



Cathay Pacific Airways
Investor Relations Meeting
11 December 2009

Airline Strategy

- Remains largely unchanged – ‘premium’ remains a core competence
- Continue to grow our substantial 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
- Maintain a prudent approach to financial risk management



Performance to Nov09

Capacity Data

COMBINED CAPACITY	Nov 2009	% change VS NOV08	Cumulative NOV 2009	% change YTD
ASK (000)				
- China	684,628	-6.2%	7,675,708	-3.8%
- North East Asia	1,095,313	-10.7%	12,899,183	-7.9%
- South East Asia & Middle East	2,005,217	1.4%	22,230,763	8.9%
- Europe	1,480,577	-13.1%	18,558,871	1.7%
- South West Pacific & South Africa	1,531,495	-8.1%	16,217,036	1.6%
- North America	2,070,046	-2.5%	23,120,729	-20.3%
ASK Total (000)	8,867,276	-5.9%	100,702,290	-4.7%
Pax load factor	82.0%	6.3pt	80.3%	1.5pt
Available cargo & mail tonne km (000)	1,011,561	-12.9%	10,656,052	-13.9%
Cargo and mail load factor	76.8%	12.3pt	70.0%	3.9pt
ATK (000)	1,855,905	-9.8%	20,242,704	-9.7%



Performance to Nov09

Traffic Data

CATHAY PACIFIC / DRAGONAIR COMBINED TRAFFIC	Nov 2009	% change VS NOV08		Cumulative NOV 2009	% change YTD
RPK (000)					
- China	531,416	3.2%		5,406,026	-1.7%
- North East Asia	825,614	-5.2%		9,418,083	-11.3%
- South East Asia & Middle East	1,624,358	11.2%		17,086,330	8.4%
- Europe	1,276,342	-1.8%		15,867,223	2.5%
- South West Pacific & South Africa	1,210,849	0.0%		13,011,536	7.3%
- North America	1,806,541	1.8%		20,035,948	-15.4%
RPK Total (000)	7,275,120	2.0%		80,825,146	-2.8%
Pax carried	2,007,773	1.5%		22,087,138	-3.3%
Cargo and mail tonne km (000)	777,000	3.8%		7,462,363	-8.8%
Cargo and mail carried (000Kg)	141,799	7.6%		1,384,049	-9.5%
No. of flights	4,507	-9.0%		51,245	-6.4%



Operating Performance

- Passenger
 - A seasonal upturn in demand for premium traffic toward the end of the year, but volumes and yields still well below previous years.
 - Traffic sustained with load factor at 80.1% as lower fares stimulate demand in a highly competitive market.
 - Pax numbers down by 3.8% vs capacity reduction of 4.5%
 - Weak economy class yield
 - Further increase of direct cross-straits services in August but leisure travellers from Mainland and Hong Kong helped partially offset the impact



PASSENGER LOAD FACTOR (08 vs 09)



Operating Performance

- Reinstatement of cancelled passenger flights
 - London – 1 daily flight
 - Sydney – 1 daily flight
 - San Francisco – 3 flights per week
- Increase frequencies
 - Los Angeles – add 3 flights per week from May2010
 - Toronto – add 3 flights per week from Mar2010
- New destinations
 - Guangzhou – launched twice-daily service in Sep
 - Jeddah – launched four-times-weekly service in Oct
 - Nadi – launched new twice-weekly codeshare service with Air Pacific in Dec
 - Milan – new four-times-weekly service in Mar2010

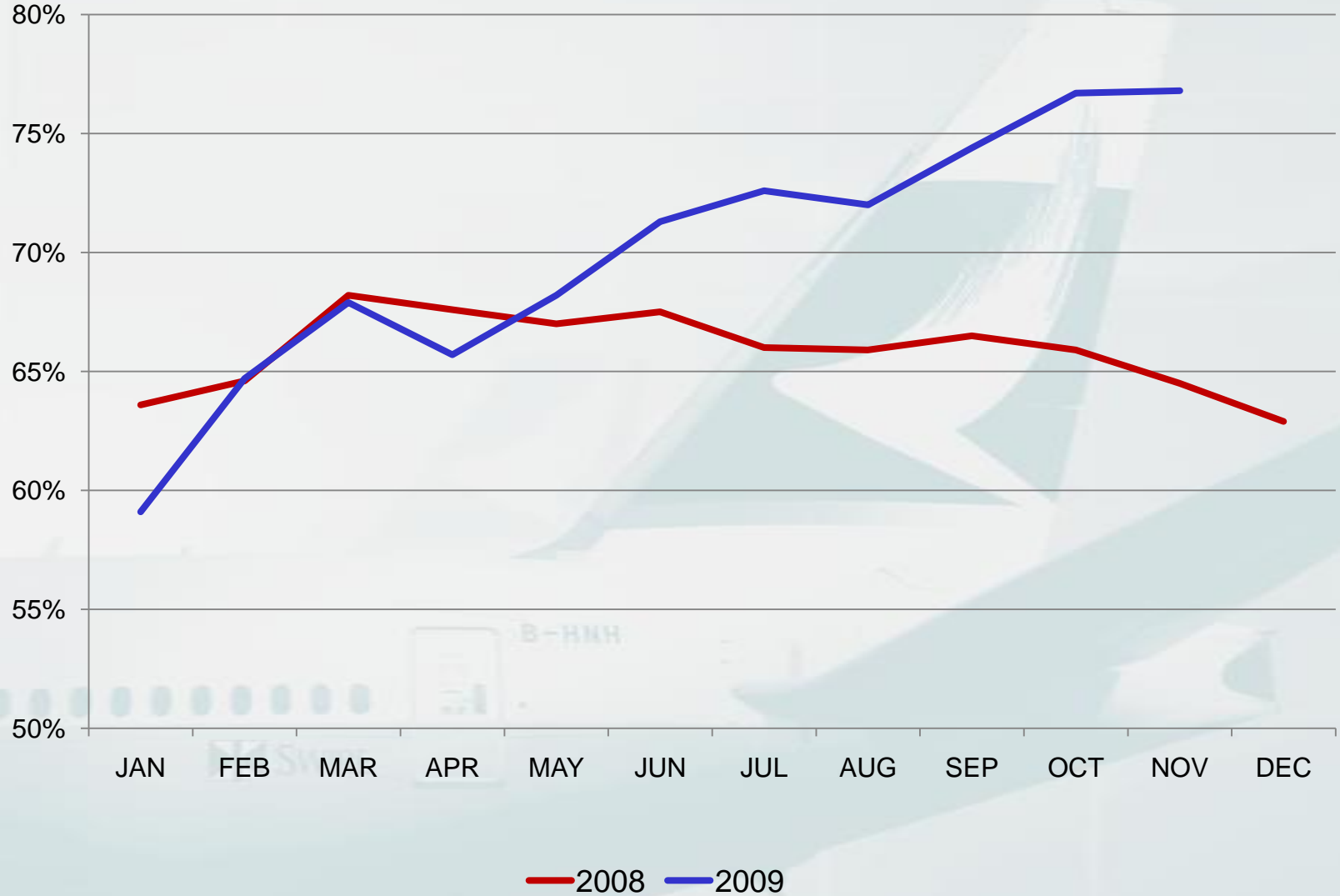


Operating Performance

- Cargo
 - Air cargo started to pick up in 2H09
 - Strong demand out of Hong Kong and Shanghai markets in 4Q leads to high load factors
 - Gradual yield improvement, albeit from a low base
 - Expect strong demand to remain through mid December
 - Tonnage dropped by 11.1% against a capacity reduction of 14.0%, load factor increased by 3.0%pt to 69.3%
 - More extra sectors in Nov and Dec



CARGO AND MAIL LOAD FACTOR (08 vs 09)

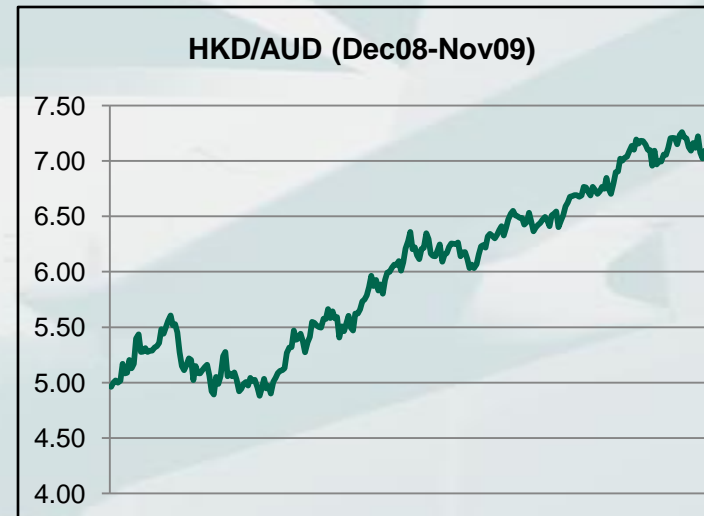
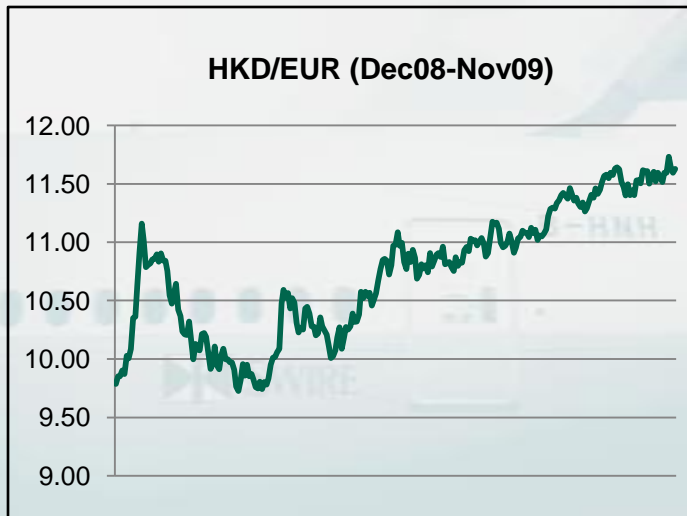
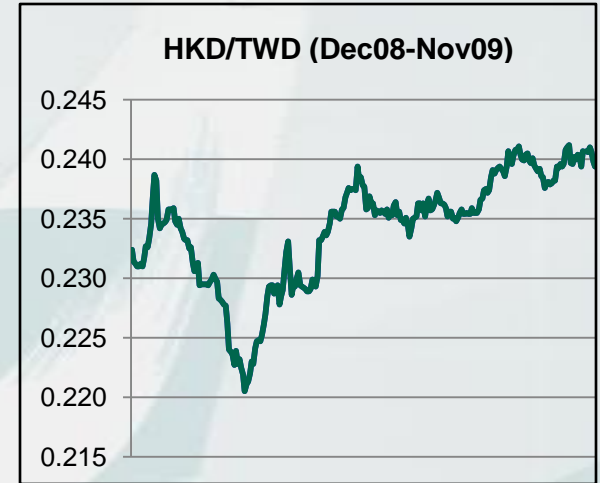
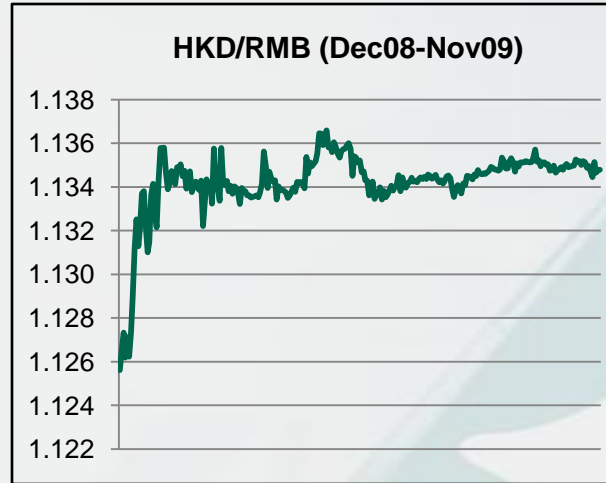
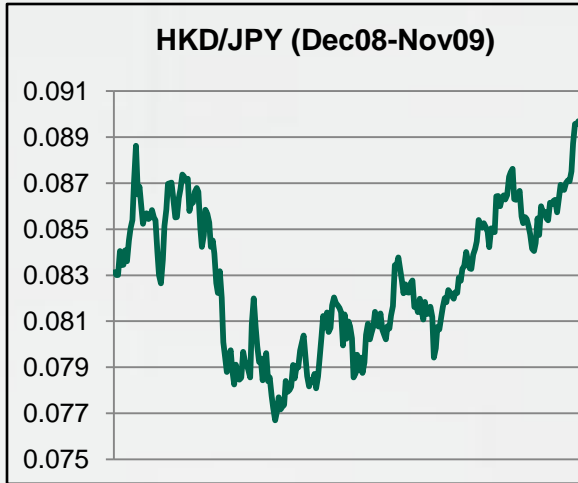


Financial Risk Management

- Currency
 - Major currencies appreciated against USD in 2009
 - Currency hedging has picked up to reduce our FX exposure
- Liquidity
 - CX retains a substantial cash balance, further strengthened after disposed HAECO shares for HKD1,901m
 - Additional funding continues to be available
- Interest rates
 - Higher margins, lower absolute rates
 - Strategic management of fixed/floating ratio



Spot rate of 5 top currencies over last 12 months



Fleet Plan

	In operation			Parked		
	<u>Passenger</u>	<u>Freighter</u>	<u>Total</u>	<u>Passenger</u>	<u>Freighter</u>	<u>Total</u>
Total aircraft at 30Jun	113	40	153	0	5	5
Less:						
Retired	0	-1	-1	0	0	0
Parked	-4	0	-4	4	0	4
Lease returned	-2	0	-2	0	0	0
Add:						
New delivery	2	0	2	0	0	0
Projected total aircraft at 31Dec	<u>109</u>	<u>39</u>	<u>148</u>	<u>4</u>	<u>5</u>	<u>9</u>



Fleet Plan (cont'd)

- Passenger
 - Eight aircraft delivery in 2010; nine in 2011;
 - Plan to park two more aircraft in 2010
 - One B747-400 (early termination) and one A330 will be taken out of service by Dec09 for lease return in Jan 2010



Fleet Plan (cont'd)

- Freighter
 - No delivery in 2010; five in 2011
 - Delayed delivery of B747-8F due to a programme change
 - All classic freighters are retired
 - Parked five B747-400BCF, reactivation subject to sustainable demand
 - Wet leasing one B747-400BCF to AHK



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

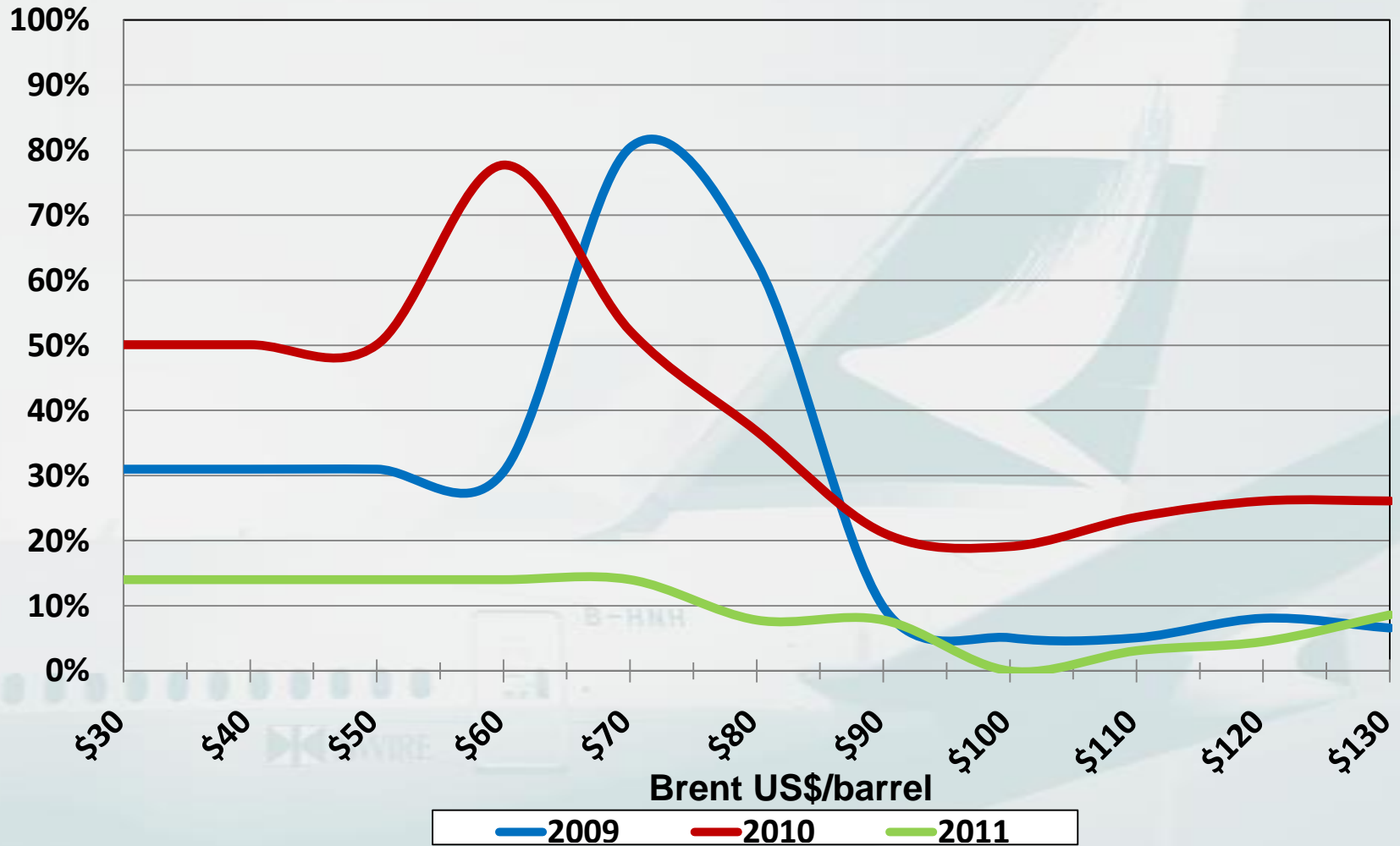


Fuel

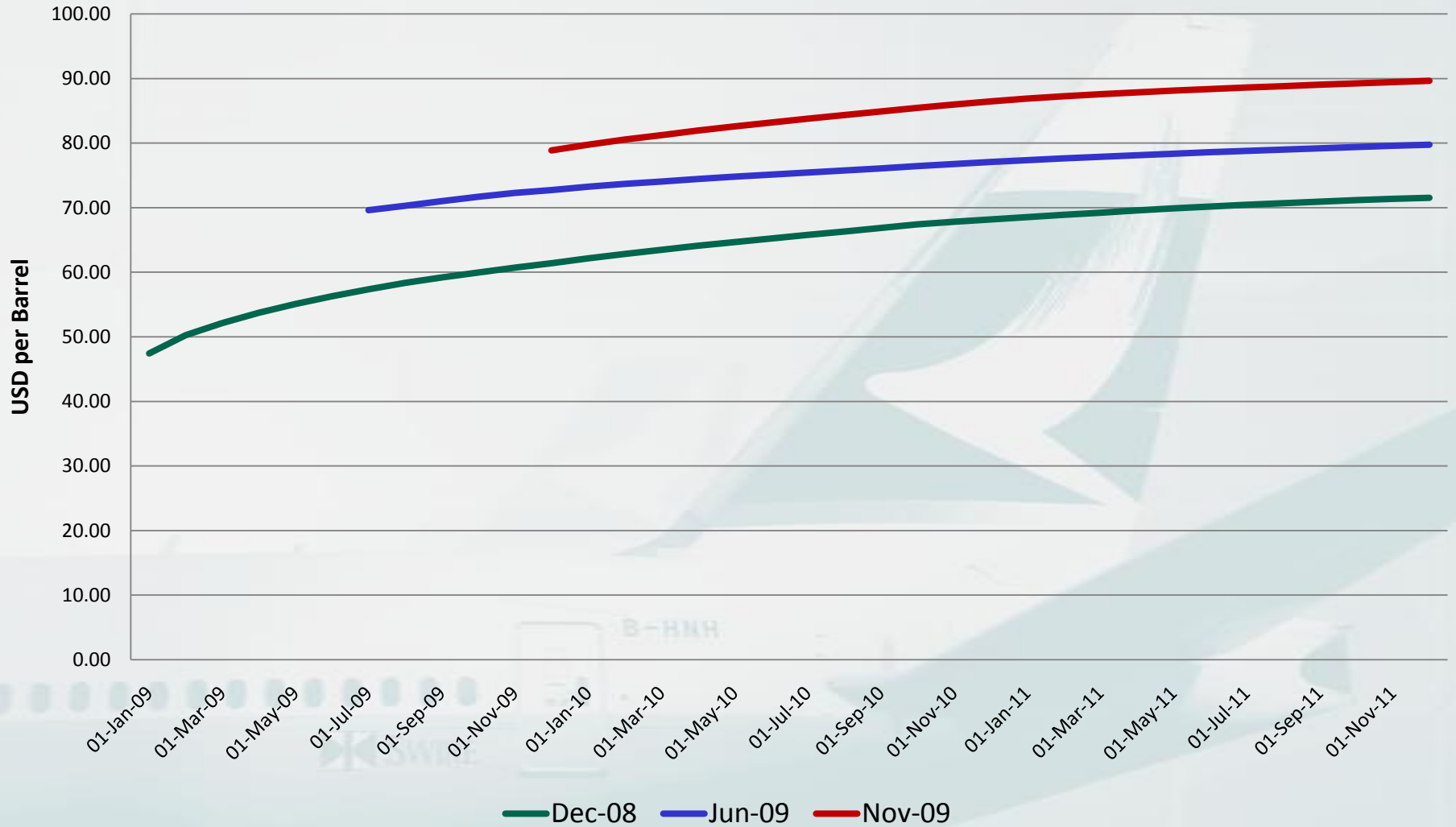
- Latest Brent price of USD78.47/bbl (30Nov)
 - Rising fuel costs undermining margins - already 72% higher than Dec08
 - We dynamically manage our hedging position
 - Policy retains a conservative focus based upon the use of cash flow hedge instruments
 - Unrealised MTM gains expected for full year, \$2b at interim
 - Fuel surcharges expected to continue to offer some form of relief against rising cost of fuel
 - The move from a bi-monthly to a monthly approval of fuel surcharge helps reduce the time lag



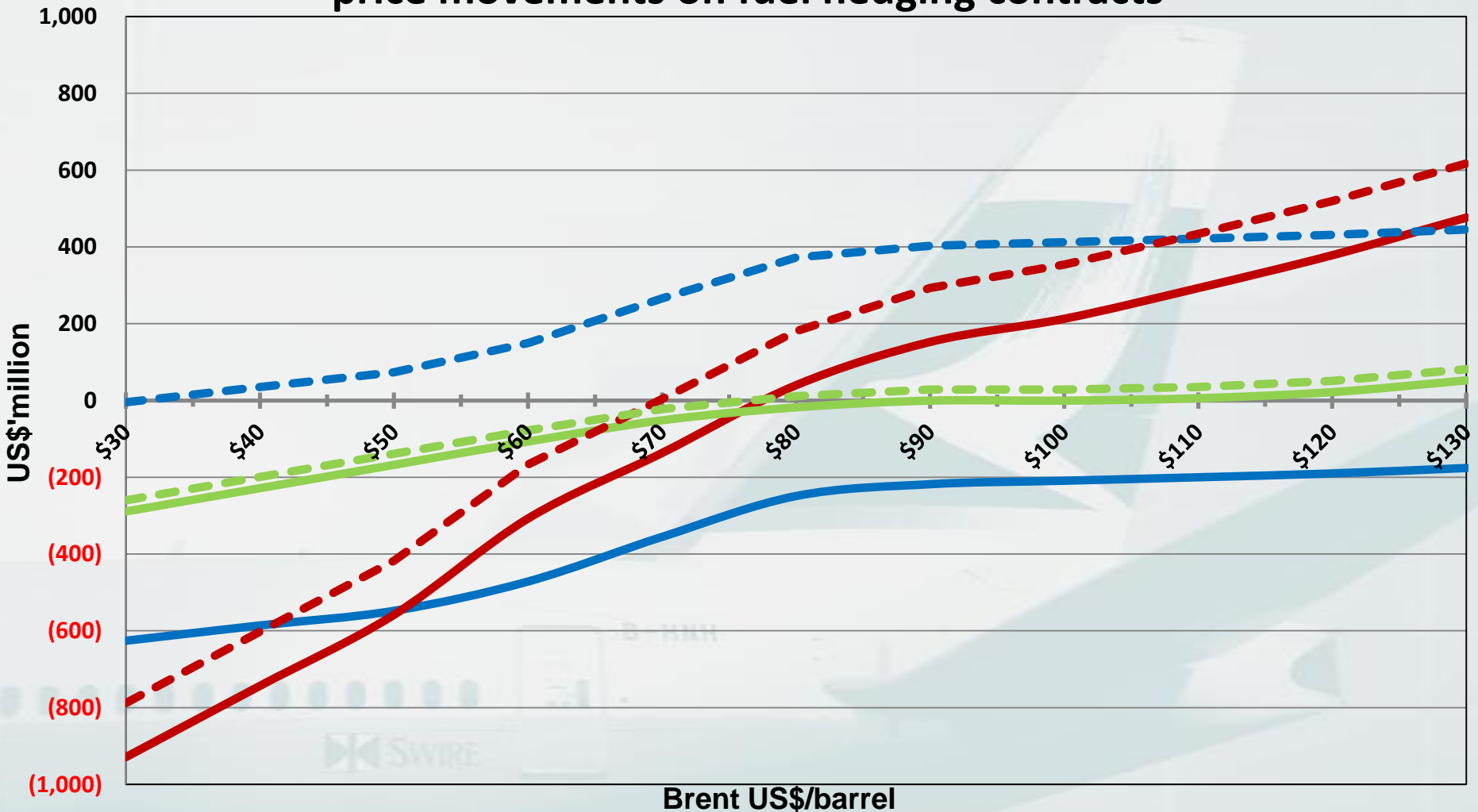
Maximum fuel hedging exposure at 30th June 2009



IPE Brent Forward Price



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

- Special Leave Scheme got close to 100% staff support
- Continue implementing a hiring freeze and offering voluntary unpaid leave
- Effective capacity management: deferred deliveries, operating lease portfolio, parking, lease out / sale
- Deferred completion of cargo terminal from 2011 to 2013
- Some capital expenditure deferred, eg. airport lounge renovations
- Landing charges: various reductions at airports around the world including 10% in Hong Kong for 2009 and 1Q 2010
- Shorten the two longest arrival routes over the Pearl River Delta by changing the flight paths, save time, money and CO2.



Air China

- Positive contribution in 2009
- Became our 2nd largest shareholder after shareholdings increased to 29.99%
- Joint operation on passenger flights to some destinations in China including BJS.
- Cargo JV – making good progress



Outlook

- General market
 - Signs of recovery on the way
 - Remain cautious about sustainable recovery
 - Asia market will rebound more quickly than elsewhere when a true recovery comes
 - Market capacity is reduced, expect to increase gradually from early 2010



Outlook

- Our situation
 - Relieve to see pick up in business towards end of 2009
 - Demand and yields start to recover from a low base
 - Cargo prospect could be exaggerated by seasonal factors
 - Fuel price remains a cause of concern
 - Commitment to future expansion



Year end issues

- Aircraft value impairment – under review
- HAECO and Air China treatment – associates
- MTM valuation
- Operational provisions
- Anti-trust investigations

