



Cathay Pacific Airways
Investor Relations Meeting
22 June 2009

Airline Strategy

- Continue to grow our extensive international network, expand frequencies and further develop Hong Kong as one of the world's leading aviation hubs
- Ensure that the quality of our brand is not compromised and the service proposition to the customer remains strong
- Maintain a prudent approach to financial risk management



Performance to May09

Capacity Data

CATHAY PACIFIC / DRAGONAIR COMBINED CAPACITY	MAY 2009	% change VS MAY08	Cumulative MAY 2009	% change YTD
ASK (000)				
- China	730,187	-1.7%	3,573,982	1.4%
- North East Asia	1,253,206	-1.6%	6,271,253	-2.1%
- South East Asia & Middle East	2,028,222	7.8%	10,115,168	17.8%
- Europe	1,725,012	2.5%	8,795,270	7.8%
- South West Pacific & South Africa	1,421,994	1.2%	7,804,940	7.5%
- North America	2,193,717	-22.4%	10,514,182	-22.0%
ASK Total (000)	9,352,338	-4.7%	47,074,795	-0.7%
Pax load factor	75.8%	-1.6pt	78.8%	-1.0pt
Available cargo & mail tonne km (000)	944,673	-15.7%	4,797,185	-14.0%
Cargo and mail load factor	68.2%	1.2pt	65.2%	-1.0pt
ATK (000)	1,834,968	-10.7%	9,278,776	-8.0%



Performance to May09

Traffic Data

CATHAY PACIFIC / DRAGONAIR COMBINED TRAFFIC	MAY 2009	% change VS MAY08	Cumulative MAY 2009	% change YTD
RPK (000)				
- China	471,494	-6.3%	2,474,182	1.2%
- North East Asia	774,082	-17.1%	4,301,912	-10.7%
- South East Asia & Middle East	1,495,793	0.0%	7,629,900	10.4%
- Europe	1,438,913	8.2%	7,289,239	3.1%
- South West Pacific & South Africa	1,009,721	6.7%	6,219,295	11.8%
- North America	1,895,158	-20.6%	9,177,369	-16.7%
RPK Total (000)	7,085,161	-6.7%	37,091,897	-1.9%
Pax carried	1,950,344	-7.5%	10,199,737	-1.3%
Cargo and mail tonne km (000)	644,569	-14.2%	3,125,754	-15.4%
Cargo and mail carried (000Kg)	121,966	-13.3%	576,833	-16.5%
No. of flights	4,803	-4.9%	24,126	-1.7%



Operating Performance

- Passenger
 - Traffic sustained with load factor at 78.8% as lower fares stimulate demand in a highly competitive market
 - Pax number down by 1.3% vs capacity reduction of 0.7%
 - Weak economy class yield
 - Slump in demand for premium traffic, down by 39%
 - Traffic between Taiwan and Mainland affected by the launch of direct cross-straits services but leisure travellers from Mainland helped partially offset the impact
 - H1N1 impact



Operating Performance

- Cargo
 - Continued weakness in the global airfreight business
 - Soft demand out of Hong Kong and PRD/YRD Region
 - Tonnage dropped by 16.5% against a capacity reduction of 14.0%, load factor fell by 1.0%pt to 65.2%
 - Competition continued to drive yield down
 - New freighter routes - Houston/Miami and Jakarta/Ho Chi Minh City performed well



Financial Risk Management

- Currency
 - For the 10 major currencies, except JPY and CNY, exchange rates have been 6% to 23% lower than 2008 average but have recently rebounded
 - Limited benefit seen from long term currency hedging in the current environment
- Liquidity
 - CX retains a substantial cash balance
 - Additional funding available from various sources
- Interest rates
 - Higher margins, lower absolute rates
 - Strategic management of fixed/floating ratio



Fleet Plan

- Passenger
 - Five aircraft deliveries scheduled in 2009; eight in 2010; nine in 2011
 - Plan to park six aircraft (negotiating to sell or lease out) and early terminate one operating lease
 - Return of two A330 and one A320 when leases expire in Jun/Oct09
 - Continue to negotiate with manufacturers to defer deliveries of new aircraft



Fleet Plan (cont'd)

- Freighter
 - Five aircraft deliveries scheduled in 2009; four in 2010; two in 2011
 - Retirement of Classic freighters by Aug09
 - Have parked five B747-400BCF
 - Wet leasing one B747-400BCF to AHK
 - Continue to negotiate with manufacturers to defer deliveries of new aircraft



Current Fleet Profile

- Pax aircraft

A320-200	10
A321-200	6
A330-300	46
A340-300	15
747-400	23
777-200	5
777-300	12
777-300ER	11
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	128*
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* Of which six aircraft are to be parked



Fleet profile

- Freighters

747-200F	1
747-400F	6
747-400BCF	7
747-400ERF	6
Parked 747-400BCF	5
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	25
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- Total fleet : 153
Owned : 111
Operating leased : 42



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



Financing plan (cont'd)

Repayment profile of long term liabilities as at 31December 2008:

Within one year HK\$M	After one year but within two years HK\$M	After two years but within five years HK\$M	After five years HK\$M	Total HK\$M
5,661	9,329	23,427	17,720	56,137

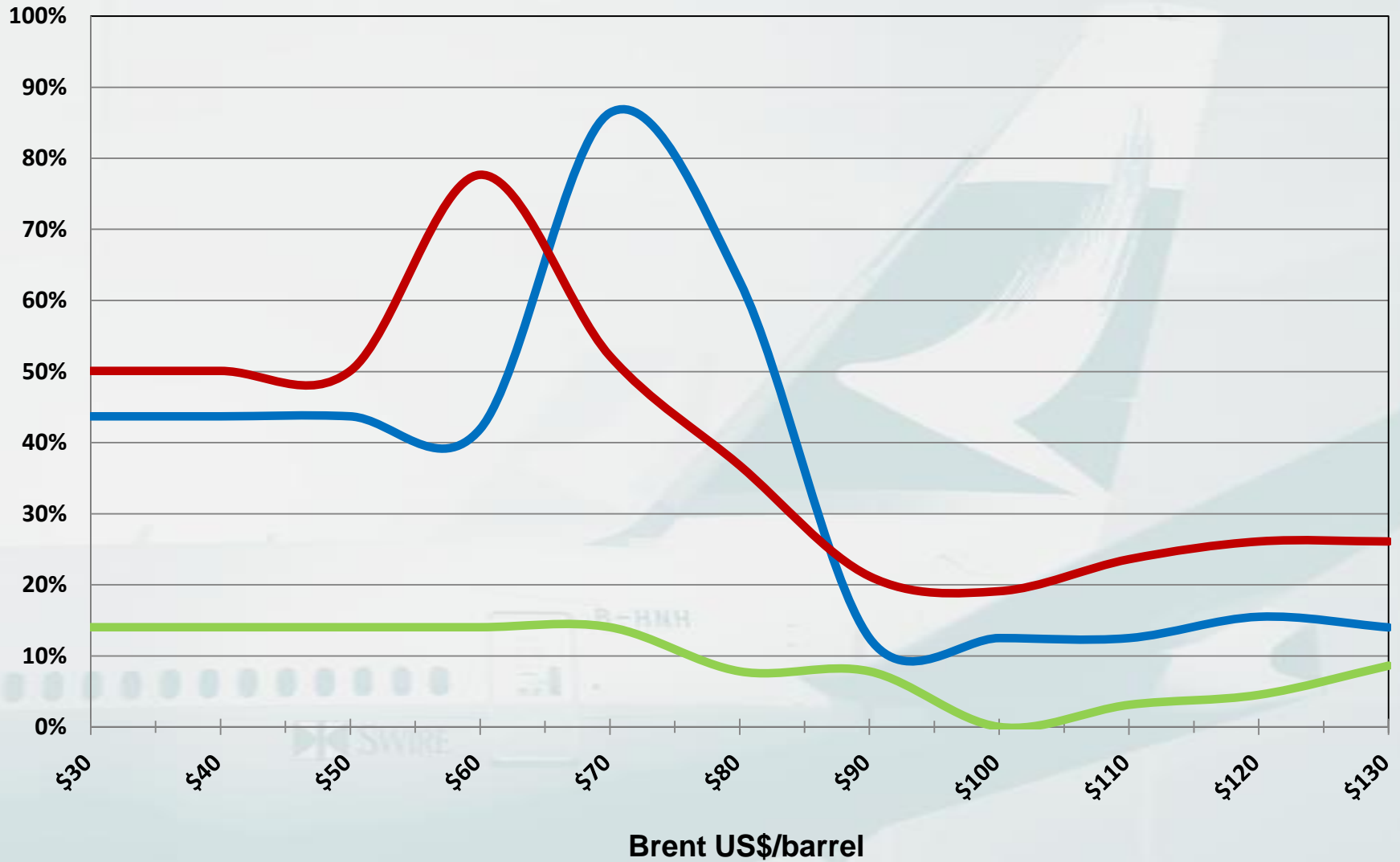


Fuel

- Latest Brent price of USD70/bbl
 - Fuel costs rising undermining margins
 - Still 84% higher than 2004 level
 - We dynamically manage our hedging position
 - Unrealised MTM gains expected for interim
 - Policy retains a conservative focus based upon the use of cash flow hedge instruments
 - Fuel surcharges expected to continue to offer some form of relief against rising cost of fuel



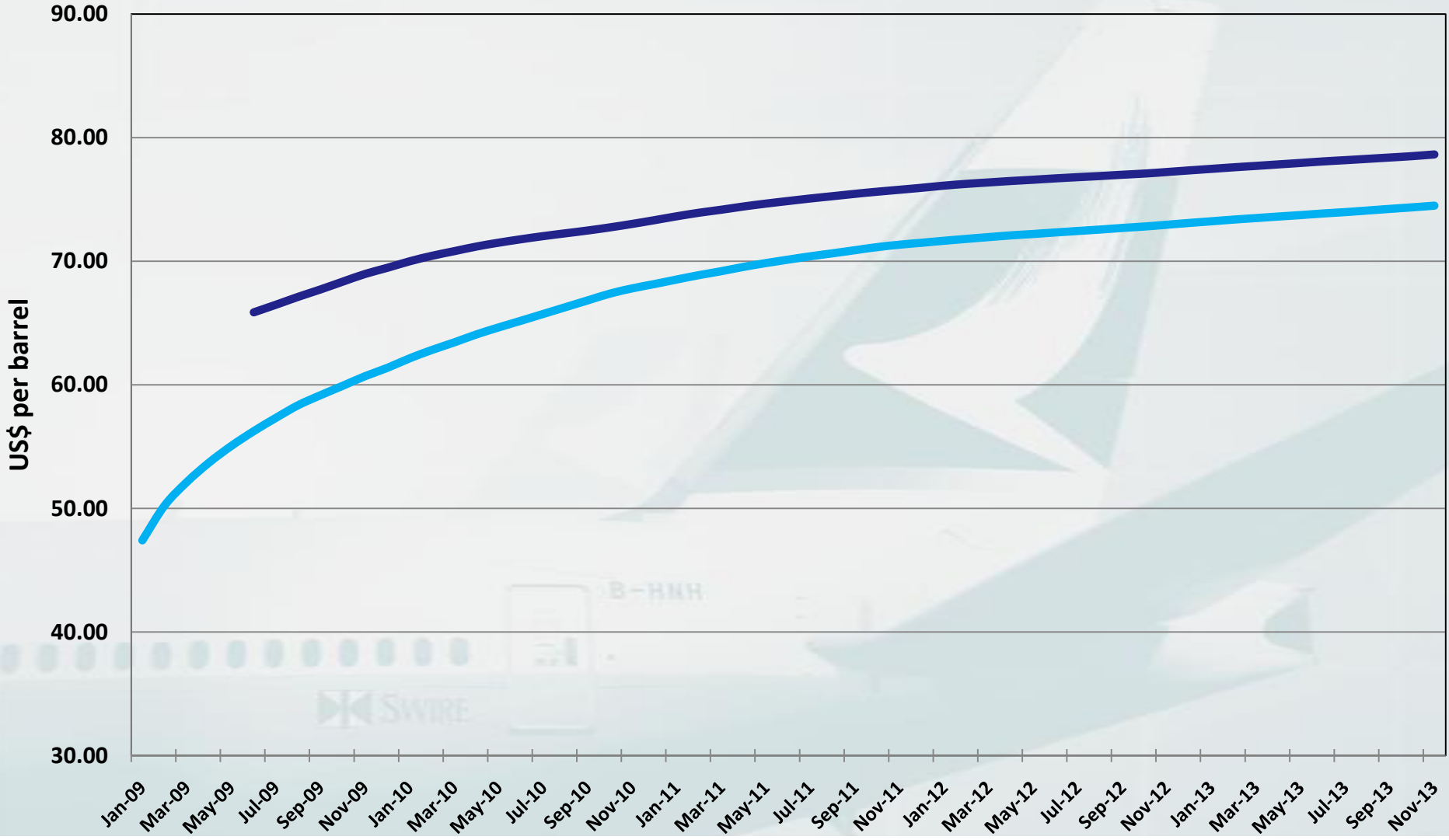
% Fuel Consumption subject to Hedging Contracts



— 2009 — 2010 — 2011



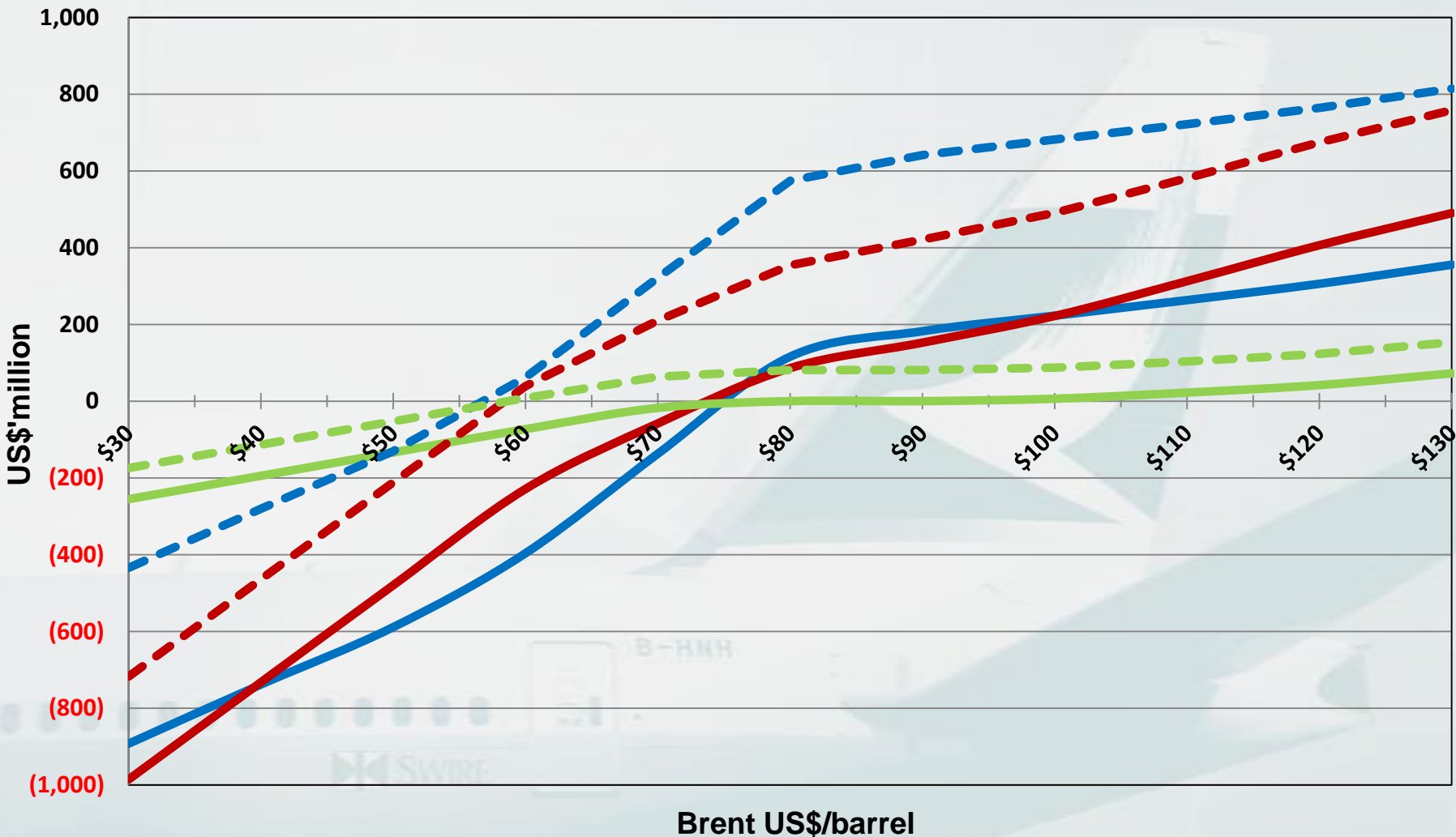
Brent Forward Curves



— as at 31-12-2008 — as at 29-05-2009



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

- Capacity redeployment

Pax: reduction of 8% in CX and 13% in KA from May

Cargo: overall reduction of 11%

- CX – Reduced capacity to London, Paris, Frankfurt, Sydney, Singapore, Bangkok, Seoul, Taipei, Tokyo, Mumbai and Dubai
- KA – Reduced services to Bengaluru, Busan, Kota Kinabalu, Ningbo, Sanya, Shanghai and Taipei; suspended services to Dalian, Fukuoka, Guilin, Shenyang, Taichung and Xian
- Additional flights to Denpasar, Sapporo and Bahrain/Riyadh
- Freighter frequency reduced to 84 flights/week, down from 124/week during the 2008 peak
- Making ad hoc cancellations to align with market demand



Cost saving initiatives (cont'd)

- Special Leave Scheme (SLS)
 - Close to 100% support from all categories

CX

- Ground Staff – 99.9%
- Cabin Crew – 96.2%
- Cockpit Crew – 93%

KA

- Ground Staff – 100%
- Cabin Crew – 99.2%
- Cockpit Crew – 95.9%



Cost saving initiatives (cont'd)

- Others
 - Implementing a hiring freeze and offering voluntary unpaid leave
 - Negotiation with manufacturers to defer deliveries of new aircraft
 - Review of aircraft leases that expire
 - Deferred completion of cargo terminal from 2011 to 2013
 - Pushed back capital expenditure, eg. airport lounge renovations in HKG and LON
 - Landing charges: various reductions at airports around the world including 10% in Hong Kong for 2009



Outlook

- General market
 - Airline industry faces continued turmoil due to economic downturn.
 - Seasonal nature of business means that second half is traditionally better than first half
 - H1N1 flu still a threat
 - Market capacity is down



Outlook

- Our situation
 - Asian economic recovery still uncertain
 - Demand and yields seem to have stopped falling but not started to recover
 - Fuel has more than doubled in price since early March
 - Fluctuations in currency will continue to affect our results
 - Cargo prospects a little better due to a slight pick up in demand and reduced market capacity
 - Commitment to future expansion
 - Have not and will not cut customer-facing spend
 - Pledged to keep network integrity intact for both pax and cargo services



Q & A

