

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



Airlines interim operating profit

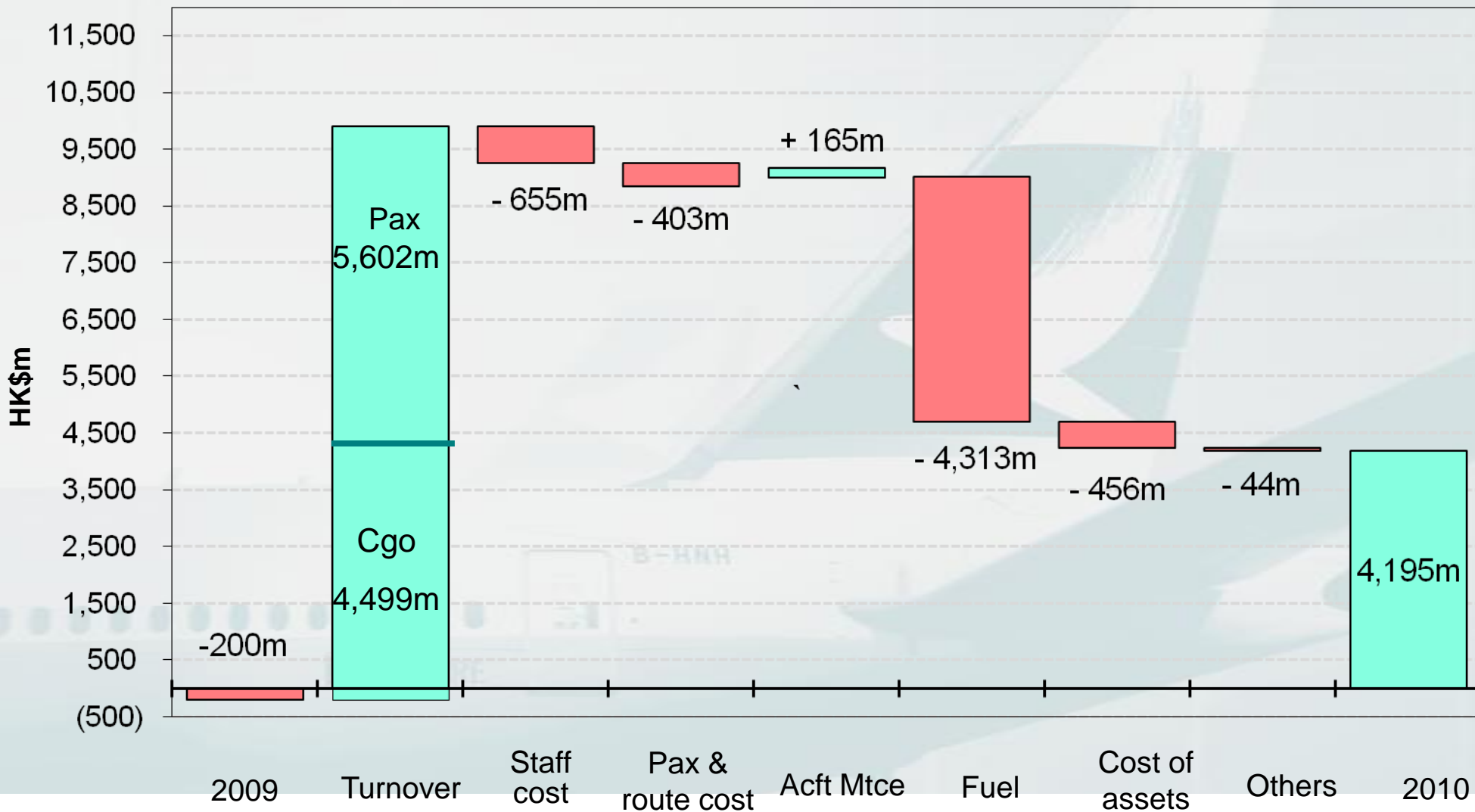
| | <u>1H 2010</u> HK\$M | <u>1H 2009</u> HK\$M |
|--|-------------------------|-------------------------|
| Airlines operating profit before fuel hedging, non-recurring items and tax | 4,195 | (200) |
| Profit on disposal of HACTL and HAECO shares | 2,165 | - |
| Operating lease charge for parked aircraft | - | (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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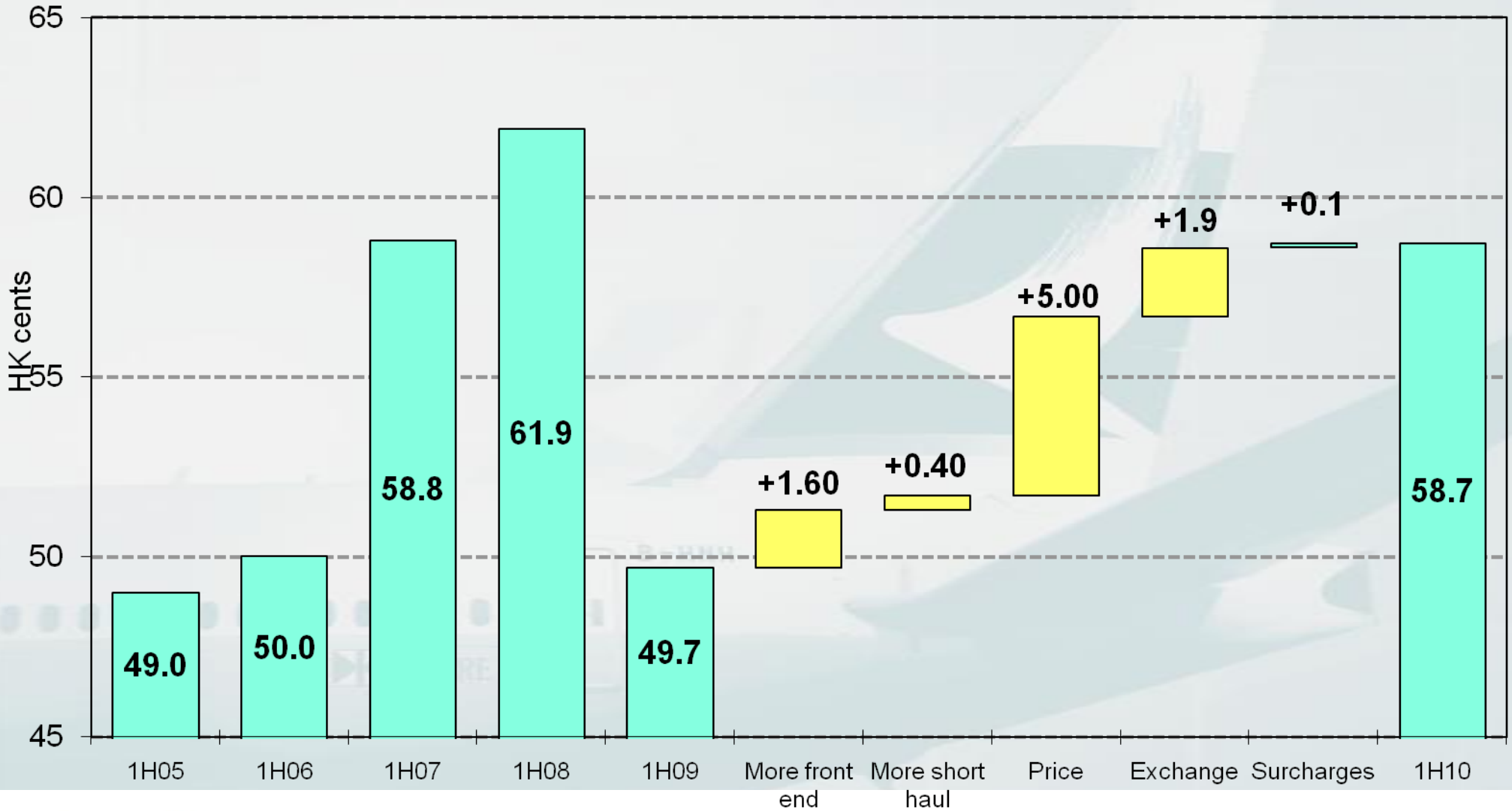
Passenger Service - by Region

| | 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

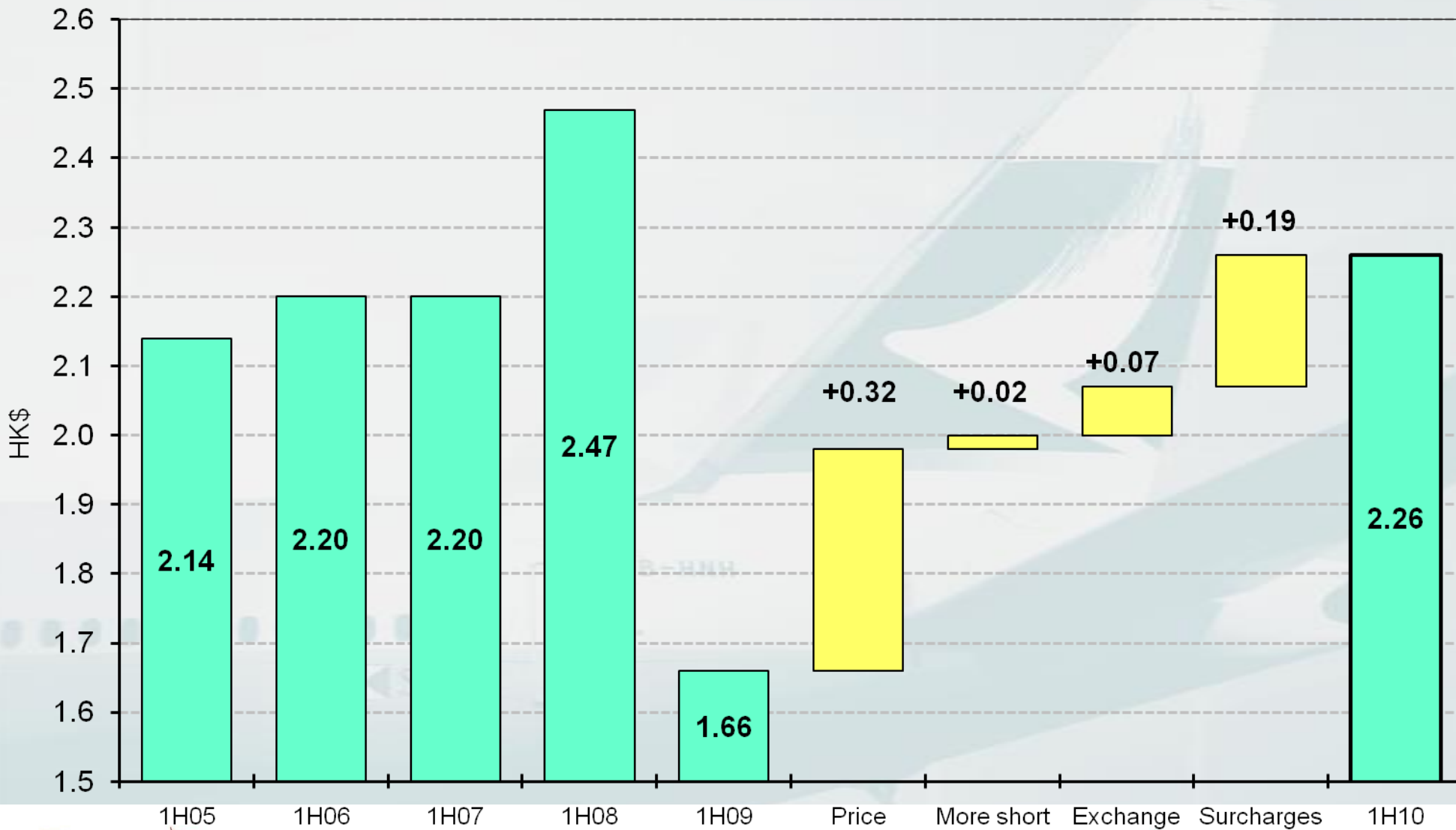
| | <u>1H 2010</u> | <u>vs 1H 09</u> |
|-------------------------|----------------|-----------------|
| Turnover | HK\$11,844m | + 63.1% |
| Cargo Capacity (ACTK) | 6,135m | + 7.1% |
| - on passenger aircraft | 2,040m | - 8.4% |
| - on freighters | 4,095m | + 17.0% |
| Cargo Carried | 872k tons | + 24.4% |
| 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

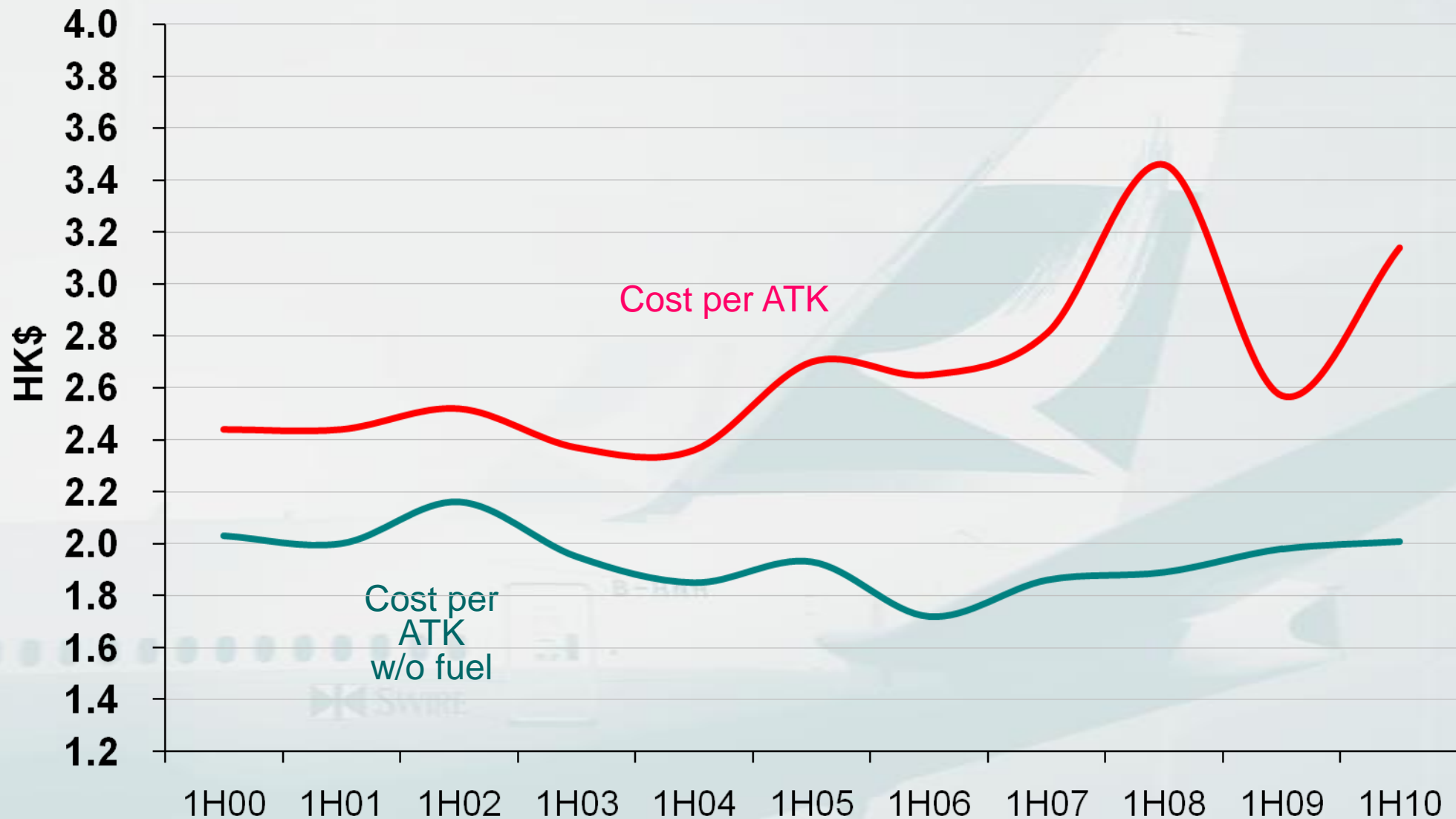
| | <u>1H 2010</u> | <u>vs 1H 2009</u> |
|-----------------------------------|----------------|-------------------|
| Staff | 6,759 | + 11.3% |
| Inflight service & passenger | 1,551 | + 8.2% |
| Landing, parking & route | 5,280 | + 5.6% |
| Fuel | 13,169 | + 98.2% |
| Aircraft maintenance | 3,167 | - 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

5

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

(2)

Fleet @ 30Jun2010

158

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

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

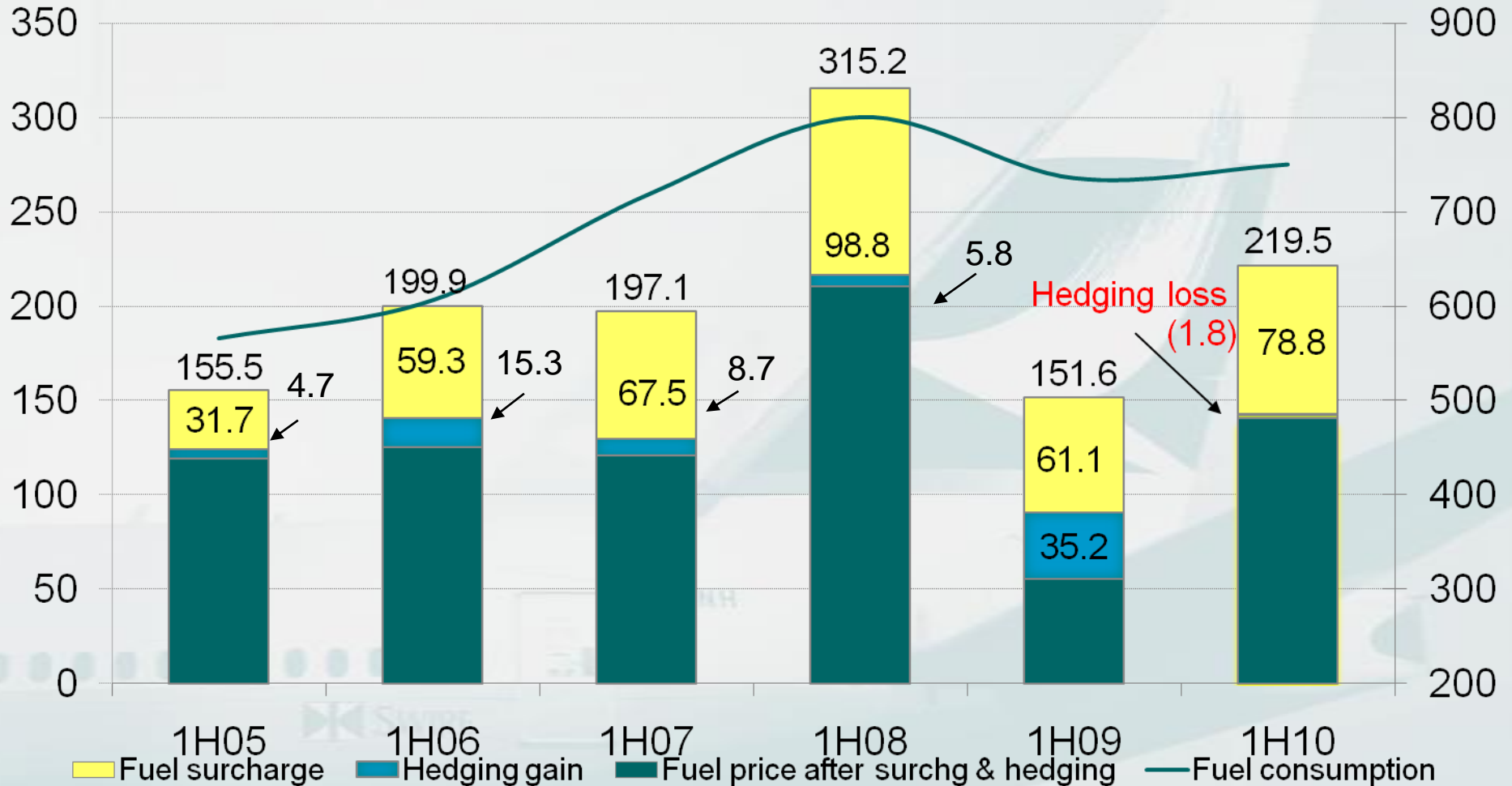
- Currency – ~50% coverage for 12 – 18 months
- Liquidity – surpassed our revised higher target liquidity balance
- Interest rates – strategic management of fixed / floating ratio
- Funding – No material changes in repayment profile
- Fuel – continued conservative approach using cashflow hedge instruments



Fuel price & consumption

Fuel price - USc/AG

Consumption - AG'm

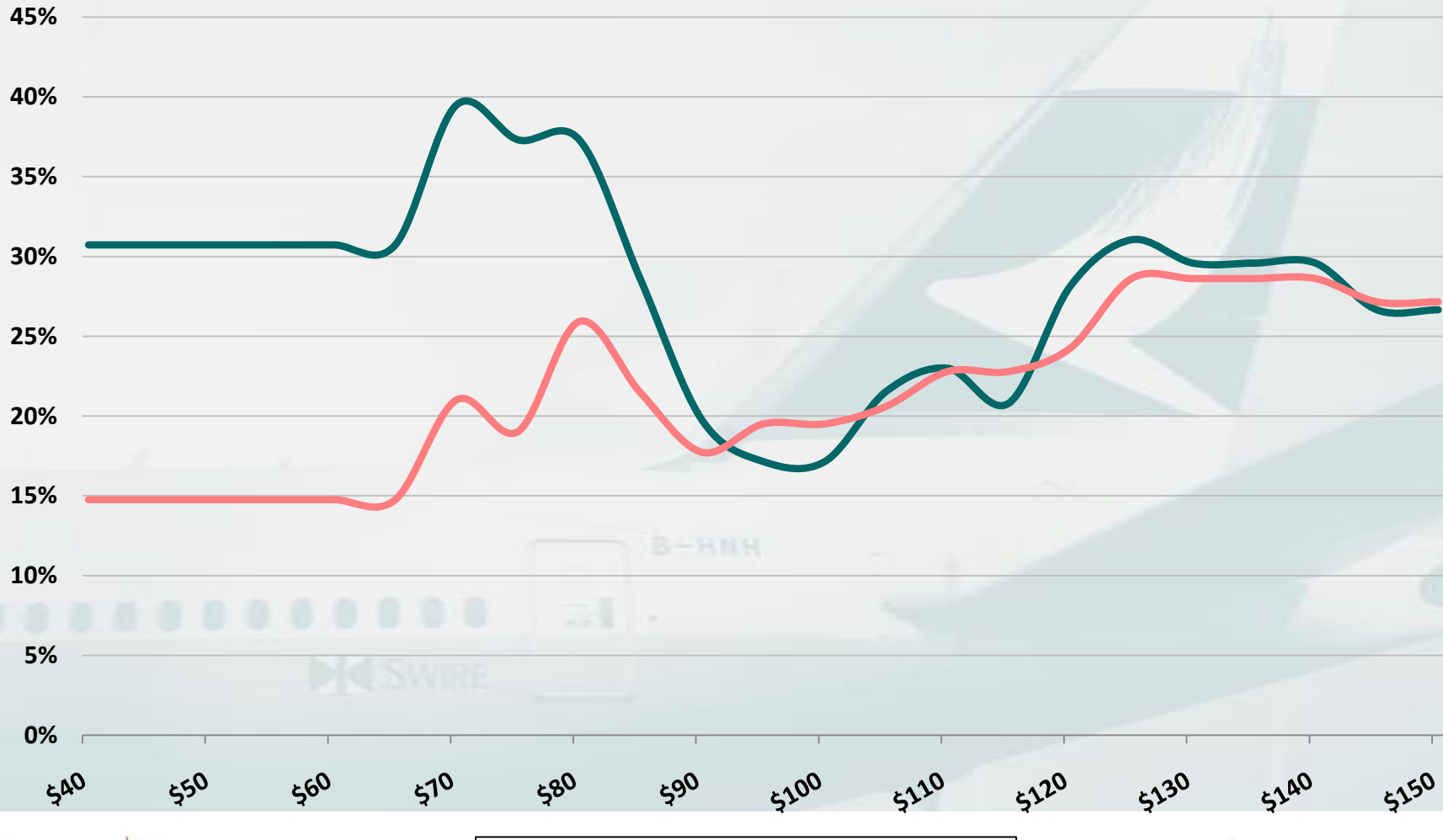


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Fuel hedging coverage

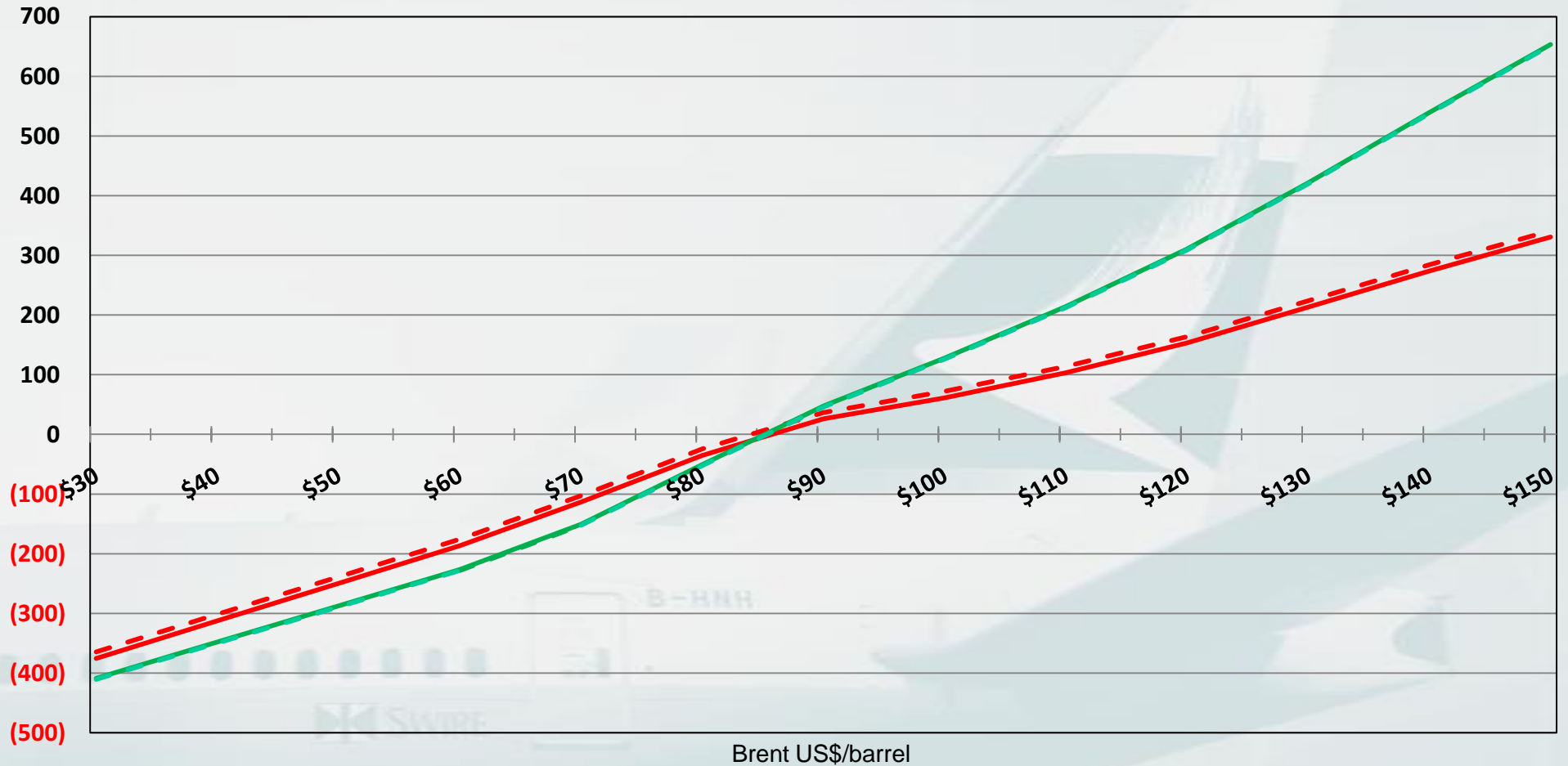
Maximum fuel hedging exposure



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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



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



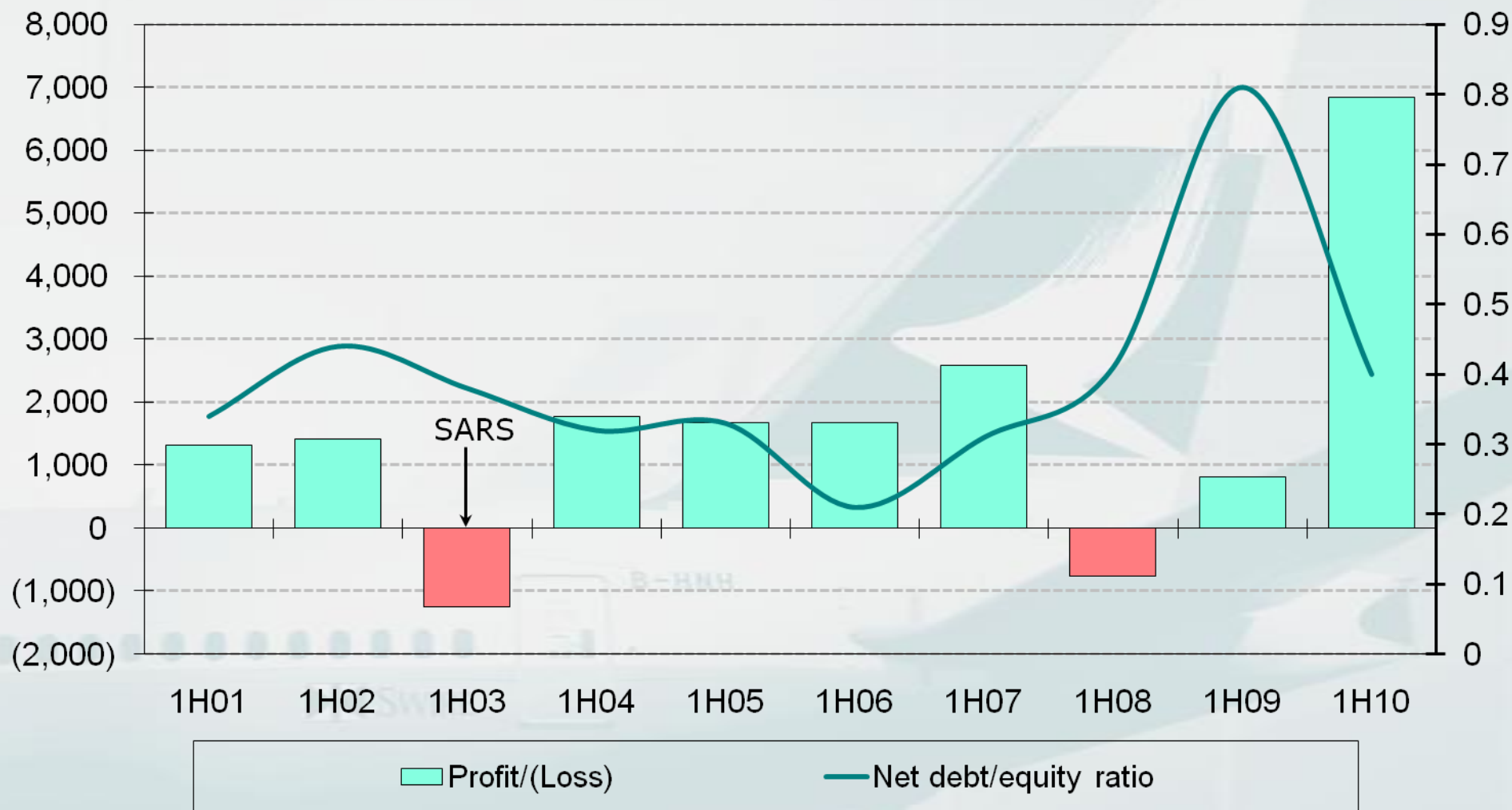
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Profit & Net Debt/Equity Ratio

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



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



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Q & A



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