



Cathay Pacific Airways

2009 Interim Results

5 August 2009

Highlights

- Turnover of HK\$ 30,921m, down 27.1%
- Group profit of HK\$ 812m, up HK\$1,572m from a loss of HK\$ 760m (restated)
- Earnings per share HK¢20.6, up HK¢39.9
- Nil interim dividends
- Fuel costs down 65.6% to HK\$ 6,645m
- Pax load factor down 1.5%pt to 78.5%
- Pax yield decreased by 19.7% to HK¢49.7
- Cargo and mail load factor down 0.2%pt to 66.2%
- Cargo and mail yield decreased by 32.8% to HK\$ 1.66



Interim Result

	<u>1H 2009</u>	<u>1H 2008</u> (restated)
Group Profit/(Loss)	HK\$812m	(HK\$760m)
Group Turnover	HK\$30,921m	HK\$42,390m
Profit/(Loss) Margin	2.6%	(1.8%)
Return on Capital Employed	4.2%	(0.6%)
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Available tonne kilometres	11,035m	12,081m
Cost per ATK	HK\$2.57	HK\$3.46
Cost per ATK (w/o fuel)	HK\$1.98	HK\$1.89
Revenue Load Factor	75.4%	76.2%
Breakeven Load Factor	71.0%	79.1%



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Airlines interim operating loss

	<u>1H 2009</u>	<u>1H 2008</u>
	HK\$M	HK\$M
Airlines loss before one-off items	(200)	(1,493)
Operating lease charge for parked aircraft	(396)	-
Aircraft impairment	(169)	-
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Airlines loss before fuel hedging loss and tax	(765)	(1,493)
Settlement of the US DOJ cargo investigations	-	(468)
Realised and unrealised fuel hedging gain	2,003	365
Tax (charge)/credit	(185)	85
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Airlines profit/(loss)	1,053	(1,511)
Share of (loss)/profit from subsidiaries & associates	(241)	751
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Consolidated profit/(loss)	812	(760)



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Underlying loss

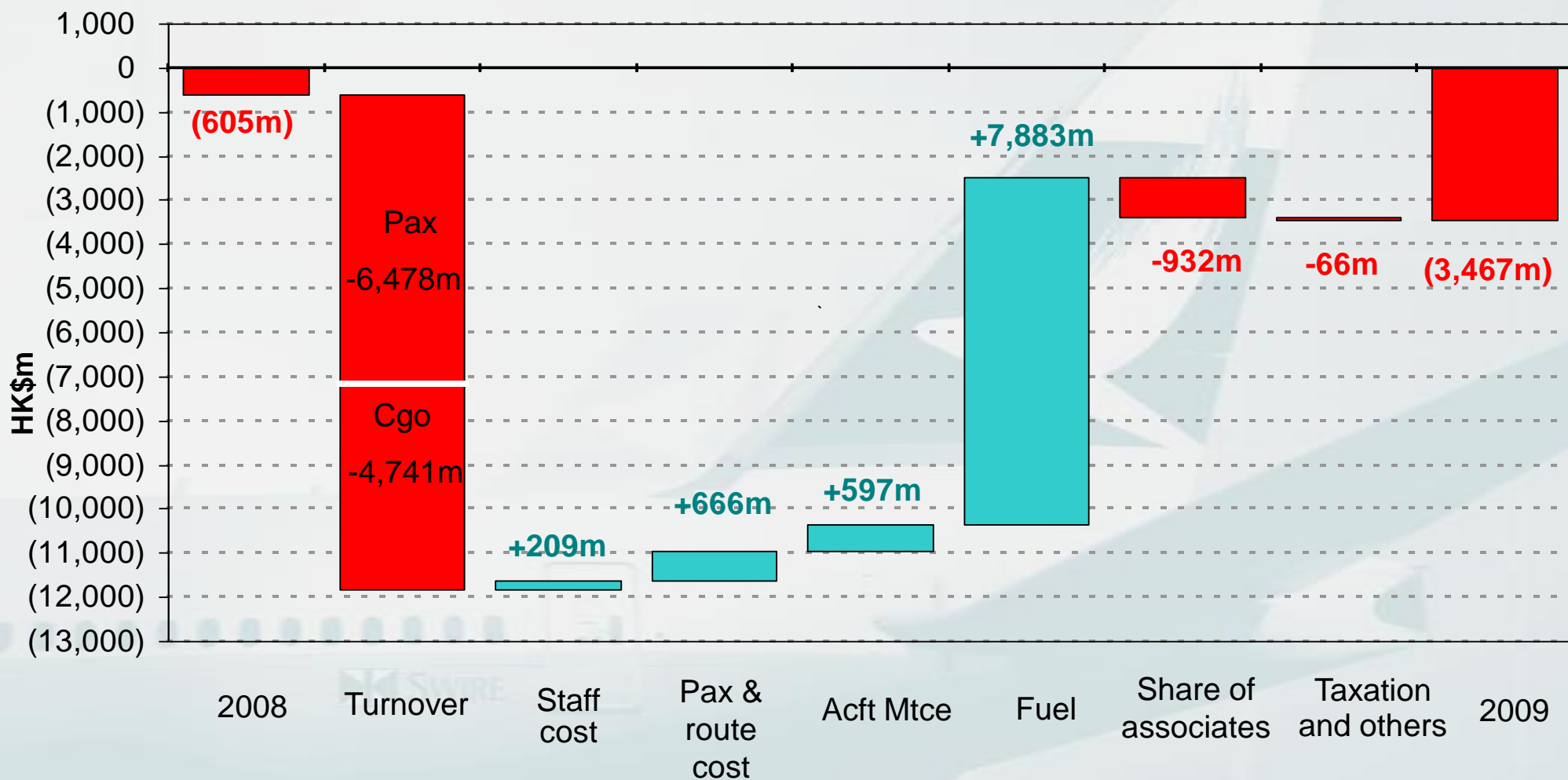
	<u>1H 2009</u>	<u>1H 2008</u>
	<u>HK\$M</u>	<u>HK\$M</u>
Profit/(loss) attributable to owners of Cathay Pacific	812	(760)
Adjustment to reverse the impact of HKAS39		
- Fuel derivatives		
- Reversal of fuel hedging gains	(2,003)	(365)
- Recognition of settlement payments in profit/loss	(2,873)	268
- Currency and interest rate derivatives	(431)	(199)
Operating lease charge for parked aircraft	396	-
Aircraft impairment	169	-
Settlement of the US DOJ cargo investigations	-	468
Taxation effect of the above	463	(17)
Underlying loss	(3,467)	(605)



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Interim Underlying Loss Reconciliation : 2008 to 2009



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Passenger Service - Key Numbers

	<u>1H 2009</u>	<u>vs 1H 08</u>
Turnover	HK\$21,809m	- 22.9%
Seat Capacity (ASK)	55,750m	- 2.1%
Passenger Number	11.9m	- 4.2%
Yield per Revenue Pax Km	HK¢ 49.7	- 19.7%
Load Factor	78.5%	- 1.5% pts



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Passenger Service - by Region

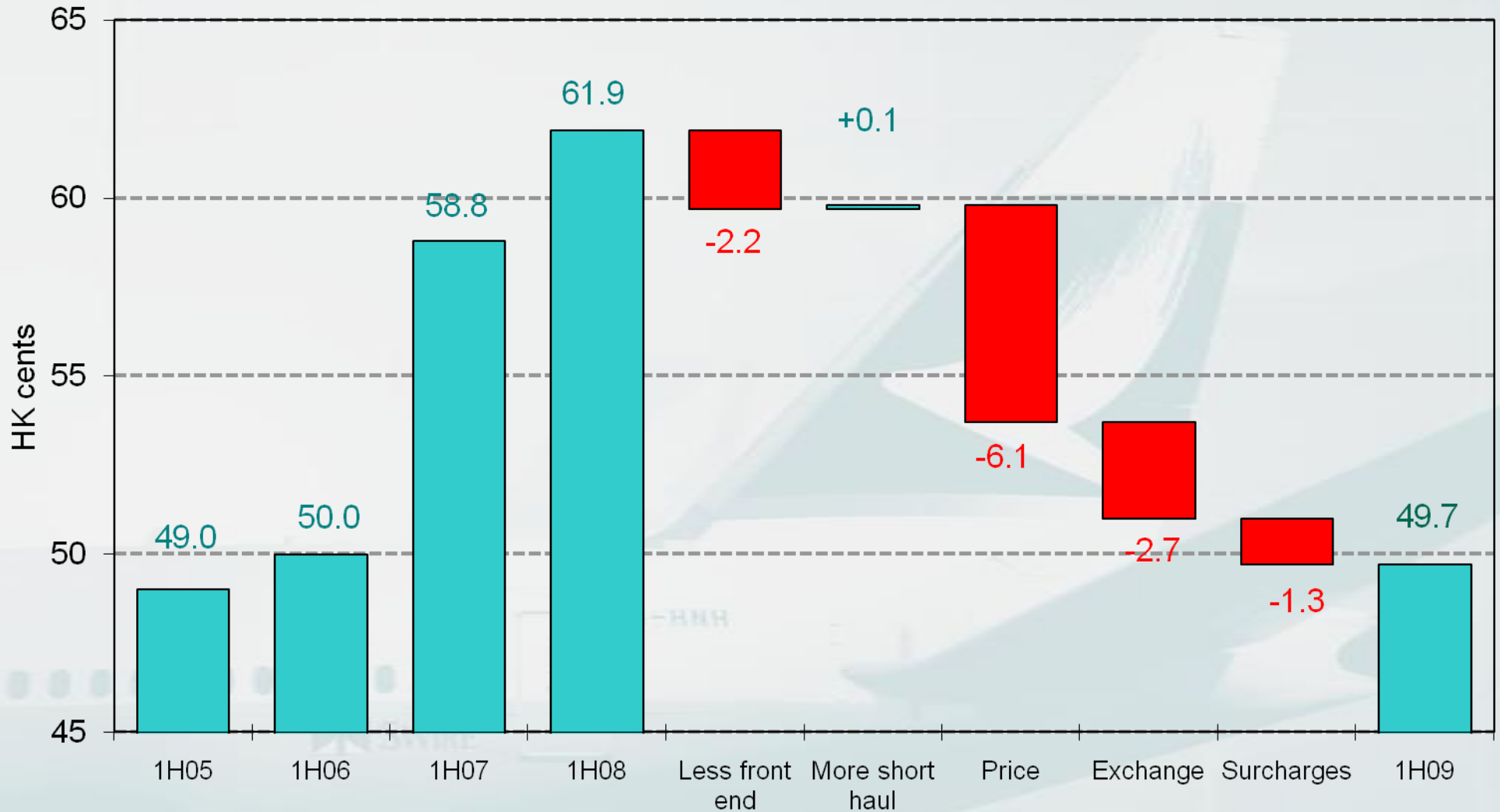
	ASK (m)	vs 1H08	Load Factor	vs 1H08	Yield Change
SW Pacific & S. Africa	9,155	+ 6.2%	79.1%	+2.8% pts	- 25.8%
Europe	10,450	+ 6.8%	83.1%	-3.6% pts	- 27.0%
North Asia	11,458	- 3.7%	68.0%	-5.3% pts	- 15.9%
SE Asia & Middle East	12,054	+ 15.4%	75.5%	-5.1% pts	- 17.5%
North America	12,633	- 22.1%	86.6%	+4.0% pts	- 15.8%
Systemwide	55,750	- 2.1%	78.5%	-1.5% pts	- 19.7%



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Passenger Yield



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Cargo Service - Key Numbers

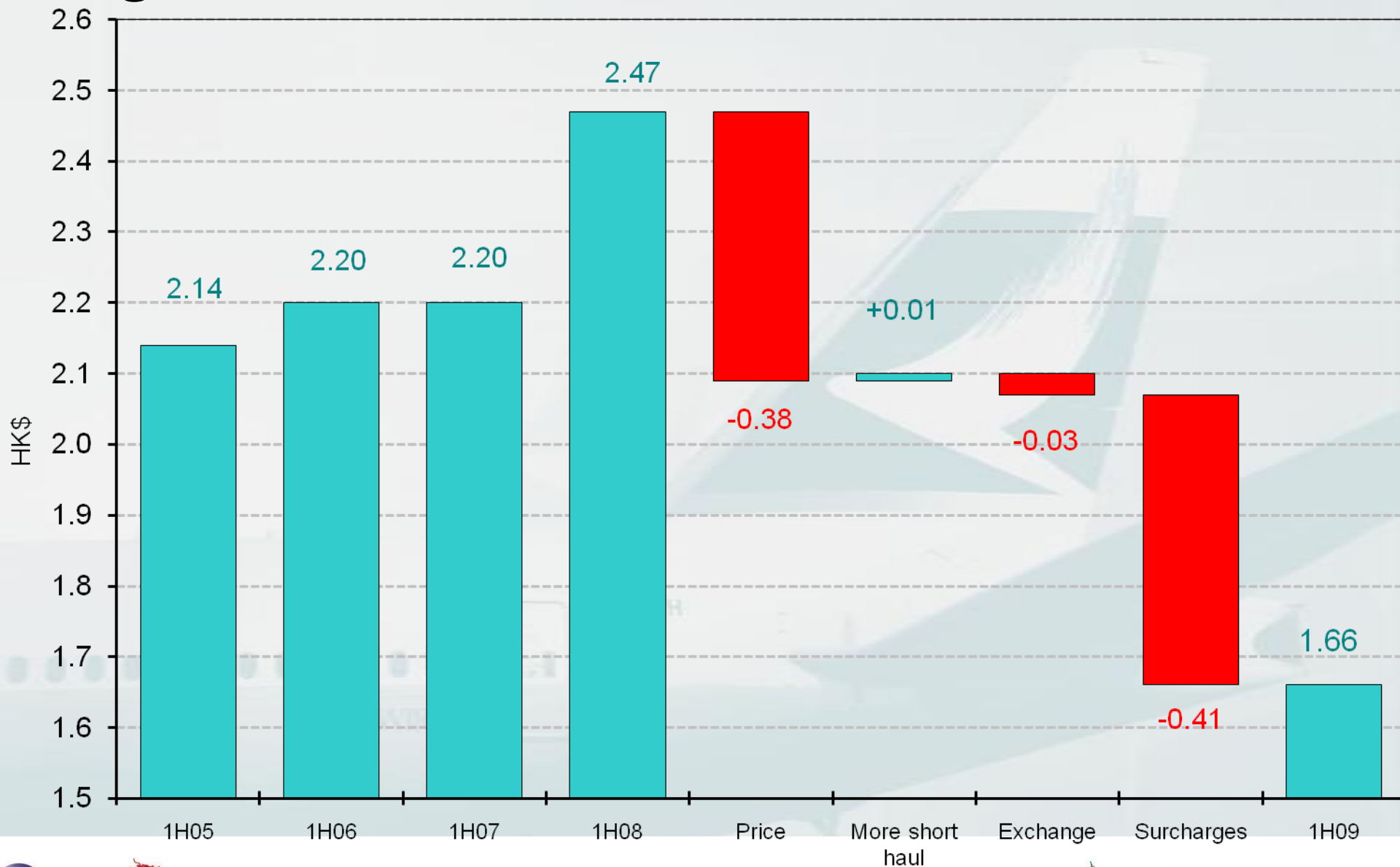
	<u>1H 2009</u>	<u>vs 1H 08</u>
Turnover	HK\$7,264m	- 39.5%
Cargo Capacity (ACTK)	5,727m	- 14.1%
- on passenger aircraft	2,228m	- 8.3%
- on freighters	3,499m	- 17.4%
Cargo Carried	701k tons	- 15.3%
Yield per tonne km	HK\$ 1.66	- 32.8%
Load factor	66.2%	- 0.2%pts



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Cargo & Mail Yield



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Group Operating Cost

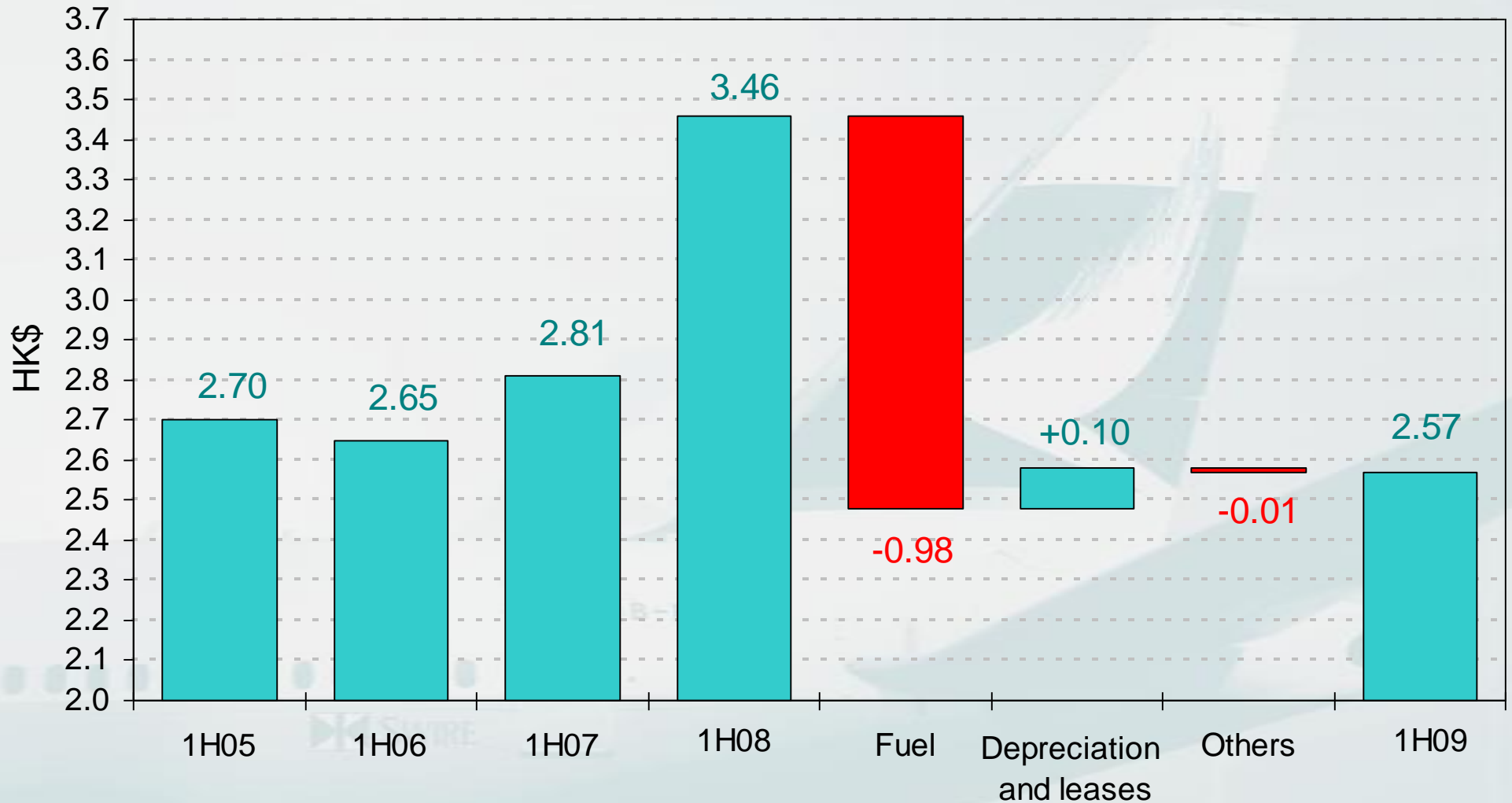
	<u>1H 2009</u>	<u>vs 1H 2008</u>
Staff	6,075	- 3.3%
Inflight service & passenger	1,433	- 12.9%
Landing, parking & route	4,999	- 8.3%
Fuel	6,645	- 65.6%
Aircraft maintenance	3,326	- 15.2%
Depreciation & leases	4,727	+ 16.9%
Net finance charges	437	- 6.6%
Others	1,673	- 14.8%
Total Operating Cost HK\$m	29,315	- 32.0%



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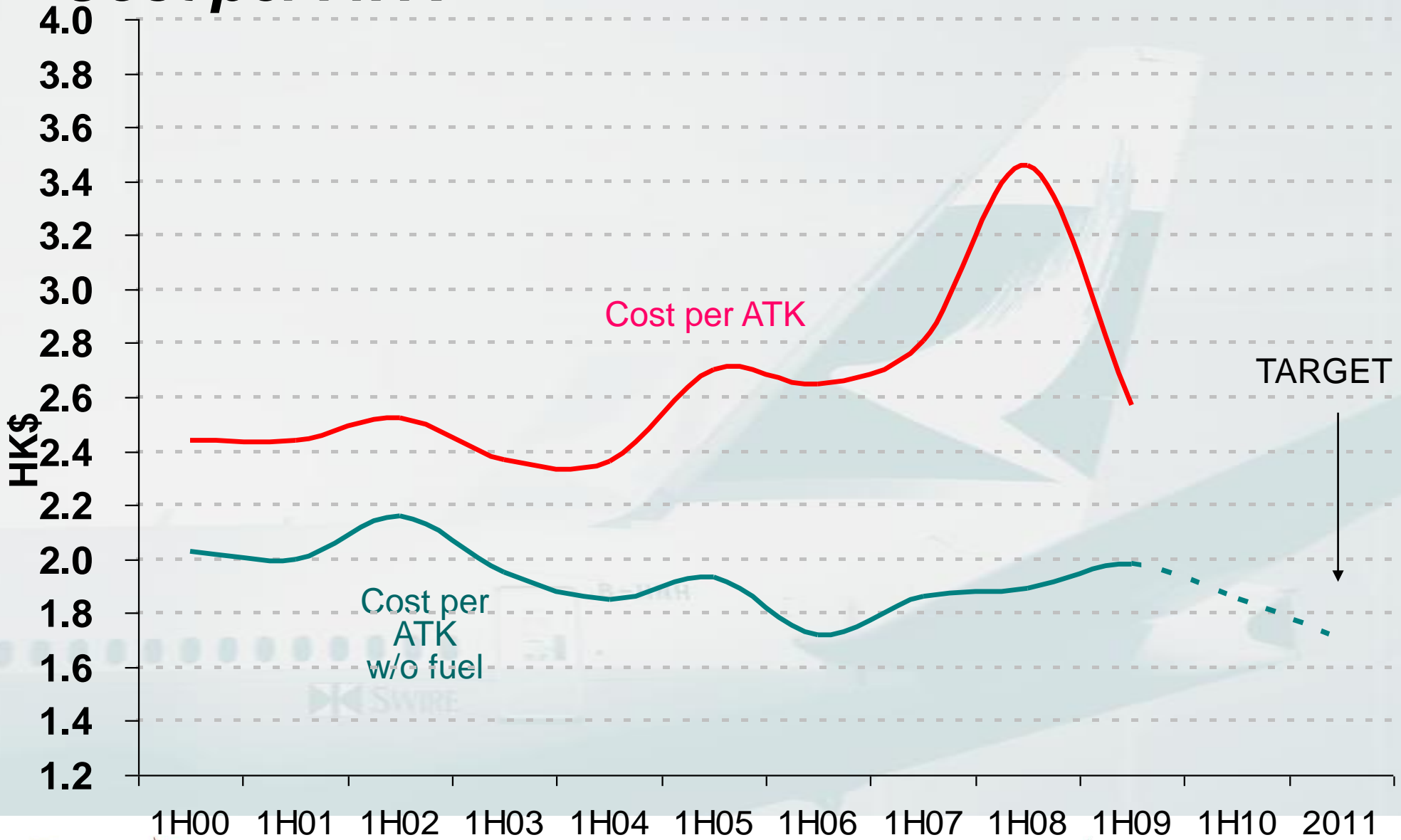
Airlines Cost per ATK



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Cost per ATK



Note: Includes KA from 1H07



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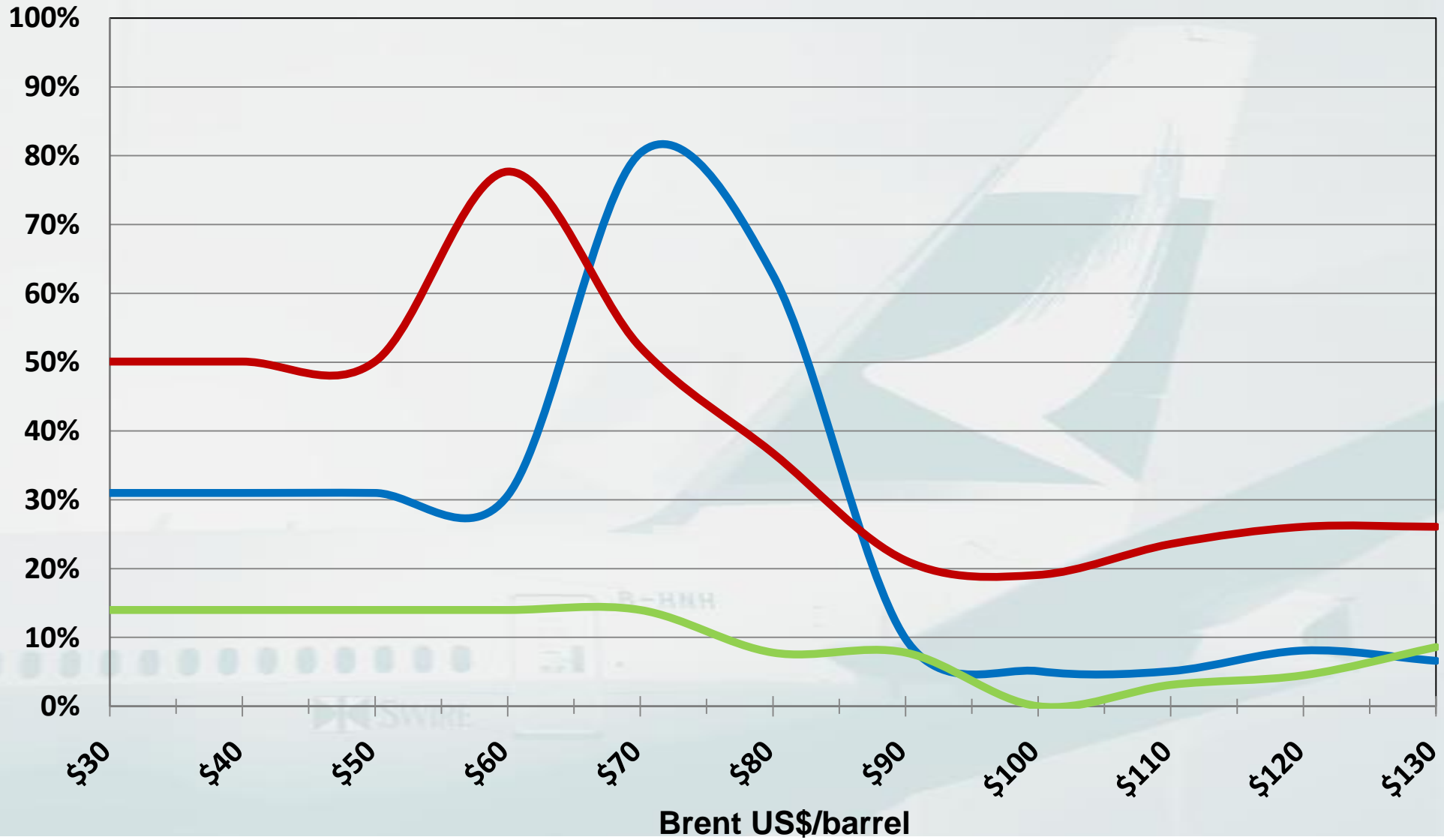
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Fleet composition changes (CX/KA)

<i>Fleet @ 31Dec2008</i>	154
Deliveries (4x747-400ERF, 2x777-300ER, 1x747-400BCF)	7
Returned (2xA330-300)	(2)
Retired (5x747-200F)	(5)
	<hr/>
<i>Fleet @ 30Jun2009</i>	154
Parked (5x747-400BCF)	(5)
Leased out (1x747-400BCF to AHK)	(1)
	<hr/>
<i>Operating fleet @30Jun2009</i>	148



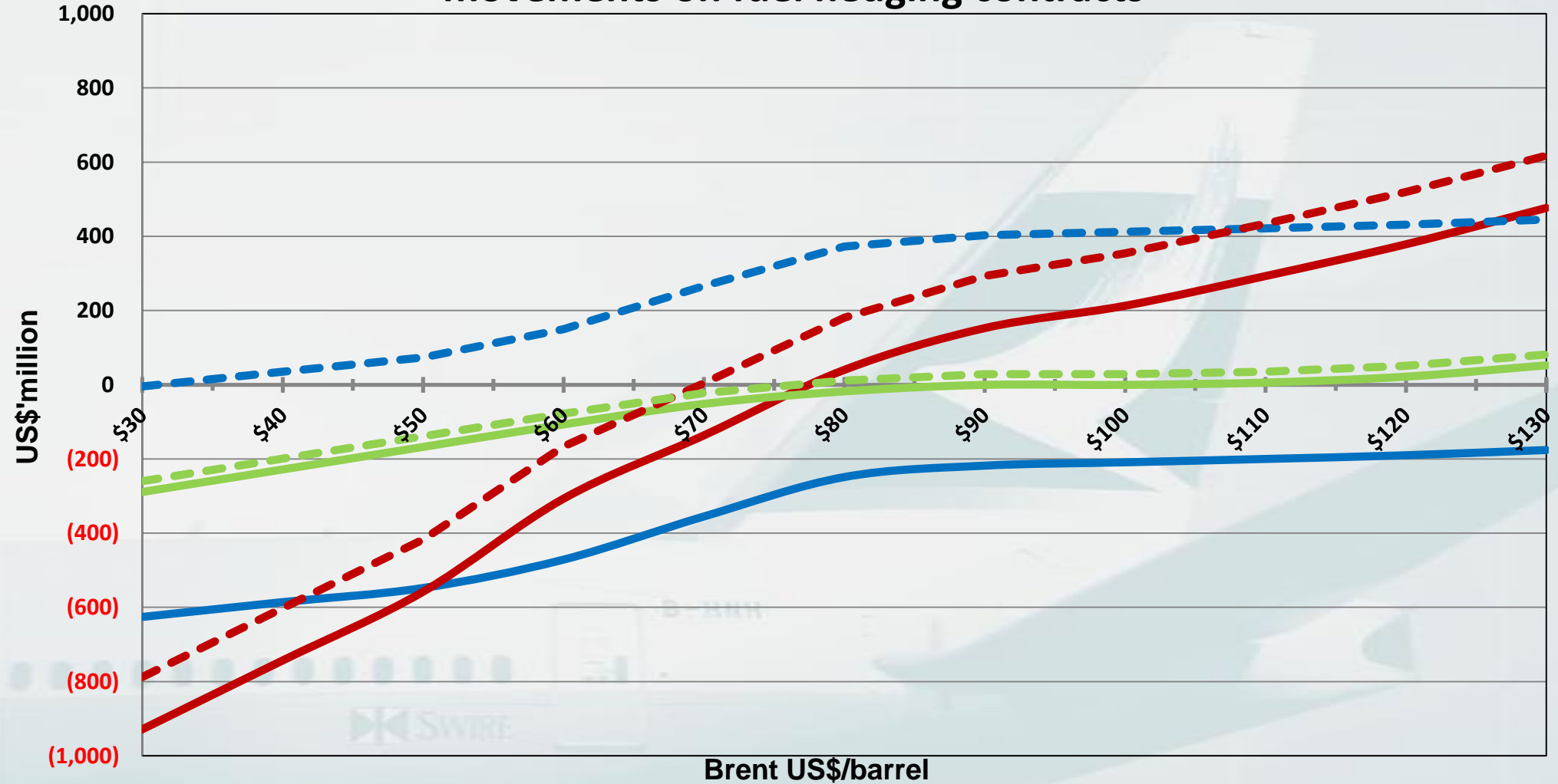
Maximum fuel hedging exposure



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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



Balance Sheet

	<u>30 Jun 09</u>	<u>31 Dec 08</u>	<u>vs Dec 08</u>
Shareholders' Funds	HK\$37,755m	HK\$36,709m	2.8% up
Gross Borrowings	HK\$41,972m	HK\$40,280m	4.2% up
Less:			
Liquid Funds	HK\$(11,304m)	HK\$(15,082m)	25.0% down
Net Borrowings	HK\$30,668m	HK\$25,198m	21.7% up
Capital Employed (incl. MI)	HK\$68,608m	HK\$62,027m	10.6% up
Net Debt/Equity Ratio	0.81	0.69	+ 0.12 times
Investment in Air China	HK\$7,314m	HK\$7,854m	6.9% down



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Liquid Fund Flow

Inflow

New financing

Disposals & others

Outflow

Operating activities

Capital expenditure

Loan repayment

Dividend paid

Net outflow

1H 2009

HK\$'M

4,160

915

(1,167)

(4,913)

(2,729)

(44)

(3,778)

1H 2008

HK\$'M

3,200

261

3,361

(4,712)

(2,328)

(2,435)

(2,653)



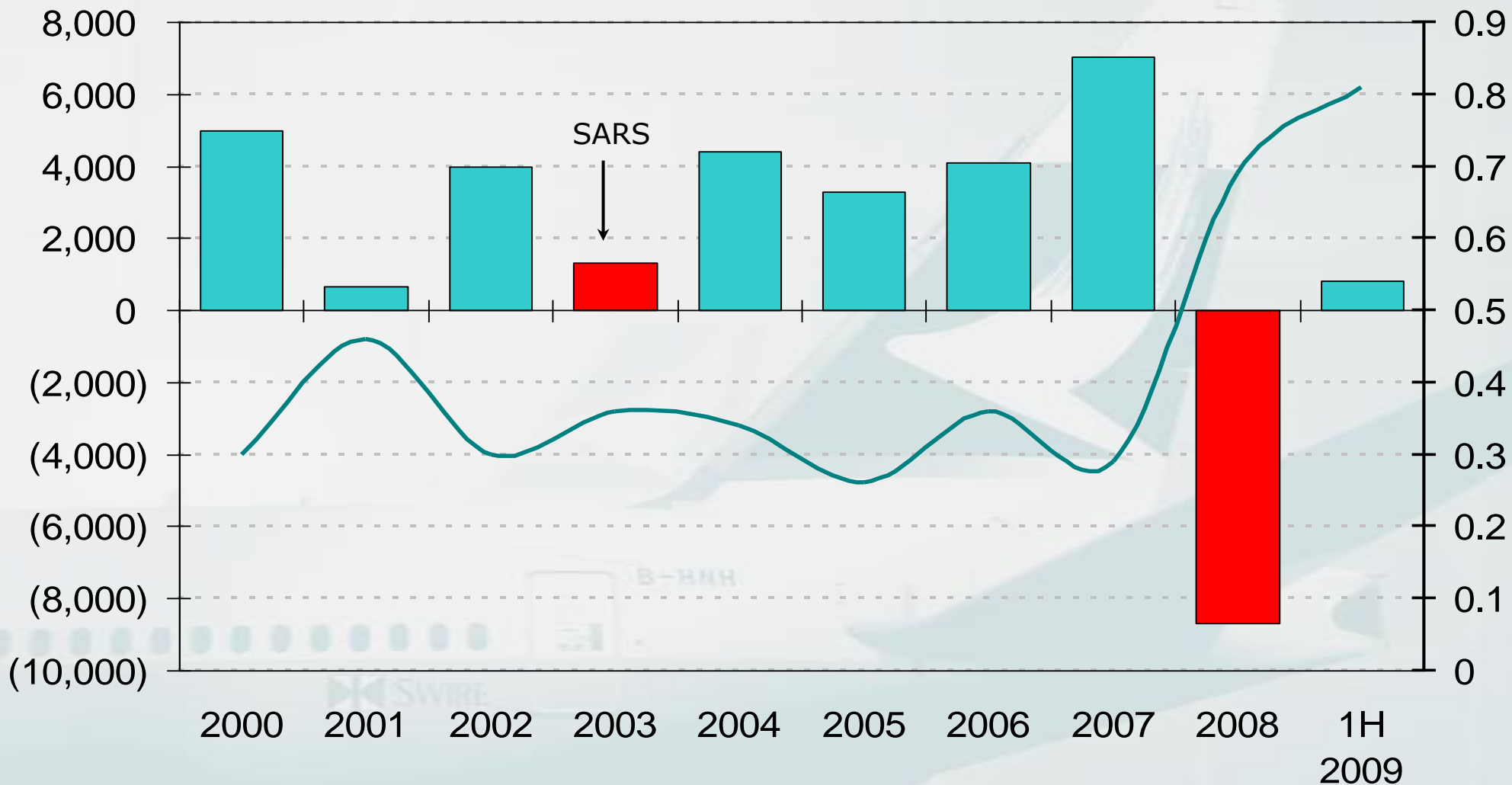
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Profit & Net Debt/Equity Ratio

Profit / (loss) - HK\$ m

D/E ratio - times



Profit/(Loss)

Net debt/equity ratio



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One-off items

- Implementation of HK (IFRIC) 13 Customer Loyalty Program
 - A reduction of HK\$1.4B in the opening retained profit of 2009
 - Profit for 1H increased by HK\$68m
- Aircraft impairment
 - Impairment on parked aircraft is not necessary per se
 - Aircraft held for sale NBV compared to their market values
 - Provision of HK\$169m
- Operating lease charges
 - Aircraft parked and unlikely to return to service
 - Accrued the outstanding lease payments



Air China

- CX share of October 2008 – March 2009 results
- CA made a significant operating loss in 4Q 08 and a moderate profit in 1Q 09
- CA made RMB7.5B fuel hedging losses in 2008
- We took up most of CA's 2008 fuel hedging losses in our 2008 results



Outlook

- Cargo revenue outlook remains very weak but stable
- Passenger revenue remains low
 - front end demand remains subdued
 - weak YCL yield but loads remain high
- Turnover affected by weak currencies
- Prospect of higher average fuel prices



What we are doing

- Conserving cash
 - expenditure reductions
 - capex restraint
- Managing capacity
 - parking aircraft (and sale)
 - no extension of operating leases
- Strategic review ongoing
 - revenue enhancement
 - configuration
 - operating costs



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



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Q & A



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