

Cathay Pacific Airways

2009 Annual Results

10 March 2010



Annual Result

	<u>2009</u>	<u>2008</u> (restated)
Group Profit/(Loss)	HK\$4,694m	(HK\$8,696m)
Group Turnover	HK\$66,978m	HK\$86,563m
Profit/(Loss) Margin	7.0%	(10.0%)
Return on Capital Employed	8.7%	(11.8%)
Earnings per share	HK¢119.3	(HK¢221.0)
Dividends per share	HK¢10	HK¢3
Available tonne kilometres	22,249m	24,410m
Cost per ATK	HK\$2.76	HK\$3.80
Cost per ATK (w/o fuel)	HK\$2.00	HK\$1.89
Revenue Load Factor	77.7%	75.1%
Breakeven Load Factor	72.8%	87.2%



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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 2009 increased by HK\$74m
- Profit on disposal of HAECO shares of HK\$1,254m
- Aircraft impairment
 - Aircraft held for sale NBV compared to their market values
 - Provision of HK\$219m
- Operating lease charges
 - Aircraft parked and unlikely to return to service
 - Accrued the outstanding lease payments
- Provision for antitrust investigations of HK\$80m



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Airlines operating profit / (loss)

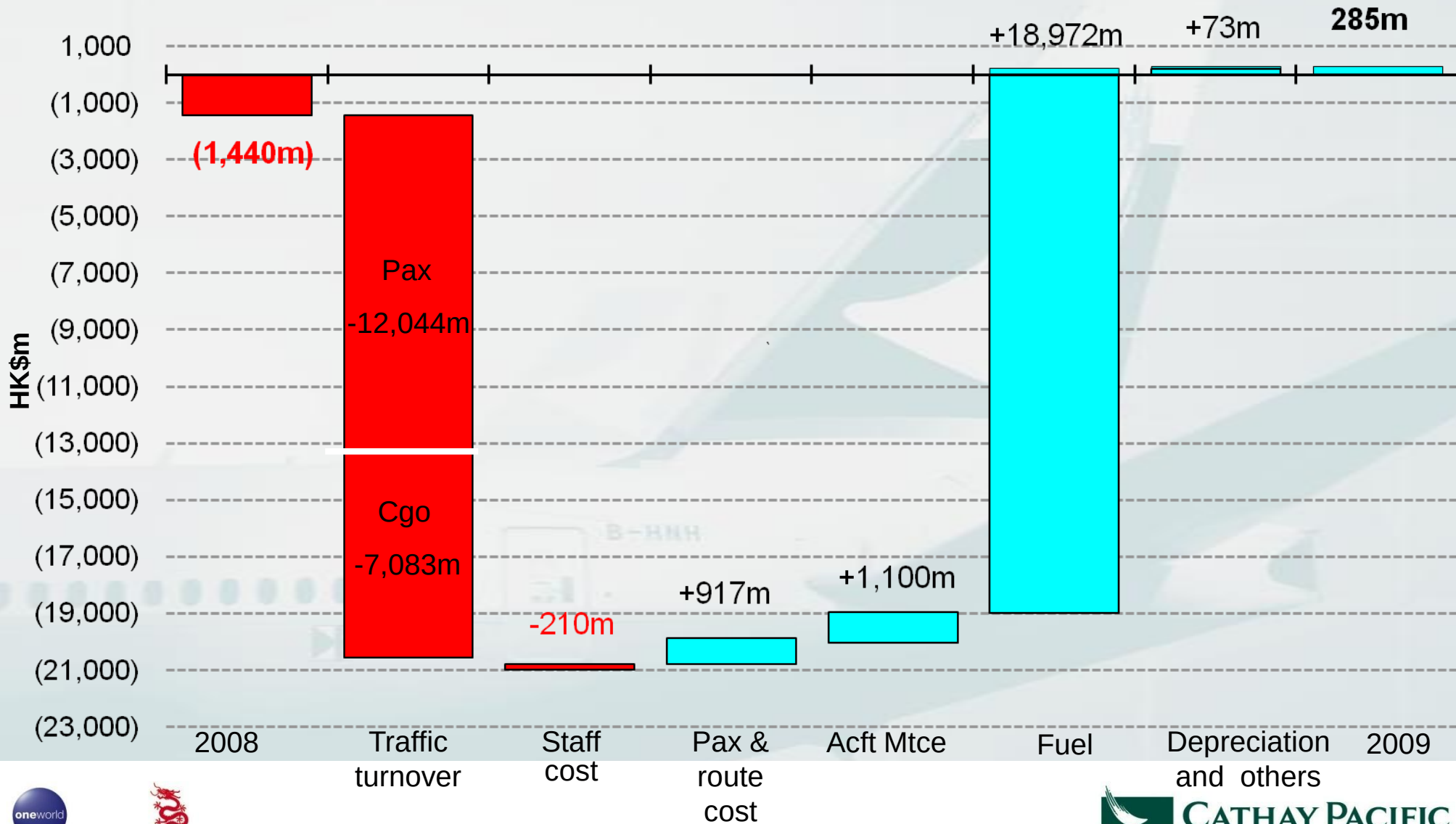
	<u>2009</u>	<u>2008</u> <u>(restated)</u>
	HK\$M	HK\$M
Airlines opening profit/(loss) before fuel hedging, non-recurring items and tax	285	(1,440)
Profit on disposal of HAECO shares	1,254	-
Realised and unrealised fuel hedging gains/(losses)	2,758	(7,970)
Settlement of the US DOJ cargo investigations	-	(468)
Tax (charge)/credit	(170)	1,476
Airlines profit/(loss) after tax	4,127	(8,402)
Share of profit/loss from subsidiaries & associates	567	(294)
Consolidated profit/(loss)	4,694	(8,696)



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Reconciliation of airlines' operating profit/(loss) before fuel hedging, non-recurring items and tax : 2008 to 2009



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Passenger Service - Key Numbers

	<u>2009</u>	<u>vs 2008</u>
Turnover	HK\$45,920m	- 20.8%
Seat Capacity (ASK)	111,167m	-3.7%
Passenger Number	24.6m	-1.6%
Yield per Revenue Pax Km	HK¢51.1	-19.5%
Load Factor	80.5%	+1.7% pts



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Passenger Service - by Region

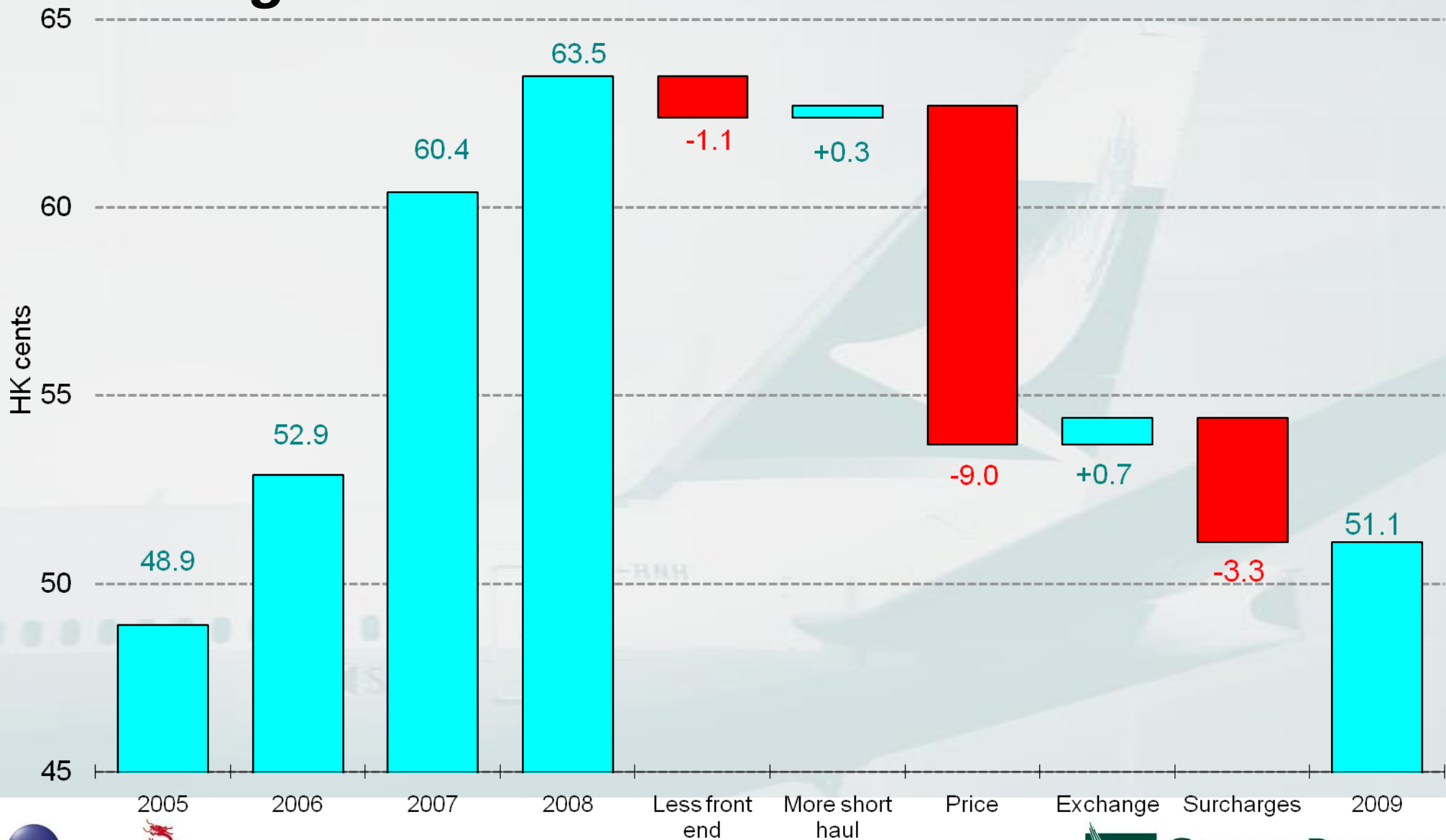
	ASK (m)	vs 2008	Load Factor	vs 2008	Yield Change
SW Pacific & S. Africa	17,959	+1.5%	80.8%	+3.8% pts	- 21.6%
Europe	20,222	+ 1.0%	85.3%	+0.9% pts	-22.5%
North Asia	23,343	- 2.9%	72.2%	-0.8% pts	-21.9%
SE Asia & Middle East	24,381	+8.2%	77.7%	+0.3% pts	-18.4%
North America	25,262	-19.1%	86.7%	+5.0% pts	-14.3%
Systemwide	111,167	-3.7%	80.5%	+1.7% pts	-19.5%



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Passenger Yield



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Product and Services

- Rollout of new three-class cabins for our medium- and long-haul fleet was completed in November.
- Cabin refresh programme for our regional business and economy class product (for both CX and KA) is under way
- New aircraft continued to arrive and retiring older, fuel inefficient Boeing 747-200F Classics
- “Airline of the Year 2009” by Skytrax



Passenger Services Development in 2010

- Planned to add flights to Jeddah, reinstating services to Los Angeles, Seoul and Toronto
- New passenger services to Milan and Moscow
- KA to increase frequencies to Hanoi, Nanjing, Chengdu, Changsha and Chongqing; and to upgrade aircraft to Phnom Penh and Fuzhou



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Cargo Service - Key Numbers

Group Turnover

2009
HK\$17,255m

vs 2008
- 29.9%

Cathay Pacific and Dragonair

Cargo Capacity (ACTK)

11,666m - 13.1%

- on passenger aircraft

4,296m - 11.5%

- on freighters

7,370m - 14.0%

Cargo Carried

1,528k tons - 7.1%

Yield per tonne km

HK\$ 1.86 - 26.8%

Load factor

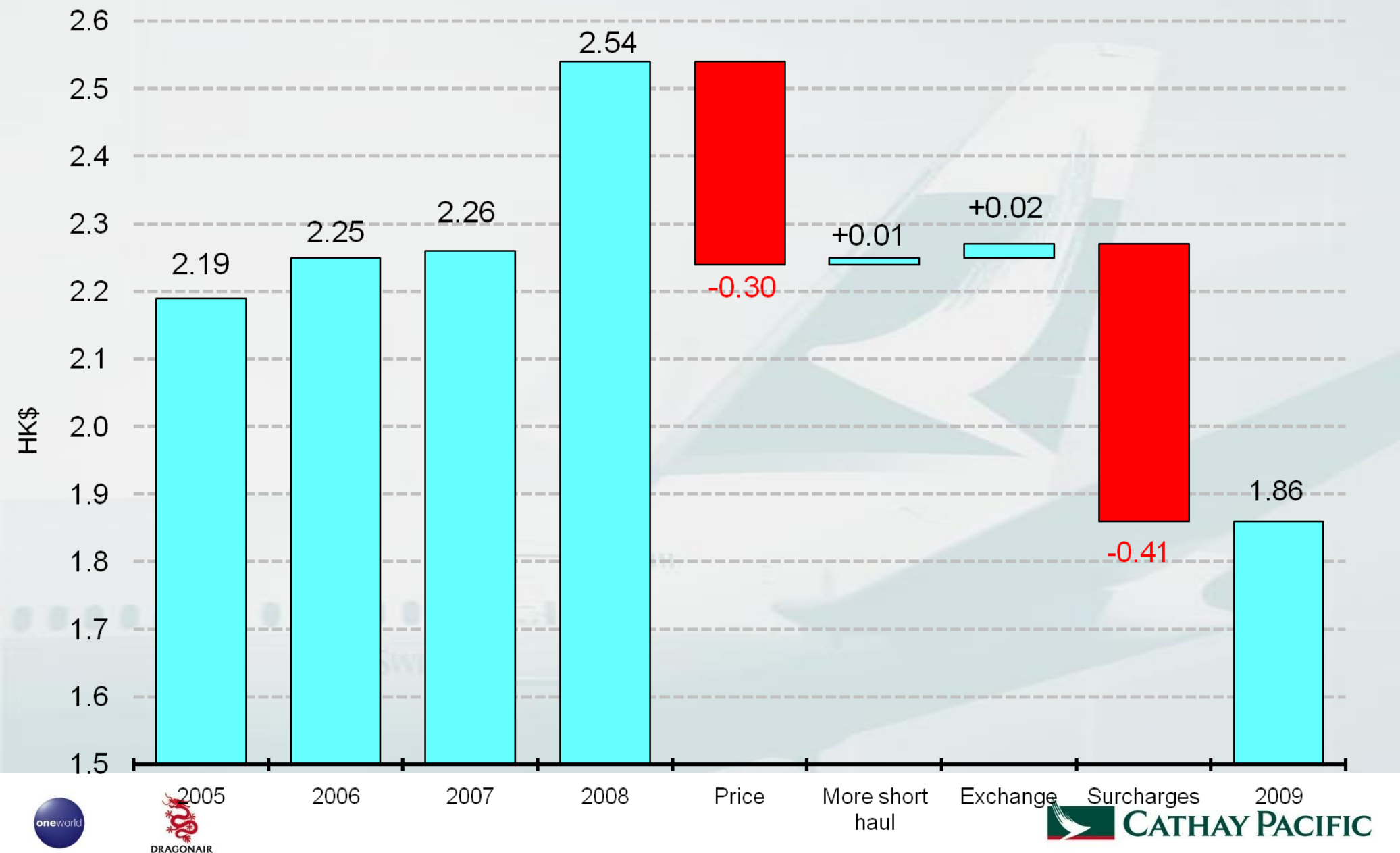
70.8% +4.9%pts



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Cargo & Mail Yield



Cargo Operating Performance 2009

- Difficult 1H, 15% reduction in capacity – 5 parked freighters
- Demand picked up 2H 2009 – Strong Peak
- Rapid yield improvement
- High Load factors
- More extra sectors

2010

- Demand firm, regional routes recovering, better balance of capacity to demand on long haul trade lanes
- Fuel price rising



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Cathay Pacific Cargo Strategy

- Continue to grow our hub at HKIA, already the largest International Cargo Hub in the world
- Stay at leading edge of technology curve
 - Young efficient fleet
 - New Terminal
 - Promote 'E freight'
- Differentiate
 - Product Segmentation
 - Expert lift
 - Priority lift
- Invest in Air China Cargo so that CX is a major player in the two hub airports for Pearl River Delta & Yangtze River Delta originating export traffic



Cathay Pacific Cargo – Hub Development Strategy

New Cargo Terminal at HKIA

- HKD 5.5bm investment – operational in 2013
- 2.6m tonne phase 1 capacity
- 20 year franchise

Key Features

- Platform for growth
- Product & service improvements
 - Transshipment
 - E-freight environment
- Cost reduction potential



Air China / Cathay Pacific Cargo Joint Venture

- CX to acquire 49% economic interest in Air China Cargo (ACC)
- Active investor – both shareholders to second management to J.V.
- ACC an existing airline
 - operations in Beijing and Shanghai
 - 7 x 747 Freighters
 - sells 'Belly' space in Air China's passenger fleet
- CX investment by injecting assets into ACC
 - 4 x 747 Freighters
 - 2 spare engines

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



Cargo Fleet Plan

2010

- Current fleet composition
 - 25 x 747 Freighters : 6 x 747-400F, 6 x 747-400ERF and 13 x 747-400BCF

Future development

- Out of service
 - 4 x 747-400BCF to joint venture
- New delivery
 - 747-8F – 6 in 2011 and 4 in 2012



Group Operating Cost

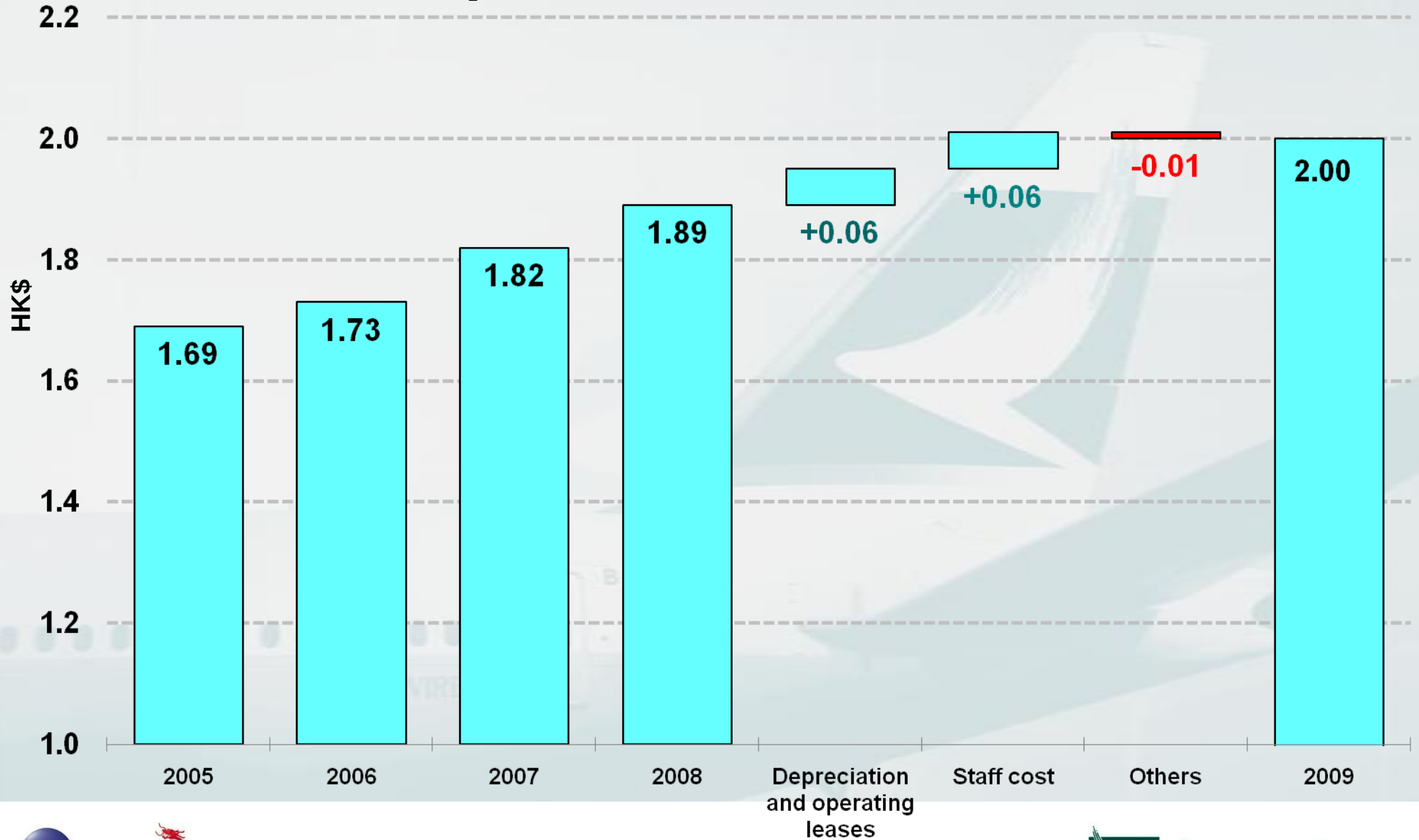
	<u>2009</u>	<u>vs 2008</u>
Staff	12,618	+ 1.5%
Inflight service & passenger	2,915	-12.6%
Landing, parking & route	10,458	-3.4%
Fuel	17,349	- 63.3%
Aircraft maintenance	6,567	- 14.1%
Depreciation & leases	9,081	+ 9.8%
Net finance charges	847	- 16.3%
Others	3,511	- 18.5%
Total Operating Cost HK\$m	63,346	- 33.4%



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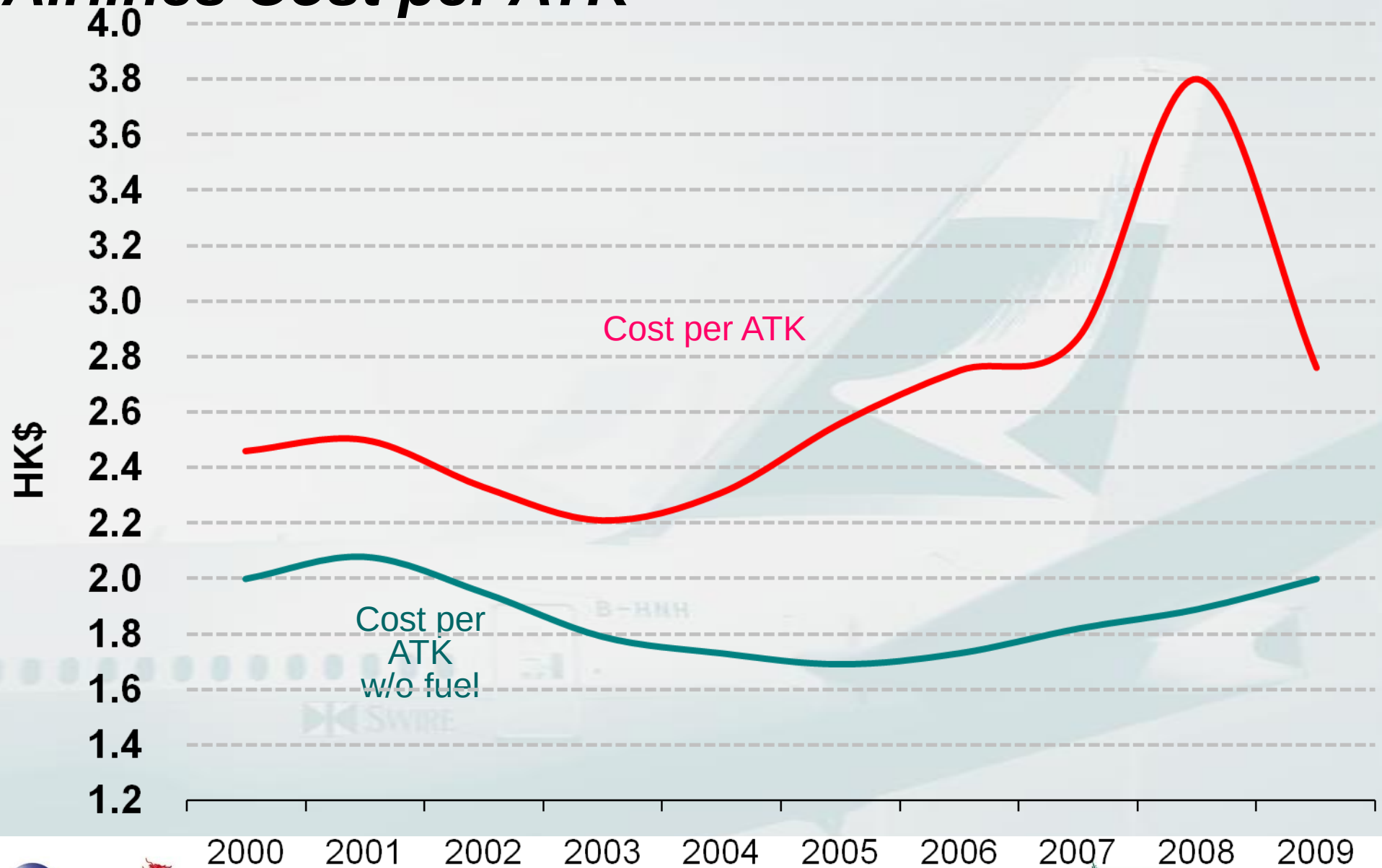
Airlines Cost per ATK without Fuel



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Airlines Cost per ATK



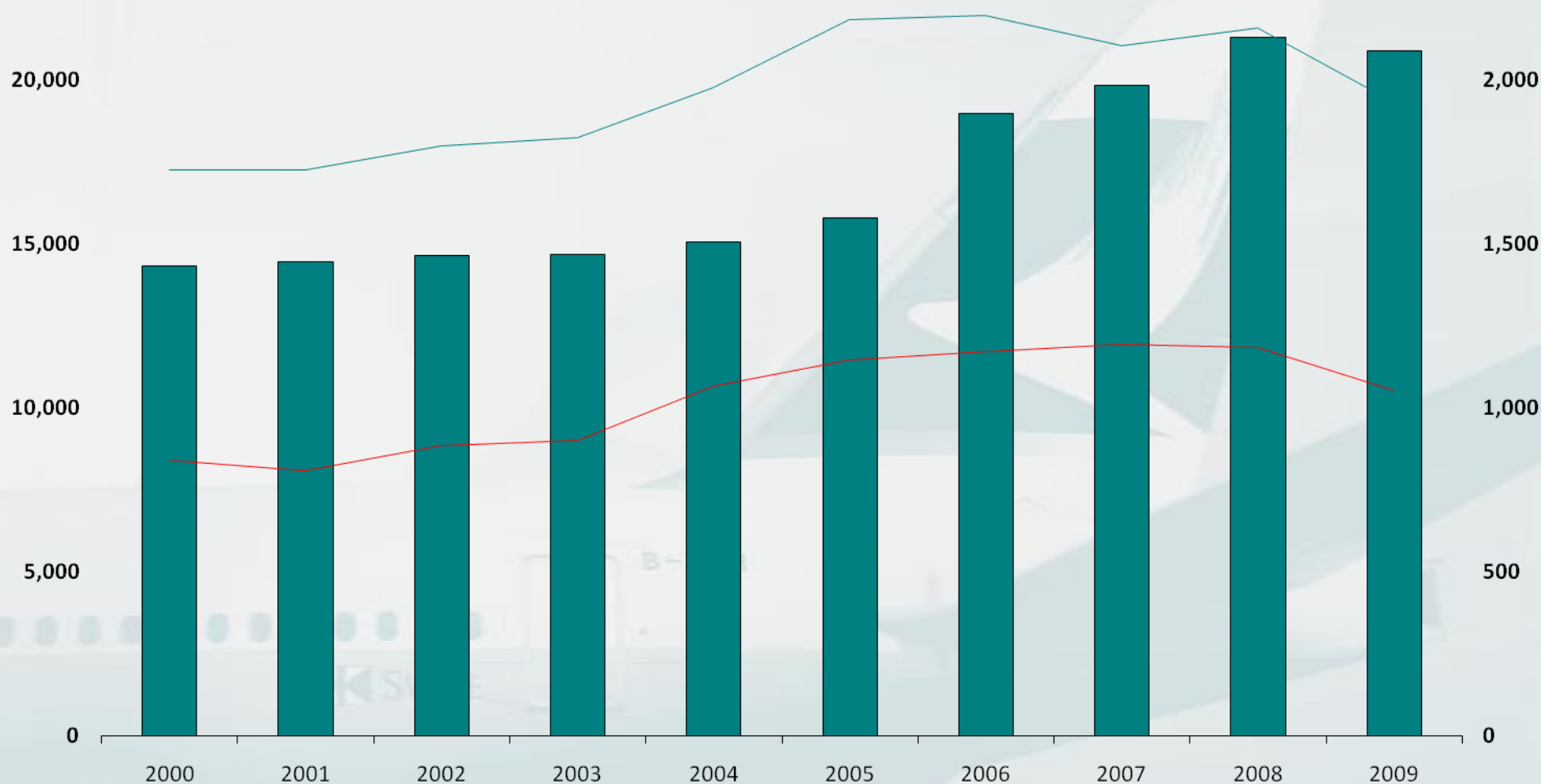
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Productivity - Staff

Staff no.
25,000

ATK
2,500



Staff no. at year end

ATK per HK\$'000 staff cost

ATK (in '000) per staff



Note: Includes KA from Oct06



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Fleet composition changes (CX/KA)

Fleet @ 31Dec2008

Deliveries (4x747-400ERF, 5x777-300ER, 1x747-400BCF)	154
Returned (2xA330-300, 1xA320-200)	10
Retired (6x747-200F)	3
	6

Fleet @ 31Dec2009

Parked (5x747-400BCF, 4x A340-300, 1x 747-400)	155
Leased out (1x747-400BCF to AHK)	10
	1

Operating fleet @31Dec2009

Passenger aircraft	144
Freighter	125
	19

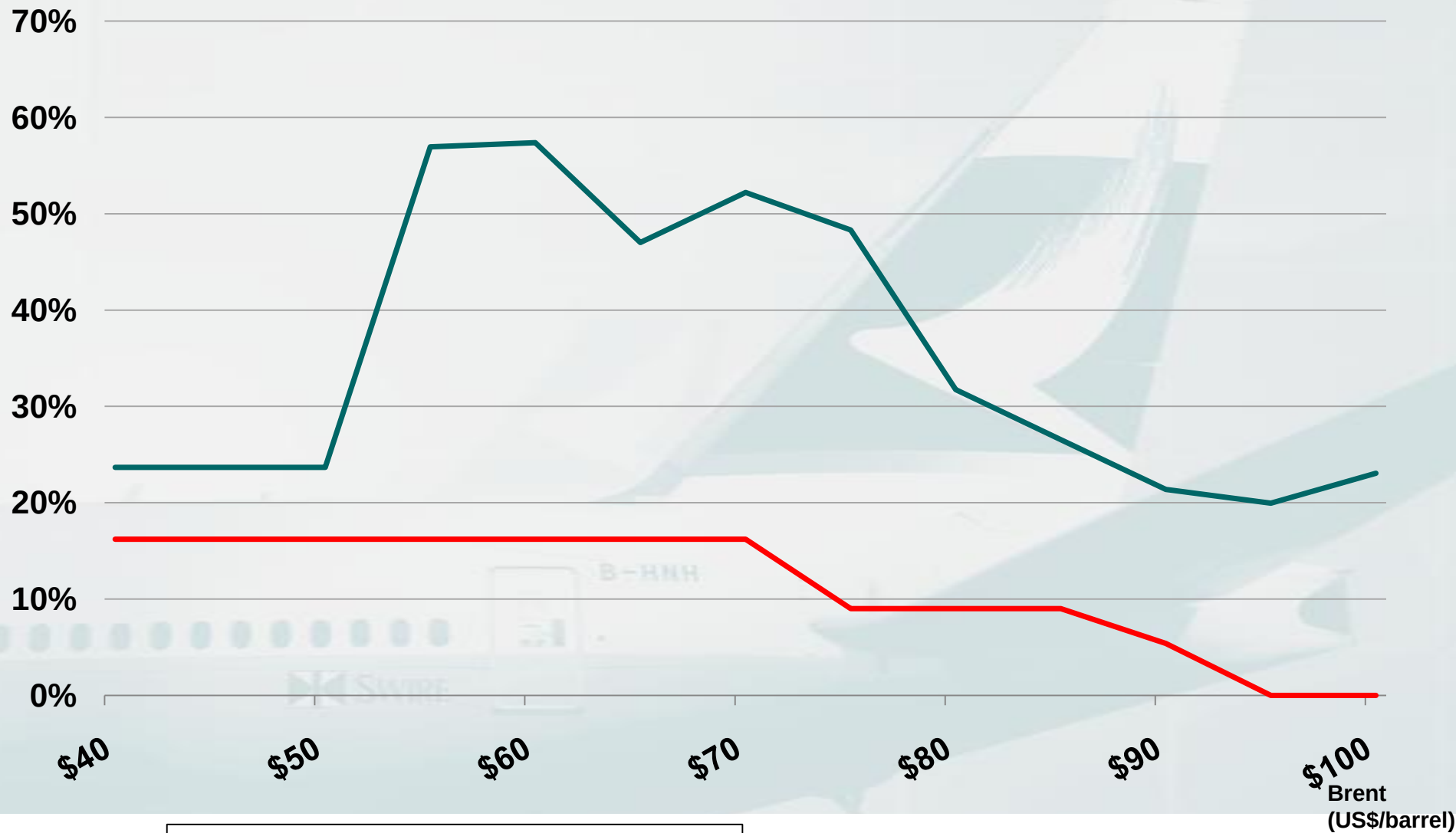


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Percentage consumption
subject to hedging contracts

Maximum fuel hedging exposure



— 2010

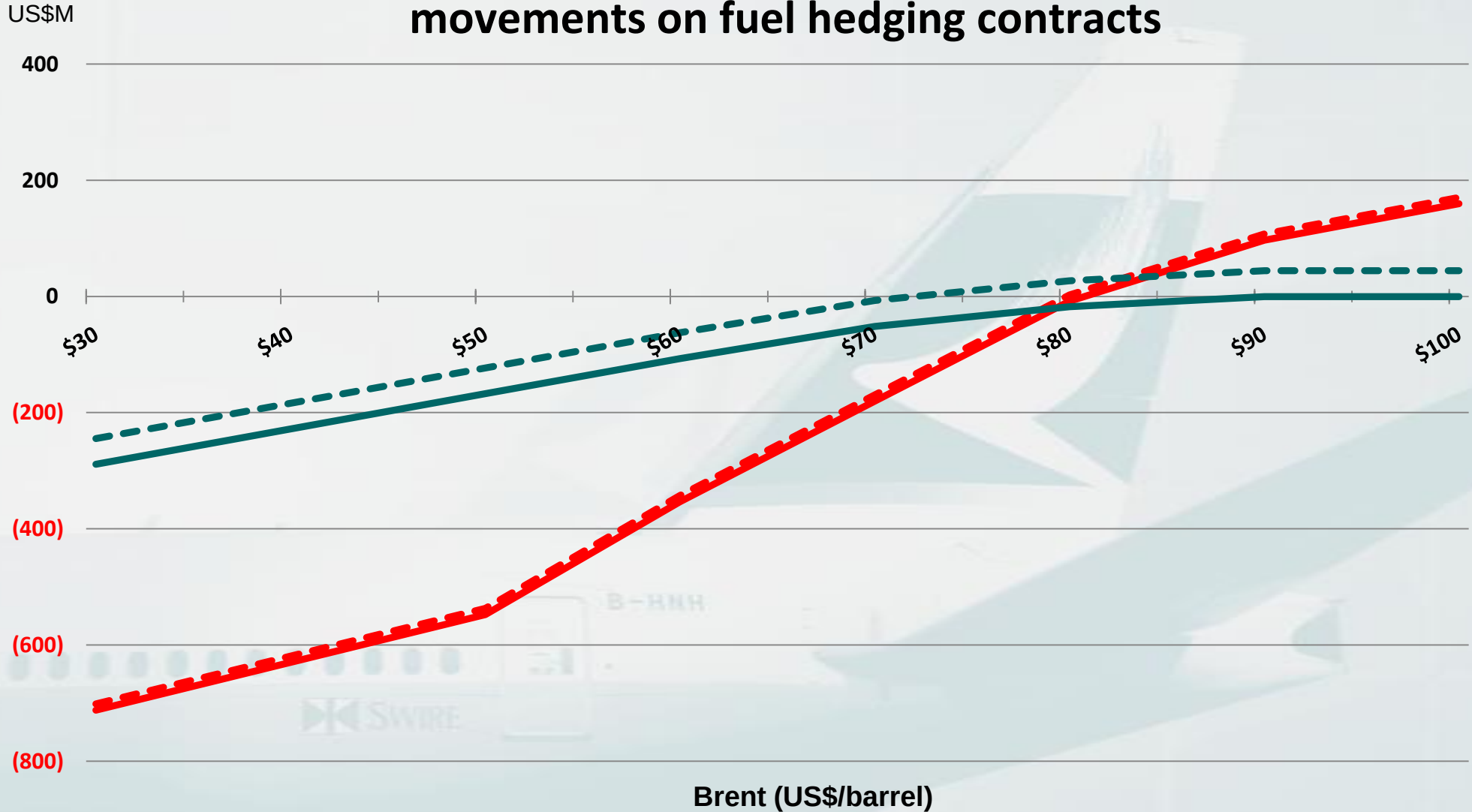
— 2011



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Sensitivity analysis of cash and profit 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>31 Dec 09</u>	<u>31 Dec 08</u> <u>(restated)</u>	<u>vs Dec 08</u>
Shareholders' Funds	HK\$42,238m	HK\$36,709m	15.1% up
Gross Borrowings	HK\$42,642m	HK\$40,280m	5.9% up
Less:			
Liquid Funds	HK\$(16,511m)	HK\$(15,082m)	9.5% up
Net Borrowings	HK\$26,131m	HK\$25,198m	3.7% up
Capital Employed (incl. MI)	HK\$68,516m	HK\$62,027m	10.5% up
Net Debt/Equity Ratio	0.62	0.69	-0.07 times
Investment in Air China	HK\$7,885m	HK\$7,854m	0.4% up



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Liquid Fund Flow

Inflow

New financing

Operating activities

Disposals & others

Outflow

Capital expenditure

Loan repayment

Dividend paid

Net inflow/(outflow)

2009
HK\$'M

6,169

2,035

4,623

(6,776)

(4,479)

(143)

1,429

2008
HK\$'M

6,665

1,816

1,246

(9,667)

(3,919)

(2,696)

(6,555)



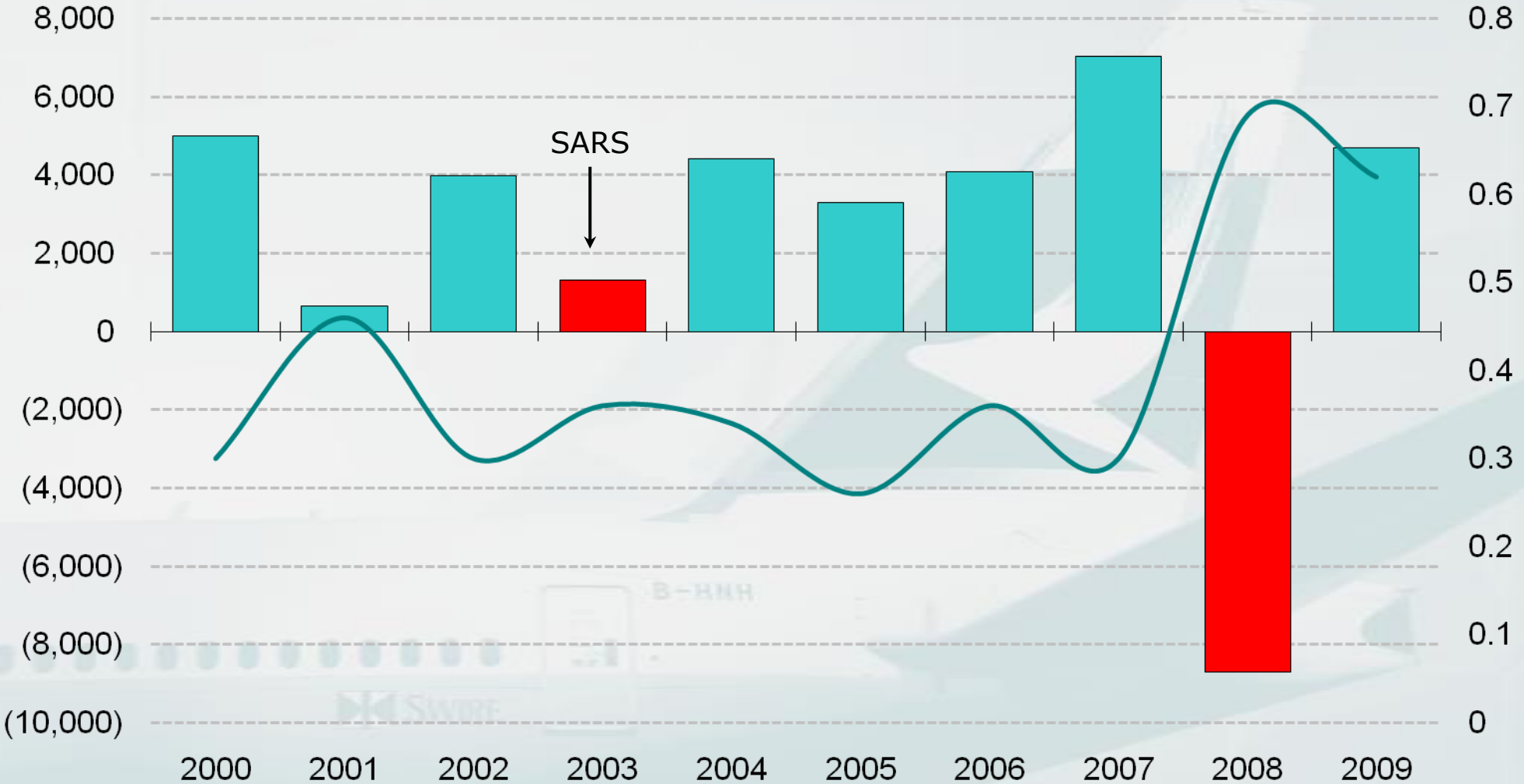
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Profit & Net Debt/Equity Ratio

Profit / (loss) - HK\$ m

D/E ratio - times



Profit/(Loss)

Net debt/equity ratio



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Major subsidiaries

- AHK Air Hong Kong
 - 60% owned by Cathay Pacific
 - Load factor increased marginally with a capacity increase of 16% but yield under pressure
 - Lower profits due to substantial yield reduction
- Cathay Pacific Catering Services
 - Produced 20.9 million meals, down 4.6% but market share increased by 1.3% pt to 63.4%
 - Lower profits as decline in business volume and cost saving initiatives of customer airlines reduced profit margin

Asia Miles

- More than 3 million members, net growth of 10% in 2009
- 20 airline partners and 465 non-airline partners



Air China

- CA made a significant operating loss in 4Q 08 and a profit of RMB3,811m (under PRC GAAP) for Jan-Sep 09
- Positive profit alert for the 2009 annual results
- Air China Cargo (ACC) joint venture
- Joint venture operations on Beijing, Shanghai, Chengdu and Chongqing
- Looking at other initiatives



Summary

- Operating profitably – bolstered by one-off gains
- Passenger revenue improves but from a low base
 - front end demand still below levels prior to the downturn
 - yields remain low but loads are high
- Cargo revenue started to pick up
- Fuel price remains stubbornly high



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Q & A

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This map is for indication purposes only and is not to scale. Destinations are subject to change without notice. Valid as of 10 November 2009.



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