



Cathay Pacific Airways

2010 Annual Results

9 March 2011

Annual Result

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Group Profit/(Loss)	HK\$14,048m	HK\$4,694m	+199.3%
Group Turnover	HK\$89,524m	HK\$66,978m	+33.7%
Profit Margin	15.7%	7.0%	+8.7%pt
Return on Capital Employed	22.0%	8.7%	+13.3%pt
Earnings per share	HK¢357.1	HK¢119.3	+199.3%
Dividends per share	HK¢111	HK¢10	+1,010.0%
Available tonne kilometres	24,461m	22,249m	+9.9%
Cost per ATK	HK\$3.16	HK\$2.76	+14.5%
Cost per ATK (w/o fuel)	HK\$2.02	HK\$2.00	+1.0%
Revenue Load Factor	81.1%	77.7%	+3.4%pt
Breakeven Load Factor	69.3%	72.8%	-3.5%pt



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One-off items

- Profit on disposal of HAECO and HACTL shares of HK\$2,165m (2009: HK\$ 1,254m)
- Gain on deemed disposal of Air China shares of HK\$868m
- Aircraft impairment
 - Net writeback of HK\$ 98M as a result of re-activation of aircraft (2009: provision of HK\$219m)
- Provision for European Commission fines related to cargo investigations HK\$618m



New Aircraft: 2011-2019

Orders brought forward at June 2010	29
New orders	
August 2010	36
December 2010	2
March 2011	25
Total	92
A330-300s	22
A350-900s	32
B777-300ERs	28
Pax aircraft	82
B747-8F	10
Total	92



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Aircraft Delivery Plan

	2011	2012	2013	2014	2015	2016	2017	2018	2019	
747-8F	6	4								10
A330-300	3[*]	4	6	6	3					22
777-300ER	6	5	4	8	5					28
A350-900					2	6	8	12	4	32
Total	15	13	10	14	10	6	8	12	4	92

* 1 A330-300 delivered in February 2011. 91 deliveries outstanding.



Cargo Terminal



Total investment costs	HK\$ billion
Up to 2010	1.9
2011	2.1
2012	1.0
2013	0.5
Total	5.5



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Airlines operating profit

	<u>2010</u> HK\$M	<u>2009</u> HK\$M
Airlines operating profit before fuel hedging, non-recurring items and tax	9,465	285
Profit on disposal of HAECO and HACTL shares	2,165	1,254
Gain on deemed disposal of Air China shares	868	-
Realised and unrealised fuel hedging (losses)/ gains	(41)	2,758
Tax charge	(1,347)	(170)
Airlines profit after tax	11,110	4,127
Share of profit from subsidiaries & associates	2,938	567
Profit attributable to owners of Cathay Pacific	14,048	4,694



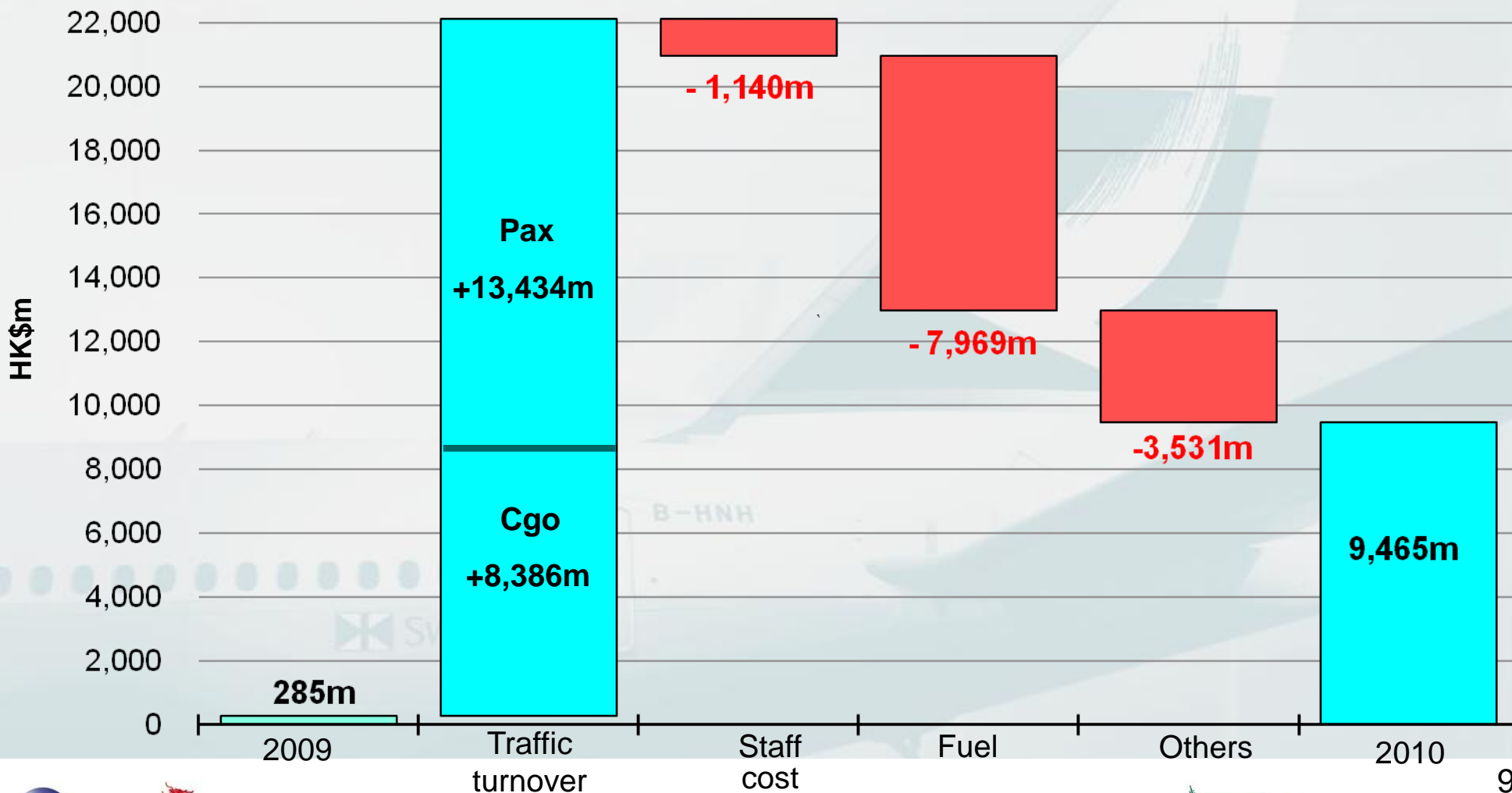
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Gain on deemed disposal of Air China shares

Net assets of Air China	HK\$'m
Before new shares issuance	A
Issuance of A shares and H shares by Air China in November 2010	B
After new shares issuance (A + B)	C
Gain on deemed disposal (C * 18.3% - A * 19.3%)	868



Reconciliation of airlines' operating profit before fuel hedging, non-recurring items and tax : 2009 to 2010



Passenger Service - Key Numbers

	<u>2010</u>	<u>vs 2009</u>
Turnover	HK\$59,354m	+ 29.3%
Seat Capacity (ASK)	115,748m	+4.1%
Passenger Number	26.8m	+9.1%
Yield per Revenue Pax Km	HK¢61.2	+19.8%
Load Factor	83.4%	+2.9% pt



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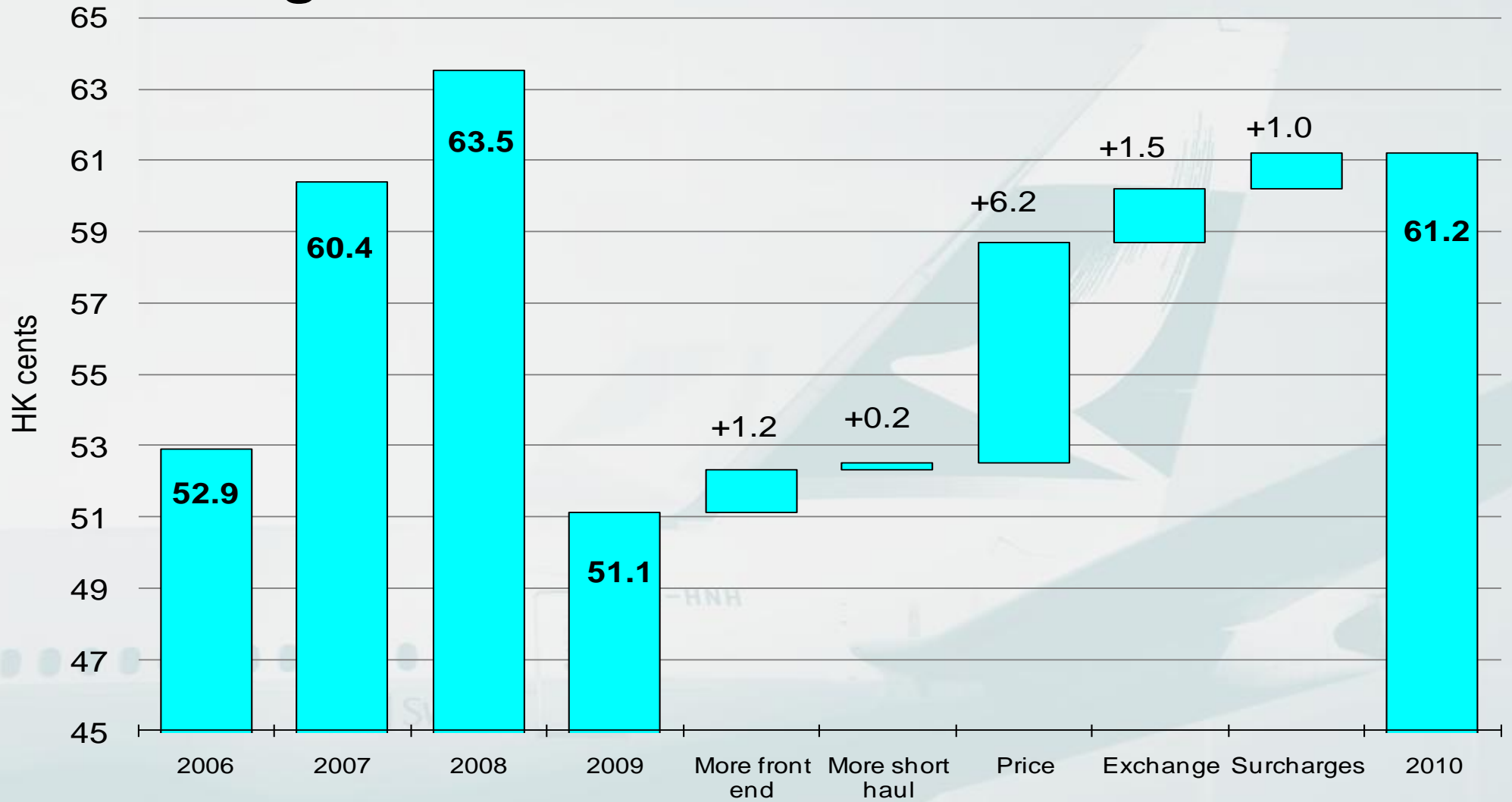
Passenger Service - by Region

	ASK (m)	vs 2009	Load Factor	vs 2009	Yield Change
India, Middle East, Pakistan and Sri Lanka	10,981	+4.7%	77.5%	+0.7% pt	+8.2%
Southeast Asia	14,312	+3.0%	82.8%	+4.5% pt	+15.0%
SW Pacific and South Africa	18,327	+2.0%	80.2%	-0.6% pt	+23.4%
Europe	20,993	+3.8%	85.9%	+0.6% pt	+18.8%
North Asia	24,316	+4.2%	79.7%	+7.5% pt	+18.5%
North America	26,819	+6.2%	89.9%	+3.2% pt	+23.3%
Systemwide	115,748	+4.1%	83.4%	+2.9% pt	+19.8%



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Passenger Yield



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Product and Services

- New business class seats
 - will be installed on all new long-haul aircraft
 - progressively retrofitted on existing long-haul aircraft by February 2013
- Four departure lounges and one arrival lounge at HKIA
- New uniform for cabin crew, airport and reservations staff later in 2011



Passenger Services Development in 2011

- New passenger services to Abu Dhabi and Chicago
- Planned increased frequencies to:-
 - Paris: double daily from 27 March (including 3 flights per week via Amsterdam)
 - Taipei: 108 flights per week from 27 March
 - Toronto: double-daily from 1 May
 - New York: four flights a day from 2 May
 - Milan: daily from 1 July



Cargo Service - Key Numbers

Group Turnover

Cathay Pacific and Dragonair

Cargo Capacity (ATK)

Cargo Carried

Yield per tonne km

Load factor

2010

HK\$25,901m

13,443m

1,804k tons

HK\$ 2.33

75.7%

vs 2009

+ 50.1%

+ 15.2%

+ 18.1%

+ 25.3%

+4.9%pt

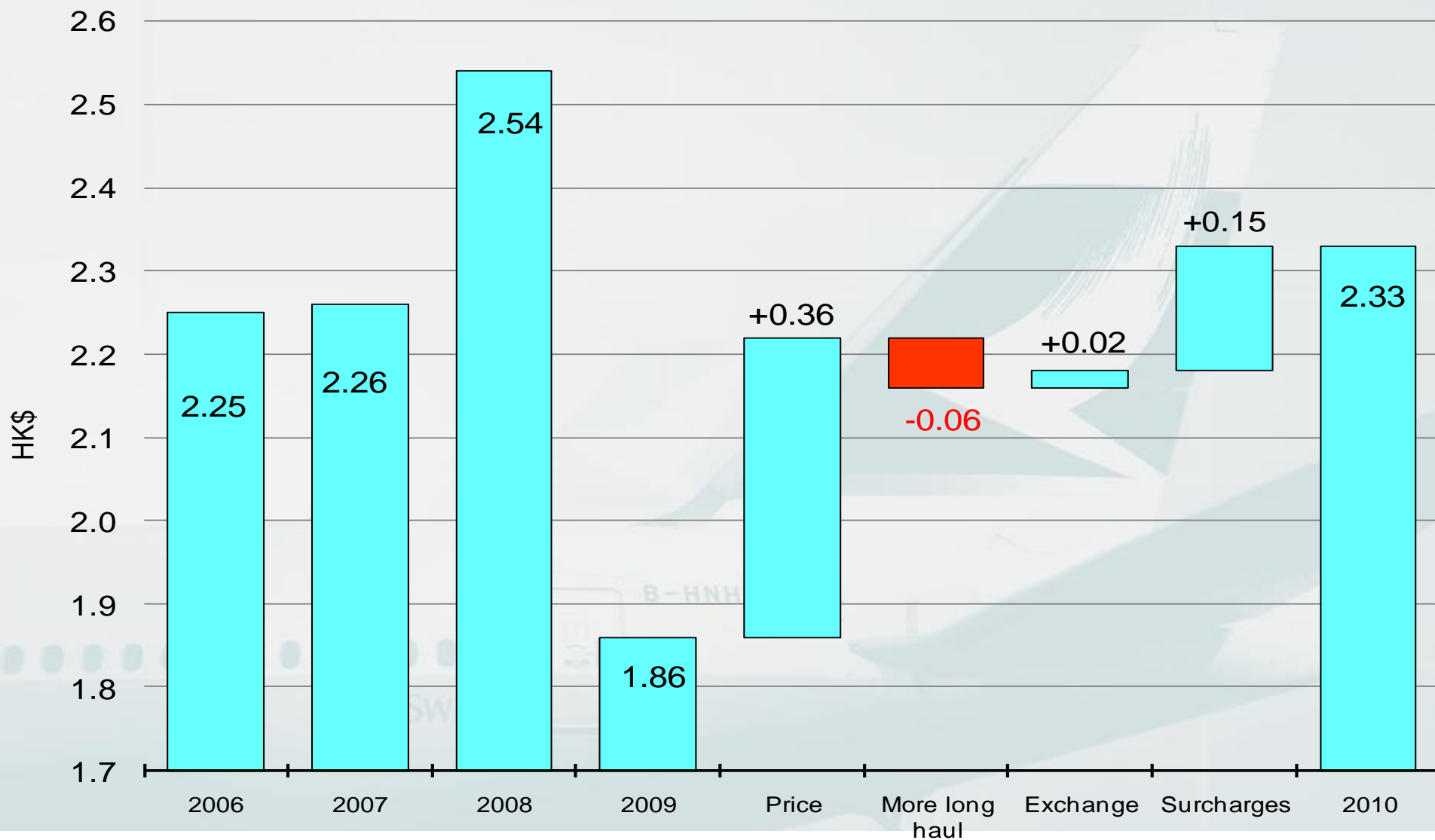


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Cargo & Mail Yield



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Cargo Operating Performance 2010

- All 5 previously parked freighters in the desert have been brought back into service
- Focused on improving yields
- Better balance of capacity to demand on long haul trade lanes
 - Consistently strong demand for shipments originating from Hong Kong and Shanghai
 - Higher than expected load factors for inbound flights with luxury goods and other products shipped to Asia and in particular, China
- 100% e-AWB was implemented on 1 January 2011 in Hong Kong



Air China / Cathay Pacific Cargo Joint Venture

- CX to acquire 49% economic interest in Air China Cargo (ACC)
- Joint management
- We have got the formal approval from the authorities in Mainland China and the completion process is in progress
- CX Group selling assets to ACC
 - 4 x 747-400BCFs (one has been sold in 2010; the other 3 will be sold in 2011 and 2012)
 - 2 spare engines (one in 2011 and one in 2012)

Strategic Objective: Grow Air China Cargo to become pre-eminent cargo carrier in Beijing & Shanghai



Cargo Fleet Plan

2010

- Fleet composition as at 31 Dec 2010
 - 24 x 747 Freighters : 6 x 747-400F, 6 x 747-400ERF and 12 x 747-400BCF

Future development

- Sale
 - 3 x 747-400BCF to Air China Cargo
- New delivery
 - 747-8F – 6 in 2011 and 4 in 2012

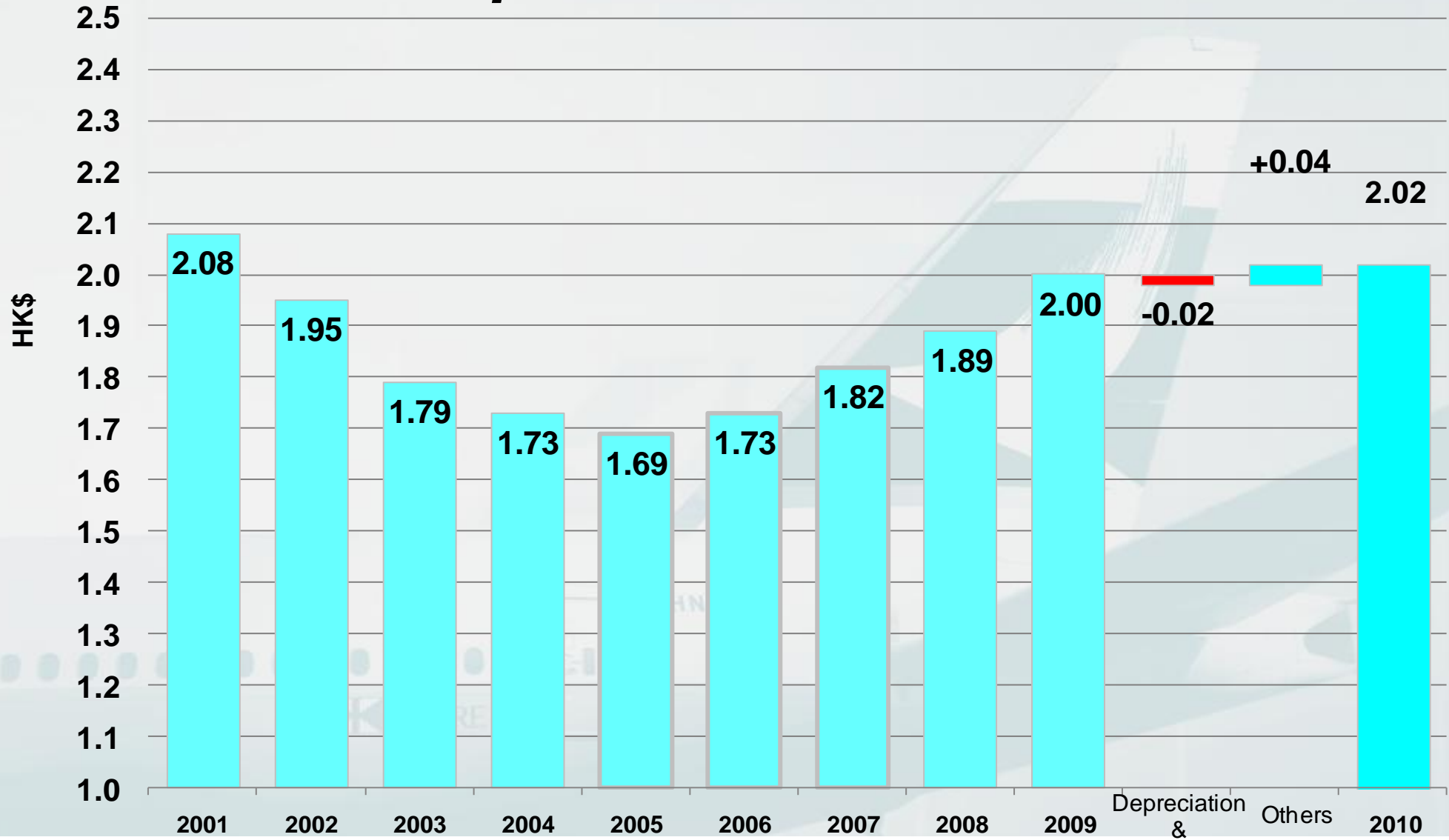


Group Operating Cost

	<u>2010</u> HK\$m	<u>vs 2009</u>
Staff	13,850	+ 9.8%
Inflight service & passenger	3,308	+13.5%
Landing, parking & route	11,301	+8.1%
Fuel	28,276	+ 63.0%
Aircraft maintenance	7,072	+ 7.7%
Depreciation, amortisation & leases	9,395	+ 3.5%
Net finance charges	978	+ 15.5%
Others	5,269	+ 50.1%
Total Operating Cost	79,449	+ 25.4%



Airlines Cost per ATK without Fuel

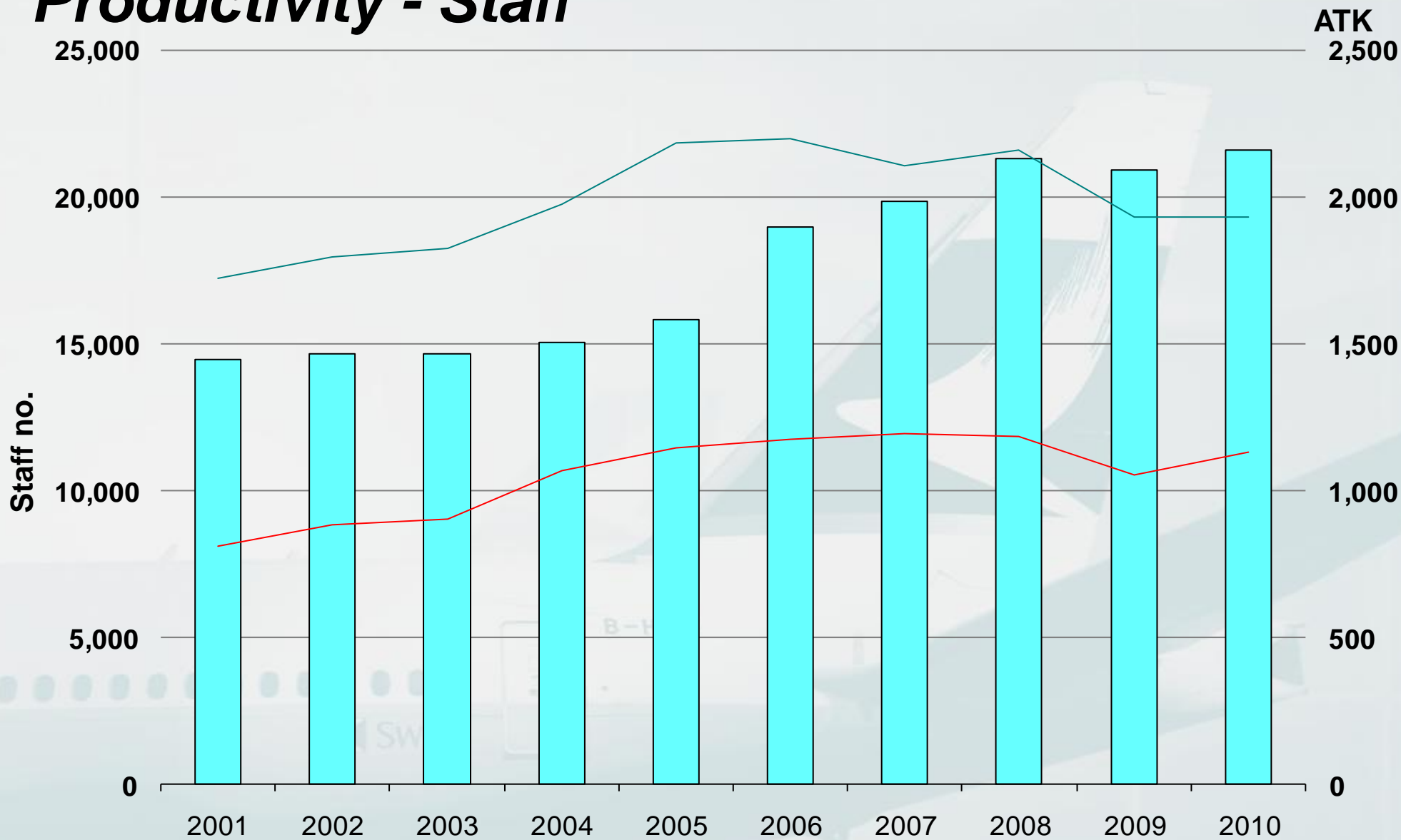


Depreciation & operating leases

Others



Productivity - Staff



■ Staff no. at year end
 — ATK per HK\$'000 staff cost
 — ATK (in '000) per staff

Note: Includes KA from Oct06



Fleet composition changes (CX/KA)

Fleet @ 31Dec2009

Deliveries (4x777-300ERs, 2xA320-200s, 1xA330-300)	155
Returned (1x747-400, 1xA330-300)	7
Sold (1x747-400BCF)	(2)
	(1)

Fleet @ 31Dec2010

Parked (4x A340-300, 1x 747-400)	159
Leased out (1x747-400BCF to AHK)	(5)
	(1)

Operating fleet @31Dec2010

	153
Passenger aircraft	130
Freighter	23

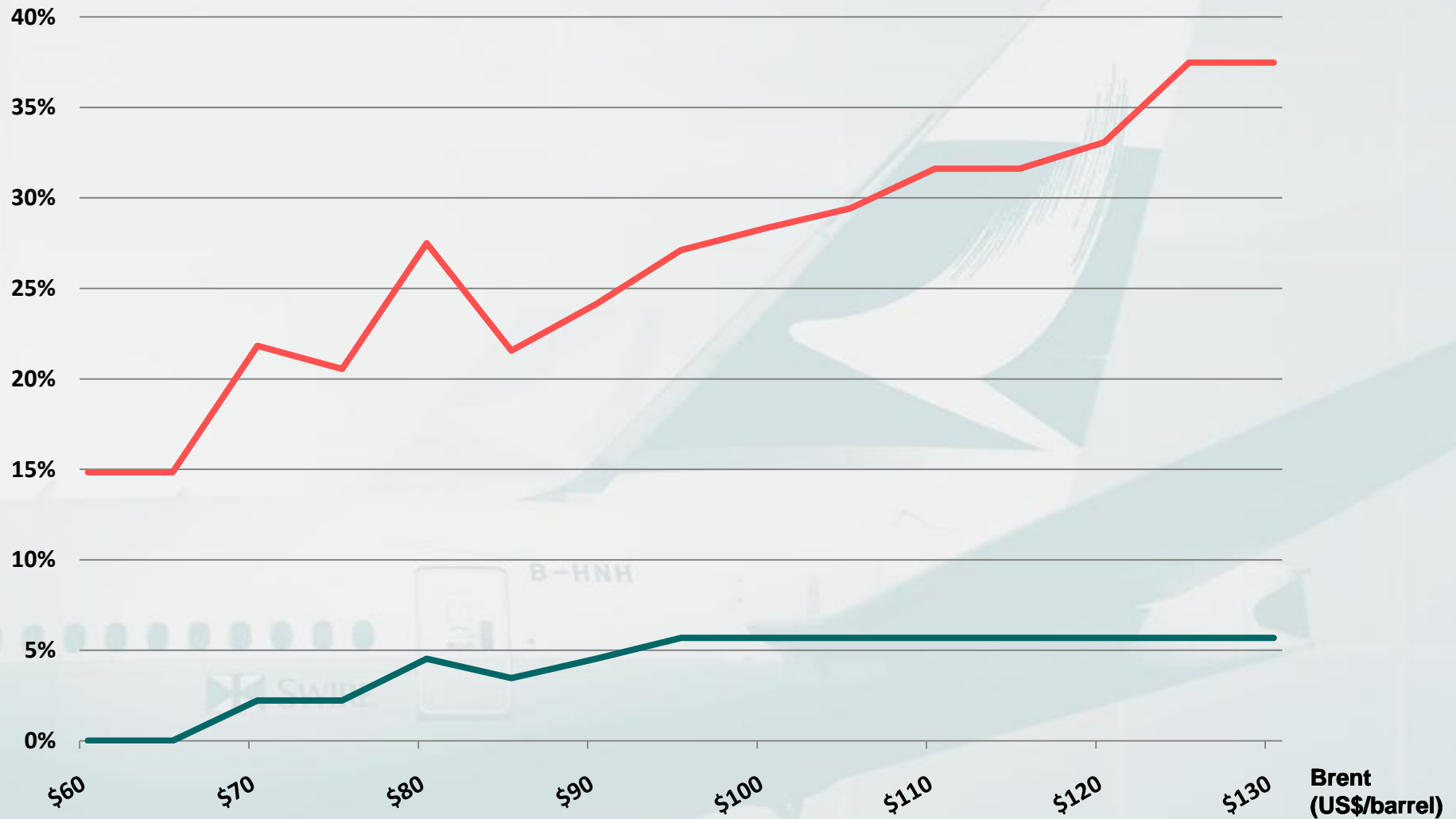


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Fuel hedging

Fuel hedging coverage



— 2011

— 2012



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Balance Sheet

	<u>31 Dec 10</u>	<u>31 Dec 09</u>	<u>vs Dec 09</u>
Shareholders' Funds	HK\$54,274m	HK\$42,238m	28.5% up
Gross Borrowings	HK\$39,629m	HK\$42,642m	7.1% down
Less:			
Liquid Funds (less OD)	HK\$(24,194m)	HK\$(16,511m)	46.5% up
Net Borrowings	HK\$15,435m	HK\$26,131m	40.9% down
Capital Employed (incl. non-controlling interests)	HK\$69,864m	HK\$68,516m	2.0% up
Net Debt/Equity Ratio	0.28	0.62	-0.34 times
Investment in Air China	HK\$12,553m	HK\$7,885m	59.2% up



Liquid Fund Flow

Inflow

New financing

Operating activities

Disposals & others

Outflow

Capital expenditure

Acquisition of additional
shareholding in an associate

Loan repayment

Dividend paid

Net inflow

	<u>2010</u>	<u>2009</u>
	<u>HK\$'M</u>	<u>HK\$'M</u>
	5,815	6,169
	17,599	2,035
	4,915	4,623
	(8,299)	(6,776)
	(1,130)	-
	(9,349)	(4,479)
	(1,868)	(143)
	7,683	1,429



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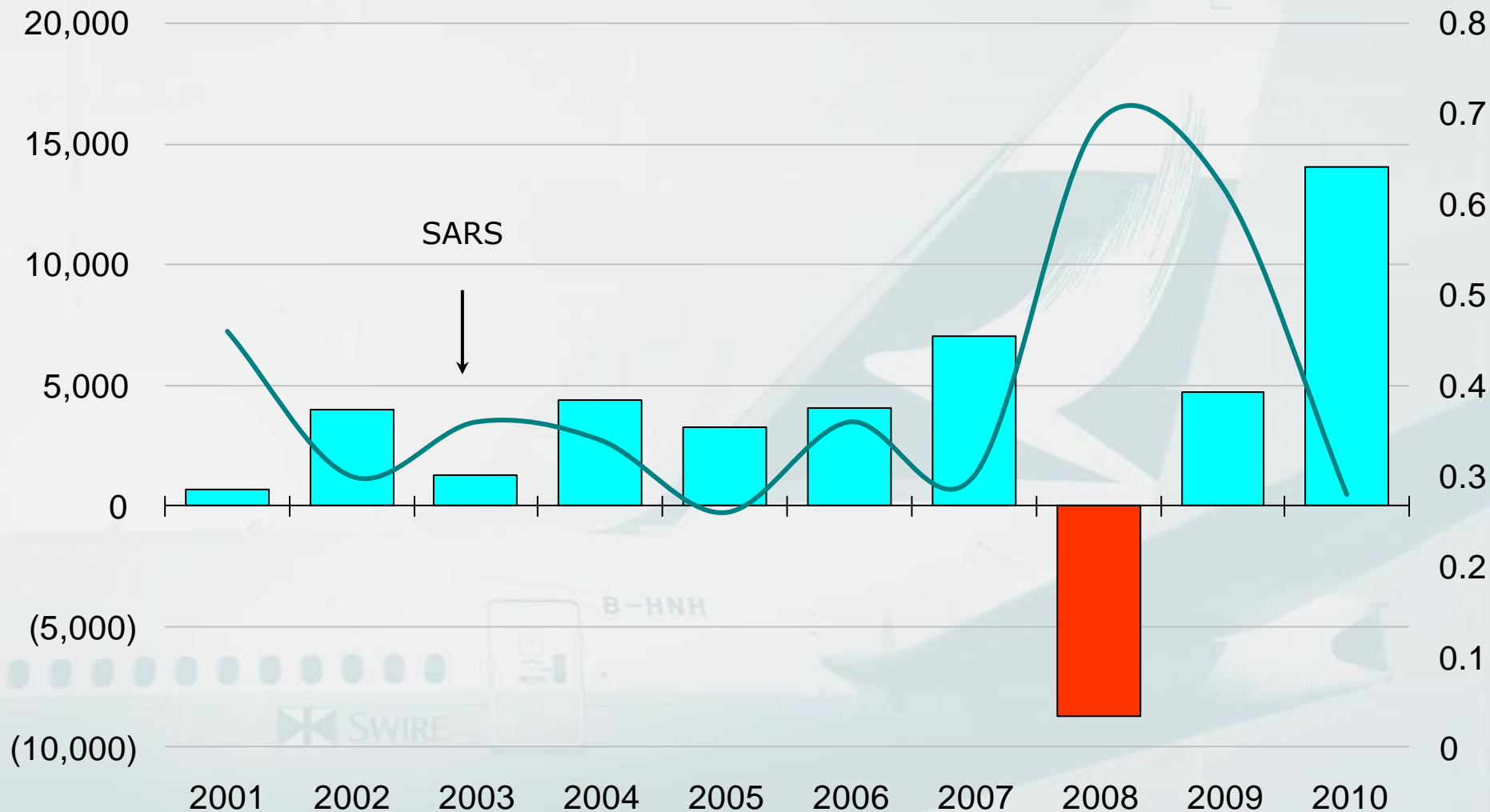
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Profit & Net Debt/Equity Ratio

Profit / (loss) - HK\$ m

D/E ratio - times



Profit/(Loss)

Net debt/equity ratio



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Major subsidiaries

- AHK Air Hong Kong
 - Operates a fleet of eight owned Airbus A300-600F and three wet-leased aircraft
 - Load factor and yield increased by 3% points and 2% respectively
 - Moderate increase in profit compared to 2009
- Cathay Pacific Catering Services
 - Produced 22.9 million meals, up 10%
 - Market share increased to 65%
 - Increase in the volume of sales, coupled with effective control of operating costs resulted in an improved profit margin
- Asia Miles
 - China membership grew 33% in 2010
 - Membership stands at approximately 3.7 million
 - Won Best FFP award for six consecutive years



Air China

- Profit of RMB9,861m (under PRC GAAP) for Jan-Sep 2010
- CX share of HK\$ 2.48 billion (HK\$ 0.02 billion in 2009)
- Air China Cargo (ACC) joint venture
- Joint venture operations on Beijing, Chengdu and Chongqing
- Looking at other initiatives



Summary

- Pax demand continues to be strong
- Cargo demand not as strong as 2009
- High fuel price remains a concern
- Looking for growth



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Q & A

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

