



Cathay Pacific Airways

2008 Annual Results

11 March 2009

Highlights

- Turnover of HK\$86,578m, up 14.9%
- Group loss of HK\$8,558m vs a profit of HK\$7,023m
- Loss per share HK217.5c vs earnings per share of HK178.3c
- Fuel hedging losses of HK\$7,970m vs gains of HK\$933m
- Total dividends HK3c per share, down 96.4%
- Fuel costs up 92.2% to HK\$47,317m
- Pax load factor down 1.0%pt to 78.8%
- Pax yield increased by 5.3% to HK63.6c
- Cargo and mail load factor down 0.8%pt to 65.9%
- Cargo and mail yield increased by 12.4% to HK\$2.54



Annual Result

	<u>FY 2008</u>	<u>FY 2007</u>
Group (Loss) /Profit	HK\$(8,558)m	HK\$7,023m
Group Turnover	HK\$86,578m	HK\$75,358m
(Loss) / Profit Margin	(9.9%)	9.3%
Return on Capital Employed	(11.3%)	12.6%
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Available tonne kilometres	24,410m	23,077m
Cost per ATK	HK\$3.79	HK\$2.87
Cost per ATK (w/o fuel)	HK\$1.88	HK\$1.82
Revenue Load Factor	75.1%	75.6%
Breakeven Load Factor	87.1%	67.0%



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Operating Results – Cathay Pacific and Dragonair

	<u>FY 2008</u> HK\$M	<u>FY 2007</u> HK\$M
Turnover	83,325	72,360
Total operating expenses	(92,635)	(66,205)
Reversal of fuel hedging losses/(gains)	7,970	(933)
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Operating (loss)/profit before tax and fuel hedging	(1,340)	5,222



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Underlying (loss)/profit

(Loss)/profit attributable to owners of Cathay Pacific

Adjustment to reverse the impact of HKAS39

- Fuel derivatives

- Currency and interest rate derivatives

Adjustment to reverse our share of Air China's MTM

fuel hedging losses in 4Q08

Settlement of the US DOJ Cargo Investigations

Taxation

Underlying (loss) / profit

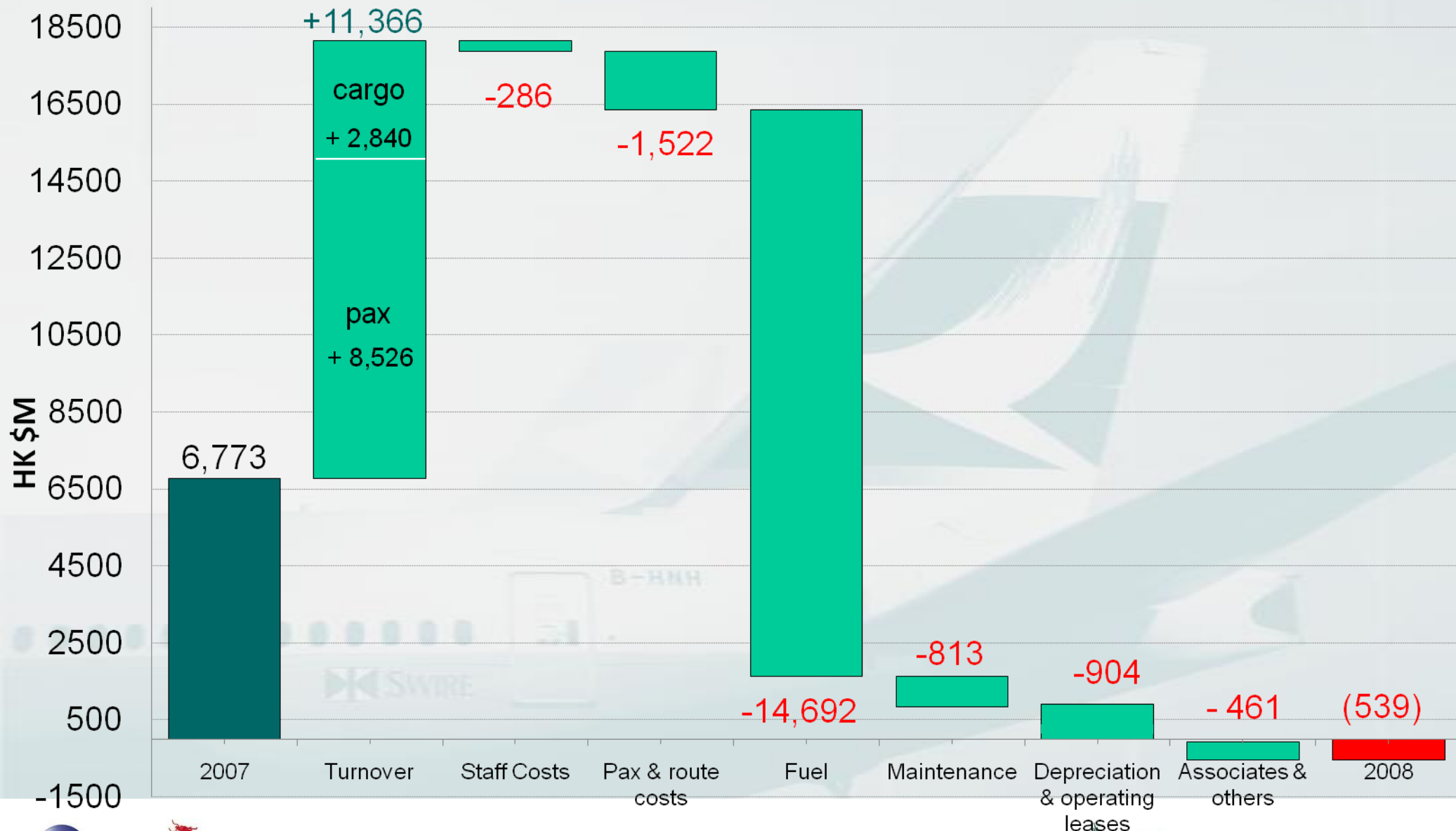
<u>FY 2008</u>	<u>FY 2007</u>
<u>HK\$M</u>	<u>HK\$M</u>
(8,558)	7,023
7,883	(118)
(5)	(162)
1,000	-
468	-
(1,327)	30
(539)	6,773



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Underlying (loss)/profit : 2007 to 2008



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Passenger Service - Key Numbers

	<u>FY 2008</u>	<u>vs 2007</u>
Turnover	HK\$58,046m	+17.2%
Seat Capacity (ASK)	115,478m	+12.7%
Passenger Number	25.0m	+7.3%
Yield per Revenue Pax Km	HK¢ 63.6	+5.3%
Load Factor	78.8%	-1.0%pt



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Passenger Service - by Region

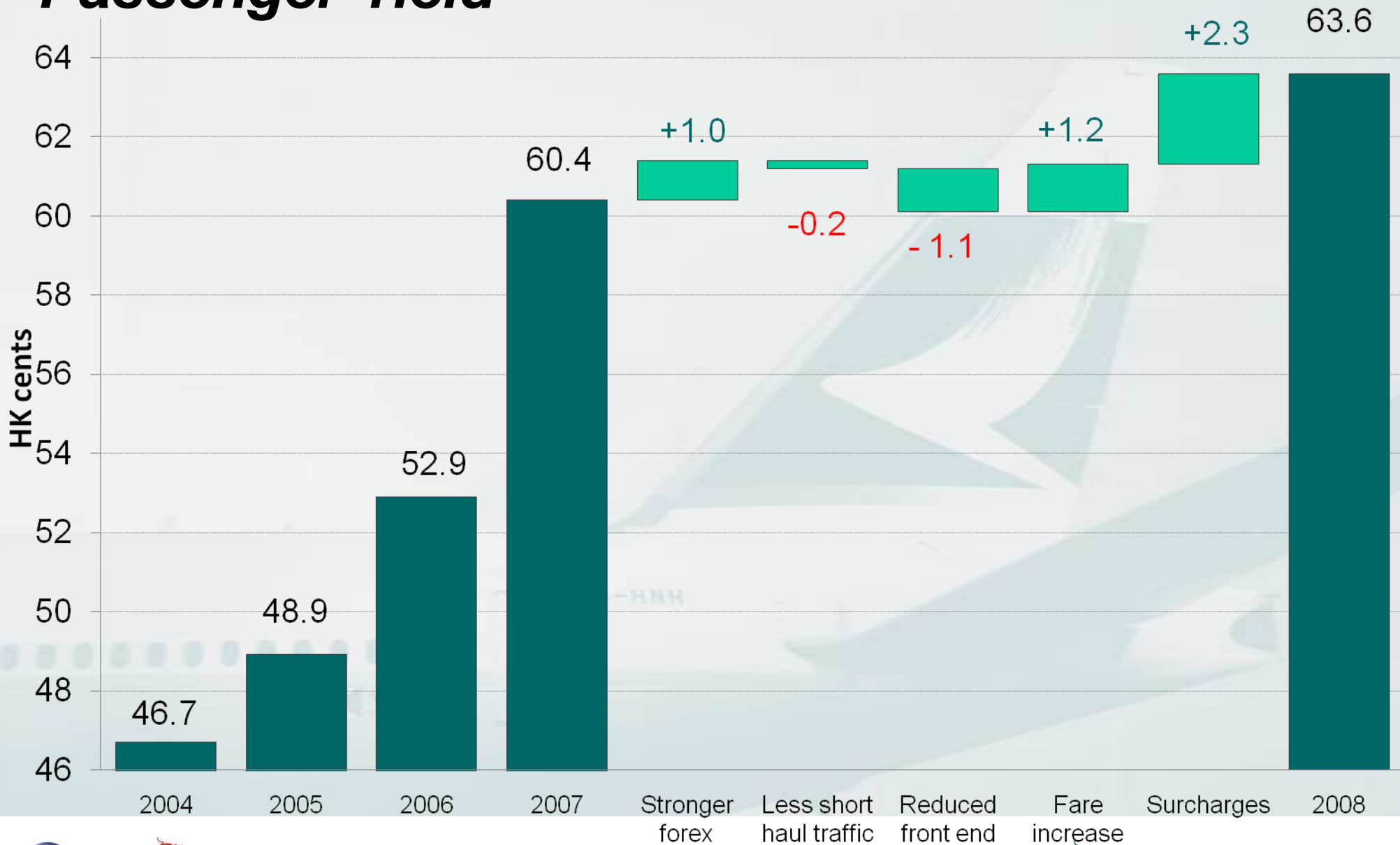
	ASK (m)	vs 2007	Load Factor	vs 2007	Yield Change
SW Pacific & S. Africa	17,689	+21.2%	77.0%	-4.7% pts	+6.9%
Europe	20,017	+1.9%	84.4%	+0.8% pts	+9.0%
SE Asia & Middle East	22,528	+17.2%	77.4%	-2.0% pts	+8.4%
North Asia	24,028	+1.1%	73.0%	+1.1% pts	+6.5%
North America	31,216	+23.6%	81.7%	-1.9% pts	+2.8%
Systemwide	115,478	+12.7%	78.8%	-1.0% pts	+5.3%



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Passenger Yield



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Cargo Service - Key Numbers

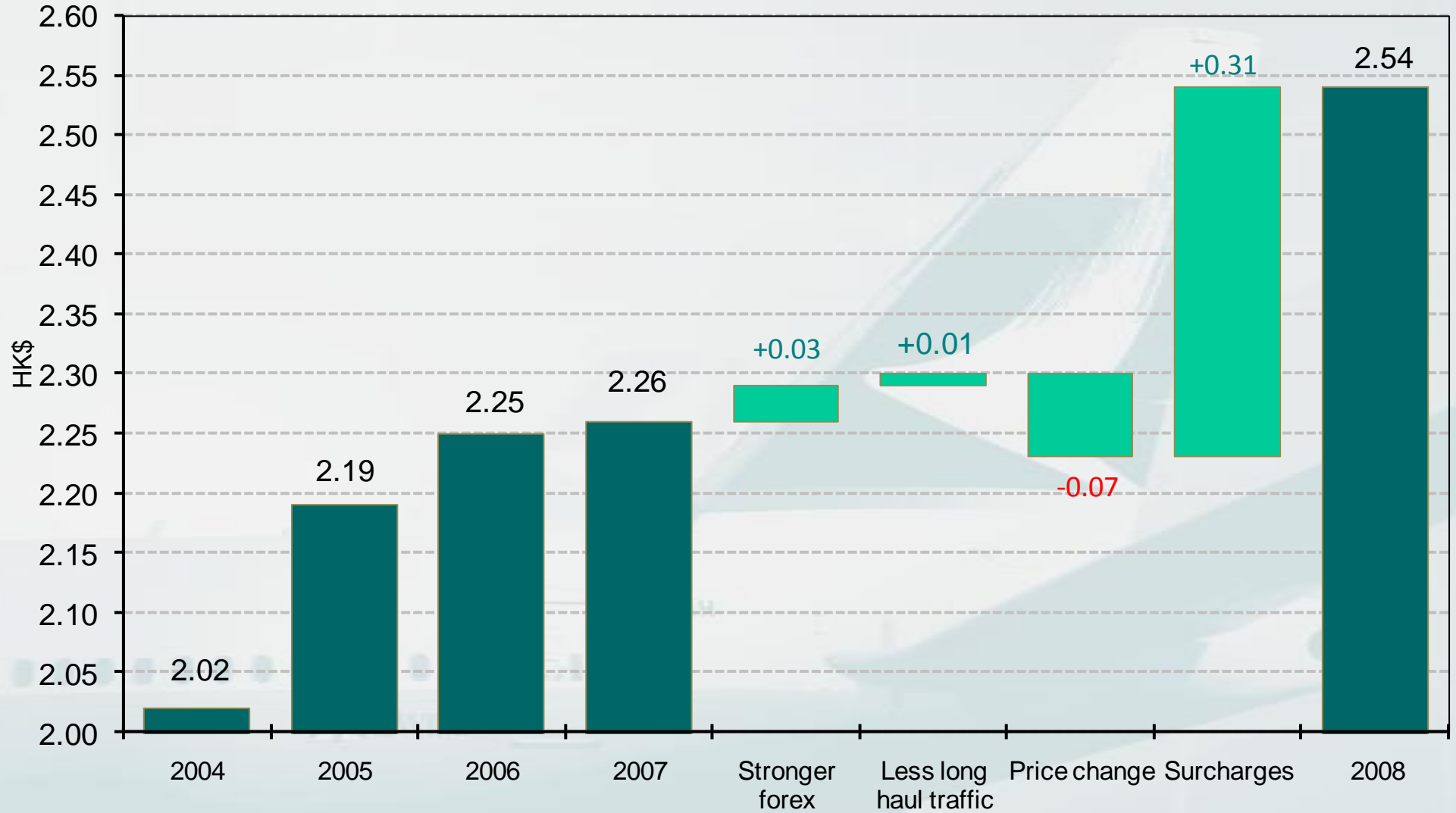
	<u>FY 2008</u>	<u>vs 2007</u>
Turnover	HK\$24,623m	+ 13.0%
Cargo Capacity (ACTK)	13,425m	+ 0.7%
- on passenger aircraft	4,853m	+7.4%
- on freighters	8,572m	-2.8%
Cargo Carried	1,645K tons	-1.6%
Yield per tonne km	HK\$ 2.54	+12.4%
Load factor	65.9%	-0.8%pts



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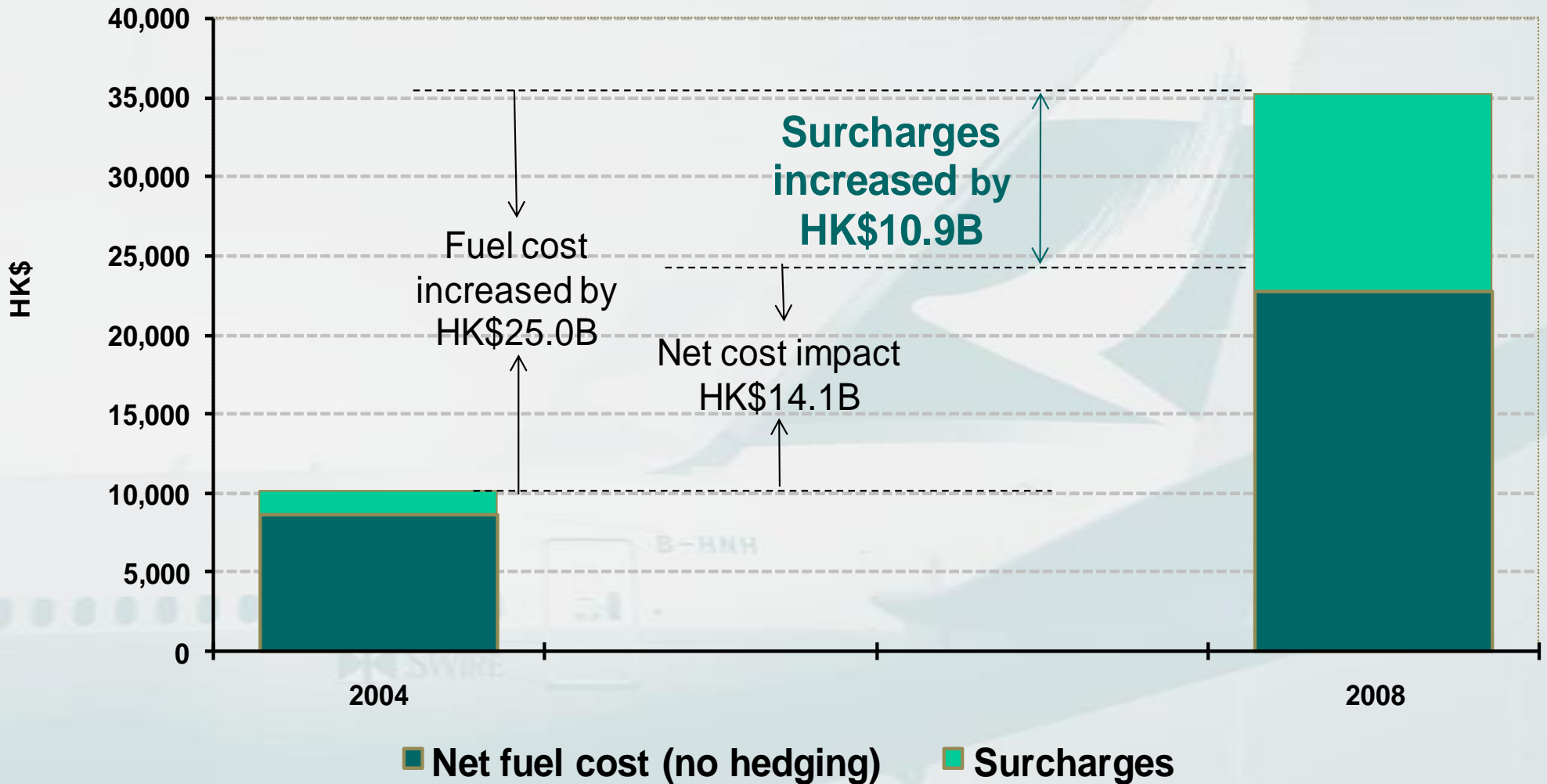
Cargo Yield



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How surcharges helped reduce the impact of fuel price increase for Cathay Pacific



Group Operating Cost

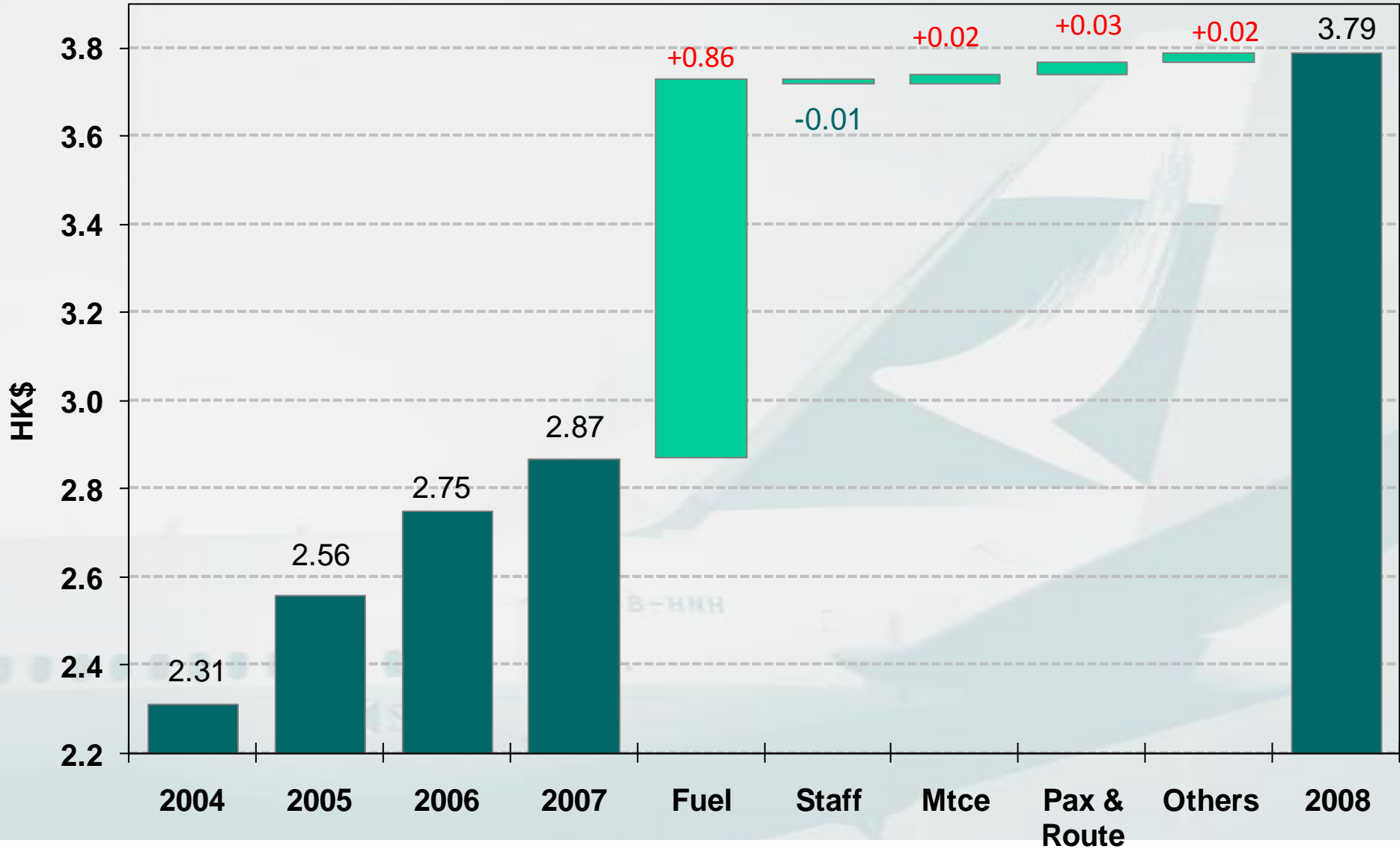
	<u>FY 2008</u>	<u>vs 2007</u>
Staff	12,428	+ 2.4%
Inflight service & passenger expenses	3,336	+ 14.9%
Landing, parking & route	11,039	+ 10.9%
Fuel	47,317	+ 92.2%
Aircraft maintenance	7,643	+ 11.9%
Depreciation & leases	8,271	+ 12.3%
Net finance charges	1,012	+ 28.6%
Others	4,005	+ 5.3%
Total Operating Cost HK\$m	95,051	+ 39.0%



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Airlines Cost per ATK



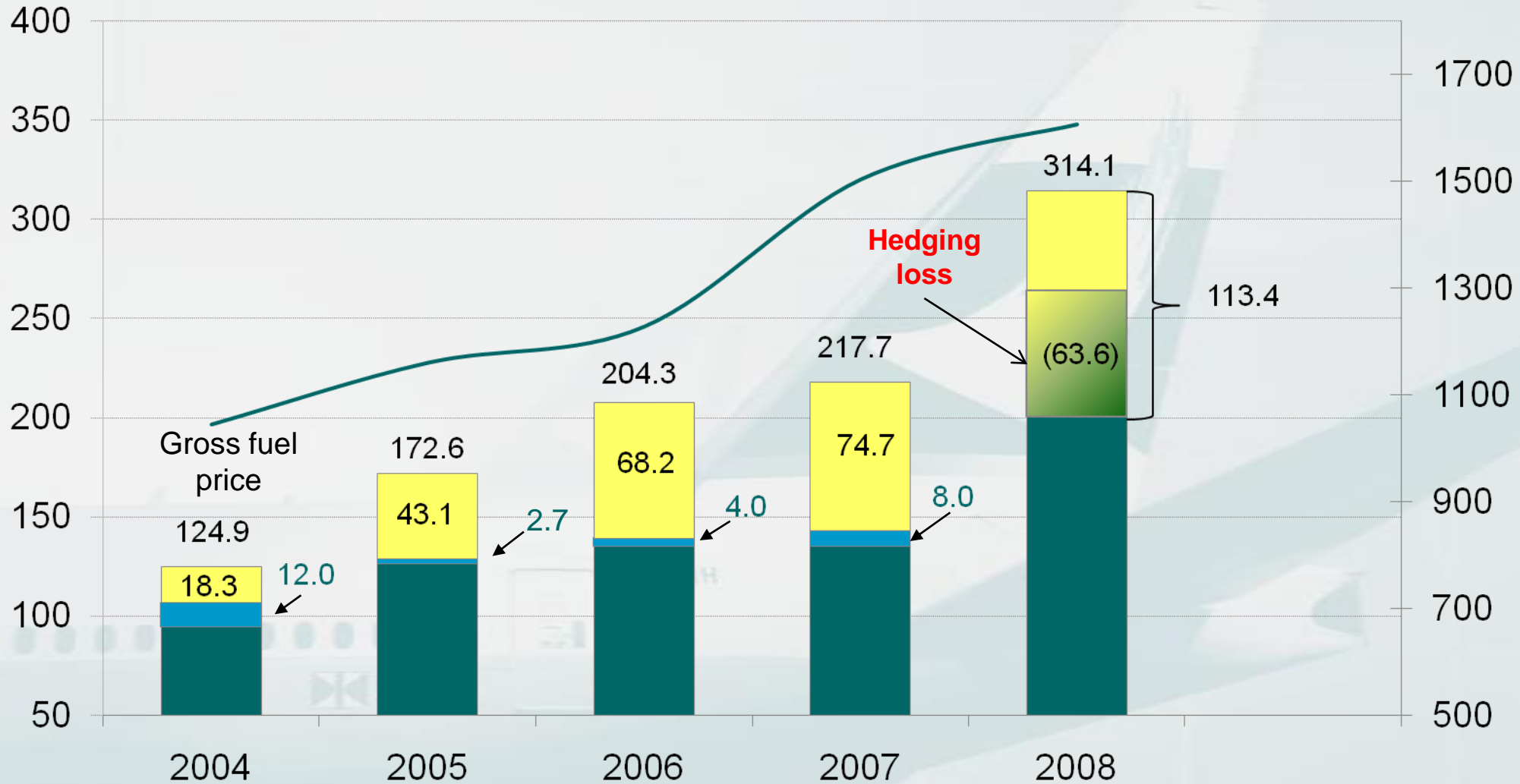
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Fuel price & consumption

Fuel price - USc/AG

Consumption - AG'm



Fuel surcharge

Hedging gain

Fuel price after surchg & hedging

Fuel consumption

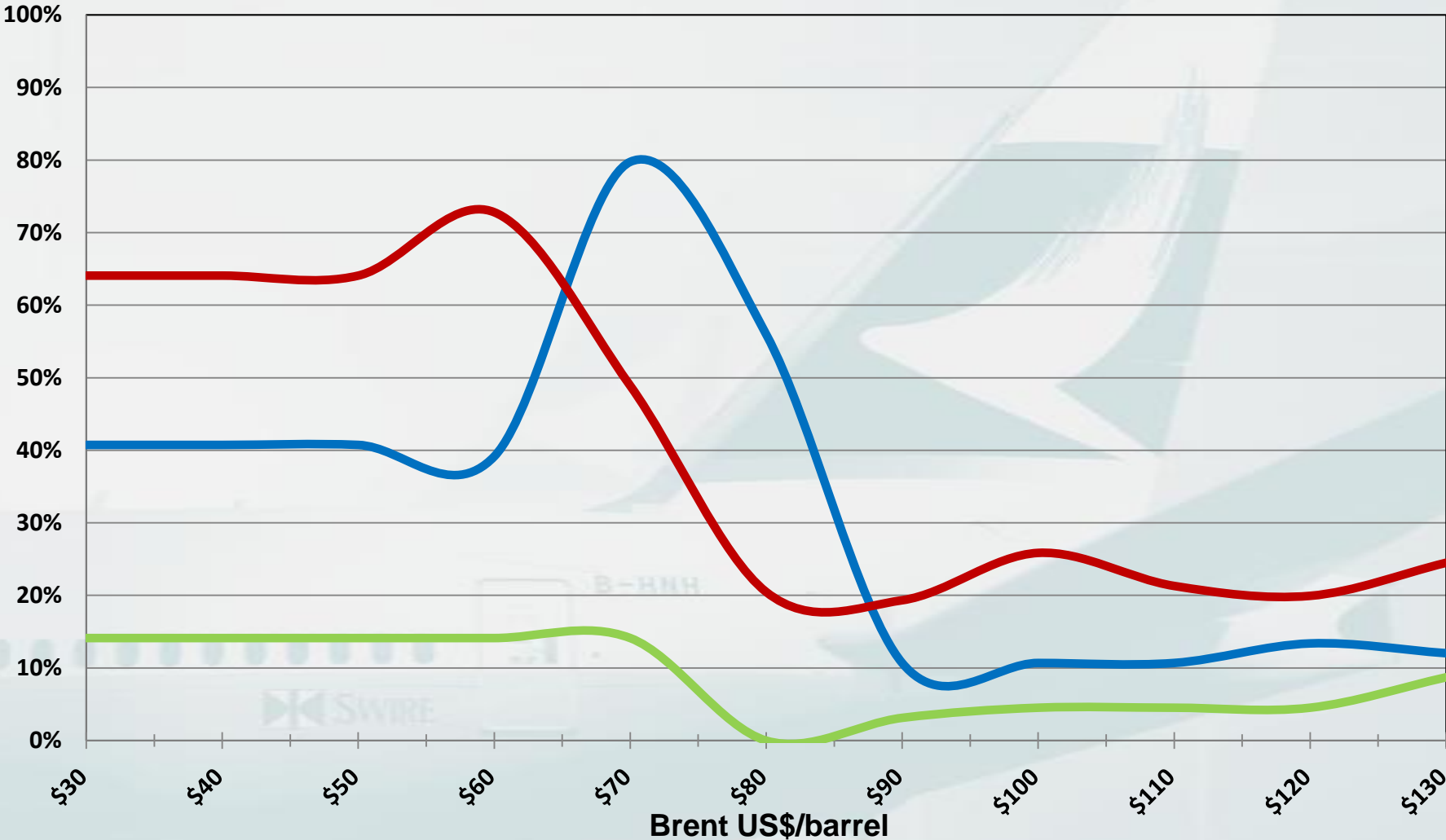


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Maximum fuel hedging exposure

Fuel hedging coverage



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Balance Sheet

	<u>2008</u>	<u>2007</u>	<u>vs 2007</u>
Shareholders' Funds	HK\$38,325m	HK\$50,549m	24.2% down
Gross Borrowings	HK\$40,280m	HK\$36,368m	10.8% up
Less:			
Liquid Funds	HK\$(15,082m)	HK\$(21,637m)	30.3%down
Net Borrowings	HK\$25,198m	HK\$14,731m	71.1% up
Capital Employed (incl. MI)	HK\$63,643m	HK\$65,458m	2.8% down
Net Debt/Equity Ratio	0.66	0.29	+ 0.37 times
Goodwill from purchase of Dragonair	7,511m	7,511m	-
Investment in Air China	8,046m	8,469m	5.0%down



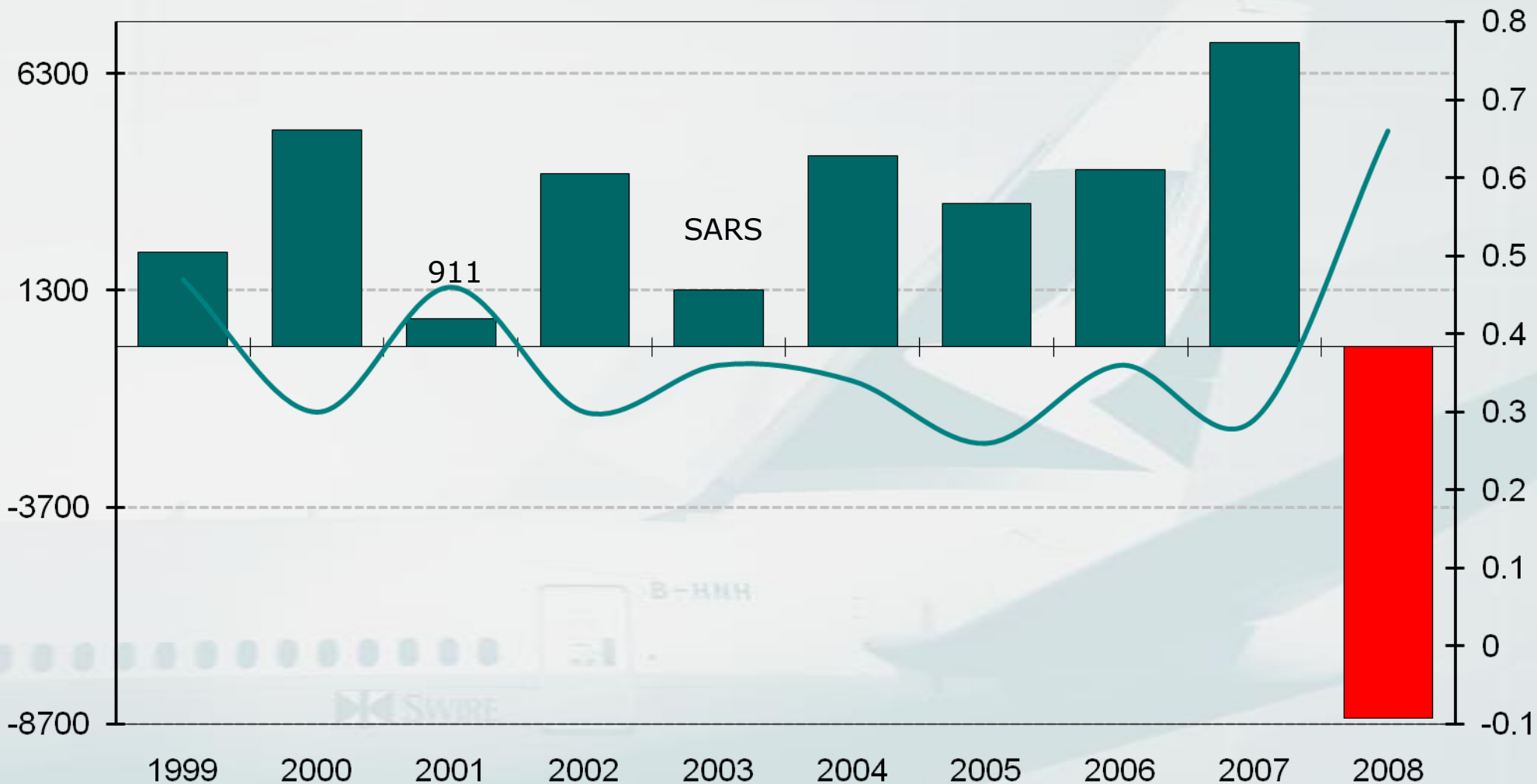
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Profit & Net Debt/Equity Ratio

Profit / (loss) - HK\$ m

D/E ratio - times



Profit/(Loss)

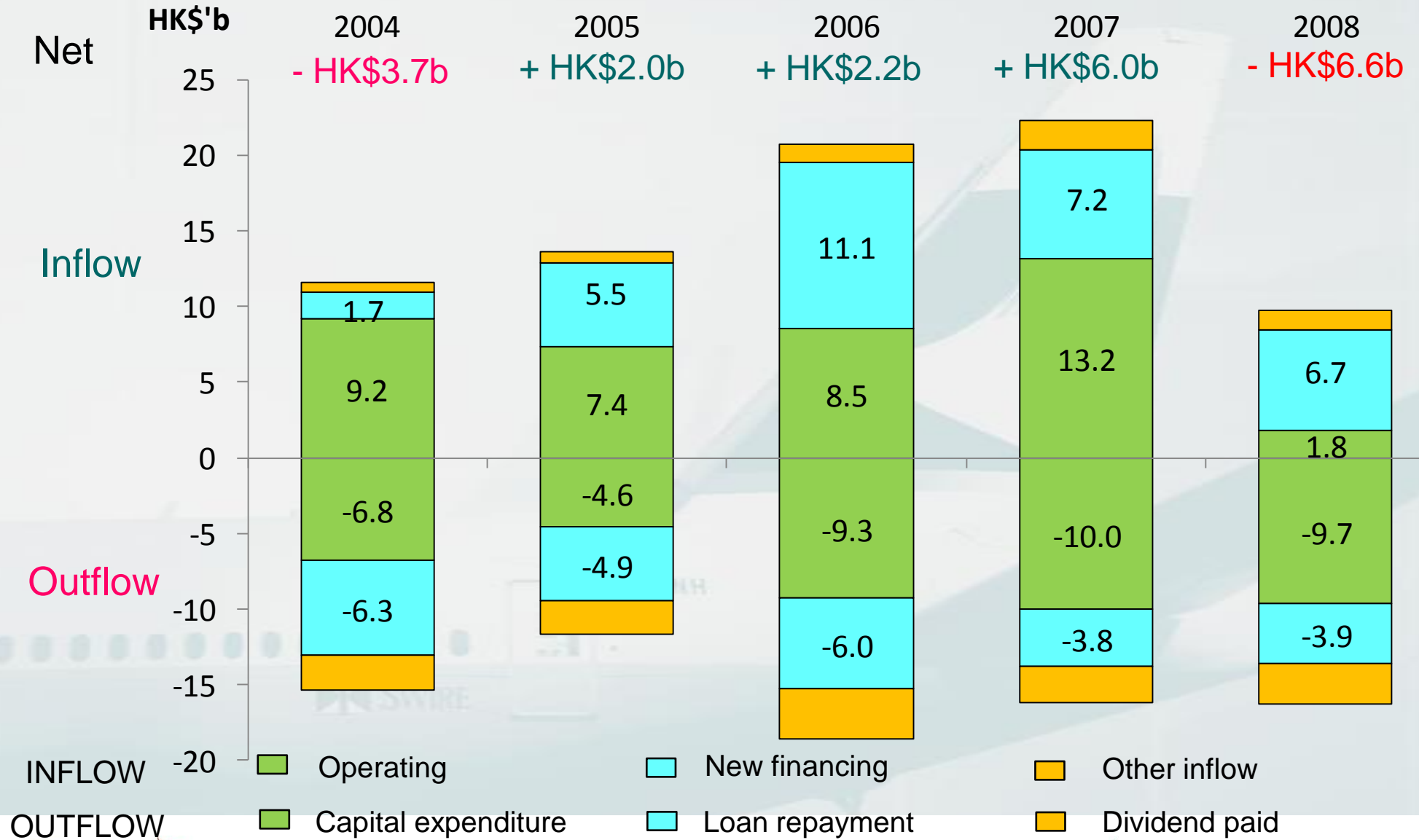
Net debt/equity ratio



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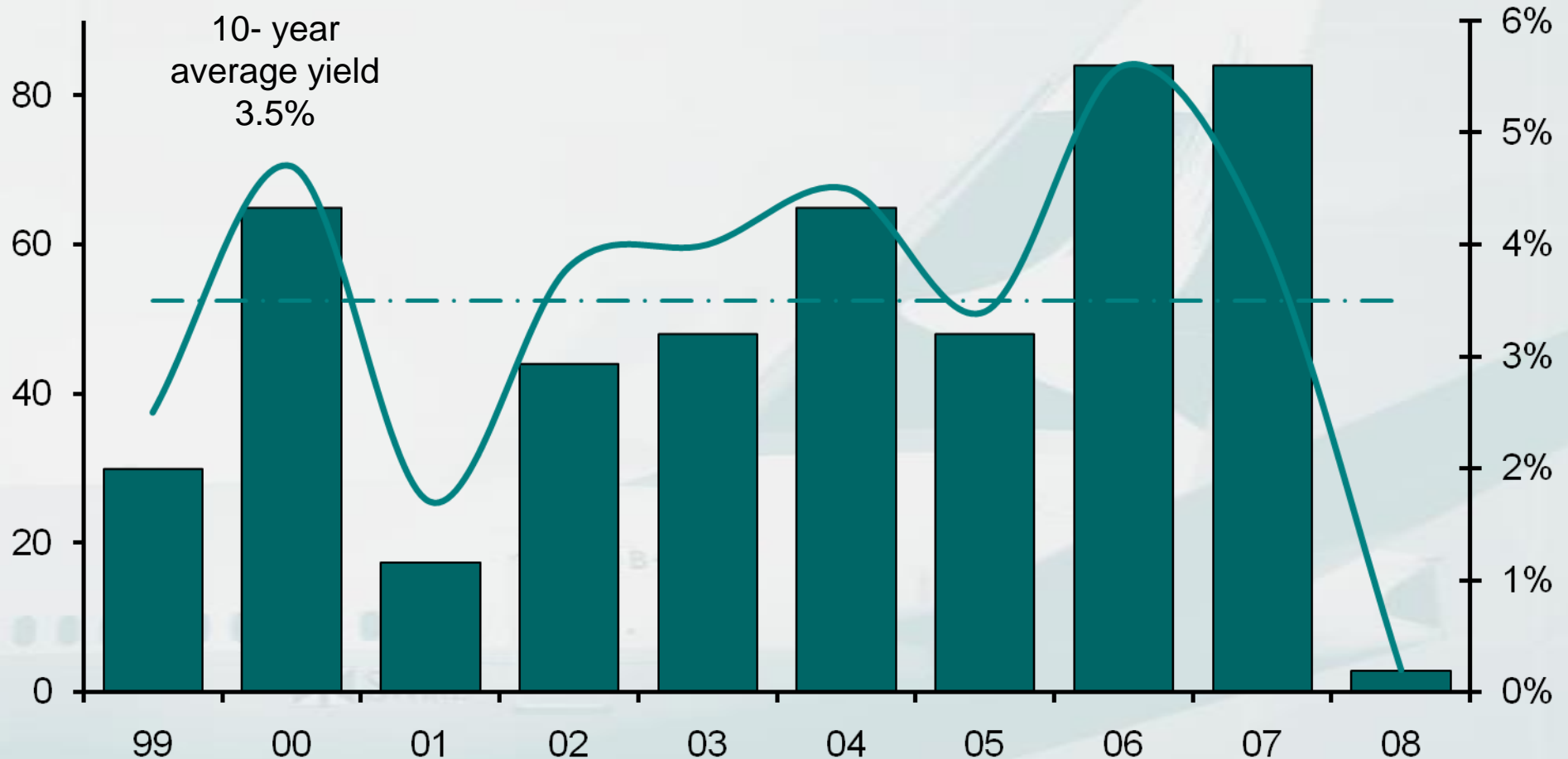
Liquid Fund Flow



Dividends

Dividend per share
(HK cents)

Dividend yield %



■ Dividend per share

— Dividend yield



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Productivity Measures

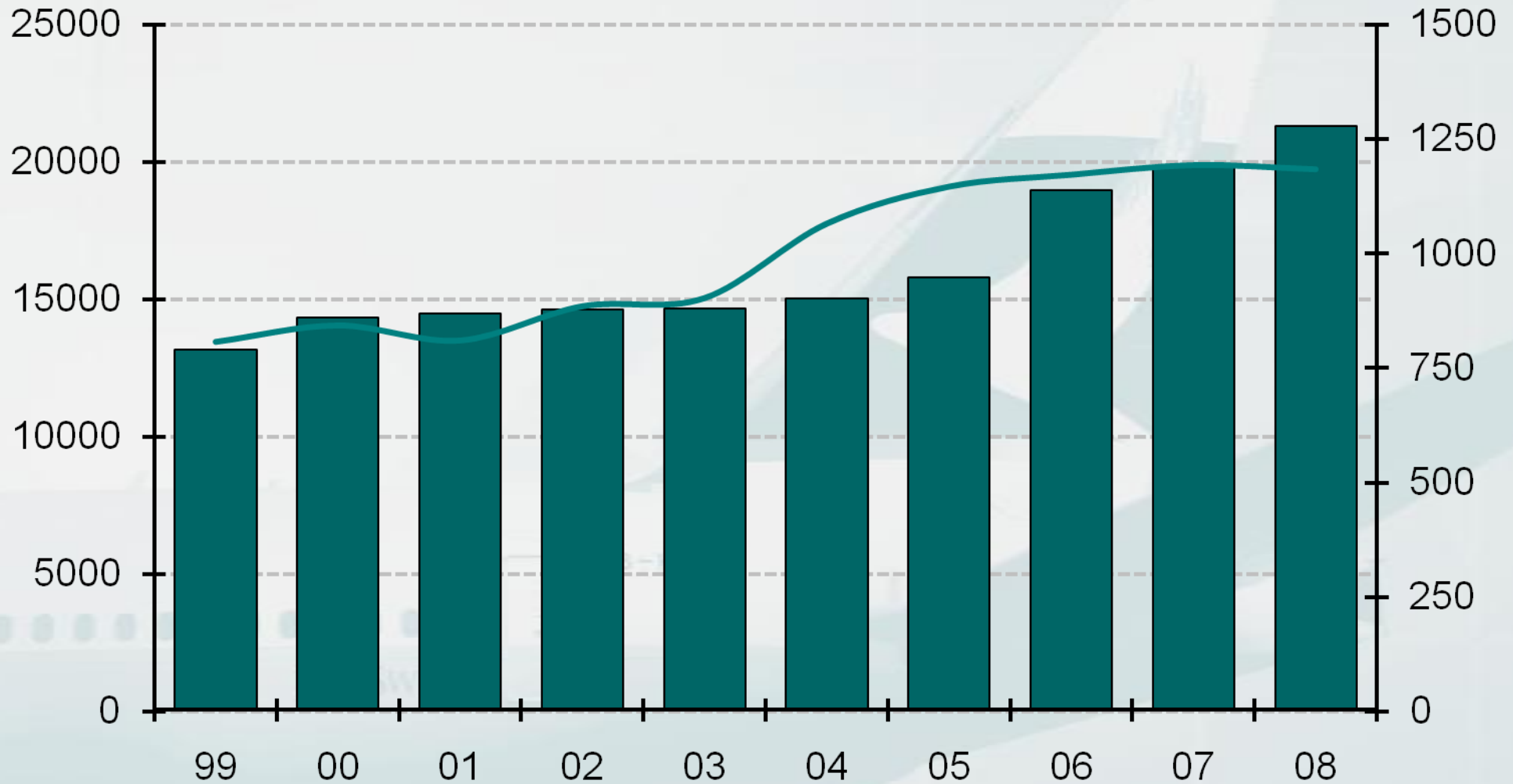
	<u>2008</u>	<u>vs 2007</u>
Cost per ATK - with fuel	HK\$3.79	32.1% up
- without fuel	HK\$1.88	3.3% up
ATK per HK\$1,000 Staff Cost	2,160	2.6% up
Staff Number	21,309	7.4% up
Aircraft Utilisation (Hrs/day)	11.5	1.7% down



ATK per Staff

Staff number

ATK per staff



■ Staff number

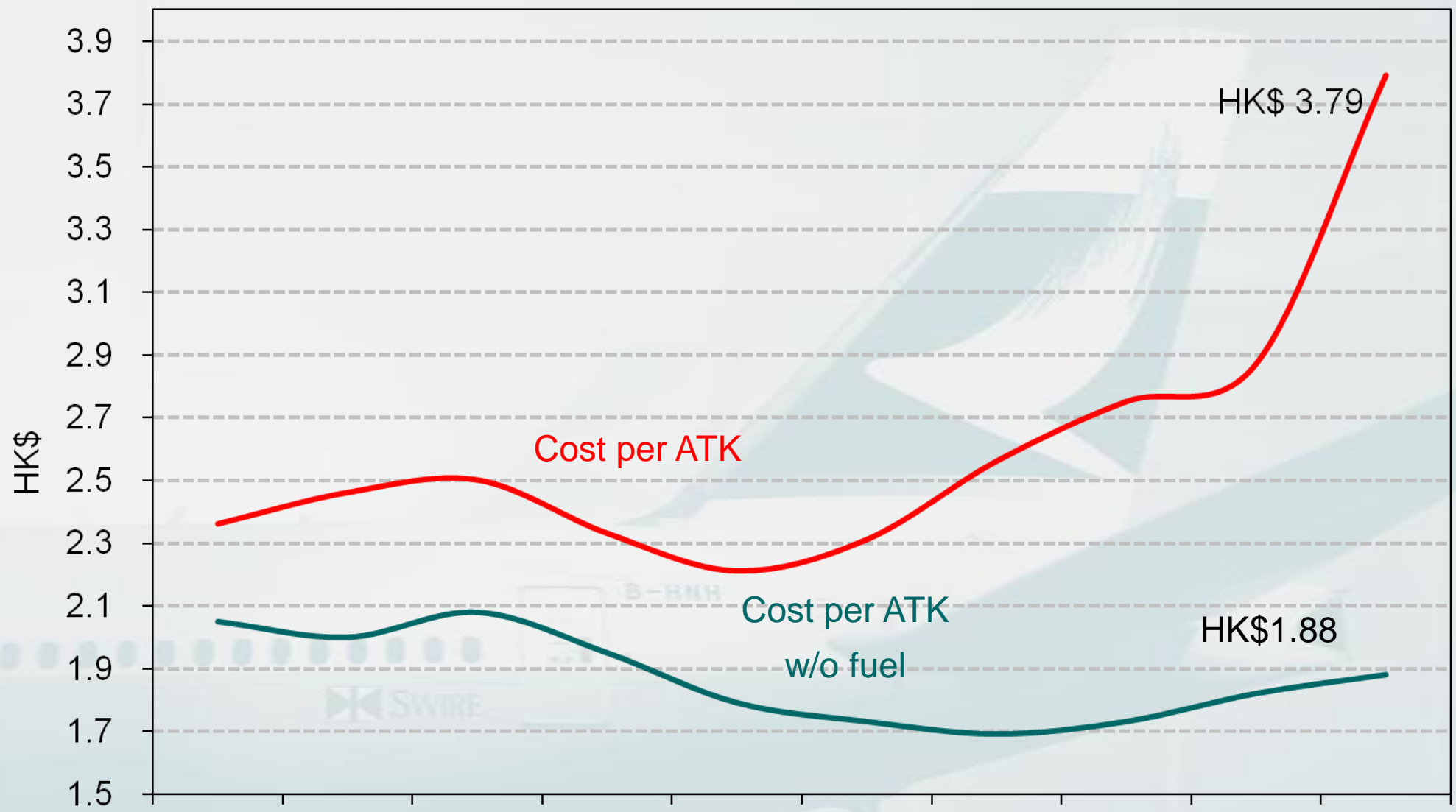
— ATK per staff



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Cost per ATK



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Outlook

- Cargo revenue is very weak
- Passenger revenue is down
 - front end collapse
 - weak YCL yield
- Turnover affected by weak currencies
- Fuel price is lower but we don't get the full benefit
- Further fuel hedging losses - MTM loss HKD1.9bn (Jan-Feb)



What we are doing

- Conserving cash
 - expenditure reductions
 - capex restraint
- Managing capacity
 - parking aircraft
 - sale of aircraft
 - no extension of operating leases

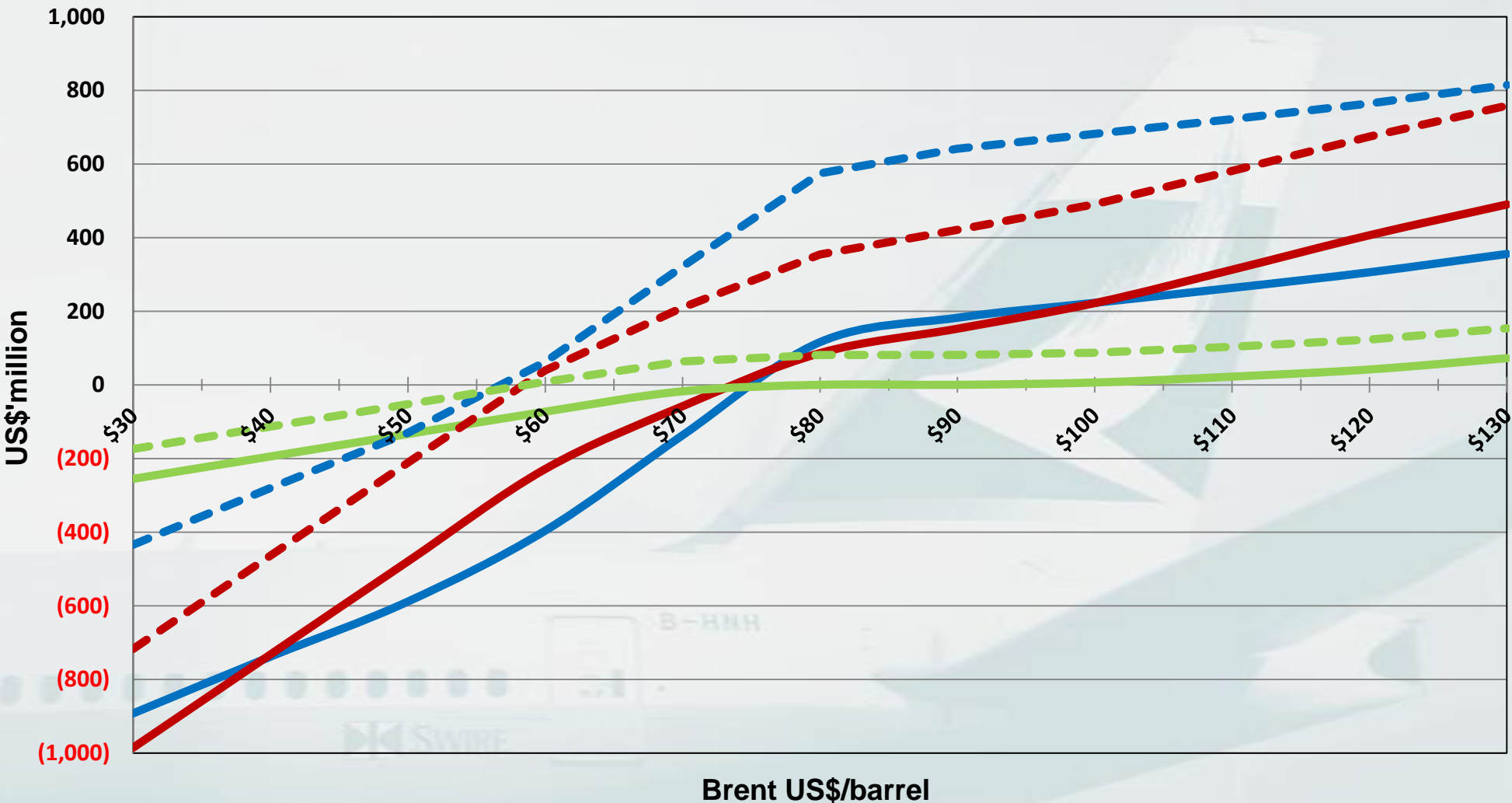


Q & A



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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



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Fuel Surcharge

Pax Surcharge

Effective Date		Long Haul	Short Haul
01-Feb-07	US\$	56.1	13.6
01-Apr-07	US\$	53.8	13.1
01-Jun-07	US\$	52.8	12.8
01-Aug-07	US\$	54.4	13.2
01-Oct-07	US\$	54.9	13.3
01-Dec-07	US\$	59.7	14.5
01-Feb-08	US\$	65.1	15.8
01-Apr-08	US\$	66.4	16.0
01-Jun-08	US\$	91.0	21.9
01-Aug-08	US\$	118.5	29.6
01-Oct-08	US\$	106.7	25.1
01-Dec-08	US\$	64.0	13.8
01-Feb-09	US\$	35.9	7.8



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Fuel Surcharge

Cargo Surcharge

Effective Date	Level		Long Haul	Short Haul
06-Feb-07	9	US\$ / kg	0.45	0.225
27-Mar-07	10	US\$ / kg	0.50	0.250
01-May-07	11	US\$ / kg	0.55	0.275
18-Jul-07	12	US\$ / kg	0.60	0.300
23-Oct-07	13	US\$ / kg	0.65	0.325
30-Nov-07	14	US\$ / kg	0.70	0.350
21-Dec-07	16	US\$ / kg	0.80	0.400
01-Apr-08	18	US\$ / kg	0.90	0.450
22-Apr-08	20	US\$ / kg	1.00	0.500
20-May-08	22	US\$ / kg	1.10	0.550
17-Jun-08	25	US\$ / kg	1.25	0.625



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Fuel Surcharge

Cargo Surcharge

Effective Date	Level		Long Haul	Short Haul
08-Jul-08	26	US\$ / kg	1.30	0.650
01-Aug-08	27	US\$ / kg	1.35	0.675
25-Aug-08	25	US\$ / kg	1.25	0.625
15-Sep-08	21	US\$ / kg	1.05	0.525
08-Oct-08	20	US\$ / kg	1.00	0.500
14-Nov-08	13	US\$ / kg	0.65	0.325
01-Dec-08	12	US\$ / kg	0.60	0.300
05-Jan-09	8	US\$ / kg	0.40	0.200
22-Jan-09	7	US\$ / kg	0.35	0.175



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