

Cathay Pacific Airways

2010 Analyst & Investor Briefing

December 2010



Airline Strategy

- Grow our 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
- Develop benefits available from strategic relationship with Air China.
- Maintain a prudent approach to financial risk management



Performance to Oct 10- Capacity Data

CATHAY PACIFIC/ DRAGONAIR COMBINED CAPACITY		Cumulative Oct 2010	% change YTD
China		8,023,516	14.8%
North East Asia		11,957,003	1.3%
South East Asia		11,819,779	2.1%
India, Middle East, Pakistan & Sri Lanka		9,133,223	5.6%
Europe		17,388,175	1.8%
South West Pacific & South Africa		15,016,705	2.3%
North America		22,131,545	5.1%
ASK	Total (000)	95,469,946	4.0%
Passenger load factor		84.1%	4.0pt
Available cargo and mail tonne km (000)		11,010,249	14.2%
Cargo and mail load factor		76.0%	6.7pt
ATK (000)		20,098,265	9.3%



Performance to Oct 10- Traffic Data

CATHAY PACIFIC AND DRAGONAIR COMBINED TRAFFIC		Cumulative Oct 2010	% change YTD
China		6,353,734	30.3%
North East Asia		9,910,858	15.3%
South East Asia		9,710,206	8.8%
India, Middle East, Pakistan & Sri Lanka		7,063,472	8.0%
Europe		15,156,434	3.9%
South West Pacific & South Africa		12,042,786	2.1%
North America		20,071,838	10.1%
RPK	Total (000)	80,309,328	9.2%
Passengers carried		22,334,469	11.2%
Cargo and mail tonne km (000)		8,363,365	25.1%
Cargo and mail carried (000Kg)		1,489,046	19.9%
Number of flights		49,049	4.9%



Operating Performance- Passenger

- Passenger
 - Strong demand from end of 2009 continued throughout 2010
 - Extra sectors added during summer holiday
 - Specific routes boosted by Shanghai Expo and Canton Trade Fair
 - Premium demand continued to improve
 - Satisfactory advance bookings for December and January
 - Yields lifted by forex appreciation

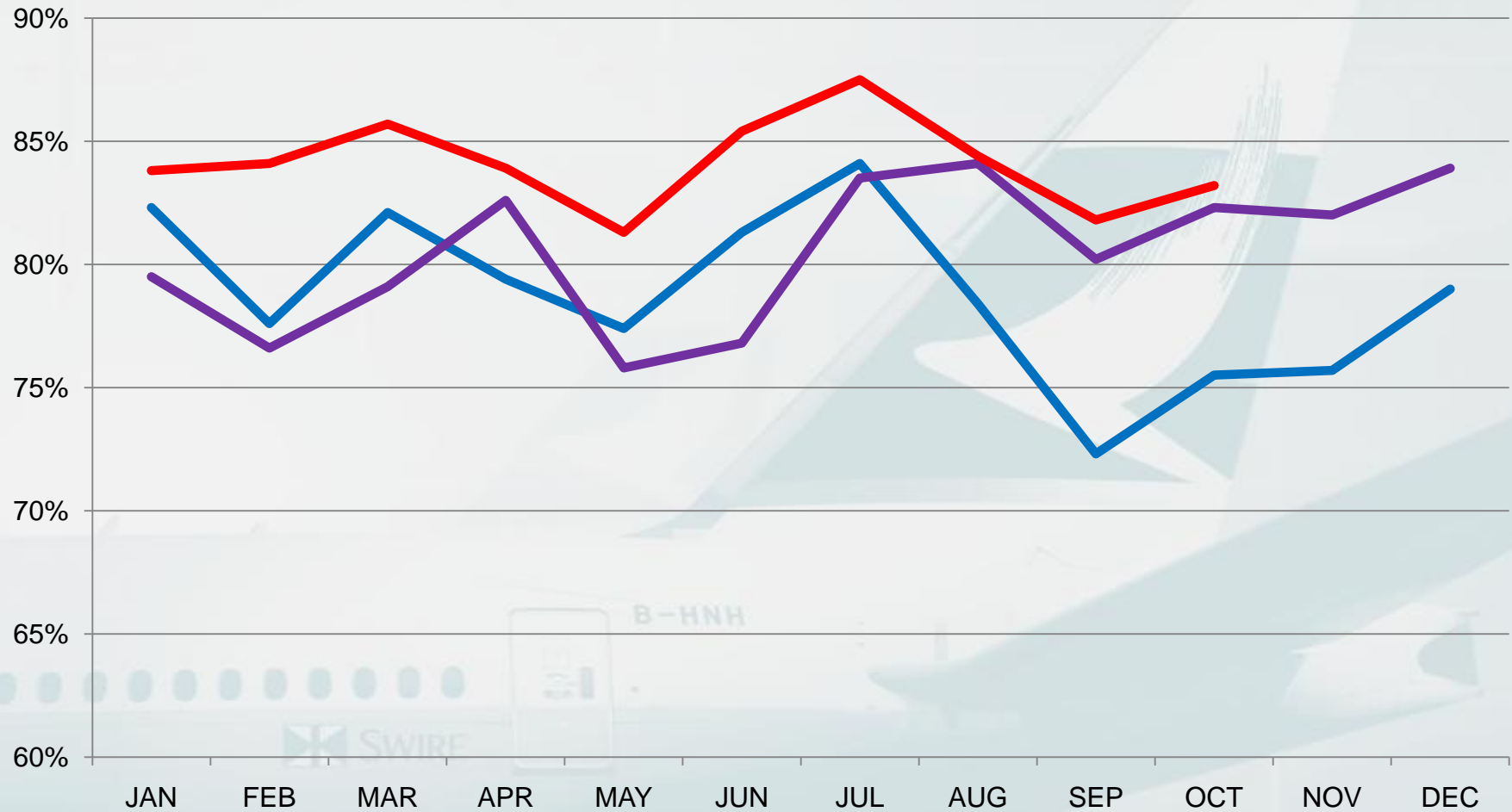


Operating Performance- Passenger

- On-line new destinations
 - Haneda (Tokyo) – twice-daily service from Oct 2010
 - Hongqiao (Shanghai) - daily service from Sep 2010
 - Okinawa- twice weekly scheduled service from Nov
- Increased frequencies in 2010 winter schedule
 - Auckland, Brisbane, Cairns, Perth and Sydney
 - Toronto, Osaka and Paris
- Various new destinations through code-share including
 - Honolulu and Seattle
 - Edmonton, Ottawa and Montreal
 - Hiroshima and Kagoshima



PASSENGER LOAD FACTOR (08 - OCT 10)



— 2008 — 2009 — 2010



Product and Services - Passenger

- Four departure lounges for our customers at our home, HKIA
 - The Wing, the Pier, G16 and The Cabin (officially opened in October)
 - The Cabin features an ultra-modern design
- New travel kits with exclusively designed amenity bags
- Inflight entertainment upgrade to StudioCX
- Inflight connectivity project under study
- New Asia Miles co-branded card with American Express

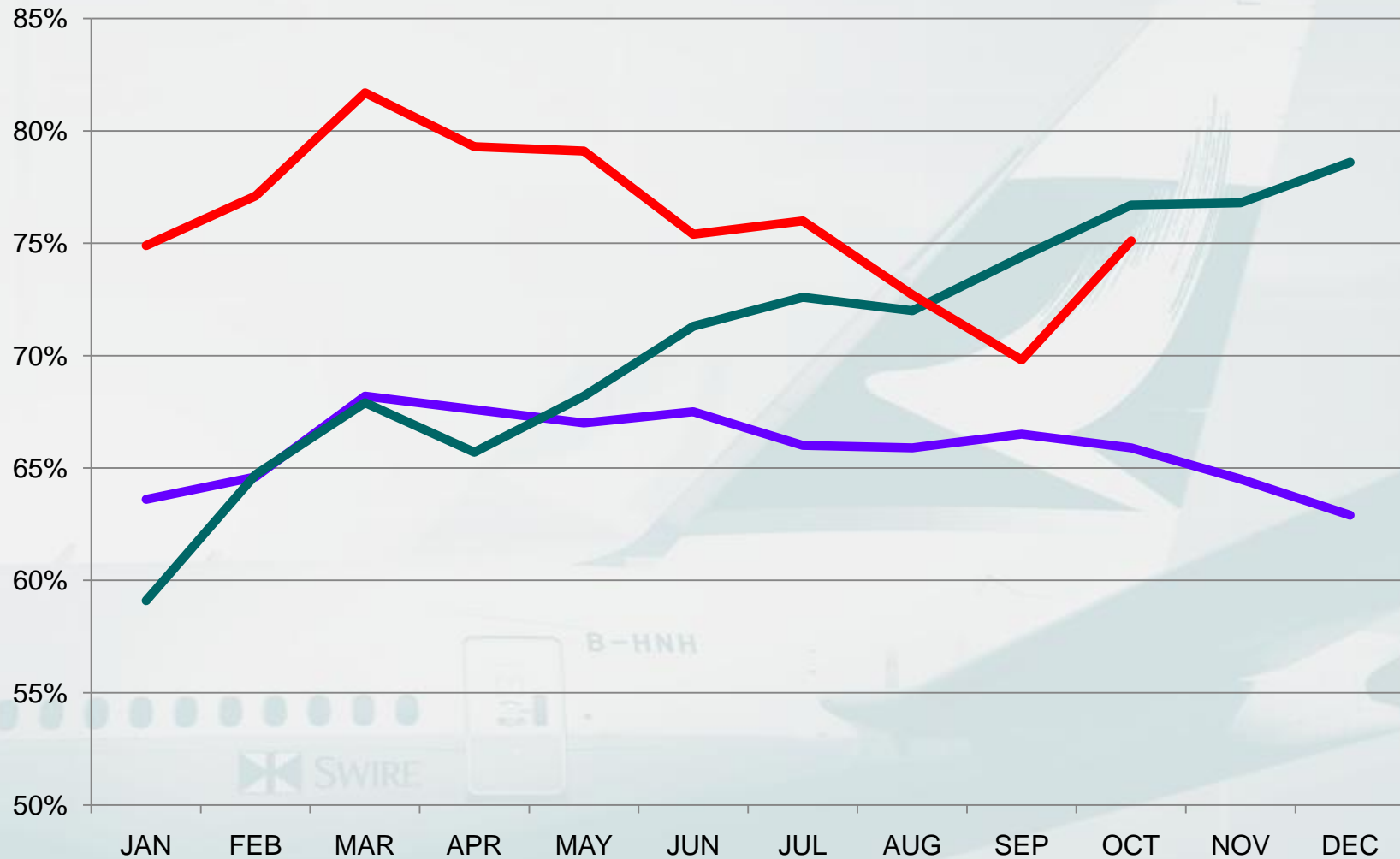


Operating Performance

- Cargo
 - All six previously parked freighters have been reactivated to restore capacity
 - Strengthened some of our scheduled freighter frequencies on Transpacific and European routes
 - Mount extra sectors and charter flights in response to market needs
 - Strong demand also leads to healthy yield improvements
 - But, there has been a significant increase in competitor capacity on North America and European routes



CARGO AND MAIL LOAD FACTOR (08 - OCT10)



— 2008 — 2009 — 2010



CATHAY PACIFIC

Cargo Development

- Cargo Terminal
 - HK\$5.5 billion investment
 - operated by our subsidiary, Cathay Pacific Services Limited
 - Good progress in construction and operations preparation
 - Total 7 levels - now building up to level 3
 - Installation of the Material Handling System will start in Jan 2011
 - On schedule for opening early 2013
 - Enhanced operations procedures will enable CPSL to provide better services to customer airlines and the air cargo industry



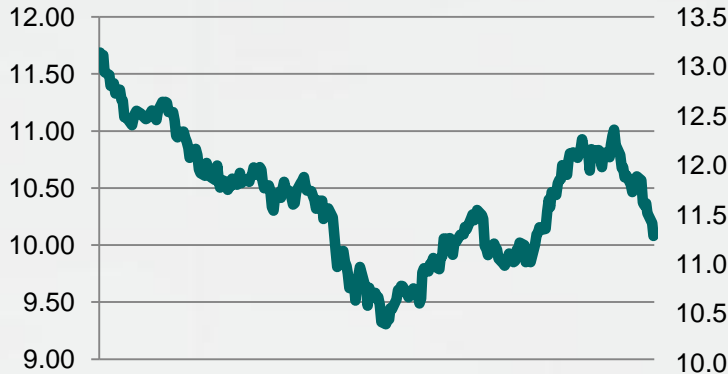
Financial Risk Management

- Currency
 - Currencies appreciated against USD
 - All major currencies are hedged in compliance with our policy
- Liquidity
 - Strong operating performance lifts cash
 - Unpledged liquid funds and undrawn committed lines exceed HK\$20bn
- Interest rates
 - Overall cost of debt remains below 3%
 - Margins have narrowed, but yield curve has steepened
 - Strategic management of fixed/floating ratio

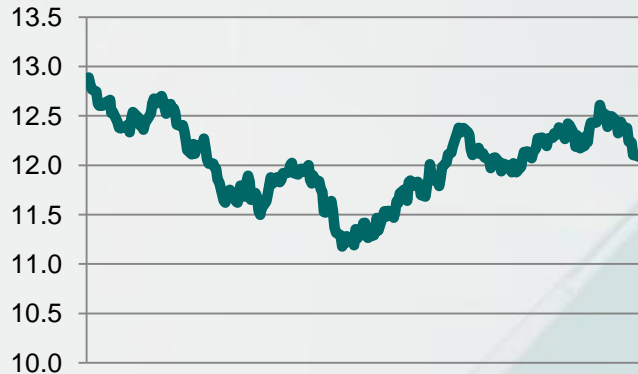


Spot rates of 6 top currencies (Dec09-Nov10)

HKD/EUR



HKD/GBP



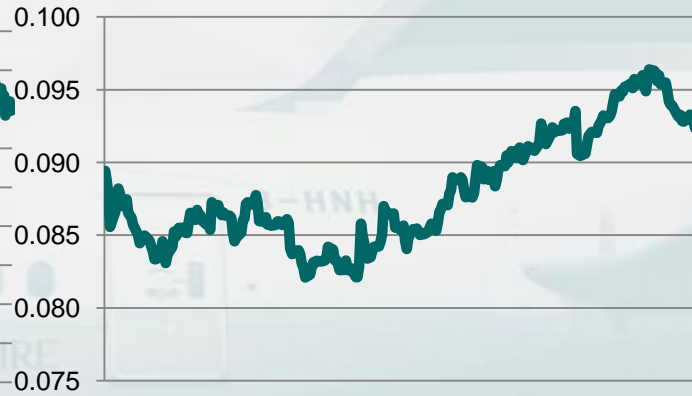
HKD/AUD



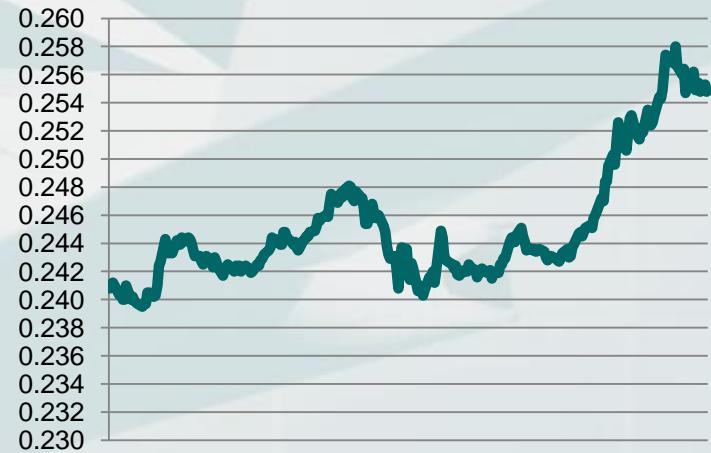
HKD/RMB



HKD/JPY



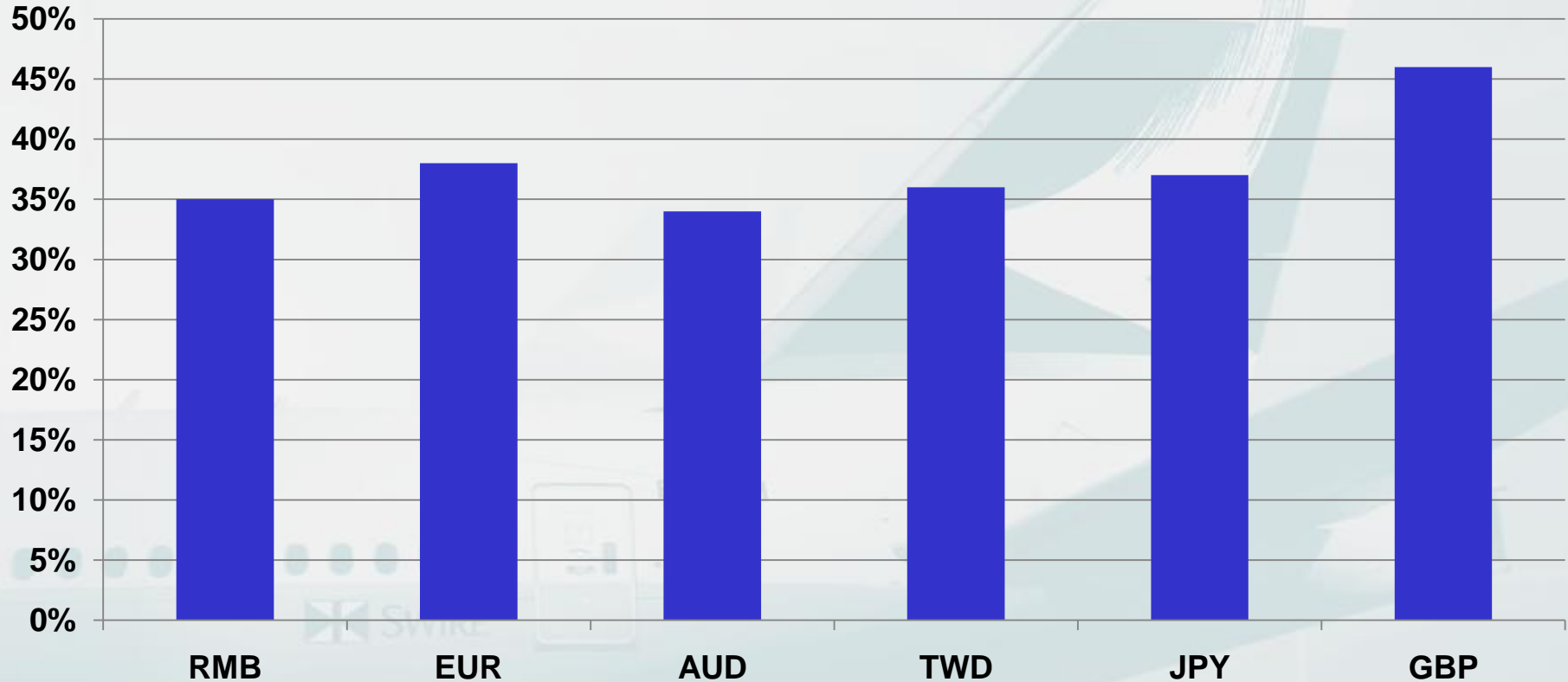
HKD/TWD



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Financial Risk Management

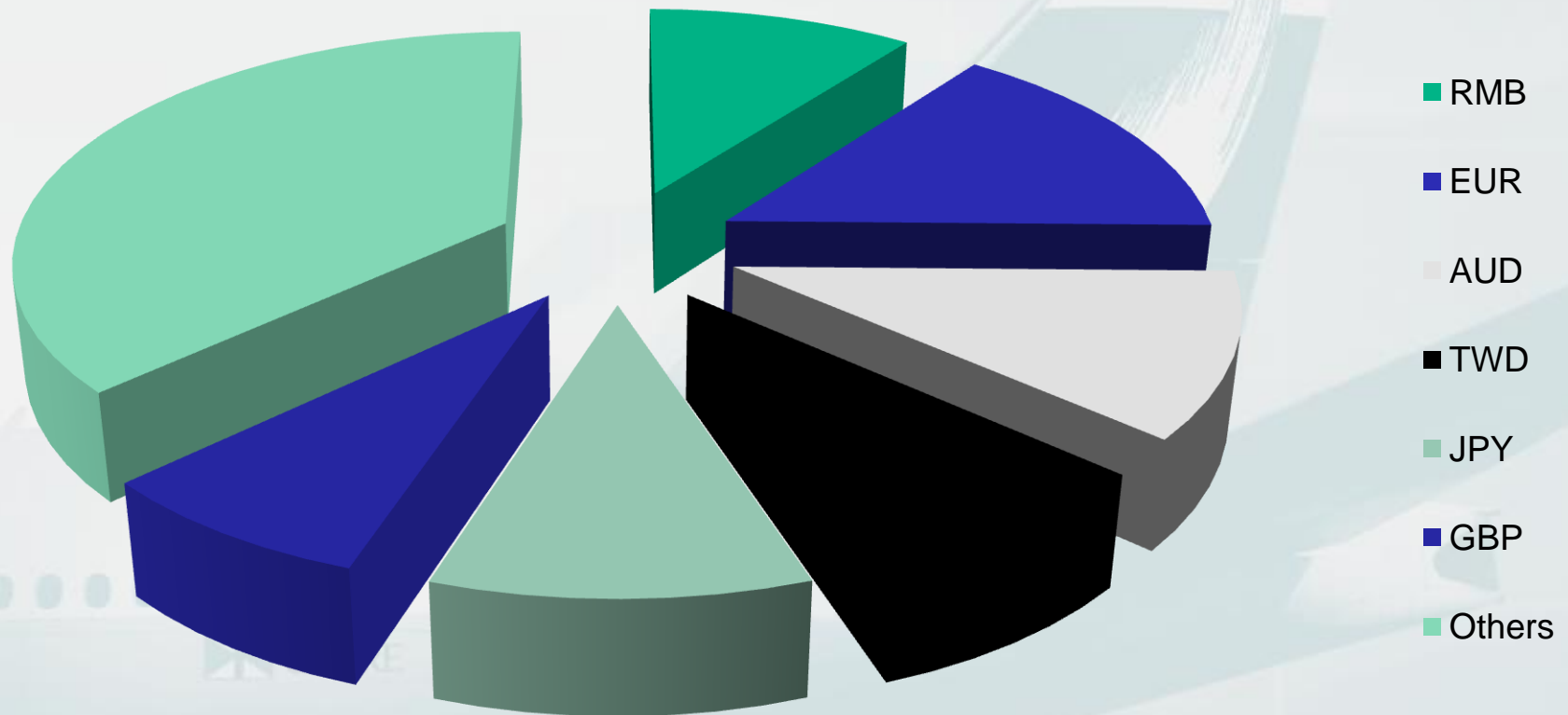
Net exposure (after hedging) of major currencies – next 12 months



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Financial Risk Management

Composition of forex exposure (after hedging) – next 12 months



CX/KA Fleet Plan : 2010

	In operation			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
30 Jun 2010	127	25	152	6	-	6
New deliveries	2	-	2	-	-	-
Re-activation	1	-	1	(1)	-	(1)
Air China Cargo JV	-	(1)	(1)	-	-	-
31 Dec 2010 (projected)	130	24	154	5	-	5

Recent order : 30 A350-900s and 6 B777-300ERs



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Fleet Plan (cont'd)

- Passenger
 - Seven aircraft delivery in 2010; nine in 2011; eight in 2012
 - Projected ASK growth in 2011, approx. 11%
- Freighter
 - Nil in 2010; six in 2011 and four in 2012 (all B747-8F)
 - Revised B747-8F delivery schedule agreed with Boeing in Oct
 - First B747-8F delivery in Aug 2011
 - One BCF sold to Air China Cargo in 2010, three in 2011
 - Projected ATK growth in 2011, approx. 12%



Net debt to equity ratio

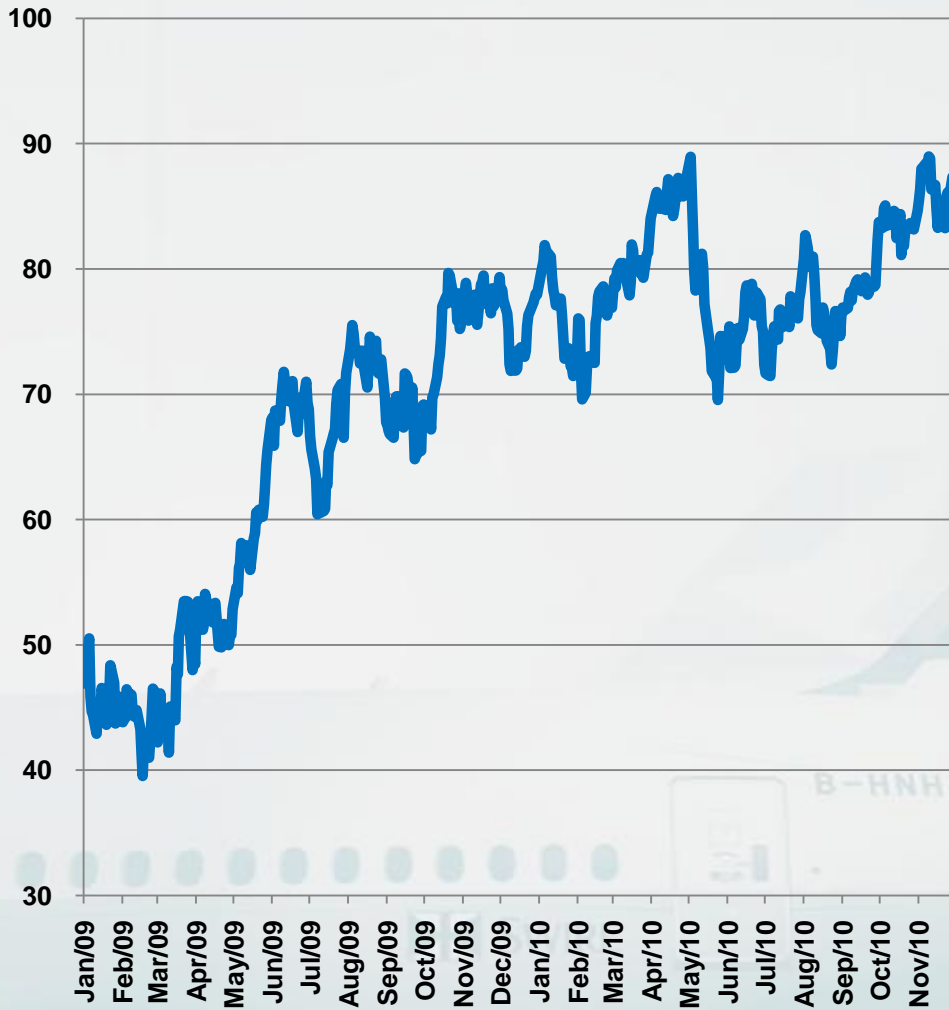
Oct 10	Jun 2010	Dec 2009	Dec 2008	Dec 2007	Dec 2006	Dec 2005
Below 0.40	0.40	0.62	0.69	0.30	0.36	0.26

- Gearing ratio is improving and below our target level
- Continue to adopt prudent financial strategy, build up adequate cash reserves
- CAPEX on new aircraft and cargo terminal will be over HK\$39B in the next 3 years

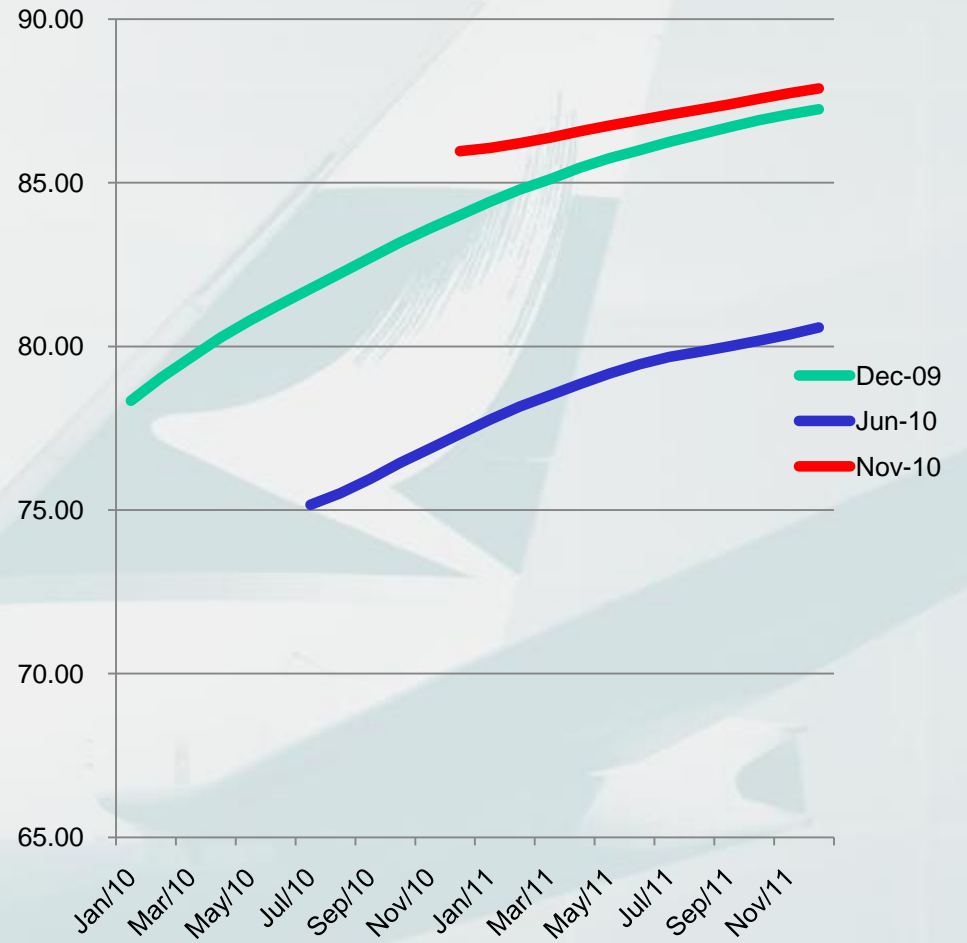


CATHAY PACIFIC

Daily IPE Brent Price

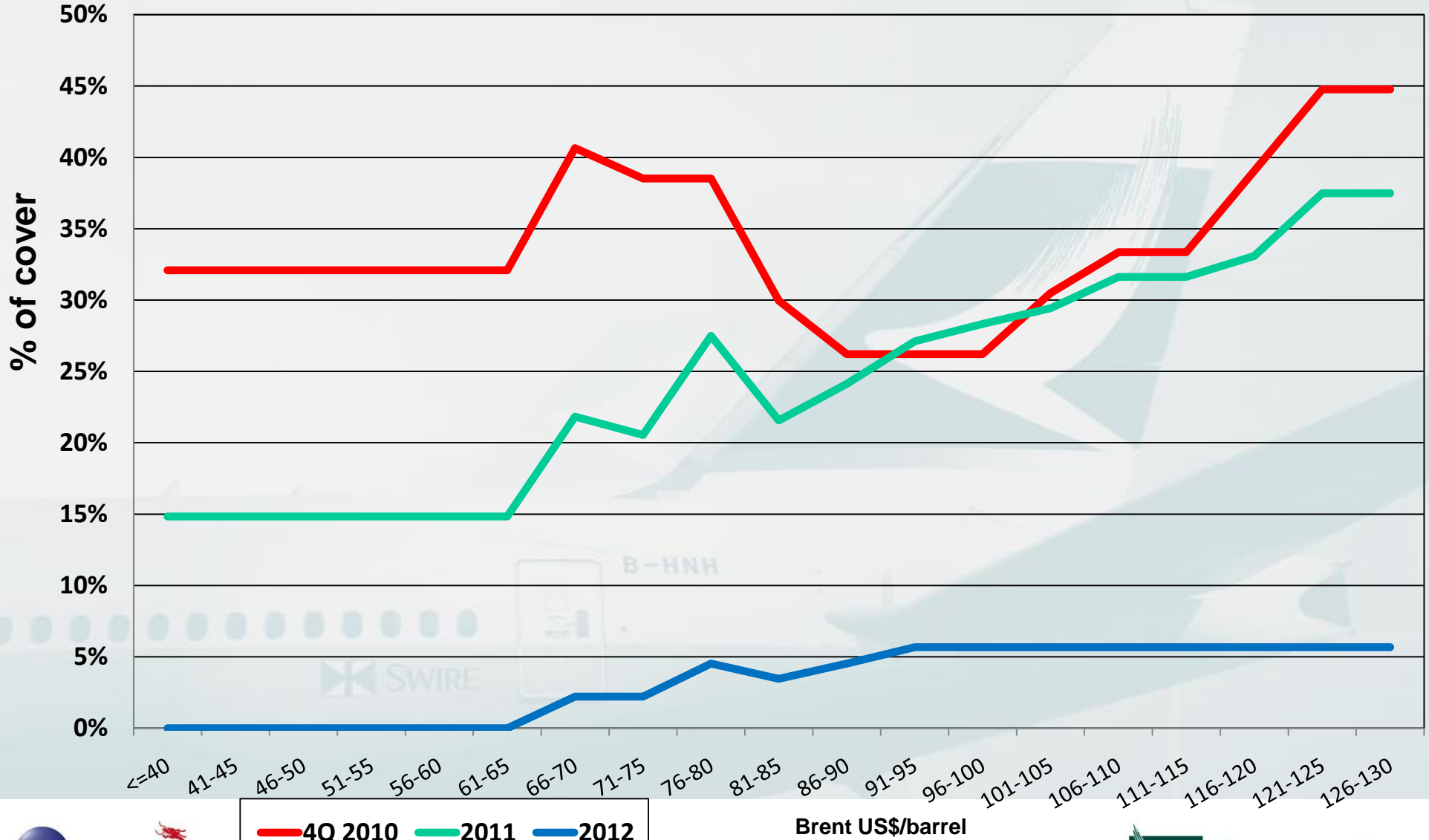


IPE Brent Forward Price



CATHAY PACIFIC

% Fuel consumption subject to Hedging Contracts



— 4Q 2010
 — 2011
 — 2012



CATHAY PACIFIC

Air China

- CA recorded a significant increase in earnings as reported in Sep YTD results, positive impact to CX results in 2nd half 2010
- Completed new share issue on 24th Nov and diluted CX's holding to 18.3%

Air China Cargo

- Target to be the biggest freighter operator in Mainland
- A preparation team has started to work with counterparts in Air China Cargo
- Target to commence operation in 1H 2011 once all regulatory approvals have been received
- CX will send secondees to participate in the commercial, planning and services areas



CX's share of CA's results (for illustrative purpose)

CX's profit without CA	A	CA's profit without CX	B
CX's share of CA's profit	$\frac{X}{A + X}$	CA's share of CX's profit	$\frac{Y}{B + Y}$

$$\begin{aligned}
 X &= 19.27\% (B + Y) \\
 &= 19.27\% B + 19.27\% (29.99\% A + 29.99\% X) \\
 &= 19.27\% B + 5.78\% A + 5.78\% X \\
 &= \mathbf{20.45\% B + 6.13\% A}
 \end{aligned}$$



CX's share of CA's results (for illustrative purpose)

- CA's Quarterly Announcements including share of CX's results
- CX takes up CA's result three months in arrear
- CA takes up CX's result (no timing difference, ie. not in arrear)
- CX takes up CA's quarterly result excluding CX (IFRS) while CA announces results quarterly (PRC GAAP)
- Assuming:-
 - CX's result without CA is: 100
 - CA's result without CX is: 100
 - CX's share of CA's consolidated result will be: 26.58



Full year results

- Profit forecast in 2010 of not less than HK\$12.5 billion
 - Includes
 - One-off items: gains on disposal of HACTL and HAECO (HK\$ 2,165M)
 - Strong Air China results (2010 Sep YTD under PRC GAAP: RMB 9,861M)
 - European Commission's imposition of a fine related to cargo investigations (HK\$ 618M)
 - Excludes
 - Gain on deemed disposal of CA shares



Outlook

- **General Market**
 - Uncertainty arising from global economy
 - European debt crisis
 - Unclear impact of quantitative easing – possible inflation, increase in commodity prices and asset bubbles
 - Volatile exchange rates
 - Fuel price remains a concern



Outlook

- **Our situation**

- Demand and yields continue to remain strong
- Ongoing focus on our core competencies in effective revenue management and strategic cost management
- Continue to optimise our cabin configuration
- Continue to strengthen the balance sheet
- Formal commencement of CA Cargo JV
- Commitment to future expansion



Q & A

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

