



*Cathay Pacific Airways*  
*Investor Relations Meeting*  
*11 December 2009*

# Airline Strategy

- Remains largely unchanged – ‘premium’ remains a core competence
- Continue to grow our substantial international network, expand frequencies and further develop Hong Kong as one of the world’s leading aviation hubs
- Ensure that quality and our brand are not compromised and the service proposition to the customer remains strong
- Maintain a prudent approach to financial risk management





# Performance to Nov09

## Capacity Data

<b>COMBINED CAPACITY</b>	Nov 2009	% change VS NOV08	Cumulative NOV 2009	% change YTD
<b>ASK (000)</b>				
- China	684,628	-6.2%	7,675,708	-3.8%
- North East Asia	1,095,313	-10.7%	12,899,183	-7.9%
- South East Asia & Middle East	2,005,217	1.4%	22,230,763	8.9%
- Europe	1,480,577	-13.1%	18,558,871	1.7%
- South West Pacific & South Africa	1,531,495	-8.1%	16,217,036	1.6%
- North America	2,070,046	-2.5%	23,120,729	-20.3%
<b>ASK Total (000)</b>	8,867,276	-5.9%	100,702,290	-4.7%
<b>Pax load factor</b>	82.0%	6.3pt	80.3%	1.5pt
<b>Available cargo &amp; mail tonne km (000)</b>	1,011,561	-12.9%	10,656,052	-13.9%
<b>Cargo and mail load factor</b>	76.8%	12.3pt	70.0%	3.9pt
<b>ATK (000)</b>	1,855,905	-9.8%	20,242,704	-9.7%



# Performance to Nov09

## Traffic Data

CATHAY PACIFIC / DRAGONAIR COMBINED TRAFFIC	Nov 2009	% change VS NOV08	Cumulative NOV 2009	% change YTD
<b>RPK (000)</b>				
- China	531,416	3.2%	5,406,026	-1.7%
- North East Asia	825,614	-5.2%	9,418,083	-11.3%
- South East Asia & Middle East	1,624,358	11.2%	17,086,330	8.4%
- Europe	1,276,342	-1.8%	15,867,223	2.5%
- South West Pacific & South Africa	1,210,849	0.0%	13,011,536	7.3%
- North America	1,806,541	1.8%	20,035,948	-15.4%
<b>RPK Total (000)</b>	7,275,120	2.0%	80,825,146	-2.8%
<b>Pax carried</b>	2,007,773	1.5%	22,087,138	-3.3%
<b>Cargo and mail tonne km (000)</b>	777,000	3.8%	7,462,363	-8.8%
<b>Cargo and mail carried (000Kg)</b>	141,799	7.6%	1,384,049	-9.5%
<b>No. of flights</b>	4,507	-9.0%	51,245	-6.4%



# Operating Performance

- Passenger
  - A seasonal upturn in demand for premium traffic toward the end of the year, but volumes and yields still well below previous years.
  - Traffic sustained with load factor at 80.1% as lower fares stimulate demand in a highly competitive market.
  - Pax numbers down by 3.8% vs capacity reduction of 4.5%
  - Weak economy class yield
  - Further increase of direct cross-straits services in August but leisure travellers from Mainland and Hong Kong helped partially offset the impact



## PASSENGER LOAD FACTOR (08 vs 09)



# Operating Performance

- Reinstatement of cancelled passenger flights
  - London – 1 daily flight
  - Sydney – 1 daily flight
  - San Francisco – 3 flights per week
- Increase frequencies
  - Los Angeles – add 3 flights per week from May2010
  - Toronto – add 3 flights per week from Mar2010
- New destinations
  - Guangzhou – launched twice-daily service in Sep
  - Jeddah – launched four-times-weekly service in Oct
  - Nadi – launched new twice-weekly codeshare service with Air Pacific in Dec
  - Milan – new four-times-weekly service in Mar2010



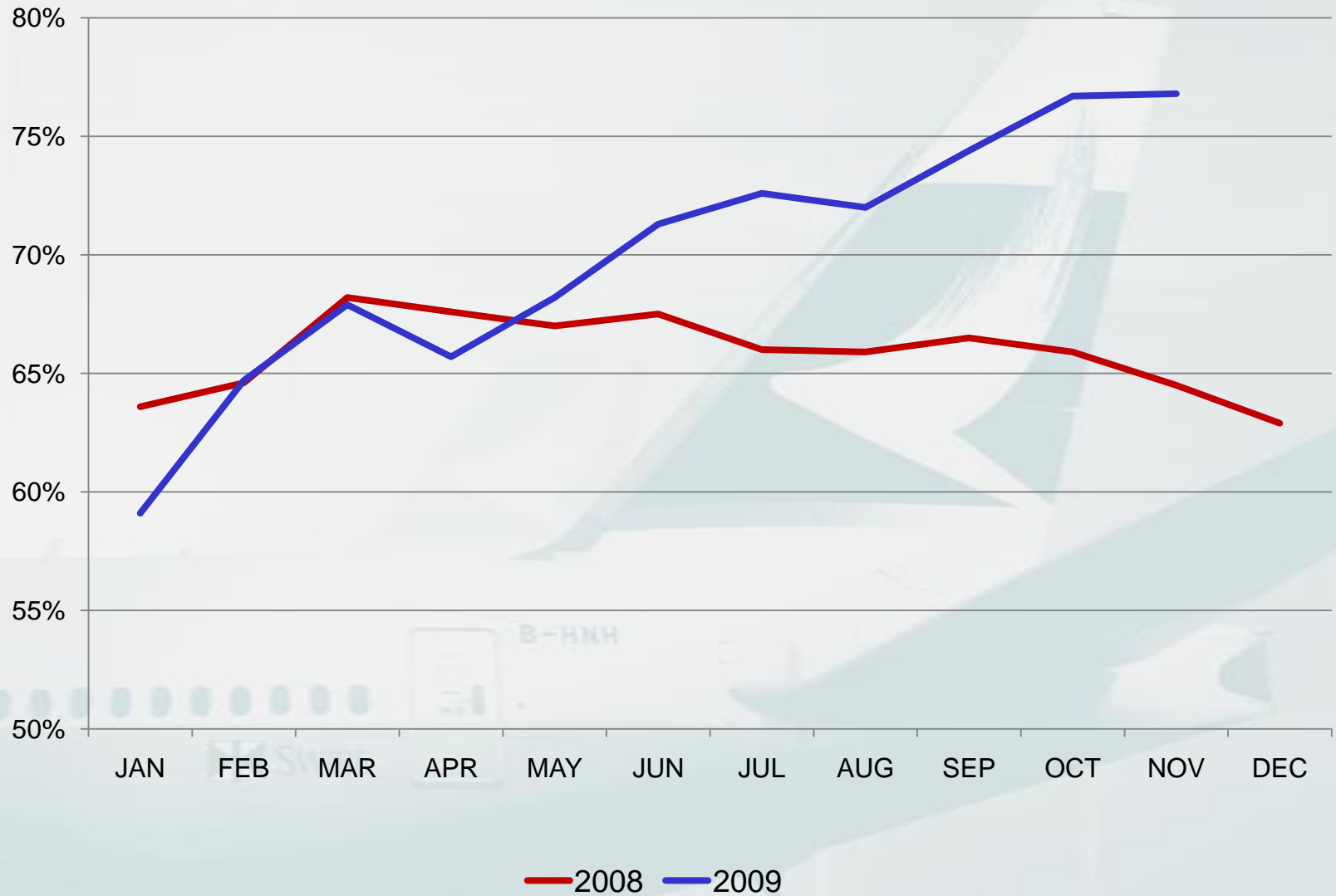
# Operating Performance

- Cargo
  - Air cargo started to pick up in 2H09
  - Strong demand out of Hong Kong and Shanghai markets in 4Q leads to high load factors
  - Gradual yield improvement, albeit from a low base
  - Expect strong demand to remain through mid December
  - Tonnage dropped by 11.1% against a capacity reduction of 14.0%, load factor increased by 3.0%pt to 69.3%
  - More extra sectors in Nov and Dec





## CARGO AND MAIL LOAD FACTOR (08 vs 09)

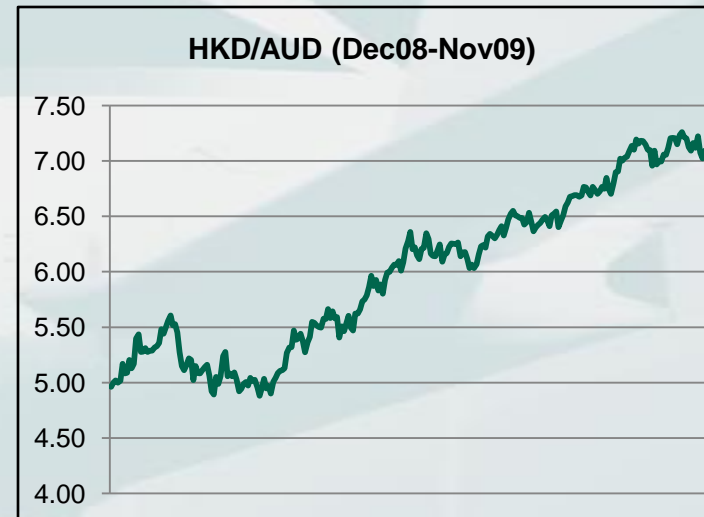
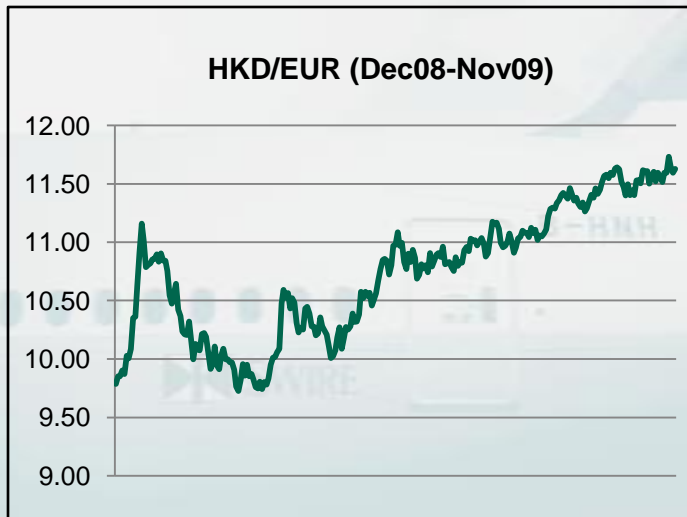
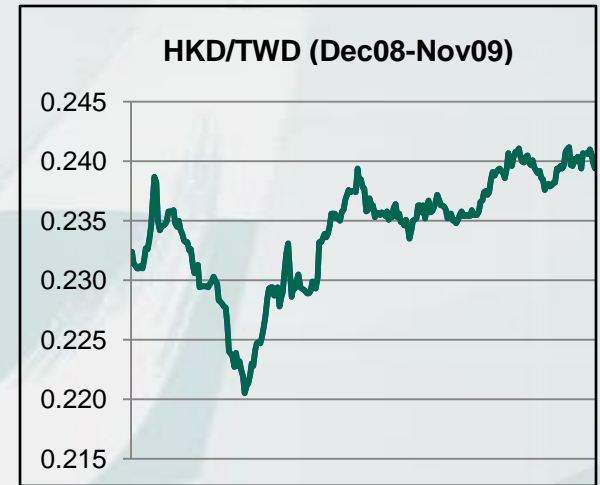
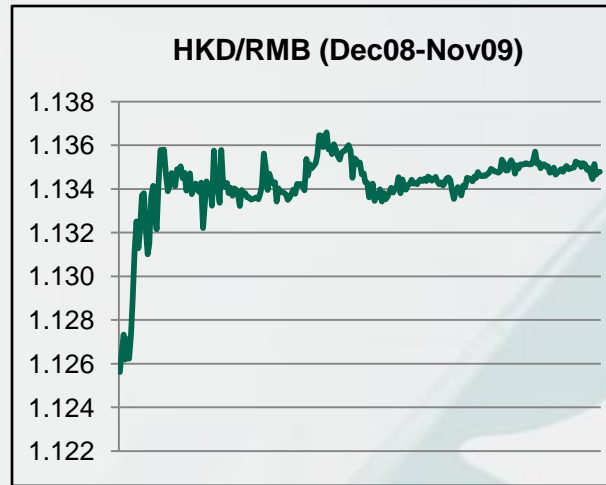
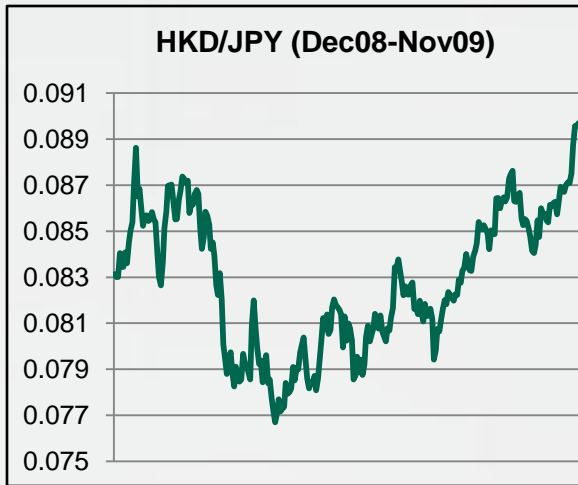


# Financial Risk Management

- Currency
  - Major currencies appreciated against USD in 2009
  - Currency hedging has picked up to reduce our FX exposure
- Liquidity
  - CX retains a substantial cash balance, further strengthened after disposed HAECO shares for HKD1,901m
  - Additional funding continues to be available
- Interest rates
  - Higher margins, lower absolute rates
  - Strategic management of fixed/floating ratio



# Spot rate of 5 top currencies over last 12 months



# Fleet Plan

	In operation			Parked		
	<u>Passenger</u>	<u>Freighter</u>	<u>Total</u>	<u>Passenger</u>	<u>Freighter</u>	<u>Total</u>
Total aircraft at 30Jun	113	40	153	0	5	5
Less:						
Retired	0	-1	-1	0	0	0
Parked	-4	0	-4	4	0	4
Lease returned	-2	0	-2	0	0	0
Add:						
New delivery	2	0	2	0	0	0
Projected total aircraft at 31Dec	<u>109</u>	<u>39</u>	<u>148</u>	<u>4</u>	<u>5</u>	<u>9</u>



# Fleet Plan (cont'd)

- Passenger
  - Eight aircraft delivery in 2010; nine in 2011;
  - Plan to park two more aircraft in 2010
  - One B747-400 (early termination) and one A330 will be taken out of service by Dec09 for lease return in Jan 2010





# Fleet Plan (cont'd)

- Freighter
  - No delivery in 2010; five in 2011
  - Delayed delivery of B747-8F due to a programme change
  - All classic freighters are retired
  - Parked five B747-400BCF, reactivation subject to sustainable demand
  - Wet leasing one B747-400BCF to AHK



# Financing plan

Cathay Pacific is confident of raising finance on all its deliveries during 2009 – 2011 through a combination of:

- EXIM backed loans
- ECA loans
- Bank loans
- Sales and lease back
- Hong Kong leases

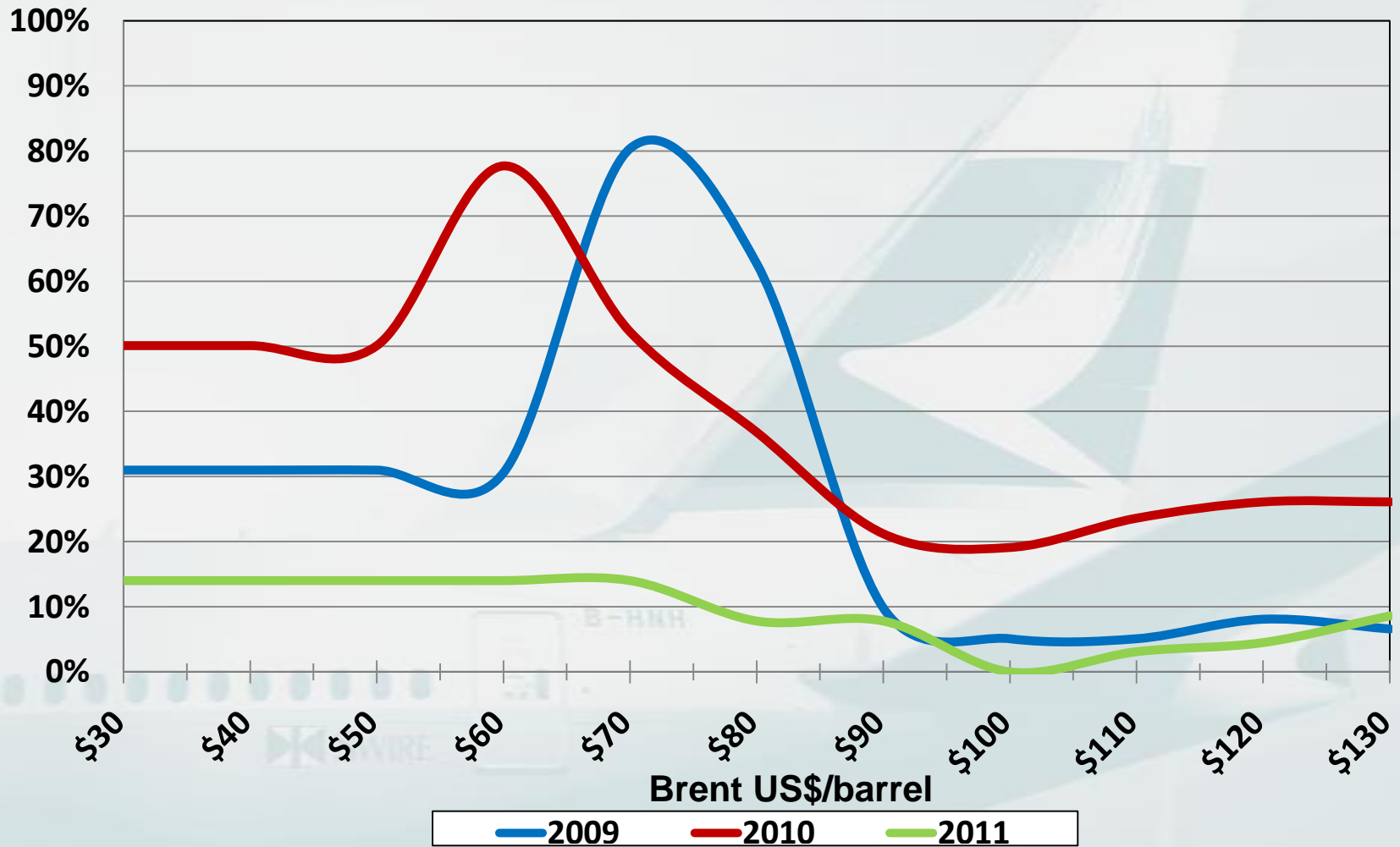


# Fuel

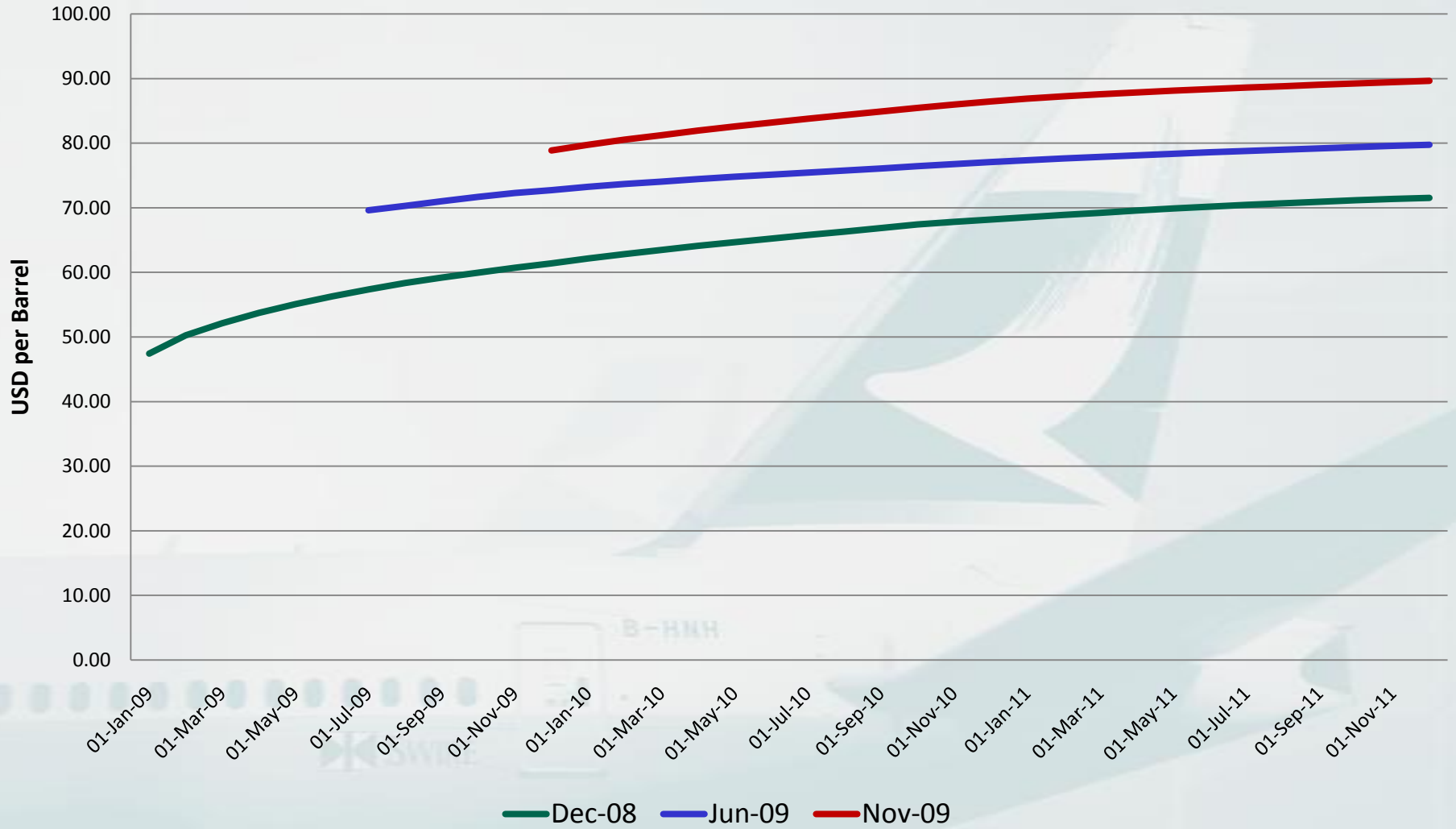
- Latest Brent price of USD78.47/bbl (30Nov)
  - Rising fuel costs undermining margins - already 72% higher than Dec08
  - We dynamically manage our hedging position
  - Policy retains a conservative focus based upon the use of cash flow hedge instruments
  - Unrealised MTM gains expected for full year, \$2b at interim
  - Fuel surcharges expected to continue to offer some form of relief against rising cost of fuel
  - The move from a bi-monthly to a monthly approval of fuel surcharge helps reduce the time lag



# Maximum fuel hedging exposure at 30<sup>th</sup> June 2009

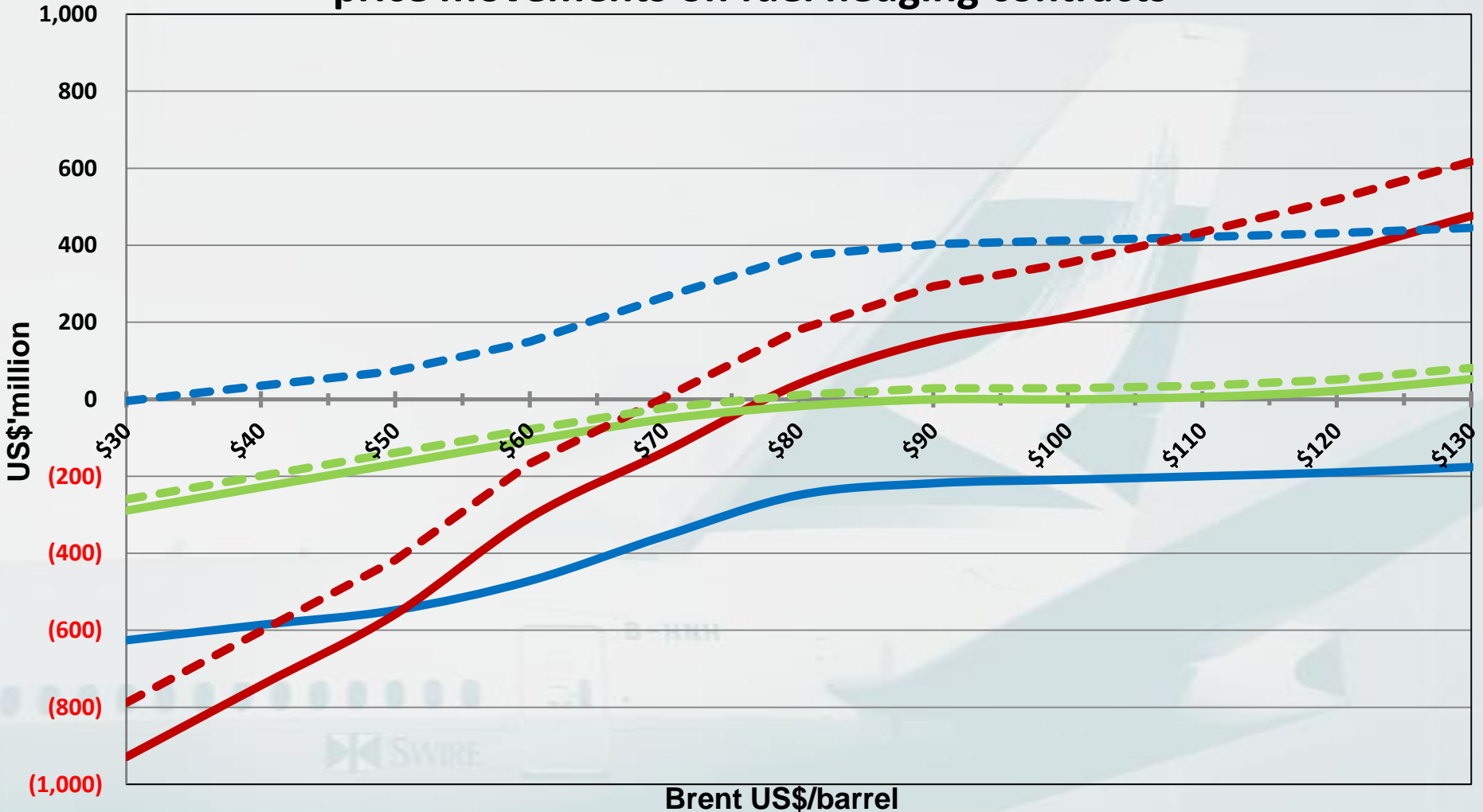


# IPE Brent Forward Price





# Sensitivity analysis of cash and profit and loss impact of fuel price movements on fuel hedging contracts



- Cash impact in 2009 of contracts maturing in 2009
- Cash impact in 2010 of contracts maturing in 2010
- Cash impact in 2011 of contracts maturing in 2011
- - - Overall P&L sensitivity for contracts maturing in 2009
- - - Overall P&L sensitivity for contracts maturing in 2010
- - - Overall P&L sensitivity for contracts maturing in 2011



# Cost saving initiatives

- Special Leave Scheme got close to 100% staff support
- Continue implementing a hiring freeze and offering voluntary unpaid leave
- Effective capacity management: deferred deliveries, operating lease portfolio, parking, lease out / sale
- Deferred completion of cargo terminal from 2011 to 2013
- Some capital expenditure deferred, eg. airport lounge renovations
- Landing charges: various reductions at airports around the world including 10% in Hong Kong for 2009 and 1Q 2010
- Shorten the two longest arrival routes over the Pearl River Delta by changing the flight paths, save time, money and CO2.



# Air China

- Positive contribution in 2009
- Became our 2<sup>nd</sup> largest shareholder after shareholdings increased to 29.99%
- Joint operation on passenger flights to some destinations in China including BJS.
- Cargo JV – making good progress



# Outlook

- General market
  - Signs of recovery on the way
  - Remain cautious about sustainable recovery
  - Asia market will rebound more quickly than elsewhere when a true recovery comes
  - Market capacity is reduced, expect to increase gradually from early 2010



# Outlook

- Our situation
  - Relieve to see pick up in business towards end of 2009
  - Demand and yields start to recover from a low base
  - Cargo prospect could be exaggerated by seasonal factors
  - Fuel price remains a cause of concern
  - Commitment to future expansion





# Year end issues

- Aircraft value impairment – under review
- HAECO and Air China treatment – associates
- MTM valuation
- Operational provisions
- Anti-trust investigations

