

# Cathay Pacific Airways Limited – Abridged Financial Statements

To provide shareholders with information on the results and financial position of the Group's significant listed associated company, Cathay Pacific Airways Limited, the following is a summary of its audited consolidated income statement and consolidated statement of comprehensive income for the year ended 31st December 2009 and consolidated statement of financial position as at 31st December 2009, modified to conform to the Group's accounts presentation.

## CATHAY PACIFIC AIRWAYS LIMITED

### Consolidated Income Statement

For the year ended 31st December 2009

	2009 HK\$M	2008 HK\$M (Restated)
Turnover	66,978	86,563
Operating expenses	(62,499)	(94,124)
Profit on disposal of investment in an associated company	1,254	–
Settlement of the US Department of Justice cargo investigations	–	(468)
Operating profit/(loss)	5,733	(8,029)
Finance charges	(1,435)	(2,428)
Finance income	588	1,416
Net finance charges	(847)	(1,012)
Share of profits less losses of associated companies	261	(764)
Profit/(loss) before taxation	5,147	(9,805)
Taxation	(283)	1,333
Profit/(loss) for the year	4,864	(8,472)
Profit/(loss) attributable to:		
Cathay Pacific shareholders	4,694	(8,696)
Minority interests	170	224
	4,864	(8,472)
Dividends		
Interim – paid	–	118
Final – proposed	393	–
	393	118
	HK¢	HK¢
Earnings/(loss) per share for profit attributable to		
Cathay Pacific shareholders (Basic and diluted)	119.3	(221.0)

**Consolidated Statement of Comprehensive Income**

For the year ended 31st December 2009

	<b>2009</b> <b>HK\$M</b>	2008 HK\$M (Restated)
<b>Profit/(loss) for the year</b>	<b>4,864</b>	<b>(8,472)</b>
<b>Other comprehensive income</b>		
Cash flow hedges		
– recognised during the year	<b>6</b>	(1,275)
– transferred to profit and loss	<b>360</b>	132
– deferred tax	<b>(37)</b>	108
Net fair value gains/(losses) on available-for-sale financial assets	<b>479</b>	(430)
Share of other comprehensive income of associated companies	<b>11</b>	(154)
Net translation differences on foreign operations	<b>8</b>	524
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>827</b>	<b>(1,095)</b>
<b>Total comprehensive income for the year</b>	<b>5,691</b>	<b>(9,567)</b>
Total comprehensive income attributable to:		
Cathay Pacific shareholders	<b>5,521</b>	(9,791)
Minority interests	<b>170</b>	224
	<b>5,691</b>	<b>(9,567)</b>

Note:

Other than cash flow hedges as highlighted above, items shown within other comprehensive income have no tax effect.

## Consolidated Statement of Financial Position

At 31st December 2009

	2009 HK\$M	2008 HK\$M (Restated)	2007 HK\$M (Restated)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Fixed assets	65,495	66,039	62,388
Intangible assets	7,850	7,782	7,782
Investments in associated companies	9,042	9,581	9,896
Other long-term receivables and investments	5,307	4,949	5,119
	87,694	88,351	85,185
<b>Current assets</b>			
Stock	947	960	882
Trade and other receivables	8,161	10,647	9,817
Liquid funds	16,522	15,088	21,649
	25,630	26,695	32,348
<b>Current liabilities</b>			
Current portion of long-term liabilities	9,023	4,556	4,788
Related pledged security deposits	(1,195)	(301)	(910)
Net current portion of long-term liabilities	7,828	4,255	3,878
Trade and other payables	12,965	17,722	12,538
Unearned transportation revenue	8,075	8,649	8,792
Taxation	943	2,129	2,475
	29,811	32,755	27,683
<b>Net current (liabilities)/assets</b>	<b>(4,181)</b>	<b>(6,060)</b>	<b>4,665</b>
<b>Total assets less current liabilities</b>	<b>83,513</b>	<b>82,291</b>	<b>89,850</b>
<b>Non-current liabilities</b>			
Long-term liabilities	40,416	43,221	40,323
Related pledged security deposits	(5,602)	(7,196)	(7,833)
Net long-term liabilities	34,814	36,025	32,490
Other long-term payables	1,059	4,606	1,490
Deferred taxation	5,255	4,831	6,621
	41,128	45,462	40,601
<b>NET ASSETS</b>	<b>42,385</b>	<b>36,829</b>	<b>49,249</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	787	787	788
Reserves	41,451	35,922	48,283
<b>Funds attributable to Cathay Pacific shareholders</b>	<b>42,238</b>	<b>36,709</b>	<b>49,071</b>
<b>Minority interests</b>	<b>147</b>	<b>120</b>	<b>178</b>
<b>TOTAL EQUITY</b>	<b>42,385</b>	<b>36,829</b>	<b>49,249</b>

## Notes to the Accounts

At 31st December 2009

### Contingencies

- (a) Cathay Pacific Airways (“Cathay Pacific”) has under certain circumstances undertaken to maintain specified rates of return within the Cathay Pacific group’s leasing arrangements. The Directors of Cathay Pacific do not consider that an estimate of the potential financial effect of these contingencies can practically be made.
- (b) At 31st December 2009, contingent liabilities existed in respect of guarantees given by the Cathay Pacific group on behalf of associated companies and staff relating to lease obligations, bank loans and other liabilities of up to HK\$262 million (2008: HK\$270 million).
- (c) Cathay Pacific operates in many jurisdictions and in certain of these there are disputes with the tax authorities. Provisions have been made to cover the expected outcome of the disputes to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.
- (d) Cathay Pacific is the subject of investigations and proceedings with regard to its air cargo operations by the competition authorities of various jurisdictions, including the European Union, Canada, Australia, Switzerland, Korea and New Zealand. Cathay Pacific has been cooperating with the authorities in their investigations and, where applicable, vigorously defending itself. The investigations and proceedings are focused on issues relating to pricing and competition. Cathay Pacific is represented by legal counsel in connection with these matters.

On 24th December 2007, Cathay Pacific received a Statement of Objections from the European Commission with regard to its air cargo operations and, with the assistance of legal counsel, has responded.

On 15th December 2008, Cathay Pacific received a Statement of Claim from the New Zealand Commerce Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, is evaluating the allegations and has responded.

On 17th July 2009, Cathay Pacific received an Amended Statement of Claim from the Australian Competition & Consumer Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

On 24th November 2009, Cathay Pacific received an Examiner's Report from the Korean Fair Trade Commission with regard to its air cargo operations. Cathay Pacific, with the assistance of legal counsel, has responded.

Cathay Pacific has been named as a defendant in a number of civil class action complaints in the United States, Canada and Australia alleging violations of applicable competition laws arising from its conduct relating to its air cargo operations. In addition, civil class action claims have been filed in the United States and Canada alleging violations of applicable competition laws arising from Cathay Pacific’s conduct relating to certain of its passenger operations. Cathay Pacific is represented by legal counsel in the actions filed in the United States, Canada and Australia and is defending those actions.

The investigations, proceedings and civil actions are ongoing and the outcomes are subject to uncertainties. Cathay Pacific is not in a position to assess the full potential liabilities but has made a provision of HK\$80 million in respect of such liabilities in its 2009 accounts. The information usually required by HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” is not disclosed on the grounds that it can be expected to prejudice seriously the outcomes.