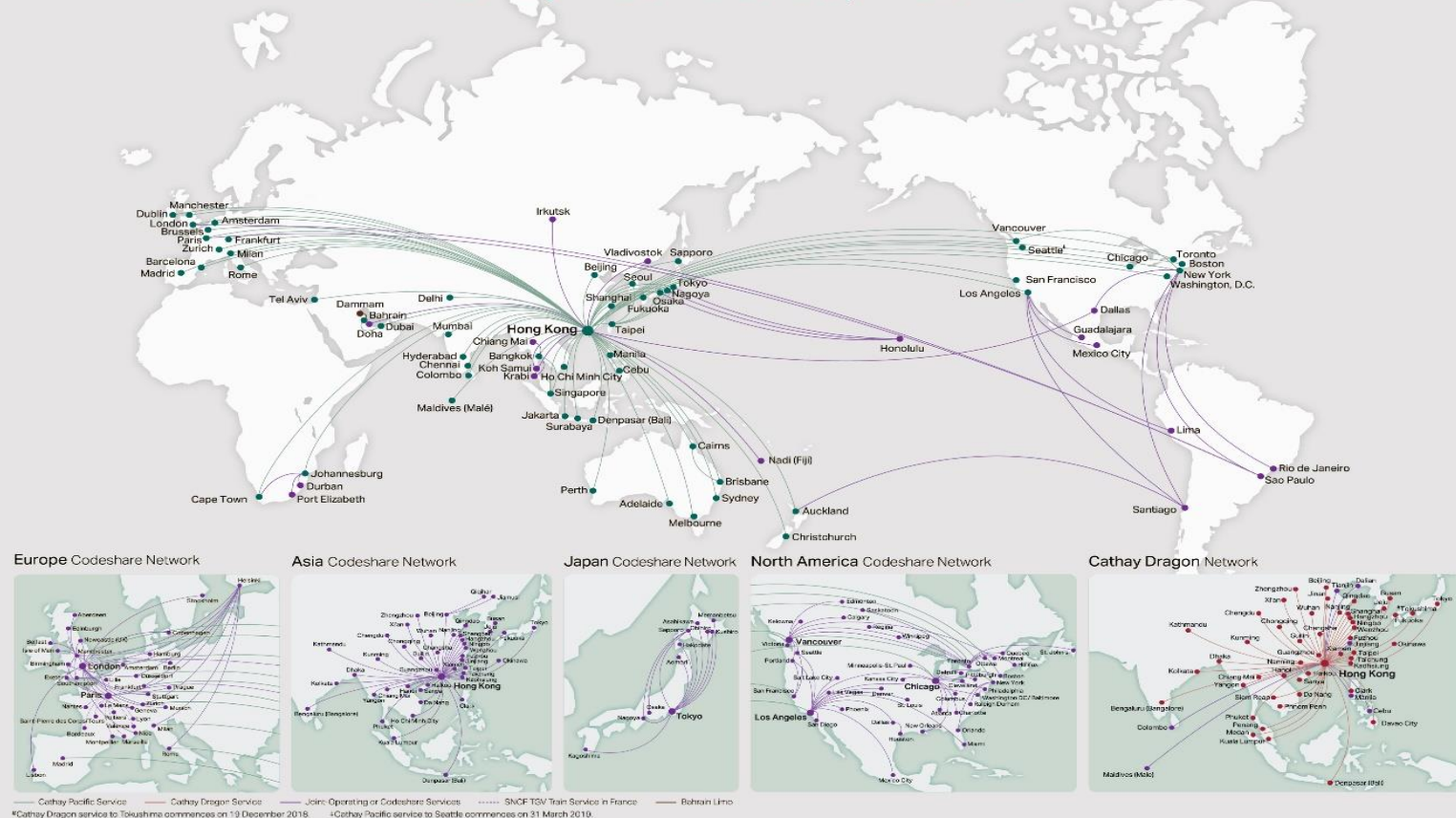
Southwest Pacific

ASK: **+1.6%**
LF: **+2.2%pt**
Yield: **-3.0%**

North Asia

ASK: **+1.2%**
LF: **-4.1%pts**
Yield: **-1.9%**

Cathay Pacific Group Network





Operating performance

CX & KA Cargo Services

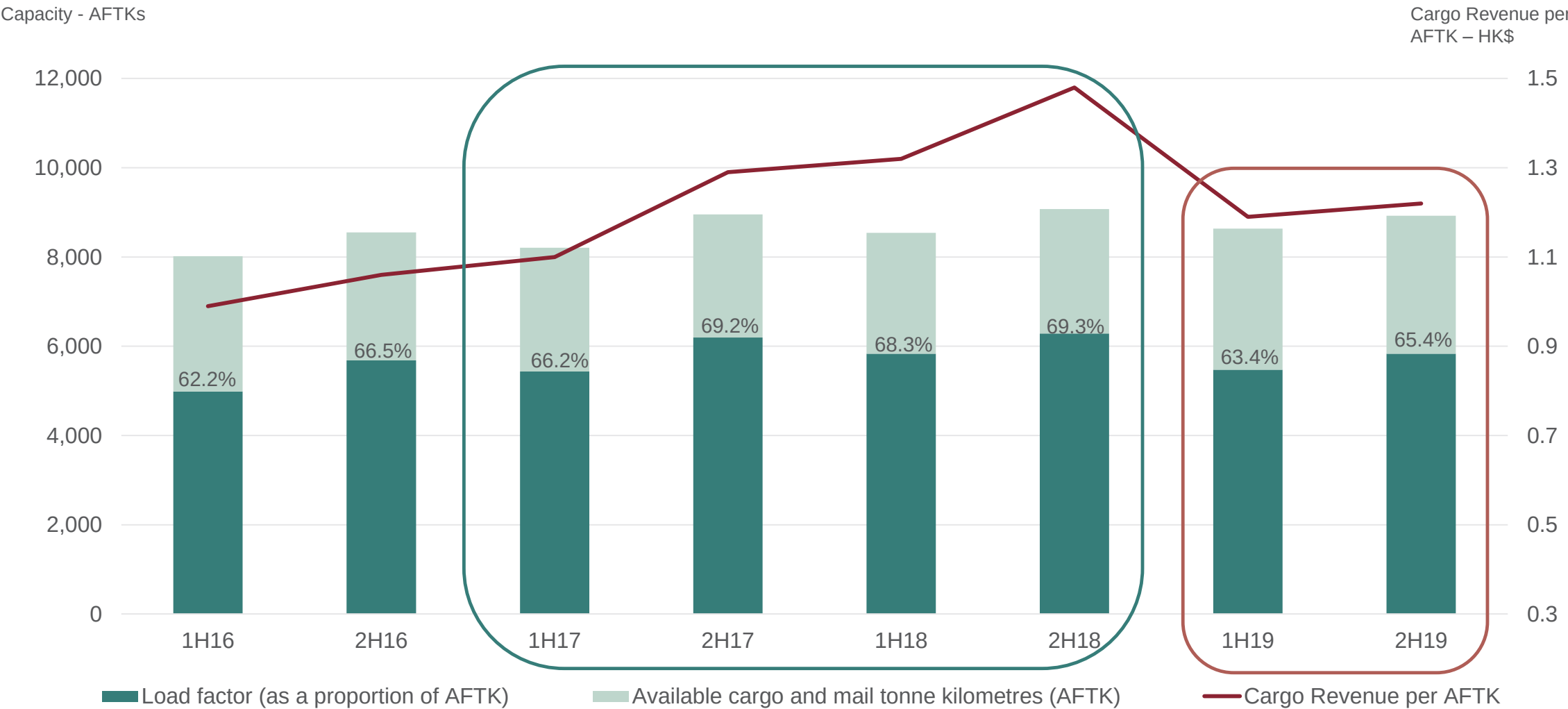
Cargo market weakened as a result of geopolitical tensions



		2019	2018	% Var
Cargo revenue	HK\$ million	21,154	24,663	-14.2%
Available Cargo Tonne Kilometres (AFTK)	Million	17,558	17,616	-0.3%
Cargo RFTK	Million	11,311	12,122	-6.7%
Cargo carried	'000 tonnes	2,022	2,152	-6.0%
Cargo load factor	%	64.4	68.8	-4.4%pt
Cargo yield	HK\$	1.87	2.03	-7.9%
Cargo revenue per AFTK	HK\$	1.20	1.40	-14.3%

- Geopolitical tensions negatively impacted cargo traffic demand throughout the year. All metrics below that of last year.
- Some yield mitigation through strong demand of high-value specialist cargo shipments (including temperature sensitive pharmaceuticals).
- Capacity reduction reflects cessation of two ATLAS wet lease contracts in May and the retirement of a freighter in September.

Cargo revenue efficiency declined due to trade headwinds





Operating performance

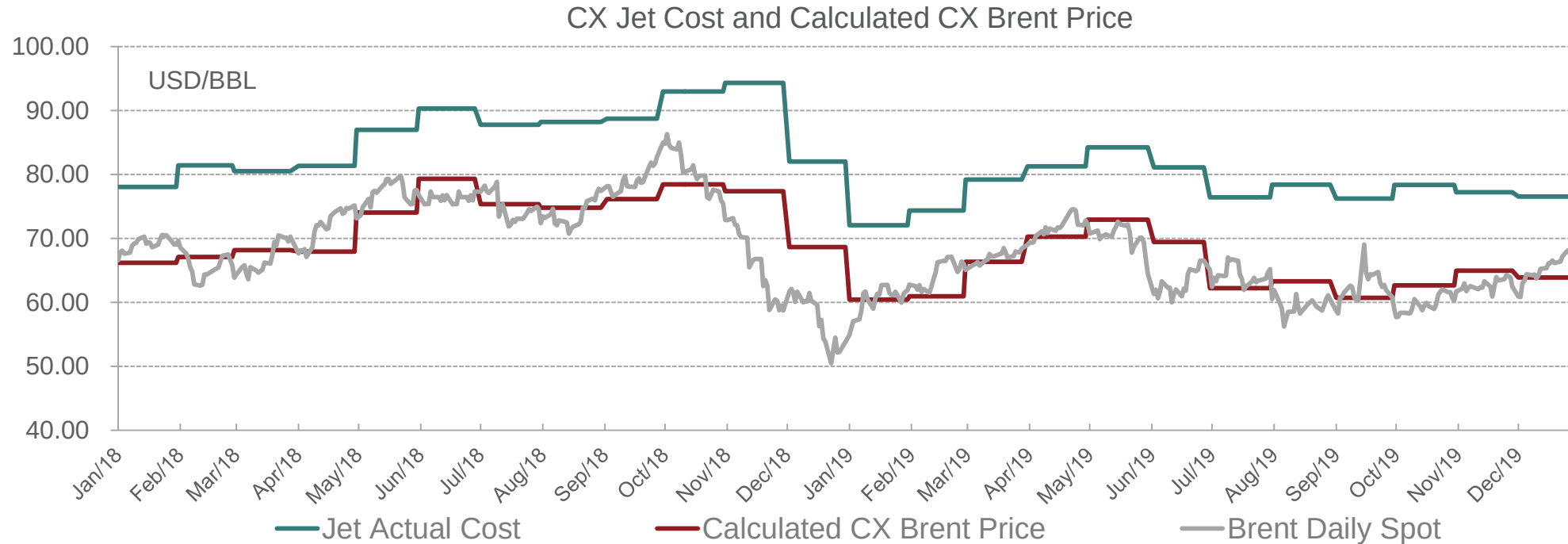
CX & KA Operating Costs

Transformation continued to drive improvement in cost per ATK



- Cost per ATK (without fuel) fell -2.7%: adjusting for exceptional and non-recurring items, the impact of HKFRS16 and foreign exchange movements declined -0.9%.
- This reflects continued productivity improvements as a result of the transformation programme. Our ATK per HK\$'000 staff cost improved +4.3%.
- Average into-plane fuel prices fell -9.9% and there was a decrease in fuel hedging losses; an overall -13.4% fuel cost decrease.
- Fuel consumption per ATK declined -1.9%, however, due to decreased load factors, consumption per RTK increased +2%.
- Aircraft utilization decreased -3.3% to 11.9 hours a day reflecting tactical capacity cuts in Q4.
- On time performance however improved +3.6%pt to 76.3% (within 15 minutes).

Into plane fuel prices



Fuel costs and KPI's	2019	2018	% Var
Group gross fuel cost (HK\$m)	29,711	32,424	-8.4%
Group fuel hedging losses (HK\$m)	101	1,445	-93.0%
Group fuel cost (HK\$m)	29,812	33,869	-12.0%
Average into-plane fuel price ex hedges (US\$/bbl)	\$81.4	\$90.3	-9.9%
CX&KA Fuel consumption per mATK (bbl)	1,360	1,387	-1.9%

Forward fuel hedging position



Cash Flow Hedge reserve at December 2019 a loss of HK\$57m (pre tax)

Period	Fuel hedging cover	Average strike price (Brent, USD/Bbl)
1 st Quarter 2020	40%*	64.96
2 nd Quarter 2020	40%*	65.36
3 rd Quarter 2020	40%	63.58
4 th Quarter 2020	38%	61.27
1 st Quarter 2021	35%	59.84
2 nd Quarter 2021	30%	58.33
3 rd Quarter 2021	20%	57.12
4 th Quarter 2021	10%	57.24

** With the current fluid COVID-19 situation and associated capacity cuts, these covers will rise*

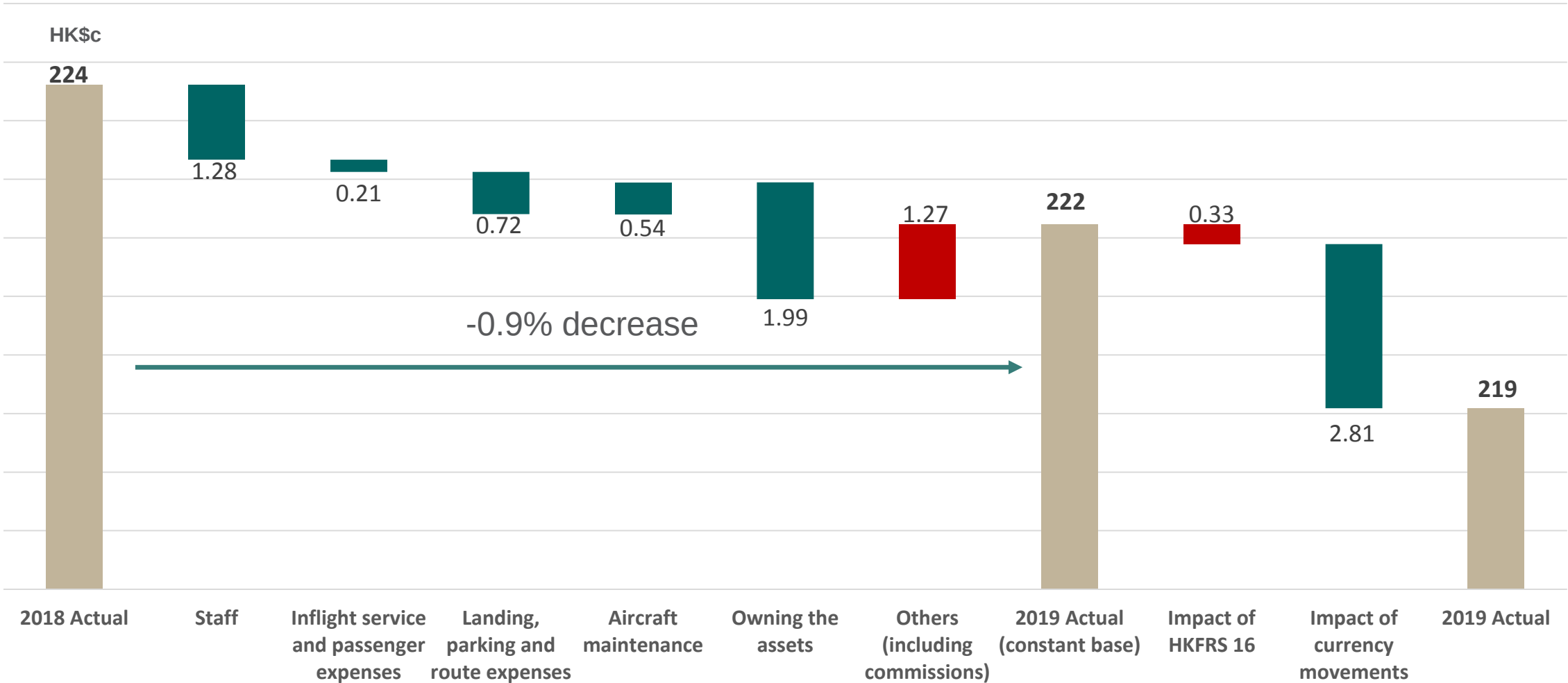
Underlying costs per ATK (ex fuel) down 0.9%



As reported (HK\$M):	2019	2018	% Var
Staff	17,604	17,987	-2.1%
Inflight service and passenger expenses	5,284	5,292	-0.2%
Landing, parking and route expenses	16,900	17,115	-1.3%
Aircraft maintenance	9,231	8,965	+3.0%
Depreciation, amortisation and operating leases	13,772	14,505	-5.1%
Net finance charges	2,446	1,853	+32.0%
Others (including commissions)	7,200	7,026	+2.5%
Total operating costs (without fuel)	72,437	72,743	-0.4%
Cost per ATK (without fuel)	2.19	2.25	-2.7%
Underlying * cost per ATK (without fuel)	2.22	2.24	-0.9%

* Underlying costs exclude exceptional items and non-recurring item and are adjusted for the effect of foreign currency movements and adoption of HKFRS 16. Exceptional items included HK\$71 million associated with the acquisition of HK Express, data security costs of HK\$41 million and additional redundancy costs of HK\$8 million in connection with the reorganisation of our outports (2018: a HK\$101 million gain on the disposal of CO2 emissions credits, redundancy costs of HK\$201 million incurred in connection with the reorganisation of our outports and data security costs of HK\$58 million). Non-recurring item in 2019 included a HK\$114 million gain on deemed partial disposal of Air China Cargo.

Underlying costs per ATK (ex fuel) down 0.9%





Operating performance

Subsidiaries and Associates

Hong Kong Express acquisition completed in July



- On 19th July 2019, Cathay Pacific completed the acquisition of 100% of the share capital of Hong Kong Express Airways Limited (Hong Kong Express), Hong Kong's only low-cost carrier.

	HK\$ million
Purchase consideration	
- Cash paid	1,802
- Promissory loan notes issued	2,963
Total purchase consideration	4,765
Net identifiable assets acquired	777
Goodwill	3,988

Hong Kong Express also suffered as a result of Hong Kong unrest



Financial Performance		Period from 20th July 2019 to 31st Dec 2019
Total Revenue	HK\$m	1,893
Loss after taxation	HK\$m	(246)
Ancillary revenue penetration	%	21.7
Operating Statistics – HKE		
Available seat kilometres (ASK)	Million	4,583
Revenue passenger kilometres (RPK)	Million	4,195
Passenger yield	HK cents	44.6
Cost per ASK (with fuel)	HK cents	46.0
Passenger load factor	%	91.5
Aircraft utilisation	Hours/day	8.9
On-time performance	%	90.4
Average age of fleet	Years	4.9

- HK Express reported a post-acquisition loss for 2019.
- The airline suffered from reduced demand to and from Asia as a result of the Hong Kong social unrest.
- At the end of 2019, HK Express operated an all Airbus narrow-body fleet of 24 aircraft. The young fleet had an average age of just below five years.
- On-time performance was 90.4% within 15 minutes during the post-acquisition period.
- The average load factor was 91.5% during the period.

Other major subsidiaries



air Hongkong

- Operation of a freighter network to destinations in Asia for DHL International under a new block space agreement commenced on 1st January 2019
- Results attributable to the shareholders of Cathay Pacific improved year-on-year. On a 100% like-for-like basis there was a decrease in profit. This was in part due to gains on disposal of certain aircraft in 2018, and in part due to a new block space agreement and the underlying decrease in capacity and cargo uplift in 2019

CATHAY PACIFIC
CATERING SERVICES

- Impacted by cost pressures including higher labour costs, equipment & IT maintenance, utilities and cleaning

ASIA MILES 

- Membership exceeds 12 million worldwide (7.4% increase); increased business volume year-on-year

CPSL

- Decrease in cargo tonnage handled, partially offset by reduced outsourced staff costs and productivity focus

Major 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.
- For the twelve months ended 30th September 2019, Air China's financial results marginally improved compared to those for the twelve months ended 30th September 2018.



- Air China Cargo's (ACC) financial results declined from the same period last year due to slowing air cargo market.
- On 31st October 2019, Cathay Pacific's equity and economic interest of **49%** was diluted to **34.78%** as part of the controlling shareholder's (China National Aviation Holding Company, CNAHC) mixed-ownership reform in air freight logistics. The CNAHC group injected cash and equity interests to increase its shareholdings in ACC to 65.22%.



Group Financial Position

Financial position and cash flows (Pre HKFRS '16)



Cash Flow	31 Dec 2019 HK\$M (Pre HKFRS 16)	31 Dec 2018 HK\$M	% Var (Pre HKFRS 16)
Net cash inflow from operating activities	11,641	14,525	-19.9%
Net cash outflow from investing activities*	(11,604)	(8,632)	+34.4%
Net cash inflow pre financing	37	5,893	n/a
Net cash inflow/(outflow) from financing activities	1,232	(5,122)	+124.1%

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

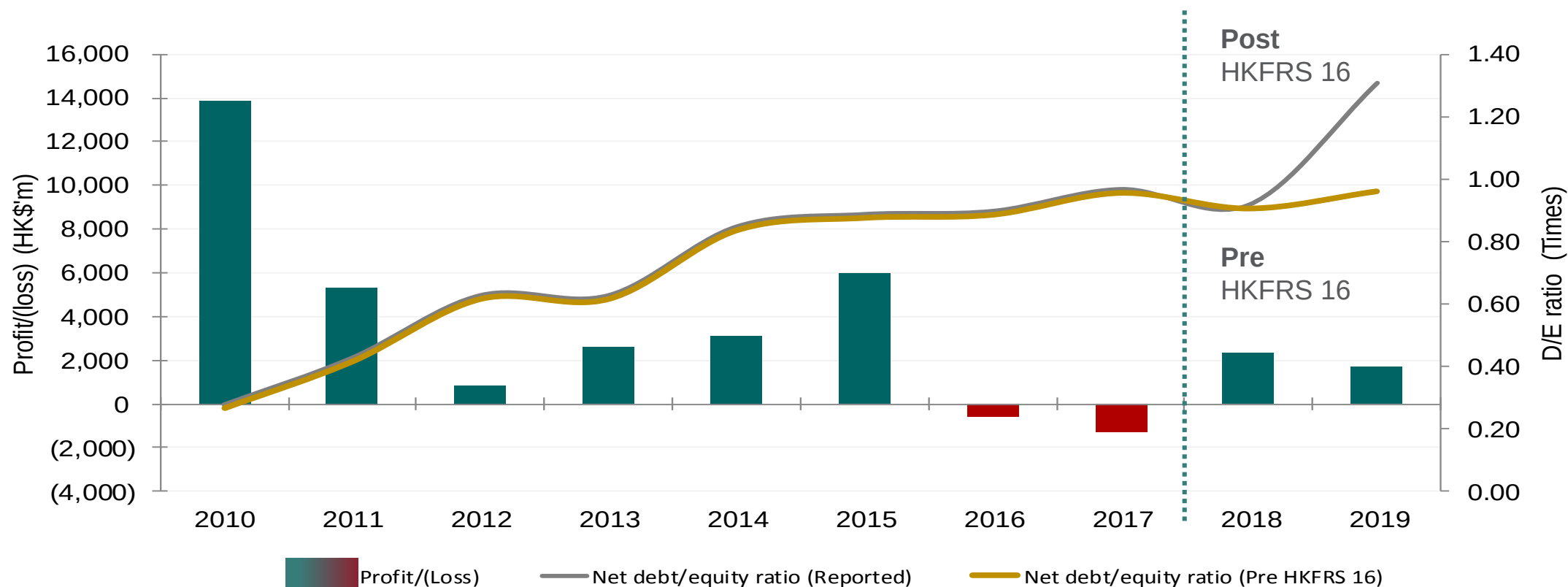
Balance Sheet

Shareholders' Funds	65,264	63,936	+2.1%
Net Borrowings	62,429	58,581	+6.6%
Capital Employed (including non-controlling interests)	127,696	122,520	+4.2%

Liquidity metrics

Available unrestricted liquidity to the Group	20,011	19,830	+0.9%
Net Debt/Equity Ratio	0.96	0.92	+0.04 times

Group profit/(loss) and net debt/equity ratio ten year comparison



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Profit/(loss) Margin %	15.5	5.4	0.9	2.6	3.0	5.9	(0.6)	(1.3)	2.1	1.6
ROCE %	21.7	8.4	2.3	4.0	4.7	8.0	1.0	0.8	4.0	3.5



Transformation Programme Update

Achievement against transformation targets



1. Airline & Subs ROCE>WACC in 2019 (actual 2.5% vs 7.5%)

2. ASK growth of 4% pa (actual CAGR 3.8%)

3. Reduce CATK ex-fuel (2019 -1.4%* on 2016)

* Inclusive of an assumed fuel efficiency credit against 'owning the asset' costs for investment in more efficient aircraft: excluding this CATK ex-fuel reduced -0.3%

4. Reduce 30% HQ Management Establishment (achieved 2017/18)

Transformation strengthened core foundations.....



Organisation Change

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

Digital Capability

- New Digital Capabilities are being delivered
- Cargo Blockchain POC to improve contractual management of cargo handling
- Marketing Cloud live
- RPA gradually applied in standardized processes

Customer Wins

- Asia Miles proposition changes well received with increased seat availability for redemption
- Offer more disruption information and automated rebooking.

Customer Centric

- New lounge opened in Pudong Shanghai
- Preparations underway for A321neo and 777-9 delivery
- Increased Inflight Entertainment Options
- Driving connectivity with enlarged network

Operational Excellence

- Integrated Operations Centre (IOC) transformation efforts
- Customer Care reform
- All cabin and cockpit crew roster pairings now constructed in new crew rostering system

High Performance

- Revamped service delivery training allowing changes to inflight proposition
- “Serve to Lead”: front line experience for Senior Leaders
- New personalised digital employee portal

...and driven stronger productivity



Productivity and Value Management

End-to-end process re-design

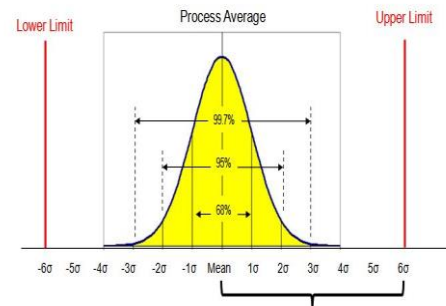
Process Transformation

- Commitment to transform our 9 core end-to-end processes
- 'Sub process' change initiatives around revenue, inventory, recruitment, invoicing, etc...
- Provides the platform to drive digitization and apply new technologies to our business



Digital / Lean

- 1,419 Lean practitioners trained so far
- Invested in digital and analytical capability
- As more processes are standardized, the number of Robotic Process Automation applications increases. This reduces errors and increases effectiveness.
- Increasing the application of Chatbots and AI



Global Business Service

- As the core end to end processes are redesigned, tasks are shifting to GBS
- Adding new capability to centralize more processes into GBS
- Leverage GGT and MSC to take on standardized processes





COVID-19 Update

COVID-19: customer and staff a key concern



Protecting Customers



- 10 Step Guide explaining measures taken to ensure safe flying experience provided
- Significant efforts to refund or rebook
- Support for Marco Polo members through points relief

Supporting Team Members



- Provision of gloves, masks and hand sanitisers to frontline staff (& gown / eye shield to handle suspected cases)
- Mainland China modified meal handling and no layovers
- Office enhanced cleaning and entry screening, with remote working option & segregated team protocols

Business impact of COVID-19



Operating environment	Capacity Response
COVID-19's impact has been severe, and remains fluid: • After China, COVID-19 outbreak accelerates globally, • More nations have issued travel restrictions, • More companies have halted or restricted business travel and some banned international travel as a precautionary measure, • Travel demand has plummeted as the COVID-19 case number rises worldwide.	• Customer demand has fallen significantly; daily passengers carried in early March dropped from around 90,000 to 16,000 for CX & KA, and from 12,000 to 4,000 for UO, with further reductions expected. • Accordingly we cut our passenger flight capacity 30% in February for <u>all airlines</u>, and expect a 65% reduction in March and April for CX & KA (50% for UO). This results in the following frequency reductions as of today: - 120 daily CX flights down to around 35 - 80 daily KA flights down to around 15 - 34 daily UO flights down to around 5 (JPN expected to resume in April) • Around 90% of our flights into Mainland China are suspended. • Besides frequency reductions, we are also actively down-gauging aircraft to swiftly respond to the further demand drops. • We will continue to monitor the market, adjust our capacity to best match the demand changes, get ready to reinstate flights when market resumes.

Current capacity suspensions



CX & KA Capacity Suspensions

45 destination (airports) in CX & KA network have or will be suspended in Mar, including:

- China – Mainland, Hong Kong, Macao, Taiwan regions (21): Kaohsiung, Taichung and all mainland China destinations with the exception of Beijing, Shanghai-Pudong, Chengdu and Xiamen
- The rest of Asia (16): Seoul, Jeju, Busan, Tokyo-Haneda, Tokyo-Narita, Okinawa, Osaka, Fukuoka, Sapporo, Nagoya, Clark, Davao, Chiang Mai, Kolkata, Male, and Bahrain
- Europe (5): Rome, Milan, Tel Aviv, London-Gatwick and Barcelona
- North America (2): New York-Newark and Washington D.C.
- Southwest Pacific (1): Adelaide

UO Capacity Suspensions

20 destination (airports) in UO network have or will be suspended in Mar, including:

- China – Mainland, Hong Kong, Macao, Taiwan regions (2): Ningbo, Taichung
- Japan (13): Shimojishima, Ishigaki, Tokyo-Haneda, Tokyo-Narita, Fukuoka, Nagoya, Kumamoto, Kagoshima, Okinawa, Nagasaki, Hiroshima, Takamatsu, Osaka
- Korea (3): Seoul Incheon, Busan, Jeju
- Vietnam (1): Nha Trang
- USA (1): Saipan

Actions to preserve cash



- Despite a weaker second half to 2019, our net debt/equity **gearing levels remained healthy** - increasing only slightly from 92% to 96%.
- In view of the already difficult outlook, we increased our **unrestricted liquid funds to 20 billion dollars** at the year end.
- These are **extremely challenging times**.
- We remain absolutely **focused on cash preservation** and we are taking the decisions necessary from week to week to react to this incredibly dynamic situation.
- We are asking all our vendors and business partners for **relief in the form of deferrals and discounts** to help us preserve cash on both operating and capital expenditure.
- We have invited our staff to participate voluntarily in a **special leave scheme**, under which they may accept three weeks' unpaid leave over the coming four month period: 80% of our entire staff have now signed up.
- Beyond that we are constantly **reviewing all discretionary spend** and cutting back or deferring wherever possible to preserve cash.



2020 Outlook

Outlook



- Even before COVID-19, 2020 expected to be challenging with reduced capacity and forward bookings.
- COVID-19 has compounded the challenge: the outlook remains uncertain.
- Management is monitoring situation closely and making necessary adjustments quickly.
- Focused liquidity management means the business can weather immediate challenges and the Transformation Programme has positioned us to recover well over the mid- to long-term.
- Cautious optimism about cargo as US-China trade tensions settle slightly and cargo capacity has remained intact.
- **Despite best efforts to mitigate challenges, substantial loss for the first half of 2020 expected.**
- Commitment to customers remains priority, and we are grateful to staff for their hard work and support during challenging times.



Q&A

For more information, please visit our website

www.cathaypacific.com





Appendices



2019 Network Changes

New destinations added in 2019 but quick cuts made in second half due to drop in demand



Early network growth new destinations and frequencies

- Launch of new service to Seattle
- Launch of seasonal service to Komatsu and winter seasonal service to Niigata
- Relaunch of winter seasonal service to Tokushima
- Increased frequencies to Chongqing, Nanning, Hyderabad, Dhaka, Frankfurt, Madrid and Paris, mostly during summer 2019

Negatively impacted by social unrest network-wide winter capacity reductions

- Structural consolidation in frequencies on both long-haul and regional routes:
 - Long-haul: Vancouver, New York (JFK), Washington D.C. and Paris
 - Medium and short-haul: Shanghai (Pudong), Beijing, Taipei, Tokyo (Haneda), Osaka, Seoul, Denpasar, Bangkok and Colombo
- Suspension of service to Dublin for winter 2019
- Suspension service to Medan indefinitely



Impacts of Adopting HKFRS16

HKFRS 16 – Balance Sheet Impact



The opening impact on key account items at 1 January 2019 of adopting HKFRS 16 is as follows:

Key balance sheet accounts impacted by HKFRS 16	31st Dec 2018	1st Jan 2019	Adjustments	Description of adjustments
	HK\$M	HK\$M	HK\$M	
	Excl. HKFRS 16	Incl. HKFRS 16		
Property, plant and equipment (including leasehold land prepayments)	117,124	135,690	18,566	Right-of-use assets recognised for leases previously classified as operating leases and now brought onto the balance sheet. There is also a reclassification of leasehold land prepayments
Investments in associates	27,570	26,351	(1,219)	Impact to CX Group of HKFRS 16 for associate companies
Long term liabilities	(73,877)	(92,480)	(18,603)	Additional lease liabilities for leases previously classified as operating leases under HKAS 17
Equity	46,830	44,484	(2,346)	Impact to opening reserves for transition to HKFRS 16
Net Debt/Equity Ratio	0.92	1.25	0.33	

Note that the above table intentionally does not add through. There are additional non-material reconciling movements in other receivables, payables and deferred tax.

HKFRS 16 – Profit & Loss and Cash Flow Impact



The in year impact of adopting HKFRS 16 is as follows:

HKFRS 16 impact on statement of Profit & Loss	31st Dec 2019
	HK\$M
Decrease in lease charges	4,507
Increase in depreciation of property, plant and equipment	(3,849)
Increase in finance charges	(744)
Decrease in exchange differences, net	71
Increase in taxation	(11)
Net decrease in profit	(26)

HKFRS 16 impact on statement of Cash Flows	31st Dec 2019
	HK\$M
Increase in cash generated from operations	4,445
Increase in interest paid	(744)
Increase in net cash inflow from operating activities	3,701
Increase in loan and lease repayments	(3,701)
Increase in net cash outflow from financing activities	(3,701)
Net impact to statement of Cash Flows	Nil



Group Fleet Profile

Fleet simplification and investment programme leads to reduced costs and emissions and a better customer experience



- **Continued simplification of the number of sub-fleets is reducing cost and complexity in deployment**
- **Continued investments in more fuel-efficient fleet provides enhanced customer experience**
 - New modern aircraft deliveries.
 - Delivery taken for six Airbus A350 aircraft in 2019
 - 24 A350-900 aircraft and 12 A350-1000 aircraft are now in service
 - Used aircraft deliveries.
 - Delivery taken for three used Boeing 777-300 aircraft in 2019
 - Retirement of older fleet types.
 - Three B777-200 aircraft were retired in 2019
 - Two aircraft are parked in preparation for retirement: one B777-200 aircraft and one Boeing 747-400BCF freighter
 - Return of aircraft
 - Return of four A330-300s and one B777-300ER in 2019

CX & KA Fleet profile as at 31 Dec 2019



Aircraft type Includes parked aircraft	Total as at 31 Dec 2018	Owned	Finance Leased	Operating Leased	Total as at 31 Dec 2019	Aircraft deliveries 2020 - 2024
A320-200	15	5	-	10	15	-
A321-200	8	2	-	6	8	-
A321-200NEO	-	-	-	-	-	16
A330-300	58	38	10	6	54 -	-
A350-900	22	18	4	2	24 +	4
A350-1000	8	9	3	-	12 +	8
747-400BCF	1	1	-	-	1	-
747-400ERF	6	-	6	-	6	-
747-8F	14	3	11	-	14	-
777-200	4	1	-	-	1 -	-
777-300	14	17	-	-	17 +	-
777-300ER	52	22	8	21	51 -	-
777-9	-	-	-	-	-	21
Total C/F	202	116	42	45	203	49

Freighters

Group Fleet profile as at 31 Dec 2019



Aircraft type Includes parked aircraft	Total as at 31 Dec 2018 (at acquisition date for HKE)	Owned	Finance Leased	Operating Leased	Total as at 31 Dec 2019	Aircraft deliveries 2020 - 2024
CX & KA Total B/F	202	116	42	45	203	49
A320-200	8	-	-	8	8	-
A321-200	11	-	-	11	11	-
A320-200NEO	5	-	-	5	5	5
A321-200NEO	-	-	-	-	-	16
HKE Total	24	-	-	24	24	21
A300-600F	10	-	-	9	9 -	-
AHK Total	10	-	-	9	9	-
Group Total	212	116	42	78	236	70

Realignment of 2020 forward aircraft deliveries and retirements



Deliveries (including Hong Kong Express)

Airline	Aircraft type	2020 deliveries (latest fleet plan)	Production Delay
UO	A320neo	4	1
KA	A321neo	6	3
CX	A350-900	4	-
CX	A350-1000	3	-
	Total	17	4

Retirements

Airline	Aircraft type	2020 retirements (latest fleet plan)	Accelerated
CX/KA	A330-300	4	1
CX	777-300ER	1	-
KA	A320-200	5	-
KA	A321-200	1	-
	Total	10	1

Net 5 less aircraft than previously planned.