

Cathay Pacific Airways

2011 Analyst & Investor Briefing

21 November 2011



Airline Strategy

- Grow our international network, expand frequencies and further develop Hong Kong as one of the world's leading aviation hubs.
- Ensure that quality and our brand are not compromised and the service proposition to the customer remains strong.
- Continue to develop the strategic relationship with Air China.
- Maintain a prudent approach to financial risk management.



Performance to Oct 11- Capacity Data

CATHAY PACIFIC/ DRAGONAIR COMBINED CAPACITY		Cumulative Oct 2011	% change YTD
China		8,451,748	5.3%
North East Asia		12,439,488	4.0%
South East Asia		13,271,068	12.3%
India, Middle East, Pakistan & Sri Lanka		9,494,782	4.0%
Europe		18,949,020	9.0%
South West Pacific & South Africa		15,580,632	3.8%
North America		26,128,426	18.1%
ASK	Total (000)	104,315,164	9.3%
Passenger load factor		80.6%	-3.5pt
Available cargo and mail tonne km (000)		11,901,067	8.1%
Cargo and mail load factor		67.3%	-8.7pt
ATK (000)		21,823,255	8.6%



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Performance to Oct 11- Capacity Data

CATHAY PACIFIC AND DRAGONAIR COMBINED TRAFFIC		Cumulative Oct 2011	% change YTD
China		6,236,715	-1.8%
North East Asia		9,071,739	-8.5%
South East Asia		10,929,001	12.6%
India, Middle East, Pakistan & Sri Lanka		7,083,862	0.3%
Europe		16,036,687	5.8%
South West Pacific & South Africa		11,820,168	-1.8%
North America		22,942,513	14.3%
RPK	Total (000)	84,120,685	4.7%
Passengers carried		22,847,187	2.3%
Cargo and mail tonne km (000)		8,006,812	-4.3%
Cargo and mail carried (000Kg)		1,374,820	-7.7%
Number of flights		52,966	8.0%



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Operating Performance- Passenger

- Passenger
 - Yield improvement both in premium and economy cabins lifted by forex appreciation.
 - Premium traffic remains consistently strong but the outlook is getting more uncertain in light of the economic situation.
 - Demand in economy class remains solid with a little softness starting to be seen on L-H back end.
 - Lower load factor due to the airline growth in capacity.

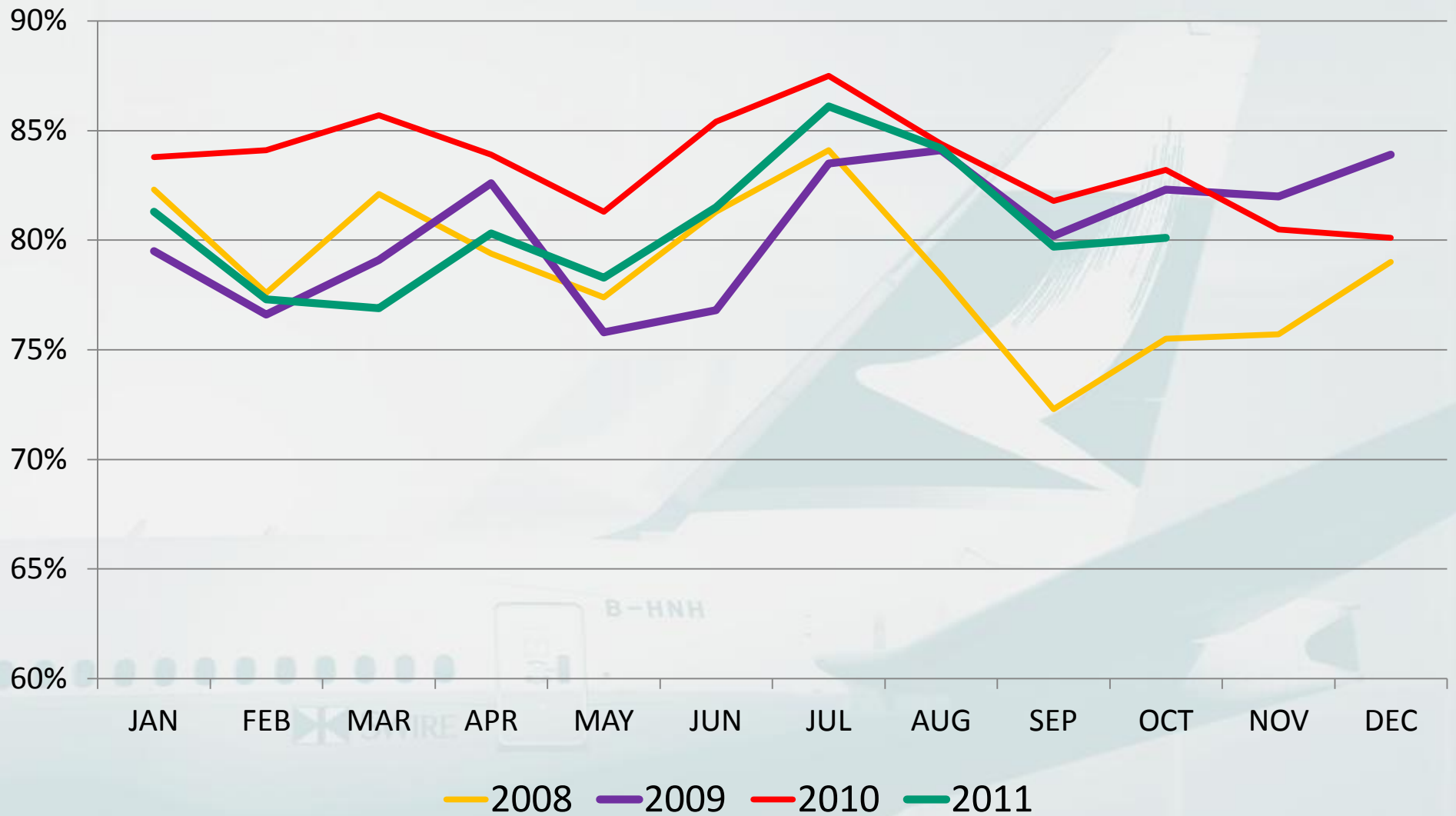


Operating Performance- Passenger

- New passenger services to Abu Dhabi (2 Jun) and Chicago (1 Sep).
- Increase in frequency to the Milan service from 4 flights a week to daily commencing 1 July 2011.
- Cancel one of 5 daily scheduled flights to Bangkok from 31 Oct due to weaker demand.
- Extended code-share destinations with American Airlines and Alaska Airlines.



PASSENGER LOAD FACTOR (JAN 2008 - OCT 2011)



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Product and Services - Passenger

- New uniform introduced in July 2011.
- New business class product continues to be retrofitted.
- Plan to introduce new Premium Economy product in 2nd quarter 2012.
- Continued upgrade of lounges.
- Awards received :
 - the Best Airport Lounge Asia Pacific at HKIA.
 - Asia Miles took the Best Frequent Flyer Programme.



Operating Performance

- Cargo
 - The market remains weak. Significant softening in our main markets out of Hong Kong and Mainland China with no sign of seasonal peak.
 - Europe was particularly weak, capacity was reduced to match the lower demand.
 - India routes continued to perform well with a new twice-weekly service to Bengaluru launched in August.
 - Additional frequencies to Australia were added due to strong imports driven by its strong currency.
 - Introduction of the Boeing 747-8F.

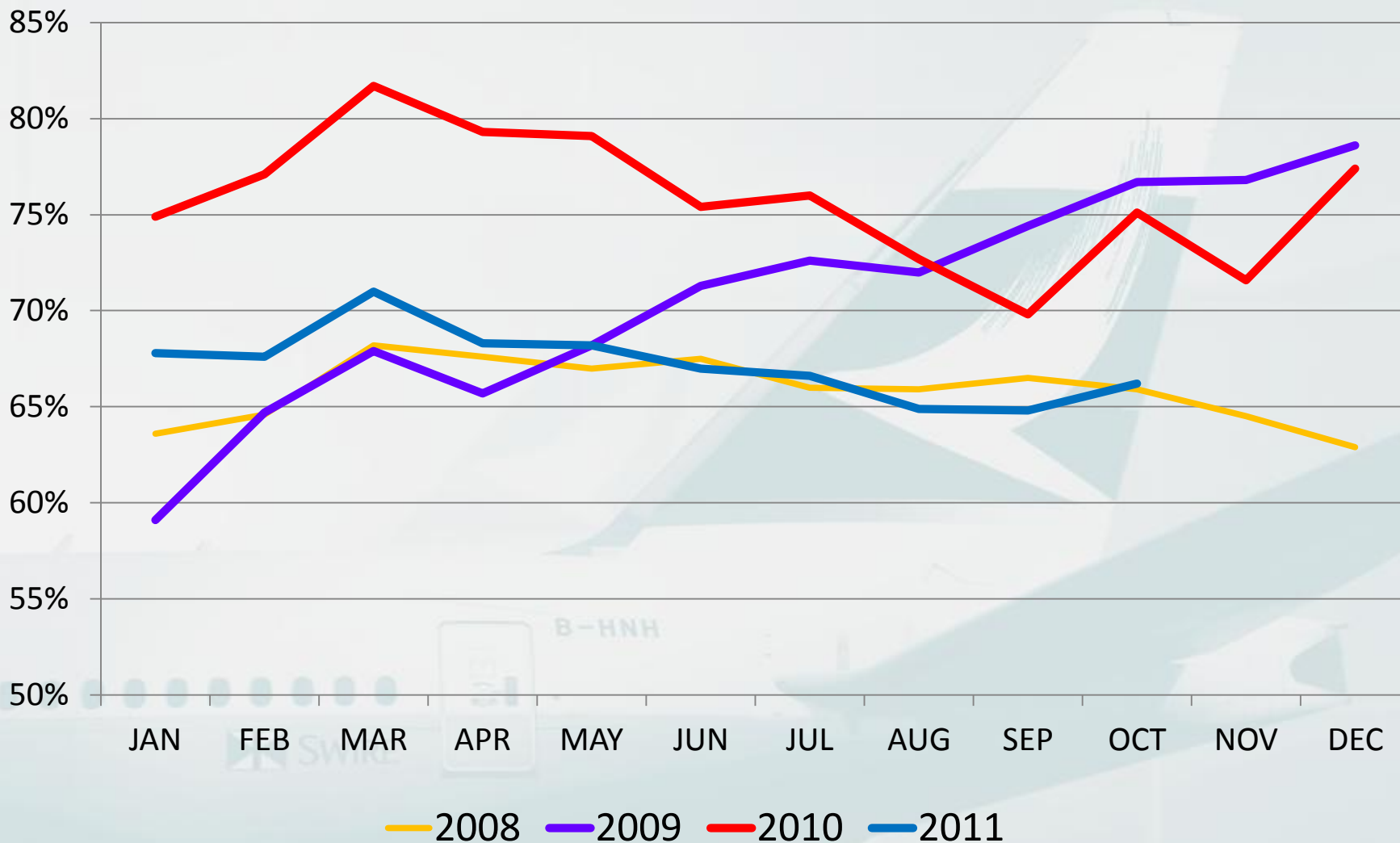


Operating Performance

- Launched new freighter services to Chongqing and Chengdu into in the growing Western China market using wide-body aircraft.
- Will launch new freighter service to Zaragoza in Spain with a twice-week service beginning 15 Nov.



CARGO AND MAIL LOAD FACTOR (JAN 2008 – OCT 2011)



Cargo Development

- Cargo Terminal
 - HK\$5.5 billion investment, spend to date (Oct) HK\$3.8 billion.
 - Good progress in construction and operation preparation, topping-out ceremony on 17 Nov 2011.
 - On schedule for opening early 2013.
 - It will greatly enhance the competitiveness and efficiency of Hong Kong as an airfreight hub.



CX/KA Fleet Plan : 2011

	In operation			Parked		
	Passenger	Freighter	Total	Passenger	Freighter	Total
30 Jun 2011	144	16	160	3	-	3
New deliveries	3	4	7	-	-	-
Return to lessors	(3)	-	(3)	(3)	-	(3)
Dry leased to Air Hong Kong	-	(1)	(1)	-	-	-
Air China Cargo JV	-	(1)	(1)	-	-	-
31 Dec 2011 (projected)	144	18	162	-	-	-

Recent order : 4 B777-300ERs and 8 B777-200F ;

There are 91 new aircraft in total on order, for delivery from 2012 up to 2019.



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Fleet Plan (cont'd)

- Passenger
 - Nine aircraft deliveries in 2011; eleven in 2012; twelve in 2013.
 - Projected ASK growth in 2012 is approx 13%.
- Freighter
 - Four deliveries in 2011 and six in 2012 (all B747-8F).
 - Revised B747-8F delivery schedule is still subject to final confirmation with Boeing.
 - First B747-8F delivery in Oct 2011 with another three by end 2011.
 - One BCF sold to Air China Cargo in 2010, one in 2011, two in 2012.
 - Projected DL ATK growth in 2012 is approx 17%.



Financial Risk Management

- Currency
 - Many currencies appreciated against USD.
 - All major currencies are hedged in compliance with our policy.
- Liquidity
 - First issue on new MTN program, HK\$658m.
 - Unpledged liquid funds and undrawn committed lines close to HK\$20bn.
- Interest rates
 - Overall cost of debt remains below 2%.
 - Margins have widened, but yield curve remains flat.
 - Strategic management of fixed/floating ratio.

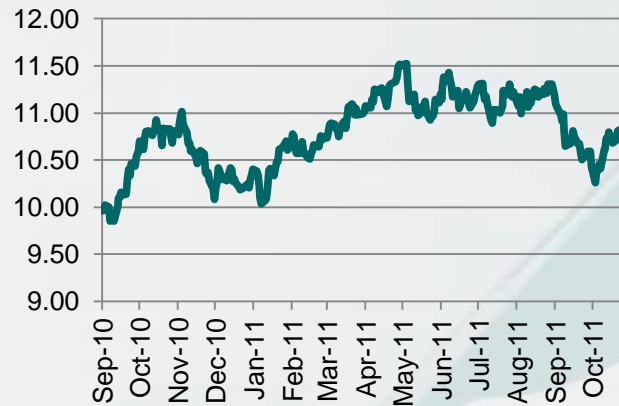


Spot rates of 6 top currencies (1 Sep 10- 31 Oct 11)

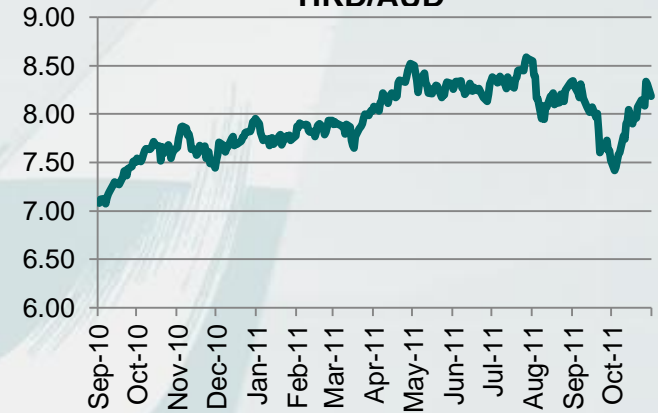
HKD/RMB



HKD/EUR



HKD/AUD



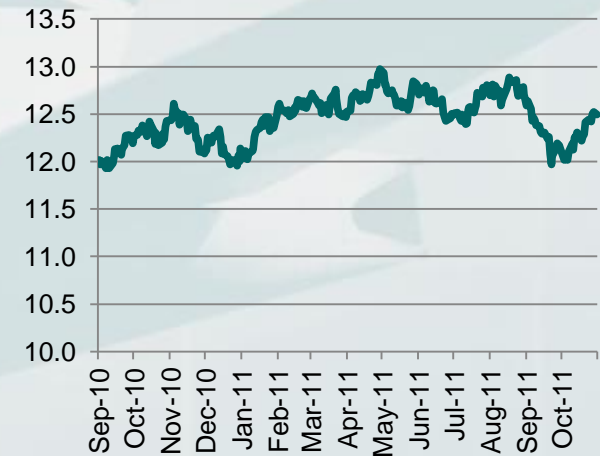
HKD/TWD



HKD/JPY



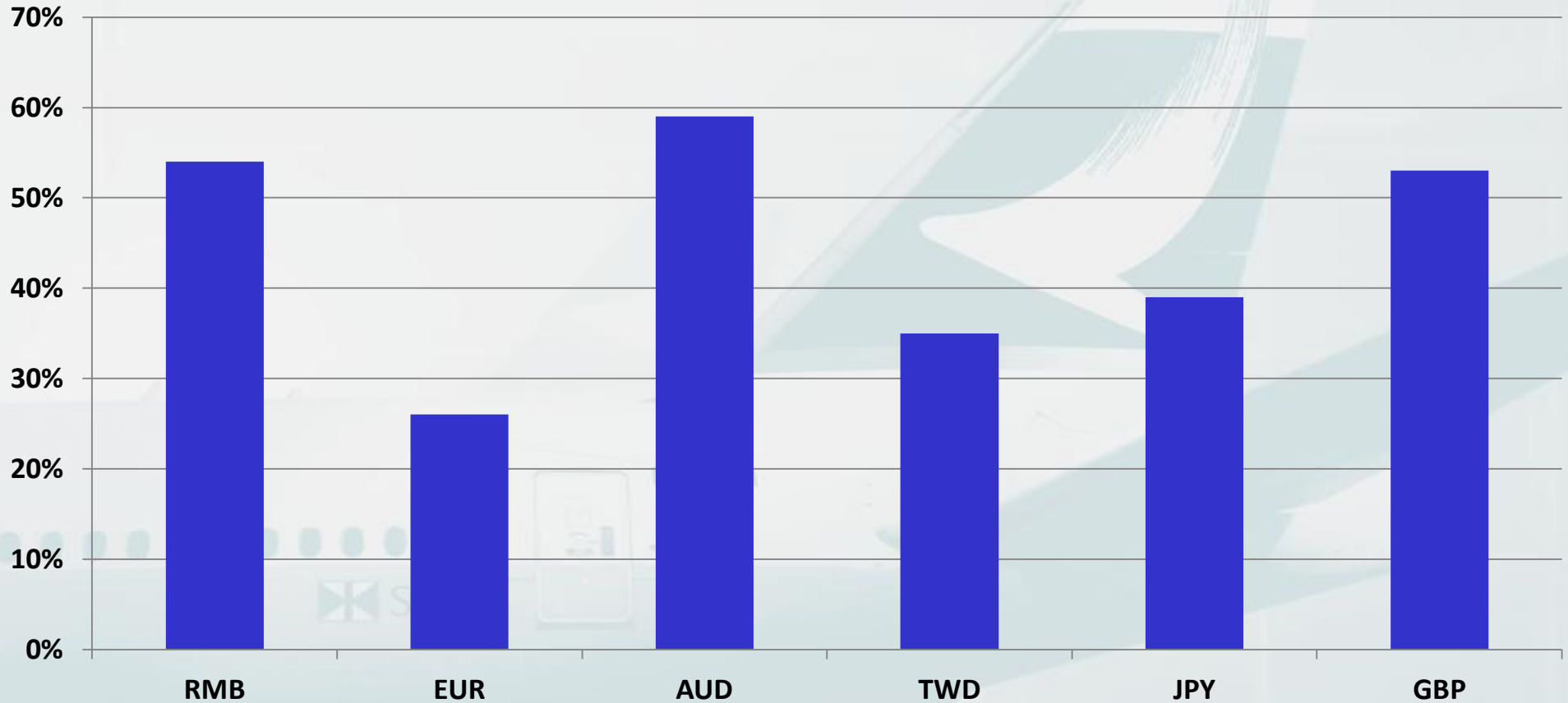
HKD/GBP



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Financial Risk Management

Net exposure (after hedging) of major currencies – next 12 months

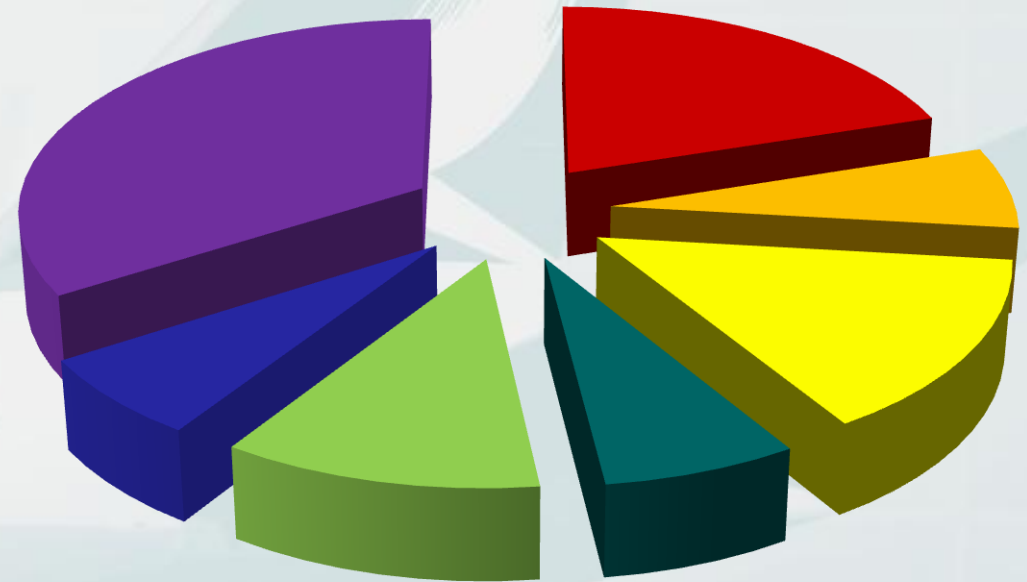
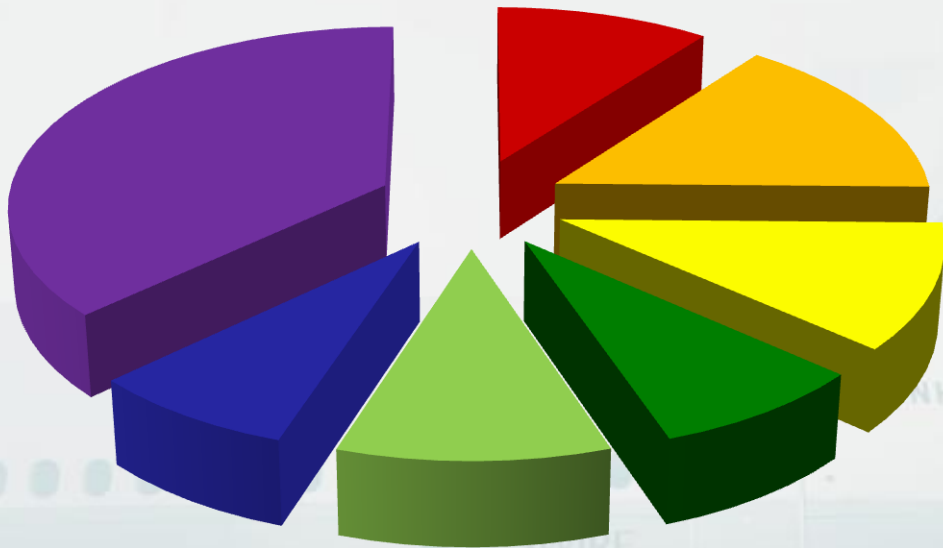


Financial Risk Management

Composition of forex exposure (after hedging)

Next 12 months ending Oct 2011

Next 12 months ending Sep 2012



■ RMB ■ EUR ■ AUD ■ TWD ■ JPY ■ GBP ■ Others



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Net debt to equity ratio

Oct 2011	Jun 2011	Dec 2010	Dec 2009	Dec 2008	Dec 2007	Dec 2006	Dec 2005
Higher than Jun 2011	0.38	0.28	0.62	0.69	0.30	0.36	0.26

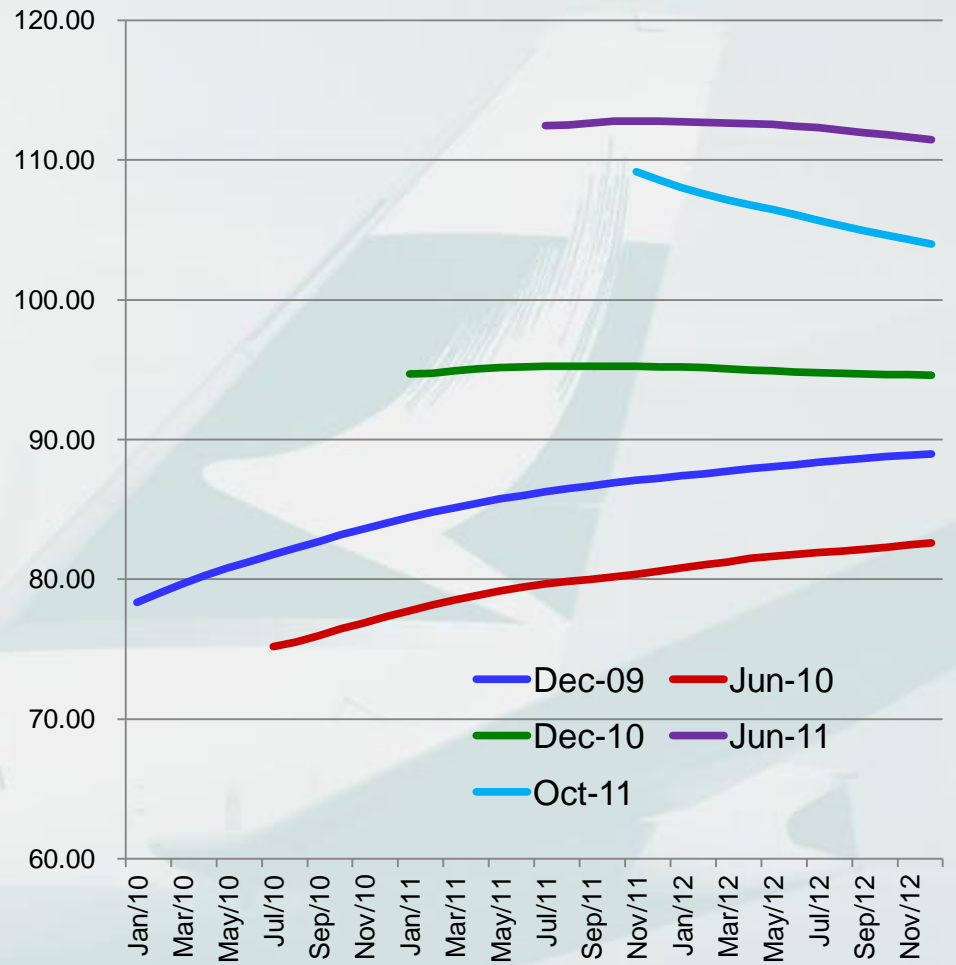
- Gearing ratio is strong.
- Continue to adopt prudent financial strategy, holding adequate cash reserves.
- CAPEX on new aircraft and cargo terminal will be over HK\$46B in the next 3 years so gearing expected to increase over the plan period.
- HK\$658M of notes bearing a coupon 3.9% due in 2018 was issued in Nov 2011 under a US\$2B MTN Programme listed in Aug 2011.



Daily IPE Brent Price Jan 2009 – Oct 2011

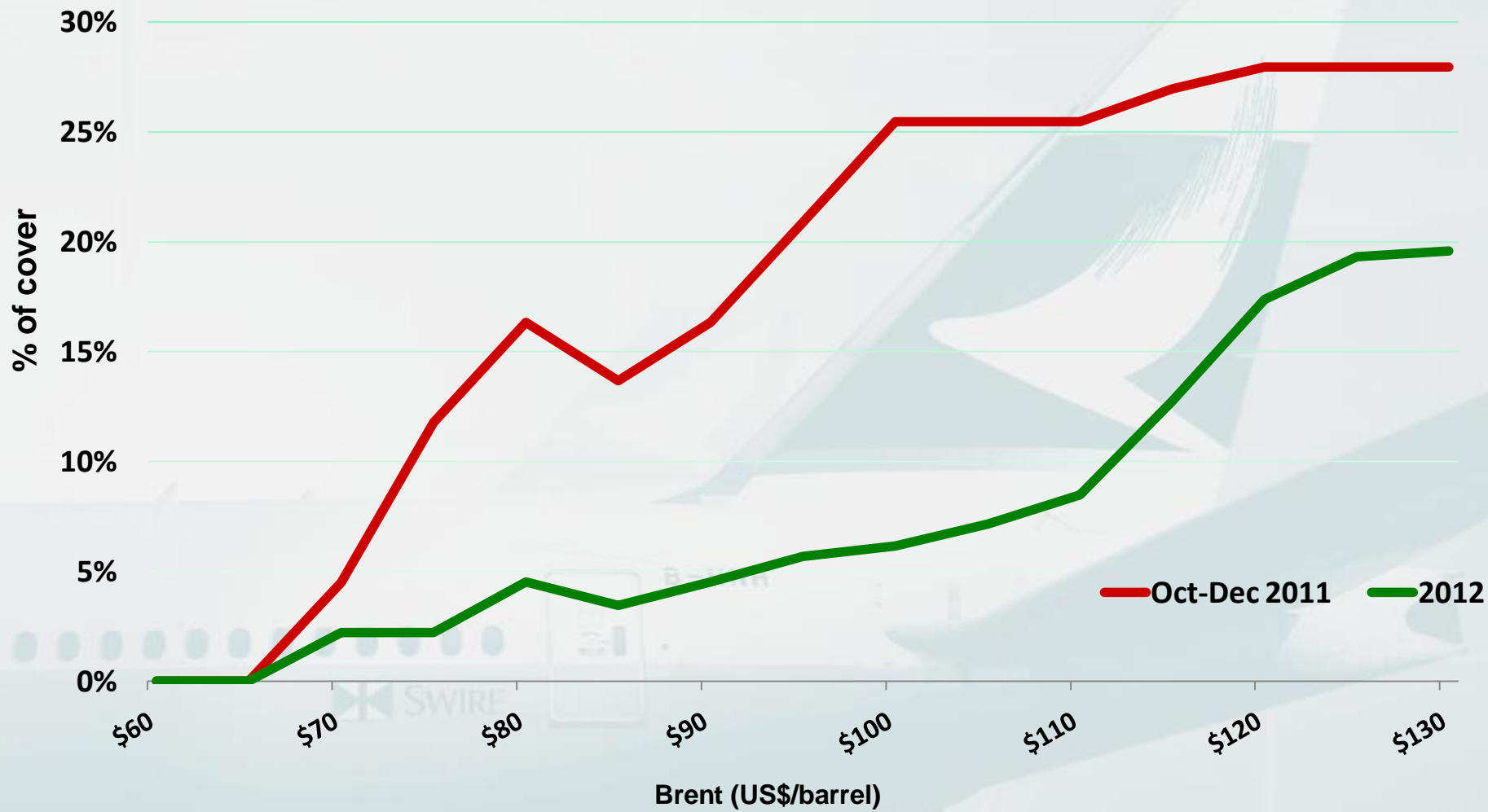


IPE Brent Forward Price



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% Fuel consumption subject to Hedging Contracts



Air China

- CA publishes its results on a quarterly basis and the profit for the 12 months period from 1 Oct 2010 to 30 Sept 2011 totalled RMB10.6bn.
- 156.44 million shares were acquired in the period to 6 Oct and CX's holding increased to 19.53%.

Air China Cargo

- Performance of ACC has been weak from March but remains strategically important.
- One B747-400BCF was sold to Air China Cargo JV in Nov 2010 with a second one and a spare engine sold in July 2011.



Outlook

- **General Market**

- Uncertainty in the global economy is a concern.
- Fuel remains stubbornly high.
- Cargo expected to remain weak through 1st half 2012.
- Passenger demand remains firm in front end.
- Strong balance sheet.
- Continued investment in capacity, product and infrastructure.



Q & A

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



Audit Qualification

HKSA 600

- Audits of Group Financial Statements.
- Effective from 2010 for December year ends.
- Applies to the CX Group including components (i.e. subsidiaries and associated companies).
- A full audit is required to be performed on each component of individual financial significance to the Group.

Audit Qualification

Accounting for Air China

- Air China's audited financial statements are not available at the time CX publishes its annual results for the year to 31st December.
- CX therefore consolidates Air China's results based on results 3 months in arrears i.e. the 31 December annual report uses 12 months of Air China's results to 30 September.
- Air China's quarterly results are prepared in accordance with PRC GAAP. These results are adjusted to comply with IFRS.

Audit Qualification

Accounting for Air China

- Air China's results under PRC GAAP for the period 1 October 2010 to 30 September 2011 are approx RMB10.6bn.
- Q3 2011 results announced on 27 October 2011 were in full compliance with PRC regulatory requirements although not audited. It was not practical to perform a full audit of the specific split of the results for the 12 months to 30 Sept 2011 prior to release of Q3 2011 results.

Implications

- Air China will be a significant component of CX Group's results for the year to 31st December 2011.



Audit Qualification

Implications

- Air China was not deemed to be a significant component for the year ended 31st December 2010.
- Whilst the accounts will be produced on a consistent basis with prior years, there will be a technical audit qualification.
- Air China's results to 31 December will continue to be audited by their auditor, Ernst & Young. Air China has always had unqualified audit opinions.
- The working relationship and co-operation between CX and Air China remains healthy and positive.



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