

Cathay Pacific Airways

2010 Interim Results

04 August 2010



Interim Result

	<u>1H 2010</u>	<u>1H 2009</u>
Group Profit/(Loss)	HK\$6,840m	HK\$812m
Group Turnover	HK\$41,337m	HK\$30,921m
Profit Margin	16.5%	2.6%
Return on Capital Employed	21.9%	4.2%
<hr/>		
Available tonne kilometres	11,436m	11,035m
Cost per ATK	HK\$3.14	HK\$2.57
Cost per ATK (w/o fuel)	HK\$2.01	HK\$1.98
Revenue Load Factor	82.2%	75.4%
Breakeven Load Factor	70.9%	71.0%



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One-off items

- Disposal of investments
 - HAECO \$1,837m
 - HACTL \$328m
- Aircraft impairment
 - Further impairment on 2 parked passenger aircraft
 - Reversal of the impairment on a freighter as it has been brought back into service in June
- Accelerated depreciation
 - Revised down the estimated residual values of certain aircraft



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Airlines interim operating profit

	<u>1H 2010</u> HK\$M	<u>1H 2009</u> HK\$M
Airlines operating profit before fuel hedging, non-recurring items and tax	4,195	(200)
Profit on disposal of HACTL and HAECO shares	2,165	-
Operating lease charge for parked aircraft	-	(396)
Net provision for impairment of aircraft and related equipment	(9)	(169)
Airlines profit before fuel hedging (losses) / gains and tax	6,351	(765)
Realised and unrealised fuel hedging (losses) / gain	(104)	2,003
Tax charge	(403)	(185)
Airlines profit after tax	5,844	1,053
Share of profit / (loss) from subsidiaries & associates	996	(241)
Attributable profit	6,840	812

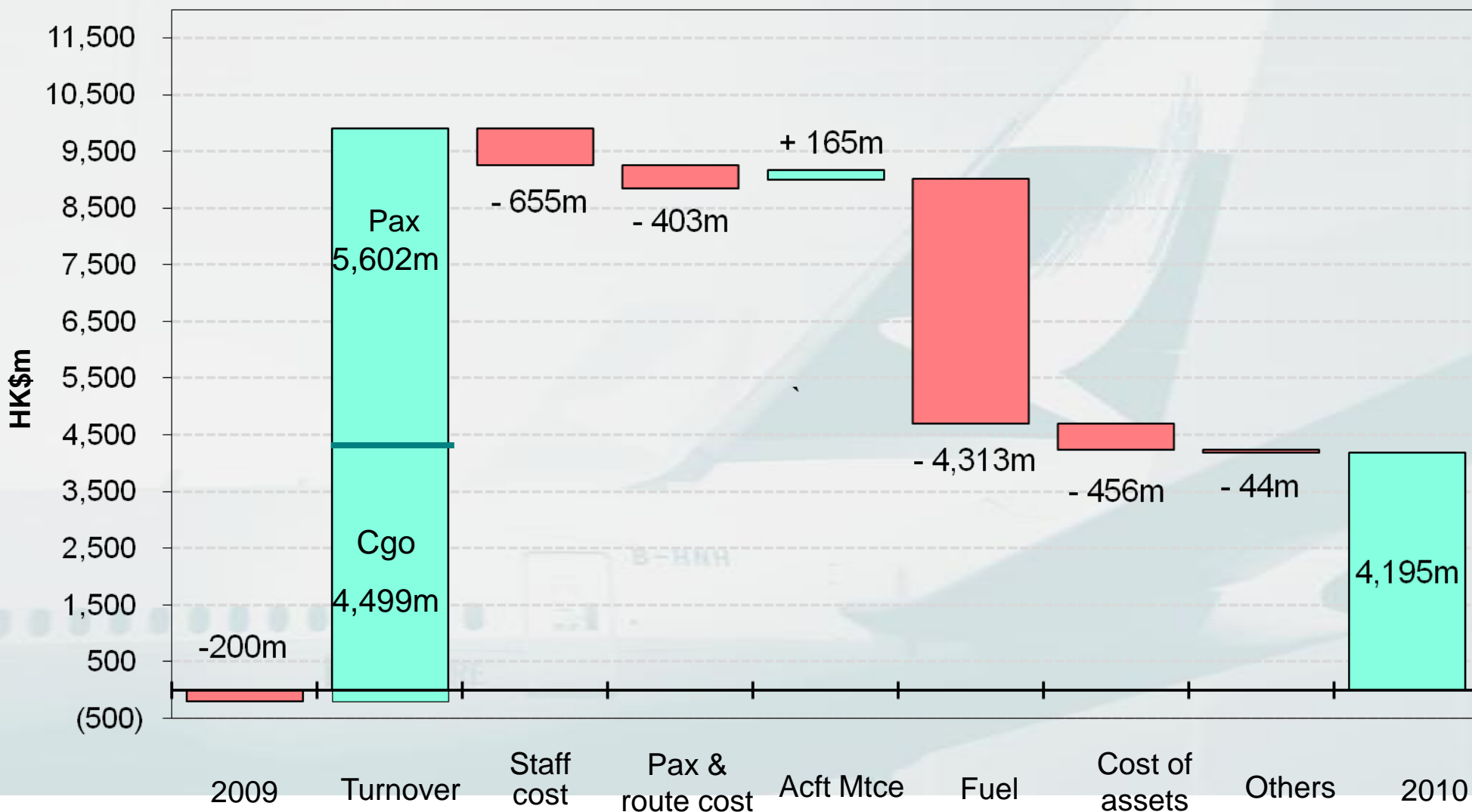


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Airlines operating profit (loss) before fuel hedging, non-recurring items and tax

Reconciliation : Interim 2009 to 2010



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Passenger Service - Key Numbers

	<u>1H 2010</u>	<u>vs 1H 2009</u>
Turnover	HK\$27,411m	+25.7%
Seat Capacity (ASK)	55,680m	-0.1%
Passenger Number	13.0m	+8.5%
Yield per Revenue Pax Km	HK¢ 58.4	+17.5%
Load Factor	84.0%	+5.5% pt



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Passenger Service - by Region

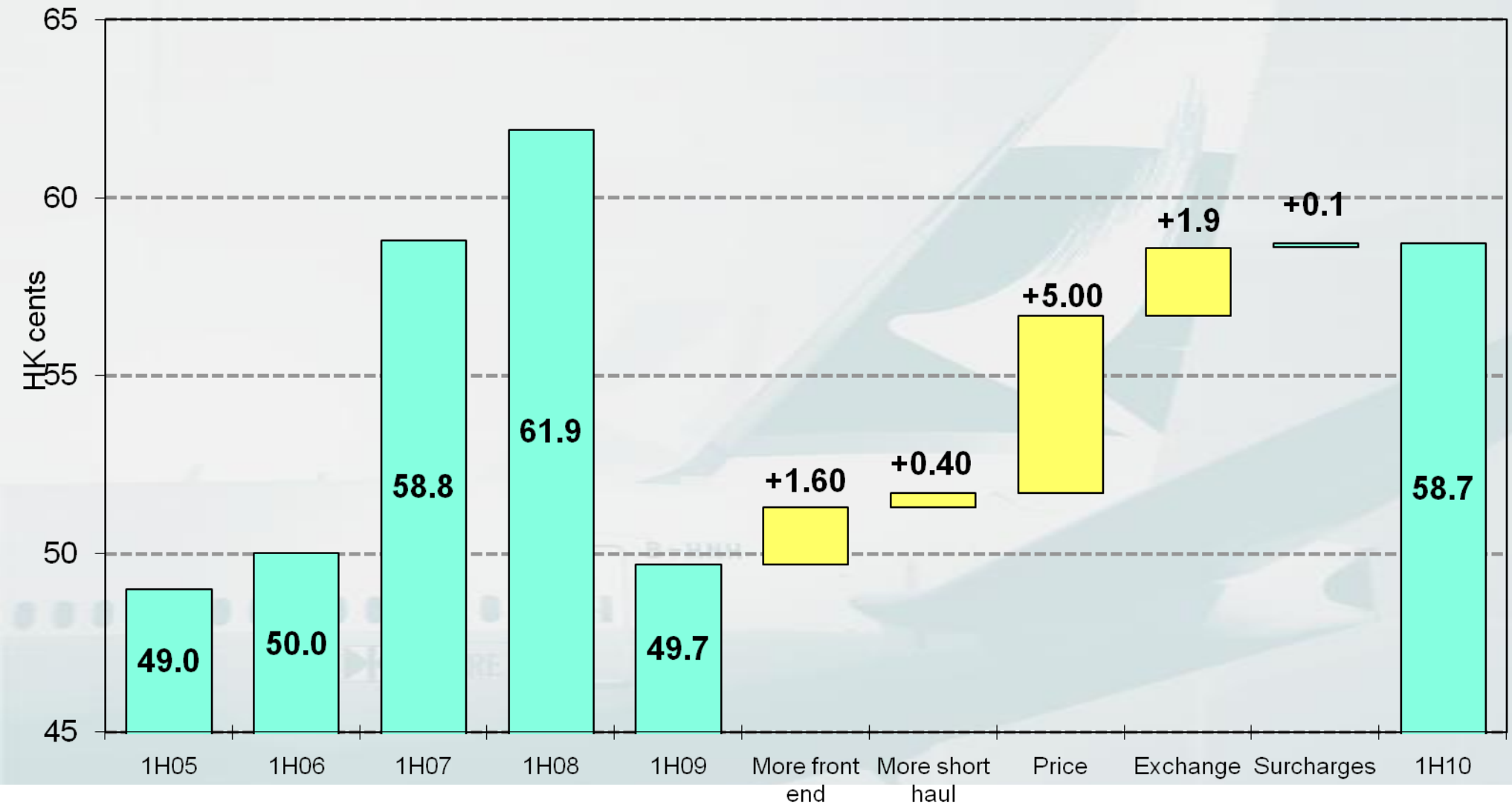
	ASK (m)	vs 1H09	Load Factor	vs 1H09	Yield Change
India, Middle East, Pakistan & Sri Lanka	5,475	+ 7.2%	78.3%	+ 4.2% pts	+ 5.7%
SE Asia	6,811	- 2.0%	82.4%	+ 5.8% pts	+ 13.4%
SW Pacific & S. Africa	9,173	+ 0.2%	80.6%	+ 1.5% pts	+ 25.4%
Europe	9,838	- 5.9%	85.8%	+ 2.7% pts	+ 20.5%
North Asia	11,548	+ 0.8%	80.3%	+12.3% pts	+ 10.2%
North America	12,835	+ 1.6%	91.7%	+ 5.1% pts	+ 20.6%
Systemwide	55,680	- 0.1%	84.0%	+ 5.5% pts	+ 17.5%



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Passenger Yield



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Cargo Service - Key Numbers

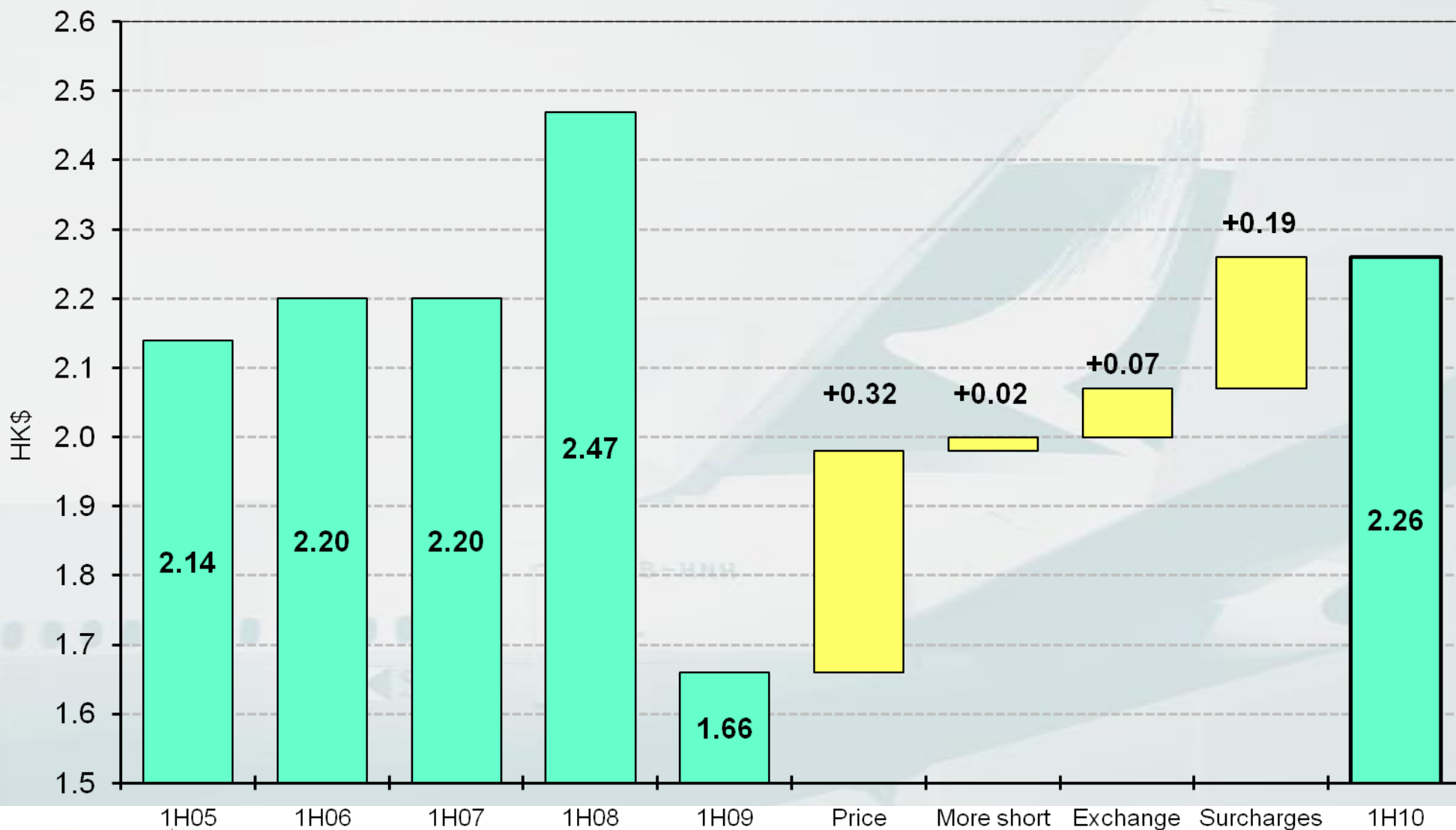
	<u>1H 2010</u>	<u>vs 1H 09</u>
Turnover	HK\$11,844m	+ 63.1%
Cargo Capacity (ACTK)	6,135m	+ 7.1%
- on passenger aircraft	2,040m	- 8.4%
- on freighters	4,095m	+ 17.0%
Cargo Carried	872k tons	+ 24.4%
Yield per tonne km	HK\$ 2.26	+ 36.1%
Load factor	78.0%	+ 11.8% pt



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Cargo & Mail Yield



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Group Operating Cost

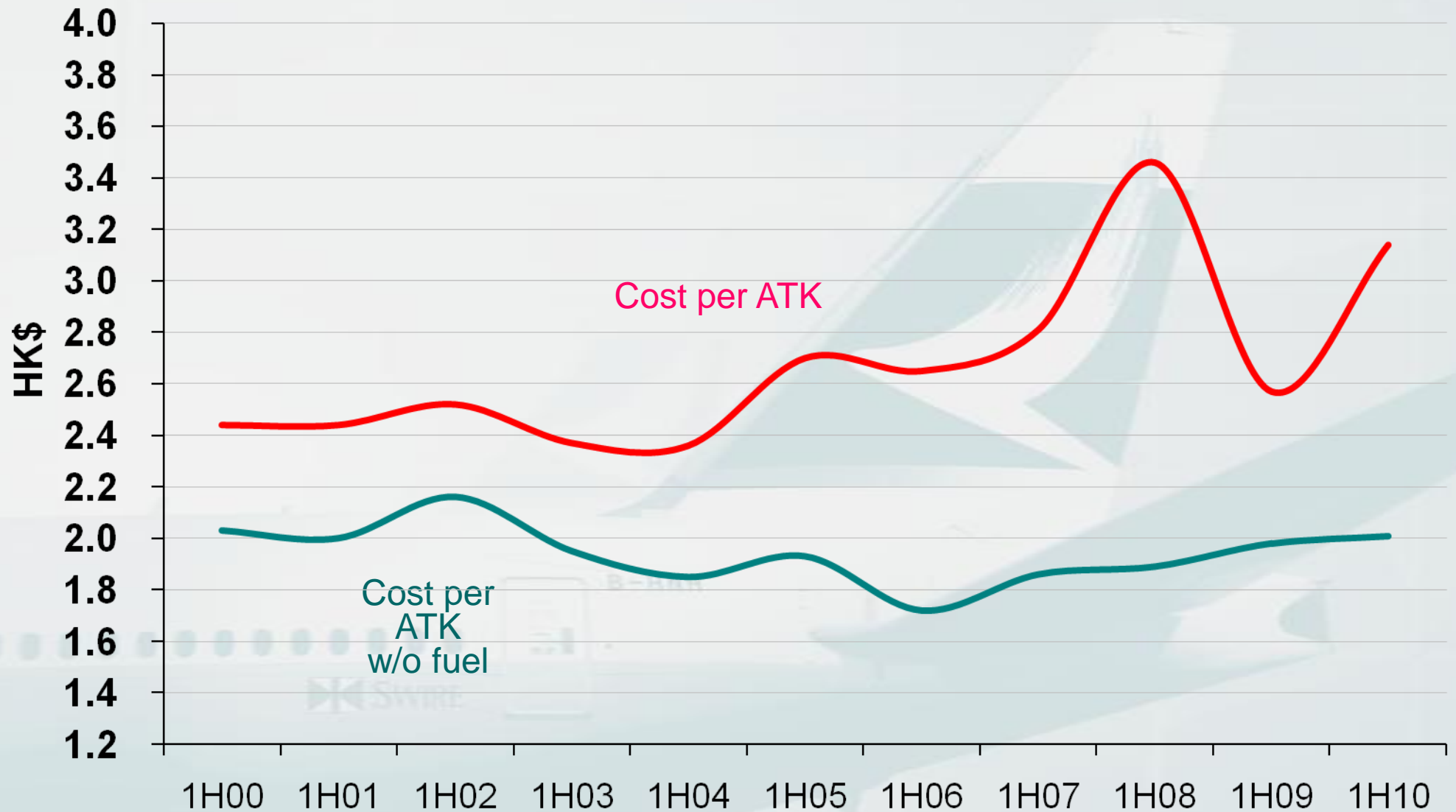
	<u>1H 2010</u>	<u>vs 1H 2009</u>
Staff	6,759	+ 11.3%
Inflight service & passenger	1,551	+ 8.2%
Landing, parking & route	5,280	+ 5.6%
Fuel	13,169	+ 98.2%
Aircraft maintenance	3,167	- 4.8%
Depreciation & leases	4,638	- 1.9%
Net finance charges	562	+ 28.6%
Others	1,811	+ 8.2%
Total Operating Cost HK\$m	36,937	+ 26.0%



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Cost per ATK



Note: Includes KA from 1H07



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Fleet composition changes (CX/KA)

Fleet @ 31Dec2009

Deliveries (4 x 777-300ER, 1 x A320-200)

155

Returned (1 x 747-400, 1 x A330-300)

5

(2)

Fleet @ 30Jun2010

Deliveries in 2H10 (1 x A320-200, 1 x A330-300)

158

2

Disposal in 2H10 (1 x 747-400, 1 x 747-400BCF)

(2)

Fleet @ 31 Dec 2010

158

NB: the total 158 included the followings:

- Parked (4 x A340-300, 1 x 747-400)

5

- Leased out (1 x 747-400BCF to AHK)

1

6



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Financial Risk management

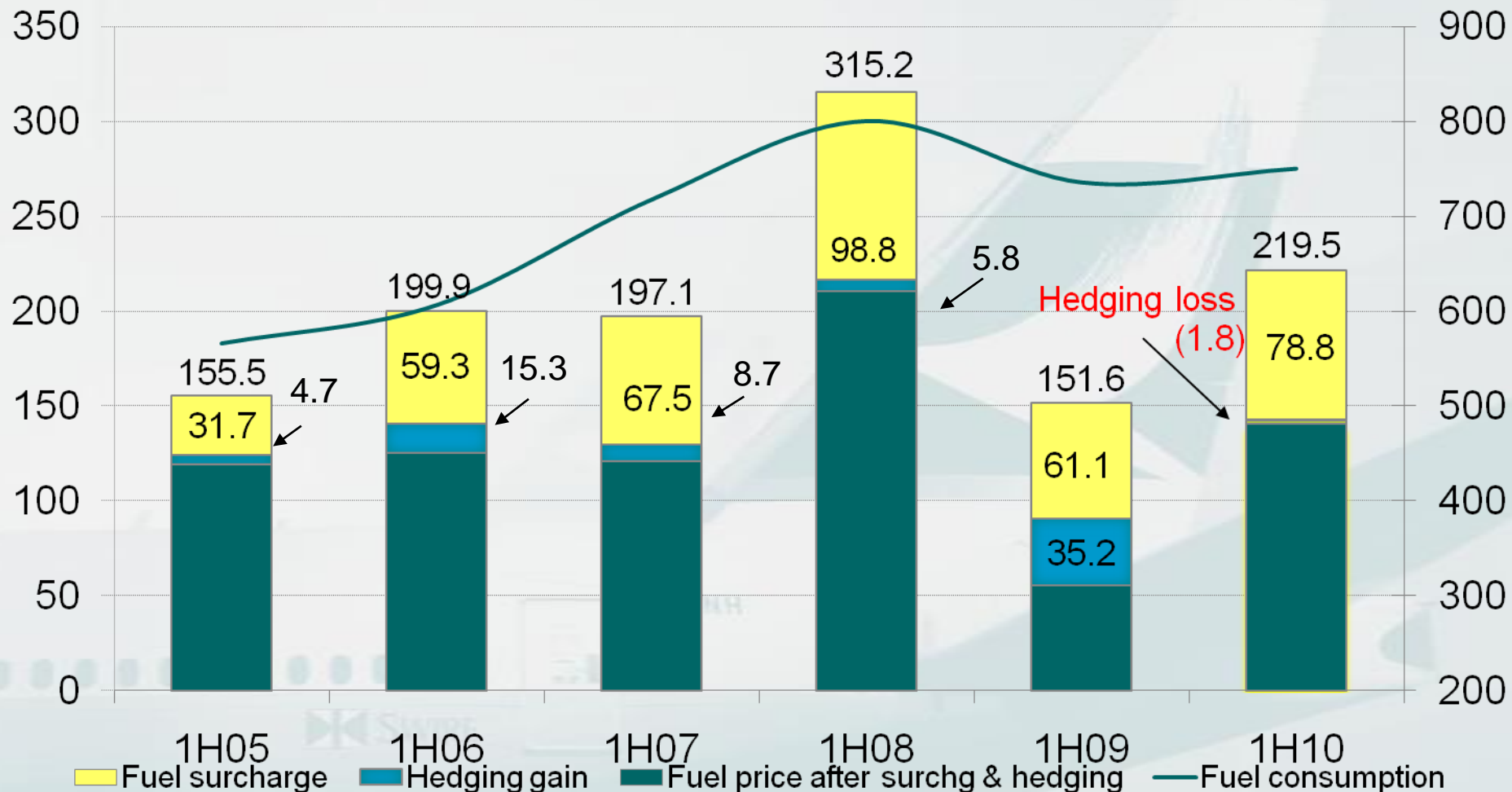
- Currency – ~50% coverage for 12 – 18 months
- Liquidity – surpassed our revised higher target liquidity balance
- Interest rates – strategic management of fixed / floating ratio
- Funding – No material changes in repayment profile
- Fuel – continued conservative approach using cashflow hedge instruments



Fuel price & consumption

Fuel price - USc/AG

Consumption - AG'm

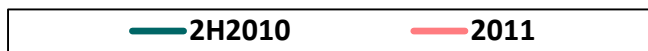
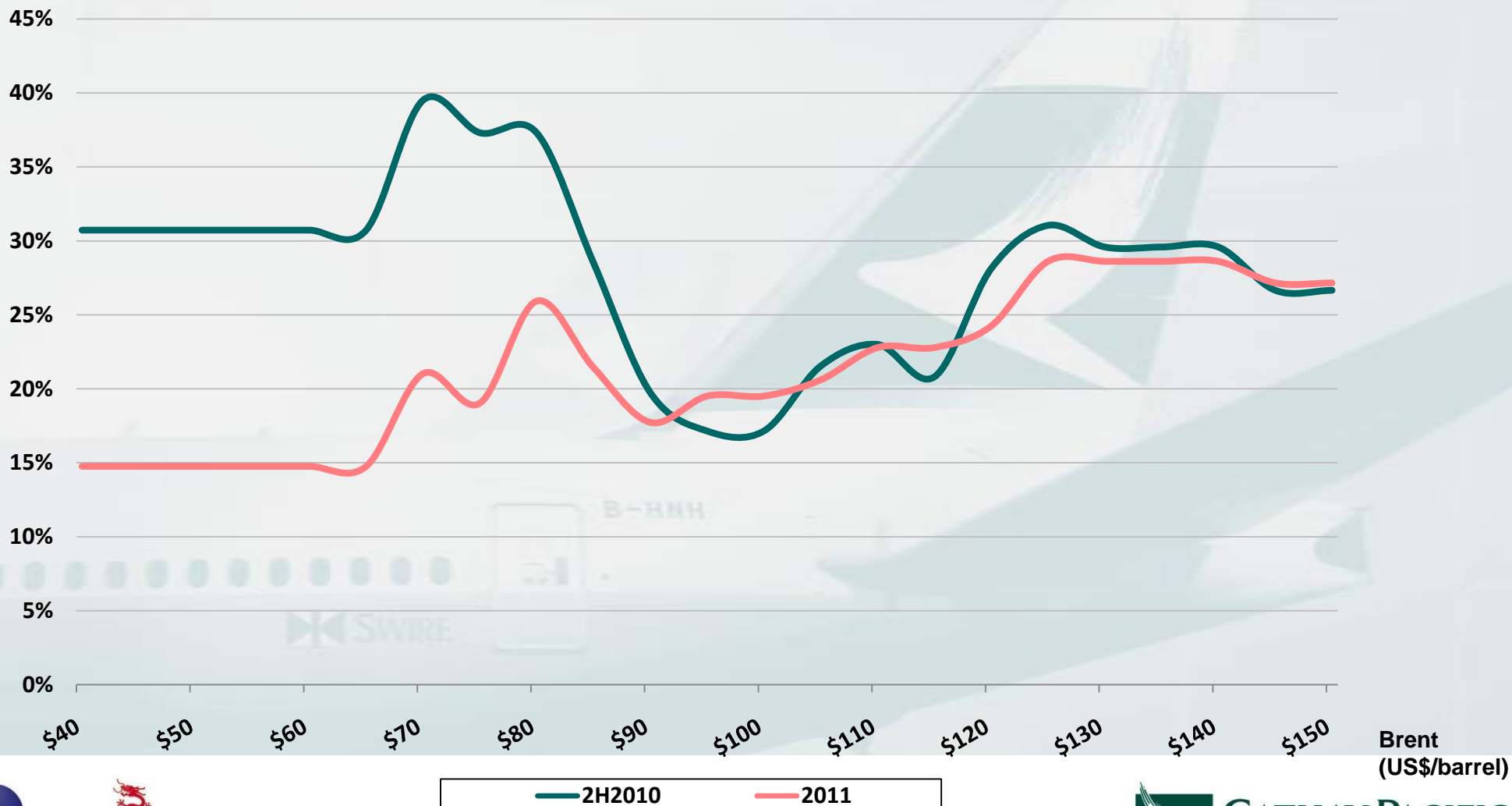


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Fuel hedging
coverage

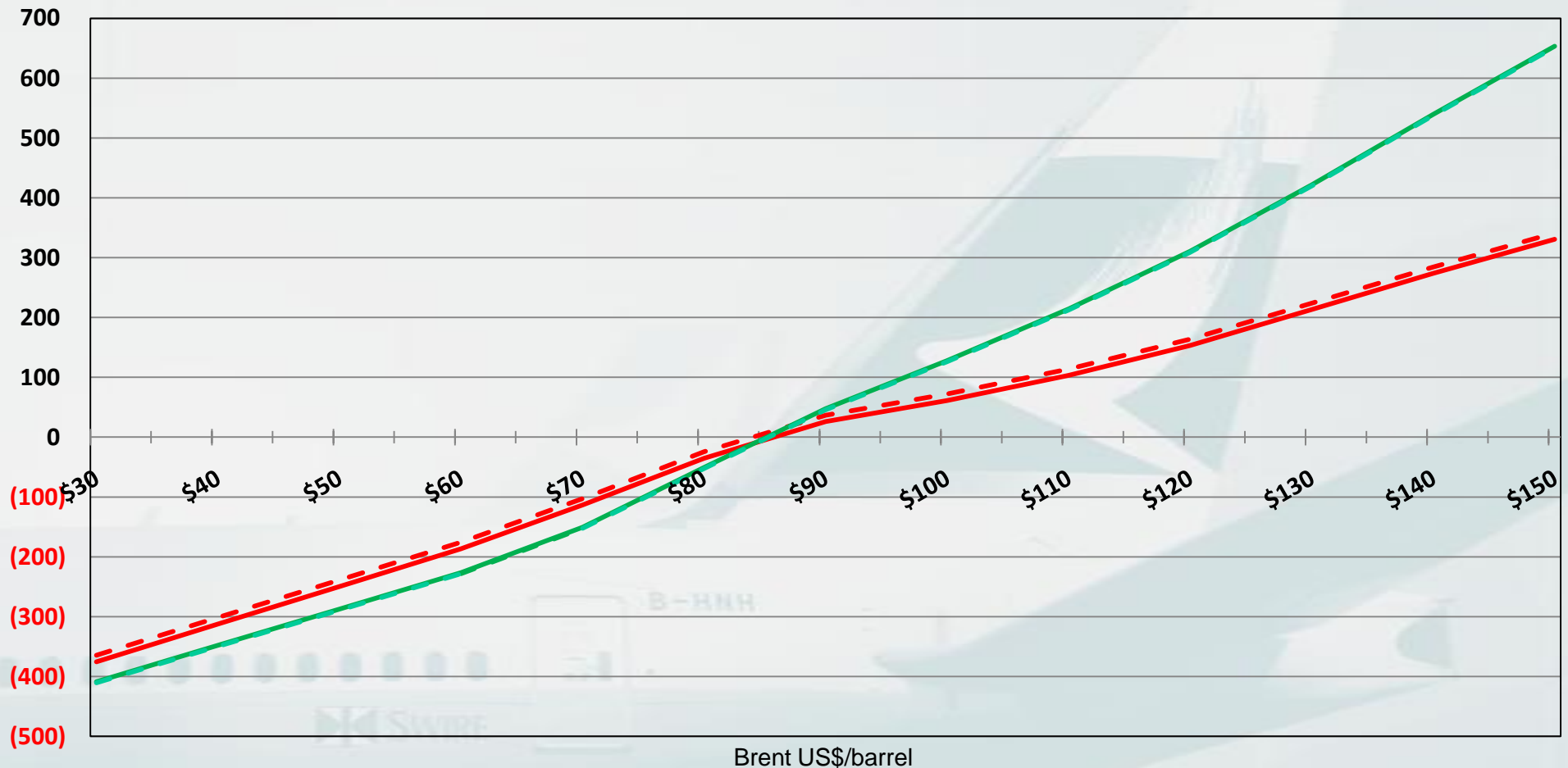
Maximum fuel hedging exposure



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



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



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Balance Sheet

	<u>30 Jun 10</u> HK\$'M	<u>31 Dec 09</u> HK\$'M	<u>vs Dec 09</u>
Shareholders' Funds	48,720	42,238	15.3% up
Gross Borrowings	40,952	42,642	4.0% down
Less:			
Liquid Funds (less O/D)	(21,254)	(16,511)	28.7% up
Net Borrowings	19,698	26,131	24.6% down
Capital Employed (incl. MI)	68,573	68,516	0.1% up
Investment in Air China	9,793	7,885	24.2% up
Net Debt/Equity Ratio	0.40	0.62	- 0.22 times



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Liquid Funds Flow

Liquid funds @1 Jan Inflow

Operating activities

New financing

Disposals & others

Outflow

Capex and Investments

Loan repayment

Dividend paid

Net inflow/ (outflow)

Liquid funds @30Jun

1H 2010

HK\$'M

16,522

8,492

4,328

3,698

(5,375)

(5,928)

(475)

4,740

21,262

1H 2009

HK\$'M

15,088

(1,167)

4,160

946

(4,913)

(2,729)

(44)

(3,747)

11,341



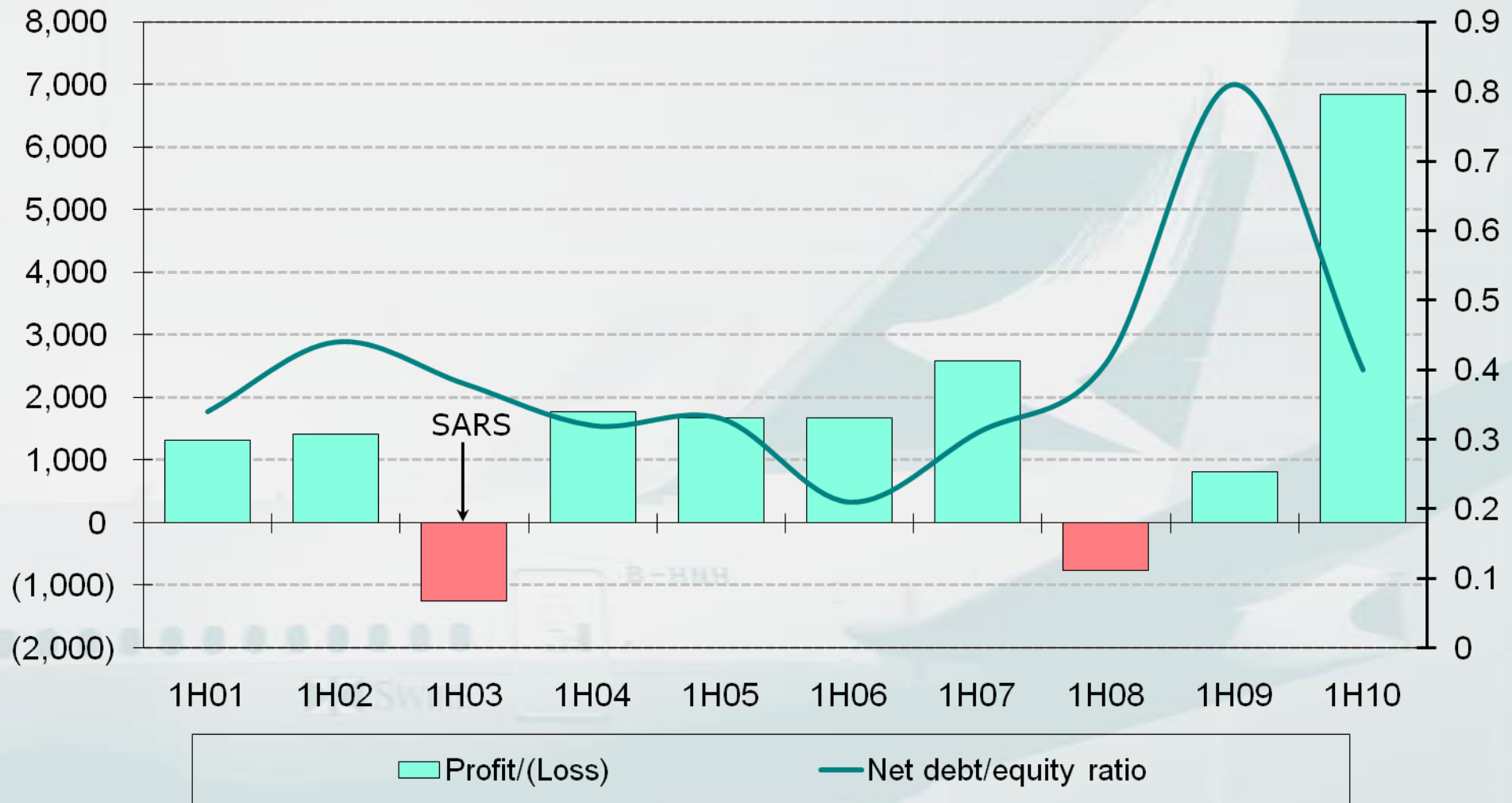
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Profit & Net Debt/Equity Ratio

Profit / (loss) - HK\$ m

D/E ratio - times



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Air China

- CX share of October 2009 – March 2010 results
- CA made a significant turnaround in 4Q 09 and it continues through 1Q09
- Strong demand continues to boost growth on both pax and cargo traffic
- Fuel hedging write back of about RMB 1.7B for the period Oct 2009-Mar 2010

Cargo JV

- Approval processes still underway
- Optimistic towards commencing operations in 4th Quarter 2010
- One BCF to be sold to Cargo JV later in 2010, three more in 2011



Outlook

- Cargo revenue outlook remains strong despite economic uncertainty
- Passenger revenue outlook remains robust
 - Strong front end demand
 - High loads throughout summer
- Fuel price remains uncertain
- Continue to be confident in the second half of 2010
- European economic outlook unstable
- Signed a LOI to acquire 30 A350-900 aircraft
- Intend to exercise purchase rights for 6 777-300ER



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Q & A



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